

# Portfolio Management Quarterly Report.

Q3 2024



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## Executive Summary.

- Dividend stocks save the summer
- Defensive values in demand again
- Bonds positive across the board
- Gutmann stays overweight in equities

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# A HOT STOCK MARKET SUMMER.

The stock market does as it pleases. Last August was a stark reminder of this. We focus on factors within our control.

Summer 2024 broke records, with temperatures reaching unprecedented highs. Everyone was sweating and Europe flocked to the beaches. Stock markets are typically calmer in summer. But that wasn't the case this August. Starting in Japan, stock prices saw a sharp downturn..

However, those who disconnected during August vacations may have noticed little change in their portfolios by month-end, as most prices recovered their losses.

We cannot insulate our clients from market fluctuations. Even with thorough preparation, short-term setbacks are inevitable. However, we want to avoid permanent capital loss at all costs. Our strongest safeguards are our disciplined investment strategy and the quality of our rigorous securities selection process.

But beneath the surface, financial markets have changed since the summer. This quarterly report will shed light on these shifts.



Robert Karas Chief  
Investment Officer Partner

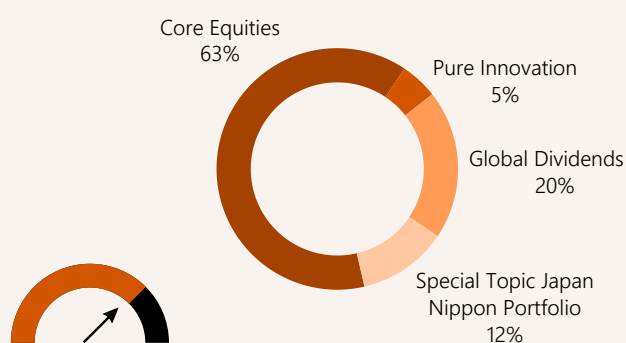
# Testing times.

There are days when you reach for your smartphone immediately upon waking up to see what's going on on the stock market. Sometimes a sea of flashing red numbers greets you, triggering an adrenaline rush before breakfast. Such was the case on Monday, August 5, 2024. Starting with the Japanese stock exchange, share prices plummeted. However, there was no global panic and by month end, prices had largely recovered to early-August levels.

## Demonstrated resilience

Events like these serve as stress tests for portfolios. Does the portfolio behave as expected? Are there any unforeseen anomalies? I am pleased to report that our asset management portfolios demonstrated resilience in August.

## Gutmann Equity Strategy



The speedometer shows our current equity positioning: Overweight. The Core Equities segment remains by far the most highly weighted.

While our global Gutmann equity strategy wasn't immune to the downturn, it rebounded swiftly, achieving new year-to-date highs. This was not universal across major market indices. Beneath the surface, demand shifted across various investment themes and market sectors.

Our increased allocation to dividend stocks, implemented in January already, proved beneficial during this period. Not all dividend-paying stocks were in demand following August's setback. It was the specific composition of our Gutmann Global Dividends strategy that made the difference. As a reminder: Here we seek companies with the most stable dividend payouts possible. The quality of the dividend is more important to us than its amount.

It was precisely these business models that saw demand from market participants towards the end of the quarter. This is also reflected in the performance of this segment over the past 3 months (see "Performance of the Gutmann equity strategy" chart on page 5).

Similarly, our "Defensive/Value" investment theme performed strongly in the third quarter. During periods of uncertainty, investors often gravitate towards stable, recession-resistant business models.

# Leveraging competitive advantages.

The positive portfolio performance contrasted with the headlines dominating media coverage. This raises the question: Are investors naively ignoring harsh geopolitical realities? We believe this is not the case. Financial markets efficiently process economic developments in real-time.

Companies are doing well because consumers continue to demand goods and services. One could speculate on whether demand will plateau or even decline. We don't consider this a productive approach. Instead, we invest in companies with clear competitive advantages, led by capable and principled management teams equipped to navigate economic cycles. Even in challenging times, the viability of these businesses should never be in doubt.

## Portfolio Discipline

While a handful of dominant companies capture headlines, the more pertinent question is whether their valuations are justified. In the Gutmann equity strategy, we are much more broadly positioned, investing in shares of companies that consistently meet their customers' needs and wants.

