

"STEINFELS" SALES UPDATE

Your Editor today: Jasmin Spörri

Learn to be disciplined and look the risks in the eye

Happy Monday morning everyone

The summer vacations are over and for some people today marks the beginning of a new phase in their lives: be it the start of a course of study, a vocational apprenticeship, the first day of school at the upper school or the very first day of school at all. I can still remember very clearly how much I was looking forward to my very first day at primary school or the beginning of my studies - maybe you were too? However, Monday marks the beginning of a new work week for us: it will definitely be uncertain and exciting - at least it is for me.

The current market situation a rally? As the saying goes, "Only uncertainty is certain." The next few months are difficult to predict, a market correction has been expected for a long time now and even the best known and most renowned economists, market observers, investors, analysts and whoever else makes their opinions known have not only disagreed but have also been wrong several times. Indeed, the market correction expected at the beginning of Q2 until today has not really materialized yet. Will this now be the case in Q3? As Raymond Reddington says so well: "just because you've been bumped to first chair in the orchestra doesn't mean you can compose a symphony. "Yes well, we don't know, but we can **take lurking risks seriously** and prepare ourselves for a possible market situation, because "preparation is half the battle".

The **environment for the stock markets is becoming more challenging**, as the **peak of global growth momentum seems to have passed**. Similar to the weather forecast of the current week, the signs are for cooling. Now it is time to keep an eye on the risks, because danger spots for a setback exist. Hey Covid was quickly off the table. Day after day, the **stock markets are registering new records**. The **US leading index S&P 500 has already doubled since last March 2020**. Compared to the number of trading days it took to double in a bull market, this is a record. Gross! But hey just because you invested now doesn't mean you are a gifted investor: "don't confuse brains with a bull market". **Quantitative easing and stimulus programs have been the main drivers of the rapid recovery. In terms of liquidity, however, the point of tapering seems to have been reached**, as central banks are already signaling that their monetary policy will soon be less expansionary (preparation for tapering). The tapering countdown is on, next **week should probably be the most important event** and the markets are looking forward to it eagerly. **On August 27, Jerome Powell will speak at the annual central bank meeting** in Jackson Hole. We are curious what Powell will announce, one thing is clear the ice is thin. Another **risk is the margin pressure** that threatens from the corporate earnings side. The **consensus expects margins to widen** in the coming years and beyond. According to Bloomberg, the **average expectation for global economic growth this year is 6%**, whereas economists are **forecasting growth of only 4.5% for 2022**. The fact that **producer prices in the USA have recently risen more sharply than consumer prices** is certainly one reason for this. But **rising commodity prices and higher wages** are also **causing cost pressure**, and the **limited supply of labor** in the USA is not really helping. The presumption that a **limited supply of labor will drive up wages and thus put pressure on margins and profits** is **likely**. **High equity valuations** are also a problem, as they **rarely allow for disappointment**. In addition, there is **inflationary pressure**, which hopefully will be short-lived. And then there is the **lack of stimulus measures next year**, or the fact that they will be less lavish. These

can have a **negative impact on growth and** thus on the **profitability of companies**. **Tighter regulation of technology companies and possibly higher taxes**, as discussed in the USA and UK, **will not help**. Added to this are the **worrying dynamics in China**. Last Thursday, we were able to experience how the cooling of the Chinese economy can also **affect our market**: Swatch and Richemont lost about 6.5% during the day. However, the effects also radiated **to the rest of the world**: **Quotations for commodities** such as copper, iron heart and crude oil **fell again**. And then there is perhaps the final threat that we all know only too well: the **spread of the coronavirus**.

And now?

The risk of a correction should be kept in mind. The **declining global economy argues for a cautious, defensive orientation in the portfolio**. At present, **the bull market is still intact**, but from today's perspective, there is **little to suggest that the economic momentum in China and the U.S. could turn around again soon**. The recommendation that investors should gear their portfolio towards **high growth, low risk and high quality** remains intact for us at the moment. **Build high conviction on your long-term cases and stick to them** remains key. **Focus on quality names, business models to increase prices and protect their margins despite higher output costs. Choose stocks with strong balance sheets and experienced management teams as well as a solid free cash flow**. And now to the most important, to our "**stock inspiration**" to which this apply – from us to you.

Stock Inspiration

+HOLCIM: strong FCF; solid ROIC >8%; ESG footprint improving via M&A and divestments; HOLN is now the cheapest stock among cement majors which in our view is unjustified considering its operational excellence and ongoing transformation

+PHOENIX MECANO: strong H1 figures with bullish outlook; EBIT consensus estimates too low (sales growth and margin improvement on the way)

+SCHWEITER: price increases to materialize in Q3 offsetting high input costs; sound balance sheet supports solid dividend payments; unjustified depressed valuation shows recovery and upside potential into Q3 and Q4

+LONZA: we confirm our high conviction buy after strong H1 result; top line growth; margins; pricing power

+COMET: positive on topline and margins (room for upside); semi super-cycle; X-ray improving

+OERLIKON: Manmade fibers order backlog and margins remain solid; opex been reduced; Surface improving

+GEORG FISCHER: solid Piping unit; Casting & Machining picking up (China); FY25: 8-10% EBIT margin

+FORBO: lower cost base as tailwind; solid FCF, better volume growth; EBIT improvement; share buyback

+VAT GROUP: highly profitable; momentum remains strong with H2 sales expected to be even stronger

+ASCOM: solid cashflow; growth and margin improvements; full order book (US & UK projects)

+SGS: biz gaining momentum; low comp base; possible margin surprise; high quality v undemanding valuation

+ALCON: mkt share gains in Vision Care & Surgical (recovery in H2); lower capex, strong cashflow; solid margin

+ROCHE: strong pipeline; focus on Ronapreve (Covid treatment) & Gantenerumab (Alzheimer); cheap valuation

+MOBILEZONE: very good 1H21 confirms Mobilezone's resilient core business; very significant presence in "indirect online market" in Germany (mkt share >90%); generous dividend play; FY25 8% EBIT margin

And there would be anything else?

