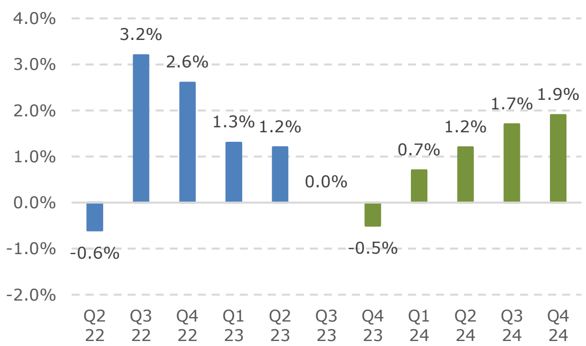
Quarterly Investment Letter – Q3 2023

The most advertised recession in history

Despite initial fears of recession and banking crises, the **global economy has demonstrated impressive resilience** so far. The quarter was marked by the resolution of the debt ceiling issue, which had hung like a sword of Damocles over the financial markets and caused uncertainty. There was **no concrete evidence of an imminent recession in the US**, and unemployment rates remained historically low, indicating a strong labour market and bolstering consumer confidence. First quarter **earnings exceeded expectations**, instilling confidence in the markets. Both the US and global economies posted steady growth in the quarter, with the S&P 500 gaining 6.6% as **risky assets built positive momentum**.

Chart 1: Expected US quarterly real GDP growth (annualized)



Source: Alpinum Investment Management

The slower pace of central bank rate hikes signalled to markets that the **peak of terminal rates** and the **end of the tightening cycle** were near, as **inflationary pressures remained subdued** over the quarter. **Falling energy prices provided relief** from cost pressures for businesses and consumers, contributing to an **overall disinflationary environment**. Although markets had been predicting a US recession for several months, the macroeconomic picture did not provide conclusive evidence to support these concerns. Instead, **the global economy showed resilience, low unemployment, disinflationary pressures, and positive momentum in risky assets.**

Summary Points

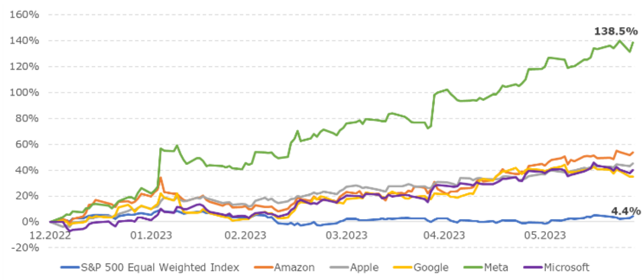
- Despite the negative turn in the economic cycle, the presence of a resilient consumer base and favourable government policies have **mitigated the risk of an immediate recession** and minimized the potential for a severe economic downturn.
- The **Federal Reserve (Fed) paused on interest rate hikes**, maintaining a hawkish stance, as the US experienced encouraging growth in real GDP, persistent disinflationary pressure, and a robust residential housing market.
- Despite the political turmoil surrounding the debt ceiling issue, **equity markets remained resilient** during the quarter, driven by the **strength of growth-oriented and technology stocks**.
- **Germany's economy entered a technical recession** in Q1 2023, with GDP contracting by 0.3% after a 0.5% decline in Q4 2022, as households tightened spending.
- **Conclusion:** Our **cautious stance with a neutral positioning has been the right action** during these extremely uncertain times. Having more clarity about the inflation path and as a severe recession can be ruled out, it is an opportune time to add selectively the risk exposure. At current valuation levels and from a risk/return perspective we **prefer selective credit over equities**. Hence, we keep the overweight in credit investments, with a **focus on non-cyclical short-term HY bonds** with yields of 8-9% and **started to slightly upgrade equities** from its minimal underweight position. In this environment **we prefer an absolute return approach** compared to a classic relative value mandate.

