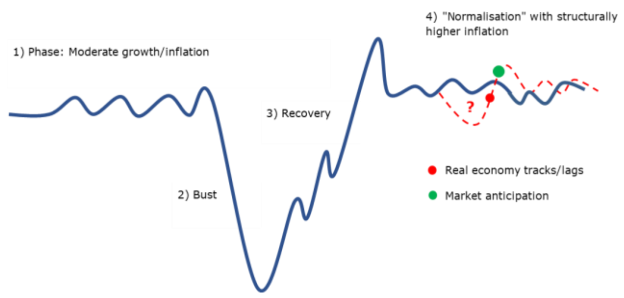
Quarterly Investment Letter – Q3 2024

Continued economic resilience

The **global economy is proving resilient**, as shown by IMF's upward revisions to growth forecasts for 2024, particularly in the US, China and emerging markets (EM). This positive development is due to the reduced impact of the recent crises, supported by fiscal programs and moderate impact of monetary policy. The **risk of a global recession has decreased**, with EM faring relatively better than advanced economies. **Inflation remains a concern**, prompting central banks to pursue a vigilant policy. The Fed is expected to be patient, while the ECB moved faster. EM central banks should continue their easing cycles to combat inflation.

Chart 1: Recession averted, growth accelerates



Source: Alpinum Investment Management

However, the **positive momentum is slowing**, and signs of consumer saturation are emerging, which may dampen future growth**. Equity markets reached new highs** in Q2, supported by robust economic fundamentals and investor confidence. Yet, there is **slight saturation in equity markets** due to persistent inflation limiting the Fed's ability to cut interest rates significantly. The bond market reacted to the inflationary pressure and interest rate expectations by pushing up long-term yields significantly. The **yield on 10-year treasuries climbed to 4.7%**. Geopolitical tensions are increasing global risks, impacting inflation and market visibility. Despite solid fundamentals, high valuations and potential volatility warrant caution and a **balanced approach** with alternative investments.

Summary Points

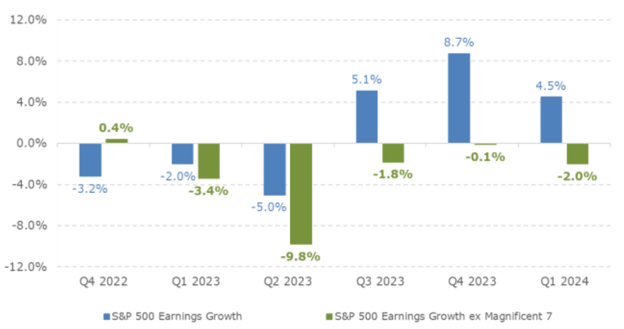
- The **global economy is demonstrating resilience**, especially for the US, China and emerging markets. The **risk of a global recession has diminished**, with emerging markets outperforming advanced economies.
- **Equity markets hit new highs in Q2 2024**, bolstered by strong economic fundamentals and growing investor confidence.
- Persistently high inflation led to **diminished expectations for a significant Fed easing cycle**, with markets now anticipating one to two rate cuts in 2024.
- In June, the **ECB reduced interest rates by 25 basis points** due to continued disinflationary process and weaker than expected economic data.
- **China's GDP grew by 5.3%** year-on-year in Q1, exceeding market expectations of 5.0%. Real estate investment in April 2024 declined by 9.8%, highlighting **ongoing challenges in the property market**.
- **Conclusion:** Given the absence of an imminent severe recession, we maintain our **positive bias on risky assets**. However, we are prepared to reduce our equity exposure if interest rates rise again or economic growth slows. In a low-growth environment, the divergence among companies and sectors increases, **necessitating active management**. We continue to favour credit investments, particularly **focusing on loans and non-cyclical short-term high-yield bonds** offering yields of 7-9%. While we maintain a **positive bias on equities**, we **prefer an absolute return strategy** over a traditional relative value approach in the current market conditions.

