

# Portfolio Management Quarterly Report.

Q2 2023



*Gutmann*  
PRIVATE BANKERS



## Actively letting profits run.



Robert Karas  
Chief Investment Officer  
Partner

Share prices have climbed the wall of worry in the first half of the year. Thanks to our disciplined process, we participated above average in this rise. The portfolios continue to be positioned to seize opportunities without taking concentration risks.

Following a brief setback in the first quarter of 2023, stock market prices have risen steadily over the past three months. Despite the ever-present cautionary voices, fluctuations in stock prices went down. The decrease is echoed by the Volatility Index VIX, which fell to its lowest level since the outbreak of the coronavirus pandemic. In the meantime, stock purchases from September 2022 are paying off noticeably. At that time, we raised the equity quota to overweight, allowing the price gains to further develop down the line. This is never a passive or even frivolous decision. Every week, in the Chief Investment Office, we discuss the details of our investments and market developments. And every week we actively decide whether to maintain our position or adjust it. In Gutmann Portfolio Management's latest quarterly report, we show you how active management is built into our investment process and why that works particularly well this year. And of course we cover the most exciting topics of the current quarter: digitalization, artificial intelligence and Japan.

# Share price increases across the board.

In the second quarter, equity markets decoupled from interest rate concerns. The Gutmann bond strategy moved sideways in a narrow range.

At the same time, an increasing number of stocks in the Gutmann equity strategy recorded price increases. This pattern suggests that we are not witnessing a mere short-term countermove in a bear market, but rather the advent of a new bull market.

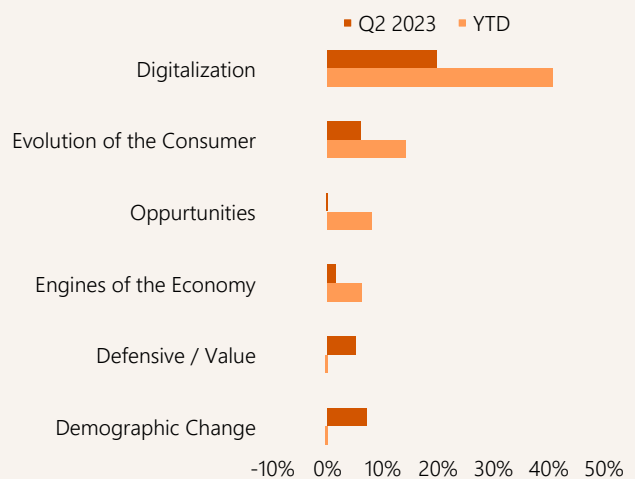
After last year's resilience, high-dividend stocks have been in little demand so far this year. Their performance lagged behind those of broad-based stock indices. Overall, the performance was nevertheless pleasing.

## The Artificial Intelligence revolution

The most important performance driver as of May was digitalization. True to the motto "The last shall be first", it jumped from the bottom of the 2022 returns ranking to the top in 2023. You may have already guessed what the trigger was: artificial intelligence. It especially fired up the company Nvidia, the world leader in chips essential for the training and computation of artificial intelligence applications. The prices of the other stocks we selected in the digitalization theme also rose sharply. Is it now time to take profits and part ways with stocks from the digitalization segment? Indeed, some stocks currently hold ambitious valuations, and large positions bring about corresponding concentration risks. However, the active management of these risks is built into our investment process.

## Themes of the Gutmann Core Equities Strategy

Past performance is not indicative of future returns.



After a difficult year 2022, digitalization is back at the top of the performance rankings. It is impossible to predict which theme will contribute the most over the quarter. A balance of themes is therefore important.

Performance Gutmann Core Equities 10 years: 2013 13.34%, 2014 11.62%, 2015 9.61%, 2016 8.94%, 2017 4.52%, 2018 -9.36%, 2019 29.11%, 2020 4.34%, 2021 26.35%, 2022 -12.23%.

Front end load up to 4% is not included in the performance figures. The performance is shown in EUR. Due to currency fluctuations the return for investors with a different reference currency may rise or fall. Past performance is not indicative of future returns.

Performance calculation of Gutmann KAG, data as at 30.06.2023.

# Contrarian mindset.

The discipline of the Gutmann Core Equities Strategy can be neatly illustrated through the following example.

We have already reduced Nvidia twice. All positions are equally weighted at around 2%. Four times a year, we buy and reduce stocks to bring their share back to 2%. This has several implications.

On the one hand, we thereby take advantage of short-term excesses in the stock market to increase individual positions at lower prices and, conversely, we reduce at higher prices. We firmly believe in the merit of countercyclical action, which is why this discipline is embedded in our process.

