Incrementum All Seasons Fund

- in pursuit of real returns -

2025 / 02

Seasonal Reflections

Days Of Chaos

Dear Readers,

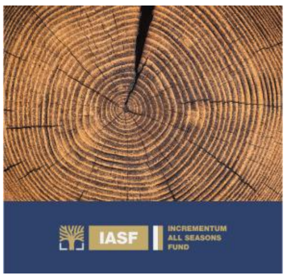
Once again, and as the year progresses, the season has changed, and spring has arrived. As every year, this is accompanied by a spectacular explosion of blossoms and growth that changes the face of our world almost daily...

Spring garden, Schaan, 3APR2025

We have seen similarly rapid changes, and what occasionally appears to be utter chaos, on the geopolitical front in recent months, where Trump 2.0, in contrast to the seasonal trend, has caused plenty of turbulence. And these have recently also increasingly left their mark on the financial markets, and it is becoming apparent that we may be experiencing significant trend changes in all major asset classes.

My most recent *Seasonal Reflections* winter edition opened with the observation that 2024 brought more shadow than light for IASF investors. But as always, it is important to realize that this is also a changing state. Because when we look back at the start of 2025, we can see a somewhat brighter picture again, on which I will report on the following pages:

Table of contents (red passages are active weblinks and all translations are mine):



May 23, 2025

incrementum

Brief look back on FONDS professionell 2025

On January 29 and 30, I had the pleasure of attending the FONDS professionell Congress in Mannheim together with my fund manager colleagues Mark Valek, Christian Schärer and Ronni Stoeferle (from left). With over 200 exhibitors from all corners of the financial sector, mainly fund management companies, but also insurers and data providers, the congress offers professional investors the opportunity to gain an overview about the industry and its current topics, as well as to make direct contact with its representatives, i.e. in our case Incrementum's portfolio managers.

Incrementum stand 158, on the morning of 29JAN2025, our photo

The most discussed quote from the many speeches and presentations at the congress was probably ***"The economic situation in Germany is even worse than the mood"***. It was coined by *Veronika Grimm, member of the German government's Council of Economic Experts, in conversation with entertainer Harald Schmidt about the situation of the German economy and the prospects for the country* (Congress News, 29.01.2025), who attributed this assessment to the consequences of the coronavirus and energy crisis as well as demographic change. – The solution? More investment plus tax cuts – while at the same time complying with the German government's debt brake...

I was not able to witness this conversation in the audience and am therefore referring to the organizer's report as well as to feedback from those present. But it clearly raises the question of how all this is to be financed. – In my view, it seems highly questionable whether *"savings from reforms to the social security systems, such as unemployment benefits, citizens' benefits and pensions"* are sufficient and even politically feasible. Thus, it is hardly surprising that in the meantime, under the old government and with support from the new coalition partner, a massive investment package financed by ~~debt~~ off-balance sheet funds has been passed, which promises growth and a better mood, at least in the short term.

This "solution" is hardly surprising and underscores the relevance of the following quote from Credit Strategist, Michael Lewitt: *"It is impossible to objectively look at the growing quantum of global public and private sector debt and conclude anything other than (a) all of it can never be repaid, (b) it is a handicap to economic growth, (c) it is the result of poor economic management and political cowardice, and (d) if sustained, will lead to crisis, catastrophe, and immense suffering."* (The Coming Crisis, The Credit Strategist, April 2025)

For me as a fund manager attending the Fund Congress, it was above all an opportunity to engage in a direct exchange with Incrementum and IASF investors, as well as those who might want to become ones, which I generally appreciate very much. However, before I report further on this, as usual, please do note the following:

FAQ on IASF and Incrementum

In principle, the question does arise as to whether major events such as FONDS professionell represent an efficient platform for exchanging ideas with our investors, a question that after my third attendance I would personally tend to answer in the negative if you consider the time and costs involved. Having said that, there were comments and feedback at this event, as well as at our IASF webinar on March 27, which I would like to lay out here under the above chapter heading.

One question that I was already repeatedly confronted with last year relates to what the questioners deem the *"unsatisfactory fund performance"*, and which I also encountered both at our webinar and in varying forms at the Fund Congress.

Historic performance, per calendar year in % (at 16.05.2025)

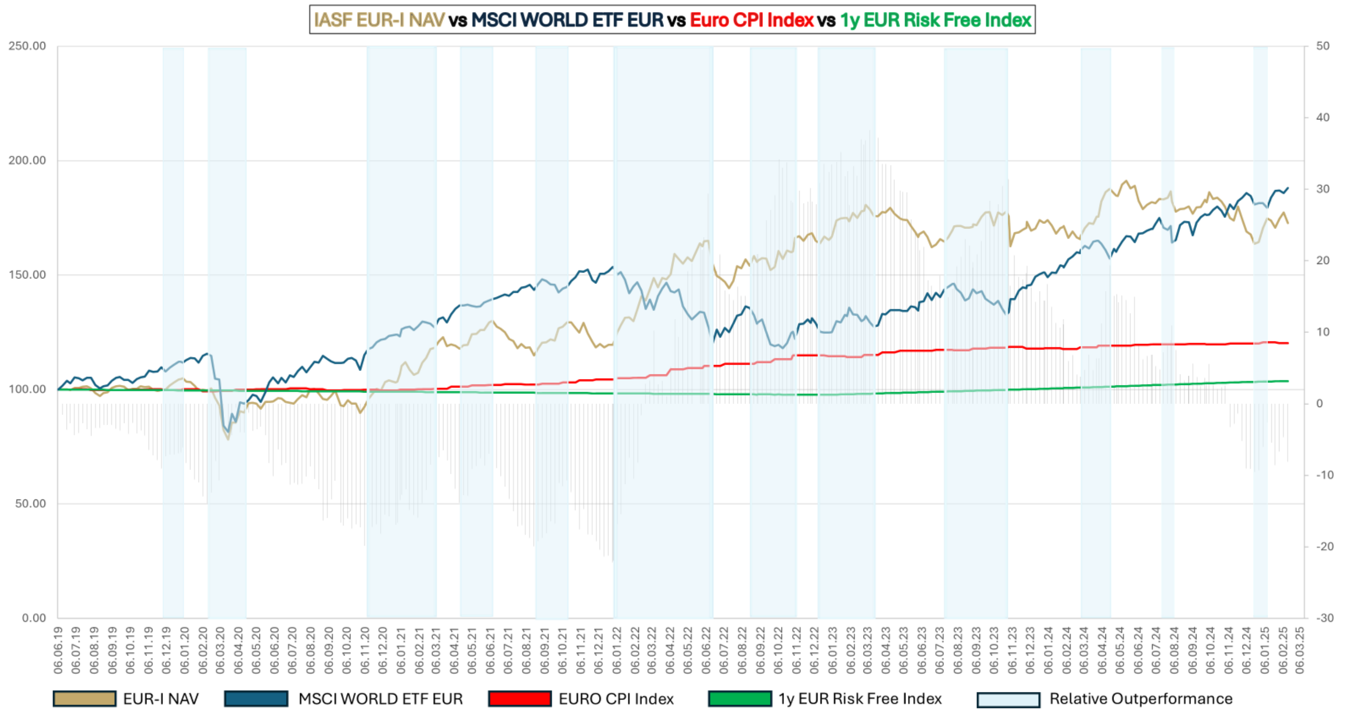
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	3.92	-1.60	2.90	-2.14	0.42								3.40
2024	-1.08	-3.16	5.95	5.32	2.29	-3.80	2.64	-3.59	1.07	-1.07	-3.11	-3.64	-2.84
2023	5.91	1.64	-0.28	-1.63	-4.54	-1.99	4.76	-0.09	3.85	-1.02	-2.90	1.29	4.53
2022	9.64	5.75	6.52	4.73	4.86	-8.52	3.44	1.18	-1.36	4.44	4.79	-1.61	37.95
2021	2.85	10.72	1.10	0.37	5.46	0.43	-5.28	-1.60	7.40	0.10	-4.81	-0.70	15.93
2020	-4.67	-3.13	-11.39	10.12	0.46	0.07	2.12	-0.70	-2.99	-3.50	11.65	3.10	-1.01
2019						-0.16	1.58	-2.56	2.54	-0.34	-1.21	4.73	4.49

Inception: 06.06.2019

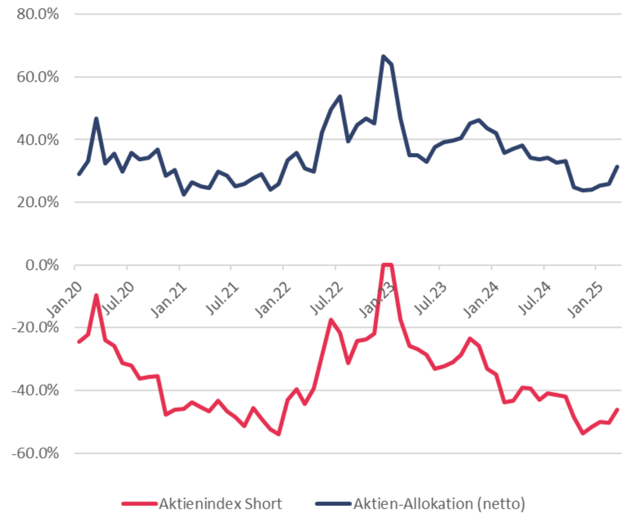
Daily updated IASF-USD-I-factsheet by fund administrator IFM

Whenever I am faced with it, I often ask myself what determines the degree of satisfaction with our fund performance and suspect that it is more likely to be characterized by relative comparisons. For example, there was obviously a high level of satisfaction among investors in 2022, whereas this was not the case at all last year. It seems that it is often forgotten that IASF is an investment fund with a very individual, active and global multi-asset investment strategy - and therefore pursues an absolute return mandate. This inevitably means that there are years in which performance lags behind a pure equity or thème-du-jour fund.

