

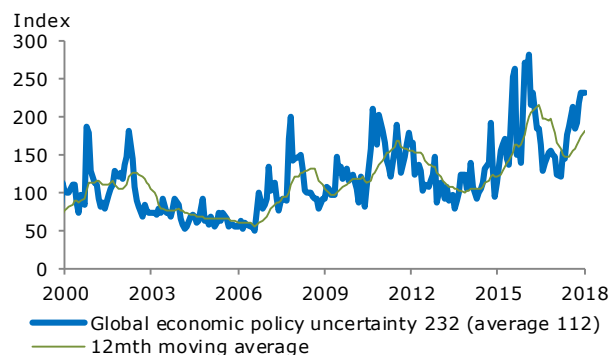
Quarterly Investment Letter – Q1 2019

Defensive stance, while opportunities open up

Q4 2018 was all about protecting capital. **Q1 2019 will offer attractive opportunities to redeploy capital, but patience and discipline should act as a guide.**

The development of the **US/China trade conflict** and the **US Fed's monetary policy** are the two dominant macroeconomic factors to focus on in Q1 2019. **On the political front we focus on two events**, which are both taking place in Europe. The first event is the **Italian government's** row with the European Commission over its budget and the second event is the deadline for the **UK to officially leave the EU** on March 29, 2019.

Chart 1: Global economic policy uncertainty



Source: Bloomberg Finance L.P., Alpinum Investment Management

United States

Market consensus for gross domestic product growth (GDP) in the US is expected to reach 2.9% in 2018 and to slow down slightly to 2.6% in 2019.

We share the market's view of a growth slowdown but differ in regard to the potential extent and speed of the slowdown. Our reasons are based on the US Fed's rate hikes and typical late cycle investment behaviour, called "anchoring". Other factors that add to economic headwinds are the fading benefits of Donald Trump's tax cuts and the trade war between the US and China.

Summary Points

- Slowing economic growth in the U.S. and Europe is a fact. We admit the risk, that the current sharp market sell-off could front run the real economy and increase the speed of an economic softening.
- The US/China trade conflict and the US Fed's monetary policy are the two dominant macroeconomic factors to be focused on in Q1 2019.
- It is hard to see how the Eurozone could decouple from the US and surprise on the upside, taking into account protests in France, the Italian budget and Brexit.
- US/China trade-war-related uncertainties will increase again, should negotiations fall short of what is necessary to meet the March 1, 2019 deadline.
- The world enters a low growth environment with the risk of a shallow recession. That said, the west looks partly ill-prepared to deal with a recession.
- **Conclusion:** A defensive stance is warranted for the time being. It is too early to buy into the weakness, although, some opportunities start to show up, especially in credit as well as in selective equity markets.

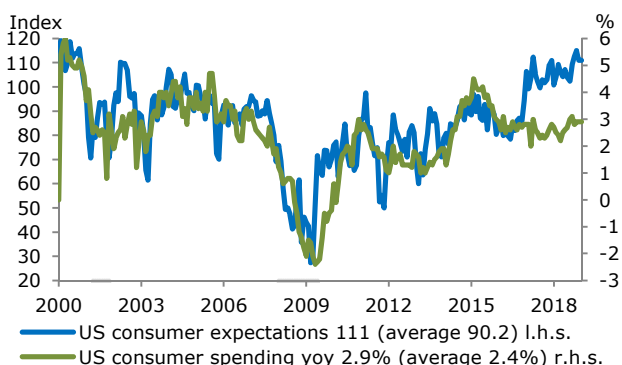
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In 2018 the US Fed raised interest rates four times from 1.5% to 2.5%. Although economic momentum may justify higher interest rates, it undoubtedly will also slow the economy. **Indicators we follow** and examples of increasing headwinds to the US economy are **homebuilder sentiment**, which fell to the lowest level since 2015, the opening gap between US consumer expectations and **US consumer spending** (chart 2) and the possible inversion of the yield curve. In 2019, **the US Fed will have to slow if not stop rate hikes or the yield curve will invert**. Historically, yield curve inversions have preceded many of the US recessions. Currency markets have already started to adjust to a more dovish US Fed and market consensus forecasts for the EUR/USD are at 1.20 per end of 2019.

