



GADD SMP FUND

Monthly Report

September 2022

NAV CHF 1'867.24*

Inception date 05.04.2011 = CHF 1'000

* at 30.09.2022

	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%	-3.1%				-14.4%

Market Comment

The stock market had a very weak development during the month, mainly driven by large interest rate hikes and concerns about developments in Ukraine.

In the US, the Federal Reserve decided to raise interest rates by 0.75% to 3.25%, which was then followed by the ECB's rate hike of 0.75% to 1.25%, which negatively affected the financial markets. Several other countries raised their interest rates during the month, including the Swedish Riksbank, which raised the interest rate by 1% to 1.75%. The interest rate increases take place to combat the abnormally high rate of inflation in the economy.

At the beginning of the month, Ukraine reaped success in its defence against Russia and was able to regain some occupied territories. It forced Russia to decide to mobilise an additional 300'000 troops and to annex the remaining occupied territories. The annexation was carried out after a hastily conducted vote, which was heavily criticised by the West. However, Russia continues to lose occupied territory and the risk increases that the war will spread beyond the country's borders, even if both China and India have now been taking a more critical stance than before towards Russia's invasion of Ukraine.

In Sweden, the bloc of right-leaning parties won the parliamentary election with a majority of 3 seats. Moderate Party leader Ulf Kristersson will be the new prime minister. The Sweden Democrats had a successful election, but will not get a government seat although they will be assigned leading roles in the Riksdag committees. The Center Party's weak election results led to the resignation of their party leader Annie Lööf, and there are now hopes that the party can once again join the right-leaning parties' bloc.

On September 8, Queen Elisabeth II died after 70 years on the throne. She is succeeded by her son Charles III. The Queen is deeply missed by an entire nation and the London Stock Exchange was closed for several days in her memory.

Index	31.12.21	30.09.22	YTD
MSCI World (USD)	3'231.73	2'378.65	-26.4%
STOXX50 (EUR)	4'298.41	3'517.25	-18.2%
S&P 500 (USD)	4'766.18	3'585.62	-24.8%
Nasdaq Comp (USD)	15'644.97	10'575.62	-32.4%
Dax (EUR)	15'884.86	12'114.36	-23.7%
SMI (CHF)	12'875.66	10'267.55	-20.3%
OMX30 (SEK)	2'419.73	1'828.98	-24.4%
MSCI Russia (USD)	757.85	0	-100.0%
MSCI China (USD)	83.7	56.42	-32.6%
NIKKEI (YEN)	28'791.71	25'937.21	-9.9%
Swe. Gov Bond. 10 y	0.238%	2.249%	

In Italy, far-right leader Giorgia Meloni has claimed victory in Italy's election with 26% of the votes, and is on course to become the country's first female prime minister. This might put a kink in the EU's solidarity energy policy towards Russia, since Meloni's politics are expected to be very nationalistic.

Towards the end of the month, the Northstream I and Northstream II gas pipelines exploded off the Danish island of Bornholm in the Baltic Sea. The pipelines were no

longer in use, as Russia had stopped gas supplies to Germany, but full of leaking gas. It is still unclear who carried out the sabotage, but it shows how easy it is to damage other gas pipelines, such as those from Norway and England to continental Europe.

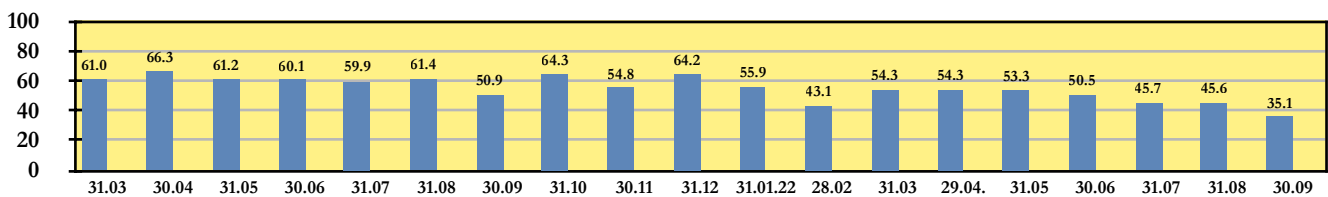
In order to mitigate the energy demand in the Western world, US President Joe Biden has had the ambition to resume the nuclear energy agreement with Iran. Although, after the infamous Iranian morality police killed a 22-year-old girl, Iran is now experiencing political demonstrations that are destabilising the country, making a new deal seem more unlikely until the riots calm down.

support for current rates at the same time as the so-called HausseIndex (15 out of 100) indicates such widespread market pessimism that a trend change should soon follow. Even an index that measures "insiders" activity shows a strong overweight. 83% of all "insiders" are buyers and not sellers in the market, which is also a positive sign for the future.

Investment strategy

September is statistically the weakest stock market month of the year. Lack of company reporting is a contributing factor. During the past month, several negative macro-economic and macro-political news were also found which

GADD SMP FUND: Net Equity Exposure (%)



The world index MSCI World (USD) fell by as much as 9.5% during the month. The S&P 500 in the US fell 9.3% and the Nasdaq 10.5%. In Europe, the STOXX50 fell by 5.7%, and the Dax by 5.6%. SMI fell 5.4% while OMX in Stockholm fell 4.8%. MSCI Russia (USD) remained closed. MSCI China (USD) fell by a whopping 14.7%. Nikkei in Japan fell 7.7%. The Swedish 10-year government bond rate rose from 1.968% to 2.249% during the month.

Activities of the month

Due to the sharp decline in the market, there was very little market activity. Several new issues were cancelled while the fund tried to subscribe for shares in the issue of Porsche, but, like many others, did not receive an allocation.

In the current stock market climate, few of the fund's holdings had a positive development. Momentum Group rose 22.7% and the less liquid investment in Pomegranate rose 8.3%. Lundin Gold rose 7.5% and Lundin Mining 2.6%. The fund's holdings in Swedish Match rose 2.7% in anticipation of Philip Morris raising its bid for the company, and SEB rose 0.1%.

On the negative side, we can mainly mention Studentbostäder (-23.4 %), Enea (-22.1 %), Alligo (-21.1 %), Yabi (-20.0 %), Skistar (-19.4 %), Peab (-18.8 %) and VEF (-16.34%).

The fund's net exposure in shares was reduced towards the end of the month from 45% to 35% via additional purchases of index futures. At the end of the month, the fund has close to 8% in cash.

The three technical indicators (short, medium and long) all show a continued negative development. However, the medium-term indicator is at a level that should provide

had a negative impact on the market. The selling pressure on the market was also increased by the negative technical development during the year, which gives the market a "negative interpretation advantage".

With declines during the year approaching 30%, which also corresponds to the low levels seen briefly during the Covid crisis just under 2 years ago, many negative factors are probably largely discounted at today's rates. Positive is e.g. that raw materials such as oil and metals have fallen between 20 - 30% in recent months, which should alleviate inflation. Shipping prices have also dropped drastically, which shows that the distribution chain is starting to work more efficiently.

With only 35% net exposure to the stock market, the fund is well equipped to wait for the trend to reverse. During October, the companies will start reporting their results for the third quarter. Most likely, the results will show that the companies' operations - in most cases - have not been affected in a way that justifies the current price declines.

Even though further rising of interest rates can be expected, the OECD expects continued growth in the world economy during 2023/2024, which in the long run will provide support to the financial markets. When the trend reverses, the fund will be able to effectively increase the currently low equity exposure.

Did you know you can follow Gadd & Cie on [LinkedIn](#)? We regularly update it with our current views on the financial markets.