Osiris Asset Management AG

Mistral Value Fund - EUR -

Half-year Report

June 2024

Investment Objective: Focus on high quality businesses that offer the potential for superior risk/reward outcomes. The fund follows a contrarian value strategy and avoids permanent impairment of capital

Investment Universe: Individual investments in equities across all market capitalization and sectors supported by an independent bottom-up research process

Performance (at 28.06.2024)

	EUR	CHF	USD
Year to Date 2024	5.79 %	8.61 %	4.43 %
2023	22.71 %	17.35 %	26.69 %
2022	-18.48 %	-20.96 %	-24.04 %
Since 2017 (cum)	52.05 %	38.92 %	45.97 %
Since 2012 (cum)	190.00 %	142.03 %	153.51 %

Current data (at 28.06.2024)

Current NAV EUR 2'453.77

Fund Volume USD 64'424'652.66

Category

Investment Approach Value

Investment Universe Global

Key Information

Country Liechtenstein

ISIN LI0126123475

Valor No 12612347

Bloomberg MISTEUR LE

Asset Manager

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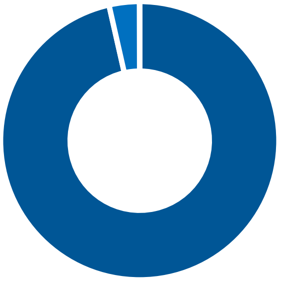
Publication Info

www.ifm.li

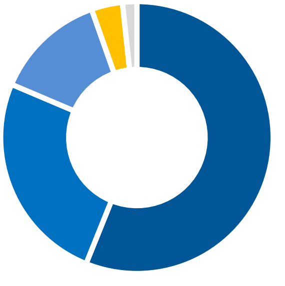
www.lafv.li

www.fundinfo.com

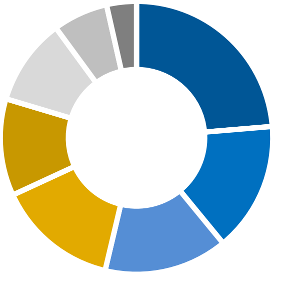
Asset allocation (at 28.06.2024)



Asset Class	Allocation
o Equity	96.46 %
o Cash	3.53 %
o Options and Derivatives	0.02 %



Currency	Allocation
o EUR	56.1 %
o USD	25.3 %
o CHF	13.2 %
o DKK	3.7 %
o Other	1.7 %



Industries	Allocation
o Financials	23.7 %
o Consumer (non-cyclical)	15.4 %
o Industrials	14.7 %
o Information Technology	14.4 %
o Communication Services	11.5 %
o Consumer (cyclical)	10.3 %
o Materials	6.5 %
o Others	3.5 %

Top 10 Investments (at 28.06.2024)

Security / Company	Type	Weightings
Broadcom	Information Technology	3.74 %
Novo Nordisk	Healthcare	3.70 %
Berkshire Hathaway	Financials	3.47 %
ASML Holding	Information Technology	3.37 %
Alphabet Inc	Information Technology	3.11 %
Microsoft Corp.	Information Technology	2.98 %
American International Group	Financials	2.88 %
Hermes International	Consumer Discretionary	2.85 %
Hilton Worldwide Holdings	Consumer Discretionary	2.71 %
Charles Schwab	Financials	2.52 %
Total		**31.32 %**

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The World equities had an impressive first half of 2024, with the MSCI World index gaining 11.55%, driven largely by exceptional performance in the US markets. The S&P 500 rose by 14.8%, the tech-heavy NASDAQ surged 19.1%, and the Russell 1000 Growth index increased by 21.4%. However, these remarkable numbers mask a significant disparity: the US MAG7 group, now constituting over 36% of the S&P 500, soared by 33%, whereas the remaining 493 stocks in the index rose by just 7%. The US stock market now accounts for over 60% of global indices, the highest weighting in financial history. This trend is heavily influenced by the surge in artificial intelligence (AI) investments, driven by high capital expenditure expectations and the integration of AI into existing hardware and software products. In other markets, Japan's Nikkei performed well, rising 20%, while Europe gained 8.5% and Switzerland 9.1%. Portfolio performance has been significantly impacted not only by country exposure but also by sector allocation, particularly the dominance of the tech sector. We believe that the restrictive impact of higher interest rates around the world is being more than offset by stimulative government spending. For instance, in the US the fiscal deficit in 2023 was $1.7 trillion, or 6.3% of US GDP. This raises the question of how this compares to the economic drag from higher rates. The US holds approximately $40 trillion in private debt, with rates increasing roughly 500 basis points since March 2022. While higher rates immediately affect new borrowing, it takes time to impact existing debt. For example, outstanding car loans and fixed-rate mortgages remain unaffected by these higher rates. Assuming conservatively that half of the 500-basis points increase has filtered through the economy, the overall impact is mitigated by wage and profit growth, enhancing spending power for consumers and companies alike. This would explain that despite inverted yield curves for 2-10 years and high level of overnight rates, the developed economies are still showing signs of growth.

