MARCUARD
HERITAGE

Quarterly investment letter –
1st quarter 2023

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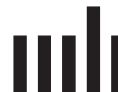
Summary points

- The **economic cycle has turned negative**, driven by increased inflationary forces and geopolitical issues. The US economy could experience a period of **stagflation**, the **eurozone most likely a mild recession**, and **China is held back by its inadequately implemented covid policies and regulatory measures**.
- In the **US macro data continued to point to a resilient economy** in the US with consumer spending and labor markets showing signs of strength.
- **Europe is expected to fall into recession** in the fourth quarter of 2022. The **inverted yield curve in German bond markets** also suggests that Europe's leading **economy is heading for recession.**
- **China's economy will miss its GDP growth target** of 5.5% for 2022. Latest estimates point to a **decline of Chinese GDP growth to 3.2% in 2022**. This would be the weakest pace since the 1970s, had the pandemic not broken out in 2020.
- **Conclusion: Market volatility will remain elevated** given the uncertain economic backdrop we have to deal with. In such a market environment**, agile and tactical portfolio management is crucial**, as things can change rapidly. At current valuation levels and from a risk/return perspective **we prefer selective credit over equities**. Hence, we maintain our small underweight position in equities. We consider **non-cyclical short-term high yield bonds with yields of 8%** as very attractive and hold duration risk primarily as a portfolio diversifier. It is an environment in which an absolute return **approach is preferred vs. a classic relative value mandate**.

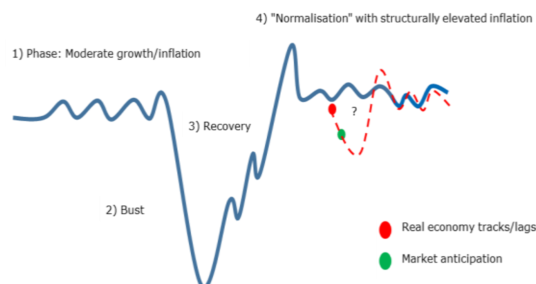


1 Regional macroeconomic backdrop

Economic realities await us in 2023

The year 2022 will be remembered as the year with the **sharpest decline in bond markets** in many decades, caused by unprecedented **hyperinflation** and exceptionally **tight monetary policy** by central banks. After the abrupt regime change in 2022, what will 2023 hold for investors? We face the (unpleasant) economic realities, which means a move towards “normalcy” challenged at the same time with a prolonged period of **higher structural inflation and interest rates as well as rising unemployment rates.** Companies will face earnings declines and profit margin pressure. Thus, in 2023 **global growth will slow** in most developed countries, with a still uncertain end-result: weaker economy, stagflation or recession?

Chart 1: Normalization with structurally higher inflation



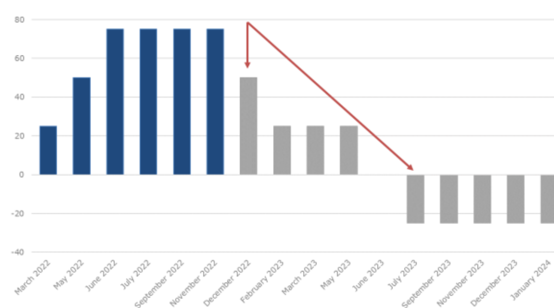
Source: Bloomberg Finance L.P., Alpinum Investment Management

With inflation reaching levels not seen in decades, previously strong consumer spending and consumer sentiment will be affected by the cost-of-living crisis. **Central banks**, which were forced to respond aggressively to price increases in 2022, **will maintain a restrictive stance** at least through the second quarter of 2023 to further reduce inflationary pressures by cooling demand and preventing unintended loosening of financial conditions. **By the end of 2023, however, inflation should have fallen** to a level low enough to encourage policymakers **to consider interest rate cuts**. Nevertheless, history teaches us that such journeys can also lead over bumpy roads.

