



WEISSHORN

ASSET MANAGEMENT SA

Investment Committee February 2020



1. Market review
2. Investment strategy
3. Macro views
4. Bonds
5. Equities
6. Cross Assets

1.1. Market highlights

- When China sneezes, the world catches a cold. The impact of the coronavirus on the Chinese economy which is under quarantine remains a central question. The global market kick-off was disappointing as anxiety swept through the stock, bond and commodities markets.
- All major central banks continued to inject liquidity. In January, Bank of England surprised markets as it opted to keep interest rates unchanged. In February, China's central bank announced it will inject 1.2 trillion yuan (USD 174 billion) into markets via reverse repo operations to support its economy affected by the virus epidemic.
- Wounded by trade conflicts in recent quarters, economists had warned that the eurozone could struggle this year. Eurozone economy decelerated sharply to 0.1% for the fourth quarter 2019 as the French and Italian economies shrank.
- After years of Brexit turmoil, United Kingdom has officially left the European Union in January. The terms of the divorce remain uncertain. British Officials would like a Canada-style free trade arrangement with Europe.
- As of today, Buttigieg and Sanders are in tied race for the Iowa caucuses. For nearly 50 years, Iowa has gone first in the Democratic race and the winner gets an enviable media spotlight. Iowans have a good record at picking the eventual Democratic nominee.
- “As goes January, so goes the year”, the premise of the January barometer, which suggests that stock returns in January set the pace for the rest of the year, might not hold for this year. Although markets' performance was negative, the truth is that the first few weeks of the year have been a good period if we take into account the coronavirus, the crisis with Iran and the impeachment of President Trump.

1.2. Equity Performance Review

- US and Chinese equities had there worse kick-off since 2016.
- United Kingdom equities had there worse beginning since 2014.
- Emerging markets were hit by the coronavirus worries, particularly Brazil.
- VIX had it strongest progression since 2014.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	-0.7%	0.4%	4.9%	5.4%
S&P 500	-0.2%	0.9%	6.2%	6.7%
NASDAQ	2.0%	3.1%	10.4%	10.9%
BRAZIL	-8.0%	-6.9%	-0.5%	0.2%
Euro Stoxx 50	-3.9%	-2.8%	0.5%	1.0%
Stoxx Europe 600	-2.3%	-1.2%	3.0%	3.5%
FTSE 100	-3.8%	-2.7%	2.6%	3.0%
CAC 40	-3.9%	-2.9%	0.8%	1.3%
DAX	-3.1%	-2.0%	0.4%	0.9%
IBEX	-3.0%	-1.9%	0.7%	1.2%
MIB	-2.2%	-1.1%	1.9%	2.4%
SMI	0.4%	1.6%	6.3%	6.8%
NIKKEI 225	-1.7%	-0.6%	0.9%	1.5%
HANG SENG	-6.3%	-5.3%	-1.3%	-0.8%
SHANGHAI	-1.7%	-0.4%	3.4%	4.0%
RUSSIA RTS	-2.1%	-1.0%	6.6%	7.2%
VIX	36.7%	37.8%	42.5%	43.0%

Source: Bloomberg 31/01/20.



1.3. Sector Performance Review

- Technology, Staples, and Consumer Discretionary have experienced the most positive 2019 EPS surprise so far, with energy and industrials having the weakest earnings performance in 4Q19.
- Interest rate sensitive sectors outperformed in January (real estate, utilities).

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	-4.5%	0.1%	0.6%	4.4%	-0.6%	3.7%
Consumer Staples	0.9%	3.7%	0.2%	3.3%	-0.1%	2.9%
Energy	-7.5%	-5.1%	-11.2%	-5.0%	-9.1%	-3.0%
Financials	-3.1%	2.9%	-2.8%	4.4%	-2.6%	3.2%
Health Care	2.0%	7.9%	-2.9%	5.3%	-1.4%	6.8%
Industrials	-0.4%	5.2%	-0.5%	3.4%	-0.7%	3.4%
Information Technology	-0.2%	7.2%	3.9%	14.1%	3.4%	13.4%
Materials	-5.3%	1.3%	-6.2%	-0.8%	-5.5%	0.3%
Telecommunication Services	-1.7%	-3.2%	0.7%	6.4%	0.2%	5.2%
Utilities	8.5%	12.4%	6.6%	7.4%	5.7%	7.7%



Source: Bloomberg 31/01/20.

1.4. Performance Review, FX and commodities

Currencies		
Against USD		
	YTD	3M
EURO	-1.1%	-0.5%
JPY	0.2%	-0.3%
GBP	-0.4%	2.0%
CHF	0.3%	2.3%
CNY	0.8%	1.8%
HKD	0.3%	0.9%
CAD	-1.9%	-0.6%
AUD	-4.7%	-2.9%
Against Euro		
	YTD	3M
USD	1.1%	0.5%
JPY	1.3%	0.3%
GBP	0.7%	2.5%
CHF	1.5%	2.8%
CNY	2.0%	2.3%
HKD	1.3%	1.4%
CAD	-0.8%	0.0%
AUD	-3.8%	-2.5%
Against CHF		
	YTD	3M
EURO	-1.5%	-2.9%
USD	-0.5%	-2.4%
JPY	-0.1%	-2.7%
GBP	-0.8%	-0.3%
CAD	-2.3%	-3.0%
AUD	-5.3%	-5.5%
HKD	-0.1%	-1.5%

- Flight to safety: CHF, JPY, Gold.
- Oil lagged, after the coronavirus hit demand in China, the world's second-largest oil consumer.

	% YTD in USD	% 3M in USD
WTI Crude Oil	-15.6%	-4.8%
Brent Crude Oil	-11.9%	-3.4%
Gasoline	-12.3%	-8.7%
Natural Gas	-14.7%	-28.3%
Gold	4.7%	5.0%
Silver	1.1%	-0.4%
Platinum	-0.6%	3.0%
Palladium	17.6%	27.3%
Aluminum (LME)	-4.9%	-1.9%
Copper (LME)	-9.8%	-4.0%
Corn	-1.7%	-2.2%
Wheat	-0.9%	8.8%
Soybean	-7.5%	-4.8%
Coffee	-20.9%	0.7%
Sugar	8.9%	17.1%
Cotton	-2.2%	4.7%

Source: Bloomberg 31/01/20.



2.3. Long-term investment strategy

- We think diversification into long-term themes will provide real benefits to traditional sector allocation in the current investment landscape. Many sectors (such as the car market) are disrupted and challenged by technological developments.
- Short term noise may bring volatility up but we focus on secular trends: implementation of our Innovation-societal impact-environmental footprint 3-dimensional approach.
- Our equity exposure is centered around: Technology (robots, cybersecurity, Artificial Intelligence), Biotechnology, Societal as well as Environmental impacts.
- We have reduced our equity allocation over the last few months. Corporates' guidance for earnings are weak for the coming quarters and the trade war impact could be costly. The trade war will have a profound impact on global trade. We favor national/regional champions for the moment.
- In a context of low interest rates, “bond proxy” equity dividend strategies seem attractive to us.

2.4. Current Asset Allocation

- Our current allocation is 28% Equity, 61% Bonds in our balanced fund.

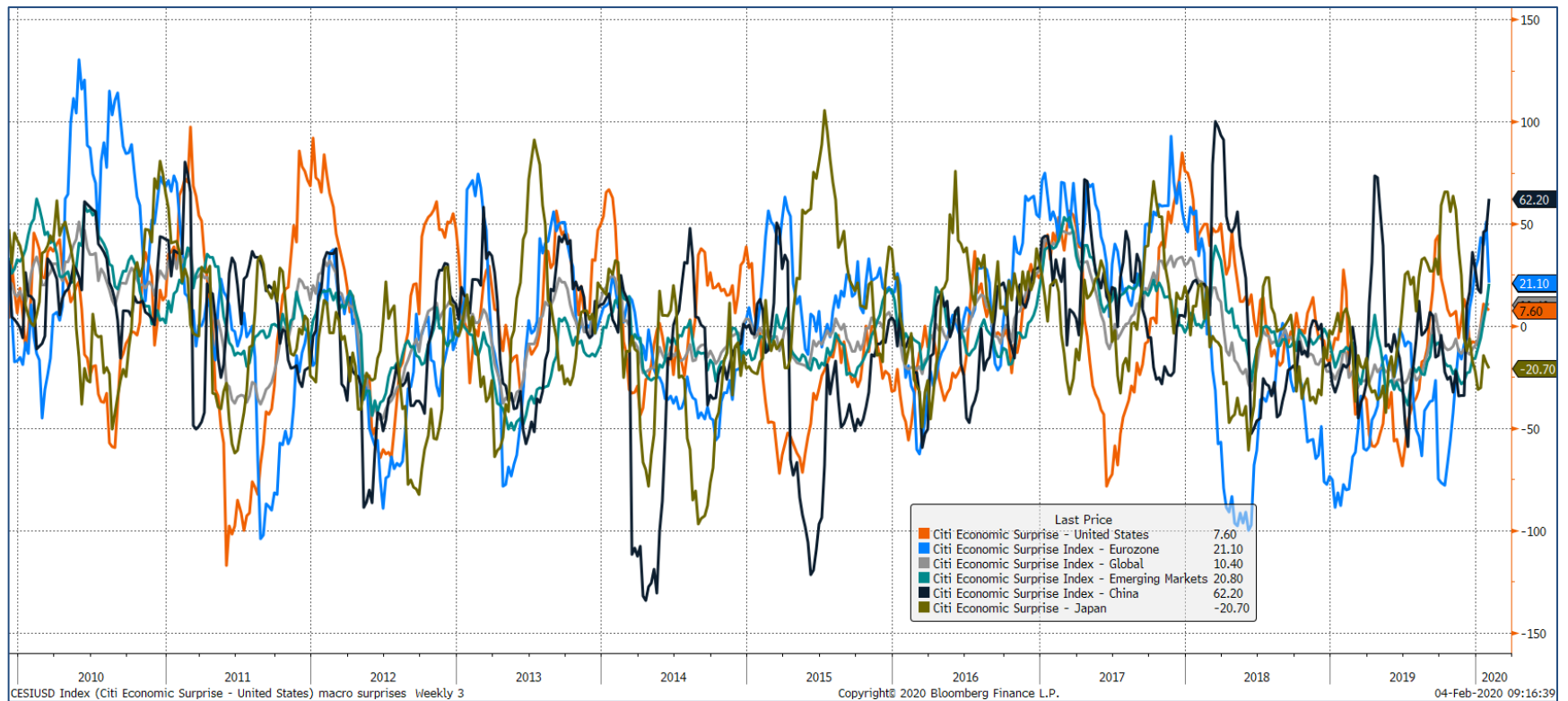
Asset allocation	Equity allocation: underweight. Bonds: overweight. Cash: overweight.		
		Core allocation	Tactical allocation
Equities	Regions/ sectors	<ul style="list-style-type: none"> Developed Markets (USA and Europe). 	<ul style="list-style-type: none"> Developed markets
	Investment style, stock selection	<ul style="list-style-type: none"> Large cap non cyclical companies in Europe. Global growth themes (Biotech, technology, robotics, cybersecurity, artificial intelligence...). “Bond proxy” dividend selection. 	<ul style="list-style-type: none"> Small equity hedges to reduce beta exposure. L/S alternatives
Bonds & currencies	Duration	<ul style="list-style-type: none"> Short duration (extremely short-term HY and medium-term IG in Europe). Short duration in the USA. 	<ul style="list-style-type: none"> Duration partial hedging (Short bund futures).
	Bond segments	<ul style="list-style-type: none"> Investment Grade USD and Euro, High Yield corporates EURO. 	<ul style="list-style-type: none"> Took profits on selective bonds.
	Currencies	<ul style="list-style-type: none"> Euro. 	<ul style="list-style-type: none"> USD, CHF.
Commodities		<ul style="list-style-type: none"> Gold in clients accounts (not in the fund due to regulation). 	



