MARCUARD
HERITAGE

Quarterly investment letter – 2nd quarter 2022

Content

Summary points

- Inflation pressure is mounting and we deal with a mature business cycle with the risk of entering into a period of stagflation. In the short-term, economic downside risks are rising.
- Central banks weigh price stability over economic growth concerns and have started a new hiking cycle. A vicious wage-price inflation spiral is possible.
- Geopolitical escalation is a human tragedy. Moreover, it will have a long-lasting impact with a new global trade order and increased unity of the West ("Zeitenwende!").
- More and fast spending for defense and renewable energy in Europe, which leads to new job creation and supports economic growth.
- Peak profit margins are under severe pressure in 2022 with rising wages, higher commodity prices, increasing rates and a softer outlook for consumer demand. Price pressure will ease in 2023, but war in Ukraine makes projections difficult.
- **Conclusion**: We recommend a cautious stance towards risky assets in general and maintain a small under-weight in equities, but will buy on market weak-ness to reach a market neutral weight. Credit spreads have already adjusted meaningfully in Q1 and are fairly priced. Corporate default rates should remain muted and will not surpass historical averages. Avoid duration-heavy bonds. During a rate hiking cycle, volatility will remain high. Active management and selection skills will be rewarded. For risk-averse investors an Absolute Return approach is warranted.

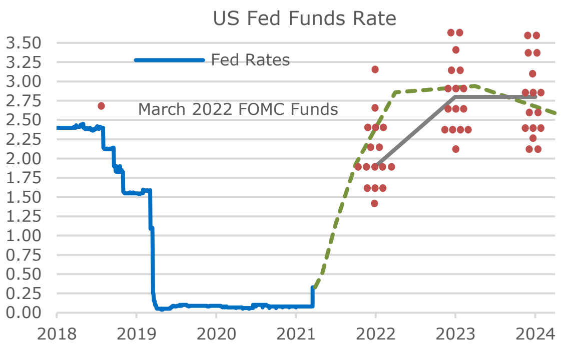
1 Regional macroeconomic backdrop

From one extreme to the other - no time to breathe

The world can currently best be summed up in a multitude of extremes: One historical event follows the other. In just 24 months, we have seen the first pandemic in a century, the deepest recession in recent history, the highest U.S. inflation rates in 40 years, and the worst military conflict in Europe in generations. The news just keeps on coming, and it's hard to find the time to look at the situation calmly and taking a breather. This is one of the reasons why it is **easy to overlook the fact that the "new normal" is anything but normal**.

Where do we go from here? Above all, we hope for peace in Europe. From a humanitarian perspective, this is an unbearable tragedy. **From an economic and geopolitical standpoint, we are in uncharted territory** with an uncertain path without precedent.

Chart 1: Rates are "normalizing" – Fed's terminal rate @ 2.8%



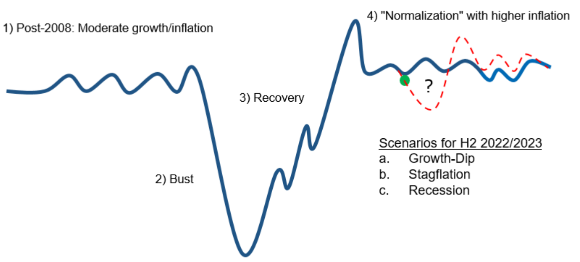
Source: Bloomberg Finance L.P., Alpinum Investment Management

The sharp **acceleration of inflation is one of the most dominant economic risks.** It affects all of us - whether we buy groceries, fill up our car tank or pay our heating bills. Hence, we need to understand how inflation will affect the "real" GDP growth path (see also chart 2), wage growth trends and investment returns. Prices are rising globally, and the **current geopolitical developments are exacerbating the already existing problems**.

An example of this is the fact that **nearly 30% of the world's wheat exports and 12% of all calories traded worldwide come from Russia and Ukraine**. Russia and Ukraine are also important producers of neon gas (which is needed for semiconductors), potash (which is used to make fertilizer) and aluminium. This means that prices for goods that have already soared during the pandemic will remain high or rise even further in the short term, causing additional economic pain. This is illustrated in the chart below, as **it is unclear yet whether we will face "only" a feel of stagflation or whether we will even enter a mild recession** later in the year.

