MY PORTFOLIO 2022

Swiss banking with a mission
Globalance

Maren Stämpfli

Your Personal Investment Report

globalance.com

Dear Ms. Stämpfli

It is not easy to give the year 2022 a clear headline – after all, we have been surprised by so many developments. It seems we are entering new territory. We are definitely moving outside our comfort zone and have to learn to think differently, in a new light. It is amazing to see how quickly long-held beliefs are being thrown overboard: one example of this is the Green Minister for Economic Affairs, Robert Habeck asking Qatar for fossil fuels.

But a crisis also always offers opportunities: we are forced to look forward, break old habits and develop new solutions. We are entering the age of problem solving. However, we should allow ourselves a somewhat longer time horizon than when solving problems and looking ahead in the past. It has been shown: short-term solutions are not stable enough. The same holds true to an investment strategy: looking ahead, especially in the current environment, calls for a long-term investment horizon.

In the following, we would like to show you what our experiences in 2022 taught us and what we expect for 2023.

Reto Ringger
Founder and CEO

2022 – a Painful Investment Year

We would be hard pressed to find a comparable investment year in the last 50 years: equities, real estate, gold, bonds – everything ended the calendar year with significant discounts compared to the previous year. An unforeseeable clash and build-up of negative developments are the reason for this bleak balance.

The relevance of the long-term future mover topics we are pursuing has not changed.

In retrospect, there was no protection for investors. Even solid diversification, the focus on high-potential future movers and investments with a positive footprint were stymied. The plunge in the portfolio is staggering, yet in moments like these it is important to keep our emotions in check and look ahead. Now that the damage is done, the question is: Where do we go from here?

Market corrections like the ones in 2022 anticipate negative developments and are priced in the valuation of investments. However, this has not improved the investment environment in recent months, so we should not be under any illusions. Besides the war in Ukraine and the ongoing lockdown in parts of China, high inflation and rising interest rates are casting a dark cloud over the environment.

But even in this context, the relevance of the long-term future mover topics we are pursuing has not changed. On the contrary, the consequences of dependence on fossil energy and autocratic governments are a wake-up call for the world. In future, we expect much more capital to flow to where it is part of the solution and not part of the problem. Our portfolios are designed with a focus on these relevant developments.

For more facts about the past year, your investments and our scenarios for the future read the following pages. We hope that you will find them interesting.

Gaby Aschwanden
Your Personal Relationship Manager

Your Assets in a Nutshell

Assets, profit and return – at a glance

Your Assets 2022 on 31 December	Your Assets 2022 on 1 January
CHF 1'568'448.-	CHF 1'582'379.-

Your Cash Flows in 2022

CHF 100'000.-

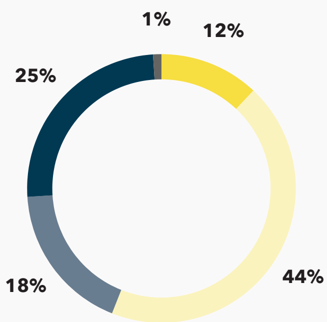
Your Net Return in %	Your Net Return in %	
2022	2021	From day one
-7.2 %	+ 7.8 %	+ 32.5 %

Your Investment Strategy

Balanced

Your portfolio is tailored to your personal situation: you have a medium to long-term investment horizon, you want to increase your capital, but not at any price. Extreme price fluctuations should be avoided as far as possible. We have taken all these requirements into account for you in your portfolio.

Your Portfolio by Asset Classes



- Bonds CHF 188'214.–
- Equities CHF 690'117.–
- Real assets CHF 282'321.–
- Low-correlated assets CHF 392'112.–
- Others CHF 15'684.–

Your Globalance Footprint®

CLIMATE
1,6°C

FOOTPRINT
69

MEGATRENDS
90 %

Paris Climate Agreement: 2,0 °C

MSCI's Global Benchmark Index

2022 – the Perfect Storm

2022 has left plenty of indelible marks in the investment portfolios. Despite a reduction in risky assets and broadly diversified portfolios, there was no escape. Only fossil fuels (oil, gas, coal) and our low-correlated investments were able to generate positive returns. We do not hold the former for longer-term risk and return considerations, while the latter were unable to compensate for the downward pull of the remaining asset classes.

A toxic mix

We had already positioned our client portfolios more defensively and reduced the equity exposure at the end of 2021, thus preparing ourselves for the slowdown in the global economy. However, a sudden war in Europe, the consequent energy crisis, inflation rates in double figures and extreme intervention by central banks were a chain of unfortunate events that could not have been foreseen in this form and took the markets by surprise.

Diversification effect put on hold

Our clients know that we diversify our portfolios very broadly. We draw on up to 17 asset classes in total and invest globally as well as across topics and sectors. None of that mattered in 2022. Whether it was traditionally conservative like government bonds, long-term real estate investments, the safe-haven currency gold: everything lost in value and delivered negative returns (see chart below). Geographically, there was no escape either: USA, Europe, Asia – all deep in the red.

Only low correlated investments pass

One commendable exception was our low-correlated investments such as exposures in operational wind power plants or microfinance investments. These specialities enable positive returns regardless of interest rate developments and stock market fluctuations. This approach paid off particularly well in 2022: for example, microfinance delivered a positive return of 0.3 %, while Swiss government bonds lost –13.1 % of their value over the same period.

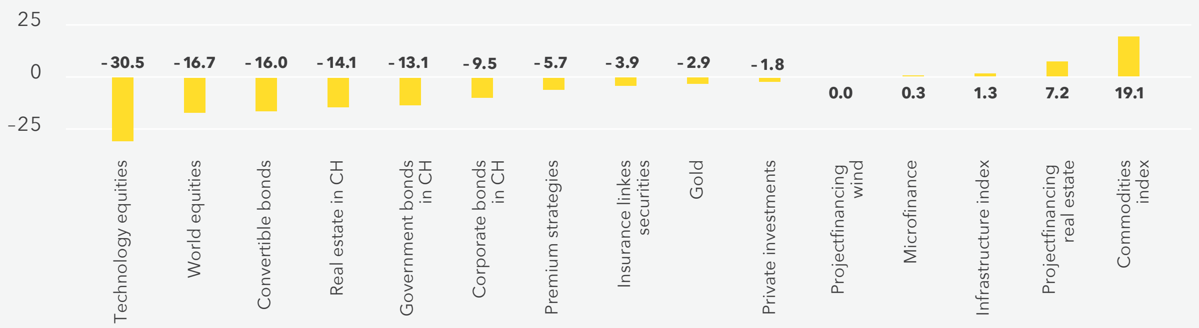
A revival of the old world

The Ukraine crisis has mercilessly exposed Europe's dependence on Russian oil and gas supplies. When it all started, Germany alone obtained more than half of its gas resources and more than 40 % of its oil from Russia. In the first two weeks after the invasion, oil prices rose by more than 40 % and gas prices almost tripled. The energy sector has therefore been one of the few winners of the year, with the share prices of energy companies in the world equity index gaining 42.9 %.

