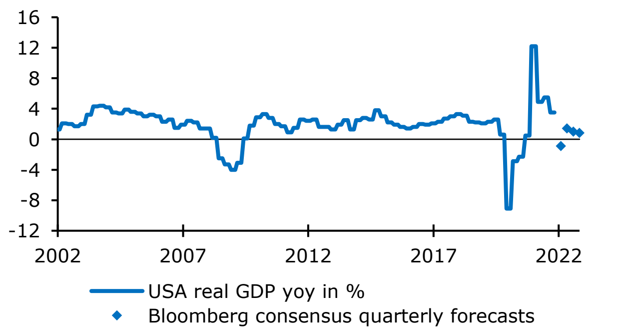
Quarterly Investment Letter – Q4 2022

Fighting inflation – Whatever it takes?

The **Federal Reserve (Fed) is committed to regaining control of inflation** and it uses the current window of opportunity to raise rates quickly and sizably as the ultra-tight labor market is in strong need of an immediate cooling down to prevent the economy from undergoing a sustained wage price spiral. But will the Fed hike for whatever it takes? Fed-Chair Powell made clear in his statements after the recent rate hike that he will tolerate a recession if needed to normalize inflation. But of course, he hopes that a prolonged period of economic stress can be avoided. Hence, the **Fed has currently every incentive to act quickly and aggressively - at least as long as the employment market remains in "overheat" mode**. But the actions will be felt in the coming quarters as the much higher rates will soften both consumer demand and corporate expenditures **leading to a weaker economic growth path and the risk of entering a recession rising.**

Chart 1: US GDP forecasts (in %)



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

The **outlook for the global economy is also full of clouds,** with a recession in the EU/UK almost unavoidable, China's growth trajectory collapsing and no hopes for a ceasefire in the Ukraine-Russia conflict. Every central bank is stepping up its hawkish actions and rhetoric, in-light of persistent inflationary pressures leading to rising rates on a global scale.

Summary Points

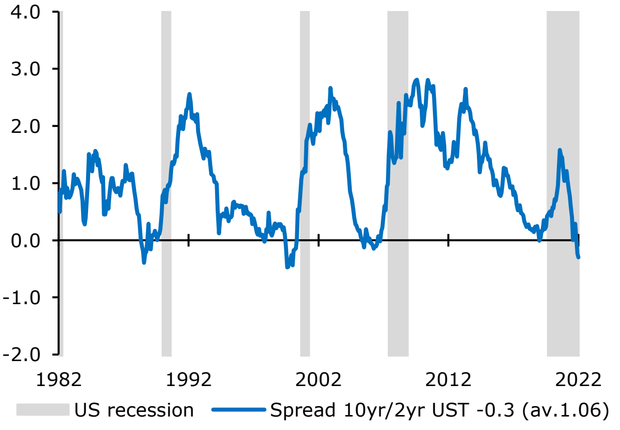
- **The outlook for the global economy is deteriorating.** Inflation is peaking but remains at a structurally higher level, the labor market is likely to stay relatively robust, there are no signs of a ceasefire in the Ukraine-Russia conflict, and the energy crisis is worsening as Russia has halted gas exports to Europe.
- The US economy fell in a technical recession while the **spread between the 10- and 2-year Treasury yields inverted**, increasing the likelihood of the US economy entering a mild recession.
- On the labor, household, and corporate side, however, the **US economy is still sending some reassuring signals**. In addition, government spending programs will support employment as well as the US economy.
- In Europe, the dangerous cocktail of stalling economies, increasing inflation rates, and diminishing natural gas supply may lead the **eurozone into a severe recession**.
- **Conclusion**: Market volatility will remain elevated given the uncertain economic backdrop we have to deal with. Therefore, we **significantly reduced risk and increased cash within our portfolios** to protect capital. At current valuation levels and from a risk/return perspective we **prefer selective credit over equities**. Hence, we maintain our small underweight position in equities. At the moment, we consider non-cyclical **short-term HY bonds with yields of 8-9% as very 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 mandate.**

