



HIGHVALUE PARTNERS












HVP – Quarterly report

Q1-2023

- **Market Overview**
 - Fixed Income
 - Equities
 - Alternative Investments
 - Currencies
- **What moves us!**
 - Artificial Intelligence
- **Our Funds at a glance**

Market Overview

Fixed Income - Review

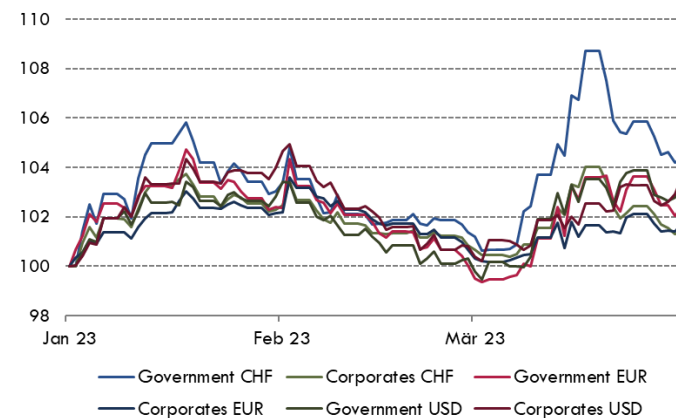
Category	QTD	YTD	
Government CHF	4.4%	4.4%	
Government EUR	2.4%	2.4%	
Government USD	3.3%	3.3%	
Corporates CHF	1.4%	1.4%	
Corporates EUR	1.7%	1.7%	
Corporates USD	3.6%	3.6%	
Inflation Linked	4.0%	4.0%	
High Yield Bonds	3.6%	3.6%	
Emerging Markets Bonds \$	2.8%	2.8%	
Emerging Markets Bonds local	3.9%	3.9%	
Convertible Bonds	2.3%	2.3%	

Source: Bloomberg

- The bond market had a good start into the year after the annus horribilis for investors.
- Slowing growth, lower goods prices and favourable base effects caused inflation to fall.
- The re-emergence of the banking crisis prompted the US Federal Reserve to slow the pace of its interest rate hikes.
- Surprisingly strong labour market data and stubborn consumer price inflation weighed on the convertible bond market from February onwards.

Fixed Income - Outlook

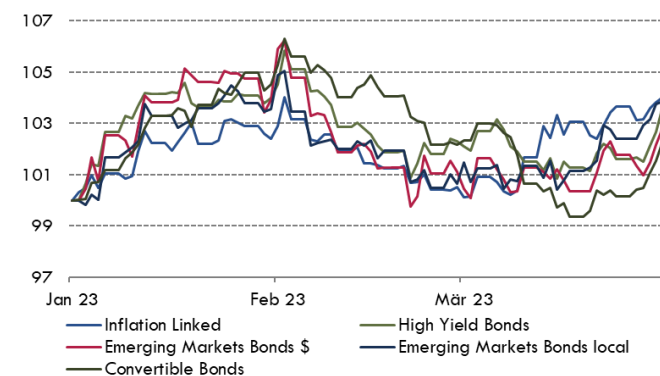
Overview Government and Corporate Bonds



Source: Bloomberg

- We consider the expectation of immediate interest rate cuts to be premature. Therefore, long-dated bonds are at risk of repricing if a recession can be avoided and central banks pause instead of cutting rates.
- "don't fight the Fed"; we wait to buy long-term (USD) bonds and prefer shortterm papers, which will continue to yield higher due to the still strong inverse yield curve - often a harbinger of a downturn.

Comparison of further fixed income categories



Source: Bloomberg

- Against the backdrop of the risk of recession, we are avoiding investments in the high-yield segment for the time being.
- The long-term return expectations for convertible bonds in the current investment environment have increased significantly. Higher yields on the bond component and the lower valuation on the equity market make this asset class extremely attractive.

Equities – Review

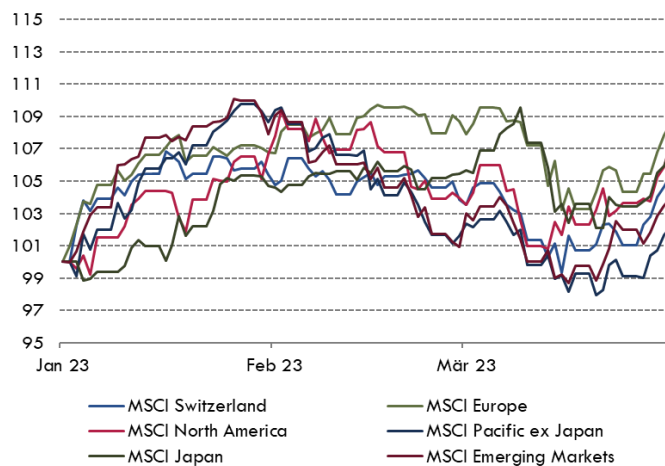
Regions	QTD	YTD	
MSCI Switzerland	5.4%	5.4%	<div style="width: 5.4%;"></div>
MSCI Europe	8.6%	8.6%	<div style="width: 8.6%;"></div>
MSCI UK	3.2%	3.2%	<div style="width: 3.2%;"></div>
MSCI North America	7.4%	7.4%	<div style="width: 7.4%;"></div>
MSCI Pacific ex Japan	2.2%	2.2%	<div style="width: 2.2%;"></div>
MSCI Japan	7.1%	7.1%	<div style="width: 7.1%;"></div>
MSCI World (in USD)	7.7%	7.7%	<div style="width: 7.7%;"></div>
MSCI Emerging Markets	4.0%	4.0%	<div style="width: 4.0%;"></div>

