

**Geneva, 5<sup>th</sup> July 2023**

Dear Investors and Partners,

Proving doubters wrong.

One of Wall Street's adages – the market does what it needs to do to prove the majority wrong – came true in the first half. Coming into the year, the NDR Crowd Sentiment Poll was in the midst of its second-longest streak of extreme pessimism on record, after 2008-09. The Bloomberg survey of 25 Wall Street strategists showed a negative S&P 500 target for the first time since its inception in 1999. In spite of or perhaps because of this pessimism, the market staged one of its best first halves on record. The S&P 500 jumped 15.9%, the best since 2019, second best this century and 12th-best since 1926. The quick recovery from the regional banking crisis brought skeptics off the sidelines.

What does a strong first half mean for the second half? More often than not, positive momentum continues. When the S&P 500 rose at least 10% over the first six months, over the following six months, the index has risen 75% of the time by a median of 9.7%. Can there be too much of a good thing? History suggests yes. In the four cases the S&P 500 rose more than 20% in the first half, the index fell every time in the second half by a median of 6.5%; 2023 doesn't fit this scenario.

ASSET CLASS BENCHMARK PERFORMANCE				
2023 Q2	2023 April	2023 May	2023 June	Year-to-Date
NASDAQ 12.81	DJIA 2.48	NASDAQ 5.80	S&P 500 TR 6.61	NASDAQ 31.73
S&P 500 TR 8.74	EAFE 2.28	Dollar 2.51	NASDAQ 6.59	S&P 500 TR 16.89
S&P 500 8.30	S&P 500 TR 1.56	S&P 500 TR 0.43	S&P 500 6.47	S&P 500 15.91
EAFE 4.28	S&P 500 1.46	T-Bills 0.43	DJIA 4.56	EAFE 12.10
DJIA 3.41	Gold 1.09	S&P 500 0.25	EAFE 3.60	Gold 5.73
EM 1.71	Bond Agg 0.61	EM -0.99	EM 3.45	EM 5.55
T-Bills 1.28	T-Bonds 0.52	Bond Agg -1.09	S&P GSCI 2.32	DJIA 3.80
Dollar 0.32	T-Bills 0.41	Gold -1.27	T-Bills 0.43	T-Bonds 3.72
Bond Agg -0.84	NASDAQ 0.04	EAFE -1.58	T-Bonds -0.02	T-Bills 2.47
T-Bonds -2.30	EM -0.70	T-Bonds -2.79	Bond Agg -0.36	Bond Agg 2.09
Gold -2.37	Dollar -0.90	DJIA -3.49	Dollar -1.25	Dollar -0.58
S&P GSCI -5.85	S&P GSCI -1.58	S&P GSCI -6.50	Gold -2.19	S&P GSCI -11.41

All data in local currency and price only unless specified as total return (TR). Sources: MSCI, Barclays, Commodity Systems, Inc. (CSI) [www.csidata.com](http://www.csidata.com), IDC, Ned Davis Research, Inc., S&P Dow Jones Indices.

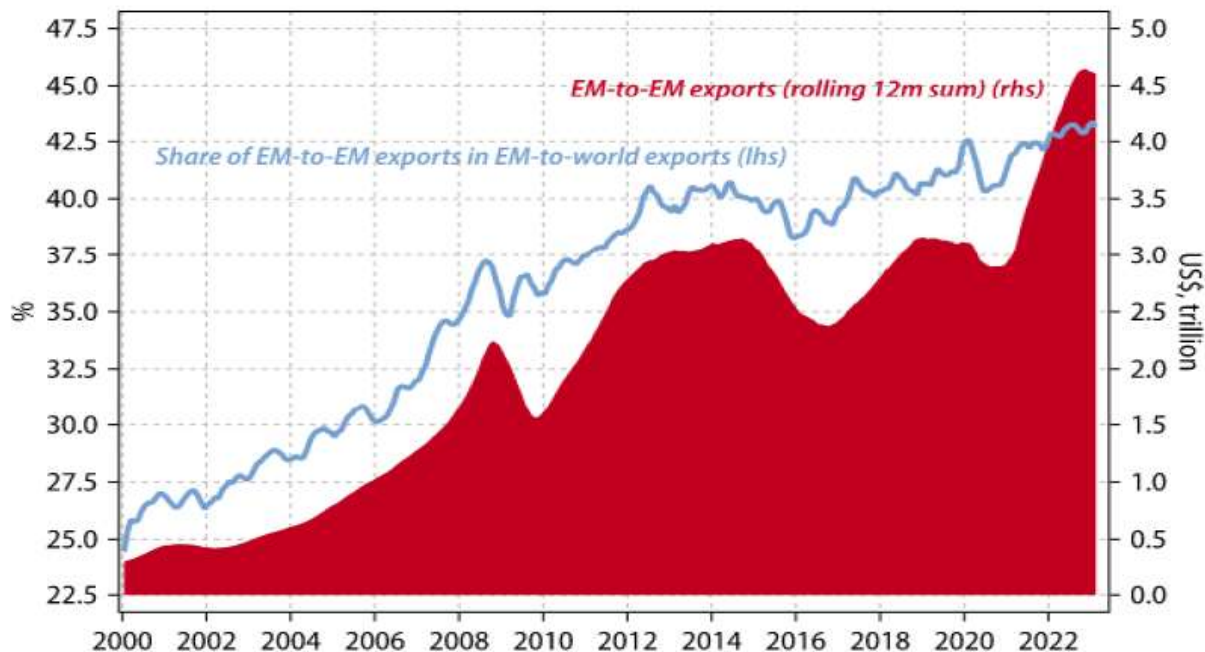
Gold appreciated 5.7% in the first half but fell 2.4% in Q2 due to back-to-back declines in May and June. The move away from risk-off assets and prospects for more Fed rate hikes took the shine off the yellow metal. The supportive argument though, is that the latest FED monetary policy higher repricing has been welcomed by shallower corrections in the price of gold (see chart below). The S&P GSCI was the worst asset class on the table for Q2 and YTD, as supply chains adjusted and inflation slowed. The S&P GSCI is production-weighted, so it has a large weight in the energy sector. Meanwhile, the U.S. Dollar Index experienced some intra-quarter volatility but ended Q2 up 0.3% and is down 0.6% for the year.

