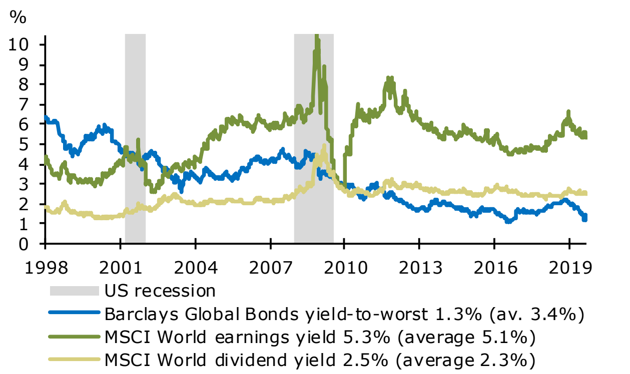
Quarterly Investment Letter – Q4 2019

Dance until the music stops

European insurers and pension funds **need to achieve +/-2% to 2.5% returns** in their bond portfolios to cover cost of their liabilities and expenses. Needless to say, **the search for yield remains paramount** not only in Europe but around the globe and institutional investors are forced into riskier and more cyclical assets. Although such **investment behaviour promotes sudden and harsh corrections,** many investors are forced to dance until the music stops.

Chart 1: Dividend yields continue to beat bond yields



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

United States

For 2019 market consensus US GDP growth is expected to reach 2.3% (2.9% in 2018) and the **main driver remains consumer spending.** The unemployment rate is at 3.6% and the US Services PMI is at a solid 50.9 points. As long as income growth (+4.6% yoy) is well above core inflation (+1.6% yoy), the economic expansion is well supported (chart 2). The **true cost of trade tensions** is impacting **capital goods new orders** (+0.6% yoy) and **industrial production** (+0.3% yoy) and is likely to weaken the US cyclical outlook. An offsetting factor is the upcoming US presidential election in November 2020. It is assumed that President Trump will try to time fiscal measures early next

Summary Points

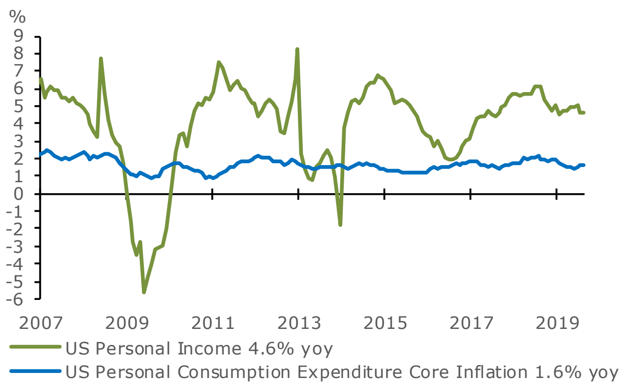
- Global growth is receding but (US) consumer confidence remains strong and as long as corporates' capital expenditures do not further deteriorate, the likelihood for a near-term recession in the US or China is low.
- US GDP growth is largely supported by consumer spending. Further rate cuts and politics to warm up for the presidential elections in November 2020, should keep economic momentum positive.
- Europe is the weak link and depends too much on the global manufacturing cycle. Monetary policy is ultra-loose and reaching its limits. To stimulate growth, Europe has to increase fiscal spending.
- The additional tariffs will impose further pain on China and the industrial sector faces serious headwinds. That said, the government has enough ammunition to fight a serious downturn.
- The US-China trade war has changed in a sense that the Trump administration has become much more confrontational and wants to decouple the US from the Chinese economy.
- **Conclusion:** Lower bond yields force investors into riskier asset classes and equities should climb the "wall of worry". The downside is investors' unease and herd behavior during market drawdowns. We expect corporate default rates to rise and prefer European loans and selective Emerging/Asian market debt bonds over US credit in general.

Content

year to please the electorate to support his re-election. The stock market is likely to anticipate such action and, hence, a **neutral stance with an opportunistic stance** is warranted. The **US-China trade war** will continue to make headlines and move markets. The **dynamics have changed,** such that **Washington has become much more confrontational and aggressive** in its actions. The Trump administration's goal no longer seems to be a new trade agreement but to **decouple the US economy from the Chinese one** and to have other nations do the same. By analogy, President Trump tweeted on 23 August 2019: "… American companies are urged to seek alternatives outside of China."

