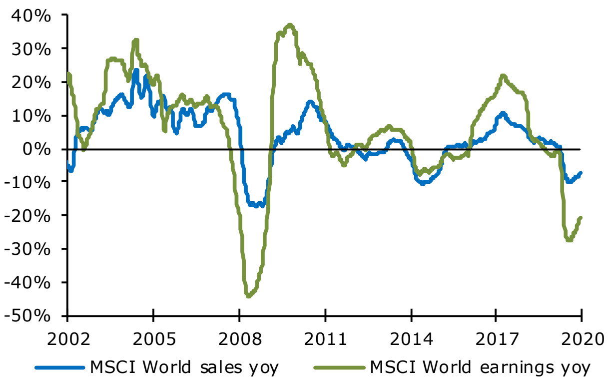
Quarterly Investment Letter – Q1 2021

Almost no headwinds

From an economic perspective, almost everything is falling into place. No central bank and no government wants to remove economic support too quickly. **Monetary policy will remain very stimulative** and there is no tightening expected until late 2022. Western governments have almost no spending constraints as **borrowing costs for up to 10-years are close to zero** or negative. Over the next 3-6 months, **equities and credit will outperform long duration bonds** thanks to the global economic recovery, the prospects of a resolution to the pandemic and the **positive effects of operating leverage on earnings** (chart 1). The important figure for operational leverage to kick in is revenue growth. Example: a company with USD 100 in revenues and USD 10 in profits. Assuming revenues increase 2% to USD 102 and the cost base remains constant, operational gearing will lead profits to increase to USD 12 or +20%.

Chart 1: Operating leverage works on both sides



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

United States

Joe Biden has been elected the **46th US president**. For Mr Biden to enact key policies, he needs the support of the House of Representatives (House) and the Senate (Congress). The House is already controlled by the Democrats. However, the control of the Senate will only be decided on January 5th,

Summary Points

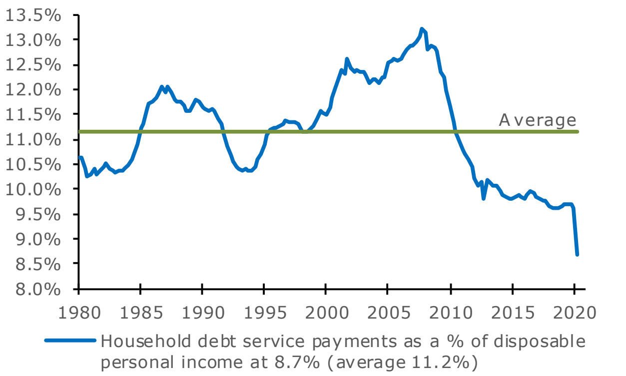
- Investors seem to be living in the best of all worlds. No central bank or government wants to remove economic support too quickly and monetary policy will remain very stimulative.
- Joe Biden won the US presidency and besides the House, the Democrats have a chance to even get control of the Senate. The economic recovery is intact and consumer spending will underpin growth next year as household balance sheets are healthy and the unemployment rate has fallen.
- Europe is lagging the US and market consensus expects the Eurozone to play catch-up and possibly even outperform. Europe typically benefits the most during a manufacturing upswing, especially when China's industrial production growth is increasing.
- China is the first economy leaving the pandemic behind and its recovery is at an advanced stage. Xi Jinping is unlikely to tolerate any kind of instability ahead of the 100th anniversary of the Communist Party of China in October 2021.
- **Conclusion**: We have a positive scenario over the next 3-6 months. The risks to our view are the rollout of the vaccines to take longer and the possibility of the virus mutating. Hence, investors should have contingency plans ready. If everything falls into place, equities and credit will outperform long duration bonds. Equity multiples are high on an absolute basis but attractive relative to bond valuations. Positive operating leverage and rising profits should lead to higher asset prices. Inflation remains a distant threat as both the output and unemployment gap will remain meaningful in 2021. That said, year-over-year numbers will temporarily jump as numbers were extremely depressed at the nadir of the recession.

