



GADD SMP FUND

Monthly Report

July 2023

NAV EUR 2'147.94*

Inception date 05.04.2011 = EUR 1'000

* at 31.07.2023

| | Jan. | Feb. | Mars | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. | Year |
|------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2014 | -0.4% | 5.0% | -1.6% | 3.1% | 1.4% | 0.9% | -1.7% | 0.7% | -2.2% | 0.5% | 3.6% | 1.7% | 11.1% |
| 2015 | 0.5% | 5.3% | -0.2% | 2.0% | -0.8% | -4.2% | 0.8% | -2.3% | -0.4% | 4.0% | 1.0% | 1.5% | 5.6% |
| 2016 | -4.8% | 1.3% | 2.1% | 3.4% | 3.5% | -5.3% | 3.4% | 2.5% | 2.1% | 0.1% | -2.3% | 2.2% | 7.9% |
| 2017 | 0.9% | 2.8% | -2.9% | 3.9% | 1.3% | 0.1% | -3.0% | -1.6% | 3.7% | 1.4% | -1.3% | -1.1% | 4.0% |
| 2018 | 1.5% | 1.1% | -3.0% | 2.5% | 1.1% | -0.6% | 0.6% | 3.4% | -0.9% | -5.5% | -2.0% | -2.9% | -5.1% |
| 2019 | 5.7% | 4.6% | -0.1% | 4.2% | 0.1% | 1.1% | 0.1% | -1.6% | 0.5% | 0.1% | 3.1% | 1.8% | 21.4% |
| 2020 | 1.6% | -4.7% | -15.9% | 9.2% | 4.3% | 1.1% | 3.1% | 3.9% | 2.7% | -3.4% | 5.1% | 3.3% | 8.1% |
| 2021 | 0.0% | 3.1% | 2.8% | 3.8% | 7.2% | 0.0% | 4.6% | 1.3% | -1.1% | 5.9% | 1.5% | 3.8% | 38.2% |
| 2022 | -7.0% | -1.8% | 5.4% | -1.6% | 0.8% | -9.5% | 7.7% | -5.0% | -3.5% | 4.1% | 3.1% | 0.4% | -8.1% |
| 2023 | 3.2% | -1.2% | -1.6% | -0.4% | -2.8% | 1.9% | 2.2% | | | | | | 1.2% |

Market Comment

Stock markets around the world followed previous seasonal patterns by rising during the month of July. The Stockholm Stock Exchange was unfortunately an exception. The company reports for the second quarter have generally been good, but with somewhat weak future forecasts. US inflation and GDP data surprised positively and more dovish statements from the FED and ECB gave the market support.

As expected, the Fed raised its key interest rate to 5.25%-5.50%, leaving open the possibility of another rate hike at its next meeting in September. The press release contained very few changes compared to previous interest rate announcements, if possible the statement from the Fed was slightly more optimistic about growth compared to previous press releases, while guidance on monetary policy going forward was basically unchanged.

US GDP growth in the second quarter was stronger than expected (2.4% vs consensus 1.8%), led by stronger consumption and investment. The core price deflator PCE, the Fed's favorite inflation measure, fell at the same time to 3.8% annualized from 4.9% (consensus 4%), fueling the stock market.

The credit rating agency Fitch downgraded the US credit rating from AAA to AA+. The weakening of US government finances and recurring problems with the debt ceiling were cited as reasons. In its decision, Fitch pointed to the expected fiscal deterioration and the high and increasing public debt burden in the coming years. Fitch also noted that the repeated negotiations on the debt ceiling were only resolved with last-minute deals.

The ECB's increase in the deposit rate by 25 basis points to 3.75% was in line with market expectations. Unlike earlier this year, ECB chief Lagarde avoided sending any clear

signals ahead of the next meeting, instead saying that the decision in September could be a pause or hike, which was interpreted as dovish by the market.

| Index | 31.12.22 | 31.07.23 | YTD |
|---------------------|-----------|-----------|-------|
| MSCI World (USD) | 2'602.685 | 3'064.3 | 17.7% |
| STOXX50 (EUR) | 3'793.62 | 4'471.31 | 17.9% |
| S&P 500 (USD) | 3'839.5 | 4'588.96 | 19.5% |
| Nasdaq Comp (USD) | 10'466.48 | 14'346.02 | 37.1% |
| Dax (EUR) | 13'923.59 | 16'446.83 | 18.1% |
| SMI (CHF) | 10'729.4 | 11'309.25 | 5.4% |
| OMX30 (SEK) | 2'043.404 | 2'250.92 | 10.2% |
| MSCI Russia (USD) | 0 | 0 | |
| MSCI China (USD) | 63.948 | 65.72 | 2.8% |
| NIKKEI (YEN) | 26'094.5 | 33'172.22 | 27.1% |
| Swe. Gov Bond. 10 y | 2.46% | 2.50% | |

Iraqi Salwan Momika's demonstration in Sweden during the month, where he, among other things, stepped on the Iraqi flag and burned the Koran, has provoked strong reactions. After the attack on the Swedish embassy in Baghdad, the Swedish ambassador in Iraq was expelled and Baghdad recalled its representative in Stockholm. The leadership in Iran has decided that Sweden's incoming ambassador will not be allowed into the country. Iraq has also cut off business relations with Swedish companies. Although the volume of trade with Iraq is relatively small, the severance of economic and diplomatic relations is a position with serious consequences for diplomacy.

