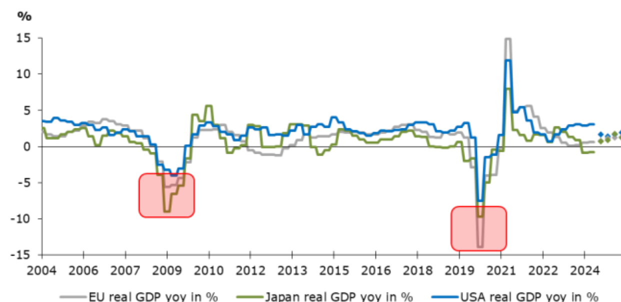
ALPINUM INVESTMENT MANAGEMENT

Quarterly Investment Letter – Q4 2024

Powell opens the dances, markets at ATH

In the third quarter, the **global economy was shaped by easing monetary policies** and evolving investor expectations. In August a **disappointing US jobs report** and the **Bank of Japan's tightening measures** led to a **sharp market unwind**, causing the VIX to spike to its highest levels since early COVID-19, a 20% drop in Japanese equities over three days, and a 75 basis points decline in the 2-year US treasury yield. Despite this upheaval, **global equities rebounded strongly**, reaching new highs in September. Disappointing US employment data was counterbalanced by other labour indicators, **robust retail sales and earnings reports**. A third consecutive surprise in lower headline inflation allowed Federal Reserve Chair Powell to adopt a dovish stance at Jackson Hole.

Chart 1: No shock wave, softer economic growth outlook



Source: Alpinum Investment Management

The **US economy slowed, increasing the risk for a mild recession in 2025**. Inflation eased in the US and Europe, though Europe struggled with services inflation. **Central banks**, including the Fed, ECB, SNB, BoC, BoE and PBoC **cut rates**, while Japan maintained its reflationary stance. **China** faced **weak demand** and **declining profitability**. (US-) Equity market valuations remained elevated, with **defensive sectors** and **high-quality fixed-income** assets **well-positioned to weather potential market corrections** amid **easing monetary policies** and the **upcoming US elections.**

Summary Points

- **A weaker US labour market** causes downward pressure on wage growth**, which softens private consumption and dampens the economic outlook.** Inflation moderated in the US and Europe.
- **In August,** disappointing US jobs figures and tightening measures from the Bank of Japan triggered **sharp market reactions**, with the VIX rising to its highest level since COVID-19.
- Despite the turbulence, **global equities bounced back robustly**, hitting new record highs.
- **Key European economies** like Germany and France **demonstrated certain resilience** in Q3, although overall growth is nowhere.
- **Major central banks**, including the Fed, ECB, SNB, BoC, BoE and PBoC **reduced interest rates**, while Japan upheld its reflationary policy stance.
- **China's economic outlook** continued to **face hurdles**, with **GDP growth slowing to 4.7%** year-over-year in Q2, down from 5.3% in Q1 and below the projected 5.1%.
- **Conclusion:** As a severe recession is not on the cards, we maintain our **positive bias on risky assets**, although we may reduce our equity exposure if economic growth weakens. **Active management is crucial in a low-growth environment** due to increased disparities among companies and sectors. We favour credit investments, particularly **loans** and **non-cyclical short-term high-yield bonds** with yields of 7-9%. While we maintain a **positive outlook for equities**, we **prefer an absolute return strategy** over a traditional relative value approach in the current market context.

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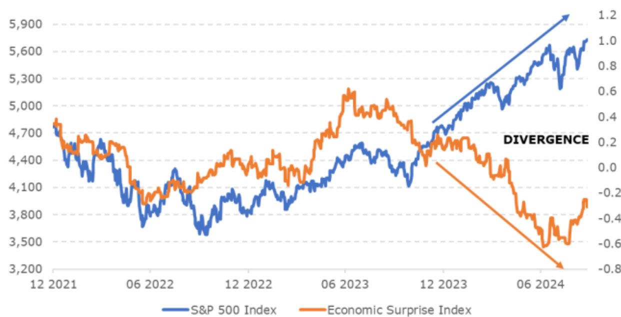
United States