PERFORMANCE OF SELECTIVE ASSET CLASSES

1 January to 15 December 2022, in percent

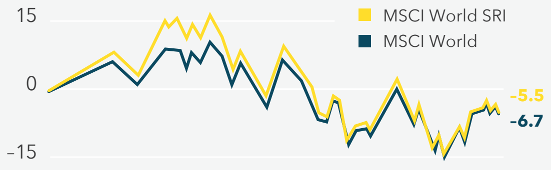
Source: Globalance, Bloomberg



The current crisis has further accentuated the need for action on the energy transition.

INVESTMENTS DURING THE ENERGY CRISIS

Net yield over 18 months, in percent



Source: Bloomberg, period from 15.06.2021 to 15.12.2022

Sustainable investments hold their own-
Over the last 10 years, sustainable investments have demonstrably performed better than traditional ones. But how resilient were they during the current crisis? The chart top right shows the price development of the broad world equity index (blue) compared to its sustainable counterpart (yellow) over the past eighteen months (June 2021 to December 2022). Even in an environment marked by war and an energy crisis, sustainable investments have delivered slightly better returns than conventional ones.

The long-term objective: sustainable with a positive footprint
Despite the recent exceptional gains, fossil energy shares are a discontinued model. The climate action debate is on the agenda of political decision-makers worldwide. The current crisis has further accentuated the need for action on the energy transition. Outdated business models therefore harbour significant risks beyond the usual financial ratios.

At Globalance, we make sure we minimise climate risks in our portfolios when selecting securities. Today, our client portfolios are therefore in line with the Paris Climate Agreement and contain significantly less "decarbonisation risks". To prevent future write-downs, it is important to dispose of companies with outdated business models in good time and to focus on the future movers of tomorrow.

David Hertig
Founding Partner and Head of Investments

WHAT HAVE WE LEARNED FROM 2022?

+ **Strong market corrections like those in 2022** are possible and within the historical volatility of equities. The financial, euro and Covid crises even resulted in price setbacks on a larger scale. However, equities remain the foundation for building long-term wealth.

+ **A long investment horizon is necessary** to reap the yield premium of investments. Investors need emotional resilience to endure even drastic drops in prices. While this is difficult, it is easier if you invest in assets whose quality you are convinced of.

+ **Sustainable investments have proven to be robust:** despite the war and energy crisis, sustainable portfolios have not performed worse than conventional ones.

+ In a **highly volatile environment, strong risk management** in the form of broad diversification and strict investment criteria focusing on quality is key.

+ **In times of great uncertainty, more defensive portfolio positioning pays off:** lower equity exposure, focus on quality and broad diversification of investments, including low-correlated investments and gold.

Shareholder Engagement

Commitment to higher climate action ambitions – on your behalf

We stepped up our commitment in 2022 and further developed the direct dialogue with portfolio companies, in particular. As a result, we are fulfilling our fiduciary responsibility by working constructively on behalf of our clients to ensure that the companies in our portfolios remain among the leaders.

In summer 2022, we published our first full **engagement report**. In this, we highlight our active ownership principles in detail and provide you with a complete account of all our interventions.

2022 HIGHLIGHT

Dialogue on Climate Targets

Clear emission reduction targets by companies will be crucial to limiting climate change. We contacted six companies that have not published climate targets approved by the independent auditing organisation SBTI. Discussions ensued that were valuable for both sides with companies recognising shareholders' high expectations and us being able to classify a company's climate goals better and derive possible opportunities and risk potential for the investment strategy.

Many of the meetings were also attended by lawyers from the companies, which shows how seriously the issue is being taken. We note that US companies in particular are very cautious about statements relating to the future – for fear of potential lawsuits.

Technical challenges in implementation are also the subject of discussion. Measuring emissions in pre-products as well as during the use phase (Scope 3).

Photo: hallojulie/iStock

Indirect Engagement

Once again, we participated in the Carbon Disclosure Project's (CDP) engagement campaign. We took the lead role with eight companies and asked them to disclose their environmental data. With success: five of the eight companies provided at least some of the requested data.

We have also recently become involved in the Access to Nutrition initiative, which aims to facilitate access to healthy and affordable food. In October 2022, the organisation published the US Index, after having analysed the eleven most important food companies operating in the USA. Unilever, one of our core shares, came in first place.

Voting Rights

We exercise voting rights worldwide for all companies in our core portfolio, the Globalance Zukunftbeweger and the Sokrates Fund, and for all clients. We vote according to sustainability principles.

We were able to attend annual general meetings at 99 percent of our companies – 100 in total. 1,303 voting proposals were up for debate. We voted against management on about 150 (12 %) and supported 61 shareholder resolutions.

What to Look for in a Green Label

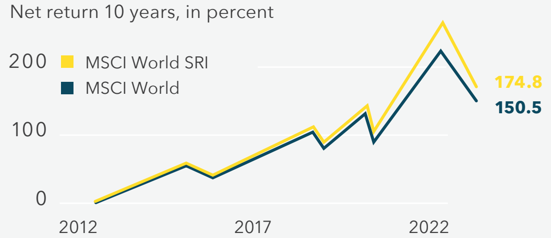
Sustainable products have become a big seller – in all sectors. Green labels wherever you look: food, textiles, cosmetics. Sustainable investments have also entered the mainstream. But not everything that hides behind the green label is actually green. So, how can we safely navigate through the sustainability jungle without falling into the greenwashing trap?

Do Sustainable Investments Generate Returns?

Over the last 10 years, sustainable investments have performed better than traditional ones. The chart below shows the price development of the MSCI World (blau) broad world equity index compared to the MSCI World SRI (top 25 percent of sustainable companies; yellow). Expressed in figures, the MSCI World SRI clearly outperforms the world equity index by around 25 percent.

