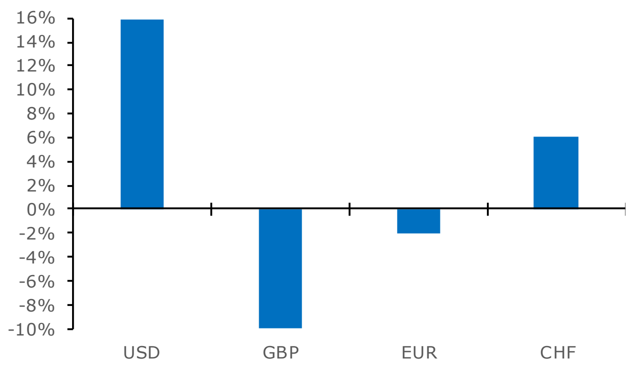
Quarterly Investment Letter – Q3 2019

The US Fed is the dog that wags the tail (markets)

Market participants in the US and other economies around the world hang on the lips of the US Fed. Only 9 months ago, market consensus was for two more rate hikes. Today, it is the other way round, which will **prolong the economic cycle and prevent the US Dollar from strengthening.** Based on the real effective exchange rate, the USD is overvalued by around 15% versus its major trading partners (chart 1).

Chart 1: Currency over/undervaluation based on the real effective exchange rate



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

United States

The economic cycle is entering its 11th year in July 2019 and there are **still no typical late-cycle alarm bells ringing**, such as high inflation or elevated interest rates. The US core inflation rate remains well anchored at 1.6% and 10-year US treasuries have fallen back to 2%. Domestic sectors centred around personal consumption continue to spur growth and although US gross domestic product (GDP) is slowing, it is still expected to reach 2.5% in 2019. Going forward, investors' **focus should be on the development of spending, income and hiring momentum (chart 2)** and hiring momentum in particular, as the US/China trade war

Summary Points

- The US Fed is the dog that wags the tail. US Treasury futures forecast two rate cuts this year, which will prolong the economic cycle and prevent the USD from further strengthening.
- US GDP growth is slowing but a sudden recession is not on the cards. 10-year US treasuries fell back to 2%, supporting credit. Corporate default rates will rise on the margin.
- Europe's economy goes through a soft patch and Mario Draghi opens the ECB's door for more unconventional measures. Italy remains the bull in a China shop.
- China's economy remains under pressure. That said, the government has ample ammunition (fiscal and monetary) and uses it to support the economy. A severe drop in GDP growth can be ruled out.
- The US/China stand-off is here to stay (conflict of technological and economic supremacy) and increased tariffs are largely priced into the market. Not priced in is a total break-down in negotiations.
- **Conclusion:** Central banks' dovishness across the world and ultra-low bond yields support asset prices. Equities are at an advantage in the short-term. Credit default rates remain low. We prefer European credit and selective Emerging market debt bonds over US credit.

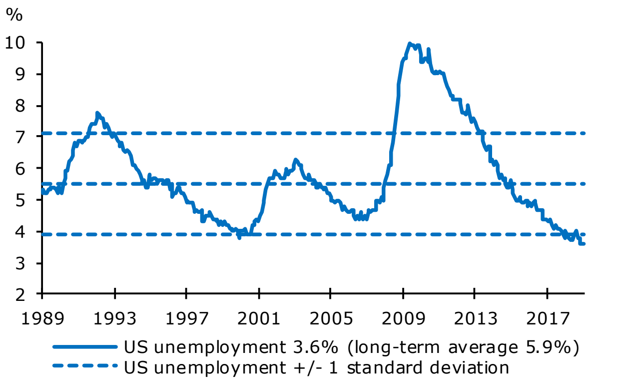
Content

may lead to reduced job creation across the private sector and signal more weakness ahead.

When President Trump took over the Oval Office in 2017, he promised to "put America first". Only few would have expected that he was prepared to go as far as to block the free flow of goods, threaten cross-border money flow or to blacklist foreign companies. **The US economic nationalism today has changed** in a way that the threat of higher tariffs is used to force trading partners to do something unrelated to trade (i.e. Mexico to stop the flow of migrants). The **US has still a lot of leverage over the rest of the world** as its economic power is unchallenged, 88% of all currency transactions are in USD and over 50% of the world's cross-border bandwidth is controlled or hosted in the US. Foreigners accept all this, as they get access to the US market and fair treatment alongside American firms.