Contents

United States

The **US economy maintained its robust momentum** over the quarter amid the most aggressive rate hike cycle in decades. Q2 2024 was characterised by widespread optimism fuelled by consistent economic growth expectations and rising equity market valuations supported by strong fundamentals. The **labour market remained strong** and the unemployment rate has remained consistently below 4% for over two years, which has not been the case since the late 1960s. Initial jobless claims remained at historically low levels and the addition of 829,000 jobs in the first quarter underscored the broad-based nature of hiring. **GDP data reflected this optimism**, driven by robust consumer spending, continued growth in business investment and tailwinds from government spending. **Challenges arose with regard to inflation**, which remains stubbornly high. While goods prices reverted to pre-pandemic levels, service prices remained significantly elevated, exerting inflationary pressure.

Chart 2: S&P 500 earnings growth vs. ex-Magnificent 7



Source: Alpinum Investment Management

Market expectations for an extensive Fed easing cycle have weakened. Instead of the seven rate cuts anticipated at the end of 2023, **markets now expect only two cuts** for 2024. The **10-year Treasury yield rose by more than 40 basis points since the beginning of the year**, reflecting the market's adjustments to changing interest rate expectations. Optimism prevailed in equity markets, with **momentum stocks outperforming significantly in Q2**. The Magnificent 7 contributed around 50% of the S&P 500's YTD return. The economy's resilience to forecasts of a slowdown or recession surprised many. However, **economic indicators for May weakened**, with real household spending falling slightly, while corporate profits came in better than expected. Bond yields fell back from their year-to-date highs as investors digested dovish Fed signals and weaker-than-expected economic data.

Europe

The second quarter of 2024 in the eurozone was characterised by a **complex interplay of economic factors, monetary policy adjustments and geopolitical developments** that shaped the investment landscape in the region. Economic indicators painted a nuanced picture of a slight recovery in the eurozone. While **preliminary GDP estimates signalled moderate growth** of 0.3% quarter-on-quarter, concerns about the sustainability of economic growth remained considering ongoing disinflationary process. The composite Purchasing Managers' Index (PMI) rose to a 12-month high, indicating an improvement in economic activity, particularly in the services sector. However, challenges remain, and the manufacturing sector is showing signs of sluggishness in some areas. **Inflation in the eurozone remained elevated**, with headline and core inflation accelerating slightly to 2.6% and 2.9% respectively in May.

Chart 3: Decoupling of Euro Stoxx 50 and S&P 500 in June '24

Source: Alpinum Investment Management

The European Central Bank (ECB) **cut interest rates by 25 basis points in June** in response to ongoing disinflationary process and weaker than expected economic data. Market reactions to the ECB's monetary policy adjustments varied. Bond yields in the eurozone fluctuated, reflecting changing interest rate and inflation expectations. **Credit default swaps on government bonds rose to multi-week highs** following the announcement of the rate cut, reflecting investor concerns about the region's economic outlook. Geopolitical developments, including the European elections, contributed to market uncertainty. The **EU elections were largely in line with pre-election expectations**, with far-right parties making notable gains. Nevertheless, the **current majority coalition has sufficient support in parliament**. President Macron's decision to call an early general election in France following the strong performance of Ms. Le Pen's RN party was the most unexpected result.

China and emerging markets (EM)

China's economy demonstrated resilient growth, with GDP rising 5.3% year-on-year (y-o-y) in Q1 2024, up from 5.2% in Q4 2023 and, exceeding market expectations (5.0%). This growth was primarily driven by robust industrial production, increased manufacturing investment, and a rebound in exports. The Lunar New Year festival also contributed to this economic uplift. **Consumption patterns showed divergence**; service consumption surged by 10% in Q1, while consumer goods consumption remained below pre-pandemic levels. **Manufacturing and infrastructure investments demonstrated strong momentum**, growing by 9.9% and 8.8% respectively, with further growth expected due to ongoing equipment renewal and accelerated government bond issuance. **Export growth returned to positive territory**, driven by global manufacturing recovery and strengthened regional trade collaborations. **The manufacturing PMI indicated a recovery in business prospects**, remaining in the expansion zone at 51.7. Foreign direct investment in China dropped 28.2% y-o-y from January to May 2024, a record decline.