We also tried to illustrate this in our recent webinar using the following chart, which displays the performance of IASF's EUR-I-share class in comparison with the risk-free interest rate (assuming an investment in 1-year German government bonds, based on the interest rate that prevails at year-end), the Eurozone CPI Index and the iShares MSCI World EUR Hedged UCITS ETF (Acc), ticker IBCH. It illustrates that IASF has not only beaten a risk-free investment but has also significantly outperformed inflation in line with its goal, thus clearly achieving the intended increase in purchasing power of the invested funds.



And even compared with the EUR-based MSCI World ETF, the result is not bad, even if IASF's performance has recently fallen behind it. After all, we have achieved this with an average net equity allocation of less than 40% since the fund was launched, which in turn has meant that IASF has experienced significantly lower or even no drawdowns during equity market corrections, resulting in repeated periods of outperformance compared to the MSCI World ETF, as shown by the light blue shaded time periods in the graph above.



IASF **equity** shorts vs **net allocation** in % of AuMA

I shared the following explanation with an investor on March 28, following our recent fund webinar (only for German speaking investors): *"IASF is a complex vehicle with around 100 individual investments, additional derivative positions and various currency exposures. We try to manage this in such a way that we create added value for our investors in the medium to long term without having to accept the risk of major losses. Our investment approach has therefore never shot out the lights in raging bull markets but has regularly proven its worth during difficult market periods. This is usually appreciated by long-term investors, or in some cases only during such corrections, as investors are reminded of the importance of a sound sleep in all market phases. We too, like every portfolio manager, are subject to misjudgements, sometimes more and sometimes less, which is part of our job. Nevertheless, IASF is one of the best funds in its peer group, and we will do everything we can to ensure that this remains the case."*

In our view, this **resilience in times of crisis**, which we again demonstrated in April, not only forms the basis for satisfactory long-term performance, but is also a typical characteristic of all Incrementum investment management mandates.

Another FAQ from an investor in the run-up to the webinar asked for an *"explanation of the bet with the permanent and high short allocations to US indices"*. Obviously, many investors are still under the impression that for IASF we have opted to generally and permanently hold (US) equity index short positions, which is clearly not correct.

This impression is probably due to the fact that since the fund was launched in 2019, and as the chart of the IASF gross and net equity allocation on the previous page shows, we have only twice and for a short period in each case (in March 2020 and at the turn of 2022/23) **not held any** equity index short futures positions for hedging purposes. However, this was attributable to the fact that, in our view, US equity markets were already fundamentally overpriced in 2019, and have been ever since. Thus, and in the absence of perfect foresight, we had expected more significant market corrections, against which we sought to protect the fund's portfolio. However, this hedging effect only meaningfully worked once, namely in 2022, when we experienced the first half-hearted correction of the long-term equity bull market that had persisted since 2009.

Time will tell whether our assessment of the overpriced US equity market and its considerable potential for correction proves to be correct. But in principle, our short equity futures positions always have an equity risk-reducing character, as they lower our net equity allocation and thus the market risk associated with the fund's equity exposure accordingly. Of course, we can never be net short (which is prohibited by UCITS regulations) and have never held a net equity allocation of less than 20%.

I realize that this approach is not very popular when looking back at almost constantly soaring markets, but its value has not only been demonstrated in 2022, and as a portfolio manager I am influenced by the experience that in extreme phases of the market cycle it is more important to limit the downside than to permanently exploit maximum upside potential. It is also important to bear in mind that short positions contain an anti-cyclical element. After all, they automatically gain weight in a rising market and thus tend to keep the overall hedging level relatively stable. They also tie up cash via margin requirements, which requires countercyclical asset sales in rising markets, while cash is released from margin payments during falling markets. But it is also clear that equity markets deliver long-term nominal gains, and even more so during inflationary times**, which is why it makes little sense to maintain short positions permanently and is thus not intended**.

However, in my opinion, today's generation of investors is strongly characterized by a stock market development that is characterized by a 15-year upswing without a significant correction.

S&P 500 (log chart), since the early 1990s (with corrections of over 25%), investing.com, 13MAR2025

This means that since the Global Financial Crisis, during which equity investors suffered losses in excess of 50%, every market correction has proved to be an opportunity to buy shares at lower prices, which, combined with double-digit annualized gains, has fuelled the myth of the dominance of equity investments. From its lows in March 2009 to its high in February this year, the MSCI World Index rose by a factor of almost six (approx. 13% annualized), while the S&P 500 even increased by a factor of 9.4 (approx. 16% annualized), driven by an unusual combination of historically extremely low interest rates (and thus opportunity costs) and a significant rise in valuations.

In my opinion, there are no historical precedents for such a degree of long-term global price gains. And since financial markets are undoubtedly subject to cyclical fluctuations, our responsibility as asset managers to whom you have entrusted your savings means that we cannot agree to go unsecured into and through a phase of heightened geopolitical and economic uncertainty in which valuations are extreme and the market cycle is clearly at the upper end of its trend channel.

And with that I would like to conclude this chapter and will discuss more concrete tactical portfolio considerations further below.

Big Picture – Macro observations

Trump 2.0 has clearly been the dominant theme of the first half of 2025.

You can take whatever view you like of the US president, but there is no question that he and his cabinet have taken the world on a rollercoaster ride. To be honest, I can contribute little new to the discussion as to whether the US government is pursuing a clear plan with its policy and how sensible it is to implement it. But I can share with you my impression as a European and as an investor of what has happened in recent months, which may help you to understand how I, as a portfolio manager, am dealing with the current situation.

Trump Roller Coaster, investing.com, 6MAY2025

Donald Trump is trying to sell his voters, all US citizens and the rest of the world that the USA is a victim: A victim of those lazy and social liberal Europeans, who have been hiding under the US security umbrella "for free“, and have repeatedly treated it unfairly in trade through bureaucratic restrictions and government subsidies. And a victim of China, which has risen to become the world's leading export nation through unfair trade policies and at the expense of the USA, destroying millions of US jobs in the process. In my view, this is a very one-sided assessment.

When I moved to Hong Kong in 1995 to live and work there for more than a decade, the city was still a British Crown Colony and the gateway to China. My view of the development of trade relations between the leading nations of the West and the emerging nations of Asia, and China in particular, is therefore strongly influenced by my experiences during this time. They are based on the exchange with my high-net worth individual customers in Hong Kong and Asia during that time, as well as with my later wife Alexandra (she came to Hong Kong in 1996 and worked for the purchasing office of a large German trading company for several years) and many friends and acquaintances, some of whom worked for trading companies or were representatives of international companies trying to gain a foothold in Hong Kong / China.

In the 1990s, Hong Kong was the place where the representatives of West and East met. The former came with the aim of procuring cheaper products in Asia in order to gain margin advantages over their domestic competitors, or to produce locally for the new and large Asian growth markets. The latter sought to gain new, large export markets and create jobs for more than a billion people by opening the door to direct investments offered by the West and promoting industrial relocations.

Hong Kong – View from Victoria Peak

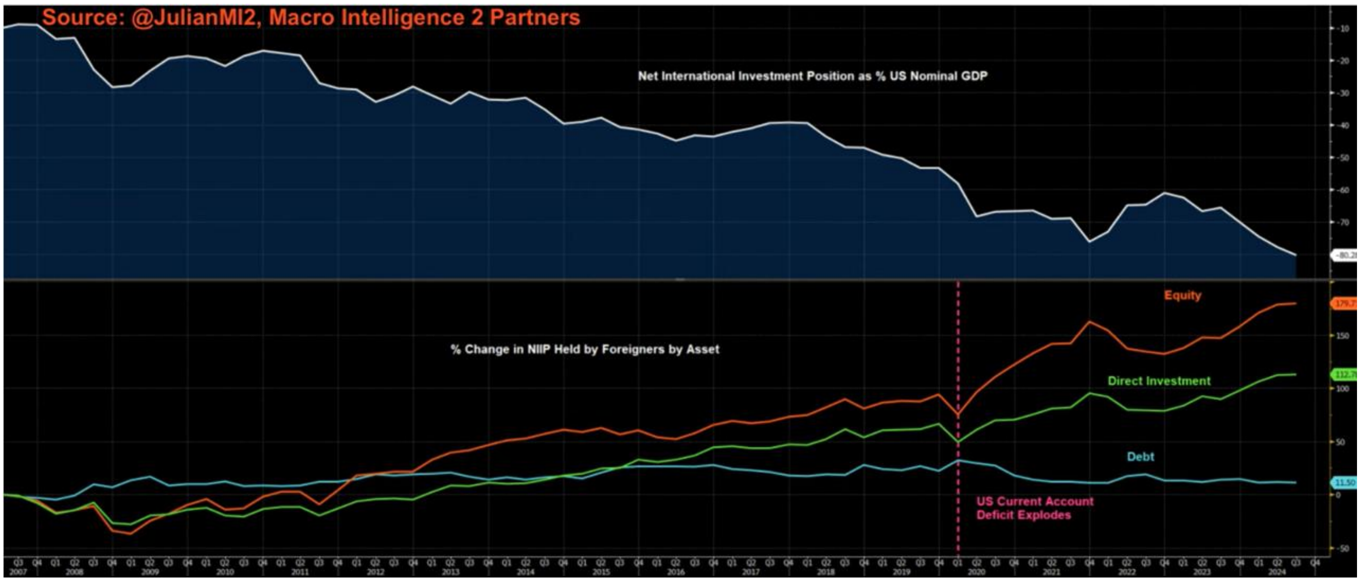
Personally, I have always experienced this relationship as one of mutual benefit. The West had the technology and the capital, China offered cheap labour and state investment aid and subsidies. The representatives of the former often appeared not much more than modern colonialists, while the latter made their workers work 12-hour/7-day weeks and accepted drastic environmental pollution. US and European expats in Hong Kong, most of whom held senior management positions, lived in the wealthiest and most expensive corners of the city, sent their children to international schools and spent their leisure time in the city's private and exclusive members-only clubs with their top dining, sports and social facilities.

