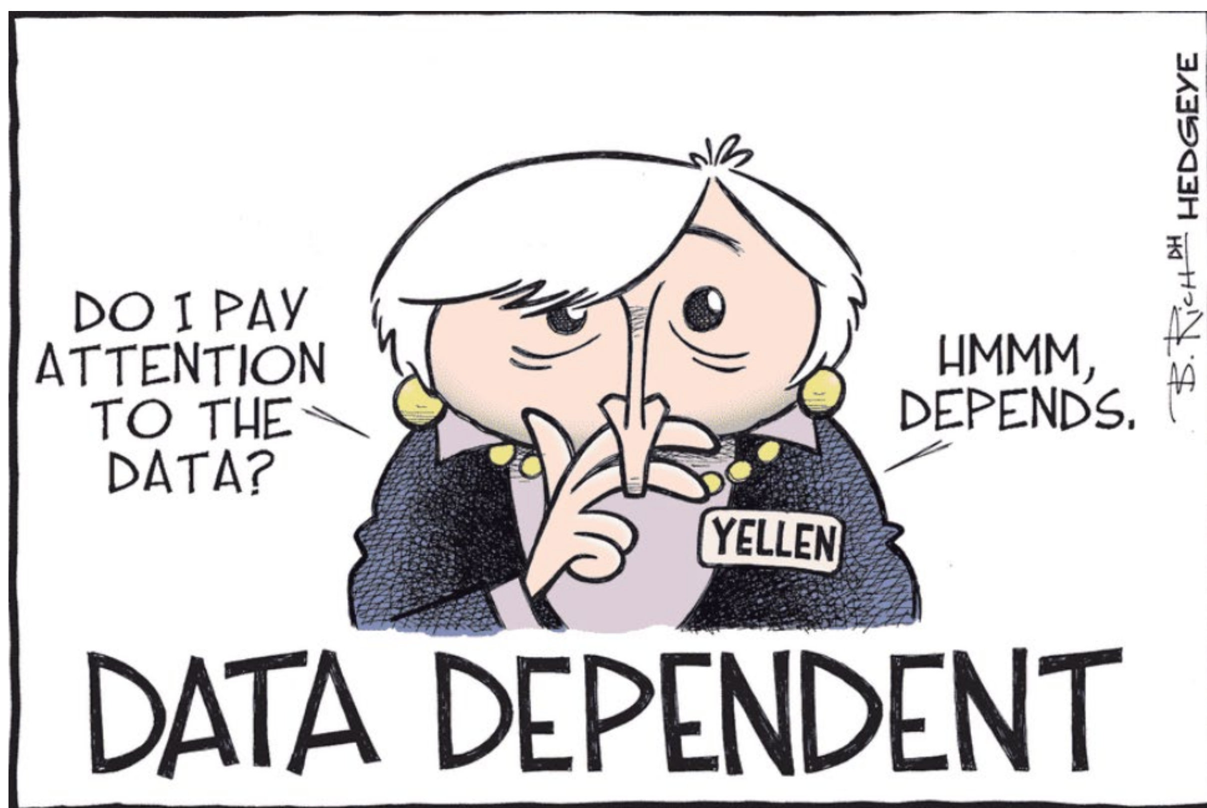
WEISSHORN
ASSET MANAGEMENT

Market Review September 2023



Equity markets stalled in August. Although there were a number of reasons why investors were cautious, it appears that the release of the second-quarter results was a major factor contributing to this consolidation. Despite the overall earnings were good in the current environment, the penalties were severe for companies that disappointed, and in particular for those that failed to raise or confirm expectations for the end of the year. After the strong rally in equities that began in autumn 2022, investors are now more demanding and will only accept current valuation levels if they are accompanied by solid guidance. Concerns about the health of China's property market and its lackluster statistical data have also added their share of perplexity for investors, who, it should be remembered, were betting heavily on the Chinese economy reopening up in order to avoid a global recession. All in all, the monthly fall in equity indices remains relatively contained. With the exception of the Shanghai Shenzhen CSI300, which includes domestic Chinese stocks, which fell by more than 6% and has thus returned to negative territory since the start of the year, the major global indices lost between 1.5% and 4%. The Eurostoxx50 index was one of the worst performers over the month, with some technology companies, such as Adyen (-54.3%) and Infineon (-17.5%), failing to convince investors with their results. Logically, the more defensive sectors, such as consumer staples and healthcare, held up better, with minimal fluctuations.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

