SECOND QUARTER 2024 REPORT
NHP ASSET MANAGEMENT AG

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1 REVIEW

1.1 MIXED PERFORMANCES IN THE SECOND QUARTER 2024

Stocks	Country	Currency	Last	Q2 2024
MSCI WORLD	World	USD	3582.7	2.15%
S&P 500 INDEX	USA	USD	5572.85	3.92%
S&P EUROPE 350 INDEX	Europe	EUR	2098.87	0.00%
DAX INDEX	Germany	EUR	18443.86	-1.39%
NIKKEI 225	Japan	JPY	41580.17	-1.95%
CAC 40 INDEX	Frankreich	EUR	7580.13	-8.85%
SWISS MARKET INDEX	Switzerland	CHF	12145.22	2.25%
FTSE 100 INDEX	England	GBP	8203.71	2.66%
MSCI EM	Emerging Markets	USD	1107.3	4.13%
HANG SENG INDEX	China/Hong Kong	HKD	17523.23	7.12%
CSI 300 INDEX	China/Main Land	CNY	3439.81	-2.14%

The MSCI World Index, representing a broad range of global stocks, saw an increase of 2.15%. This reflects a positive global market sentiment, supported by strong economic data and optimistic forecasts in various regions. The S&P 500 rose by 3.92%, driven by robust corporate earnings and positive economic data. Analysts predict that the index could continue to rise through the end of July due to seasonal trends and strong capital inflows.

Investors are less optimistic about the S&P 350 Europe. This index lags behind its American counterpart and ended the quarter with no gains, primarily due to economic challenges in various regions. In Germany, economic uncertainties and signs of renewed economic slowdown are weighing on the DAX, which ended the quarter down 1.4%.

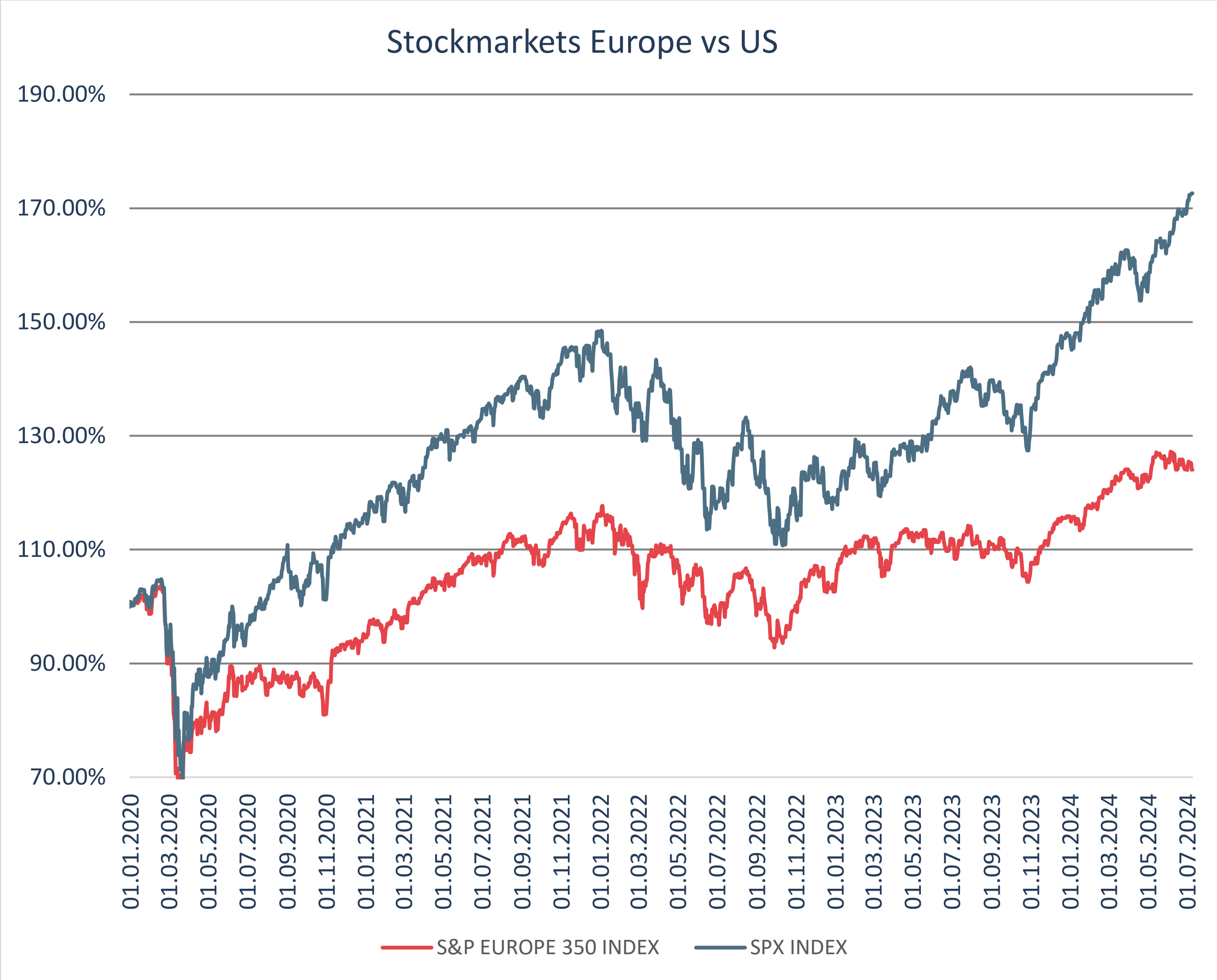
The CAC 40 recorded a significant decline of 8.85% in the second quarter of 2024. This was the result of a combination of political uncertainties and weaker economic fundamentals.