In September, **Fed Chairman Jerome Powell** cut rates for the second time this year to 1.75-2.00%. At the press conference, he reinforced the message to do whatever is necessary to **prevent a recession**. Fed Fund futures probabilities now imply two more rate cuts this year, namely in October and December. Such action would **re-steepen the yield curve**, reduce upward pressure on the Dollar and bolster economic confidence. **To summarize:** US economic momentum is weakening but there is **no near-term recession in sight**.

Chart 2: US consumer spending a key driver for US growth



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

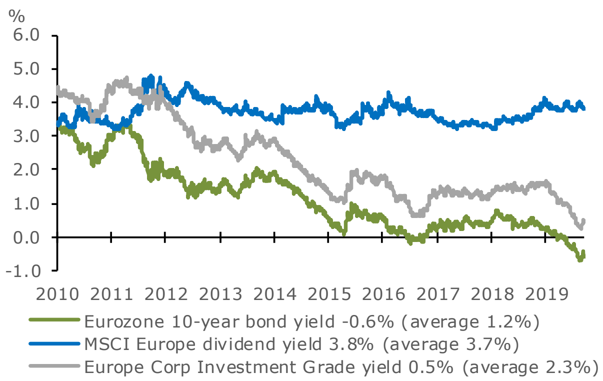
Europe

The **Eurozone's key problems** are its exposure to the **global manufacturing downturn**, the **industrial recession in Germany** (manufacturing PMI at 41.4) and the chronic **malaise in Italy** (expected 2019 GDP growth 0.1%). None of these can be solved by ever-looser monetary policy. For 2019 market consensus expects **Eurozone GDP growth to reach 1.1% (1.9% in 2018)**, which is less than half of the US. There is little to suggest that uncertainty will dissipate in the near term and **growth will remain moribund over the next three to six months**. Brexit is another negative side show with no-one able to predict the eventual outcome. Europe's stabilization largely depends on improving external demand. Given the outlook for the Chinese economy and global trade, **Europe will sooner or later need a fiscal response.**

In his last speech, the outgoing European Central Bank (ECB) chief Mario Draghi stressed that **government spending** should pick up the baton from monetary easing and **become the "main tool"** to support economic growth. His statement implied that **monetary policy has become more or less impotent**. Christine Lagarde, the next new ECB president, is committed to continue Draghi's monetary policy without ruptures. In an earlier interview she called on European governments to cooperate more closely over **fiscal policy to stimulate economic growth**. Therefore, investors may even experience a paradigm shift.

10 year German, French, Dutch and Swedish government bonds and around 70% of European investment grade bonds trade at negative yields (chart 3). Hence, **to take on new debt has never been more tempting**. In addition, under the helm of Ursula von der Leyen the new European Commission will likely push for more fiscal flexibility as well. **The most bullish signal** for Europe in the next six months would be **if Germany increased fiscal spending** in a meaningful way.

Chart 3: Low bond yields force investors into riskier assets



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

Japan

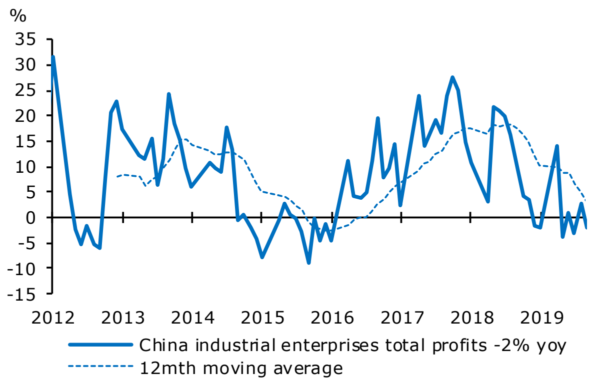
The Bank of Japan (BoJ) is a good example to showcase the limits of effectiveness in negative rates and quantitative easing. In 2016, it first introduced "yield curve control" to keep the 10 year government bond yield at 0%. As a result, the BoJ now holds JYP 479tr (USD 4.5tr) in government bonds or 46% of the total outstanding amount. It has also accumulated JPY 28tr (USD 260bn) in equity ETFs or 5% of Japan's equity market capitalization. Furthermore, it bought JPY 26tr (USD 242bn) in REITs and JPY 3tr (USD 28bn) in corporate bonds. All of this with little impact on inflation or inflation expectations. **Japan appears stuck in a liquidity trap** and more of the same will not help.