No Earnings Cheer

Only one other 2Q earnings season since 2012 saw a worse S&P 500 run

S&P 500 performance during earnings season

Source: Bloomberg

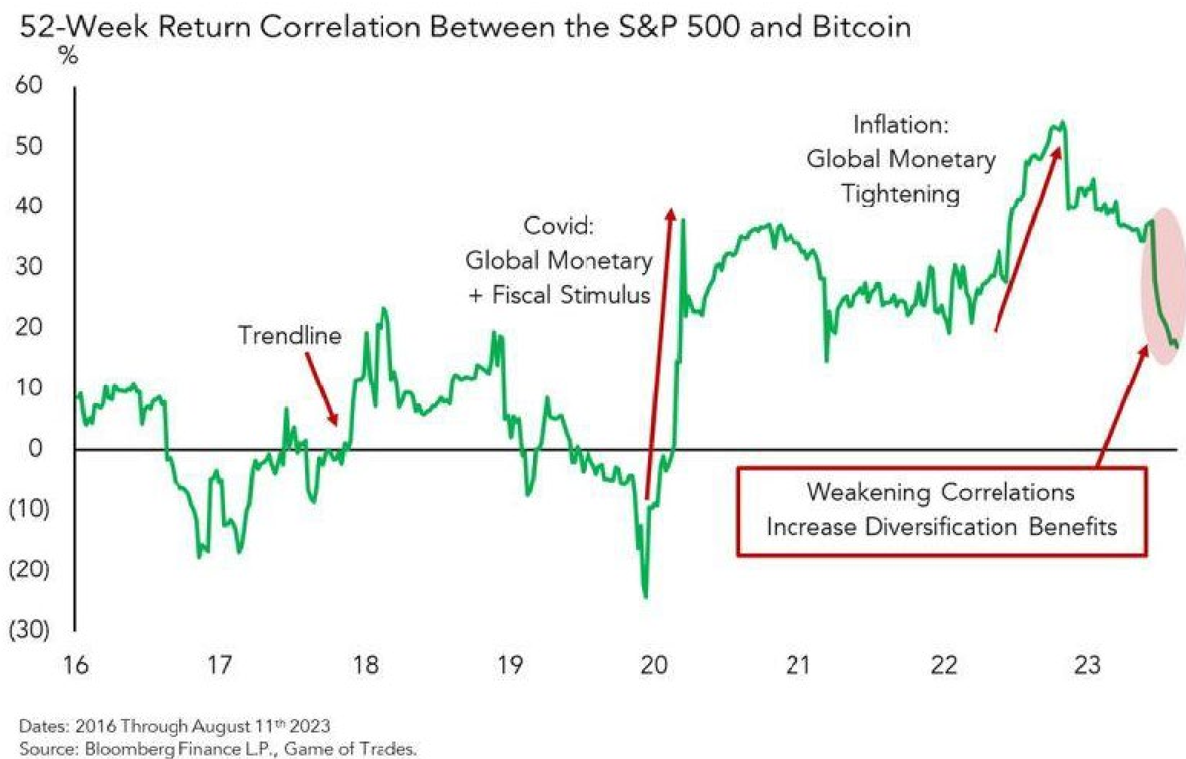
Bloomberg

Investor attention was also focused on interest rate trends on both sides of the Atlantic. In an environment where inflation continues to fall, albeit at a slower pace than expected, volatility remains high across the curve. In the United States, for example, after the sharp rise in June, yields have been consolidating at high levels. While short-term yields were relatively stable (the US 2-year yield remained virtually unchanged at around 4.85%), long-term yields tended to rise, with the 10-year yield easily breaking through the psychological 4% barrier to reach a high of 4.36% before falling back slightly. This level represents a 16-year high. The US yield curve is still inverted and remains in largely negative territory (-70 basis points between the 10-year and 2-year yields), but is moving away from its low of -100 basis points. In Europe, on the other hand, yields have changed very little, on both the long and short ends of the curve. Recent comments by ECB members, and in particular President Lagarde, suggest that the ECB's rate hike cycle is (already) coming to an end. After two consecutive months of decline, the greenback tended to rebound in August. The dollar index gained 1.73%, which weighed on commodities and more particularly gold (1.27%). For the time being, the yellow metal seems to lack the strength to break through its resistance of $2,000 an ounce. Most metals were also down, such as silver (-1.23%) and copper (-5.88%). The weakness of China's economic recovery is the main reason for this pressure. Oil, for its part, is benefiting from OPEC production cuts and the fall in US strategic stocks. It has seen gains for a third consecutive month, with a 2.2% increase, reaching $83.63 per barrel. In addition, the hurricane season has begun, which could continue to put upward pressure on the price of black gold.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1

+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