3. World Economy: rebounding ?

- Except Japan, leading indicators are all in positive territory.
- Is it a flash in the pan or the beginning of a new trend?

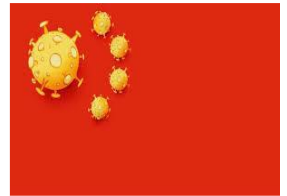
Global economic momentum uncertain



Source: Bloomberg, Weisshorn AM.



Coronavirus: China at the heart of many global supply chains



2020 starts

Iran and USA:



Australia:



Venice:



China:



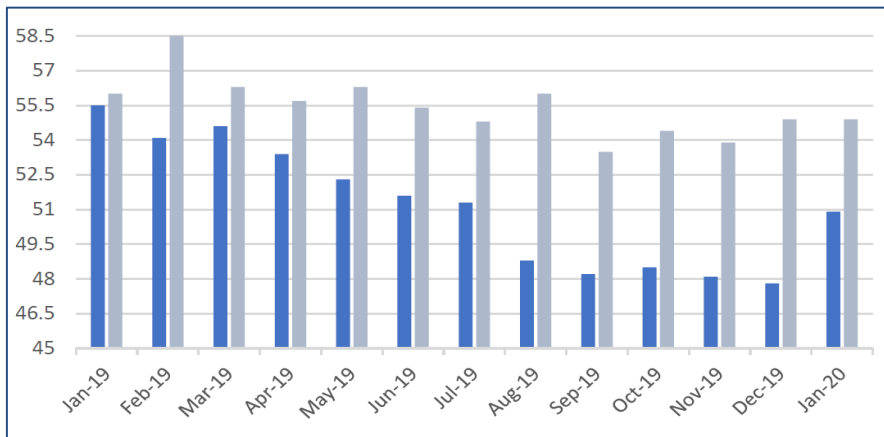
When you realize that 2020 has 11 more months :



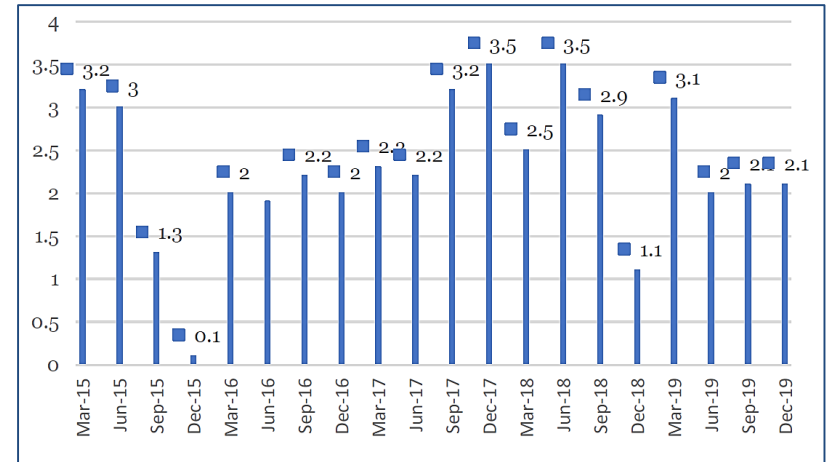
4. US: No recession for now but broad-based slowdown

- ✓ US economy expansion at 2.1% on an annualized basis for Q4 2019: not as solid as seeming, with slowing consumption growth & contracting business investment for 3rd consecutive quarter.
 - Consumption growth slowing from 3.2% to 1.8% because of a real disposable growth income drop to 1.5% (but high saving rate as a % of disposable income at 7.6%).
 - Business investment contraction by 1.5%, caused by a fall in structures investment (10.1%) & a decline in equipment investment (2.9%).
 - Net external trade adding 1.5% points to GDP growth BUT thanks imports deceleration (falling by 8.7%) while exports growing by 1.4%.
 - AND that boost partially offset by 1.1% point drag from slower inventory accumulation.
- ✓ Real economy growth seeming in line with the Fed's expectations but...
- ✓ Unexpected weakness in the core PCE prices growing by only 1.3% and well behind Fed's comfort zone.

ISM Manufacturing & Non Manufacturing



Real GDP (%q/q Annualized)



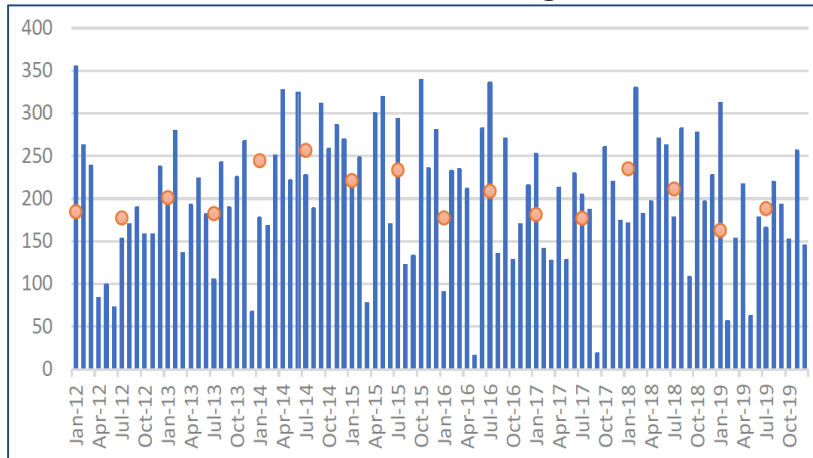
- ✓ ISM Manufacturing index: January release showing economy turning a corner?
 - Sharp rise in index to a 6-month high of 50.9 up from 47.8 (largest advance since mid-2013), driven by a solid rebound in the new orders & production indices.
 - Export index strongest reading since September 2018, suggesting American factories looking for a brighter environment.
 - Employment index improving but remaining below 50-level at 46.6, illustrating persistent weakness in manufacturing hiring.
 - Noteworthy mentioning that production costs at Boeing would weigh on hard data later in the year as well as hit to manufacturing activity in China from coronavirus shutdown.

Source: Bloomberg, KBR.

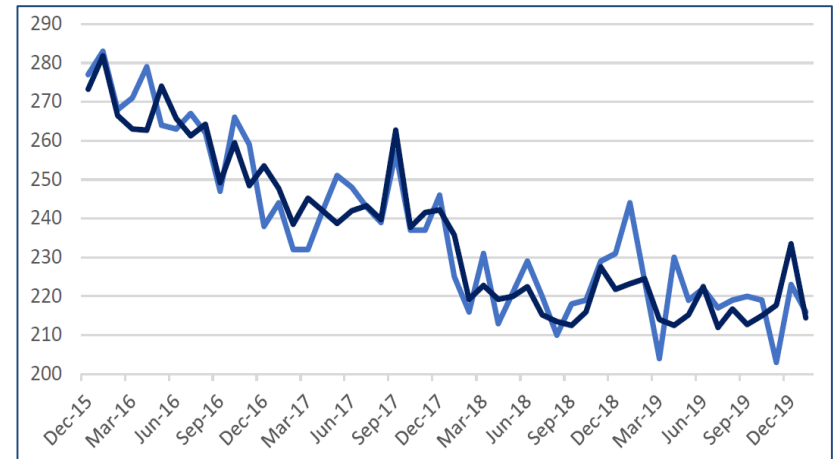


4. US: No recession for now but broad-based slowdown

**Change in Non farm Payrolls (000s)
& its 6 month average** ●



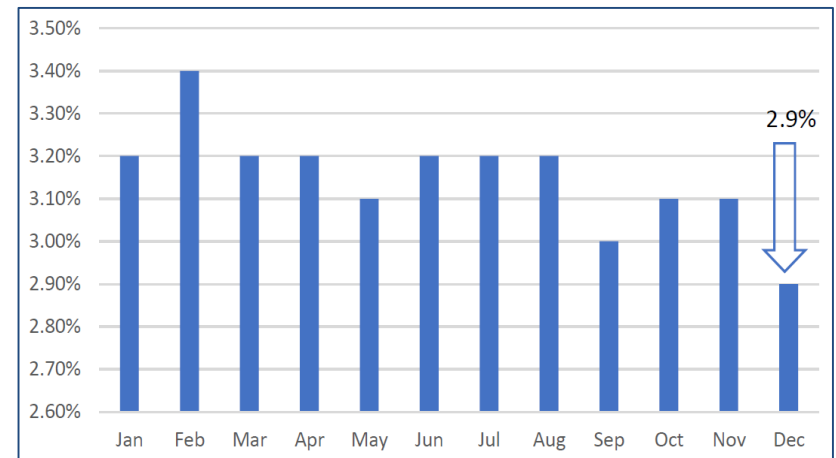
Initial Jobless Claims (000s) & Its 4 week average



Tight labor market conditions to remain in place this year and payroll growth needing to remain above 125k breakeven rate:

1. Slowdown in NFP growth to 145k in Dec'19 but still leaving the 6-month average at 189k. Noteworthy mentioning that annual benchmark revisions due Feb 7th to push down payroll gains.
2. Labor market conditions remaining tight while surveys suggesting no further tightening (recent softness seen in average hourly earnings growth at 2.9% in Dec'19).
3. Less favorable mix of jobs created last year: hiring in the high paying manufacturing sector plateauing (at around 60k/month) while retail, leisure & hospitality employment or the relatively low paying jobs rebounding (up from 60k to 100k/month)...

Average Hourly Earnings All Employees in 2019

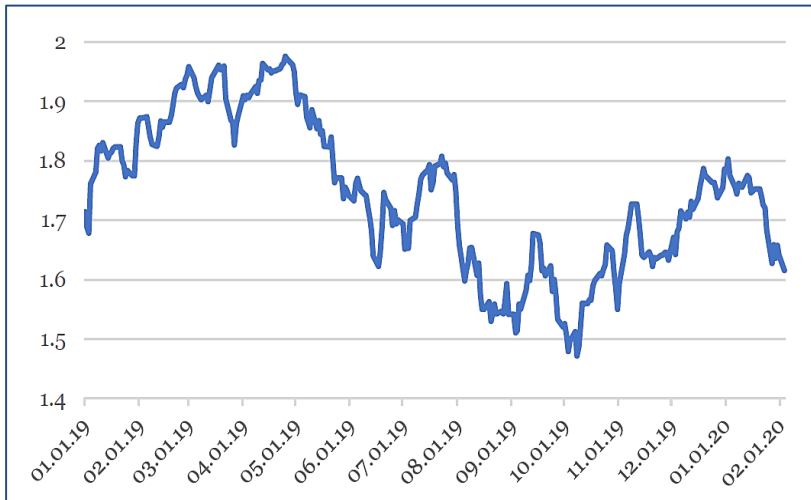


Source: Bloomberg, KBR.