Content

2021, in Georgia's special election. If the Democrats win both seats, they will control the White House, the House and the Senate (called trifecta) and be able to pass legislation virtually unencumbered. Going back to 1999, trifecta occurred only in four out of eleven legislative sessions. A Democratic led trifecta could be less market benign.

For 2020, market consensus expects **US GDP growth to drop by -3.5% and to recover by +3.9% in 2021**. The US is not immune to a slowdown and the risk to the forecast is if the current wave of infections dampens the US recovery and if the vaccines take longer to be distributed in 2021. For now, **markets have shrugged off any warnings of a Q4 2020 slowdown** and are focusing on the post-pandemic recovery and the service sector (airlines, hotels, restaurants) to normalize again over the course of 2021. The Markit US Composite PMI stands at 55.7 points and suggests that the underlying recovery remains broadly intact. **Consumer spending should underpin the recovery** next year as the unemployment rate has fallen to 6.7% (14.7% at its peak in April 2020). In addition, US household balance sheets are healthy thanks to collapsing rates (mortgage refinancing) and government transfers (chart 2). **The wealth effect should not be underestimated**. With the US Fed adopting its new average inflation target in September 2020, it is currently more afraid of committing deflationary errors than inflationary ones. Consensus is that if inflation break-even rates remain below 2.5%, markets should not be concerned.

Chart 2: Household debt service payments at lowest levels ever



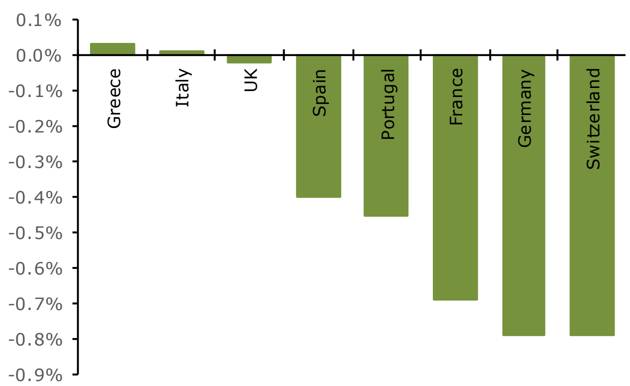
Source: Federal Reserve, Alpinum Investment Management

Europe

For 2020, market expectations are for the **Eurozone GDP to fall by -7.4%** or twice as much as the US, followed by a **rebound of +4.6% in 2021** (US +3.9%). **Europe is lagging the US on many levels.** The Markit Eurozone PMI stands at 45.3 points (US 55.7 points), headline inflation is -0.3% (US 1.2%), core inflation is 0.2% (US 1.6%) and the unemployment rate stands at 8.4% (US 6.7%). Although near-term risks are elevated because of the recent violent second wave of infections and renewed partial/hard lockdowns, **market consensus expects the Eurozone to play catch-up** and possibly even outperform the US in 2021. As one of the first indicators, the German ZEW expectations survey shot up from 39 to 55 points in December. Investors should take such as scenario into account as the case for additional European fiscal support is clear. Besides EUR 1.1 trillion Multiannual Financial Framework and the EUR 750 billion European Recovery Fund, **all major countries in the Eurozone can borrow at negative interest rates** for up to 10-years and longer (chart 3). Hence, European governments are under little pressure to apply any fiscal brake. The loose fiscal setting in combination with the ECB's monetary policy will allow activity to recover quickly and the **Eurozone to grow above trend in 2021**.

The European Central Bank (ECB) is now more aggressive on quantitative easing measures than the US Fed. Just in December it renewed, expanded and extended, various measures (PEPP, TLTRO, PELTRO) to keep monetary policy supportive until the pandemic risks have subsided. Hence, **European governments are getting maximum support from the ECB**. One of the risks threatening the European recovery process is the **Euro's strength** and the ECB may have to intervene at some point in time. The risk of a hard Brexit and if it is a threat to mainland Europe seems to have lost investors' interest. The genuine Brexit deadline remains December 31, 2020. With or without a hard Brexit, international investors are likely to focus on other markets.

