

2025 / 03

## ***Seasonal Reflections***

***Nothing Ever Happens***

**Dear Reader,**

I began writing this Summer Edition of my 2025 Seasonal Reflections on June 24, the week after my return from vacation in South Tyrol, which afforded me some much-needed downtime.

My wife and I had signed up for an Ayurveda week, which helped cleansing both body and mind. In the latter part of the week, after the weather had turned full summer, and having got rid of the initial drag of missing coffee and a lack of sugar intake, we went for some very nice hikes. The picture here was taken in [Rosengarten Nature Park](#), which is a spectacularly beautiful area for easy hiking, and I chose this picture of myself not sitting at my desk as suitable summer image to open this piece.

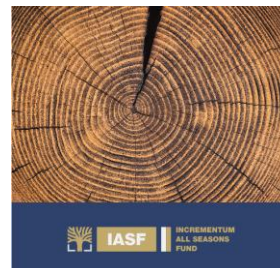


Rosengarten, South Tyrol, HGS pic

I hope you'll enjoy it!

**Table of contents** ([red passages](#) are active weblinks and all translations are mine):

- Nothing ever happens.....	S. 2
- Semi-Annual IASF Management Report – 1H2025 .....	S. 6
- Now what? .....	S. 15
- Concluding remarks .....	S. 29





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### Nothing Ever Happens

I have titled this report **Nothing Ever Happens**, as it is a meme that seems to have gained popularity in US equity markets recently. According to [Know Your Meme](#), “*Nothing Ever Happens* is a catchphrase and mantra ... to signify that no major global events of significant magnitude have perceivably happened in past decades, nor will they happen in the future.”

To me, it expresses the Zeitgeist of the Buy-The-Dip crowd in contemporary financial markets, which have become so detached from reality that there is clearly no more need for any risk management. – Welcome to paradise!



Nothing Ever Happens Meme, [Tenor](#)

I would hardly be surprised if those among my readers with more than a few years of investment experience shared my sense of unease and incredulity amid the expressed sentiment. Sure, it is possible that my own scepticism towards the prevailing mood is mainly a side-effect of my progressing age. In any case, it reminds me of what I think would be a rather fitting related meme song. It was published in 1989 by Scottish alternative rock band [Del Amitri](#) on its album [Waking Hours](#), which contained a [homonymous track](#) as its first single and closing title, that also became the band's biggest hit. To quote:

*And nothing ever happens, nothing happens at all  
The needle returns to the start of the song  
And we all sing along like before*

*And nothing ever happens, nothing happens at all  
They'll burn down the synagogues at six o'clock  
And we'll all go along like before*

*And we'll all be lonely tonight and lonely tomorrow*



That refrain fits the meme as well as the prevailing market sentiment in many aspects. But ultimately, it painted a picture of a different time, when society was (perhaps too) well-ordered and life appeared rather predictable and monotone. That does not correspond with the [Days of Chaos](#), which we have been witnessing more recently. If I was a meme creator, a more fitting meme to describe the present state of affairs for investors would rather be **Nothing Ever Matters**.

Let's recap some of the things that happened over the past couple of months, shall we?

First, we have witnessed a trade war, started by the USA, which imposed punitive tariffs on many of its trading partners, that shortly afterwards were at least partially suspended until July 9. These tariffs are ultimately designed to force US trading partners to help reindustrialize the US (or at least pay for it), or else help raising some much-needed income to reign in mushrooming fiscal deficits. Having said that (and as of June 24), actual trade agreements signed since are still few and far between.

But there are also real wars, with the latest starting on June 13, when Israel launched surprise attacks on Iran's nuclear and key military facilities, infrastructure and high-ranking leaders. Iran predictably returned fire, testing Israel's iron dome anti-aircraft and missile defence system in the process and finding it wanting. In return, the USA came up in support of Israel with stealth bomber attacks on June 22. According to official White House statements this was inevitable, as Iran had been only weeks, if not days, away from building its own ~~Weapons of Mass Destruction~~ nuclear weapons...

The ultimate goal seems to have been to force Iran to be more willing to compromise at the negotiation table. In the meantime, Israel continues to fight a war with Hamas in Gaza, which so far and according to [official figures](#) has cost more than 60,000 lives and has left 143,000 people injured. Those numbers do not cover the suffering of anyone remaining trapped, with medical facilities and personnel underequipped and overwhelmed, and growing hunger reported among the remaining two million people. Meanwhile, the Russia-Ukraine war, which by now is in its fourth year and was supposed to have ended on President Trump's first day in the office, has become mere background noise.

## **Nothing Ever Happens or Nothing Ever Matters?**

I am trying (hard) not to judge any of this, but it is difficult to reject the notion many commentators have of the world already having entered World War III. At the very least, it is transitioning from one regime to another, and the new one remains in flux. What can be said is that a prolonged period of international cooperation has been morphing into a phase of confrontation, where established rules are thrown overboard and *Pacta Sunt Servanda* is becoming increasingly optional. - And yet, as I write this, US and global equity markets have once again made new all-time-highs, with the MSCI ACWI Index 70% above its 2022 October low.







# Incrementum All Seasons Fund

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MSCI All Countries World Index, Bloomberg 25JUN2025

So, despite of all the geopolitical strife, wars, growing debt and interest rates, it has rarely been so easy to make money in stock markets, even if bond investors had a much tougher time, and have overall still lost money in real terms during the same period. Hence, **Nothing Ever Happens** does correctly express the experience of long-term investors in US equity markets.

(Un-)Fortunately, (depending on once view), I have been long enough in the business to remember when fundamental shifts like this did **matter**. And consequently, I am concerned that the market will eventually resume functioning properly by responding to good and bad news equally. The frustrating thing, especially as far as US equity markets are concerned, in recent years has been that they have displayed a rather asymmetric risk profile, where bad news are exerting only mild corrections, which upon their removal are made up quickly, and then some. This experience has been typical for the post GFC period, but the more pronounced the more recent. It is as if fundamentals play an ever-decreasing role in determining share prices, which is why valuations have been stuck in record high territory for a number of years now.

**Nothing Ever Matters**, imho, also applies to political developments, especially in the USA. I try to judge politics objectively, based on how I see them influencing fundamentals, but the obvious lack of honesty, integrity and reliability, which the current administration has been repeatedly showing, including the bullying of even long-term international allies, have reached a whole new level. Add to that the blatant self-dealing, corruption and gift of a president and his family, who openly accepts personal gifts from foreign powers worth hundreds of millions of dollars, has struck multiple high-profile business deals for the family business, and is exploiting their cult-like followers by selling everything from golden bibles to crypto currencies, is something I would rather expect from a dictatorship in a banana republic than the beacon of Western democracy and freedom.





And all this with the constant claim to Christian values, that would even have had the Pharisees blush, while supporting wars, deporting (mostly lowly paid) residents of foreign descent without any due process, and focusing on their own personal advantage, plus their small circle of sycophants, I can only find hypocritical and deeply indecent. Where are the Christian values in MAGA, which seems to me the epitome of “[All for one ... and more for me](#)” (at the expense of everybody else)?

That is not to say that I am not critical about other international politicians as well. But the Europeans at least pretend that they care about their electoral and the good of the people, and one can hardly blame them for self-enrichment. And even CCP leader and China's president Xi as the last in a row of predecessors, that have presided over an incredible modernization of the country and lifted a billion people out of poverty and into the middle-class, comes across far more like a true statesman. And it is clearly undeniable that living standards for the broad Chinese population have risen for many years now, in a development and at a scale I personally would never have thought possible 30 years ago. On paper, the US has also seen rising living standards, but that seems to have benefited a small part of the population disproportionately, leaving everyone else behind. Why else has the cost-of-living crisis / inflation dominated the list of concerns for US citizens going into the most recent election?

Mark Twain once found that “*History does not repeat itself, but it rhymes*”. – As such I worry that MAGA may have similar roots as *Deutschland wieder den Deutschen* (Germany again to the Germans), though I sincerely hope that these worries are unfounded. But being a political (and otherwise) leader does not only come with benefits but also responsibilities. The current US administration appears to me mainly interested in the former but no longer willing to accept the latter.

And that has consequences. To quote from a recent issue of the [Asia Sentinel](#): “*Global power is not what it used to be. It is less about domination and more about legitimacy. America's global leadership was built not only on economic and military strength, but on the belief that it represented a better way — freedom, rule of law, and opportunity. That belief has frayed.*” (The G7 Without America, [Asia Sentinel](#), 24JUN2025)

Arguably, the current state of global affairs may just be another prerequisite for a *Fourth Turning*, a theory developed by William Strauss and Neil Howe, which posits that history follows a cyclical pattern of four generational archetypes (High, Awakening, Unraveling, Crisis). The cycle culminates in said *Fourth Turning* (Crisis): “*This is an era of destruction, often involving war or revolution, in which institutional life is destroyed and rebuilt in response to a perceived threat to the nation's survival.*” ([Wikipedia](#)) – Does that not sound like a reasonably apt description of what we are in the process of living through right now?





The previous *Fourth Turning* encompassed the Great Depression and World War II. Frankly, we can only hope that our civilization has evolved to a degree that will allow us to avoid the suffering and pain which those unleashed, as this current generational cycle moves towards its end or resolution, which Strauss / Howe expect to take until around 2033...

So, while I believe quite a lot is happening, I still wonder when it will start to **matter** for financial and especially equity markets. – If the worst we encounter over the coming eight years is another financial crisis, I reckon we may count ourselves blessed.

