

ANNUAL INVESTMENT REPORT 2020

MILLENNIUM GLOBAL OPPORTUNITIES FUND

Review

All economic and capital market forecasts for 2020 have been overturned by the outbreak of the Covid-19 pandemic. The first signs had already appeared in China at the beginning of the year. However, they were totally misjudged in their global extent. The massive correction on all stock markets out of fear of a collapse of the global economy was then the consequence. The global money market and interest rate interventions of all central banks and the wise decisions of politicians with the deployment of government aid programs amounting to billions not only prevented the uncontrollable fall, but also brought about a global economic recovery on an unprecedented scale after the first quarter. Nevertheless, with the exception of China, recessions were mitigated but not prevented.

The bond and stock markets reacted very positively to this. By the end of the year, the stock markets had largely recovered the losses of the first quarter. However, a closer analysis of share price developments shows that only very few companies benefited from the recovery. By the 4th quarter, only just under 5% of shares in the S+P 500 had reached new highs in the USA. These included mainly the multinationals, which have already benefited as before from the trends of accelerated digitization and from the consequences of the lock down. In contrast, cyclical companies that are more dependent on the economy, such as chemicals, automotive, and service companies from the travel, culture, hotel and restaurant sectors, have suffered particularly from the changed economic situation caused by Corona. By the end of the year, their shares had only partially recovered their losses from the spring. This was particularly true of most companies in the EU.

Against this background, the fund management of the mixed fund **Millennium Global Opportunities** avoided excessive risks with its broadly diversified portfolio. The result of +4.1% for the P-tranche and +4.5% for the I-tranche, combined with an all-time high at year-end, was satisfactory. Readers can find more details on the fund's orientation and composition on our website www.millenniumglobalopportunities.com.

Outlook

The Corona pandemic has changed the world across the board. It should bring about a paradigm shift in the way politicians and global companies think and act, so that the social and economic aberrations of recent decades can be overcome in time and the world made more secure for the future. Large sections of the population have understood that the crisis will not be overcome with populism, but with prudent action. In the USA, Joe Biden has been elected as a man of the center. In the EU, Brexit was not prevented, but it was nevertheless brought to an orderly end. In Germany, in addition to six state elections, the Bundestag elections are coming up in September, the outcome of which will give Germany and EU policy a new forward-looking direction after eight lost years of the grand coalition.

The catalog of tasks is huge and we should seize this opportunity. A significant start has been made with the invention and global deployment of the Corona vaccine. Overcoming the

pandemic is the essential prerequisite to start boosting, modernizing and rebalancing economies in all industrialized countries. This path will also resolve and consolidate the unemployment and bloated national debt created by the pandemic. Restoring global cooperation while resetting national imbalances created by globalization should finally make joint action on climate protection in all its facets possible on the basis of the Paris Agreement. The resulting investments in energy and mobility, together with those for infrastructure, education and food at national level, will then become the biggest economic stimulus program in history.

Capital market outlook

Despite the economic slowdown and the angst of a recession caused by the renewed lockdown in many Western countries at the beginning of the year, the outlook for the economy and thus for the stock markets over the year remains positive. This applies only to a limited extent to bonds, as interest rates will continue to rise, albeit moderately, in line with the economic recovery and rising inflation expectations. This applies above all to the USA, China and Asia. So far, these countries have overcome the crisis better than Europe. The speed of the new start depends above all on the progress of the vaccinations and then on the implementation of the various economic stimulus programs. The planned infrastructure measures in the area of 5G and cabling via fiber optic networks, the transformation of electricity generation and mobility are huge projects that will create employment in the medium term and a sustainable increase in productivity. Work-from-home will transform urban landscapes and unleash additional infrastructure investment in road and home construction. Companies, mostly cyclical in nature, will benefit disproportionately from this and additionally drive the stock markets.

This is especially true for Europe and Japan, which will continue to be supported by liberal central bank policies during the economic recovery throughout 2021. The long-term cycle of interest rate cuts, however in line with the USA, has come to an end, and long rates will turn slightly positive again in the course of the year and inflation in these regions should not be a concern. However, it could become an issue again in 2022 when economic growth should become stronger than widely expected resulting in rising commodity prices, wages and taxes.

European equity markets, which tend to be more cyclical, should benefit most from this development. After 13 years of underperformance of cyclical and so-called value stocks compared to digital technology leaders, the valuation gap should therefore gradually close again in 2021. This is especially true for the U.S., but it does not mean that the age of digitalization is coming to an end. Digitization will become a key growth driver, especially in cyclical industrial and service companies. The semiconductor industry has now become a key industry because it is the only way digitization works. It can also be seen as the raw material of the future.

The **Millennium Global Opportunities fund** will therefore maintain and further expand its adopted BARBELL strategy, i.e. selecting a balanced and targeted stock structure between global market and technology leaders and cyclical companies that will benefit particularly from the upturn. The stock markets will not be a one-way street this year either, and stronger market corrections in the short run cannot be ruled out. The management is convinced that

the shocks of last year were part of a new structural bull market in stocks and will continue. Therefore, the management expects a positive investment year, which should be reflected in the fund's performance with new all-time highs.

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