United States

In the final quarter of the year, macro data continued to point to a **resilient economy in the US**. Despite concerns about rising interest rates and recessionary tendencies, **key indicators for consumer spending and labour markets continued to show signs of strength**. In November, the US economy created more jobs than expected and the **unemployment rate remained unchanged** at 3.7%, despite the Fed's aggressive measures to slow down the economy and lower inflation. More positive news came from the **consumer price index**, which **fell from 7.7% year-on-year to 7.1%** in November, below the expected 7.3% year-on-year, reinforcing the belief that the **peak of inflation is behind us**. After the Fed raised rates by 0.75% at each of the last four FOMC meetings, Jerome Powell raised rates by 0.50% in December, confirming that smaller rate hikes are likely in the future. Nevertheless, monetary policy is likely to remain restrictive for some time until real progress on inflation is seen, as rate hikes and the Fed's reduction of bond holdings usually take time to settle into the system.

Chart 2: Expected US interest rate hikes/cuts in basis points



Source: Alpinum Investment Management

On the back of this promising economic data and the expectation of a less aggressive Fed, the **S&P 500 rallied 7%** from its September low and crossed the 4,000 mark in November. On the other hand, **bond markets indicated an increased risk of an (mild) economic recession** with the yield curve inversion at its highest level in decades (-0.84).

Europe

Eurozone GDP surprised on the upside in the third quarter and lifted growth for 2022. Although economic indicators continued the positive trend in the first part of the fourth quarter, **the eurozone economy is expected to fall into recession** in the fourth quarter of 2022. The i**nverted yield curve in German bond markets** also suggests that Europe's leading **economy is heading for recession**. The yield on the two-year Schatz hit its highest level in a decade.

During the quarter, **eurozone inflation fell slightly**, from 10.6% year-on-year to 10.1% year-on-year, with energy and food continuing to contribute to the high inflation numbers, albeit with a significant decline in energy. Although **energy prices have fallen 60% since peaking in August**, Europe has announced plans that include an initial version of a price cap and a common procurement system. In addition, **Europe will support households and businesses with a new EUR 40 billion stimulus program** to address the energy crisis. To fight inflation ECB began 2022 with a 50 bps hike in July and two 75 bps rate hikes in September and November. In December the ECB raised the interest rates by another 50 bps **bringing the deposit rate to 2.0%**. The ECB will likely slow down its interest rate hike pace with an expected terminal deposit rate of 3%. During the quarter, Europe witnessed a **change in political leadership in two countries**. Rishi Sunak was appointed as the new prime minister, reversing many of the previous chancellor's tax cuts and promising to present a much more austere budget. In Italy, **Giorgia Meloni**, known as a Eurosceptic, won the elections with her right-wing “Brothers of Italy“ party and was **named the country's first female prime minister**.

Chart 3: Inverted German yield curve anticipates recession

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

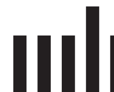
China and emerging markets (EM)

This year, for the first time, **Beijing will fall well short of its GDP growth target**, which is 5.5% for 2022. The IMF estimates that **Chinese GDP growth will decline to 3.2% in 2022**. This would be the weakest pace since the 1970s, had the pandemic not broken out in 2020. During the quarter, both **import and export growth** continued to face strong global as well as domestic **headwinds**. Chinese import data slumped in November, while export growth continued to contract month-on-month. The **shift in consumption from goods to services** is impacting not only global output but also demand for Chinese goods. Although the country is in the midst of a third major COVID-19 wave, **Beijing started a more growth-friendly course** after months of economic turmoil triggered by covid record outbreaks and a property market crisis.

The pressure also came from unprecedented protests by the Chinese people expressing their deep disappointment and frustration with the country's three-year zero Covid policy. As a result, Chinese authorities had no choice but to announce **various measures to ease covid restrictions** to appease citizens' displeasure. Another positive signal came from the **revival of the real estate market**, which has been in a downturn since mid-2021, supported by a significant Swing in a real estate policy with **announcement of “16-point plan”** by the Chinese authorities. To illustrate the importance of this policy measure, it is worth noting that the **real estate market has historically accounted for one-third of China’s GDP**. Consequently, investor **sentiment toward China increased**, and the MSCI China Index and CSI 300 Index rose 35% and 9% respectively from their late October lows.

