

Quarterly investment letter – 1st quarter 2022

Content

Regional macro-economic backdrop	2
Market consensus forecasts	5
Performance table	6
Key charts	7
Scenario overview 6 months	8
Asset class assessment	9
Asset class conviction levels	10
Disclaimer	11

Summary points

- Central banks will likely remain cautious about tightening too quickly and global GDP growth is expected to reach 4.4% in 2022. While the new Omicron variant is highly contagious and should delay the recovery process in certain sectors, it is unlikely to derail the global economy.
- In the US the case for spending remains intact and GDP growth is expected to reach 3.9% in 2022. The two predominant factors investors should focus on are the unemployment rate and inflation. As long as long-dated inflation expectations remain well anchored, the US Fed is not in a hurry to hike rates.
- Europe faces near-term growth pressure, due to high energy cost and countermeasures to control the new Omicron variant. For lagging European equities to outperform US equities and to close the valuation gap, growth in Europe would need to surprise on the upside.
- Emerging markets suffer from negative headlines out of China due to defaults in the property sector and moderate stimulus measures by policy makers. Less stimulus, slower construction activity and a stronger US dollar should have negative implications for emerging markets in the short term.
- **Conclusion:** While there are many factors that might cause market jitters, the underlying global growth picture is likely to continue. In the absence of a sustained decline in corporate earnings and more hawkish central banks, equities and higher risk credit remain at an advantage over high-quality long-duration bonds. November has shown that investors are still “buying the dip” in equities. Financial repression should continue, and yields will likely still be negative (inflation-adjusted) in most bond segments.

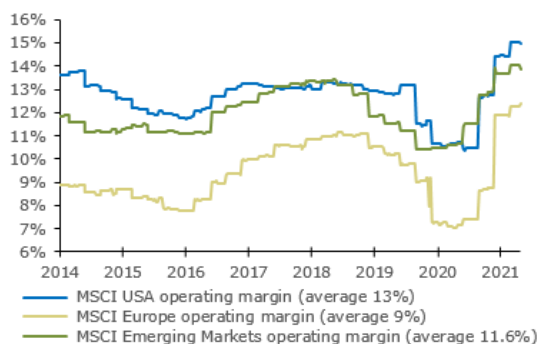


1 Regional macro-economic backdrop

Cause for concern, not panic

Just as the world was looking forward to "life as normal", the Omicron virus variant has surfaced. The number of new cases has prompted governments around the world to take countermeasures again. While selected existing vaccines (e.g. Pfizer) seem to offer some protection, a **first vague timeline for a new vaccine** ready for mass production and distribution is probably in Q2 2022. Consequently, the **recovery process** in certain sectors, such as airlines, casinos, hotels etc. **is being delayed**. With governments and central banks around the world doing their part to maintain stimulus measures, **global growth** should remain solidly **above trend** and support companies' profit margins (chart 1). While **keeping a very close eye on what could go wrong**, investors should continue to favour equities, riskier higher-yielding assets, niche strategies and alternative investments.

Chart 1: Global growth above trend positive for profit margins



Source: Bloomberg Finance L.P., Alpinum Investment Management

United States

In the very short term, the emergence of the **Omicron variant in combination with supply-chain bottlenecks** is likely to have a negative impact on economic confidence and growth. Consequently, market consensus **GDP growth** was slightly revised down to **+5.5% in 2021 and +3.9% in 2022**. Despite the near-term uncertainties, **the case for spending remains intact**. First, households have accumulated USD 2.2 trillion in excess savings during the pandemic and, second, consumer sentiment is positive because of the "wealth effect" from higher home prices and financial assets. In the US, **domestic consumption makes up around 70% of GDP**. This in combination with pent-up demand and President Biden's USD 1.2 trillion infrastructure bill (USD 550 million in new spending) is a very powerful combination for companies' earnings outlook, despite stretched equity valuations.