Content

United States

In the second quarter the GDP contracted by -0.9% following a decline of -1.6% in the first quarter, triggering fears of a deepening recession. While two consecutive quarters of negative growth means that the **US is technically in a recession,** the US economy still shows many signs of robustness. For example, **employment data were surprisingly strong,** while the latest US inflation report showed that the **Consumer Price Index and the PCE price index appear to have passed their peaks**, falling slightly in the second quarter. Additional government spending programs could further support the economy and the labor market. The S&P 500 has **already priced in a 4.5% and a 5.7% decline in forward earnings** (excluding energy) for 2022 and 2023, respectively, reflecting the impact of higher inflation, tighter monetary policy, and a slowdown in the economy. Thus, the likelihood of the US economy entering a severe recession is expected to be limited. In early July, **the spread between the 10- and 2-year Treasury yields reversed**, reaching a minus of around 50 basis points. In contrast to Europe, markets believe it is **more likely that the Fed will raise rates into a more restrictive range** than the ECB.

Chart 2: Inverted US yield curve anticipates recession (in %)



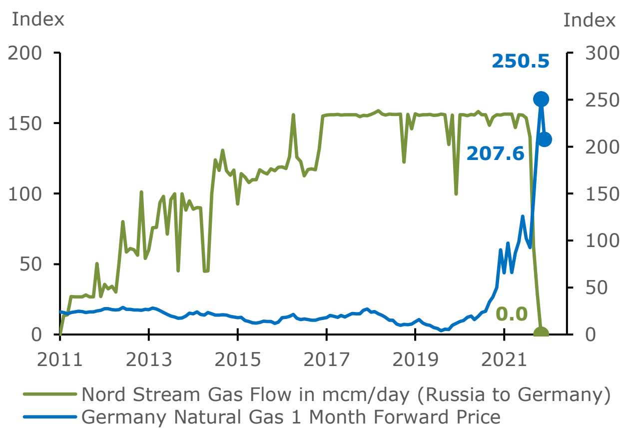
Source: Bloomberg Finance L.P., Alpinum Investment Management

The Fed remains committed to containing inflation, as evidenced by Jerome Powell's hawkish speech at Jackson Hole in August. In each of the last three FOMC meetings, the **Fed raised rates by 0.75%**, bringing its benchmark rate to 3.00-3.25%. According to the US overnight index swap (OIS) curve pricing, **the Fed funds rate is expected to peak at 4.48% in March 2023**. The US Treasury curve is likely to remain inverted as the Fed might raise rates by the same amount, if not more, than markets are factoring in.

Europe

Eurozone GDP surprised on the upside in the second quarter, growing by 0.7% compared to the previous quarter. Countries such as Spain, Italy, and France, which benefited from the upturn in the post-Covid services, generally performed well, while the **German economy, which is most dependent on Russian gas imports, stalled**. The recent decision to halt gas supplies to Germany via the Nord Stream 1 pipeline has **pushed European energy prices to new heights**. With winter just around the corner and a lack of natural gas supply from Russia pushing energy prices even higher, **there is a significant risk that the eurozone economy will collapse into a severe economic downturn**.

Chart 3: Price and flow of German natural gas since Oct 2011



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

The high risk of a severe recession is also evidenced by the **weakness of the euro**, which reverted to parity with the US dollar, and the flash eurozone PMI, which fell further into contraction territory in August at 49.2. This means that the 2022 earnings growth estimates in Europe could be revised downward. In Q3 the IMF **downgraded the eurozone GDP growth projection** for 2022 (from 2.8% to 2.6%) and for 2023 (from 2.3% to 1.2%). In July, high inflation prompted the European Central Bank (ECB) to **raise interest rates for the first time in more than a decade**, bringing the eurozone out of negative rates. A second significant rate hike came in September (0.75%). To protect customers and businesses from rising inflation, **Germany will spend at least 65 billion euros**. In the second quarter, inflation in the eurozone climbed to a new all-time high (9.1%) which will drive the **ECB to further tighten monetary policy** to dampen price pressures in the upcoming quarters.

