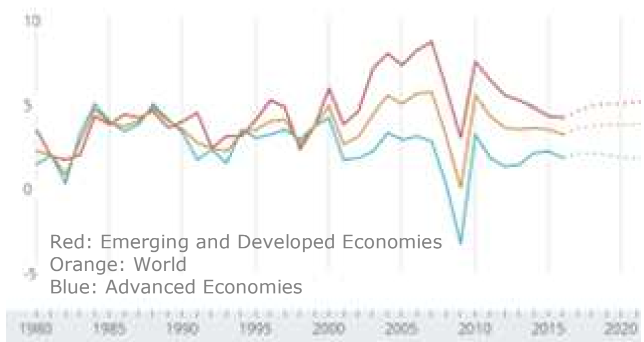
Quarterly Investment Letter – Q3 2017

Q3/2017

Global growth is set for a moderate rebound

In our last quarterly review, we highlighted that the recent political developments in Europe were paving the way for a significantly less uncertain environment. However, the ongoing scandals in the U.S. oval office are definitely affecting the credibility of the U.S. government and its ability to effectively implement the proposed policies on health care, tax cuts, infrastructure plans and corporate deregulation. Although we believed such policies would take longer to implement, we now have to acknowledge that these delays will further defer most reforms such that their economic impact will be felt in 2018, while most bills will prove to be diluted versions of their original proposals.

Chart 1: Real GDP and Forecasts



Source: IMF

While we were correct in predicting that the European economy would prove to be resilient, we still have been surprised how fast the European theme has become nowadays a consensual trade amongst investors. The European economy, still in its recovery phase, has a long way to go to catch-up with the U.S. economy, clearly in its later stages.

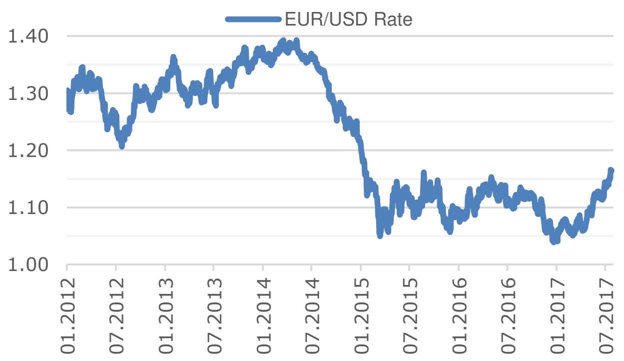
The FED has already started to tighten monetary conditions with interest rates having been raised 3 times (+0.75%) since December 2015 and we expect at least **one further hike before year-end by the FED**. Meanwhile, the ECB will continue to follow a very accommodative policy, but we still **expect Mario Draghi (ECB) to announce in September the**

Summary Points

- **Global growth is set for a moderate rebound**, both in developed and emerging economies.
- **Risks** to global growth are **linked to China,** where financial bubbles are forming, **and to geopolitics**, where North Korea is the biggest threat.
- The **US economy** should **grow between 2% and 2.5%** over 12 months. The proposed policies by Trump will be implemented with significant delay.
- We expect the **FED to hike rates at least one more time** before year-end.
- We expect **Europe's real GDP to grow by 1.5% to 2%**. With the Macron-win, the EU gets new positive momentum, but it must ensure to get Italy onboard for a successful long-term future.
- We foresee the **ECB to announce the start of the tapering** of its quantitative easing program, but implementation will be delayed into 2018.
- **Emerging Markets' growth** is **exposed to China**, where growth is expected to slow. However, we expect no fundamental Emerging Market crisis.
- The landscape is **positive for risky assets**, but **with limited potential** due to high valuations across asset classes.
- We **favor equity, credit and hedge funds** and are negative on duration sensitive assets such as government or investment grade bonds.
- When considering equities, we **prefer Europe** and **select Asian** as well as **Emerging Markets**.
- Within global fixed income markets we like **bank loans** both in the U.S. and Europe. We are exposed in **select emerging local bonds** such as in India.
- **Private debt remains a key** allocation for long term oriented and institutional investors.

start of the tapering of its quantitative easing program that will slowly be introduced in the first part of 2018. The recent communication over the summer months by the ECB has already caused rates level in Europe to creep higher, but more importantly **it had already a significant effect on the EUR/USD relationship.** Chart 2 below does well demonstrate the market's early **anticipation of the start of the convergence process** between the two major currency blocs.

Chart 2: EUR/USD Rate



Source: Bloomberg / Alpinum Investment Management

The continued stabilization of the commodity markets and the regaining economic momentum of many emerging markets fueled most of the asset classes so far this year. The dissipating uncertainties surrounding growth have eased investors' worries about a crash landing, especially in China, and corporate earnings have been able to consequently turn the corner.