4. US: Inflation & Inflation expectations well-anchored

10 year Breakeven Inflation



Inflation expectations rebound limited....but happy with our THIPS exposure ☺, less duration exposure:

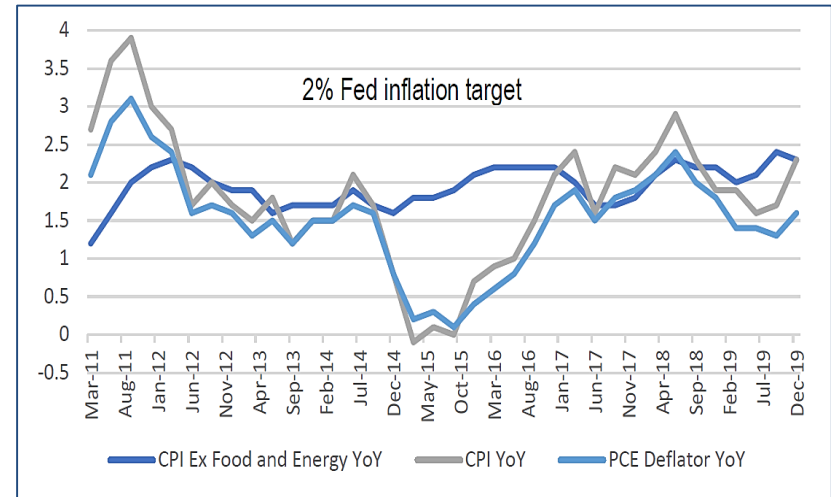
US Inflation-Linked Treasury Index 2019 Return: +8.46%.

US Inflation-Linked Treasury Index 2020 Return: +2.59%.

US Nominal Treasury Index 2019 Return: +6.99%.

US Nominal Treasury Index 2020 Return: +1.97%.

Inflation

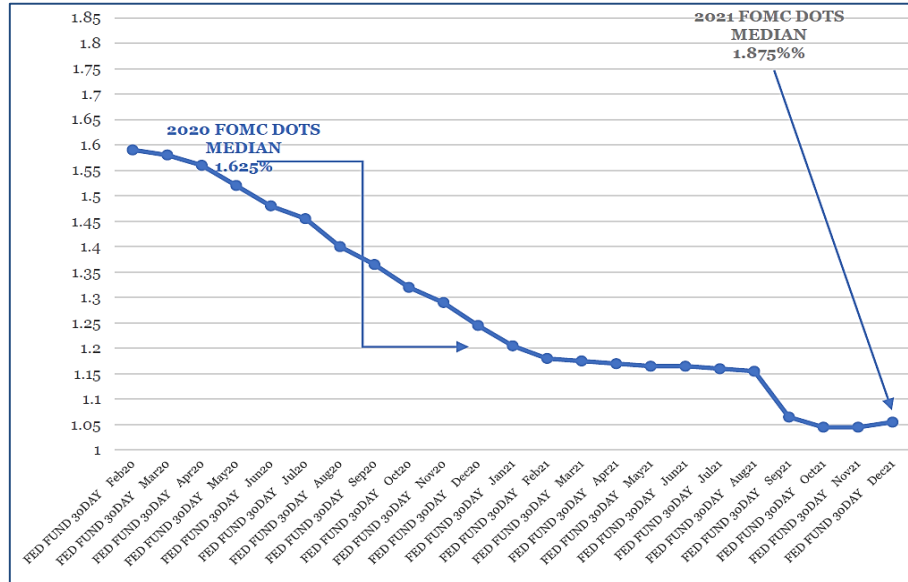


- With unit labor costs muted, little risk of core CPI inflation breaking 2.5%.
- Tariffs on imports from China: inflation up for a limited range of goods but pressure seen fading (a selection of CPI goods as Furniture & Bedding, Tools & Hardware & Recreational Goods down over last couple of months).



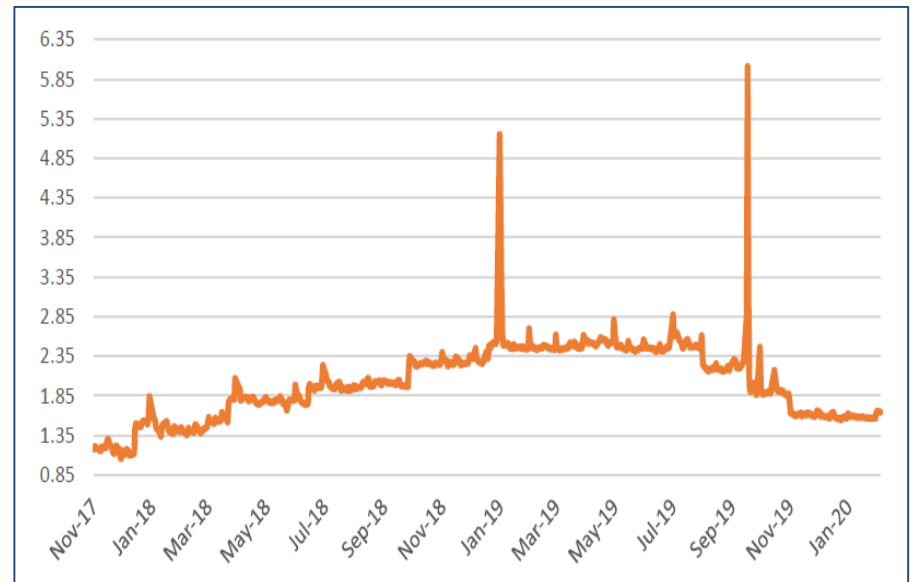
4. Federal Reserve: really done with easing?

Fed Fund Futures curve Versus Median Dots Plot



- Substantial gaps between FED DOTS PLOTS median and Fed Fund Futures for 2020 & 2021 😊😊

Repo Index: weighted average of the interest rates paid each day for the most traded CUSIPs of General Collateral Finance Purchase Agreements



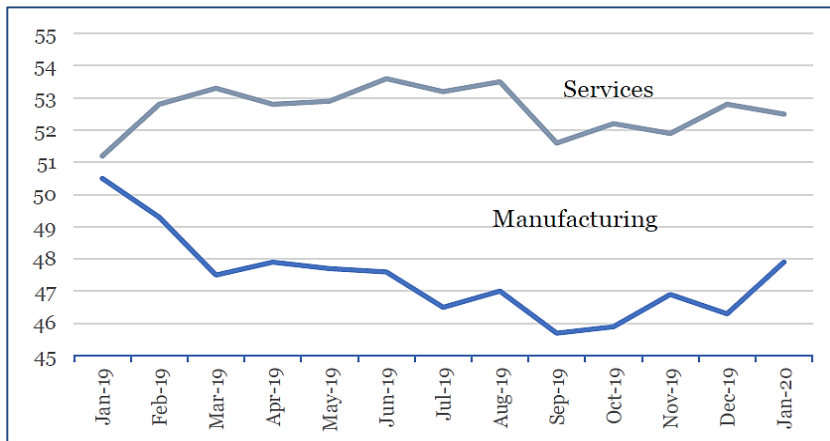
- Following mid Sep'19 onset of "reserve scarcity", Fed successful expansion of liquidity to maintaining an ample reserves policy framework & control on its Fed Fund rates target. FED:
 1. Adding temporary liquidity via overnight & term open market operations (OMOs).
 2. Adding permanent liquidity expansion via T-bills purchases (USD 60bio/month till April at least).
 3. Lowering remuneration rate on its foreign repo tool to discourage use*Fed liquidity expansion all in all accounting circa USD 470bio.*



4. EU: growth still vulnerable but surveys turning

- Euro Area GDP expansion at 1% on an annualized basis for Q4 2019: weaker than expected (1.1%) and noteworthy mentioning that main culprits not only Italy (-0.3%) & Germany (not yet released) this time but France (-0.1%)....

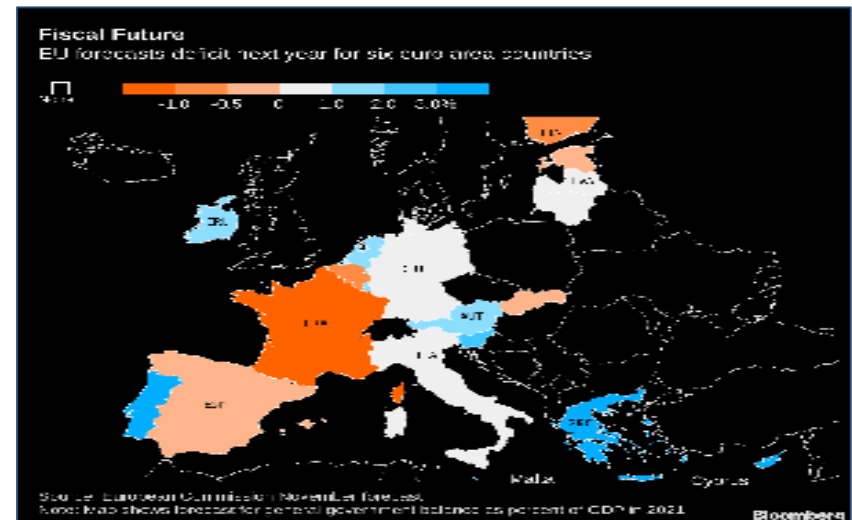
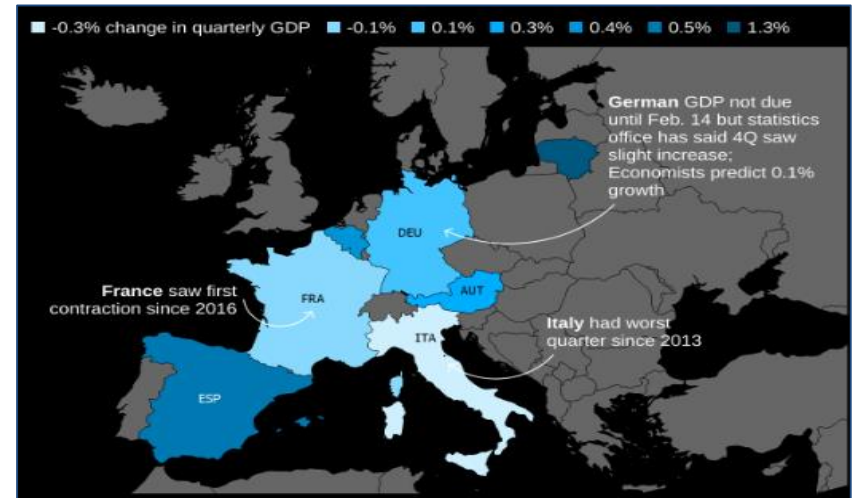
Eurozone PMIs



- Latest ECB meeting on January 23rd:
- ✓ No implied change in monetary policy stance.
- ✓ Separation between conduct of monetary policy from debate around policy review...potentially leading to surprises.
- ✓ In the Q&A: Lagarde confirming indirectly reviewing inflation measurements & real estate prices (needing to addressing divergence between perception of inflation & inflation measurement by HICP).

- Need for Fiscal Stimulus but limited leeway:

Current rules: no country with budget deficit >3% of GDP or debt > 60% of GDP. & if failing to achieving these goals, countries must set annual targets showing their move in right direction. If not any of the 19 countries using EUR fined if rules flouted by as much as 0.5% of GDP.