## Semi-Annual IASF Management Report – 1H2025

Every six months, it is our regulatory responsibility as fund managers to write a portfolio management review for the half year that has just passed. It will be included in the (semi-)annual report compiled by our fund administrator, [IFM AG](#), which is typically published about two months after the half-/full-year mark. Since I doubt that many investors actually get to read this (the most recent reports can always be found under the “Download” section on [IASF's website](#)), I have last year begun to include this review in a more timely manner in a dedicated SR chapter, which follows below:

*The first half of 2025 proved to be geopolitically turbulent and characterized by the start of US President Donald Trump's second term in office, who drove the rest of the world before him with his trade and tariff policies and caused a high level of uncertainty with his unpredictability. In addition, a new war was ignited when Israel attacked Iran in June, a conflict that so far has proven shorter than feared as it led to a ceasefire within two weeks amid the US joining the conflict and supporting Israel with bombing raids, the sustainability of which remains to be seen.*

*In economic terms, expansionary fiscal policy continues to dominate the macroeconomic picture. In Germany, for example, the "Special Fund for Infrastructure and Climate Neutrality" was created in March through an amendment to the country's constitution, which provides an additional spending volume of EUR 500 billion over a period of 12 years. A further EUR 100 billion was made available for the defence budget and the expansion of the German armed forces. In the US, President Trump's "One Big Beautiful Bill" is due to be passed in July, which not only aims to make the tax cuts from Trump's first term in office permanent, but also combines further tax cuts with increased spending and cuts to social programs and is expected to increase the national debt by USD 3.3 trillion over the coming decade. And in China, the annual budget deficit ceiling was increased from 3 to 4% of GDP in March, which means additional deficit spending of almost 12 trillion CNY (1.7 trillion USD). These are fiscal stimuli that are intended to support slowing economic growth but must be financed by further debt increases. Together with rising import tariffs and trade restrictions worldwide, this is bound to boost inflationary pressures.*





*All of this had a strong impact on financial markets during the first half of the year. The initial US announcement of global punitive tariffs on April 2, labelled as "Liberation Day", led to a sharp global equity markets correction, which was followed by an equally rapid recovery, triggered by the three-month suspension of these tariffs only days later, which since then has led to new record equity market highs.*

*The MSCI World Index (in USD) closed the first half of the year with a strong result (+8.6%). However, it was noticeable in this context that the long-standing global overweight of US investments is no longer uncontroversial. This is reflected both in the outperformance of European equity markets as well as Emerging Markets, and, above all, in the pronounced weakness of the USD. In the first half of the year, the USD-Index (DXY) lost almost 11%, led by the EUR (+14% against the USD). And although 10-year US government bonds closed mid-year at a yield of 4.23%, 35 bp lower than at the beginning of the year, this came at the price of continued high short-term interest rates. While the ECB, for example, lowered its deposit rate by a further 100 bp to 2% during the first half of the year, the Fed Funds Target Rate remained unchanged at 4.5% – much to the annoyance of President Trump and his administration. Considering that the US refinances the majority of its debt at the short end, this is a burden on the national budget that cannot be underestimated. It is also worth mentioning here that the Bank of Japan was the only G7 central bank to raise its reference interest rate by 0.25% to 0.5% in the first half of the year. In view of an annual inflation rate of 3.5%, this still seems far too low and offers a preview of the dilemma that will occupy all G7 central banks in the near future, namely, how to effectively combat stubbornly high inflation without simultaneously bankrupting national budgets.*

*Although rising government spending arguably comes with short-term multiplier effects and thus supports growth, we are convinced that in the long term it has a growth-dampening effect due to the associated increase in public debt, while inflation provides the politically opportune means to the end of reducing said debt burdens in real terms. A correspondingly stagflationary environment is also supported by prevailing demographic trends in industrialized countries, where a growing proportion of retirees are no longer available to the labour market and with growing age are financing their declining propensity to consume by liquidating their savings. Accelerating deglobalization with increasing trade barriers and tariffs, as well as a growing readiness for war and the corresponding rearmament, are also inherently inflationary.*

*The political will to effectively counter these trends by restructuring debt and rationalizing the public sector and bureaucratic apparatus is nowhere to be seen. This has been demonstrated in recent months by the US DOGE (Department of Government Efficiency), which was introduced with great fanfare and has achieved only a fraction of the savings originally expected, in addition to creating a great deal of chaos and headlines. An indicator for the apparent insurmountability of this task is the fact that its once enthusiastic leader Elon Musk has already given up the fight for a more efficient bureaucracy. Instead, we continue to assume that politicians will counter these trends with currency debasement and debt monetization, coupled with financial repression measures. As far as financial markets are concerned, the associated narrative change has already begun, but is experiencing repeated setbacks, as witnessed during the first half of the year, and will take many years to fully materialize.*







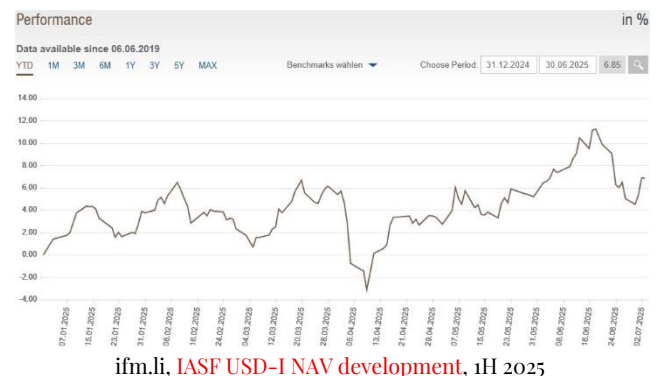
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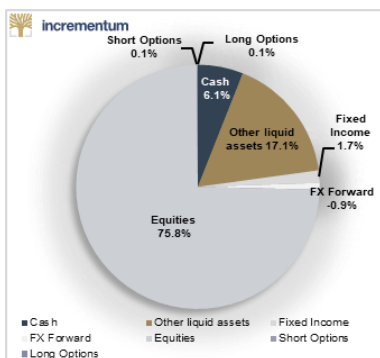
Just to recap, it was against such an expected backdrop, that the **Incrementum All Seasons Fund (IASF)** was launched as a global strategy fund and absolute return mandate. With our benchmark-independent investment strategy, we aim to respond to this evolving scenario with a diversified currency allocation and the avoidance of G7 government bonds, whose traditional weight is partially replaced by an increased allocation to gold and precious metals. On the equity side, we are focusing on investment themes that we expect will benefit from macro-economic tailwinds under the above scenario and in the longer term. These are primarily hard asset-, commodity- and value- themes, with an increased international focus. At the same time, historically extraordinarily high valuations, particularly in US equity markets, have led us to hedge a by now large part of our equity exposure through short positions in US equity index futures (Nasdaq 100 and S&P 500). Tactically, we consider this to be an appropriate allocation in order to increase the long-term purchasing power of the funds invested in IASF without accepting the cyclical risk of losses due to broader stock market corrections.

This worked overall quite well in the first half of the year, even if there were occasional setbacks when the market fell back into its old, tried and tested patterns.

As the adjacent chart shows, this was particularly the case during the first half of April and the second half of June. In the former period, reduced risk appetite led to fairly sharp selloffs in economically cyclically sensitive equities, while in the latter period we had to contend with setbacks in precious metal prices and producers, as well as in energy producers and shipping, while our short positions in US equity index futures also proved burdensome.



This process shows that the regime change we are expecting is still in its infancy, but it also highlights the long-term potential it holds for forward-looking investors.



IASF total portfolio allocation, 30JUN25

At the mid-year mark, and as the pie chart on the left shows, three quarters of the IASF portfolio was invested in equities on a gross basis, i.e., not including short futures positions. Taking into account the latter, which at the end of June amounted to 50.5% of the fund's assets, the net equity allocation was only 25%. Thematically, our leading equity theme was ENERGY, followed by GOLD AND PM MINING and SHIPPING. These three accounted for a total of 63% of our equity allocation, reflecting our conviction in these themes. In total, we held 90 individual equity positions.



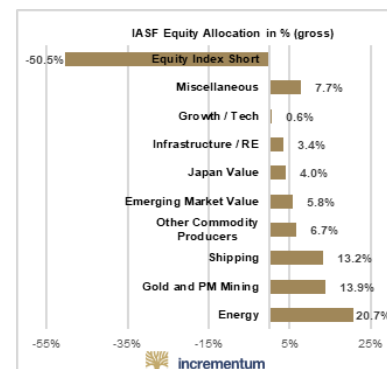




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*The equity themes we have defined are based on and derived from our top-down macro analysis, about which we report regularly in our investor letter Seasonal Reflections. Having said that, our actual portfolio allocation is based on our bottom-up, fundamental analysis. Here, we try - wherever possible - to invest directly in individual stocks, which we regard as undervalued by the market and thus as able to generate a medium- to long-term real, i.e., inflation-adjusted return in line with our goal to expand the purchasing power of the fund's invested in IASF.*



IASF equity allocation, 30JUN25

*We do make exceptions where we see no other choice, e.g., in the case of ETCs backed by physical precious metals, as bullion investments are not permitted under the UCITS funds umbrella. Another possible reason for a fund investment is that it may offer appropriate diversification in specialized areas, as is the case with the occasional use of country ETFs, such as the iShares Brazil ETF currently in the portfolio, or with our exposure to Incrementum AG's Uranium Resources Fund (URF). The latter is the exception to the rule, as Incrementum AG does generally not invest in its own products. An exception to this rule is only granted on condition that the management fee incurred in the target fund (in this case URF) for the shares held in the investing fund (in this case IASF) is reimbursed in full.*

*Our ENERGY theme (21% allocation) suffered from falling oil (-10%), gas (-7%) and coal prices (-24%), while the uranium price rose by roughly 10%. At the mid-year mark, our allocation within the theme was 8% oil and energy services, 6% oil and gas producers (incl. refineries), 5% tied to the uranium sector and just under 2% in two coal producers, comprising 22 individual positions and delivering an average half-year total return (in local currency) of -7%. Despite its critical importance for any modern economy and its growth, this theme is largely neglected, has a historically low weighting in the broad equity market indices (3.5% in the MSCI World Index) and has also been underweighted in the majority of equity portfolios. One reason for this is that when assessing the sector, investors focus primarily on the demand outlook, which seems subdued, though it has historically been regularly underestimated. However, the supply side plays at least as important a role in long-term price formation. After all, the energy sector is an extracting industry with high reserve replacement investment requirements, which have not been adequately met for years, as companies control cash flows and earnings primarily via the level of said reserve replacement investment flows. According to analysts, inflation-adjusted exploration expenditure, e.g., in the oil and gas industry has recently been at its lowest level since 1956. A long-established market saying in the commodities sector finds that the cure for low prices is lower prices. The coming years will show that this rule remains valid, even in this hated sector.*





*A look at our PM AND GOLD MINING bucket (14% allocation), which captured a significant tailwind from rising precious metal prices and rose by an average of 50% in the first half of the year, shows what this looks like, as this is also a sector that has been experiencing long-term underinvestment. At mid-year, our allocation in this theme consisted of a total of 14 individual investments, 10.8%-pts of which were allocated to (mostly) senior producers, 1.8%-pts to royalty/streaming companies and 1.2%-pts to exploration companies. We took advantage of the share price rally during the first half to engage in some profit-taking / rebalancing, because we do not want IASF's overall allocation to precious metals (or any other theme!), including their producers, to rise above a third of assets under management, in order to limit cluster risk – our extremely high conviction for the theme notwithstanding.*

*Even before the loss of the last triple A rating for US government bonds, we have witnessed gold increasingly taking on the role of a risk-free reserve asset, which among others is highlighted by the fact that global central banks are in the market as price-inelastic buyers and absorb around a third of annual production. This trend became evident and firmly established with the freezing of Russian currency reserves in mid-2022. Demand for gold and precious metals is of course also being supported by the growing loss of confidence in fiat currencies, to which the significant devaluation of the global reserve currency USD in the first half of the year has also contributed. Amid this backdrop, we see plenty of reasons for private investors to be increasingly guided by a quote attributed to Voltaire, which states that “Paper money eventually returns to its intrinsic value – zero.”*

