Quarterly Investment Letter – Outlook 2018

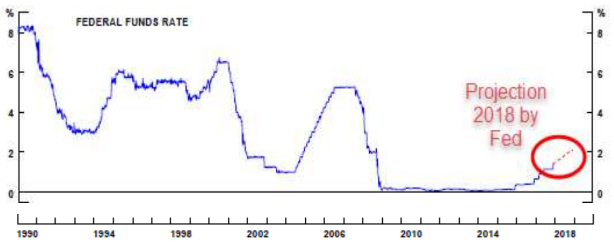
Q1/2018

Economic growth gains momentum in H1 2018

In last year's 2017 outlook, we expected that the world would shift regimes to become more pro-growth, stretching economic growth even further. That is what happened and the year provided investors with great returns across all risky assets with almost no volatility along the way.

It is quite amazing to look back on the year and to realise that the markets shrugged-off so many negative situations and events like the U.S. Russian-interference investigation, the Catalonian referendum, the French and German elections, the escalating tension with North Korea and the many devastating hurricanes/earthquakes hitting North America. Despite these events, **2017 posts one of the best years on a risk-adjusted basis** for a traditional balanced portfolio.

Chart 1: Fed rate expected to reach 2% level in 2018



Source: BCA / Alpinum Investment Management

The FED raised interest rates 3 times (+0.75%), and the ECB communicated its QE tapering plan as both U.S. and European economies have performed very well. Europe has been able to avoid being dragged down by Brexit negotiations while the U.K. has witnessed the first Brexit-related cracks to its so far quite resilient economy. Japan, helped by continued easy monetary policy by the BoJ, has been able to positively surprise.

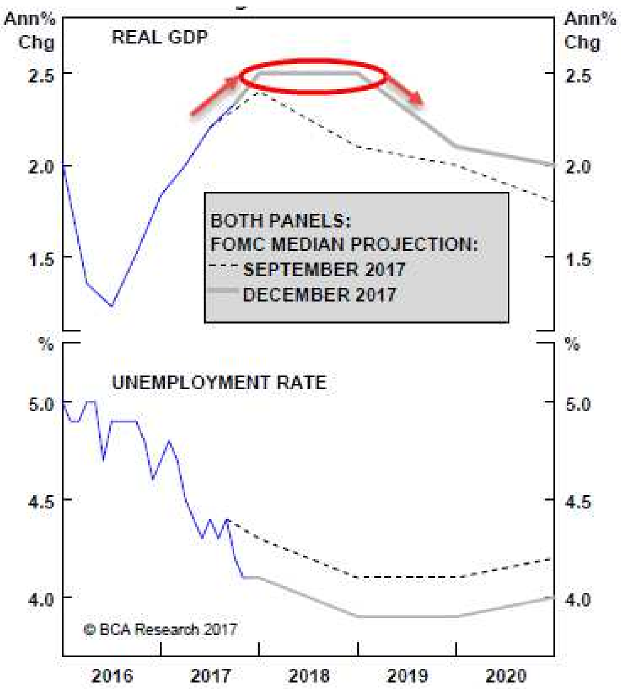
What can we expect of 2018? In a nutshell, more of the same. **The U.S. will continue to lead the way** for European and most Emerging Markets, alt-

Summary Points

- Global growth momentum to accelerate and to slightly surpass pace of 2017 of 3.6% (estimate) GDP growth.
- U.S. tax cuts might add up to 0.5% of U.S. GDP growth.
- China's GDP growth is expected to soften towards 6.5% while reforms will continue.
- Stay pro-risk but get ready to turn more cautious as the year unfolds.
- Surging U.S. inflation and high asset valuations represent the greatest risks to our positive risk scenario.
- All traditional asset classes trade at expensive valuations. On a risk-/return outlook perspective, equities look the most attractive, but more volatility needs to be incorporated heading into 2018.
- European and Emerging Market equities provide better value than U.S. equities, especially in small to mid-cap names.
- Favour (consider) active managers at this later cycle market, especially when investing in small and mid-caps.
- Equity long short strategies and hedge funds in general are beneficiaries when volatility and dispersion are expected to rise (especially if supported by higher trending markets).
- Keep duration low and stay away from Government bonds and high quality investment grade bonds until UST 10 year bonds trade around 3%.
- We expect U.S. High Yield and Loan defaults to remain depressed in 2018. Harvest illiquidity premium whenever possible.
- Favour Emerging Market Local Currency over Hard Currency bonds.

hough this global growth synchronisation is less mutually dependent than 10 years ago. U.S. tax cuts will provide a boost to an already solid economy, while Europe's latest positive Brexit negotiations have the potential to relieve the region from unnecessary headwinds. China should manage to continue to reform its economy, with the risk that its growth could negatively surprise investors along the way, creating unwanted uncertainty and related volatility.

