CORE CAPITAL

MARKET OPPORTUNITIES

January 2021

- 2021 A global hangover
- Supply and Demand of Liquidity
- A return to ”normal” earnings?

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

2020 is now over and we now must deal with the issues from last year. Equity markets are highly valued, caused by multiple factors. The end of the year gave relief with both Covid vaccines and a Brexit deal. Much of the concern from last year has been removed, however the markets have already reacted to this, in fact the markets reacted to the expectations of the positive outcome. This means there is some cause for concern for 2021, markets priced in favourable outcomes and though they have initially delivered risks remain going forward and even a small event could shake the markets. We expect continued volatility in the broad markets and expect a correction following the Q4 rally. We expect the longer term trend to be positive, but also expect global markets to suffer from a sort of hangover from last year with reality set in and any deviation from perfection being punished by a correction. Given our positive long term view we are ready to take advantage of a correction and increase our exposure.

Stimulus is likely to continue during the year and central banks will continue to print money. Reality is that this is currently the only option, rates are near zero and public debt is skyrocketing, hence there is no possibility to aggressively increase rates. In the short term this is driving up markets and in the long term it is not sustainable, the supply of liquidity far outweighs the demand. With an abundant supply of liquidity and huge stimulus packages the demand is getting fully saturated and the programs will have a diminishing impact.

One of the many anomalies of 2020 was the volatility of earnings, some of the biggest beats of expectations with some of the largest earnings declines. 2021 is expected to bring back some level of normalcy. The beginning of the year should continue the volatile streak of 2020 and we expect that this will decrease during the year and more “normal” earnings will be seen later in the year. One might think this would be good news though it’s important to keep in mind that during the pandemic the stock market has performed well in part because of the earnings beating low expectations and the so called “stay-at-home” stocks have excelled, in more normal earnings markets could be in for a volatile period.

Markets – December 2020

Equity indices	Dec 2020	2020
MSCI ADWI	4.53%	14.34%
MSCI World	3.51%	13.48%
S&P 500	3.71%	16.26%
Euro Stoxx 50	1.72%	-5.14%
DAX	3.22%	3.55%
FTSE 100	3.10%	-14.34%
Nikkei 225	3.82%	16.01%
OMX 30	-2.23%	5.81%
OMXC 25	5.00%	33.72%

Bond indices	Dec 2020	2020
Global Treasuries	1.47%	9.50%
Global High Yield	2.47%	7.03%

Currencies	Price	Dec 2020
EUR/USD	1.2216	2.42%
EUR/SEK	10.0498	-1.74%
USD/SEK	8.2273	-4.04%
USD/DKK	6.0918	-2.39%

Interests	Dec 2020
US T-bill 3M	0.078
Euribor 3M	-0.545
Libor Fix 3M	0.026
Stibor Fix 3M	-0.046
Cibor Fix 3M	-0.233

Other	Dec 2020	2020
Gold	6.83%	25.12%
Brent Crude Oil	8.85%	-21.52%
HFRX Index	2.45%	6.81%

Past performance is no guarantee for future return. The financial markets may rise or fall independently of the performance of portfolio managed by Core Capital Management S.A. The information serves solely as guidance and is for information purpose only. Core Capital Management S.A. takes no responsibility for the correctness of the figures mentioned in this statement. The figures are based on sources that Core Capital Management S.A. deem reliable for such purpose. The information given should not be seen as a buy or sell recommendation. Core Capital Management S.A. recommends all its clients to obtain proper fiscal advice prior to entering any of the investments offered by Core Capital Management S.A. or other financial institutions, brokers or asset managers.

Core Capital Management S.A.

46, Place Guillaume II, L-1648 Luxembourg
info@corecapital.eu Tel:+352 2621 1969

www.corecapital.eu

- ## Market outlook

Equities

With few attractive alternatives we continue to be optimistic on equities. We are still mindful of the increased risk for volatility and expect there to be smaller corrections during the year, this should bounce back quickly and we view this as a potential to tactically increase equity positions.

There are many factors which could impact the markets. Many of the uncertainties from last year have been reduced, including US election, Brexit and Covid. The common issue with all of these are that they are not yet fully resolved and can still cause issues.

Fixed income

The financial markets have been driving the yield lower which in turn has driven the risk/reward profile for the asset class to uncomfortable levels. Even with a lower yield we still see a place for fixed income to manage risk in certain scenarios and also diversify portfolios.

We remain underweight fixed income given the low yields. During 2020 we took advantage of the moves in the yield curve and remain ready to do so again while still looking for attractively priced bonds.

Alternatives

We remain cautious on hedge funds, however the alternatives space is wide and with the lack of potential returns in traditional investment classes we are looking at other alternatives to diversify portfolios and provide uncorrelated return.

Foreign Exchange

USD is significantly weaker than a year ago, however with lowered rates in the US and the fed pumping money we expect the USD to weaken further, though not as drastically as last year.

With Brexit now finalized we expect the GBP to stabilize.

Holding of the Month
Credit Suisse Security Fund

The fund focus on pure-play investments in the security space. IT security is a part, but the fund also invests in physical and healthcare security.

We hold the fund as a long term thematic exposure and see strong growth going forward.

For December the fund returned 10.22% and ended the year delivering a stellar 28.3%

Past performance is no guarantee for future return. The financial markets may rise or fall independently of the performance of portfolio managed by Core Capital Management S.A. The information serves solely as guidance and is for information purpose only. Core Capital Management S.A. takes no responsibility for the correctness of the figures mentioned in this statement. The figures are based on sources that Core Capital Management S.A. deem reliable for such purpose. The information given should not be seen as a buy or sell recommendation. Core Capital Management S.A. recommends all its clients to obtain proper fiscal advice prior to entering any of the investments offered by Core Capital Management S.A. or other financial institutions, brokers or asset managers.