Swiss banking with a mission
Globalance

Maren Stämpfli

Personal Investment Report 2023

Your Investments in 2023

The performance of your portfolio during the past year

EDITORIAL

Dear Ms. Stämpfli

2023 was a year of change and adaptation that severely tested the global economy. Interest rate hikes, geopolitical shifts and technological breakthroughs characterised the economic structure. Despite the challenges, the global economy proved surprisingly resilient. Although the markets were volatile, they brought investors pleasing price gains.

That is a good starting position: because our world will never move as slowly again as it does today. Rapidly developing technologies are bringing about far-reaching changes in areas such as energy generation, mobility, new materials and healthcare. Companies and business models that are actively shaping this future world are increasingly detaching themselves from the old world.

Our investment strategies reflect this change. Our portfolios are well prepared for this new world with a focus on quality investments, diversification and special consideration given to future technologies. In your personal investment report, we show you how we are using these findings to make 2024 a successful year.

Reto Ringger
Founder and CEO

REVIEW 2023

A Year of Great Upheaval

The investment environment in 2023 was volatile and challenging. Following the negative interest rates, a surge in debt and economic bubbles in recent years, the pandemic, war in Europe and energy crisis laid the foundations for inflation rates in double figures. Distortions from previous years have now been corrected by the increase in interest rates.

Stubbornly preserving the status quo means taking a step backwards.

After some initial hesitation, the central banks took decisive action to tighten monetary policy in 2022 to get inflation under control. In doing so, they set an urgently needed reorganisation in motion: Bitcoin, NFTs and meme stocks (the online community's favoured stocks) are now trading between 50 and 90 per cent lower, share valuations have fallen by a good 30 per cent (S&P 500), inflation rates are below 4 per cent (US) and money is earning interest of up to 5 per cent (US) again. These kinds of adjustments never leave the capital market unscathed. Rising interest rates are slowing down the economy's driving forces, weigh- ing on the property market and making risky investments such as equities less attractive.

2023 had another lesson in store for us with the launch of ChatGPT: our world is being increasingly exposed to accelerated change and disruption, but also holds huge potential for us. We have learnt two lessons from this eventful year: adjustments create uncertainty and volatility, but lead to attractive investment opportunities thanks to lower valuations and higher real returns. Secondly, stubbornly preserving the status quo in a world of accelerated change means taking a step backwards or even ruin. Investors would be well advised to also adapt their portfolios to these rapid changes.

More background information about the past year, your investments and our expectations for the future can be found on 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 2023 on 1 January

CHF 3’506’478.-

Your Cash Flows in 2023

CHF -10’325.-

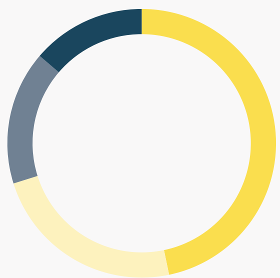
Your Assets 2023 on 31 December

CHF 3’581’933.-

Your 2023 Net Return

+ 3.8 %

Your Portfolio by Investment Categories



- Equities CHF 1’705’600.–
- Low-correlated assets CHF 856’000.–
- Real assets CHF 586’400.–
- Bonds CHF 500’412.–

Your Investment Strategy

Balanced

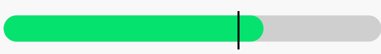
Your portfolio is tailored to your personal situation: you have a medium to long-term investment horizon, you want to increase your capital, but not at any price. Extreme price fluctuations should be avoided as far as possible. We have taken all these requirements into account for you in your portfolio.

Your Globalance Footprint®

CLIMATE
1,5°C

2,4°C

FOOTPRINT
69



62

MEGATRENDS
88 %

65%

Paris Climate Agreement: 2,0 °C

World Benchmark Index

Maren Stämpfli is a fictional client of Globalance Bank. The above data is for visualisation purposes only.

Our Positioning in 2023

Globalance takes a global approach to stock selection. We want to identify the best investments worldwide without being limited by geographical restrictions. When compiling the portfolios, we ensure solid diversification at country, sector and individual stock level. We base this on the world equity index, which invests almost 60 per cent in North America, 20 per cent in Europe and the remaining 20 per cent globally. Our portfolios are therefore also heavily weighted in the US and have a high percentage of equities in foreign currencies.

We divide the equity exposure into two thirds substantial core shares with good balance sheet quality, stable margins and a high return on equity. We invest a third in high-growth small and mid caps that are exceptionally well positioned with regard to future topics such as “digitisation”, “urbanisation”, “climate change” and “new mobility”. For more information on these megatrends see your portfolio on pages 8 and 9.

Global Positioning Pays Off

Our global positioning in equities (+18%)* once again clearly outperformed the Swiss stock market (+6%). Thanks to currency hedging in our portfolios, we were able to offset the weak US dollar and euro against the Swiss franc. The “Magnificent Seven” phenomenon caused us the most trouble: driven by the hopes of a share price surge surrounding artificial intelligence, Amazon, Alphabet, Meta, Apple, NVIDIA, Microsoft and Tesla recorded a combined share price increase of 77 per cent. As these seven stocks account for almost 20 per cent of the world equity index due to their sheer size, they determined the majority of its annual return.