Chart 2: US growth expected to peak in 2018



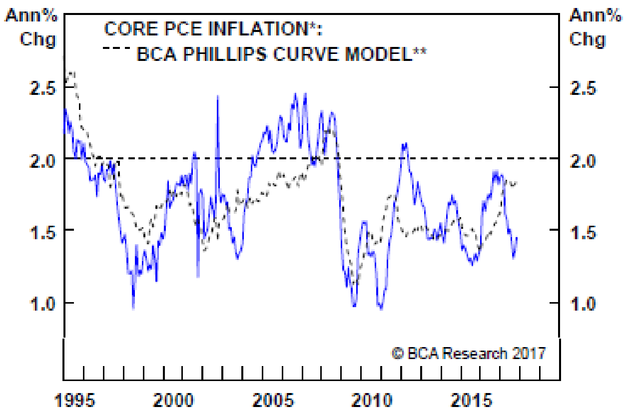
Source: BCA / Alpinum Investment Management

The world's growth was relatively strong in 2017, with Emerging Markets clearly recovering after a few disappointing years. The European economy has proved to be very resilient following Brexit and the many important elections it faced. For the first time since the great recession of 2008/2009, we now believe that Europe has finally set the stage for a sustained recovery. We were not surprised about the resilience of the American economy, but somehow pleased that Trump's initiatives to stimulate it further were delayed by Congress. This allowed the economy to continue to grow at a moderate pace, without overheating, while keeping inflation low.

Looking into next year, we are confident that global growth will be able to match 2017, with a clear potential to deliver slightly higher. **We expect global growth to range between 3.5% to 4%** (from an estimated 3.6% in 2017), led by China, which we expect to have a slightly moderating growth towards 6.5% (from an estimated 6.8% in 2017). Europe and the U.S are expected to grow at very similar levels as in 2017 (2% and 2.5% respectively), helped mainly by Brexit headwinds subsiding in Europe and tax cuts in America. Japan is also contributing meaningfully (although from a lower base) to global growth, which is expected to continue to grow around 1.5%, with the potential to surprise on the upside.

The U.S. economy has been very resilient to different shocks, in particular to hurricanes, which ravaged some territories and Houston in the third quarter. Although, the unemployment rate has been steadily falling to levels where general inflation would be expected to significantly pick-up, the **low level of inflation and wage growth across the country has baffled most investors and helped stabilise risky assets.**

Chart 3: Core inflation is on the rise up towards 2%



Source: BCA

We can attribute this phenomenon to multiple factors like the conversion of many part-time jobs into full time ones, or the return of once discouraged potential workers to the workforce. This could be combined with the demographic shift, which saw higher "baby boomers" earners who have been retiring since few years, being replaced by a younger workforce, typically in low paying service jobs, which are difficult to replace with technologies like artificial intelligence and robotics. This dynamic might help explain the relatively low level of inflation witnessed in the U.S. and why it is a situation, which is likely to persist.

Oil prices have been firming up in 2017 on the back of a surprisingly disciplined Russian-led OPEC cartel that had vowed to cut production for an extended period to help reduce inventories and push prices higher.

However, we still believe that as soon as prices climb above USD 50-55, the U.S. shale oil producers and other non-OPEC countries, like Iraq and soon Syria, will start (or increase) production, and this additional supply will cap any material additional price appreciation above $65 and consequently potential widespread global inflation impacts.

Chart 4: Brent-Price in USD

Source: Trading Economicst

Europe has been able to withstand the many political uncertainties following Brexit and the populist wave of early 2017. Not only did our fears of this populist sentiment potentially rattling elections in France not materialise, but even the Brexit shock seems to have been less of a negative impact as had been anticipated. With the U.S. growth continuing, the Emerging Markets have rebounded and Europe's growth made a sustainable comeback for the first time since the great recession.

The ECB is continuing to keep monetary policies very accommodative. However, it also seems clear that most countries have finally been able to reform their banking sector to a point where their economies have found a steady growth path. Europe is certainly in the early stage of its economic recovery, as opposed to the U.S., and might now prove to have similar goldilocks conditions (moderate sustained growth with low inflation and market-friendly monetary policy) for the coming years. This recovering phase will last unless it gets interrupted by a U.S. or Emerging Market led slowdown that would derail Europe's recovery.

Interestingly, most of the peripheral countries have finally turned the corner and have been able to grow relatively well since a couple of years. Given that the unemployment levels are quite high, the recovery and growth potential is very bright, especially whenever countries have restructured and cleaned-up their banking sector. Only Italy is lagging in that respect, although the first signs of political willingness to do so have been shown with the bailout and restructuring of a couple of banks over last summer. Any growth surprise from Italy, representing Eurozone's 3rd largest economy, could boost the region's GDP growth prospects for the many years to come above the projected 2% level.