Content

United States

The second quarter was dominated by the highly publicized impasse between Democrats and Republicans over the **debt ceiling**. However, despite the political drama, **equity markets proved resilient**, with the S&P 500 recording a solid 6.6% increase in the second quarter. Growth investors, particularly those focused on **US mega-cap tech stocks**, have had a strong performance thus far in 2023. The **Nasdaq index surged by an impressive 36.6% YTD**, marking the sharpest outperformance of the tech sector in the past two decades, excluding the post-Covid lockdown period driven by stimulus measures. However, the **S&P 500's year-to-date rally** has been **concentrated among a few mega-cap stocks**. At the same time, the **VIX Index has fallen** sharply to trade **below 14**, a level not seen since the pandemic-induced period.

Chart 2: Large tech-focused stocks led the rally in S&P 500



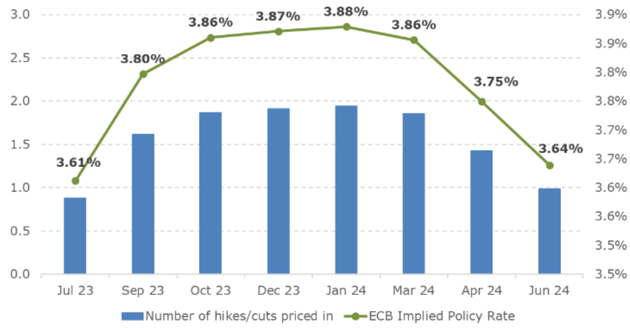
Source: Alpinum Investment Management

Market sentiment was also supported by **US economic data**. Following **encouraging growth in real GDP in Q1 2023**, stronger-than-expected auto sales, housing starts, and employment figures suggest that **real GDP growth should continue in the next few quarters**. Disinflationary pressures persisted during the quarter, with the **inflation rate cooling in May** to its lowest annual level in around two years, standing at 4.0%. Although overall inflationary pressures remained subdued, core inflation, which excludes food and energy prices, recorded a significant month-on-month increase of 0.4%. On a year-on-year basis, **core inflation remained elevated at 5.3%.** At the last FOMC meeting, on June 14, 2023, the Federal Reserve hit the **"hawkish" pause button keeping interest rates unchanged at 5.00-5.25%**, having raised them ten consecutive times at previous meetings. The median projection for the year-end now points to a Fed funds target of 5.4% implying additional rate hikes in the second half of the year.

Europe

The Eurozone economy exhibited a **modest improvement in economic conditions during the first quarter 2023**, despite falling short of consensus expectations for GDP growth. However, the release highlighted the **resilience of the bloc in avoiding a recession**, primarily attributed to factors such as the easing energy crisis, unseasonably warm weather conditions, the reopening of China's economy, and the implementation of fiscal stimulus measures. Contrarily, the **German economy experienced a technical recession** in the first quarter of the year, as households tightened their spending habits. Following a contraction of 0.5% in the final quarter of 2022, the **GDP for Q1 2023 was revised downward from zero to -0.3%**. Germany, as Europe's largest economy, has faced significant challenges, particularly in the aftermath of the Russia-Ukraine conflict.

Chart 3: ECB implied policy rates



Source: Alpinum Investment Management

The current economic situation is characterized **by elevated inflation and high interest rates** throughout the region. In response to this environment, the European Central Bank (ECB) decided to **raise rates by an additional 25 basis points** at its meeting on June 15. This brings the ECB's **total rate increase since July 2022 to 400 basis points**, reflecting its determination to counter inflationary pressures. President Christine Lagarde has repeatedly expressed concern about excessively high inflation over an extended period. In May, **headline inflation** in the eurozone declined 0.9% to **6.1%** year-on-year. Furthermore, **core inflation**, which excludes energy and food prices more prone to fluctuations, **declined by 0.3% to 5.3%** year-on-year. Although European equities are considered comparatively inexpensive, the rally observed on the **European stock markets** lasted until around mid-February. Since then, however, equities have entered a **sideways phase**, with no clear trend.

