Liechtensteinische Landesbank 1861

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April 2020

Capital & Markets

Contents

Editorial

Dear Readers

Since our last issue of Capital & Markets, the economic outlook has become significantly gloomier. Government measures to restrict public life in connection with the coronavirus – such as travel restrictions and the closure of shops, restaurants, and other businesses – will lead to a massive economic slump in Europe and the United States in the first half of the year. Although it is impossible to gauge the growth losses reliably at this time, we have attempted to give a rough estimate in our article on the economy and interest rates on page 6.

The gloomier outlook led to a fall in share prices on the equity markets of about 30 %. This is already nearly equivalent to the average price drop of 36 % during the stock market crashes of the last fifty years, but not yet the extreme drop experienced during the global financial crisis of minus 50 %. Although we do not know how long the crisis will last, most financial analysts expect a strong economic recovery in the second half of the year. This expectation appears justified by the nature of the crisis (temporary disease outbreak) and, above all, by previously unseen levels of government fiscal support.

Because of these developments, equities have become considerably more attractive, which is why our equity strategy article on page 9 recommends increasing the underweight in equities to neutral as a first step. In this environment, we encourage all clients with equity exposure that is significantly too low relative to their profile to discuss this with their advisor and, most importantly, to correct it.

We wish you a stimulating read.

Yours faithfully

Markus Wiedemann
Chief Investment Officer

Market assessment

Currencies – page 5

- The narrowing interest rate differential has put downward pressure on the US Dollar. In the short term, however, the US Dollar is likely to benefit as a safe haven from the uncertainty. Japan's economic policy suggests a weakening of the Yen.

Economy and interest rates – page 6

- The global economy will suffer a severe setback in the first half of the year as a result of the coronavirus. The extent of the growth losses will depend on whether and how quickly the measures taken to contain the virus become effective. Assuming that the restrictions will be eased step by step starting the beginning of May, GDP in industrialised countries is likely to fall by around 3.5 % to 4.5 % in the second quarter.

Bond markets – page 7

- As a result of global pandemic fears, safe and highly liquid securities are in demand. Corporate bonds are suffering and, after a massive widening of risk premiums on peripheral government bonds, the ECB launched a EUR 750 billion Pandemic Emergency Purchase Programme.

Equity markets – page 9 to 11

- The economy and the capital markets are in the emergency room – the rapid escalation of the coronavirus disease and the meanwhile drastic measures taken by governments are causing equity prices to crash. An oil price war is aggravating the situation.

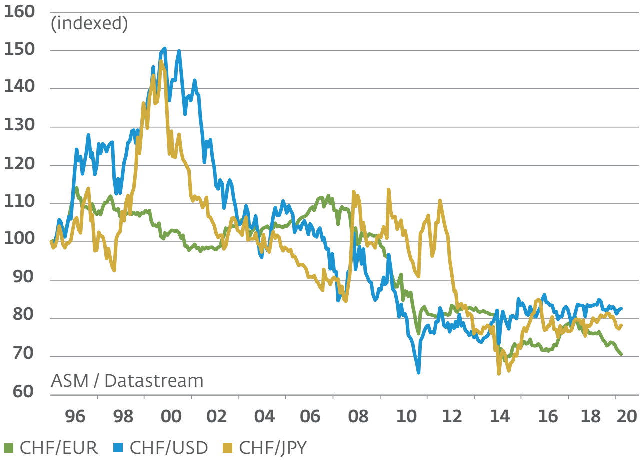
Alternative investments – page 12

- We believe the fundamentals of real estate equities are unlikely to worsen beyond the level of the price losses, so they continue to be attractive.

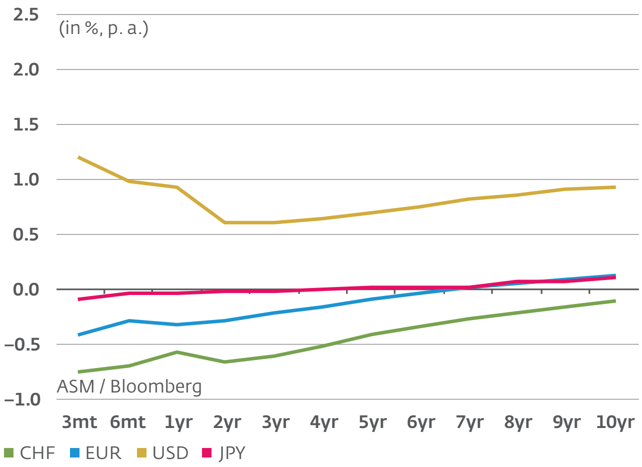
- The high equity exposures in equity-related hedge fund strategies are now having a negative effect. The development of trend-following approaches (CTAs) continued to be positive.

- The prices of cyclical commodity investments are heavily dependent on the economic cycle. A reduction in demand causes a reduction in supply on the producer side.

CHF exchange rates EUR, USD, JPY



Yield curves CHF, EUR, USD, JPY



Macroeconomic indicators [1]

	Switzerland		Eurozone		UK		USA		Japan	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gross domestic product, % yoy	–0.9	2.5	–1.5	3.5	–1.3	3.0	0.5	3.0	–0.8	1.8
Consumer price index, % yoy	0.2	0.8	0.7	1.6	1.5	1.8	1.8	1.8	0.6	0.8
Budget balance, % GDP	0.5	0.2	–2.0	–2.2	–2.8	–3.0	–6.0	–7.5	–2.9	–3.0
Public debt, % GDP	40	40	105	107	115	118	114	118	225	225
Current account balance, % GDP	9.9	9.8	2.7	2.6	–4.3	–4.0	–2.3	–2.4	3.4	3.3
Unemployment, %	2.4	2.5	7.5	7.7	4.0	4.2	3.6	3.7	2.4	2.4
Interest rates, 3 months Govt. bonds	[2] –0.8	[3] –0.7	[2] –0.7	[3] –0.7	[2] 0.2	[3] 0.2	[2] 0.2	[3] 0.2	[2] –0.3	[3] –0.1
Interest rates, 10 years Govt. bonds	[2] –0.5	[3] –0.4	[2] –0.4	[3] –0.3	[2] 0.5	[3] 0.7	[2] 0.8	[3] 1.0	[2] 0.0	[3] 0.0

[1] Sources: ASM, Bloomberg, OECD etc., [2] current, [3] 12-month view, as per March 2020

Currencies

The narrowing interest rate differential has put downward pressure on the US Dollar. In the short term, however, the US Dollar is likely to benefit as a safe haven from the uncertainty. Japan's economic policy suggests a weakening of the Yen.