Map showing forecasts for general Government balance/GDP in 2021

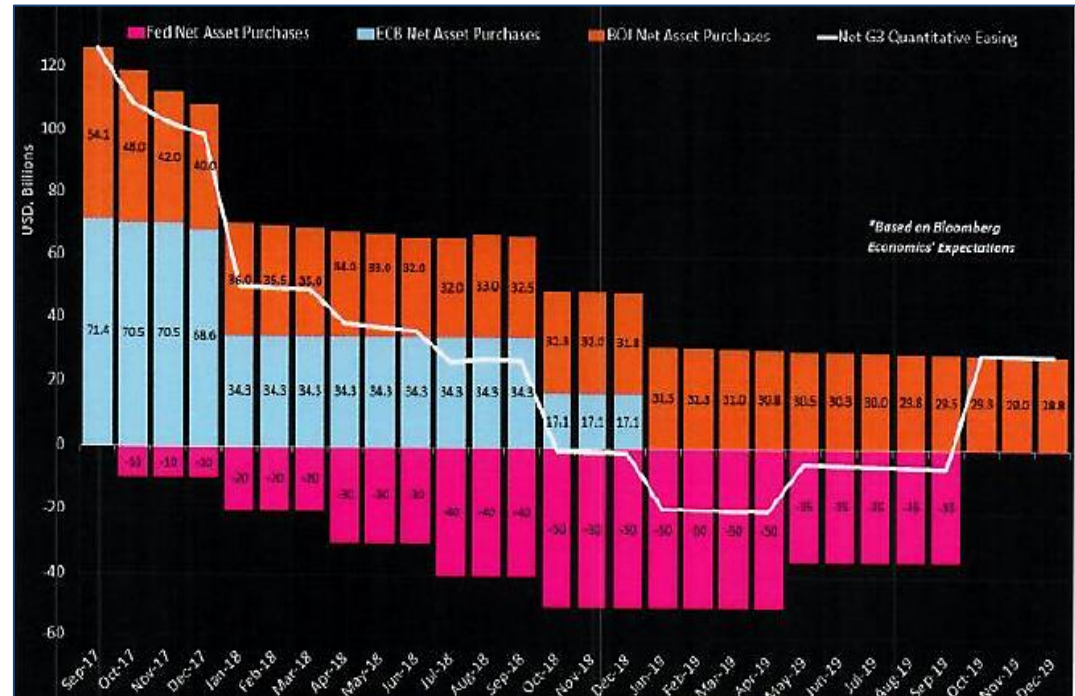
Source: National Statistics Offices, Eurostat. Bloomberg. KBR.

4. Focus on European credit

✓ Financial market conditions expected to stay benign & some easing of geopolitical tensions supportive:

- EU growth to be bottoming out (watch out for Coronavirus impact though), need boost from fiscal stimulus.
- Central Banks remaining in an easing bias, ECB on hold for now & tested over “open-ended program” of European Government Bonds QE policy, issuer limit to be increased?, US Fed on Hold but markets pricing 1 rate cut by year end, BOE to cut?
- Easing tail risks on the political front: US/China trade deal (Phase I deal signed & no further escalation for now), no non-deal Brexit, Italian politics less risk Salvini taking power.
- Low to negative rates in European Government Bonds supporting investors’ appetite BUT because rich valuations, investors facing risks:
 - ❖ Greater subordination.
 - ❖ Less covenants for bondholders.
 - ❖ Extending duration.
 - ❖ Lower credit quality exposure.

G3 Asset Purchases positive again at year end 2019



4. Focus on European credit

- Interesting theme to play **ESG/Green Bonds** : becoming a growing sub asset class within the FI world, push to ECB to include “greener” bonds in its CSPP program.

In the ECB Strategic Review: to include greening in its holdings? Currently green bonds meeting eligibility criteria bought via CSPP but no incentive to buy more, relatively small outstanding size of this sub-asset class (EUR 650bio), no targeted purchases of green bonds BUT amount of carbon assets (for instance oil & gas companies) held at the ECB can be diminished (not via sales but no replacement at maturity).

Current CSPP holdings vs Eligible:

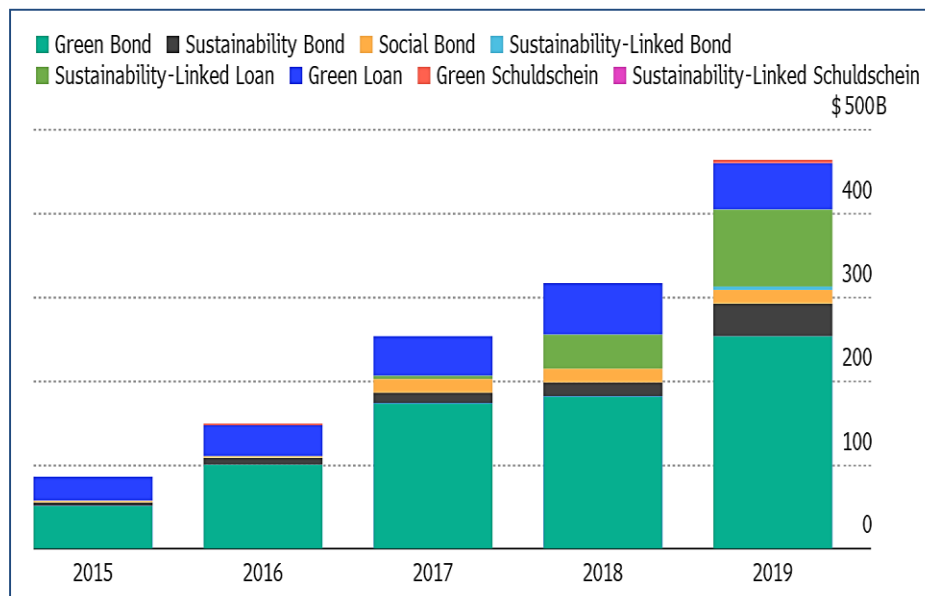
- Energy 60% held versus 60% Eligible.
- Chemicals 6% versus 7% Eligible.
- Utilities 15% versus 16% Eligible (green bonds driven by Utilities).

- Hybrids: remaining a pocket of relative value:

- ❖ Issuance in 2019 EUR 20bio (up EUR 3bio versus 2018), Estimated upcoming refinancing in 2020 EUR 12bio, Utilities vast majority of issues.
- ❖ Lower rates driving Sub/Senior spread (at 130bps) compression not too far from tightest level (100bps in 2018).
- ❖ Accounting reclassification of Perpetual hybrids on IAS 32 evolution-remaining risk:
 - From equity to debt.
 - If agreed to come into force into 2025 (watch call date).
 - Low interest rates environment limiting extension risks but watch out for non rated hybrids by S&P.
- ❖ Many advantages for issuers to issue hybrids: fund EPS enhancing measures (M&A, share buybacks...), cost efficient versus capital increase, limited credit metrics deterioration.
- ❖ Green bond universe in hybrids: EUR 8.7 bio: new innovative issues “sustainability linked senior bonds” ***. Enel issued an innovative sustainably linked senior bond in 2019 with its coupon step up activated if the company misses its 55% renewable capacity target (step up based on a green covenant).

Doing more Good

Green and sustainability debt sales have surged to more than \$460 billion in 2019



Source: Bond data by BNEF, loans and Schuldschein, Bloomberg. KBR.



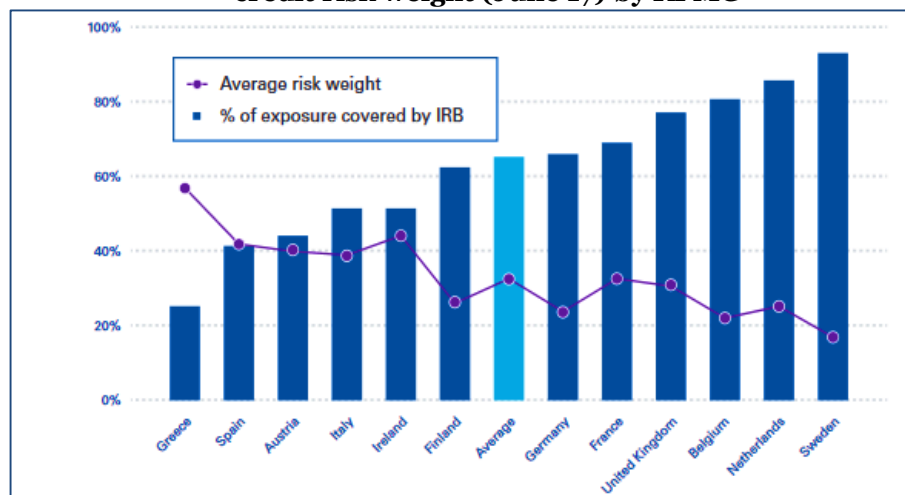
4. Focus on European credit

- BASEL IV final revisions to the Basel 3 standards informally known as Basel 4 with implementation date on January 2022, including new rules regarding the use of Internal Ratings Based (IRB) approach for the calculation of risk weighted credit exposures. Low risk-weighted density banks most affected leading to capital shortfall:

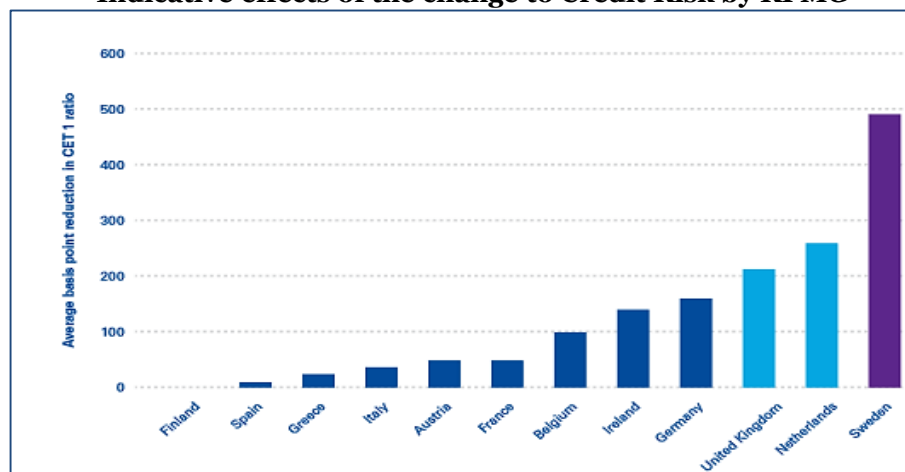
Swedish & Danish banks most heavily affected: in Sweden numbers of banks with a high degree of exposure to residential mortgage loans

Dankse bank estimated shortfall EUR 58bio but on average EUR 18 bio.

Proportion of Credit Risk exposures under the IRB approach & Average credit risk weight (June'17) by KPMG



Indicative effects of the change to Credit Risk by KPMG



Source: KPMG, KBR.