Emerging Markets rebounded even faster than we had anticipated in many countries for an aggregate GDP growth rate of 4.9% so far in 2017, mainly because the Chinese economy surprised with its more than expected GDP growth of around 6.8%. Many commodity markets surged during the year and we witnessed increasing corporate profitability across most sectors.

China is still the elephant in the room with an anticipated growth slowdown closer to 6.5% from a recent pace of 6.8%.

Chart 5: China GDP (ann.)

Source: Trading Economics

The massive stimulus of 2015/2016, which followed a pronounced economic slowdown in 2015, a result of aggressive tightening measures by the Government, continued to fuel an already booming real estate market, which in turn, pushed demand for commodities and many other areas of the economy. We were afraid that the end of this stimulus, combined with some targeted tightening measure, related to the real estate market and the financial sector, would negatively affect growth as it clearly created headwinds, but so far, the economy has proven resilient.

The other Emerging Markets are either benefitting from significantly stronger energy prices or from increasing global growth across all regions and sectors. Not only is growth proving quite strong in most Emerging Markets but we also believe that unless there would be an external shock or a materially stronger USD versus these currencies (which is not our base case scenario), we can expect a continuation of the rebound in economic growth and related risky assets.

Investment Focus

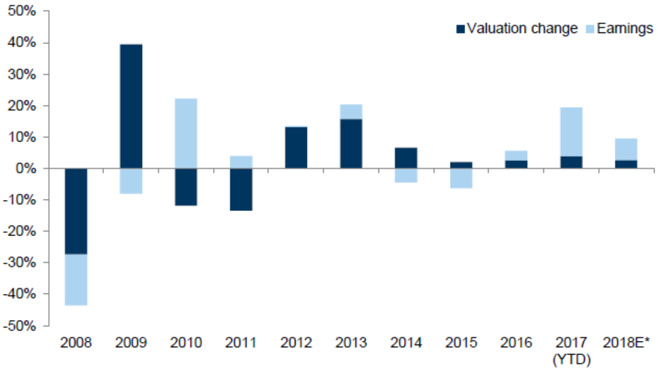
Our global economic base case scenario is one of a slowly strengthening growth in Emerging Markets and of moderate, but steady, growth in most Developed Markets. This is an environment, which is conducive for risky assets in general but less so for government debt. **The only concern we always face since few years has to do with current asset valuations**, which are ranging from rich to very expensive. Let us have a look at the opportunities available to investors.

Equities

U.S. equities are the most expensive from a valuation standpoint, followed by European and Emerging Market equities (see chart 8).

Given our pro-growth view and the fact that Europe and Emerging Market equities have more potential to improve their sales and margins, we naturally favour these markets. This is especially true as the U.S. is further down the economic cycle and equity valuations have already significantly moved upwards over the last three years (see chart 7). Nevertheless, if the U.S. government is successful in implementing its tax-bill (it has already passed Senate), U.S. equities will immediately benefit from an earnings' boost (about +USD 7 to EPS in 2018 in the S&P index), and earnings have so far been driving equity performance for the last 2 years (see illustration below, in chart 6).

Chart 6: Earnings vs change in P/E contribution to performance per year in the U.S.

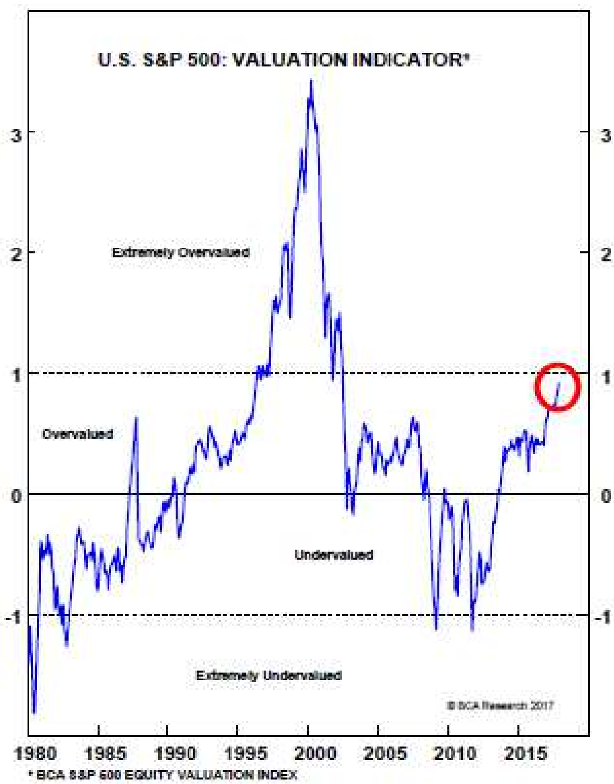


Source: Goldman Sachs

Moreover, the tax cuts and embedded positive economic outlook might also stimulate many corporations to increase their capital expenditures, which would provide additional support to the economy and inherently to equity valuations.