China and emerging markets (EM)

During the summer, the Chinese domestic economy continued to struggle **facing the most severe heatwave and third driest period ever**. Recent economic data confirmed weak domestic demand due to the Chinese government's zero-Covid-policy. The real estate sector in particular showed signs of sustained weaknesses, accentuating the renewed concerns about the health of the property market. **Chinese export growth decelerated** due to a slowdown in global demand and domestic production. For the first time since May 2020, exports to the US declined year-on-year (-3.8%). In its latest release, the **IMF downgraded the GDP forecast for China** by -1.1% for 2022 (from 4.4% to 3.3%) and by -0.5% for 2023 (from 5.1% to 4.6%).

Chart 4: USD/CNY price depreciation in 2022

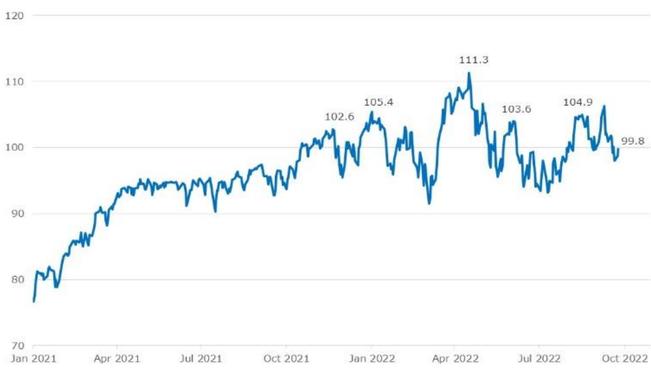
Source: Bloomberg Finance L.P., Alpinum Investment Management

This represents the **lowest expected GDP growth for China's economy in more than 40 years**. This forecast comes as the IMF report predicts global growth will fall to 3.2% this year and 2.9% in 2023. As a countermeasure to support China's GDP growth, China's State Council, chaired by Premier Li Keqiang, announced **new stimulus programs worth 1 trillion yuan** (about USD 144bn). China's central bank, the People's Bank of China (PBoC), **eased monetary policy to stimulate weakening domestic demand**. The one-year medium-term lending facility was cut by 0.10% to 2.75% while the one-year and five-year policy rates were reduced by 0.05% and 0.15%, respectively. The diverging monetary policy measures are leading to an interest rate differential that is unfavorable for the Chinese currency. After a significant depreciation against the USD in the second quarter, the **USD/CNY weakened further in the third quarter, reaching levels last seen in August 2020** (around 7.2).

Investment conclusions

The macroeconomic outlook is challenged by a combination of factors such as **persistent inflation**, **energy price shock, increasing recession fears** and **geopolitical conflicts**. Most of these uncertainties dominate the short-term outlook. In 2022, market participants observed a **normalization of price valuations** which could continue in the short to medium term. To contain inflation, central banks have started to propose measures to normalize interest rates.

Chart 5: BB Global equity risk premium (stocks vs bonds)



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

Bonds: After widening considerably in the second quarter, credit spreads stabilized to some degree in Q3, but remain under pressure as long as rates are on the rise. Default rates are trending up, but only slowly. Global bond yields still have room to move higher in general. Moreover, we expect short- and long-term rates to converge somewhat over the next 6 months (bear flattening). Therefore, long duration investment grade and sovereign bond assets should be avoided. We continue to favor **European loans**, non-cyclical **US and Scandinavian short-term HY** bonds and **structured credit**.

Equities: As companies face continued supply chain constraints, higher borrowing rates, rising labor and energy costs, corporate profit margins will be challenged. Therefore, equity valuations will remain under pressure. We maintain our small underweight position with a clear bias towards DM. From a tactical perspective, we are prepared to increase our allocation to European and emerging markets.

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

Market Consensus Forecasts

GDP growth (%)	2020	2021	2022e	2023e
World	-3.1	6.1	2.9	2.5
United States	-3.4	5.7	1.6	0.8
Eurozone	-6.4	5.2	2.9	0.2
Germany	-4.6	2.6	1.5	-0.2
France	-7.9	6.8	2.5	0.5
Italy	-9.0	6.7	3.3	0.4
United Kingdom	-9.4	8.3	3.5	-0.2
Switzerland	-2.5	4.3	2.3	1.0
Japan	-4.5	1.8	1.6	1.5
Emerging economies	3.1	4.4	3.1	4.3
Asia Ex-Japan	1.3	5.6	3.5	5.0
Latin America	-6.1	8.1	3.2	1.4
EMEA region	-2.8	5.5	-0.4	1.1
China	2.2	8.1	3.3	5.1
India	3.7	-6.6	8.7	7.0
Brazil	-3.9	4.8	2.5	0.9
Russia	-3.0	4.7	-6.0	-3.0