The government, on the other side, remains fixated on reducing Japan's outstanding government debt (238% of GDP) and insists that tax hikes are necessary to close the budget deficit over time. Needless to say the two policies largely neutralise each other. Eventually it will probably take a crisis for the government to understand that a combination of easy fiscal and monetary policy is needed to boost the economy. For 2019 market consensus is expecting **GDP growth to reach 0.9% and inflation 0.7%**. Under such a scenario, equities will have difficulties to perform well unless they can benefit from short-lived bouts of Chinese reflationary stimulus measures. Hands-off Japanese bonds.

China

The US-China trade war has taken a turn for the worse and the **additional tariffs will impose further pain on China's economy**. Recent data revealed lacklustre growth with the manufacturing and new orders index at 49.5 and 49.7, respectively. Both readings are for a fourth straight month below the 50 level separating expansion and contraction. Corporates face a tough environment, with weakening external and domestic demand. An **important gauge of the health of the economy are industrial profits**, which are -2% yoy (chart 4). The industrial sector is an important sector and employer of the Chinese economy. Profits affect corporates' willingness to make investments and are an indication of future corporate default risks. For 2019 market consensus is expecting **GDP growth to reach 6.2% (6.6% in 2018)**. The Chinese authorities are managing macroeconomic policy with a long view and still have ample room to manoeuvre (fiscal policy, interest rates, credit and exchange rate) to provide sufficient support to **prevent a crash in the economy**. Hence, it should not be expected for the government to respond with panic easing to the tense trade war situation. In addition, we believe that the Chinese government is willing to accept lower economic activity in 2019, to have enough in reserve to **stimulate the economy throughout 2020** as the **Chinese Communist Party will celebrate its 100th anniversary in 2021. In the end, the pa**rty secures its power through economic prosperity and to "lose face" is not an option.

Chart 4: Industrial enterprises total profits are weak



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

Investment conclusions

Global GDP growth is receding but as long as unemployment rates in the major economic blocs remain low and capex does not further deteriorate, the **likelihood for a near-term recession in the US or China is low**. Going into 2020 we can expect politics in these two countries to become more active to support growth. **The weak link is Europe** and, as in the past, a crisis is needed for politics to react on the fiscal front. We may even see a paradigm shift. All told, our **positioning** is **neutral** while remaining opportunistic should the macro-economic backdrop brighten. That said, we are very cognizant of the risks of investor herd behaviour resulting in **sudden and harsh market corrections.**

In **fixed income,** the US Fed is likely to continue to cut rates. As a result, the **US yield curve should steepen** again and the **US Dollar strength fade**. Exposure to US long-term treasuries belongs to one of our lines of defence. On the corporate side **default rates will increase** on the margin. Our focus in this respect will be on China. We continue to **favour European loans and selective Emerging Asia market bond** exposure over US credit.

US stocks remain in the lead and are likely to climb the so-called **"wall of worry"**. An allocation shift towards more European and emerging markets exposure would require politics to take measures to reaccelerate growth again. We are not there yet.

Market Consensus Forecasts

GDP growth (%)	2017	2018	2019e	2020e
World	3.8	3.6	3.2	3.1
United States	2.4	2.9	2.3	1.7
Eurozone	2.5	1.9	1.1	1.0
Germany	2.5	1.5	0.5	0.8
France	2.3	1.7	1.3	1.2
Italy	1.7	0.8	0.1	0.4
United Kingdom	1.9	1.4	1.2	1.1
Switzerland	1.9	2.8	1.2	1.3
Japan	2.0	0.8	0.9	0.3
Emerging economies	4.9	4.9	4.5	4.7
Asia Ex-Japan	6.4	6.0	5.5	5.4
Latin America	1.8	1.5	1.1	2.0
EMEA region	3.6	3.0	2.0	2.4
China	6.9	6.6	6.2	6.0
India	8.2	7.2	6.4	6.3
Brazil	1.1	1.1	1.0	2.0
Russia	1.6	2.3	1.1	1.6