Chart 3: 5-year governemt bond yields flat or outright negative



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

China and emerging markets (EM)

Thanks to the aggressive use of testing and tracing, China has contained the Covid-19 virus. For 2020, market consensus expects **China's GDP to grow +2% and then to accelerate to 8.2% in 2021** (fastest pace since 2011). China is the first economic bloc leaving the pandemic behind and its recovery is at an advanced stage. **China's economic momentum is confirmed by a strong Caixin manufacturing PMI reading** of 54.9 points, robust industrial production (+6.9% yoy) and exports numbers. In November, China's industrial profits (chart 4) shot up by +28% yoy (October +10% yoy) and are expected to remain strong into the first half of 2021. Previous stimulus measures and the increase of total social financing (broad measure of credit and liquidity) by +13.5% yoy, will remain a positive force for China and the rest of the world. In addition, **Xi Jinping** is unlikely to tolerate any kind of instability ahead of the **100th anniversary of the Communist Party of China in October 2021**. Hence, Chinese activity and increased imports will likely keep global industrial production elevated over the next 3-6 months. Fiscal and monetary policy tightening will only become a major risk after the celebrations.

Within EM, Asia is at an advantage compared to Latin America and Eastern Europe, Middle East and Africa. Economies most at risk are the ones that have yet to withstand the inevitable second wave of infections. In addition, **the pandemic has produced inequalities between rich countries and emerging markets.** Most EMs cannot issue debt at close to zero interest rates and in their own currency, as they depend on foreign funding. Hence, they are **limited in issuing debt and fiscal spending to support their economies**.

Chart 4: China's recovering business cycle benefits cyclicals

Source: China National Statistics Bureau, Alpinum Investment Management

Investment conclusions

Investors seem to be living in the best of all worlds. No central bank or government wants to remove economic support too quickly and monetary policy will remain very stimulative as long as inflation is low. **Despite our overall optimistic scenario over the next 3-6 months, we believe that investors should have contingency plans ready,** as much of the global outlook will depend on the rollout of the vaccines and the risk of the virus mutating. Hence, **we are prudent not to tilt our positioning fully towards a post-Covid-19 bias just yet.** The renewed lockdowns in the West are likely to put downward pressure on economic activity, yields and value stocks at the beginning of 2021. On a regional level, **Europe may start to outperform the US** for the first time in a long period. Emerging markets, except Asia, may lag Western markets. If everything falls into place, **equities and credit will outperform long duration bonds**. Equity multiples are high on an absolute basis but attractive relative to bond valuations. **Positive operating leverage and rising profits** should lead to higher asset prices. **Inflation remains a distant threat** as both the output and unemployment gap will remain meaningful in 2021. That said, year-over-year numbers will temporarily jump as numbers were extremely depressed at the nadir of the recession.

Bonds: Short-term interest rates will remain anchored at historic low levels for longer. Corporate default rates are in the process to peakbut will stay at elevated levels going into 2021. If everything falls into place, cyclical forces should be increasingly negative for bonds with longer maturities. **European loans, US and Scandinavian short-term high yield bonds** and **structured credit remain our preferred allocations**. Positive cyclical forces may tactically open **opportunities in very low-quality issuers**. In emerging markets, our preference is towards **Asian investment grade and high yield bonds**.

Equities: Part of the recovery is already reflected in current equity prices and **valuation multiples may have reached a plateau**. Hence, it will be down to profits to justify higher equity prices. A normalization of economic growth should allow **cyclical and value stocks** with high operating leverage to outperform growth stocks. Normally, **Europe and small caps benefit the most during a manufacturing upswing**, especially when China's industrial production growth is increasing.