4.5. World bond indices performance

	Perf YTD End January	Perf last 3 months	Yield	Duration	Spread	3-year annualized retrun	5-year annualized retrun
Global							
Global Aggregate	1.3%	1.1%	1.2	7.3	40	4.35	2.57
Treasuries	1.4%	0.7%	0.8	8.4	12	4.18	2.36
Credit	1.5%	2.1%	1.9	6.9	96	5.56	3.41
USA							
U.S. Universal	1.8%	1.9%	2.4	6.0	82	4.84	3.48
U.S. Aggregate	1.9%	1.8%	2.0	6.2	44	4.68	3.09
U.S. Gov/Credit	2.4%	2.1%	1.9	7.1	41	5.14	3.29
U.S. Treasury	2.4%	1.6%	1.5	6.6	0	4.14	2.44
Government-Related	2.1%	2.1%	2.1	6.0	61	5.01	3.22
Corporate	2.3%	2.9%	2.6	8.1	102	6.71	4.58
U.S. MBS	0.7%	1.1%	2.3	3.8	48	3.55	2.57
Pan Europe							
Pan-Euro Aggregate	2.3%	1.3%	0.2	8.0	50	3.76	2.16
Euro-Aggregate	2.0%	0.6%	0.0	7.3	56	3.52	2.31
Asia Pacific							
Asian-Pacific Aggregate	0.2%	0.4%	0.8	8.6	5	1.63	1.46
High Yield							
Global High Yield	0.1%	2.8%	5.9	3.9	469	5.31	5.89
US Corporate High Yield	0.0%	2.4%	5.5	3.2	390	5.72	5.92
Pan-European High Yield	0.4%	2.6%	3.4	3.4	337	4.64	4.41
Other							
Global Inflation-Linked	2.2%	2.0%					
Municipal Bond Index	1.8%	2.4%	1.5	4.9		5.10	3.57
Emerging Markets							
EM USD Aggregate	1.5%	3.1%	4.7	6.5	320	6.02	5.98
Sovereign	1.5%	3.7%	5.8	8.1	416	5.71	5.64
Corporate	1.4%	2.8%	4.5	4.6	309	6.21	5.99
High Yield	0.8%	3.8%	8.0	5.3	654	4.62	7.97

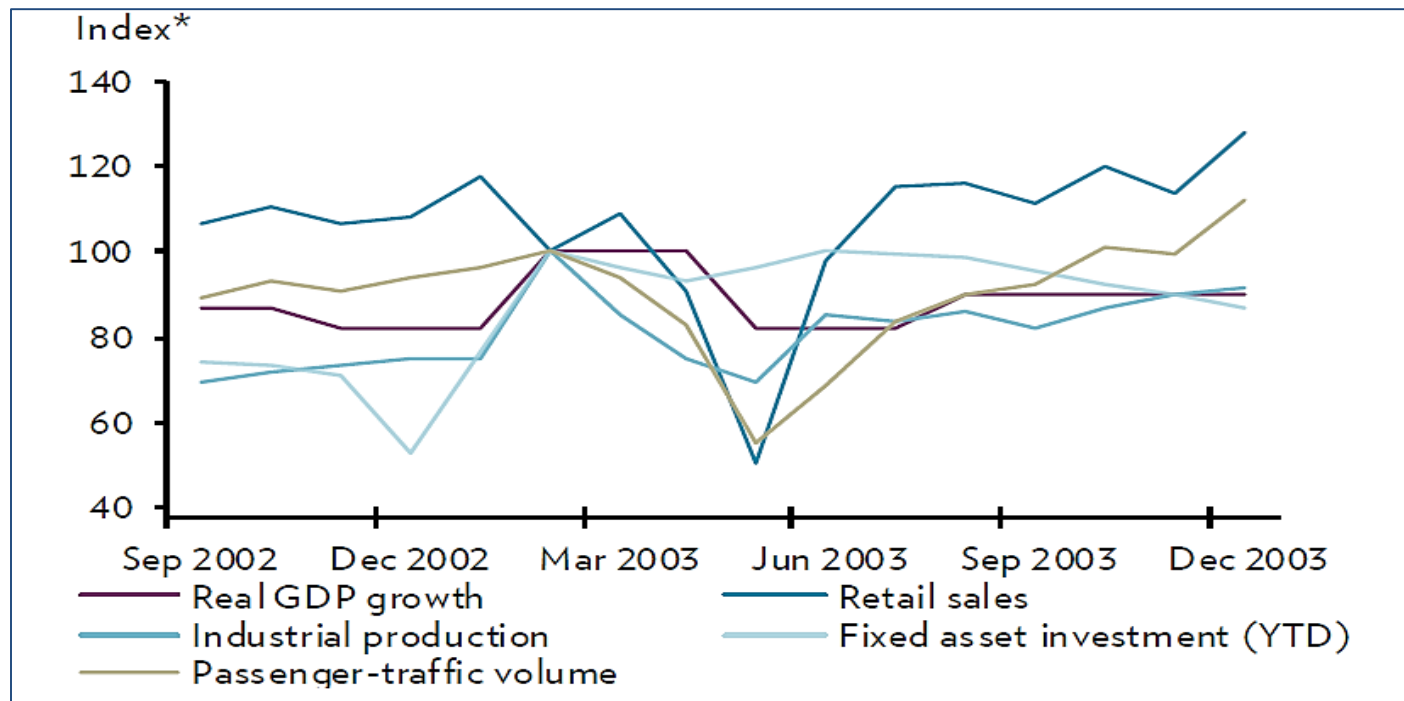
Source: Bloomberg 31/01/20.



5.1. Corona Virus: Macro

- While it is still too early to assess how the situation will evolve, most investors compare the current situation with the outbreak of SARS in 2002/03. During the SARS outbreak in 2003, Chinese growth and financial assets weakened significantly, but only briefly.
- The inflection point in investor sentiment usually happens when the second derivative, i.e. the number of new infections, starts falling.

Impact of SARS on economic activity was substantial but transitory



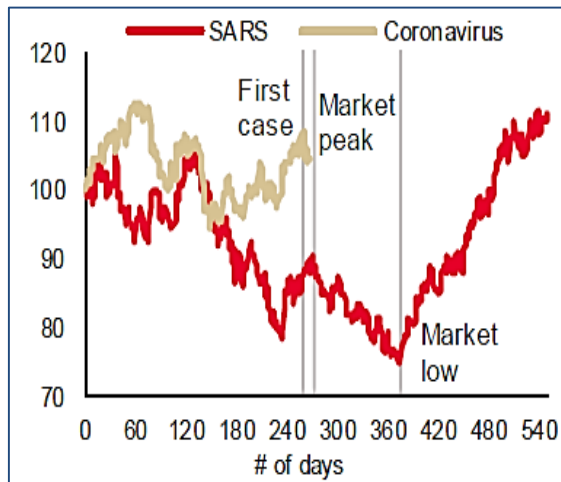
* Year-on-year growth rates rebased, such that Feb. 2003 levels equal 100.

Source: Moody's, Heisenberg report. Datastream, Julius Baer.

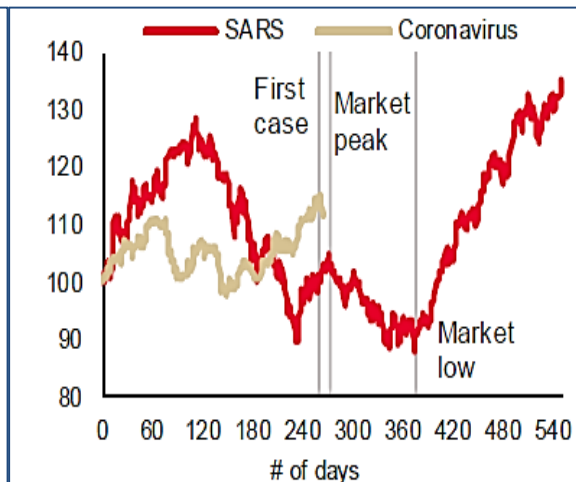
5.1. Corona Virus: 2003 versus 2020: a different market context

- SARS happened at the late stage of a long bear market, which began with the technology bubble busting and was then extended by the US recession.
- In contrast, the Wuhan coronavirus has occurred with the market in full risk-on mode with the two major market risks, trade war and a no-deal Brexit, receding.

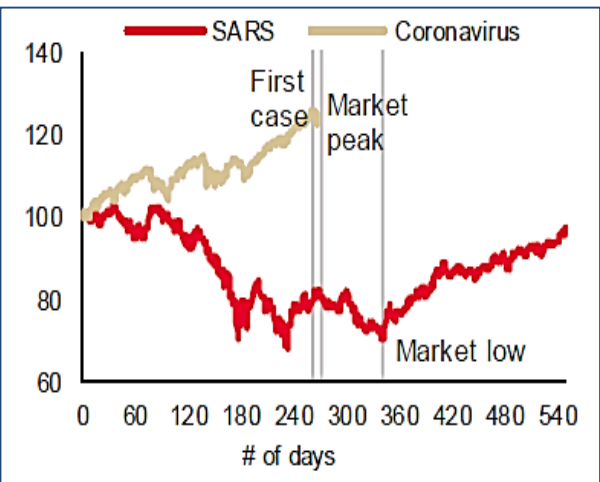
Hang Seng performance (*)



Asia ex-Japan performance (*)



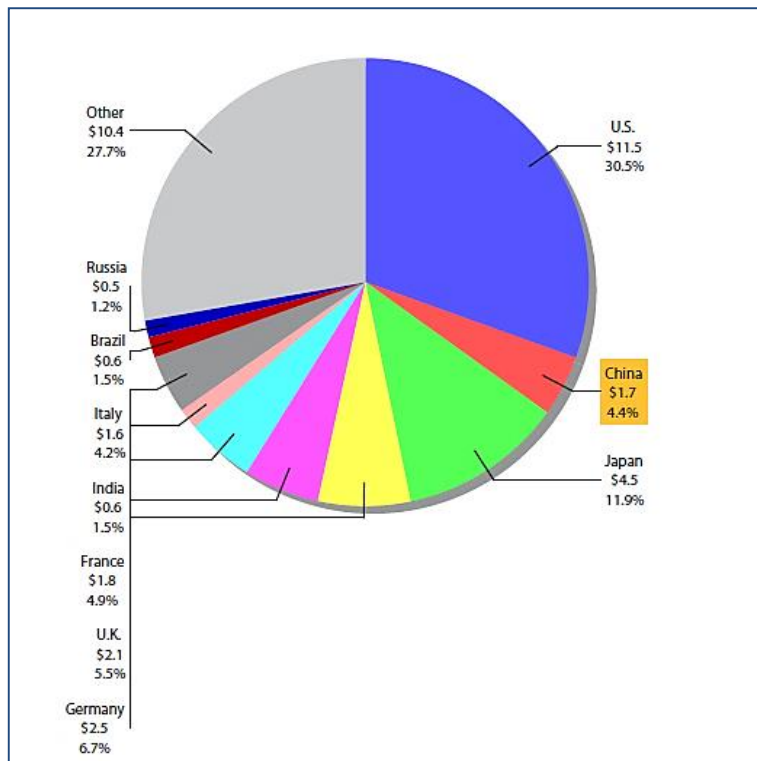
S&P 500 recovered earlier than Asia (*)



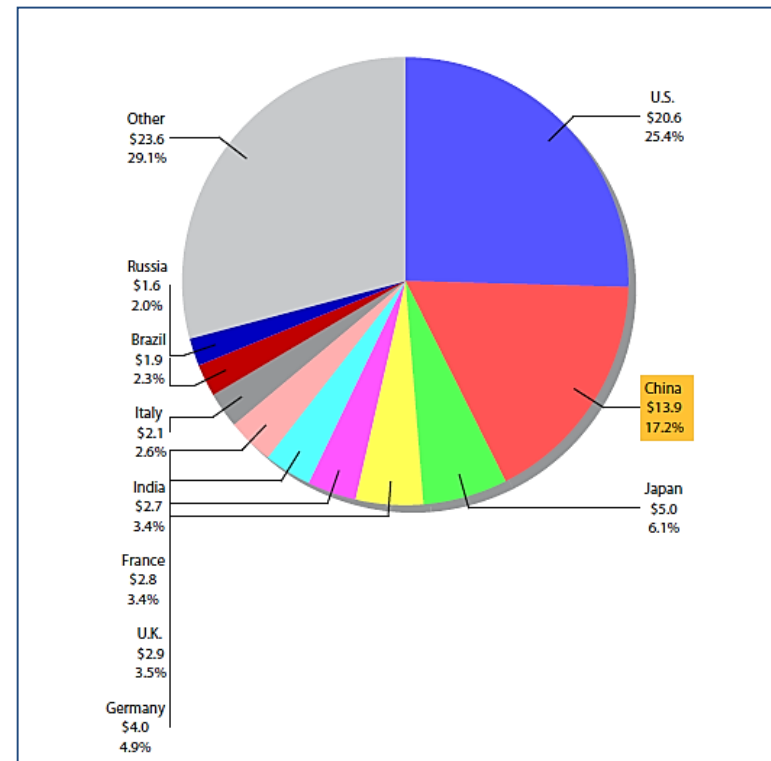
5.1. Corona Virus: 2003 versus 2020: a different market context

- China's economy is now much larger than it was at the time of SARS, accounting for 17.2% of global GDP today compared to only 4% in 2003. A slowdown in Chinese growth could therefore have significant ramifications for the global economy.