## Powerful fluctuations

On the other hand, long-term benefits are also apparent. Let's stay with the example of digitalization. At the start of the calendar year 2021, share prices in this sector rose. This surge was followed by a dip in the following year and a renewed increase in the first half of 2023. The wave-like movements were exceedingly strong. Suppose we had navigated this period without the discipline of equal weighting. The share would have risen sharply in 2021, only to nosedive into a violent bear market at its highest weighting. We would have started 2023 with a decimated weighting. However, we took profits on the digitalization theme in 2021. This was followed by a gradual build-up in 2022. Accordingly, digitalization stocks were noticeably represented in the Gutmann equity strategy at the start of 2023. And all this not from macroeconomic considerations, but driven by individual stocks in the segment.

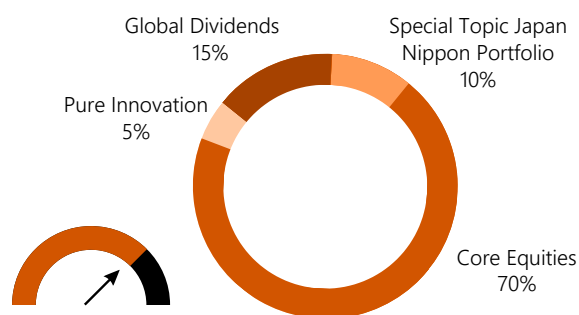
This was not just the case in the Core Equities Strategy. The Gutmann Pure Innovation equity strategy, launched in March 2022, started to catch up

in May 2023 and was right at the top by the half-year mark. This strategy also features digitalization prominently, with a share of more than 40%. However, we must not give the impression that digitalization is the only driving force in the current year. We are particularly pleased with the development of the Japanese stock market. With a 10% share of the Gutmann equity strategy, we have long backed equities from the Land of the Rising Sun, while many international asset managers have held hardly any comparable positions. On the surface, this stance seems understandable. After all, the Japanese stock market, until recently, was traded below the highs of over 30 years ago.

Only in the last weeks of the previous quarter, did the market return to the public eye. No wonder Japanese stocks are leading the performance charts this year.

For us, this is not just a lukewarm spring breeze. Accordingly, already starting in 2021, we increased the position of Nippon securities from 5% of the Gutmann equity strategy to 7%, and in February 2022 to 10%.

## Gutmann Equity Strategy



The tachometer displays our current equity positioning: overweight. The Gutmann equity strategy brings together the best companies in the world for your investment portfolio.

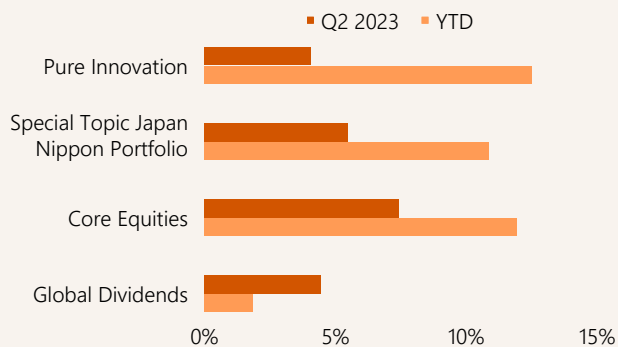
# New rules of the game in Japan.

Important changes have been evident in Japan for some time now. The Tokyo Stock Exchange requires companies whose stock market value is below their book value to take targeted measures to increase

their value. The companies themselves have become increasingly shareholder-friendly in recent years. So, in 2022, repurchases of own shares increased by 40% compared to the year before, marking new record levels. This development is likely to continue in 2023.

## Performance Gutmann Equity Strategy

Past performance is not indicative of future returns.



The heart of the Core Equities Strategy led the performance ranking in the second quarter. High-growth digitalization companies were particularly in demand.

Performance 10 years:  
 Gutmann Core Equities: 2013 13.34%, 2014 11.62%, 2015 9.61%, 2016 8.94%, 2017 4.52%, 2018 -9.36%, 2019 29.11%, 2020 4.34%, 2021 26.35%, 2022 -12.23%.  
 Gutmann Global Dividends: 2013 17.08%, 2014 16.55%, 2015 10.20%, 2016 7.58%, 2017 4.31%, 2018 -5.15%, 2019 22.95%, 2020 -8.25%, 2021 25.85%, 2022 1.46%.  
 Gutmann Pure Innovation: 2022 -13.42% (seit Fondsstart im März 2022)  
 Nippon Portfolio (EUR): 2013 17.00%, 2014 7.83%, 2015 18.05%, 2016 6.01%, 2017 4.53%, 2018 -18.95%, 2019 20.85%, 2020 10.36%, 2021 5.74%, 2022 -15.95%

Front end load up to 5% is not included in the performance figures. The performance is shown in EUR. Due to currency fluctuations the return for investors with a different reference currency may rise or fall. Past performance is not indicative of future returns.

