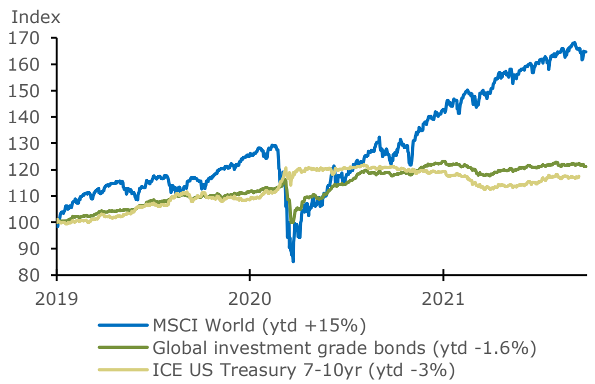
Quarterly Investment Letter – Q4 2021

Time to adjust long-term return expectations

Over the last two years and year-to-date, global equity investors have been spoiled by double digit returns. Investments in global investment grade **(high quality) bonds and 10-year US treasuries** also returned close to or double digit returns in 2019 and 2020 but are **negative year-to-date** (chart 1). As bond spreads are tight and inflationary pressures are slowly building, investors in long duration high quality bonds are almost certain to lose money in real terms over the next twelve months. Equity investors must also **adjust their long-term return expectations** if the **principle of "mean reversion"** (convergence in companies' earnings growth and equity valuations to their long-term average) holds true. That said, in the short-term with no recession in sight and companies increasing investments to expand production, investors should continue to **favour equities, riskier higher yielding assets, niche strategies and alternative investments.**

Chart 1: All asset classes are leveraged to low bond yields



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

United States

In Q2 2021, the **US has entered a more mature recovery** stage as it became the first major developed economy with GDP returning to pre-pandemic levels. For the full year 2021, market consensus expects GDP growth to rise +5.9% and +4.2% in

Summary Points

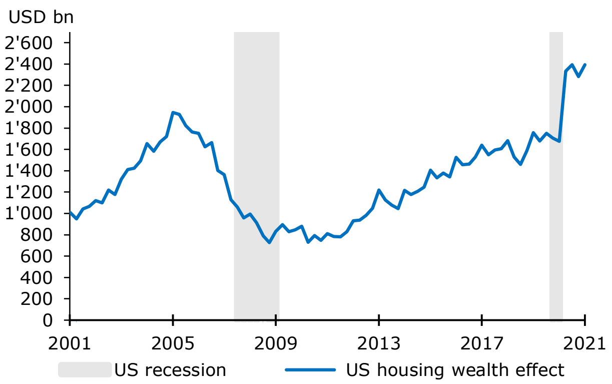
- Global GDP growth is reaching peak levels and inflationary pressures are building. After outstanding returns in equities and bonds, investors will have to adjust their long-term return expectations if the principle of "mean reversion" holds true.
- The US is the first major developed economy with GDP returning to pre-pandemic levels. Although consumer sentiment has dipped, the "wealth effect" from rising house values and stock prices provides plenty of dry powder for consumers to become an economic engine again.
- The European reopening process is well underway and has around a 6mth time lag to the US. If Europe's fiscal stimulus plans are well implemented and boost the EU's growth outlook, global fund flows could return to the old continent on a larger scale again.
- Uncertainties to China's GDP growth and companies' earnings dynamics have increased because of political and economic headwinds. The issues in China also mean problems for investors in other emerging markets and the valuation discount is justified.
- **Conclusion**: In a "normal" economic cycle peak GDP growth would be inflationary and central banks would start a new interest rate cycle. However, today's economic cycle is far from normal and Western central banks willingly tolerate higher inflation rates and keep interest rates depressed. As end-demand remains robust, we expect equities to outperform long duration bonds. At the same time, equities' upside is somehow limited and a setback could be triggered should the market conclude that inflation is not transitory and should US bond yields rise too fast.

Content

2022. In the very short-term, the spread of the Delta variant had a clear impact on economic confidence and the "University of Michigan Consumer Sentiment" index dropped from 81 in July to 71 points in August. That said, the **outlook remains positive** as easing restrictions, mass vaccinations and the "wealth effect" on US households provides plenty of dry powder for consumers to become an economic engine again. In fact, the **"wealth effect" should not be underestimated.** Studies suggest that when households become richer from rising house values and equity prices, they spend more and stimulate the broader economy. While the "US housing wealth effect" was deeply negative during the global credit crisis in 2008, it literally jumped up during the pandemic in 2020 (chart 2).