The Nikkei 225 fell by 1.95%, due to weaker export figures. In Switzerland, economic recovery and interest rate cuts led to a 2.25% increase in the Swiss stock market.

A significant factor for market movements in the FTSE 100 was the political environment in the United Kingdom. The Labour Party's victory in the parliamentary elections in early July 2024 provided temporary stability, as investors were reassured by the political clarity. Despite mixed economic signals and rather disappointing statements from the Bank of England, which is likely to maintain a conservative interest rate policy for an extended period, the FTSE 100 rose by 2.66%.

Positive economic data from China helped Asian indices to perform strongly. The economic recovery following the Covid-19 restrictions and China's easing policies continue to have a positive impact. The technology sector, which constitutes a significant part of the Hang Seng Index, saw strong gains due to increased demand for digital services and innovations.

The divergent developments in global markets highlight the different economic and political challenges facing global markets. The economic development in Europe should give European politicians some serious thought.



1.2 PERFORMANCE OF THE BOND MARKETS IN THE SECOND QUARTER OF 2024

Government Bonds	Country	Currency	Last	Q2 2024
ICE U.S. Trea 3 -7 Y TR	USA	USD	109.641	0.55%
SBI D Gov	Switzerland	CHF	215.52	1.47%
Corporate Bonds	**Country**	**Currency**	**Last**	**Q2 2024**
S&P 500 Bond TR	USA	USD	497.96	0.05%
BLOOMBERG/BARCLAYS EURO BOND INDEX	Europe	EUR	225.4524	-0.19%
SBI AAA-BBB	Switzerland	CHF	133.36	1.26%
Emerging Market Bonds	**Country**	**Currency**	**Last**	**Q2 2024**
ISHARES JP MORGAN USD EMERGI	Emerging Markets	USD	89.43	-1.33%

The slight increase of 0.55% in the ICE U.S. Treasury Index reflects stable demand for secure U.S. Treasuries, supported by relative economic stability and the Federal Reserve's interest rate policy. Swiss government bonds posted solid performance in the second quarter with an increase of 1.47%. This good performance and stable demand were certainly influenced by two interest rate cuts by the SNB. The S&P 500 Corporate Bond Index, similar to the ICE U.S. Treasury Index, showed little change. The European corporate bond market, represented by the Bloomberg/Barclays Euro Bond Index, recorded a slight decline of 0.19% in the second quarter. Investors in Europe are somewhat disappointed by the slowly flattening inflation, which gives the ECB less room for interest rate cuts. It may come as no surprise to readers that Swiss corporate bonds, like government bonds, performed better in Switzerland. The yield was 1.26%. Emerging market bonds, represented by the iShares JP Morgan USD Emerging Market Bond Index, experienced a decline of 1.33% in the second quarter. This negative performance is mainly due to economic and political uncertainties in emerging markets, as well as a stronger U.S. dollar and rising interest rates in developed markets.