US Dollar (USD)

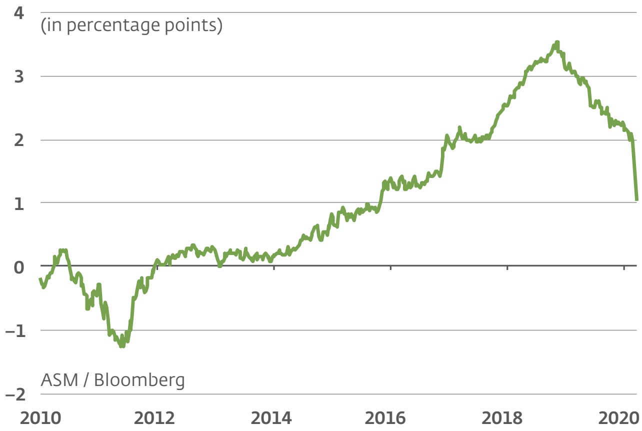
The US Dollar has experienced a period of weakness in recent weeks. In light of the increasing spread of the coronavirus, this period was caused by expectations on the financial markets that interest rates would fall – because in contrast to the ECB, the US Federal Reserve had greater scope for interest rate cuts. The Fed has meanwhile lowered its key rate by 150 bps to between 0 % and 0.25 %, and the US Dollar no longer has any significant interest rate advantage. This will put downward pressure on the USD in the medium term. In the short term, the trend will depend on the progression of the coronavirus. The drastic measures to contain the disease will have a negative impact on economic development on both sides of the Atlantic. The economic region that shows the first signs of overcoming the coronavirus is likely to see its currency strengthen. Against the background of global uncertainty, the US Dollar will benefit from its status as a safe haven for now. The fact that interest rate policy in the Eurozone is reaching its limits will slow down the appreciation of the US Dollar against the Euro somewhat. In the coming months, the most likely scenario for the US Dollar is a development below the mark of USD 1.10 per EUR.

Japanese Yen (JPY)

The Japanese Yen has benefited from the increasing spread of COVID-19 in Asia. It was increasingly being sought as a safe haven. Early government measures such as the closure of schools appear to have slowed the spread of the coronavirus. Now investors are starting to focus on the economic situation in Japan. As a result of the epidemic, Japan is likely to slide into a recession. Against this backdrop, the Bank of Japan has announced an expansion of purchases of fixed-income securities and equities. The Japanese central bank hardly has any leeway with respect to monetary policy. The BoJ believes that a stronger reduction of interest rates into the negative range would do more harm than good (reversal interest rate). The economic stimulus package launched by the government at the beginning of the year can become fully effective only once the coronavirus has been overcome. Japan's export-oriented economy will suffer as a result of the pandemic outside Japan. A restrained economic outlook and a very expansionary monetary policy by the BoJ favour a weakening of the Yen against the US Dollar and other major currencies in the coming months.

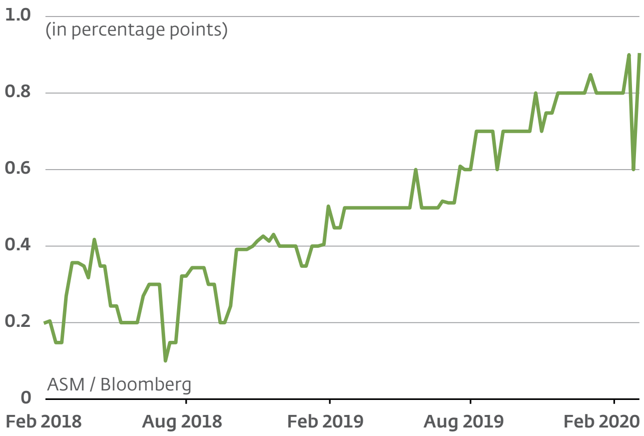
Waldemar Lukas
Investment Class Researcher Fixed Income/Currencies

Interest rate differential United States vs. Eurozone



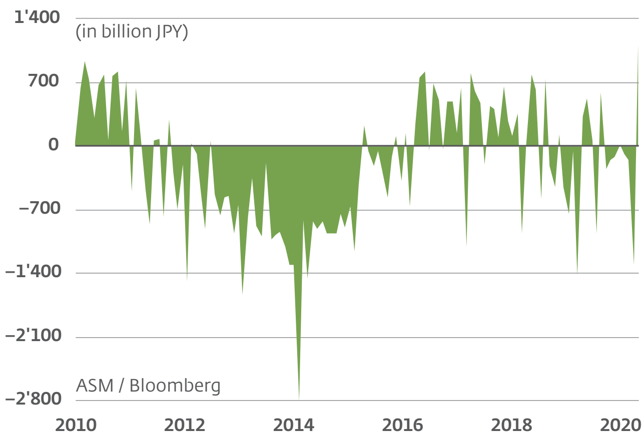
■ Interest rate differential on two-year government bonds, US vs. Germany

Growth differential according to consensus forecast



■ GDP growth differential US vs. Eurozone

Japan: Development of balance of trade



Economy and interest rates

The global economy will suffer a severe setback in the first half of the year. Most financial analysts expect a strong recovery in the second half of the year. Economic output in the Eurozone and Japan will shrink in 2020.

The coronavirus is hitting the world economy in a fragile state. The recovery of world trade and industrial activity that began at the end of 2019 has come to an abrupt halt. The Empire Manufacturing Index for New York dropped to –21.5 points in March. In Germany, the Ifo Business Climate Index fell to 87.7 points. The Purchasing Managers' Indices will also decrease significantly. The weakness in demand is now also affecting the services sector. Although it is impossible to gauge the growth losses reliably at this time, we will nevertheless attempt to give a rough estimate.

