TRAMONDO
INVESTMENT PARTNERS

QUARTERLY

Tramondo's take on markets, monetary policy, politics and economics. And resulting investment opportunities that successful individuals, families, and institutional investors need to be aware of today.

EMBRACING A NEW WORLD

SUMMARY

- Global equity markets started the new year on a positive note. Solid earnings reports for Q4 2020 and good progress in the vaccination campaigns (at least in some parts of the world) spurred investors' risk appetite once again.
- The US central bank Fed expects inflation to pick up in 2021, albeit not to the degree that would impact the central bank's current policy.
- After just two months in office, the Biden/Harris administration came up with a monumental USD 1.9 trillion stimulus bill which is expected to add up to 3.0% to the US GDP.
- The Swiss economy contracted by 3.4% in 2020, which is less than the US (-3.5% in 2020) or the Eurozone (-6.8% in 2020). However, it is remarkable that Switzerland is expected to grow by +3.3% in 2021, indicating that last year's devastating effects on domestic GDP would almost be fully recovered.
- With the end of the pandemic in view and the ongoing fiscal stimulus across the globe, the medium- to long-term investment case for global equities still looks compelling. However, there could be some short-term challenges unless additional (positive) triggers confirm investor expectations.
- We see an active approach with a strong tilt towards quality attributes as a critical success factor in the current environment. In that regard, we continue to advocate for a balanced portfolio construction considering both value and growth stocks (so-called barbell strategy).
- Investors ought to better retain a cautious attitude towards fixed income markets, as longer-dated yields are expected to face upward pressure first from a strong comeback of economic growth and later from higher inflation.

INTRODUCTION

The pandemic still has a firm grip on our daily lives, and the long-awaited return towards normality has been postponed for months now. Even though most countries had been able to roll-out large-scale vaccination programs since the start of the new year, infection numbers are still anything than supportive, especially in Western Europe. Thus, we are still caught in the same nightmare that hit us so unprepared more than a year ago. Still no after work beer with friends. No birthday parties. No handshakes after signing an important contract. We all are doomed to look forward to a future without knowing exactly what the post-pandemic world has in store for us.

Compared to real life, financial assets indicate that the COVID-19 crisis is already history. Equity markets trade close to all-time highs, yields of government bonds have left the valley of tears and are steadily moving north. Furthermore, prices of industrial metals staged a historical comeback reflecting strong growth momentum in 2021 and beyond. Even though the investment landscape has significantly changed during the last two quarters due to vaccines' availability, there are still some long-term investment ramifications that are here to stay.

First and most important, only a disciplined focus on quality in asset selection will allow investors to be successful over an entire investment cycle. Even before the outbreak of COVID-19, there was a merciless selection process in global financial markets clearly drawing a line between good and bad companies. The difference between low- and high-quality companies has intensified during the pandemic and became apparent even to unseasoned market participants. While low-quality assets struggled at length with the aftermath of the COVID-19 episode, high-quality companies have been able to quickly adapt to this new environment thanks to their superior market positioning, their financial flexibility, or their prudent management.

With the post-pandemic world offering a great deal of uncertainty for all of us, we still consider quality as the single most important selection criteria for successful investors. Financial assets whose wellbeing – or even survival – depends on the early use of a vaccine are definitely not suitable as long-term investment relationships but should rather be seen as investment affairs. Indeed, quality needs patience to unfold: patience that has, however, regularly paid off during an entire investment cycle.

With these critical thoughts, we would like to wish you an excellent start to the second quarter of 2021. As always, be well and take good care during these unprecedented times!

Raphael Müller, CEO

Andreas Schranz, CIO

THE BIG PICTURE

SHARP MOVEMENTS OF LONG-DATED TREASURY YIELDS SPARKED MASSIVE SECTOR ROTATIONS IN LATE FEBRUARY AND MARCH.

MARKET REVIEW

CREDIT MARKETS OVERRUN BY SKYROCKETING YIELDS

Global equity markets started the new year on a positive note. Solid earnings reports for Q4 2020 and good progress in the vaccination campaigns (at least in some parts of the world) spurred investors' risk appetite once again. As a result, the equity index S&P 500 ended the quarter up 6.2%. Despite the solid advancement on the index level, prices of underlying stocks have been subject to elevated volatility as sharp movements of long-dated Treasury yields sparked massive sector rotations in late February and March. In the wake of these market developments, cyclical sectors such as energy, financials and materials outperformed the broad equity market. On the other hand, high-growth sectors such as technology came under pressure as investors left aside last year's winners. During Q1 2021, the Nasdaq index only gained 2.8%, while the MSCI World closed the period 5.0% higher.