Performance calculation of Gutmann KAG, data as at 30.06.2023.

Our strategy in Japan is based on two main drivers. On the one hand we have strongly undervalued shares with a solid and profitable core business. On the other hand we have international champions that are often market leaders in promising areas such as digitalization, automation, and electromobility. With 3,880 listed companies, the Japanese stock exchange is one of the world's largest stock markets.

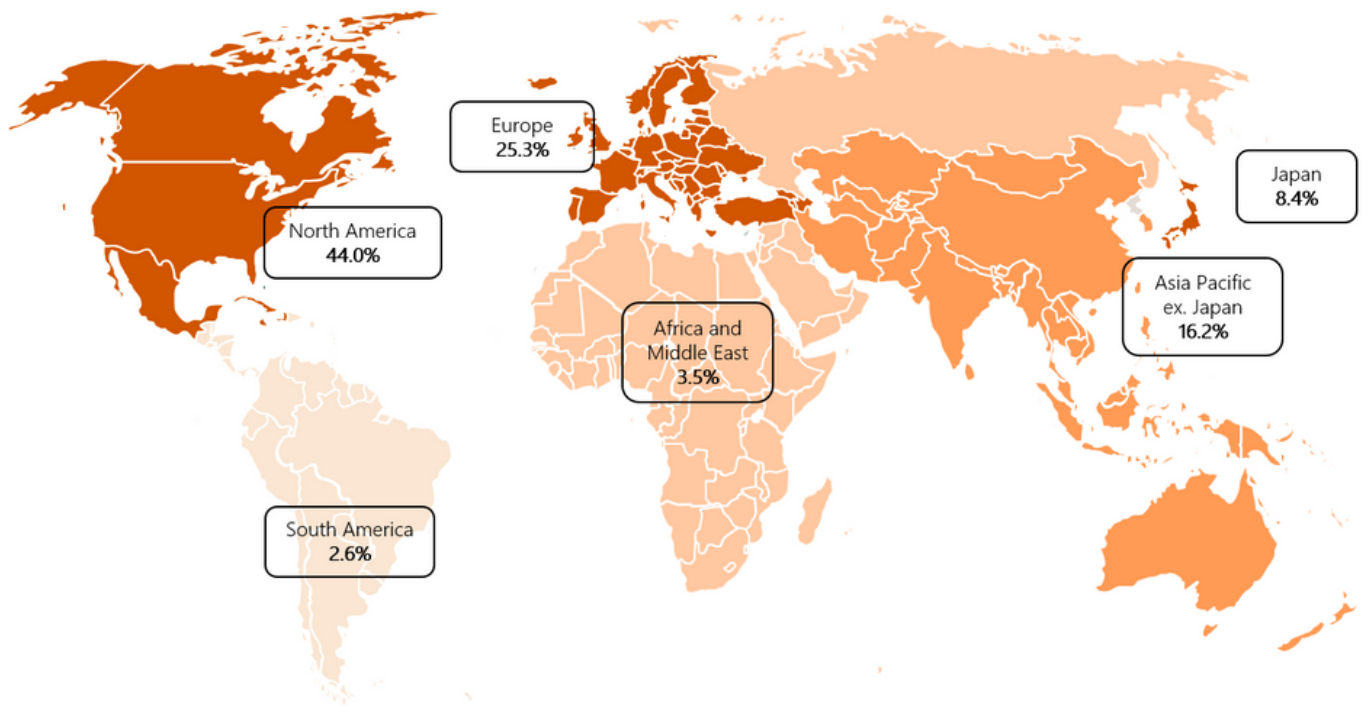
## Change in currency mix

We have actively changed the currency composition of the Gutmann equity strategy. For a number of years, 30% of the U.S. dollar was hedged against the euro for euro investors in equities. In February 2022, we reduced this hedge to 25%. Then, in mid-April 2023, we took a further step and reduced it to 15%. Since 60% of the Gutmann equity strategy is invested in the U.S., this means 51% U.S. dollar risk. The companies we select are increasingly active internationally, which is why currency hedging is becoming less relevant. In a single year, a very strong or very weak dollar may have an impact on performance. In the long term, however, we expect little impact.

As a matter of fact, investors who think in U.S. dollars do not have currency hedges in their portfolios.



