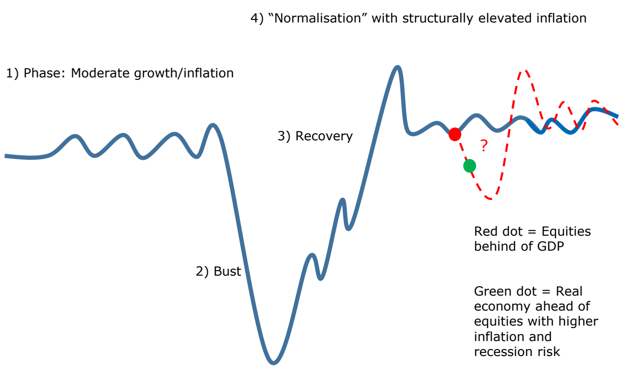
Quarterly Investment Letter – Q3 2022

Will stagflation turn into a recession?

After one of the longest economic growth cycles in the US history (except for the brief breather in 2020), the question everybody is trying to answer is: Are we **heading for a recession or rather a soft landing**? Today, market participants must grapple with many key variables, the outcome of which is uncertain. **Rising inflationary pressures** forced central banks across the world to rapidly tighten monetary policy by **raising interest rates** and by beginning to **reduce balance sheets**. The course of the economic growth and the likelihood of a global recession will depend on whether and how central banks succeed in **fighting inflation**. High energy costs are putting the brakes on economic growth. In the last quarter, energy prices, as measured by WTI crude oil, reached levels not seen in fourteen years (USD 120 per barrel). As if this were not enough, increasing uncertainties about the consequences of the Russia-Ukraine conflict and concerns about global supply chains and demand due to China's lockdown make the **macro picture even more opaque**.

Chart 1: GDP growth "normalization" is interrupted



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

At this point along the way, we are **preparing for further volatility** and focusing accordingly on **preserving capital**. Having said that, investors shall remain cautious by adopting an **active**

Summary Points

- **Rising inflation pressures** forced central banks around the world to reverse the loose monetary policy. A faster-than-expected tightening of the financial conditions weighs on the global economy.
- Increasing uncertainty about a **possible recession in late 2022 or early 2023** could keep pressure on risky assets. On the labor, household, and corporate side, however, the US economy **is still sending some reassuring signals**.
- In Europe, forecasts for inflation and GDP growth have been revised upward and downward, respectively. As a result, the **ECB is forced to end the era of negative interest rates in 2022**.
- **Fiscal stimulus** in the form of higher defense spending, support for safer domestic/regional supply chains and faster energy transition (accelerated by the Russia-Ukraine conflict) is a well-received support to bolster **employment** and ultimately prevent a severe recession.
- **Conclusion**: Market volatility will remain elevated given the uncertain economic backdrop we have to deal with. Therefore, we **hold above average cash** levels to protect capital on the one hand and to remain flexible on the other hand, should attractive investment opportunities emerge. At current valuation levels and from a risk/return perspective we **prefer selective credit over equities**. Hence, we maintain our small structural underweight in equities. At the moment, we consider **short-term HY bonds as particularly attractive** and hold duration risk only as a portfolio diversifier. It is an environment in which an **absolute return approach is preferred vs. a classic relative value approach**.

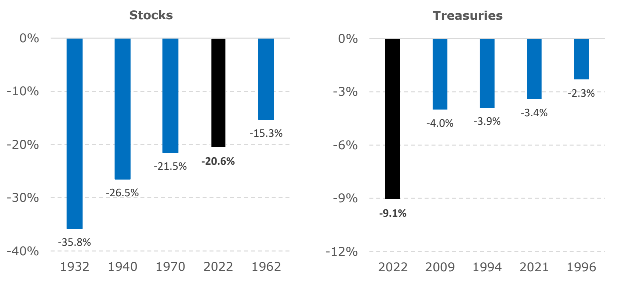
Content

and **controlled downside-risk management** within an **absolute return approach**.