The **US economy maintained strong momentum**, with real GDP growing by 3.1% in Q2, largely driven by robust government spending and continued business investment, marking 14 consecutive quarters of expansion. **The labour market is normalizing to pre-COVID trends**, with payroll gains averaging 202,000 and the unemployment rate rising to 4.2%. Despite this rise, indicators like job openings and the participation rate remain near 2019 levels, signalling a resilient labour market. **Inflation is moderating, though services-related inflation**, particularly in insurance, remains a challenge. While shelter inflation is easing, inflation is expected to stay above the Fed's 2% target for the remainder of the year, leading to a cautious approach to rate cuts. **Equity markets reflect elevated valuations**, with the S&P 500 forward P/E ratio at ~21x, suggesting lower forward returns. **Market concentration remained a significant risk** in Q3, even though nearly 70% of S&P 500 stocks outperformed the index, reversing Q2's trend where fewer than a quarter did so. Despite this broader outperformance, the market's heavy reliance on a few large-cap stocks increases vulnerability to potential negative fundamental surprises.

Chart 2: Economic surprises diverging from equity markets



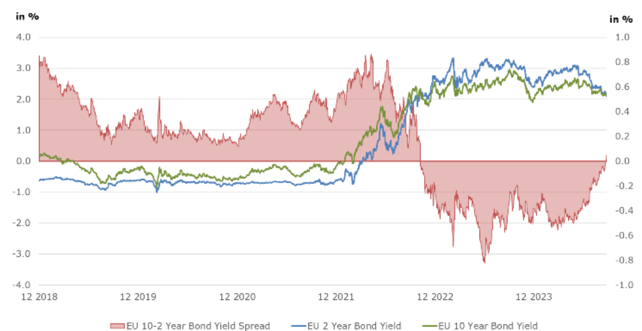
Source: Alpinum Investment Management

Despite overall optimism, **recent economic data have shown downside surprises**, signalling potential vulnerabilities in the market. The **Federal Reserve initiated its easing rate-cut cycle with a bang of 50 bps reduction** at the September 18 FOMC meeting, with markets pricing in up to eight cuts through 2025, lowering the Fed funds rate to 2.9%. Uncertainty surrounding the **presidential election is contributing to heightened volatility**, a trend typical during election years. While the economy remains resilient, slowing growth and persistent inflation create a more cautious outlook for the remainder of the year, with investor complacency towards downside risks growing.

Europe

Europe's economic outlook displayed a **cautiously optimistic yet mixed trajectory**. Major economies such as Germany and France showed resilience, though overall growth remained subdued. **Consumer confidence fluctuated**, reflecting both improvements and concerns over rising living costs and economic uncertainty. The Composite Purchasing Managers' Index (PMI) rose to 50.9 in August, up from 50.1 in July, reflecting the fastest growth in three months, driven by **stronger expansion in the services sector** (52.9), while manufacturing stagnated at 46.0, underscoring ongoing **difficulties in the industrial sector**. The **labour market remained stable**, with the Eurozone unemployment rate declining to a record low of 6.6% in July. **Inflation moderated during the quarter**, with the headline rate easing to 2.2% in August from 2.6% in July, marking the softest increase since July 2021. This decline was largely attributed to a sharp drop in energy prices (-3.0%), though inflation for services (4.2%) and food (2.4%) remained elevated. **Core inflation**, excluding energy and unprocessed food, **remained steady at 2.8%**, indicating persistent inflationary pressures in non-energy sectors.