So far, the European Union (EU) has struggled to roll out a comprehensive inoculation campaign (less than every tenth inhabitant of Germany, France, and Italy received their first COVID-19 vaccine), falling way behind the US (every fourth) and the UK (four out of ten). Still, European equity markets could maintain their excellent momentum from late 2020 as the region's cyclical nature proved to be a tailwind. While the EuroStoxx 50 index climbed remarkably 10.8% in Q1 2021, the more defensive Swiss equity market ended the period 4.6% higher.

Turning to nominal assets, 2021 so far proved to be a tough year for fixed income markets. On the back of brightening economic prospects, 10-year US treasury bonds' yields climbed by almost 80 bps. Not surprisingly, credit markets plunged into misery during the quarter. High-quality corporate bonds (so-called investment-grade bonds) suffered their biggest losses in more than a decade and closed the quarter down 4.7%. High-yield bonds, which are more exposed to the real economy's cyclical swings, benefitted from decreasing credit spreads allowing them to finish the quarter in positive territory (+0.8% in Q1 2021).

ASSET CLASS PERFORMANCE

Market Review Index	Asset Class	01/04/2021 2021 YTD	
MSCI World Index	*Equity*	5.0%	
MSCI Emerging Markets Index	*Equity*	2.2%	
S&P 500 Index	*Equity*	6.2%	
Swiss Market Index	*Equity*	4.6%	
Euro Stoxx 50 Price Index	*Equity*	10.8%	
Barclays Glo.-Agg. Total Return Index	*Fixed Income*		-4.5%
Swiss Bond Index (SBI) Domestic Index	*Fixed Income*		-1.5%
Bloomberg Barclays Euro Agg. Index	*Fixed Income*		-6.2%
Gold Spot Price ($/Oz)	*Alternatives*		-9.7%
HFRI Equity Index	*Alternatives*	6.5%	

ASSET CLASS PERFORMANCE AS AT 1 APRIL 2021;
SOURCE: TRAMONDO INVESTMENT PARTNERS, BLOOMBERG

In Switzerland, long-dated government and corporate bonds also came under pressure as yields climbed more than 25 bps.

IN AN ENVIRONMENT OF RISING YIELDS AND ENCOURAGING NEWSFLOW FROM THE GLOBAL VACCINE ROLL-OUT, AMONG OTHERS, GOLD ONCE AGAIN HAD TO TAKE A KNOCK.

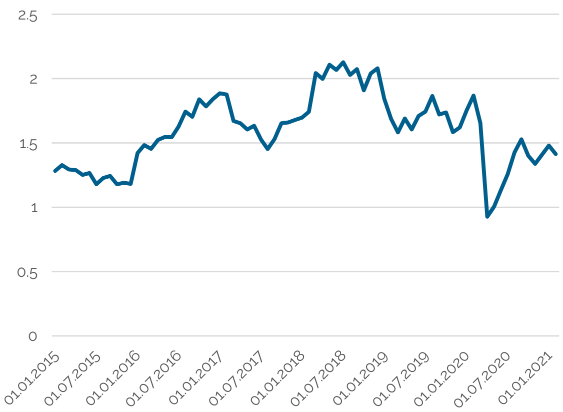
Lastly, in an environment of rising yields, gold once again had to take a knock in the period under review. The encouraging newsflow from the global vaccine roll-out, combined with further large-scale stimulus programs, proved to be a toxic cocktail for the precious metal. At the end of this year's first quarter, gold is quoted with a price of 1708 USD/oz, reflecting a loss of -9.7% for the quarter in USD, and -4.1% in CHF, respectively.

MONETARY POLICY

INFLATION NOT YET A HEADACHE

Given the brightening economic outlook, market participants raised doubts about whether the US central bank might reverse its accommodative policy stance. Not surprisingly, however, the Federal Reserve (Fed) kept benchmark interest rates unchanged in Q1 2021. Central bankers once again reiterated to keep interest rates on record-low levels until 2023, calming down the above-mentioned investor concerns.

US FED'S PREFERRED INFLATION MEASURE STILL LOOKS FAIRLY SUBDUED



PCE CYOY INDEX (CORE PERSONAL CONSUMPTION EXPENDITURES); SOURCE: BLOOMBERG

In February, Fed chairman Powell clearly underscored the bank's commitment to reduce unemployment to multi-decade lows. Even though there has been good progress in the US labour market since the virus-induced recession, central bankers still see the job market as a weak spot. In that context, chairman Powell indicated that small business job numbers and job creation in service sectors remain sluggish.