Chart 4: China foreign direct investment (y-o-y)

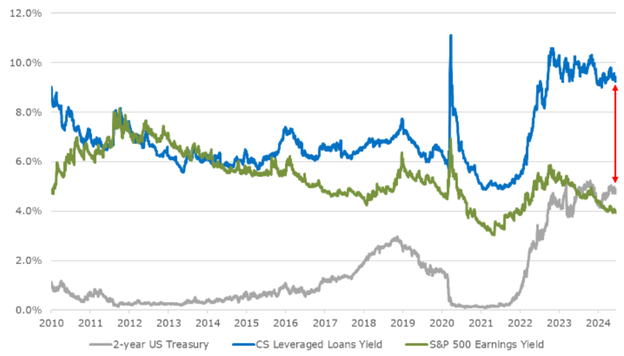
Source: Alpinum Investment Management

Inflation remained low, with the annual rate steady at 0.3% in May 2024, falling short of market forecasts and reflecting a modest recovery in domestic demand. The **property market faced challenges**, with real estate investment declining by 9.8% y-o-y in April 2024. Despite expectations of a pickup due to a low base effect and eased liquidity for developers, long-term recovery will require sustained policy support. The **People's Bank of China maintained key lending rates in May**, with the 1-year loan prime rate at 3.45% and the 5-year rate at 3.95% following a cut earlier in the year. **These rates, at historic lows**, reflect Beijing's efforts to spur economic recovery amid mixed activity data, including sustained industrial output growth, the lowest jobless rate in five months and weak retail turnover.

Investment conclusions

The **global economy proves resilient** despite higher capital costs and geopolitical tensions. **Inflation remains high** compared to pre-COVID levels, with a mix of disinflationary and cyclical inflationary pressures. The **US is experiencing low growth, while Europe is facing stagnation and China is aiming for a 5% GDP target**. Despite a rapid normalisation of interest rates, there has been **no recession and companies have adjusted** and stabilised their profit margins. **Equity valuations are high**, but there are opportunities outside the US. The **interest rate tightening cycle is complete**, although the new inflation poses a risk of significant cuts. **Credit exposure remains constructive**.

Chart 5: Credit yields trump earnings yield on equities



Source: Alpinum Investment Management

Bonds: Monetary policy tightening has concluded globally, but banks' credit tightening measures continue to challenge corporate financing. Default rates have risen but have not spiked, making **selective credit attractive**. Our current tactical stance is **neutral on duration**, favouring US Treasuries, and **overweight in credit**, particularly in Scandinavian short-term HY, European loans and structured credit.

Equities: Equity valuations are deemed fair, though modest growth prospects limit the upside potential for large US equities due to **elevated PE multiples**.

A blended investment style is advised, along with a **positive outlook for US Treasuries** and **short-term high-yield loans**, and **a mildly positive outlook for equities**. In the credit market, we anticipate a **modest increase in default rates**, leading to slightly elevated levels. Finally, we consider **current credit spreads to be reasonably valued**.