The US Fed will again play a key role when it comes to the economic cycle. Smart policy execution and no further escalation of the US/China trade war could **make this cycle the longest since 1854**. At the June meeting, the US Fed signalled a clear change in tone and a rate cut in July and/or September 2019 is now very likely. **To summarize:** US economic momentum is weakening but there is **no near-term recession in sight**. The US Fed has room to manoeuvre. **If interest rates decline, the US Dollar should stop strengthening**.

Chart 2: Consumption supported by low unemployment



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

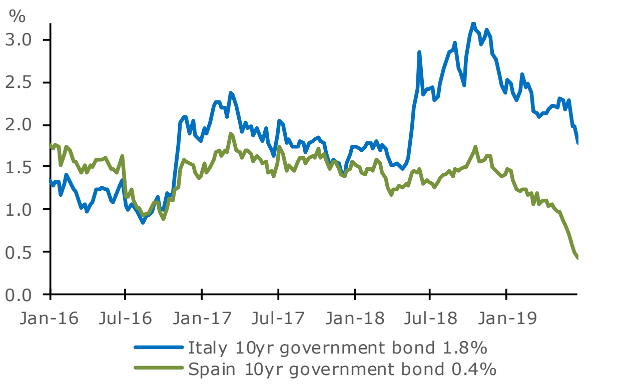
Europe

Europe's economy goes through a soft patch and weak sentiment will keep policy makers on edge about the outlook for the rest of the year. For 2019, market consensus expects GDP growth to reach 1.2% following 1.9% in 2018. Inflation should reach 1.3% and is nowhere near the European Central Bank's (ECB) target of 2%.

On June 19th, Mario **Draghi pledged new stimulus measures** that may include both interest rate cuts and asset purchases. He also emphasized that the ECB should not be limited in its room for manoeuvre, **opening the door to more unconventional measures**. That said, the next ECB President will be elected at the end of June this year, taking the reins in October. He/she will have to deal with Draghi's legacy and **Europe's fiscal dilemma**, namely that the German government does not want to borrow more and southern Europe cannot afford it. Hence, monetary policy is the main lever to stimulate growth. Unfortunately, interest rates are close to zero and the ECB is prohibited from holding more than 33% of a country's total debt. Investors should expect this rule and others to be bent if needed.

Another debt crisis with **Italy at the centre** overhangs investor sentiment. Italy's calculated optimism for a budget deficit to come in at 2.2% in 2019 is fuelled by political motivations and the market does not buy into this. **In the end, it will be financial markets that will enforce budget discipline**. As a reminder, at the start of 2018, Italy's 10 yr sovereign bond yield was at 1.7% and roughly the same as for Spain with 1.6%. Since then the spread has widened and Italy's interest rate on a 10-year sovereign bond is now 1.4% higher at 1.8% versus 0.4% for Spain (chart 3).

Chart 3: Italian 10-year bonds at a premium over Spanish bonds



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

Japan

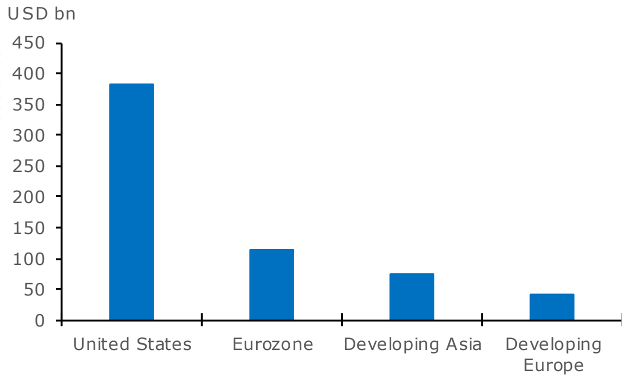
Japan's economy is losing momentum and the Tankan business conditions index has weakened together with consumer confidence. In May, the **manufacturing PMI fell to 49.8 points,** whereas the index 12 months ago stood at 53 points. The slide in economic activity shows the growing side effects of the US/China trade war and a slowdown in its main Asian export markets. The Bank of Japan (BOJ) and the government's tools to take counter-measures are increasingly limited. The BOJ governor Kuroda has indicated he will not take action and has passed the baton to Prime Minister Shinzo Abe. Obviously, fiscal policy will do the trick. In this respect, Prime Minister Abe can choose between postponing the October deadline for raising the consumption tax or going ahead with the tax hike but increase fiscal spending. Hence, the burden will either be on the consumer or on the government's revenue side. As **a quick fix is needed** and consumer sentiment and domestic consumption is key to the Japanese economy, the **tax hike will likely be postponed and the government's finances will have to bear the brunt**. The situation may change if the US and China reach an agreement on trade. Either way, Japan is not a compelling investment story and year-to-date the Nikkei 225 has been strongly underperforming the MSCI World.