Chart 4: China’s GDP growth since the 1985s

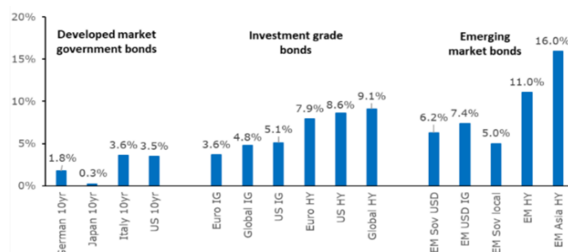
Source: Bloomberg Finance L.P., Alpinum Investment Management



Investment conclusions

The economic cycle has turned negative, driven by increased inflationary forces and geopolitical issues. **The US economy** could experience a **period of stagflation**, the **eurozone** most likely a **mild recession**, and China still faces headwinds with its Covid-policy and regulatory measures. We are living in the **transition phase from a "pandemic world" to a "normal" economic cycle with inflation pressures**, while at the same time being challenged by the escalation of the conflict between Ukraine and Russia. In 2022, stock prices fell, credit spreads widened, and interest rates rose steeply. We are in a **late-stage economy** with (peaking) inflationary pressures on the brink of recession. This combined with an interest rate normalization phase and geopolitics **urge caution**.

Chart 5: Yield-to-worst of global bond segments



Bonds: Monetary policy is in tightening mode worldwide, led by the pace of the US Fed. Currently, markets are assuming a policy rate close to 5%. After the recent sell-off in credit, selective credit is attractively valued. We expect **short and long rates to converge** somewhat over the next 6-9 months (bear flattening). Therefore, long duration investment grade and sovereign bond as-sets should be avoided. We continue to **favour higher rated European loans, non-cyclical US and Scandinavian short-term HY bonds**, as well as **senior exposure in structured credit.**

Equities: Equity multiples remain challenged by rising interest rates and vulnerable/shrinking profit margins. We have **increased our conviction on emerging market equities**, maintaining a mixed approach with a slight tilt towards value.

At this point along the way, we are **preparing for further volatility** and focusing accordingly on **preserving capital**. Having said that, investors shall remain cautious by adopting an **active** and **controlled downside-risk management** within an **absolute return approach**.

2 Market consensus forecasts

GDP growth %	2020	2021	2022e	2023e
World	-3.0	6.0	3.1	2.1
United States	-2.8	5.9	1.9	0.3
Eurozone	-6.1	5.3	3.2	-0.1
Germany	-3.7	2.6	1.7	-0.6
France	-7.8	6.8	2.5	0.2
Italy	-9.0	6.7	3.8	0.0
United Kindom	-11.0	8.5	4.4	-1.0
Switzerland	-2.5	4.3	2.0	0.6
Japan	-4.3	2.3	1.4	1.2
Emerging economies	3.1	4.4	3.0	4.0
Asia Ex-Japan	1.3	5.6	3.2	4.8
Latin America	-5.8	8.2	3.8	1.1
EMEA region	-2.5	5.7	0.7	0.5
China	2.2	8.1	3.0	4.9
India	3.7	-6.6	8.7	6.9
Brazil	-3.3	5.2	3.0	0.8
Russia	-2.7	4.7	-3.3	-3.0

Inflation %	2020	2021	2022e	2023e
World	3.2	4.7	7.5	5.2
United States	1.2	4.7	8.0	4.0
Eurozone	0.3	2.6	8.5	6.1
Germany	0.4	3.2	8.8	6.5
France	0.5	2.1	6.0	5.1
Italy	-0.2	2.0	8.6	6.6
United Kindom	0.9	2.6	9.1	7.2
Switzerland	-0.7	0.6	2.9	2.1
Japan	0.0	-0.3	2.4	1.8
Emerging economies	3.6	3.6	6.4	5.7
Asia Ex-Japan	2.6	1.7	2.7	3.1
Latin America	7.8	11.9	19.3	19.5
EMEA region	5.1	8.2	21.2	14.2
China	2.5	0.9	2.1	2.3
India	6.6	5.1	5.4	6.7
Brazil	3.2	8.3	9.3	5.0
Russia	3.4	6.7	13.8	5.8

