

# Quarterly Investment Letter – Q2 2026

## Markets under geopolitical fire

Global markets began 2026 in a paradoxical environment of macroeconomic resilience overshadowed by intensifying geopolitical shocks. Given the elevated uncertainty, our **current outlook is strongly scenario-based**, reflecting the wide range of potential outcomes across risk dimensions. **Growth across major economies remained broadly intact**, with **moderating inflation** allowing central banks to maintain a cautious stance. The Federal Reserve kept rates near 3.5–3.75%, while the nomination of Kevin Warsh as the next Fed Chair introduced uncertainty around the future monetary policy framework. In Europe, inflation declined towards 1.9% and the ECB maintained rates, while China's economy stabilised on strong exports and policy support despite fragile domestic demand.

Chart 1: Increasing geopolitical risk



Source: Alpinum Investment Management

**Geopolitics dominated the quarter.** The US operation removing Venezuela's president, renewed tensions over Greenland accompanied by tariff threats towards European allies, and the US Supreme Court ruling limiting emergency tariff powers reshaped the global trade outlook. **Most destabilising was the escalation of conflict with Iran, culminating in disruptions to shipping through the Strait of Hormuz** and triggering an oil shock that revived stagflation concerns. Financial markets initially rallied before sentiment weakened, with equities diverging as AI infrastructure surged while **software declined on disruption fears.**

## Summary Points

- **Geopolitics dominated the quarter**, as Venezuela, Greenland-related tariff tensions, and the Iran conflict disrupted trade routes, triggered an oil shock and revived stagflation concerns globally.
- **The US economy remained broadly resilient**, though growth slowed, labour markets softened at the margin, inflation stayed above target and the policy mix became increasingly politicised.
- **Europe improved modestly from a lower base**, supported by easing inflation, recovering PMIs and tighter peripheral spreads, before the Iran-driven energy shock revived stagflation concerns.
- **China and Asia showed mixed but stable growth**, with China near 5%, supported by exports and policy easing, despite weak demand and Strait of Hormuz-related energy risks.
- Markets were initially supported by resilient growth and improving earnings breadth, **but rising oil prices, AI-led disruption and geopolitical escalation increased dispersion** across sectors, styles and regions.
- **Conclusion:** While a **severe recession remains unlikely**, volatility has risen meaningfully and tail risks are no longer negligible. We have **reduced market exposure**, emphasizing on **capital preservation**. Within credit, selectivity and diversification remain essential. We continue to favour **shorter-duration investment grade and high yield** bonds as well as **senior secured loans**. In equities, we favour **active rotation over broad beta**. In this volatile environment, **capital preservation remains paramount**, while retaining flexibility to add equities and longer-duration bonds at more attractive levels if market weakness deepens.

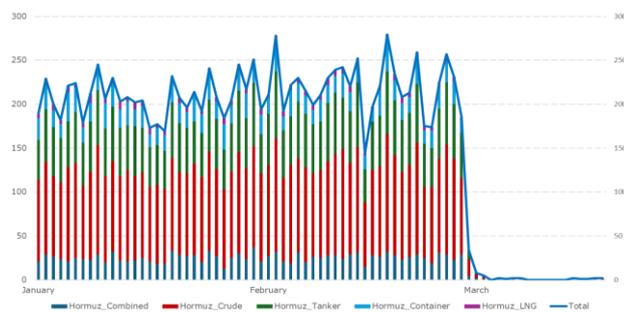
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## United States

In Q1 2026, the US economy entered the year with moderating but still positive momentum, then became increasingly shaped by policy uncertainty and geopolitical shock. **January combined resilient activity with a fragile labour backdrop:** the Fed left rates unchanged at 3.5-3.75%, Q4 2025 GDP was later confirmed at a soft 0.7% annualized after 4.4% in Q3, while **labour conditions remained 'low hire, low fire'**, foreshadowing softer household demand. Inflation was not defeated but eased, with January CPI at 2.4% year on year, allowing markets initially to retain a Goldilocks interpretation even as tariff threats over Greenland, renewed concerns over Fed independence and a brief government shutdown unsettled sentiment. Fiscal policy remained noisy, reactive and increasingly subordinated to politics.