Market Consensus Forecasts

GDP growth (%)	2018	2019	2020e	2021e
World	3.5	2.8	-3.8	5.2
United States	3.0	2.2	-3.5	3.9
Eurozone	1.9	1.3	-7.4	4.6
Germany	1.3	0.6	-5.6	4.0
France	1.8	1.5	-9.2	6.2
Italy	0.9	0.3	-9.0	5.4
United Kingdom	1.2	1.5	-11.2	5.4
Switzerland	3.0	1.2	-4.0	3.6
Japan	0.6	0.3	-5.3	2.7
Emerging economies	4.9	n.a.	-0.7	5.1
Asia Ex-Japan	6.1	5.3	0.8	5.5
Latin America	1.8	1.3	-6.7	4.4
EMEA region	3.2	2.3	-3.9	3.6
China	6.7	6.1	2.0	8.2
India	7.0	6.1	4.2	-8.5
Brazil	1.8	1.4	-4.6	3.5
Russia	2.5	1.3	-3.8	3.0

Inflation (%)	2018	2019	2020e	2021e
World	3.6	3.5	2.2	2.7
United States	2.5	1.8	1.2	2.0
Eurozone	1.8	1.2	0.3	0.9
Germany	1.9	1.4	0.4	1.3
France	2.1	1.3	0.5	0.8
Italy	1.3	0.7	-0.2	0.4
United Kingdom	2.5	1.8	0.9	1.5
Switzerland	1.0	0.4	-0.7	0.1
Japan	1.0	0.5	0.0	0.1
Emerging economies	3.6	3.9	3.4	3.4
Asia Ex-Japan	2.3	2.6	2.1	2.2
Latin America	7.4	9.5	8.0	8.8
EMEA region	5.8	6.1	5.1	5.2
China	2.1	2.9	2.6	1.7
India	4.0	3.7	4.8	6.4
Brazil	3.7	3.7	3.2	3.5
Russia	2.9	4.5	3.3	3.7

Central bank rates (%)	2018	2019	2020e	2021e
US Fed Funds	2.50	1.75	0.25	0.25
ECB Main Refinancing	0.00	0.00	0.00	0.00
China 1yr Best Lending	4.35	4.35	4.35	4.35
Bank of Japan Overnight	-0.06	-0.07	-0.10	-0.10
UK Base Rate	0.75	0.75	0.10	0.10
Swiss 3mth CHF Libor	-0.75	-0.75	-0.75	-0.75

Commodities	2018	2019	2020e	2021e
NYMEX WTI oil USD/barrel	50	56	39	48
ICE Brent oil USD/barrel	57	61	41	51
Iron Ore USD/metric ton	71	91	109	159
Copper USD/metric ton	5965	6174	6282	7841
Gold USD/troy oz	1277	1518	1782	1896
Silver USD/troy oz	15.5	17.9	20.8	26.7

Major interest rates (%)	2018	2019	2020e	2021e
USA 3mth rate	2.8	1.9	0.2	0.3
USA 10yr Gov't Bonds	2.7	1.9	0.9	1.2
Eurozone 3mth rate	-0.3	-0.4	-0.5	-0.5
Eurozone 10yr Gov't Bond	0.2	-0.2	-0.5	-0.3
China 3mth rate	3.3	3.0	2.9	2.9
China 10yr Gov't Bond	3.3	3.1	3.2	3.1
UK 3mth rate	0.9	0.8	0.1	0.1
UK 10y Gov't Bond	1.3	0.8	0.3	0.5
Swiss 3mth rate	-0.7	-0.7	-0.7	-0.7
Swiss 10y Gov't Bond	-0.3	-0.5	-0.5	-0.4

Exchange rates	2018	2019	2020e	2021e
EURUSD	1.15	1.12	1.19	1.24
EURCHF	1.13	1.09	1.08	1.11
USDCHF	0.98	0.97	0.91	0.89
EURJPY	125.81	122.20	124.00	127.00
EURGBP	0.90	0.85	0.90	0.90
USDJPY	109.70	108.72	104.00	103.00
GBPUSD	1.27	1.33	1.31	1.36
USDCNY	6.88	6.96	6.69	6.41
USDBRL	3.88	4.02	5.40	5.05
USDRUB	69.72	62.49	75.95	71.60