I have fond memories of that time. As a German, I was well regarded by the local Chinese. German industry and economic strength, as well as cultural and social achievements, were considered exemplary and worthy of emulation. We obviously had regular contact with the local population, not only with cab drivers, like the passing tourist, but also when shopping, dealing with craftsmen, in kindergarten/school and of course most importantly at work. I found the Chinese to be predominantly pragmatic, willing to work and learn, as well as reliable and appreciative in their dealings with their long-term business partners – actually in many aspects similar to my own culture. Many expats, on the other hand, had great difficulties with the cultural differences of the local population and often lacked the necessary respect or even a willingness to adapt to local conditions. – From my subjective point of view at the time, it therefore seemed to me that the victims would rather be on the domestic, i.e. Asian, side, though objectively both sides were gaining (comparative) advantages, which is a fundamental characteristic of free trade.

In my own view, the problems raised by the Trump government are mostly home-made. Western companies have abandoned their domestic industrial base out of profit maximization considerations, and Western nations have benefited from a deflationary trend for decades through the associated outsourcing of production. This has long concealed cost pressures in the increasingly important service sector as well as the inefficiencies of a rapidly growing public sector and its rampant bureaucracy. Ricardo's theory of the benefits of comparative advantages just proved too tempting as long as the West thought it had both the necessary capital and the technical edge. But competition becomes more challenging when your competitors catch up and move the fight to a more level playing field, while one's own innovative capacity and the associated prosperity erodes.

What is also often conveniently forgotten - especially on the US side - is that the trade (or current account) balance is only one side of the coin, and that its deficits are accompanied by surpluses in the international capital account. In other words, the West has paid for cheap imports from China and other low-wage countries with foreign currency led by the world's reserve currency, the USD. Thus, foreign currency flowed into the trade surplus countries such as China, building up growing foreign exchange reserves there, dominated by USD. For a long time, these in turn flowed from the exporting nations back to the countries of issuance, where they were used to finance growing government deficits, but also to boost equity and real estate markets. This arrangement was beneficial to both sides and based on the mutual acceptance of free trade and capital movements.

In our IASF webinar at the end of March, we illustrated this for the USA with the help of the chart below from MI2 Partners:



Upper graph: Net International Investment Position (NIIP) in % of US GNP; lower graph: % breakdown of NIIP by asset class, i.e. government bonds, direct investments, equities, Source: MI2 Partners Julian Bridgen, YouTube, 10MAR2025

Since the Global Financial Crisis of 2008, the net international investment position of the US has deteriorated from -10% to -80% (or USD -23.4 trillion) of GDP. And as the lower half of the chart shows, the corresponding foreign investments since Covid have mainly flowed into US equities and direct investments, which in our view also explains the "exceptional" weighting of US equities in international investment portfolios.

And Asia clearly has made a significant contribution to this for a long time. But on the real economic side, China and Asia have in the meantime used their growing access to and development of superior manufacturing techniques in particular and improving technology in general to reduce their own knowledge deficiencies and have now largely closed the gap with their Western competitors.

Where is the exploitation?

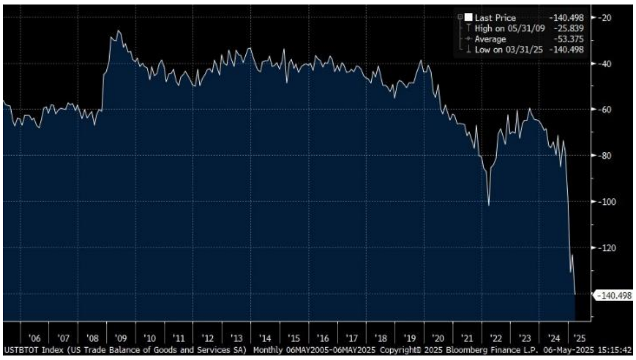
The same question can be asked in relation to Europe. After all, as the chart below shows, Europeans have also reinvested their current account surpluses predominantly in US investments, thereby ensuring rising asset prices and lower interest rates in the United States. European institutional investors in particular, especially its large pension funds, have built up significant allocations to US-domiciled private equity and debt funds, whose lack of liquidity and transparency will likely cause a fair share of disillusionment and regret in the not-too-distant future.

Net foreign inflows into US investments from Europe, Asia and the rest of the world
Source: MI2 Partners Julian Bridgen, YouTube, 10MAR2025

Of course, Europe has failed to invest more in its own external security, but it has also done so because it has relied on the promises of protection from US-led organizations such as NATO. It has also submitted to US hegemony, which has been convenient for the ruling political class, but has also increasingly undermined its own political independence and autonomy. Meanwhile, its rampant bureaucracy and the associated regulatory mania are primarily aimed at the domestic European market and seem to serve more and more the self-fulfilment of a political class that has never had to earn its living in free competition. If this was intended to shield its market from foreign competition, the US's "big tech" oligopolists would probably have long since seen their playing field restricted.

Or to put it in the words of my esteemed colleague Dr. Stefan M. Kremeth from his Stefan's Weekly of April 25: *"… it seems to me that there is a growing and widespread sentiment that many politicians demonstrate a troubling inclination that their most outstanding talent is their enthusiasm to prioritise their fleeting (often temporary) ideas rather than focusing on developing more meaningful and enduring policy initiatives."* – I have nothing to add to this, except to underscore that this does not only apply to European politicians…

What we are experiencing under Trump 2.0 is an attempt to (partially) reverse decades of globalization. This is being done as if it can be achieved quickly and easily. However, it fails to take into account that it took decades to establish the production centres and supply chains that currently exist, which in turn created dependencies that affect more than just one side



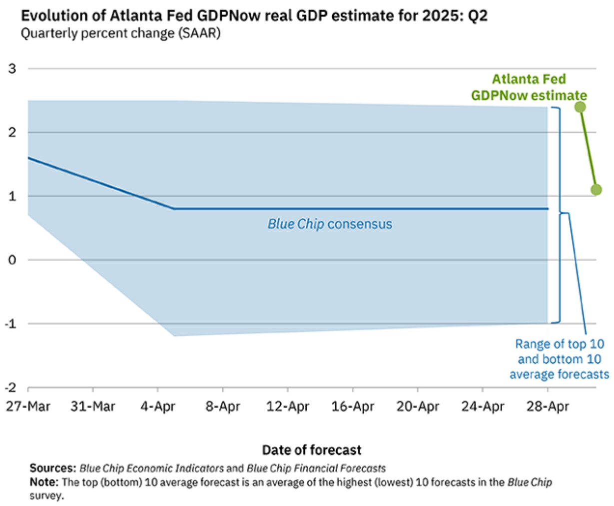
US trade balance, nominal, until March 2025, Bloomberg

And nowhere are these dependencies more pronounced than between the US and China, where bilateral trade reached a record monthly deficit of USD 140 billion in March 2025. The extent of the deficit was probably also due to imports being brought forward in anticipation of the new import tariffs under the Trump administration, but the longer-term trend speaks for itself.

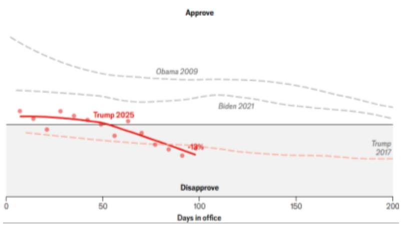
The US government is now trying to counteract this with its tariff policy. For an insight into the complexity that this entails, I recommend an article from Bloomberg. It analyses the cargo of a container ship that arrived at the port of Long Beach on April 24, which, with a cargo value of USD 564 million, was charged customs duties of USD 417 million, a significant portion of which will have been passed on to the end consumer. No wonder the port operator expected the number of incoming ships to fall by 40% in the short term…

The administration of these new customs policies, and the collection of the associated ~~taxes~~ duties is likely to also entail considerable costs due to the changing rates, numerous exemptions, as well as other general adjustments in terms.

As a result, these new policies also create a high degree of uncertainty on all sides. This can be offset in the short term by increased stockpiling in anticipation of new import tariffs, in which case however it binds more capital. It also risks not only rising consumer goods prices but also empty shelves over the course of the year, as it may prove to be difficult to find replacements in many product categories. This is also reflected in the overall growth trend. The Atlanta Fed's latest GDP Now estimate for the second quarter is currently only 1.1%.



Atlanta Fed GDP Now Estimate, 6MAY2025



Presidential approval ratings; Economist, 29APR2025

The resulting looming combination of falling growth and stubbornly high (and rising?) inflation, a phenomenon also known as stagflation, does not seem to be a good recipe for a president who, after his first 100 days in office, already has the lowest approval ratings compared to his predecessors (including his own first term), according to polls by the Economist.

For China, on the other hand, the trade war means a massive slump in demand from its most important export customer and is therefore also a major challenge. Nevertheless, the country appears to be well prepared able to offset this by stimulating domestic demand. China's private households are known for their high savings rate, and with household savings amounting to CNY 150 trillion (almost 50% of GDP), the potential to offset a decline in exports by stimulating domestic consumption is certainly there.