In Europe, we can also derive a similar conclusion to the U.S. but for different reasons. There might not be tax cuts helping boost earnings, but the **European economy has improved materially and darker clouds are dissipating.** These conditions help companies plan future investments into their growth for the first time in almost a decade. Most of Europe's largest companies, making-up the various known indices, are very much skewed towards few large sectors like financials, which may not benefit as much as other sectors, from the recovering growth. Many small to mid-cap firms have the advantage of being more levered to this recovery while having very low research coverage by large banks or asset managers, making it easier for active managers to find interesting and under-valued opportunities versus the widely known and covered large-cap names. In 2017, these smaller firms clearly outperformed the lagging large-caps. We believe that this trend will persist in 2018. We will therefore have a preference to over-weight small to mid-caps and active managers in Europe over the larger caps and more passive and benchmarked approaches.

Chart 7: Not much further to go as valuations are stretched

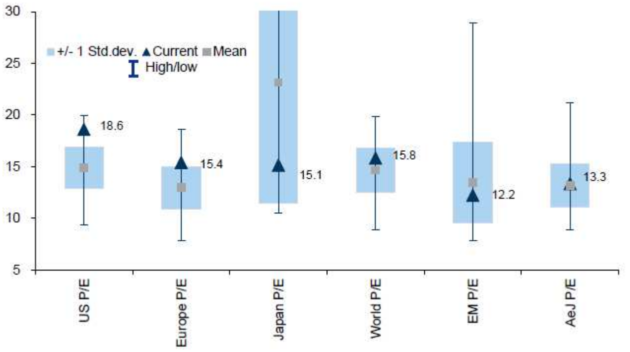


Source: BCA / Alpinum Investment Management

Emerging Markets are too heterogeneous to easily be considered as a whole. However, we can say that as long as the Chinese economy does not slow down too quickly, and commodity prices (including energy) hold-up, the earnings power across all sectors will show the strongest potential globally.

Large cap valuations in developed countries are generally elevated, whereas for example **European small and mid-cap names offer a good "hunting ground"** for value investors. In terms of growth aspects, we favour the Asian region, where Chinese and Indian growth are two strong engines of sustained and long-term growth, fueled by improving demographics.

Chart 8: Equity valuations per region



Source: Goldman Sachs

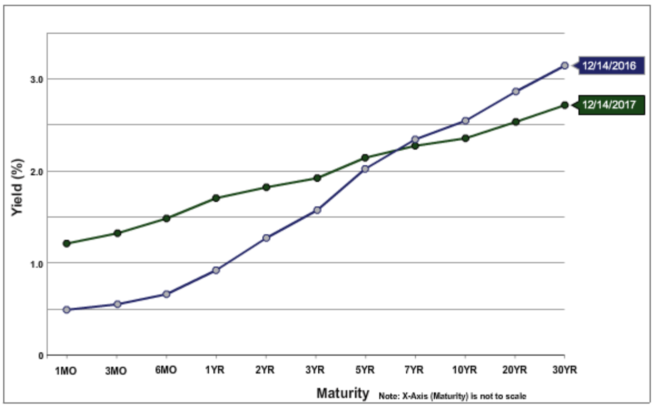
It is expected that most of the global growth will come from an increasingly important Asian middle class consumption, which is expected, according to the Brookings Institution, to surpass the combined middle-class consumption of America and Europe in less than 5 years and should represent over 60% globally, providing companies huge growth potential for the coming years. Our outlook is typically only focusing on the next 6 to 12 months, but this structural market shift is needed be factored in. Chinese stocks had a great 2017, but their valuations were so depressed that we should be careful not to shy away too quickly from them as they still offer great potential over the medium-term. Like with other markets trading on high valuations but for which economic fundamentals are supportive, any correction should be viewed as an opportunity to selectively consider increasing exposure.

Fixed Income & Credit

On the fixed income side, accelerating global growth and the start of the normalisation process by some Central Banks like the FED, the BoE and the ECB, clearly highlight the headwinds that will continue and accelerate for Developed Markets Government bonds and related high-quality corporate bonds. We continue to shy away from these assets unless their nominal return would increase towards the 3% mark for 10-year terms in USD and 2% in EUR terms. At these levels, we can anticipate that investors would view these assets as providing enough yield to compensate for a typical long-term inflation while providing safe-haven characteristics in the advent of a risk-off market environment.