1.3 PERFORMANCE OF THE BOND AND COMMODITY MARKETS AS WELL AS ALTERNATIVE INVESTMENTS IN THE SECOND QUARTER OF 2024

Commodities	Country	Currency	Last	Q2 2024
Crude Oil WTI		USD	81.74	-1.96%
Crude Oil Brent		USD	85.19	-1.22%
Alternative Investments	**Country**	**Currency**	**Last**	**Q2 2024**
FTSE NAREIT All Eq REITS	USA	USD	726.52	-1.93%
SXI Real Estate Idx TR	Switzerland	CHF	3287.5	0.64%
SXI Real Estate Funds TR	Switzerland	CHF	491.68	-0.94%
ISHR EUR600 REAL ESTATE (DE)	Germany	EUR	14.12	-0.77%
Currencies		**Currency**	**Last**	**Q2 2024**
USD-CHF X-RATE		CHF	0.8976	-0.29%
EUR-CHF X-RATE		CHF	0.97148	-1.05%
GBP-CHF X-RATE		CHF	1.1498	-0.09%
EUR-USD X-RATE		USD	1.0823	-0.71%
USD-JPY X-RATE		JPY	161.01	6.30%
Volatilty	**Country**		**Last**	**Q2 2024**
Cboe Volatility Index	USA	USD	12.48	-4.38%

1.3.1 Both oil types negative

In the second quarter of 2024, oil prices recorded a decline, with WTI crude oil falling by 1.96% and Brent crude oil by 1.22%. For several quarters now, oil prices have been moving sideways. After a strong quarter, a corresponding loss usually followed in the next quarter. Several factors contributed to this development:

Demand for oil remained weak, particularly in the USA, where consumers used less gasoline due to the higher efficiency of new vehicles, an increase in electric vehicles, and changed driving habits. In Europe, the situation worsened due to recession-related drops in demand. Geopolitical tensions, such as conflicts in the Middle East, which temporarily supported prices, had no long-term effects.

1.3.2 REITS mixed

REITs in the USA also recorded slight declines. The loss is likely due to interest rates falling less sharply than expected. The same applies to the market in Germany. The German real estate sector, represented by the ISHR EUR600 Real Estate, fell by 0.77%. It is not surprising, therefore, that real estate in Switzerland appreciated again, as the two interest rate cuts by the SNB also contributed to positive performance here.

1.3.3 Strong US Dollar against JPY

There was little movement in currencies. Noteworthy is the strong appreciation of the US dollar to the Yen. The reasons for this were the rather weak export figures in Japan. Inflation in Japan also remained below target levels, dampening hopes for higher interest rates.

2 SHIFTS TO THE NEW PORTFOLIO STRATEGY IN FULL SWING

As we announced in the last quarterly report, we will be restructuring the portfolios in Q2 2024 and launching a new Dividend Panorama Switzerland portfolio. The reallocations have already been completed in some portfolios and are still pending in others, but will be completed in all portfolios the coming weeks.