% World Nominal GDP (2003-12-31) *



% World Nominal GDP (2018-12-31) *



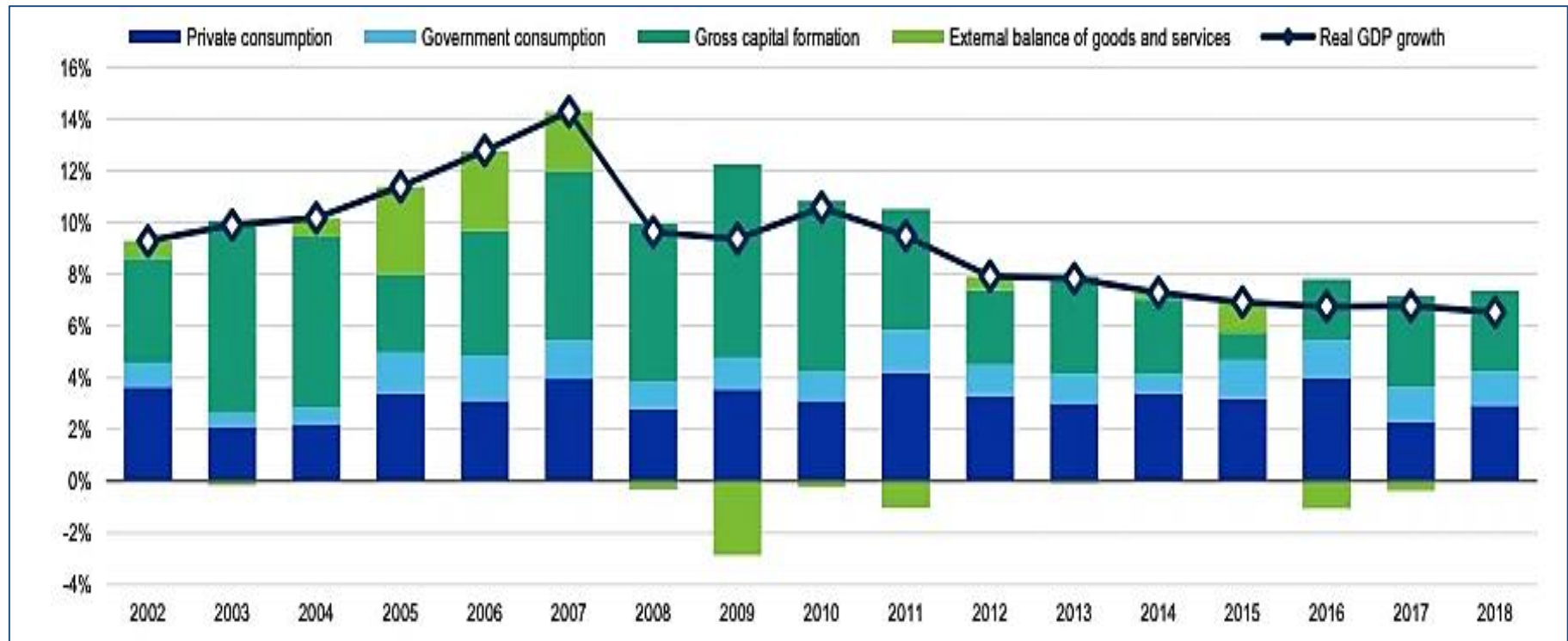
* In trillions USD

Source: Haver Analytics, NDR Research. IMF Fund and Moody's Investors Services.

5.1. Corona Virus : 2003 versus 2020: a different market context

- The problem is that over the past 16 years, the contribution of consumption to China's economic growth has risen significantly so the impact of the coronavirus through the consumption channel may well be higher now.

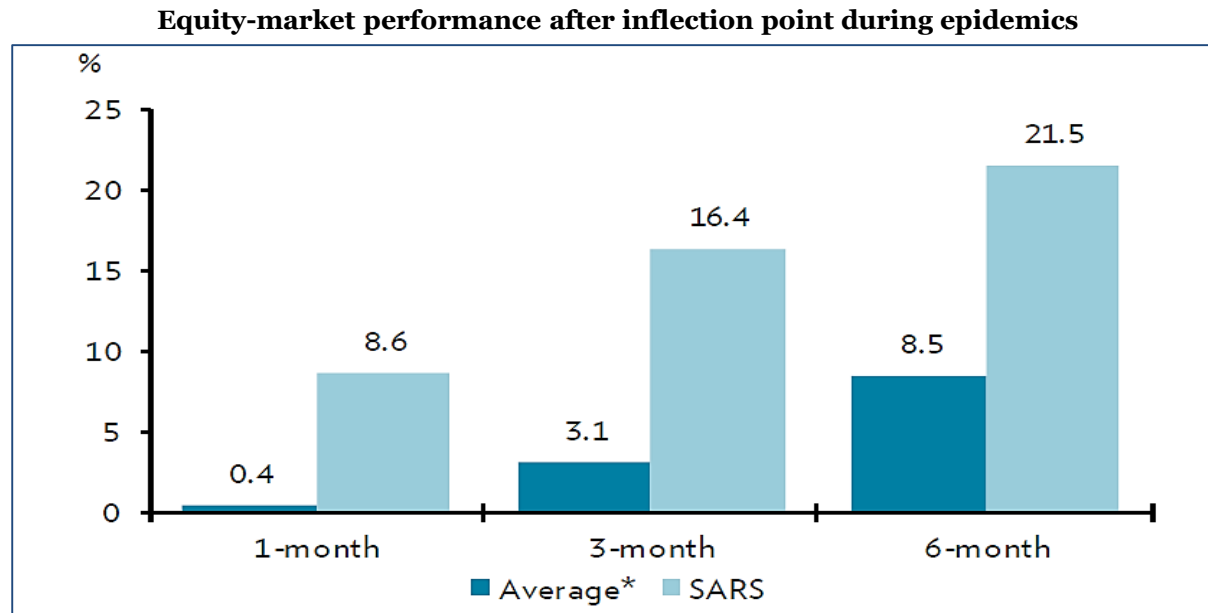
Consumer demand is now a key driver of China's economy



Source: Heisenberg report, IMF Fund and Moody's Investors Services.

5.1. Equities

- Still at an early stage of development, the potential impact of the coronavirus on equities is currently very difficult to quantify.
- In the short-term, we expect more weakness in the equity market, as the situation could deteriorate before reaching the inflection point. Thus, we recommend that short-term investors wait until the inflection point is reached to increase their positions.
- For long-term investors, however, the current price weakness (luxury goods, tourism, etc.) could represent a buying opportunity.



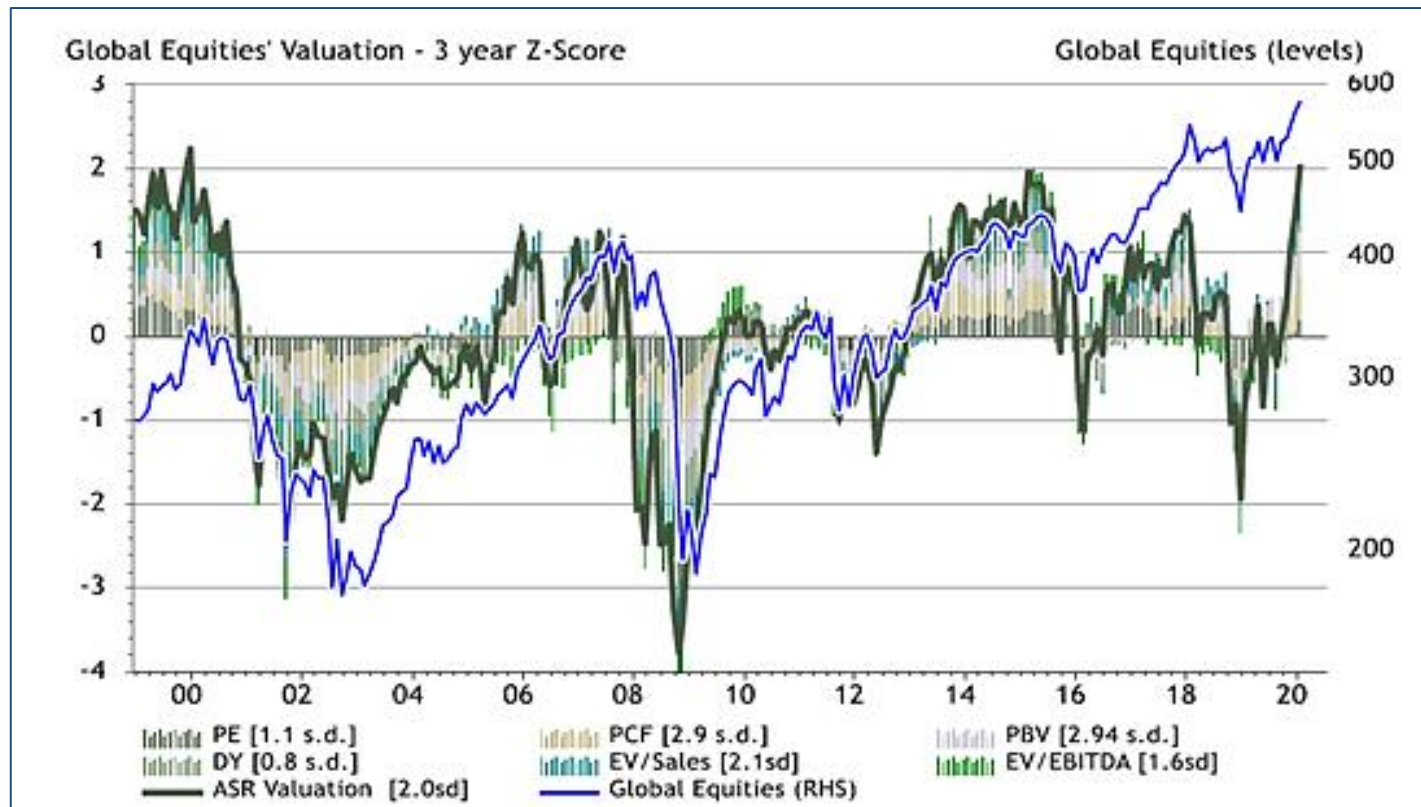
*includes: HIV/AIDS, Pneu-monic Plague, SARS, Avian Flu, Dengue Fever, Swine Flu, Cholera Out-break, MERS, Ebola (2014), Measles/Rubelolam (2014), Zika, Ebola (2018), Measles (20119). Past performance and performance forecasts are not reliable indicators of future results..