The International Monetary Fund (IMF) has adjusted up the forecast for this year's growth in the world economy. The new forecast, which was presented during the month, implies growth of 3% this year. That is 0.2% higher than the last forecast in April. The forecast for next year is fixed at 3%. The IMF assesses that the risks have decreased in recent months since the US temporarily suspended the country's so-called debt ceiling and authorities, on both sides of the Atlantic, averted a banking crisis.

Goldman Sachs updated its view on the oil market. The bank estimates that global oil demand rose to a record 102.8 million bpd in July and is revising up demand in 2023 by about 550,000 bpd on stronger economic growth estimates in India and the United States, which offset a downgrade in China's consumption. The bank further commented that "oil prices have risen 18% since mid-June as record demand and Saudi supply cuts have restored deficits and the market abandoned its growth pessimism".

On July 17, Russia withdrew from the agreement to allow Ukrainian grain exports that had been made with Turkey and the United Nations. Since then, Moscow has repeatedly

increased it by 1% to 4%. Nibe reduced its stake in the fund by 1% to 3%.

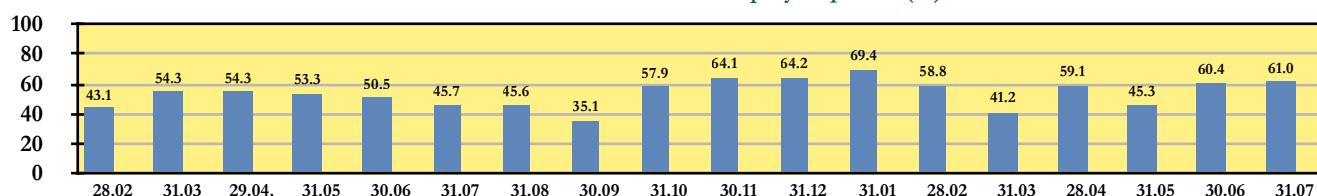
The strongest development of the fund's holdings during the month was accounted for by VEF, which rose by 30%, followed by Enea 26.8%. Other holdings that rose sharply were VNV Global 25.2%, JM 15.1%, Cibus 12.8%, Lundin Mining 12.4%, Embracer 12.2%, IPC 12.2%, Skanska 11%, Lundin Gold 10.6% and Dometic 10.4%.

On the negative side, Student housing can mainly be mentioned, which fell by (18.8%). Viva Wine Group fell by (12.3%), Cinis Fertilizer (11.1%), Lifco (9.4%), Indutrade (9.1%), Nibe (7.5%), Yabie (7.1%), Alleima (6.9%) and Filo Mining (4.8%).

The fund's net exposure in shares was maintained almost constant during the month, from previously 60.4% to 61%.

The short technical indicator indicates a continued neutral stance. As in the previous month, the medium-term indicator continues to show a positive trend, while the long-term indicator shows a weak positive trend.

GADD SMP FUND: Net Equity Exposure (%)



attacked Ukrainian infrastructure, which has had a negative impact on grain exports via the Black Sea. Turkey has expressed hopes that the agreement will be reinstated, but relations between Moscow and Ankara have deteriorated, making this less likely. The IMF estimates that the direct consequence of Russia's withdrawal from the agreement could be a 10-15% increase in global grain prices.

The world index MSCI World (USD) rose by 3.3% during the month. The S&P 500 in the US rose 3.1% and the Nasdaq rose 4.1%. In Europe, the STOXX50 rose by 1.6% and the Dax by 1.9%. SMI rose 0.3% and OMX in Stockholm retreated by (2.6%). MSCI Russia (USD) remained closed. MSCI China USD rose by as much as 9.8% while Nikkei in Japan retreated (0.1%).

The Swedish 10-year government bond rate decreased during the month by 7 points, from 2.57% to 2.50%.

Activities of the month

The fund's bond holdings in Bulk Industries matured as planned during the month. The holding in the Mirovia bond due in July 2024 was called for early redemption during the month at a small premium to par.

During the month, Skanska, Husqvarna and VEF increased their shares in the fund by 1% to 2% each, Lundin Gold also

Investment strategy

The fund expected past patterns to repeat with a strong stock market month in July. This was generally true around the world's stock exchanges, with Sweden being an exception. It is pleasing that the fund can show a positive result, partly thanks to strong company reports during a challenging month.

We are now entering a historically weaker stock market period before the usually strong end to the year. The reporting companies of the month have shown a pattern where those with previous strong gains have been severely penalized even for minor negative deviations. It may indicate that we have reached a temporary peak where investors are looking for reasons to take profits home, the fund therefore maintains a relatively balanced equity exposure of 60% ahead of the coming month.

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