China and emerging markets (EM)

After a strong first quarter, Chinese macro data's latest release revealed a **slowdown in activity**. Imports dropped by 4.5%, and industrial production grew only 3.5% year-on-year. However, it is important to note that these figures were measured against last year's depressed data during the Shanghai lockdown. The **decline in the property market also accelerated**, with property investments falling 7.2% year-on-year in May compared to a 6.2% drop in April. Other indicators such as trade data and May PMIs confirm the **lack of a significant Chinese economic recovery**. Chinese equities have underperformed global counterparts, and falling industrial metal prices reflect disappointing momentum. The **underperformance of Chinese equities by around 8%** relative to the MSCI Asia ex-Japan Index in Q2 further highlights this trend. With a CPI close to zero, the **People's Bank of China** (PBOC) **announced a reduction in key interest rates in June**. The seven-day reverse repo rate was lowered by 10 basis points to 1.9% from 2.0%, while the rate for one-year medium-term lending facility (MLF) loans was also decreased by 10 basis points, going from 2.75% to 2.65%.

Chart 4: Topix reached highest level since 1990

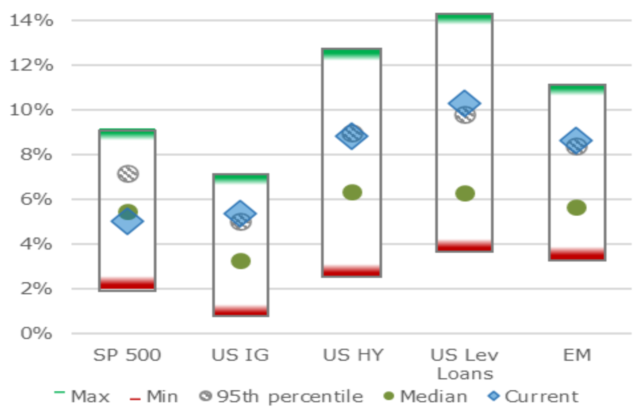
Source: Alpinum Investment Management

Japan's Q1 real GDP saw a year-on-year increase of 1.3%, propelled by robust private consumption and non-residential investment. Moreover, **May's CPI demonstrated further acceleration**, with the Bank of Japan's key inflation measure rising by 4.3% year-on-year, marking the largest surge since 1981. This encouraging data has bolstered optimism that **Japan is breaking free from its previous deflationary stagnation**. The major Japanese equity index, TOPIX, outperformed other large developed equity markets in the first half of the year, returning 21.1%. It also **reached its highest level since 1990**.

Investment conclusions

Despite the economic cycle turning negative, the presence of a **resilient consumer base and supportive government policies** so far has prevented a near-term recession, **reducing the likelihood of a severe downturn**. While inflation has reached its peak, it will remain a concern heading into 2024, necessitating the **continuation of higher interest rates** to address wage inflation. **Companies, on average, are expected to fare well** as they have adapted to the challenging environment by implementing cost-cutting measures. With the **prospect of positive nominal growth**, most companies are anticipated to perform satisfactorily, particularly those with pricing power. Overall, a sustained **wave of corporate defaults is expected to be avoided**. Finally, the global monetary policy tightening phase is nearing its peak.

Chart 5: Yields on credit continue to outperform equities



Source: Alpinum Investment Management

Bonds: Monetary policy is in tightening mode worldwide, led by the pace of the Fed. Currently, markets are assuming a terminal policy rate close to 5.4%. We continue to **favour European loans, IG, non-cyclical US** and **Scandinavian short-term HY bonds** as well as **structured credit**.

Equities: Equity multiples remain challenged by rising interest rates and vulnerable/shrinking profit margins. Within equities, we continue to **favour non-US markets**, maintaining a mixed approach.