Performance table

		Performance		
Global equity markets	Price	Q4	Ytd Q4	Div.yld
MSCI World (USD)	2645	11.7%	12.1%	1.9
MSCI World (USD) hedged	1266	10.9%	12.6%	n.a.
HFRX Global Hedge Fund	1371	4.4%	6.0%	n.a.
S&P 500	3695	9.9%	14.4%	1.6
Russell 1000	2093	11.7%	17.3%	1.5
Nasdaq 100	12690	11.1%	45.3%	0.8
Stoxx Europe 600	387	7.1%	-7.0%	2.8
MSCI Emerging Markets	1257	16.2%	12.8%	2.0
Nikkei 225	26436	14.0%	11.8%	1.5
China CSI 300	4965	8.2%	21.2%	1.8

	Forward		EPS growth	
Equity market valuations	PE	PB	2020e	2021e
MSCI World (USD)	25.1	2.8	-8%	25%
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	26.6	4.0	-9%	22%
Russell 1000	27.9	4.0	-6%	24%
Nasdaq 100	32.4	8.0	20%	15%
Stoxx Europe 600	23.0	1.8	-13%	37%
MSCI Emerging Markets	19.6	1.7	-9%	33%
Nikkei 225	24.9	2.0	-6%	22%
China CSI 300	17.4	2.2	1%	18%

		Performance		
Global gov't bonds	Yield	Q4	Ytd Q4	YtW
10yr US Treasury	0.91	-1.6%	9.7%	n.a.
10yr Euro gov't bond	-0.59	1.2%	4.5%	n.a.
10yr German gov't bond	-0.59	0.3%	2.9%	n.a.
10yr Italian gov't bond	0.55	3.0%	9.5%	n.a.

		Performance		
Global bond indices	Price	Q4	Ytd Q4	YtW
Barclays Global Corporate IG	305	3.5%	9.6%	1.4
Barclays US Corporate IG	3534	2.3%	9.1%	1.8
Barclays Euro Corporate IG	266	2.0%	2.8%	0.2
Barclays Emerging Market USD	1283	4.1%	6.1%	3.5
Barclays US Corporate HY	2320	5.6%	6.3%	4.5
Barclays Pan-European HY	418	4.9%	1.4%	3.6

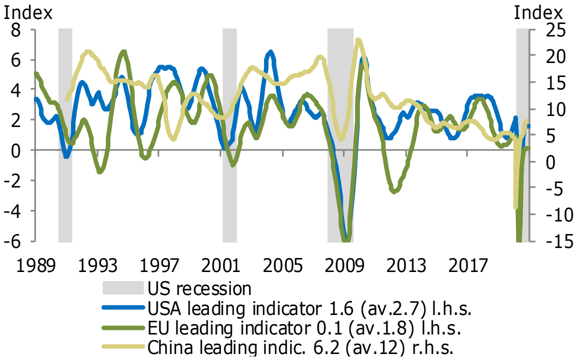
		Performance	
Commodities and currencies	Price	Q4	Ytd Q4
Brent oil	50	22.1%	-24.2%
US Energy Services	44	57.2%	-44.1%
Copper	7840	17.4%	27.3%
Gold	1868	-0.9%	23.1%
EURUSD	1.22	4.3%	9.0%
EURCHF	1.08	0.4%	-0.2%

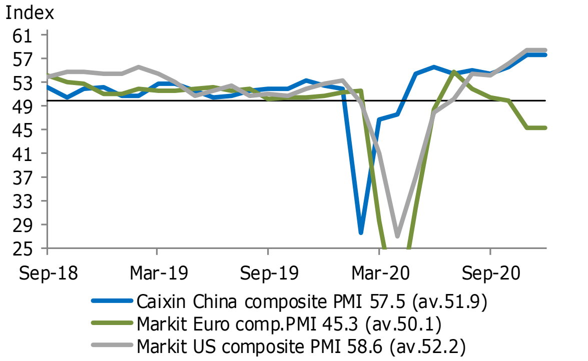
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q4 = data as of December 21, 2020 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Charts