United States

Fears of higher and longer-lasting inflation and shrinking economic growth (stagflation), or even worse sliding into a recession, are known to take no prisoners. As a result, US financial markets have had one of **their most horrific starts to a year in half a century**, with eye-scratching investors facing negative high single-digit to low double-digit returns on stocks and bonds. As of June 30th, 2022 the **S&P 500 Index has lost -20.6%** this year while the **Bloomberg US Treasury Index has lost -9.1%**, the worst performance since 1973.

Chart 2: Stocks and bond worst start to the year in half a century



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

It has been made clear that the greatest public enemy is inflation. As a result, the Federal Reserve (FED) had in many cases reiterated its **determination to control inflation**, which peaked at 8.6% in the second quarter of 2022, at the expense of lower economic growth. The first rate hike to 0.25-0.50% in mid-March was followed by two further hikes, to 0.75-1.00% in May and to 1.50-1.75% in June. Nonetheless, **two more rate hikes of 50-75 bps each are expected in July and September**. Tighter financial conditions, higher yields, wider credit spreads and equity market declines could leave their mark on the US economy and increase the risk of a recession. At the same time, the thesis of a possible soft landing of the US economy is supported by **comforting economic signals**: A rock-solid labor market, healthy household and corporate balance sheets, as well as profit margins at record levels. An easing of inflationary pressures in the second half of the year would lead to fewer interest rate hikes at 50 bps facilitating a soft landing for the economy. Concerns about a slowdown of the economic growth resulted in the **S&P 500 trading at 16.8 times estimated 12-months earning** (from 26.0 times at the beginning of the year).

Europe

Numerous diplomatic efforts have been made since the war began in late February, but with **no resolution in sight**. Tensions between Europe and Russia increased after the former decided to embargo Russian seaborne oil. **Further retaliation from Russia needs to be expected** leading to more reduction in gas supply for Europe.

The unemployment rate in Europe continues to tighten, bringing it lower than ever before. As a result, wage growth accelerated while **real wages remained negative** in the face of higher inflation. The **ECB indicated its first interest rate hike** would occur in July, bringing the deposit rate from -0.5% to zero, and the ending of asset purchases by the beginning of Q3 2022. This would **end the era of negative interest rates** by the end of Q3 2022. As a result, the **Eurozone 10-year government bond yield sharply rose** during Q2 2022. This also led to a repricing of the Italian debt. As the second most indebted country among the G7, Italy saw the yield spread on 10-year BTP widening by around 50 bps during the second quarter.

Chart 3: Eurozone inflation accelerated to 8.1% in Q2 2022

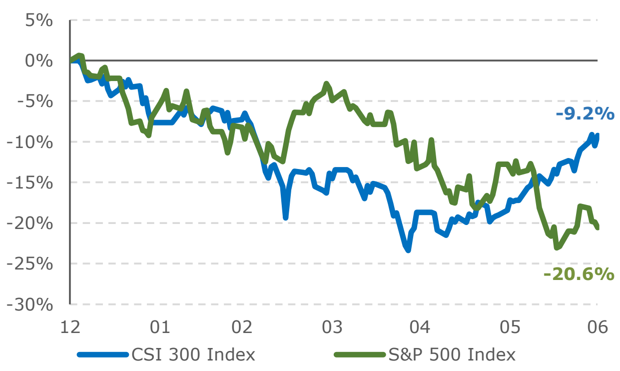
Source: Bloomberg Finance L.P., Alpinum Investment Management

In May European headline **inflation climbed to 8.1%** compared to 5.0% by the end of 2021 (year-over-year). The **inflation forecast for the Eurozone was significantly revised** by the ECB to 6.8% in 2022 (from 5.1%) and 3.5% in 2023 (from 2.1%). The Eurozone **GDP growth projection** for the current year and for 2023 were **downgraded** from 3.7% to 2.8% and from 2.8% to 2.1%, respectively. Concerns over a potential deterioration of the macro outlook in Europe led to a **repricing in equities**, with forward price-to-earnings ratio falling to 12.6 (June 2022) **below the median value for the last 20 years of 13.5**.