As previously discussed, **we do not believe that inflation will completely surprise on the upside to a point that markets would be caught off guard.** However, we believe that markets like the U.S., where the economy is running slightly above capacity and the unemployment rate is at very low levels, are more at risk to witness some more meaningful inflation.

Chart 9: U.S. Yield curve comparison (1year)



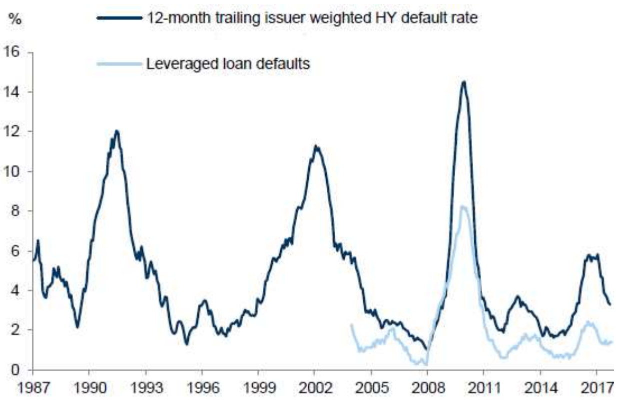
Source: US Department of Treasury

The yield curve is likely to shift higher, after having flattened in 2017 (see chart 9 above). If inflation were to surprise and the FED would react by increasing more quickly interest rates, the likelihood of the yield curve to invert would then become significant. Given that such a scenario has always preceded U.S. recession in the past, we would be worried of the saying that "this time is different".

We are less worried about inflation elsewhere in the world, especially in Continental Europe (ignoring here Germany, which shows first signs of an overheating economy), where the high level of unemployment across the region of around 8.8% is less likely to be quickly absorbed before wages are witnessing upward pressures. Under our scenario of (slightly) increasing inflation pressures in the U.S., we would see credit sensitive assets such as corporate bonds and loans benefitting from these conditions as the economy and corporations will get further stimulus and keeping default rates very low (see chart 10). Hence, credit investments remain relative attractive investments, despite the fact that valuation levels are already high.

Corporate bonds are probably even safer in Europe but the nominal low yields offered cannot even compensate for inflation and not only are investors forced to take longer maturities to get any meaningful positive yields, but it introduces significantly more duration risk to credit risk, a combination we don't like. That explains **our preference to take more credit risk via loans**, which yields are adjusted to rising interest rates, and via **subordinated debt within investment grade companies**, where we feel the extra yield is worth the additional risk of being junior in the capital structure. Moreover, **when considering investment grade ("IG") bonds, we favour the Asian region**, where we feel better compensated for the risk taken. On average, the maturity profiles (and the inherent duration risk) of US and European IG bonds are much longer as compared to Asian bonds. For example, measured by the "ICE BofAML" bond index series, US corporate bonds have on average a maturity of 10.6 years with a YTW of 3.5% p.a. as compared to an average maturity of 5.8 years and a YTW of 4% p.a. for Asian USD corporate bonds.

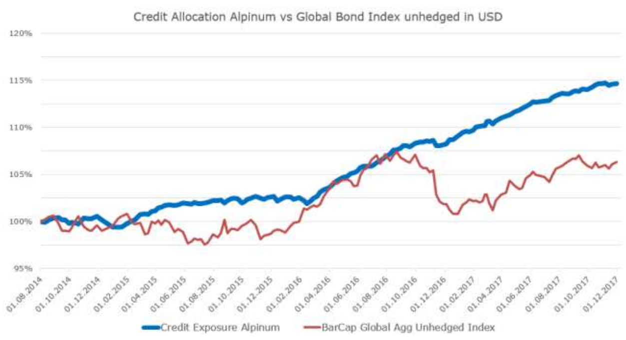
Chart 10: U.S. HY bonds & loans bear currently low default rates



Source: Goldman Sachs

On the **Emerging Market debt side, the softening of the USD in 2017 was definitely helpful to the asset class.** However, yields have compressed to such levels in hard currency bonds that we underweight the asset class for now, especially when considering the inherent liquidity risk involved. We currently prefer local currency bonds given that many of these currencies have significantly devalued versus the USD over the last few years. We are willing to accept the additional currency risk, but selectivity remains key. Lastly, we remain invested in more complex sub-asset classes like CLO's or mortgage-backed securities. Moreover, for investors with a longer term horizon we recommend diversified portfolios of direct loans, with which investors are able to harvest a complexity and illiquidity premium and generate returns of 7-8% p.a. For our investors we used to overweight liquid credit exposure at the expense of duration-sensitive assets, while always limiting the drawdown risk via carefully selected short maturity bonds and loans. Please see chart 11 for the respective performance.