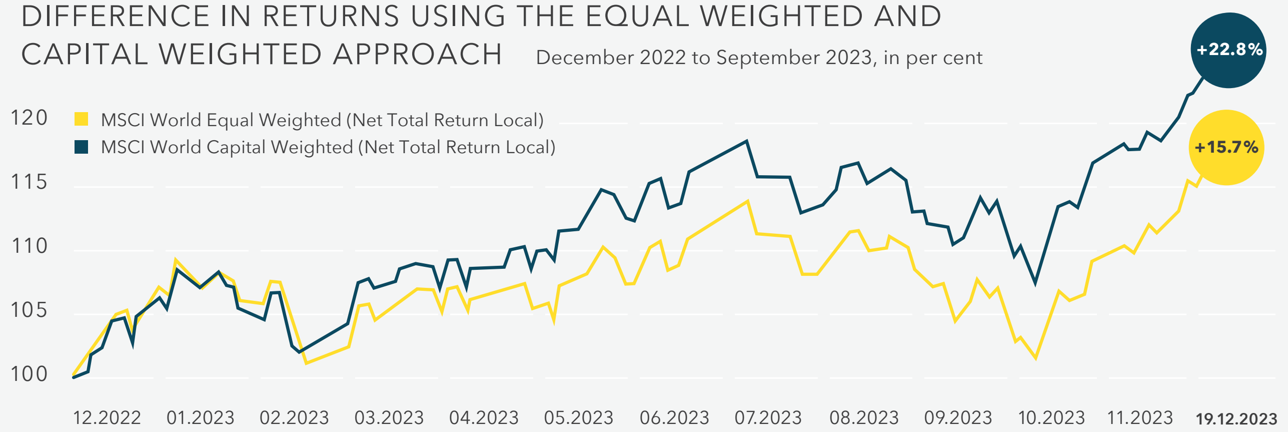
Equal Weighted Approach

Not the case at Globalance though. For reasons of diversification, we invest based on an equal weighted approach. This means that every company, regardless of its size, is given the same weighting in the portfolio, each within the category of core equities and futuremovers. The chart below illustrates the associated difference in returns: an equal weighted portfolio lags behind the market index by a whopping 6.2 per cent, although both contain exactly the same companies – simply with different weightings.

Our Measures

The fact that we also selected six of the seven top stocks in 2023 for our client portfolios shows that our focus on futuremovers has proven to be the right one. Although empirical evidence confirms the clear outperformance of equal weighted approaches over a longer period of time, technological leaps such as AI can lead to a prolonged widening of the gap in returns before they start to return to the average. We are closely monitoring the extent of this dynamic and are prepared to adjust the equity weightings in our portfolios in line with the market environment.

DIFFERENCE IN RETURNS USING THE EQUAL WEIGHTED AND CAPITAL WEIGHTED APPROACH December 2022 to September 2023, in per cent



Source: Bloomberg

*All figures as of the reporting date, 19 December 2023

Globalance Highlights in 2023

This year we once again aimed to improve your portfolio in all impact dimensions and at the same time adapt its diversification to the current financial market environment. This enabled us to further reduce the global warming potential of your equities and improve the ecological footprint.

January

Better Footprint

We replace emerging market bonds with two new collective investment vehicles with a significantly better footprint.

March

More Defensive Course

Due to the unfolding banking crisis, we retain the defensive positioning of our portfolios.

June

Building Up Fixed-Interest Securities

We increase the ratio of fixed-interest securities, extend the maturity for green bonds and strengthen the area of renewable energy.

October

Lower Climate Risks

The regular review and adjustment of the future-mover growth stocks leads to 17 companies being swapped. We reduce the global warming potential to 1.5 °C and increase the footprint to 70 points.

December

Review

As part of the regular review of the core equities in the portfolio, we replace five of them. We increase the bond quota at the expense of microfinance investments and gold.

The defensive equity exposure was basically retained, but we took advantage of the October correction on the stock markets to increase the equity allocation to neutral. We also positioned ourselves for an approaching end to the cycle of interest rate hikes by increasing the share of fixed-interest securities and extending the maturity for existing green bonds.

Tactically, we also increased our bond quota again towards the end of the year at the expense of microfinance investments and gold, where we are taking profits. Our portfolios are therefore also neutrally positioned on the interest rate side or invested in accordance with the long-term strategic quota.

Investments with a Better Footprint

In the area of emerging market bonds, we already made a change at the beginning of the year, which resulted in a better footprint valuation and more broadly diversified geographical coverage. We were also able to optimise our ecological footprint in the area of infrastructure with an investment in the solar, wind and battery storage sectors. These strategic adjustments were rounded off by a comprehensive review and re-positioning of the entire portfolio.

ASSETS WITH THE GREATEST POSITIVE RETURN CONTRIBUTION IN 2023

Investment Funds

Zukunftbeweger Focused Fund Equity fund focused on megatrends	↗ 16 %
Variopartner Tareno Global Water Fund The fund invests in water company shares along the entire value chain	↗ 15 %
DPAM Emerging Markets Sustainable A Belgian investment fund focusing on sustainable emerging market bonds	↗ 13 %
Twelve Cat Bond A low-correlated investment focusing on extreme weather events	↗ 12 %
OptoFlex A low-correlated investment focused on systematically collecting premiums resulting from volatility on the stock markets	↗ 11 %

Stock Certificates

Microsoft An American software group with a large cloud business and a strong foothold in the field of artificial intelligence	↗ 57 %
Alphabet A US holding company with operating subsidiaries in the areas of web-based search (Google), consumer content, mobile operating systems and others	↗ 55%
KLA Leader in innovation as well as in developing and controlling semiconductors	↗ 55 %
Apple A leading US provider of smartphones, computers, consumer electronics and computer operating systems	↗ 52 %
Novo Nordisk A Danish world market leader in the field of diabetes treatment	↗ 47 %

Your Portfolio and Climate Risks

Why Does Climate Change Affect Your Portfolio?

Climate change is reshaping the global economy and increasingly affecting important industries and economic sectors. The need for a low-carbon future is forcing companies in key industries to adapt their business models. Climate change therefore influences the future viability of companies and investment performance. These changes offer investors the opportunity to invest in pioneers of this development and to benefit from the revaluation of assets on the capital markets.

What Investment Opportunities does the Climate Megatrend Offer?

Climate change is becoming a driver of innovation and growth. Many affected sectors offer interesting return potential, for example in the areas of mobility, urbanisation, energy efficiency, clean technologies and infrastructure. These sectors are growing at an above-average rate, driven by regulatory subsidies and increasing consumer awareness.