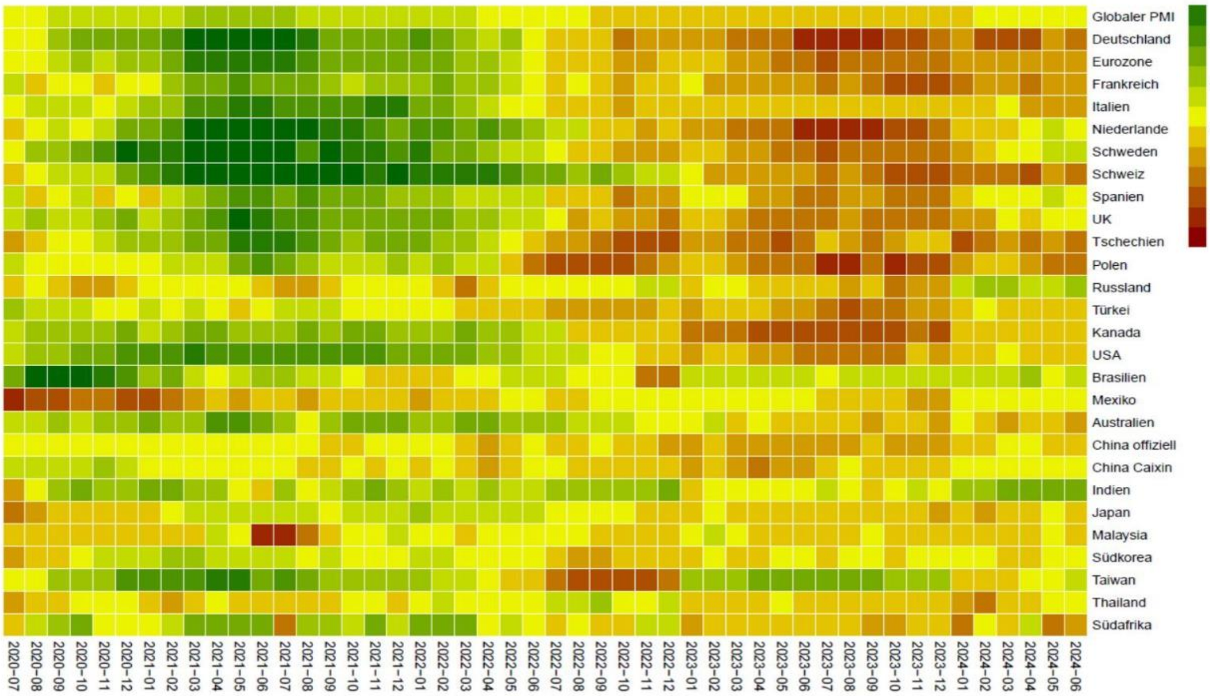
3 PERFORMANCE

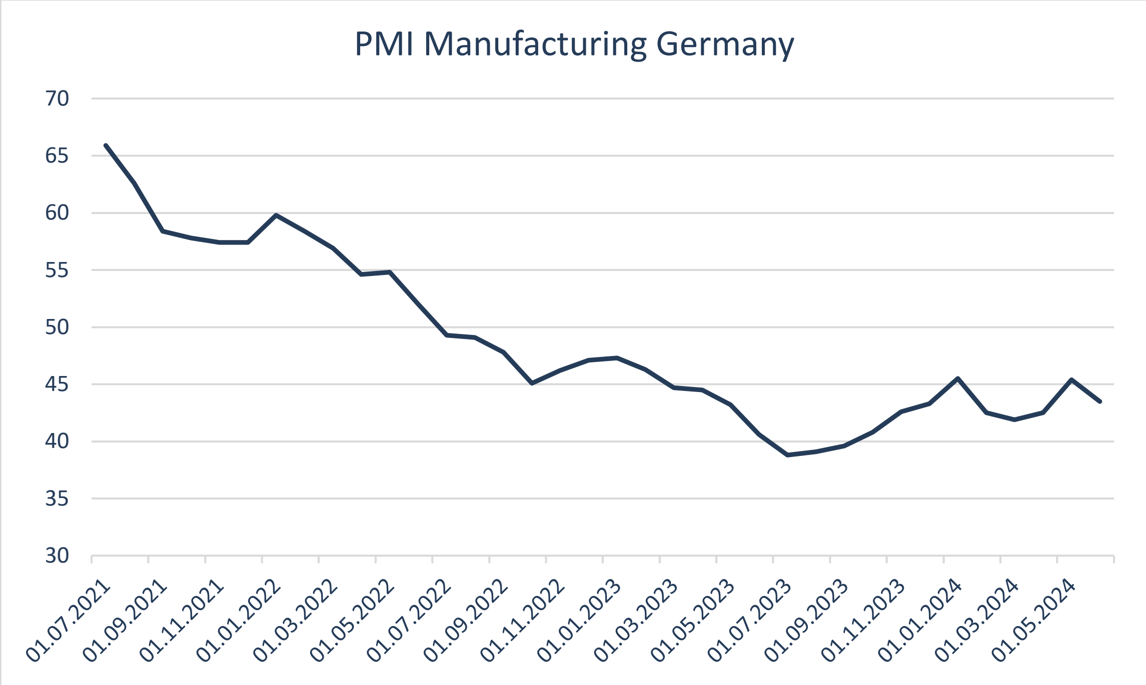
The dividend panorama in Switzerland has already gotten off to a successful start. The performance for clients who invested 100% at the beginning of the year was around 8%. The "Quality Stocks International" is trailing this performance slightly, averaging 6%. For clients where the new strategy has been implemented with some delay, we ask for a little more patience. Many transactions are necessary, and we sometimes need to proceed cautiously with sales due to low liquidity. Without completing the sales, we cannot proceed with the purchases, which causes delays. However, all investments remain in place during this time. This means that the performance deviations between the old and new strategies should only be minor over such a short period. We are confident that all portfolios will be fully implemented in the next few weeks.

