SERENIS

FAMILY CAPITAL

Monthly Markets Chronicles

December 2024

Trump turn, Chinese enigma, European malaise

The year 2024 was marked by major events, both economically and politically. The election of Donald Trump and the Republican triumph in the United States pave the way for ambitious reforms. However, their scale and pace could generate unexpected effects. Although this momentum has sparked optimism in the markets, we remain vigilant to the potential risks associated with the implementation of these policies.

In Europe, the economic situation remains hampered by major structural challenges and a sometimes unstable political climate. Recovery efforts have so far failed to produce sustainable growth, underlining the urgent need for far-reaching reforms to boost the region's competitiveness and stability.

China, for its part, is faced with growing indebtedness and industrial overcapacity, which are hampering the effectiveness of its stimulus measures. These limitations raise the question of China's ability to maintain its economic dynamism over the long term.

Against this complex global backdrop, our investment strategy remains resolute and adaptable. We are reaffirming our strategic orientations set out in "Thinking Forward", while preserving the solidity of our positions. This approach combines prudence and reactivity, to anticipate volatility while seizing the best opportunities.

Drawing on our experience in a wide range of environments, we approach 2025 with serenity, aware of the uncertainties that mark this new stage. Our aim remains to create sustainable value for our customers and partners, by cultivating an open approach to change and building on the strength of the collective. In this way, we hope to chart a course for solid, responsible growth.

Comments of the month of December

After the post-election euphoria that followed D. Trump's election in the United States, investors were expecting a euphoric end to the year, with the famous *Christmas Rally* in the spotlight, which would have pushed the indices to end the year on all-time highs.

However, history decided otherwise, and the last two weeks of the year were, to say the least, more complicated than anticipated on the US markets.

The S&P500 closed the year below 6,000 points, losing 2.5%. However, for the 2nd year running, the main US index posted a performance in excess of 20%. The Swiss SMI index also lost ground, ending the year with a modest performance of +4.2%. Nestlé, with a performance of -23.21%, made a major negative contribution to this weak performance in 2024.

Equity Indexes	Value	MTD	2024
S&P 500 (USA)	5 882	-2.5%	23.3%
Nasdaq 100 (USA)	21 012	0,4%	24,9%
Euro Stoxx 50 (Europe)	4 896	1.9%	8.3%
SMI (Switzerland)	11 601	-1.4%	4.2%
Nikkei 225 (Japan)	39 895	4.4%	19.2%
CSI 300 (China)	3 935	0.5%	14.7%
Currencies	**Value**	**MTT**	**2024**
EUR/USD	1.035	-2.1%	-6.2%
USD/CHF	0.907	3.0%	7.8%
EUR/CHF	0.940	0.9%	1.2%
GBP/USD	1.252	-1.7%	-1.7%
USD/JPY	157.200	5.0%	11.5%
Bond Indexes		**MTD**	**2024**
Government USA		-1.5%	0.6%
US Corporate IG		-1.9%	2.1%
US Corporate HY		.0.4%	8.2%
Government UE		-1.5%	1.6%
UE Corporate IG		-0.3%	5.0%
UE Corporate HY		0.7%	9.1%
Other Asset Classes	**Value**	**MTD**	**2024**
Gold	2 625	-0.7%	27.2%
Brent Crude	75	2.3%	-3.1%
Bitcoin	93 714	-3.8%	123.5%
Rates / Indicators	**Value**	**Δ MTD**	**Δ 2024**
US 10 years rate	4.57%	0.40%	0.69%
GER 10 years rate	2.37%	0.28	0.34
US Unemployment	4.2%	0.1%	0.5%
Volatility Index (VIX)	17.4	3.8	4.9

It should also be noted that bonds also suffered considerably in December. Indeed, all US and European benchmark indices, with the exception of *High Yield EU*, posted negative returns for the month. In general, all bond asset classes ended the year with relatively modest returns.

Even Bitcoin suffered with -3.8% in December. However, with a performance of +123.50% in 2024, it was once again one of the year's big winners, as was gold, which ended 2024 with a performance of +27.20%.