China and emerging markets (EM)

As **China's economy slows** due to a strict strategy to contain the latest variant of the Covid-19 virus, Omicron, there are concerns about the impact this could have on several emerging economies. Since the beginning of the year, Chinese authorities have imposed a **series of lockdowns and curfews** to contain the surge of the epidemic plague. Shanghai spent a large part of May in lockdown while outbreaks in Beijing and Tianjin forced tightening of restrictions. During the month of June officials have announced a **gradual reopening**.

Chart 4: Outperformance of Chinese equities in Q2 2022



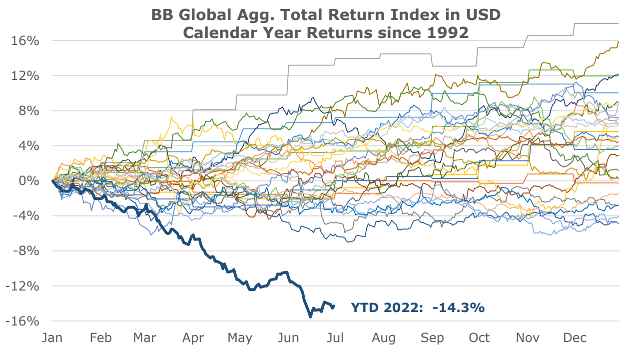
Source: Bloomberg Finance L.P., Alpinum Investment Management

In May, the path of the Chinese **credit growth slowed down** as banks tightened lending amid concerns about deteriorating economic conditions. In response, the People's Bank of China put pressure on banks to lend more and **cut the key benchmark mortgage rate** by 15 basis points to support property prices. As for the overall economy, Chinese officials set a **GDP growth target of around 5.5%** for this year, the lowest official target in three decades and well below the nearly 10% average annual growth the country has seen for four decades. In early May, ratings agency **Fitch lowered its full-year forecasts to 4.3%**, highlighting how difficult it could be to achieve even that figure. A slowdown in the Chinese economy, specifically in the industrial sector, could bring challenges to emerging economies, to those that export goods to China on a large scale or rely on Chinese production inputs. The **commodity-rich emerging markets** have been somewhat **less affected** by China's curbed domestic demand and shortages of manufacturing inputs. China is dependent on raw minerals and energy from many of these markets, and demand remains relatively robust.

Investment conclusions

The past quarter saw considerable volatility on the markets as the **risk of recession increased**. After years of loose monetary policy, central banks face many challenges. Higher inflation forced them to reverse their monetary policy by raising interest rates and starting to withdraw liquidity from the markets. Tightening financial conditions due to higher yields, wider credit spreads and a decline in equity markets will likely **weigh on the global economy**. Although a possible ceasefire in the Russia-Ukraine conflict would be constructive for markets, **more pressure on risky assets is likely** as more innings will have to be played to contain inflation. At the same time, however, there are **some reassuring signals**. The US economy is impressing with a tight labor market, solid household and corporate balance sheets, and **profit margin at near-record levels**.

Chart 5: BB Global Agg. Bond Index performance since 1992



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

Bonds: Global credit spreads widened in Q2 and are generally fairly valued (if no severe recession occurs). **Inflation will decline on a year-over-year basis** over the next 12 months, but still remain structurally elevated (i.e. 3-5%) and enter a new post-pandemic era characterized by less globalization, lower productivity gains and ultimately higher interest rates. The abysmal YTD performance in high-grade bonds will not be reversed any time soon. Long duration investment grade and sovereign bond assets offer limited upside potential. We consider **short-term HY** bonds, European loans, and selective **structured credit** particularly attractive.

Equities: In the short term, **equities remain vulnerable** as profit margins are under pressure. We expect the pricing pressure to ease in H2'22/H1'23. We maintain a **balanced portfolio** with a clear bias **towards DM.** From a tactical perspective, we are prepared to increase our allocation to European and emerging markets.