Turning to inflation, the Fed expects prices to increase in 2021, albeit not to the degree that would impact the central bank's current policy. We believe that this is a realistic assessment given the somewhat subdued figures from personal consumption expenditures (PCE), the Fed's preferred inflation measure.

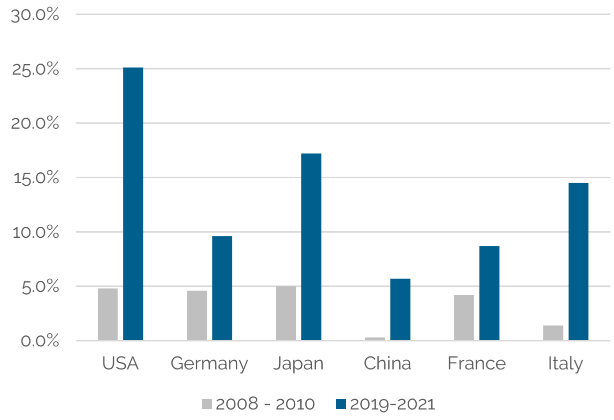
POLITICS

INVESTORS CHEER THE BIDEN/ HARRIS ADMINISTRATION

Despite a temporary resurgence of new COVID-19 infections in the United States, investor sentiment remains favourable towards the Biden/Harris administration. From the election day in November to the inauguration on January 20, the equity index S&P 500 rose remarkably 14.3%. This is the best election-to-inauguration performance for a first-term president since World War II.

After just two months in office, the administration could already come up with a monumental stimulus bill. In mid-March, President Biden signed the USD 1.9 trillion American Rescue Plan Act into law. Among other things, the Act provides direct payments to lower- and middle-class households, extends and expands unemployment benefits, and offers aid to state and local governments. Unlike Trump's Tax Cuts and Jobs Act, the Democrats' legislation will raise the incomes of the poor much more than the rich. It is expected that Biden's package will lift the after-tax income of the poorest 20% of the US population by almost 25%.

THE US TOPS THE STIMULUS RACE



FISCAL STIMULUS AS A % OF GDP; SOURCE: BCA RESEARCH

While never one to be skimpy when it comes to providing fiscals stimulus in times of crisis, the US is significantly outperforming other economic powers in that regard this time around. Also noteworthy is the massive increase in relative fiscal stimulus between the Global Financial Crisis and the COVID-19 pandemic across various countries.

Meanwhile, in the European Union, the ugly side of the Post-Brexit fallout came to the fold once more with a growing vaccine row between the UK and the EU, which had threatened to block or severely restrict vaccine exports outside its member countries, including the UK. The vaccine dispute seems to be a continuation of the sour political standoff between the EU and the UK after the completion of Brexit on January 1. In case that negotiations between the two parties do not bear any fruit, there is a risk of punitive trade restrictions ahead. However, we do not expect the controversy to escalate further. The caveat being that the upcoming election in Germany later this year (and in France in 2022) could embolden those preferring harsh political rhetoric over pragmatic solutions.

THE VACCINE DISPUTE SEEMS TO BE A CONTINUATION OF THE SOUR POLITICAL STANDOFF BETWEEN THE EU AND THE UK AFTER THE COMPLETION OF BREXIT ON JANUARY 1.

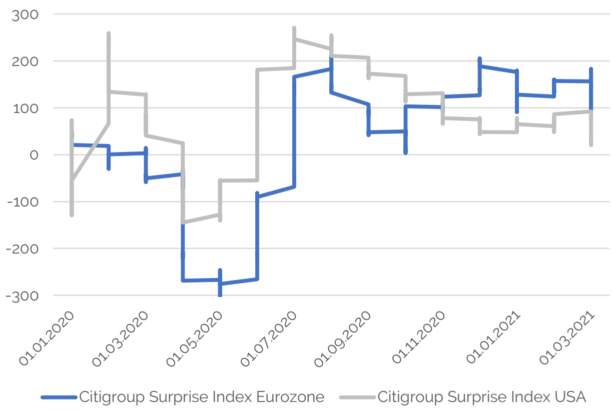
ECONOMICS

FISCAL STIMULUS BOOSTING GROWTH COMEBACK

The OECD projects the US economy to grow by 6.5% this year. After the economic fallout in 2020, the world's largest economy is about to make a big leap to close last year's growth gap. However, despite significant economic improvements in the last 12 months, some critical indicators remain depressed. Applications for state unemployment benefits, for instance, remain three times higher than in the pre-pandemic world. There are still 10.0 million unemployed people in the US labor market, roughly 4.3 million more than in February 2020, before the outbreak of COVID-19.