4 OUTLOOK

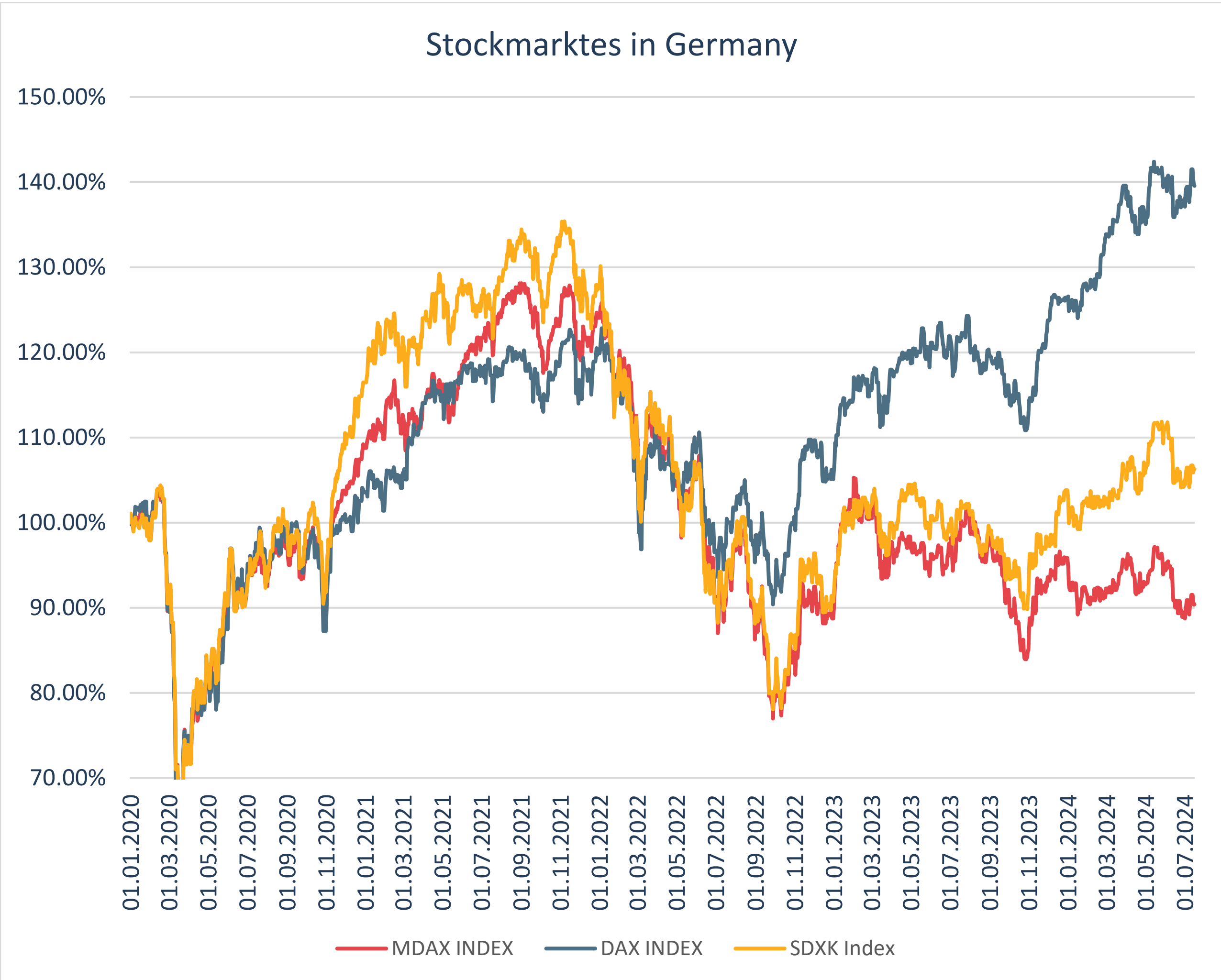
4.1 PMI VALUES ARE STILL POOR IN MANY PARTS OF EUROPE

The Purchasing Managers' Indices (PMIs) in Europe are still in the red in many cases and have been for some time. In Germany, in particular, these indices look really bad. For the past two years, the index has not surpassed the threshold of 50, which would indicate a growing economy.





Some may wonder why the stock markets are relatively strong. Well, strictly speaking, they are not:



Many of the "large" indices are supported by just a few stocks. This is also the case in Germany. The largest weight in the DAX is SAP. SAP shares have benefited from the tech rally in the USA and are up 54% since January 2020. The second heavyweight in the DAX is Siemens shares, which have also shown an extraordinarily good performance with a 71% increase since January 2020. Even the third heavyweight, the usually sluggish Deutsche Telekom shares, have gained 64% in this period. In contrast, the MDAX and SDAX indices, which contain medium-sized and smaller companies, show different trends. The MDAX is down 8% in this period, and the SDAX is only minimally up by 5%. This pattern is seen in some other regions as well. Some large-cap companies that operate internationally have driven the index upwards. In the USA, the indices are almost exclusively driven by tech stocks. One might wonder, is this sustainable?

4.2 DESPITE GOVERNMENT INTERVENTIONS, THE ECONOMY IN CHINA IS WEAKENING

We see further risks in the Chinese economy, which faces significant challenges. The biggest drag is still the real estate crisis, marked by massive overcapacity in many cities and provinces. In third- and fourth-tier cities, there is an oversupply of real estate that will persist for years.

The government often takes measures that result in overcapacity, as seen in the automotive sector, where about 140 providers are competing for market share. Profitability is increasingly eroding, leading to a survival struggle for many companies. Consumption in China is also weak. Although restaurants are full and people are traveling again, they are buying fewer expensive products and holding back on spending due to fears of further falling real estate prices and job losses. This leads to deflation in many segments, as people expect prices to continue falling.

The government has announced several programs to stabilize the real estate market, but these are often insufficient. The central government has instructed local governments to purchase excess real estate, but they themselves are facing financial difficulties. Lowering mortgage rates has had limited impact, as public confidence is shaken.

In the long term, China needs to reduce its overcapacity and shift the focus of growth to domestic consumption, as the export-driven model is reaching its limits. Market consolidation and reduction of overcapacity are necessary but politically difficult to implement. This requires courage and can be painful in the short term.

Geopolitically, China faces trade conflicts with the EU and the USA, which are imposing tariffs on Chinese products, particularly on electric cars. These conflicts could further restrict China's export opportunities. Additionally, President Xi Jinping places great emphasis on ideological control and the dominance of the Communist Party, leading to tensions with the younger generation and entrepreneurs in China. Many wealthy Chinese and entrepreneurs have left the country or established footholds abroad.