Market Consensus Forecasts

GDP growth (%)	2022	2023	2024e	2025e
World	3.5	3.0	3.0	3.0
United States	1.9	2.5	2.3	1.8
Eurozone	3.4	0.5	0.7	1.4
Germany	1.8	-0.1	0.2	1.2
France	2.5	0.9	0.9	1.3
Italy	4.0	0.7	0.9	1.1
United Kingdom	4.5	0.3	0.7	1.2
Switzerland	2.7	0.8	1.3	1.5
Japan	1.0	1.9	0.3	1.1
Emerging economies	2.5	3.9	4.3	4.3
Asia Ex-Japan	4.1	4.6	5.1	4.7
Latin America	3.9	1.8	1.5	2.4
EMEA region	1.8	2.4	2.7	2.8
China	3.0	5.2	5.0	4.5
India	9.7	7.0	7.8	7.0
Brazil	3.0	3.0	2.1	2.0
Russia	-1.2	3.3	3.0	1.4

Inflation (%)	2022	2023	2024e	2025e
World	8.7	6.0	4.6	3.5
United States	8.0	4.1	3.1	2.4
Eurozone	8.4	5.4	2.4	2.1
Germany	8.6	6.0	2.5	2.1
France	5.9	4.9	2.5	2.0
Italy	8.7	5.8	1.2	1.8
United Kingdom	9.1	7.3	2.6	2.2
Switzerland	2.8	2.1	1.4	1.1
Japan	2.5	3.3	2.4	1.9
Emerging economies	6.4	5.8	6.8	3.9
Asia Ex-Japan	3.1	1.1	1.6	2.1
Latin America	18.2	23.9	34.3	11.1
EMEA region	21.3	19.3	15.2	8.9
China	2.0	0.2	0.6	1.5
India	6.7	6.6	4.8	4.5
Brazil	9.3	4.6	4.0	3.5
Russia	13.8	6.0	7.1	5.0

Central bank rates (%)	2022	2023	2024e	2025e
US Fed Funds	4.50	5.50	5.05	3.95
ECB Main Refinancing	2.50	4.50	3.35	2.60
China 1yr Best Lending	4.35	4.30	n.a.	n.a.
Bank of Japan Overnight	-0.02	0.00	0.30	0.50
UK Base Rate	3.50	5.25	4.65	3.50
Swiss 3mth CHF	n.a.	1.00	1.00	1.00

Commodities	2022	2023	2024e	2025e
NYMEX WTI oil USD/barrel	74	81	76	72
ICE Brent oil USD/barrel	78	85	80	76
Iron Ore USD/metric ton	118	113	104	98
Copper USD/metric ton	8372	9440	9872	9921
Gold USD/troy oz	1824	2285	2452	2565
Silver USD/troy oz	24.0	28.3	31.1	32.5

Major interest rates (%)	2022	2023	2024e	2025e
USA 3mth rate	4.8	5.4	4.8	3.8
USA 10yr gov't bonds	4.4	4.6	4.2	3.6
Eurozone 3mth rate	3.9	4.1	4.1	3.9
Eurozone 10yr gov't bond	2.1	4.0	3.2	2.3
China 3mth rate	2.7	3.0	2.3	1.9
China 10yr gov't bond	2.6	2.6	2.2	2.1
UK 3mth rate	2.4	2.4	1.9	2.0
UK 10y gov't bond	2.3	2.4	1.9	1.8
Swiss 3mth rate	2.8	2.6	2.3	2.2
Swiss 10y gov't bond	0.0	0.1	0.4	0.7

Exchange rates	2022	2023	2024e	2025e
EURUSD	1.07	1.07	1.08	1.12
EURCHF	0.99	0.96	0.99	1.02
USDCHF	0.92	0.90	0.91	0.90
EURJPY	140.40	159.00	164.00	160.00
EURGBP	0.89	0.87	0.85	0.86
USDJPY	131.12	149.00	151.00	140.00
GBPUSD	1.21	1.23	1.27	1.31
USDCNY	6.90	7.23	7.21	7.05
USDBRL	5.28	4.99	5.20	5.03
USDRUB	74.19	90.00	92.00	103.00