In addition to the existing inflationary pressures, **China's zero-Covid policy could once again drive up prices along global supply chains** if production sites and trans-shipment hubs are once again forced to go into lockdown. On China's densely populated east coast, the number of omicron infections is rising sharply, which could lead to new shortages of manufacturing goods.

Chart 2: GDP growth "normalization" is interrupted



Source: Alpinum Investment Management

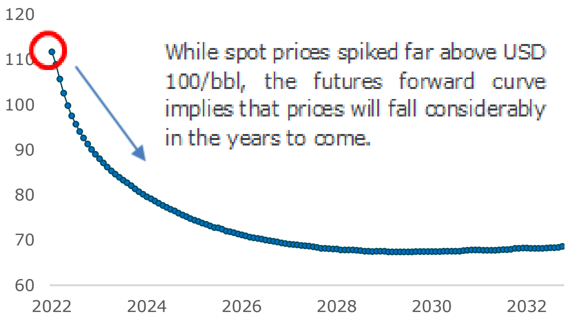
United States

At the same time, from the perspective of the central banks, **a normalization of monetary policy is becoming all the more urgent as the basis of price buoyancy widens**, especially as the risk of a decline in consumer demand due to high prices is also on the rise. This means that key interest rates will continue to rise. The Federal Reserve (Fed) has just taken a step into this direction with its first Fed rate hike to 0.25-0.50% in mid-March. The Fed's projections foresee a level of 1.9% by the end of 2022 and 2.8% for 2023 (pls see chart 1).

The Fed has increased its forecast for the PCE inflation rate to ~4.5% for 2022, which results at the same time in a **lower projected real GDP growth rate of only 2.8%**. With the current low unemployment rate of 3.5% (vs. normal neutral rate of ~4%), the **Fed made clear that it is now prioritizing price stability over growth concerns** despite the current geopolitical challenges.

As a result, the economic downside risks are increasing. This assessment becomes even more pronounced when one considers that consumer sentiment (see page 5) has deteriorated further due to markedly soaring costs. Moreover, the business outlook has also dimmed, but it is assumed that price developments will normalize in 2023, as illustrated by chart 3 with respect to oil prices.

Chart 3: Oil price spike; markets indicate normalization in '23



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

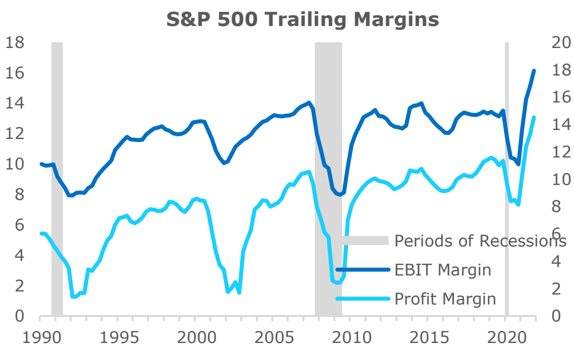
Europe

The EU is Russia's most important trading partner, accounting for ~37% of the country's total trade in goods. Conversely, however, the EU's total trade with Russia is only ~6%. Moreover, the EU is the largest investor in Russia, and Russia exports much more to the EU than it imports. Hence, the short and long-term **impact of the war on trade is disastrous for Russia** as Europe will replace Russia's oil/gas via new trading partners and renewables.

ECB President Christine Lagarde announced the start of the wind-down of the monetary stimulus, saying that inflation is "converging toward its 2% target in the medium term". Hence, the asset purchase program will be reduced and **markets price in 1-2 rate hikes by the ECB for H2**. Higher government spending on defense or renewable energy are all supporting measures that help cushion the loss of consumer purchasing power and other negative effects on growth.