Overall, China's economy faces profound structural challenges. Despite various government measures, public confidence remains shaken, and sustainable economic recovery requires deep changes and political courage. The current leaders are unlikely to muster this, and China will likely remain a drag for the coming years.

4.3 FALLING INFLATION AND INTEREST RATES AS A RAY OF HOPE

The falling interest rates and inflation numbers are positive for the markets for several reasons. First, falling interest rates mean lower borrowing costs, which is beneficial for both businesses and consumers. They can borrow money on more favorable terms, promoting investments and consumer spending. This leads to an increase in economic activity. Second, with lower interest rates, the incentive to save money decreases, and the drive to invest in stocks, real estate, or other assets increases. This can lead to rising stock prices and real estate values.

Overall, lower interest rates and inflation stimulate the economy by encouraging consumer spending and business investments, leading to higher economic growth.

Furthermore, lower interest rates make fixed-income investments like bonds less attractive, making stocks and other riskier asset classes more appealing. This increases the demand for stocks and drives their prices higher. Finally, lower inflation numbers suggest that consumer purchasing power remains stable, which strengthens investor confidence and encourages long-term investments. These factors together improve the economic environment for growth and profitability, positively impacting the markets.

4.3.1 CAN AI TRIGGER THE NEXT BIG ECONOMIC MIRACLE?

4.3.1.1 Potential of Artificial Intelligence for the Economy

Artificial Intelligence (AI) has the potential to fundamentally transform the economy and generate significant economic benefits.

4.3.1.2 Automation of Processes

Robots and automated systems can take over repetitive tasks, leading to a significant reduction in production costs. An example of this is the automotive industry, where robots are used in assembly and quality control. Today, companies like Toyota and BMW use robots for assembling vehicle parts. These robots are capable of performing precise and repeatable tasks, which increases production speed and reduces error rates. Automated painting robots from FANUC or KUKA paint without human intervention, reducing costs and material consumption. In aircraft manufacturing, AI and other technical innovations are also being utilized. Many parts are produced using 3D printing technology.

4.3.1.3 Innovations and New Business Models

Many new companies are emerging that develop innovative products and services based on AI. Examples include start-ups in the field of autonomous vehicles, which have the potential to revolutionize the transportation industry.

The mentioned examples are, of course, not exhaustive and are only intended to provide insight into what artificial intelligence is already capable of today. The potential of AI for the economy is enormous. By automating processes, analyzing large datasets, and developing new business models, AI can bring about significant productivity gains and innovations. These advancements could trigger the next big economic miracle, provided that the associated challenges and risks are adequately addressed. However, this will take time. The implementation and phasing out of outdated practices will likely proceed slowly.

4.4 CONCLUSION

Despite the current difficult economic conditions and challenges in various regions, there are also positive developments and opportunities that offer hope for an economic recovery. Falling interest rates and inflation figures provide an important glimmer of hope. They reduce borrowing costs for businesses and consumers, promote investments and consumer spending, and thus stimulate economic activity. At the same time, they make fixed-income investments less attractive, increasing the demand for stocks and real estate, which positively impacts the markets.

Artificial intelligence (AI) also offers enormous potential for the economy. Through automation, more precise data analysis, and the development of new business models, AI can lead to significant productivity gains and innovations. These advancements could trigger the next big economic miracle if the associated challenges and risks are adequately addressed.

Overall, these developments show that, despite existing difficulties, positive changes and growth opportunities are present. With a strategic approach and the right political will, these opportunities can be leveraged to guide the economy onto a more sustainable growth path.