Our cautious stance with a **neutral positioning** has been the **right action during these extremely uncertain times**. However, we believe it is now **time to increase risk**. As a first step we want to **slightly upgrade equities** from its minimal underweight position and **keep the overweight in "credit exposure"**.

Market Consensus Forecasts

GDP growth (%)	2021	2022	2023e	2024e
World	6.2	3.1	2.6	2.7
United States	5.9	2.1	1.3	0.7
Eurozone	5.3	3.5	0.6	1.0
Germany	2.6	1.9	-0.3	1.1
France	6.8	2.6	0.6	1.0
Italy	7.0	3.9	1.1	0.9
United Kingdom	8.5	4.0	0.2	0.8
Switzerland	4.3	2.0	0.8	1.4
Japan	2.3	1.1	1.2	1.1
Emerging economies	4.6	3.1	4.3	4.2
Asia Ex-Japan	5.9	3.2	5.2	4.7
Latin America	8.3	4.0	1.3	1.6
EMEA region	6.7	0.9	1.4	2.4
China	8.4	3.0	5.5	4.8
India	-5.8	8.7	7.0	6.1
Brazil	5.2	3.0	2.1	1.5
Russia	5.6	-3.0	0.5	1.2

Inflation (%)	2021	2022	2023e	2024e
World	4.7	7.6	5.7	3.9
United States	4.7	8.0	4.1	2.6
Eurozone	2.6	8.4	5.4	2.5
Germany	3.2	8.6	6.0	2.6
France	2.1	5.9	5.5	2.6
Italy	2.0	8.7	6.3	2.4
United Kingdom	2.6	9.1	7.2	2.9
Switzerland	0.6	2.9	2.4	1.5
Japan	-0.3	2.5	2.8	1.5
Emerging economies	3.5	6.1	5.9	4.9
Asia Ex-Japan	1.7	2.6	1.8	2.6
Latin America	11.9	19.4	22.3	17.5
EMEA region	8.2	21.0	15.0	9.9
China	0.9	2.0	1.2	2.2
India	5.1	5.4	6.6	5.0
Brazil	8.3	9.3	5.0	4.2
Russia	6.7	13.8	5.3	5.0

Central bank rates (%)	2021	2022	2023e	2024e
US Fed Funds	0.25	4.50	5.35	3.90
ECB Main Refinancing	0.00	2.50	4.25	3.40
China 1yr Best Lending	4.35	4.30	4.30	n.a.
Bank of Japan Overnight	-0.02	-0.10	0.00	0.00
UK Base Rate	0.25	3.50	5.35	4.20
Swiss 3mth CHF	-0.75	1.25	1.00	1.00

Commodities	2021	2022	2023e	2024e
NYMEX WTI oil USD/barrel	67	72	68	66
ICE Brent oil USD/barrel	71	77	73	71
Iron Ore USD/metric ton	119	112	96	88
Copper USD/metric ton	9721	8514	8313	8309
Gold USD/troy oz	1829	1935	2034	2129
Silver USD/troy oz	23.3	23.1	24.1	24.9

Major interest rates (%)	2021	2022	2023e	2024e
USA 3mth rate	0.2	4.3	5.2	3.8
USA 10yr gov't bonds	0.7	4.3	4.2	3.3
Eurozone 3mth rate	1.5	3.6	3.5	3.3
Eurozone 10yr gov't bond	-0.6	2.2	3.8	2.9
China 3mth rate	-0.6	2.1	2.5	1.8
China 10yr gov't bond	-0.2	2.1	2.3	2.0
UK 3mth rate	2.5	2.6	3.5	3.5
UK 10y gov't bond	2.4	2.3	2.3	2.2
Swiss 3mth rate	2.8	2.8	2.8	2.9
Swiss 10y gov't bond	-0.1	0.0	0.1	0.1