Inflation (%)	2017	2018	2019e	2020e
World	3.2	3.6	3.0	3.0
United States	2.1	2.5	1.8	2.0
Eurozone	1.5	1.8	1.2	1.3
Germany	1.7	1.9	1.4	1.4
France	1.2	2.1	1.3	1.3
Italy	1.3	1.3	0.8	1.0
United Kingdom	2.7	2.5	1.9	2.0
Switzerland	0.5	1.0	0.6	0.7
Japan	0.5	1.0	0.7	1.0
Emerging economies	3.4	3.6	3.8	3.7
Asia Ex-Japan	1.9	2.3	2.4	2.4
Latin America	6.5	7.5	9.7	8.7
EMEA region	5.8	5.7	6.1	5.6
China	1.6	2.1	2.5	2.3
India	3.3	4.0	3.4	3.5
Brazil	3.5	3.7	3.7	3.7
Russia	3.7	2.9	4.6	3.8

Central bank rates (%)	2017	2018	2019e	2020e
US Fed Funds	1.50	2.50	1.75	1.60
ECB Main Refinancing	0.00	0.00	0.00	0.00
China 1yr Best Lending	4.35	4.35	4.25	4.15
Bank of Japan Overnight	-0.06	-0.06	-0.10	0.00
UK Base Rate	0.50	0.75	0.70	0.75
Swiss 3mth CHF Libor	-0.75	-0.75	-0.85	-0.85

Commodities	2017	2018	2019e	2020e
NYMEX WTI oil USD/barrel	55	48	57	51
ICE Brent oil USD/barrel	60	55	60	60
Iron Ore USD/metric ton	72	71	94	76
Copper USD/metric ton	7247	5965	5948	5710
Gold USD/troy oz	1303	1277	1404	1507
Silver USD/troy oz	16.9	15.5	16.3	17.6

Major interest rates (%)	2017	2018	2019e	2020e
USA 3mth rate	1.7	2.8	1.9	1.7
USA 10yr Gov't Bonds	2.4	2.7	1.7	2.0
Eurozone 3mth rate	-0.3	-0.3	-0.5	-0.5
Eurozone 10yr Gov't Bond	0.4	0.2	-0.5	-0.2
China 3mth rate	4.9	3.3	2.6	2.4
China 10yr Gov't Bond	3.9	3.3	2.9	2.8
UK 3mth rate	0.5	0.9	0.8	0.9
UK 10y Gov't Bond	1.2	1.3	0.7	1.0
Swiss 3mth rate	-0.7	-0.7	-0.9	-0.8
Swiss 10y Gov't Bond	-0.1	-0.3	-0.8	-0.5

Exchange rates	2017	2018	2019e	2020e
EURUSD	1.20	1.15	1.10	1.16
EURCHF	1.17	1.13	1.09	1.13
USDCHF	0.97	0.98	0.99	0.97
EURJPY	135.28	125.81	117.00	120.00
EURGBP	0.89	0.90	0.90	0.88
USDJPY	112.62	109.70	106.00	103.50
GBPUSD	1.35	1.27	1.22	1.33
USDCNY	6.51	6.88	7.20	7.15
USDBRL	3.31	3.88	4.02	3.91
USDRUB	57.98	69.72	65.50	64.00

Performance table

		Performance		
Global equity markets	Price	Q3	Ytd Q3	Div.yld
MSCI World (USD)	2180	0.1%	15.7%	2.5
MSCI World (USD) hedged	1045	1.7%	19.3%	n.a.
HFRX Global Hedge Fund	1260	1.6%	5.9%	n.a.
S&P 500	2977	1.2%	18.7%	2.0
Russell 1000	1644	0.9%	18.8%	2.0
Nasdaq 100	7749	1.0%	22.4%	1.1
Stoxx Europe 600	393	2.2%	16.4%	3.8
MSCI Emerging Markets	1001	-5.1%	3.6%	3.0
Nikkei 225	21756	2.3%	8.7%	2.1
China CSI 300	3815	-0.3%	26.7%	2.5