Source: Bloomberg

- The positive momentum of the last quarter in 2022 continued at the beginning of the year.
- The positive developments of the national economies were supportive for the good mood on the stock markets, among other things due to the continued strong consumption, the healthy labour markets, the wage increases and the mild winter in Europe.
- The bank quake and the crisis of confidence in March (Silicon Valley Bank, Credit Suisse, etc.) stopped a further rise in share prices only for a short time.

Equities - Outlook

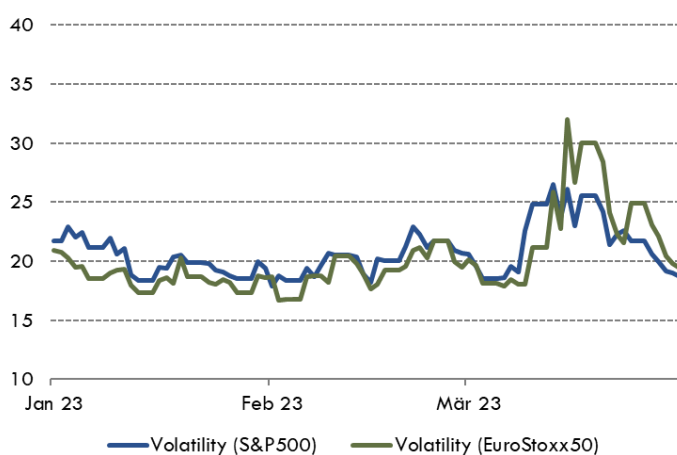
Comparison of various regions



Source: Bloomberg

- Regulators seem ready and willing to take the necessary steps to stabilise the financial system.
- The time of inflation fears with strong interest rate hikes is behind us. However, there remains an environment of more uncertainty, less transparency and more volatility. That is why we focus on selected quality stocks.
- Our preferred regions are Asia and Europe.

Overview Volatility



Source: Bloomberg

- Europe is the only region worldwide to show positive profit revisions for the current year. As an export-oriented market, Europe is also benefiting from China's reopening.
- China has ended its zero-covid policy. A sustained and comprehensive economic revival in China provides the strongest tailwind for global economic growth.

Alternative Investments and currencies - Review

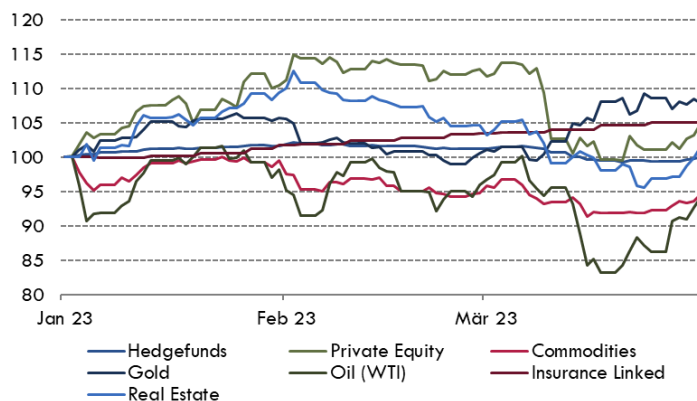
Category	QTD	YTD		
Hedgefonds	0.0%	0.0%		
Private Equity	5.0%	5.0%		
Commodities	-5.4%	-5.4%		
Precious Metals	6.3%	6.3%		
Gold	1969.00	7.8%	7.8%	
Oil (WTI)	75.67	-5.7%	-5.7%	
Insurance Linked	5.0%	5.0%		
Real Estate	1.7%	1.7%		
EUR/CHF	0.9922	0.3%	0.3%	
USD/CHF	0.9153	-1.0%	-1.0%	
EUR/USD	1.0839	1.3%	1.3%	
USD/JPY	132.86	1.3%	1.3%	
GBPCHF	1.1284	0.9%	0.9%	
EUR/GBP	0.8790	-0.7%	-0.7%	

Source: Bloomberg

- The crude oil seemed to have become a victim because of the turmoil in the financial sector. Uncertainty about the health of the overall economy is spreading.
- Fears of a major systemic banking crisis supported the gold price, which targeted the psychologically important USD 2000 mark.
- The main currencies moved within very narrow ranges for the most part of the current reporting period.