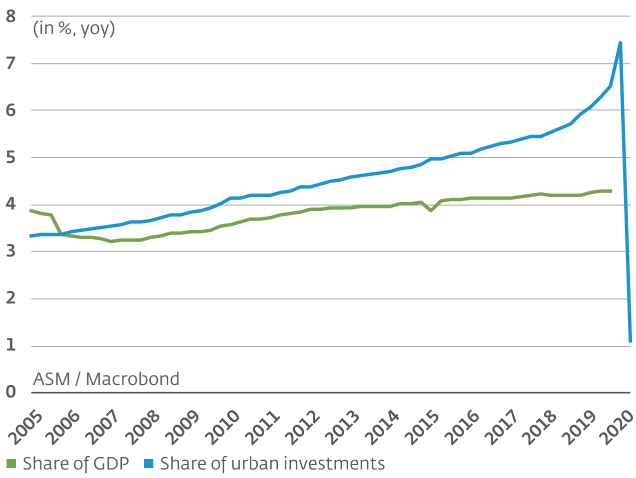
China has begun ramping up production again. Electricity and coal consumption indicate that production has now reached about 80 % to 85 % of its normal level. Despite this recovery, economic output declined in the first quarter. This will also be reflected in China's import statistics. Assuming a decline of 10 %, industrialised countries will experience growth losses in the magnitude of 0.1 % to 0.3 % of GDP.

The measures to restrict public life will weigh on both consumer and investment demand. Assuming that spending on leisure activities falls by about 10 %, growth expectations will have to be revised downwards by approximately another 0.5 percentage points. Production cuts and underutilised capacities will put downward pressure on investment demand, which is already weak as such. The extent is still unclear, however. Assuming that the restrictions on economic activity are lifted step by step starting the beginning of May, economic output in industrialised countries is likely to fall by 3.5 % to 4.5 % in the second quarter. The economy should then recover strongly in the second half of the year. GDP in the Eurozone and Japan will shrink in 2020.

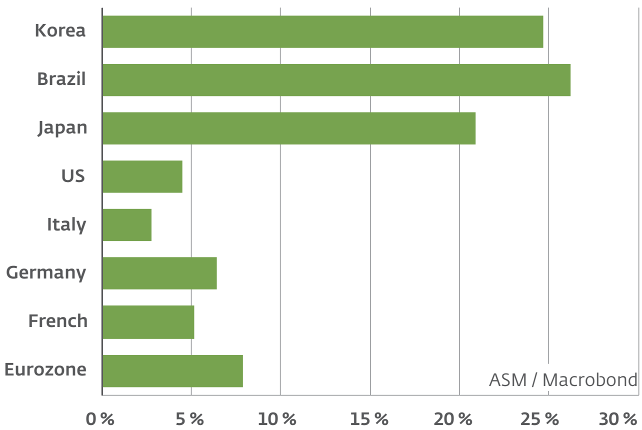
As a response to the economic setback, the central banks have eased monetary policy once again. In addition to interest rate cuts, securities purchase programmes have been massively increased. Governments have announced fiscal policy support on an unprecedented scale. So far, only part of this support has come into effect. If all announcements are implemented, new public debt will increase significantly in 2020/21.

Peter Goller
Head Fixed Income Management

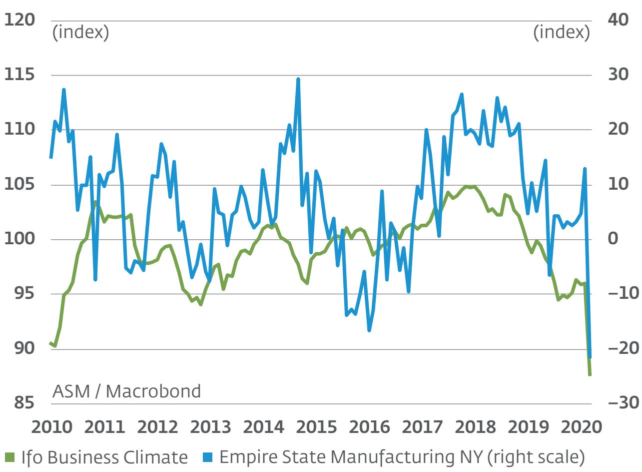
Significance of Hubei for the Chinese economy



Share of exports to China as % of total exports



Leading indicators declining significantly



Bond markets

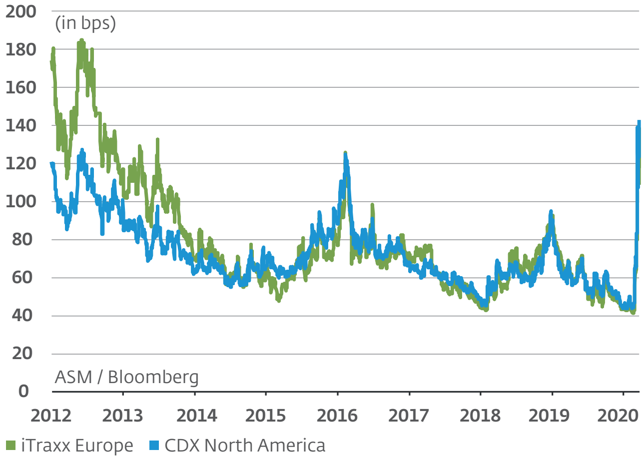
As a result of global pandemic fears, safe and highly liquid securities are in demand. Corporate bonds are suffering and, after a massive widening of risk premiums on peripheral government bonds, the ECB launched a EUR 750 billion Pandemic Emergency Purchase Programme.

With the news of the strong spread of the coronavirus in Italy, sentiment on the bond market began to turn on 24 February. At first it had seemed that the cases would mainly be limited to China, which at the beginning of February was still causing euphoria and historic lows in credit default swaps (CDSs) of just over 40 bps for investment grade issuers. Since then, five-year CDSs have widened by up to 100 bps, with European and North American borrowers moving in parallel. High-yield bonds have developed particularly dramatically, however, with energy stocks under particular pressure due to the sharp drop in oil prices. CDSs are an extremely liquid measure for quantifying risk premiums. Especially among corporate bonds, risk premiums have not increased to the same extent as the swap rate or Treasury with equivalent maturity. The latter are hardly expressive, however, if the counterparty does not quote any prices or if the bid-ask spread is very wide due to high market fluctuations. This means that considerable concessions are currently required to reduce risk positions. In the corporate bond segment, significant sectoral effects can be observed. While utilities, technology, and health care have stood their ground comparatively well since mid-February, energy, consumer discretionary, and subordinated bank bonds are the losers. Stable cash flows due to a lack of substitution possibilities and solid investment grade ratings are helping to get through this phase of reduced market liquidity.