	Forward		EPS growth	
Equity market valuations	PE	PB	2019e	2020e
MSCI World (USD)	16.5	2.3	9%	10%
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	17.5	3.2	9%	11%
Russell 1000	17.9	3.1	9%	11%
Nasdaq 100	20.7	5.6	15%	14%
Stoxx Europe 600	14.3	1.7	22%	9%
MSCI Emerging Markets	12.9	1.5	-7%	13%
Nikkei 225	16.0	1.6	0%	4%
China CSI 300	12.5	1.6	18%	14%

		Performance		
Global gov't bonds	Yield	Q3	Ytd Q3	YtW
10yr US Treasury	1.66	2.7%	9.8%	n.a.
10yr Euro gov't bond	-0.57	3.3%	10.0%	n.a.
10yr German gov't bond	-0.57	1.7%	6.4%	n.a.
10yr Italian gov't bond	0.82	10.5%	18.9%	n.a.

		Performance		
Global bond indices	Price	Q3	Ytd Q3	YtW
Barclays Global Corporate IG	274	1.2%	9.6%	2.2
Barclays US Corporate IG	3202	3.0%	13.2%	2.9
Barclays Euro Corporate IG	260	1.3%	6.8%	0.4
Barclays Emerging Market USD	1185	1.3%	10.8%	5.0
Barclays US Corporate HY	2127	1.3%	11.4%	5.7
Barclays Pan-European HY	403	1.7%	9.6%	3.8

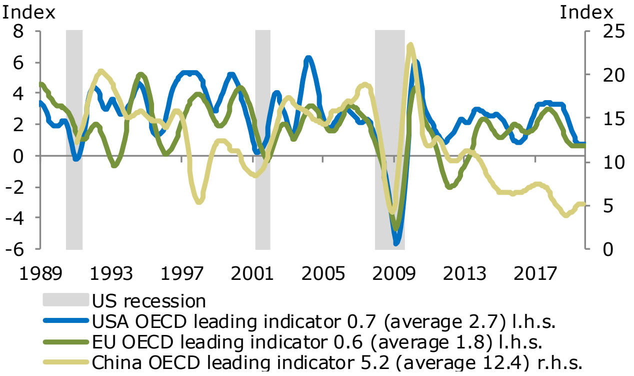
		Performance	
Commodities and currencies	Price	Q3	Ytd Q3
Brent oil	61	-8.7%	13.0%
US Energy Services	66	-19.5%	-18.7%
Copper	5706	-4.8%	-4.3%
Gold	1472	4.5%	14.8%
EURUSD	1.09	-4.1%	-5.0%
EURCHF	1.09	-2.0%	-3.5%

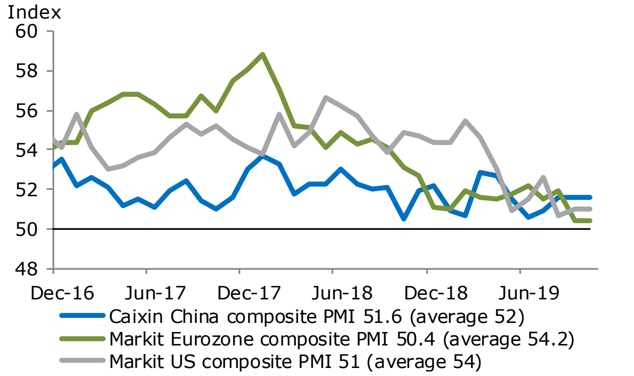
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q3 = data as of September 30, 2019 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Charts