In August, the total nonfarm payroll employment rose by 235'000 (which was below expectations) and the **unemployment rate declined to 5.2%**. At its September meeting the US Fed reiterated its stance that it will not lift rates until **"maximum employment"** (probably around 3.5%) is achieved. Hence, despite some "inflation angst" in the market, it is the unemployment rate that will mainly determine the Fed's monetary policy. Investors should also be reminded that the Fed's decision to taper (slowing asset purchases) is separated from its decision to hike interest rates. For now, the market expects the US Fed to **start hiking rates by the end of 2022/beginning of 2023**.

Chart 2: Wealthy consumers also thanks to rising house prices

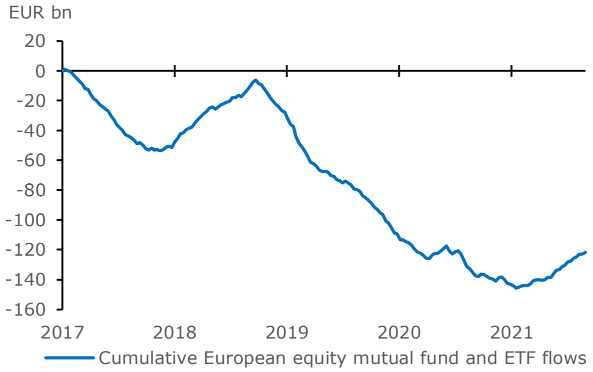


Source: Bloomberg Finance L.P., Alpinum Investment Management

Europe

The **European recovery is well under way** as the gradual easing of measures across the region has allowed activities in hospitality, travel and leisure services to recover. Compared to the US, the **European reopening process has around a 6-month time lag** and for 2021 market consensus expects Eurozone GDP growth to reach +5% and +4.3% in 2022. Besides the reopening process, today's **tailwind for a more sustainable and longer-lasting recovery** is the EU's EUR 2-trillion fiscal package (EUR 1.2-trillion Multi-annual Financial Framework and EUR 800-billion Next Generation EU Fund). If well implemented and **if it boosts the EU's growth outlook**, global investors could take another look at European stocks and fund flows could return to the old continent on a larger scale again. (chart 3).

Chart 3: Global funds may increasingly flow back to Europe



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

The fiscal tailwind is complemented with the European Central Bank's (ECB) commitment to largely maintain asset purchases and to **keep rates at depressed levels**. According to the ECB, the spike in the Euro Area headline inflation and core inflation to 3% and 1.6% yoy, respectively, is "largely temporary". Whether temporary or not, the main reasons for the ECB to **delay the monetary policy normalization process** are, first, to avoid the Euro to appreciate against the US Dollar, second, to keep peripheral bond spreads from widening and third, to counteract any Chinese slowdown.

Alea iacta est. Under Olaf Scholz's leadership, Germany's left-leaning Social Democratic Party (SPD) has won most seats in federal elections (25.7%). Expect Germany to maintain its fiscal course.

China and emerging markets (EM)

For 2021, market consensus expects **China's GDP to grow +8.4%** and +5.5% in 2022. That said, compared to the last quarter, uncertainties have increased as China's growth and companies' earnings dynamics are increasingly facing **political and economic headwinds**. On the political side, President Xi Jinping laid out a **plan** in August for **"common prosperity"** that will help guide national policy until and beyond China's 100th anniversary in

2049. The **key takeaways** from the plan are the emphasis on "mixed ownership" (state influence on private companies), "redistribution of household income" (grow the size of the middle class) and "media censorship" (control the discourse). The authorities' recent actions (i.e. Ant Group IPO halt, restrictions on the private education and gaming industry) showcase the **regulator's interference** and headwinds to corporate earnings in certain sectors. The recent news about Evergrande and the **likely collapse of China's second largest real estate developer** (chart 4) with debt totalling around USD 300bn, is another drag on investor sentiment.