Chart 3: Gradual normalization of the eurozone yield curve



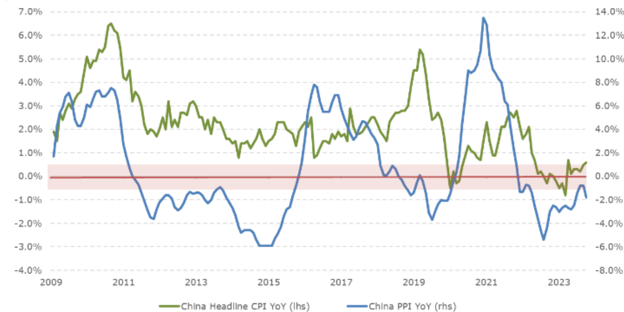
Source: Alpinum Investment Management

In response to moderating inflation, the **European Central Bank (ECB) cut its deposit rate by 25 basis points to 3.50% in September**, following a similar cut in June. Market expectations point to further rate cuts before year-end, reflecting the ECB's continued efforts to balance growth with inflation control. Equity markets in Europe experienced volatility during the quarter. The **Euro Stoxx 50** saw **sharp declines beginning of August**, followed by a rebound in the second half of the month, driven by positive economic data and anticipated monetary easing. Government bonds saw increased demand as investors sought safe-haven assets, while the **yield curve began to normalize**.

China and emerging markets (EM)

Despite some cautious optimism, **China's economic landscape faced ongoing challenges**. GDP growth decelerated to 4.7% year-over-year in Q2, down from 5.3% in Q1 and falling short of the 5.1% forecast. This slowdown reflects **ongoing struggles in the property sector**, **weak domestic demand** and **ongoing trade frictions**. The Caixin China General Manufacturing PMI improved slightly to 50.4 in August from 49.8 in July, signalling a **modest expansion in manufacturing** as new orders increased. However, **foreign demand fell for the first time this year**, indicating some external pressure. In August, China's **CPI and PPI both fell short of expectations**, reflecting worsening deflation pressures. CPI rose 0.6% year-over-year, below the forecasted 0.7%, while core CPI growth slowed to 0.3%. PPI fell -1.8%, exceeding the anticipated -1.5% decline, underscoring weak domestic demand and producers' difficulties in passing on costs. The **labour market remained stable** but exhibited signs of strain, as the unemployment rate increased to 5.3% in August, up from 5.2% in July and 5.0% in June.

Chart 4: Deflationary headwinds intensify in China



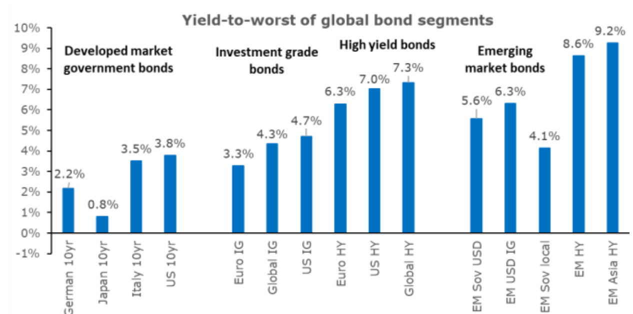
Source: Alpinum Investment Management

The People's Bank of China held the **one-year and five-year loan prime rates at 3.35% and 3.85%**, respectively, after recent rate cuts. It also reduced the seven-day reverse repo rate to 1.5% and injected CNY 234.6 billion into the banking system to boost economic support. The **yuan appreciated** from 7.27 to approximately 7.01 per dollar, reflecting a weakening US dollar. The **CSI 300 index fell 8.7% during the quarter** but quickly **regained losses** in just over a week, **driven by PBoC policy stimulus**. The **property market continued to struggle**, with new home prices dropping by 5.3% year-over-year in August.

Investment conclusions

The initial August market slump has been quickly reversed, though concerns persist about a potential economic downturn. While a **mild slowdown is likely**, **a severe recession is not on the cards**. The anticipated easing of monetary policies and a weakening USD will contribute to a **normalization of the yield curve and a subsequent economic recovery**. However, this may limit the upside potential for equity markets, which are already priced at relatively high valuations. Despite potential volatility, the **overall outlook for the market remains neutral**. The current environment **favours active portfolio management across asset classes** and supports credit markets, although selective credit risk remains a concern.

Chart 5: Yield-to-worst of global bond segments



Source: Alpinum Investment Management

Bonds: The **global shift towards looser monetary policies**, excluding Japan, contrasts with commercial banks' continued tightening of credit conditions, hindering corporate borrowing. While default rates have risen slightly, selective credit opportunities remain.

Equities: Equity valuations seem reasonable considering lower interest rates and moderate growth prospects. **Limited upside potential exists**, particularly for large US equities with high valuations.