Chart 11: Credit long-only Exposure vs Global Bond Index



Source: Bloomberg / Alpinum Investment Management

Currencies

On the currency side, we now feel that the **EUR has appreciated too quickly versus the USD** when the ECB started to prepare the markets for its upcoming reduction of Quantitative Easing. We had expected the depreciation of the USD following the first rate hikes, but we now feel that the diverging monetary policies should help the USD slightly strengthening in the coming months towards 1.15 versus the EUR. We do not see that the USD would materially change versus most other Emerging Market currencies as there are countering forces, which should keep the USD relatively stable on a trade-weighted basis.

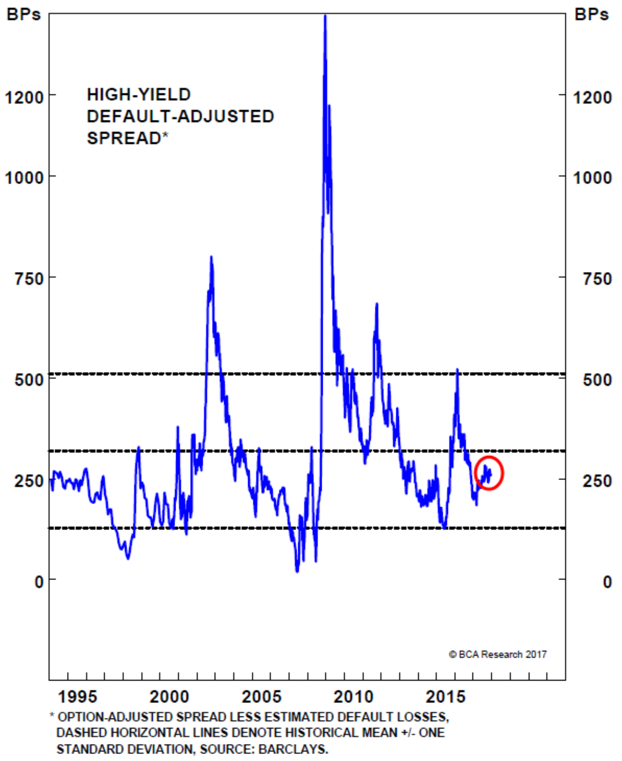
This scenario is positive for Emerging Markets as a **quickly appreciating USD could** spell trouble for some countries seeing the cost of the USD-denominated debt rise along the FED rate hikes and the cost of that debt increasing via a weaker local currency. That would **have the same effect as to tighten monetary policies** in some countries at a time that would not be warranted. However, we do not see this as a major risk for the coming year.

Conclusion

2018 starts looking very similar to 2017 on the general growth outlook and the different investment opportunities offered to investors. However, where last year political uncertainties and monetary and fiscal policy divergences were polarising the investment community, we witness nowadays a **widely accepted (and uncomfortable) consensus scenario for 2018.** Such consensus forces us to be cautious, seeking to identify early signs of diverging outcomes. We should also not overreact and turn contrarian, but we will be even more carefully implementing our views and staying alert to changing dynamics.

The **biggest risk** to the global outlook would be surprisingly **higher inflation** coming from the U.S., which would prompt the FED to raise interest rates much faster and more aggressively than the market currently anticipates. This would in turn push the **yield curve to invert** (short rates being higher than long rates) and potentially tip the economy into recession in the following year. We also follow closely the U.S. special investigation (Russian interference in the U.S. elections) as this could eventually complicate the political landscape in Washington. A potential impeachment process of President Trump, or Republicans losing control of Congress, would create uncertainty and affect the ability of the Government to implement proposed policies and initiatives.

Chart 12: Not much room left to manoeuvre for (US) High Yield

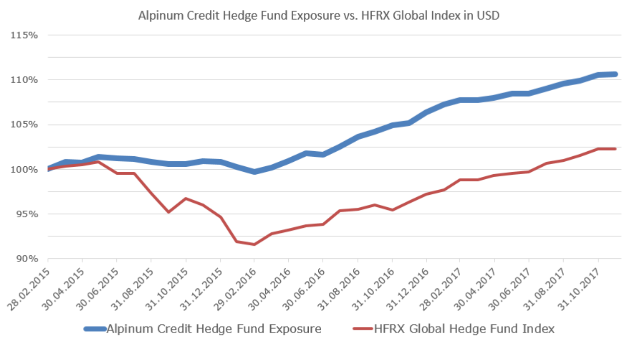


Source: BCA / Barclays / Alpinum Investment Management

We recognize that all traditional asset classes are expensive, whereof equities offer the best potential for higher returns, and earnings have been able to grow quickly enough globally to justify the lofty valuations. We believe that smaller and mid-cap companies offer more potential and that active management will be rewarded given the high potential for disappointments in the market. It is also advantageous to consider increasing exposure to hedge funds as a measure to become more defensive in the second part of the year. In our absolute return portfolios, we structurally use **hedge funds as an important building bloc to construct portfolios with lower drawdown risks,** while optimising the risk-/return potential at the same time. At the current junction of the market cycle, when equities tend to outperform fixed income assets it seems to be an opportune time to cut duration- or credit-sensitive assets in favour of less beta-driven strategies such as hedge funds. This will not only lead to a lower drawdown risk should (credit) markets start to correct (negative event), but it should also be beneficiary in a momentum gaining macro environment (positive event) when interest rates start to increase and putting stress on duration-sensitive assets.