“Anchoring” is a term used in behavioural finance and **should not be underestimated**, especially during troughs and peaks of an economic cycle. “Anchoring” is a cognitive bias that occurs when economists and analysts need to form growth estimates. They typically start off with an initial value, “anchor” too much on the initial value and make insufficient adjustments. To give an example: since Q1 2016, US earnings growth (quarter-on-quarter) has been rising from -6.7% to a peak of +28% in Q3 2018. **Economists and analysts tend to anchor their forecasts on the most recent numbers and often lag** in adjusting their numbers to a slower growth environment. This leads to negative surprises, downward revisions and negative market reactions. **We believe we are in such an “adapt to reality” market environment.**

Chart 2: US consumption vs spending – a gap has opened



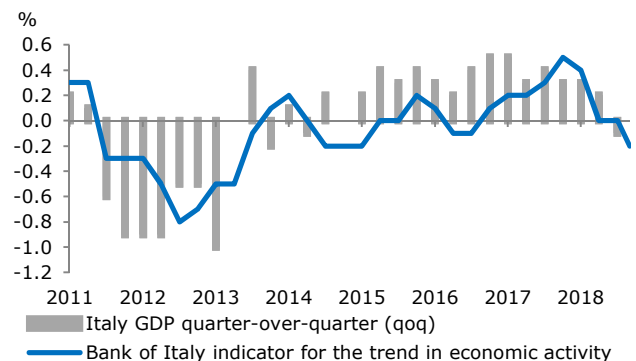
Source: Bloomberg Finance L.P., Alpinum Investment Management

Europe

The herald of a slowdown in the Eurozone is Germany’s Q3 GDP growth, which declined by -0.2%. The October/November PMI indicators came in

lower than expected, making a sharp growth rebound in Q1 2019 unlikely. Market consensus for Eurozone GDP growth is expected to decrease from 1.9% in 2018 to 1.6% in 2019. In light of peaking growth elsewhere, Europe’s dependency on exports and inner political issues, it is **hard to see how the Eurozone could decouple from the US and surprise on the upside**. The most pressing points going into 2019 are the “Yellow Vest” protests in France, the Italian budget and Brexit. The “Yellow Vest” protests started in November 2018 over rising fuel prices. Since then they have morphed into mass demonstrations, hurting Christmas retail sales and contributing to a decline in consumer confidence. The **protests will not be without economic impact**. President Macron’s concessions cost around EUR 10bn and without new spending cuts, France is likely to breach the EU’s budget deficit ceiling next year. This maybe one of the reasons, why **Italy and the European Commission have found a compromise** over Italy’s spending plans. The budget now foresees a deficit of 2%, instead of 2.4%. The achievements are remarkable as only one month ago, the European Commission estimated that the deficit could be close to 3%. The compromise is partly based on more sales of state-held real estate assets and privatisations. **Italy’s economic activity is trending down** (chart 3) and budget forecasts are unlikely to incorporate a big enough buffer to shield from negative surprises. As a reminder, **Italian government debt** amounts to around EUR 2trn, or **130% of GDP**. It would not take much to set off a new crisis, which would be extremely difficult to control.

Chart 3: Italy gross domestic product (GDP) decreasing



Source: Bloomberg Finance L.P., Alpinum Investment Management

Japan

Year-to-date the Nikkei 225 is down -10.2% in USD terms and has outperformed the MSCI World, which is down -11.5%. Going into 2019, **Japan faces**