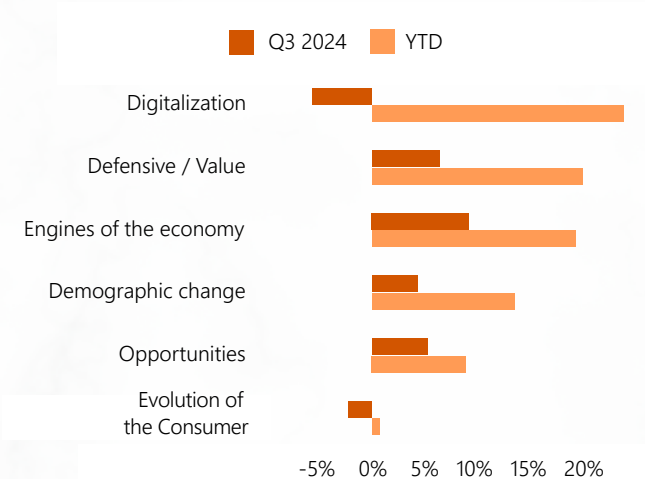
Apart from a few exceptions, valuations are not particularly high in any way. Our disciplined approach systematically reduces the risk to individual stocks experiencing sharp price increases, which often leads to valuation premiums.

This allows us to find a good balance between maximizing opportunities and minimizing risks.

In those noted August weeks and thereafter, our investment discipline shaped the overall strategy. This contrasts sharply with passive index replication, where active influence is inherently missing.

## Themes of the Gutmann Core Equities Strategy

Past performance is not indicative of future returns.



Despite the weak development in the third quarter of 2024, the theme of digitalization brought the highest returns since the beginning of the year.

Performance Gutmann Core Equities 10 years: 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%, 2023 18.23%.

Issue fees of up to 4% are not included in the performance data. The performance is shown in EUR. As a result of currency fluctuations, the return for investors with a different reference currency may rise or fall. Bank Gutmann clients do not pay any issue fees.

Performance calculation by Gutmann KAG, data as of September 30, 2024.

# AI: A lasting headline.

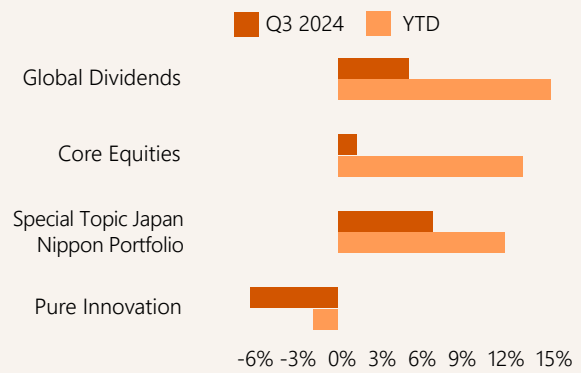
Artificial intelligence (AI) remains a dominant investment theme. Gutmann maintains a well-calibrated exposure across various AI sectors. Beyond industry leader NVIDIA, numerous companies in the Gutmann Core Equities strategy play crucial roles in the AI value chain.

We invest in shares of companies active across the AI ecosystem, including the hardware, infrastructure and software sectors.

Outside the world's top tier companies of the digitalization sector, the third quarter proved challenging. This impacted the performance of our digitalization theme within the Gutmann Core Equities strategy and the Gutmann Pure Innovation strategy. "Second-tier" tech firms in particular faced headwinds in the stock market.

## Performance Gutmann Equity Strategy

Past performance is not indicative of future returns.



The equity strategies Global Dividends and Japanese equities delivered positive returns in the third quarter. The Pure Innovation equity strategy developed negatively.

Performance 10 years:

Gutmann Core Equities: 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%, 2023 18.23%.

Gutmann Global Dividends: 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%, 2023 3.38%.

Gutmann Pure Innovation: 2022 -13.42% (fund launch March 2022), 2023 15.49%.