Global growth has been slowing since a few years but the Developed and Emerging Market economies have structurally set the grounds for a moderate rebound as highlighted by the IMF (pls see chart 1). While the global, and especially the Developed Markets', growth is still low from a historical perspective, we can have a relatively high level of confidence for the next 6 to 12 months that the economies will continue to grow moderately.

We see the most significant risks to global growth being linked to China where bubbles are forming (i.e. real estate and credit growth in the financial sector), which eventually will either burst or need to be deflated. As always, external geopolitical shocks or unexpected events (natural catastrophes, wars, terrorism) could at all times create enough disruptions to eventually drag down the global economy in their wake. On that point, the most worrisome situation is related to North Korea and the pressure that the U.S. President is making on China to help deal with the escalating situation. A U.S. lack of diplomacy towards China could backfire and lead to a trade war between the two countries.

Many analysts were expecting oil (Brent) to trade higher this year, helped by OPEC (+ Russia) production cuts. We have always resisted this view as we believe that the **shale gas producers in the U.S. are lowering their cost of production to the point where many are profitable with oil trading above 45/50 USD** and start production again as soon as oil reaches these levels, flooding the markets with additional supply. This is on top of recently large discoveries of additional shale and traditional fields around the world and the global structural change towards electric cars and clean-energy initiatives that will further pressure global demand for fossil fuels. As we expect inflation to eventually start rising in the U.S. (see Chart 3), this could offer support to gold prices even if U.S. interest rates are rising.

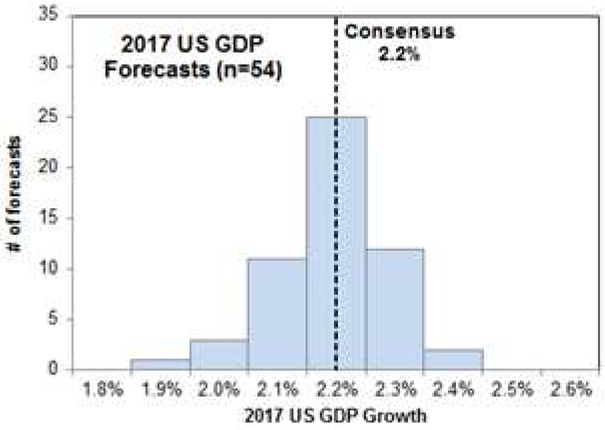
Chart 3: U.S. Inflation

Source: www.tradingeconomics.com / Alpinum Investment Management

At the current gold price, we believe that prices could go higher as gold still serves as a good diversifier in times of rising inflation. However, at the same time we believe the upside potential to be limited.

The U.S. economy is characterized by low but robust growth and full employment which eventually leads to upside pressure on wages and push inflation slightly higher. Since consumers represent about 70% of U.S. GDP, increasing wages could provide a boost to the economy before companies see pressures on their margins through higher wage cost, eventually depressing earnings, especially once companies will not be able to pass-through their increased costs to the consumers. For now, inflation is muted by lower energy prices, with oil having declined significantly in the last 3 months and continued subdued wage gains (we expect a reversal to arrive).

Chart 4: US GDP Analyst Forecasts



Source: Goldman Sachs

There are currently no signs that the U.S. economy should enter a recession, nor do we foresee any material growth slowdown in Europe or China. We expect the **US economy to grow between 2% and 2.5%** in the next 12 months with a relatively high level of confidence (Chart 3 shows the tight distribution of expectations by the market).

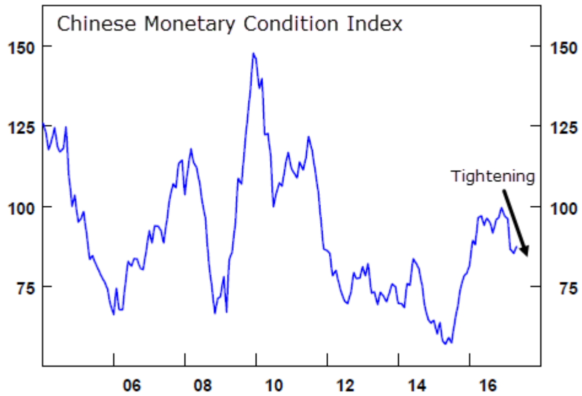
The elections in the U.K. have created additional uncertainty going into the 2 years of negotiations of Brexit as Theresa May tried to secure a larger majority in the Parliament only to end-up losing the previous majority. **The impact will most likely be felt more in the U.K. than anywhere else since the power in the negotiations clearly lies now in the hands of Europe**, ready to make an example to other Eurozone countries of the expected negative consequences to leaving the bloc. While the uncertainty and related economic consequences will only moderately drag Europe's recovery, we still expect the rest of Europe to show continued and steady recovering growth. We can probably expect **real Eurozone GDP to grow by 1.5% to 2%**. **However, with inflation now around 1.3% to 1.7% (instead of hovering around 0% as was the case in 2015/2016), it means that the European economy has been picking-up significantly in nominal terms**. The new government in France, led by Macron, will help stabilize the Eurozone as France and Germany will work closer together in cementing the region. Europe seems to unify itself against Brexit and also, to some degree, against President Trump who has been very critical of European nations on NATO spending and Germany as a significant exporter.

