AMG Schweizer Perlen

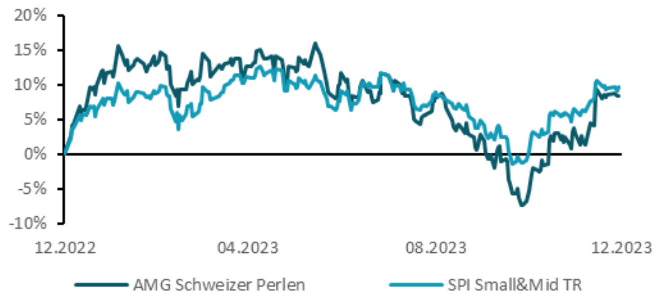
SERAFIN
ASSET MANAGEMENT

Annual report 2023

Review

In 2023, the fund benefited significantly from its focus on growth stocks, particularly during the upswing in this segment. Although it lagged behind the broader SPI Small & Mid Caps Index in the third quarter, it managed to make up most of this shortfall by the end of the year.

Fig. 1: Performance comparison 2023



Source: Serafin, Bloomberg

In the year under review, the shares of VAT Group AG, Also Holding AG, Inficon Holding AG, Kardex Holding AG, and Aryzta AG topped the list of positive performers. Comet Holding AG, Straumann Holding AG, SFS Group AG, LEM Holding SA, Interroll Holding AG, and Lastminute.com also performed very strongly. Even in a challenging market environment, Bossard Holding AG, EMS-Chemie AG, and Belimo Holding AG made a positive contribution to performance. On the other hand, the share prices of Peach Property Group AG, Pierer Mobility AG, Komax Holding AG, Huber + Suhner AG, Bachem Holding AG, Sensirion AG, and Tecan Group AG were disappointing.

During the reporting period, we continued to optimize the portfolio to strengthen the focus on growth stocks. This was achieved by investing in new positions such as Medacta International SA, Siegfried Holding AG, Chocoladenfabriken Lindt & Sprüngli AG, Tecan Group AG, Sensirion AG, and AMS-Osram AG. We disposed of disappointing stocks such as Arbonia AG, Zehnder Group AG, and Mobilezone Holding AG. We realized gains on Swissquote Group Holding SA. We also reinvested in Daetwyler Holding AG.

Outlook

The markets' attention is mainly focused on the future development of inflation and the resulting interest rate movements as well as corporate earnings momentum. The current crises in Ukraine and the Middle East are also influencing the market situation as further disruptive factors. Despite the increase in valuations as a result of the year-end rally, these are still not excessively high.

Fig.2: Valuation on the Swiss stock market

Source: Serafin, Bloomberg

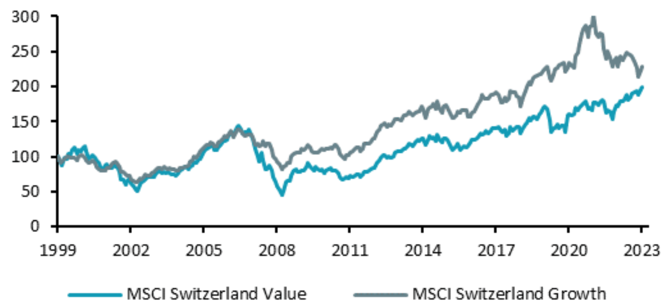
The decreasing skepticism among investors makes us cautious: there are an increasing number of investors who expect both interest rate cuts and only a moderate weakening of the global economy without a global recession.

The company results for the fourth quarter and the companies' forecasts for 2024 are likely to have a significant impact on future share price performance. One positive sign is the ongoing reduction in inventories built up during and after the pandemic. The next investment cycle is also imminent in some sectors. However, declining consumer sentiment in some regions of the world, rising labor and energy costs, and the effects of deglobalization, which could put pressure on companies' margins, are causing caution.

The trend toward nearshoring is proving to be a growth driver for some companies, as is the ongoing trend toward automation and digitalization. Artificial intelligence is driving growth in some industries and increasing efficiency.

If corporate profits develop steadily and continuously in 2024 without a significant slowdown, growth stocks are expected to outperform value stocks.

Fig. 3: Growth stocks versus value stocks



Source: Serafin, Bloomberg

In addition, we continue to see catch-up potential for small cap stocks.

Fig. 4: Stocks in the small cap segment signal further potential

Source: Serafin, Bloomberg

If a global recession is avoided, corporate earnings do not disappoint and interest rates gradually fall as expected, the upward trend in growth stocks is likely to continue. This is particularly true if the geopolitical situation does not deteriorate significantly. We believe such a scenario is likely and are therefore cautiously optimistic.

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

Portfolio Management

Ronald Wildmann

Patrick Hofer

Contact us for further information:

Distribution Switzerland:
Serafin Asset Management AG
Bahnhofstrasse 29
CH-6300 Zug
T +41 41 726 71 71

******
Distribution Germany:
Serafin Asset Management GmbH
Börsenstrasse 13-15
DE-60313 Frankfurt am Main
T +49 69 950 647 140
******
www.serafin-am.com

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