A blended investment style is advised, as we maintain a **positive outlook for US treasuries** and **short-term high-yield bonds**, and **a neutral outlook for equities**. In the credit market, we anticipate a **modest increase in default rates**, leading to slightly elevated levels. However, we consider **current credit spreads to be relatively tight,** but still aligned with the broader economic outlook, providing a reasonable risk-reward profile for investors.

Market Consensus Forecasts

GDP growth (%)	2022	2023	2024e	2025e
World	3.5	3.0	3.0	3.0
United States	1.9	2.5	2.6	1.8
Eurozone	3.4	0.5	0.7	1.3
Germany	1.8	-0.1	0.0	0.9
France	2.5	0.9	1.1	1.1
Italy	4.0	0.7	0.8	1.0
United Kingdom	4.5	0.3	1.1	1.4
Switzerland	2.7	0.8	1.4	1.5
Japan	1.0	1.9	0.0	1.2
Emerging economies	2.5	3.9	4.0	4.3
Asia Ex-Japan	4.1	4.6	4.6	4.6
Latin America	3.9	1.8	1.9	2.5
EMEA region	1.8	2.4	2.8	2.7
China	3.0	5.2	4.8	4.5
India	9.7	7.0	7.8	6.9
Brazil	3.0	3.0	3.0	2.0
Russia	-1.2	3.3	3.5	1.5

Inflation (%)	2022	2023	2024e	2025e
World	8.7	6.0	4.6	3.5
United States	8.0	4.1	2.9	2.2
Eurozone	8.4	5.4	2.4	2.1
Germany	8.6	6.0	2.4	2.1
France	5.9	4.9	2.4	1.8
Italy	8.7	5.8	1.1	1.7
United Kingdom	9.1	7.3	2.6	2.3
Switzerland	2.8	2.1	1.2	1.1
Japan	2.5	3.3	2.5	2.0
Emerging economies	6.4	5.8	6.7	3.7
Asia Ex-Japan	3.1	1.1	1.0	2.0
Latin America	18.2	23.9	32.5	9.7
EMEA region	21.3	19.3	15.6	9.2
China	2.0	0.2	0.5	1.4
India	6.7	6.6	4.8	4.5
Brazil	9.3	4.6	4.3	3.7
Russia	13.8	6.0	8.0	5.5

Central bank rates (%)	2022	2023	2024e	2025e
US Fed Funds	4.50	5.50	4.50	3.35
ECB Main Refinancing	2.50	4.50	3.35	2.45
China 1yr Best Lending	4.35	4.30	n.a.	n.a.
Bank of Japan Overnight	-0.02	0.00	0.30	0.70
UK Base Rate	3.50	5.25	4.70	3.65
Swiss 3mth CHF	n.a.	1.00	1.00	0.50

Commodities	2022	2023	2024e	2025e
NYMEX WTI oil USD/barrel	74	77	71	69
ICE Brent oil USD/barrel	78	81	75	73
Iron Ore USD/metric ton	118	111	106	100
Copper USD/metric ton	8372	9413	10129	10307
Gold USD/troy oz	1824	2401	2740	2843
Silver USD/troy oz	24.0	28.8	33.4	34.7

Major interest rates (%)	2022	2023	2024e	2025e
USA 3mth rate	4.8	5.4	4.3	3.1
USA 10yr gov't bonds	4.4	4.6	3.5	3.1
Eurozone 3mth rate	3.9	4.1	3.7	3.7
Eurozone 10yr gov't bond	2.1	4.0	3.2	2.3
China 3mth rate	2.7	3.0	2.3	2.0
China 10yr gov't bond	2.6	2.6	2.2	2.2
UK 3mth rate	2.4	2.4	1.9	1.6
UK 10y gov't bond	2.3	2.4	1.5	1.4
Swiss 3mth rate	2.8	2.6	2.1	2.1
Swiss 10y gov't bond	0.0	0.1	0.5	0.8

