

- Politics Ruin Everything
- Taper without Tantrum

Politics ruin everything, not only relationships, but also financial markets. Starting in the end of July China began a crackdown on various businesses which is still ongoing. So far the Chinese Communist Party (CCP) has targeted eLearning, Ride sharing, gaming, luxury goods, the list goes on. We have always been cautious on China, while in Europe and North America we can invest in earnings and companies, any investment in China becomes an investment in politics as the CCP can control everything. The lack of transparency and clarity in the goals of the CCP means that it's nearly impossible to predict what will happen next. Stating that they are going to focus on income inequality can have a wide range of impacts, including healthcare costs and housing prices. The truth is nobody knows what the future holds, but what we do know is that investing in politics is rarely rational or predictable.

In 2013 an event which came to be called "The Taper Tantrum" took place as The Federal Reserve (Fed) announced that it would reduce their quantitative easing, meaning they would pump less money into the economy. The reaction at the time was a shock which saw treasury yields surge and equity markets correct. During the last weekend of August The Jackson Hole Symposium was held in Kansas, though this year it was digital, and the idea of tapering was brought up again. The current consensus and what seems to be the intention of Fed is to start the process of tapering in late 2021 in order to completely stop quantitative easing during 2022. Currently Fed pumps USD 120 bn/month into the market via quantitative easing. In his speech, Fed chair Jerome Powell used language which hinted an intention tapering while not making any clear announcements, easing the markets into what will most likely come in the following Fed meetings. We remain positive on the idea of tapering. There might be direct reactions to the market, though we believe it's largely priced in and given the conditions set for the tapering it would indicate that the economy has recovered and is doing well.

In Core news, we have recently signed a partnership with BlackWood Capital Partners in Denmark. This new partnership will open new possibilities for our clients to invest in venture capital companies and provide exclusive access to new companies. Information about BlackWood can be found on their website www.blackwoodcapitalpartners.com

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Markets – August 2021

Equity indices	Aug 2021	2021
MSCI ADWI	2.36%	14.70%
MSCI World	2.67%	19.25%
S&P 500	2.90%	20.41%
Euro Stoxx 50	2.62%	18.12%
DAX	1.87%	15.43%
FTSE 100	1.24%	10.20%
Nikkei 225	2.95%	2.35%
OMX 30	-0.79%	25.42%
OMXC 25	2.58%	17.81%

Bond indices	Aug 2021	2021
Global Treasuries	-0.48%	-3.54%
Global High Yield	0.64%	2.84%

Currencies	Price	Aug 2021
EUR/USD	1.1809	-0.51%
EUR/SEK	10.1842	-0.13%
USD/SEK	8.6238	0.38%
USD/DKK	6.2973	0.49%

Interests	Aug 2021
US T-bill 3M	0.040
Euribor 3M	-0.548
Libor Fix 3M	0.068
Stibor Fix 3M	-0.008
Cibor Fix 3M	-0.210

Other	Aug 2021	2021
Gold	-0.03%	-4.46%
Brent Crude Oil	-4.38%	40.91%
HFRX Index	0.68%	3.97%

- Market outlook

Equities

Following another strong earnings season we remain positive on equities. Valuations are high, however they are in part justified by strong growth and limited alternatives.

In August we were called on our note on 4 European Financials, following the redemption we deployed the cash in equities focused on Europe.

Fixed income

With tapering on the agenda we are waiting to see what actions will be taken and the potential for a return of yield in the fixed income space. The timeframe is most likely long and we don't expect any rapid moves. We are well positioned and ready to adapt to any changes to the yield environment.

Alternatives

We see some potential in the alternatives market, however these are rather limited to replacements for fixed income and provide stable return. We remain opposed to the hedge fund structure with high costs and low transparency.

Foreign Exchange

Jackson Hole turned out to be close to a non-event and we have only seen limited moves on currencies. We remain largely neutral and continue our long term approach to hedge currency risk.

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Holding of the Month Credit Suisse Thematic Fund

The funds provide exposure to pure-play robotics and security themes, providing good exposure to strong secular growth themes. Though having a hard start of the year the funds have recovered and performance have been strong.

Robotics: July +3.35%, YTD 14.55%
Security: July +3.48%, YTD 16.88%