In Germany, Russia's invasion of Ukraine resulted in **a tectonic shift of its foreign and security policy ("Zeitenwende")**. Within one month only, Germany has transformed from the weak link in the Western alliance to the reliable partner that the U.S. was looking for in their transatlantic partnership. Germany committed to supply weapons to Kyiv to help the Ukrainians defend themselves. In addition, EUR 100 bn will immediately be invested in the "Bundeswehr" and Germany will permanently increase the annual defense budget to 2% of GDP. Furthermore, the government stated that by 2030, 80% of Germany's electricity should come from renewables in an effort to refrain from Germany's energy dependence on Russia. To sum up, other **European countries will increase their defense and renewables spending too**, which will feel like a fiscal stimulus and push economic growth. Nevertheless, economic expansion in 2022 will be dampened by elevated commodity and living costs, while the positive effects of the reopening economy after the pandemic shock will bolster the y-o-y result. **Market consensus projects an EU growth rate of ~3%**.

Chart 4: Peak proft margins will normalize with higher costs



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

China and emerging markets (EM)

China will have a hard time meeting policymakers' ambitious target of 5.5% growth this year as the various policy regulations and constraints pose a high hurdle. While the PBoC has started to ease its monetary conditions somewhat, the authorities need to relax some of the industry policy measures, especially in the real estate sector, which is under severe stress. Commodity-rich countries such as Brazil or Chile benefit from the current boost in commodity prices, whereas commodity importers such as India face more headwind. Indian stocks in particular trade expensively with a PE ratio >20 and higher input prices are expected to hurt profit margins. Hence, **a differentiated view on EMs is required**.

Investment conclusions

After the strong post-pandemic recovery, the current business cycle has matured and faces late-cycle headwinds such as the wage-price inflation spiral, climbing interest rates and peak profit margins. Geopolitical risks propel inflation even more and require an additional risk premium for risky assets. On the positive side, absolute rates are still at historic lows, some supply-side bottlenecks are likely to be removed in H2, a possible geopolitical de-escalation would lower commodity prices and stimulate new growth momentum.

To sum it up: Rising interest rates weigh negatively for duration and risky assets in the short term, but when focusing on 2023, some headwinds will have faded and the investment outlook is a net positive, while **return expectations are capped for most traditional asset classes**. **Active management will be rewarded and an absolute return approach warranted.**

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

Bonds: Global credit spreads widened considerably in Q1 and are fairly valued in general, even attractive in some segments. Duration-heavy assets (investment grade/sovereign bonds) should be avoided**. We favor European loans**, **US and Scandinavian short-term HY bonds** and **structured credit**. The next **tactical opportunity** is emerging in selective **Asian and EM bonds.**

Equities: In the short term, equities remain vulnerable as **profit margins are under pressure** (see chart 4). However, the most harmful period is now, while price pressures will ease in H2 '22/H1'23. We recommend a minimal underweight position in equities, while taking advantage of market weakness. We favour DMs and a **balanced approach in styles.** From a tactical perspective, we prepare to increase our allocation to European and emerging markets.

2 Market consensus forecasts

GDP growth %	2020	2021e	2022e	2023e
World	-3.1	5.9	4.0	3.5
United States	-3.4	5.7	3.5	2.3
Eurozone	-6.4	5.3	3.3	2.5
Germany	-4.6	2.9	2.8	2.7
France	-7.9	7.0	3.4	2.2
Italy	-9.0	6.6	3.3	2.1
United Kindom	-9.4	n.a.	4.0	1.8
Switzerland	-2.5	3.8	2.8	1.8
Japan	-4.5	1.8	2.4	1.7
Emerging economies	3.1	4.2	4.4	4.7
Asia Ex-Japan	1.3	5.7	5.3	5.2
Latin America	-6.1	7.3	2.0	2.2
EMEA region	-2.8	n.a.	1.7	2.9
China	2.2	8.1	5.1	5.2
India	3.7	-6.6	9.1	7.8
Brazil	-3.9	4.8	0.5	1.8
Russia	-3.0	4.7	-5.5	0.4