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	3512	2.2%	10.8%	1.9
MSCI World (USD) hedged	1914	3.2%	13.8%	n.a.
S&P 500	5460	3.9%	14.5%	1.4
Russell 1000	2975	3.2%	13.4%	1.4
Nasdaq 100	19683	7.8%	17.0%	0.8
Stoxx Europe 600	511	-0.2%	6.8%	3.4
MSCI Emerging Markets	1086	4.1%	6.1%	2.8
Nikkei 225	39583	-1.9%	18.3%	1.7
China CSI 300	3462	-2.1%	0.9%	3.0

	Forward		EPS growth	
Equity market valuations	PE	PB	2024e	2025e
MSCI World (USD)	19.9	3.2	5%	12%
MSCI World (USD) hedged	n.a.	n.a.	n.a.	n.a.
S&P 500	22.8	4.6	9%	14%
Russell 1000	22.7	4.4	9%	15%
Nasdaq 100	29.8	7.4	21%	22%
Stoxx Europe 600	14.1	1.9	-3%	9%
MSCI Emerging Markets	13.2	1.7	17%	16%
Nikkei 225	22.3	2.1	47%	9%
China CSI 300	12.0	1.4	7%	13%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	4.40	-0.1%	-1.4%	n.a.
10yr Euro gov't bond	2.50	-1.5%	-2.3%	n.a.
10yr German gov't bond	2.50	-0.8%	-2.4%	n.a.
10yr Italian gov't bond	4.07	-2.1%	-0.8%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	270	-0.2%	-0.9%	5.0
Barclays US Corporate IG	3205	-0.1%	-0.5%	5.5
Barclays Euro Corporate IG	248	0.1%	0.5%	3.8
Barclays Emerging Market USD	1197	0.7%	2.2%	7.2
Barclays US Corporate HY	2544	1.1%	2.6%	7.9
Barclays Pan-European HY	453	1.4%	3.2%	7.0

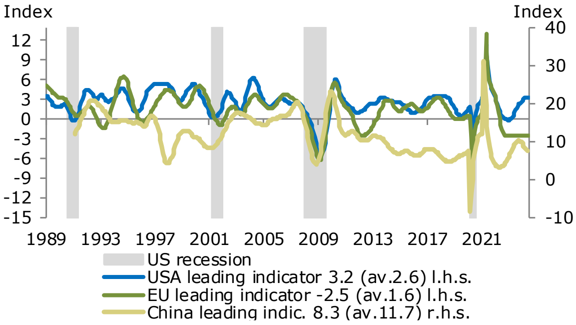
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	86	-1.2%	12.2%
US Energy Services	85	-6.3%	1.8%
Copper	9489	8.0%	11.8%
Gold	2327	4.3%	12.8%
EURUSD	1.07	-0.7%	-3.0%
EURCHF	0.96	-1.1%	3.7%

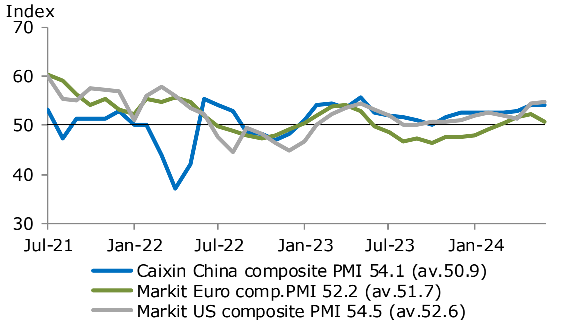
Source: Alpinum Investment Management (additional sources in appendix)
Note: Q2 = data as of 30 June 2024 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