Which Climate Topics Is Your Portfolio Invested In?

New Energy Technologies

Investments in wind, solar and cutting-edge technologies in particular, as the prices of these technologies are constantly falling and the latter are becoming increasingly attractive for the demand from business, industry and private individuals

Energy Efficiency

Companies with products and services that reduce energy consumption, saving costs and improving the environmental footprint

Scalable and Clean Technologies

New technologies from innovative companies that open up new business areas and achieve above-average growth as a result

Future-Oriented Infrastructure

Investments in the construction or operation of efficient buildings and transport systems

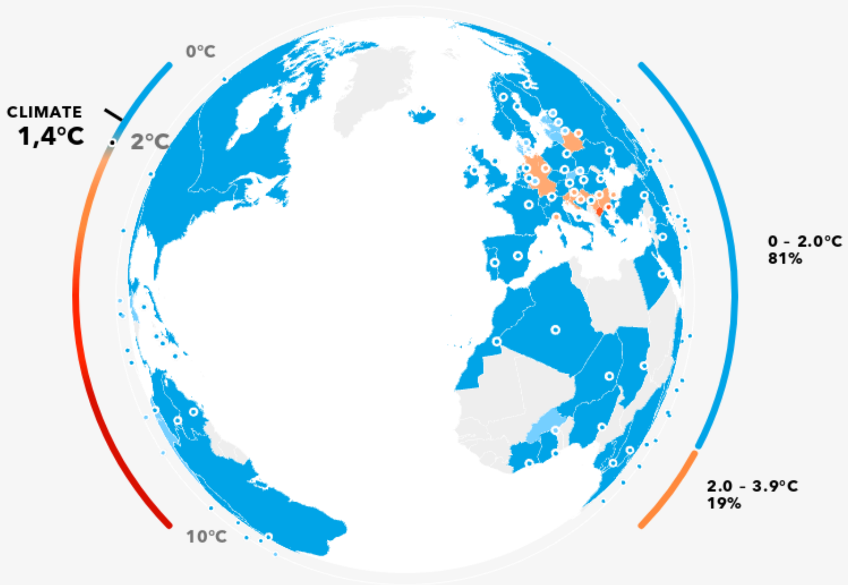
Green Bonds

Targeted investments in environmentally friendly projects that hold the promise of both economically and ecologically sustainable returns

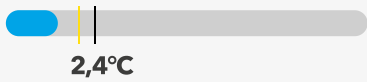
Photo: piranka/iStock

Your Portfolio's Global Warming Potential

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



CLIMATE
1,5°C



Paris Agreement: **2,0 °C**

World Benchmark Index

Your Climate Scores

The five investments in your portfolio with the best climate score

1. Globalance Climate Offset
   -9.9 °C

2. Telenor ASA
   NORWAY /
   1.3 °C

3. InvestInvent Wind Energy I
   1.3 °C

4. Accenture Plc Class A
   IRELAND /
   1.3 °C

5. NIKE, Inc. Class B
   UNITED STATES /
   1.3 °C

Your Portfolio in Comparison

International share indices

SPI
SWITZERLAND/
1.7°

NASDAQ 100
USA/
1.8°

HANG SENG INDEX
HONGKONG/
1.8°

STOXX EUROPE 600
EUROPE/
2.1°

DAX
GERMANY/
2.1°

NIKKEI 225
JAPAN/
2.2°

FTSE 100
UNITED KINGDOM/
2.4°

S&P 500
USA/
2.4°

SHANGHAI COMPOSITE
CHINA/
4.6°

Discover Globalance World and earn more about the Globalance methodology.

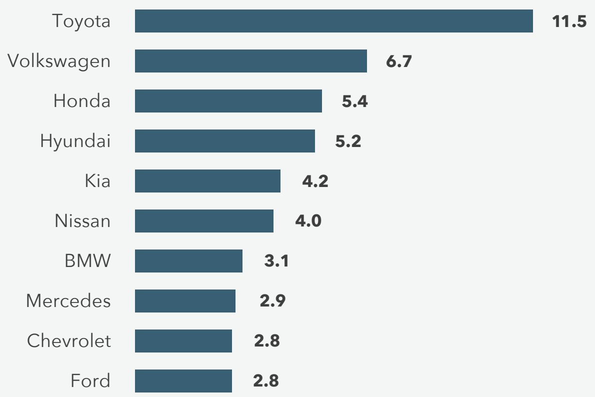
Global Megatrends in Your Portfolio

Megatrends for the New World

In the current uncertain stock market environment, investors are looking for sound, future-proof investment opportunities. We live in an increasingly fast-paced world and carefully selected megatrends offer a forward-looking approach: they are long-term, transformative forces that have the potential to fundamentally change the economy, society and our daily lives. From digitisation and automation to sustainable energy and the healthcare sector. These trends not only offer attractive prospects of return, but also a robust diversification for your portfolio. With a compound annual growth rate (CAGR) of 15–20 % and a global reach, megatrends are an attractive investment strategy that offers resilience in volatile times.