China

The US/China trade war spells **more pressure on China** as its net exports to the US amounted to USD 380 bn in 2018 (chart 4). The US now applies 25% tariffs on goods worth USD 250 bn. If the tariff hike does not prove temporary, **growth will undoubtedly suffer**. The US has also threatened to impose duties on the remaining USD 300 bn, which led to a short-term market sell-off in May. The stand-off also opened up on the corporate side with Huawei as the latest victim. **Retaliation in kind has begun** and China has started its own blacklist of foreign firms. **Investors should not underestimate the risks of a clumsy mistake** (tweet or other) that could trigger a more serious correction. Imagine if the US threatens to ban the USD 1tr of Chinese equities trading in New York or to cut off Chinese banks from the financial system. China on the other hand could flex its muscles and refuse to buy US treasuries. **President Donald Trump and Xi Jinping will meet at the G-20 summit** in a few days and will have another opportunity to reach some sort of agreement, which should lift sentiment and markets in the short-term. That said, **the major differences will remain the same**. Eventually what all the US sanctions and threats **will lead to is an acceleration of China's efforts** to build a rival global infrastructure, GPS system, payment system, semiconductor industry and its own courts to rule on commercial disputes with foreigners.

In **April/May a range of economic data was soft** and long-term reforms may be put on ice as policy shifts to preventing a downturn. Despite the economic pressure, **China has still ample room to manoeuvre** using fiscal policy, interest rates, credit and eventually the exchange rate. Hence, a sharp drop in GDP growth can be ruled out.

Chart 4: China's 2018 net exports with major economic blocs



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

Investment conclusions

Global GDP growth is still well supported by a robust consumer and solid end demand. Of the largest economic blocs, **Europe is the weakest link**. **Central banks' dovish stance** and ultra-low bond yields force investors **back into more risky assets**, such as high yield bonds and equities. Equities are at an advantage in the short-term and we are acting opportunistically. **Our positioning in the current market environment is neutral with an upward bias.**

In **fixed income,** the US yield curve has inverted again putting pressure on banks and slowing credit supply. We have light exposures in long-term US treasuries, which rallied strongly. **Corporate default rates will increase on the margin**, but speculation about two rate cuts in the US until year end, will keep them at low levels. **We prefer European credit and selective Emerging market bond exposure over US credit.** We also identify relative value in high quality CLOs.

The **US equity market remains the leading market**, followed by China and Europe. A US/China trade deal would lead Chinese equities to catch-up but not to decouple. Considering the two nations diverging interests, investors have to expect political frictions to flare up from time to time, leading to increased volatility in equities.

Market Consensus Forecasts

GDP growth (%)	2017	2018	2019e	2020e
World	3.8	3.6	3.3	3.3
United States	2.2	2.9	2.5	1.8
Eurozone	2.4	1.9	1.2	1.3
Germany	2.2	1.4	0.8	1.2
France	2.3	1.7	1.3	1.3
Italy	1.7	0.9	0.2	0.6
United Kingdom	1.8	1.4	1.3	1.4
Switzerland	1.6	n.a.	1.2	1.5
Japan	1.9	0.8	0.7	0.4
Emerging economies	4.9	4.9	4.8	4.9
Asia Ex-Japan	6.3	6.0	5.7	5.6
Latin America	1.2	1.5	1.6	2.6
EMEA region	3.6	3.0	2.0	2.6
China	6.8	6.6	6.3	6.0
India	8.2	7.2	7.0	7.1
Brazil	1.1	1.1	1.1	2.2
Russia	1.6	2.3	1.4	1.7