Central bank rates %	2020	2021	2022e	2023e
US Fed Funds	0.25	0.25	4.5	4.7
ECB Main Refinancing	0.00	0.00	2.5	3.05
China 1yr Best Lending	4.35	4.35	4.30	4.30
Bank of Japan Overnight	-0.03	-0.02	-0.10	0.00
UK Base Rate	0.10	0.25	3.50	4.00
Swiss 3mth CHF Libor	-0.75	-0.75	1.25	1.25

Commodities	2020	2021	2022e	2023e
NYMEX WTI oil USD/barrel	47	69	94	75
ICE Brent oil USD/barrel	50	72	100	79
Iron Ore USD/metric ton	159	119	120	60
Copper USD/metric ton	7766	9721	8752	8359
Gold USD/troy oz	1899	1829	1793	1866
Silver USD/troy oz	26.4	23.3	21.6	24.7

Major interest rates %	2020	2021	2022e	2023e
USA 3mth rate	0.2	0.2	4.5	4.4
USA 10yr Gov't Bond	0.9	1.5	3.8	3.5
Eurozone 3mth rate	-0.5	-0.6	2.2	2.6
Eurozone 10yr Gov't Bond	-0.6	-0.2	2.1	1.9
China 3mth rate	2.8	2.5	2.6	2.5
China 10yr Gov't Bond	3.1	2.8	2.8	2.9
UK 3mth rate	0.0	0.3	3.4	3.2
UK 10yr Gov't Bond	0.2	1.0	3.4	3.2
Swiss 3mth rate	-0.8	-0.8	1.0	1.4
Swiss 10yr Gov't Bond	-0.6	-0.2	1.2	1.3

Exchange rates	2020	2021	2022e	2023e
EURUSD	1.22	1.14	1.00	1.07
EURCHF	1.08	1.04	0.98	1.01
USDCHF	0.89	0.91	0.97	0.94
EURJPY	126.16	130.92	144.50	141.00
EURGBP	0.89	0.84	0.88	0.89
USDJPY	103.20	115.08	144.00	131.00
GBPUSD	1.37	1.35	1.15	1.22
USDCNY	6.53	6.36	7.20	6.86
USDBRL	5.19	5.57	5.25	5.20
USDRUB	74.03	75.17	62.50	70.00

- Source: Bloomberg Finance L.P., Alpinum Investment Management
  Note: Q4 = data as of December 21, 2022 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

3 Performance table

		Performance		
Global equity markets	**Price**	**Q4**	**Ytd Q4**	**Div.yld**
MSCI World (USD)	2593	9.0%	-19.8%	2.3
MSCI World (USD) hedged	1347	7.2%	-15.7%	n.a.
HFRX Global Hedge Fund	1365	0.0%	-4.6%	n.a.
S&P 500	3822	6.6%	-19.8%	1.7
Russell 1000	2096	6.3%	-20.8%	1.7
Nasdaq 100	11072	0.9%	-32.2%	1.0
Stoxx Europe 600	424	9.4%	-13.0%	3.6
MSCI Emerging Markets	951	8.6%	-22.8%	3.4
Nikkei 225	26388	1.7%	-8.3%	2.3
China CSI 300	3831	0.7%	-22.5%	2.5

	Forward		EPS growth	
Equity market valuations	**PE**	**PB**	**2022e**	**2023e**
MSCI World (USD)	15.5	2.6	11%	5%
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	17.4	3.7	14%	7%
Russell 1000	17.6	3.5	15%	7%
Nasdaq 100	22.2	5.4	14%	13%
Stoxx Europe 600	12	1.7	25%	2%
MSCI Emerging Markets	11.4	1.5	-8%	1%
Nikkei 225	14.5	1.5	4%	-1%
China CSI 300	13.2	1.7	9%	18%

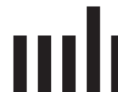
		Performance		
Global gov't bonds	**Yield**	**Q4**	**Ytd Q4**	**YtW**
10yr US Treasury	3.68	2.0%	-14.0%	n.a.
10yr Euro gov't bond	2.29	-0.6%	-18.5%	n.a.
10yr German gov't bond	2.29	-1.4%	-17.4%	n.a.
10yr Italian gov't bond	4.45	1.3%	-21.3%	n.a.