OLD WORLD

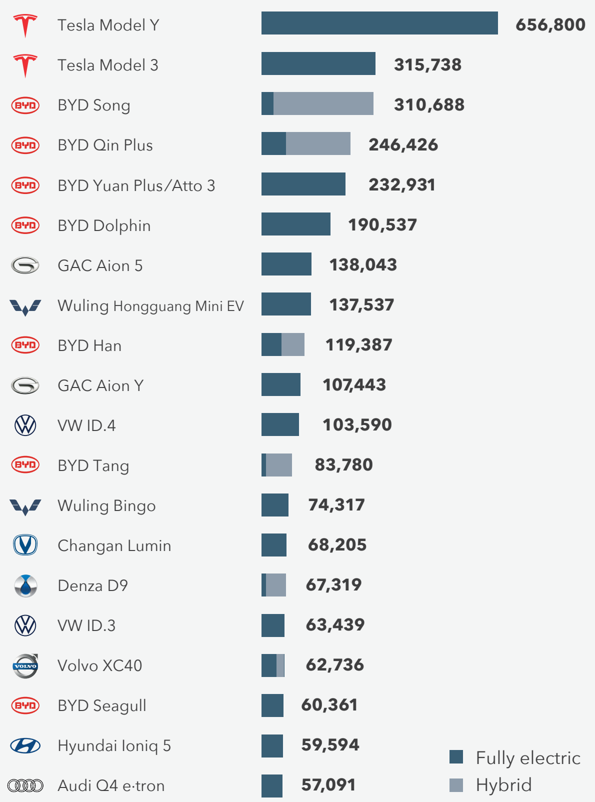
Global automotive market share, in per cent



Source: Statista, as of 2022

NEW WORLD, NEW PLAYERS

World's best-selling plug-in electric vehicles



Source: CleanTechnica, January – July 2023

Why Are Megatrends Attractive?

Long-Term Growth Potential

Megatrends such as digitisation and automation have high compound annual growth rates (CAGR) of 15–25 %.

Portfolio Diversification

Various megatrends offer broad diversification, which reduces the overall risk.

Long-Term Increase in Value

Megatrends are of a long-term nature and investors can benefit from the progressive growth of these trends with a long-term increase in value.

Technological Innovations

The sector for future technologies is growing exponentially and is fundamentally changing numerous industries.

Adaptability

Megatrends are often flexible and capable of adapting to new market conditions. This makes them a sound investment, especially in uncertain times.

The Globalance Megatrends

Based on the latest scientific knowledge and its analysis, Globalance considers the following nine megatrends to be key:

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

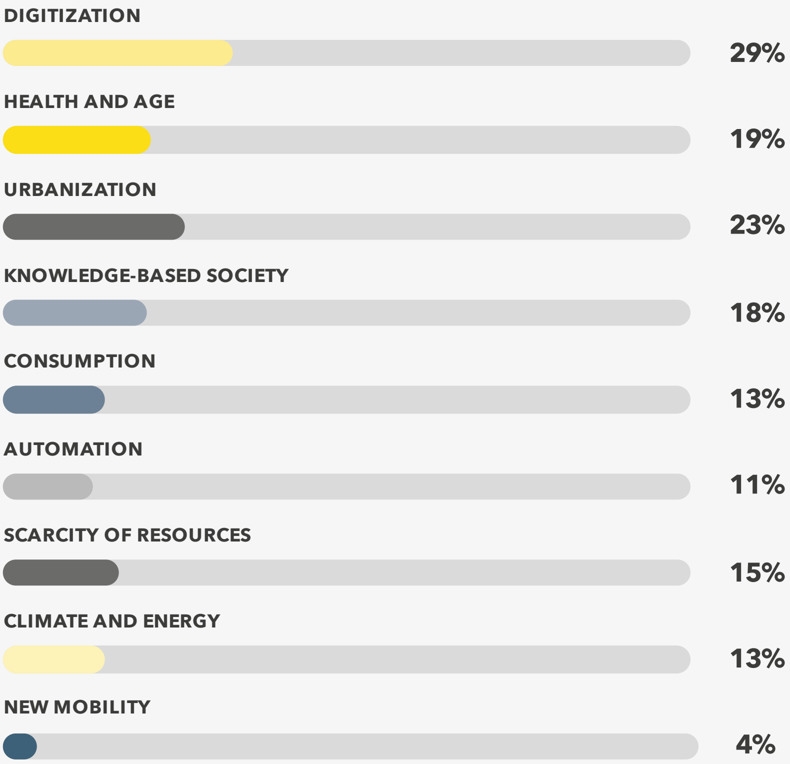
Globalance uses a proprietary methodology to measure the revenue share that companies generate in these megatrends. The higher, the better. Your portfolio is diversified and invested in these megatrend themes.

MEGATRENDS
88 %

World Benchmark Index

Megatrends in Your Portfolio

Share of sales in %



Your Megatrend Scores

Selected companies from your portfolio with a large megatrend share

ABB Ltd.
SWITZERLAND / CLIMATE AND ENERGY

ASML Holding NV
NETHERLANDS / DIGITIZATION

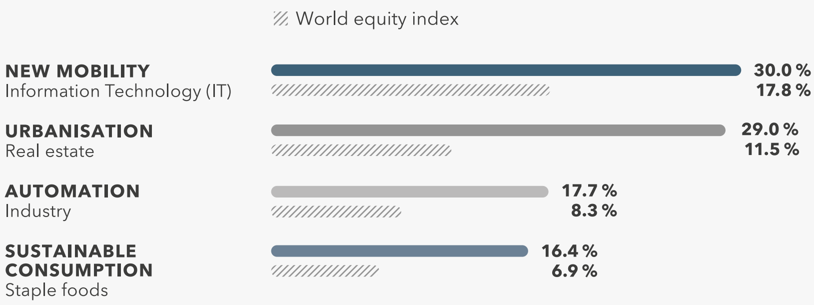
KLA Corporation
UNITED STATES / DIGITIZATION

Trane Technologies plc
IRELAND / CLIMATE AND ENERGY

Accenture Plc Class A
IRELAND / DIGITIZATION

ANNUAL REVENUE GROWTH OVER THE LAST 3 YEARS

Megatrends compared to the world equity index, in per cent



Source: Globalance Bank AG, Factset, as of 31 October 2023

Megatrends with a Positive Footprint

We focus on those megatrends that generate a positive impact on the economy, society and the environment. In this way, we ensure that these megatrends serve sustainable development. We believe that solutions with a positive footprint are particularly interesting in view of the growing climate, resources and nutrition issues.