**Chart 2: Strait of Hormuz daily ship crossings (bidirectional)**



Source: Alpinum Investment Management

**February** was characterised by **macro resilience** but **persistent price pressures** and **mounting political noise**. Manufacturing re-entered expansion, services stayed firm, January payrolls surprised positively and the unemployment rate dipped to 4.3%, yet hotter producer prices, debate over Kevin Warsh's nomination and the Supreme Court's rejection of Trump's prior tariff regime reinforced uncertainty around the future monetary policy mix. Equities rotated decisively away from mega-cap software and other AI-exposed growth franchises towards value, cyclicals, small caps, materials, utilities and energy. **In March, the macro narrative was overwhelmed by Iran.** The **closure of the Strait of Hormuz**, surging oil prices and rising inflation expectations tightened financial conditions, while in February nonfarm payrolls fell by 92,000 and unemployment rose to 4.4%, complicating the Fed's outlook. **US equities turned more defensive and bifurcated**, whereas **Treasuries faced a stagflationary tension** between growth fears and energy-driven inflation risk.

## Europe

Europe moved through Q1 2026 in a regime of **modest cyclical improvement, fading disinflation** and **rising geopolitical fragility**, with the macro picture gradually shifting from cautious optimism toward stagflationary concern. **Across the euro area, late-2025 resilience carried into early 2026:** GDP expanded 0.2% in Q4, business activity remained in expansionary territory, and by February the composite PMI had risen to 51.9 as manufacturing finally re-entered growth. Germany showed tentative stabilization in industry and softer February inflation at 1.9%, while **France and Italy benefited from improving risk perception**, narrowing peripheral spreads and reduced political tail risk, reinforced by France's budget progress. **Inflation initially evolved favourably**, with euro area headline HICP falling from 1.9% in December to 1.7% in January and core easing to 2.2%, allowing the ECB to hold its deposit rate at 2.0% and preserve scope for later insurance cuts.

**Chart 3: Price development of Brent and natural gas**



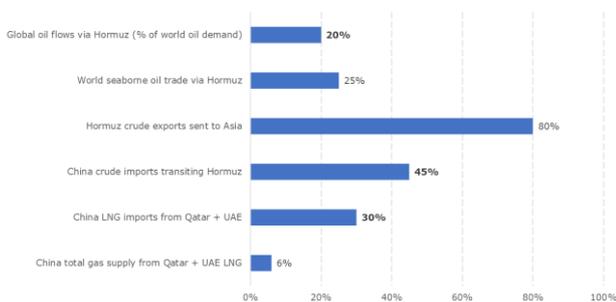
Source: Alpinum Investment Management

**Equity markets reflected this broadening recovery** and global rotation away from concentrated US technology leadership, with **European performance led by cyclicals, energy, utilities, defence, real estate** and selected value segments, while UK equities benefited from their commodity and large-cap bias. **Bond markets also improved**, as gilts outperformed in February and peripheral sovereign debt remained supported by carry and compression dynamics. By March, however, **the escalation of the Iran conflict** and the associated surge in oil and gas prices **exposed Europe's structural energy vulnerability**, lifted inflation expectations, pushed euro area headline inflation back to 1.9% and core to 2.4%, and triggered a hawkish repricing in rates alongside a more defensive, bifurcated market tone

## China and emerging markets (EM)

China entered Q1 2026 with respectable headline growth but an increasingly uneven macro mix. Real **GDP expanded 5% in 2025**, meeting Beijing's target, yet the composition remained unbalanced: industrial output rose 5.9% while retail sales dropped just 3.7%; fixed-asset investment fell 3.8% and private investment dropped 6.4%; property investment remained deeply contractionary, underscoring **persistent weakness in domestic demand**, and **consumer sentiment remained cautious** overall. Consumer inflation accelerated to 1.3% year on year in February, with core CPI rising 1.8% and producer-price deflation narrowing to -0.9%, suggesting firmer seasonal demand but **not a decisive exit from China's broader low-inflation environment**. Authorities reaffirmed a **2026 growth target of 4.5%–5%**, a budget deficit around 4% of GDP, stronger support for consumption, technology and employment, and an 'appropriately accommodative' monetary stance, with the PBoC signalling flexibility to use reserve-ratio and rate tools while preserving exchange-rate stability.