Chart 4: Chinese developer Evergrande in financial difficulties

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

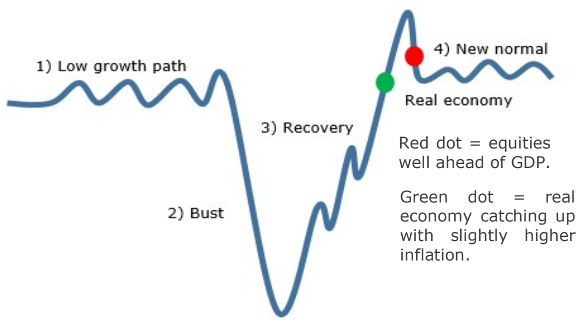
Expectations are that the **government will eventually intervene** as it cannot allow the company's default to spill over to the broader property sector and spread into the banking system. Hence, market sentiment will likely depend on how the government will deal with Evergrande's credit stress. **On the economic side**, China's Caixin composite purchasing manager index dropped from 53.1 in July to 47.2 in August implying **declines in services and manufacturing activity**. Although much of the weakness can be explained by China's zero-Covid-tolerance policy and should be temporary in nature, it is an additional drag on Chinese asset prices.

The **issues in China also mean problems for investors in other emerging markets** (EM). In addition, the US Fed's move towards a less accommodative policy stance will push up emerging market USD denominated corporate and sovereign bond yields. Finally, Covid-19 vaccinations in most EMs are still far behind developed markets and hindering the reopening process. All told, **price momentum is still negative** and the valuation discount of emerging markets seems to be justified for the time being.

Investment conclusions

Global GDP growth is reaching peak levels heading into 2022. In a "normal" economic cycle peak GDP growth would be inflationary and central banks would start a new interest rate cycle. However, **today's economic cycle is far from normal** and Western central banks willingly tolerate higher inflation rates to stimulate growth and to deflate government debt loads. For investors this implies that **interest rate hikes are not imminent** and that **financial repression will continue**. As end-demand/pent-up demand remains robust and capital cheap for companies to expand production, **we expect equities to continue to outperform long duration bonds.** At the same time, equities' **upside is somehow limited** and a setback could be triggered should the market conclude that inflation is not transitory and US bond yields rise either on a structural basis and/or with a faster than expected speed.

Chart 5: The real economy catching up to the "new normal"



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

Bonds: Global bond spreads are tight, financial repression will continue and the US will be the first major Western economic block to start reducing asset purchases. In such an environment it is key to be selective and to **avoid long duration** investment grade and sovereign bond assets. Our current opportunity set includes **credit risk in European loans**, **US and Scandinavian short-term high yield** bonds and **structured credit**. **Asian high yield** has opened up as a tactical investment opportunity.

Equities: On a relative basis to bonds, **equities remain an attractive investment class** and investors, although with a bad conscience, continue to "buy the dip". We maintain a **well-balanced portfolio** with a clear **tilt toward equities in developed markets**, such as **US large caps and growth stocks** and **European cyclical stocks**. From a tactical perspective, we believe it is **premature to engage in emerging market** equities.

Market Consensus Forecasts

GDP growth (%)	2019	2020	2021e	2022e
World	2.8	-3.2	5.9	4.5
United States	2.3	-3.4	5.9	4.1
Eurozone	1.5	-6.3	5.0	4.3
Germany	1.1	-4.6	3.1	4.5
France	1.8	-7.9	6.1	4.0
Italy	0.3	-8.9	5.9	4.2
United Kingdom	1.5	-9.9	6.8	5.4
Switzerland	1.3	-2.5	3.5	3.0
Japan	0.0	-4.7	2.4	2.5
Emerging economies	4.3	3.1	6.5	5.2
Asia Ex-Japan	5.4	1.4	7.3	5.7
Latin America	1.3	-6.1	6.3	2.8
EMEA region	2.7	-2.8	5.0	3.6
China	6.0	2.3	8.4	5.5
India	6.5	4.0	-7.5	9.3
Brazil	1.4	-4.1	5.2	2.1
Russia	2.0	-3.0	4.0	2.5