The **two predominant factors** for investors going into 2022 are the **unemployment rate and inflation**. At its **December meeting**, the US Fed adjusted its economic changes for next year. While expected **core inflation was revised up to 2.7%** (from 2.3%), the outlook for the **unemployment rate was brought down to 3.5%** (from 3.8%). As a consequence, the Fed's asset purchase tapering will end as early as March 2022 and the **median forecast now expects three rate hikes**, starting as early as June 2022. In respect to inflation, **investors' particular focus will be on wage growth** (building up of a wage-price spiral) and the 5-year/5-year forward inflation rate, which is anchored between 2.3% and 2.5% (chart 2). The **key message** is that as long as long-dated inflation expectations remain within the Fed's comfort zone; the central bank is unlikely to hike rates before the target unemployment rate is reached.

Chart 2: Rate hikes unlikely if inflation remains well anchored



Source: Bloomberg Finance L.P., Alpinum Investment Management



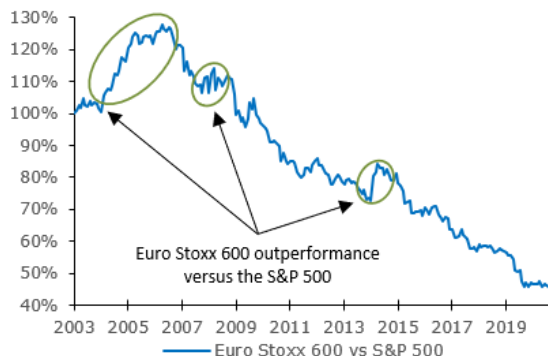
Europe

The European economy faces **near-term growth pressure**, due to high energy cost and countermeasures to bring the new Omicron variant under control. Hence, the reopening process will likely be delayed for another few months and lag the US by six to nine months. For 2021 market consensus expects **Eurozone GDP growth to reach +5.1% and +4.2% in 2022**. In November European headline **inflation jumped to 4.9%**, while **core inflation climbed to 2.6%** year-over-year. Looking more closely at the numbers, the main reasons behind the rise were the increase in energy prices, EUR weakness and base effects. With the emergence of the new Omicron variant, the **European Central Bank will likely remain dovish** for the foreseeable future.

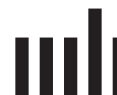
Angela Merkel's 16-year long reign in Germany has come to an end and Olaf Scholz of the Social Democrats will lead the new government. **France will hold presidential elections in April 2022**. The French economy is enjoying a bounce with GDP in 2021 expected to reach 6.7% and 4.0% in 2022. At the same time, the unemployment rate of 7.6% has fallen below its pre-pandemic level. If Germany and France, the two European heavyweights, do well, Europe's economy should be on a sound footing.

Looking back at almost two decades, European versus US equities have **largely been a losing proposition** (chart 3). Earnings growth, momentum and technical factors have all been inferior and Europe has been underperforming the US by more than 50%. The **"million-dollar question"** investors are asking themselves is "when will Europe be able to outperform US equities again"? The pandemic and flat yield curve still favour asset-light and growth companies. It may still be premature for investors to make a bold call on European equities. But the **tide may change once European growth starts to surprise** on the upside, valuation discounts have reached even more extremes and there is no recession around the corner.

Chart 3: European equities have been underperforming



Source: Bloomberg Finance L.P., Alpinum Investment Management



China and emerging markets (EM)

The Chinese economy faces headwinds going into 2022. The **new Omicron variant**, **defaults in the property market** and the severe **shortage of electricity** in some regions have been hitting many businesses. That said, **GDP growth for 2021 is still expected to reach 8% and 5.2%** in 2022. **Evergrande**, China's 2nd-largest property developer, and **Kaisa Group** have officially been labelled defaulters by Fitch, a US rating agency. Together, the two companies account for about **15% of all outstanding US dollar bonds** sold by Chinese developers. According to the consultancy, Oxford Economics, GDP growth could fall to 3.8% in 2022, if China suffers a property slump as bad as the one in 2014/15. Needless to say, that policymakers will do everything to **stabilise the sector** and chances are very high that they will succeed. That said, in the very short-term investors should not expect a pronounced rebound in Chinese equities as policy easing has been moderate and as China favours a gradual approach to stimulus going into 2022.