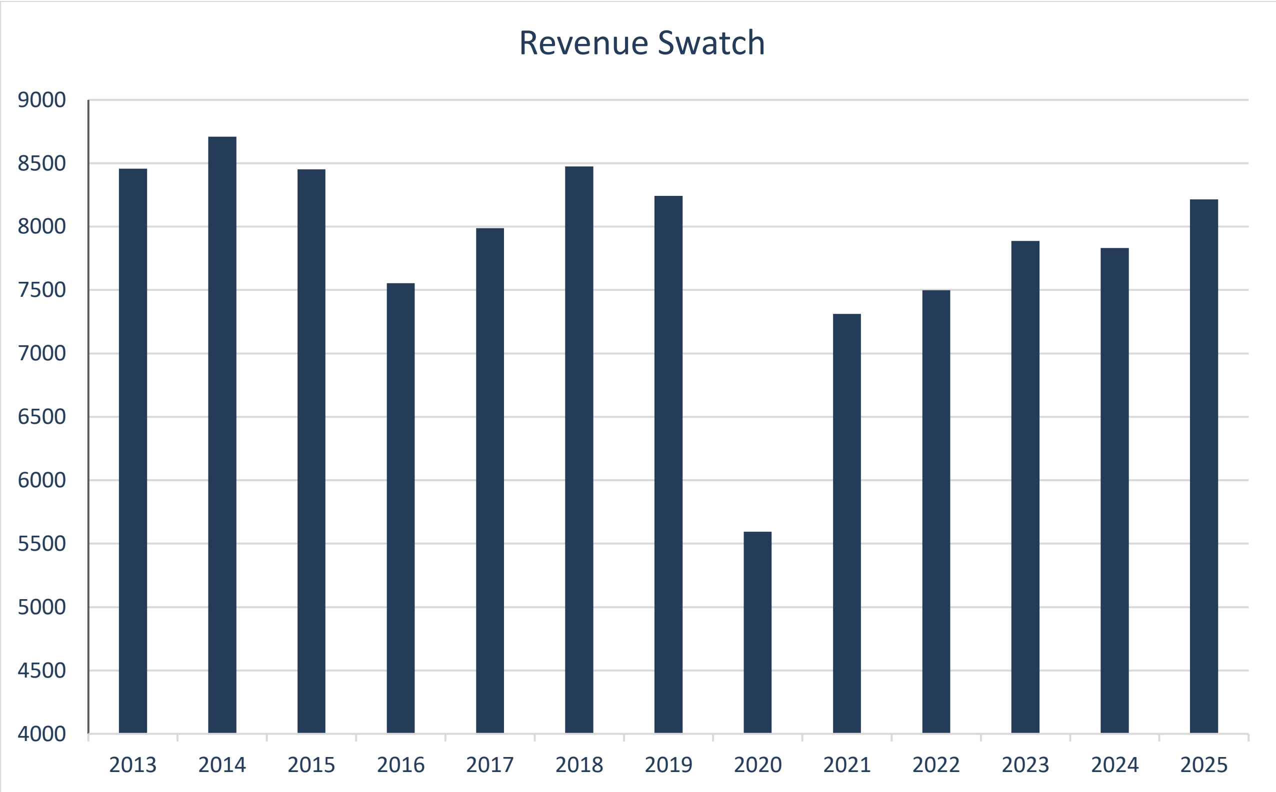
5 PLANNED PORTFOLIO HOLDINGS / TRANSACTIONS

In the last quarterly report, we already wrote about our portfolio holdings. One position that is currently causing us some concern is the Swatch stock:

5.1 ARE SWATCH SHARES UNDERVALUED OR A "VALUE TRAP"?

Since the announcement of the Apple Watch a few years ago, investors have feared that this could signal the end of the Swatch Group. The times in the watch business do indeed seem to be changing. The increasing competition from smartwatches and other digital devices has significantly impacted the traditional watch market. Swatch is struggling to keep up with technological advancements and changing consumer preferences.

This is already evident in the sales figures:



In 2024, the management already had to revise expectations downwards, and a slight decline is now expected. For 2025, analysts are still predicting a respectable revenue growth of 5%. Is that realistic? One can be skeptical. If Swatch does not return to a growth path in the next months, it will likely be difficult for the stock in the foreseeable future. We currently hold the shares in the Dividend Panorama. This is because our model calculates a yield of around 7% with a growth rate of 5%. However, if growth is drastically reduced or even turns negative, the situation will look very different. For now, we are waiting for the numbers.