Inflation (%)	2020	2021	2022e	2023e
World	3.2	4.7	7.2	4.6
United States	1.2	4.7	8.0	3.8
Eurozone	0.3	2.6	8.2	5.1
Germany	0.4	3.2	8.2	5.5
France	0.5	2.1	5.8	4.2
Italy	-0.2	2.0	7.7	4.7
United Kingdom	0.9	2.6	9.0	6.5
Switzerland	-0.7	0.6	2.9	2.0
Japan	0.0	-0.3	2.2	1.4
Emerging economies	3.0	2.9	6.1	4.9
Asia Ex-Japan	2.6	1.7	2.8	2.9
Latin America	2.8	6.2	18.2	14.3
EMEA region	5.1	8.2	20.1	12.2
China	2.5	0.9	2.3	2.3
India	6.6	5.1	5.4	6.6
Brazil	3.2	8.3	9.3	5.1
Russia	3.4	6.7	14.1	6.9

Central bank rates (%)	2020	2021	2022e	2023e
US Fed Funds	0.25	0.25	4.15	3.95
ECB Main Refinancing	0.00	0.00	2.25	2.40
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	3.45	3.60
Swiss 3mth CHF Libor	-0.75	-0.75	0.75	0.95

Commodities	2020	2021	2022e	2023e
NYMEX WTI oil USD/barrel	47	70	95	73
ICE Brent oil USD/barrel	50	74	100	78
Iron Ore USD/metric ton	159	119	119	60
Copper USD/metric ton	7766	9721	8602	7494
Gold USD/troy oz	1899	1829	1774	1718
Silver USD/troy oz	26.4	23.3	20.9	19.5

Major interest rates (%)	2020	2021	2022e	2023e
USA 3mth rate	0.2	0.2	3.6	3.2
USA 10yr gov't bonds	0.9	1.5	3.3	3.0
Eurozone 3mth rate	-0.5	-0.6	1.9	2.0
Eurozone 10yr gov't bond	-0.6	-0.2	1.7	1.6
China 3mth rate	2.8	2.5	2.6	2.5
China 10yr gov't bond	3.1	2.8	2.7	2.8
UK 3mth rate	0.0	0.3	3.2	3.1
UK 10y gov't bond	0.2	1.0	3.5	2.7
Swiss 3mth rate	-0.8	-0.8	0.8	1.0
Swiss 10y gov't bond	-0.6	-0.2	1.2	1.2

Exchange rates	2020	2021	2022e	2023e
EURUSD	1.22	1.14	0.98	1.05
EURCHF	1.08	1.04	0.96	1.00
USDCHF	0.89	0.91	0.98	0.95
EURJPY	126.16	130.90	138.00	138.00
EURGBP	0.89	0.84	0.87	0.88
USDJPY	103.20	115.08	140.50	130.00
GBPUSD	1.37	1.35	1.13	1.20
USDCNY	6.53	6.36	7.00	6.82
USDBRL	5.19	5.58	5.30	5.23
USDRUB	74.03	74.68	62.00	77.50

Performance table

		Performance		
Global equity markets	Price	Q3	Ytd Q3	Div.yld
MSCI World (USD)	2379	-6.6%	-26.4%	2.4
MSCI World (USD) hedged	1256	-4.2%	-21.4%	n.a.
HFRX Global Hedge Fund	1367	0.6%	-4.5%	n.a.
S&P 500	3586	-5.3%	-24.8%	1.8
Russell 1000	1972	-5.0%	-25.5%	1.8
Nasdaq 100	10971	-4.6%	-32.8%	1.0
Stoxx Europe 600	388	-4.8%	-20.5%	3.9
MSCI Emerging Markets	876	-12.5%	-28.9%	3.6
Nikkei 225	25937	-1.7%	-9.9%	2.3
China CSI 300	3805	-15.2%	-23.0%	2.6