Less stimulus and slower construction activity will have implications for markets beyond China as demand for industrial metals, raw materials and machinery will deteriorate. China's demand for copper and finished steel products accounts for just over half of global demand. Overall, emerging markets (EM) are more exposed to China and its construction sector than developed markets. Hence, **EM equities may continue to underperform in the short term**. Brazil, for example, has entered a technical recession (two consecutive quarters of economic shrinkage) and the economy contracted by -0.3% in the second and -0.1% in the third quarter. Inflation has doubled to 10% and the central bank's policy rate has quadrupled to 9.2% compared to a year ago. Public debt has reached 80% of GDP – a level that raises anxiety in the markets.

Chart 4: Emerging markets have been underperforming

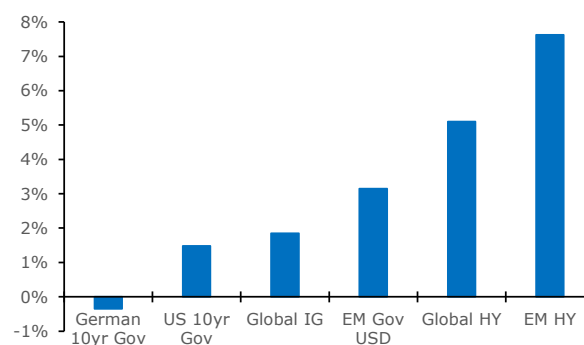


Source: Bloomberg Finance L.P., Alpinum Investment Management

Investment conclusions

While there are many factors that might cause market jitters, **the underlying picture is that robust growth is likely to continue**, and **central banks will remain cautious** about tightening too quickly. Excess savings should propel consumption, companies will need to increase capex to fulfil that demand and the impact of fiscal stimulus is still coming through. Inflation should remain firm. **Decent growth and easy monetary policy remain a positive backdrop for risk assets**. At the same time financial repression should continue and **yields will likely still be negative** (inflation-adjusted) in most bond segments (chart 5). Hence, **equities remain at an advantage over long-duration bonds**. A sustained decline in stock prices would require a sustained decline in corporate earnings. If economic growth remains above trend, earnings should continue to rise and default rates for higher credit risk should remain low.

Chart 5: Nominal yield-to-worst of global bond segments



Bonds: Global credit spreads are tight, inflation should remain firm, and the US Fed should start tapering bond purchases at an advanced pace. Hence, investors in long-duration investment grade and sovereign bond assets are almost guaranteed to lose money. We continue to favour **European loans, US and Scandinavian short-term high-yield bonds and structured credit**. The next tactical opportunity will likely be in **Asia**.

Equities: November has shown that investors are still "buying the dip". With economic growth above trend, equities remain an attractive asset class relative to bonds. We maintain a **well-balanced portfolio** with a clear **tilt toward equities in developed markets**. From a tactical perspective, we are prepared to increase our allocation to European and emerging markets and our exposure towards value again.



2 Market consensus forecasts

GDP growth %	2019	2020	2021e	2022e
World	2.8	-3.1	5.8	4.4
United States	2.3	-3.4	5.6	3.9
Eurozone	1.6	-6.4	5.1	4.2
Germany	1.1	-4.6	2.8	4.1
France	1.8	-7.9	6.7	4.0
Italy	0.4	-8.9	6.3	4.5
United Kingdom	1.7	-9.7	6.9	4.8
Switzerland	1.3	-2.5	3.5	2.9
Japan	0.0	-4.7	1.8	2.9
Emerging economies	4.3	3.1	6.4	5.0
Asia Ex-Japan	5.4	1.4	7.0	5.5
Latin America	1.3	-6.1	7.0	2.0
EMEA region	2.7	-2.8	5.3	3.5
China	6.0	2.3	8.0	5.2
India	6.5	4.0	-7.5	9.3
Brazil	1.4	-4.1	4.9	0.8
Russia	2.0	-3.0	4.2	2.5

Central bank rates %	2019	2020	2021e	2022e
US Fed Funds	1.75	0.25	0.25	0.75
ECB Main Refinancing	0.00	0.00	0.00	0.00
China 1yr Best Lending	4.35	4.35	4.35	4.30
Bank of Japan Overnight	-0.07	-0.03	0.00	0.00
UK Base Rate	0.75	0.10	0.15	0.65
Swiss 3mth CHF Libor	-0.75	-0.75	-0.75	-0.75