Exchange rates	2022	2023	2024e	2025e
EURUSD	1.07	1.07	1.11	1.13
EURCHF	0.99	0.96	0.95	0.98
USDCHF	0.92	0.90	0.86	0.88
EURJPY	140.40	159.00	158.00	154.00
EURGBP	0.89	0.87	0.84	0.84
USDJPY	131.12	149.00	142.00	135.00
GBPUSD	1.21	1.23	1.32	1.35
USDCNY	6.90	7.23	7.10	7.00
USDBRL	5.28	4.99	5.40	5.30
USDRUB	74.19	90.00	92.75	102.30

Performance table

		Performance		
Global equity markets	Price	Q3	Ytd Q3	Div.yld
MSCI World (USD)	3723	6.0%	17.5%	1.8
MSCI World (USD) hedged	2007	4.9%	19.3%	n.a.
S&P 500	5762	5.5%	20.8%	1.3
Russell 1000	3145	5.7%	19.9%	1.3
Nasdaq 100	20061	1.9%	19.2%	0.8
Stoxx Europe 600	523	2.2%	9.2%	3.4
MSCI Emerging Markets	1171	7.8%	14.4%	2.6
Nikkei 225	37920	-4.2%	13.3%	1.8
China CSI 300	4018	16.1%	17.1%	2.6

	Forward		EPS growth	
Equity market valuations	PE	PB	2024e	2025e
MSCI World (USD)	20.9	3.3	5%	12%
MSCI World (USD) hedged	n.a.	n.a.	n.a.	n.a.
S&P 500	24.2	4.8	7%	15%
Russell 1000	24.6	4.7	5%	16%
Nasdaq 100	31.2	7.5	15%	27%
Stoxx Europe 600	14.6	2.0	-5%	8%
MSCI Emerging Markets	14.2	1.6	19%	16%
Nikkei 225	21.2	2.0	49%	12%
China CSI 300	14.7	1.6	2%	13%

		Performance		
Global gov't bonds	Yield	Q3	Ytd Q3	YtW
10yr US Treasury	3.78	5.7%	4.3%	n.a.
10yr Euro gov't bond	2.12	4.5%	2.2%	n.a.
10yr German gov't bond	2.12	3.7%	1.2%	n.a.
10yr Italian gov't bond	3.45	6.5%	5.6%	n.a.

		Performance		
Global bond indices	Price	Q3	Ytd Q3	YtW
Barclays Global Corporate IG	287	6.3%	5.3%	4.3
Barclays US Corporate IG	3392	5.8%	5.3%	4.7
Barclays Euro Corporate IG	256	3.3%	3.8%	3.2
Barclays Emerging Market USD	1267	5.8%	8.2%	6.3
Barclays US Corporate HY	2678	5.3%	8.0%	7.0
Barclays Pan-European HY	470	3.7%	7.0%	6.3

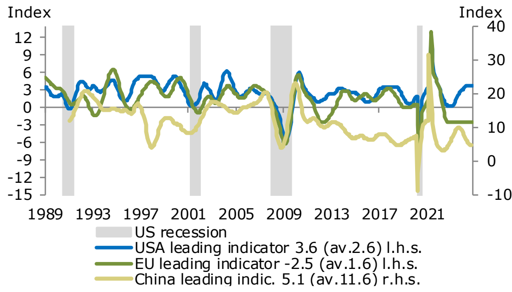
		Performance	
Commodities and currencies	Price	Q3	Ytd Q3
Brent oil	72	-18.0%	-6.8%
US Energy Services	76	-10.5%	-8.9%
Copper	9716	10.6%	14.5%
Gold	2635	13.2%	27.7%
EURUSD	1.11	3.9%	0.9%
EURCHF	0.94	-2.2%	1.4%

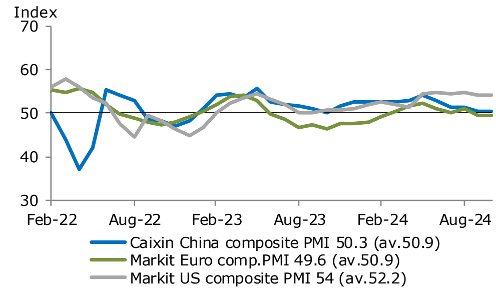
Source: Alpinum Investment Management (additional sources in appendix)
Note: Q3 = data as of 30 September 2024 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