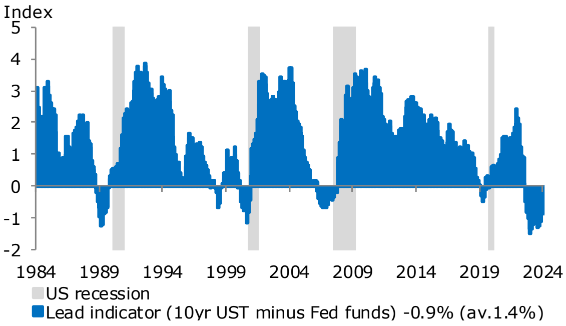
Leading indicators and manufacturing

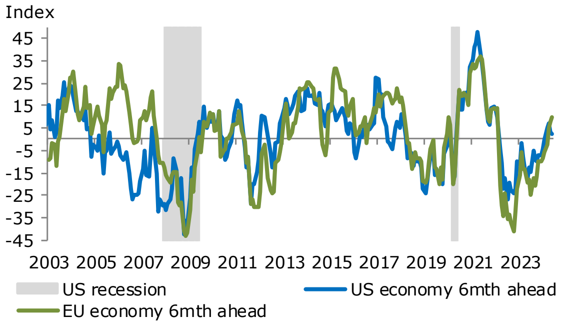
Source: Alpinum Investment Management



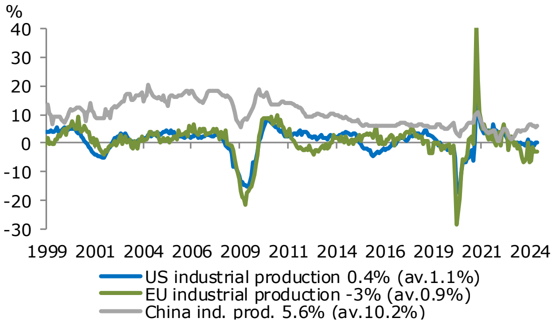


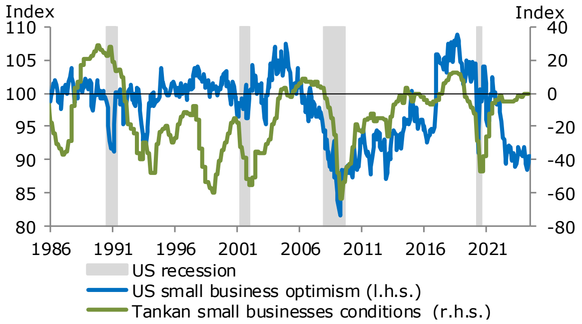
Recession indicator



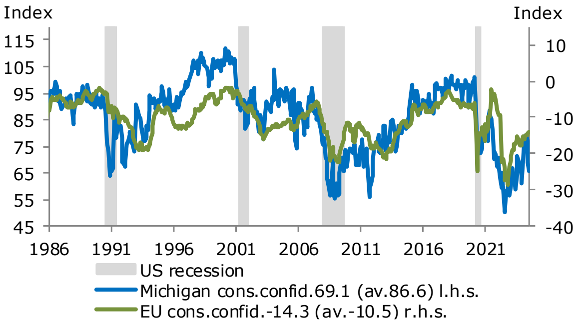


Industrial production and small businesses





Consumer confidence



Scenario Overview 6 Months

Base case 65%

- **US:** Minimal positive real GDP growth (1-2%) with solid ~4% nominal growth, which keeps the economy rolling. Some inflation forces still weigh on consumer demand, but companies can defend their profit margins. High interest rates and geopolitical tensions remain the key concern for the economic outlook and constrain private investments. Slightly rising house prices and continued wage increases > inflation rate keep private consumption up. 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 elevated inflation, higher rates, impact of war. But continuing fiscal impulse, solidarity payments, defence spending and lower prospective interest rates are supportive.
- **China:** GDP grows towards 5% thanks to government support incl. various credit impulse measures.
- **Oil:** OPEC+ targets elevated energy prices, while latest marginal economic expansion is also pro-cyclical.