Major interest rates %	2019	2020	2021e	2022e
USA 3mth rate	1.9	0.2	0.2	0.7
USA 10yr Gov't Bond	1.9	0.9	1.6	2.0
Eurozone 3mth rate	-0.4	-0.5	-0.5	-0.5
Eurozone 10yr Gov't Bond	-0.2	-0.6	-0.2	0.1
China 3mth rate	3.0	2.8	2.6	2.5
China 10yr Gov't Bond	3.1	3.1	2.9	2.9
UK 3mth rate	0.8	0.0	0.2	0.7
UK 10yr Gov't Bond	0.8	0.2	0.9	1.4
Swiss 3mth rate	-0.7	-0.8	-0.7	-0.7
Swiss 10yr Gov't Bond	-0.5	-0.6	-0.1	0.1

Inflation %	2019	2020	2021e	2022e
World	3.5	3.2	3.9	3.9
United States	1.8	1.2	4.7	4.4
Eurozone	1.2	0.3	2.5	2.4
Germany	1.4	0.4	3.1	2.6
France	1.3	0.5	2.0	2.0
Italy	0.7	-0.2	1.9	2.2
United Kingdom	1.8	0.9	2.5	4.0
Switzerland	0.4	-0.7	0.5	0.7
Japan	0.5	0.0	-0.2	0.7
Emerging economies	3.9	3.0	3.5	4.0
Asia Ex-Japan	2.6	2.6	1.3	2.6
Latin America	9.6	2.8	11.9	10.8
EMEA region	6.0	5.1	8.0	7.3
China	2.9	2.5	1.0	2.2
India	3.7	6.6	6.2	5.4
Brazil	3.7	3.2	8.3	5.8
Russia	4.5	3.4	6.6	5.8

Commodities	2019	2020	2021e	2022e
NYMEX WTI oil USD/barrel	53	48	67	67
ICE Brent oil USD/barrel	58	51	71	70
Iron Ore USD/metric ton	91	159	160	73
Copper USD/metric ton	6174	7766	9560	9387
Gold USD/troy oz	1518	1899	1793	1799
Silver USD/troy oz	17.9	26.4	24.9	22.4

Exchange rates	2019	2020	2021e	2022e
EURUSD	1.12	1.22	1.14	1.16
EURCHF	1.09	1.08	1.06	1.09
USDCHF	0.97	0.89	0.93	0.94
EURJPY	122.2	126.16	130.00	132.00
EURGBP	0.85	0.89	0.84	0.84
USDJPY	108.72	103.2	114.00	115.00
GBPUSD	1.33	1.37	1.35	1.38
USDCNY	6.96	6.53	6.41	6.46
USDBRL	4.02	5.19	5.54	5.70
USD RUB	62.49	74.03	71.19	70.50

- Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q2 = data as of December 21, 2021 / PE=price-earnings / PB=price-book / EPS=earnings per share / YTW=yield-to-worst



3 Performance table

Performance				
Global equity markets	Price	Q4	2021	Div.yld
MSCI World (USD)	3185	7.5%	20.3%	1.8
MSCI World (USD) hedged	1579	8.2%	24.6%	n.a.
HFRX Global Hedge Fund	1427	0.1%	3.8%	n.a.
S&P 500	4695	10.6%	27.75	1.4
Russell 1000	2600	9.4%	25.4%	1.4
Nasdaq 100	15688	11.1%	27.1%	0.7
Stoxx Europe 600	486	7.3%	21.9%	3.0
MSCI Emerging Markets	1217	-1.7%	-4.4%	3.7
Nikkei 225	28479	-2.2%	4.9%	1.9
China CSI 300	4822	1.5%	-3.4%	2.1

Forward		EPS growth	
Equity market valuations	PE	PB	2021e 2022e
MSCI World (USD)	19.3	3.1	101% 9%
MSCI World (USD) hedged	n.a.	n.a.	n.a. n.a.
HFRX Global Hedge Fund	n.a.	n.a.	n.a. n.a.
S&P 500	21.4	4.3	79% 10%
Russell 1000	21.6	4.2	83% 10%
Nasdaq 100	27.9	7.6	65% 14%
Stoxx Europe 600	15.7	2.0	251% 7%
MSCI Emerging Markets	11.7	1.6	78% 10%
Nikkei 225	17.1	1.8	90% 9%
China CSI 300	14.3	2.0	22% 16%

Performance				
Global gov't bonds	Yield	Q4	2021	YtW
10yr US Treasury	1.76	0.4%	-3.0%	n.a.
10yr Euro gov't bond	-0.05	-0.8%	-3.1%	n.a.
10yr German gov't bond	-0.05	-0.3%	-2.8%	n.a.
10yr Italian gov't bond	1.29	-2.0%	-3.6%	n.a.