Italy is unfortunately lagging the economic recovery, plagued by large amounts of bad loans crippling their banks (although some encouraging actions have taken place recently), low productivity growth, large levels of debts and a flood of immigrants to manage. While the EU is getting stronger together, it must make sure to get Italy on-board for a successful long-term future of the economic zone and the common euro currency.

The ECB should start to taper its bond buying program through 2018 and consider normalizing interest rates as a subsequent step. We still do not believe that the ECB will be fast in phasing-out these exceptionally accommodative policies and interest rates will rise moderately on such expectations.

Emerging Markets' growth is rebounding and it is very much correlated to China, the main driver of global growth and commodity consumer in the world. The Chinese economy received a stimulus shot in 2016 and gave also a lift to Emerging Markets in the first part of 2017. However, the Chinese authorities tightened liquidity in the financial sector in the last months (see graph 5). These tightening measures have already reduced the pace of the leverage buildup and some excesses in the financial system. The goal of the PBoC (People's Bank of China) seems to have worked to prevent further escalations in certain areas of the economy which are very rich, like the real estate sector. The consequence of this tightening is a slightly weaker Chinese economic growth outlook for the second part of 2017.

Chart 5: Chinese Monetary Condition Index



Source: BCA Research

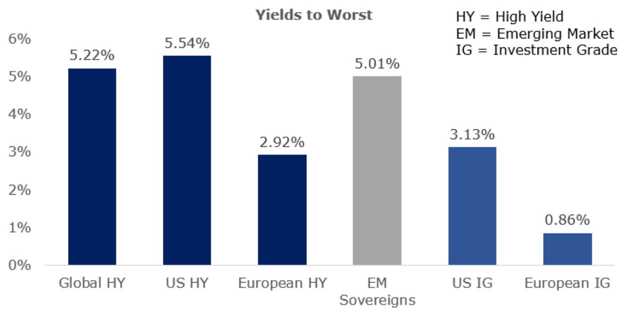
One of the biggest risks to the Emerging Markets is linked to a combination of higher USD and U.S. interest rates, which would put pressure on government and corporations which have borrowed in USD. Our scenario is that we will witness mitigating forces for currencies, which should prevent the USD from significantly appreciating to a point, where it would be economically disrupting.

Model Portfolio Positioning

The general **global economic landscape is still positive for risky assets** and in particular for equities and high yield bonds. However, high valuations across all asset classes makes it challenging to have great confidence that the reward is worth the risk along the way.

In the U.S., we are **negative on duration sensitive assets** such as government and investment grade bonds as the impact from rising rates will detract too much value. We prefer U.S. high yield bonds bearing a yield of around 5.5% (see chart 6) since we do not expect related defaults to significantly increase in the next few quarters.

Chart 6: Yield to Worst



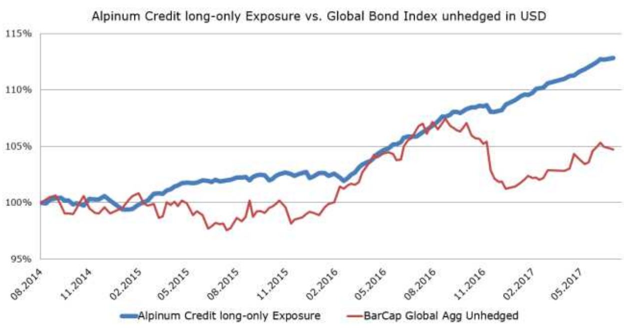
Source: Bloomberg / BoAML / Alpinum Investment Management

Whenever possible, **we favour syndicated bank loans**, which share characteristics of their bond counterparts, while having the advantage of adjusting their interest rate with increasing yields. Moreover, there is still value in more complex and unloved real estate-related structured finance investments (RMBS) with often great collateral value, while we are negative on some CMBS (Commercial), especially the small U.S. regional malls getting crushed by online retailing and mega-malls.