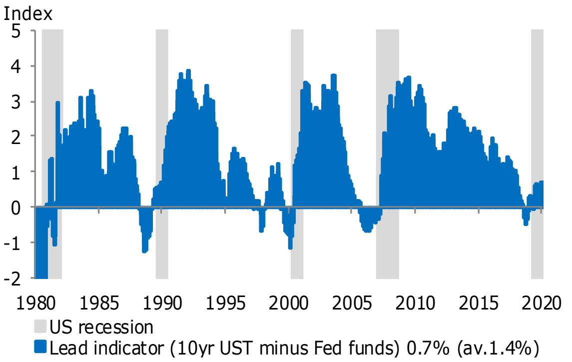
Leading indicators and manufacturing

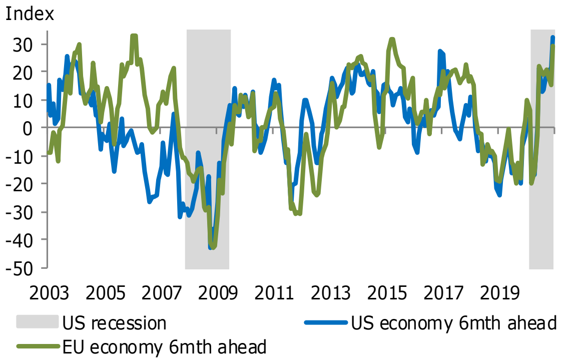
Source: Bloomberg Finance L.P., Alpinum Investment Management



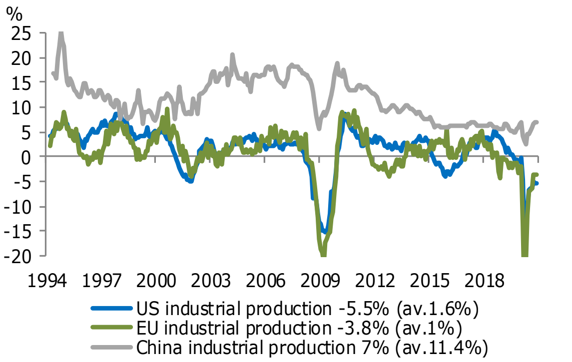


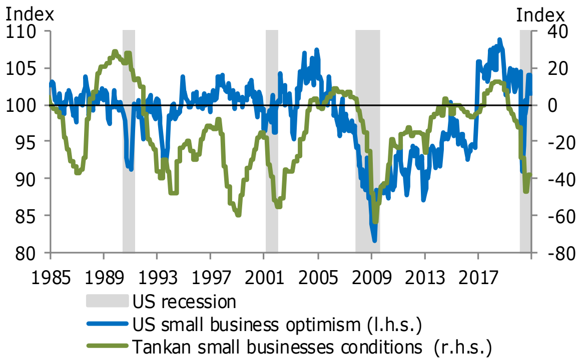
Recession indicator



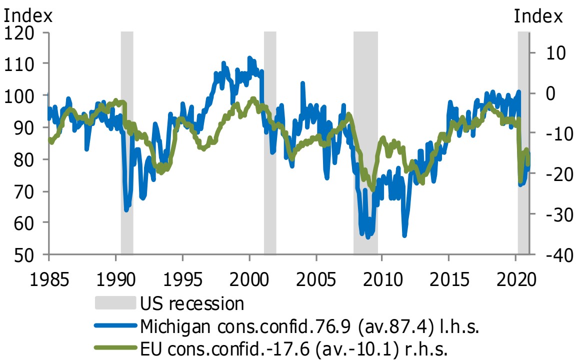


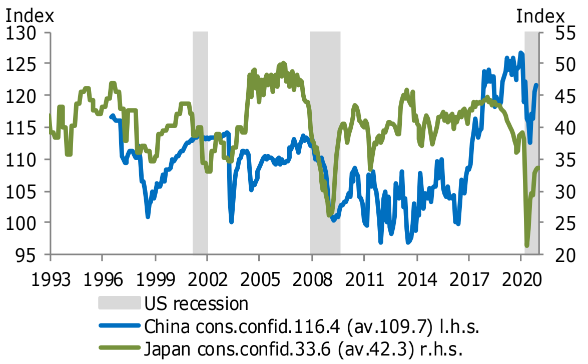
Industrial production and small businesses