Source: Bloomberg Finance L.P., Julius Baer.

5.1. Equities

- Perhaps it is best to say that the coronavirus provided an *excuse* to sell stocks, rather than a *reason*. And with valuations (multiples of cash flow, sales and book value) looking excessive, particularly in the U.S., profit taking is appealing.

The ASR global equity valuation model is up to peak levels

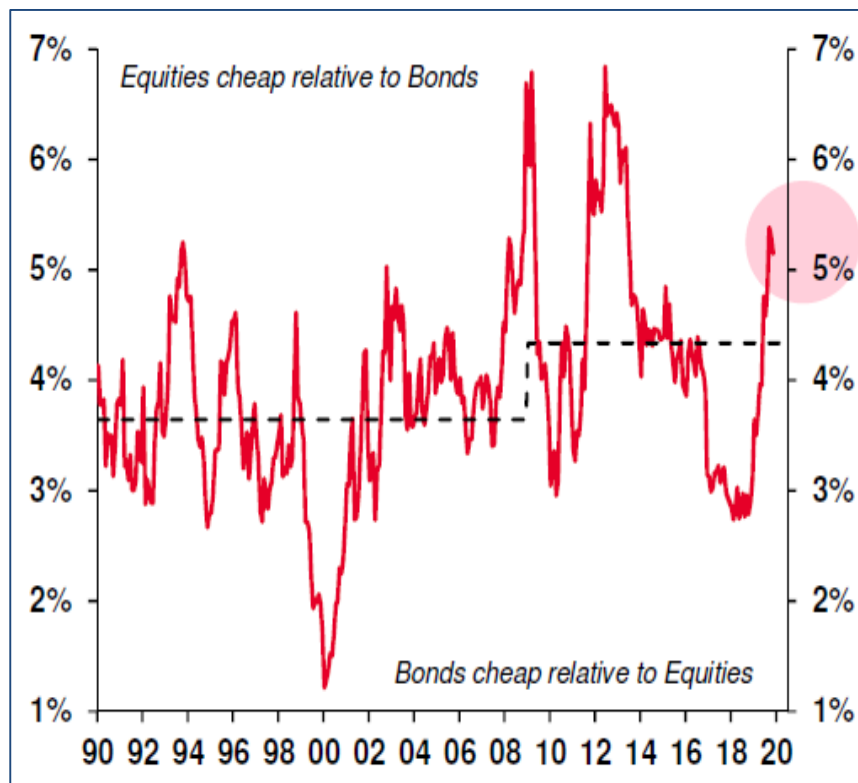


Source: ASR Ltd, WorldScope, Refinitiv, Bloomberg Opinion, John Authers.

5.1. Equities

- Absolute valuations in equity markets are elevated under all valuation measures. But, on a relative basis, when we consider the equity risk premium (ERP) relative to the bond yield, valuations seems cheap.

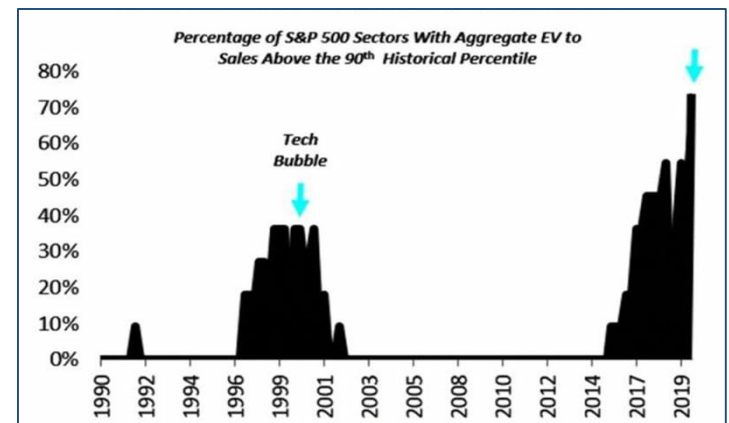
US ERP (Equity Risk Premium) is at multi-year high



S&P 500 Price-to-Sales



% of sectors at record valuations



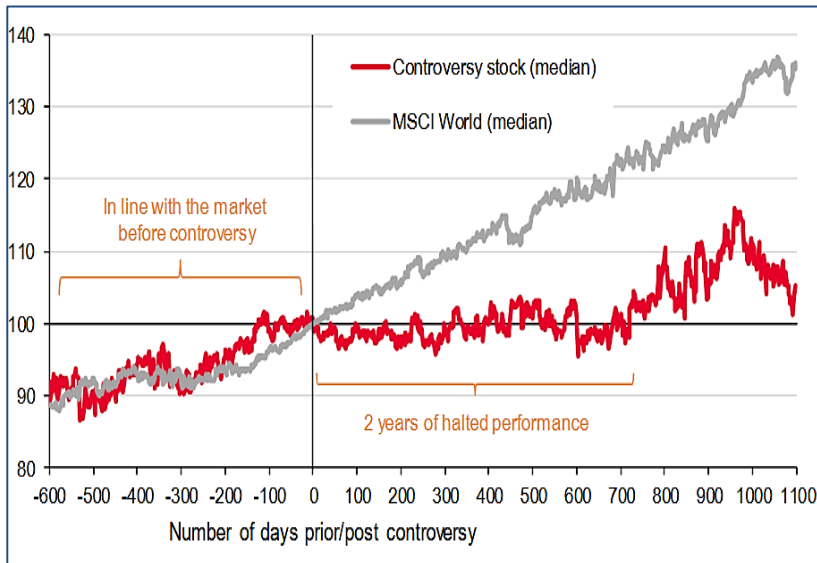
Source: Bloomberg, SG Cross Asset Research /Global Asset Allocation. Mirabaud.



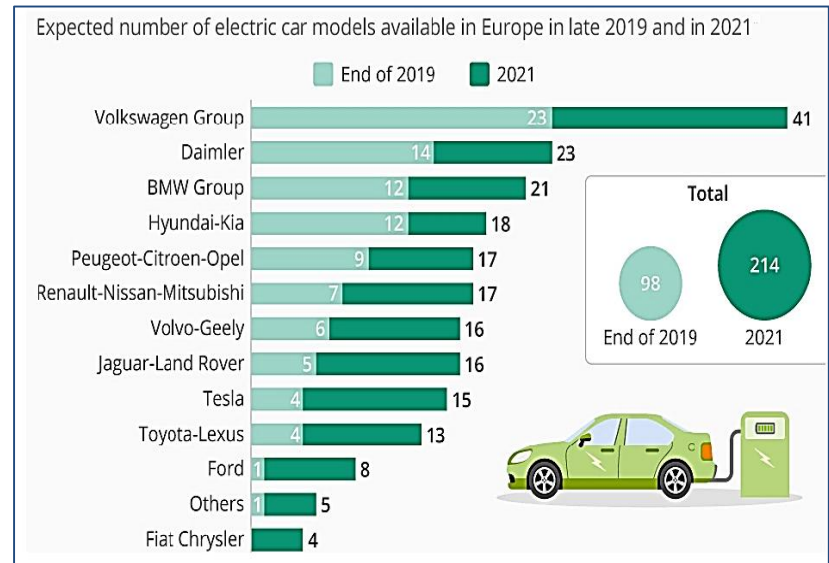
5.2. ESG highlights

- The European Union unveiled a plan to mobilize at least 1 trillion euros (\$1.1 trillion) over the next decade for a shift to a climate neutral economy.
- It is estimated that sales of electric cars will increase over the next decade and finally surpass conventional car sales in 2037. “The time of the classic car manufacturer is over”, Volkswagen CEO Herbert Diess said.
- In absolute terms, a controversy event will halt the rise in a stock price for two years (note that all our calculations are in USD and in total returns).

Global electric-car revolution set to take off



High controversy brings stock performance to a halt for 2 years



6. Real Assets: Oil

- Since the virus outbreak, oil prices have slid by 15% over fears that China's oil demand could plunge by 20% this year. This could be the worst oil demand shock since the financial crisis of 2008-2009.
- OPEC and allies are meeting to find a consensus on whether they need to cut production to curb the double-digit collapse in the price of oil.

Crude Oil WTI/Global Spot NYMEX



Conclusion

- Coronavirus will affect the global economy, but should not be a game-changer.
- We are still in late-stage economic cycle, so watch out for euphoria on risky assets !
- Central banks are your friends!
- We remain underweighted on equities, but exposed to growth (beta) stocks.
- Look for decorrelated assets and strategies.
- Avoid Zombie company bonds, there's no free-lunch in the market!

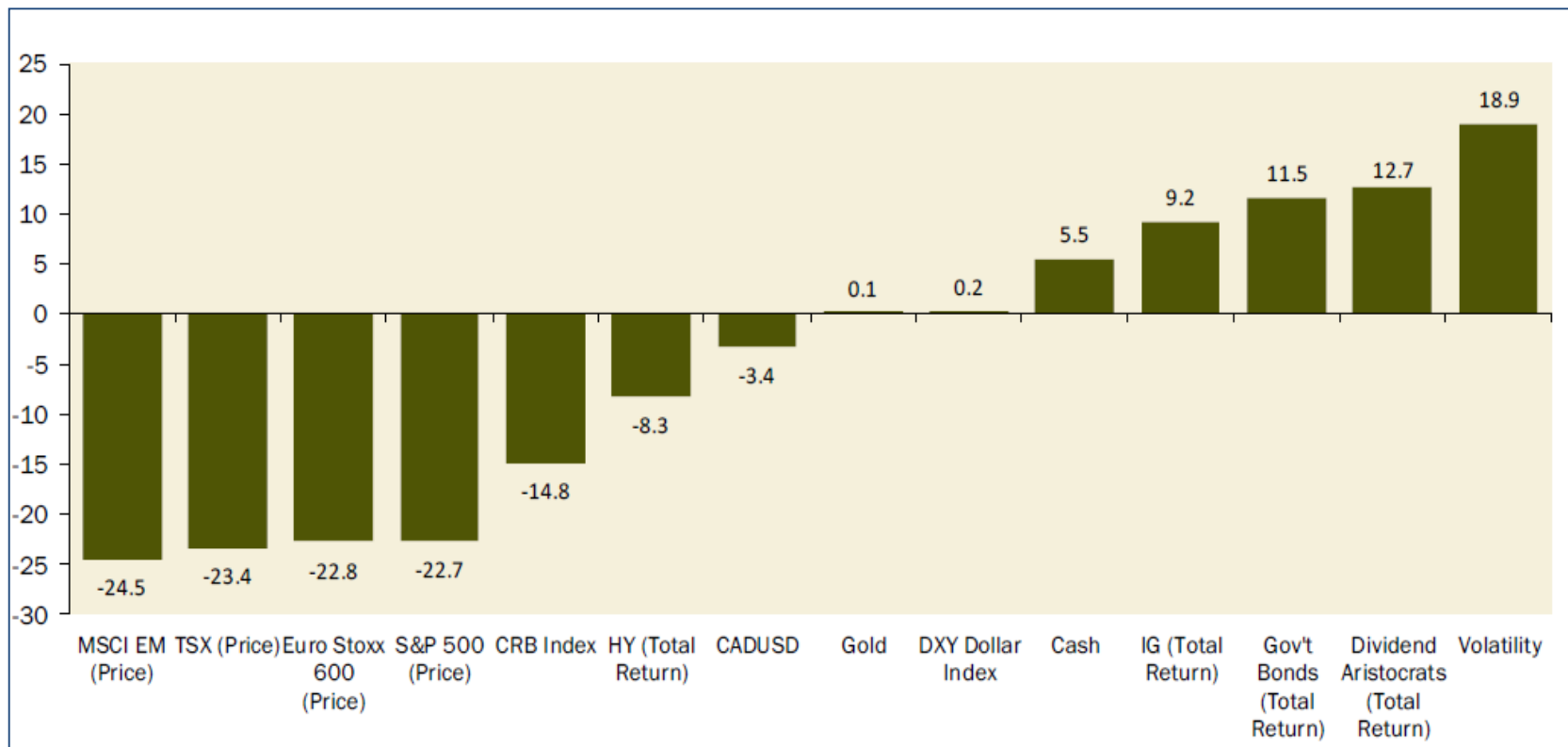
Appendix

1. How to position a portfolio in a downturn?
2. Global bonds, MSCI World equities, US 10 year yield
3. Equities vs bonds?...
4. Bitcoin

Appendix 1: How to position a portfolio in a downturn?

