GADD SMP FUND
Monthly Report
March 2025

NAV CHF 2'120.83*

Inception date 05.04.2011 = CHF 1'000 * at 31.03.2025

	Jan.	Feb.	Mars	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
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%	-15.9%	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%
2023	3.2%	-1.5%	-1.6%	-0.5%	-3.3%	1.8%	2.0%	-3.0%	-2.3%	-1.3%	2.3%	5.0%	0.7%
2024	-0.3%	1.4%	5.4%	1.8%	1.3%	-0.9%	4.3%	-0.1%	-1.6%	-2.0%	-0.8%	-2.6%	5.7%
2025	4.2%	0.1%	-5.2%										-1.2%

Market Comment

European stock markets started the month on a strong note, driven by positive fourth-quarter earnings and the launch of Germany's €500 billion infrastructure fund. This initiative is projected to double Germany's GDP growth to over 2% over the next decade. As Germany serves as the manufacturing hub of the eurozone, other European nations are expected to introduce similar fiscal stimulus measures, potentially leading to unprecedented GDP growth over the next ten years. The initial rally was led by cyclical sectors, particularly the automotive and financial industries. However, these same sectors have experienced recent declines due to renewed concerns over U.S. tariffs imposed by the Trump administration.

Conversely, the U.S. economy is showing signs of weakening. Consumer confidence has declined for the fourth consecutive month in March, particularly in forward-looking indicators. Meanwhile, the country's public finances remain strained, with credit rating agency Moody's issuing a warning about the deteriorating outlook, citing the administration's increasingly protectionist trade policies and planned tax cuts.

On "Liberation Day," U.S. President Donald Trump introduced higher-than-expected tariffs. A base tariff of 10% was applied to all imports, with significantly steeper duties imposed on select countries—54% for China, 46% for Vietnam, and 20% for the European Union. Existing tariffs on steel, aluminum, and automobiles remain at 25%. The new tariffs will take effect on April 5, while country-specific tariffs will be introduced on April 9. The U.S. government has indicated openness to negotiations, while the EU has announced potential countermeasures. While these tariffs are expected to dampen economic growth, they are not currently anticipated to trigger a U.S. recession.

As widely expected, the Federal Reserve kept its policy rate unchanged. The central bank revised down its growth forecast for the year, raised its inflation expectations, and maintained its projection for a cumulative 50-basis-point rate cut later in the year.

Index	31.12.24	31.03.25	YTD
MSCI World (USD)	3'707.837	3'628.64	-2.1%
STOXX50 (EUR)	4'895.98	5'248.39	7.2%
S&P 500 (USD)	5'881.63	5'611.85	-4.6%
Nasdaq Comp (USD)	19'310.792	17'299.29	-10.4%
Dax (EUR)	19'909.14	22'163.49	11.3%
SMI (CHF)	11'600.9	12'598.12	8.6%
OMX30 (SEK)	2'483.123	2'494.06	0.4%
MSCI Russia (USD)	0	0.00	
MSCI China (USD)	64.49	73.94	14.7%
NIKKEI (YEN)	39'894.54	35'617.56	-10.7%
Swe. Gov Bond. 10 y	2.34%	2.66%	

In Sweden, core inflation rose to 2.9% in February, up from 2.2% in January. Underlying CPIF inflation excluding energy (KPIFXE) increased to 3.0% from 2.7% the previous month. Both figures exceeded the Riksbank's December forecast by 0.7 and 0.6 percentage points, respectively. However, the International Monetary Fund (IMF) projects that Sweden's GDP will grow by 1.9% in 2025 and 2.2% in 2026, with inflation remaining anchored around the 2% target.

As anticipated, the European Central Bank (ECB) reduced its key interest rate, lowering the deposit rate by 25 basis points to 2.5%. The ECB signalled that the rate-cutting cycle may be nearing its conclusion as inflation eases and the economy adjusts to significant geopolitical shifts. The central bank acknowledged that achieving its 2% inflation target will take longer than previously expected, with ECB President Christine Lagarde emphasising the need for flexibility given the rapidly changing global landscape.

The eurozone's composite Purchasing Managers' Index (PMI) increased slightly in March, rising to 50.4 from 50.2, though it fell short of market expectations of 50.7. Despite this, economic activity in the eurozone continues to show moderate expansion.