**Chart 4: China's energy security runs through Hormuz**



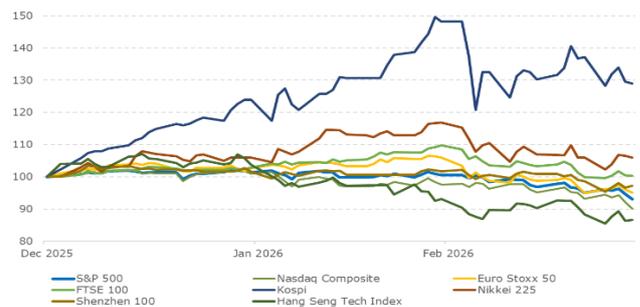
Source: Alpinum Investment Management

**Official PMIs softened to below 50**, but private surveys painted a firmer picture, culminating in a February services reading of 56.7 and composite PMI of 55.4. **Equity performance therefore lagged behind North Asian peers** and remained highly selective, with China underperforming relative to broader emerging Asia. **Bond markets were steadier**, supported by muted inflation, policy accommodation and China's relatively insulated capital account. The **US-Iran conflict** nonetheless **introduced a material energy tail risk**: roughly 20% of global oil transits the Strait of Hormuz, and around 45% of China's crude imports move through that corridor, while direct Iranian barrels account for about 13-14% of China's total imports, implying manageable near-term resilience but meaningful exposure under a prolonged disruption scenario.

## Investment conclusions

Recent months have reaffirmed a **broadly constructive macro backdrop**, with US activity remaining resilient and Europe stabilising from a lower base. Beneath that surface, however, **markets were unsettled by intensifying geopolitical shocks** and a **new phase of AI-led disruption**. Anthropic's release of increasingly autonomous agents accelerated the reassessment of technology and software business models, widening dispersion between structural beneficiaries and those facing margin pressure or obsolescence risk. Simultaneously, the outbreak of war involving **Iran has materially elevated volatility** and introduced a still insufficiently priced **tail risk to global growth and inflation**. Against this backdrop, we have reduced market exposure, carefully balancing **capital preservation** with selective opportunism, while **our portfolios remained robust**.

**Chart 5: Liquid Alternatives benefits from high dispersion**



Source: Alpinum Investment Management

**Bonds:** Geopolitical stress and higher input costs have pushed rates higher as inflation fears re-emerged, while credit spreads have widened materially. Default rates may rise in 2026, but a broad-based credit event remains unlikely, creating more attractive entry points in both investment grade and high yield. Selectivity and diversification remain essential. We continue to **favour shorter-duration investment grade and high yield bonds as well as senior secured loans**, where carry remains attractive and duration risk contained.

**Equities:** In the near term, we retain a neutral stance. If Middle East tensions ease, the most affected markets could rebound and offer selective opportunities. Elevated valuations and rising dispersion favour **active rotation over broad beta**. In this volatile environment, **capital preservation** remains paramount, while we stay prepared to add equities and longer-duration bonds at more attractive levels if market stress intensifies.

## Market Consensus Forecasts

GDP growth (%)	2024	2025	2026e	2027e
World	3.3	3.2	3.1	3.1
United States	2.8	2.2	2.4	2.0
Eurozone	0.9	1.5	1.1	1.4
Germany	-0.5	0.3	1.0	1.5
France	1.2	0.9	1.0	1.1
Italy	0.8	0.7	0.8	0.8
United Kingdom	1.1	1.4	1.0	1.4
Switzerland	1.4	1.2	1.2	1.5
Japan	-0.2	1.2	0.8	0.9
Emerging economies	5.1	4.3	4.4	4.2
Asia Ex-Japan	5.1	4.7	4.9	4.6
Latin America	2.4	2.8	2.4	2.4
EMEA region	3.1	2.3	2.5	2.8
China	5.0	5.0	4.6	4.4
India	7.2	6.4	7.5	6.9
Brazil	3.4	2.3	1.8	1.8
Russia	4.9	0.9	0.9	1.3