2023 – A Year of Great Upheaval

A quick glance at the annual returns might tempt you to dismiss 2023 as an unspectacular investment year. However, there is far more to this than just the bare figures. 2023 was a complex year, marked by adjustment and upheaval.

The central banks continued the interest rate turnaround initiated in the previous year combined with a reduction in their total assets in the most important currency areas in 2023. Base rates are currently at 4.5 per cent in Europe and 5.25 per cent in the US, a far cry from the negative interest rates of previous years. In both the US and Europe, inflation has recently fallen from double figures to below 4 per cent in the US and 4.5 per cent in Europe.

Drastic Treatment Reveals (Side) Effects

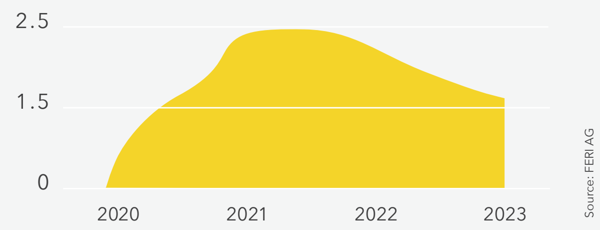
Interest rate hikes of more than 5 per cent within just 18 months did not leave the capital market and economy unscathed. In spring, US regional banks that had run into serious difficulties sparked a banking crisis that culminated in the forced government sale of Credit Suisse. Not long after, there were rumblings in China's real estate sector, with local developers struggling with huge mountains of debt and defaults. Overall, global economic momentum cooled off, the euro area approached recessionary levels and Germany became the first G7 country to slide into contraction as early as 2023.

COVID Savings and Technological Disruption Prop Up the Economy

At the end of 2022, we had prepared for a slowdown in the global economy and increased market volatility by positioning the portfolios more defensively. However, the global economy proved to be more resilient during the course of the year than generally assumed, despite interest rate hikes and reductions in total assets by central banks. Two specific factors in particular were at work here: trillions in excess savings from

ADDITIONAL SAVINGS BY US CONSUMERS DURING THE COVID PANDEMIC

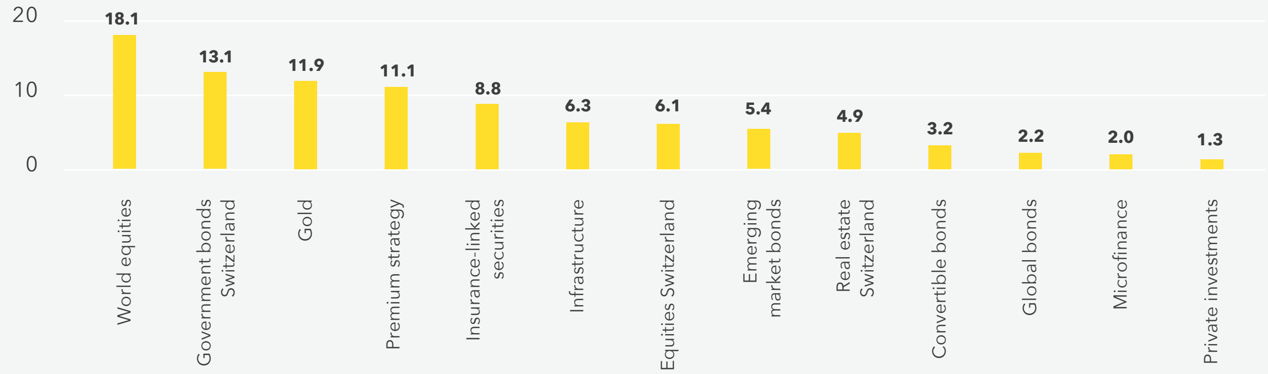
Excess savings, in trillions of USD



PERFORMANCE BY THE MOST IMPORTANT ASSET CLASSES

1 January to 31 December 2023, in percent

Source: Globalance, Bloomberg



Numerous paradigm shifts are fundamentally reorganising the world as we know it.

the time of the COVID lockdowns (see chart) ensured sustained consumer spending, which boosted the US economy and the quarterly results of many companies. On the other hand, the rapid adoption of ChatGPT fuelled investor fantasies about the seemingly endless applications of artificial intelligence.

Almost All Asset Classes with Positive Returns

The economic environment supported by the North American economy and a decline in long-term interest rates in Switzerland – contrary to the general trend – ensured positive returns in almost all asset classes (see chart). The top performers once again included low-correlated investments, which we add substantially to our client portfolios. Gold was also a sought-after investment as a hedge against inflation and crises and generated good returns in our portfolios. At the bottom of the table were investments sensitive to interest rate changes such as real estate and infrastructure as well as cyclically sensitive commodities, whose prices indicate a further slowdown in the global economy.

2023 as a Guide for Futuremovers

Even though fossil fuels made a comeback on the stock markets last year and technology stocks were penalised, 2023 confirms that the winners of tomorrow can be found in promising growth topics. The price rises related to all aspects of artificial intelligence illustrate the huge untapped potential in disruptive futuremovers: seven stocks alone were responsible for the majority of the stock market return in 2023.

The World Establishes a New Order

We are currently observing a number of paradigm shifts that are reorganising the world as we know it: these include demographic change, the energy transition to renewable models, changes in the world of work, the shift in the geopolitical balance of power to the east and the decarbonisation of our economy and society.

The impact of these shifts is enormous and the return on portfolios is increasingly being determined by taking them into account. At Globalance, we have been working intensively on these issues for years and we enable our clients to position themselves in these future movers in good time.

WHAT HAVE WE LEARNED FROM 2023?