SUSTAINABLE OR TRADITIONAL

Net return 10 years, in percent



Source: Bloomberg

Also looking at the past eighteen months (June 2021 to December 2022) confirms that sustainable indices have performed slightly better than the world equity index (see page 5). The reason for that: the war in Europe and the associated energy crisis triggered a short-term revival of fossil fuels on the stock markets, a development from which sustainable indices did not benefit. However, renewable energies such as wind and solar also increased in value as market participants were made aware of the urgent need for an energy transition.

A Proliferation of Sustainability Ratings

Sustainable investments have become an integral part of the financial world. In addition to pension funds and insurance companies, more and more private investors are now also thinking twice about in what companies and sectors they invest their money. The boom in these financial products has been huge in recent years, which has led to a proliferation of labels that is even difficult for professionals to navigate. The main problem is that there is no universal definition of sustainability. So it is measured and labelled to suit agendas rather than environmental concerns, which often leads to inconsistencies, omissions and ambiguities. For example, political lobbying is watering down the taxonomy by having nuclear energy and natural gas now also rated as "green". The frequently applied "best in class" approach also does not provide an absolute view of things in its conventional form, but also brings companies from less sustainable sectors into the portfolio – the best of the worst, so to speak.

ESG ratings can also cause confusion, as they only make risk statements about companies and each rating agency follows its own approach, thus arriving at completely different assessments of the same company. The subjective weighting of the criteria can lead to a company being rated differently. However, the "confusion", especially with ESG ratings, is not all bad: they can be used purposefully as long as we know the specifics of their methods. If applied in this way they are helpful in assessing an investment's risks.

However, if you want to achieve a positive impact for the future with an investment, you should not use ESG ratings as the sole criterion when choosing stocks. They are not suitable for identifying companies that make a special contribution to solving a specific problem such as climate change. This requires a tailor-made approach, like the one we use at Globalance with our footprint method.

Photo: pertusinas/iStock

A Tough Environment – With Some Rays of Hope

Our world is fundamentally different than it was 12 months ago: a war in Europe, an energy crisis, persistently skyrocketing inflation, the drain on liquidity, rigorous interest rate hikes by central banks, a slowdown in the world's economic driving force, China, and still disrupted global supply chains. The world has become very complex, which is feeding investor uncertainty and nervousness. Markets are oscillating between panic and hope, causing global share prices to bounce up and down wildly.

A rethink is required

Mark Twain realised that it ain't what you don't know that gets you into trouble, but it's what you know for sure that just ain't so. This insight must be heeded especially in times that lack clarity. Making forecasts on the basis of the past does not do justice to structural upheaval and fails to recognise the complexity of the developments taking place.

Scenarios as a frame of reference

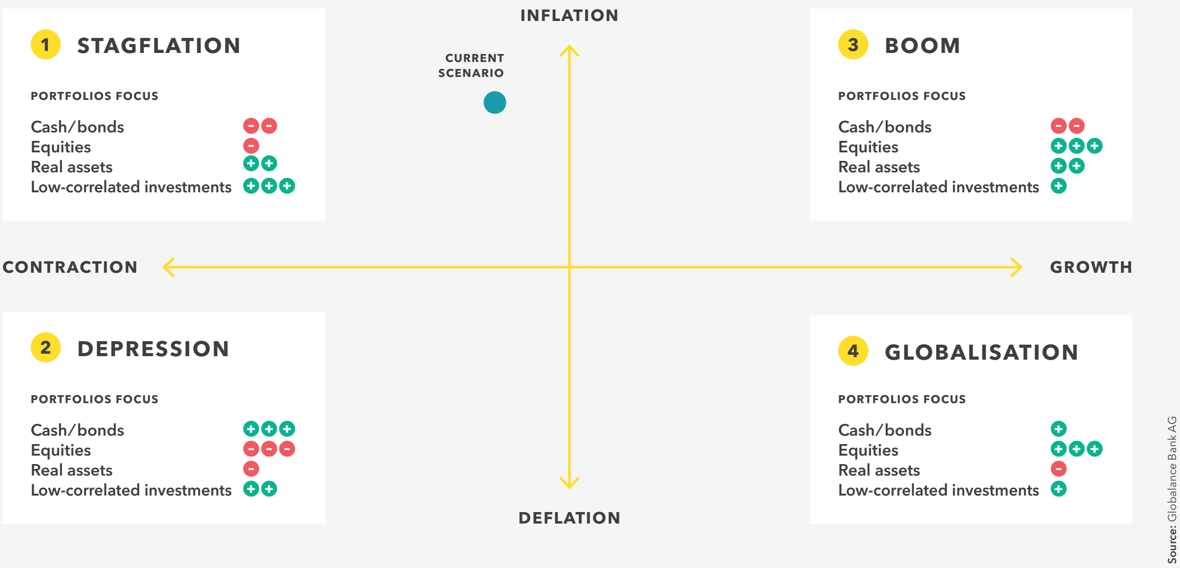
Linear forecasts on economic growth, inflation rates, monetary policy and corporate profits are unreliable in turbulent times. The same goes for wanting to position the investment strategy accordingly. The danger of not doing justice to the complexity and losing sight of the big picture is too great.

We create a frame of reference for ourselves by thinking in scenarios. These kinds of different models help us identify the key questions and influencing factors. A suitable portfolio can then be derived for each scenario. We create a viable action plan using this agile method. We position our client portfolios to what we believe is the most likely scenario. It is then important to closely monitor market developments on an ongoing basis to confirm the current positioning or adjust it to a different scenario if necessary.

Photo: Biletskiy Evgeniy/iStock

FOUR SCENARIOS

In the following, we show four basic constellations that the global economy may take on
Global economic growth is shown from left to right, the development of inflation from top to bottom.
Each square is home to its own scenario, which we briefly introduce.



SCENARIO	DESCRIPTION	WHAT THIS MEANS FOR THE INVESTMENT STRATEGY
1 STAGFLATION	Stagflation: describes an environment in which the global economy stagnates between zero growth and –1%, with persistently high inflation. The main drivers are high inflation and a restrictive monetary policy by central banks.	Avoid nominal assets such as cash or bonds. Reduce the equity exposure and focus on quality. Overweight real assets such as infrastructure and gold (inflation protection). Heavily weight low-correlated investments.
2 DEPRESSION	Depression: describes a severe economic downturn over a long period of time. High unemployment, consumer confidence crisis and extensive austerity measures by companies trigger a downward price spiral. Key drivers can be exogenous shocks such as large-scale wars or failures by systemically important stakeholders with global reach.	Heavily overweight nominal assets such as cash or bonds. Reduce equity exposure to a minimum, focus on basic provision. Overweight gold as a safe-haven currency. Low-correlated investments as a foundation.
3 BOOM	Boom: describes the return to a positive growth path, with falling, but still higher inflation in a historical context. The key driver is a good economic mood with increasing consumer demand, rising order numbers and business investment. Likewise, an increasing utilisation of capacities and decrease in global supply chain problems.	Better to avoid nominal assets such as cash or bonds. Overweight equity exposures, focus on equities with high pricing power (pass on inflation) and global growth topics (real earnings). Overweight productive real assets such as infrastructure. Low-correlated investments as a foundation.
4 GLOBALISATION	Key features are full employment, production at capacity, extremely high demand and falling prices for consumers due to global division of labour and technological progress. The key driver is a return to a conflict-free, purpose-driven globalised economy.	Underweight nominal assets, the main weight is on equities, focus on global megatrends. Overweight productive real assets. Low-correlated investments as a foundation.