*As far as gold and precious metal stocks and their analysts are concerned, they have responded to the latest precious metal price rises with a so far rather unusual dose of scepticism and an obvious degree of disbelief, as anticipated future sales prices embedded in analysts' estimates are on average 30%(!) below current market prices. As a result, the shares of these companies are developing into true free cash flow monsters, whose management teams have mostly experienced and suffered from the typical late-cycle euphoria in the last bull market. For this reason, instead of significantly increasing exploration spending and apart from opportunistic M&A activities, we primarily expect rising dividends and share buybacks over the course of the year.*

*Our third most important equity theme was global maritime SHIPPING (13% allocation). This is a classic hard asset theme and has proven to be a valuable inflation-hedge in recent years. At mid-year, we held 14 individual positions, mainly consisting of tanker (8%) and dry bulk (5%) companies. The highly cyclical behaviour of this sector entails a high degree of volatility, as we experienced once again last year. In the first half of the year, our shipping portfolio generated an average total return of 3%, which can be attributed exclusively to the high current dividend yield (10% p.a. on average).*





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*The attractive risk profile is also reflected in other valuation metrics: the average P/E ratio is 8.5, our portfolio is trading at book value and an approx. 25% discount to NAV, and the net debt/EBITDA of 1.75 points to historically unusually solid balance sheets. Even in our favoured sectors, increased demand meets limited supply, which is reflected in a rapidly ageing fleet and a thin new-building order book. Consequently, there is in our view no reason not to remain committed to this investment theme.*

*The fourth largest theme was MISCELLANEOUS (8%), a pot of opportunistic investment picks that do not fit into our main themes and which contained 8 individual stocks at mid-year. Half of these are UK companies, comprising a tobacco and a beverage group, an automotive supplier (which is in an advanced takeover process) and an industrial group that is also active in the automotive supply sector, as well as in recycling. In addition, there are three US companies, namely an integrated steel group, an international food group, a chemicals company and a German pharmaceuticals group. This portfolio delivered an average total return of 10% in the first half of the year and is trading at an average P/E ratio of 10, a dividend yield of 3.1% and a 25% premium to book value.*

*The other themes are less heavily weighted. EMERGING MARKET VALUE (6% allocation), led by Pico Far East (+43%) and Alibaba (+35%), and INFRASTRUCTURE / REAL ESTATE (3% allocation), led by IWG (+32%) and VGP (+25%), shone with an average total return of 20% each. Our OTHER COMMODITY PRODUCERS (7% allocation) also performed very well with a total return of 17%, led by the fertiliser producers Mosaic (+49%) and Nutrien (+33%). JAPAN VALUE (4% allocation), on the other hand and on average suffered slight losses (-4%).*

*However, the best performance was delivered by the GROWTH / Tech theme (0.5% allocation), which contains 2 positions at mid-year, of which Tobii was able to deliver a 125% gain in value in the first half of the year. It should be noted that we have held this position in the portfolio for several years but have been disappointed by the company's execution and share performance for a long time. Nevertheless, we have held on to this stock as we see potential in this company and its technology (eye tracking). Our patience has been rewarded this year as we are finally in the black on this position in local currency (SEK). Some may say that a 0.25% position size is hardly worth bothering with. But we feel vindicated in our decision to counter the extreme risk profile of small growth stocks with correspondingly moderate allocations. And in keeping with the motto "every bit helps", we are pleased that our patience with this stock has contributed 0.15% to the overall performance of IASF this year.*

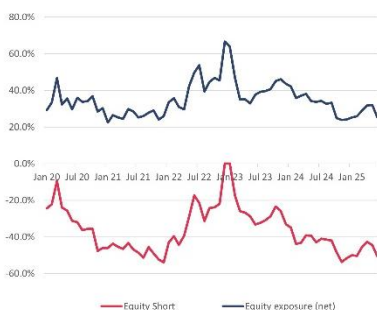
*We hope that this provides a good insight into our investment strategy and its implementation on the equity side, the results of which we were very satisfied with during the first half of the year. However, this topic also needs to address our US equity index shorts, which have done little to please investors over the past two years.*





We started the year on the short side with a total short position of just under 52%, which consisted of 56% Nasdaq 100, 32% S&P 500 and 12% DAX futures. We closed the latter position in March after the DAX was driven up by aggressive investor buying following the record high special budget passed at the time. For us, it is indeed a mystery how Germany's fundamental problems, particularly in terms of the country's international competitiveness, can be so ignored by investors. But with the realisation that passive investment flows are determining market developments and that global financial flows will probably once again strive for greater international diversification, the risk of retaining this position seemed too great to us, even though the DAX, with a P/E of 18, twice its book value and a dividend yield of 2.5%, can hardly be regarded as cheaply valued. The loss realised by closing this position has reduced IASF's half-year result by roughly 1%.

This leaves our short positions in Nasdaq 100 (NDX) and S&P 500 (SPX) futures, both of which are dominated by the Mag7, i.e., the leading US mega-cap tech stocks (by 62% and 32% respectively). In order to not reduce our overall equity short positions with the DAX liquidation near yet another broad market high, we compensated for this by increasing our S&P 500 shorts by a further 20% in March. After the Liberation Day crash at the beginning of April, we reduced our NDX and SPX positions by just under a quarter each, only to increase them back to their original weighting a few days later after a rally of more than 10%, a manoeuvre that ultimately resulted in margin savings that offset the before-mentioned DAX future loss. As a result, IASF's short equity positions overall made a negative return contribution of around 3% in the first half of the year.



IASF equity index short vs net, 30.6.25

Ultimately, this is the cost of our risk management strategy, which is designed to protect us from the negative effects of major market corrections, and also to benefit from an anticipated sector rotation from long duration / momentum into hard asset and value investments.

In retrospect, it has undoubtedly been a costly endeavour.

But just as some people might be upset about the cost of fire insurance for their house, only to realise that it has protected their livelihood when a catastrophic fire occurs, we see the same with the cost of our short futures positions. Doing nothing with record high market valuations and excessive speculation is not an alternative for us. Hedging via option strategies can be an alternative, but in the long term it is also very expensive and much more complex to manage. Therefore, for us this remains a credible approach, which we have used since launch of the fund, the value of which will only be fully obvious when we will have eliminated all short positions the next time.

Let us now return to the other main performance drivers within the portfolio:



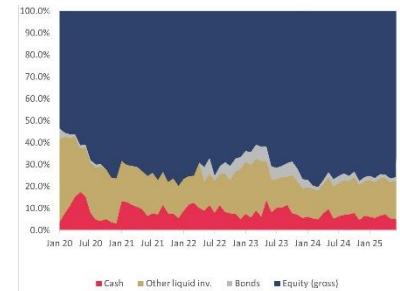




# Incrementum All Seasons Fund

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*IASF is a global strategy fund that covers all asset classes authorised under the UCITS umbrella, and that includes bonds. However, as already mentioned above, government bonds are not a sensible investment medium for us in the foreseeable future. Corporate bonds, on the other hand, can be interesting. Unfortunately, investors' increased risk appetite is reflected not only in record valuations on the equity market, but also in very low credit spreads on corporate bonds.*



*As a result, we currently only hold four bond positions, which account for just under 2% of the portfolio. These are exclusively USD junk bonds with a modified duration of 2.5 years and an average yield of just under 11%, whose issuers belong to the ENERGY and SHIPPING themes. The historically highest bond allocation was 7% in June 2022, but this does not mean that we would not consider significantly higher allocations if the opportunity arose.*

Incrementum All Seasons Fund	
Währungsallokation	in %
USD/HKD	19.2%
GBP	5.6%
EUR	19.7%
CHF/NOK/SEK	3.3%
AUD/CAD	1.1%
JPY	19.9%
XAU/XAG/XPT/XPI	31.1%

IASF currency allocation, 30JUN25

*Another earnings driver was our currency allocation. As the adjacent table shows, IASF had mainly EUR, JPY, USD and precious metal allocations at mid-year. We prepare the overview on a "look-through" basis, i.e. we consider the balance sheet currency rather than the currency of the listing to be fundamentally relevant for equities. After all, Shell Plc, for example, operates a USD business and does its accounting accordingly, even if there are shares listed in the UK (in GBP) or continental Europe (in EUR).*

*The same applies to our shipping companies, which ultimately operate a USD business even if they are based in Norway and listed in NOK. And from this perspective, we also categorise precious metal producers according to the main precious metals they produce, as their performance is strongly influenced by the underlying precious metals price trends.*

*There is no doubt that we have experienced a not inconsiderable negative performance impact from our USD allocation, as the USD lost almost 14% against the EUR as the IASF investment portfolio currency in the first half of the year. JPY and GBP allocations also had a negative impact, even if the depreciation proved to be much more moderate at around 4%. As we continue to see the JPY in particular being supported by an opposing interest rate trend and it still appears undervalued in fundamental terms, we see upward potential here again for the second half of the year.*





# Incrementum All Seasons Fund

- in pursuit of real returns -

*In contrast, our precious metals allocation has proved to be a positive performance driver. Our physically backed gold ETCs gained 11%, silver 10%, platinum 50% and palladium 8% (all against EUR). We have already reported on the rise in precious metal producers above. Overall, our precious metals allocation made a considerable contribution by significantly mitigating the negative contribution to earnings from our internationally diversified currency allocation.*



MSCI World Index (MXWO) - 1H 2025 - in EUR

Source: Bloomberg



MSCI World Index (MXWO) - 1H 2025 - in USD

*The unusually severe negative effect that the weak USD had on EUR portfolios can easily be seen in the two charts above, which show the MSCI World Index on the left in EUR and on the right in USD for the first half of the year. While the index in USD reached new highs and closed the half-year with a gain of 8.6%, the same index in EUR delivered a loss of 4.5%.*

*This considerable discrepancy cannot be underestimated, as analyses show that a large proportion of international USD investments has remained unhedged in the past due to the high hedging costs (currently approx. 2.5% p.a.). This decision was most certainly helped by the fact that since 2008, when EUR/USD reached 1.60, the USD has been in a long-term uptrend, supported by the apparent US exceptionalism.*

*This trend was broken in Q2, as the chart opposite shows, and we fully expect this to result in a longer-lasting USD decline, short-term counter moves notwithstanding. Consequently, we have maintained those rather costly USD hedges, currently covering around 31% of IASF's AuM, all through the first half of the year.*



EUR/USD exchange rate, last 20 years, source: Bloomberg

*Finally, we would like to conclude this report with a brief look at the cash flows generated in the portfolio. In the first half of 2025, we collected interest and dividend income of around EUR 2.7m (1.8% of average AuM), while premium income harvested from the sale of options totalled around EUR 1.3m (0.9% of AuM).*



*Overall, we are not dissatisfied with the first half of 2025, as we managed to achieve a decently positive and above-inflation result despite the adverse circumstances (firm EUR). Perhaps not all investors felt the same way, as we had to accept net outflows of EUR 2.3m (approx. 1.5% of AuM) in the reporting period. However, we believe that the second half of the year will prove more challenging for broad equity markets, which should again highlight the value of our investment approach, and we are thus optimistic that we will see net asset inflows resume.*

*For further and more up-to-date information, I would like to refer you to the aforementioned ["Seasonal Reflections"](#) and take this opportunity to thank our investors for their trust and patience.*

And that is the final draft of my management commentary, reviewing the 1H 2025 performance of IASF, which I trust you found useful. As usual, please direct any feedback towards [iasf-info@incrementum.li](mailto:iasf-info@incrementum.li).