But from the perspective of the Chinese, who have a high degree of national pride, this also feels unfair. Almost 25 years after joining the World Trade Organization in 2001, the country is now being targeted by the USA for its “unfair” trade policy. This is because the USA imported USD 463 billion worth of goods from China last year, while only exporting USD 144 billion worth of goods to China itself. This resulted in a deficit of USD 319 billion, which is the justification for President Trump's trade war.

However, this does not take into account that the US is a rich country whose consumers (similar to Europeans) have a choice of where and from whom they buy their products.

US Profit Margins since 2000, Bloomberg

It also does not take into consideration that US production has been deliberately outsourced over the last 40 years to take advantage of cost benefits, which was the basis for the US corporate profit miracle. The goods now produced abroad must consequently be re-imported, leading to trade deficits.

Bloomberg aptly described the consequences of the US trade war with China in a commentary on April 28 as follows: *"Nothing galvanizes China to come together like attacks from the US, and little rouses American consumers like the threat of losing access to cheap goods. If this trade war tips the US into a recession, it will only further the desire for bargain prices, while doing little to bring back business investment or manufacturing."*

So, if I ask myself who is better able to deal with this initial situation, i.e. who is better able to withstand the associated pain of adjustment, then my money is on China. In any case, the message internally is clear: *"The Trump Administration's wielding of tariffs to extort and strangle China is an act of unprecedented aggression and brutality. It represents an extreme provocation against China's national sovereignty and dignity. We have not an inch of room to retreat, and not a shred of reason to submit."* (Beijing Daily, May 2025, according to Frontline China Report, 7May2025)

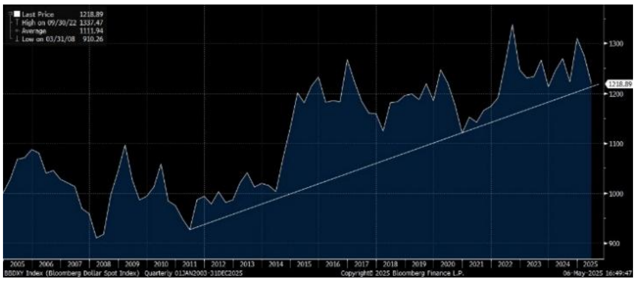
The Trump government, on the other hand, not only runs the risk of increasingly antagonizing its own population, but also of luring the "bond vigilantes" out of hiding. – And this brings us back to the US capital account and the realization that a significant portion of the US national debt, as well as the US stock market, which is an important pillar of American consumption and tax revenues, is held by foreign investors. And the fact that these investors are not reacting enthusiastically to the rather blatantly intended weakening of the USD has become clear in recent days with the example of the TWD (Taiwan dollar).

At the beginning of the month, global financial markets trembled as the TWD gained more than 5% in value against the USD within a day (May 5) and has now risen by 10% since the beginning of April. This was due to (panic-like) USD selling and currency hedging by major Taiwanese insurance companies and pension funds.

TWD vs USD, since 2020, 6MAY2025, Bloomberg

These were triggered by rumours that the Taiwanese central bank would allow a TWD appreciation to give the country better cards in negotiations with the US government. This does not seem farfetched, as the US regards itself as political (and military) protector of Taiwan and may well demand a TWD appreciation as price for maintaining that status quo. That any currency appreciation comes with negative consequences for an exporting nation like Taiwan, can easily be read from the wailing of European exporters following the recent EUR currency gains.

What is more important to me, however, is the signal it sends to the rest of the world. Because there are many other countries that hold massive positions in unhedged USD assets, not only in the public sector but also in the private sector.



Bloomberg Dollar Spot Index over 20y, 6MAY2025, Bloomberg

The danger that these could be exposed to sharp devaluation risks virtually overnight will therefore likely play a major role at upcoming investment committee meetings. Thus, we would not be surprised if the recent weakness of the USD gained further momentum over the course of the year.

And with each new round of sanctions and tightening of tariffs, the urgency grows to reduce the risks of a USD that on purchasing power parity basis still seems significantly overvalued. This urge to find alternatives to the USD is probably also an important explanation for the recent rapid rise in the price of gold.

OECD purchasing power parities, 6MAY2025, Bloomberg

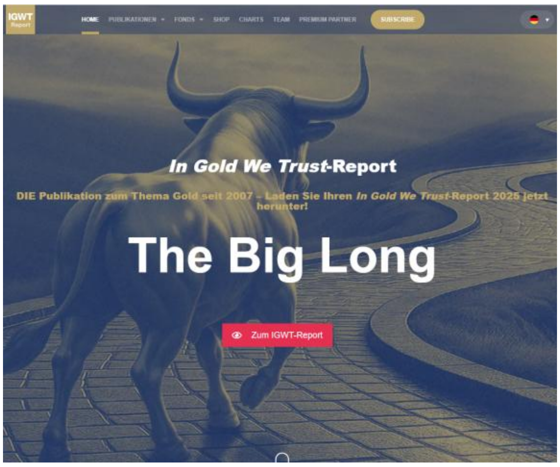
In our view, there are considerable contradictions in the US policy adopted under Trump 2.0. On the one hand, the aim is to reduce trade deficits, but at the same time maintain the flow of foreign capital to finance domestic debt and investments. In addition, a weaker USD is desired to improve the international competitive position, but the exorbitant privilege of issuing the world's reserve currency, the USD, must not to be relinquished. There are further contradictions on the time axis, as imports are practically halted today, but the foreign production facilities on US soil intended to compensate for this will take years to be completed – if they can be attracted at all. Personally, I have great doubts that this intended squaring of the circle can succeed.

All of this raises the risk that the global isolationism now prevalent and driven by the US – which is increasing in the areas of trade, defence, capital, technology and also resources – has the potential to accelerate the already observable decline in demand for US government debt and other assets. After all, will foreign investors be willing to continue buying US government bonds at low real interest rates and increase their already overweight equity positions if the economy is threatened with recession due to the growing uncertainty, rising inflation amid newly levied tariffs, and a weakening USD? – We think this is unlikely. We therefore question the ability of the US government to continue to finance its enormous deficits in the open market at low borrowing costs, which could negatively impact both the strength of the US economy and the profitability of US companies, thus also calling into question the prevailing valuation of US asset prices.

Of course, there is still the US central bank, which can prevent an undesirable rise in interest rates by buying US government bonds again, but this would lead to even greater pressure on the external value of the USD, as it would increase doubts about the creditworthiness of the US. We are therefore convinced that the rotation out of US assets has only just begun and will cause plenty of turbulence in the future. Because one thing should be sufficiently clear by now: MAGA (Make America Great Again) does not happen in isolation but has global implications. Gains in prosperity for the USA in the short term and with an existing economic pie can only be achieved through prosperity losses for all other nations. So, will they sit back and say, ok, let's make the US great (and rich), even if it's at our expense?

And if we look at the economic pie, it has ultimately grown considerably in the phase of globalization and international cooperation to the benefit of all. In the subsequent phase of deglobalization and international confrontation, the main risk, in our opinion, is that this pie will shrink again in real terms, with the gains of one nation leading to greater losses for others. Will the USA emerge from this confrontation as the clear winner, thereby justifying its prevailing premium valuations? – We regard this as unlikely overall.

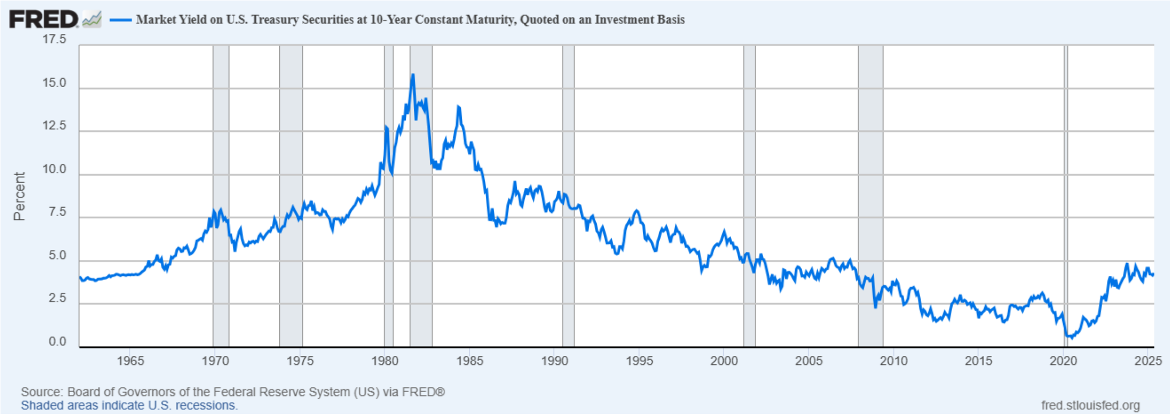
I conclude this chapter with a reference to the conversation our colleague Ronni Stoeferle had with Luke Gromen and Louis-Vincent Gave, published on YouTube in early May in anticipation of the launch of the new In Gold We Trust report. Together with Nico Jilch, he leads viewers through a highly interesting discussion headlined *"From Trade Restructuring to Monetary Reset"*, which provides additional context on the topic of US customs and trade policy as well as a possible monetary realignment. – Enjoy it!



What does this mean for IASF portfolio positioning?

Our aim with IASF is to protect your capital and grow it in real terms over the financial market cycle, and the fact that we are co-investors in the fund only provides additional motivation.

On the IASF homepage, we have placed one of the major and, for us, most important long-term economic developments at the very top, namely the reference to the long-term debt cycle. At the beginning of the 1980s, it was US Federal Reserve President Paul A. Volcker who got a grip on the then prevailing inflation trend with his aggressive interest rate policy.