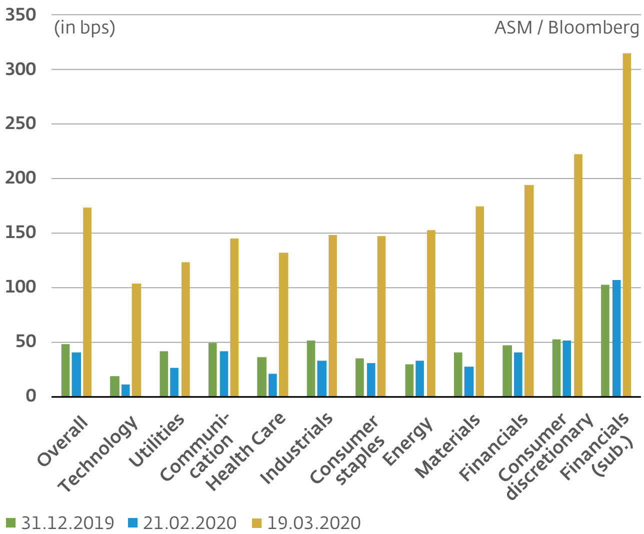
The ECB disappointed expectations on 12 March, and Christine Lagarde triggered a sell-off in the peripheral countries by stating: «Not here to close spreads» – which means that it is not the ECB's task to reduce the refinancing costs of individual Eurozone countries. A week later, the ECB brought out the fire extinguisher. The Pandemic Emergency Purchase Programme (PEPP) with a volume of EUR 750 billion includes commercial papers from companies outside the financial sector in addition to the existing segments of ECB purchases. Additionally, an exemption was granted for Greek government bonds. After ten-year yields had previously risen to up to 4 %, the level fell by almost half. In general, the peripheral countries have benefited from this emergency measure, which is envisaged to last at least until the end of the year.

Stefan Rösch
Fund Manager Bonds

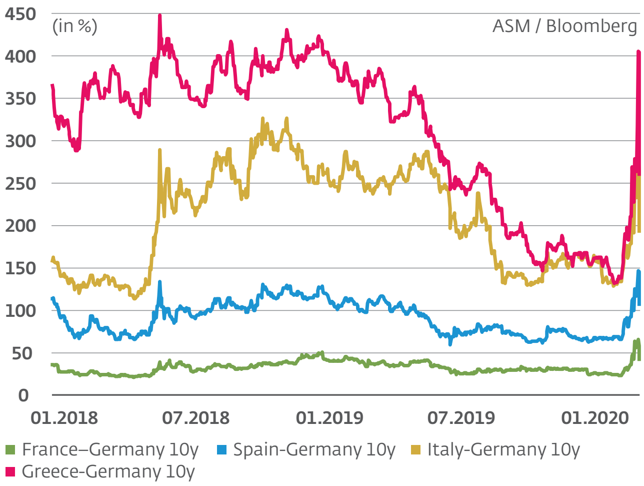
Hedging premium for IG companies (5y CDS)



Development of OAS spreads by sector



Risk premiums on European government bonds



Swiss equity market – Opportunities for LafargeHolcim

LafargeHolcim is not only a model of carbon efficiency within the sector, but it could also benefit from renewable energies. Monetary and fiscal easing measures are also likely to support its business.

In the 2019 investment outlook of our December 2019 special issue of Capital & Markets, our article entitled «Why all energy is solar energy» looked at climate change and possible future developments. According to estimates by BloombergNEF, electricity consumption is likely to increase significantly until 2050, in part due to higher demand for electric cars. According to the same forecast, this demand will likely be met primarily by wind and solar energy, given that these energy sources will represent the cheapest form of electricity production over time.

The challenge of renewable energy sources, however, is to store the energy. In mountain areas, pumped storage power plants are already proven solutions. They facilitate the storage of huge amounts of energy. For example, the largest pumped storage power plant in Switzerland, Linth-Limmern, has a maximum storage capacity of 33 gigawatt hours, which corresponds to one fifth of the daily electricity consumption of all of Switzerland.

But how can electricity be stored in areas without mountains? Various approaches are available. The Ticino-based start-up Energy Vault wants to store electricity in a simple way using gravity, similar to a pumped storage power plant: When there is a surplus, an autonomous electrical crane system stacks 35-tonne concrete blocks around a crane, building a temporary tower up to 120 metres high. When energy is needed, the system dismantles the tower again – the blocks are lowered, driving a coil in the crane. The system thus supplements wind and solar energy and can also be used in dry and flat regions – in addition, unlike batteries, it does not lose its charge over time.

If this approach is successful, it would be positive for the world's largest cement producer LafargeHolcim, which also benefits from the construction of foundations for wind turbines. Traditional pumped storage power plants also generally require large quantities of concrete for dams and other infrastructure. The transition to a more sustainable economy thus presents opportunities even for manufacturers of products that traditionally pollute the environment, such as LafargeHolcim.

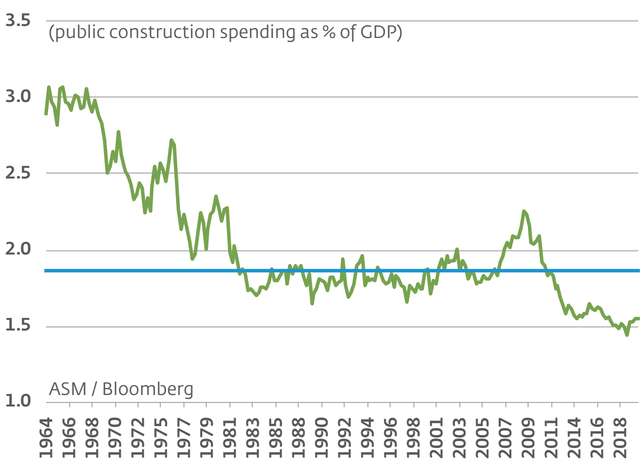
We believe other macro factors are also positive. With the outbreak of the coronavirus, fiscal and monetary policy support measures in various countries are likely. The construction sector should benefit directly from this. In addition, construction spending in many countries, including the US, is already very low anyway (see chart) and the infrastructure is accordingly in a poor state – as evidenced, for example, by the major bridge collapse in Italy. The good budget situation at the level of US states is also positive. Uncertainties about the economy, inequality, coronavirus, climate, and refugee issues might lead to more populism and new political coalitions. But newly elected politicians also want to demonstrate quick successes, and infrastructure programmes are a good way to do so. Finally, a physical industry such as cement has the advantage that it cannot be disrupted by an app from Facebook or Amazon. This means it is already clear today what the industry will look like in principle twenty years from now.