### Now what?

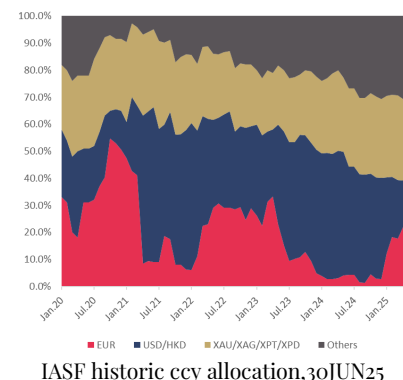
Now that we have dealt with the past first half of 2025, it is time to look ahead to its second half. But before I do that, I would like to circle back to IASF's first half results, which may hide something a lot of investors, especially our European, may have overlooked or underestimated. After all, while our equity market shorts are not merely hedges, but also a directional bet and an asset and narrative rotation play, which has not yet worked out as anticipated, we have also hedged a significant portion of the fund's USD FX risk. And while, amid the relentless US equity bull market, the former cost us dearly, the latter – though also costly – on a net basis benefited investors significantly.

I was reminded of that point when listening to a quarterly interview of one of Germany's top fund managers, who with an asset base in its flagship fund alone that is more than 100 times IASF's size, has delivered a negative return during the first half of 2025, chiefly because they had only hedged "15 to 20%" of their USD exposure back into EUR ("5 to 6% of AuM").



Hedgeye, [Cartoon of the Day](#), 17JUN25

Apart from the fact that they appear to have been riding the prior long-term USD/EUR bull trend (please refer to the chart on page 14), the main reason for not hedging a larger share of their USD exposure was simply cost (currently ~2.5% p.a. of underlying amount). IASF's USD hedging accounted for almost a third of total AuM and covered 62% of all USD assets on an underlying / look-through basis and nearly 100% of the fund's USD denominated assets (booking currency). In other words, without those hedges, IASF, c.p., would also have had a negative first half of 2025.



As the chart above shows, since inception of the fund we have had a steady allocation to precious metals but otherwise have taken a more flexible and opportunistic stance versus the main fiat currencies, especially the USD, and we expect to keep it that way. After all, foreign exchange rates can be an important performance and risk driver, and we expect that the low volatility regime in FX markets has come to an end. Hence, we will try to protect the fund's downside in this area as well, even if that comes at a cost.

Talking about downside protection, it is July 10 now, and thus the day after Nvidia became the first company ever to achieve a USD 4 trillion market capitalization. Let's put that into context, shall we? According to Bloomberg data from today, the entire Mexican stock market is capitalized at USD 0.43 trillion and Germany's at USD 3.06tr, and thus worth less than Nvidia. Only India's (5.4tr), Japan's (6.9tr) and China's (10.9tr) entire market cap surpasses the "value" of the company Nvidia. Of course, Nvidia's perceived value is merely the symptom of a bubble that has made the US stock market the literal elephant in the room, which by now registers a total market cap of USD 54tr, 5 times as large as China's, and of which Nvidia alone accounts for 7.5%.



Hedgeye, [Cartoon of the Day](#), 22FEB24

As [Bill Fleckenstein](#) commented overnight: "*More Voting, No Weighing*", referring to a quote [attributed to Benjamin Graham](#), the grandfather of value investing:

*"In the short run, the market is a voting machine, but in the long run, it is a weighing machine."*

I am very much aware that I sound like a broken record, as this time the short-term increasingly feels like the (very) long-term, but I remain convinced that eventually the weighing will replace the voting, and investors will punish Nvidia (NVDA) shares for their extraordinarily elevated valuations similarly to how they treated Cisco (CSCO) in the early 2000s.





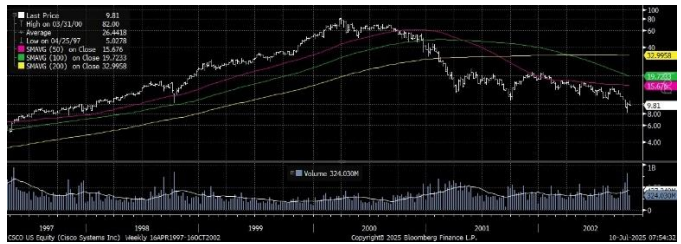
# Incrementum All Seasons Fund

- in pursuit of real returns -



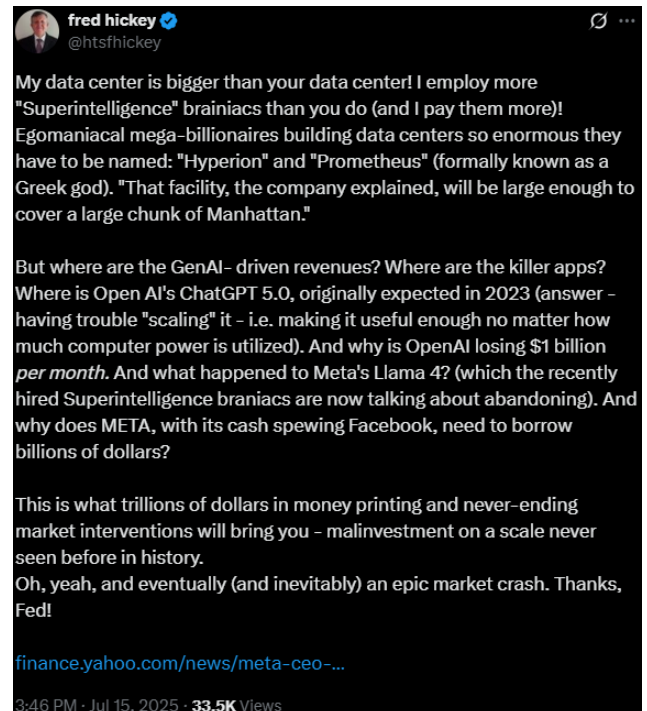
NVDA log chart, last 5 years

Source: Bloomberg



CSCO log chart, 1997-2002

The latter soared from USD 5 to 82 (a 16x increase) between April 1997 and March 2000, only to fall back to just above 8 by October 2002, and 25 years later it has yet to recover its 2000 high. Eerily similar, NVDA has rallied from USD 11 in October 2022 to 163 currently, a 15x increase over a similar period. Both companies were / are the dominant “picks and shovels” producers for a new mega-tech investment trend, with incredible margins at the respective peak. CSCO ultimately plunged as an aggressive overinvestment boom came to an end, and exactly that is what is going to bring NVDA back down to earth. - The only question is when or better yet how soon? (PS: Current sentiment and fundamentals concerning the hyperscalers’ AI build-out are aptly summarized in the tweet x-comment on the right.)



The High-Tech Strategist, Fred Hickey, [X](#), 15JUL25  
(in response to [news on a further AI build-out by Meta](#))



CNBC's Jim Cramer, 14JUL25

Meanwhile, the voting rather than weighing also happens in the broader market, which remains dominated by large cap tech shares, and the ever-present stock promoters always find new ways to attract investors speculators. Consequently, the Mag7 accounting for 62% of [Nasdaq 100](#) and 32% of the five times more heavily populated [S&P 500](#), even by historic standards, represents an extreme high in index concentration.

This is a level of diversification that in my view deserves to be labelled diworsification...

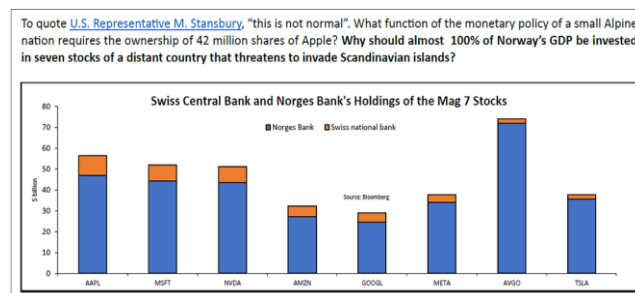




# Incrementum All Seasons Fund

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It is the result of a decade plus of flows into passive investment vehicles and funds drawn to US markets like flies to a pile of dung. To quote The MacroTourist: *“My buddy Vincent Deluard included the following chart in his latest piece. What shocked me most was the comment that “100% of Norway’s GDP is invested in Mag7.” Wow! What an incredible stat.”*



[M'tourist Private Feed Recap](#), Substack, 3JUN25

Is this normal? – Yes, because this has been a self-reinforcing process, which was born out of the GFC, when aggressive monetary stimulus was redefined and the concept of central bank asset purchases reborn, resulting in years of zero capital cost amid ZIRP (zero interest rate policy). It was enhanced by the demise of active investment managers in favor of passive vehicles, which has largely eliminated the weighing and only left the voting, and prolonged by the lure of a well-established trend and the greed for the quick and easy buck that always dominates sentiment towards the end of a cycle.

Needless to say, it was also a development that we did very much underestimate. Perhaps, because I am an old-fashioned investor and analyst who believes that common sense would prevail over reckless speculation for half a score years now at the least. After all, and well said by a quote of an unnamed friend of [David B. Iben](#), Co-CIO Kopernik Global Investors LLC, which he shared in [his latest investor letter](#): *“It just does not seem right to me, that investing should be the only occupation in the world, where without work, you should yield better results than the man who dedicates his life to it. Secondly, investing while ignoring fundamentals of the businesses and allocating money just based on popularity is totally opposite to my understanding of capitalism.”*



Topix Index since 1980, Bloomberg, 30JUN25

And it is not as if there have been no major bull markets before, which at the time of their crest appeared utterly invincible. We just do not remember them, or when we do we tend to argue that things are different this time. So, today’s investors should ask themselves: Could this happen in the US, i.e., is it possible that US stock markets could emulate Japan post the 80s?

I reckon this is a very important question. After all, I was not only around but investing in the late 80s, when Topix peaked, and I have been following it over the ensuing 35 years, of which the first 23(!) years delivered a constant pummeling of the buy-the-dip crowd. – Inconceivable?