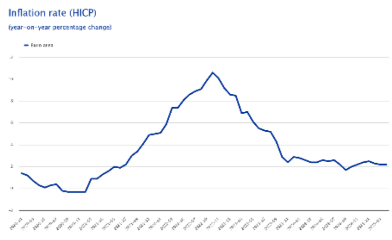
Historical yield on 10-year US government bonds, FRED Economic Data, 7MAY2025

This was the starting signal for a 40-year phase of falling interest rates, during which productivity gains, but above all the effect of increasing globalization via the outsourcing of domestic goods production to China and other emerging markets, ensured that inflation remained dormant. In fact, in some circles it had already been pronounced dead, a statement that has proved to be premature and wrong since 2020 at the latest.

Bloomberg Businessweek, 22APR2019

But this decades long period of subdued inflation led to ever lower interest rates, that eventually and for a number of countries ended up in formerly unfathomable negative territory. The corresponding increase in debt affordability (due to falling interest burdens) was ultimately responsible for the rapid growth in global debt levels.

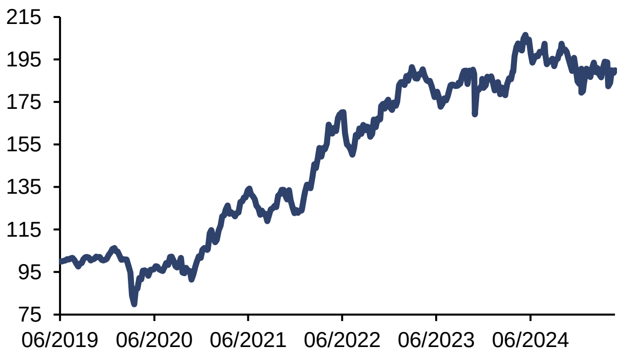
This long-term interest rate trend was broken with the inflation surge of 2021/22. Although the intensity of inflation has recently eased somewhat, inflation rates (not only in Europe, but also in the US or Japan) remain still stubbornly above the 2% mark four years later, which makes any meaningful decline in interest rates from current levels unlikely.



ECB Inflation (HICP), 16MAY2025

At the same time, global debt levels, apart from short-term pauses, continue to rush from record to record. According to IMF figures, global debt climbed to USD 250 trillion outside the financial sector in 2023, which corresponds to 237% of global GDP. This means that a constantly rising stock of debt has been confronted with an interest rate turnaround in recent years, which increasingly calls the sustainability and ultimately the repayment of this debt into question.

Our conviction is that there will be no restructuring of this debt, but that the debt burden will be reduced in the long term through a combination of higher inflation with financial repression and redistribution measures. We therefore avoid investments in longer-term government bonds, as these have suffered the greatest real loss of wealth in comparable periods in the past. Instead, our focus is on equities. We have opted for the investment themes that currently dominate the IASF portfolio, which focus on balance sheets, real assets and value. We are convinced that these will help us to achieve our investment objectives with the fund in the long term.



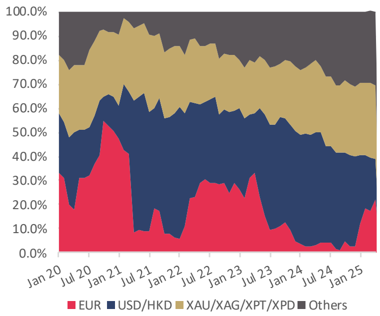
IASF-USD-I share class, since inception

I am aware that the patience of some investors is waning in this respect, especially as we have been treading water in terms of performance for two years now. But we are investors, not speculators. And an investment is always based on a fundamental assessment, that sometimes is simply not shared by the market as a whole in the short term, even though it may prove correct in the long-term.

Having said that, in my experience, it is precisely those themes and market segments that are contrarian in nature, i.e. are considered unattractive by the majority of investors, that offer the highest profit potential in the long term. We therefore see no reason to significantly change our positioning on the equity side, even if we are occasionally confronted with the saying *"Even a broken clock tells the right time twice a day"*.

Investing is above all a process of correct anticipation and, as various people are said to have found, *"It's Difficult to Make Predictions, Especially About the Future."* – You can try to avoid this difficulty by investing (quasi-)passively, i.e. by buying all stocks of an index or market and thus accepting an average return in order to avoid being wrong. Or you can simply follow prevailing price trends and be guided by technical or quantitative signals. Neither of these approaches have satisfied our ambition or worked sufficiently well for us in the past to be used solely to guide our investment decisions.

Instead, we have always tried to correctly anticipate fundamental developments (at least in the medium to long term) and take advantage of their tailwinds when selecting our investment themes. Like everything in life, this doesn't always work perfectly. But if you remain true to your convictions and don't let failures upset you, you will achieve your goal of real long-term wealth growth.



IASF precious metal allocation

We also do not act principally contrarian but do let trends run their course as long as we consider the corresponding valuations to be attractive. For example, we have maintained a high allocation to precious metals since the fund was launched, both physically and through precious metal producers. As **the chart** opposite shows, we started the portfolio with an allocation of around 24% to precious metals, which has since fluctuated between 20% and the 30% currently held.

FTSE Gold Mining Index vs. gold price, since IASF inception, 6MAY2025, Bloomberg

It may surprise you to learn that this was not always the popular theme of today and therefore not always an easy allocation to stick with. As the adjacent chart shows, this investment theme has gone through three separate phases to date.

From the launch of the fund in mid-2019, the gold price rose by almost 50% in the first phase, only to undergo a two-and-a-half-year consolidation in phase 2, which was characterized by two corrections of around 20%, and was only followed by the third phase with the most recent 75% increase from the fourth quarter of 2023. Overall, the price of gold has nevertheless more than doubled in USD terms over the past 6 years (+150% in EUR terms).

Our allocation to precious metal producers, which has fluctuated between 8% and 15% during this period, experienced an even more extreme development. The *FTSE Gold Mining (TR) Index* doubled in phase 1, only to suffer a 43% loss (including an over 50% drawdown) in the subsequent correction phase. This was followed by another 50% rise in phase 3. Here too, this resulted in a doubling of the overall result, albeit with significantly higher volatility.

We have been playing this theme for six years now, rebalancing both our overall and individual positions to take profits during upward phases and buy back in during weak phases. We have never had the expectation or even the claim to correctly anticipate short-term fluctuations in this way. But we were always convinced of the long-term direction of travel and the underlying valuations, which helped us get through the two-and-a-half-year interim correction.

And so, we are currently back at a high point in the development of the precious metal theme, while energy, for example, has reached a low point. Here, too, we are firmly convinced that a renewed rise will follow, which will fully compensate us for the patient waiting in the current consolidation phase as well as the associated "rebalancing". The lack of or rather low interest in our investment themes and the associated critical view towards their valuation stands in extreme contrast to investors' focus on THE equity success story of recent years, namely the technology sector led by Mag 7.

I have spoken enough on these pages about what we consider to be the unjustifiably high valuation of the sector and its leading stocks. The same applies to the valuation differences between the US and other global equity markets, which remain striking. This, combined with the fact that we are late in the economic cycle, which together with the prevailing trade policy uncertainty makes a recession over the course of the year more likely, has led us to hold on to our US equity short positions all through the recent recovery.

The fact that our assessment of the (over)valuation of American shares is also shared by the biggest investor of all time is highlighted by the Buffett indicator for the USA, which puts the total value of all listed companies in relation to the country's GDP, and which is once again at a new record high. It is also reflected in Berkshire Hathaway's rapidly growing cash position, which has doubled to USD 334 billion since the end of 2023.

Buffett indicator; Current Market Valuation

Is there any doubt that Warren Buffett would always prefer attractively valued equity investments to an "unproductive" cash position?

The past teaches us that no asset class or market segment always moves in just one direction. And so there will also be rotations in this cycle that will replace the themes currently favoured by the market in the medium to long term.

If you look at today's most valuable companies in a historical context, for example, it becomes clear that only a few are able to maintain their top position for a decade or longer. This suggests that a change of guard is going to take place among the most highly capitalized companies. And the new guard is likely to also be recruited from sectors active in real assets, commodities and capital goods or from regions outside the USA.

Ten Most Valuable Companies in the World at the Beginning of Each Decade

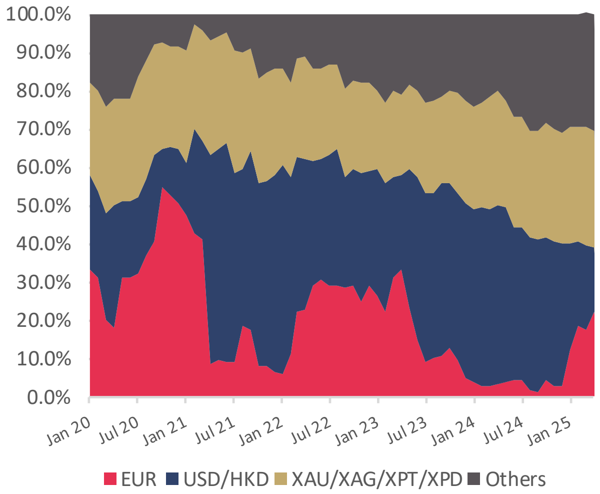
	1980	1990	2000
1	IBM	Nippon T&T	Microsoft
2	AT&T	Bank of Tokyo-Mitsubishi	General Electric
3	Exxon	Industrial Bank of Japan	NTT DoCoMo
4	Standard Oil	Sumitomo Mitsui Banking	Cisco
5	Schlumberger	Toyota	Wal-Mart
6	Shell	Fuji Bank	Intel
7	Mobil	Dai-Ichi Kagyo Bank	Nippon T&T
8	Atlantic Richfield	IBM	Exxon Mobil
9	General Electric	UFJ Bank	Lucent Technologies
10	Eastman Kodak	Exxon	Deutsche Telekom

	2010	2020	2024 (June 30)
1	PetroChina	Apple	Microsoft
2	Exxon Mobil	Microsoft	Apple
3	Microsoft	Alphabet	Nvidia
4	ICBC	Amazon	Alphabet
5	Wal-Mart	Facebook	Amazon
6	China Construction Bank	Alibaba	Meta
7	BHP Billiton	Berkshire Hathaway	TSMC
8	HSBC	Tencent	Berkshire Hathaway
9	Petrobras	JP Morgan Chase	Eli Lilly
10	Apple	Visa	Broadcom

Key: United States; Japanese or Australian; Chinese/EM; European

10 most valuable companies worldwide, Trader Ferg, 9MAY2025

Having said that, and as the overview above shows, these management changes take a long time. – That's why patience is the key to investing!