Performance				
Global bond indices	Price	Q4	2021	YtW
Barclays Global Corporate IG	294	-0.5%	-2.9%	2.0
Barclays US Corporate IG	3467	0.2%	-0.9%	2.5
Barclays Euro Corporate IG	263	0.7%	-1.0%	0.6
Barclays Emerging Market USD	1251	-0.5%	-1.6%	4.5
Barclays US Corporate HY	2444	0.7%	5.3%	4.5
Barclays Pan-European HY	439	0.0%	4.3%	3.5

Performance			
Commodities and currencies	Price	Q4	2021
Brent oil	82	-0.9%	51.5%
US Energy Services	60	-6.7%	19.4%
Copper	9544	9.0%	24.3%
Gold	1791	4.1%	-3.4%
EURUSD	1.13	-1.8%	-7.5%
EURCHF	1.05	-3.8%	-4.3%

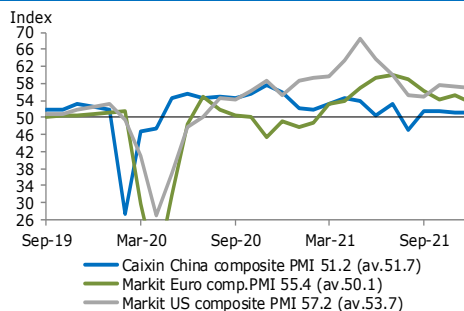
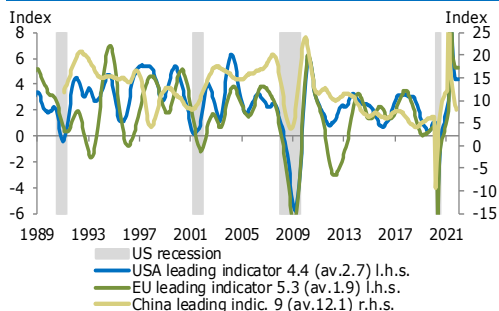
Source: Bloomberg Finance L.P., Alpinum Investment Management

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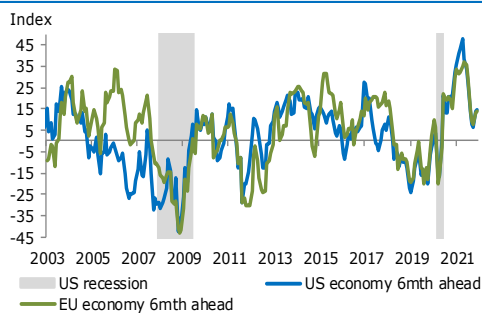
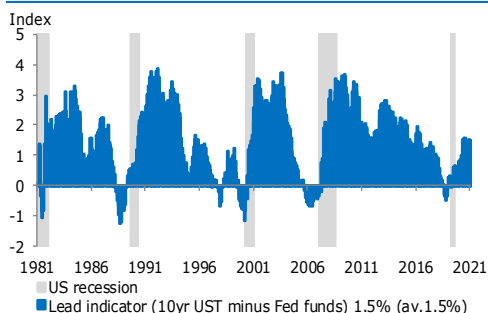