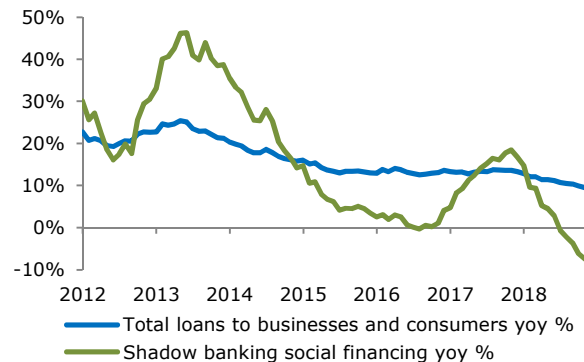
fewer micro and macro-economic issues and its economy seems to be on a more stable path compared to the US, Europe and China. GDP growth expectations for 2019 are 1% (same as for 2018). Japan may be more stable as investors know what they can expect from the Bank of Japan (BOJ). The BOJ will hold short-term rates in negative territory and the 10-year Japanese government bond yield at close to 0% for the foreseeable future. Going into Q1 2019, **the economy should broadly maintain its momentum**, indicated by the purchasing manager index, which was stable in October/November at 52.5 points. Growth momentum should be further supported by increased investments for the Tokyo Olympics in 2020. One of the domestic downside risks is the planned consumption tax increase.

China and emerging markets

Market consensus for China's GDP growth is expected to reach 6.2% in 2019, which adds around USD 1.5tr to the global economy (approximately the size of the Russian economy). Needless to say, **China's well-being is essential** to commodity producers in emerging markets and final demand in the developed world. Key for Q1 2019 and beyond will be **US/China trade-war-related uncertainties and China's balancing act to deleverage its economy**. After the G-20 meeting in November 2018, President Trump set China a deadline until March 1, 2019, to negotiate a trade agreement and progress in areas, such as forced US technology transfer, intellectual property protection and US access to China's domestic economy. If no progress is made, the US will increase tariffs from 10% to 25% on goods worth USD 200bn. As the timeline is very short and negotiations complex, it is possible that **negotiations will fail**. Trade implications are already felt now, as companies bring forward imports and rethink their supply chains. To illustrate Xi Jinping's position and how he wants to move up the value chain, he once said **"for a country to generate wealth and prosper, research and development needs to be in the country"**. The second key topic is China's balancing act to shift away from debt-fuelled growth. Year-on-year growth in social financing (chart 4) has collapsed and loan growth is also decreasing. This maybe more than is needed and there is a reason for that. We believe that the **Chinese government is willing to accept lower growth** throughout 2019, to have enough in reserve to stimulate the economy at the end of 2019 and throughout 2020. **2021 will be very important** as the Chinese Communist Party

will celebrate its 100th anniversary. In the end, the party secures its power through economic prosperity and to "lose face" is not an option.

Chart 4: Social financing collapsing and loans declining



Source: Bloomberg Finance L.P., Alpinum Investment Management

Investment conclusions

The good news is that **growth is unlikely to fall off a cliff** and a shallow recession would not be unusual after a decade of growth. The bad news is that the **developed markets**, in particular Europe and Japan, are **ill-prepared to deal with a recession**. Another risk is that the recent sell-off in asset prices could spill over into the real economy and start a vicious circle. Market capitulation has not occurred yet. **We maintain our defensive positioning and will be patient and selective to redeploy capital again.**

In **fixed income**, credit markets are expected to remain under pressure in the short term, as a general credit spread widening to more reasonable valuations was a much needed adaption in reflecting a "late cycle" economy. While we expect corporate default rates to increase, we do not foresee a spike as interest rates remain in general at low levels. In this environment, US duration exposure serves as a hedge and selective credit exposure starts to show very attractive valuations, especially in syndicated loans, after the recent market correction. Once markets start to stabilize, we will also consider increasing our fixed income exposure in Asian investment grade and high yield bonds.

In **equities**, it is less about country selection but more about sector selection. In Q1 2019, we consider risk/return to be best in **defensive sectors**, such as health care, consumer staples, utilities, telecom and real estate.