	Forward		EPS growth	
Equity market valuations	PE	PB	2022e	2023e
MSCI World (USD)	14.3	2.4	11%	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	16.0	3.4	16%	8%
Russell 1000	16.2	3.3	18%	9%
Nasdaq 100	20.6	5.4	24%	13%
Stoxx Europe 600	10.7	1.5	29%	4%
MSCI Emerging Markets	10.6	1.4	-10%	4%
Nikkei 225	14.3	1.5	4%	3%
China CSI 300	12.4	1.6	15%	17%

		Performance		
Global gov't bonds	Yield	Q3	Ytd Q3	YtW
10yr US Treasury	3.83	-5.8%	-15.7%	n.a.
10yr Euro gov't bond	2.11	-6.0%	-18.0%	n.a.
10yr German gov't bond	2.11	-5.4%	-16.2%	n.a.
10yr Italian gov't bond	4.51	-8.0%	-22.4%	n.a.

		Performance		
Global bond indices	Price	Q3	Ytd Q3	YtW
Barclays Global Corporate IG	236	-6.5%	-21.0%	5.4
Barclays US Corporate IG	2864	-5.1%	-18.7%	5.7
Barclays Euro Corporate IG	225	-3.1%	-14.6%	4.2
Barclays Emerging Market USD	1007	-4.1%	-20.5%	8.2
Barclays US Corporate HY	2099	-0.6%	-14.7%	9.7
Barclays Pan-European HY	372	-0.9%	-15.1%	9.0

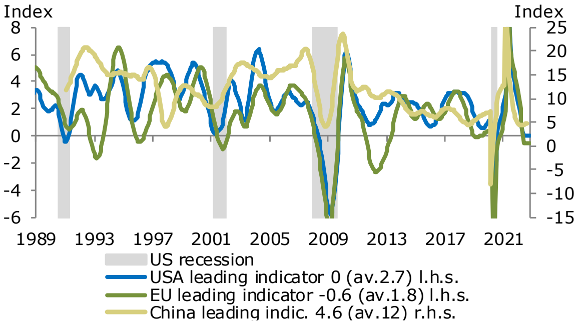
		Performance	
Commodities and currencies	Price	Q3	Ytd Q3
Brent oil	88	-23.4%	13.1%
US Energy Services	60	-9.6%	13.7%
Copper	7688	-7.0%	-21.1%
Gold	1661	-8.1%	-9.2%
EURUSD	0.98	-6.5%	-13.8%
EURCHF	0.97	-3.3%	-6.7%

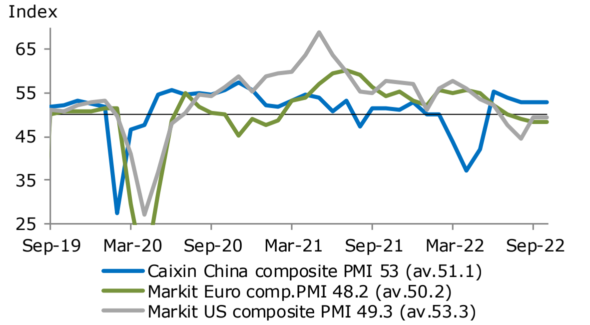
Source: Bloomberg Finance L.P., Alpinum Investment Management
Note: Q3 = data as of September 30, 2022 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

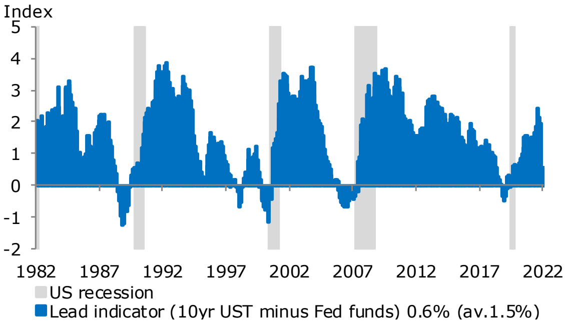
Leading indicators and manufacturing

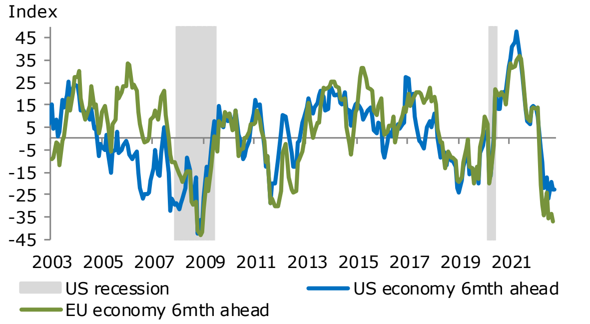
Source: Bloomberg Finance L.P., Alpinum Investment Management