The central banks move closer to their goal: to lower inflation rates.

Our current scenario

We are gearing our portfolios towards a stagflationary environment (scenario 1) with a view to the months ahead. We therefore expect the investment environment to remain tough and volatile, with further price set-backs being a distinct possibility. Defensive positioning is therefore appropriate on the equity side. The same applies to nominal assets sensitive to interest rate changes, as inflation is likely to remain high in the quarters ahead. Nominal assets will not be able to compensate for the erosion of wealth in the foreseeable future. This makes real assets like equities indispensable despite the difficult market phase.

From an economic perspective, the situation will initially deteriorate in the months ahead: inflation and interest rate hikes are taking their toll, and there are increasing signs that economic growth is slowing down. Many companies are preparing for a slump in demand and are responding with cost reductions.

Paradoxically, this is good news as it moves the central banks closer to their goal of lowering inflation rates. And the pressure to tighten interest rates even more could then ease soon. The financial markets anticipate developments in the real economy: for example, market participants have already priced in a significant part of the interest rate hike cycles. Valuation levels across all asset classes have significantly fallen from their highs and are now at or below long-term averages.

However, the residual risk of a marked recession in Europe and the USA is still on the table. Real economic developments (recession), employment figures (inflation) and corporate profits/margins need to be closely monitored. In the event of a deterioration in the environment, portfolio adjustments will be necessary.

Should one hedge the portfolio?

It is in most investors' nature to impulsively react to negative price fluctuations. Price fluctuations are the price that investors pay to maintain the purchasing power of their assets in the long term in times of high inflation and low interest rates. This will not be possible with safe nominal assets such as cash or bonds, even in the medium term.

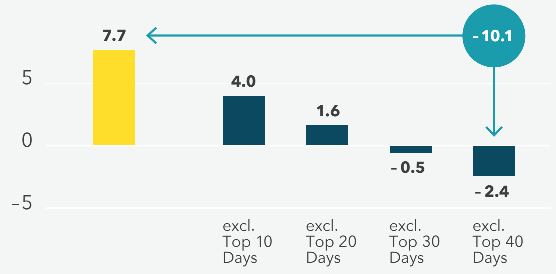
Those who want to tactically protect their portfolio against price fluctuations of risky investments, are withdrawing the investments from the portfolio that generate the necessary return in the longer term. And the timing is difficult: investors often realise losses too late and then miss the necessary rebounds, which are often sudden and surprising. The consequence: without the best 40 days over 20 years, the annual return of +8 % turns into an annual loss of –2 % (see chart below).

If the price fluctuations are too high for an investor, then perhaps the investment strategy chosen was a little too bold and an adjustment to the long-term strategy should be considered. Risk management should be done at the beginning of an investment, not after the damage has occurred.

BE CAREFUL WHEN EXITING

Missing the Important Trading Days Has Serious Consequences

Annualised total return S&P 500 Index, 1997–2016, in percent



Source: Schwab Center for Financial Research

Real assets offer protection against inflation and should not be missing.

Conclusion for the portfolio

Market corrections, as we have seen this year, are possible and not extraordinary in the longer term. A negative return of 20–25% per year on equities has historically occurred from time to time and is, unfortunately, within the volatility of equity securities. The financial, euro and Covid crises even resulted in price setbacks on a larger scale. However, equities are the foundation for building long-term wealth.

Our main scenario assumes that as inflation rates continue to fall, the central banks will curb their interest rate hikes during 2023, possibly even giving the economy a helping hand with interest rate cuts. The path to this goal will continue to be accompanied by high volatility. We are therefore starting the new year with a reduced equity exposure to cushion the residual risk of further price setbacks. Since bonds and the money market are not able to maintain the purchasing power of assets in real terms despite the rise in returns in recent weeks, there is no way to avoid equities. We continue to favour low-correlated investments, which are suitable as a sensible alternative to bonds sensitive to interest rate changes. Real assets offer protection against inflation and should not be missing in the current environment either (see overview below).

Geographically, we position our portfolios globally and deliberately avoid an overweight in Switzerland. This has the advantage that we do not unnecessarily restrict ourselves in selecting the best business models. When putting together the portfolio, we take care to keep the portfolio companies' dependence on Europe as low as possible in terms of revenue, as the current geopolitical constellation is to Europe's disadvantage. It can be assumed that the recession will be more pronounced on the old continent than on the other side of the Atlantic.

We systematically hedge foreign currencies against the Swiss franc. The extent of monetary policy interventions makes predicting currency developments even more difficult than in calmer times. The Swiss franc is a strong currency and is likely to continue its appreciation path against the EUR and USD.

WEIGHTING OF ASSET CLASSES IN THE CURRENT SCENARIO

Balanced Investment Strategy

ASSESSMENT	ASSET CLASS	RECOMMENDED INVESTMENTS IN THE PORTFOLIO	
	Liquidity	Current account; liquidity deposited with secure counterparties	Money market funds
	Bonds	Green bonds, emerging market bonds	Mortgage securitisation, convertible bonds
	Low-correlated assets	Micro financing funds, project financing	Premium strategies, insurance securitisation
	Equities	Global quality stocks with attractive valuations	Futuremover stocks and thematic focus
	Real assets	Primarily infrastructure, certified green gold and private investments	Minor positions in energy-efficient real estates

Source: Globalance Bank AG

OUR MEASURES FOR 2023

Broad diversification remains essential

Supplementing equities and bonds with real assets such as gold and infrastructure, real estate, but also private market investments, emerging market bonds, green bonds and insurance-linked securities is important to stabilise the portfolio as best as possible in times of high volatility.