+ **The tightening of monetary policy has undesirable side effects.** Sharply rising interest rates contribute to banking and real estate crises. The aim is to create a well-diversified portfolio and stabilise it with low-correlated investments.
+ **Market timing is difficult.** The global economy proved to be more robust than economists had expected. The US surprised with a pandemic-related pent-up urge to consume, delaying the global recession.
+ **The positive stock returns conceal the fact that such were achieved by just a few stocks.** The "Magnificent 7" undoubtedly belong in the portfolio. However, they should not account for 30 % of the equity exposure. In the long term, it is essential to diversify and avoid serious cluster risks.
+ **2023 offers a best practice example for technological disruption.** The price rally for all aspects of artificial intelligence illustrates the huge potential of exciting futuremovers.
+ **The immense potential of new future technologies.** Investors must take these fundamental shifts into account when compiling their portfolios.

David Hertig
Founding Partner and Head of Investment

Photo: AlexSava/iStock

2024 – On the Road to Recovery

The global economy is following the path we had anticipated: falling inflation rates with the slowing down of economic growth. For the first half of 2024, we are expecting a moderate recession in the US as well as in Europe. The economy should pick up again in the second half of the year.

Interest rate hikes are taking their toll: there are increasing signs that economic growth is now also slowing down in the US. Companies are likely to be preparing for a slump in demand and responding with cost reductions and recruitment freezes. Meanwhile, the central banks' goal of a sustained fall in inflation rates is within reach. This removes the pressure to tighten interest rates even more. However, in our view, an imminent cut in the interest rate, such as market participants had hoped for, is off the table. Interest rate futures are not factoring in this kind of support for the stock markets until the middle of the year.

Our Current Scenario

The chart on the opposite page shows our current positioning (full circle). As the economic momentum declines, we are now moving into a slightly recessionary environment accompanied by lower inflation figures. Provided central banks manage to maintain the balance between inflation control and positive economic stimulus, we should see a return to a positive economic environment with even more moderate inflation rates as we look towards the second half of 2024. In addition to solid diversification across asset classes, regions and sectors, we favour quality companies that generate the most stable results possible even in a recessionary environment.

We are increasing the quota for government and quality corporate bonds with maturities of 6 to 8 years. The interest yields and scope for interest rate cuts at the long end are attractive. Low-correlated investments such as insurance-linked securities and premium strategies remain highly valued. In real assets, we avoid cyclically sensitive commodities; the focus is on green infrastructure. The weighty quota in certified gold remains in place.

THE MOST IMPORTANT ASSET CLASSES

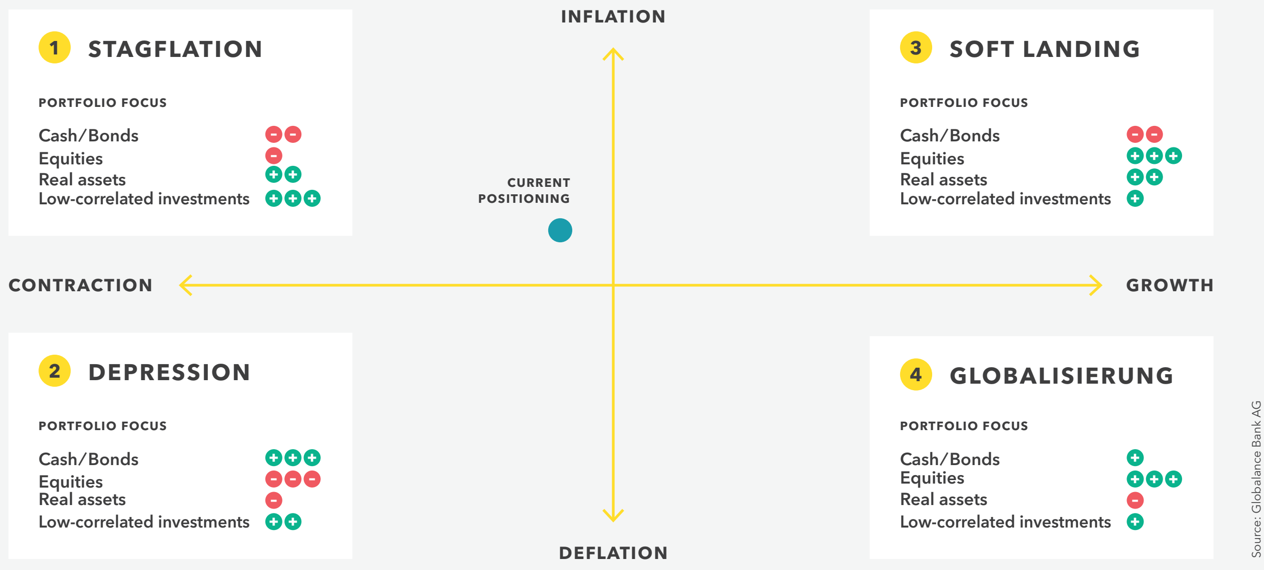
Source: Globalance Bank AG

Our assessment for the first quarter of 2024

ASSET CLASS	Heavily underweighted	Slightly underweighted	Neutral	Slightly overweighted	Heavily overweighted
	POSITIONING				
Money market				●	
Bonds			●		
Low-correlated assets					●
Equities			●		
Real assets		●			

FOUR SCENARIOS AS A FRAME OF REFERENCE

This chart shows four possible constellations for the global economy.
Growth is shown from left to right, the consumer/producer price development (inflation) from top to bottom.



Source: Globalance Bank AG

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. Key drivers can be **exogenous shocks** such as large-scale wars or **defaults 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 **SOFT LANDING**	"Soft landing" 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, higher 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 **GLOBALISIERUNG**	Key features are full employment, production at maximum 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.

Our Measures for 2024

Broad Diversification Remains Essential

Spreading the portfolio across several asset classes, regions, currencies and futuremovers is an effective way of minimising investment risks. Low-correlated investments worked very well in 2023 and also remain weighty components in our portfolios in 2024.