Inflation (%)	2019	2020	2021e	2022e
World	3.5	3.2	3.5	3.2
United States	1.8	1.2	4.3	3.0
Eurozone	1.2	0.3	2.2	1.6
Germany	1.4	0.4	2.9	1.8
France	1.3	0.5	1.7	1.5
Italy	0.7	-0.2	1.5	1.2
United Kingdom	1.8	0.9	2.1	2.5
Switzerland	0.4	-0.7	0.5	0.6
Japan	0.5	0.0	-0.2	0.6
Emerging economies	3.9	3.1	3.4	3.7
Asia Ex-Japan	2.6	2.6	1.4	2.6
Latin America	9.5	2.8	11.3	8.8
EMEA region	6.0	5.2	7.6	6.1
China	2.9	2.5	1.2	2.3
India	3.7	6.6	6.2	5.4
Brazil	3.7	3.2	7.7	4.5
Russia	4.5	3.4	6.0	4.3

Central bank rates (%)	2019	2020	2021e	2022e
US Fed Funds	1.75	0.25	0.25	0.35
ECB Main Refinancing	0.00	0.00	0.00	0.00
China 1yr Best Lending	4.35	4.35	4.30	4.30
Bank of Japan Overnight	-0.07	-0.03	0.00	0.00
UK Base Rate	0.75	0.10	0.10	0.30
Swiss 3mth CHF Libor	-0.75	-0.75	-0.75	-0.75

Commodities	2019	2020	2021e	2022e
NYMEX WTI oil USD/barrel	53	48	67	70
ICE Brent oil USD/barrel	58	51	72	73
Iron Ore USD/metric ton	91	159	162	73
Copper USD/metric ton	6174	7766	9209	8915
Gold USD/troy oz	1518	1899	1783	1761
Silver USD/troy oz	17.9	26.4	24.6	22.2

Major interest rates (%)	2019	2020	2021e	2022e
USA 3mth rate	1.9	0.2	0.2	0.4
USA 10yr Gov't Bonds	1.9	0.9	1.6	2.0
Eurozone 3mth rate	-0.4	-0.5	-0.5	-0.5
Eurozone 10yr Gov't Bond	-0.2	-0.6	-0.2	0.0
China 3mth rate	3.0	2.8	2.5	2.4
China 10yr Gov't Bond	3.1	3.1	2.9	3.0
UK 3mth rate	0.8	0.0	0.1	0.3
UK 10y Gov't Bond	0.8	0.2	0.9	1.2
Swiss 3mth rate	-0.7	-0.8	-0.7	-0.8
Swiss 10y Gov't Bond	-0.5	-0.6	-0.2	0.1

Exchange rates	2019	2020	2021e	2022e
EURUSD	1.12	1.22	1.18	1.18
EURCHF	1.09	1.08	1.09	1.12
USDCHF	0.97	0.89	0.92	0.93
EURJPY	122.20	126.16	130.00	130.00
EURGBP	0.85	0.89	0.85	0.85
USDJPY	108.72	103.20	110.50	112.00
GBPUSD	1.33	1.37	1.39	1.43
USDCNY	6.96	6.53	6.45	6.40
USDBRL	4.02	5.19	5.20	5.38
USDRUB	62.49	74.03	72.00	70.00

Performance table

		Performance		
Global equity markets	**Price**	**Q3**	**Ytd Q3**	**Div.yld**
MSCI World (USD)	3007	-0.4%	11.9%	1.9
MSCI World (USD) hedged	1478	0.6%	15.2%	n.a.
HFRX Global Hedge Fund	1430	-0.2%	3.7%	n.a.
S&P 500	4308	0.2%	15.4%	1.4
Russell 1000	2418	-0.1%	14.6%	1.3
Nasdaq 100	14690	0.9%	14.4%	0.7
Stoxx Europe 600	455	0.4%	13.6%	3.1
MSCI Emerging Markets	1253	-8.8%	-2.8%	2.7
Nikkei 225	29453	2.3%	7.3%	1.8
China CSI 300	4866	-6.8%	-4.8%	2.1

	Forward		EPS growth	
Equity market valuations	**PE**	**PB**	**2021e**	**2022e**
MSCI World (USD)	19.4	3.0	87%	7%
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	21.3	4.3	62%	9%
Russell 1000	22.0	4.2	65%	10%
Nasdaq 100	27.8	8.0	55%	11%
Stoxx Europe 600	16.2	2.0	216%	7%
MSCI Emerging Markets	13.2	1.8	62%	7%
Nikkei 225	17.2	1.9	91%	6%
China CSI 300	15.1	2.0	16%	16%

		Performance		
Global gov't bonds	**Yield**	**Q3**	**Ytd Q3**	**YtW**
10yr US Treasury	1.49	-0.2%	-3.4%	n.a.
10yr Euro gov't bond	-0.20	-0.1%	-2.3%	n.a.
10yr German gov't bond	-0.20	-0.3%	-2.5%	n.a.
10yr Italian gov't bond	0.86	-0.1%	-1.6%	n.a.