		Performance		
Global bond indices	**Price**	**Q4**	**Ytd Q4**	**YtW**
Barclays Global Corporate IG	250	6.2%	-16.1%	5.0
Barclays US Corporate IG	2994	4.5%	-15.0%	5.3
Barclays Euro Corporate IG	230	2.0%	-12.9%	4.1
Barclays Emerging Market USD	1076	6.8%	-15.1%	7.4
Barclays US Corporate HY	2203	5.0%	-10.5%	8.7
Barclays Pan-European HY	389	4.7%	-11.1%	8.3

		Performance	
Commodities and currencies	**Price**	**Q**	**Ytd Q4**
Brent oil	80	-9.4%	2.4%
US Energy Services	81	35.0%	53.4%
Copper	8392	11.5%	-14.7%
Gold	1816	9.3%	-0.7%
EURUSD	1.06	8.5%	-6.5%
EURCHF	0.99	1.8%	-5.0%

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

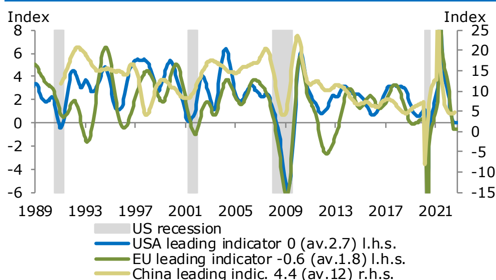
Note: Q4 = data as of December 21, 2022 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

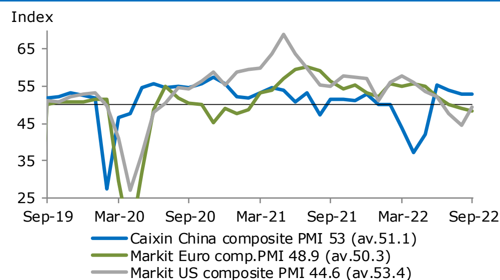


4 Key Charts

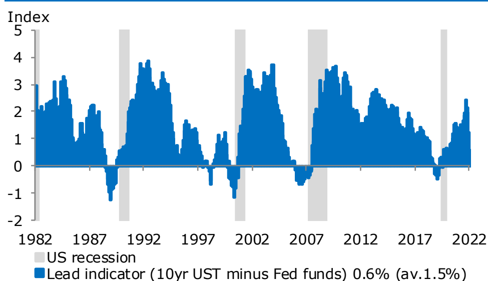
Leading indicators and manufacturing

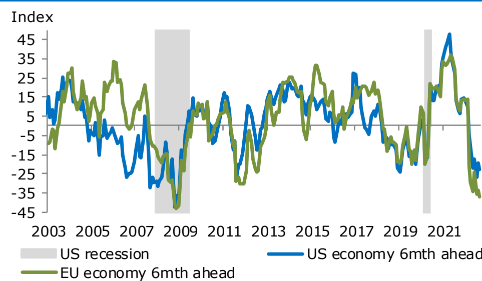
Source: Bloomberg Finance L.P., Alpinum Investment Management