# Gutmann equity strategy - worldwide corporate revenues.



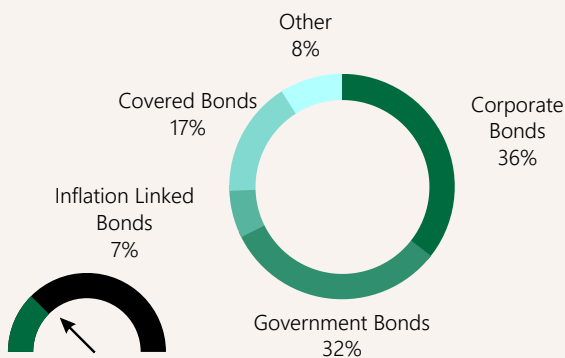
Source: Gutmann Chief Investment Office, FactSet. Estimate of the sales distribution of all companies in Gutmann's equity strategy.

The investments of the Gutmann equity strategy are made 60% in the USA, 30% in Europe and 10% in Japan. These proportions relate exclusively to the respective company headquarters. However, the graph of global corporate sales of the same companies shows a different picture. Our companies are truly global champions.

# Falling interest rates ante portas?

The major central banks of the Western world continued their cycle of interest rate hikes in Q2 2023. The financial markets are now pricing in an end to this trend and expect interest rates to fall over the next two years. However, the swarm intelligence of market participants cannot predict the economic conditions of 2024 and 2025. Therefore, we position our bond portfolio not on the basis of economic expectations, but on the basis of current opportunities and risks. For example, at the beginning of 2022, we doubled the position of

## Gutmann Bonds Strategy



The tachometer displays our current bond positioning: underweight. Bonds of select corporations are the most important pillar of the Gutmann bonds strategy.

Eastern European bonds within the Gutmann bonds strategy from 2% to 4%.

Through October 2022, Eastern European bonds suffered a set-back and posted the worst performance among all our bond themes. One might be tempted to think that worse timing could hardly have been possible.

## The most successful bond component

However, the story did not end there. As we focused on solid debtors in Eastern Europe, especially from the Czech Republic and Hungary, and left Russian bonds out of the equation, we remained convinced of the attractiveness of the investments. Therefore, unlike many other investors, we did not reduce our stake. As of June 30, 2023, Eastern European securities became the most successful bond component since the beginning of the year. But more importantly, since the time of purchase in January 2022, Eastern European bonds have also been in the lead. In retrospect, we would have preferred better timing, of course. But wasn't it more important to buy in the first place and thus seize the opportunity? The short-term pain of the unrealized loss due to price declines was the price paid for a longer-term performance contribution.

# Higher interest income.

The Gutmann bonds strategy bottomed out in October 2022. Since then, we have been in a narrowing sideways movement.

The market participants are waiting to see in which direction the pendulum swings. An economic cooling and associated interest rate cuts are just as possible as persistently high inflation with further interest rate hikes.

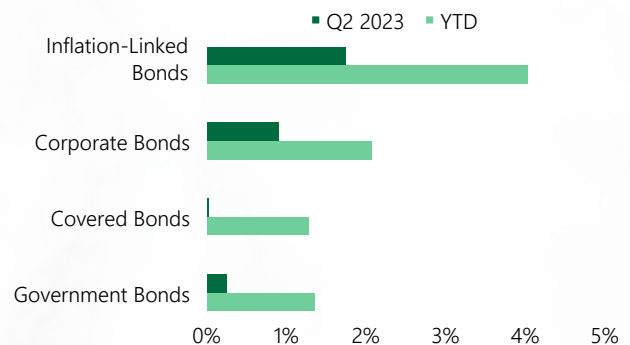
## Light-footed positioning

We don't have a crystal ball either, and with a duration of 4.5 years and different bond segments, we position ourselves light-footed enough to react to changes in the interest rate landscape. You can look at bond portfolios in a variety of ways. But two trends are clearly evident in the Gutmann strategy: Maturities are longer than they were a year and a half ago, and quality has been enhanced by higher ratings and additional security from covered bonds.

And so, the current interest income is significantly higher than it was before the interest rate turnaround. In addition, the portfolio has a higher interest rate sensitivity. If, unexpectedly, there is a sharp economic slowdown or turmoil on the financial markets, the bond component again provides the desired additional security as a counterweight to the equity component. Thus, bonds fulfill the diversification role in mixed portfolios, something they have not been able to provide for many years.

## Performance of the most important segments of the Gutmann Bonds Strategy

Past performance is not indicative of future returns.



All bond investment themes are up since the beginning of the year. In the second quarter, further interest rate hikes by central banks weighed on prices.