Inflation (%)	2017	2018	2019e	2020e
World	3.2	3.6	3.2	3.0
United States	2.1	2.5	1.8	2.1
Eurozone	1.5	1.8	1.3	1.4
Germany	1.7	1.9	1.5	1.5
France	1.2	2.1	1.3	1.5
Italy	1.3	1.3	0.9	1.1
United Kingdom	2.7	2.5	1.9	2.0
Switzerland	0.5	1.0	0.6	0.9
Japan	0.5	1.0	0.7	1.1
Emerging economies	n.a.	n.a.	3.8	3.5
Asia Ex-Japan	1.9	2.3	2.3	2.5
Latin America	n.a.	n.a.	8.8	6.5
EMEA region	5.8	5.7	6.3	5.7
China	1.6	2.1	2.3	2.3
India	3.3	4.0	3.7	3.8
Brazil	3.5	3.7	3.9	3.9
Russia	3.7	2.9	4.9	4.0

Central bank rates (%)	2017	2018	2019e	2020e
US Fed Funds	1.50	2.50	2.25	2.10
ECB Main Refinancing	0.00	0.00	0.00	0.00
China 1yr Best Lending	4.35	4.35	4.30	4.25
Bank of Japan Overnight	-0.06	-0.06	-0.10	0.00
UK Base Rate	0.50	0.75	0.80	0.95
Swiss 3mth CHF Libor	-0.75	-0.75	-0.75	-0.70

Commodities	2017	2018	2019e	2020e
NYMEX WTI oil USD/barrel	56	48	59	55
ICE Brent oil USD/barrel	61	55	65	62
Iron Ore USD/metric ton	72	71	97	86
Copper USD/metric ton	7247	5965	6067	6008
Gold USD/troy oz	1303	1277	1332	1429
Silver USD/troy oz	16.9	15.5	15.4	15.7

Major interest rates (%)	2017	2018	2019e	2020e
USA 3mth rate	1.7	2.8	2.4	2.3
USA 10yr Gov't Bonds	2.4	2.7	2.4	2.5
Eurozone 3mth rate	-0.3	-0.3	-0.3	-0.2
Eurozone 10yr Gov't Bond	0.4	0.2	0.0	0.3
China 3mth rate	n.a.	n.a.	2.8	2.7
China 10yr Gov't Bond	3.9	3.3	3.1	3.1
UK 3mth rate	0.5	0.9	1.0	1.2
UK 10y Gov't Bond	1.2	1.3	1.2	1.5
Swiss 3mth rate	-0.7	-0.7	-0.7	-0.6
Swiss 10y Gov't Bond	-0.1	-0.3	-0.3	-0.2

Exchange rates	2017	2018	2019e	2020e
EURUSD	1.20	1.15	1.15	1.21
EURCHF	1.17	1.13	1.13	1.19
USDCHF	0.97	0.98	0.99	0.98
EURJPY	135.28	125.81	124.00	127.00
EURGBP	0.89	0.90	0.89	0.88
USDJPY	112.62	109.70	108.00	105.00
GBPUSD	1.35	1.27	1.29	1.39
USDCNY	6.51	6.88	6.90	6.70
USDBRL	3.31	3.88	3.80	3.70
USDRUB	57.98	69.72	65.80	64.35

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	2178	3.3%	15.6%	2.5
MSCI World (USD) hedged	1028	4.0%	17.4%	n.a.
HFRX Global Hedge Fund	1240	1.6%	4.2%	n.a.
S&P 500	2950	4.1%	17.7%	2.0
Russell 1000	1633	4.0%	18.0%	1.9
Nasdaq 100	7729	4.7%	22.1%	1.1
Stoxx Europe 600	386	1.8%	14.2%	3.8
MSCI Emerging Markets	1053	-0.5%	9.1%	3.0
Nikkei 225	21286	0.4%	6.4%	2.1
China CSI 300	3841	-0.8%	27.6%	2.5