Leading indicators and manufacturing

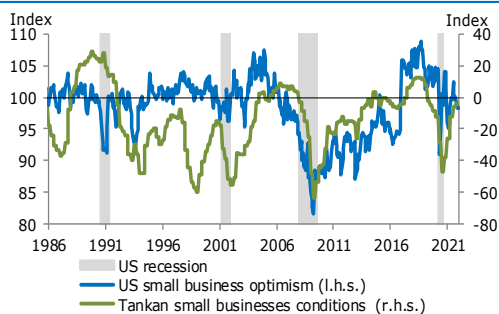
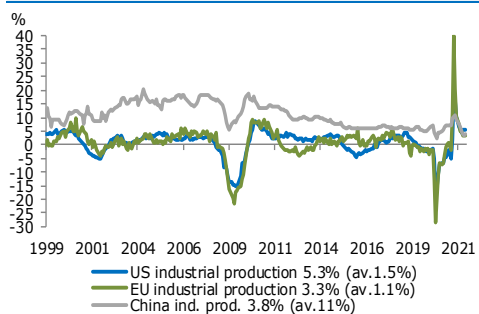
Source: Bloomberg Finance L.P., Alpinum Investment Management



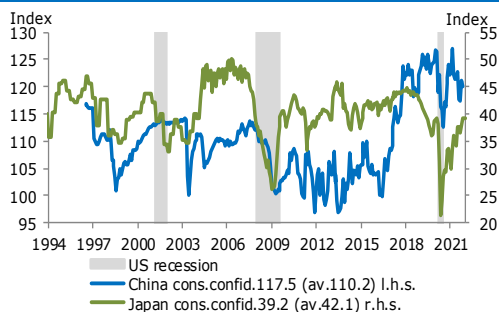
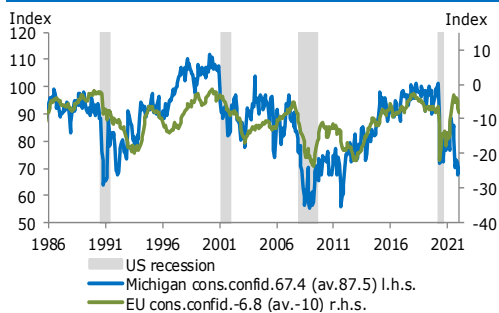
Recession indicator



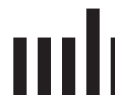
Industrial production and small businesses