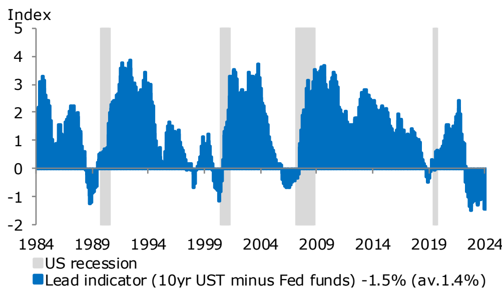
Leading indicators and manufacturing

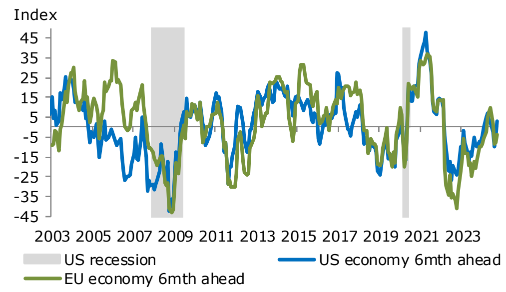
Source: Alpinum Investment Management



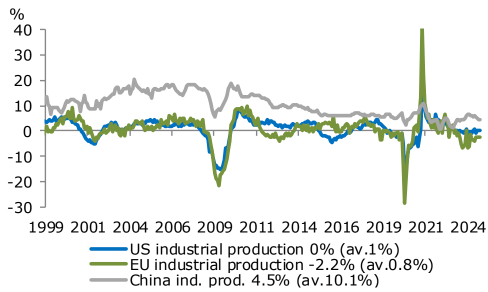


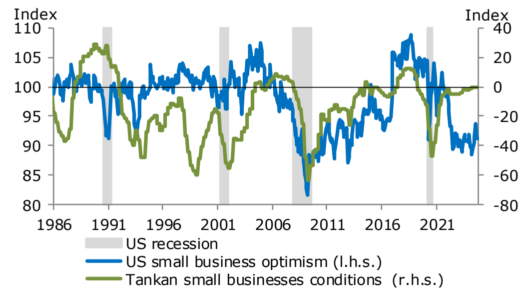
Recession indicator



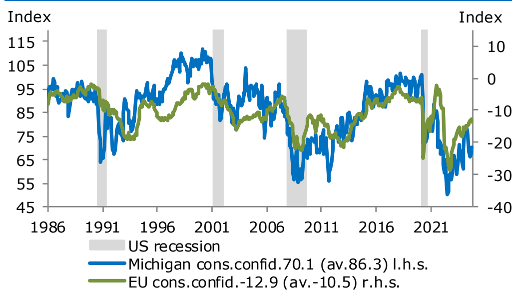


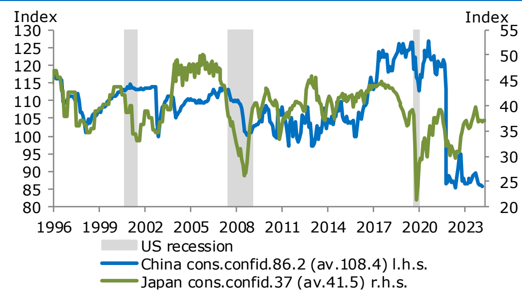
Industrial production and small businesses



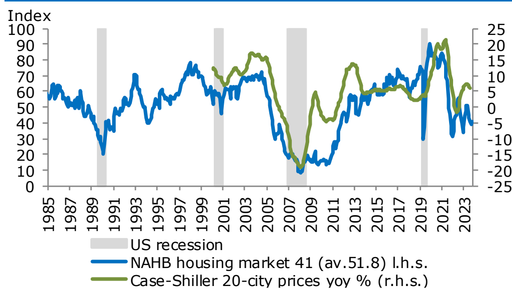


Consumer confidence





Housing market



Source: Alpinum Investment Management (additional sources in appendix)