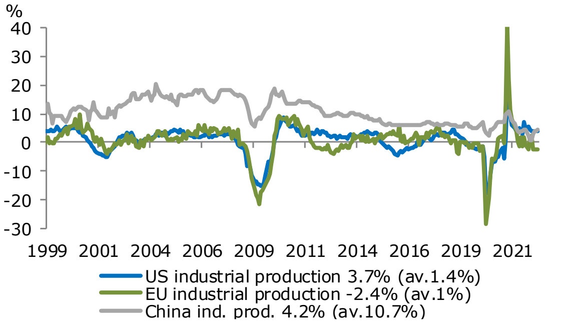


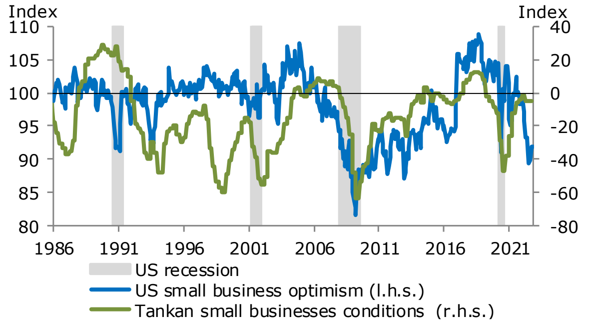
Recession indicator



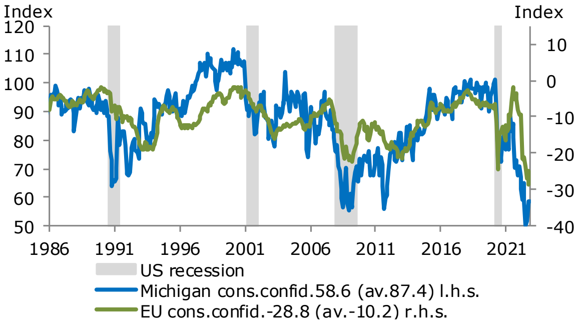


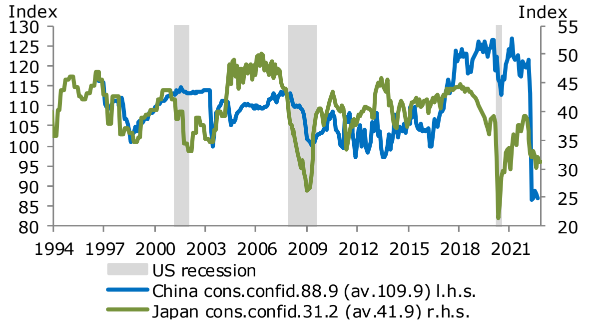
Industrial production and small businesses





Consumer confidence





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

Scenario Overview 6 Months

Base case 65%

- **US:** Economic slowdown/stagflation environment, touching also negative real GDP growth rates, while printing high nominal GDP numbers. Elevated, but peaking inflation weighs on consumer demand and pressures companies' profit margins. High(er) interest rates and geopolitical tensions remain a key concern for the economic outlook and lead to fewer investments. House price appreciation stops, while wages increase and supply bottleneck issues are fading. 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% as various restrictive regulatory policies weigh on the economy.
- **Oil:** As supply chain constraints fade and recession fears mount, price pressure eases in the short-term.

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 upcoming 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 increase/normalization of corporate default rates in 2023. We prefer loans, short-term HY, structured credit exposure and very selective EM/Asia bonds.
- **Commodities/FX:** Relative interest advantage favors USD; selective cyclical commodities face headwind, but structural inflation supports commodities.

Bull case 15%

- **US:** Sub-par GDP growth rate (0-2%). Fed succeeds with its tightening policy and inflation decelerates. Supply chain bottlenecks fade and consumer spending is supported by high savings and wage increases. Energy price appreciation stops, firms keep capex spending. 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 easing measures gain traction. Further escalation with West avoided. Pandemic situation fragile, but not getting worse.