It's been a long time since we've talked about natural gas. Exactly a year ago, not a day went by without the press mentioning the evolution of its price, and there were doubts as to whether reserves would be sufficient to get through the winter at a time when the European Union was stepping up sanctions against Russia in retaliation for its hostile intervention on Ukrainian soil. Remember: European gas prices soared to over €300 per megawatt hour (Mwh) in September 2022 on fears of shortages as Russia turned off the taps to Europe. In the end, thanks to a mild winter and awareness-raising among households and businesses, the much-feared shortage fortunately did not materialise and prices fell back below €30 per Mwh. In recent weeks, threats of strikes in Australia have raised the spectre of a shortage. Prices have started to rise again, albeit with considerable volatility, but nowhere near the extreme levels reached last year.



Another word on digital assets, which had a complicated month in August, with Bitcoin and Ethereum both losing almost 11%. Despite this, they continue to dominate the performance rankings since the start of the year, with gains of 57.6% and 37.8% respectively. It should be remembered, however, that by 2022, these same assets had given up more than 60%. It is interesting to note that correlation with the S&P500 has tended to fall in recent months, (re)diversifying this volatile asset class, which is struggling to find its place in the face of continuing high regulatory pressure. However, the democratization of this asset class should continue to make headway little by little. Indeed, Grayscale's victory against the SEC over the issue of its Bitcoin ETF could be seen as an indication of potential relief from regulatory constraints in the future.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

Market trends to end August 2023

End of August	MSCI World	S&P 500	EuroStoxx	CAC	Spain	Switzerland	MSCI EM	CSI 300
	Equities in Local Currencies							
Perf 1 Month	-2.55%	-1.77%	-3.90%	-2.42%	-1.41%	-1.62%	-6.36%	-6.21%
Perf 3 Month	6.62%	7.84%	1.87%	3.07%	5.04%	-0.82%	2.27%	-0.88%
Perf YTD	14.73%	17.40%	13.27%	13.02%	15.52%	3.70%	2.50%	-2.75%

End of August	WTI Oil	Brent Oil	Gold	Copper	USD	JPY	GBP	CHF
	Commodities				Currencies vs EUR			
Perf 1 Month	2.24%	1.52%	-1.27%	-4.63%	1.42%	-0.86%	0.15%	0.10%
Perf 3 Month	22.82%	19.54%	-1.15%	4.12%	-1.42%	-5.62%	0.42%	1.62%
Perf YTD	4.20%	1.11%	6.37%	0.60%	-1.27%	-11.03%	3.48%	3.31%