	Forward		EPS growth	
Equity market valuations	PE	PB	2018e	2019e
MSCI World (USD)	16.3	2.3	10%	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	17.7	3.2	9%	11%
Russell 1000	18.0	3.1	11%	11%
Nasdaq 100	21.6	5.8	12%	13%
Stoxx Europe 600	14.4	1.7	24%	9%
MSCI Emerging Markets	13.0	1.5	-3%	14%
Nikkei 225	15.2	1.5	3%	5%
China CSI 300	12.5	1.6	18%	14%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	2.04	3.4%	6.3%	n.a.
10yr Euro gov't bond	-0.30	2.8%	6.0%	n.a.
10yr German gov't bond	-0.30	1.6%	4.3%	n.a.
10yr Italian gov't bond	2.09	4.2%	6.8%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	268	3.2%	7.5%	2.5
Barclays US Corporate IG	3085	3.7%	9.1%	3.2
Barclays Euro Corporate IG	257	1.9%	5.2%	0.6
Barclays Emerging Market USD	1165	3.3%	9.0%	4.9
Barclays US Corporate HY	2100	2.5%	10.0%	5.8
Barclays Pan-European HY	396	1.8%	7.7%	3.9

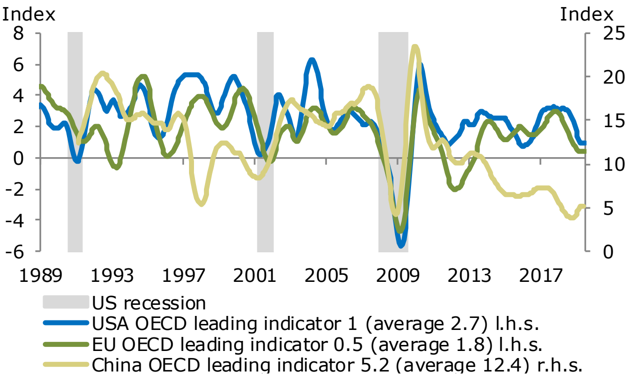
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	65	-4.3%	21.7%
US Energy Services	79	-16.3%	-1.6%
Copper	5968	-8.0%	0.1%
Gold	1404	8.6%	9.4%
EURUSD	1.14	1.4%	-0.8%
EURCHF	1.11	-0.4%	-1.4%

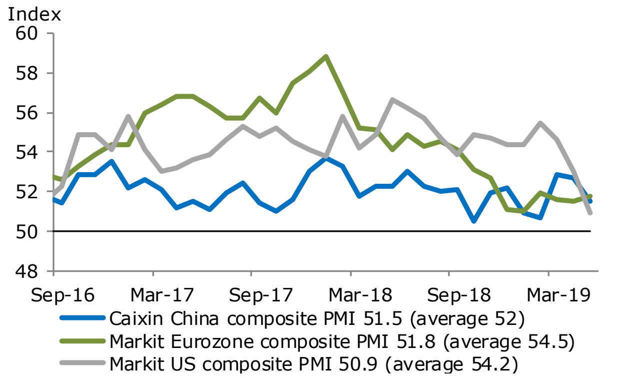
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q2 = data as of June 24, 2019 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Charts

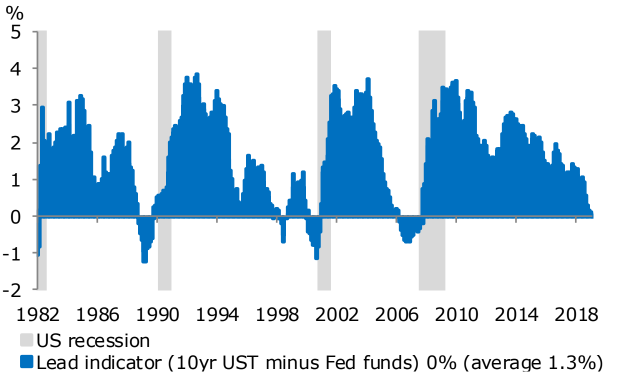
Leading indicators and manufacturing

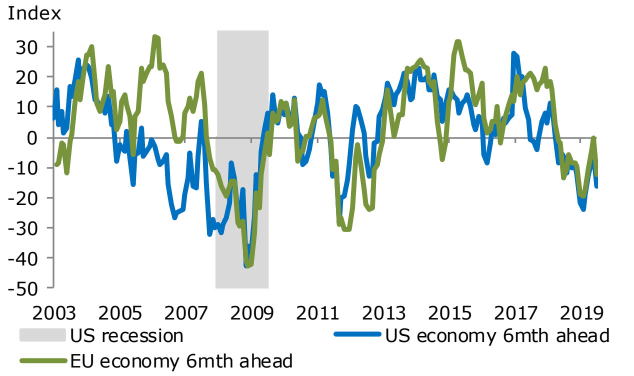
Source: Bloomberg Finance L.P., Alpinum Investment Management