Market Consensus Forecasts

GDP growth (%)	2016	2017	2018e	2019e	Inflation (%)	2016	2017	2018e	2019e
World	3.3	3.7	3.7	3.5	World	2.8	3.2	3.3	3.3
United States	1.6	2.2	2.9	2.6	United States	1.3	2.1	2.4	2.2
Eurozone	1.9	2.4	1.9	1.6	Eurozone	0.2	1.5	1.8	1.7
Germany	2.2	2.2	1.6	1.6	Germany	0.4	1.7	1.9	1.8
France	1.2	2.2	1.6	1.6	France	0.3	1.2	2.1	1.7
Italy	1.1	1.6	1.0	0.9	Italy	-0.1	1.3	1.3	1.4
United Kingdom	1.8	1.8	1.3	1.5	United Kingdom	0.7	2.7	2.5	2.1
Switzerland	1.6	1.6	2.8	1.7	Switzerland	-0.4	0.5	1.0	1.0
Japan	0.6	1.9	0.9	0.9	Japan	-0.1	0.5	1.0	1.1
Emerging economies	4.4	4.9	5.0	4.9	Emerging economies	4.5	3.4	3.6	3.7
Asia Ex-Japan	6.1	6.2	6.0	5.7	Asia Ex-Japan	2.3	1.9	2.4	2.5
Latin America	-1.0	1.9	1.2	2.3	Latin America	11.8	6.4	n.a.	n.a.
EMEA region	1.7	3.5	2.8	2.3	EMEA region	5.8	5.8	5.8	6.5
China	6.7	6.9	6.6	6.2	China	2.0	1.6	2.2	2.3
India	8.2	7.1	7.5	7.3	India	5.0	3.3	4.3	3.8
Brazil	-3.3	1.1	1.3	2.5	Brazil	8.8	3.5	3.7	4.0
Russia	-0.2	1.5	1.6	1.5	Russia	7.1	3.7	2.9	4.9

Central bank rates (%)	2016	2017	2018e	2019e	Commodities	2016	2017	2018e	2019e
US Fed Funds	0.75	1.50	2.50	3.05	NYMEX WTI oil USD/barrel	56	57	50	52
ECB Main Refinancing	0.00	0.00	0.00	0.10	ICE Brent oil USD/barrel	58	63	58	58
China 1yr Best Lending	4.35	4.35	4.35	4.30	Iron Ore USD/metric ton	78	72	68	64
Bank of Japan Overnight	-0.06	-0.06	-0.10	0.00	Copper USD/metric ton	5536	7247	5924	5947
UK Base Rate	0.25	0.50	0.75	1.15	Gold USD/troy oz	1152	1303	1302	1338
Swiss 3mth CHF Libor	-0.75	-0.75	-0.75	-0.55	Silver USD/troy oz	15.9	16.9	16.0	16.5

Major interest rates (%)	2016	2017	2018e	2019e	Exchange rates	2016	2017	2018e	2019e
USA 3mth rate	1.0	1.7	2.7	3.2	EURUSD	1.05	1.20	1.15	1.20
USA 10yr Gov't Bonds	2.4	2.4	3.1	3.3	EURCHF	1.07	1.17	1.14	1.16
Eurozone 3mth rate	-0.3	-0.3	-0.3	-0.1	USDCHF	1.02	0.97	1.00	0.98
Eurozone 10yr Gov't Bond	0.2	0.4	0.5	0.9	EURJPY	123.00	135.28	130.00	131.00
China 3mth rate	n.a.	n.a.	3.1	2.7	EURGBP	0.85	0.89	0.88	0.88
China 10yr Gov't Bond	3.1	3.9	3.4	3.3	USDJPY	117.00	112.62	113.00	108.00
UK 3mth rate	0.4	0.5	0.8	1.3	GBPUSD	1.24	1.35	1.30	1.35
UK 10y Gov't Bond	1.2	1.2	1.5	2.0	USDCNY	6.95	6.51	6.95	6.80
Swiss 3mth rate	-0.7	-0.7	-0.7	-0.5	USDBRL	3.26	3.31	3.78	3.85
Swiss 10y Gov't Bond	-0.2	-0.1	0.0	0.4	USD RUB	61.60	57.98	66.58	67.00