Yes, Another highlight from last week that I don't want to deprive you of and that some of you may have already seen is **our initiation of coverage on mobilezone with an outperform rating**. If you have any questions, please feel free to contact our sales team.

And then finally this. the **week ahead with the Swiss Equity stocks reporting their figures**:

Aluflexpack, Arbonia, Bossard, Flughafen Zürich, Intershop, LLB, Vetropack, Allreal, Stadler Rail, Baloise, Evolva Holding, Givaudan (investor day), Kudelski, SoftwareONE, Swiss Prime Site, Bachem, HIAG, Luzerner KB, Zug Estates

Much luck and thanks for reading. Have a wonderful start into the week.

TRACK RECORD 2021

OPEN IDEAS YTD 2021 - STOCKS PERFORMANCE:

BARRY CALLEBAUT live **+16%** (since idea inception on 31st May)
SOFTWAREONE live **-8%** (since idea inception on 23rd September)
ALCON live **+26%** (since key stocks pick inception 4th January)
ALUFLEXPACK live **+4%** since key stocks pick inception 4th January)
ASCOM live **+21%** (since key stocks pick inception 4th January)
AMS live **-8%** (since key stocks pick inception 4th January)
NOVARTIS live **+2%** (since key stocks pick inception 4th January)
SOFTWAREONE live **-13%** (since key stocks pick inception 4th January)
SGS live **+7%** (since key stocks pick inception 4th January)

CLOSED IDEAS – TRACK RECORD – YTD 2021:

SIKA closed with **+22%** performance (28th January – 14th June)
PARTNERS GROUP closed with **+34%** performance (4th January – 14th June)
SWISS LIFE closed with **+11%** performance (4th January – 14th June)
LOGITECH closed with **+17%** performance (4th January – 9th April)
ZEHNDER closed with **+29%** performance (4th January – 9th April)
OERLIKON closed with **+21%** performance (4th January – 9th April)
LOGITECH closed with **+8%** performance (22nd January - 4th February)
SIKA closed with **+22%** performance (4th January – 14th June)
SIEGFRIED closed with **+26%** performance (15th September - 6th January)

TRACK RECORD 2020

TRACK RECORD 2020:

+Hit Ratio: **91%** (total of 33 recommendations: 30 positive - 3 negative)
+strong positive "**absolute**" and "**relative**" performance (**see all details at the end of this email**)
+average performance of **+14%** per idea
+average of **1-2 recommendations every single week** in 2020
+regular sales highlights and **high conviction investment ideas**
+high activity of **roadshows**, company visits and **analyst calls**

FOLLOW-UP SALES DESK "STEINFELS" RECOMMENDATIONS

CLOSED IDEAS – TRACK RECORD – YTD 2020:

SWISS LIFE **+11%** performance (14th April - 25th August)
SCHINDLER: **+10%** performance (15th June – 6th August)
FORBO: **+20%** performance (14th April – 23rd July)
CEMBRA: **+11%** performance (14th April – 23rd July)
DKSH: **+10%** performance (15th June - 1st July)
VIFOR PHARMA: **-8%** performance (14th April – 6th August)
SOFTWAREONE: **+31%** performance (14th April – 17th June)
ZUR ROSE: **+56%** performance (14th April - 16th June)
PARTNERS GROUP: **+7%** performance (29th May - 8th June)

LONZA: +14% performance (14th April - 8th June)
ROCHE: +5% performance (14th April - 8th June)
VIFOR PHARMA: +43% performance (18th March - 7th April)
LONZA: +33% performance (18th March - 7th April)
LOGITECH: +35% performance (18th March - 7th April)
SGS: +13% performance (18th March- 7th April)
ZUR ROSE: +32% performance (18th March - 7th April)
ROCHE: +16% performance (18th March - 7th April)
SOFTWAREONE live **+8%** performance (September - December)
SIEGFRIED live **+23%** performance (September - December)
ZEHNDER: +4% performance (February-March)
DÄTWYLER: +2% performance (February-March)
SGS: +5% performance (February-March)
ZURICH INSURANCE: +4% performance (February-March)
NOVARTIS: +3% performance (February-March)
SIKA: +7% performance (February-March)
ZUR ROSE: +16% performance (February-March)
FORBO: +9% performance (November-January)
EMS CHEMIE: +3% performance (January-February)
DKSH: +17% performance (February-February)
SIKA: +12% performance (February-February)
YPSOMED: +10% performance (February-February)
SWATCH: -3% (February-March)
LAFARGE HOLCIM: -8% (November-March)

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