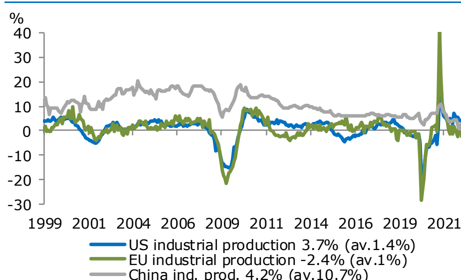


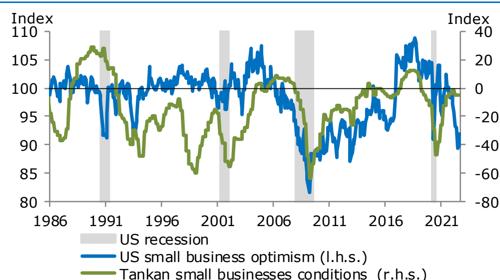
Recession indicator



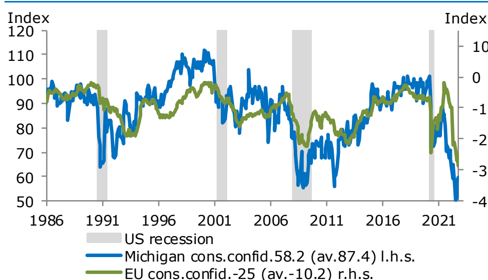


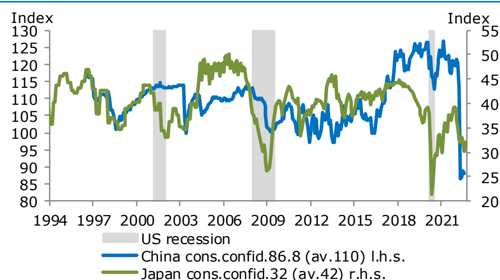
Industrial production and small businesses



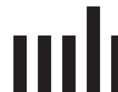


Consumer confidence





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



5 Scenario overview 6 months

Base case 65%	Investment conclusions
▪ **US:** Economic slowdown/stagflation environment, touching also minimal negative real GDP growth rates, while printing high nominal GDP numbers. Elevated, but peaking inflation weighs on consumer demand and pressures companies' profit margins. High(er) interest rates and geopolitical tensions remain a key concern for the economic outlook and lead to fewer investments. House prices decelerate, while wages increase and supply bottleneck issues fade. Government spending (i.e. infrastructure, old & new energy, defense) remains elevated and supportive. ▪ **Eurozone:** Stagflation turns into a mild recession. 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 rates remain depressed but move away from 0% Covid-policy revives economy. ▪ **Oil:** As supply chain constraints fade and recession fears mount, price pressure eases in the short-term.	▪ **Equities:** Equities face uncertain outlook with profit margin pressure due to elevated input costs, higher rates and looming risk of vicious wage-price spiral. Equities are more reasonably valued after correction but lack a sustained upside potential with forward P/E multiples of ~18 and upcoming profit margin pressures. We recommend a balanced approach in terms of equity "style" with a bias towards value. ▪ **Interest rates:** Slight negative bias on rate exposure as upward pressure on yields remains, but (US) duration exposure serves as a valuable diversifier and tail hedge in case of a severe recession. ▪ **Credit:** Credit spreads have adjusted and are selectively attractive, despite an increase/normalization of corporate default rates in 2023. We prefer loans, short-term HY, senior exposure in structured credit and very selective EM/Asia bonds. ▪ **Commodities/FX:** USD strength is going to fade; selective cyclical commodities face headwind, while a structural inflation may support commodities.

Bull case 20%	Investment conclusions
▪ **US:** Sub-par GDP growth rate (1-2%). Fed succeeds with its tightening policy and inflation decelerates. Supply chain bottlenecks fade, and consumer spending is supported by high savings and wage increases. Energy prices decelerate, firms keep capex spending alive. Economy transforms into "new normal". ▪ **Europe:** Temporary growth halt with mild recession; peripherals backed by continued fiscal/monetary policy support; standing together spirit holds; significantly more defense/green energy spending. ▪ **China/EM:** Impact of Chinese regulatory craze is fading. Credit easing measures gain traction. Further escalation with West avoided. Pandemic situation fragile, but zero-tolerance policy is not coming back.	▪ **Equities:** After market correction, equities look more attractive. Firms reduce labor vs. capital spending to increase (keep) profitability. If a de-escalation in the Russia-Ukraine conflict can be reached, markets will recover a large part of the 2022-losses. However, inflation pressure and higher rates keep valuations in check. ▪ **Interest rates:** Long-term rates move slightly up, bear flattening curve; inflation pressure persists. ▪ **Credit:** Corporate default rates increase towards long-term average. Credit in general and short-term HY bonds in particular benefit the most. ▪ **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates recover.