**Chart - GOLD Index (rhs) vs UST 2 Yr yield (inverted lhs)**



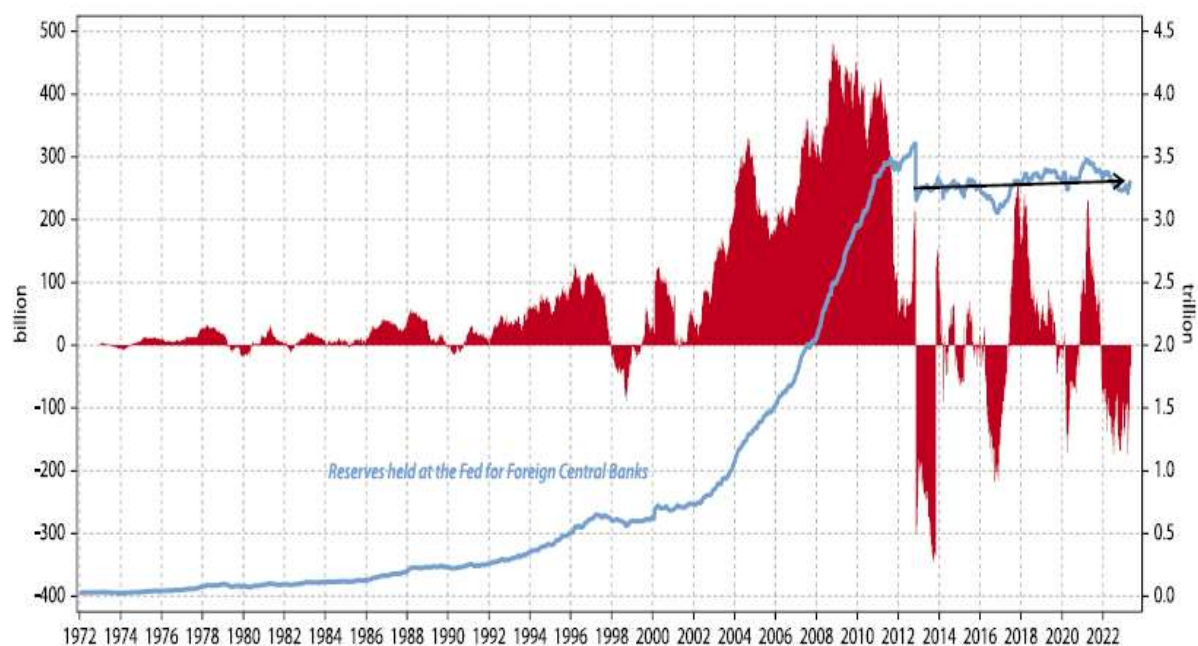
Despite the FED monetary headwind, the rationales underpinning our Enhanced Physical Gold strategy remain solidly valid. The Dedollarization trend continues to play out and the rising geopolitical tensions are adding momentum to it. We defined the current world order as bi-polar; the West & friends zone (US, Europe, JP...) and the Non-Western or The "Rest" countries. This second pole itself is made up of two zones. The opportunistic countries (Brazil, India, Saudi Arabia, Turkey, South Africa...) and the antagonist countries (Russia, China, Iran ...). What the West sees as a deglobalization phenomenon is definitely not perceived as such from The Rest countries. Trade among The Rest partners has never been so buoyant, as have new infrastructure projects between them. A common feature of those enhanced linkages is the bypass of USD utilization as the traditional trade currency and the establishment of a different monetary order. Trade settlement, especially in the commodity space, takes place, increasingly, in local currencies, which in turn are finally recycled into local government bonds or gold, surely to a much lesser extent into US Treasuries.