Exchange rates	2021	2022	2023e	2024e
EURUSD	1.14	1.00	1.12	1.15
EURCHF	1.04	0.98	0.99	1.03
USDCHF	0.91	0.97	0.90	0.90
EURJPY	130.92	144.50	146.00	141.00
EURGBP	0.84	0.88	0.88	0.88
USDJPY	115.08	144.00	131.00	125.00
GBPUSD	1.35	1.15	1.27	1.30
USDCNY	6.36	7.20	6.90	6.70
USDBRL	5.57	5.25	5.00	5.00
USDRUB	75.17	62.50	85.00	95.00

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	2967	6.3%	14.0%	2.1
MSCI World (USD) hedged	1565	7.4%	15.7%	n.a.
HFRX Global Hedge Fund	1375	0.5%	0.5%	n.a.
S&P 500	4450	8.3%	15.9%	1.6
Russell 1000	2437	8.1%	15.7%	1.6
Nasdaq 100	15179	15.2%	38.8%	0.7
Stoxx Europe 600	462	0.9%	8.7%	3.6
MSCI Emerging Markets	989	-0.1%	3.5%	3.0
Nikkei 225	33189	18.4%	27.2%	1.8
China CSI 300	3842	-5.1%	-0.8%	2.6

	Forward		EPS growth	
Equity market valuations	PE	PB	2023e	2024e
MSCI World (USD)	17.9	2.8	1%	9%
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	20.4	4.0	-3%	10%
Russell 1000	20.5	3.9	-2%	11%
Nasdaq 100	28.8	7.0	-1%	19%
Stoxx Europe 600	13.0	1.7	1%	6%
MSCI Emerging Markets	13.2	1.5	-7%	19%
Nikkei 225	20.6	1.9	12%	11%
China CSI 300	12.0	1.5	14%	15%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	3.84	-1.9%	1.6%	n.a.
10yr Euro gov't bond	2.39	0.1%	3.7%	n.a.
10yr German gov't bond	2.39	-0.4%	2.3%	n.a.
10yr Italian gov't bond	4.07	1.7%	7.7%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	257	0.1%	3.5%	5.3
Barclays US Corporate IG	3063	-0.3%	3.2%	5.5
Barclays Euro Corporate IG	233	0.4%	2.2%	4.4
Barclays Emerging Market USD	1109	1.1%	3.3%	7.5
Barclays US Corporate HY	2304	1.7%	5.4%	8.5
Barclays Pan-European HY	408	1.8%	4.8%	8.3

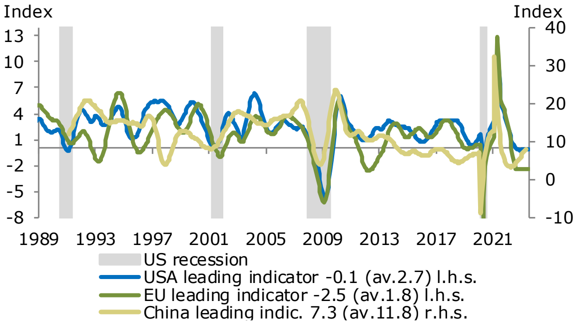
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	75	-6.1%	-12.8%
US Energy Services	79	0.3%	-5.7%
Copper	8324	-7.5%	-0.6%
Gold	1919	-2.5%	5.2%
EURUSD	1.09	0.6%	1.9%
EURCHF	0.98	-1.5%	-1.3%

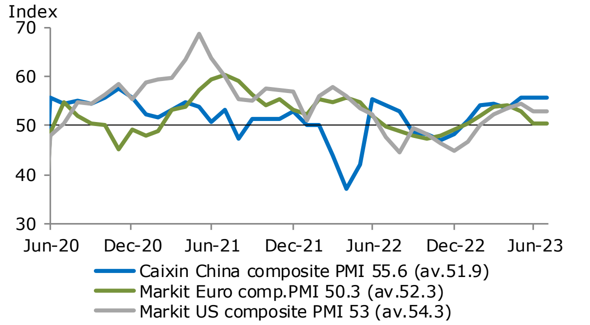
Source: Alpinum Investment Management (additional sources in appendix)
Note: Q2 = data as of June 30th, 2023 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