In Europe, interest rates are significantly lower than in the U.S. and **with the prospect of the ECB starting to taper in 2018** and the market anticipating already such a scenario, all highly-rated bonds are unattractive and **only high yielding corporate bonds or loans offer enough value for the risk taken**. We specifically prefer loans over high yield, but we also like the premium imbedded in the more junior bonds of financial firms in the U.S. and Europe where the normalization of the yield curve will improve the financial conditions of these institutions and consequently lower the stress risk of these bonds.

Strategically, our fixed income allocation has been biased towards credit sensitive investments since many years and this has well paid off. **Our structural building blocks in US short term high yield bonds and European loans** have been constant and delivered attractive and stable income. With recent yield increases both in the U.S. and Europe, we got renewed momentum for this positioning. This exposure gets complemented by opportunistic investment themes such as our Indian bond exposure (as detailed on pages 5-6). While our fixed income exposure showed very limited volatility, it still generated attractive performance as the following chart illustrates.

Chart 7: Credit long-only Exposure vs Global Bond Index



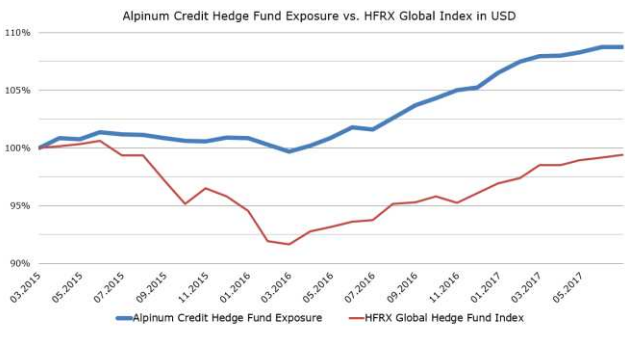
Source: Bloomberg / Alpinum Investment Management

Hedge funds benefitted from constructive markets in most risky asset classes such as equities and credit. Therefore, it is not a surprise that **long biased equity long short funds lead the tables**. However, most recently, global macro funds have also performed very well as many of them were able to take advantage of the interest rate normalization trend in the major currency blocs.

Credit hedge funds found also supportive markets, but the market has been less beta driven as compared to the equity markets. Hence, the generated returns have been more based on alpha, than beta factors. Our more conservative credit hedge funds and macro managers generated in aggregation a return of around +2.1% over the first 6 months of the year. Please see in chart 8 the performance of our credit centric HF allocation since Q1 2014.

The environment for hedge funds still offers an attractive risk-reward (both with their long and short books) given the relatively rich valuations of most fixed income securities (from government to corporate investment grade and high yield bonds) and U.S. equities. The limited drawdown risk provided by our hedge funds is an important feature to navigate through potentially more volatile months to come.

Chart 8: Credit centric HF exposure vs HFRX Global Index



Source: Bloomberg / HFRX / Alpinum Investment Management

When considering global equities, we prefer European and select Emerging Markets equities, where we see more potential to surprise on the upside on continued improving margins (see chart 9), sales and ultimately earnings and P/E ratios. With the recent weaker USD, inflation pressure in most emerging economies will fade and allow interest rates in some local currencies to move lower, what leads to another push in profit margins and flexibility to increase capex to finance further growth.

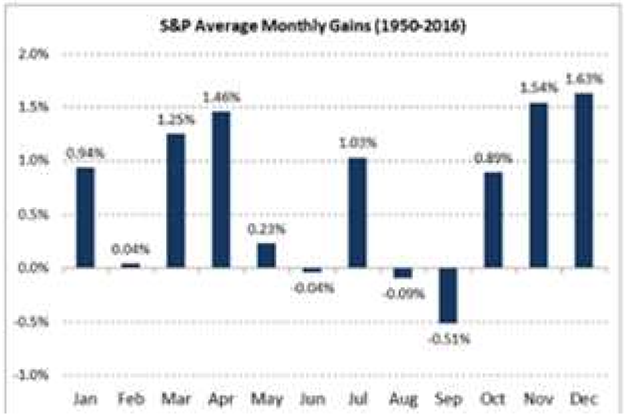
Chart 9: Emerging Markets Profit Margin

Source: www.yardeni.com

Given that the summer months of August and September are historically challenging (see chart 10), we advise caution for entering the market now. A good strategy could be to enter the market periodically each month or buy faster, if there would be any (small) correction.

U.S. equity markets are most sensitive to changes in margins and the Price/Earnings paid by investors. In a rising rate environment, we can expect the P/E to come down slightly, while there are more downside risks to margins with wage growth pressures starting to build-up than room for continued improvement, as most companies have been managed at peak margins for over 3 years now.