LafargeHolcim is also the leading company in the sector in terms of carbon intensity and should therefore benefit from higher carbon prices, while other producers may have to close plants in future. In addition, CEO Jenisch has successfully implemented a CHF 400 million savings programme and launched measures to increase margins for aggregates.

Following the coronavirus crash, the European cement sector, including LafargeHolcim, is currently trading below 6 x EV/ EBITDA – more than one standard deviation below the 10-year average. LafargeHolcim is valued at another 4 % below the peer group. Its free cash flow yield is about 10 %, which means that the dividend yield of almost 5 % is easily covered.

Thomas Kühne
Fund Manager LLB Equities Switzerland

US: Too few investments in the public sector



Equity strategy

The economy and the capital markets are in the emergency room – the rapid escalation of the coronavirus disease and the meanwhile drastic measures taken by governments are causing equity prices to crash. An oil price war is aggravating the situation.

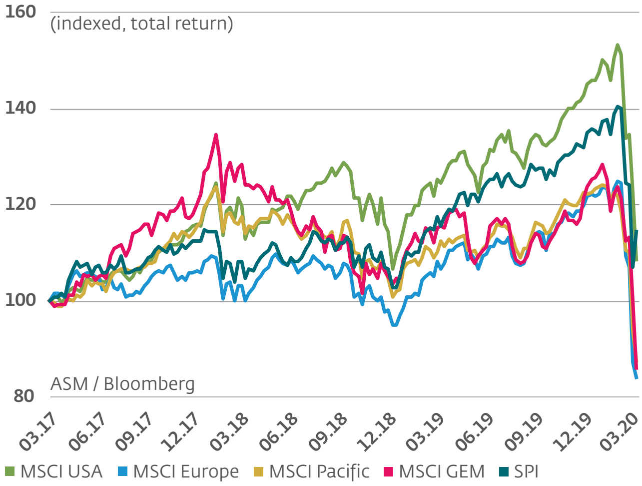
The last two weeks have turned everything upside down, not just the capital markets. Restrictions like those currently in place have not been imposed since the end of the Second World War. This also means there is a lack of experience in dealing with this crisis. At least governments are able to fall back on the plans developed during the global financial crisis of 2008/09 (GFC), and in some cases even the same key people. This may be helpful as the crisis progresses, when substantial packages must be set up quickly to support the economy. The beginning of the crisis management process was marked by a lack of coordination, however, and overly tentative measures. Not only have governments meanwhile announced fiscal packages – some of them massive – but the Fed and the ECB have also spread out a huge protective umbrella. This explains why interest rates on government bonds have risen recently – contrary to expectations – given that the market now has to anticipate considerably higher government debt.

In this environment, the MSCI World (in USD) fell by almost 30 %. This means we are now in a bear market, i.e. a price decline of more than 20 % from the peak. The middle chart shows that the equity market is now seeing a similar level of stress (volatility) as during the GFC. The lower chart gives an impression of the vehemence of the current price crash already during this initial phase. However, the crash began from a tense level of high valuations, as we had already mentioned several times here. During market phases like these, corporate analysts are unable to quickly adjust their earnings estimates for individual companies. The global earnings growth rate for the current year – which is still +6.4 % – is therefore moot. Market players are aware of this and are already anticipating a massive earnings recession. On average, severe (earnings) recessions have led to price drops of about 50 % on the equity market. The global energy sector is already at this point, and the index for financials is currently at –35 %.

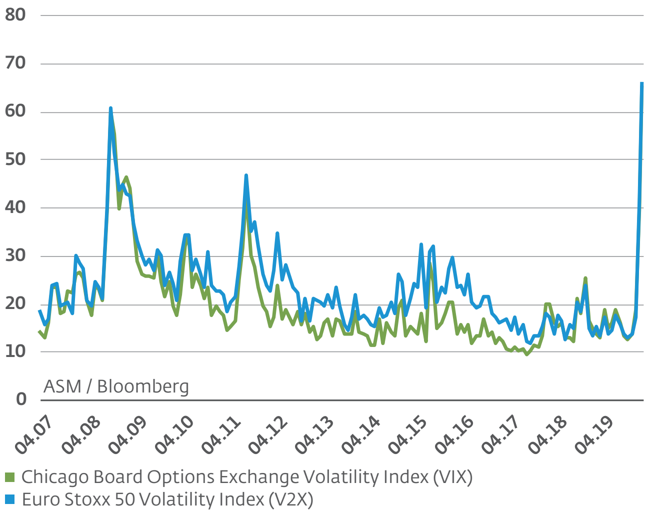
After having recommended an underweight in equities on valuation grounds for quite some time, we now recommend adjusting this weight to neutral as a first step. Further steps may be considered once the markets have calmed down, but it is still too early for that.

Christian Zogg
Head Equity and Fixed Income Management

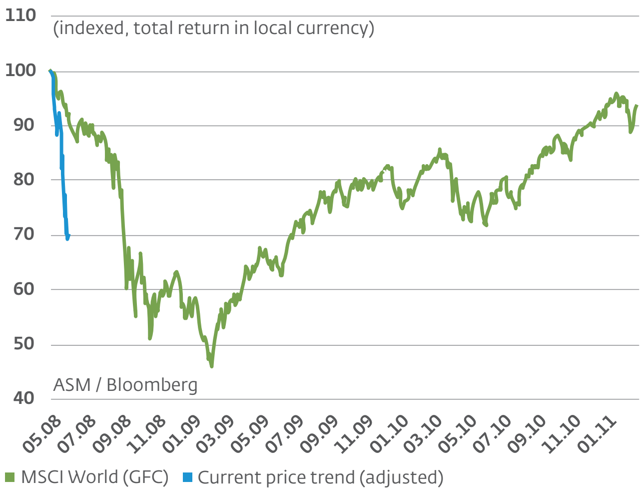
Equity markets in local currency – 3 years