Low-correlated investments as a stable foundation

In an environment of rising interest rates and sudden price movements, there is a need for building blocks that can protect the portfolio against such developments. Low-correlated investments proved their worth in 2022 and remain weighty components in our portfolios as we look ahead to 2023.

Growth topics as "hedging" for high inflation

Inflation is likely to remain structurally high in the coming years. Investments with high growth potential are essential to offset monetary depreciation. Globalance specialises in such growth topics: energy transition, new mobility, digitisation, urbanisation and scarcity of resources are all still relevant megatrends that no portfolio should be without.

Two degree climate portfolios

The real economy and financial markets have a head start on politics. They anticipate a "low-carbon" world. The financing costs for renewable energy sources are already much lower than those for fossil fuels. The production costs for renewable energy sources have fallen much faster and much lower than most experts predicted. We expect the energy transition to speed up and are careful to avoid business models that are very exposed to CO_2.

Selecting securities based on inflation

It is becoming increasingly important to actively select securities with a view to the future. We focus on robust quality equities with solid profitability, strong pricing power, low debt and low capital expenditure. Companies with these qualities perform best in an inflationary environment.

Caution with regard to Europe

The geographical proximity to the trouble spot as well as the direct impact of the energy crisis do not bode well for Europe's economic growth. When selecting equities, we take care to keep the dependence on Europe as low as possible in terms of revenue and primarily position ourselves in North America and Asia.

Seeing the crisis as an opportunity

Even though it is difficult to be optimistic at the moment, recent developments offer exciting investment opportunities and much more favourable entry prices. Patient investors with foresight will be rewarded in the end.

RAYS OF HOPE FOR 2023

INFLATION RATES

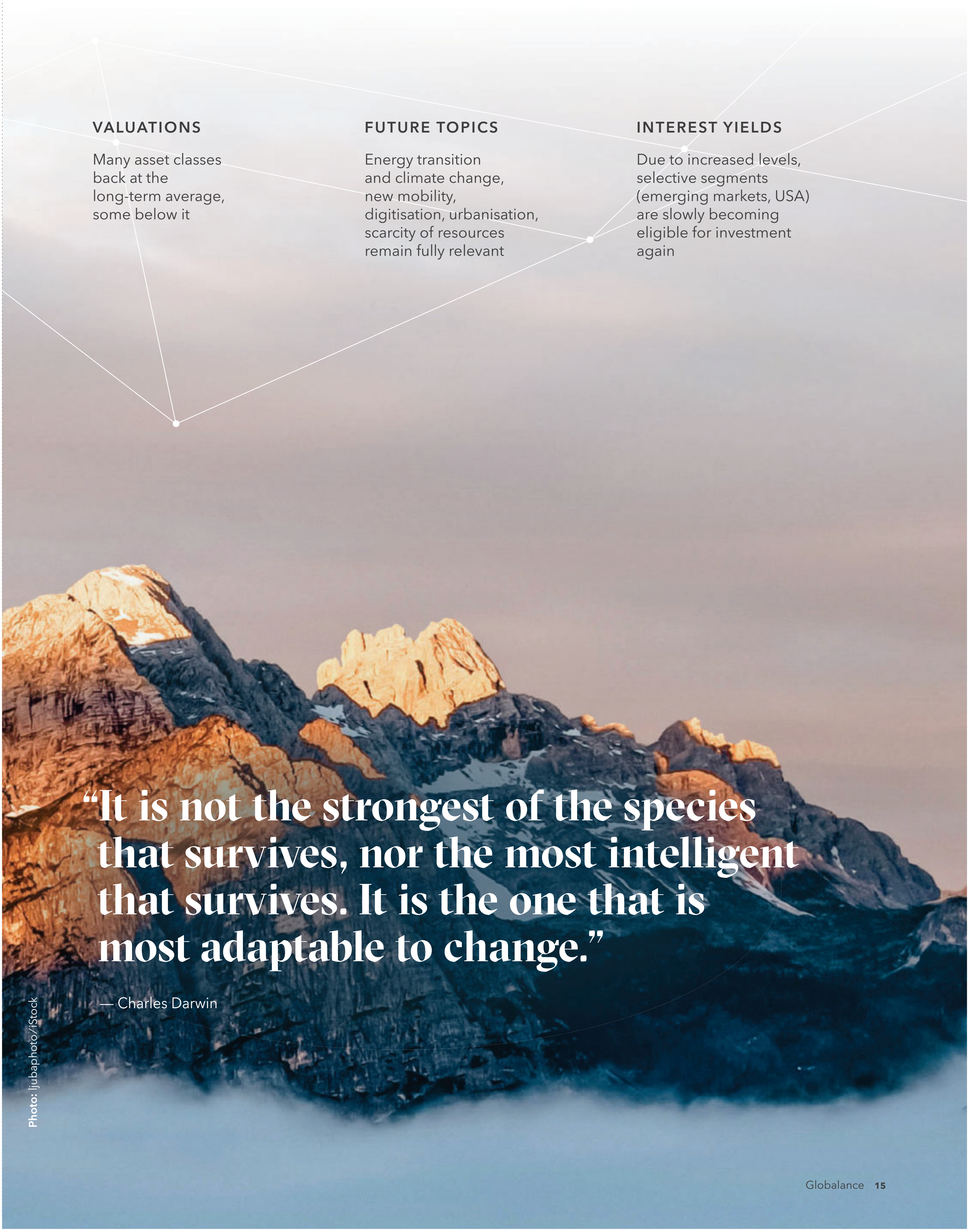
Falling trends in the USA, Europe follows with a delay

INTEREST

Most interest rate hikes priced in; increases likely to be more moderate or come to an end in 2023

ECONOMY

Signs of a mild, temporary recession still intact



VALUATIONS

Many asset classes back at the long-term average, some below it

FUTURE TOPICS

Energy transition and climate change, new mobility, digitisation, urbanisation, scarcity of resources remain fully relevant

INTEREST YIELDS

Due to increased levels, selective segments (emerging markets, USA) are slowly becoming eligible for investment again

> **"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change."**
>
> — Charles Darwin

Photo: ljubaphoto/iStock

Your Portfolio's Climate Warming Potential

How does Globalance determine the global warming potential?
In order to assess the climate warming potential, Globalance works together with the data provider MSCI. We obtain climate data from companies and calculate the warming potential for your personal portfolio based on this data. This key figure is based on a method developed by MSCI ESG to compare your portfolio's climate path to the Paris Climate Agreement's target. It computes an exact temperature value that indicates which level of climate change the company's activities are currently aligned with. The lower the value, the better.