The dollar's notable appreciation against all the major currencies is also noteworthy. It's not impossible to imagine the greenback approaching parity with the euro in the next few weeks, and it has to be said that, despite its many detractors, Uncle Sam's currency remains dominant on the world stage, and is in a health that many thoughts would be much worse than it is today.

Our current positioning

For once, our Investment Committee is maintaining the current positioning of our *core* portfolio, with a neutral stance in all asset classes, with the exception of a slight underweight in European equities. We note, however, that the current level of the US stock market raises questions about the sustainability of this *bull market*. Indeed, current valuations, and the resulting ratios, are at very high levels for a large number of individual stocks, and even sectors. However, we also see opportunities ahead for stocks that have not, for the time being, attracted any particular interest from investors. We believe that some sector rotation may be taking place in the US, and that investors' focus is shifting a little more towards the real economy. This does not mean that the leading sectors of the last two years are at risk, but rather that their performance could return to a certain normality.

The continued underweighting of European equities has been the subject of heated debate. There are indeed clear macro and micro economic risks to consider, but the impact on valuations is still hard to estimate. It is likely that European equity indices will recover some ground against US equities during 2025. For the time being, the signals are not all green, far from it, but we'll need to keep a close eye on developments at the start of the year, in order to benefit from a possible return to stable growth.

As regards emerging markets, signals differ from region to region, and even from country to country within the same region. It is therefore advisable to maintain a global approach in order to maintain diversification and an acceptable level of volatility.

We are also maintaining a neutral position on bonds. We note that a number of factors, some of them contradictory, are weighing on the fixed-income component, confirming our position. US 10-year yields are once again at high levels, as the Fed continues its policy of rate cuts. Meanwhile, inflation expectations for the months ahead are relatively uncertain, and many are predicting a sharp rebound, which would put the FED in an uncomfortable position.

For our strategic investments, we are maintaining our convictions and the four themes in which the portfolio is invested. Gold could stay the course in 2025, continuing to demonstrate its resilience in a context of uncertainty. The new-found role of value protection, as well as the planned increases in several national reserves, could be supportive factors for the gold price, confirming that the metal is indeed in a new super-cycle.

It also appears that the defence sector has taken on even greater importance in recent months, and D. Trump's arrival in the White House will accentuate this trend. Indeed, he has already announced that he expects NATO member states to devote 5% of their GDP to this sector. Some European leaders think that this proportion is unrealistic and are talking more along the lines of 3%. In any case, budget increases are likely to be substantial in the years ahead.

Our conviction in US *Small & Mid Caps* remains intact, for the same reasons mentioned above. American protectionist intentions are playing into the hands of this sector, which could see a nice rebound and sustained interest throughout the year. The evolution of US monetary policy will be one of the overriding factors influencing the performance of these companies. Although the trend in this theme since its inception has been negative, we are reiterating our confidence in it.

We have also reassessed our positioning in uranium. It has to be said that this theme has not lived up to our expectations, despite its potential, the market situation and the latest news. However, all the decisive factors for uranium's outperformance in the coming months are present. We are also seeing significant changes in the long-term vision of several countries with regard to energy taming. We therefore unanimously maintain this investment opportunity in our portfolio.

« Core » Portfolio

	% SAA		%TAA
Cash	5%	↗	7.5%
Fixed Income	45%	=	45.0%
Investment Grade	20%	=	20.0%
Sovereign Debt	15%	=	15.0%
High Yield	10%	=	10.0%
Equities	50%	↙	47.5%
US markets	30%	=	30.0%
European markets	15%	↙	12.5%
Emerging markets	5%	=	5.0%

« Strategic focus » investments

Themes	%	Since
Gold	5.0%	29.12.2023
Uranium	2.5%	29.12.2023
Defense	2.5%	30.04.2024
MidCap US Momentus	2.5%	30.11.2024

Balanced USD Portfolio

Thinking forward: European defense

A long-term strategic vision: Key elements of a resilient portfolio

Our investment philosophy is based on a fundamental principle: identify structural trends and major geopolitical and economic transformations and integrate them into a long-term strategy. In 2024, we consolidated this approach by allocating significant resources to three strategic areas: gold, defence and uranium. These themes, carefully selected for their resilience and growth potential, have played a central role in our portfolio's performance, while offering protection against global economic uncertainties. Each of these investments reflects a combination of rigorous anticipation, in-depth geopolitical analysis and a coherent vision of long-term opportunities.