Record-high volatility



Comparison of current price trend



Switzerland

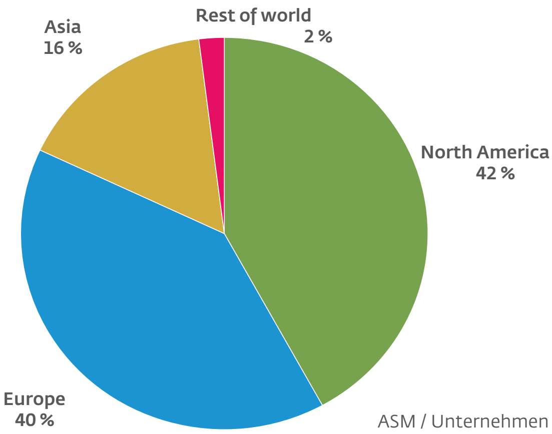
Tecan is a worldwide leader in the supply of laboratory instruments and solutions in the fields of biopharmaceuticals, forensics, and clinical diagnostics. The company is likely to benefit from the current coronavirus crisis as well as from longer-term megatrends.

Tecan specialises in the development, production, and distribution of automation solutions for laboratories. Its customers include pharmaceutical and biotechnology companies, university research departments, and forensic and diagnostic laboratories. Tecan is also a leader in the development and manufacturing of instruments and components that are then distributed by partner companies such as Agilent and Abbott.

Tecan is benefiting from rising healthcare spending worldwide. Tecan's solutions often serve to increase efficiency and capacity in laboratories – a criterion that is likely to become even more important with the coronavirus crisis. We also believe Tecan is ideally positioned to benefit from trends in medical progress, such as individualised cancer therapies. For these therapies, the type of cancer and the tumour environment must first be identified precisely, which is likely to benefit Tecan. Advances in genetics and cell therapy will also revolutionise many areas of therapy – which again should be an advantage for Tecan. Tecan is trading at a high valuation with about 35x expected P/E ratio for 2020, but the company has high net liquidity and low capital intensity, which means that almost 100 % of earnings are available as free cash flow. In addition, Tecan generates more than 40 % of its sales with recurring business such as consumables, which further supports future visibility.

Thomas Kühne
Fund Manager LLB Equities Switzerland

Geographic distribution of sales, end of 2019



ASM / Unternehmen

Europe

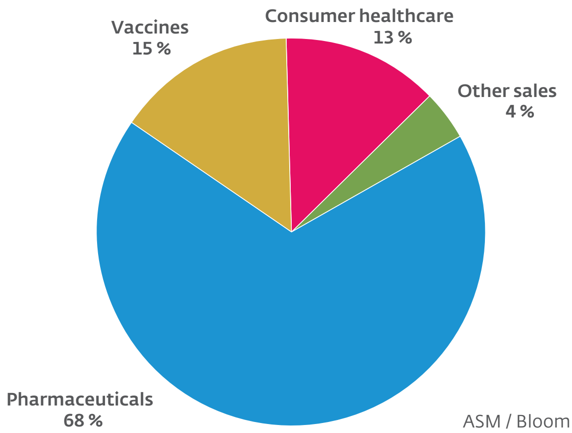
European equity markets have now turned into a bear market, triggered by the COVID-19 crisis. A defensive orientation of the portfolio still appears appropriate. Even very solid defensive equities have corrected significantly.

One of these equities is Sanofi. The French company is one of the world's largest pharmaceutical groups and has so far not distinguished itself by a particularly interesting pipeline. Under the new management of CEO Paul Hudson, however, initial steps have been taken to turn this around. A detailed analysis of the individual segments shows that small steps taken together are often enough to develop a more targeted focus on promising projects in terms of cost and sales targets. The last few quarters have already demonstrated this. If, additionally, the consumer healthcare division is spun off, and some success is seen in the pharmaceuticals currently already in phase II and II of the pipeline, we believe the exaggerated discount compared with the competition should soon be a thing of the past.

The fears triggered by the current crisis in regard to supplies and production appear exaggerated, at least for the pharmaceutical industry. A recent survey of the leading pharmaceutical companies in Europe shows that they have so far not experienced any production losses and that they have inventories of all important drugs or reliable supply chains for the next 200 to 300 days. Sanofi has also confirmed that the company is working on a promising vaccine for COVID-19, and it was involved in a short-term pilot study at a Marseille hospital for the immediately available antimalarial Plaquenil.

Dr. Karlheinz Gfall
Fund Manager LLB Equities Europe

Sanofi: Distribution of sales, 2019



ASM / Bloomberg

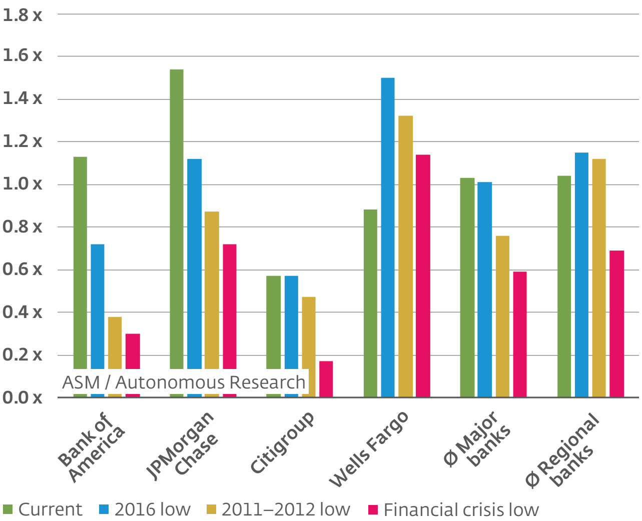
North America

The key rate cut by a total of 150 basis points has hit the US banking world hard. The major banks are responding by suspending their share buyback programmes, and they have a significantly stronger capital base than they did during the global financial crisis of 2009.

Our cautious attitude towards US bank equities has so far turned out to be exactly right. The reduction of the key rates by 150 basis points has significantly reduced the net interest income of the major banks, weighing on earnings per share by up to 17 %. The higher provisions for credit losses are likely to have an additional impact of about 10 %, and the suspension of the share buyback programmes means that the estimates for earnings per share are being reduced by a further 2 %. This means that the combined earnings of the banks are falling by more than a quarter, and the core capital of many banks is also likely to be affected to some extent. However, this effect can be more than compensated by the suspensions of share buyback programmes. The sharp price decline of most bank shares has also caused their valuations to fall again. With a price to tangible book value ratio of 1.0 x, bank shares are trading at their lowest level since 2012. The increase in credit value adjustments in the coming quarters will reduce profitability, however, which will put the lower valuation into perspective again. An extended low interest rate period, as we saw in 2011–2015, is another threat for the banking sector. We therefore continue to advise caution. Our preference has now shifted away from banks with high interest rate sensitivity (e.g. Citigroup) to banks with high non-interest income (e.g. E-Trade Financial, JPMorgan Chase).