An innovative discipline in its development stage
The methodology developed by MSCI relies on model calculations to reduce countries and sectors' absolute greenhouse gas emission budgets for individual companies. This approach is innovative and elementary at the same time, but still fraught with initial difficulties.

Globalance uses this methodology nevertheless, as the advantages are substantial and outweigh the current disadvantages.

1 For better assessment: if a company is on track to comply with a climate target, for example the two degree climate target, prospective data must be included. Conventional data based solely on the past is not sufficient.

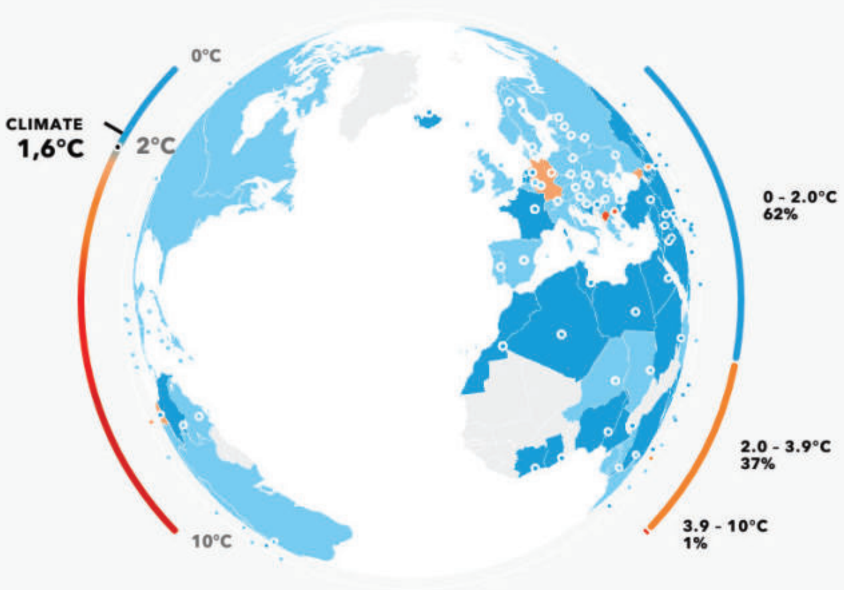
2 The methodology is based on absolute emission budgets, which result for each country, each sector and, derived from this, for each company from the Paris Agreement's scientific deliverables.

3 The methodology includes the important emissions throughout a company's entire value chain, including the supply chain and use phase (Scope 3). Scope 3 accounts for 50 – 80 percent of emissions, depending on the sector, and is not taken into account by many banks in their reporting.

What has Globalance achieved in 2022?
We were able to further reduce the global warming potential of our investment strategies in 2022.
The targeted selection of new investments with low global warming potential as well as our selected companies' ambitious reduction targets contributed to this. Our portfolios have a significantly lower global warming potential than all relevant market indices worldwide.

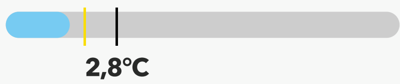
Your Portfolio in Comparison

Globalance invests in assets with the lowest possible warming potential. We also further reduce the remaining climate risks in the portfolio using our innovative investment instrument "Globalance Climate Offset". The temperatures of the individual investments are capital-weighted and cumulated.



CLIMATE

1,6°C



Paris Climate Agreement: **2,0 °C**

MSCI's Global Benchmark Index

How Good Are the Others?

International stock indices in comparison

NASDAQ 100
USA/
1,9°

SPI
SWITZERLAND/
1,8°

S&P 500
USA/
2,8°

HANG SENG INDEX
HONG KONG/
2,2°

FTSE 100
UNITED KINGDOM/
2,5°

DAX
GERMANY/
2,5°

NIKKEI 225
JAPAN/
2,4°

SHANGAI COMPOSITE
CHINA/
4,4°

STOXX EUROPE 600
EUROPE/
2,4°

Your Climate Scores

The five assets in your portfolio with the best climate score

1. Globalance Climate Offset
   -9.9 °C
2. InvestInvent Wind Energy I
   1.3 °C
3. Novo Nordisk A/S Class B
   DENMARK /
   1.3 °C
4. Accenture Plc Class A
   IRELAND /
   1.3 °C
5. Automatic Data Processing, Inc.
   UNITED STATES /
   1.3 °C

The Globalance Footprint® of Your Portfolio

What is the Globalance Footprint®?

It is Globalance's comprehensive sustainability rating and shows you what good your assets are doing around the world – for the economy, society and the environment. Our grid is simple and objective. A total of nine criteria represent prosperity, the future viability of society and the preservation of our natural resources.

Globalance invests in financial assets with the greatest possible contribution to the following objectives:

ECONOMY	SOCIETY	ENVIRONMENT
Principles for prosperity and sustainable competitiveness	Drivers for prosperity, health and equal opportunities in our society	The conditions for preserving our natural resources and livelihoods

Better decisions

The higher the footprint score, the more the investments in your portfolio contribute positively to the achievement of global goals. This score stands for comprehensive sustainability quality, which minimises the risk of being surprised by unwelcome developments.

Broader data coverage in 2022

Globalance invests in a globally broadly diversified portfolio with numerous innovative assets. It can often be challenging to obtain meaningful data on the impact on the economy, society and the environment. Globalance succeeded in identifying new relevant data sources in the reporting year. For example, we can assess green bonds based on the use of the capital. Furthermore, individual bonds can now be systematically assigned to their issuers, which improves data coverage for investments in emerging markets, for example.

Your Portfolio in Comparison

Footprint scores of the individual investments are capital-weighted and cumulated. The globe shows your portfolio's footprint at country level. The impact contributions are weighted according to revenue and capital share for each country in which one of your assets is active.

FOOTPRINT
69

59

MSCI's Global Benchmark Index

How Good Are the Others?

International stock indices in comparison

NASDAQ 100
USA/
65

DAX
GERMANY/
58

NIKKEI 225
JAPAN/
62

S&P 500
USA/
59

STOXX EUROPE 600
EUROPE/
59

HANG SENG INDEX
HONG KONG/
54

FTSE 100
UNITED KINGDOM/
56

SPI
SWITZERLAND/
59

SHANGAI COMPOSITE
CHINA/
41

Your Footprint Scores

The five assets in your portfolio with the best footprint score

1. BlueOrchard Microfinance Fund SICAV - BlueOrchard Microfinance Fund -I - CHF- Capitalisation
95

2. Dual Return Fund SICAV - Vision Microfinance ICHF (T)- Capitalisation
95

3. InvestInvent Wind Energy I
93

4. KDDI Corporation
JAPAN /
92

5. Automatic Data Processing, Inc.
UNITED STATES /
91

Global Megatrends in Your Portfolio

How does Globalance select megatrends?
Megatrends are profound and long-lasting changes that affect all regions, economic sectors and companies. Globalance identifies and selects megatrends based on the following criteria: longevity, global nature, urgency and strong interactions.

