



# GADD SMP FUND

## Monthly Report

### August 2022

NAV CHF 1'927.64\*

Inception date 05.04.2011 = CHF 1'000

\* at 31.08.2022

|      | Jan.  | Feb.  | Mars   | Apr.  | May   | June  | July  | Aug.  | Sep.  | Oct.  | Nov.  | Dec.  | Year   |
|------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2013 | 2.9%  | 1.7%  | -0.9%  | -0.8% | 2.4%  | -5.6% | 6.3%  | 0.2%  | 2.8%  | 0.5%  | 1.5%  | 1.9%  | 13.3%  |
| 2014 | -0.3% | 4.9%  | -1.6%  | 3.1%  | 1.4%  | 0.3%  | -1.6% | 0.6%  | -2.2% | 0.4%  | 3.6%  | 1.8%  | 11.0%  |
| 2015 | 0.8%  | 4.4%  | -0.4%  | 1.9%  | -0.7% | -4.4% | 0.7%  | -2.5% | -0.5% | 4.0%  | 1.0%  | 1.4%  | 5.3%   |
| 2016 | -4.9% | 1.3%  | 2.0%   | 3.4%  | 3.6%  | -5.0% | 3.2%  | 2.4%  | 2.1%  | 0.1%  | -2.4% | 2.3%  | 7.7%   |
| 2017 | 0.8%  | 2.8%  | -2.9%  | 3.8%  | 1.2%  | 0.0%  | -3.0% | -1.5% | 3.6%  | 1.5%  | -1.4% | -1.2% | 3.5%   |
| 2018 | 1.5%  | 1.0%  | -3.0%  | 2.7%  | 0.9%  | -0.8% | 0.6%  | 3.3%  | -0.9% | -5.6% | -2.0% | -2.9% | -5.5%  |
| 2019 | 5.7%  | 4.6%  | -0.1%  | 4.2%  | -0.0% | 1.0%  | 0.1%  | -1.7% | 0.5%  | 0.1%  | 3.1%  | 1.8%  | 20.8%  |
| 2020 | 1.5%  | -4.7% | -15.0% | 8.9%  | 4.3%  | 1.1%  | 3.1%  | 3.9%  | 2.7%  | -3.5% | 5.1%  | 3.3%  | 7.6%   |
| 2021 | 0.0%  | 3.1%  | 2.8%   | 3.8%  | 7.2%  | 0.0%  | 4.6%  | 1.3%  | -1.1% | 5.9%  | 1.6%  | 3.8%  | 37.7%  |
| 2022 | -7.1% | -1.8% | 5.3%   | -1.6% | 0.8%  | -9.4% | 7.2%  | -4.6% |       |       |       |       | -11.6% |

## Market Comment

The US Senate approved a reform package worth over \$400 billion this month. The package was passed by the narrowest of margins, with Vice President Harris having the casting vote, making the vote 51-50. The package includes proposals to increase incentives for climate investment, allow Medicare to negotiate down drug prices, increase resources for tax collection and increase subsidies under the Affordable Care Act (health insurance). Together with a new 15% minimum tax on corporate profits and a 1% excise tax on corporate stock buybacks, it should reduce the budget deficit by \$300 billion over time.

Consumer price inflation in the US slowed in July to an annual rate of 8.5 percent - down from the 8.7 percent increase analysts had expected and 9.1 percent in June. This did not affect Fed Chairman Powell's speech in Jackson Hole and unsurprisingly he announced that interest rate hikes will continue.

Several ECB members highlighted at the end of the month the need for continued tightening even if it would contribute to a recession. Speaking at Jackson Hole, German ECB member Schnabel stressed that confidence in the world's central banks is in jeopardy and that inflation must be fought vigorously.

The National Institute of Economic Research downgraded its forecast for Swedish gross domestic product growth to 2.4 percent this year and 0.5 percent in 2023, compared with previous forecasts of 1.9 percent and 1.2 percent, respectively.

In Europe, gas and electricity prices continued to rise to new record levels after Gazprom announced that the flow of gas in Nord Stream 1 will be shut down for three days from

31 August. The announcement comes three weeks after Russia cut natural gas flows from 40% of capacity to the current 20%.

In an attempt to reduce the price of oil, US President Biden held talks with German Chancellor Scholz, French

| Index               | 31.12.21  | 31.08.22  | YTD     |
|---------------------|-----------|-----------|---------|
| MSCI World (USD)    | 3'231.73  | 2'627.32  | -18.7%  |
| STOXX50 (EUR)       | 4'298.41  | 3'517.25  | -18.2%  |
| S&P 500 (USD)       | 4'766.18  | 3'955     | -17.0%  |
| Nasdaq Comp (USD)   | 15'644.97 | 11'816.2  | -24.5%  |
| Dax (EUR)           | 15'884.86 | 12'834.96 | -19.2%  |
| SMI (CHF)           | 12'875.66 | 10'855.03 | -15.7%  |
| OMX30 (SEK)         | 2'419.73  | 1'920.23  | -20.6%  |
| MSCI Russia (USD)   | 757.85    | 0         | -100.0% |
| MSCI China (USD)    | 83.7      | 66.16     | -21.0%  |
| NIKKEI (YEN)        | 28'791.71 | 28'091.53 | -2.4%   |
| Swe. Gov Bond. 10 y | 0.238%    | 1.968%    |         |

President Macron and UK Prime Minister Johnson, with the aim of getting Iran to increase its oil production by around 1 million barrels per day. Reports in early August that a draft was ready raised expectations that a final deal was within reach. However, Iran's celebration of the attack on author Salman Rushdie has drawn criticism in the US Congress and no agreement has yet been reached.