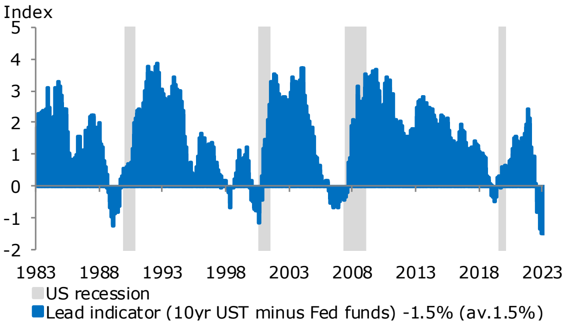
Leading indicators and manufacturing

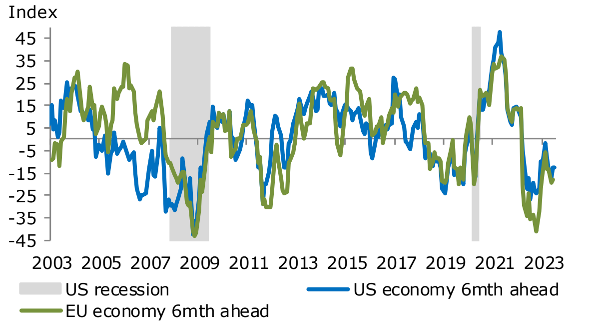
Source: Alpinum Investment Management



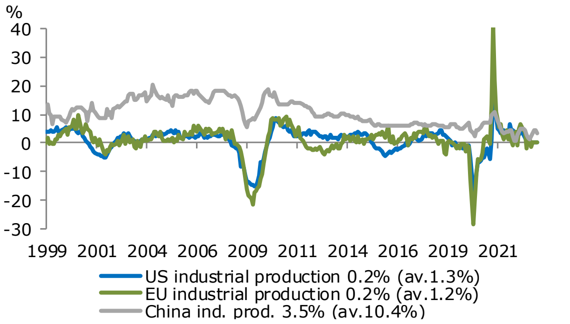


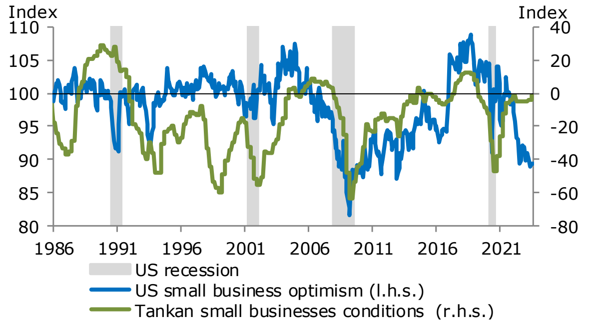
Recession indicator



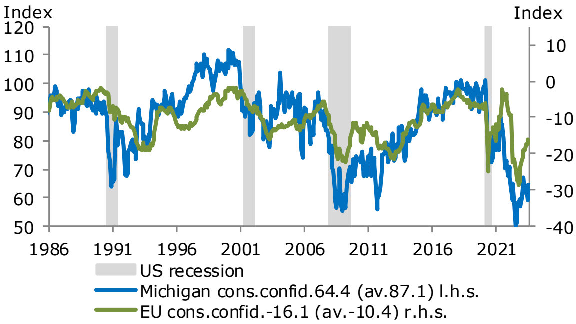


Industrial production and small businesses





Consumer confidence



Source: Alpinum Investment Management (additional sources in appendix)