Market Consensus Forecasts

GDP growth (%)	2020	2021	2022e	2023e
World	-3.1	6.1	2.9	2.7
United States	-3.4	5.7	1.7	1.2
Eurozone	-6.4	5.3	2.8	0.8
Germany	-4.6	2.6	1.5	0.8
France	-7.9	6.8	2.4	1.1
Italy	-9.0	6.6	3.1	0.7
United Kingdom	-9.4	n.a.	3.4	0.3
Switzerland	-2.5	3.8	2.4	1.4
Japan	-4.5	1.8	1.5	1.7
Emerging economies	3.1	4.4	3.1	4.5
Asia Ex-Japan	1.3	5.6	3.8	5.2
Latin America	-6.1	8.1	2.6	1.5
EMEA region	-2.8	5.5	-1.2	1.5
China	2.2	8.1	3.8	5.2
India	3.7	-6.6	8.7	7.2
Brazil	-3.9	4.8	1.6	0.8
Russia	-3.0	4.7	-8.0	-2.7

Inflation (%)	2020	2021	2022e	2023e
World	3.2	4.7	7.2	4.4
United States	1.2	4.7	8.0	3.7
Eurozone	0.3	2.6	7.9	4.1
Germany	0.4	3.2	7.8	4.5
France	0.5	2.1	5.8	3.5
Italy	-0.2	2.0	7.2	3.5
United Kingdom	0.9	2.6	9.0	6.1
Switzerland	-0.7	0.6	2.8	1.5
Japan	0.0	-0.3	2.0	1.2
Emerging economies	3.0	2.9	6.0	4.6
Asia Ex-Japan	2.6	1.7	2.8	2.9
Latin America	2.8	6.2	17.1	12.8
EMEA region	5.1	8.2	19.5	11.1
China	2.5	0.9	2.3	2.3
India	6.6	5.1	5.4	6.8
Brazil	3.2	8.3	9.8	5.5
Russia	3.4	6.7	14.4	7.0

Central bank rates (%)	2020	2021	2022e	2023e
US Fed Funds	0.25	0.25	3.60	3.35
ECB Main Refinancing	0.00	0.00	1.50	1.65
China 1yr Best Lending	4.35	4.35	4.30	4.30
Bank of Japan Overnight	-0.03	-0.02	0.00	0.00
UK Base Rate	0.10	0.25	2.45	2.30
Swiss 3mth CHF Libor	-0.75	-0.75	0.50	0.75

Commodities	2020	2021	2022e	2023e
NYMEX WTI oil USD/barrel	47	72	96	82
ICE Brent oil USD/barrel	50	74	102	87
Iron Ore USD/metric ton	159	119	73	60
Copper USD/metric ton	7766	9721	8698	7913
Gold USD/troy oz	1899	1829	1813	1819
Silver USD/troy oz	26.4	23.3	21.3	20.3

Major interest rates (%)	2020	2021	2022e	2023e
USA 3mth rate	0.2	0.2	3.4	3.3
USA 10yr Gov't Bonds	0.9	1.5	3.1	2.9
Eurozone 3mth rate	-0.5	-0.6	1.1	1.2
Eurozone 10yr Gov't Bond	-0.6	-0.2	1.3	1.4
China 3mth rate	2.8	2.5	2.6	2.5
China 10yr Gov't Bond	3.1	2.8	2.9	2.9
UK 3mth rate	0.0	0.3	2.3	2.0
UK 10y Gov't Bond	0.2	1.0	2.2	1.9
Swiss 3mth rate	-0.8	-0.8	0.6	1.1
Swiss 10y Gov't Bond	-0.6	-0.2	1.0	1.4