		Performance		
Global bond indices	**Price**	**Q3**	**Ytd Q3**	**YtW**
Barclays Global Corporate IG	300	-0.8%	-2.4%	1.7
Barclays US Corporate IG	3516	0.0%	-1.1%	2.1
Barclays Euro Corporate IG	265	0.1%	-0.3%	0.3
Barclays Emerging Market USD	1273	-0.5%	-1.1%	4.2
Barclays US Corporate HY	2444	0.9%	4.6%	4.0
Barclays Pan-European HY	438	0.6%	4.3%	3.2

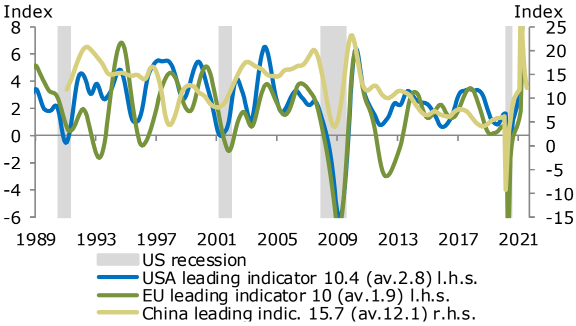
		Performance	
Commodities and currencies	**Price**	**Q3**	**Ytd Q3**
Brent oil	79	4.5%	52.9%
US Energy Services	57	-11.3%	28.0%
Copper	8941	-4.5%	14.0%
Gold	1757	-0.7%	-7.3%
EURUSD	1.16	-2.3%	-5.8%
EURCHF	1.08	-1.7%	-0.5%

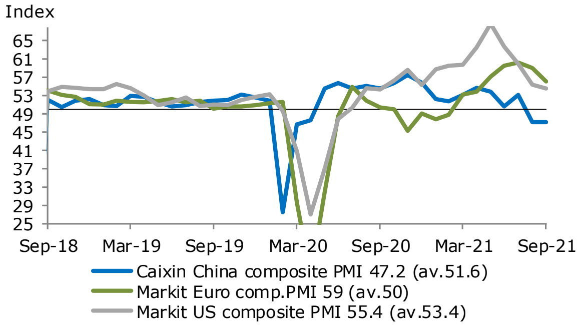
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q2 = data as of September 30, 2021 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Charts

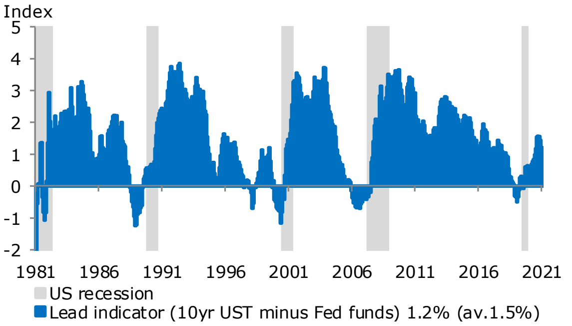
Leading indicators and manufacturing

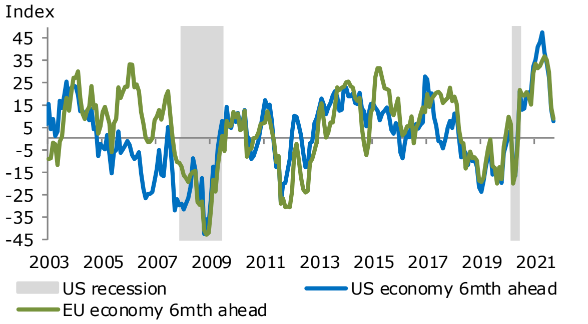
Source: Bloomberg Finance L.P., Alpinum Investment Management