Alternative Investments and currencies - Outlook

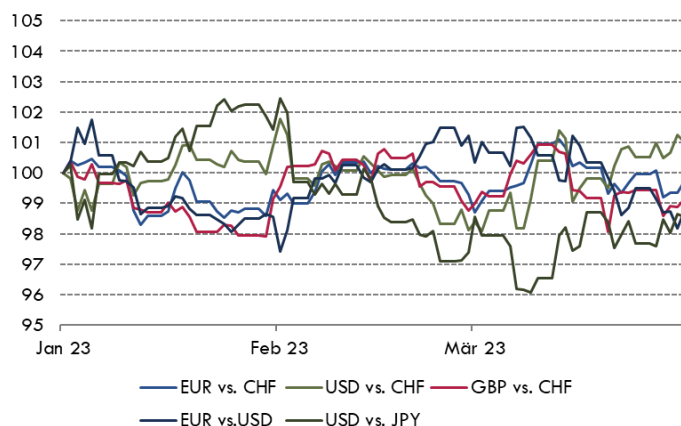
Overview of alternative investments



Source: Bloomberg

- The drop in oil and commodity prices will have a fairly strong impact on the consumer price index, as food and energy inflation will follow suit and tip sharply into negative territory.
- Should the interest rate cycle in the US end earlier than expected, this will lead to a weakening of the US dollar. Demand for gold should therefore continue to rise.

Comparison of main currencies



Source: Bloomberg

- The Euro and Swiss franc should benefit from the end of the US interest rate hike cycle.
- The interest rate environment has become more attractive again in Switzerland, so money will flow not only to Europe but also to Switzerland.
- In summary, we continue to expect no major movements in the currencies.

What moves us! – Artificial Intelligence (AI)

In recent years, artificial intelligence (AI) has evolved from an abstract concept to a universally applicable technology with many advantages. The release of the ChatGPT programme, which made headlines, has only accelerated this trend. ChatGPT is a software that simulates a conversation with a human and is currently available for free for anyone to test. AI can improve use cases and functions of existing products or be used to develop new products and services. AI can also be used to automate existing processes or make them more efficient, thus reducing companies' operating costs. Such applications require vast amounts of computing capacity, which will increase the demand for ever faster semiconductors. The buzzword in the sector at the moment is "AI" (Artificial Intelligence). Artificial intelligence and self-learning software programmes like ChatGPT capture the imagination. From an investment perspective, AI remains a difficult topic to grasp for the time being. Who the winners will be is hard to predict. What is clear, however, is that industry giants like Alphabet, Amazon, Meta Platforms and Microsoft have been investing heavily in computing capacity for some time. This is evidenced by the increasing capital expenditure on data centres. Amazon, for example, surprised everyone a year ago by stating that 40% of its \$61 billion company-wide CapEx was allocated to its cloud subsidiary AWS. Chinese internet giants Alibaba, Tencent and Baidu are also investing significant sums in the technology arms race. The financial outlay to train and maintain AI algorithms is considerable. Sam Altman, co-founder and CEO of the startup OpenAI (Microsoft involved with billion-dollar investment since January 2023), which is behind ChatGPT, says that "the computational costs bring tears to his eyes". Reportedly, the expenses for the text robot amount to 100,000 USD per day. Estimates by the research service SemiAnalysis even put it at 700,000 USD!

Conclusion: brave new world - in future it will probably be the case that you have to think about how to ask what. The rest will then be presented in such a way that everyone understands. We have chosen Microsoft as an investment for the exciting future topic of "artificial intelligence". ChatGPT is only a very small part of Microsoft's current business model. However, this is expected to change at the latest with the integration of artificial intelligence into the company's fast-growing cloud. The shares of the software giant from Redmond have been part of our two funds HVP Global Opportunities Fund and HVP Funds - Target Equities for some time.

Our funds at a glance:

Fund name	Crcy	Investment Strategy	NAV	YTD	NAV Date
HVP Global Opportunities Fund -CHF-	CHF	Balanced	126.48	6.42%	31.03.2023
HVP Global Opportunities Fund -EUR-	EUR	Balanced	201.38	5.95%	31.03.2023
HVP Funds – Constant Fixed Income	EUR	Fixed Income	1282.83	0.21%	31.03.2023
HVP Funds – Target Equities	EUR	Equities	1292.39	4.48%	31.03.2023

Source: www.ifm.li

Our distribution funds at a glance:

Fund name	Crcy	Investment Strategy	NAV	YTD	NAV Date
H.A.M. Enhanced Yield CB Fund -USD- A	USD	Convertible Bonds	100.72	3.08%	31.03.2023
H.A.M. Global Convertible Fund CHF A	CHF	Convertible Bonds	1731.31	1.80%	29.03.2023
H.A.M. Global Convertible Fund EUR A	EUR	Convertible Bonds	2149.63	2.03%	29.03.2023
H.A.M. Global Convertible Fund USD A	USD	Convertible Bonds	1686.01	3.02%	29.03.2023

Source: www.ifm.li

If you have any further questions about our products, please do not hesitate to contact us. We would like to thank you for the trust you have always placed in us and for your many years of loyalty.

Your HighValue Partners Team