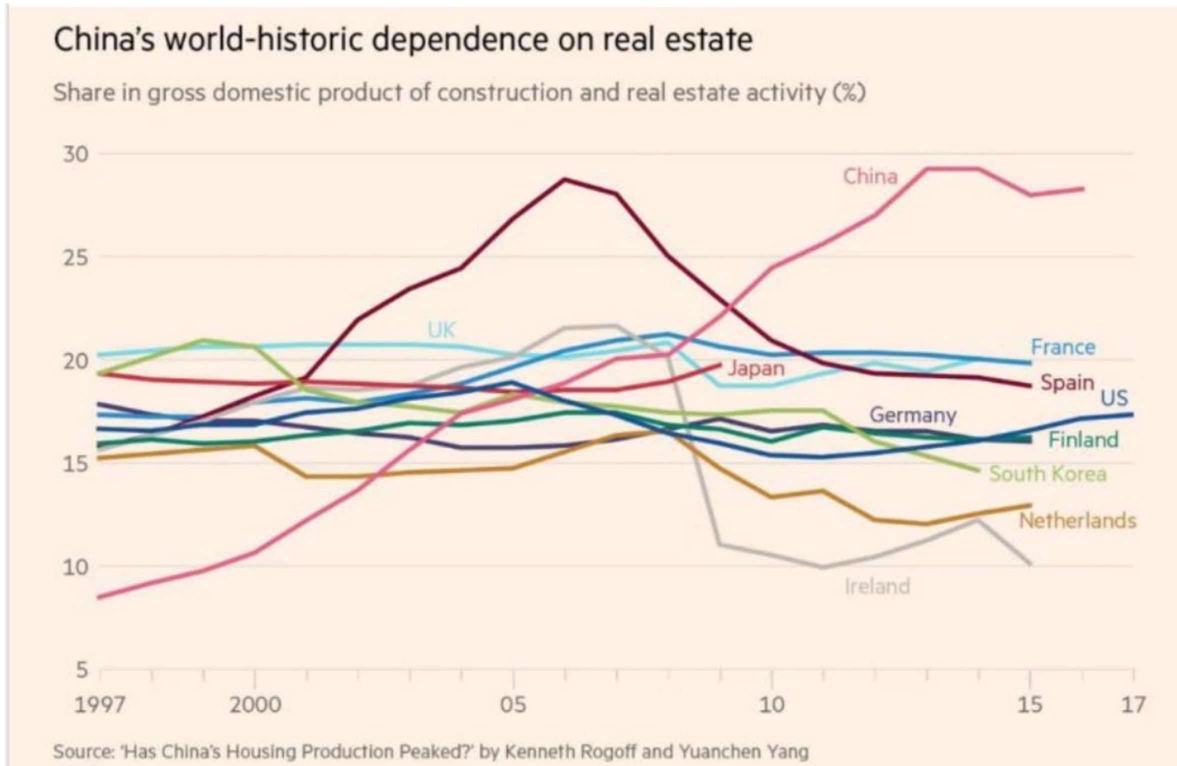
End of August	Global Aggregate	US Aggregate	Euro Aggregate	US 10 Year Treasury	German 10 Year Bund	Global Credit	Global High Yield	Emerging Sovereign $
	Bloomberg Indices Bonds Total returns							
Perf 1 Month	-1.37%	-0.64%	0.30%	-0.74%	0.08%	-0.98%	-0.51%	-1.20%
Perf 3 Month	-0.69%	-1.06%	0.13%	-2.59%	-1.74%	0.70%	4.03%	1.46%
Perf YTD	0.74%	1.37%	2.72%	0.21%	1.53%	3.32%	6.74%	3.26%

Source: Bloomberg 31/08/23.