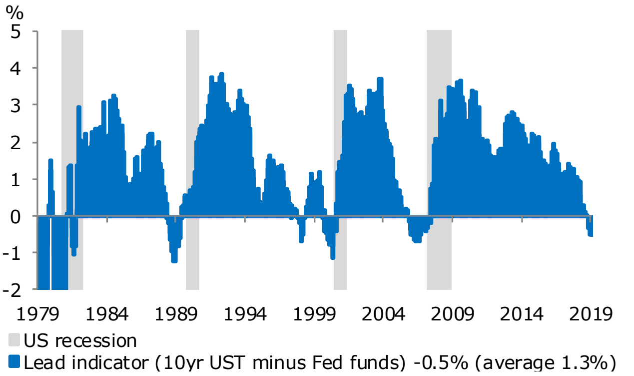
Leading indicators and manufacturing

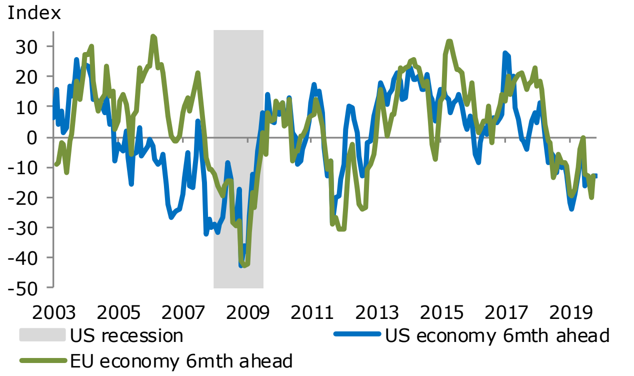
Source: Bloomberg Finance L.P., Alpinum Investment Management



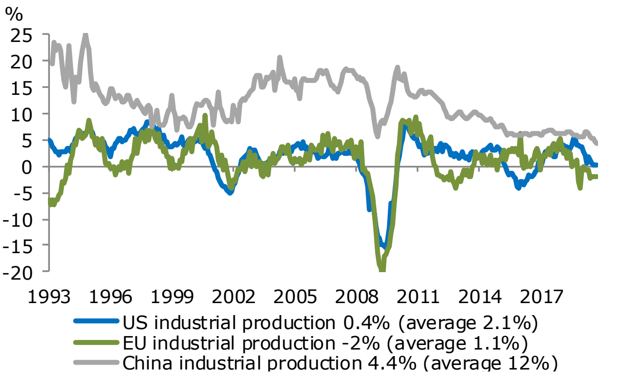


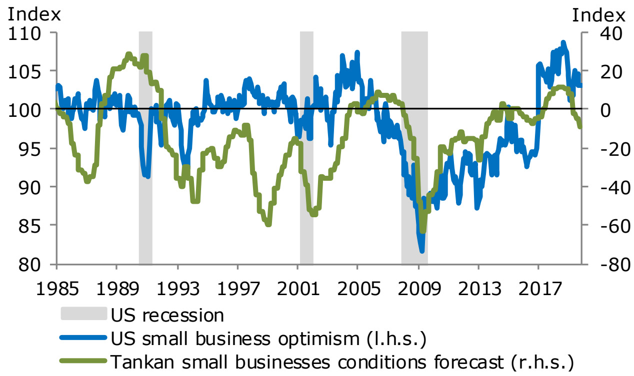
Recession indicator



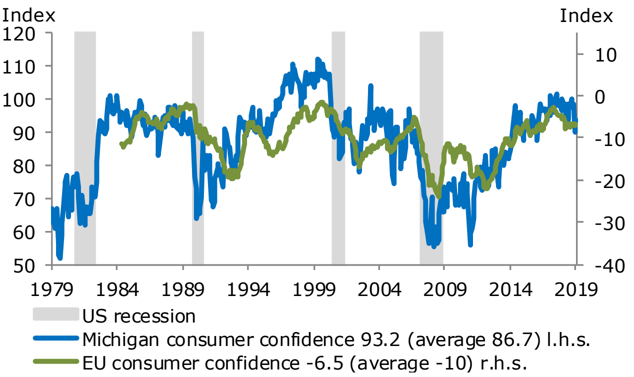


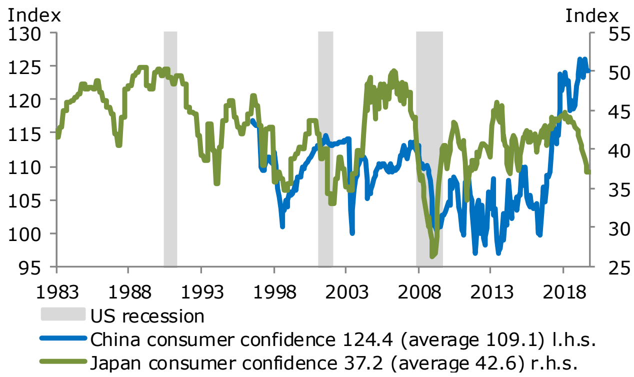
Industrial production and small businesses





