

## Annual report 2023

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### Market review

2023 was a year of challenges and transformations for the financial markets. One of the most significant events was the takeover of Credit Suisse by UBS, a milestone in European banking history that underlined the need for a stable and secure financial structure. This takeover also led to increased attention being paid to the stability of financial institutions worldwide.

The start of the year was characterized by very strong returns, driven by optimistic market sentiment and hopes of a rapid recovery in the global economy. However, this trend did not continue as the markets took on a more negative economic picture over the course of the year, accompanied by high inflation. The central banks, in particular the US Federal Reserve (Fed) and the European Central Bank (ECB), responded to the persistently high inflation rates and economic uncertainties by tightening monetary policy. These interest rate hikes had a far-reaching impact on the global financial markets. As a result, further high-interest rates were priced in, with strong valuation effects on the stock markets.

It was only towards November of that year that the interest rate view turned sharply and the consensus began to price in falling interest rates. This had very strong valuation effects on the markets, which led to high yields. At this point, it is important to emphasize once again that it was purely valuation effects that played a role here.

### Fund performance

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The year 2023 marked a significant turning point for the AMG Europe Fund. To date, the fund has focused on a highly concentrated portfolio that was primarily based on a few companies, particularly German and Austrian companies. In September 2023, however, we took a significant step towards the future: Changing the investment process.

Since September 18, 2023, the fund has followed a newly defined investment approach. The core elements of this strategy are European companies that are characterized by high and stable returns. We aim to provide our investors with long-term capital growth. In doing so, we focus on companies that stand out in terms of growth, profitability, and balance sheet strength.

A key aspect of our strategy is the careful selection of these companies. We take a critical look at valuations to ensure

that we are investing in the right stocks. However, our commitment goes beyond traditional valuation methods. Another key component of our investment decisions is the analysis of the companies' carbon footprint. This ensures that the quality companies we select are not only financially sound, but also have strong environmental sustainability and future viability credentials.

The fund's new allocation strategy is broadly diversified. It spans different sectors and market capitalizations. This diversification is crucial as it allows us to focus on different performance drivers in different market conditions. This allows us to better spread risk while increasing the potential for stable returns.

Overall, this realignment is in line with our efforts to pursue a modern, sustainable, and responsible investment approach. We are convinced that this step is both in the interests of our investors and in line with our commitment to sustainable business practices. We are optimistic about the future and are confident that this strategic realignment of the AMG Europe Fund will deliver long-term value to our investors. The results of the last quarter of 2023 are positive and the fund was able to beat its benchmark.

### Market outlook

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There is no uniform opinion among experts for the year 2024. Our forecast for the year takes into account key factors such as growth, inflation, interest rates, and risk aversion, which are all closely interlinked and influence the valuation of all asset classes.

We expect the Fed and the ECB to keep interest rates at their current levels of 5.50% and 4.50% respectively in the first few months of 2024. We do not expect the first rate cut before the second half of the year. The focus remains on reducing inflation to a medium-term target of 2%. The current economic data do not point to a deep recession, although this remains a potential risk.

Despite a tightening of monetary conditions, the US economy is showing robust growth, although this is cooling off. We expect growth in the US to slow to around 1% in 2024. In the eurozone, where growth was around 0.5% this year, there is unlikely to be any significant momentum in 2024. Higher interest rates and prices will continue to weigh on households and companies in both economic areas.

The market expectations for the Fed and the ECB are interesting, as they signal a decline in risk aversion and could lead to a fall in long-term interest rates. This will continue to have a positive impact on market sentiment, as expected profits are discounted less heavily.

Even if the economic outlook for the USA is better than for Europe, European equities are attractive. These form a high global and US exposure but at more favorable valuations.

In summary, despite the challenges, we see opportunities for positive developments in the equity markets in 2024. However, it is important to pursue a balanced and flexible investment strategy to be able to react to the constantly changing market conditions.

We would like to thank our investors for the trust they have placed in us and wish them a successful investment year in 2024.

Your Serafin Asset Management Team

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## Portfolio Management

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