As we said in the introduction, China's economic recovery is disappointing. The recent statistics published in August have been far from reassuring. In July, retail sales rose by 2.5% year-on-year, whereas the consensus was for an increase of 4.5%. Industrial production was similarly disappointing, rising by 3.7% against expectations of +4.4%. The consumer and producer price indices even fell, forcing the central bank (PBOC) to step up its targeted interventions to facilitate access to credit and boost demand. After a 10 basis point cut in June, it recently decided to cut its benchmark 1-year loan prime rate once again, from 3.55% to 3.45%. By contrast, the same 5-year rate remained unchanged at 4.2%. The central bank is walking on thin ice between its desire to revive the economy and maintain a favourable environment for banks and their lending margins in order to prevent the property crisis from turning into a banking crisis. Even the government has put its hand to the wheel to revitalise consumption and support the equity market by announcing a 50% cut in the trading tax on the Chinese stock market. This is a move unprecedented since 2008. The country's current fragile economic situation is the result of a property market on the brink of collapse. Following in the footsteps of Evergrande in the spring of 2021, it is now the turn of its counterpart Country Garden, which will have to restructure its debt if it is to avoid a disastrous bankruptcy. It has to be said that the Chinese authorities face an arduous task if they are to deflate the property bubble without causing the economy to collapse. Although the PBOC may give the impression that it is not doing enough, we believe that, with the support of the government, it will implement the necessary measures to keep its economy afloat. On the other hand, we believe that the "helicopter money" method practiced by Western central banks is not an option in the Middle Kingdom. Intervention will have to be more targeted in order to avoid a deep economic crisis, but without clearing the name of those responsible for this debacle, namely speculators.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1

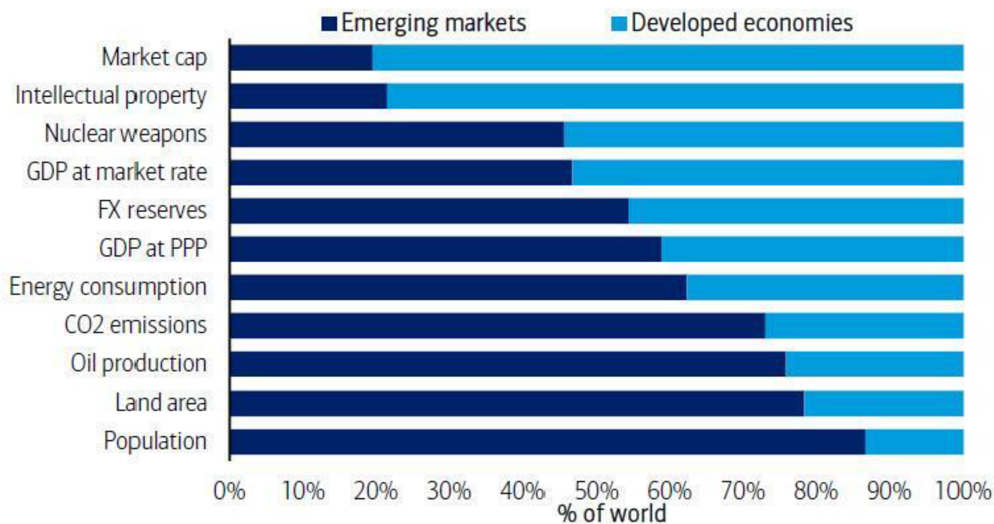
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com



The acronym BRICS (Brazil, Russia, India, China and South Africa) has regained prominence in recent months after more than 15 years of relatively subdued attention. In recent months, a number of emerging market leaders have been calling for a "sacred union" to reduce their dependence on the USA and the greenback in international trade transactions. So it's hardly surprising that the latest BRICS summit, held in South Africa in August and attended by more than 40 invited nations, attracted the full attention of the economic windfall. According to the IMF, this bloc now accounts for more than 32% of world GDP (compared with around 17% in 1995), more than the G7 with its 30%. What's more, the average growth rate of these five emerging countries is higher than that of the G7, so this gap will continue to widen in the future, regardless of which nations join the movement. It should also be pointed out that none of the bloc's countries condemned Moscow's invasion of Ukraine, while the G7 countries are stepping up sanctions against Russia and its citizens. The rapprochement between these countries, which share common economic interests, must therefore be taken seriously. The West is going to have to come to terms with the emergence of this power, which is growing faster both economically and demographically. We can clearly state that the world order as we know it today will be shaken up over the next few decades, even if coordination between the BRICS countries will take time to put in place.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

Chart 2: Nyet Zero
Emerging Markets vs. Developed Markets (% of world)