In mid-March, German conservative leader Friedrich Merz reached an agreement with the Greens on a debt-financed spending program aimed at defence and infrastructure investments. The €500 billion package includes €100 billion allocated to the government's existing climate and transformation fund, along with provisions for increased defence spending. The proposal was subsequently approved by German lawmakers and parliament, marking a historic fiscal expansion. Russia and Ukraine, in negotiations facilitated by the United States, agreed to a ceasefire in the Black Sea and pledged to refrain from targeting energy infrastructure. In return, the U.S. committed to facilitating Russian exports of agricultural goods and fertilisers. However, uncertainties remain, as Russia is demanding further sanctions relief before the ceasefire takes effect, while Ukraine accuses Russia of exploiting the agreement for its own strategic gains.

Global stock markets experienced broad declines over the month. The MSCI World Index (USD) dropped by 4.6%, while the S&P 500 fell by 5.8% and the Nasdaq declined by 8.2%. In Europe, the STOXX50 fell by 3.9%, the DAX by 1.7%, the SMI by 3.1%, and the OMX Stockholm by 8.5%. In contrast, the MSCI China USD index advanced by 2%, while Japan's Nikkei index fell by 4.1%.

Sweden's 10-year government bond yield increased by 43 basis points over the month, rising from 2.23% to 2.66%.

Activities of the month

Magnolia mortgage bond matured and was repaid during the month, no new bond holdings were purchased. The fund chose to increase its holding in Lundin Mining to 3% as the fund received fewer shares in the company for the payment of Filo Mining than expected.

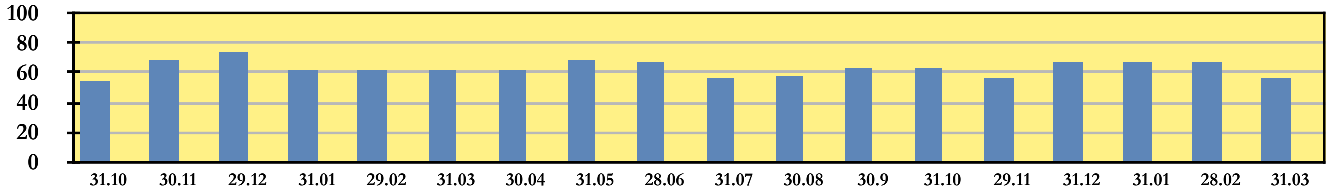
After another strong month, the short and long technical trends continue to show positive signals while the medium-term has turned down to neutral.

The fund maintained its equity exposure at a neutral level of approximately 65% during the month. Knowing the difficult geopolitical situation, the fund chose to be somewhat more restrained despite a strong reporting season and positive technical signals.

The strongest development of the fund's holdings during the month was accounted for by Fleming Properties, which rose by a total of 15.4%. Other holdings that increased were SEB 10%, Volvo 8.6%, Lundin Gold 8.4%, Nordea 7.1%, Skanska 7.1%, Novo Nordisk 6.1%, and IPC 4.6%.

On the negative side, Cinis Fertilizer was the most notable, falling (36.2%). However, it only represents 0.1% of the fund. Hexatronic fell (15%), RevolutionRace (11.8%), Cibus (9.8%), Nibe (9.8%), Dometic (9.5%) and JM (8.2%).

GADD SMP FUND: Net Equity Exposure (%)



Investment strategy

With the U.S. facing the possibility of a recession and global equity markets under pressure, identifying opportunities remains challenging. However, a key factor often overlooked is the potential economic boost from Europe's stimulus package. Prior to the COVID-19 pandemic, household surplus savings in the eurozone accounted for 3.5% of GDP. This figure rose to 7.5% as spending on travel and leisure declined and has since reached a record high of 11% of GDP due to stagnant consumption following Russia's invasion of Ukraine in 2022. If labor markets strengthen and geopolitical tensions ease, a portion of these excess savings could be deployed, potentially increasing eurozone GDP growth by 0.5–1% per year over the next decade. This would push annual growth beyond 2.5%—a significant improvement over the 40-year historical average of just under 1%. Current forecasts for 2026 remain at 1.5%, leaving ample room for upward revisions.

Ahead of the upcoming earnings season, corporate guidance is expected to be limited. Nonetheless, the fund maintains a cautiously optimistic view on companies poised to benefit from Europe's economic recovery while minimising exposure to trade-related risks. The fund continues to adhere to a defensive investment strategy, retaining the flexibility to further reduce risk should market conditions deteriorate further.

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