Inflation (%)	2024	2025	2026e	2027e
World	5.8	3.4	3.3	3.0
United States	3.0	2.7	2.7	2.5
Eurozone	2.4	2.1	2.1	1.9
Germany	2.5	2.2	2.2	2.0
France	2.3	0.9	1.5	1.6
Italy	1.1	1.7	1.7	1.8
United Kingdom	2.5	3.4	2.5	2.2
Switzerland	1.1	0.2	0.5	0.7
Japan	2.7	3.2	1.9	2.0
Emerging economies	6.7	2.8	2.7	2.7
Asia Ex-Japan	1.3	0.5	1.3	1.7
Latin America	35.7	9.8	6.9	5.5
EMEA region	17.0	12.4	8.8	7.0
China	0.2	0.0	0.8	1.0
India	5.0	4.6	2.1	4.1
Brazil	4.4	5.0	4.0	3.9
Russia	8.4	8.8	5.5	4.5

Central bank rates (%)	2024	2025	2026e	2027e
US Fed Funds	4.50	3.80	3.24	3.23
ECB Main Refinancing	3.15	2.00	1.99	2.10
China 1yr Best Lending	4.35	2.99	2.86	2.79
Bank of Japan Overnight	0.23	0.72	1.09	1.34
UK Base Rate	4.75	3.75	3.44	3.26
Swiss 3mth CHF	n.a.	0.00	-0.01	0.07

Commodities	2024	2025	2026e	2027e
NYMEX WTI oil USD/barrel	67	80	72	69
ICE Brent oil USD/barrel	71	86	77	74
Iron Ore USD/metric ton	105	103	99	96
Copper USD/metric ton	8768	12443	12445	12509
Gold USD/troy oz	2625	4667	4792	5033
Silver USD/troy oz	28.9	76.6	75.9	75.8

Major interest rates (%)	2024	2025	2026e	2027e
USA 3mth rate	n.a.	3.7	3.1	3.2
USA 10yr gov't bonds	4.2	3.5	3.3	3.4
Eurozone 3mth rate	4.6	4.1	4.1	4.1
Eurozone 10yr gov't bond	2.7	2.1	2.1	2.2
China 3mth rate	2.1	2.0	2.2	2.3
China 10yr gov't bond	2.4	2.7	3.0	3.0
UK 3mth rate	1.7	1.6	1.4	1.3
UK 10y gov't bond	1.1	1.4	1.3	1.3
Swiss 3mth rate	1.7	1.8	1.7	1.8
Swiss 10y gov't bond	n.a.	1.0	1.3	1.5

Exchange rates	2024	2025	2026e	2027e
EURUSD	1.04	1.17	1.20	1.21
EURCHF	0.94	0.94	0.93	0.95
USDCHF	0.91	0.80	0.78	0.78
EURJPY	162.91	176.00	181.00	177.00
EURGBP	0.83	0.88	0.88	0.88
USDJPY	157.24	150.00	151.00	145.00
GBPUSD	1.25	1.33	1.37	1.38
USDCNY	7.30	7.10	6.85	6.72
USDBRL	6.17	5.40	5.38	5.48
USDRUB	113.51	84.00	82.33	96.00

## Performance table

Global equity markets	Price	Performance		
		Q1	Ytd Q1	Div.yld
MSCI World (USD)	4310	-2.7%	-2.7%	1.8
MSCI World (USD) hedged	2388	-2.1%	-2.1%	n.a.
S&P 500	6592	-3.7%	-3.7%	1.3
Russell 1000	3599	-3.6%	-3.6%	1.3
Nasdaq 100	24163	-4.3%	-4.3%	0.7
Stoxx Europe 600	587	-0.8%	-0.8%	3.4
MSCI Emerging Markets	1473	4.9%	4.9%	2.6
Nikkei 225	53750	6.8%	6.8%	1.7
China CSI 300	4537	-2.0%	-2.0%	2.4

Global gov't bonds	Yield	Performance		
		Q1	Ytd Q1	YtW
10yr US Treasury	4.33	-0.2%	-0.2%	n.a.
10yr Euro gov't bond	2.96	-0.5%	-0.5%	n.a.
10yr German gov't bond	2.96	-0.2%	-0.2%	n.a.
10yr Italian gov't bond	3.84	-1.6%	-1.6%	n.a.