Source: BofA Global Investment Strategy, World Bank, IMF, CIA World Factbook

BofA GLOBAL RESEARCH

At the very end of August, the traditional back-to-school meeting of the world's leading central bankers was held in Jackson Hole. This event, held in the heart of the Rocky Mountains in the US state of Wyoming, is attended by the heads of the world's most powerful central banks, including the ECB and the FED. No shock statements to report. In the end, both Ms Lagarde and Mr Powell told us what we already knew, namely that the two institutions will do everything necessary to eradicate the inflation spiral and return inflation to its target of 2% per annum. They also confirmed that future monetary policy decisions would depend on the economic statistics to come. As a reminder, the latest figures published put annual inflation at 5.3% in Europe and 3.2% in the United States.
Even if the speeches contained little substance, they tended to reassure investors who consider that the end of the rate hike cycle is near, on both sides of the Atlantic.

S&P 500: cheap or expensive?

Exhibit 12: S&P 500 valuations, where shading means measure is statistically expensive vs. its own history (as of 7/31/23)
S&P 500 valuation metrics

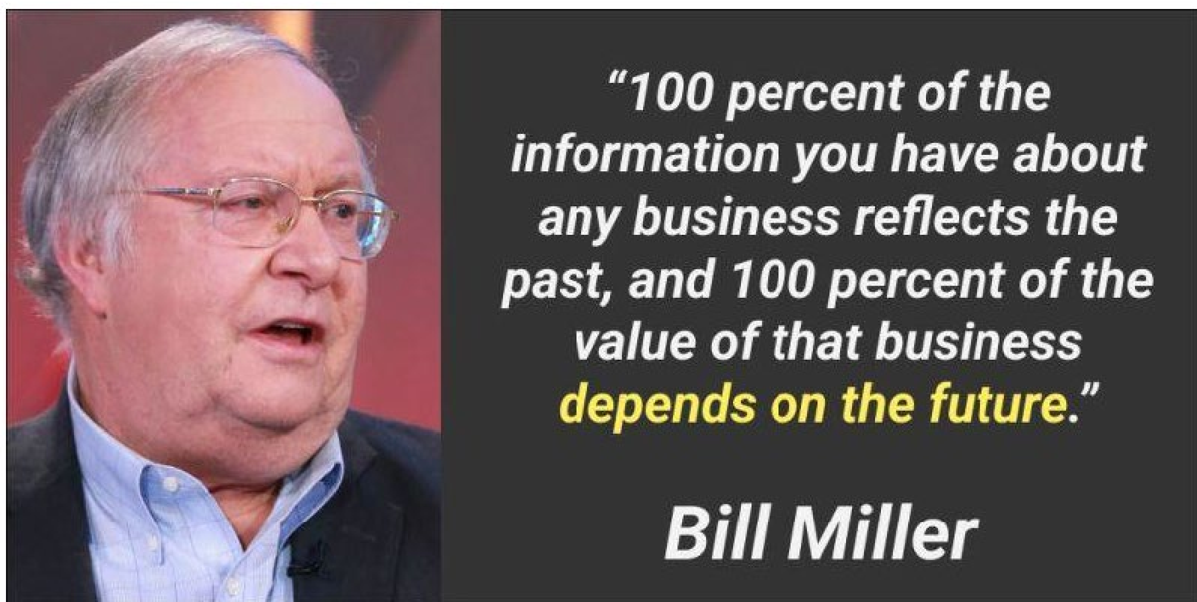
Metric	Current	Average	Avg. ex. Tech Bubble	Min	Max	% Above (below) avg	Z-Score	History
Trailing PE	20.9	14.8	14.5	5.2	30.5	40.9%	1.2	1960-present
Trailing GAAP PE	26.2	15.1	14.8	4.2	122.4	73.5%	1.3	1832-present
Forward Consensus PE	20.2	15.7	14.9	9.8	25.1	28.3%	1.3	1986-present
Trailing Normalized PE	23.4	19.0	17.8	9.2	34.5	23.0%	0.9	9/1987-present
Median Forward P/E	17.4	15.5	15.3	10.0	21.9	12.3%	0.8	1986-present
Shiller PE	30.8	17.4	16.8	4.8	44.2	77.2%	1.9	1881-present
P/BV	4.50	2.65	2.48	0.98	5.34	69.6%	1.8	1978-present
EV/EBITDA	14.7	10.5	10.2	6.0	17.1	39.8%	1.8	1986-present
Trailing PEG	3.10	1.66	1.63	1.05	3.24	86.4%	4.2	1986-present
Forward PEG	3.00	1.43	1.40	0.92	3.50	110.3%	4.4	1986-present
P/OCF	16.8	11.2	10.7	5.4	19.3	49.8%	1.7	1986-present
P/FCF	29.8	27.8	25.0	12.9	65.7	7.2%	0.2	1986-present
EV/Sales	2.84	1.97	1.91	0.86	3.40	44.2%	1.5	1986-present
ERP (Market-Based)	584	504	521	136	880	15.8%	-0.4	11/1980-present
Normalized ERP	275	349	395	-143	880	-21.1%	0.3	1987-present
S&P 500 Div. Yld. vs. 10yr Tsy. Yld.	0.39	1.23	1.25	0.17	4.20	-68.6%	1.4	1792-present
S&P 500 in WTI terms	60.3	26.7	24.4	2.7	175.3	126.2%	1.8	1960-present
S&P 500 in Gold terms	2.33	1.64	1.42	0.17	5.48	42.0%	0.6	1968-present
S&P 500 vs. R2000 Fwd. P/E	1.42	1.03	0.98	0.76	1.70	37.4%	2.0	1986-present
S&P 500 Market Cap/GDP	1.43	0.66	0.63	0.22	1.66	117.3%	2.3	1964-present