Performance Gutmann Global Bonds Strategy 10 years: 2013 0.15%, 2014 6.58%, 2015 0.35%, 2016 2.31%, 2017 0.44%, 2018 -1.87%, 2019 3.02%, 2020 0.70%, 2021 -0.60%, 2022 -9.85%.

Front end load up to 3% is not included in the performance figures. The performance is shown in EUR. Due to currency fluctuations the return for investors with a different reference currency may rise or fall. Past performance is not indicative of future returns.

Performance calculation of Gutmann KAG, data as at 30.06.2023.





## Solid returns take time.

In mid-September 2022, we set the equity share above the strategically selected quota of the portfolio management mandates. Regardless of whether a client holds a 30% or 60% strategic share of equities, it was increased at that time to 35% and 65% respectively. Individual clients can, of course, have individual deviations from this, depending on their needs. Currently, the quotas are closer to 37% and 68%, also subject to deviations, depending on when they began.

We actively decide whether these quotas remain untouched, whether more shares are bought, or whether shares are sold. In the event of a sale, we could return to 35% and 65% or reduce again to the strategic quota of 30% and 60%.

At the halfway point of 2023, we actively decided to let profits run. This is because, as you have already read, the discipline to reduce and add to individual stocks is already built into the core of our equity strategy. In the bond sector, we are even more broadly positioned and also avoid concentration risks.

Presently, there is talk of high stock valuations in the


face of rising interest rates. We keep all the relevant variables of the financial markets firmly in view. However, it is not enough for us to just scratch the surface. If you remove stocks with the largest weightings from indices, the valuation of the rest of the market is really cheap. This is also reflected in the global Gutmann equity strategy, where the valuation is unremarkable compared to the last 5 years.

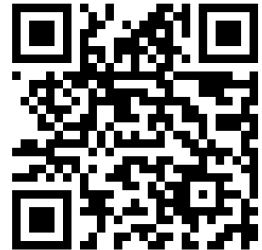
We search for, analyze, and buy individual stocks and bonds that promise attractive returns over the next few years for our portfolio management clients. We actively follow individual business models and compare company results with our expectations. This is not always visible as activity in the portfolios. But as the successful U.S. investor Charlie Munger once said: "The big money is not in the buying and selling, but in the waiting."

Waiting, remaining optimistic, and being invested in the financial markets have brought good results for us so far this year. The second half of the year may bring a correction. In fact, it would even be expected. But that does not change our long-term strategy of investing in attractive securities.

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**Gutmann Global Bonds Strategy may invest mainly in categories of assets other than securities or money market instruments.**

**Due to the composition of the portfolio and the used portfolio management techniques the Gutmann Core Equities, Gutmann Global Dividends, Gutmann Pure Innovation and the Nippon Portfolio under certain circumstances can show an increased volatility, i.e. the value of units may be exposed to high up- and downturns within short periods of time.**

Further Information on the main risks of the Fund can be found in the Key Information Document ("PRIIPs-KID") as well as the prospectus or the information for investors pursuant to Article 21 German Act on Alternative Investment Fund Managers (AIFMG - Alternatives Investmentfonds Manager-Gesetz) under the item "Risk profile of the Fund".

The Funds pursue an active management strategy without reference to a benchmark.

All figures made without guarantees. Errors and omissions excepted.

For interested parties the Key Information Document ("PRIIPs KID") in accordance with the Regulation (EU) No 1286/2014 for Nippon Portfolio, Gutmann Global Bonds Strategy, Gutmann Core Equities, Gutmann Global Dividends and Gutmann Pure Innovation respectively the prospectus in accordance with section 131 InvFG for Nippon Portfolio, Gutmann Core Equities, Gutmann Global Dividends and Gutmann Pure Innovation respectively the Information for investors according to section 21 AIFMG for

Gutmann Global Bonds Strategy in their current versions are provided in German language free of charge at Gutmann KAG and Bank Gutmann AG, both Schwarzenbergplatz 16, 1010 Vienna, Austria and on the Website [www.gutmannfonds.at](http://www.gutmannfonds.at) as well as for Nippon Portfolio, Gutmann Core Equities and Gutmann Global Dividends at the German information center Dkfm. Christian Ebner, Attorney at Law, Theresienhöhe 6a, 80339 Munich as well as for Nippon Portfolio at the Dreyfus Söhne & Cie AG, Aeschenvorstadt 14-16, 4002 Basel. The distribution of fund units was notified to the German Federal Financial Supervisory Authority (BaFin). Gutmann KAG may de-notify the distribution of funds in Germany as far the conditions according to Art 93a of Regulation 2009/65/EG are fulfilled.

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