At the portfolio level, the Mistral Value Fund remains well-diversified in terms of the sectors. Moreover, most of our holdings have been in the portfolios for a number of years. One example of such holdings is Broadcom, which has been a holding for just short of five years. At the time of our original purchase, the company was primarily focused on driving organic growth in its existing semiconductor franchises and acquiring new ones when the opportunity presented itself. In our semiconductor holdings, TSMC, ASM International, and ASML, continued to benefit from strong market positions and technological advantages. Another noteworthy position in the tech sector is Meta Platforms, which experienced solid growth with advertising revenues up nearly 27% year-over-year and lower expenses as a percentage of revenues. The company's new AI products, such as the "Imagine" with Meta image generator, have gained positive momentum. Many of the technology stocks we own tend be highly volatile. If one takes a look at for example Alphabet, Meta, and AMD, these companies often face regulatory scrutiny and negative press, leading to price volatility. For us as price-conscious investor, this volatility can provide opportunities. Our ability to adapt to market sentiment has led to successful investment outcomes throughout the year. While we remain invested in most of these names, we have started to trim some of the weightings in our portfolio. This adjustment allows us to carefully manage our exposure while continuing to benefit from the potential growth and resilience of these companies.

Our healthcare stock selection also boosted returns for the seventh consecutive quarter, with Novo Nordisk leading the way. Novo Nordisk's growth is driven by its innovative product pipeline, including GLP-1 receptor agonists like Ozempic and Wegovy, a strategic focus on emerging markets, and its commitment to R&D. The company's disciplined cost management and strategic investments have further enhanced its operational efficiency and shareholder value. In Europe, Safran saw a 27% increase, benefiting from sustained demand in the aerospace sector, particularly for narrowbody aircrafts, where supply chain challenges have constrained production. In Japan, Keyence, a leader in automation sensors, vision systems, and measuring instruments, demonstrated consistent growth through innovation and market expansion. The company's robust R&D capabilities, strong customer relationships, and extensive product portfolio have solidified its competitive position.

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With the MSCI World Index up over 40% from its October 2022 nadir, there is a natural tendency to lock in some gains. We believe that diversification therefore makes sense and see merits in allocations to a range of industries but still sticking to our quality value approach. Areas that look interesting to us include US small caps and Japan. A broadening rally would also be supportive of the contention that not all bullishness is currently discounted in investors' assumptions. International markets are trading at an increasing discount to the U.S. market. Over the last five years, the relative P/E discount has doubled. While stock market returns from the U.S. have outpaced international markets for the better part of a decade, merely extrapolating the recent past can often lead investors to miss the dynamic nature of economic and market systems. We believe Europe provides a fertile hunting ground for value investors. The MSCI Europe Index trades at just 13x 2024 earnings, far below the S&P 500 Index, which trades at 17x. We often hear valuations are low, but what is the catalyst to prod European stocks? Interestingly, current European valuations are bottoming out at the same level as in 1995 and 2019, the last two times the Federal Reserve pivoted from higher rates and achieved a soft economic landing. In both instances, stock multiples expanded significantly from their lows, propelling European share prices. We believe the end of "lower forever" interest rates should be beneficial to European banks and other financial institutions that have suffered slow earnings growth because of soft monetary policy.

Overall, the economy remains robust, interest rates have likely peaked, and corporate earnings are improving. Unsurprisingly, investor surveys show widespread optimism. While we share this positive outlook, we add a note of caution. Beware of overconfidence and the risks associated with extreme equity market concentration. Additionally, interest rates may not fall as quickly as some anticipate. The 'new normal' could feature both higher growth and higher inflation, with correspondingly higher rates. Ongoing fiscal dominance suggests continued monetary restraint, and inflation expectations remain elevated. As we enter the second half of 2024, maintaining a diversified portfolio and a cautious yet proactive investment approach will be essential. Embracing the benefits of diversification, seizing pullbacks as opportunities, and focusing on high-quality investments will help manage risks and maximize returns in the evolving economic environment. On top of that, we prioritize good governance, ensuring that management acts in the best interests of shareholders. Unless a business can reinvest cash at a significant premium to the cost of capital, this cash should be returned to shareholders through dividends or repurchases. We remain committed to an investment process that emphasizes these principles, aiming to deliver consistent returns over a full market cycle.

We thank you for your continued trust and partnership!

Total Return 3 Years - Rating 5:
"Lipper Leader"
[Germany - EUR, CHF, USD - June 2019]

Osiris Asset Management AG
Best Value Investor Liechtenstein 2019

Morningstar Category Global Large-Cap Blend Equity. As at 30 September 2015
Overall Morningstar Rating™ ★★★★★
Out of 2547 Investments

EuroHedge Awards 2014