Performance table

Global equity markets	Price	Performance		
		Q4	2018	Div.yld
MSCI World (USD)	1884	-13.7%	-10.4%	2.9
MSCI World (USD) hedged	876	-12.9%	-6.6%	n.a.
HFRX Global Hedge Fund	1190	-5.6%	-6.7%	n.a.
S&P 500	2507	-14.0%	-6.2%	2.3
Russell 1000	1384	-14.3%	-6.6%	2.2
Nasdaq 100	6330	-17.0%	-1.0%	1.3
Stoxx Europe 600	338	-11.9%	-13.2%	4.2
MSCI Emerging Markets	966	-7.8%	-16.6%	3.3
Nikkei 225	20015	-17.0%	-12.1%	2.3
China CSI 300	3011	-12.5%	-25.3%	3.3

Global gov't bonds	Yield	Performance		
		Q4	2018	YtW
10yr US Treasury	2.68	3.8%	0.9%	n.a.
10yr Euro gov't bond	0.24	1.8%	1.3%	n.a.
10yr German gov't bond	0.24	2.0%	2.7%	n.a.
10yr Italian gov't bond	2.74	4.0%	-2.2%	n.a.

Global bond indices	Price	Performance		
		Q4	2018	YtW
Barclays Global Corporate IG	250	-0.8%	-3.6%	3.4
Barclays US Corporate IG	2829	-0.2%	-2.5%	4.2
Barclays Euro Corporate IG	244	-0.6%	-1.3%	1.3
Barclays Emerging Market USD	1069	-0.2%	-2.5%	6.1
Barclays US Corporate HY	1909	-4.5%	-2.1%	8.0
Barclays Pan-European HY	368	-3.7%	-3.6%	5.3

Equity market valuations	Forward		EPS growth	
	PE	PB	2018e	2019e
MSCI World (USD)	13.7	2.0	15%	15%
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	14.8	2.7	19%	17%
Russell 1000	15.0	2.7	19%	18%
Nasdaq 100	17.4	4.7	20%	21%
Stoxx Europe 600	12.3	1.5	4%	22%
MSCI Emerging Markets	10.8	1.4	10%	7%
Nikkei 225	14.4	1.5	6%	-4%
China CSI 300	9.5	1.3	5%	20%

Commodities and currencies	Price	Performance	
		Q4	2018
Brent oil	54	-35.0%	-19.5%
US Energy Services	81	-46.1%	-46.1%
Copper	5961	-4.8%	-17.4%
Gold	1282	7.5%	-1.6%
EURUSD	1.15	-1.2%	-4.5%
GBPUSD	1.28	-2.1%	-5.6%

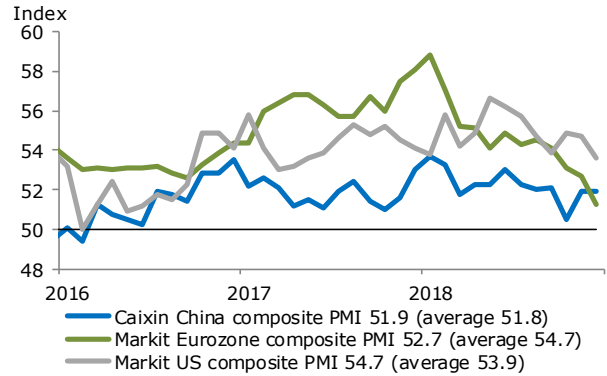
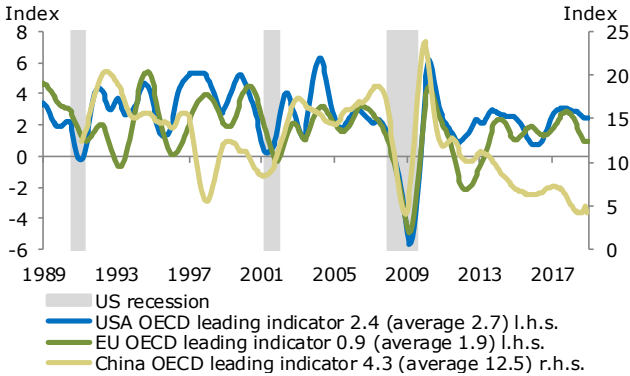
Source: Bloomberg Finance L.P., Alpinum Investment Management

Note: Q4 = market data as of Dec 31, 2018 / PE=price-earnings / PB=price-book / EPS=earnings / YtW=yield-to-worst