Megatrends in the first year of the Ukraine war
The effects of the war in Ukraine are being felt around the world. We will discuss its economic impact elsewhere. In this context, it is important to emphasise that the megatrends we have identified remain valid. The shock of war shakes up all developments in the short term, but does not overturn them in the long term. Demographic developments, for example, continue to progress, as predicted in many cases. The transformation of our energy and transport infrastructures is even picking up speed as our dependence on problematic fossil fuels has been dramatically illustrated.

The Globalance Megatrends
Globalance focuses its investment strategy on the following nine relevant megatrends:

HEALTH AND AGE	SCARCITY OF RESOURCES	NEW MOBILITY
DIGITISATION	URBANISATION	CONSUMPTION
CLIMATE AND ENERGY	AUTOMATION	KNOWLEDGE-BASED SOCIETY

We use our proprietary methodology to measure the revenue that companies generate in these megatrends – the higher, the more interesting. The analysis by Globalance World shows you in which megatrends your portfolio is diversified.

Your Portfolio in Comparison

Globalance invests in companies with high megatrend shares, positive footprints and solid financial ratios – known as futuremovers. They successfully respond to worldwide megatrends and help solve global challenges. The megatrend shares of the individual investments in your portfolio are capital-weighted and cumulated.

MEGATRENDS
90 %

62%

MSCI's Global Benchmark Index

	Your Portfolio	Benchmark Index
HEALTH AND AGE	18%	17%
DIGITIZATION	26%	28%
CLIMATE AND ENERGY	8%	5%
SCARCITY OF RESOURCES	12%	5%
URBANIZATION	21%	10%
AUTOMATION	11%	6%
NEW MOBILITY	4%	3%
CONSUMPTION	15%	11%
KNOWLEDGE-BASED SOCIETY	16%	12%

Challenges and Opportunities for 2023

Inflation is digging its heels in despite exceptionally tight monetary policy. How do you see this developing?
Inflation rates have reached a first cyclical high in the USA. The weakening of the global economy will have a dampening effect on prices in the near future. Nevertheless, strong inflationary forces are still at work as a result of large central banks creating money unchecked in recent years. Structurally, there is also a threat of an increase in factors that will drive prices in the future (energy shortage, demographic effects, deglobalisation). Inflation rates of 4 to 6% are therefore not unrealistic in the next few years. Due to misguided ECB policies, the eurozone in particular is under the threat of high inflation becoming structurally entrenched.

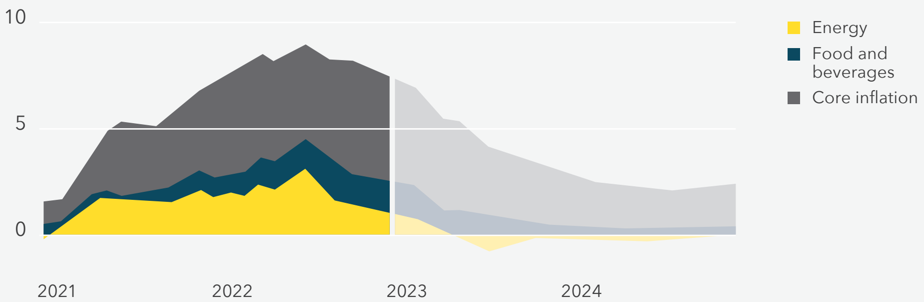
The elephant in the room is a global recession – are we heading for a soft or hard landing?
The signs of a global economic decline cannot be ignored. Large parts of Europe are at risk of a recession, also as a result of severe energy price shocks. China, the former driver of growth, is showing worrying weakness, which is further exacerbated by dirigiste policies. The US is also drifting towards a recession as the Federal Reserve seriously tightens the monetary reins. Due to this synchronous slowdown, a global hard landing cannot be ruled out for the time being. However, a situation of "rolling downturns" that proceed with varying intensity globally is more likely.

Rising interest rates have led to a significant valuation correction for almost all asset types – stocks, bonds, real estate, precious metals, etc. Is the worst over now?
On the valuation side, the biggest damage has indeed already been done, at least in the liquid asset classes. On the other hand, real estate and private equity are likely to continue to be corrected with a time lag in 2023. Poor (or negative) returns are also to be expected in the coming years for the bond markets. The stock markets, on the other hand, could become more attractive again from 2023 onwards, at significantly reduced valuation levels. However, more gradual reductions in equities are to be expected before that, in response to rising recession and profit risks.

The last 20 years have been marked by globalisation and technological innovation, which clearly worked to the benefit of consumers. Are we at the beginning of a new era? If so, what are the consequences?

US INFLATION RATE PASSES PEAK IN SUMMER 2022

Y/Y in percent



Source: Feri Trust

The topic of "energy security" is certain to become a real megatrend in the coming years, offering a multitude of attractive investment opportunities.

The new era has already begun, but it will not be a positive one in many respects. The long phase of globalisation is being replaced by a new regime of partial de-globalisation as a result of acute geopolitical conflicts and divides. The strategic rivalry between the USA and China is likely to intensify with an increasingly negative impact on the global economy. There is an increasing threat of blocs (re-)formation in the global economy ("Cold War 2.0"), with the emergence of a pro-Western on the one side and a China-centric hemisphere on the other. For consumers and investors, this environment will be significantly more difficult than the previous 30 years of intensive globalisation. Nevertheless, new technologies will also have a very strong influence during this phase.

Let us shift our view to the future. Every crisis is always a great opportunity at the same time: where do you see the greatest investment opportunities in the coming years?

Some food for thought:

+ **Energy crisis and dependence on fossil energy and a few OPEC countries. The starting signal for the energy transition?**
The topic of "energy security" is certain to become a real megatrend in the coming years, offering a multitude of attractive investment opportunities. All types of alternative energy generation will be the focus, but they will not be able to solve the global energy problem. Out of necessity, the "old" sectors (oil, gas, coal, nuclear power) will therefore still have to be considered for quite some time.