Investment conclusions

- **Equities:** After market correction, equities look more attractive. Firms reduce labor vs. capital spending to increase (keep) profitability. If a de-escalation in the Russia-Ukraine conflict can be reached, 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 no further yield curve inversion; inflation pressure persists.
- **Credit:** Corporate default rates face only modest 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 20%

- **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 sustained 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 1-2% 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 YTD lows. Highly priced US equities will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates drop (further yield curve inversion), but limited potential apart from USD rates. Support for high-quality assets (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

- After the market correction, valuation levels have normalized and operate close to "neutral land".
- However, the looming risk of a severe economic slowdown 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 US Treasury bonds yielding close to 4%.
- 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.

Comment

- 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%.
- Market consensus still estimates that US earnings will grow by 8% in 2022 and 6% in 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 the Ukraine conflict and supported by "big tech" earnings. Hence, a valuation premium is justified.

Credit/Fixed Income

- **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 >1.5%. 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 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 the 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.

Comment

- The change of direction of all major central banks towards tightening measures is a structural headwind for all fixed income assets.
- The ECB continues to raise rates in Q4 and the Fed goes on in its hiking path as well. 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

- 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.

Comment

- 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

- 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.

Comment

- High inflation environment is beneficial for commodity prices, but cyclical downturn is negative.
- Backwardation offers favorable trading opportunities, i.e. in gas or power.

Asset Class Conviction Levels

Conviction Level over 6 Months

Equities	Underweight	←	Neutral	→	Overweight
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☑	☐	☐
Switzerland	☐	☐	☑	☐	☐
China	☐	☐	☑	☐	☐
Japan	☐	☐	☑	☐	☐
Asia - Emerging Markets	☐	☑	☐	☐	☐
Others - Emerging Markets	☐	☑	☐	☐	☐

Conviction Level over 6 Months

Fixed Income	Underweight	←	Neutral	→	Overweight
US - Treasury Bonds	☐	☑	☐	☐	☐
Euro - Government Bonds	☑	☐	☐	☐	☐
US - Investment Grade Bonds	☐	☑	☐	☐	☐
Europe - Investment Grade Bonds	☑	☐	☐	☐	☐
US High Yield	☐	☐	☑	☐	☐
US Short Term High Yield	☐	☐	☐	☐	☑
US Loans	☐	☐	☐	☑	☐
US Municipal Bonds	☐	☐	☑	☐	☐
European High Yield	☐	☐	☑	☐	☐
European Short Term High Yield	☐	☐	☐	☑	☐
European Loans	☐	☐	☐	☑	☐
US/EUR Preferred Securities	☐	☑	☐	☐	☐
US/EUR Asset Backed Securities	☐	☐	☑	☐	☐
Emerging Market Local Currency	☐	☐	☑	☐	☐
Emerging Market Hard Currency	☐	☐	☑	☐	☐
Emerging Market High Yield	☐	☐	☑	☐	☐

Conviction Level over 6 Months

Commodities	Underweight	←	Neutral	→	Overweight
Gold	☐	☑	☐	☐	☐
Oil (Brent)	☐	☐	☑	☐	☐

Conviction Level over 6 Months

Hedge Fund: Strategies	Underweight	←	Neutral	→	Overweight
Equity Long-Short	☐	☐	☐	☐	☑
Credit Long-Short	☐	☐	☐	☐	☑
Event-Driven - Corporate Actions	☐	☐	☐	☐	☑
Global Macro	☐	☐	☐	☐	☑

Conviction Level over 6 Months

Hedge Fund: Regional Focus	Underweight	←	Neutral	→	Overweight
Hedge Fund: North America	☐	☐	☐	☑	☐
Hedge Fund: Europe	☐	☐	☑	☐	☐
Hedge Fund: China / Japan	☐	☐	☑	☐	☐
Hedge Fund: Emerging-Markets	☐	☑	☐	☐	☐

Note: The above conviction table reflects on the one hand our view of the relative expected return of an asset class versus well-recognized benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities), but does on the other hand also partly incorporate our view of the absolute expected return versus "cash".

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