Scenario Overview 6 Months

Base case 65%

- **US:** Economic slowdown/stagflation environment with no "real" growth in H2 2023, while still printing 3-4% nominal numbers. Elevated, but moderating inflation weighs on consumer demand and pressures companies' profit margins. High interest rates and geopolitical tensions remain a key concern for the economic outlook and lead to fewer investments. As house prices stabilize, energy prices are off their highs and wages increase, consumer remains robust. Government spending (i.e. infrastructure, old/new energy, defence) remains the other source of growth.
- **Eurozone:** Stagflation, zero growth environment. Slow growth dynamic caused by inflation spike, higher rates, war impact. But continuing fiscal impulse, solidarity payments, defence spending and still low absolute interest level are supportive.
- **China:** GDP growth rises towards 4-5%, but slow path and stimulated by credit impulse measures.
- **Oil:** China reopening stimulates demand, but economic weakness in developed countries eases prices.

Investment conclusions

- **Equities:** Equities are confronted with profit margin pressure, low economic growth ahead, high rates and looming risk of vicious wage-price spiral. Equities lack a sustained upside potential with i.e. S&P forward P/E multiple of ~19. We recommend a balanced approach in terms of equity "style".
- **Interest rates:** Neutral bias on rate exposure as upward pressure on yields is easing. (US) duration exposure serves as a valuable diversifier and tail hedge in case of a severe recession.
- **Credit:** Credit spreads have adjusted and are fairly priced or are selectively attractive, despite a substantial increase of corporate default rates in 2023 towards 4-5%. We prefer loans, short-term HY, senior exposure in structured credit and very selective EM/Asia as well as IG bonds in general.
- **Commodities/FX:** USD strength fades further; selective cyclical commodities face headwind while a structural inflation supports the commodities bloc.

Bull case 20%

- **US:** Sub-par GDP growth rate (1-2%) for 2023. Fed succeeds and inflation decelerates. Supply chain bottlenecks solved and consumer spending remains robust, supported by high savings, wage increases. Energy prices don't climb, firms keep capex spending alive. Economy transforms slowly into "new normal".
- **Europe:** Temporary growth halt & avoiding recession; peripherals backed by continued fiscal/monetary policy support; standing together spirit holds; significantly more defence/green energy spending.
- **China/EM:** Chinese regulatory craze fades further, consumption revives and credit easing measures gain traction. No further escalation with West. Supply chain issues largely solved.

Investment conclusions

- **Equities:** Corporates have been fast in adapting to lower growth prospects via cost cuttings to maintain earnings strength. Firms favour capital vs. expensive labour to increase (keep) profitability. If a de-escalation in the Russia-Ukraine conflict can be reached, markets will experience an upwards lift. However, inflation pressure and higher rates keep valuations largely in check.
- **Interest rates:** Long-term rates move slightly up, bear flattening curve; inflation pressure persists.
- **Credit:** Corporate default rates increase towards long-term average. Credit in general and short-term HY bonds/loans in particular benefit the most.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates recover.

Bear case 15%

- **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 further rate hike increases.
- **Europe:** Moderate recession with risk of lasting economic weakness due to war/geopolitics and elevated inflation. No sustained recovery of international tourism. Peripherals suffer from yield increases and Germany from higher input costs.
- **China/EM:** Chinese regulators fail to ease credit and regulatory measures enough, leading to ~3% GDP growth in 2023 and disappointing 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 give back most of 2023-YTD gains. Highly priced US equities and cyclicals 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. 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.