Consumer confidence





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

Scenario Overview 6 months

Base case 70%

- **US:** U-shaped GDP recovery from -3% in 2020 to +3-4% in 2021. US is past the worst but fights in Q1 with 2nd Covid-19 waves & temporary economic slowdown. Vaccination roll-out leads to resumption of strong recovery path for the remainder of 2021. Unprecedented government and Fed support act as an historic backstop: Keeping personal consumption intact & limitation of corp. defaults.
- **Eurozone** GDP collapses in 2020 -7% and recovers +~5% in 2021. Immense damage to Southern Europe as the tourism season was disastrous. Huge fiscal stimulus (and solidarity payments from north to south) and unprecedented actions of the ECB can avoid a financial collapse. Europe acts as the weakest link in the Covid-19 crisis.
- **China:** Full GDP-recovery with +2% GDP growth in 2020 and heading for +8% growth in 2021.
- **Oil:** Prices have stabilized and keep upward bias with global economic recovery ahead.

Investment conclusions

- **Equities:** Experienced a V-shape recovery and trade on 2021/22 earnings expectations. Equities are vulnerable with P/E 2021 multiples >20. If the efficacy of the vaccine gets somehow distracted, a market correction would be the consequence. Otherwise, ultra-loose monetary policy provides continued support to equities. Cyclical, Asian & selective EM equities are preferred.
- **Interest rates:** Negative stance on rates exposure as limited scope for lower (EUR) yields. (US) Duration exposure serves only as a diversifier and tail hedge, but less effective at these levels.
- **Credit:** Credit spreads have further room to tighten as corporate default rates are peaking. We prefer European loans, Asian HY & IG bonds and structured credit exposure.
- **Commodities/FX:** USD remains vulnerable, gold benefits from negative real rates and commodity prices from cyclical economic recovery.

Bull case 15%

- **US:** V-shaped recovery with GDP growth >+4%. Vaccination roll-out progresses as planned and broader regional lockdowns can be avoided. Social distancing measures can be reduced. Fiscal stimulus programmes are timely implemented. Recovery feeds into all parts of the economy.
- **Europe:** Thanks to a strong recovery in 2021, the immense fiscal (incl. recovery fund) and monetary stimulus, peripheral countries avoid a collapse.
- **China/EM:** Strong cyclical recovery as export markets recover (EU/USA) and interest rates remain ultra-low and help ease the pressure on local EM FX depreciation.

Investment conclusions

- **Equities:** Equities anticipate the V-shape economic recovery and get a further boost. Chances of a "Keynesian Golden Age" economy provides a goldilocks environment for equities and potentially an exaggeration of equity multiples.
- **Interest rates:** Rates remain low, but curve steepens. Avoid duration as inflation revives.
- **Credit:** Corporate default rates have peaked. Credit in general and loans in particular benefit the most.
- **Commodities/FX:** Support for commodity bloc and precious metals, EUR accelerates, emerging market FX rates get support.

Bear case 15%

- **US:** Recovery gets distracted to <+3% in 2021 as new waves of infections spike and a vaccine roll-out is less than planned. New local/regional lockdowns are required. Recessionary environment persists as knock-on effects cannot be avoided. Furlough translates into effective unemployment.
- **Europe:** Peripheral countries recover very slowly and the international tourism fallout takes its toll. Investors lose faith and Italian long-term yields rise. Germany's recovery gets meaningfully interrupted (EU confidence crisis 2.0).
- **China/EM:** Domestic China recovers, but exports suffer. Rest of EM does poorly as global trade is at low levels and currencies depreciate.

Investment conclusions

- **Equities:** Equities fall but avoid making new lows. Highly priced US equities will lead the correction, followed by Europe.
- **Interest rates:** Rates will go lower, but not much room left. Support for high quality assets (US Treasuries, A and AA corporate bonds or agency bonds). Cash is king!
- **Credit:** Corporate default rates resume their climb and remain above 5% p.a., but thanks to unprecedented monetary and fiscal spending a collapse of the financial system is avoided. Favour short dated/high quality bonds.
- **Commodities/FX:** Negative for the commodity bloc; USD, CHF & JPY act as a safe haven.