Chart 10: S&P 500 historical average monthly returns



Source: Global Market Drivers

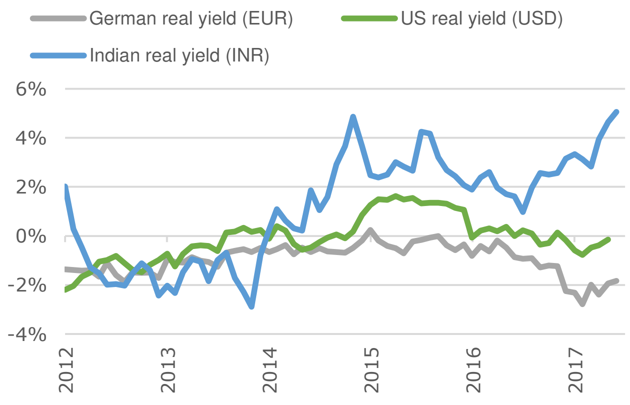
In emerging markets, the risk-reward of hard currency bonds has degraded under our scenario of higher U.S. interest rates across the term structure. These bonds are also historically expensive, offering only a small increased premium over developed market bonds. On the contrary, **local currency bonds offer more appealing opportunities** as such bonds are not only yielding higher, but select currencies bear also embedded upside potential.

Special topic: Indian Local Bonds

With 7% nominal and attractive real yields, Indian bonds are one of the most appealing investment themes in our global fixed income portfolios. With the current moderate inflation outlook, the RBI (Reserve Bank of India) could even cut its benchmark repo rate in one of its next meetings (what would lead to higher bond prices) and the **Indian Rupee is currently backed by disinflationary forces and strong medium term economic growth prospects.**

Most recently, the real yields (nominal 5 year government bond yield adjusted for inflation) in Indian bonds reached elevated levels, which we don't expect to last. However, we still foresee continued positive real rates (in the range of 1-3%) in the Indian Rupee as it was the case since 2014, when inflation started to fade. India's attractive real rates are a significant yield advantage as it is well exemplified in chart 11. **In a world of low nominal yields in general and real yields of only 0% in the U.S. or being even negative in Europe**, investments in high quality bonds in economies such as India remain an attractive investment opportunity.

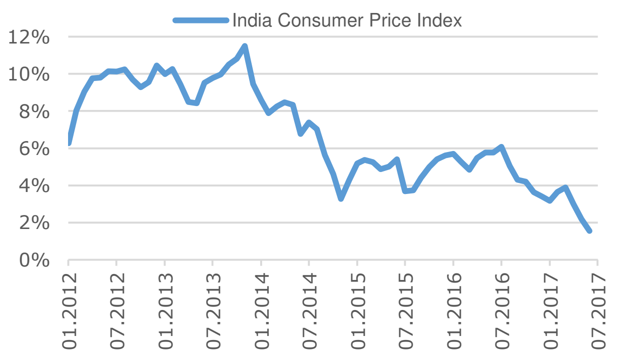
Chart 11: Indian real bond yield gaps up vs USD/EUR



Source: Bloomberg / Alpinum Investment Management

Historically, the Indian Rupee ("INR") has been a weak currency and the yield advantage of an investment was typically eaten away by a depreciating currency. **With India's paradigm shift in its monetary policy in August 2016 towards an "inflation-forecast targeting" model, the dynamics for the currency have changed meaningfully to the positive.** India implemented an inflation target of 4% for at least the next 5 years (until March 31st 2021). This shall help increasing the macroeconomic stability of the country and keep inflation in check. The inflation rate shall range within an upper tolerance level of 6% and a lower limit of 2%. The Reserve Bank of India ("RBI") steers via its Monetary Policy Committee ("MPC") the implementation. This policy was set up in consultation with Raghuram Rajan, the former Governor of the RBI.

Chart 12: Inflation in structural down trend

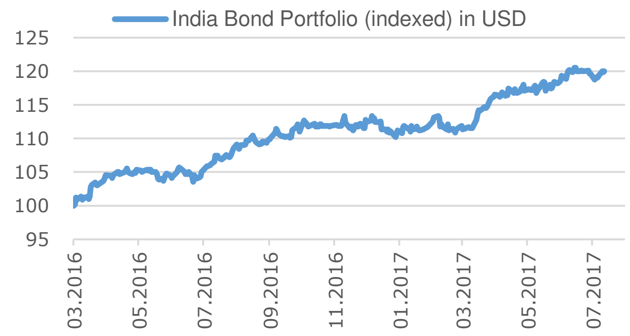


Source: Bloomberg / Alpinum Investment Management

Chart 12 does well demonstrate the early success of the newly implemented monetary policy as inflation trended meaningfully lower. With the implementation of the Goods and Services Tax ("GST") this month (July), the medium term disinflationary forces are likely to persist. **The GST is probably India's most significant economic reform since decades.** The GST will transform the country's 29 states into one single market.