Long-Term Perspective

The financial markets have a big head start on politics. They anticipate long-term developments and reward any identified future revenue and profit potential with price mark-ups today. Investors need to look ahead accordingly and ask themselves which technologies and business models have potential.

Time on the Market Beats Market Timing

Price fluctuations are the price that investors pay for the return on their investments. Empirical evidence shows that buy and hold is clearly superior to entering and exiting at short notice: investors often realise losses too late and then miss the subsequent rebounds, which are often sudden and surprising.

Interest Yields Are Suitable for Reinvestment

Due to the rise in interest rates in recent months, bonds denominated in Swiss francs are also increasingly yielding real returns. There is also upside potential in the event that interest rates should fall again in the second half of 2024. We have adjusted the quotas in our portfolios accordingly.

Risk Management

Risk management must be conducted at the beginning of an investment – not just when prices have fallen. The risk capacity, risk appetite, investment horizon and return expectations must be perfectly aligned and determine the portfolio strategy. If the price fluctuations are too high for an investor, then the investment strategy chosen was a little too bold and the long-term strategy should be reconsidered.

Futuremovers Are More Relevant Than Ever

We are observing a number of radical paradigm shifts. The impact of shifts such as demographic change, the energy transition, changes in the world of work and decarbonisation is enormous. Taken into account in good time, they increasingly determine the return on portfolios. At Globalance, we have a finely tuned radar for these future-movers. With us, you are investing in the energy transition to combat climate change, in new forms of mobility as well as in digitisation, urbanisation, solutions against the scarcity of resources and in the knowledge-based society.

"Futuremovers Are Attractively Valued"

Are you expecting a soft or hard landing for the economy? And what impact will this have on the stock markets in 2024?
The economic data available to us tends to indicate a moderate recession in the global economy, which should be overcome in the first half of 2024. Many consumers were able to build up extra savings during the COVID pandemic, which are now slowly being spent and are propping up the service sector. Falling inflation is also having a positive effect: companies can buy in at better prices, while consumer purchasing power is stabilising.

We have achieved fair and in some cases very favourable valuations for many asset classes.

Have interest rate hikes already reached their peak? When do you expect the first interest rate cuts?
Our assessment of the situation is that we are very close to the peak in the US and Europe and that interest rates should not rise any further for the time being. However, due to the moderate recession, we do not expect a major downward trend in interest rate movements. The central banks would only take action if the recession were to worsen significantly.

Should we even remain invested in this environment, which is characterised by uncertainty and question marks?
Investors can only achieve returns if they are invested. It is virtually impossible to find the ideal entry point – or to exit and re-enter at the right time. There are many empirical studies that prove that long-term buying and holding achieves the best returns.

What can investors expect from the new year in terms of returns?
We have once again achieved fair and in some cases even very favourable valuations for many asset classes. At these levels, shares can yield 6 to 8 per cent per year in the long term. What is new is that it is once again possible to achieve a real return of just under 1 to 2 per cent on bonds denominated in Swiss francs.

Should geopolitical risks be hedged in portfolios?
A well-known stock market adage says that political stock markets have short legs. Geopolitical risks are countered with the solid diversification of the portfolio across different countries, sectors and investments. It does not make sense to react to individual incidents. You are always too late to exit and then often miss the rebound.

How can I position myself in this environment? Where do you see opportunities?
Globalance invests specifically in futuremovers. These are companies that successfully respond to global megatrends and develop solutions for global challenges such as urbanisation, digitisation and scarcity of resources. They replace outdated business models and at the same time achieve a positive footprint with future-oriented and innovative concepts. The potential of these futuremovers has been impressively demonstrated by the price rally for all aspects of artificial intelligence in recent months. The futuremover shares we have selected have four times higher growth in revenue and three times higher growth in profit. They are also valued more favourably than the world equity index.

Christoph Blättler
Head of Portfolio Management

Stewardship and Shareholder Engagement

More weight thanks to collaborative engagement – promising initiatives for nature and biodiversity

In 2023, we further developed the content of our direct dialogue with portfolio companies and participated in additional collaborative engagements with other investors. In this way we are fulfilling our fiduciary responsibility to work persistently and constructively on behalf of our clients to ensure that the companies in our portfolios remain among the leaders in their respective fields.

We will report in detail on all measures in the annual report in January 2024. We now provide a stewardship page on our website, where we present current campaigns on an ongoing basis and publish an overview of the state of scientific research on the topic.

2023 FOCUS

Instensified Climate Engagement

1 In 2023, we intensified and systematised our climate engagement. We analyse all core shares relevant to the climate according to five criteria: transparency and achieved emission reductions as well as climate targets, climate action and governance. Based on our analysis, we formulate specific recommendations for improvement for each company and engage in direct dialogue with the companies.

2 One approach for Best Buy, for example, is that we are calling for more transparency in the assumptions made regarding climate targets and climate action. At Sekisui House, we are committed to ensuring that emissions from building construction are measured and reduced in a targeted manner.

3 Last year, we also held talks on the topic of biodiversity. At Nike, for example, we demanded that raw materials associated with a high risk of rainforest deforestation be traced back to their place of origin. The biodiversity programme will be further expanded in 2024.

Photo: blew_i/Unsplash

Collaborative Engagement

4 In September 2023, the "Nature Action 100" investor initiative was launched with the aim of reducing biodiversity loss at companies in relevant sectors. The focus is on the 100 companies with the greatest impact on biodiversity. This also includes three companies in our core share portfolio. Globalance is actively involved in these engagement teams.

5 Furthermore, we joined the "Carbon Action 100+" investor initiative in 2023 and, in addition to our own climate engagement, we will work with other investors to transition to net zero in 2024.

Voting Rights

We exercise voting rights worldwide for all companies in our core portfolio, the Globalance Zukunftbeweger and the Socrates Fund, and for all clients. We vote in accordance with sustainability principles through our voting representative (ISS). We were able to attend annual general meetings at 92 per cent of our companies – 84 in total. A total of 1,294 voting proposals were up for debate. We voted against management on about 143 (12 %) and supported 44 shareholder proposals.