The passage of the USD 1.9 trillion American Rescue Plan Act - while expected to add up to 3.0% to the US GDP this year - is the most significant news from the economic front so far in 2021. The OECD predicts that the package may provide a much-needed boost for the global economy, with projected global economic growth now at 5.6%, a percentage point higher than in their projections released in December 2020.

EUROZONE'S ECONOMIC MOMENTUM PICKS UP SPEED



CESIEUR INDEX, CESIUSD INDEX; SOURCE: BLOOMBERG

Despite a growth contraction in Q1 2021, the EU's economic momentum has picked up speed and has even overtaken the US since late last year. The European Union is expected to reach 3.8% in GDP growth this year, despite the region continuing to underperform the UK and the US in its vaccine roll-out. For the remainder of 2021, even more economic stimulus is expected in the region after adopting the "Recovery and Resilience Facility", a EUR 672.5 billion fund designed to help EU member states address the economic and social impact of the COVID-19 pandemic.

Finally, looking at Switzerland's economic outlook, we note that the Swiss economy contracted by 3.4% in 2020, which is less than the US (-3.5% in 2020) or the Eurozone (-6.8% in 2020). However, it is remarkable that Switzerland is expected to grow by +3.3% in 2021, indicating that last year's devastating effects on domestic GDP would almost be fully recovered.

FASTEN YOUR SEATBELTS IN SPRING

ASSET ALLOCATION

CASH

FIXED INCOME

EQUITIES

ALTERNATIVES

Please note that this is an asset allocation snapshot as at 1 April 2021. Our portfolios are actively managed and allocations are reviewed daily for their accuracy and to ensure downside protection.

IN ORDER TO NAVIGATE SMOOTHLY THROUGH A PERIOD OF HIGHER VOLATILITY IN THE COMING WEEKS, WE RECOMMEND NOT TO COMPROMISE ON QUALITY.

INVESTMENT CONCLUSION

With the end of the pandemic in view and the ongoing fiscal stimulus across the globe, the medium- to long-term investment case for global equities still looks compelling, also at the beginning of Q2 2021. For the next couple of weeks, however, we expect risky markets to reveal a rather volatile start into the year's warmer season. At the moment, there are several market indicators that currently point to some short-term cautiousness.

First, the recent back-up in long-term bond yields could continue to destabilize equity markets as these moves can undermine juicy valuations in certain areas of the market (e.g., technology). Given that the US equity market is heavily tilted to the rate-sensitive growth camp, the broad equity market may come under pressure should yields continue to rebound.

Second, market sentiment looks somewhat stretched at the moment. The difference between bullish (positive) and bearish (negative) investors has never been that high since early 2018. According to the AAII Investor Sentiment Survey, 50.9% of private investors are currently bullish on equity markets, an extraordinary number compared to its long-term average of 38.0%. From an empirical point of view, this overly bullish sentiment should raise some eyebrows. We believe that equity markets will face some short-term challenges if additional (positive) triggers will not confirm investor expectations. In this context, we are eagerly looking forward to the next earnings season kicking off in mid of April.

Third, even though equity markets currently trade close to all-time highs, market breadth has been clearly weakening over the last couple of weeks. In other words, while broad market indices are still heading north, more and more stocks are struggling to keep up the pace. Consequently, equity indices are only supported by just a handful of stocks that (at present) still defy gravity. Lack of adequate market breath is often one of the most prominent forerunners of short-lived rallies. Healthy bull markets are characterized by supportive price action from a majority of underlying index constituents – this is definitely not the case at the moment.

In order to navigate smoothly through a period of higher volatility in the coming weeks, we recommend not to compromise on quality. From a tactical point of view, we still advocate for a balanced portfolio construction approach considering both value and growth stocks (so-called barbell strategy).

Empirical evidence clearly shows that a blend of the two investment styles has offered the most compelling risk/reward over an entire investment cycle. We still believe that cyclical sectors such as industrials, materials, and financials have not yet re-synced with attractive underlying fundamentals and still offer upside potential. While growth sectors remain structurally attractive, we expect these stocks to reveal poorer earnings momentum in the short-run, restricting their return potential in 2021.