Global bond indices	Price	Performance		
		Q1	Ytd Q1	YtW
Barclays Global Corporate IG	301	-0.9%	-0.9%	4.7
Barclays US Corporate IG	3526	-0.5%	-0.5%	5.1
Barclays Euro Corporate IG	264	-0.6%	-0.6%	3.7
Barclays Emerging Market USD	1375	-0.9%	-0.9%	6.2
Barclays US Corporate HY	2904	-0.4%	-0.4%	7.3
Barclays Pan-European HY	498	-0.9%	-0.9%	6.5

Equity market valuations	Forward		EPS growth	
	PE	PB	2026e	2027e
MSCI World (USD)	18.8	3.4	16%	14%
MSCI World (USD) hedged	n.a.	n.a.	n.a.	n.a.
S&P 500	20.4	4.5	20%	16%
Russell 1000	20.2	4.3	20%	15%
Nasdaq 100	22.6	6.5	37%	19%
Stoxx Europe 600	14.9	2.1	10%	10%
MSCI Emerging Markets	12.0	1.9	39%	16%
Nikkei 225	22.6	2.5	2%	7%
China CSI 300	16.6	1.7	4%	18%

Commodities and currencies	Price	Performance	
		Q1	Ytd Q1
Brent oil	102	68.0%	68.0%
US Energy Services	99	34.4%	34.4%
Copper	12287	39.8%	-1.4%
Gold	4506	4.3%	4.3%
EURUSD	1.16	-1.6%	-1.6%
EURCHF	0.92	-1.7%	-1.7%

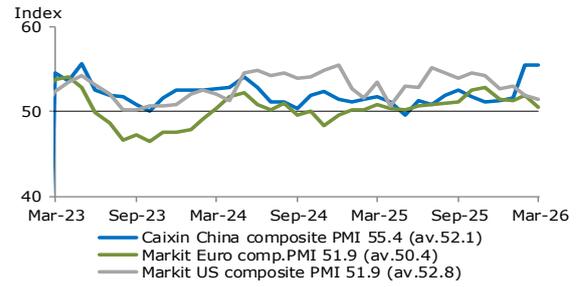
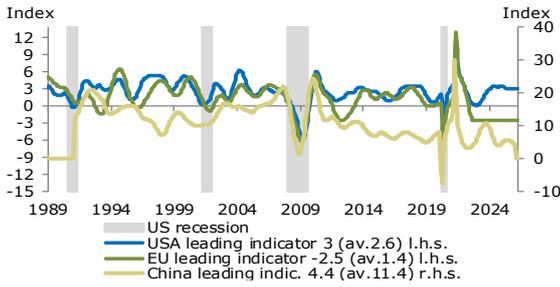
Source: Alpinum Investment Management (additional sources in appendix)

Note: Q1 = data as of 25 March 2026 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

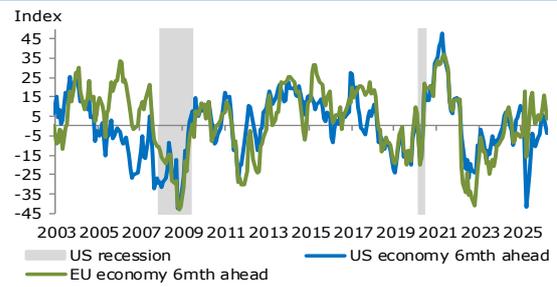
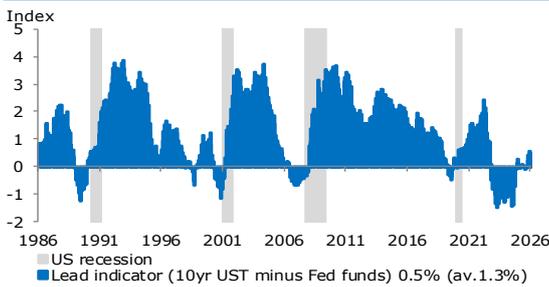
# Key Economic Charts