Sekisui House Ltd.

Green Urbanisation

No other topic is at the interface of so many other megatrends as urbanisation. This is where the challenges of climate, energy, mobility and consumer behaviour come together in a very confined space. The investment opportunities are correspondingly diverse, ranging from urban infrastructure, energy-efficient real estate to security concepts and vertical farming. From an investor's perspective, the geographical dimension is also interesting: the top 10 densest megacities are located in Japan, India, China, Bangladesh, Brazil, Mexico and Egypt.

"Zero-energy house" from Japan

In view of the above, it comes as no surprise that our core equity Sekisui House has its legal domicile in Japan. The innovative real estate company is leading the way in high-density, smart and climate-friendly construction and living. Sekisui House has been designing "zero-energy houses" since 2009.

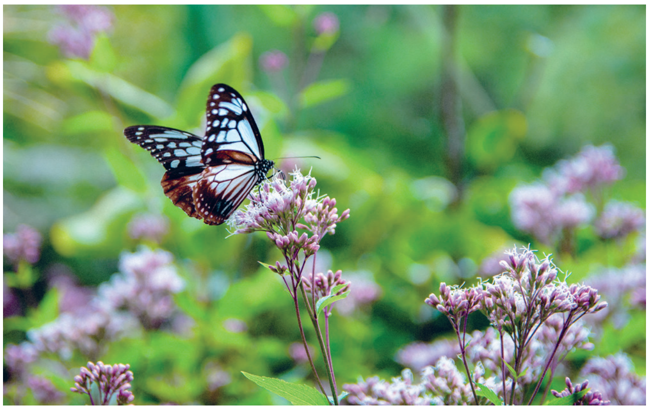


Photo: Nicholas Doherty/Unsplash

These are equipped with solar cells and batteries, among other things, and have 60 to 80 per cent less carbon emissions during use compared to conventional properties.

The company also recognised early on that unsealed soil and interconnected green spaces and bodies of water significantly improve biodiversity in cities. As a result, Sekisui House launched the "Gohon no ki" project ("Five Trees" initiative) 20 years ago. To counteract the loss of flora and fauna and conserve biodiversity, Sekisui House plants five native trees for each of its customers – three for birds and two for butterflies. More than 17 million trees have already been planted since 2001. The result is certainly impressive! Japan's three large metropolitan regions have ten times more native tree species, the number of bird species in residential areas has doubled and there are even five times more butterfly species.

Sound Investment

Sekisui House is also a good investment. The diversified real estate business generates stable, recurring income on the invested capital. The free cash flow and solid balance sheet allow a dividend yield of 4 per cent for shareholders and still leave sufficient funds for further expansion outside Japan. The valuation is below the long-term average. The return contribution in 2023 was 34 per cent.

Sekisui House, Ltd.

JAPAN/

URBANISATION

1.4 °C	62	81 %	34.2 %
Global Warming Potential	Footprint Result	Megatrend Share of Revenue	2023 Net Return

Best Swiss Private Bank 2024

In an analysis by the renowned FUCHS | RICHTER institute, Globalance once again demonstrated its leading role in private banking. The TOPS 2024 asset management rating named Globalance „Best Bank in Switzerland" for the fourth time in a row.

Moreover, Globalance achieved an excellent third place in the DACH region with 86 out of a possible 100 points, moving up from 5th to 2nd place in the „All-Time Best List". This climb by three places in the FUCHS | RICHTER ranking is a sign of great continuity and proof of the outstanding quality of our services. Fuchsbriefe commented on this accomplishment: „The Zurich private bank has achieved impressive consistency with top performance."

Task: to Invest 20 Million Wisely

The task of the asset managers tested was to invest a family fortune of EUR 20 million from a property sale wisely and securely in a volatile market environment. The providers did not know that the enquiry was a test. Those providers who impressed the jury during the initial consultation in terms of their expertise and customer focus made it to the final round.

Their investment concept and its presentation – also known as the „beauty contest" – were then analysed in detail. Globalance achieved top marks in the three categories „Consultation", „Beauty Contest" and „Investment Competence".

The award confirms that our ongoing commitment to customer focus, innovation and a future-oriented investment strategy sets us apart from the majority and is of interest to customers. Our experts were able to gain the trust of the testers and presented credible, promising and easy-to-understand investment strategies.

Triumph over 70 Providers

A total of 70 providers were tested, including 23 from Germany, 21 from Switzerland, 18 from Austria, 6 from Liechtenstein and 2 from Luxembourg. The best banks from Switzerland following Globalance (86 points) were Bank Vontobel (78 points) and Reichmuth & Co Privatbankiers (77 points). In the „All-Time Best List", Globalance ranks behind Bankhaus Spängler (Austria, 787 points) and ahead of LGT Bank (Liechtenstein, 766 points) with 774 points.

FUCHSRICHTER.DE/SIEGEL

globalance.com/en/awards/

Globalance

Well Advised – The Specialist by Your Side

Your client advisor

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.

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4 Questions for Gaby Aschwanden

What gives you a lot of energy?
I find immense energy by gliding through the calm waters of our mountain lakes in my kayak, balancing body and mind through yoga and interacting with inspiring people.

What advice would you give your younger self?
Always listen to your heart and go through life with joy and gratitude.

What or who makes you smile?
My friends. When we talk about the old days, the crazy stories of youth and the exciting experiences, a smile is guaranteed.

What's the most unconventional thing you've ever done?
There have been some remarkable experiences in my life, but my decision to emigrate to Bali probably took the most courage. With this step, I fundamentally turned my life upside down.

Swiss banking with a mission
Globalance

I must be willing to give up what I am in order to become what I can be.

Albert Einstein

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