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## Historic performance in % (at 30.06.2025)

By the end of		Fund
2025	MTD	-0.66%
	YTD	4.51%
2024		-1.04%
2023		7.18%
2022		39.38%
2021		17.52%
Since inception		92.10%
Since inception (annualized)		11.35%

Inception: 06.06.2019

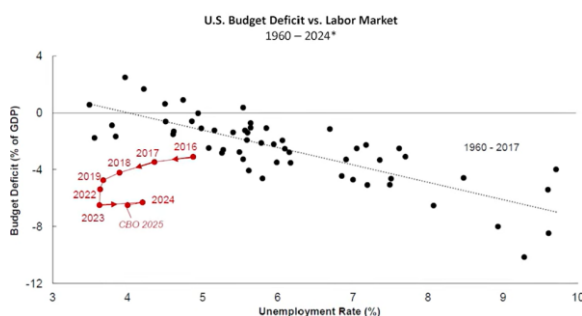
Historic performance for IASF-USD-I-Shares, 30JUN25

Having said that, I have stopped believing that we can time the bear market, given that the present raging bull has defied so many erstwhile sure signs of turning. US equities have enjoyed what seems like an endless summer, but I am certain that despite of appearances the cycle has not been miraculously ended, and winter is coming! – As responsible stewards of investors' (as well as our own) moneys, which tend to be hard-earned savings that we cannot afford to burn, we simply have a fiduciary duty to do our best to see that that doesn't happen.

But to return to the macro-outlook, there is no doubt that the path of the US economy will mainly determine the path for the global economy and hence the fortunes of global stock markets. And as someone who has foreseen a US slowdown / recession a few times since 2019, I can only be humble about predicting one here. But I guess we all know how difficult it is to make (correct) forecasts (, especially about the future), and the question remains what could tip the US into recession.



Source unknown



Sources: Treasury, BEA, BLS, CBO, Haver, IMF, Nikkei as of September 30, 2024

\* Excludes 2020 and 2021.

DoubleLine Capital, [YouTube](#), 12JUN25

Not by my book and experience, which is why we have counter-balanced our bottom-up selected long equity book with at times rather significant US equity index short exposure, even if this has cost us meaningful performance. And yet, we have managed to deliver a performance that has significantly increased our investors' purchasing power, as we set out to do.

Personally, I believe it will have to do with debt and fiscal deficits. What distinguished the past ten years from any other period since the 1960s is that the US has consistently run excessive fiscal budget deficits, even during economic boom times. Prior to 2017, lower unemployment rates which are a hallmark of an economic boom, always came about with falling fiscal deficits, and some years even surpluses.

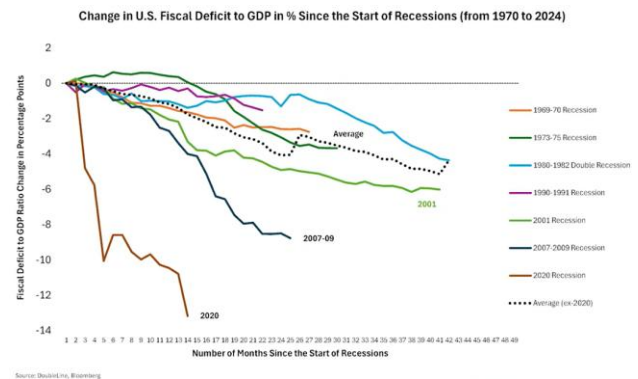




# Incrementum All Seasons Fund

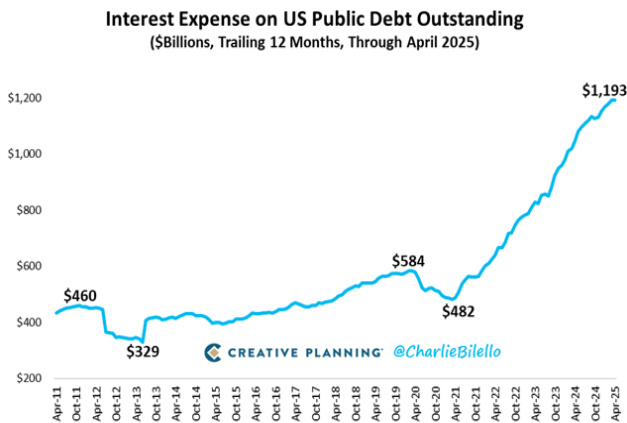
- in pursuit of real returns -

But post 2017 fiscal deficits just kept expanding, despite of an economy that appeared so strong that it was widely labelled “exceptional”. But there is nothing exceptional about spending beyond ones means – every drunken sailor can do this. In fact, the chart on the right shows just how “exceptional” the two last periods following a recession, 2007–2009 and 2020, have been in terms of adding to government debt.



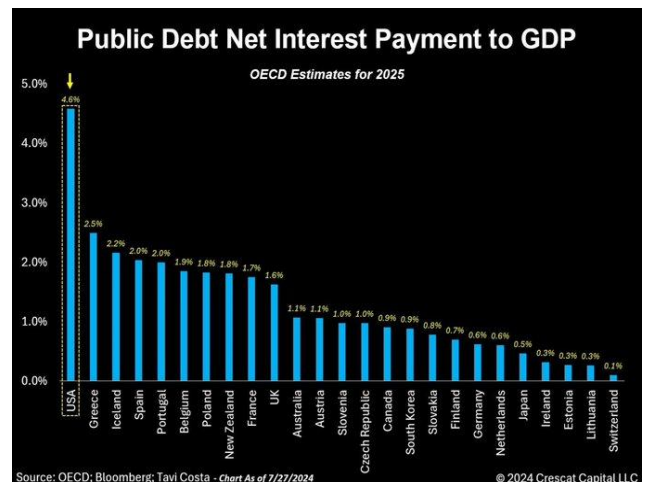
DoubleLine Capital, [YouTube](#), 12JUN25

What has contributed to the rising flood of red ink is the fact that the acceleration in debt financed government spending over the past four years went hand in hand with rising interest rates, as monetary policy tried to reign in inflationary pressures due to the debt binge, resulting in an explosion of the overall interest expense on the debt. The latter is plotted in the chart on the left and bound to rise as more low-yielding fixed coupon issues mature and need to be refunded at higher interest rates.



[The Week in Charts](#), Charlie Bilello, 28MAY25

According to OECD estimates, the US government will likely spend 4.6% of GDP on debt servicing cost in 2025, which is almost double as much as Greece spends at 2.5% of GDP. This is the main reason for the Trump administration’s quest to fix this by raising import tariffs or seeking to lure in foreign direct investments. The former is an attempt to boost (tax) revenue, which they believe is born by the exporters, the latter is supposed to boost private investment and growth, which should eventually also boost government revenues.



@TaviCosta, [X](#), 6JUN25

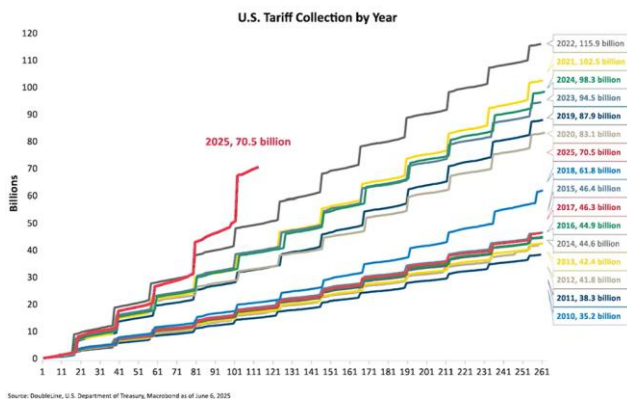






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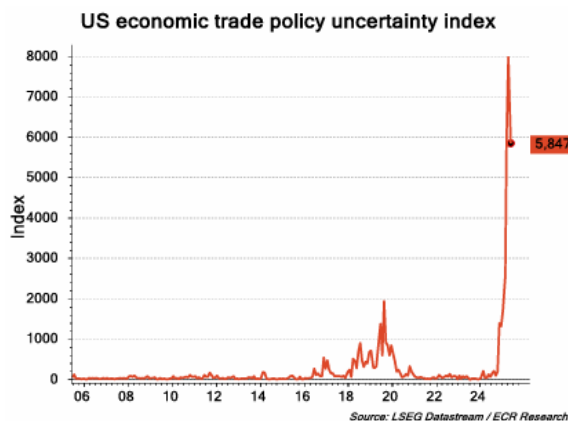
- in pursuit of real returns -



DoubleLine Capital, [YouTube](#), 12JUN25

Can this work? – Well, tariff collection has certainly gone up and could reach up to USD 300bn annually. At what cost tariff administration, collection and necessary compliance measures will come still remains to be seen. History does not show that this is an effective long-term tool to raise government revenues, as it leads to evasive manoeuvres on the side of exporters, and if profitable exports are no longer possible to shortages and supply-driven inflation in the country of imports.

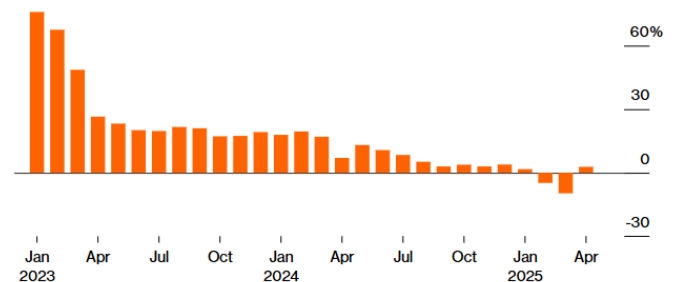
Thus, it remains to be seen how successful this approach will eventually be. For now, it has massively increased uncertainty, which is not conducive to private sector investment decisions.



Historical lessons for an uncertain geopolitical future,  
5JUN25, ECR Research

## Visitor Deficit

Foreigners arriving in the US by air, year-over-year change



Source: US International Trade Administration

Trump's \$12 Billion Tourism Wipeout, [Bloomberg](#), 6JUN25

Another consequence of the Trump administrations erratic and bullying tactics has been a significant drop in foreign visitor arrivals.

How much this can be countered by people rushing in to buy the president's golden visa, "*a type of residency permit for the United States, ..., that allows investors a path to residency and citizenship if they commit at least \$5 million USD to projects within the US*", remains yet to be seen, as the country seems no longer a beacon of freedom and hope. – Whatever happened to "*Give me your tired, your poor, your huddled masses yearning to breathe free, the wretched refuse of your teeming shore.*"? (Extract from [The New Colossus](#), Emma Lazarus, 1883 & displayed at the Statue of Liberty)



Trump Gold Card, [Wikipedia](#)



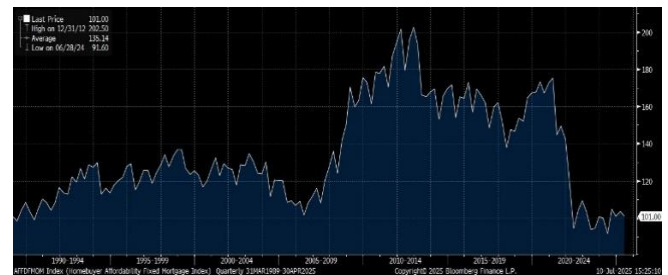


# Incrementum All Seasons Fund

- in pursuit of real returns -

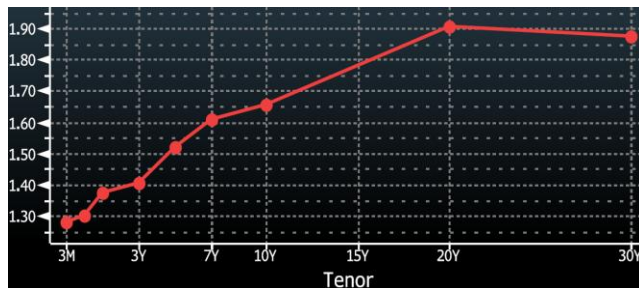
We have talked a lot about the US government and its intent here, which highlights how crucial governments have become as driving force for their economies – and this is hardly only a US problem. But for us, the US is the big dog, and there are many warning signs that the US consumer is stressed.