Simon Öhri
Fund Manager LLB Equities North America

Selected price to tangible book value ratios



Pacific

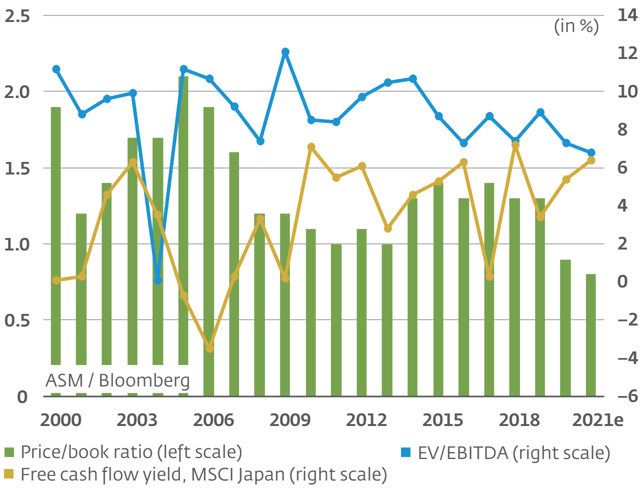
Howard Marks, one of the most successful US investors in recent decades, wrote a memo about the severe market turbulence entitled: «Nobody Knows II». How can even a legend not know any better?

How will the markets continue to react? When will SARS-CoV-2 be under control, and how long will the rigorous government measures last? Nobody really knows. But what can be answered is the question of whether markets have an attractive valuation or not. The MSCI Japan is trading with a price/book ratio of less than 0.9. Valuations were not even that low during the financial crisis in 2009. The estimated EV/EBITDA for the coming year is less than 7. This is also historic. Since Japanese companies have not made excessive capital expenditures in recent years, free cash flow yields are likely to end up around 5 % again in the next fiscal year. Japanese equities have little debt as such, and despite the high share buybacks in recent years, cash holdings are still above average. Many companies are therefore likely to use this crash for further earnings accretion. This means that returns on equity should again be just under 10 % in the coming fiscal year.

Will COVID-19 change our lives permanently and fundamentally? No. Will we not recognise the future, and will most business models be decimated and no longer capable of valuation? No. The damage caused will certainly be great. In eight months there will be a vaccine, however, and we will have learned to live with this threat in a similar way to the seasonal flu, and the Japanese market will also rise again.

Christoph Hilfiker
Fund Manager LLB Equities Pacific

Japan – lower valuation than during the financial crisis



Alternative investments

Cat bonds, hedge funds & co.
Cat bonds allow investors to participate in the transfer of insurance risks – primarily in the area of natural risks. There are only a few pure pandemic cat bonds: just over 0.5 % of the market volume.

Due to these characteristics, cat bonds are not very affected by the current market events – their performance since the beginning of the year has been roughly 1 %. With a risk premium of about 600 basis points, we continue to regard them as attractive – also in the run-up to the coming US hurricane season, which will have a much more significant impact on the pricing of this asset class. CTA hedge fund strategies have likewise offered investors good protection against sharp price drops. Trend-following strategies produced good results throughout 2019, and they have achieved small gains of 0.7 % at the index level since the beginning of January. If the change in trend for equities, bonds, short-term interest rates, and currencies is not too abrupt, trend-following approaches are quite capable of achieving further attractive performance. The other hedge fund strategies, such as long/short equity, equity market neutral, and some fixed-income strategies have now entered more difficult territory. Their high net and gross exposure to the equity market, which helped performance especially in the fourth quarter of 2019, is now proving to be a big liability in these markets. The broad hedge fund index has lost about 5 % since the start of the year. Swiss real estate funds were able to withstand the market turmoil for a while. But since mid-March, they have likewise undergone a sharper correction. With a premium of slightly below 30 % and a distribution yield of about 2.5 %, the valuation of these real estate stocks is still above average.

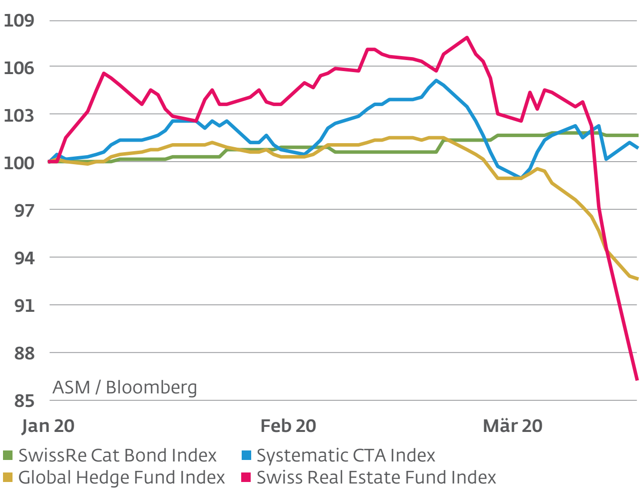
Bernhard Schmitt
Head Equity & Multi Manager Management

Commodities
Oil market fundamentals are steadily deteriorating. The disagreement within OPEC+ will lead to significantly more supply. The consequence of lower economic activity will weigh on the demand for oil.