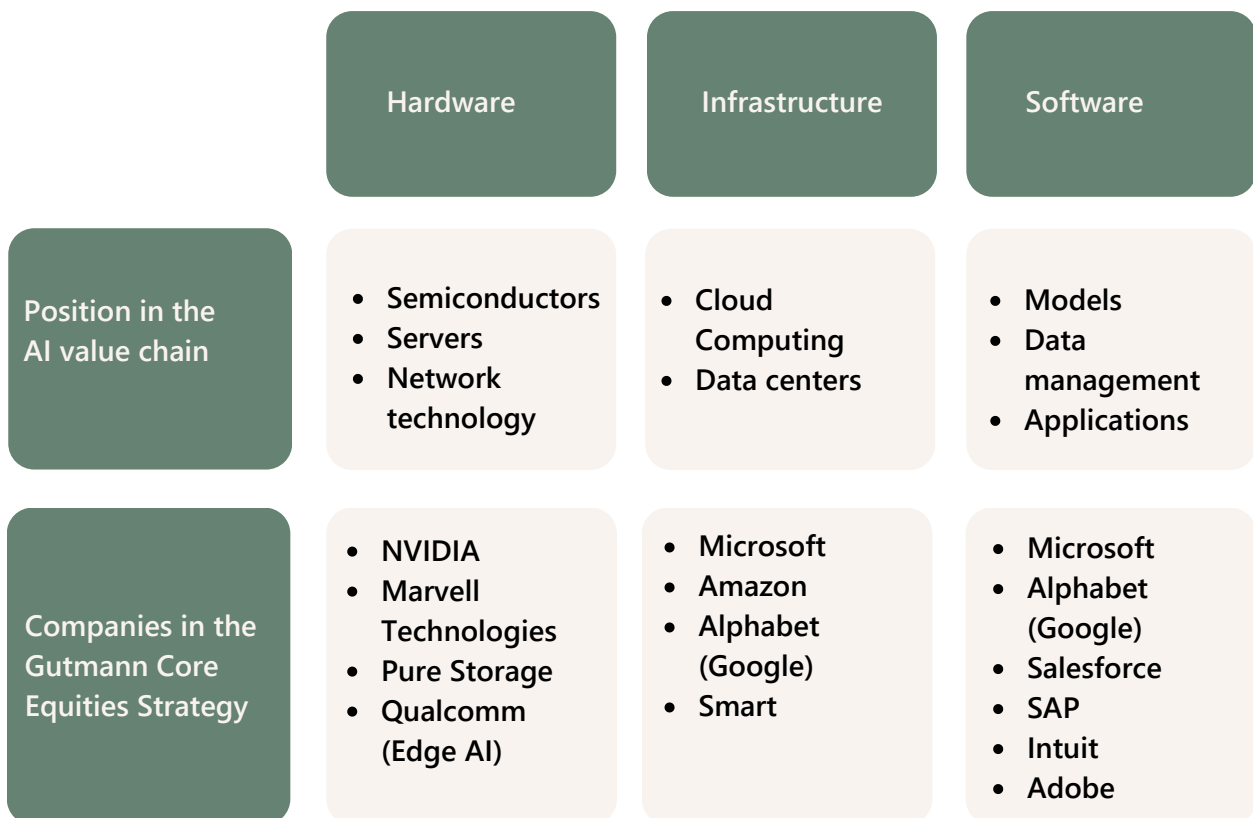
Nippon Portfolio (EUR): 2014 7.83%, 2015 18.05%, 2016 6.01%, 2017 4.53%, 2018 -18.95%, 2019 20.85%, 2020 10.36%, 2021 5.74%, 2022 -15.95%, 2023 15.28%.

Issue fees of up to 5% are not included in the performance data. The performance is shown in EUR. As a result of currency fluctuations, the return for investors with a different reference currency may rise or fall. Bank Gutmann clients do not pay any issue fees.

Performance calculation by Gutmann KAG, data as of September 30, 2024.



# Artificial Intelligence Value Chain.



# Inflation under control.

Over the past years, soaring inflation has led to considerable distress. The key question was whether elevated inflation would persist. This uncertainty troubled not only bond investors and central banks. Now, the outlook has become clearer as price increases moderate.

It appears that inflation is becoming more manageable. Coupled with signs of economic cooling, leading central banks have recently cut interest rates. On September 12, the European Central Bank (ECB), for example, reduced its deposit facility rate for banks by 0.25% to 3.5%. The main refinancing rate saw an even larger cut of 60 basis points, from 4.25% to 3.65%. These moves aligned with market expectations.

We anticipate the ECB's next interest rate reduction in December, likely another 25 basis points cut across all key rates.

## Significant Fed action

On September 18, the US Federal Reserve took decisive action. It cut key interest rates for the first time in four years, with a noteworthy 50 basis point reduction. The target range for overnight interest rates now stands at 4.75% to 5.00%. Apart from the interest rate cuts during the COVID-19 pandemic, this marks the Fed's largest rate cut since 2008 during the global financial crisis.

The ongoing slowdown in the US labor market, which now carries at least as much weight as still-elevated inflation, likely drove this decision. The Fed's baseline scenario is a soft landing.