## Leading indicators and manufacturing

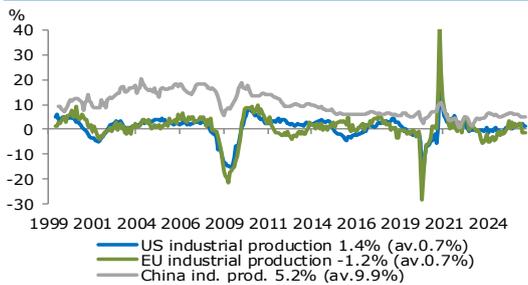
Source: Alpinum Investment Management



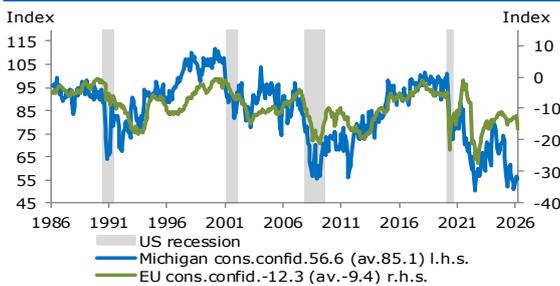
## Recession indicator



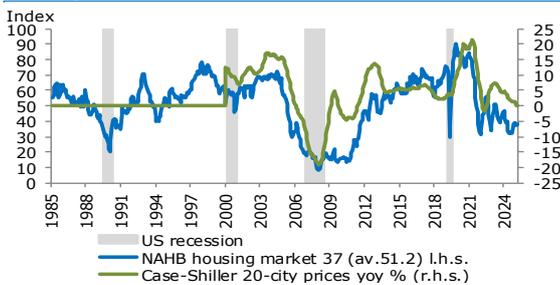
## Industrial production and small businesses



## Consumer confidence



## Housing market



Source: Alpinum Investment Management (additional sources in appendix)

## Scenario Overview 6 Months



### Base case 65%

### Investment conclusions

- **US:** Low real GDP growth of 1.5-2.5% with solid 5% nominal growth. In the minimum, a selective open passage in Strait of Hormuz by end of April; Brent \$70-90. Fed looks through short-lived oil-led inflation bump. Economic uncertainty and high costs of living/oil prices hold back some short-term private investments. High house prices and ~4% YoY-wage growth keeps private consumption afloat. US government avoids further confrontation abroad to reduce/limit disruption ahead of mid-terms. Deregulation & lower taxes are positive for corporates.
- **Eurozone:** Stagnation turns into mild growth ~1% and will accelerate in H2 2026. Impulse programs (defence, infrastructure, AI) provide some sort of growth acceleration amid former austerity programmes. Inflation worries, but ECB is patient.
- **China:** GDP grows ~4% thanks to government support incl. various credit impulse measures.
- **Oil:** Iran-/US conflict keeps prices elevated and asks for a risk premium. Prices fall in H2 2026 <\$80 bbl.
- **Equities:** Uncertainty and hopes drive equities; bumpy path ahead, but with positive bias as economic growth rates still up and companies' margins high. Geopolitics keeps volatility up. Upside potential at current valuations, whereas non-US equities will benefit the most when situation in the Middle East calms down. Value advantage of RoW equities vs. US with an S&P forward P/E multiple of ~20. We recommend a balanced approach for equity style.
- **Interest rates:** Neutral to positive outlook on rate exposure, but 2<sup>nd</sup> round inflation effects pose a risk. US duration exposure serves as a valuable diversifier and tail hedge in case of an evolving recession.
- **Credit:** Credit spreads are selectively very attractive after recent bump. Corporate default rates remain moderate with ~3%. We prefer loans, short-term HY/IG and selective structured credit (CLOs).
- **Commodities/FX:** USD remains attractive in the short-term, but softer outlook for H2 2026. Gold will face renewed demand after a sharp correction.



### Bull case 10%

### Investment conclusions

- **US:** GDP growth rate of >2% (5-6% nominal). Strait of Hormuz opens fully and US-/Iran conflict eases in April with limited frictions and oil price <\$70 on average for H2 2026. Consumer spending remains robust, supported by healthy employment market. Tax cuts start to boost corporate capex. Economy resumes upwards trend and accelerates into mid-term elections.
- **Europe:** Geopolitical tensions ease and inflation spike is only temporary; no ECB rate hike. Fiscal support measures lift GDP growth to >1% in 2026.
- **China/EM:** Chinese government stimulus gets more momentum, stabilising private consumption. Easing monetary policy provides support for manufacturing & property sector. No major escalation with the West.
- **Equities:** Double digit upside from current levels. Corporates adapt to challenging growth prospects to maintain earnings strength. Firms favour capital over expensive labour to increase (keep) profitability. De-escalation in geopolitics incl. Russia-Ukraine conflict provides further upside. However, inflation pressure and high rates keep valuations in check.
- **Interest rates:** Short-term positive for duration assets; however, a strong economy leads to more sticky inflation expectations.
- **Credit:** Corporate default rates are slightly below long-term averages. Credit in general (incl. EMD, AT1s) and HY bonds/loans benefit.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates rally.