Consumer confidence





Scenario Overview 6 months

Base case 70%

- **US:** GDP grows around 2% p.a. and the recession risk remains low for the next 6 months. Government spending is still up and supportive. Private consumption is supported by a robust labour and housing market. Corporates still benefit from low tax rates, but capex is weakening due to the uncertainties around the trade conflict and the moderate growth prospects.
- **Eurozone** GDP growth slows towards 1% and selective EU countries, such as Italy or Germany, fight to avoid a recession. The ECB remains a strong supporter of the markets beyond 2019. Politics remain a drag and slow the economic dynamics and dampen investor sentiment.
- **China** struggles with US trade policies but stimulus will help GDP growth to hold the ~6% level.
- **Oil:** Brent remains volatile with Iran tensions, but prices are capped due to increased OPEC production and US shale oil production.

Investment conclusions

- **Equities:** In anticipation of a low growth economy and based on the market rally ytd equity multiples seem fairly priced. Nevertheless, given the dovish central banks, equities still find support for some upside as investment alternatives remain scarce. But as we operate in a late cycle economy, the potential for considerably higher valuations is very limited. We slightly overweight selective emerging market equity exposure.
- **Interest rates:** Neutral on rates, but yields are not attractive. (US) Duration exposure serves as a diversifier and tail hedge.
- **Credit:** Credit spreads are fairly valued and corporates benefit from low interest rates and moderate growth. However, corporate default rates are slightly rising. We favour EUR syndicated loans (and CLOs) and Asian/EM bonds exposure.
- **Commodities/FX:** Prices remain volatile and USD stops strengthening.

Bull case 10%

- **US:** Economic activity levels off towards 3% led by strong consumption and a deal in the U.S./China trade conflict. Wage growth, low interest rates and strong consumer sentiment leads to more capex and leads to an extension of the business cycle.
- **Europe** profits from economic momentum in the US. Hard Brexit gets avoided. ECB stays put despite stronger economic growth. Fiscal stimulus gets on the agenda of the EU.
- **China/EM:** President Trump tones down his rhetoric against China and a deal is found. Export-led economies benefit the most from an acceleration of global growth. Chinese GDP > 6%.

Investment conclusions

- **Equities:** Global equities benefit from "lower for longer rates" and an extension of the business cycle. The tide raises all boats and markets that lagged the most benefit the most (EM/Asia, EU).
- **Interest rates:** Rates will go back to acceleration mode. Avoid duration risk in the US and Europe.
- **Credit:** Corporate default rates remain below historic averages and give support to loans and high yield, especially in EM/Asia.
- **Commodities/FX:** Support for commodity bloc, EUR accelerates and EM currencies stabilize.

Bear case 20%

- **US:** Softer GDP growth rate of ~1% or even a mild recession towards the beginning of 2020. Global trade conflict feeds through. Corporate earnings growth and profit margins disappoint. US real wage growth is a worry at the same time and leads to higher inflation. US Fed is challenged to keep its dovish tone.
- **Europe:** Politics remain a mess with Brexit and Italy. Investors lose faith and Italian long-term yields rise. Germany enters into mild recession. (EU confidence crisis 2.0).
- **China/EM:** China weakens RMB and its stimulus programme fails. GDP grows < 6% p.a.

Investment conclusions

- **Equities:** Negative for equities, whereby higher priced US equities lead the correction.
- **Interest rates:** Rates will go lower, but inflation serves as a floor. Support for high quality assets (US Treasuries, A and AA corporate bonds or agency bonds).
- **Credit:** Widening credit spreads cause negative returns for credit sensitive assets, such as high yield bonds. Default rates increase to a level of 4-5% p.a.
- **Commodities/FX:** Negative for commodity bloc, USD remains robust, CHF/JPY act as safe haven.