Housing affordability is sitting near the worst levels seen over the past 40 years, credit card delinquencies are on the rise again, and according to the [US Department of Education](#), the resumption of student loan collections is expected to lead to 25% of the 42.7m borrowers (with a collective USD 1.6tr debt) to be in default later this year.



Homebuyer Affordability Fixed Mortgage Index, Bloomberg

The picture around the globe is not much better. China's economy struggles with the pressures on its international trading relations, a weak housing market and record high debt levels that seem to stifle economic growth. What helps China is that its currency has held steady, and its interest rates are near record low levels, both absolutely and comparatively.

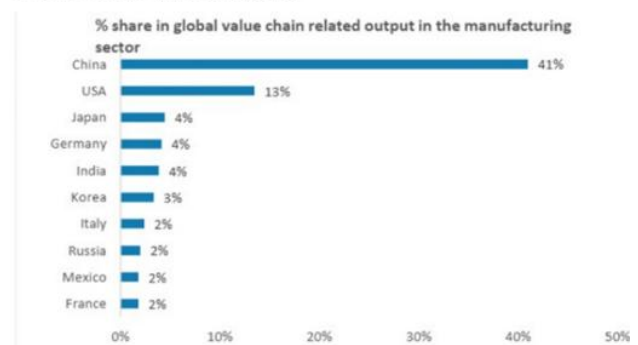


China's CNY Sovereign Yield Curve, 10JUL25, Bloomberg

In addition, there are growing rumours that President Xi is losing his grip on power, which could question political direction and stability going forward, though they remain yet unconfirmed.

However, there is also the fact that China's place as workshop of the world gives it plenty of leverage in tariff negotiations. That was demonstrated in last month's conclusion of Sino-US talks in London, which were widely seen as a victory for China. To put this in context with some numbers: China's exports amounted to USD 3.5tr (20% of GDP) last year, of which 526bn USD (15%) went to the US. Even if the latter ratio goes up when transshipment flows are taken into consideration, this should still be manageable for China.

**Exhibit 3:** China's well entrenched position in global value chains will be hard to replace



Source: WITS, Morgan Stanley Research

[M'tourist Private Feed Recap](#), 9JUL25





# Incrementum All Seasons Fund

- in pursuit of real returns -

After all, “China’s industrial commons is a deeply integrated ecosystem of skills, tools, supplies and institutional knowledge. It thrives on: Proximity-based collaboration, speed of iteration, technically trained labour at scale, and a dense web of subcontractors and specialty firms. These are not things you can buy off the shelf. They grow out of decades of cumulative investment – public and private. That’s why Apple can’t just move its supply chain to Texas or Tamil Nadu. It’s not just about cost. It’s about capacity.” ([Apple in China](#) by Patrick McGee, 2025)

In addition, China is the second largest economy in the world, and in PPP (purchasing power parity) terms it is the largest. It has four times the number of households compared to the US, and its savings rate was 25% of net disposable income last year, amounting to about USD 2.5 trillion and rising. Yes, China is highly indebted, but it also has something to show for it: “China has built 48,000km of high-speed rail. The daily average passenger count on these high-speed trains is 16 million. China’s Maglev train just clocked 620MPH. This is the next phase of ultra-high-speed travel. Unlike in western countries where solar panels plaster the countryside, China is building a 1km wide solar power station in space to beam energy via microwaves back to earth every 24 hours.” ([Frontline China Report](#) by Simon Hunt, 7JUL2025) – Meanwhile, the country’s power generation and grid transmission are modern and highly reliable, and its communications network regarded as the most developed in the world.

With all this in mind, we are still willing to give the benefit of the doubt to the outlook for China and with it to Emerging Markets, which are getting ever more integrated in trade and finance relationships. Thus, we believe Emerging Markets could be a main beneficiary from the trend towards more internationally balanced portfolios, though we are keeping our exposure to domestic Chinese stocks minimal amid worries about the potential for capital controls and transfer restrictions.

What has more recently been a source of concern to us is the situation in Japan, where amid slightly easing inflationary pressures, we have witnessed renewed pressure on the JPY, despite of a rise in long-term interest rates, which also has led Japanese equities plateau.



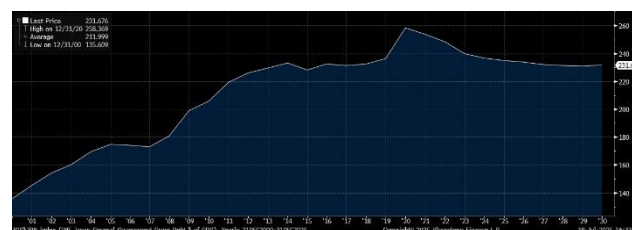
Japanese Topix Index vs 10y JGB (upper panel) & EURJPY and USDJPY (lower panel), year-to-date, 18JUL25, Bloomberg



This is partly due to political concerns. The government of Prime Minister Shigeru Ishiba is rather unpopular amid still high inflation (headline CPI for June was 3.3%, which was held back by lower energy prices, while staple rice prices have doubled(!) over the past year), and has lost its majority in upper house elections on July 20, after having lost the majority in the lower house already last October. While PM Ishiba has declared to steer a steady course, the opposition party promises to scrap or cut the 10% consumption tax charged on most goods and services, signalling fiscal loosening ahead in a country that still has a mountain of debt. And while Tokyo is labouring to manage the tricky transition away from its deflation-era unconventional monetary policy, its already anaemic economic growth is additionally threatened by US President Donald Trump's threat of a 25% tariff on imports from Japan. (PS: On July 23, a trade agreement was announced that provides for import duties of merely 15%.)

Opposition parties argue that cutting or scrapping the consumption tax would support growth and ease strains on households after three years of consumer price inflation above the Bank of Japan's 2 per cent target.

They justify this with a stabilising fiscal situation: Although Japan's gross debt still sits at 235% of GDP, this is down from 260% as inflation is eroding the debt burden through rising tax receipts. Fortunately, Japan's dependence on foreign funding is comparatively low (~12%).



IMF: Japan Government Gross Debt to GDP, Source: Bloomberg

Japan has always been the poster child and front runner for the current extended (government) debt cycle and how it might be resolved, which in my view will have higher inflation to boost nominal growth (and thus tax receipts) as a key ingredient in the recipe. And in this respect the coming six months will probably provide additional important clues on how this is going to pan out.



Hedgeye, [Macro Monday](#), 14JUL25

At the point of writing this, we have to accept cyclical JPY foreign currency related losses since April that slightly exceed 1% of fund AuM. However, we remain optimistic that this will likely be fully recovered over the second half of the year, driven by a reduced interest rate gap to other major currencies (and thus hedging cost) as well as the potential to benefit from renewed risk-off sentiment.

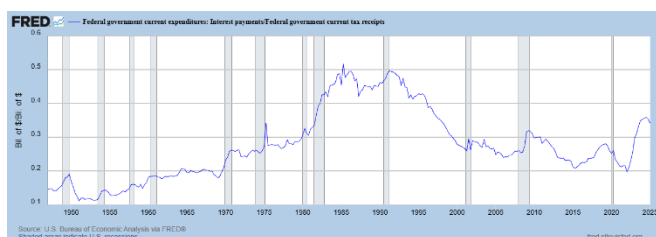
What else could prove a catalyst for financial markets during the second half of the year that is perhaps not so much talked about right now?





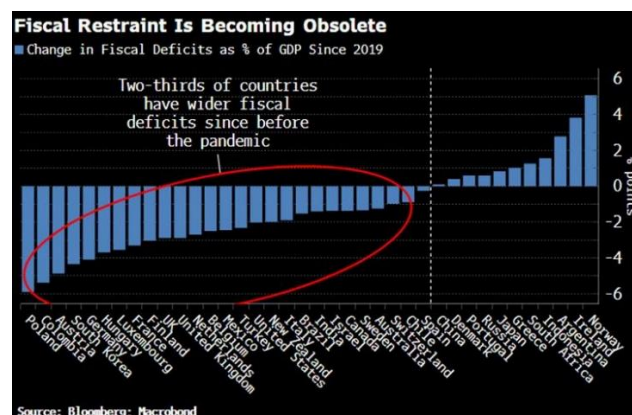
Bond markets have generally been well behaved during the first half of the year, absorbing new issuance without any hiccups, with US 10-year yields slightly lower and European and Japanese slightly higher. All this despite of the fact that fiscal prudence is a dying trait, with almost three-quarters of the largest countries seeing a net rise in their budget deficits since the end of 2019, and two to three years after the pandemic is largely behind us.

Consequently, the median fiscal deficit relative to tax revenues has been increasing over the last 10-15 years and has not returned to trend since the pandemic. The US stands out in this regard, with its fiscal deficit versus tax ratio one of the highest among all countries, and likely to rise more as newly legislated tax cuts (aka *The One Big Beautiful Bill*) kick in.



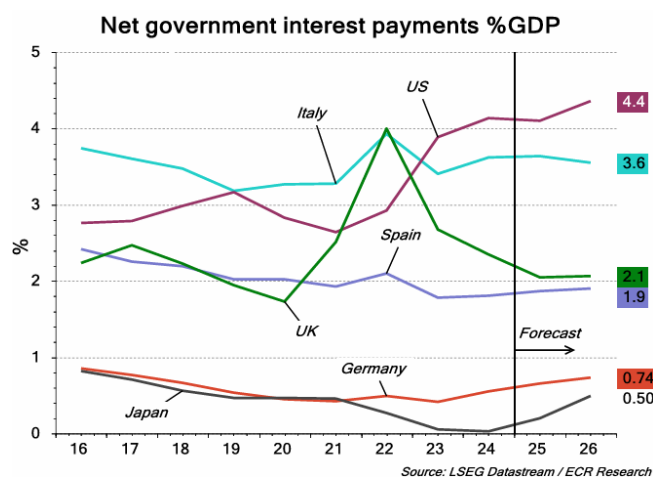
Federal interest payments / tax receipts, [FRED](#)

And relative to GDP, US interest payments have already been made (the great(est) again, amounting to 4.4% of GDP, which is the highest among major Western economies. This poses the real risk of a bond market tantrum (aka Liz Truss Moment), which could lead to at least a mini-fiscal crisis. This could, for instance, be triggered by a failed bond auction, which causes a jump higher in yields before policymakers have time to staunch the wound through Federal Reserve balance-sheet expansion or financial repression.



