

LMM COMPASS



Dear reader

At the end of each year, financial institutions present their investment forecasts for the coming year. When comparing these forecasts, similar topics often emerge which could particularly influence the coming months. We would like to discuss these in this article.



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THEMES



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Specialist article
The 2022 investment year –
it remains exciting



LMM Inside
Our employees



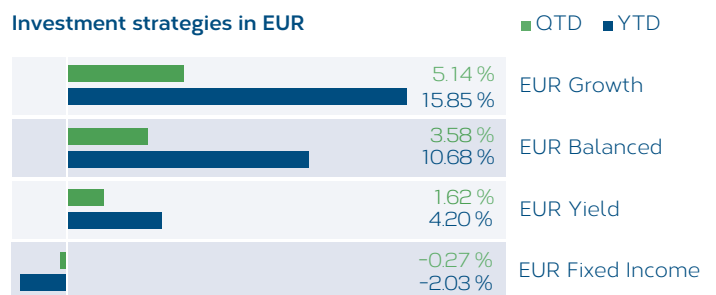
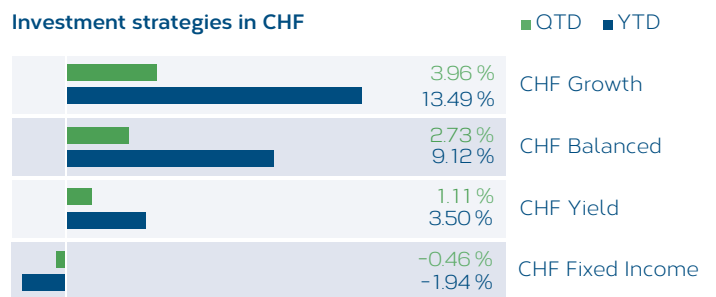
MARKETS AND STRATEGIES

Bonds – with the exception of a few categories – closed the year (2021) in the red. Inflation-protected bonds are a positive surprise with a quarterly and annual return of just under 2.70%. In contrast, global equities showed an above-average increase in value of 18.54% in 2021. In particular, the shares of developed countries have once again increased in price significantly in the fourth quarter. The winners over the year are once again North American equities with a plus of 26.45%. In contrast, equities from emerging countries posted a negative return of -2.54%.

All investment strategies in CHF and EUR with an equity component outperformed last year. The higher the equity quota in the investment strategy, the higher the return. Only the investment strategies focusing on interest income in the reference currencies CHF and EUR showed a negative performance due to rising interest rates.

		Value	%QTD	%YTD	Currency
Currencies	EUR / CHF	1.04	-4.16	-4.20	
	EUR / USD	1.14	-1.88	-7.06	
	USD / CHF	0.91	-2.32	+3.08	
	USD / JPY	115.16	+3.21	+11.54	
Bonds	Switzerland		-0.14	-1.82	CHF
	Europe		-0.58	-2.85	EUR
	USA		+0.01	-1.54	USD
	EMMA (Hard Currency)		-0.82	-2.57	USD
	Inflation Linked		+2.71	+2.69	USD
	High Yield		-0.71	+0.99	USD
	World		-0.67	-4.71	USD
Equities	Switzerland		+10.20	+22.97	CHF
	Europe		+7.68	+25.13	EUR
	North America		+9.97	+26.45	USD
	Pacific		-2.72	+2.63	USD
	EMMA		-1.31	-2.54	USD
	World		+6.68	+18.54	USD
Alternatives	Real Estate		+10.37	+27.21	USD
	Commodities		-1.58	+27.05	USD
	Gold		+4.11	-3.64	USD
	Private Equity (listed)		+10.21	+51.44	USD
	Hedge Fonds		+0.07	+3.65	USD

Calculation LMM; Period 01.01.–31.12.2021



Note: the figures are before costs (exclusive of custody- and management fees)
Calculation LMM; Period 01.01.–31.12.2021



THE 2022 INVESTMENT YEAR – IT REMAINS EXCITING

“Life consists mainly of having to cope with the unforeseen.” This quote by John Steinbeck (US author) could hardly be more appropriate as a guiding principle for the year 2022. Thus the perfect time to think about the investments in the portfolio and about the actual portfolio strategy. For this reason, we would like to look in this issue at some investment topics that could particularly influence the markets in the coming 12 months.

The investment year 2022 – it remains exciting

Reliable forecasts for the coming year seem more difficult than ever. This is not surprising, as the number of influencing factors currently seems to be much greater than in previous years. Particular mention should be made of the corona crisis with possibly new virus variants, increased inflation rates, supply chain bottlenecks, the interest rate policy of the central banks and, last but not least, increasing geopolitical tensions. Moreover, a generally valid principle for forecasts on financial markets is that everything that is known today is already factored into market prices. Price movements are therefore mainly caused by new knowledge, developments and surprises, which, of course, no one can foresee at the moment.

Where are the main risks for surprises in the coming year?

How temporary is the higher inflation? Inflation has gained momentum globally over the past year and inflation rates have risen sharply. Energy prices are the main driver of inflation. In addition, there are crisis-related inflation effects due to disrupted supply chains. Only a few weeks ago, most analysts assumed a temporary phase and a normalisation this year. In the meantime, however, experts increasingly disagree on how temporary the higher inflation will be.

Supply chains: Safe are only the bottlenecks!

Supply chain disruptions have a significant impact on the recovery of the global economy. Whether this so-called bottleneck of supply and demand will be resolved in the next few months depends on a variety of factors. The mutating coronavirus and possible new virus variants play an important role. Additional countermeasures – in the worst worst-case scenario, renewed lockdowns – would lead to an intensification of the already tense situation.

Are the central banks planning a policy change?

The major central banks are a key player for the capital markets in 2022 and they react to the development of inflation and economic growth. The first steps towards a less expansive monetary policy have already been seen in recent weeks (e.g. the Bank of England surprisingly raised its key interest rate in December and the US Federal Reserve now expects three interest rate hikes this year).

The possible risk here is that the central banks misjudge the complex economic signals and raise interest rates too early, too fast or too far.

Geopolitics is likely to come back into the markets' focus in 2022!

As if the complexity and surprise potential of the aforementioned investment themes were not enough, there are also rising geopolitical tensions. The power struggles, for example between USA and China or the tensions on the Russian-Ukrainian border, could continue in 2022 and beyond. These tensions limit the economic potential. However, a possible easing of tensions also opens up significantly increased opportunities for growth and prosperity.



So how do you deal with the unpredictable?

The fact that investors currently have to keep a particularly close eye on many problem areas can lead to uncertainty and thus to misguided decisions. Therefore, stick to the well-known Investment principles:

- The chosen investment strategy has to match with its client profile and is responsible for a large part of the long-term investment success.
- Ensure sufficient diversification.

- Only invest in investment products that you understand.
- Costs have a significant influence on the investment result.
- Ongoing monitoring significantly increases security.

As independent financial experts, we support you in the formulation of your investment objectives, the investment strategy and in setting up an efficient investment organisation.



LMM INSIDE

Our service requires a trusting relationship with our clients. The key to this is our competent team. Daniela Stadtmüller, Nadja Deuse and Matthias

Ruppert have strengthened our team in Frankfurt since January 2022. A warm welcome to LMM, we look forward to working with you.



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