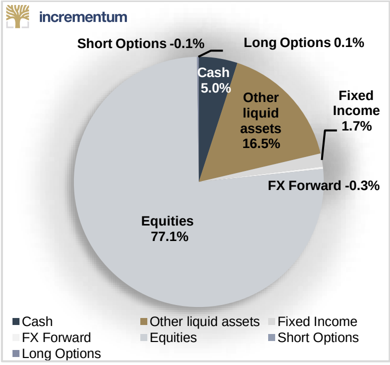


IASF USD allocation

This also applies to our now sceptical stance on the USD, which has long been the dominant foreign currency in IASF. We expect the international significance of the world's leading currency to decline and currency diversification to increase with a greater focus on home bias in international investment portfolios. As is always the case in financial markets, this process will likely begin to take place in fits and starts, and not in a straight line, which should come as no surprise to any seasoned investor.

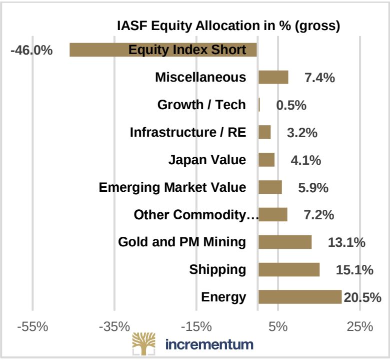
Portfolio Management Update

In this section, I would like to take a closer look at developments in the current year. Our analysis is based on IASF's results and portfolio allocation from May 16.



IASF portfolio allocation, 16MAY2025

Last Friday, the USD-I share class was valued at a NAV of USD 190.83, which corresponds to a year-to-date gain of 3.82%. This result was achieved with a gross equity allocation of around three quarters of the funds invested, while our bond allocation is an insignificant 2%. The latter consists of four high-yield USD corporate bonds with an average yield of 11.5% and an average duration of 2.4 years.



IASF Equity Themes, 16MAY2025

Looking at IASF's main investment themes, these have been led for some time by **ENERGY** (20%). This allocation is made up of oil and gas producers (approx. 6% allocation), energy services companies (8%), uranium sector plays (5%) and coal producers (2%). Overall, this is a highly interesting theme, with attractive long-term fundamental drivers about which I also reported in detail in our last IASF webinar. But the sector has been facing an extended slump in investor favour and thus has been a loss-maker within the portfolio both last (-10%) as well as in the current year (-11%).

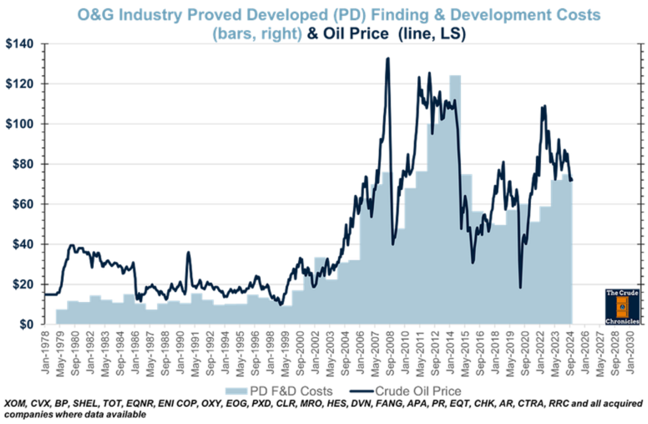
The fact that the Energy sector, as one of 11 S&P 500 sectors, currently only has a weighting of around 3%, compared with 16% of the index in 2008, provides evidence for how much this sector has fallen from grace. Only Utilities, Real Estate and Materials carry an even lower weight, and all four combined make up less than 10% of the index, while Info Tech alone accounts for more than a third of the index.

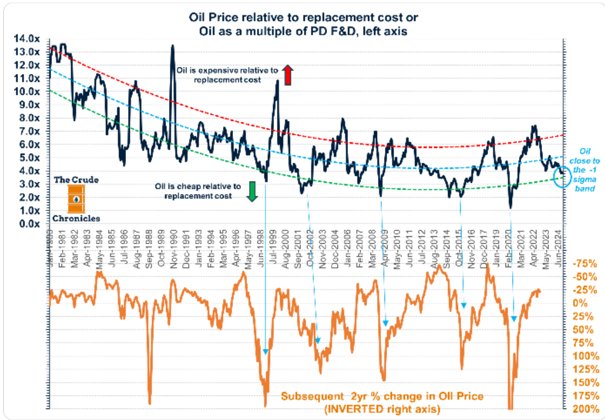
Meanwhile, energy forms the basis of every modern economy, and the world's hunger for energy is constantly growing, not the least driven by the latest AI technology developments and related rapid data centre buildout. The sector has received massive subsidies, focused on the area of renewable energy sources and above all in OECD countries. As a result, renewable energy supply has experienced high growth in those countries. But for now, it does seem unable to fully cover overall energy demand growth, which primarily comes from non-OECD countries, and is responsible for ongoing demand growth for conventional energy sources (i.e. fossil fuels and uranium).

In terms of supply, it was primarily US shale oil and gas production that grew by around 75% in the past decade and was therefore responsible for the main growth in global oil supply. However, everything currently points to a trend reversal, as the industry is not sufficiently profitable at current prices.

US Shale Oil & Gas Production, Bloomberg, 15MAY2025

As far as commodity production is concerned, it is commonly known that the cure for low prices is lower prices. And in this context, we believe the following charts are of particular importance:





Cost of the marginal barrel in the oil and gas industry compared to the **oil price** **Source:** [The Crude Chronicles](), 10.2.2025

Upper graph: Oil price relative to replacement costs
Lower graph: subsequent 2-year oil price change

The chart on the left shows the development of the marginal cost of production for the US oil and gas industry in the dove grey area, which The Crude Chronicles estimates to be around USD 70. Surveys by the Dallas Fed recently found a minimum price of USD 65 required for new investments. At present prices, it is therefore no wonder that according to first quarter industry reports US investment activity is being significantly curtailed. Less investment means less future production and therefore higher prices going forward (see chart on the right).

Of course, oil is not only being produced in the US, and the recently announced OPEC+ production increases were obviously not helpful for the short-term price trend. Here not only production in Russia and Iran is running at full speed to finance war and the regime. Nevertheless, it is important to keep in mind that this is an extractive industry, i.e., oil and gas are extracted from the earth and then used / burned to generate energy. This requires ongoing reinvestment in the replacement of extracted quantities, which we are convinced will have to increase significantly in the medium term in order to be able to guarantee today's production volumes in the longer term.

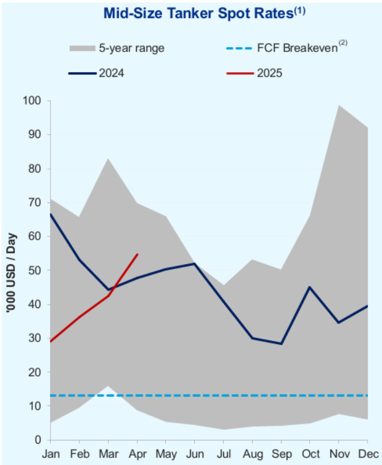
Our **ENERGY** basket currently consists of 24 individual investments, which trade on average at a P/E ratio of 12.5, 5.6 times EV/EBITDA and 124% of book value and have an average dividend yield of 3.4%. The largest positions outside of IASF's two uranium investments (Uranium Resources Fund (2.9%) and Sprott Physical Uranium Trust (1.5%)) are Tourmaline Oil (1.3%), as well as Cenovus, HF Sinclair, Seadrill and Tidewater (1.2% each). The top performers this year have been Technip Energies and EQT, which we have recently trimmed. On the loss side, John Wood, which is currently undergoing a special audit and has been temporarily suspended from trading, had a negative impact.

In the **SHIPPING** theme (15% allocation), we also experienced the extreme cyclicality of the sector last year, even though our basket of 13 positions led by Frontline (2%) and Hafnia, Pacific Basin and International Seaways (1.8%) delivered an average performance of 7% this year, led by DHT (+24%) and Frontline (+23%). We invest here exclusively in tankers (9%) and dry bulk carriers (5%). Both sectors have a rapidly ageing fleet and a historically low order book, which suggests limited future supply growth.

Certainly, both sectors have recently experienced a relative lull in freight rates, with the result that tanker companies have lower profits and dry bulk companies are just barely profitable.

Nevertheless, there is much to suggest that demand and thus rates will pick up again over the course of the year, while valuations are quite attractive with average NAV discounts of 30%, especially considering that the balance sheets of our portfolio holdings have rarely been as solid as they are today.

A striking example of this is Teekay Tankers (TNK), which according to its Q1 report holds almost 20% of the company's value in Net Cash & Investments. The elimination of credit burdens together with an ageing fleet has caused TNK's cash break-even to fall to USD 13,200, while corresponding freight rates are now climbing back above USD 50,000.