Inflation %	2020	2021e	2022e	2023e
World	3.2	4.3	5.1	3.3
United States	1.2	4.7	6.2	2.6
Eurozone	0.3	2.6	5.4	2.0
Germany	0.4	3.2	5.4	2.1
France	0.5	2.1	3.8	1.8
Italy	-0.2	2.0	5.8	1.7
United Kindom	0.9	2.6	6.5	3.0
Switzerland	-0.7	0.6	1.3	0.7
Japan	0.0	-0.3	1.3	0.9
Emerging economies	3.0	2.9	4.9	3.9
Asia Ex-Japan	2.6	1.6	2.7	2.5
Latin America	2.8	6.2	12.6	8.8
EMEA region	5.1	8.3	14.1	7.6
China	2.5	0.9	2.2	2.2
India	6.6	5.1	5.4	5.0
Brazil	3.2	8.3	8.0	4.2
Russia	3.4	6.7	17.6	8.8

Central bank rates %	2020	2021e	2022e	2023e
US Fed Funds	0.25	0.25	1.55	2.20
ECB Main Refinancing	0.00	0.00	0.10	0.65
China 1yr Best Lending	4.35	4.35	4.30	4.30
Bank of Japan Overnight	-0.03	-0.02	0.00	0.00
UK Base Rate	0.10	0.25	1.20	1.45
Swiss 3mth CHF Libor	-0.75	-0.75	-0.70	0.00

Commodities	2020	2021e	2022e	2023e
NYMEX WTI oil USD/barrel	47	74	99	86
ICE Brent oil USD/barrel	50	77	103	91
Iron Ore USD/metric ton	159	119	73	60
Copper USD/metric ton	7766	9721	10194	10229
Gold USD/troy oz	1899	1829	1846	1868
Silver USD/troy oz	26.4	23.3	22.5	26.2

Major interest rates %	2020	2021e	2022e	2023e
USA 3mth rate	0.2	0.2	1.3	2.1
USA 10yr Gov't Bond	0.9	1.5	2.3	2.6
Eurozone 3mth rate	-0.5	-0.6	-0.2	0.2
Eurozone 10yr Gov't Bond	-0.6	-0.2	0.4	0.8
China 3mth rate	2.8	2.5	2.4	2.3
China 10yr Gov't Bond	3.1	2.8	2.9	2.9
UK 3mth rate	0.0	0.3	1.3	1.6
UK 10yr Gov't Bond	0.2	1.0	1.6	1.7
Swiss 3mth rate	-0.8	-0.8	-0.6	0.0
Swiss 10yr Gov't Bond	-0.6	-0.2	0.4	0.8

Exchange rates	2020	2021e	2022e	2023e
EURUSD	1.22	1.14	1.14	1.18
EURCHF	1.08	1.04	1.06	1.10
USDCHF	0.89	0.91	0.94	0.93
EURJPY	126.16	130.92	132.00	135.5
EURGBP	0.89	0.84	0.84	0.85
USDJPY	103.2	115.08	116.00	115.00
GBPUSD	1.37	1.35	1.35	1.39
USDCNY	6.53	6.36	6.45	6.33
USDBRL	5.19	5.57	5.40	5.18
USDRUB	74.03	75.17	102.61	105.34

- 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

Global equity markets	Price	Performance Q1	Ytd Q1	Div.yld
MSCI World (USD)	3049	-5.7%	-5.7%	1.9
MSCI World (USD) hedged	1526	-4.5%	-4.5%	n.a.
HFRX Global Hedge Fund	1409	-1.6%	-1.6%	n.a.
S&P 500	4543	-4.7%	-4.7%	1.4
Russell 1000	2506	-5.3%	-5.3%	1.4
Nasdaq 100	14754	-9.6%	-9.6%	0.7
Stoxx Europe 600	458	-6.0%	-6.0%	3.2
MSCI Emerging Markets	1125	-8.7%	-8.7%	3.0
Nikkei 225	27944	-2.9%	-2.9%	1.9
China CSI 300	4148	-16.0%	-16.0%	2.5

	Forward		EPS growth	
Equity market valuations	PE	PB	2022e	2023e
MSCI World (USD)	18	2.9	13%	8%
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	20.1	4.2	16%	10%
Russell 1000	20.3	4.0	18%	10%
Nasdaq 100	26.0	7.2	30%	14%
Stoxx Europe 600	14.0	1.9	15%	7%
MSCI Emerging Markets	12.2	1.6	-1%	11%
Nikkei 225	16.8	1.8	-5%	10%
China CSI 300	12.3	1.7	24%	16%

Global gov't bonds	Yield	Performance Q1	Ytd Q1	YtW
10yr US Treasury	2.47	-7.8%	-7.8%	n.a.
10yr Euro gov't bond	0.59	-5.9%	-5.9%	n.a.
10yr German gov't bond	0.59	-5.7%	-5.7%	n.a.
10yr Italian gov't bond	2.11	-6.7%	-6.7%	n.a.