In the current environment, we see an active approach with a strong tilt towards quality attributes as a critical success factor. Whether focused on growth or value, both investment styles present distinct risks which must be considered in the context of portfolio construction. In the value camp, the key to success is to avoid so-called "value traps", companies that are cheap for good reason and unlikely to appreciate. On the other hand, in the growth camp, the question is whether these fast-growing companies can continue meeting investors' lofty expectations. This means distinguishing between those companies that can continue to deliver earnings growth in a post-pandemic world and those where demand was simply pulled forward during the pandemic, pinching future earnings potential. We believe navigating these risks well requires the expertise of a skilled active manager.

WE STRONGLY ADVISE CLIENTS TO KEEP DURATION EXPOSURE FAIRLY LOW.

With regard to fixed income markets, we recommend that investors should retain a cautious attitude. Longer-dated yields will continue to face upward pressure first from a strong comeback of economic growth and later from higher inflation. Thus, we strongly advise clients to keep duration exposure fairly low. Overall, there are just a handful of interesting opportunities in the fixed income market. First, Emerging Market bonds still offer a fairly appealing risk/reward, especially when the US Dollar resumes its downtrend again. Beyond that, we stick to our strategic position in inflation-protected government bonds to be able to combat higher inflation in the years to come.

Last but not least, a word to gold. After a stellar run in 2020, gold experienced a rather difficult quarter as rising real yields undermined this non-interest bearing asset class's value. However, in a world of endless money-printing, we still consider gold as an important element within a balanced portfolio and an attractive hedge against future challenges in financial markets.

PERFORMANCE TABLE AND CONSENSUS FORECAST

Asset Classes 01/04/2021	Price	2021 YTD	Last Quarter	6 Months	12 Months
GLOBAL EQUITY MARKETS					
Regions					
MSCI World	2'812	5.04	5.04	19.83	54.83
SMI	11'047	4.63	4.63	10.10	22.63
EuroStoxx 50	3'919	10.78	10.78	23.44	44.38
DAX	15'008	9.40	9.40	17.61	51.05
S&P500	3'973	6.17	6.17	19.06	56.33
Nasdaq	13'247	2.95	2.95	19.09	73.47
Nikkei	29'389	6.93	6.93	26.74	56.62
MSCI Emerging Markets	1'316	2.21	2.21	22.56	58.85
China CSI 300	5'096	-3.12	-3.12	10.15	39.85
Sectors					
S&P GL 1200 Energy Index	1'622	20.97	20.97	54.81	51.83
S&P GL 1200 CONS DISC IX	4'939	3.29	3.29	17.04	70.44
S&P GL 1200 CONS STAP IX	3'262	-0.52	-0.52	6.26	24.28
S&P GL 1200 Real Estate	2'298	6.69	6.69	15.49	32.67
S&P GL 1200 UTILITIES IX	1'830	0.90	0.90	10.03	23.16
S&P GL 1200 Comm SRVS	1'638	7.61	7.61	22.39	56.15
S&P GL 1200 HEALTH CARI	4'311	0.80	0.80	8.08	28.44
S&P GL 1200 INFO TECH	7'868	2.17	2.17	16.94	69.55
S&P GL 1200 MATERIAL IN	3'516	6.42	6.42	25.45	77.52
S&P GL 1200 INDUSTRL IN	3'460	8.59	8.59	25.39	64.55
S&P GL 1200 FINANCIAL	1'564	12.65	12.65	40.02	59.39
GLOBAL BOND MARKETS					
Sectors					
USD Investment Grade	3'395	-4.65	-4.65	-1.74	8.73
EUR Investment Grade	264	-0.68	-0.68	1.28	8.76
CHF Investment Grade	140	-1.20	-1.20	-0.69	2.33
USD High Yield	2'358	0.85	0.85	7.36	23.72
EUR High Yield	429	2.15	2.15	7.60	22.37
USD Emerging Markets Del	1'243	-3.48	-3.48	0.86	13.58
USD Contingent Convertibl	302	0.81	0.81	5.98	25.50
USD Senior Loans	484	2.01	2.01	5.72	20.77
GLOBAL FX MARKETS					
Currency pair					
EURUSD	1.17	-4.04	-4.04	-0.22	6.91
USDCHF	0.94	6.32	6.32	2.75	-2.23
EURCHF	1.11	2.39	2.39	2.59	4.44
GBPUSD	1.38	0.65	0.65	6.73	11.22
AUDUSD	0.75	-1.96	-1.96	4.98	24.25
USDJPY	110.78	6.80	6.80	4.74	3.26
USDCNH	6.58	1.19	1.19	-2.55	-8.23

