

April 2025 saw a massive sell-off of around 20% in the major stock markets, triggered by the announcement on April 8th of unexpectedly high U.S. tariffs which, if implemented, would have choked off global trade. However, this was merely the catalyst for an overdue correction, that had already begun in March. The GAMAG strategies held their value well in this environment, with GAMAG Black + White down just -0.84% and GAMAG Vola+Value up +0.96%.

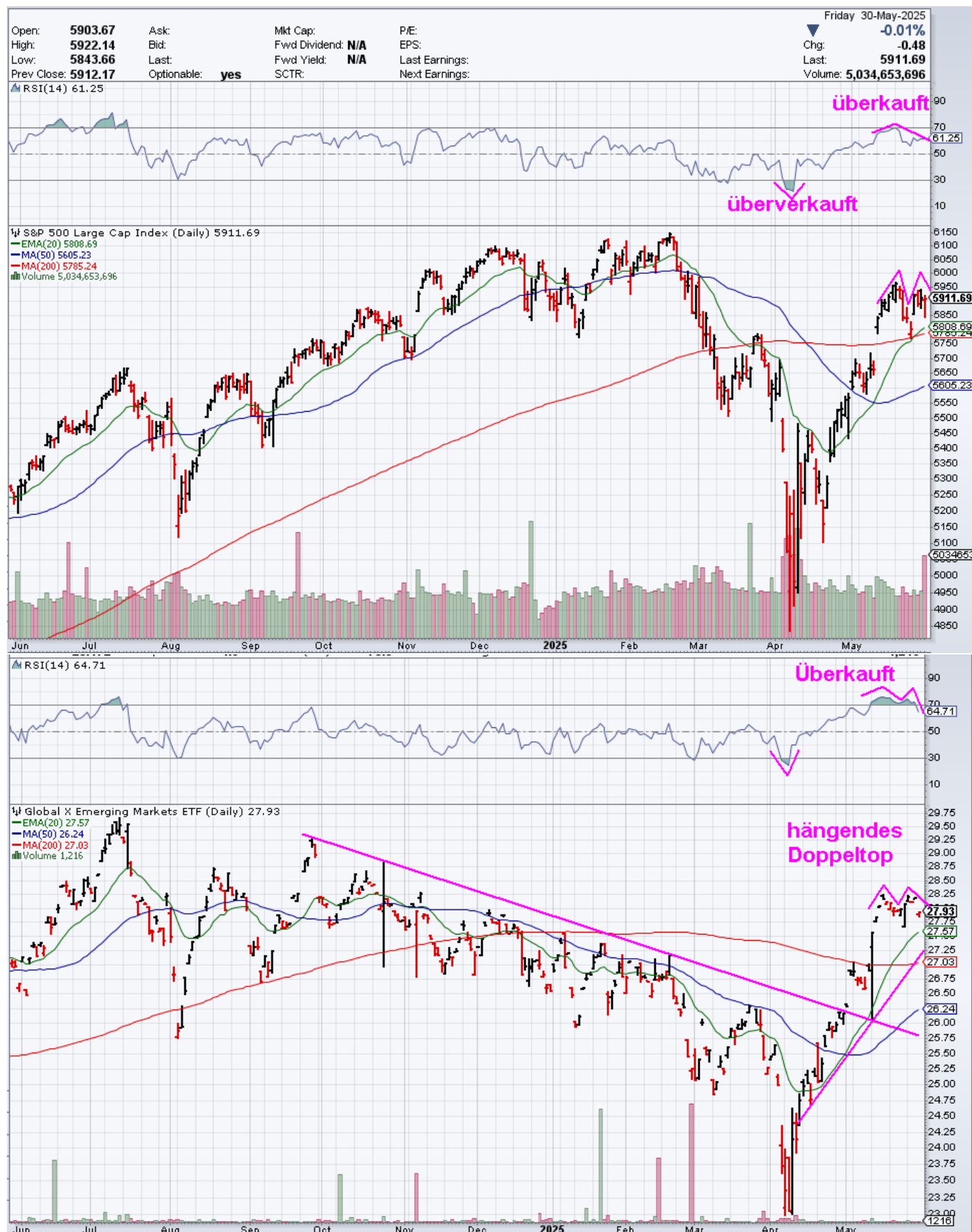
Strategy	April 2025	% against previous month	% since start of trading
G.A.M.A.G Black+White	18.724,23	- 0,52 %	+ 564,37 %
G.A.M.A.G Vola+Value	11.962,77	- 0,10 %	+ 41,73 %

The increasingly chaotic and unpredictable effects of U.S. policy on the national budget led to a sharp rise in interest rates, which negatively impacted GAMAG Black+White due to its focus on real-asset-oriented interest rate strategies. In contrast, Vola+Value, being concentrated solely on options strategies, was not affected by this negative impact. This ultimately explains the different performance of the two trading programs during the reporting month.



The interest rate increase was over one percentage point, as shown in the chart of the TLT ETF, which has seen a price drop of around 10% since early April. Spillover effects into other interest rate segments also put pressure on our pipelines and Business Development Companies. Financing across all segments in the U.S. has become significantly more expensive, not only due to President Trump's erratic policies. Another burdening factor is the new Republican tax package, which is anything but deficit-reducing—projecting an additional \$3 to \$4 trillion in debt over the coming years. This comes at a time when the U.S. economy is not growing. As mentioned in our last report, even Moody's, the last of the three relevant U.S. sovereign rating agencies, has downgraded the U.S. credit rating.

As for equities, the moderate recovery from April's lows strikes us as a form of denial of reality. There's still too much liquidity in the market. With losses in government bonds, money is being pumped into stocks instead, fueling speculative behavior. We're sorry, but we can no longer accept any serious valuation arguments for current market moves or investor behavior. This has nothing to do with intelligent or cautious investing.



At least some intelligence is reflected in the somewhat weaker performance of the S&P 500 compared to the DAX and emerging markets—indicating slightly reduced interest in U.S. stocks due to the interest rate environment. But how a 5% U.S. long-term yield—which only justifies a maximum P/E ratio of 16 for fair stock market valuation (adding 1% risk premium gives 6% required earnings yield, i.e., $1/0.06 = \text{P/E of } 16$)—can be reconciled with current P/E ratios of 26 to 27 for the S&P 500, is beyond any plausible scenario.

To justify such valuations, long-term interest rates would have to collapse below 3%, implying a 4% required earnings yield and thus a P/E ratio of 25. But how this could happen outside of a severe recession—and how such a recession wouldn't also collapse corporate earnings (which would then drive the P/E right back up)—is just the next logical fallacy.

From our perspective, current overall equity market valuations have nothing to do with rational valuation or any margin of safety. Simply put: markets are fundamentally massively overvalued, heavily speculated, and carry substantial downside risk.

The implications for our investment strategies are: In the GAMAG Group, we are focusing on corporate interest-bearing instruments that still have the potential to pay higher yields, especially if inflationary developments occur due to tariff escalation. In addition, we are using volatility for options strategies. Hands off unhedged stock investments!

What we see is an overheated stock market with a hanging double-top pattern in prices across virtually all markets in recent days. Classical chart analysis identifies this as a strong sell signal. This is definitely not a justifiable time to buy! Accordingly, we've used recent price levels more for selling, and the GAMAG portfolios now hold a very high cash ratio and long put index positions. We're waiting for a significant price correction.

The sharp increases in yields in the interest rate segment have been well absorbed by our strategies, setting the stage for much higher ongoing returns and the chance for significant capital gains if interest rates decline slightly. Therefore, we maintain our forecast of continuous value appreciation in both strategies.