Exchange rates	2020	2021	2022e	2023e
EURUSD	1.22	1.14	1.04	1.10
EURCHF	1.08	1.04	0.98	1.04
USDCHF	0.89	0.91	0.96	0.95
EURJPY	126.16	130.92	138.00	137.00
EURGBP	0.89	0.84	0.85	0.87
USDJPY	103.20	115.08	132.00	125.00
GBPUSD	1.37	1.35	1.21	1.25
USDCNY	6.53	6.36	6.76	6.68
USDBRL	5.19	5.57	5.30	5.22
USDRUB	74.03	75.17	62.00	67.60

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	2546	-16.6%	-21.2%	2.0
MSCI World (USD) hedged	1311	-14.1%	-18.0%	n.a.
HFRX Global Hedge Fund	1359	-3.7%	-5.0%	n.a.
S&P 500	3785	-16.4%	-20.6%	1.5
Russell 1000	2076	-17.0%	-21.5%	1.5
Nasdaq 100	11504	-22.5%	-29.5%	0.8
Stoxx Europe 600	407	-10.7%	-16.5%	3.5
MSCI Emerging Markets	1001	-12.4%	-18.8%	3.3
Nikkei 225	26393	-5.1%	-8.3%	2.1
China CSI 300	4485	6.2%	-9.2%	2.3

	Forward		EPS growth	
Equity market valuations	PE	PB	2022e	2023e
MSCI World (USD)	16.6	2.8	14%	6%
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	18.8	4.0	17%	8%
Russell 1000	19.1	3.9	19%	9%
Nasdaq 100	24.7	6.5	25%	12%
Stoxx Europe 600	12.3	1.7	29%	3%
MSCI Emerging Markets	11.6	1.6	-5%	6%
Nikkei 225	16.3	1.7	1%	7%
China CSI 300	13.5	1.8	17%	18%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	3.01	-4.3%	-10.5%	n.a.
10yr Euro gov't bond	1.33	-7.2%	-12.8%	n.a.
10yr German gov't bond	1.33	-6.0%	-11.4%	n.a.
10yr Italian gov't bond	3.26	-9.7%	-15.6%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	252	-8.7%	-15.5%	4.3
Barclays US Corporate IG	3017	-7.3%	-14.4%	4.7
Barclays Euro Corporate IG	232	-7.3%	-11.9%	3.2
Barclays Emerging Market USD	1050	-8.7%	-17.1%	7.2
Barclays US Corporate HY	2112	-9.8%	-14.2%	8.9
Barclays Pan-European HY	375	-10.7%	-14.3%	8.1

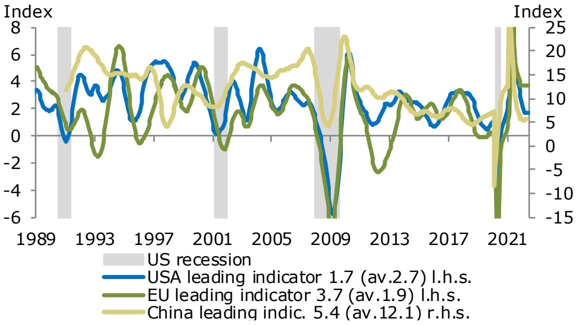
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	115	6.4%	47.6%
US Energy Services	66	-17.1%	25.7%
Copper	8264	-20.3%	-15.2%
Gold	1807	-6.7%	-1.2%
EURUSD	1.05	-5.3%	-7.8%
EURCHF	1.00	-2.0%	-3.5%

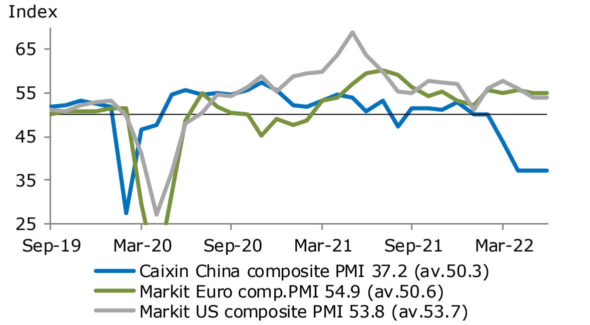
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q2 = data as of June 30, 2022 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