Consumer confidence



Source: Bloomberg Finance L.P., Alpinum Investment Management



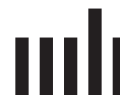
5 Scenario overview 6 months

Base case 75%	Investment conclusions
<ul style="list-style-type: none">▪ US: ~4% GDP growth in 2022 backed by continuous fiscal stimulus and still easy money, while fading. Vaccination/medication achievements serve as dominant tools to overcome high infection rates by summer. Personal consumption, infrastructure spending and capital expenditures remain elevated. Parts of the inflation pick up will be structural and provide some headwind.▪ Eurozone GDP continues to recover slightly above 4%. The EU lags the US recovery, but relative momentum is on the rise. Southern Europe is expected to see strong yoy income growth in 2022. Continuing fiscal impulse, solidarity payments from north to south and unprecedented ECB support remain in force and underpin the recovery.▪ China: GDP growth to slow from 8% to 4-5% as various restrictive policies weigh on the economy.▪ Oil: Prices remain firm with a slight upward bias as the economic recovery continues. Supply chain constraints will fade and ease pricing pressure.	<ul style="list-style-type: none">▪ Equities: Experienced a V-shape recovery and trade on 2022 earnings expectations. Equities are vulnerable with forward P/E multiples >20, but remain the "traditional" asset class of choice. Limited upside potential at current valuations. Monetary policy remains supportive, despite tapering and expected short-term rate increases. Cyclical stocks remain well bid. We recommend a balanced approach in terms of equity "style".▪ Interest rates: Negative stance on rate exposure as upward pressure on yields remains. (US) Duration exposure serves only as a diversifier and tail hedge. Less effective at current levels.▪ Credit: Credit spreads are fairly priced and corporate default rates remain low. We prefer European loans, selective Asian bonds and structured credit exposure.▪ Commodities/FX: Relative interest advantage favours USD; commodities keep upward trend.
Bull case 10%	Investment conclusions
<ul style="list-style-type: none">▪ US: GDP growth >+5%. Spike of virus infection rates under control, pandemic restrictions ease and economy transforms into "new normal". Stimulus programmes, consumer pent-up demand and capex spending fuel an already "hot" economy.▪ Europe: Continuation of economic recovery including peripherals backed by massive fiscal/monetary stimulus measures (incl. recovery fund).▪ China/EM: Limited impact of Chinese regulatory craze. Cyclical recovery as export markets recover (EU/USA) and rates in developed markets remain low. Vaccination rates gain traction.	<ul style="list-style-type: none">▪ Equities: Having already priced in a V-shaped economic recovery, markets start to discount a "Keynesian Golden Age" economy. In other words, a goldilocks environment for equities and potentially an exaggeration of equity multiples.▪ Interest rates: Rates rise and the yield curve steepens. Avoid duration as inflation revives.▪ Credit: Corporate default rates remain below historical averages. Credit in general and loans in particular benefit the most.▪ Commodities/FX: Support for commodity prices and precious metals. EUR accelerates and selective emerging market FX rates recover.
Bear case 15%	Investment conclusions
<ul style="list-style-type: none">▪ US: Recovery gets distracted to <3% in 2022 as infections spike due to new variants of the virus. Social distancing measures will be partly re-introduced and further local/regional lockdowns are required. Unemployment rates don't fall further.▪ Europe: Peripheral countries recover only slowly and a renewed fallout of international tourism takes its toll. Investors lose faith and Italian long-term yields rise. Germany's recovery gets meaningfully interrupted (EU confidence crisis 2.0).▪ China/EM: Chinese regulators push too hard at once, what leads to <4% growth in 2022 and deteriorating exports. Emerging markets disappoint as global trade is held back. Currencies depreciate	<ul style="list-style-type: none">▪ Equities: Equities fall without making new lows (mid-cycle correction). Highly priced US equities will lead the correction, followed by Europe.▪ Interest rates: Rates will go lower, but limited potential besides USD rates. Support for high quality assets (US Treasuries, A and AA corporate bonds or agency bonds). Cash is king!▪ Credit: Corporate default rates will climb again. No severe default cycle thanks to unprecedented monetary support and fiscal spending. Favour short dated high quality bonds.▪ Commodities/FX: Negative for commodity prices. The USD, CHF and JPY act as a safe haven again.
Tail risks	
<ul style="list-style-type: none">▪ Equity (IT) bubble bursting, liquidity shock.▪ An Italian sovereign debt crisis, Euro break up.▪ Military conflict in the South China Sea or Ukraine.	<ul style="list-style-type: none">▪ Vaccines lose their efficacy/new virus variants.▪ Stagflation (reversion of disinflationary era).▪ Emerging market meltdown similar to 1998.