Global bond indices	Price	Performance Q1	Ytd Q1	YtW
Barclays Global Corporate IG	272	-8.7%	-8.7%	3.2
Barclays US Corporate IG	3205	-9.0%	-9.0%	3.8
Barclays Euro Corporate IG	250	-5.3%	-5.3%	1.6
Barclays Emerging Market USD	1132	-10.6%	-10.6%	5.8
Barclays US Corporate HY	2322	-5.7%	-5.7%	6.2
Barclays Pan-European HY	419	-4.4%	-4.4%	5.5

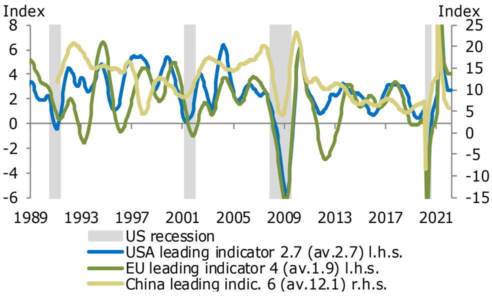
Commoditites and currencies	Price	Performance Q1	Ytd Q1
Brent oil	115	47.8%	47.8%
US Energy Services	83	56.6%	56.6%
Copper	10255	5.2%	5.2%
Gold	1929	5.5%	5.5%
EURUSD	1.10	-3.5%	-3.5%
EURCHF	1.03	-1.1%	-1.1%

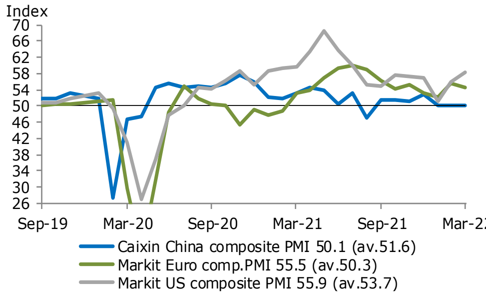
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q1 = data as of March 28, 2022 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

4 Key Charts

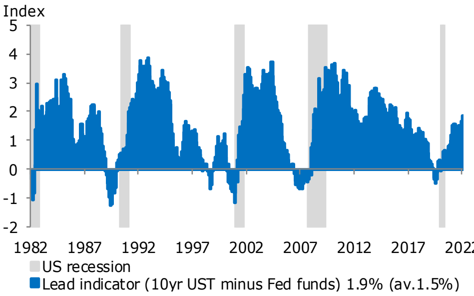
Leading indicators and manufacturing

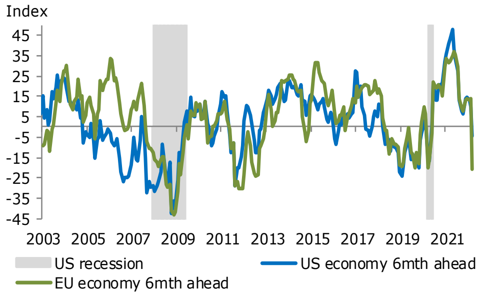
Source: Bloomberg Finance L.P., Alpinum Investment Management