Gold was the most significant and best-performing investment in our portfolio in 2024. This timeless asset, often perceived as a safe haven in times of uncertainty, has confirmed its relevance in a world marked by profound geopolitical and economic transformations. Central banks, particularly those of non-Western economies, continued their record purchases of yellow metal, reflecting a growing desire to diversify their reserves and reduce their dependence on the US dollar. This trend is the result of a deliberate strategy, amplified by the economic sanctions imposed on Russia since 2022, which have highlighted the limits of the dollar-based financial system. Inflation, although down from the peaks seen in previous years, remains a concern for investors, reinforcing gold's role as a bulwark against currency erosion.

The sustainability of sovereign debt, particularly in the United States, remains a major concern. Rising real interest rates and heightened bond market volatility have reinforced gold's appeal as a systemic hedge. The precious metal also embodies a unique resilience in the face of geopolitical upheaval. While growing international tensions are undermining confidence in certain currencies, gold continues to establish itself as a tangible, universally recognized asset, beyond the direct influence of any state or institution. In 2024, we observed a growing correlation between major geopolitical events and heightened interest in gold, confirming its central place in a long-term portfolio management strategy. This strategic theme will remain an essential pillar of our approach, not only because of its past performance, but also because of the solid prospects it continues to offer in an uncertain global environment.

The defence sector proved to be one of the most striking performance drivers of the past year. This theme, often undervalued by investors, benefited from a paradigm shift in the way nations perceive their strategic priorities. In Europe, Russia's invasion of Ukraine acted as an electroshock, prompting several countries to revise their military budgets upwards. Securing critical supply chains and relocating certain industrial capabilities have become priorities for many NATO member states. However, these ambitions still come up against structural obstacles, notably restrictive ESG policies that hamper defence companies' access to private capital. SMEs, essential to the industrial ecosystem, suffer particularly from this lack of funding, limiting their ability to innovate and respond to growing challenges.

In the United States, the defence landscape is undergoing a major transformation. New entrants, such as Anduril Industries, are challenging the historical dominance of the sector's giants. These players are relying on cutting-edge technologies such as artificial intelligence and robotics to develop agile solutions adapted to today's increasingly asymmetric threats. This technological renaissance is forcing traditional conglomerates to rethink their R&D cycles and accelerate the integration of innovative solutions. The paradigm shift in the defence sector has only just begun and is set to accelerate in the years ahead. Defence, long perceived as a constrained expense, is now emerging as an essential strategic investment. This repositioning is particularly evident in the attitude of governments, which are taking a longer-term view of national security. Investors, too, are beginning to recognize the potential of this sector, not only in terms of economic profitability, but also as a lever for strengthening the strategic autonomy of nations.

The uranium market, though demanding and often unpredictable, remains a key element in our portfolio. In 2024, it once again highlighted its cyclical nature and the challenges it poses for investors. Uncertainty surrounding a potential US embargo on Russian uranium delayed the signing of long-term contracts, while the caution of institutional investors limited capital flows into the sector. However, these one-off obstacles should not overshadow uranium's robust fundamentals. Global demand continues to grow, fuelled by the construction of over sixty reactors in some fifteen countries.

At the same time, small modular reactors (SMRs) are gaining in popularity, promising to revolutionize the energy landscape thanks to their flexibility and efficiency. At a time when the energy transition is becoming a global priority, nuclear power is emerging as an essential solution for meeting the growing need for low-carbon electricity. In addition, the redirection of exports by certain major producers to Asia is reducing the supply available for Western markets, exacerbating an already long-standing structural deficit.

deficit. The growing demand from technology companies for stable, resilient energy is also a significant growth driver for the sector.
As tensions over supply and demand intensify, uranium could experience a rapid revaluation, rewarding the patience of investors who have been able to anticipate these dynamics. This market, though complex, continues to represent a strategic opportunity for those able to understand its cycles and fundamentals.