MACRO DATA

GDP Growth	2018	2019	2020	2021E
World	3.70	3.00	-3.75	5.60
United States	2.90	2.30	-3.50	5.70
Eurozone	1.80	1.20	-6.80	4.20
Germany	1.50	0.60	-5.30	3.35
Switzerland	2.60	0.80	-3.25	3.30
Emerging Markets	4.97	4.32	-0.62	5.29
China	6.60	6.10	2.30	8.50

Inflation	2018	2019	2020	2021E
World	3.30	3.00	2.20	2.80
United States	2.40	1.80	1.30	2.40
Eurozone	1.70	1.20	0.30	1.50
Germany	1.90	1.40	0.40	2.00
Switzerland	0.90	0.40	-0.70	0.25
Emerging Markets	3.53	3.88	3.26	3.48
China	2.10	2.90	2.50	1.60

3M Rate Expectations	2018	2019	2020	2021E
United States	2.74	0.27	0.24	0.27
Eurozone	-0.32	-0.42	-0.50	-0.48
Switzerland	-0.72	-0.74	-0.74	-0.73
China	3.05	2.82	2.96	2.90

PERFORMANCE TABLE AND CONSENSUS FORECAST AS AT 1 APRIL 2021;
SOURCE: TRAMONDO INVESTMENT PARTNERS, BLOOMBERG

LEGAL NOTICE

This publication has been prepared by Tramondo Investment Partners AG (the "Company") regardless of specific or future investment objectives, a particular financial or tax situation or the individual needs of a particular recipient and is provided to you for the exclusive purpose of personal use and information only. It is based on specific facts and circumstances and prepared for a specific purpose. It is not intended to be, and may not be, relied on by any other person.

The information in this publication constitutes neither a solicitation, an offer, nor a recommendation to any person in Switzerland or any other jurisdiction, to purchase, subscribe or sell any securities or other financial instruments, to use it as a sufficient basis for an investment decision or to conclude any legal act of any kind to this end. Furthermore, this publication should not be construed as a financial, legal or tax advice.

The information and opinions expressed in this publication were carefully collected, analyzed and composed by the Company based on publicly available information from trustworthy sources as of the date of the creation of the publication. They are subject to change. The Company undertakes no obligation to update the information herein and it should be noted that significant events may have occurred since the date of the creation. Although the information has been obtained from and is based upon sources that the Company believes to be reliable, no guarantee is assumed that the information is accurate or complete. Any reference to past performance data is not necessarily indicative of current and future returns.

The calculated values are solely indicative. The effective allocation and results depend on investment activity and the development of investments and may differ from the model results. The implementation of an investment proposal can ultimately occur differently and deviate from the structure presented or the products mentioned.

Individual products or components of this publication may have a certain complexity and a high risk (e.g. derivatives, alternative investments, structured investments). They are only intended for investors who understand and assume the risks involved. Investments in foreign currencies are subject to currency fluctuations, investments in emerging markets or in special products are exposed to special risks. An investment in a target described in this presentation should be made only after careful study of the most recent prospectus and a comprehensive due diligence on the targeted assets. The Company recommends that investors carefully assess and seek professional advice if needed with regard to financial, legal, regulatory, credit, tax and accounting consequences before making a final investment decision or implementing a strategy. The investor assumes responsibility for the proper declaration of all assets and their tax assessment.

The Company reserves the right to change at any time the content of this publication in part or entirely, at all times and without prior notice. Although the Company acts with due care to ensure the accuracy of the information contained in this publication, it cannot guarantee such. The Company or its employees assume no liability for any damages (neither tangible nor intangible) that arise through the use or non-use of the information contained herein, especially no responsibility for the accuracy, completeness, reliability or comparability of the information contained herein relating to third parties that is based solely on publicly available information.

Tramondo Investment Partners AG is incorporated in Switzerland and is FINMA licensed and regulated.

Contact Information:

Tramondo Investment Partners AG
Unter Altstadt 10
CH-6302 Zug

Tel: +41 41 710 76 76
info@tramondo.ch
www.tramondo.ch

TRAMONDO INVESTMENT PARTNERS AG

UNTER ALTSTADT 10
CH-6302 ZUG
T +41 710 76 76
F +41 710 76 78
INFO@TRAMONDO.CH
WWW.TRAMONDO.CH