We initiated our first Indian bond investment in March 2016. Chart 13 shows the performance of our Indian bond portfolio, which is primarily comprised of government bonds and earns at the moment a yield of 7% p.a. with a duration of 5 years.

Chart 13: Performance of our Indian bond exposure

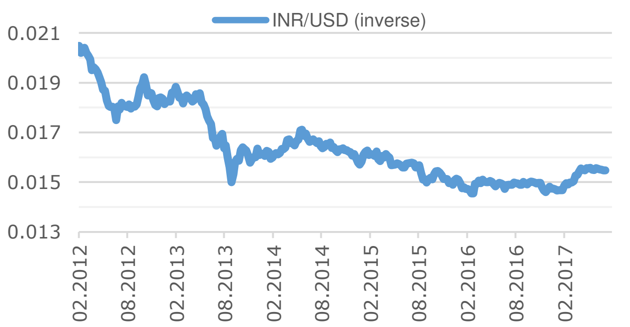


Source: Bloomberg / Alpinum Investment Management

Inflation has been in a constant down path over the last months and should inflation prove to be in a structural decline, this could lead to further rate cuts by the RBI over the next 12 months.

The slowing inflation pressure combined with the high real rates have stopped the devaluation path of the INR. On the contrary, the currency has even started to level off versus the USD. The chart below shows well the stabilization of the INR vs. the USD since 2016.

Chart 14: INR shows signs of stabilization



Source: Bloomberg / Alpinum Investment Management

Absolute Return Mandates	Comments
Equities	
▪ We decreased equities before the summer while overweighting European equities over US Equities and took some profits also from Emerging Market equities. ▪ Buy U.S. equities on weakness with a bias to growth companies and larger/mid-cap firms as smaller caps would require a larger correction to become attractive again.	▪ U.S. equities will witness headwinds in the coming quarter should Trump's policies continue to be delayed and challenged in Congress. Equities are already richly priced on high expectations and the likelihood of disappointment is imminent. ▪ European equities may continue to attract global investors as the economic recovery is stronger than anticipated and the political uncertainty is fading.
Credit / Fixed Income	
▪ Do not yet consider Government bonds unless yields on Treasury 10-year reach close to 3% levels. Buy some US Investment Grade bonds if yields increase and credit spreads are generally slightly wider. ▪ Focus the allocation mainly to US/European loans or to called bonds (to be repaid in a few months). European High Yield bonds are currently very rich. Favour U.S. short term maturities and add longer term bonds on weakness only. ▪ Emerging Market bonds, still offer pockets of opportunities, with local currency bonds being favoured over hard currency bonds. ▪ Financials via investing into their lower-ranked bonds (for example: preferred securities) still offer good relative value as banks are recapitalizing and the expected fiscal and de-regulation policies are also positive factors.	▪ U.S. interest rates should continue to trend higher but we expect some retracements when they move upwards too quickly versus the fundamentals as was the case during the first quarter. ▪ Pro-growth policies in the U.S. will continue to support high yield bonds/loans as these companies will be able to grow their businesses, while default rates remain low. Loans offer better value vs High Yield Bonds. European credit markets also enjoy strong tailwind by low rates and an accelerating economy. But watch-out for the ECB's expected tapering of its QE program as it will pressure Government bonds. ▪ Selective Emerging Market bonds in local currency offer investors dual income sources with the yield of the bond and the currencies' potential appreciation. However, this will be a "rocky" path. ▪ Consider harvesting the generous premium from illiquid investments such as corporate and personal direct loans.
Alternatives	
▪ Credit Long-short strategies identify plenty of relative value trades, both long and short. However, equity long-short strategies face an even more attractive environment to generate outsized returns especially with their long book. At the later stage of a business cycle dispersion among companies should also increase. ▪ Asian-equity long-short funds have had a good first half year but expected renewed volatility surrounding China and commodity exporting countries might prove more challenging, although it is still a safer way to invest into Asian equities.	▪ With the FED normalizing rates, Credit Long-Short managers will experience a lot more price dispersion between different bonds and are also able to identify more short opportunities to generate attractive risk-adjusted returns. ▪ Global macro managers should also have more opportunities with the diverging global monetary and fiscal policies between countries.
Real Assets	
▪ With rising real rates gold traded down from its recent highs at 1300 and could find itself in the lower trading range of 1200 to 1300.	▪ Should inflation start to meaningfully accelerate in H2 2017, we expect the gold price to rebound, but otherwise we do not expect much price appreciation.