### Bear case 25%

### Investment conclusions

- **US:** Mild recession caused by elevated oil prices and supply chain disruptions caused by the closure of the Strait of Hormuz. US-Iran conflict lasts longer than anticipated and economic growth takes a hit. Inflation surpasses 4%, leading to less consumer spending and rising unemployment rates. A slight wage-price spiral kicks off. Fed in fear to tighten (a bit) again.
- **Europe:** Continued stagnation due to war/geopolitics/tariffs. Peripherals & France suffer from yield increases, but German impulse programs are a strong positive counterweight.
- **China/EM:** Supply chain disruption and insufficient fiscal stimulus lead to GDP growth <4% and disappointing exports. EMs (ex-commodity exporters) suffer as global trade is held back. EM FX weakness.
- **Equities:** Equities fall double digits. Highly priced US equities and cyclicals will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates drop only modestly while short-term rates remain elevated. Support for high-quality assets (treasuries, A/AA bonds, agency bonds). Cash is king!
- **Credit:** Corporate default rates climb and approach the higher end of long-term average levels. Severe default cycle is avoided, but credit markets suffer. Favour short dated high-quality bonds and cash.
- **Commodities/FX:** Negative for cyclical commodity prices. USD, CHF and JPY act as a safe haven again. Neutral for gold as short-term rates elevated.

### Tail risks

- Liquidity shock due to external event/bank failure.
- Italian/French sovereign debt crisis, EUR break-up.
- Military conflict in the South China Sea.
- Pandemic crisis re-emerges/new virus variants.
- Nuclear escalation resulting in World War III.
- Emerging market meltdown similar to 1998.