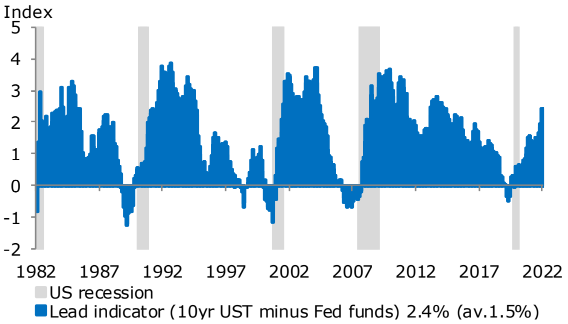
Leading indicators and manufacturing

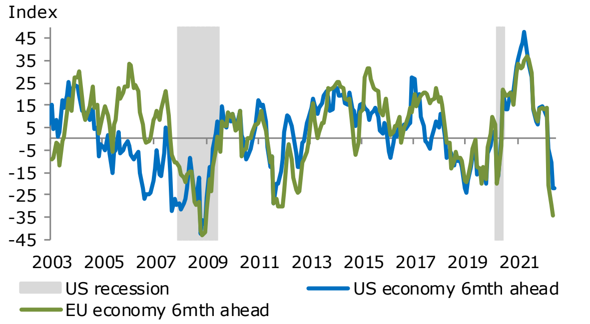
Source: Bloomberg Finance L.P., Alpinum Investment Management



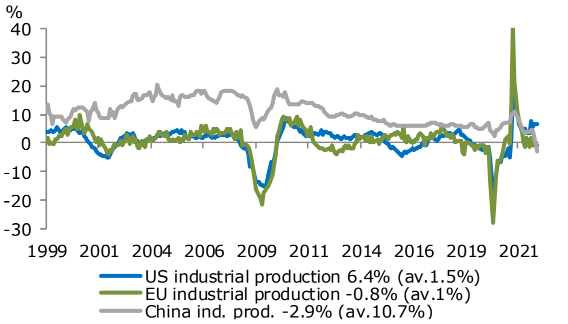


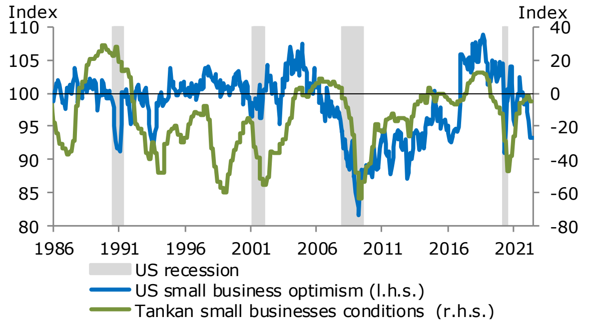
Recession indicator



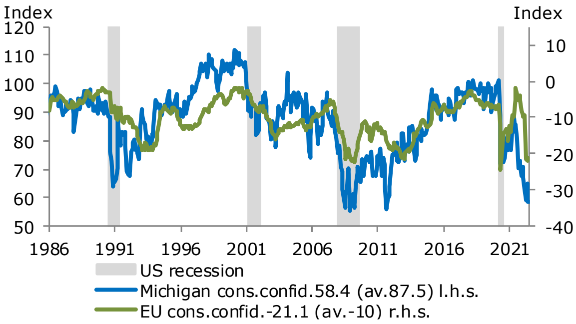


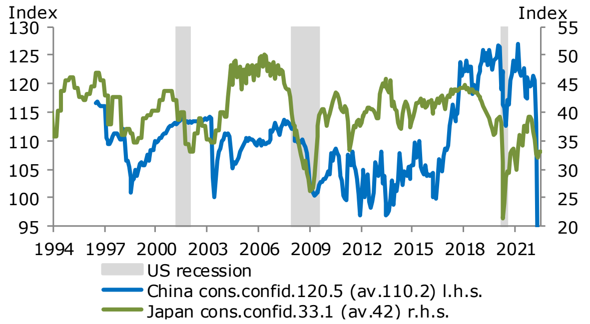
Industrial production and small businesses