- Medium returns by asset class in a recession.

Median return (annualized percent change)



Note: Returns calculated from six months prior to recession to three months before it ends

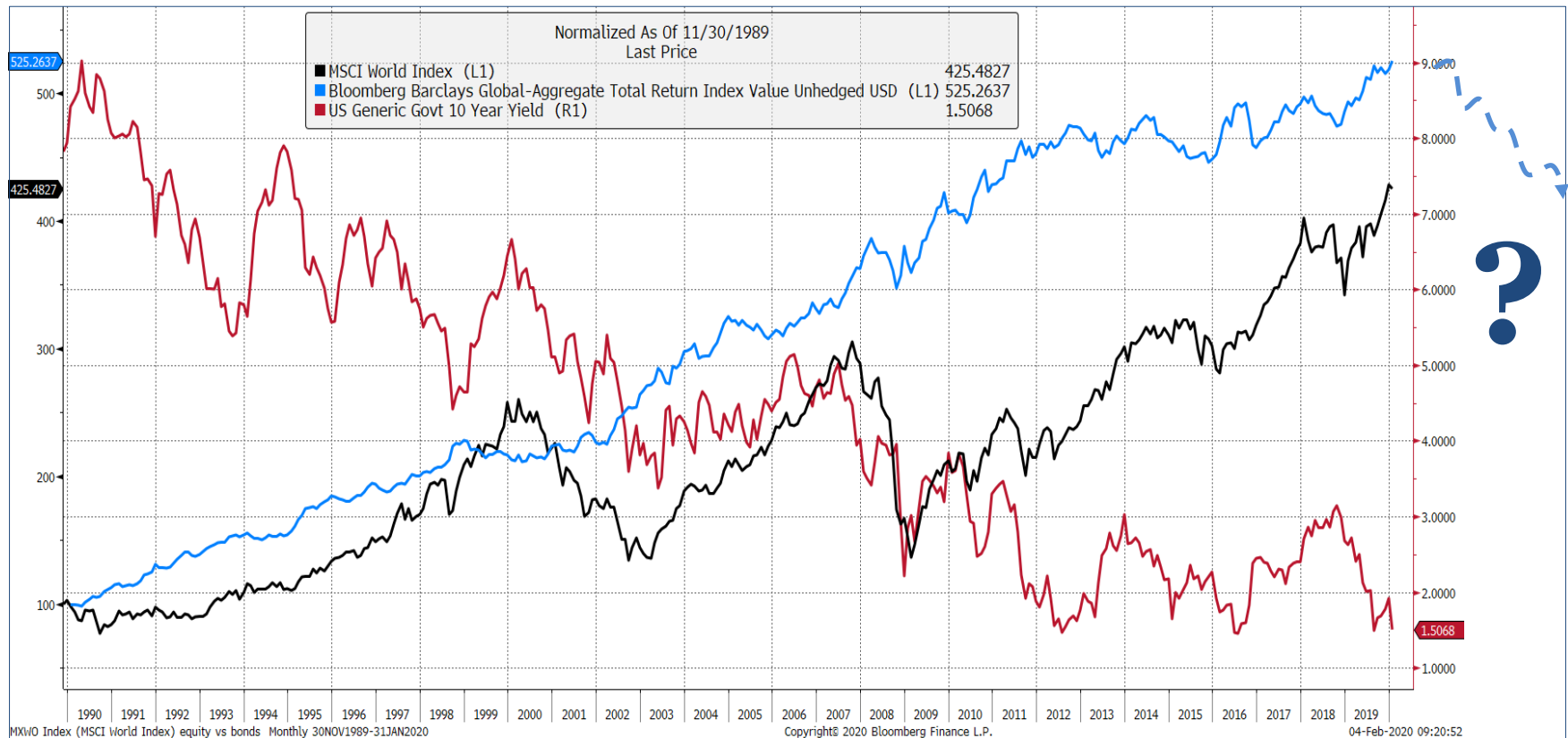


Source: Bloomberg, Gluskin Sheff.

Appendix 2: Global bonds, MSCI World equities, US 10 year yield

- Had interest rates bottomed in 2016 or are we heading there again?

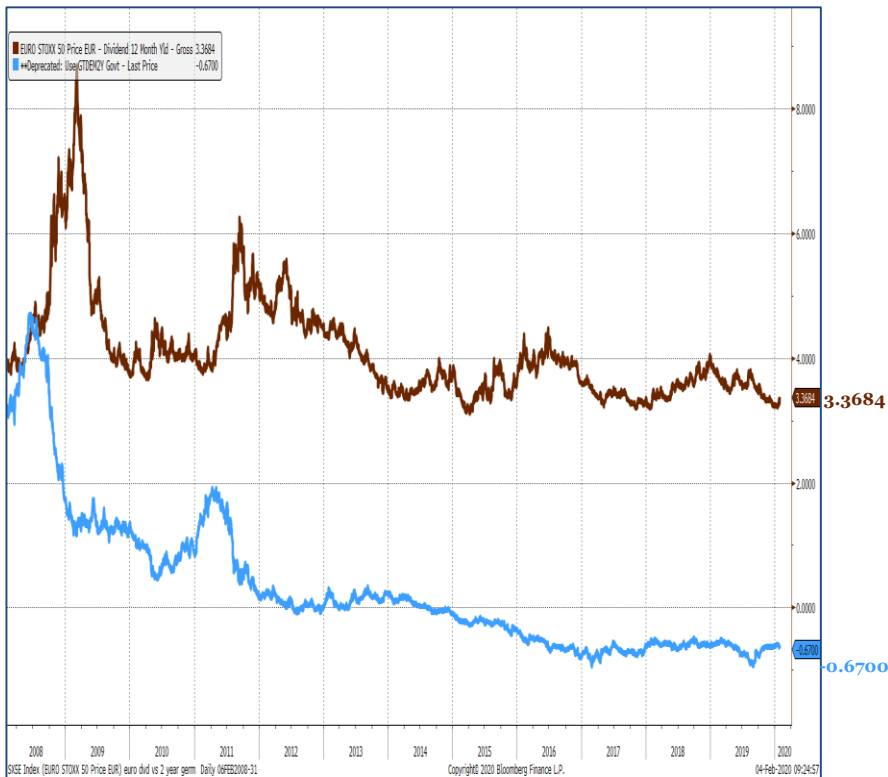
Global bonds, MSCI World equities, US 10 year yield



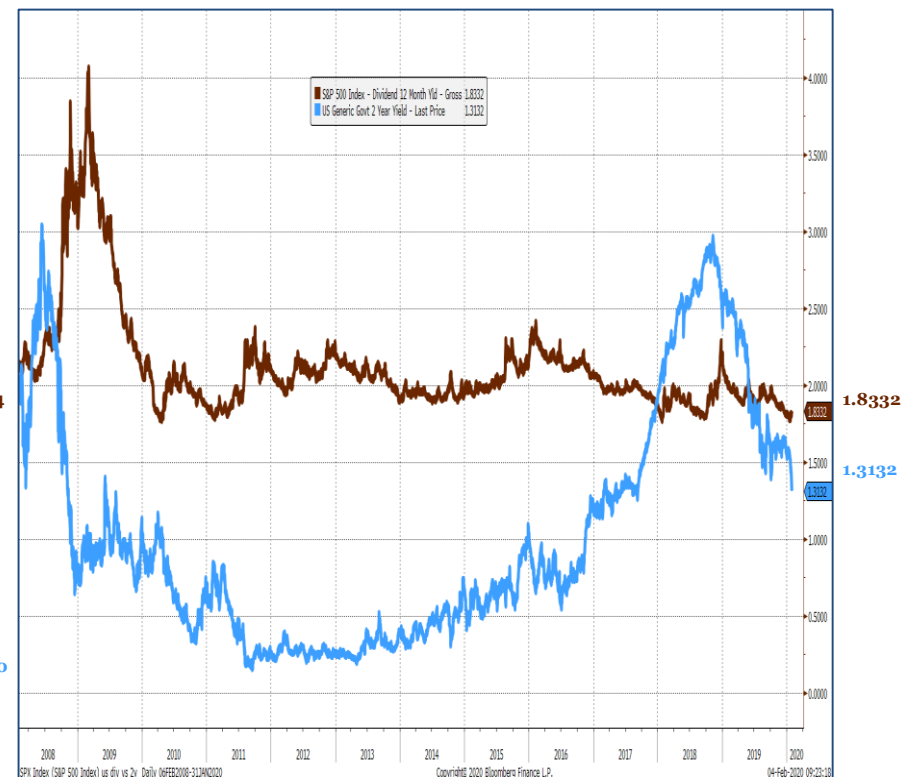
Appendix 3: Equities vs bonds?...

- Dividend yields are again higher than interest rates on both sides of the Atlantic.

Eurostoxx 50 dividend yield vs 2-year Bund yield (blue)



S&P 500 dividend yield vs 2-year US Treasury yield (blue)



Source: Bloomberg, 31/01/20.



Appendix 4: Bitcoin

- Bitcoin and Chinese Tech stocks surged after Xi Jinping called for faster development of the blockchain sector.

BTC / USD



Source: Bloomberg.



Disclaimer :

This document is made available exclusively to clients of Weisshorn Asset Management under discretionary portfolio management who has expressly requested to receive such information and documents (such as analysis, research, report, commentary and/or fact sheet). It shall not be communicated to any third party.

The information and opinions (including positioning) contained on this document are for information purposes only and is not a solicitation, offer or recommendation to sell or acquire any securities, effect any transaction or to enter into any legal relations. More particularly, no information, document or opinions (including positioning) provided on this website regarding services or products shall constitute or be construed as an offer or solicitation to sell or acquire securities or other instruments in any jurisdiction where such offer or solicitation is prohibited by law or in which the person making an offer or solicitation is not licensed or registered to do so or to any person to whom such offer or solicitation is contradictory to local law or regulation. Any such prohibited offer or solicitation is void and Weisshorn Asset Management will disregard any communication received in respect thereof.

Past performance should not be taken as an indication or guarantee of current or future performance, and no representation or warranty, express or implied, is made regarding future performance. Clients are urged to be assisted by professionals to assess the possibilities and risks associated with any financial operation before making any investment or other decisions.