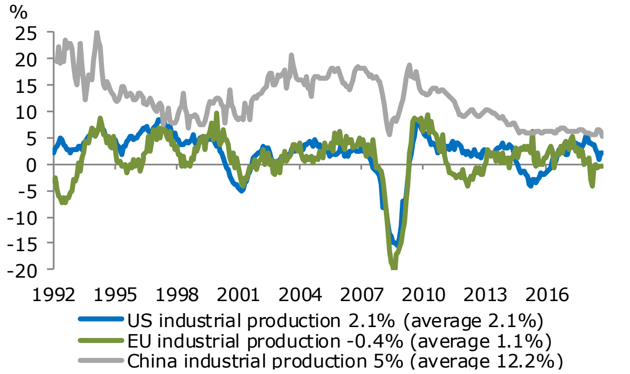


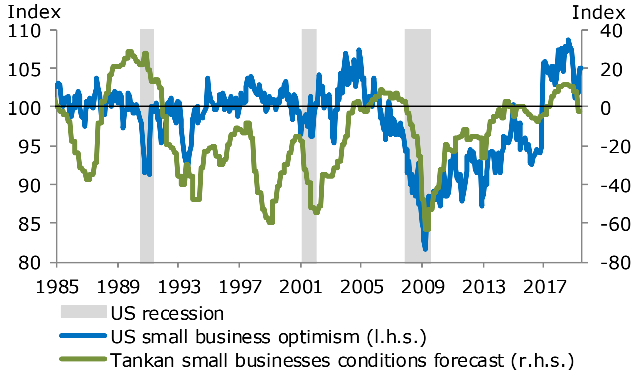
Recession indicator



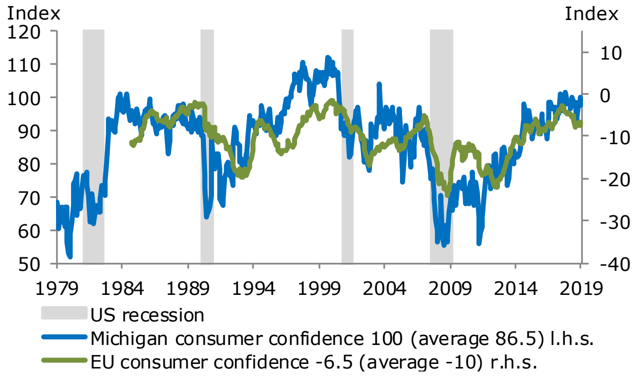


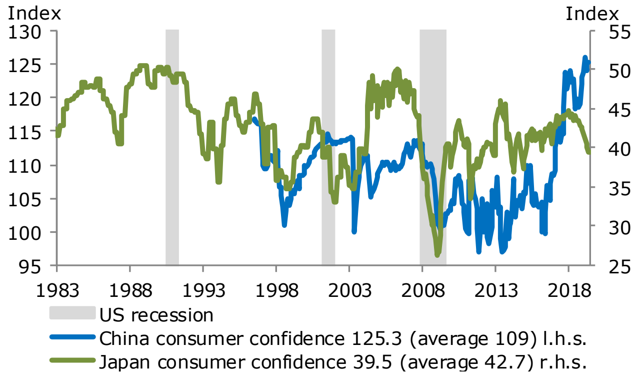
Industrial production and small businesses





Consumer confidence





Scenario Overview 6 months

Base case 70%

- **US:** GDP grows around 2-2.5% 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 tends to be capped due to the uncertainties around the trade conflict and the moderate growth prospects.
- **Eurozone** GDP growth is weakening towards 1-1.5% and selective EU countries, such as Italy, fight with a 0% growth outlook. The ECB remains a strong supporter of the markets throughout 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 (up) 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 more 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 (bias up) and USD stops strengthening.

Bull case 10%

- **US:** Economic activity levels off towards 3% based on strong consumption and a deal is done in the U.S./China trade conflict. Wage growth, low interest rates and strong consumer sentiment leads to more capex and a further extension of the business cycle.
- **Europe** profits from economic momentum in the US and there is no hard Brexit. The ECB stays put despite stronger economic growth.
- **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, 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 <1.5% 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 far above GDP growth (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 ~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

- We are neutral on equities with an 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 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 overweight positions in specific emerging markets.