Investment conclusions

- **Equities:** Equities are confronted with profit margin pressure risk, limited economic growth ahead, high rates and the looming risk of a vicious wage-price spiral. Equities lack a sustained upside potential with a S&P forward P/E multiple of ~20. We recommend a balanced approach in terms of equity style.
- **Interest rates:** Neutral bias on rate exposure, but some new cyclical inflation is building. (US) duration exposure serves as a valuable diversifier and tail hedge in case of an evolving (severe) recession.
- **Credit:** Credit spreads are fairly priced and remain selectively attractive, despite a higher floor of corporate default rates (~3%). We prefer loans, short-term HY, senior exposure in structured credit and on a selective basis, also some Emerging Debt and low-duration IG bonds.
- **Commodities/FX:** Rates advantage keeps USD on the bid-side in the short-term; energy gets support from OPEC/limited supply; structural higher inflation supports the commodities bloc.

Bull case 20%

- **US:** GDP growth rate of 2-3% (4-6% nominal). Fed succeeds and inflation decelerates. Supply chain issues solved and consumer spending remains robust, supported by high savings & wage increases. Energy prices don't overshoot, firms increase CapEx. Economy transitions further into a "new normal".
- **Europe:** Mild growth acceleration and avoidance of recession; peripherals backed by continued fiscal/monetary policy support; solidarity spirit holds; significantly more defence/green energy spending.
- **China/EM:** Chinese regulatory craze fades further, consumption revives and credit easing measures gain traction. No significant further escalation with the 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 high rates keep valuations largely in check. Further upside potential.
- **Interest rates:** Long-term rates move slightly up, bear flattening curve; inflation pressure persists.
- **Credit:** Corporate default rates hold steady at long-term average level. 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 the risk of lasting longer, but still positive nominal GDP growth. Moderate unemployment rate combined with resilient inflation kicks off slight wage-price spiral. No Fed rate cuts.
- **Europe:** Moderate recession with a risk of lasting economic weakness due to war/geopolitics. No sustained recovery of international tourism. Peripherals suffer from high rates and Germany from high (energy/wages) input costs.
- **China/EM:** Chinese regulators fail to ease credit and regulatory measures enough, leading to <5% GDP growth in 2024 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 2024-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 US rates. 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 safe havens again.

Tail risks

- Liquidity shock due to external event/bank failure.
- An Italian 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

- With the prospect of a "muddling through" US economic scenario, corporates' profit margins are more sustained than feared and cost cutting programs during 2022 & 2023 proved successful.
- Positive wealth effect driven by rising equity markets, higher wages and stabilising house prices provide support to US consumption and corporates' revenues consequently.
- A negative factor for equities remains the "competition" of other asset classes, namely the attractive short-term interest rate levels of US Treasuries >5% or HY bonds yielding close to 8% 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 the USD loses strength.

Comment

- Current elevated S&P P/E ratio of ~20 translates into an earnings yield of only 5%. If negative earnings surprises come up, US equities are very vulnerable. After strong YTD-performance, a technical correction of 4-6% is on the cards.
- Market consensus estimates that US earnings will grow around 10% both in 2024 & 2025, which poses a risk of disappointment.
- Military conflicts / geopolitics lead to more structural inflation pressure (less globalisation/productivity, less efficient/safe supply chains, more protectionism, more tariffs and fiscal spending).
- US equities incorporate advanced valuations vs. RoW, but the economy is also more resilient, less impacted by the Ukraine conflict & supported by big tech earnings, justifying a valuation premium.

Credit/Fixed Income

- **Rates:** We have entered a new interest rate regime with the yield spike in 2022/23. The outlook for duration as an asset class is now appealing. Peak rates in Fed funds are reached however, inflation is not yet fully tamed. We have a neutral positioning in duration but are willing to increase the exposure tactically. Now, duration acts as a valuable portfolio diversifier again.
- **IG:** We hold minimal US investment grade bonds and only selective European IG bonds. A limited number of EM/Asia IG bonds look attractive, but we hold only very little exposure.
- **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:** Selective opportunities exist, but the risks are still elevated with the on-going negative fund flows. When the USD strength starts to fade, selective local currency bonds will gain our attention.