+ **2022 summer of the century/ climate change – the biggest investment opportunity of the next 30 years.**
The pressure for a climate-friendly energy transition is growing tremendously, yet politicians in many countries are still not acting with the necessary urgency and conviction. Investors should nevertheless keep a close eye on the topic of "alternative energies", as both huge progress and major disruptions can be expected here in the coming years.

+ **Dependence on raw materials – circular economy/recovery becomes economically attractive.**
If it wasn't clear to politicians and market participants before today that "green" technologies such as e-mobility, wind power or photovoltaics are also highly dependent on raw materials, then it should be now. We are talking here about copper, nickel or palladium, but also lithium, cobalt and, with increasing relevance, "rare-earth elements". Many of these areas are dominated by China or Russia, which creates new strategic dependencies. Rapid progress in the recycling or substitution of "strategic raw materials" is absolutely imperative for Western countries if they don't want to be slowed down or even blocked from developing and implementing new technologies.

+ **Deglobalisation is cushioned by technological innovation and the trend towards decentralised business models (3D printing, smart grid, etc.).**
The geopolitical environment is leading to a relocation of globally distributed production sites ("re-shoring"), but is also accelerating the trend towards more decentralised business models. Supply chains can be simplified and transport distances shortened on the basis of new technologies. Innovative 3D printing processes could help to move production processes from factories in other countries directly to the point of sale. However, such possibilities can only be used very selectively. Nevertheless, investors should keep an eye on corresponding technologies, innovations and business models.

Dr Heinz-Werner Rapp
Director and Chief Investment Officer of FERI Investment Research

Dr Rapp is a member of the Management Board and Chief Investment Officer at FERI AG in Bad Homburg, where he is responsible for all the FERI Group's investment activities. He is also the founder and head of the FERI Cognitive Finance Institute, which acts as a strategic research centre for the FERI Group. Dr Rapp is the author of numerous articles, book contributions and studies on topics relevant to the capital markets. Dr Rapp is also an advisor to the Globalance Investment Committee.


1


2


3


4


5


6


7


8

Globalance

Your Team at Globalance

Your Account Manager

Gaby Aschwanden

Senior Client Advisor

Gaby Aschwanden is a senior client advisor and supports our clients with enthusiasm and over 30 years of banking experience. She has expanded her in-depth knowledge with international training as a Certified ESG Analyst and CFA Certificate in ESG Investing.

Phone +41 44 215 55 06

gaby.aschwanden@globalance.com

1. **Peter Zollinger**
   Head of Impact Research
2. **Tanja Jegger**
   Head of Philanthropie
3. **Thomas Pfyl**
   Head of Investment Selection
4. **Christoph Blättler**
   Head of Portfolio Management
5. **Natalie Baki**
   Portfolio Manager
6. **Reto Ringger**
   Founder und CEO
7. **David Hertig**
   Head of Assets, Founding Partner
8. **Gabriel Hansmann**
   Manager Impact Research

4 Questions For Gaby Aschwanden

What was your best investment so far?
My trips around the world – immersion in new cultures, adventurous, facing challenges and always finding a solution – my biggest school of life.

Are you optimistic or pesimitic about the future?
The art is to ride the waves of life in any weather, having fun and following the heart. That makes me optimistic – whatever happens.

How do you charge your batteries?
Mainly in nature and yoga. I love paddling my kayak across a mirror-smooth and reflective mountain lake – that's like medicine for my soul.

What would you like to learn?
By nature, I am a very curious person. There is something to learn every day. However, one day I want to be fluent in Italian.

Trimble – How Smart Farming Works

Agriculture is being confronted with a number of challenges. Climate action is unavoidable, preserving biodiversity is an important issue and there is no alternative to the conservation of resources. The shift from current farming practices to more sustainable farming needs the appropriate technologies from innovative companies like Trimble.

30 percent of both the global energy consumption and CO_2 emissions are already attributable to food production (including food transport) today. Although the loss of biodiversity is a well-known problem of our time, pesticide use has increased by 80 percent in the last 30 years. As if these numbers were not challenging enough, there will be nearly 10 billion people to feed in the next 30 years.

When awareness grows

There are already numerous solution approaches for more efficient, environmentally friendly and sustainable agriculture. For example, avoiding and recycling waste has become a high priority for consumers and along the agricultural value chain.
In addition, there is currently a major shift in eating habits with plant-based substitutes for animal products such as milk or meat increasingly finding their way into our shopping baskets.
The number of vegans or vegetarians has leapt up in recent years, especially among millennials.
Furthermore, farming is becoming increasingly high-tech, which is summarised under the term “precision agriculture”, and aims at radically saving resources such as water, energy and consumables.

Trimble Inc.

USA/

1.8°C Warming Potential	53 Footprint Score	100% Exposure to Megatrends

DIGITISATION URBANISATION KNOWLEDGE-BASED SOCIETY

30 percent of the global CO_2 emissions are attributable to food production.

Clean technologies for a prosperous future?
Trimble acts as a key business in this area of precision agriculture. The Californian company was founded in 1978 with its head office in Sunnyvale and is a leading provider of high-precision satellite navigation today. Trimble develops and combines positioning technology, mobile communications and software into integrated systems for the agriculture, transport (systems for self-driving fleets of lorries) and construction (computer-based optimisation models for construction machinery) sectors.

In agriculture alone, 630,000 square kilometres are already farmed with Trimble technology worldwide – almost twice the area of Germany. Also worth mentioning and impressive: around 350,000 smart displays and several million sensors "made by Trimble" have been installed in agricultural machinery to date. Farmers benefit from automatic guidance and steering systems, water management programmes with spot spray technology and cloud-based data management to increase yields and minimise the use of resources.

According to the company, its in-house technologies can achieve an efficiency increase of up to 50 percent compared to conventional solutions and avoid 7 million tonnes of greenhouse gas emissions a year.

Trimble currently employs nearly 12,000 people in more than 35 countries and has a market capitalisation of USD 14.5 billion. The company invests around 15 percent of its revenue in research and development to further strengthen its capacity for innovation. Therefore, it is likely that the more than 1,000 active patents will be joined by several more.

Swiss banking with a mission

Globalance

Never cut a tree down in the wintertime.

Never make a negative decision in the low time.

Never make your most important decisions when you are in your worst moods.

Wait. Be patient. The storm will pass.

Spring will come.

Robert H. Schuller

Globalance Bank AG Gartenstrasse 16 CH-8002 Zurich +41 44 215 55 00 info@globalance.com **globalance.com**