Comment

- US equities incorporate advanced valuations compared to other regions. However, the economic expansion is also more favorable. 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 2.0% for 10 year government bonds. In Europe, this comparison leads to an earnings yield of 7.1% (P/E ratio 14) compared to even lower government bond yields.
- If global trade war risks fade, export-led stock markets will benefit 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

- **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 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 and European loans.
- **Emerging Debt:** Emerging market bonds offer a relative value advantage, whereas we favour hard currency bonds with via a very careful selection. We have also started to buy selective local currency bonds.

Comment

- Given the economic softness and the dovish stance of all major central banks, we expect around 2 US interest rate cuts in 2019.
- The ECB is also 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 marginally increase.
- We like the structured credit market and hold for example exposure in US non-agency RMBS or European CLOs.
- 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

- 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.

Comment

- 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

- 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.

Comment

- Slow economic growth rates and tame inflation do generally not support higher commodity prices, whereas a weaker USD is beneficial for the whole commodity bloc.

Asset Class Conviction Levels

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	☑	☐	☐	☐	☐
US High Yield	☐	☐	☑	☐	☐
US Short Term High Yield	☐	☐	☐	☑	☐
US Loans	☐	☐	☑	☐	☐
US Municipal Bonds	☐	☐	☑	☐	☐
European High Yield	☐	☐	→ ☑	☐	☐
European Short Term High Yield	☐	☐	☐	→ ☑	☐
European Loans	☐	☐	☐	☐	☑
US/EUR Preferred Securities	☐	☐	☐	☑	☐
US/EUR Asset Backed Securities	☐	☐	☐	☐	→ ☑
Emerging Market Local Currency	☐	☐	☐	→ ☑	☐
Emerging Market Hard Currency	☐	☐	☐	→ ☑	☐
Emerging Market High Yield	☐	☐	☐	☑	☐

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

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	☐	☐	☑	☐	☐

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".

Disclaimer

This document does not constitute an offer to anyone, or a solicitation by anyone, to make any investments in securities. Such offer will only be made by means of a personal, confidential memorandum. This document is for the intended recipient only and may not be transmitted or distributed to third parties

Past performance is not a guide to future performance and may not be repeated. You should remember that the value of investments can go down as well as up and is not guaranteed. The actual performance realized by any given investor depends on, amongst other things, the currency fluctuations, the investment strategy invested into and the classes of interests subscribed for the period during which such interests are held. Emerging markets refer to the markets in countries that possess one or more characteristics such as certain degrees of political instability, relative unpredictability in financial markets and economic growth patterns, a financial market that is still at the development stage, or a weak economy. Respective investments may carry enhanced risks and should only be considered by sophisticated investors.

Nothing contained in this document constitutes financial, legal, tax, investment or other advice, nor should any investment or any other decisions be made solely based on this document. Although all information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to its accuracy or completeness and no liability is accepted for any direct or indirect damages resulting from or arising out of the use of this information. All information as well as any prices indicated is subject to change without notice. Any information on asset classes, asset allocations and investment instruments is only indicative. Before entering into any transaction, investors should consider the suitability of the transaction to their own individual circumstances and objectives. We strongly suggest that you consult your independent advisors in relation to any legal, tax, accounting and regulatory issues before making any investments.

This publication may contain information obtained from third parties, including but not limited to rating agencies such as Standard & Poor's, Moody's and Fitch. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third party. Alpinum Investment Management AG and the third-party providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and will not be responsible for any errors or omissions (negligent or otherwise), or for the results obtained from the use of such content. Third-party data are owned by the applicable third parties and are provided for your internal use only. Such data may not be reproduced or re-disseminated and may not be used to create any financial instruments or products, or any indices. Such data are provided without any warranties of any kind.

If you have any enquiries concerning the document please contact your Alpinum Investment Management AG contact for further information. The document is not directed to any person in any jurisdiction which is prohibited by law to access such information. All information is subject to copyright with all rights reserved. Any communication with Alpinum Investment Management AG may be recorded.

Alpinum Investment Management AG is incorporated in Switzerland and is FINMA licensed and regulated.

Contact Information:
Alpinum Investment Management AG
Talstrasse 82
CH-8001 Zurich
Tel: +41 43 888 79 33
Fax: +41 43 888 79 31
alpinumim.com