Consumer confidence





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

Scenario Overview 6 Months

Base case 60%

- **US:** Stagflation environment touching also negative real GDP growth rates, while printing high nominal GDP numbers. Elevated inflation pays its toll as high commodity prices weigh on consumer demand and start to squeeze companies' profit margins. Higher interest rates and troubled geopolitical outlook lead to an uncertain economic outlook and ultimately fewer investments. House price appreciation stops, while wages increase and supply bottleneck issues start to fade in Q4. Government spending (i.e. infrastructure, old & new energy, defense) remains elevated.
- **Eurozone:** Stagflation turns into a mild recession. Slower growth dynamic caused by inflation spike, higher rates, war impact. But continuing fiscal impulse, solidarity payments, defense spending and low absolute interest level (ECB policy) are supportive.
- **China:** GDP growth slows to ~3-4% as various restrictive regulatory policies weigh on the economy.
- **Oil:** Prices remain elevated short term, but supply chain constraints fade in Q4 and ease price pressure.

Investment conclusions

- **Equities:** Equities face an uncertain outlook with profit margin pressure due to rising input costs, higher rates and the looming risk of a vicious wage-price spiral. Equities are more reasonably valued after the correction, but lack a sustained upside potential with forward P/E multiples of ~16 and looming profit margin pressures. We recommend a balanced approach in terms of equity "style" with a bias towards value.
- **Interest rates:** Negative bias on rate exposure as upward pressure on yields remains, but (US) duration exposure serves as a diversifier and tail hedge.
- **Credit:** Credit spreads have adjusted and are selectively attractive, despite an anticipated increase/normalization of corporate default rates in 2023. We prefer loans, short term HY, structured credit exposure and selective EM/Asia bonds.
- **Commodities/FX:** Relative interest advantage favors USD; commodities keep elevated levels.

Bull case 15%

- **US:** Sub-par GDP growth rate of ~1-2%. FED succeeds with its tightening policy and inflation peaks. Supply chain bottlenecks fade later in H2. Firm consumer spending in services. Energy/commodity price appreciation stops and stabilizes at high level. Economy transforms into "new normal".
- **Europe:** Temporary growth halt, but recession avoided; peripherals backed by continued fiscal/monetary policy support; standing together spirit holds; significantly more defense/green energy spending.
- **China/EM:** Impact of Chinese regulatory craze is fading. Credit tightening measures get relaxed meaningfully. Further escalation with West avoided. Pandemic situation fragile, but not getting worse.

Investment conclusions

- **Equities:** After market correction, equities look more attractive. If a de-escalation in the Russia-Ukraine conflict can be reached and/or further escalation with NATO is avoided, markets will recover some of the losses, but will not make up for the YTD-losses. Inflation pressure and higher rates keep valuations in check.
- **Interest rates:** Rates move up, but yield curve inversion is avoided; inflation pressure persists.
- **Credit:** Corporate default rates face only minimal increase. Credit in general and loans/short term HY bonds in particular benefit the most.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates recover.

Bear case 25%

- **US:** Mild recession with danger to stay for longer, but still positive nominal GDP-growth. Low unemployment rate combined with resilient inflation kicks off wage-price spiral and sustained rate hike increases.
- **Europe:** Moderate recession with risk of lasting economic weakness due to war/geopolitics and inflation/high energy prices. No meaningful recovery of international tourism. Peripherals suffer from yield increases and Germany from elevated energy costs.
- **China/EM:** Chinese regulators fail to ease credit and regulatory measures enough, leading to <3% GDP-growth in 2022 and deteriorating exports. Emerging markets (ex-commodity exporters) suffer as global trade is held back. EM FX decline does not stop.