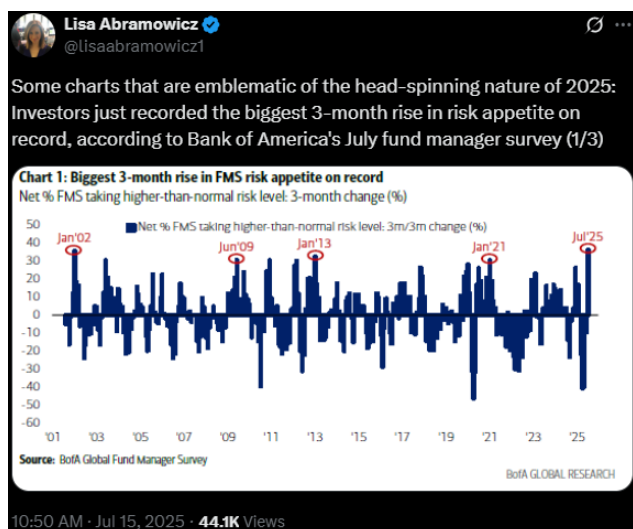
[M'tourist Private Feed Recap](#), 15JUL25

As a result of this, the level of US interest payments as a percentage of tax revenues has been rising back up to levels last seen nearly 30 years ago. In other words, debt services cost (interest payments only) eats up a third of each dollar in tax receipts being collected.



Global Political Analysis, [ECR Research](#), 17JUL25





@Lisaabramowicz1, X, 15JUL25

(Not only) In Emerging Market economies the typical symptoms of a fiscal crisis are large and rising fiscal (incl. primary) deficits, elevated and rising debt-to-GDP ratios, surging interest payments, increasing dependence on short-term financing and across-the-spectrum political unwillingness to spend less. Coupled with a reliance on foreign funding, this summarizes the US situation quite well, and it is thus a scenario that could well play out going forward. At a time when risk appetite is ferocious once again, this could rather upset the market's applectart.

There are usually three ways to get one's fiscal house in order:

First, and as currently evident in Japan, higher inflation may serve as a temporary relieve valve, which ideally is paired with structural reforms. However, solely relying on monetary inflation coupled with financial repression will ultimately erode the credibility of both the central bank and with it the government.

The second avenue is driving things to a crisis point and thus sudden reckoning. In this case, policymakers hesitate to seriously address the debt escalation, causing bond investors to lose patience. This is what happened to the UK's Liz Truss government in September 2022, when a largely debt-financed "mini-budget" sparked turmoil in the bond market, which forced the government to abandon its spending plans and thus led to prime minister Liz Truss' resignation. This is also along the lines of what typically happens in overindebted Emerging Markets. It ends up in forced austerity, tax hikes, and reforms under duress — all unfolding in a climate of panic and recession.

The third path is pre-emptive and deliberate. In other words, it involves prudent fiscal consolidation and structural reform before markets impose their own discipline. It's the policy equivalent of opting for pre-emptive therapy now rather than major surgery later. But given that government debt levels have ceased to be a focal point for policymakers, I am convinced that it is too late for this in the present cycle, and I also do not see any willingness to pursue such a path.

Hence, we will see a combination of the first and second path to resolve the present cycle. Timing the crisis point in this process is extremely difficult, and I fear that no one can exclude the possibility that the US but also other highly indebted nations (e.g., UK and France) can muddle through another couple of years. Thus, we can only monitor this closely, looking for signs of stress and breaking points.





# Incrementum All Seasons Fund

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Global Inflation Rates		
Country/Region	CPI Inflation (YoY %)	Trend vs. Prior Reading
THAILAND	-0.3%	Higher
CHINA	0.1%	Higher
SWITZERLAND	0.1%	Higher
FINLAND	0.2%	Lower
SWEDEN	0.8%	Higher
SINGAPORE	0.8%	Lower
FRANCE	1.0%	Higher
TAIWAN	1.4%	Lower
PHILIPPINES	1.4%	Higher
ITALY	1.7%	Higher
CANADA	1.7%	Unchanged
IRELAND	1.8%	Higher
INDONESIA	1.9%	Higher
EUROZONE	2.0%	Higher
GERMANY	2.0%	Lower
AUSTRALIA	2.1%	Lower
INDIA	2.1%	Lower
SOUTH KOREA	2.2%	Higher
SPAIN	2.3%	Higher
SAUDI ARABIA	2.3%	Higher
PORTUGAL	2.4%	Higher
NEW ZEALAND	2.5%	Higher
US	2.7%	Higher
SOUTH AFRICA	2.8%	Unchanged
NETHERLANDS	3.1%	Lower
UK	3.4%	Lower
JAPAN	3.5%	Lower
POLAND	4.1%	Higher
MEXICO	4.3%	Lower
BRAZIL	5.4%	Higher
RUSSIA	9.4%	Lower
TURKEY	35%	Lower
ARGENTINA	39%	Lower
VENEZUELA	229%	Higher

Data Source: Government Statistics (as of 7/15/25)

CREATIVE PLANNING @CharlieBilello

@charliebilello, X, 15JUL25

As can be seen from the table on the left, inflation is still trending higher in most larger economies, and with the full tariff impact still not reflected in the numbers and commodity prices bottoming, the before mentioned policy paths are being in force already.

And focussing on the US elephant in the room, the expectation of higher inflation going forward is already reflected in rising breakeven rates (i.e., the difference between nominal and inflation-linked government bonds) across the curve, which have recently begun trending up again.



US Inflation Expectations (as expressed via breakeven rates), Bloomberg

All this suggests it is still sensible to stay away from government bonds, which will increasingly be seen as certificates of confiscation again, which in turn will underpin precious metals demand.

Well, hardly a pretty picture, and in case you are still inclined to feel bullish, I would like to close with the observation convincingly laid out in the latest issue of [Things That Make You Go Hmmm](#) by the ever eloquent and thoughtful Grant Williams. In it he summarizes how the four decades from 1980-2020 were marked by a number of major trends that have already reversed or are in the process of doing so. These include a rising global population, growing trade and GDP, falling inflation and interest rates as well as expanding central bank balance sheets. The corresponding falling cost of capital in turn encouraged rising public, corporate and one could argue private debt levels around the world and was ultimately responsible for rising US and global stock as well as soaring house prices, which dramatically widened the wealth gap in our societies. The low-risk nature of these decades was reflected in a benign gold price, and the fact that this has recently seen a lift off is likely a sign that we are in a period of a great reset, which will require a different mindset, even and especially from investors.

I hope I have made it clear on these pages that we at Incrementum AG do not take the old regime for granted but instead try to anticipate how it could change. And for anyone who thinks that a financial market crisis is “inconceivable”, I recommend (re-)watching [The Princess Bride](#) 😊





In that spirit, I would also like to share with you the “*First Principles In Investing*” as redefined for this new area by Grant Williams in the before mentioned [Things That Make You Go Hmmm](#):

*“After forty years of nothing but tailwinds, the signs point to our facing a very different future—one that will require the revisiting of investment principles which have either been long forgotten or diluted in their meaning. Or, at the very least, the revisiting of our understanding of their meaning.*

- *Abundance is finished. Scarcity is paramount.*
- *Fragility will no longer matter. Durability will be key.*
- *Vulnerability (both personal and business) will be punished. Resilience will be rewarded.*
- *Leaving important considerations to chance will no longer be an option. Trust will once again be what it always HAS been—an imperative.*
- *The age of instant gratification is over. Delayed gratification is how we move forward, and that means embracing a low time preference.*
- *Uncertainty? Well, that’s always been here, and it always will be, but uncertainty is not risk.”*

[TTMYGH](#) by Grant Williams, July 2025

I share these points because I think they very much reflect my own principles: Our focus on investment themes with tailwinds is clearly marked by the overriding “*scarcity*” theme, and I believe I have made clear on the past 27 pages how much “*durability*” and “*resilience*” dominate our thinking. And I would hardly bother writing such extensive and transparent reports, if I had not learnt long ago the value of “*trust*” (not only) in business relationships, be it as investment advisor or portfolio manager. And a “*low time preference*” is expressed in our constant reminder that investing is a long-term endeavour that requires patience, as well as our admission that we cannot foresee the near-term future (as expressed in Investment Lesson No. 8 on page 33).

Lastly, “*uncertainty*” has always been the hallmark of investing, as no matter how high your conviction level in any particular investment case or the development of macro trends, there is never certainty of outcome. We tackle any short-term portfolio risk / volatility through

- ❖ an appropriate degree of diversification,
- ❖ a focus on cash flows from our portfolio investments that reward us for our holding of assets,
- ❖ a sufficient cash reserve that grants us flexibility to take advantage of any unforeseen risk events,
- ❖ and lastly the avoidance of being shackled by benchmark constraints.

Dear reader, I know that I may at times sound like just another doomsday preacher, but no matter my view of the economy and markets, we have always found attractive investment opportunities, and we have never hidden in cash to wait for “*value*” to reappear. And I hope you will agree that we have lived the above First Principles and promise that we will continue to do so going forward.







## CLOSING REMARKS

At the time of writing this, two thirds of July have passed, and we're looking at a decent month for investors, which offers the prospect of recovering the late June loss – unless of course markets are teasing us again ☺...

This morning, a trade agreement with Japan was announced, which has Japan pay import tariffs of 15% rather than the 25% threatened before. It almost feels like the Trump administration is realizing that come August 1, they will have to show more than just a handful of new agreements, in order to avoid losing even more credibility... – Be that as it may, I have little doubt that the US under Trump has greatly damaged its standing in the international community. Palm Valley Capital Management's Jayme Wiggins and Eric Cinnamon summarized its first five months in office in their 2Q investment letter as follows:

*"The Trump administration has moved swiftly to leave its mark. In the span of five months, the administration has proposed annexing Greenland, trolled Canada to become our 51st state, renamed a body of water, tightened down the Southern border, implemented 145% tariffs on China, rolled back tariffs, pushed for crypto deregulation—paving the way for a fast first family crypto fortune, significantly reduced proposed compliance rules for investment advisers (thanks!), put a \$5 million price tag on an expedited Green Card, called the Chairman of the Fed a loser for not cutting interest rates, welcomed a new Air Force One gifted by Qatar, bombed Iran's nuclear facilities—leading to a ceasefire, badgered members of Congress who didn't support the spending bill, appointed the world's richest person to spearhead a rightsizing of the federal government, thanked him ceremonially for his efforts, and later claimed he was pushed out because he was "wearing thin." It's been a wild ride!" (Palm Valley CM, [2Q2025 Investor Letter](#))*

Indeed, it has! – And it seems the world is still struggling to come to grips with this new political reality, and that few know how to deal with the volatility, recklessness and narrow-minded self-centeredness of the Trump administration.