We typically form our hedge fund portfolios with low market correlation and low drawdown profiles. Please see below in chart 13 the performance of our credit centric hedge fund allocation vs the HFRX Global index for illustration purposes.

Chart 13: Credit centric HF exposure vs HFRX Global Index



Source: Bloomberg / HFRX / Alpinum Investment Management

On the long only fixed-income side, we prefer credit risk over duration risk and collect an illiquidity premium whenever possible. If markets were to correct, aside from hedge fund strategies, there would not be many assets, which could effectively hedge the performance of a diversified portfolio. However, having the ability to buy the dips could prove to be a rewarding strategy for the next 6 to 12 months. However, we would not anticipate a repeat of such a calm and uneventful year as in 2017.

When markets appear complacent, we have to get ready for a swift change of sentiment. However, we cannot structurally manage a portfolio with our foot on the brake only to wait for a potential correction when the fundamental conditions (goldilocks) are pro-risky assets. Some investors have been waiting on the sidelines for many years without finding an appropriate entry point, missing out on some important gains. Therefore, **we are pro-risk, but cautious** and not too greedy as the markets could finally start to react negatively to news, which so far in 2017 have been mostly ignored.

Absolute Return Mandates	Comments
Equities	
▪ US equities incorporate advanced valuations compared to other regions, but earnings growth and tax cut perspectives should still lead markets higher. Hence, we keep relevant U.S. equity exposure, but with a relative underweight position in favor of Europe, Asia and Emerging Markets. ▪ Moreover, commodities tend to be a "late cycle" beneficiary when inflation trends higher. Therefore, we initiated first exposure in U.S. energy-related MLPs, which benefit also from a high cash flow yield giving support to the investment case. ▪ Increase global equities following any meaningful market correction.	▪ Equities have generally high valuations, especially in the U.S. Nevertheless, due to a strengthening global economic backdrop they still offer more upside based on stronger earnings and expected tax cuts. ▪ European equities still have some valuation gap versus the U.S. and corporations are supported by accelerating top line growth and increasing profit margins. The same is true for many Emerging Markets where opportunities are still abundant, although investors need to be careful as we expect a lot of dispersion between countries.
Credit / Fixed Income	
▪ Avoid Government bonds unless yields on Treasury 10-year reach close to 3% levels. Buy some U.S. Investment Grade bonds if yields increase and credit spreads are generally slightly wider. ▪ Focus the allocation mainly to U.S./European loans. European High Yield bonds are currently very rich. Favour U.S. short term maturities and add longer term bonds on weakness only. Within IG, we have a preference for Asian bonds at higher spreads relative to the U.S./Europe. ▪ Emerging Market bonds still offer pockets of opportunities, with local currency bonds being favoured over hard currency bonds. ▪ Financials via investing into their lower-ranked bonds (i.e. preferred securities) still offer relative value (although spreads tightened a lot – making them less attractive nowadays) as banks are re-capitalizing and the expected fiscal and de-regulation policies are also positive factors.	▪ U.S. interest rates should continue to trend higher, whereas we expect the short end to increase more meaningfully in the short term. ▪ Pro-growth policies in the U.S. continue to support high yield bonds/loans, as these companies will be able to grow their revenues, while default rates remain low. Loans offer better value vs High Yield Bonds. European credit markets also enjoy strong tailwind by low rates and an accelerating economy. The ECB's bond buying program is still a strong support (particularly for IG corporate and peripheral government bonds) and this should not fade in H1 2018. ▪ Selective Emerging Market bonds in local currency offer investors dual income sources with the yield of the bond and the currencies' potential appreciation. However, this will be accompanied with high volatility. ▪ Consider harvesting the illiquidity premium from corporate and personal direct loans.
Alternatives	
▪ Credit Long-Short strategies identify plenty of relative value trades, both long and short. Fixed-Income arbitrage offers more opportunities, as interest rates move as Central Banks are normalising their policies. Equity Long-Short should benefit from the increasing performance dispersion and the continued support of their long-book helped by continued positive equity markets.	▪ With the FED normalising rates, Fixed-Income Arbitrage and Credit Long-Short managers will experience increasing price dispersion between different interest rates securities. This leads to more relative value opportunities and credit short opportunities. ▪ Global macro managers should find more opportunities with the diverging global monetary and fiscal policies between countries.
Real Assets	
▪ Gold will be caught between a slightly higher USD and rising U.S. interest rates and the increasing inflation rate. We expect a trading range between $1200 and $1300.	▪ Should inflation meaningfully accelerate in the coming quarters, we expect the gold price and other industrial commodities to go up. However, this will be a rocky path against higher U.S. rates/USD.

