



# GADD SMP FUND

## Monthly Report

### December 2022

NAV CHF 2'015.39\*

Inception date 05.04.2011 = CHF 1'000

\* at 31.12.2022

	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%	4.4%	3.1%	0.3%	-7.6%

## Market Comment

After two positive months for the stock market, October-November, the market decreased again in December, partly due to stronger economic data with subsequent higher interest rates that put pressure on stock prices. Good news is still "bad news", as strong economic data is interpreted as a continued need for the central banks to raise interest rates to bring down the economic activity.

In the US, the Fed raised as expected the rate by 50 basis points to 4.50 %. The decision was unanimous. The signals about future monetary policy were slightly more hawkish than the market expectations. The press release was unchanged from November, but the interest rate path ("dot-plot") was raised by 50 basis points, signalling a policy rate of 5.1 percent by the end of 2023 and 4.1 percent by the end of 2024, i.e. clearly above market pricing. The FED forecasts GDP growth to be only 0.5 % for 2023.

The US Senate passed by a large majority a new \$1.7 trillion spending package in December. The package funds the national budget until September 2023.

In Germany, police conducted a major raid on suspected right-wing extremists. They arrested 25 people suspected of founding a terrorist organisation. In all, some 50 people are accused of forming a right-wing terrorist group with the aim of overthrowing democratic rule in Germany and restoring the German Empire. It allegedly involved plans for the storming of the Bundestag and an attack on electricity infrastructure in order to bring about a "civil war-like" state, according to prosecutors.

From a decline in October, CPI inflation in Sweden rose again. November's figure showed an increase of 9.5 percent compared to the same month last year, slightly lower than

the expected 9.7 percent. Contributing factors were electricity prices, which rose 16.8 percent from October to November, and food prices, which rose for the twelfth consecutive month. The market is forecasting a 25 basis point rate hike at the next monetary policy meeting in February as inflation is well above the Riksbank's forecast.

Index	31.12.21	31.12.22	YTD
MSCI World (USD)	3'231.73	2'602.685	-19.5%
STOXX50 (EUR)	4'298.41	3'793.62	-11.7%
S&P 500 (USD)	4'766.18	3'839.5	-19.4%
Nasdaq Comp (USD)	15'644.97	10'466.482	-33.1%
Dax (EUR)	15'884.86	13'923.59	-12.3%
SMI (CHF)	12'875.66	10'729.4	-16.7%
OMX30 (SEK)	2'419.73	2'043.404	-15.6%
MSCI Russia (USD)	757.85	0	-100.0%
MSCI China (USD)	83.7	63.948	-23.6%
NIKKEI (YEN)	28'791.71	26'094.5	-9.4%
Swe. Gov Bond. 10 y	0.238%	2.46%	

The ECB also raised as expected the interest rate by 50 basis points to 2.5 %. ECB chief Christine Lagarde announced that she expects to have to raise rates significantly from current levels and keep them high for a long time as inflation is being cemented at a higher lever than previously expected. The statement sent stock markets tumbling.

The Bank of Japan shook up the world's financial markets with the unexpected decision to widen the tolerance range for the 10-year rate from +/-0.25 to +/-0.50 percentage

points. The change is seen by most observers as a possible beginning of the end of decades of expansionary economic policy.

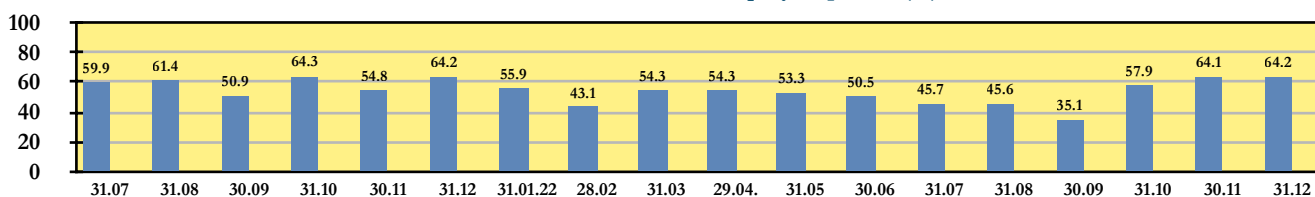
The MSCI World (USD) index fell by 4.3 % during the month. The S&P 500 in the US fell 5.9 % and the Nasdaq fell as much as 8.7 %. In Europe, the STOXX50 fell by 4.3 % and the Dax by 3.3 %. The SMI fell 3.6 % and the OMX in Stockholm fell 2.8 %. MSCI Russia (USD) remained closed. MSCI China (USD) rose 5.2 % after Covid restrictions were lifted, while the Nikkei in Japan fell 6.7 %. The Swedish 10-year government bond yield rose from 1.86 % to 2.46 % during the month.

## Activities of the month

There was less activity in the fund during the month as the market weighed the lower US inflation data against higher interest rates and stronger economic signals. With negative interpretive bias, the Fund chose to wait before making any major changes.

Novo Nordisk together with Nordea increased their position in the fund by 1 % point each to 4 %, thanks to their results. Atlas Copco, Lifco, and Trelleborg, on the other hand, decreased their holdings by 1 % point each to 3 %.

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



The best performer of the fund's holdings during the month was Filo Mining, which rose by 28.7 %, followed by Cinis Fertilizer 18.9 %. Other holdings that rose were Enea 7.6 %, Embracer 6.5 %, Novo Nordisk 6.1 %, Momentum Group 4.5 %, JM 3.1 %, Nordea 2 %, Logestri 1.4 %, Kindred 0.98 % and SEB 0.2 %.

On the negative side, Africa Energy fell by (15.6 %), continuing its decrease after the sharp fall in November following the announcement that the Gazania-1 well in Block 2B was drilled dry, VEF fell by (15.4 %), QleanAir by (13.1 %), Fleming Properties (12.2 %), Backaheden Fastigheter (10.3 %), Dometic (9.7 %), Husqvarna (9.7 %), Implantica (9.7 %) and VNV Global (9.2 %).

The Fund's net exposure to equities was held more or less constant at 64.2 % from 64.1 % previously.

The short-term technical indicator has turned slightly negative after the recent decline. The medium-term indicator has also turned negative and the long-term indicator shows a continued negative trend in the stock market.

## Investment strategy

The recovery seen in the previous two months was partially reversed in December. The December effect or the so-called "Christmas rally", failed to materialise. Nevertheless, thanks to its exposure to commodities, pharmaceuticals and financials, the Fund was able to report a positive result for the month.

There are strong indications that financial markets will continue to struggle with inflation and interest rate fears in 2023, with the rate of economic growth expected to be low to negative. The IMF predicts that one third of the global economy will be in recession this year. IMF chief Kristalina Georgieva said in an interview that the former growth engine China, risks weighing on global growth for the first time in modern times. Central banks have been clear that fighting inflation is the overriding goal despite an incoming recession. On the other hand, data in the US suggests that inflation has peaked and there is likely to be scope for lower inflation in Europe in 2023.

That corporate profit margins is expected to come under pressure, but the magnitude and how much the market discounts in today's valuations will be a key determinant of future developments.

Still, after this year's large downturn in the world stock markets, for example the SP 500 recording its worst year since 2008, the fund sees a lot priced into today's prices, this coupled with the knowledge that the fund has the ability to react quickly when something unforeseen happens, allows us to be hopeful that the fund can show a positive performance in 2023.

We at GADD would like to take this opportunity to thank you for your trust over the past year and look forward to continued support in 2023.

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