Tail risks

- An Italian sovereign debt crisis leading to major upheavals in the Eurozone.
- US/China military conflict in the South China Sea.
- Iran closing the Strait of Hormuz, leading to an oil price shock.
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities	Comment
▪ We are neutral on equities with a slight upward bias. Equities get support from a moderate growth outlook with inflation not becoming an issue in the short term. Moreover, equities get natural support due to a scarcity of investment alternatives. ▪ Overall, we believe equity multiples will stay where they are in the U.S. (i.e. a P/E ratio of around 17) and stock market returns will be primarily linked to the corporate earnings growth rate. ▪ Should markets face a downturn, we tend to buy opportunistically, but we will act very disciplined. ▪ Tactically, non-US equities have the potential to outperform. This is especially the case if the USD starts to weaken. Hence, we hold some small overweight positions in specific emerging markets.	▪ US equities incorporate advanced valuations compared to other regions. However, the economic expansion is also more favourable. Hence, a valuation premium is justified. ▪ With dovish central banks, equity multiples do not look as expensive. For example, the U.S. P/E ratio of 17 results in an earnings yield of 5.9% and compares with a yield of 1.7% for 10 year government bonds. In Europe, this comparison leads to an earnings yield of 7.1% (P/E ratio 14) compared to negative government bond yields. ▪ If global trade war risks fade, export-led stock markets and Asia will benefit the most in the short term. However, general equity re-pricing is capped by the fact that we are operating in a late cycle economy.

Credit/Fixed Income	Comment
▪ **Rates**: The near term outlook for interest rate duration is neutral. However, on a structural basis, we still consider duration risk as unattractive, especially in Europe and hold minimal exposure only. We rather consider duration exposure as a valuable portfolio diversifier, whereas we favour US Treasuries and Australian government bonds. ▪ **IG**: We only hold minimal US investment grade bonds and avoid European IG bonds. Asian IG bonds trade at much more attractive valuations. ▪ **High Yield:** US loans and high yield bonds look fully priced. However, the yield is still attractive compared to other investment alternatives. We favour selective non-cyclical US short-term bonds, European loans and EUR CLOs (A to BB rated). ▪ **Emerging Debt:** Emerging market bonds offer a relative value advantage, whereas we favour hard currency bonds, but with very careful selection. We also own selective local currency bonds.	▪ Given the economic softness and the dovish stance of all major central banks, we expect 1-2 more US interest rate cuts in 2019. ▪ The ECB is committed to keep rates low for longer as the economic growth rate in Europe is too weak. ▪ With "lower for longer", credit spreads have further tightening potential, which lifts all the boats. The general market remains benign for credit as corporate default rates will only slightly increase. ▪ We like the structured credit market and hold for example exposure in US non-agency RMBS or European CLOs (high relative value vs HY/loans). ▪ Consider harvesting the illiquidity premium from direct loans (i.e. corporate or mortgage backed loans). ▪ We identify also attractive yield in "new" alternatives such as "Trade Finance". However, a proper liquidity management is paramount.

Alternatives	Comment
▪ Credit long-short strategies identify plenty of relative value trades, both long and short. ▪ Equity long-short strategies should benefit from the increasing performance dispersion and the increased volatility. ▪ Alternative Lending as an asset class gets into the spotlight in a "low for longer" rates environment.	▪ Volatility has increased over the last 12 months, what has also led to more price dispersion among single securities as well as asset classes. This leads to more relative value opportunities for credit and equity long short managers. ▪ Global macro managers benefit from the recent sharp market movements in either direction.

Real Assets	Comment
▪ Gold benefits when real interest rates fall and hence, the current environment with falling yields is beneficial for the gold price. A potentially slightly weaker USD is also supportive for gold.	▪ Slow economic growth rates and tame inflation generally do not support higher commodity prices, whereas a weaker USD is beneficial for the whole commodity bloc.

Asset Class Conviction Levels

		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)	☐	☐	☑	☐	☐

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

		Conviction Level over 6 Months			
Hedge Fund: Regional Focus	**Underweight**	←	**Neutral**	→	**Overweight**
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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