*Above average implied equities are attractive relative to bonds. Note: Trailing P/E based on GAAP EPS from 1960-77, Operating EPS from 1978-87, Pro forma EPS 1988-now. Trailing GAAP P/E based on GAAP P/E for entire series. Market-based ERP based on DDM-implied S&P 500 return less AAA corp bond yield. Normalized ERP based on normalized EPS yield less normalized real risk-free rate.
Source: S&P, Compustat, Bloomberg, FactSet/First Call, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

The level of short-term interest rates is making risky investments less attractive. It makes sense for an American investor to think twice before buying a stock when he or she can get a risk-free return of close to 5% in the short term, especially as equity markets are not particularly cheap. This could lead to a period of higher volatility in risky assets. As we say regularly, we believe that the most important factor in deciding which type of asset to invest in is the time horizon. Clearly, in the short term, the equity market may not offer the best risk/return ratio at present. That's why we favour investment diversification to reduce portfolio volatility as much as possible. Even if economic activity slows down and a recession cannot be ruled out in 2024, the potential for performance over the medium to long term remains intact. New technologies will enable companies to increase productivity, which should have a positive impact on profit margins. We would be inclined to take advantage of any correction to buy equities at a good price if the autumn brings a fall in the indices.
We hope you enjoy the rest of the summer.



Legal Notice :
These documents are intended exclusively for clients of Weisshorn Asset Management who have signed a management mandate and have expressed their wish to receive such information and documents (such as financial analyses, research notes, market reports and commentaries and/or factsheets). These documents may not be communicated to third parties. The information and opinions (including positions) they contain are for information purposes only and may not be considered as a solicitation, offer or recommendation to sell or buy securities, to influence a transaction or to enter into any contractual relationship. In particular, no information, document or opinion (including positioning) indicated on this Web site concerning services or products may constitute or be considered as an offer or solicitation to sell or buy securities or any other financial instrument in any jurisdiction where such offer or solicitation is prohibited by law or where the person making the offer or solicitation does not possess a license or regulatory authorization to do so or where any offer or solicitation contravenes local regulations. Any such prohibited offer or solicitation will be considered null and void, and Weisshorn Asset Management will disregard any communication received in this regard. Past performance should not be taken as an indication or guarantee of current or future performance, and no representation or warranty, expressed or implied, is made regarding future performance. Clients are advised to seek professional advice to assess the opportunities and risks associated with any financial operation before committing to any investment or transaction.

Weisshorn Asset Management SA - 7, rue des Alpes, Case Postale 1800. CH - 1211 Geneva 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com