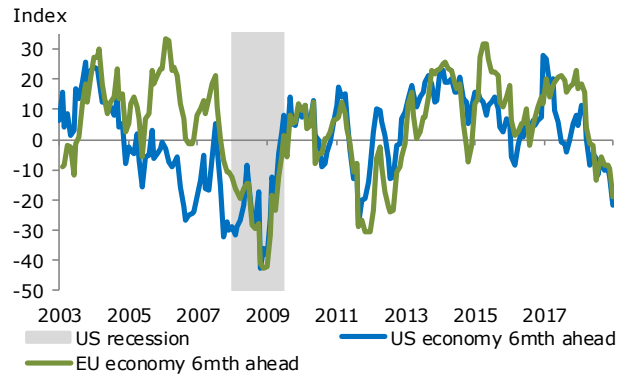
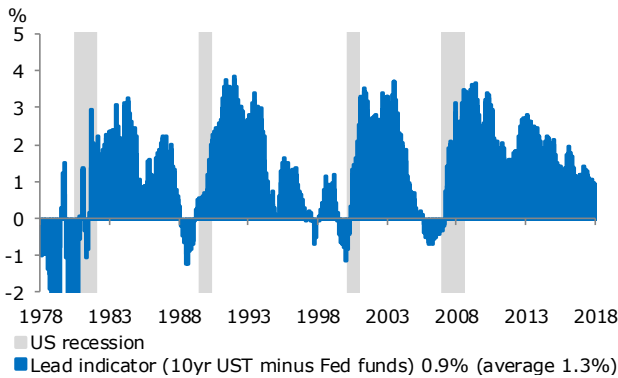
Key Charts

Leading indicators and manufacturing

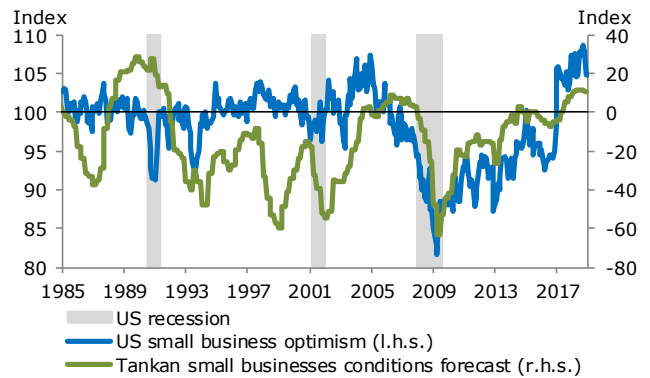
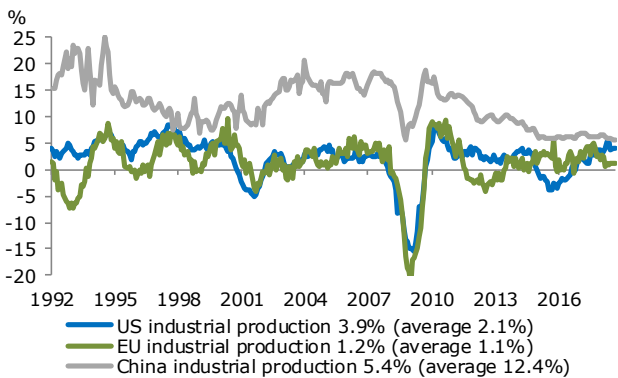
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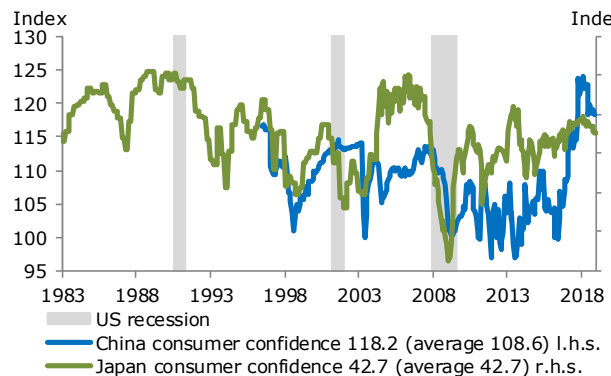
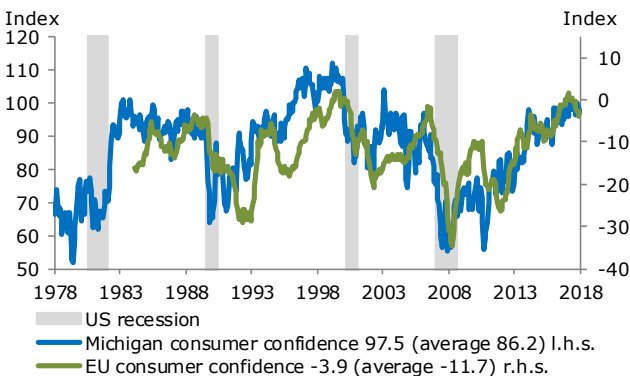
Recession indicator