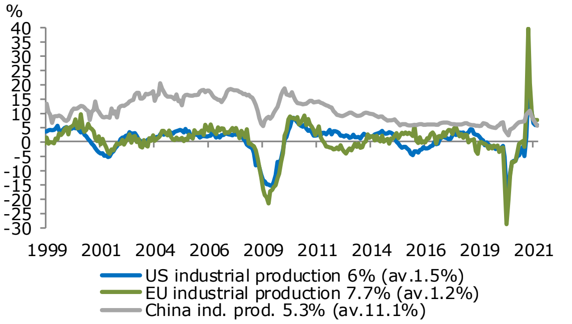


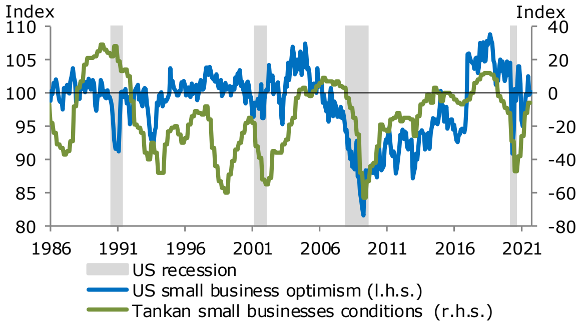
Recession indicator



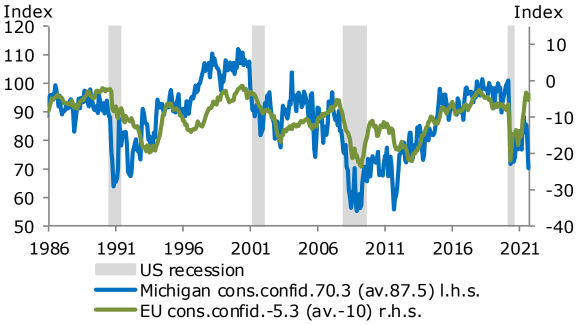


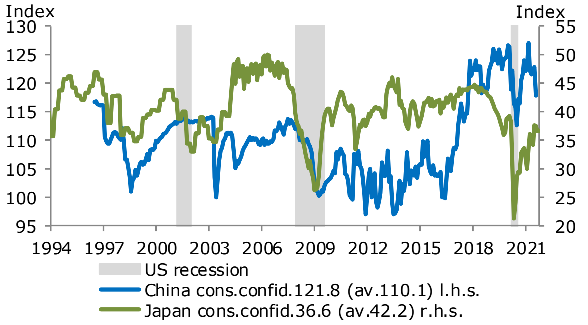
Industrial production and small businesses





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 +6% in 2021. US is in the midst of a strong cyclical recovery. Vaccination efforts are paying off and shielding off from large new infection breakouts. On top of unprecedented government and Fed support, we experience reviving personal consumption, infrastructure spending and boosting of business investments.
- **Eurozone** GDP collapsed -6% in 2020 and recovers +~5% in 2021. EU is lagging US recovery, but momentum is on the rise. Southern Europe is expected to see strong yoy income growth in 2022. Huge fiscal impulse (and solidarity payments from north to south) and unprecedented ECB-actions remain a strong support.
- **China:** No recession in 2020 and heading for 8% growth in '21 despite slowing growth momentum.
- **Oil:** Prices keep upward bias with unfolding global economic recovery and supply chain constraints.

Investment conclusions

- **Equities:** Experienced a V-shape recovery and trade on 2022 earnings expectations. Equities are vulnerable with forward P/E multiples >20, but remain the "traditional" asset class of choice. Limited upside potential at current valuations. Monetary policy remains supportive, despite tapering actions ahead of us. Cyclical stocks remain well bid. We recommend a balanced approach in terms of equity "style".
- **Interest rates:** Negative stance on rates exposure as upward pressure on yields remains. (US) Duration exposure serves only as a diversifier and tail hedge. Less effective at current levels.
- **Credit:** Credit spreads are fairly priced and corporate default rates remain low. We prefer European loans, Asian high yield (HY) and investment grade (IG) bonds and structured credit exposure.
- **Commodities/FX:** Relative interest advantage favours USD. Commodities keep upward bias.

Bull case 15%

- **US:** V-shaped recovery with GDP growth >+7%. Vaccination roll-out remains a success, social distancing measures are fully lifted and regional lockdowns are avoided. Fiscal stimulus programmes, consumer pent-up demand and capex spending fuel an already "hot" economy.
- **Europe:** Thanks to a strong recovery in 2021 and the immense fiscal (incl. recovery fund) and monetary stimulus, peripheral countries find a halt.
- **China/EM:** No relevant spillover effects of Chinese regulatory craze; cyclical recovery as export markets recover (EU/USA) and interest rates in DMs remain low. Vaccination rates gain traction.