Long Only Mandates	Comments
Equities	
▪ We decreased equities before the summer while overweighting European equities over US Equities and took some profits also from Emerging Market equities. ▪ Buy U.S. equities on weakness with a bias to growth companies and larger/mid-cap firms as smaller caps would require a larger correction to become attractive again.	▪ U.S. equities will witness headwinds in the coming quarter should Trump's policies continue to be delayed and challenged in Congress. Equities are already richly priced on high expectations and the likelihood of disappointment is imminent. ▪ European equities may continue to attract global investors as the economic recovery is stronger than anticipated and the political uncertainty is fading.
Credit / Fixed Income	
▪ Do not yet consider Government bonds unless yields on Treasury 10-year reach close to 3% levels. Buy some US Investment Grade bonds if yields increase and credit spreads are generally slightly wider. ▪ Focus the allocation mainly to US/European loans or to called bonds (to be repaid in a few months). European High Yield bonds are currently very rich. Favour U.S. short term maturities and add longer term bonds on weakness only. ▪ Emerging Market bonds, still offer pockets of opportunities, with local currency bonds being favoured over hard currency bonds. ▪ Financials via investing into their lower-ranked bonds (for example: preferred securities) still offer good relative value as banks are recapitalizing and the expected fiscal and de-regulation are also positive factors. ▪ Consider residential mortgage-backed securities, which are offering attractive additional yield over traditional corporate bonds and help to diversify the portfolio at the same time.	▪ U.S. interest rates should continue to trend higher but we expect some retracements when they move upwards too quickly versus the fundamentals as was the case during the first quarter. ▪ Pro-growth policies in the U.S. will continue to support high yield bonds/loans as these companies will be able to grow their businesses, while default rates remain low. Loans offer better value vs High Yield Bonds. European credit markets also enjoy strong tailwind by low rates and an accelerating economy. But watch-out for the ECB's expected tapering of its QE program as it will pressure Government bonds. ▪ Selective Emerging Market bonds in local currency offer investors dual income sources with the yield of the bond and the currencies' potential appreciation. However, this will be a "rocky" path. ▪ Consider harvesting the generous premium from illiquid investments such as corporate and personal direct loans.
Commodities / Forex	
▪ With rising real rates gold traded down from its recent highs at 1300 and could find itself in the lower trading range of 1200 to 1300. ▪ Oil prices might stay in the current broader trading range of 42 to 60 USD.	▪ Gold traded markedly down with the recent increase of interest rates. Higher nominal interest rates have also concluded into rising US real rates to the upper level compared to the last 5 years. As a consequence, gold loses on its relative attractiveness. A return of higher inflation pressure would help pushing up current low gold prices. ▪ The oil price is supported by OPEC-related cuts while the recovering global growth is also positive. However, there is a lot of potential supply (mainly from U.S. shale oil) which is ready to hit the market when prices would be closer to 55 USD/bbl.

Asset Class Conviction Levels for Absolute Return Mandates

The below conviction table reflects the investment team's view of the absolute expected return of an asset class/strategy in relation to "cash".

Equities	Valuations	Corporate Profitability	Index Momentum	Underweight	Conviction Level over 6 Months ←	Neutral	→	Overweight
North America	Rich	Stable	Neutral	☐	☑	☐	☐	☐
Europe	Fair	Improving	Positive	☐	☐	☐	☑	☐
China	Cheap	Improving	Positive	☐	☐	☑	☐	☐
Japan	Fair	Improving	Positive	☐	☐	☑	☐	☐
Asia - Emerging Markets	Fair	Improving	Positive	☐	☐	☑	☐	☐
Others - Emerging Markets	Fair	Improving	Positive	☐	☐	☑	☐	☐

Fixed Income	Central Banks Policy	Credit Spreads	Expected Default Rates	Underweight	Conviction Level over 6 Months ←	Neutral	→	Overweight
US - Treasury Bonds	Tightening	-	-	☐	☑	☐	☐	☐
Euro - Government Bonds	Stimulating	-	-	☑	☐	☐	☐	☐
US - Investment Grade Bonds	Tightening	Rich	Rising	☑ ←	☐	☐	☐	☐
Europe - Investment Grade Bonds	Stimulating	Rich	Stable	☑	☐	☐	☐	☐
Emerging Market Local Currency	Mixed	Fair	Rising	☐	☐	☐	☑	☐
Emerging Market Hard Currency	Mixed	Rich	Rising	☐	☐	☑	☐	☐
US High Yield / Loans	Tightening	Fair	Rising	☐	☐	☐	☑	☐
European High Yield / Loans	Stimulating	Fair	Stable	☐	☐	☐	☑	☐