Bear case 15%	Investment conclusions
▪ **US:** Mild recession with danger to stay for longer, but still positive nominal GDP growth. Low unemployment rate combined with resilient inflation kicks off wage-price spiral and sustained rate hike in-creases. ▪ **Europe:** Moderate recession with risk of lasting economic weakness due to war/geopolitics and inflation/high energy prices. No sustained recovery of international tourism. Peripherals suffer from yield increases and Germany from elevated energy costs. ▪ **China/EM:** Chinese regulators fail to ease credit and regulatory measures enough, leading to 2-3% GDP growth in 2023 and deteriorating exports. Emerging markets (ex-commodity exporters) suffer as global trade is held back. EM FX decline does not stop.	▪ **Equities:** Equities fall and test new lows. Highly priced US equities will lead the correction, followed by Europe. ▪ **Interest rates:** Long-term rates drop (further yield curve inversion), but limited potential apart from USD rates. Support for high-quality assets (Treasuries, A/AA bonds, agency bonds). Cash is king! ▪ **Credit:** Corporate default rates climb and approach higher end of long-term average levels, but severe default cycle is avoided. Favor short dated high-quality bonds and cash. ▪ **Commodities/FX:** Negative for commodity prices. USD, CHF and JPY act as a safe haven again.

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

6 Asset class assessment

Equities

- After the market correction, valuation levels have somewhat normalized and approach “neutral land”.
- However, the looming risk of a severe economic slowdown asks for an additional risk premium, which contributes further to an uncertain outlook for the asset class. Another negative factor for equities remains the competition of other asset classes, namely the increasing interest rate levels with short-term US Treasury bonds approaching 5%.
- The upside potential is limited due to the continued high inflation (input costs; profit margin pressure) and lower economic growth prospects (weakening demand).
- Non-US equities trade with more attractive valuations and are poised to outperform if a de-escalation in the Ukraine conflict emerges and if USD weakens.

Comment

- Equity multiples have adjusted downwards but will feel additional pressure if rates further increase. A current P/E ratio of 18 for the S&P translates into an earnings yield of only 5.5%!
- Market consensus estimates that US earnings will grow by 6% in 2022 and 3% in 2023: An optimistic outcome, when history suggests that earnings tend to drop by 10-20% if a re-cession occurs.
- Military conflict leads to more structural inflation pressure (less globalization/productivity, less efficient/safer supply chains, more protectionism).
- US equities incorporate advanced valuations vs. other regions. However, the economy is also more resilient, less impacted by the Ukraine conflict and supported by “big tech” earnings. Hence, a certain valuation premium is justified.

Credit / Fixed Income

- **Rates**: The near-term outlook for interest rate duration remains negatively biased. However, most of the interest rate move is behind us – evidenced by US (10 year) real rates ranging between 1 and 1.5%. We hold minimal allocations in duration and consider duration exposure mainly as a port-folio diversifier, whereas we favour US Treasuries.
- **IG**: We hold minimal US investment grade bonds and only selective European IG bonds. Selective EM/Asia IG bonds offer a tactical opportunity.
- **High Yield:** Loans and high yield bonds offer fair relative and attractive absolute yields. Overall, we favor selective US short-term non-cyclical bonds, European loans & senior/mezzanine CLO tranches.
- **Emerging Debt:** After the sell-off in 2022 in emerging and Asian debt markets, plenty of opportunities exist and are a tactical buy. We are still cautious on local currency bonds.

Comment

- The direction of all major central banks towards tightening measures is a structural headwind for all fixed income assets, but headwind fades.
- The ECB continues to raise rates in Q1 2023 as will the US Fed, albeit at a lower speed. Avoid EU-peripherals and keep duration exposure limited.
- Credit spreads have repriced and look fairly valued in general. Current wider spread levels compensate for a softer economic outlook, but not for a deep recession. Corporate default rates will increase and approach long-term average levels.
- We like the structured credit market such as selective 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

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short strategies benefit from high volatility and elevated performance dispersion.
- Alternative lending as an asset class is in the spotlight in a low or rising rates environment.

Comment

- Current fragile economic environment benefits 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

- Cyclical headwind. Commodities benefit partly from “de-globalization” (protective measures) and supply-side constraints.
- Gold suffers when real interest rates rise and vice versa; a headwind situation for gold at the moment.

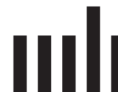
Comment

- High inflation environment is beneficial for commodity prices, but cyclical downturn is negative. China re-opening will become a game changer.
- Supply-side disruption offers favorable trading opportunities, i.e. in gas or power.

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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