Comment

- With the stress in the banking system in H1 2023 and the provoked regulatory actions, borrowing costs are still elevated.
- The narrative for short-term rates is: higher for longer, but peak level is reached.
- The ECB will continue its path of rate cuts, whereas the US Fed will push out its first rate cut into autumn as some cyclical inflationary forces have been building.
- Credit spreads appear somewhat expensively priced. Current spread levels compensate for a low economic growth environment, but not for a recession. Corporate default rates have peaked and will remain slightly elevated at ~3%.
- We like structured credit, such as selective US agency and non-agency RMBS or European CLOs.
- Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans).
- We also identify attractive yield in new alternatives, but selection and a proper liquidity management are paramount.

Alternatives

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short strategies benefit from high volatility and elevated performance dispersion.
- Alternative lending as an asset class is in the spotlight as yields have never been higher.

Comment

- Active managers benefit from the current fragile economic environment. Moreover, innovative disruption leads to more price dispersion among single securities, industries, etc.
- Global macro managers benefit from sharp market movements in either direction (i.e., rates/FX).

Real Assets

- Commodities benefit partly from de-globalisation (protective measures), supply-side constraints and the recent cyclical economic uptick.
- Gold benefits when real and/or nominal interest rates fall and vice versa; central bank diversification trend and cyclical forces are a tailwind for gold.

Comment

- Elevated inflation is beneficial for commodity prices, but a soft economy is negative. Chinese growth hopes have not yet materialized as an additional support level for commodities.
- Supply-side disruption has faded on a global scale.

Asset Class Conviction Levels

Equities	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☐	☑	☐
Switzerland	☐	☐	☑	☐	☐
China	☐	☑	☐	☐	☐
Japan	☐	☐	☑	☐	☐
Asia - Emerging Markets	☐	☐	☐	☑	☐
Others - Emerging Markets	☐	☐	☐	☑	☐

Fixed Income	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
US - Treasury Bonds	☐	☐	☑	☐	☐
Euro - Government Bonds	☐	☑	☐	☐	☐
US - Investment Grade Bonds	☐	☐	☑	☐	☐
Europe - Investment Grade Bonds	☐	☐	☑	☐	☐
US High Yield	☐	☐	☑	☐	☐
US Short Term High Yield	☐	☐	☐	☐	☑
US Loans	☐	☐	☐	☑	☐
US Municipal Bonds	☐	☐	☑	☐	☐
European High Yield	☐	☐	☑	☐	☐
European Short Term High Yield	☐	☐	☐	☑	☐
European Loans	☐	☐	☐	☑	☐
US/EUR Preferred Securities	☐	☐	☐	☑	☐
US/EUR Asset Backed Securities	☐	☐	☑	☐	☐
Emerging Market Local Currency	☐	☐	☐	☑	☐
Emerging Market Hard Currency	☐	☐	☑	☐	☐
Emerging Market High Yield	☐	☐	☑	☐	☐

Commodities	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Gold	☐	☐	☑	☐	☐
Oil (Brent)	☐	☐	☑	☐	☐

Hedge Fund: Strategies	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Equity Long-Short	☐	☐	☐	☑	☐
Credit Long-Short	☐	☐	☐	☐	☑
Event-Driven - Corporate Actions	☐	☐	☑	☐	☐
Global Macro	☐	☐	☑	☐	☐

Hedge Fund: Regional Focus	Underweight	←	Conviction Level over 6 Months Neutral	→	Overweight
Hedge Fund: North America	☐	☐	☐	☑	☐
Hedge Fund: Europe	☐	☐	☑	☐	☐
Hedge Fund: China / Japan	☐	☐	☐	☑	☐
Hedge Fund: Emerging-Markets	☐	☐	☑	☐	☐

Note: The above conviction table 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) on the one hand, but also incorporates our view on the absolute expected return versus cash on the other.

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, among other things, 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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