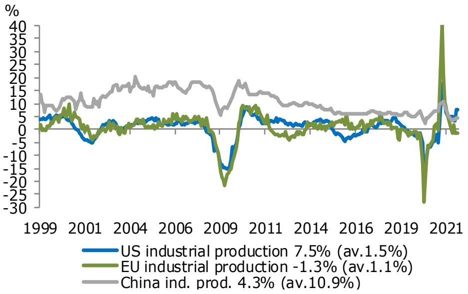


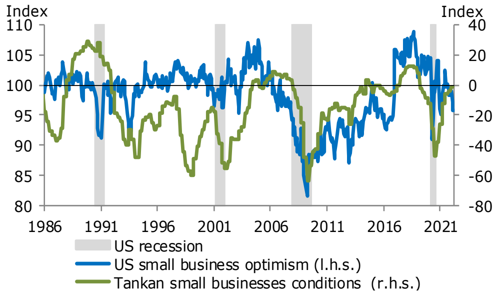
Recession indicator



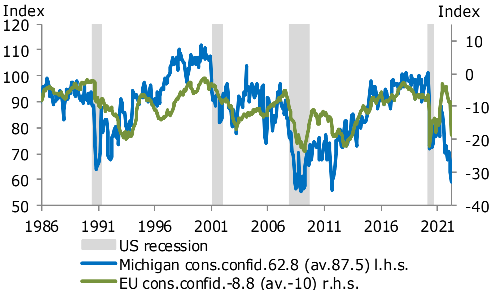


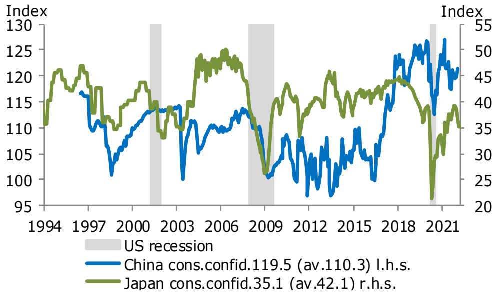
Industrial production and small businesses





Consumer confidence





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

5 Scenario overview 6 months

Base case 60%

- **US:** 2-3% GDP growth in 2022 with growth-dip in H2 flirting with stagflation. Elevated inflation pays its toll. High commodity prices weigh on consumer demand and squeeze companies' profit margins. Higher interest rates and troubled geopolitical outlook lead to an uncertain economic outlook/fewer investments. But house prices keep firm, wages increase, supply bottleneck issues eventually fade and government spending (infrastructure, old & new energy, defense) remains elevated.
- **Eurozone:** GDP at 2% plus. Slower growth dynamic caused by inflation spike, higher rates, war impact. But continuing fiscal impulse, solidarity payments, defense spending and low absolute interest level (ECB policy) are supportive.
- **China:** GDP growth slows to ~5% as various restrictive regulatory policies weigh on the economy.
- **Oil:** Prices remain elevated short term, but supply chain constraints will fade and ease price pressure.

Investment conclusions

- **Equities:** Equities face an uncertain outlook with profit margin pressure due to rising input costs, higher rates and the looming risk of a vicious wage-price spiral. Equities are vulnerable with forward P/E multiples >20, but remain the "traditional" asset class of choice. Limited upside potential at current valuations. We recommend a balanced approach in terms of equity "style" with a bias towards value.
- **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 attractively priced as corporate default rates will only marginally increase. We prefer loans, short term HY, structured credit exposure and selective Asia bonds.
- **Commodities/FX:** Relative interest advantage favors USD; commodities keep upward trend.

Bull case 15%

- **US:** GDP growth >+3%. Post-pandemic world with fading supply bottlenecks and higher consumer spending in services. Short-lived energy/commodity price spike. Economy transforms into "new normal". FED succeeds with its tempered rates' policy.
- **Europe:** Economic recovery interrupted, but not stopped; peripherals backed by massive fiscal/monetary stimulus; standing together spirit re-emerged; more defense/green energy spending.
- **China/EM:** Impact of Chinese regulatory craze is fading. Credit tightening measures get relaxed meaningfully. Confrontation with West avoided. Pandemic situation remains under control.

Investment conclusions

- **Equities:** After market correction, equities look attractive again. If an agreement in the Ukraine conflict can be found or there is no further escalation with NATO, markets resume the upward trend as inflation and stagflation worries ease. However, rising rates keep valuations in check.
- **Interest rates:** Rates move up, but yield curve avoids inversion, inflation pressure persists.
- **Credit:** Corporate default rates face only minimal increase. Credit in general and loans in particular benefit the most.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR & selective EM FX rates recover.