Investment conclusions

- **Equities:** Having already priced in a V-shaped economic recovery, markets start to discount a "Keynesian Golden Age" economy, namely a goldilocks environment for equities and potentially an exaggeration of equity multiples.
- **Interest rates:** Rates rise and curve steepens. Avoid duration as inflation revives.
- **Credit:** Corporate default rates remain below historical averages. Credit in general and loans in particular benefit the most.
- **Commodities/FX:** Support for commodity bloc and precious metals. EUR accelerates and selective emerging market FX rates recover.

Bear case 15%

- **US:** Recovery gets distracted to <+5% in 2021 as infections spike again due to new variants of the virus. Social distancing measures will be partly reintroduced and some local/regional lockdowns are required. Unemployment rates don't fall further.
- **Europe:** Peripheral countries recover only slowly and a renewed fallout of international tourism 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:** Chinese regulator pushes too hard at once, what leads to <5% growth in '22 & deteriorating exports. EM does poorly as global trade remains at low levels and currencies depreciate.

Investment conclusions

- **Equities:** Equities fall without making new lows (mid-cycle correction). Highly priced US equities will lead the correction, followed by Europe.
- **Interest rates:** Rates will go lower, but limited potential outside of the USD. Support for high quality assets (US Treasuries, A and AA corporate bonds or agency bonds). Cash is king!
- **Credit:** Corporate default rates will climb again, 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.
- Vaccines loses their efficacy/new virus variants.
- Stagflation (reversion of disinflationary era).
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities

- We hold on to our positive equity bias. Equities get support from the cyclical recovery while inflation is rising, but not (yet) a structural concern. In addition, equities get natural support due to a scarcity of investment alternatives.
- Equity multiples can stay at elevated levels as investors pay less attention to distorted earnings reports. Our focus is on 2022 earnings and a multiple of 18-20 times can be justified.
- We believe in the co-existence of "cyclicals" and structural innovation winners (i.e. big tech). Operating leverage will be a boost for cyclical sectors in 2021 and beyond.
- Non-US equities could start to outperform. This is especially true if the US Dollar stops strengthening. We consider to build up an overweight position in Europe, but await positive price momentum.

Comment

- US equities incorporate advanced valuations compared to other regions. However, the economy is also more resilient with a 2021/22 perspective and 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. i.e. a US P/E ratio of 22 results in an earnings yield of 4.5% and still compares well with a yield of 1.6% for 10 year government bonds. In Europe, this comparison leads to an earnings yield of 5.8% (P/E ratio of 17) compared to negative government bond yields.
- If the vaccine roll-out gains further momentum, so will the cyclical recovery and export-led stock markets; EM/Asia/EU will benefit the most.

Credit/Fixed Income

- **Rates**: The near-term outlook for interest rate duration risk remains negative. On a structural basis, duration risk is unattractive, especially in Europe and we hold minimal exposure only. Instead, we 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. Selective Asian IG bonds offer a tactical opportunity.
- **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 risk categories.
- **Emerging Debt:** Emerging market bonds offer a relative value advantage, whereas we favour hard currency bonds as spreads are still relatively wide. We currently hold only very limited selective local currency bonds.

Comment

- Markets are flooded with liquidity by central banks on a global basis and this will not change materially any time soon. The Fed's introduction of the "Average Inflation Targeting" framework has changed market perception. Core inflation is still anchored at acceptable levels.
- The ECB is committed to keeping rates low for longer to support the economic recovery.
- With "lower for longer", credit spreads remain supported on a broad basis. The general market remains benign for credit, although, selective credits and sectors are priced for perfection.
- 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 also identify attractive yield in "new" alternatives, but selection and a proper liquidity management are paramount.

Alternatives

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short strategies benefit from 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, "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 (i.e. rates).

Real Assets

- Gold suffers when real interest rates rise and vice versa. Hence, it is a complex situation for gold in the short term, while rising inflation and a halt of the USD strength are supportive for gold.

Comment

- The cyclical recovery is beneficial for commodity prices. Moreover, a weaker USD is beneficial for the whole commodity FX bloc. Gold suffers when (real) rates increase.

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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