To sum up, 2024 confirmed the relevance of our long-term investment strategy, focused on resilient, growth-generating themes. Gold, defence and uranium, while having distinct trajectories, share a common thread: their ability to protect and strengthen the portfolio in the face of an increasingly uncertain global environment. These strategic investments are not only responses to today's challenges, but also thoughtful bets on the future. We remain firmly convinced that this approach will continue to generate solid results, while offering essential protection against economic and geopolitical hazards.

Food for thoughts

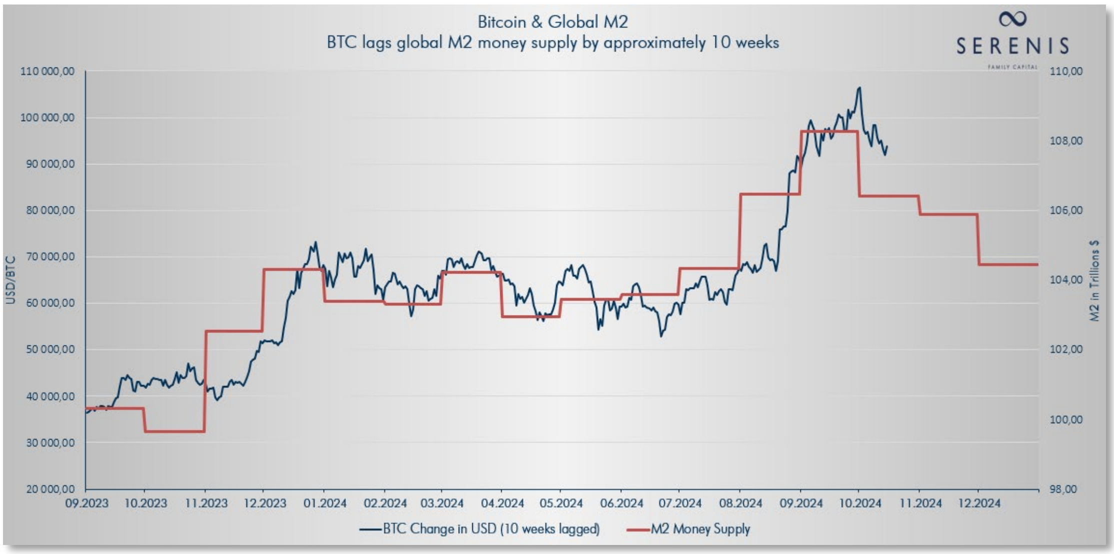
Bitcoin and the M2 money supply

After another year of extraordinary performance (+123.5%), thanks in part to the SEC's decision on January 10, 2024 to allow Bitcoin ETFs, the emergence of a multitude of cryptocurrency gurus has never been greater. Every day, numerous players, analysts and institutions publish their BTC price forecasts for the coming months, or even years for the more daring. However, trying to apply economic, statistical or technical models to an asset that has (almost) nothing in common with so-called "classic" assets is a bit of a tightrope act.

Indeed, forecasts for 2025 range from $33,000 to $250,000, taking into account "only" studies by personalities recognized by their peers and with a certain credibility, or at least a certain number of years in the business. One thing's for sure: at the end of the year, one of these preachers will be right, although we don't know which.

