

TRAMONDO
INVESTMENT PARTNERS

MARKET COMPASS

A MONTHLY BRIEFING ON THE STATE OF THE FINANCIAL MARKETS AND OUR TACTICAL POSITIONING.

JUNE 2025

TACTICAL POSITIONING

Cash:	○	○	●	○	○
Bonds:	○	○	○	●	○
Equities:	○	●	○	○	○
Alt. Investments:	○	○	●	○	○

We are happy to explain our detailed tactical positioning to you in a conversation. Please contact us.

SPOTTED

Pressure on China's auto market – China's economic slowdown is also weighing on the electric vehicle (EV) market. In response, Chinese automaker BYD introduced price cuts of up to 35% across a broad range of its electric and hybrid models. Investors reacted negatively – the stock lost approximately 15.6% in the final week of May.

MARKET OVERVIEW:

TRUMP RETREATS – MARKETS ADVANCE

US President Trump has softened his stance – During the reporting month, the US administration and its erratic trade policy once again found themselves in the spotlight. At the start of May, the US announced a historic "trade deal" with the United Kingdom. In the weeks that followed, however, even its most prominent (economic) adversary, China, as well as the European Union, benefited from the de-escalatory tone emerging from the Oval Office in Washington. Following a constructive dialogue between Chinese and US officials, both sides declared that existing import tariffs would be reduced by 115% for a period of 90 days – a move accompanied by the ambition to reach a mutually agreeable resolution during that period. This shift followed a wave of aggressive rhetoric and threats from President Trump and members of his cabinet. A comparable scenario unfolded in the transatlantic trade dispute between the EU and the US. Here too, after sharp threats from Washington, both parties agreed to what amounted to at least a temporary truce in trade relations. By the end of May, however, President Trump appeared to have rediscovered his confrontational tone, launching renewed verbal attacks – particularly directed at his Chinese counterparts. It remains to be seen how the Trump administration will position itself in the coming weeks. Regardless, investors responded favorably to the perceived easing of tensions among the world's major economic powers: the S&P 500 gained 6.2% in May, while the Nasdaq 100 surged 9.0%, marking the strongest monthly performance since November 2023. In Europe, the DAX rose by 6.7%, and the EuroStoxx 50 closed the reporting month up by 4.0%.

"Magnificent Seven" impress – During the Q1 2025 earnings season, large-cap Silicon Valley companies once again demonstrated strong growth momentum and operational resilience – even against a backdrop of political uncertainty in global financial markets. The "Magnificent Seven" rose by 13.4% in May, with Meta Platforms (+17.9%) and Microsoft (+16.7%) being particularly popular with investors due to their unexpectedly strong quarterly results. Tesla (+22.8%) also saw significant gains following the announcement by founder and CEO Elon Musk that he would shift his focus back to the company's operations after a temporary stint with the US administration. The only exception among the group was Apple, which was largely ignored by investors. The Cupertino-based tech giant posted its third consecutive month of weak share price performance in May (-5.5%) and now trades roughly 23.5% below its all-time high.

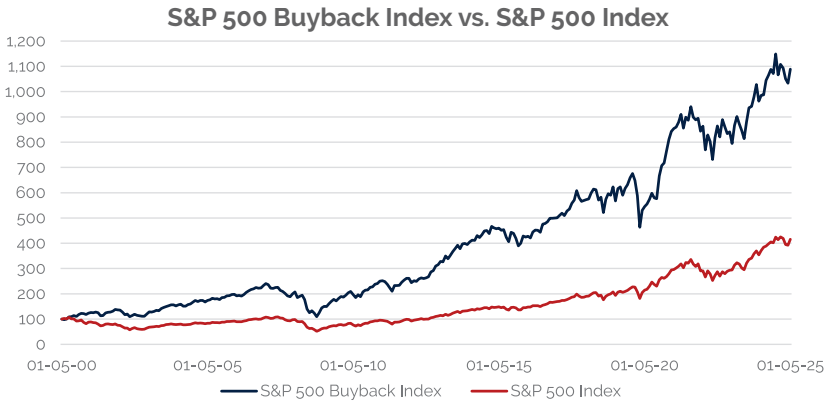
SOON IN FOCUS

Holcim spin-off – Swiss construction materials group Holcim has secured regulatory approval for the spin-off of its North American operations. The newly formed entity, Amrize, is scheduled to debut on June 23 with a dual listing on both the SIX Swiss Exchange in Zurich and the New York Stock Exchange. Following its IPO, Amrize is even set to be included in both the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

US Fed holds steady – While the European Central Bank (ECB) has begun to cautiously lower interest rates in recent months, the US Federal Reserve has maintained its resolute stance. The Federal Funds rate has remained unchanged at 4.25% to 4.50% for six consecutive months, with Fed Chair Jerome Powell offering no indication of a near- or medium-term shift in policy. During the May press conference, Powell underscored the risks of reaccelerating inflation and even flagged the possibility of stagflation – hardly an environment conducive to imminent rate cuts. In addition, US macro data continues to show resilience, further diminishing the case for immediate monetary easing. That said, ongoing uncertainty around US trade policy could ultimately pressure the Fed to act earlier than markets currently anticipate.

DID YOU KNOW THAT...

...US COMPANIES WITH REGULAR BUYBACKS OUTPERFORM THE BROADER EQUITY MARKET OVER TIME?