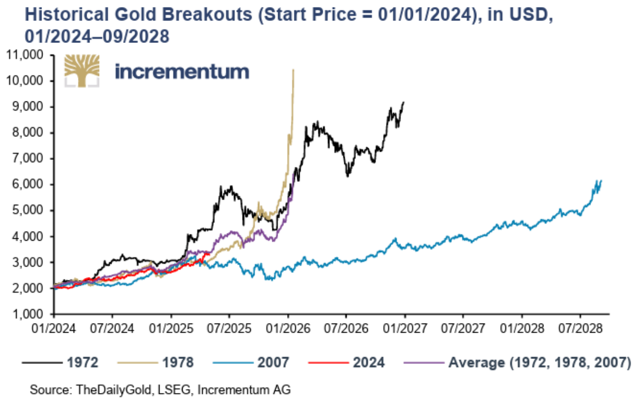
Tanker Freight Rates, TNK 1Q Presentation

Our **SHIPPING** book trades at cyclically depressed prices and is currently valued at an average P/E ratio of 6.7, 5 times EV/EBITDA and at current book value (but approx. 70% of NAV) and has a dividend yield of 7.5%. In the case of the latter, we expect that this may still fall somewhat further over the course of the year, but the continued high payout and widespread share buybacks remain important arguments in favour of this theme.

The third largest theme is **GOLD AND PM MINING** (13% allocation), which has delivered an outstanding total return of about 25% this year under the leadership of Endeavour Mining (+50%). Here we have used the recent upswing (see also chart on p. 19) to take profits, as we do not want our total weighing in precious metals to rise much above 30%.

We are fundamentally convinced that the recent rise in the price of gold is due to growing doubts among international investors about the neutrality and creditworthiness of US government bonds, i.e. their status as neutral reserve assets. This has already been demonstrated in recent years by increased central bank purchases.

What is still missing for a fully-fledged gold bull market, the historical precedents of which are shown in the chart on the right, is a corresponding participation of the private sector, in which both large institutional investors but also many private investors still hold relatively modest gold allocations. A further rise in the gold price should also have a positive impact on silver, platinum and palladium.



IGWT Report Compact 2025, The Big Long, May 15, 2025

For anyone who is keen to explore the background of the gold and precious metals investment theme further, I can only highly recommend the recently published In Gold We Trust report by Incrementum AG, which can be downloaded in full (466 pages) and, as always, free of charge here.

As mentioned earlier, IASF has been invested in **GOLD AND PM MINING** since inception, as we recognized the attractiveness of the sector as a leveraged exposure to the underlying gold and silver prices early on. As fundamentally oriented investors, we love companies whose selling prices rise faster than their total (all-in sustaining) production costs. And there has recently been an explosion in margins, particularly in the gold mining sector, which we believe may well have further room to run. We find the associated free cash flows extremely sexy, but we are also aware of the mercurial nature and related volatility of the sector. Ultimately, we view that as a reflection of a still rather unenthusiastic and sceptical investor base that continues to focus its hopes and place its bets on the equity market winners of the last decade.

OTHER COMMODITY PRODUCERS (7% allocation) have also shown a positive performance this year (approx. 15%). This was mainly driven by our fertilizer producers (Mosaic +44%; Nutrien +31%), while Glencore (-24%) was the only loss-maker.

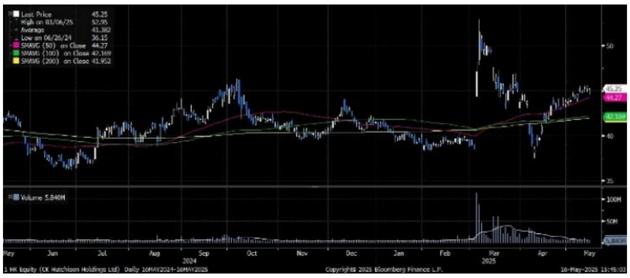
The latter seems rather exaggerated, considering that Glencore is not only traditionally a leading global commodity trading house, generating around a base case USD 3bn EBITDA annually from its trading activities alone, but is also one of the largest commodity producers in the world. Unlike its major competitors, Glencore has decided to hold on to its coal mines, which became one of its most important business areas following the acquisition of the coal division of Teck Resources in 2022, contributing just under a third of EBITDA last year despite falling coal prices. This result was only just behind that of industrial metals production, where Glencore has focused on battery metals (mainly copper, but also nickel, zinc and cobalt). The production report for the first quarter showed a significant decline in copper production, but this was in line with expectations and should be compensated for in the second half of the year, which is why the company has maintained its annual forecasts.

Glencore chart of the past 2 years, Bloomberg

In our view, the company's share price, close to a cyclical low in its business performance, is favourably valued with a P/E ratio of 16 and an EV/EBITDA of 6. The share is trading at book value and offers a dividend yield of 3.3%, which the A3 / BBB+ balance sheet definitely provides, and which could reach double digits in the upper half of the cycle (and if the share price remains unchanged).

Overall, we are very satisfied with the performance of the 7 stocks in this theme basket, which deliver an average dividend yield of around 3% (without taking into account the hefty special dividends from OCI over the past year), and expect further upside potential in the long term.

A further 6% of the IASF allocation is invested in **EM VALUE** stocks, a theme which, led by CK Hutchison Holdings (1.4%), is made up of a total of 10 individual positions. Led by Alibaba's 58% year-to-date gain, of which we have taken advantage through profit taking, and which has shrunk our position to just under 1%, our investments here have posted an average year-to-date performance of 18%. The lower concentration in this theme is due to the fact that we see higher risks in emerging markets and also invest partly in mid and small caps, where we allocate more cautiously. This investment basket is priced at 12.6 times P/E and 6.5 times EV/EBITDA, trades at book value and offers us as investors an average dividend yield of 5.6%.


CK Hutchison Holdings Chart, Bloomberg

Worth highlighting here is the case of CK Hutchison Holdings, which has had a surprisingly volatile start to the year. CKHH is a Hong Kong conglomerate that is primarily active in ports & logistics, retail, infrastructure, telecommunications, real estate and various other business areas.

The company, which is majority-controlled by the Li family and has a market capitalization of around USD 22 billion, generated sales of USD 61 billion last year and a corporate profit of around USD 2.7 billion (CKHH actually reports in HKD, but I have converted this into USD to make it easier to relate to). It hit the headlines in March when, as the world's largest owner and operator of container ports (including two ports on the Panama Canal), it accepted an offer for the acquisition of its ports business from a BlackRock-led consortium, which would result in total sale proceeds of USD 19 billion (including around USD 1 billion in shareholder loans). This transaction has been heavily criticized by China and whether the deal will receive the necessary government and regulatory approvals remains to be seen at this stage. But it exemplifies the value of the company, which, if the sale is successfully completed, could earn more than 80% of its market capitalization in one fell swoop by selling a division that is far less important from a profit and cash flow perspective. CKHH shares continue to trade at 32% of book value, a P/E ratio of 10, a net dividend yield of 5%, despite the current year's rise and with an A2 / A balance sheet. The company may be based in Hong Kong, but it conducts is businesses mainly in Europe (including 3 Group and UK utilities) as well as Australia / Asia ex-China. Given this setup, it will remain a core investment in this theme for the time being.

The other theme baskets have not produced results year-to-date that deviate significantly from the overall fund performance, and in the interest of time and amid the growing length of this report I am therefore refraining from further commenting about them here.

However, it is of course still worth mentioning our short positions, which currently account for 46% of the IASF portfolio (see also the chart on p. 4 for their historical development). Although these helped to cushion the sharp correction in April, they are now having a marginally negative overall effect on annual performance again, as both indices are now showing slight gains for the current year.

Nasdaq 100 Index, Bloomberg

S&P 500 Index, Bloomberg

Lastly, I would like to comment briefly on our currency allocation, which overall has had a slightly negative impact on the overall result. The positive impact of gold and silver could not fully compensate for the negative impact of USD, CAD and GBP, while NOK, JPY, platinum and palladium were largely neutral against the EUR.

Overall, year-to-date IASF has witnessed a moderate increase in its NAV, which I regard as satisfying so far. As mentioned, our conviction that US equity markets are historically overvalued remains very high. However, it cannot be denied that the majority of market participants at this point do not share our fundamental assessments and outlook but prefer to bet on the continuation of existing trends in the Mag 7. A fitting example for this is Tesla, which recently had to put up with a whole broadside of negative news, but has nonetheless seen its share price soaring again, which has driven its valuation well into triple-digit P/E ratio territory, as well as lifted its price-to-book and price-to-sales ratios to 15 and 12 respectively. But perhaps we are simply underestimating the influence that Elon Musk's proximity to President Trump has on these valuations...

As Brett Donnelly so succinctly put it in his Spectra Markets commentary on May 9: *"I will leave the myriad ethical and conflict interest issues aside because that ship sailed the night $TRUMPCOIN launched. There is no government oversight of government-led pump and dump schemes, by definition!"* – Unfortunately, it is difficult for outsiders to assess how far the apparent market manipulation and susceptibility to corruption will go this year, which is why we have been unable to include this aspect in our fundamental considerations.

CONCLUDING REMARKS

When I look at the world at the weekend of May 17/18, and review what I have written on the preceding pages, it is obvious that some of the things I wrote about have already changed again (e.g., tariff levels), which reinforces the impression of Days of Chaos. The simple fact is that markets have not been as dominated by political headlines as they currently are for a very long time, a state of affairs that we think will likely prevail for quite a while yet.