## Asset Class Assessment

Equities	Comment
<ul style="list-style-type: none"> <li>Due to the Middle East conflict and the uncertainty in the short-term, it is not (yet) time to buy the dip. The situation revolves around the Strait of Hormuz, the projected level of oil prices and supply chain disruption.</li> <li>In the short-term, stay diversified, and underweight sectors, which are very cyclical and overweight energy, defence and commodities.</li> <li>For the full year, the pro-business economic policy from the new US administration and high corporate profit margins are positives. Increase of (US) M&amp;A activity in H2 2026 is likely and acts as support.</li> <li>Positive wealth effect for the private sector driven by an elevated equity market levels valuations and leads to higher wages and robust house prices.</li> </ul>	<ul style="list-style-type: none"> <li>Current elevated S&amp;P P/E ratio of ~20 translates into an earnings yield of only 5%. If negative earnings surprises come up, US equities will fall double digits.</li> <li>Market consensus still estimates that US earnings will grow above 10% in 2026, which poses a risk for disappointment.</li> <li>Great power competition/conflicts lead to more structural inflation pressure (less globalisation/productivity, less efficient/safe supply chains, more protectionism).</li> <li>US equities incorporate advanced valuations compared to other regions. However, the economy is more resilient, less impacted by the Ukraine and Middle Eastern conflicts and supported by big tech earnings, justifying a certain valuation premium.</li> </ul>
Credit/Fixed Income	Comment
<ul style="list-style-type: none"> <li><b>Rates:</b> Inflation pressure from the oil price spike dominates short-term direction of rates. We have entered a new interest rate regime with the yield spike in 2022/23. 'Duration' as an asset class and diversifier is back on track. Fed funds are grinding a bit lower, but inflation is not yet fully tamed. We have a neutral stance on duration. Duration acts again as a valuable portfolio diversifier.</li> <li><b>IG:</b> We hold minimal investment grade bonds. However, recent spread widening and increased rate levels make IG more attractive.</li> <li><b>High yield:</b> Loans and high yield bonds offer good relative and attractive absolute yields. Overall, we favour selective US short-term non-cyclical bonds, European loans and mezzanine CLO tranches.</li> <li><b>Emerging debt:</b> Emerging debt has suffered from the oil price spike and strong USD. Risk premia is now attractive again, but pressure remains on oil-importing countries. We will increase our allocation in the months ahead, but selectivity remains key.</li> </ul>	<ul style="list-style-type: none"> <li>Fed is focusing on core inflation (ex-energy, food) and will largely look through the short-term spike of energy and CPI headline inflation.</li> <li>However, further rate cuts for 2026 are postponed into 2027, unless oil prices fall more quickly &lt;\$70 and/or the unemployment rate rises towards 5%. ECB short-term rate is expected to hover around 2%.</li> <li>Credit spreads are fairly to attractively valued after the bump in credit spreads. Current spread levels do compensate significantly for a slow growth economic outlook, but not for a recession. Corporate default rates will average between 2 and 3%, but no spike is on the cards.</li> <li>We like the structured credit market, such as selective US non-agency RMBS or European CLOs.</li> <li>Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans).</li> <li>With PE exposure lagging and public equity markets volatile, 2026 could mark an increase in interest for well-run hedge funds. Selection is key!</li> </ul>
Alternatives	Comment
<ul style="list-style-type: none"> <li>Credit long-short strategies identify plenty of relative value trades, both long and short.</li> <li>Equity long-short/even-driven strategies benefit from uncertainty and high performance dispersion.</li> <li>Alternative lending as an asset class benefits from wider spreads and attractive risk-free rates.</li> </ul>	<ul style="list-style-type: none"> <li>Active managers benefit from the opportunities arising from to the current energy market shock and supply chain disruption. Moreover, innovative disruption &amp; geopolitics lead to more price dispersion among single securities, industries, regions.</li> <li>Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).</li> </ul>
Real Assets, Digital Assets	Comment
<ul style="list-style-type: none"> <li>Energy prices spike and are expected to calm down once the situation eases in the Middle East.</li> <li>Long-term effect of the crisis leads to more 'near-shoring' and diversification of the supply chains in major economic blocs, which makes it crucial to understand the local/regional markets.</li> <li>After gold sell-off, valuations look attractive again.</li> </ul>	<ul style="list-style-type: none"> <li>Elevated inflation is beneficial for commodity prices, but a softer economy is negative.</li> <li>Supply-side disruption in oil is at a new high.</li> <li>After price decline in digital assets, our outlook is positively biased. New regulation and firmer guidelines are another positive factor</li> </ul>

# Asset Class Conviction Levels

Equities	Conviction Level over 6 Months				
	Underweight	←	Neutral	→	Overweight
North America	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Switzerland	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
China	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asia - Emerging Markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Others - Emerging Markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Fixed Income	Conviction Level over 6 Months				
	Underweight	←	Neutral	→	Overweight
US - Treasury Bonds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Euro - Government Bonds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
US - Investment Grade Bonds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Europe - Investment Grade Bonds	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
US High Yield	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
US Short Term High Yield	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
US Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
US Municipal Bonds	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
European High Yield	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
European Short Term High Yield	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
European Loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
US/EUR Preferred Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
US/EUR Asset Backed Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Emerging Market Local Currency	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Emerging Market Hard Currency	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Emerging Market High Yield	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Commodities	Conviction Level over 6 Months				
	Underweight	←	Neutral	→	Overweight
Gold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Oil (Brent)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Digital Assets	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Hedge Fund: Strategies	Conviction Level over 6 Months				
	Underweight	←	Neutral	→	Overweight
Equity Long-Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Credit Long-Short	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Event-Driven - Corporate Actions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Global Macro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Hedge Fund: Regional Focus	Conviction Level over 6 Months				
	Underweight	←	Neutral	→	Overweight
Hedge Fund: North America	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hedge Fund: Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hedge Fund: China / Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge Fund: Emerging-Markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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



## Appendix: Data and Price Sources

Alpinum Investment Management  
 Bank of America Merrill Lynch indices  
 Bloomberg  
 Federal Housing Finance Agency  
 Federal Reserve Bank of St. Louis  
 J.P. Morgan  
 Markit CDS indices  
 Moody's Investors Service

Palmer Square indices  
 Prequin  
 S&P  
 The Federal Reserve  
 US Census Bureau

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