Long Only Mandates	Comments
Equities	
▪ US equities incorporate advanced valuations compared to other regions, but earnings growth and tax cut perspectives should still lead markets higher. Hence, we keep relevant U.S. equity exposure, but with a relative underweight position in favor of Europe, Asia and Emerging Markets. ▪ Moreover, commodities tend to be a "late cycle" beneficiary when inflation trends higher. Therefore, we initiated first exposure in U.S. energy-related MLPs, which benefit also from a high cash flow yield giving support to the investment case. ▪ Increase global equities following any meaningful market correction.	▪ Equities have generally high valuations, especially in the U.S. Nevertheless, due to a strengthening global economic backdrop they still offer more upside based on stronger earnings and expected tax cuts. ▪ European equities still have some valuation gap versus the U.S. and corporations are supported by accelerating top line growth and increasing profit margins. The same is true for many Emerging Markets where opportunities are still abundant, although investors need to be careful as we expect a lot of dispersion between countries.
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Commodities / Forex	
▪ Gold will be caught between a slightly higher USD and rising U.S. interest rates and the increasing inflation rate. We expect a trading range between \$1200 and \$1300. ▪ Given the continued global growth and our view that inflation expectations will slowly emerge, oil (Brent) may start to trend in a higher range between 58 to 68 USD.	▪ Should inflation meaningfully accelerate in the coming quarters, we expect the gold price and other industrial commodities to go up. However, this will be a rocky path against higher U.S. rates/USD. ▪ The oil price is supported by the OPEC's commitment to maintain production costs until end of 2018, while the accelerating global growth is also positive. However, there is a lot of potential supply (mainly from U.S. shale oil) which is ready to hit the market, limiting the upper-limit price of oil.

Asset Class Conviction Levels for Absolute Return Mandates

The below conviction table reflects the investment team's view of the absolute expected return of an asset class/strategy in relation to "cash".

Equities	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☐	☑	☐
China	☐	☐	☐	→ ☑	☐
Japan	☐	☐	☑	☐	☐
Asia - Emerging Markets	☐	☐	☐	→ ☑	☐
Others - Emerging Markets	☐	☐	☐	→ ☑	☐

Fixed Income	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
US - Treasury Bonds	☑ ←	☐	☐	☐	☐
Euro - Government Bonds	☑	☐	☐	☐	☐
US - Investment Grade Bonds	☑	☐	☐	☐	☐
Europe - Investment Grade Bonds	☑	☐	☐	☐	☐
Emerging Market Local Currency	☐	☐	☐	☑	☐
Emerging Market Hard Currency	☐	☑ ←	☐	☐	☐
US High Yield / Loans	☐	☐	☐	☑	☐
European High Yield / Loans	☐	☐	☐	☑	☐

Commodities	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Gold	☐	☐	☑	☐	☐

Hedge Fund: Strategies	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Equity Long-Short	☐	☐	☑	☐	☐
Credit Long-Short	☐	☐	☑	☐	☐
Event-Driven - Corporate Actions	☐	☐	→ ☑	☐	☐
Global Macro	☐	☐	☑	☐	☐

Hedge Fund: Regional Focus	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Hedge Fund: North America	☐	☐	☑	☐	☐
Hedge Fund: Europe	☐	☐	☐	☑	☐
Hedge Fund: China / Japan	☐	☐	☑	☐	☐
Hedge Fund: Emerging-Markets	☐	☐	☑	☐	☐

Asset Class Conviction Levels for Long Only Mandates

The below conviction table reflects the investment team's view of the relative expected return of an asset class in relation to traditional well-recognized benchmarks such as BarCap Global aggregates (bonds) and MSCI World (equities).

			Conviction Level over 6 Months		
Equities	**Underweight**		**Neutral**		**Overweight**
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☐	☑	☐
China	☐	☐	☐	☑	☐
Japan	☐	☐	☑	☐	☐
Asia - Emerging Markets	☐	☐	☐	☑	☐
Others - Emerging Markets	☐	☐	☐	☑	☐

			Conviction Level over 6 Months		
Fixed Income	**Underweight**		**Neutral**		**Overweight**
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	☐	☐	☑	☐	☐

			Conviction Level over 6 Months		
Commodities	**Underweight**		**Neutral**		**Overweight**
Gold	☐	☐	☑	☐	☐
Oil (Brent)	☐	☐	☑	☐	☐

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