Annualized Return	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
S&P 500 Buyback Index	16.8%	11.0%	13.7%	10.7%	11.0%	12.2%
S&P 500 Index	15.9%	12.8%	14.0%	10.5%	7.9%	10.4%

SOURCE: BLOOMBERG, TRAMONDO INVESTMENT PARTNERS

HISTORY HAS SHOWN THAT INVESTMENTS IN THE SHARES OF COMPANIES THAT REGULARLY REPURCHASE THEIR OWN STOCK OFFER SIGNIFICANT POTENTIAL FOR LONG-TERM OUTPERFORMANCE IN THE EQUITY MARKET.

With the conclusion of the earnings season, and hence the expiration of the so-called "blackout period", the period of heightened share buyback activity traditionally begins. In the United States, share buybacks have, for several years now, surpassed dividend payments and currently account for approximately 60% of total shareholder distributions. In 2024, S&P 500 companies repurchased shares totaling around USD 942.5 billion – an increase of 18.5% compared to the previous year. By contrast, dividend payments amounted to USD 629.6 billion, resulting in a ratio of 1.5:1 in favor of repurchases. In Europe and Asia, however, dividends remain the predominant form of shareholder distribution, not least due to differing tax regulations.

But why do companies consider this form of capital allocation to be attractive? Firstly, share buybacks represent a more tax-efficient method of profit distribution compared to dividends, which are typically subject to double taxation. Dividends, on the other hand, are generally valued for their greater stability and predictability. Additionally, share buybacks often carry a signaling effect; they indicate to market participants that, from management's perspective, the company's shares are undervalued. Moreover, buybacks increase earnings per share when profits remain constant, as the number of outstanding shares is reduced. For

this reason, management may occasionally use buybacks tactically to achieve their individual performance targets. Furthermore, share repurchases enhance market liquidity, which can have a supportive effect on share prices. Consequently, many companies have long opted for a combination of dividends and share buybacks.

History has shown that investments in the shares of companies that regularly repurchase their own stock offer significant potential for long-term outperformance in the equity market. The S&P 500 Buyback Index, which tracks the 100 stocks with the highest buyback ratios in the S&P 500, has markedly outperformed the S&P 500 over a long-term horizon. This applies to both price performance and total return, taking dividends into account.

At Tramondo, we always assess the return of an equity investment holistically. While share buybacks represent a valid component of total capital return and can often lead to a short-term increase in share prices, our company analysis primarily focuses on a business's operational value creation. From our perspective, share buybacks – just like dividends – are only value-enhancing if they can be financed from free cash flow and do not prevent the company from pursuing profitable growth opportunities. Furthermore, buybacks should only be executed when the company is undervalued at the time of purchase – only then can genuine value be created for shareholders.

MARKET OUTLOOK

Anyone who followed the well-known market adage "Sell in May and go away" this year is likely regretting it by now. Contrary to all seasonal expectations, May turned out to be an exceptionally strong month for equities. Supported by a temporary easing of geopolitical tensions – particularly regarding US trade policy - and a robust earnings season, global equity markets posted notable gains. By the end of May, the S&P 500 was trading just 4% below its all-time high from mid-February 2025 – a time when the global trade environment looked markedly different.

In this context, the coming weeks are likely to put the recent (positive) market momentum to the test, as the effects of US trade policy are expected to start showing up in macroeconomic data. While sentiment indicators, or the so-called "soft data," have been negatively impacted in recent months, "hard data" could also start to deteriorate - a temporary weakening of these indicators would not surprise us given the current environment.

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Tactically, we maintain a slightly underweight allocation towards equities for the coming month. While the recent Q1 2025 earnings season demonstrated that "Corporate America" continues to exhibit solid revenue and earnings momentum, this fact provides limited guidance for short-term tactical positioning, as these results have been achieved in a different environment. In this context, "looking in the rear-view mirror" is unlikely to add much value for investors. We believe that the uncertainty stemming from ongoing trade policy discussions is likely to leave some marks, which, in our view, is not yet reflected in underlying (record-high) valuations. In terms of portfolio construction, we place particular emphasis on a balanced sector allocation and a focus on quality in stock selection, as we anticipate further periods of heightened market volatility.

With respect to fixed income markets, we continue to view paper from high-quality issuers as an attractive addition to our balanced investment solutions, providing a hedge against prevailing economic risks.

Accordingly, we keep our overweight allocation to this asset class for the coming month. As with equities, however, we strongly advise our clients not to compromise on quality – thus, we remain cautious with respect to bonds carrying elevated credit risk ("high yield").

Following a remarkable rally in recent months, gold paused for breath in May, ending the month virtually unchanged at USD 3'289. Structurally, we continue to view the investment case for gold as highly attractive; however, from a tactical perspective, we would not look to add further exposure at this stage and therefore reaffirm our neutral stance. Should there be pullbacks to the USD 3'100/3'000 range, we believe it could already be worthwhile for investors to opportunistically take advantage of short-term weakness in the precious metal.

WHO WE ARE

Tramondo Investment Partners AG is a bank-independent Swiss asset manager based in Zug and licensed by the Swiss Financial Market Supervisory Authority (FINMA) to act as an asset manager of collective investment schemes. Tramondo is the investment arm of a multi-family office group that has been in existence for over 45 years.

CITYWIRE
TOP 50
IAMs 2025

For the fifth time, the company was named one of the 50 most influential independent asset managers in Switzerland and Liechtenstein by the renowned media company Citywire.

ASV/ASWM
Allianz Schweizer Vermögensverwalter
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Tramondo is a member of the Alliance of Swiss Wealth Managers (ASV/ASWM), founded in 2016. The members of the Alliance currently represent more than 100 billion Swiss francs in client assets.

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