Prime Minister Kishida has for the first time since the 2011 Fukushima crisis taken steps to restore Japan's status as a nuclear power nation, by speeding up the restart of re-

actors and signaling the construction of new plants. Kishida's decision to throw his political weight behind the nuclear sector aims to control the soaring energy costs for households and businesses and support Japan's nuclear technology manufacturers.

The MSCI World (USD) index fell 4.3% in the month. The S&P 500 in the US fell 4.2% and the Nasdaq by 4.6%. In Europe, the STOXX50 fell 5.2% and the Dax by 4.8%. The SMI fell by 2.6%, while the OMX in Stockholm fell by 5.5%. MSCI Russia (USD) remained closed. However, MSCI China (USD) rose 0.1% and Nikkei in Japan rose 1.0%. The Swedish 10-year government bond yield rose from 1.410% to 1.968% in August.

## Activities of the month

During the month, the Fund bought ABB and Investor for 2% respectively of the Fund's value. ABB's electrification and robotics business is well positioned for future growth and the stock of Investor came down to historic discount levels and the fund took the opportunity to invest.

The fund was via a spin-off allocated shares in Al-leima, formerly the Materials Technology business of Sandvik. The company develops and manufactures materials and products in stainless steel and special alloys and was listed at the end of the month.

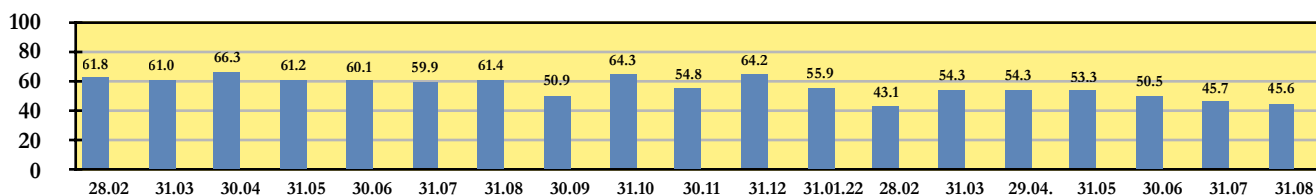
The Fund's bond holdings showed a stable performance in August and were not significantly affected by the stock market downturn. The Fund's net exposure to equities was held relatively constant at just under 46%.

Two of the three technical indicators (medium and long) both show a continued negative trend. However, the short-term indicator shows a slight positive trend.

## Investment strategy

After the strong finish in July, the market continued to rise in early August. Still, the Fund's low equity exposure was maintained as we were somewhat sceptical about the strong rally as it took place during the holiday period at very low volumes. The strategy of waiting until the professional investors returned after the holidays proved to be a correct decision, the OMX30 fell by more than 8% after the start of school in mid-August and we now enter the historically weak month of September with a limited equity exposure of just below 50%.

**GADD SMP FUND: Net Equity Exposure (%)**



Lifco's negative performance during the month resulted in that it now represents 2% of the fund's value, compared with previously 3%.

Filo Mining announced new discoveries in the so-called Aurora area where the company has found high copper equivalents. The share price rose initially, but fell back at the end of the month.

The best performing stock during the month was Logistri, which rose 16.3%, followed by Implantica 12% and VEF 8.8%. Other companies that also performed well were Lundin Gold 5.9%, Enea 2%, Swedish Match 0.8% and Africa Energy 0.2%.

On the negative side, Revolution Race (-43.8%), the CEO and founder Pernilla Nyrensten announced the day before the half-year report was published that she was stepping down from the CEO position. Despite a solid report, the market focused on Nyrensten's exit and the stock fell sharply. Other companies whose shares had a strong negative performance were QleanAir (-24.7%), Sdiptech (-20.2%), Indutrade (-16.5%), Latour (-16.2%), VNV Global (-16.2%), Lifco (-15.3%) and IPC (-15%).

Inflation remained at high levels, interest rates rose and central banks highlighted during the month that they will continue to raise policy rates to curb inflation. A possible Fed rate cut in 2023 is unlikely. This is not a good mix for risk assets, the intention is therefore to follow the central banks' lead as data-dependent, i.e. the fund will wait and maintain a defensive equity exposure until there are signs that inflation is slowing and macroeconomic indicators are brightening. It should be added, however, that after the recent weak performance, the stock market is at oversold levels and a short-term rebound does not seem too implausible.

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