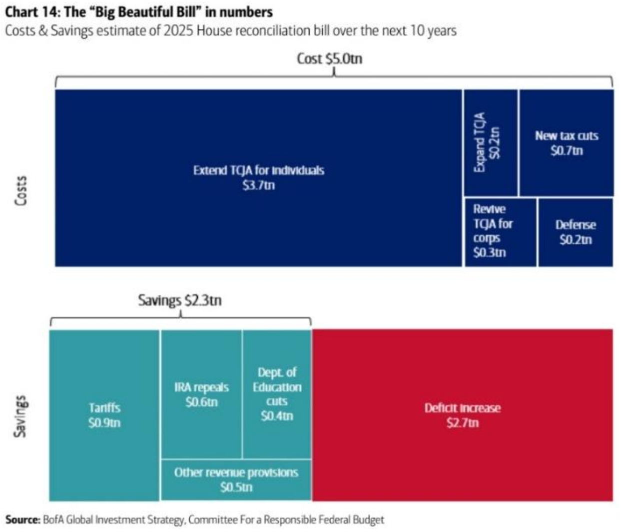
Investing – before & now, source: undetermined

In equity markets, we are now back to where we were before "*Liberation Day*", only with (at least) 10% higher import tariffs on many nations. This is not enough to bring production back to the USA, but it is certainly enough to raise consumer prices. And this is not even the final outcome, as the current tariff situation is only expected to last until the first half of July at most…

For me, the following observation in the Financial Times resonated today, following President Trump's Middle East tour: *"If you think about it, it's kind of incredible that the president of the United States of America threatens potentially massive tariffs on dozens of trading partners and the general reaction is "whatever". In the meantime, he contented himself with wandering around the Middle East, making obviously bogus announcements about signing deals worth a grillionty bazillion dollars and being given a plane to take home, like a party bag at an over-catered child's birthday celebration."* (FT Trade Secrets, 19.5.2025)

Overall, I realize that this is mostly noise, and it does not alter the basic message, and our observations made on the previous pages. Despite the recent resurgence in risk appetite, the picture beneath the surface is unstable, confidence in politics is waning, thus leaving plenty of room for renewed and deeper financial markets corrections. The withdrawal of the USA's last AAA rating, which was announced by Moody's on Friday, serves as another reminder of this, as it will further increase the country's borrowing costs.

And if we bear in mind that US budget deficits are again trending higher this year than in previous years, which obviously DOGE will not do anything significant to change in the short term, while Congress is working on President Trump's "*Big & Beautiful Tax Bill*", that according to Bank of America is expected to cost a further USD 2.7 trillion increase in the US's deficit over the coming decade, then it could indeed well be the bond market that is causing a renewed wave of risk aversion.



Big & Beautiful Tax Bill, The MacroTourist Private Feed, 19.5.2025

Will the US possibly experience its own Liz Truss moment?

We expect that this could indeed be the case. And with all else that is going on, we therefore see no reason to change our partially "hedged" equity positioning, as after two excellent stock market years in which we largely treaded water due to our short positions, we are not suddenly willing to accept the continuing and as we believe material equity downside risk. On the currency side, too, signs clearly point to a weaker USD, while we continue to see growing tailwinds for the JPY and especially for gold and its relatives.

This concludes the spring 2025 edition of my Seasonal Reflections. I hope that my comments were able to provide a consistent picture of our work for investors and those who would like to become ones, as well as creating sufficient transparency about the investment process and its underlying considerations. As always, we welcome your feedback by e-mail and thank all readers for their interest and our investors for the patience they have shown and the trust they have placed in us.

Best wishes from Schaan, Liechtenstein!

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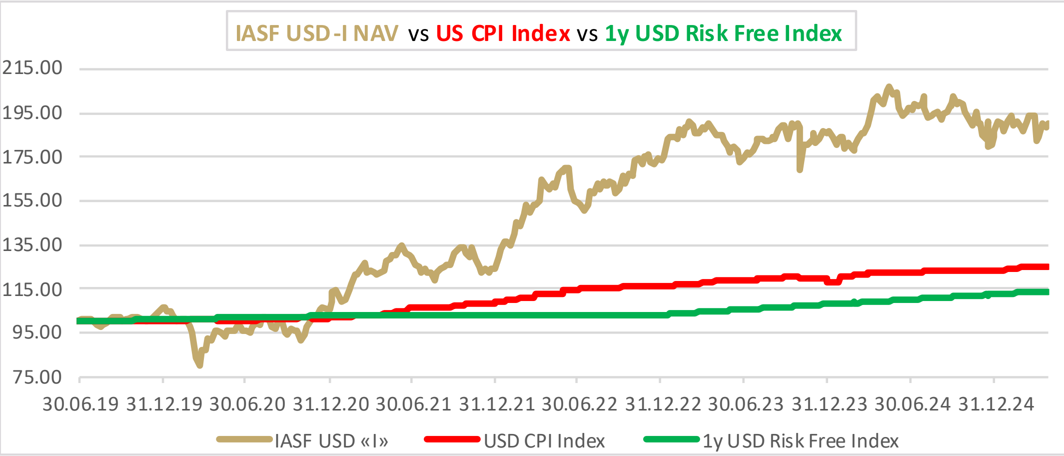
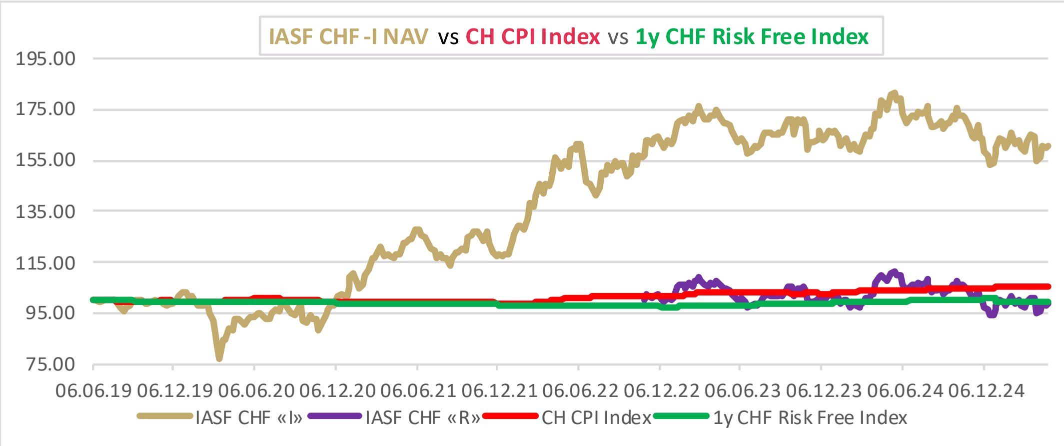
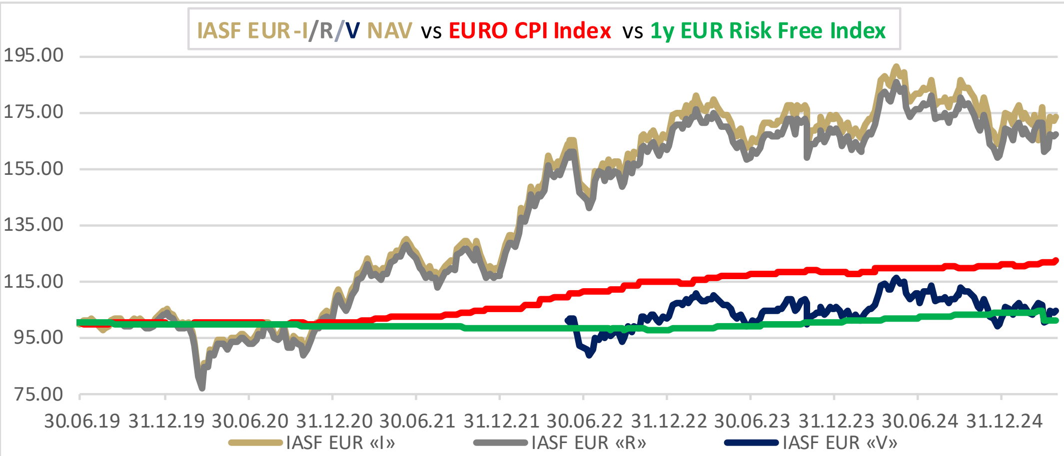
Appendix







* The charts show the NAV of the IASF up to the last valuation date (**30APR2025**), compared with the risk-free 1-year government bond yield, as well as the relevant consumer price index (CPI) in the respective currency as a reflection of the loss of purchasing power from the fund's launch date (6Jun2019 for 'I' units; 26Sep2019 for EUR-R units, 20MAY2022 for EUR-V units, 2NOV2022 for CHF-R units) on an indexed basis


IASF PM Shaped By 8 Investment Lessons
1.
Capital markets, like the economy, are inherently cyclical in nature, and you must always know where you are in the cycle, while not hesitating to "Be fearful when others are greedy and greedy when others are fearful." (Warren Buffett)
2.
Prices paid determine future returns, i.e., the higher valuations are, the lower future return expectations must c.p. be (and vice versa), which is the essence of value investing.
3.
Capital preservation is the conditio sine qua non, and a consistent and long-term investment strategy is usually more rewarding than short-term momentum chasing.
4.
As a result, you must always know when you trade, or when you invest.
5.
The most basic and effective risk management tools are proper diversification and the ability to hold cash.
6.
Hard assets are preferable to intangibles, distributions to accruals.
7.
Look for the incentives: True alignment of interest works in investors' favor.
8.
There is no magic formula for perfect investing. Hence, consider both macro- and micro-economic issues, be diligent, flexible, patient, keep an open mind, and realize that investing will always remain more of an art rather than a science.
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