6 Asset class assessment

Equities	Comment
<ul style="list-style-type: none">▪ We keep our slightly positive bias towards equities as they benefit from above trend GDP growth rates. While inflation is a threat, corporate revenues increase as well and profit margins remain firm. In addition, equities get natural support due to a scarcity of investment alternatives.▪ Equity multiples can stay at elevated levels as investors look through short-term disruptions and pay less attention to distorted earnings reports. Our focus is on 2022/23 earnings and a multiple of 18-20 times can be justified.▪ We believe in the co-existence of “cyclicals” and structural innovation winners (i.e. big tech). Operating leverage will be a boost for cyclical sectors.▪ Non-US equities could start to outperform. This is especially true if the USD stops strengthening. We consider building up an overweight position in Europe, but await positive price momentum.	<ul style="list-style-type: none">▪ US equities incorporate advanced valuations compared to other regions. However, the economy is also more resilient and supported by “big tech” earnings, which provide a robust floor. Hence, a valuation premium is justified.▪ With interest rates climbing, but remaining at absolute low levels, higher equity multiples are justified, but the air is getting thin at levels >20. i.e. a US P/E ratio of 22 results in an earnings yield of 4.5% and still compares well with a yield of 1.5% for 10 year government bonds. In Europe, this comparison leads to an earnings yield of 6.2% (P/E ratio of 16) compared to negative government bond yields.▪ With new more effective medications and vaccines rolled-out in Q2 2022, cyclicals and export-led stock markets, such as emerging markets, Asia and Europe should benefit the most.
Credit / Fixed Income	Comment
<ul style="list-style-type: none">▪ Rates: The near-term outlook for interest rate duration is negative. On a structural basis, duration risk is unattractive, especially in Europe, and we hold minimal exposures only. Instead, we consider duration exposure as a portfolio diversifier, whereas we favour US Treasuries.▪ IG: We hold minimal US investment grade bonds and only selective European IG bonds. Selective Asian IG bonds offer a large tactical opportunity.▪ High Yield: Loans and high yield bonds offer still relative and absolute attractive yields, whereof we prefer loans. Overall, we favour selective US short-term non-cyclical bonds, European loans and EUR CLOs of all risk categories.▪ Emerging Debt: Emerging market bonds offer a relative value advantage, whereas we favour hard currency bonds as spreads are still relatively wide, especially in Asia. We currently hold only very limited selective local currency bonds.	<ul style="list-style-type: none">▪ Despite the recent change of direction of many central banks towards tightening measures, the large absolute level of liquidity support is still the dominant force. The Fed's “Average Inflation Targeting” framework is still alive and core inflation is so far well anchored at acceptable levels.▪ The ECB is committed to keeping rates low for longer to support the economic recovery.▪ With “lower for longer”, credit spreads remain supported on a broad basis. The general market remains benign for credit, although, selective credits and sectors are priced for perfection.▪ We like the structured credit market such as US non-agency RMBS or European CLOs.▪ Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans).▪ We also identify attractive yield in “new” alternatives, but selection and a proper liquidity management are paramount.
Alternatives	Comment
<ul style="list-style-type: none">▪ Credit long-short strategies identify plenty of relative value trades, both long and short.▪ Equity long-short strategies benefit from higher volatility and increasing performance dispersion.▪ Alternative lending as an asset class is in the spotlight in a low rates environment.	<ul style="list-style-type: none">▪ The current economic environment leads to elevated corporate activity, which is a great hunting ground for active managers. Moreover, “innovative disruption” leads to more price dispersion among single securities, industries etc.▪ Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).
Real assets	Comment
<ul style="list-style-type: none">▪ Gold suffers when real interest rates rise and vice versa. Hence, it is a complex situation for gold at the moment, while rising inflation and a halt of the USD strength are supportive for gold.	<ul style="list-style-type: none">▪ The cyclical recovery is beneficial for commodity prices. Moreover, a weaker USD is beneficial for the whole commodity FX bloc. Gold suffers when (real) rates increase.



7 Asset Class Conviction Levels

Equities	Underweight	←	Neutral	→	Overweight
North America	□	□	■	□	□
Europe	□	□	□	■	□
Switzerland	□	□	■	□	□
China	□	□	■	□	□
Japan	□	□	■	□	□
Asia – Emerging Markets	□	■	□	□	□
Others – Emerging Markets	□	□	■	□	□
Fixed Income					
US - Treasury Bonds	□	■	□	□	□
Euro - Government Bonds	■	□	□	□	□
US - Investment Grade Bonds	□	■	□	□	□
Europe - Investment Grade Bonds	■	□	□	□	□
US High Yield	□	□	■	□	□
US Short Term High Yield	□	□	■	□	□
US Loans	□	□	□	■	□
US Municipal Bonds	□	□	■	□	□
European High Yield	□	□	■	□	□
European Short Term High Yield	□	□	■	□	□
European Loans	□	□	□	□	■
US/EUR Preferred Securities	□	□	■	□	□
US/EUR Asset Backed Securities	□	□	□	■	□
Emerging Market Local Currency	□	□	■	□	□
Emerging Market Hard Currency	□	□	■	□	□
Emerging Market High Yield	□	□	□	■	□
Commodities					
Gold	□	□	■	□	□
Oil (Brent)	□	□	■	□	□
Hedge Fund: Strategies					
Equity Long-Short	□	□	□	□	■
Credit Long-Short	□	□	□	□	■
Event-Driven Corporate Actions	□	□	□	□	■
Global Macro	□	□	□	□	■
Hedge Fund: Regional Focus					
Hedge Fund: North America	□	□	■	□	□
Hedge Fund: Europe	□	□	■	□	□
Hedge Fund: China/Japan	□	□	■	□	□
Hedge Fund: Emerging-Markets	□	□	■	□	□

Note: The above conviction table reflects on the one hand our view of the relative expected return of an asset class versus well-recognized benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities), but does on the other hand also partly incorporate our view of the absolute expected return versus "cash".



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