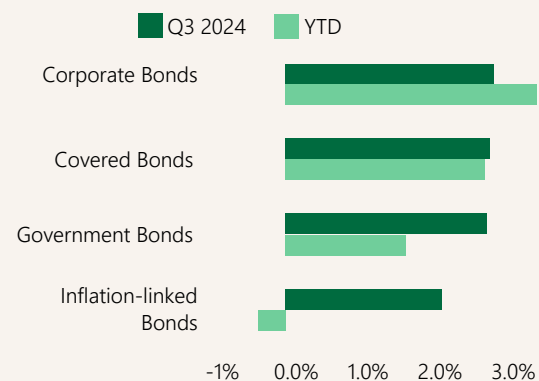
Two additional 25 basis point cuts remain possible this year. Current projections for 2025 interest rates stand at 3.4%, down from previous estimates of 4.1%.

## No movement in England

On September 19, the Bank of England (BoE) left its key interest rate unchanged at 5.0%. Andrew Bailey, Governor of the Bank of England since March 1, 2020, indicated that easing inflationary pressures should allow for gradual interest rate reductions in the coming months, if necessary.

## Key Segments Performance of the Gutmann Bonds Strategy

Past performance is not indicative of future returns.



Since the beginning of the year, corporate bonds have performed best in the Gutmann bond strategy. Inflation-linked bonds have performed worst.

Performance Gutmann Global Bonds Strategy 10 years: 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%, 2023 6.41%.

Issue fees of up to 3% are not included in the performance data. The performance is shown in EUR. As a result of currency fluctuations, the return for investors with a different reference currency may rise or fall. Bank Gutmann clients do not pay any issue fees.

Performance calculation by Gutmann KAG, data as of September 30, 2024.

# Good for bonds.

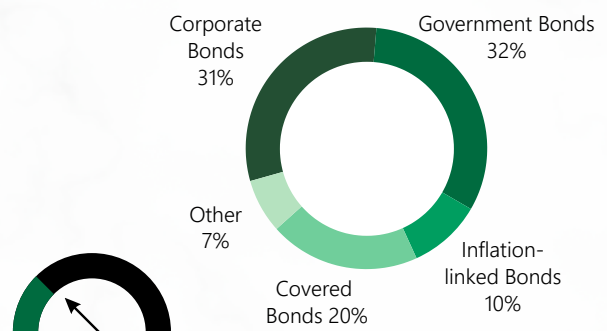
After the long dry spell of the zero interest rate phase, bonds in mixed portfolios are again contributing positively and offering needed returns in stressful periods.

The evolving interest rate landscape is having an impact on bond prices. Investors who locked in yields for extended periods are now reaping the benefits. After all, the duration of the Gutmann bond strategy stood at 4.8 years at the end of the second quarter. In simple terms, duration reflects the average time for which capital is tied up. It is also a sensitivity indicator. As a rule of thumb, the higher the number, the greater the price change of a bond when interest rates change.

## All bond themes positive

All bond themes benefited from these developments last quarter. This contributed to increased stability for classic mixed 60/40 portfolios (60% equities, 40% bonds) during August's turbulence. At the end of the quarter, we allowed the duration to naturally decrease slightly, settling at 4.6 years.

## Segments of the Gutmann Bonds Strategy



The speedometer shows our current bond weighting: underweight. Government bonds and bonds from selected companies are the most important pillars of the Gutmann bond strategy.





## We are ready for the 4th quarter.

We are convinced that the final 3 months of the year will present new challenges. In the US, presidential elections are looming, and candidates are fueling the hopes and fears of the electorate.

At the same time, investors are trying to accurately price in potential election outcomes. How business-friendly will the candidate's programs be? Will taxes go up or fall?

These are just two questions we don't truly have answers to. For after the election, many things are usually different than before. The complexities of governance tend to temper lofty promises once the daily political process resumes.

For us, it is even more important to create a sustainable portfolio capable of navigating various scenarios. While individual business models may benefit or face headwinds, we trust our diversified approach across themes and markets.

It is worth noting that even the US-based companies of the Gutmann equity strategy operate on a global scale. People demonstrate adaptability in the face of changing environments, leading to evolving business models. Change truly is the only constant.

As last summer demonstrated, market setbacks can occur swiftly and unexpectedly. However, we do not let this unsettle us unnecessarily. We remain faithful to our proven investment discipline and continue to align the Gutmann investment approach with the most promising opportunities.

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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 Funds 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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