Industrial production and small businesses



Consumer confidence



Scenario Overview 6 months



Base case 75%

- **US:** GDP grows around ~2% p.a. and the recession risk remains low for the next 6 months. Government spending is still up and supportive. Private consumption is supported by a very robust labour market and rising house prices. Corporates benefit from fiscal stimulus, but capex tends to be capped due to the uncertainties around the trade conflict.
- **Eurozone** GDP growth is weakening towards 1% and we could even see a technical recession in selective EU countries. The ECB keeps its supportive stance in H1 2019. Politics will likely slow economic dynamics and dampen investor sentiment.
- **China** struggles with US trade policies but GDP growth remains on track with ~6%.
- **Oil:** Brent remains volatile and the prices are capped on the upside due to OPEC cuts and ramp up of US shale oil production.

Investment conclusions

- **Equities:** In anticipation of a low growth economy, combined with moderate equity multiples, equities seem fairly valued. But as we operate in a late cycle economy, the potential for a large equity market rebound is limited and volatility is expected to stay elevated with current trade tensions. We underweight EU equities, but overweight selective emerging market equity exposure. We would consider adding equities, if we saw a market capitulation behavior.
- **Interest rates:** Duration exposure is still not attractive, but serves tactically as a tail hedge.
- **Credit:** Credit spreads will further widen in the short term, but valuations are selectively attractive. We favour USD short term high yield, Asian investment grade and European loan exposure.
- **Commodities/FX:** We expect general prices to remain volatile (bias up) and USD robust.



Bull case 10%

- **US:** Economic activity levels off towards 2.5-3% based on strong consumption and a deal is found in the U.S./China trade conflict. Wage growth, euphoric consumer sentiment and regained confidence leads to more capex.
- **Europe** profits from economic momentum in the US and there is no hard Brexit in March 2019. The ECB stays put despite stronger economic growth.
- **China/EM:** President Trump tones down his rhetoric against China and a deal is found. Investors are taken by surprise, which leads to a rebound in Asia and emerging markets in general.

Investment conclusions

- **Equities:** Global equities get a lift and the tide raises all the boats. Markets that were beaten down the most, get the largest boost, except for Europe.
- **Interest rates:** Rates will go back in acceleration mode. Avoid duration risk in the US and Europe.
- **Credit:** Corporate default rates remain below historic averages and give support to loans and high yield. Asian high yield will rally.
- **Commodities/FX:** Support for commodity bloc, EUR accelerates and EM currencies stabilize.



Bear case 15%

- **US:** Softer GDP growth rate of <1.5% or even a mild recession in H2 2019. US real wage growth gains momentum, leading to higher inflation and interest rates. US Fed stays hawkish for too long and hikes rates more than expected. US earnings growth drops due to higher rates/higher USD, lower profit margins and trade conflict with China.
- **Europe:** Politics remains a mess with Brexit and Italy. Investors lose faith and Italian long-term yields rise far above GDP growth (EU confidence crisis 2.0).
- **China/EM:** China weakens RMB and refrains from large stimulus programs. GDP grows < 6% p.a.