Commodities	Cost of Production	Market Sentiment	Price Momentum	Underweight	Conviction Level over 6 Months ←	Neutral	→	Overweight
Gold	Neutral	Positive	Positive	☐	☐	☑	☐	☐

Hedge Fund: Strategies	HF Strategy Momentum	Equity Index Momentum	Sector Dispersion	Underweight	Conviction Level over 6 Months ←	Neutral	→	Overweight
Equity Long-Short	Positive	Positive	Positive	☐	☐	☑	☐	☐
Credit Long-Short	Positive	Positive	-	☐	☐	☑ ←	☐	☐
Event-Driven - Corporate Actions	Positive	-	-	☐	☑	☐	☐	☐
Global Macro	Neutral	-	-	☐	☐	☑	☐	☐

Hedge Fund: Regional Focus	Sector Dispersion	Equity Index Momentum	Corporate Activity Level	Underweight	Conviction Level over 6 Months ←	Neutral	→	Overweight
Hedge Fund: North America	Positive	Positive	Positive	☐	☐	☑	☐	☐
Hedge Fund: Europe	Positive	Positive	Positive	☐	☐	☐	☑	☐
Hedge Fund: China / Japan	Positive	Positive	-	☐	☐	☑	☐	☐
Hedge Fund: Emerging-Markets	Positive	Positive	-	☐	☐	☑	☐	☐

Asset Class Conviction Levels for Long Only Mandates

The below conviction table reflects the investment team's view of the relative expected return of an asset class in relation to traditional well-recognized benchmarks such as BarCap Global aggregates (bonds) and MSCI World (equities).

Equities	Valuations	Corporate Profitability	Index Momentum	Underweight ←	Conviction Level over 6 Months	Neutral		→ Overweight
North America	Rich	Stable	Positive	☐	☐	☑	☐	☐
Europe	Fair	Improving	Positive	☐	☐	☐	☑ ←	☐
China	Cheap	Improving	Positive	☐	☐	☑	☐	☐
Japan	Fair	Improving	Positive	☐	☐	☑	☐	☐
Asia - Emerging Markets	Fair	Improving	Positive	☐	☐	☑	☐	☐
Others - Emerging Markets	Fair	Improving	Positive	☐	☐	☑	☐	☐

Fixed Income	Central Banks Policy	Credit Spreads	Inflation	Underweight ←	Conviction Level over 6 Months	Neutral		→ Overweight
US - Treasury Bonds	Tightening	-	Rising	☐	☑	☐	☐	☐
Euro - Government Bonds	Stimulating	-	Rising	☑	☐	☐	☐	☐
US - Investment Grade Bonds	Tightening	Rich	Rising	☐	☑	☐	☐	☐
Europe - Investment Grade Bonds	Stimulating	Rich	Rising	☑	☐	☐	☐	☐
US High Yield	Tightening	Rich	Rising	☐	☐	☑	☐	☐
US Short Term High Yield	Tightening	Fair	Rising	☐	☐	☐	☑	☐
US Loans	Tightening	Fair	Rising	☐	☐	☐	☐	☑
US Municipal Bonds	Tightening	Rich	Rising	☐	☑ ←	☐	☐	☐
European High Yield	Stimulating	Rich	Rising	☐	☐	☑	☐	☐
European Short Term High Yield	Stimulating	Fair	Rising	☐	☑	☐	☐	☐
European Loans	Stimulating	Fair	Rising	☐	☐	☐	☐	☑
US/EUR Preferred Securities	Stimulating	Cheap	Rising	☐	☐	☐	☐	☑
US/EUR Asset Backed Securities	Tightening	Cheap	Rising	☐	☐	☐	☑	☐
Emerging Market Local Currency	Neutral	Fair	Mixed	☐	☐	☐	☑	☐
Emerging Market Hard Currency	Neutral	Rich	Mixed	☐	☑ ←	☐	☐	☐
Emerging Market High Yield	Neutral	Fair	Mixed	☐	☐	☑	☐	☐

Commodities	Cost of Production	Market Sentiment	Price Momentum	Underweight ←	Conviction Level over 6 Months	Neutral		→ Overweight
Gold	Neutral	Neutral	Neutral	☐	☐	☑ ←	☐	☐
Oil (Brent)	Neutral	Neutral	Negative	☐	☐	☑	☐	☐

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