Bear case 25%

- **US:** Stagflation scenario with <2% growth rate in 2022 and facing <0% in H2. Low unemployment rate combined with spiking inflation kicks off wage-price spiral and leads to faster rate hikes.
- **Europe:** Inflation shock leads to weak global demand/growth. Geopolitics with lasting economic effect and international tourism does not meaningfully recover. Peripheral yields rise and Germany's recovery gets severely interrupted.
- **China/EM:** Chinese regulators fail to ease credit and regulatory measures, leading to <5% growth in 2022 and deteriorating exports. Emerging markets (ex-commodity exporters) suffer as global trade is held back. EM FX decline continues.

Investment conclusions

- **Equities:** Equities fall and test new lows. Highly priced US equities will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates will drop (inverse yield curve), but limited potential apart from USD rates. Support for high-quality assets (US Treasuries, A/AA bonds, agency bonds). Cash is king!
- **Credit:** Corporate default rates will climb again. But no severe default cycle thanks to unprecedented monetary support and fiscal spending. Favor short dated high quality bonds.
- **Commodities/FX:** Negative for commodity prices. USD, CHF and JPY act as a safe haven again.

Tail risks

- Equity (IT) bubble bursting, liquidity shock.
- An Italian sovereign debt crisis, Euro break up.
- Military conflict in the South China Sea.
- Pandemic crisis re-emerges/new virus variants.
- Nuclear escalation resulting in 3rd world war.
- Emerging market meltdown similar to 1998.

6 Asset class assessment

Equities	Comment
▪ After the market correction, we propose a "buying the dip-approach" and we are closing our slight underweight positioning in equities. Inflation remains the primary threat accompanied by rising rates. Nevertheless, equities still get natural support due to a scarcity of investment alternatives in a traditional portfolio construction framework. ▪ Equity multiples can stay at elevated levels as absolute rates remain low and investors will soon switch their focus on the earnings outlook for 2023 giving less weight to the current inflation bump. ▪ We believe in the co-existence of "value" and structural innovation winners (i.e. renewables). Cyclicals will feel the higher cost burden in 2022. ▪ Non-US equities and European in particular trade with attractive valuations and are posed to outperform when the escalation in Ukraine fades and the USD stops strengthening.	▪ US equities incorporate advanced valuations vs. other regions. However, the economy is also more resilient, less impacted by Ukraine conflict and supported by "big tech" earnings. 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 20 results in an earnings yield of 5% and still compares well with a yield of 2.4% for 10-year government bonds. In Europe, this comparison leads to an earnings yield of ~6% (P/E ratio of ~15/16) compared to 0%-yielding government bonds. ▪ While the pandemic is out of the headlines for now, a spreading of the military conflict poses the main downside risk as this could result in more structural than cyclical inflation worries.

Credit / Fixed Income	Comment
▪ **Rates**: The near-term outlook for interest rate duration is very 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 favor 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 fair relative and absolute yields, whereof we prefer loans. Overall, we favor selective US short-term non-cyclical bonds, European loans and EUR CLOs of all risk categories. ▪ **Emerging Debt:** After recent sell-off in emerging and Asian debt markets, plenty of opportunities are opening up, but momentum is still negative and elevated cautiousness is warranted. We still avoid local currency bonds.	▪ The change of direction of all major central banks towards tightening measures is a structural headwind for all fixed income assets. ▪ The ECB is expected to raise rates in H2 and the Fed to continue its hiking path. Avoid duration-heavy assets. ▪ Credit spreads have repriced and look fairly valued in general. A low economic growth scenario is benign for credit, although selective credits and sectors will face severe margin squeezes. Corporate default rates will increase, but will not exceed long-term average levels. ▪ 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
▪ Credit long-short strategies identify plenty of relative value trades, both long and short. ▪ Equity long-short strategies benefit from high volatility and increasing performance dispersion. ▪ Alternative lending as an asset class is in the spotlight in a low or rising rates environment.	▪ Current economic environment benefits from elevated corporate activity, which is positive 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
▪ Commodities benefit from "de-globalization" (protective measures) and supply-side constraints. ▪ Gold suffers when real interest rates rise and vice versa; a complex situation for gold at the moment.	▪ High inflation environment is beneficial for commodity prices. ▪ Backwardation offers favorable trading opportunities.

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 Hiegh 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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