Investment conclusions

- **Equities:** Equities fall and test new lows. Highly priced US equities will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates will drop (inverse yield curve), but limited potential apart from USD rates. Support for high-quality assets (US Treasuries, A/AA bonds, agency bonds). Cash is king!
- **Credit:** Corporate default rates climb and approach higher end of long-term average levels, but severe default cycle is avoided. Favor short dated high-quality bonds and cash.
- **Commodities/FX:** Negative for commodity prices. USD, CHF and JPY act as a safe haven again.

Tail risks

- Equity (IT) bubble bursting, liquidity shock.
- An Italian sovereign debt crisis, Euro break up.
- Military conflict in the South China Sea.
- Pandemic crisis re-emerges/new virus variants.
- Nuclear escalation resulting in 3rd World War.
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities	Comment
▪ After the market correction, valuation levels have normalized and operate close to "neutral land". ▪ However, the looming risk of a severe economic downshift asks for an additional risk premium, which contributes further to the uncertain outlook for the asset class. Another negative factor for equities remains the competition of other asset classes, namely the increasing interest rate levels with long-term US Treasury bonds yielding above 3%. ▪ The upside potential is limited due to the continued high inflation (input costs; profit margin pressure) and lower economic growth prospects (weakening demand). ▪ Non-US equities trade with more attractive valuations and are posed to outperform if a de-escalation in the Ukraine conflict emerges and if USD weakens.	▪ Equity multiples have adjusted downwards, but will feel additional pressure if rates further increase. A current P/E ratio of 16 for the S&P translates into an earnings yield of 6.3%. ▪ Importantly, current market consensus estimates that US earnings grow by ~8% both in 2022 and 2023. However, history suggests that earnings tend to drop by 10-20% if a recession occurs. ▪ Military conflict leads to more structural inflation pressure (less globalization/productivity, less efficient/safer supply chains, more protectionism). ▪ US equities incorporate advanced valuations vs. other regions. However, the economy is also more resilient, less impacted by Ukraine conflict and supported by "big tech" earnings. Hence, a valuation premium is justified.

Credit/Fixed Income	Comment
▪ **Rates**: The near-term outlook for interest rate duration remains negatively biased. However, the majority of the interest rate move is behind us – evidenced by US (10 year) real rates >1%. We hold minimal allocations in duration and consider duration exposure mainly as a portfolio diversifier, whereas we favor US Treasuries. ▪ **IG**: We hold minimal US investment grade bonds and only selective European IG bonds. Selective EM/Asia IG bonds offer a large tactical opportunity. ▪ **High Yield:** Loans and high yield bonds offer fair relative and absolute yields. Overall, we favor selective US short-term non-cyclical bonds, European loans and EUR CLOs of all risk categories. ▪ **Emerging Debt:** After recent sell-off in emerging and Asian debt markets, plenty of opportunities are opening up, but momentum is still negative and elevated cautiousness is warranted. We still avoid local currency bonds.	▪ The change of direction of all major central banks towards tightening measures is a structural headwind for all fixed income assets. ▪ The ECB is expected to raise rates in H2 and the Fed to continue its hiking path. Avoid EU-peripherals and hold minimal duration-heavy assets. ▪ Credit spreads have repriced and look fairly valued in general. Current wider spread levels compensate for a softer economic outlook, but not for a deep recession. Corporate default rates will increase and approach long-term average levels. ▪ We like the structured credit market such as selective 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	Comment
▪ Credit long-short strategies identify plenty of relative value trades, both long and short. ▪ Equity long-short strategies benefit from high volatility and increasing performance dispersion. ▪ Alternative lending as an asset class is in the spotlight in a low or rising rates environment.	▪ Current fragile economic environment benefits active managers. Moreover, "innovative disruption" leads to more price dispersion among single securities, industries, etc. ▪ Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).

Real Assets	Comment
▪ Commodities benefit from "de-globalization" (protective measures) and supply-side constraints. ▪ Gold suffers when real interest rates rise and vice versa; a complex situation for gold at the moment.	▪ High inflation environment is beneficial for commodity prices. ▪ Backwardation offers favorable trading opportunities.

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".

Disclaimer

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