Scenario Overview 6 Months

Base case 75%

- **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 and challenge the persistency of companies' profit margins. High absolute interest rates and geopolitical tensions remain the key concern for the economic outlook and constrain private investments. As house prices have risen slightly and wages are still going up by ~4% YoY, consumption 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 increased input prices, high rates, impact of war. But continuing fiscal impulse, solidarity payments, defence spending and a reasonable absolute interest level are supportive.
- **China:** GDP grows towards 4-5% 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 ~21. We recommend a balanced approach in terms of equity style.
- **Interest rates:** Positive bias on rate exposure, but a second wave of inflation is a risk. 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 an increase of corporate default rates towards 3-4%. We prefer loans, short-term HY, senior exposure in structured credit and on a selective basis, also some Emerging Debt-local exposure and low-duration IG bonds.
- **Commodities/FX:** USD faces some weakness with a lower rates path ahead. Energy gets support from OPEC/limited supply; structural higher inflation supports the commodities bloc.

Bull case 15%

- **US:** Sub-par GDP growth rate of 2-3% (4-6% nominal). Fed succeeds and inflation decelerates. Supply chain issues are resolved and consumer spending remains robust, supported by continued wage increases. Energy prices don't overshoot, firms keep capex alive. Economy transitions into a "new normal".
- **Europe:** Temporary growth halt & avoiding broad 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 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 higher 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 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 10%

- **US:** Mild recession with the risk of lasting longer, but still positive nominal GDP growth. Low unemployment rate combined with resilient inflation kicks off a slight wage-price spiral. Fed rate cuts disappoint in size.
- **Europe:** Moderate recession with a risk of lasting economic weakness due to war/geopolitics. No sustained recovery of international tourism. Peripherals suffer from yield increases and Germany from higher (energy) 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 the 2024-YTD gains. Highly priced US equities and cyclicals will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates drop (yield curve inverses anew), 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 a safe haven 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 stabilizing house prices provide support to US consumption and corporates' revenues as a consequence.
- A negative factor for equities remains the "competition" of other asset classes, namely the positive real rates of US Treasuries or HY bonds yielding ~7% 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 ~21 translates into an earnings yield of only 4.8%. If negative earnings surprises come up, US equities are very vulnerable.
- Market consensus estimates that US earnings will grow around 9% in 2024 and 15% in 2025, which poses a risk for disappointment.
- Military conflict leads to more structural inflation pressure (less globalization/productivity, less efficient/safe supply chains, more protectionism).
- US equities incorporate advanced valuations compared to 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

- **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 still appealing. Peak rates in Fed funds are behind us; however, inflation is not yet fully tamed. We have a slight positive bias in duration. Duration acts as a valuable portfolio diversifier.
- **IG:** We hold minimal US investment grade bonds and only selective European IG bonds. A 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 caution is still warranted should fund flows turn negative again. As the USD strength starts to fade, selective local currency bonds gain our attention.

Comment

- With the stress in the banking system in H1 2023 and the provoked regulatory actions, borrowing costs are still elevated.
- Short-term rates will drop further, but the cuts are merely priced in.
- ECB and Fed kicked off the cutting cycles. Markets expect a terminal level of 2% and 3% respectively.
- Credit spreads look fairly valued in general. Current spread levels compensate for a soft economic outlook, but not for a recession. Corporate default rates increase towards long-term average levels of 3-4%.
- We like the structured credit market, such as selective US non-agency RMBS or European CLOs.
- Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans).
- We also identify attractive yield in new alternatives, but selection and a proper liquidity management are paramount.

Alternatives

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short strategies benefit from high volatility and 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-globalization (protective measures), supply-side constraints and the recent cyclical economic uptick.
- Gold benefits when real and/or nominal interest rates fall and vice versa; currently a tailwind for gold.

Comment

- Elevated inflation is beneficial for commodity prices, but a softer 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 reflects on the one hand our view on the relative expected return of an asset class versus well-recognized benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities), but on the other hand also incorporate our view on the absolute expected return versus cash.

Appendix: Data and Price Sources

Alpinum Investment Management
Bank of America Merrill Lynch indices
Bloomberg
Federal Housing Finance Agency
Federal Reserve Bank of St. Louis
J.P. Morgan
Markit CDS indices
Moody's Investors Service
Palmer Square indices
Preqin
S&P
The Federal Reserve
US Census Bureau

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