



## IMP Global Megatrend Umbrella Fund Commentary

Global equity markets suffered significant losses and heightened volatility during March, as investors contended with an increasingly challenging investment landscape marked by escalating geopolitical tensions in the Middle East, soaring energy prices, and tightening financial conditions. The near-closure of the Strait of Hormuz disrupted a critical global energy supply route, pushing Brent crude prices above \$110 per barrel and re-amplifying inflation concerns across major economies. This environment triggered a pronounced risk-off sentiment, with global equities falling for several consecutive weeks and the S&P 500 recording its longest weekly losing streak since 2022. While the trajectory of the conflict remains uncertain, our base case assumes that current tensions will not translate into a prolonged global economic disruption. Although energy markets remain sensitive to geopolitical developments, the scale of the price increase is still below levels historically associated with a full economic cycle shock, and underlying economic activity continues to show resilience. Market behavior during March reflected a late stage in the equity cycle, with increased dispersion, heightened vulnerability to valuation pressures, and intermittent bouts of extreme volatility. Short-term fluctuations were severe, and performance continued to be dominated by downside risks rather than upside potential. U.S. equities, while still the largest contributor to global returns, offered limited relief at the index level amid widespread losses. Within this environment, the IMP Global Megatrend Umbrella Fund returned -4.11% in March, bringing year-to-date performance to -6.87% net of fees.

Recent developments suggest that the current correction is moving into a more advanced phase. As highlighted by Morgan Stanley, several indicators point toward a late-stage adjustment, including meaningful valuation compression and weakening market breadth. More than half of Russell 3000 constituents have fallen over 20% from their peaks, while forward earnings multiples have declined materially. This repricing indicates a shift in sentiment, with investors increasingly factoring in growth risks and geopolitical uncertainty. From a market dynamics perspective, March was marked by elevated volatility within technology and AI-related segments despite broadly solid earnings outcomes. Companies exposed to digital infrastructure particularly semiconductors, cloud platforms, and data center ecosystems, continued to benefit from strong demand. However, equity market responses were mixed, as investors focused more closely on the sustainability of capital expenditure and long-term returns. This shift represents a natural progression from earlier phases of the AI-driven rally, where growth expectations dominated. Weakness in parts of the technology sector was offset by comparatively stronger performance in energy, infrastructure, and selected defensive industries, illustrating a gradual broadening of market leadership.

Structural investment trends remained firmly intact, particularly at the intersection of artificial intelligence and energy systems. The combination of geopolitical fragmentation and rising AI-driven electricity demand is accelerating global investment in power infrastructure, grid expansion, and supply chain resilience. Governments and corporations are increasingly prioritizing energy security, while also expanding capacity in critical resources such as copper and battery materials. These developments continue to support long-term opportunities across infrastructure, utilities, semiconductors, and industrial technologies, reinforcing the relevance of a thematic investment approach.



Regional performance diverged during the month. European equities underperformed, reflecting higher exposure to energy price shocks and reliance on imported resources. Elevated input costs are contributing to inflationary pressure and softer growth expectations across the region. In contrast, more defensive markets and sectors with stable earnings characteristics, including Swiss equities and healthcare, demonstrated greater resilience. This divergence highlights the increasing importance of regional differentiation in portfolio construction.

In currency markets, the U.S. dollar remained supported by its safe-haven appeal amid persistent global uncertainty and a relatively resilient domestic economic environment. Potentially rising interest rate expectations, fueled by re-intensified inflation concerns, reinforced the dollar's strength, highlighting its role as a defensive asset in a volatile environment. Conversely, the Swiss franc weakened over recent weeks following remarks from policymakers signaling their readiness to intervene if the currency appreciated too sharply. This underscored concerns that a stronger franc could further pressure Switzerland's export-driven economy. A likely stronger-than-expected March inflation data reading could revive speculation around Swiss rate hikes, potentially triggering renewed currency volatility. Nevertheless, economists continue to view the likelihood of such an outcome this year as low, although ongoing geopolitical and macroeconomic uncertainties suggest that the franc could remain vulnerable to sudden shifts in market sentiment.

In terms of portfolio adjustments, we maintained a disciplined and selective investment approach throughout March. Risk management remained a central focus, supported by an increased liquidity buffer and the sustained implementation of a hedging strategy aimed at mitigating downside risks associated with geopolitical developments and the potential re-emergence of rising yields. In this context, we increased our exposure to the WisdomTree S&P 500 VIX Short-Term Futures 2.25x Daily Leveraged ETP as a tactical risk-management allocation, reflecting the continued escalation of tensions in the Middle East. This position provides a degree of portfolio protection against potential volatility spikes amid evolving cross-asset dynamics and geopolitical uncertainty, while preserving flexibility to redeploy capital opportunistically. In parallel, we fully exited our position in Novo Nordisk A/S, as the investment case did not evolve in line with our original thesis. Investor expectations for weight-loss drugs appear overly optimistic in the context of intensifying pricing competition, prompting a reallocation of capital.

Overall, March reinforced a cautiously constructive outlook for global equities, albeit within a more volatile and selective environment. Structural drivers including earnings growth, digital transformation, and sustained investment in artificial intelligence and infrastructure, remain intact. Market conditions are becoming increasingly differentiated, with greater emphasis on quality, resilience, and capital discipline. While geopolitical developments and macroeconomic uncertainty may continue to influence sentiment in the near term, such episodes have historically proven temporary, with markets ultimately guided by fundamentals. Maintaining a long-term perspective and a disciplined investment process remains essential. By combining high-conviction positioning with flexibility, we aim to navigate volatility effectively and capitalize on opportunities as they emerge.

Thank you for your continued trust and support.

Stefan Wiederkehr & Karin Wiederkehr



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