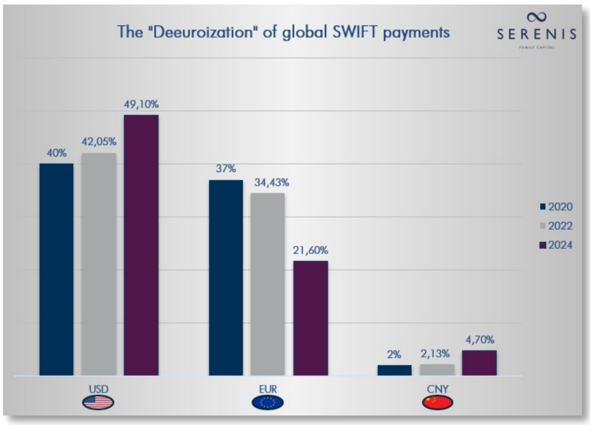
Nevertheless, it's interesting to observe the relationship between the Bitcoin price and the global money supply (M2). By adjusting the time scale, i.e. by shifting the evolution of the money supply by 10 weeks, the relationship is almost perfect. Indeed, as can be seen from the graph below, the correlation has been close to 1 since September 2023.

If this relationship continues over the next few months, the BTC price could fall sharply by the end of March. However, consensus analysts believe that Bitcoin's All Time High will arrive between early and mid-March. This discrepancy is interesting, but also dangerous. Indeed, if the price continues to follow the M2, many investors could liquidate their positions and thus accentuate a rapid fall.

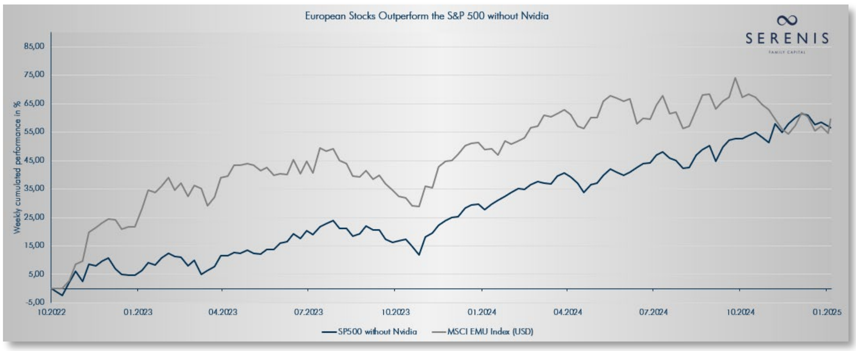


Three charts :

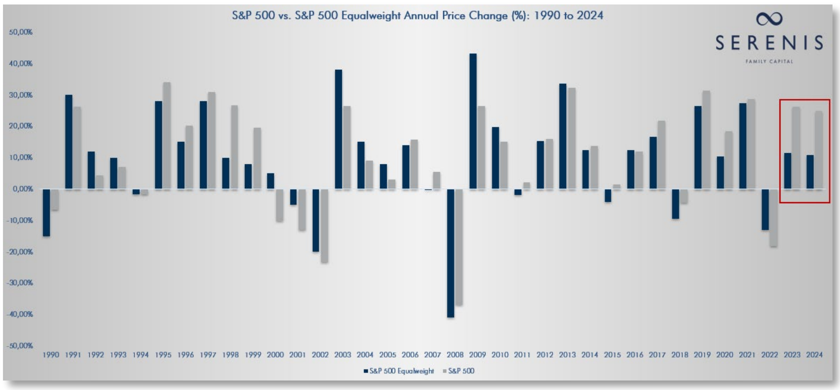
The retoric about the “end of the dollar” was very much in evidence last year, particularly among the BRICS countries and their allies. However, statistics show that the use of the dollar in the SWIFT payment system has only increased over the last four years, from 40% to 49%. The remimbi's share has more than doubled, while the euro's share has collapsed by more than 40% since 2020, from over 37% to less than 22%. It seems that the end of the dollar is not just around the corner.



There's no doubt about it, US equities have outperformed European equities over the last two years (+65.73% for the SP500 vs. +46.81% for the EuroStoxx50). However, if we compare the evolution of the S&P500 without Nvidia with the European MSCI EMU index, European equities perform better.
(valued in dollars, EURUSD performance for the same period = +5.18%)



For the 1st time since 1990, the SP500 and SP500 Equalweight delivered exactly the same performance, give or take a few points, two years running. However, the performance gap between these two indices remains very significant (24.30% vs. 11.47% in 2024 and 24.23% vs. 11.56% in 2023).



“Markets can only be understood backwards, but they must be invested thinking forwards”

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