*"And that, I believe, is the big question that all democracies have to ask themselves: How do we manage to set a different narrative against the narrative of radicals like Trump? So far, I have the feeling, even if you look at international politics, that we are only ever reacting to Trump. We don't act on our own, instead, we are disgusted, or we criticize him, or we go to the embarrassing pain threshold of subservience like the NATO Secretary General. But we lack a strong symbolic force of our own – and of course we also lack a face." (Ulf Röller, Auslandsjournal – der Podcast, [YouTube](#), 1JUL2025)*





Whether democracy survives the current onslaught will very much depend on politicians and the people, who may have to redefine the set of values that we commonly relate with democracy and be willing to live these rather than preach them or expect them from everybody else. Values like fundamental rights, the rule of law, participation, consistency, (limited) government and accountability, tolerance (without having to mandate diversity) and the common good, to name just a few important ones. If we do that, we may not have a need for strongmen, who ultimately use the rule merely for their own sake and ego.



@KyleKulinski, X, 15JUL25

Meanwhile, as far as markets are concerned, investors (like politicians in their own sphere) should not shut their eyes but take a sober look at the reality of things. As far as the mighty US stock markets are concerned, that includes the admission that valuations have become extremely expensive again, as the table below highlights. Or as [Grant's Interest Rate Observer](#) stated in its July 18 edition:

Factor	Start Date of Data	End Date of Data	Most Recent Value	Most Recent Title
Median Price to Earnings	03/31/1964	05/31/2025	26.7	Extremely Overvalued
Price to GAAP Earnings	03/31/1926	06/30/2025	28.2	Extremely Overvalued
Price to Shiller Earnings	12/31/1925	12/31/2022	27.9	Extremely Overvalued
Price to Shiller Operating Earnings	01/31/1995	06/30/2025	33.3	Extremely Overvalued
Price to Shiller Operating Earnings (GAAP Earnings Prior to 1994)	02/29/1936	06/30/2025	33.3	Extremely Overvalued
Total Market Value to Shiller Total NIPA Earnings	02/28/1957	06/30/2025	32.5	Extremely Overvalued
Total Market Value to Total NIPA Earnings	03/31/1952	06/30/2025	28.3	Extremely Overvalued
Price to Cash-Adjusted Earnings	12/31/1973	06/30/2025	24.4	Extremely Overvalued
Price to Operating Earnings	12/31/1984	06/30/2025	25.8	Extremely Overvalued
Price to Forward Earnings	02/28/1983	05/31/2025	21.4	Extremely Overvalued
Price to 4Y Trailing & 1Y Forward Earnings	02/29/1988	02/28/2025	26.3	Extremely Overvalued
Price to 1Y Trailing & 1Y Forward Earnings	02/28/1987	02/28/2025	23.5	Extremely Overvalued
Price to Sales	01/31/1972	05/31/2025	3.0	Extremely Overvalued
Price to Book	12/31/1925	06/30/2025	5.0	Extremely Overvalued
Price to Cash Flow	01/31/1967	04/30/2025	16.3	Extremely Overvalued
Dividend Yield	12/31/1925	06/30/2025	1.2	Extremely Overvalued
Net Repurchase Yield	12/31/1984	05/31/2025	1.7	Fairly Valued
Net Payout Yield	12/31/1984	05/31/2025	2.9	Moderately Overvalued
Net Debt Reduction Yield	12/31/1984	05/31/2025	-0.8	Moderately Undervalued
Shareholder Yield	12/31/1984	05/31/2025	2.2	Moderately Undervalued
Median Free Cash Flow to Enterprise Value	02/28/1990	04/30/2025	2.2	Moderately Overvalued
Free Cash Flow to Enterprise Value	02/28/1990	04/30/2025	2.3	Fairly Valued
Median EBIT to Enterprise Value	02/28/1974	04/30/2025	5.1	Extremely Overvalued
EBIT to Enterprise Value	02/28/1974	04/30/2025	5.5	Extremely Overvalued

On My Radar, S. Blumenthal, CMG Private Wealth Grp, 11JUL25

*"The charging-bull crowd can surely use such continued operating momentum, with the S&P 500 changing hands at 22.3 times forward earnings, compared with 5-year and 10-year average valuations of 19.9 and 18.4 times, respectively. Other indicators point to an historically stretched market, with the index perched at 3.29 times trailing sales, the highest since at least 1990 and nearly one full turn above that seen at the peak of the dot-com bubble. The free cash-flow yield crouches at 2.76%, near February's post-Lehman Brothers low of 2.71% and compared with a 4.19% average reading over the past 10 years, while the 1.23% dividend yield undercuts the 1.26% yield seen during December 2021, the peak of the everything bubble."*





Clearly, history has taught us that financial markets can occasionally be ruled by a sentiment of [irrational exuberance](#), sometimes for longer than one would expect from rational investors. And yet as we remain convinced that eventually fundamentals (aka the weighing process) will matter again, we have every reason to continue with the ongoing pursuit of our well-established investment strategy. This continues to favour low valuations and hard assets over the very extended crowded trades out there, that have very little true value to fall back on. It also anticipates a cyclical turn in investors market preference, which has chased and overweighted US assets and with that the USD since the GFC. As a wise man once astutely observed: “*Successful investing is about having people agree with you ... later.*” (Jim Grant, founder of [Grant’s Interest Rate Observer](#), according to [Quotation](#))

I am frank to admit that this has been a contrarian stance for years now and over that span only briefly earned us serious attention as investors. After all, it is always the well-established trend that promises the quick money most investors seek. And yet we have served our long-term investors well, accumulating an 11.3% p.a. net return in our USD-I shares (s. page 19). This result was achieved with an unleveraged investment strategy that on average has had less than 40% net equity exposure. And yet, IASF has seen small outflows over the first half of the year, which confirms our observation that the majority of investors are trend followers. Asking [Perplexity.ai](#) whether retail fund and ETF investors beat overall market performance, yielded the following answer: “*The majority of retail fund and ETF investors do not beat the market over time. Most underperform due to market timing errors, fees, and suboptimal fund choices.*” – And, I would add, with a lower time preference they are likely to increase their long-term returns.

And with this I close the summer 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 placed in us.

Best wishes from Schaan, Liechtenstein!

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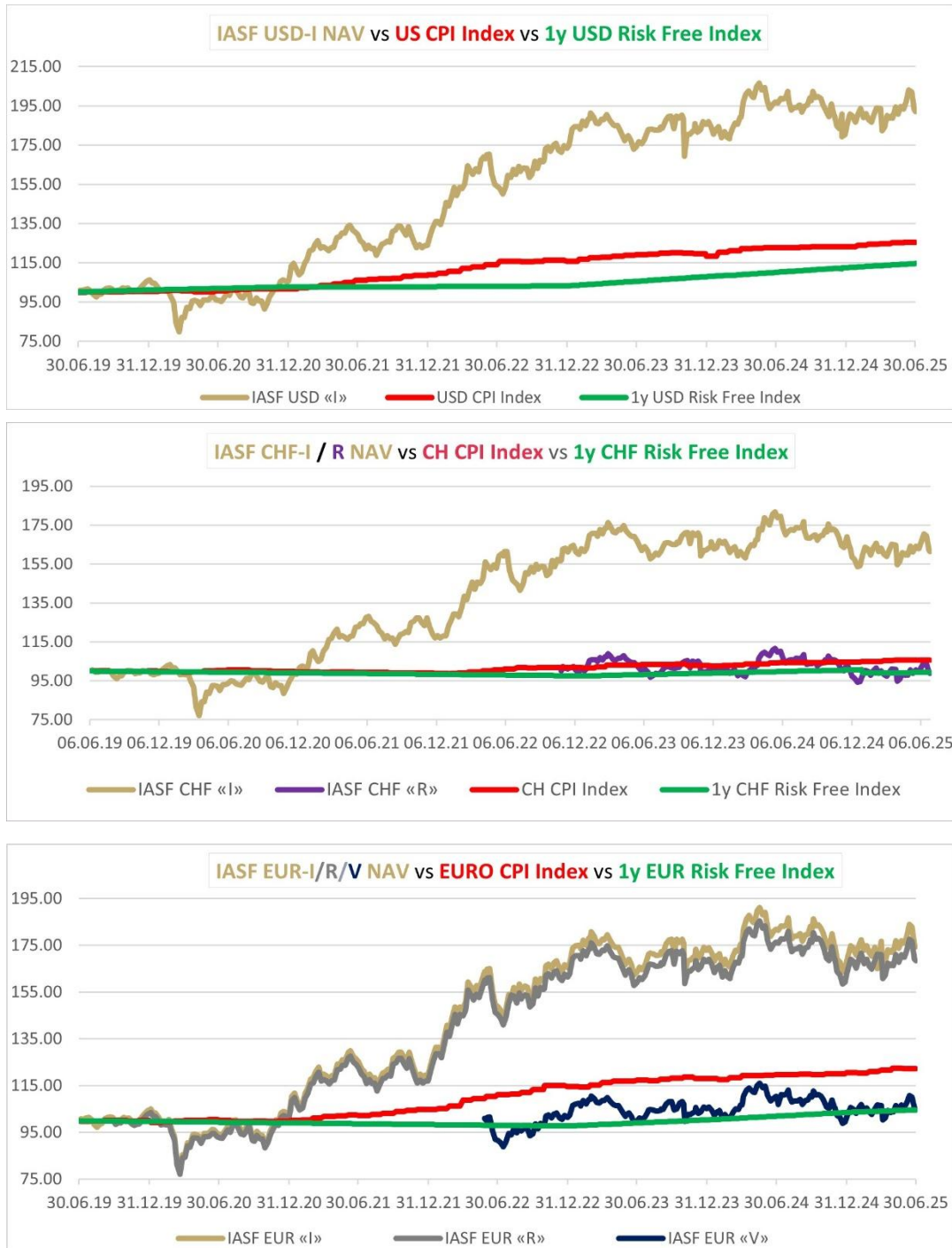




# Incrementum All Seasons Fund

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## Appendix



\* The charts show the **NAV** of the IASF up to the last valuation date (**30JUN2025**), 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.



incrementum

### Disclaimer

This document is for information purposes only and does not constitute investment advice or an investment recommendation or an invitation to buy or sell but is merely a summary of the most important aspects of the fund. In particular, the document is not intended to replace individual investment or other advice. The information must be read in conjunction with the current (complete and simplified) prospectus, as only these documents are relevant. It is therefore necessary to read the current prospectus carefully and thoroughly before investing in this fund. The subscription of units will only be accepted on the basis of the current (full and simplified, if applicable) prospectus. The full prospectus, the simplified prospectus, the contractual terms and conditions and the latest annual report can be obtained free of charge from the management company, the custodian bank, all distributors in Liechtenstein and abroad and on the website of the Liechtenstein Investment Fund Association (LAFV; [www.lafv.li](http://www.lafv.li)).

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Past performance is not a guide to future performance. The unit value can go down as well as up and you may not get back the amount you invested. Investment returns may fluctuate. Changes in exchange rates may adversely affect the value, price or income from investments. Before making an investment, you should seek professional advice on the risks associated with the investment and any tax implications.