Tail risks

- Liquidity shock due to external event/bank failure.
- An Italian sovereign debt crisis, Euro break up.
- Military conflict in the South China Sea.
- Pandemic crisis re-emerges/new virus variants.
- Nuclear escalation resulting in 3rd World War.
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities	Comment
▪ With the prospect of a "muddling through" US economy, corporates' profit margins could potentially be more sustained than feared as cost cutting programs during H2 2022 & 2023 prove successful. ▪ Positive wealth effect driven by risen equity markets in H1 2023, higher wages, stabilizing house prices and lower fuel prices, gives support to US consumption and corporates' revenues as a consequence. ▪ A negative factor for equities remains the competition of other asset classes, namely the high short-term interest rate levels of US Treasuries of >5% or HY bonds yielding ~9% p.a. ▪ Non-US equities trade with more attractive valuations and are poised to outperform if a de-escalation in the Ukraine conflict emerges and/or if USD continues to weaken.	▪ The current elevated P/E ratio of ~20 for the S&P translates into an earnings yield of only 5% and is driven by the recent profit margin stabilization and to some degree by the "AI" or tech euphoria. ▪ Market consensus estimates that US earnings will be flat in 2023 and rise +10% in '24, which poses a risk for disappointment, when history suggests that earnings tend to drop 10-20% in a recession. ▪ 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 certain valuation premium is justified.

Credit/Fixed Income	Comment
▪ **Rates:** With the massive rate hikes in recent quarters, the outlook for duration as an asset class has largely improved and the negative bias is removed, although inflation is not yet fully tamed. Further hikes are limited, evidenced by US (10 year) real rates ranging between 1 and 1.5%. We hold small duration exposure, but are willing to increase the allocation tactically. Duration acts primarily as a valuable portfolio diversifier. ▪ **IG:** We hold some US investment grade bonds and only selective European IG bonds. Selective EM/Asia IG bonds look attractive. ▪ **High Yield:** Loans and high yield bonds offer fair relative and attractive absolute yields. Overall, we favour selective US short-term non-cyclical bonds, European loans & senior/mezzanine CLO tranches. ▪ **Emerging Debt:** After the sell-off in 2022 in emerging and Asian debt markets, selective opportunities exist and are a tactical buy – but selection remains key. With USD strength fading, selective local currency bonds gain our attention.	▪ With the stress in the banking system and the provoked regulatory actions, borrowing costs have increased and limit further rate hikes. ▪ The narrative for short-term rates is: "Higher for longer, but peak level is in sight". ▪ The ECB is expected to further raise rates towards ~4%, whereas the US Fed is pausing and peak rate is in sight @ around 5.5%. ▪ Credit spreads look fairly valued in general. Current wider spread levels compensate for a softer economic outlook, but not for a deep recession. Corporate default rates increase towards long-term average levels. ▪ We like the structured credit market such as selective US non-agency RMBS or European CLOs. ▪ Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans). ▪ We also identify attractive yield in "new" alternatives, but selection and a proper liquidity management are paramount.

Alternatives	Comment
▪ Credit long-short strategies identify plenty of relative value trades, both long and short. ▪ Equity long-short strategies benefit from high volatility and elevated performance dispersion. ▪ Alternative lending as an asset class is in the spotlight in a low or rising rates environment.	▪ Current fragile economic environment benefits active managers. Moreover, "innovative disruption" leads to more price dispersion among single securities, industries, etc. ▪ Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).

Real Assets	Comment
▪ Cyclical headwind. Commodities benefit partly from "de-globalization" (protective measures) and supply-side constraints. ▪ Gold benefits when real and/or nominal interest rates fall and vice versa; a rivalling situation in the short term.	▪ High inflation environment is beneficial for commodity prices, but cyclical downturn is negative. China re-opening demands more commodities. ▪ Supply-side disruption fades on a global scale.

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".

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
Preqin
S&P
The Federal Reserve
US Census Bureau

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Past performance is not a guide to future performance and may not be repeated. You should remember that the value of investments can go down as well as up and is not guaranteed. The actual performance realized by any given investor depends on, amongst other things, the currency fluctuations, the investment strategy invested into and the classes of interests subscribed for the period during which such interests are held. Emerging markets refer to the markets in countries that possess one or more characteristics such as certain degrees of political instability, relative unpredictability in financial markets and economic growth patterns, a financial market that is still at the development stage, or a weak economy. Respective investments may carry enhanced risks and should only be considered by sophisticated investors.

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