**Chart – Share EM to EM exports**



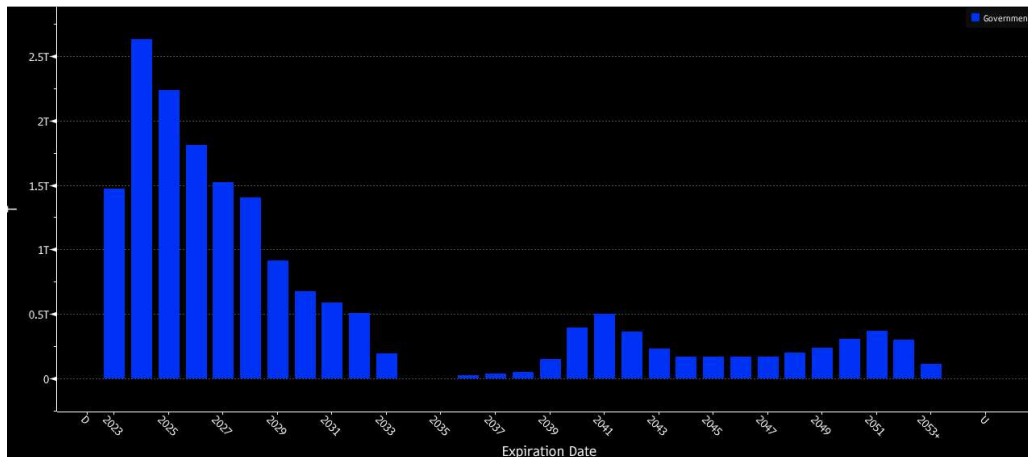
Probably the most important geopolitical event of 2023 is the restart of diplomatic relations between Iran and Saudi Arabia. The peace dividend in the Gulf area could also lead to a diminished allocation to USD reserves as the capital-intensive needs in military spending, directed to the US should abate (considering as well the transition from expensive military jets towards drones' cheaper technology broadening utilization).

**Chart - Reserves held at the FED by foreign CBs**

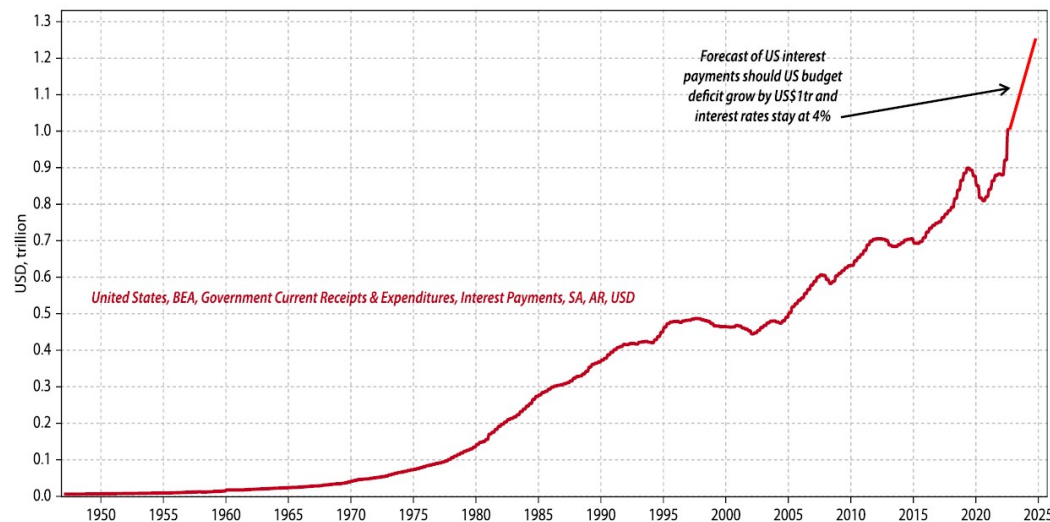


Inopportunately, the drying out of US Treasury buyers coincides with a US Treasury large issuance window. The US need to roll over half of its debt stock over the next two and a half years and given the trend in US rates, debt servicing is expected to grow by 10Bn USD per month over that same period. Given the shadow FED mandate of financial stability, (guaranteeing the government remains funded), debt monetization looks increasingly likely.

**Chart – US Debt rollover**



**Chart – US Debt servicing costs**



We would like to thank our long lasting research partners, GaveKal Research, Vincent Deluad, CFA StoneX and Ned Davis Research for their highly valuable contribution.

Sincerely yours,



Hans Ulriksen, CEO

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Past performance is not a guide to future performance. Do remember that the value of an investment and the income generated from them can fall as well as rise and is not guaranteed, therefore, you may not get back the amount originally invested and potentially risk total loss of capital.

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