Investment conclusions

- **Equities:** Negative for equities, whereby higher priced US equities would lead the correction.
- **Interest rates:** Gradual Fed rate increases come to a halt, which supports the economy and high quality assets (US Treasuries, A and AA corporate bonds or agency bonds).
- **Credit:** Widening credit spreads cause further negative returns for credit sensitive assets, such as high yield bonds. Default rates increase to a level of ~5% p.a.
- **Commodities/FX:** Negative for commodity bloc, but USD remains relatively robust.

Tail risks

- An Italian sovereign debt crisis leading to major upheavals in the Eurozone.
- US/China military conflict in the South China Sea.
- Iran closing the Strait of Hormuz, leading to an oil price shock.
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities	Comment
<ul style="list-style-type: none"> Despite the recent sharp sell-off of US equities, they still incorporate advanced valuations compared to other regions. However, the outlook is also more favourable with a higher earnings growth outlook and tax cut benefits. Hence, a valuation premium is warranted. Overall, we have a neutral stance for equities over the next 6 months, but expect further weakness in the short term. Should markets face another sharp leg down, we tend to buy opportunistically, but will be disciplined. 	<ul style="list-style-type: none"> PE multiples have largely adjusted downwards and start to look attractive on a relative basis versus high grade bonds. As we do not expect multiples to expand in a late cycle economy, equity performance remains linked to earnings growth, which is currently challenged by the softening economic outlook. Equity re-pricing is capped by the fact that we are in a late cycle. After the recent sell-off, company and sector selection is key.
Credit/Fixed Income	Comment
<ul style="list-style-type: none"> Rates: Given the economic softness, the outlook for interest duration has changed as well. Structurally, we still consider duration risk as unattractive. At the same time it serves as a great diversifier in the current market environment. We favour long term US Treasuries or Australian government bonds. IG: It is too early to buy US investment grade bonds. We also avoid European IG bonds. Asian IG bonds trade at attractive valuations. High Yield: US loans and high yield bonds face high selling pressure. Avoid to buy the dip too early, as the market will soon offer attractive entry points. European loans are also experiencing headwinds, but are less "flow driven" and remain fundamentally sound. We favour selective non-cyclical US short-term bonds which yield around ~5.5%. Emerging Debt: Emerging market bonds offer pockets of opportunities after the sell-off. Be very selective in local currency bonds. In hard currency bonds, we favour Asia over the rest of emerging markets. 	<ul style="list-style-type: none"> The economic outlook is softening and this will cap the potential for further US interest rate hikes in 2019. Supply/demand technicals and fund flows are currently negative for credit related investments. Hence, we expect a further credit widening and falling bond prices in the short term. The current credit spread widening is justified and healthy to clear the market. However, one should not forget that a low growth environment with low interest rates is very beneficial for credit. Hence, should we be able to avoid a deep recession (what we believe), credit markets will offer attractive buying opportunities in the months ahead. Consider harvesting the illiquidity premium from direct loans (i.e. corporate or mortgage backed loans).
Alternatives	Comment
<ul style="list-style-type: none"> Credit long-short strategies identify plenty of relative value trades, both long and short. Fixed-income arbitrage offers more opportunities, as central banks are normalizing their policies. Equity long-short strategies should benefit from the increasing performance dispersion and the increased volatility. 	<ul style="list-style-type: none"> With the Fed normalizing rates, fixed-income arbitrage and credit long-short managers will experience increasing price dispersion between different interest rate securities. This leads to more relative value and short opportunities in credit. Global macro managers should find more opportunities due to diverging global monetary and fiscal policies between countries.
Real Assets	Comment
<ul style="list-style-type: none"> Gold will be caught between a slightly higher USD and rising US interest rates and inflation. 	<ul style="list-style-type: none"> Should inflation continue to accelerate, we expect the gold price and other industrial commodities to go up. However, this will be a rocky path with slightly higher US rates and a robust USD.

Asset Class Conviction Levels

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

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

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

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

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

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".



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Contact Information:
 Alpinum Investment Management AG
 Talstrasse 82
 CH-8001 Zurich
 Tel: +41 43 888 79 33
 Fax: +41 43 888 79 31
alpinumim.com