Tail risks

- Equity (Tech) bubble bursting, liquidity shock.
- An Italian sovereign debt crisis, Euro break up.
- US/China military conflict in the South China Sea.
- Vaccine loses its efficacy.
- Stagflation (reversion of disinflationary era).
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities

- We keep our positive bias on equities. Equities get support from the cyclical recovery while inflation is not yet a concern. In addition, equities get natural support due to a scarcity of investment alternatives.
- Overall, we believe equity multiples can stay elevated as we disregard current earnings. Our focus is on 2021/22 earnings and a multiple of 18-20 can be well justified.
- A change of leadership from "Big Tech" to "Cyclicals" is expected to continue as the valuation gap is immense. Operating leverage will be a boost for cyclical sectors in 2021 and beyond.
- Non-US equities could finally outperform. This is especially true in case the USD remains weak. We hold some overweight positions in Asia/EM and to a small degree in selective European equities.

Comment

- US equities incorporate advanced valuations compared to other regions. However, the economy is also more resilient with a 2021/22 perspective and also supported by "Big Tech" earnings, which provide a robust floor. Hence, a valuation premium is justified.
- With ultra-loose central banks, high equity multiples are justified, but the air is getting thin at levels >20. For example, a U.S. P/E ratio of 20 results in an earnings yield of 5% and compares still well with a yield of 0.9% for 10 year government bonds. In Europe, this comparison leads to an earnings yield of 6.3% (P/E ratio of 16) compared to negative government bond yields.
- With the roll-out of the vaccine we expect the cyclical recovery to continue and export-led stock markets; EM/Asia will benefit the most.

Credit/Fixed Income

- **Rates**: The near-term outlook for interest rate duration is neutral to negative. 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 portfolio diversifier, whereas we favour US Treasuries.
- **IG**: We hold minimal US investment grade bonds and only selective European IG bonds. Asian IG bonds trade at much more attractive valuations.
- **High Yield:** Loans and high yield bonds offer still relative and absolute attractive yields, whereof we prefer loans. Overall, we favour selective US short-term bonds, European loans and EUR CLOs of all categories.
- **Emerging Debt:** Emerging market bonds offer a relative value advantage, whereas we favour hard currency bonds as spreads are still relatively wide. Nevertheless, with the USD weakness we started to buy selective local currency bonds.

Comment

- Markets are flooded with liquidity by central banks on a global basis and this will not change any time soon. On the contrary, with the introduction of "Average Inflation Targeting" by the FED, the outlook for low rates got further confirmation and inflation should creep higher.
- The ECB is committed to keeping rates low for longer to support the economic recovery.
- With "lower for longer", credit spreads will face a further tightening, which lifts all the boats. The general market remains benign for credit, although corporate default rates remain elevated.
- We like the structured credit market such as US non-agency RMBS or European CLOs.
- Consider harvesting the illiquidity premium from direct loans (corporate/mortgage backed loans).
- We identify also attractive yield in "new" alternatives such as "Trade Finance", but selection and a proper liquidity management are paramount.

Alternatives

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short strategies benefit from higher volatility and increasing performance dispersion.
- Alternative lending as an asset class is in the spotlight in a "low for longer" rates environment.

Comment

- The current crisis produces many losers and winners, which is a great hunting ground for active managers. Moreover, the "innovative disruption" also leads to more price dispersion among single securities, industries, as well as asset classes.
- Global macro managers benefit from sharp market movements in either direction.

Real Assets

- Gold benefits when real interest rates fall. Hence, the current environment with low yields and potentially rising inflation is beneficial for gold. A slightly weaker USD is also supportive for gold.

Comment

- The cyclical recovery is beneficial for commodity prices. Moreover, a weaker USD is beneficial for the whole commodity FX bloc.

Asset Class Conviction Levels

Equities	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☑	☐	☐
Switzerland	☐	☐	☑	☐	☐
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".

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