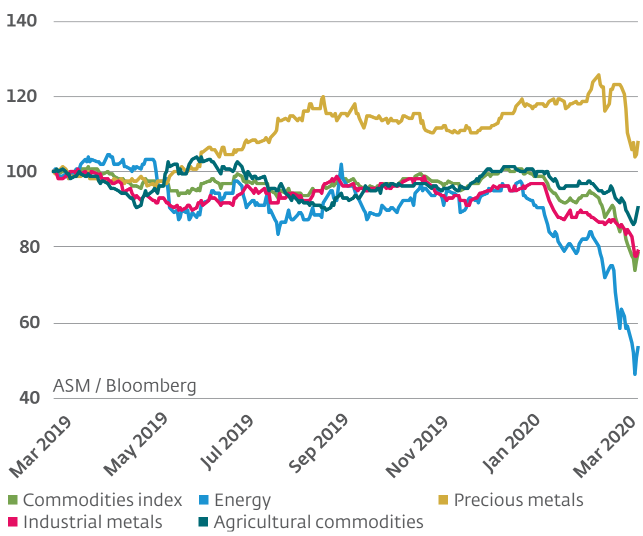
Now that OPEC+ will no longer support the oil price by cutting supply, prices have fallen significantly and at times were below USD 25 per barrel of Brent. The disagreement within the cartel is not the only reason for the weak prices, however. The weakening of demand due to COVID-19 is the second part of the equation. In this respect, there is still great uncertainty as to how oil demand will develop over the coming months. In principle, however, the truth still holds that low prices are the best corrective for low prices. Saudi Arabia, for instance, recently announced that it intends to significantly reduce investment in oil extraction projects. US shale companies must also react immediately and significantly reduce capex spending. At the current price level, hardly any producer can produce at a profit. Countries that are dependent on oil revenue can also no longer sufficiently cover their public spending through their oil business. Higher prices are likely in the medium term, but in the meantime sporadic recovery rallies are likely to be short-lived. In March so far, gold has fallen more than 8 % from its peak prices of over USD 1'670 per ounce. The market is still dominated by speculation on rising prices, and even the recent aggressive interest rate cut by the Fed led merely to a below-average recovery in precious metals. We expect more attractive entry opportunities in the short term.

Timo Gruber
Investment Class Researcher Commodities

Selected alternative investments



Development of commodities sectors



Advisory models

LLB Invest – your assets in good hands

Traditional investment advice and asset management meet innovative, modern advisory models. Whether you want to delegate the management of your assets and enjoy the other things life has to offer or you prefer to take the active role in making investment decisions, LLB offers a tailor-made solution for both private and institutional clients: LLB Invest.

Straightforward and easy to understand

We provide transparent and professional investment advice and asset management. You decide on the right solution for investing your assets.

Flexible and individual

You and your personal wishes are central. LLB Invest can be tailored to fit you perfectly.

Clear and transparent

Our advice is systematic and understandable. We carry out ongoing analysis of your assets, provide detailed performance reporting, and make concrete recommendations for you to invest your wealth optimally.

With LLB Invest, our focus is on your assets at all times, from a range of perspectives.

Security and monitoring

You decide how intensively you want us to monitor your portfolio in line with your own individual investment strategy. Depending on the advisory model you have selected, we will inform you if we notice any deviations from your investment strategy.

Advisory services and management

All of the advisory models include personal advice and individual support for your investment decisions. It is up to you to decide the frequency, the communication channel and the scope of the advice. You will also be able to call on our investment specialists' know-how.

Optimisation and performance

You decide whether you want us to send you new investment recommendations if your portfolio moves outside of the agreed parameters or if we see new market opportunities. An annual performance report is included as standard in all models.

Our advisory models

	LLB Basic	LLB Consult	LLB Expert	LLB Comfort
Objectives	Personal – partnership-based support	Security-conscious – first-class advice	Dedicated – always abreast of the market developments	Stress-free – outstanding asset management, optimised continuously
Characteristics				
Advantages	✓ Personal advice ✓ Standardised investment recommendations	✓ Excellent risk management ✓ Personal advisor ✓ Individual investment recommendations	✓ Excellent risk management ✓ Highest flexibility in terms of portfolio selection ✓ Personal advisor ✓ Access to investment specialists ✓ Pro-active information on market opportunities ✓ Tailored, expanded investment recommendations	✓ Excellent risk management ✓ Highest flexibility in terms of portfolio selection ✓ Personal advisor ✓ Access to investment specialists ✓ Comprehensive service ✓ Active exploitation of market opportunities ✓ Detailed performance reporting

Investment strategies and tactical asset allocation

Strategies at a glance

As part of our LLB Comfort asset management, we offer our clients a broad range of investment strategies that fulfil all the requirements in relation to investment horizon and the use of different asset classes. All our strategy models have an outstanding risk/return ratio.

LLB strategy models
The LLB strategy models make investments with different weightings in classical asset classes such as money market investments, equities, and bonds. In addition to government and corporate bonds, we also consider convertible bonds, inflation-linked bonds, and high-yield bonds. We pay the utmost attention to the high quality of the securities. We offer six different risk/return models, each in three reference currencies (CHF, EUR, and USD). We call these models Fixed Income, Conservative, Yield, Balanced, Growth, and Stocks. Both the risk and return expectations and the necessary investment horizon for the investor increase in that order.

Investment themes
Supplementing the classic strategies, we offer a selection of thematic implementation options: The «Alternative Strategies» implementation invests not only in a broadly diversified basic portfolio consisting of bonds and equities, but also in hedge funds, gold, and other commodities. The diversification characteristics of these market segments can reduce the portfolio risk while leaving earnings expectations unchanged. We offer these strategies in the reference currencies CHF and EUR.

Within the predefined equity exposure, the «Regional» implementation focuses on successful companies in our home region that we know especially well: the «Euregio Bodensee (Lake Constance)», which includes Northeast Switzerland, Liechtenstein, Vorarlberg, Bavaria and Baden-Württemberg.

The «Dividends» strategy is especially suited to investors looking for the highest possible dividend yield in their equity exposures. Within the predefined equity exposure, we invest a certain proportion in companies with high dividends. In times of low interest rates, this allows you to benefit from attractive dividend payments for your portfolio.

We also have the right solution for investors who want professional asset management that mainly takes passive products into account: the «Passive» implementation. This strategy invests exclusively in funds. These funds are mainly – or where appropriate – passive products that replicate their investment market (benchmark) as closely as possible. The corresponding strategies are likewise implemented faithfully by the LLB Group's asset management.

Tactical asset allocation

The US Dollar will hold its ground for now
The increasing spread of the coronavirus has led to several interest rate cuts by the Fed. The interest rate differential between the US and the Eurozone has narrowed significantly. This will weigh on the US Dollar in the medium term. In the short term, the US Dollar will benefit from its status as a safe haven. Against this backdrop, we are maintaining our neutral weighting of the USD.

Uncertainty also affecting the bond markets
Due to the economic uncertainty and the outbreak of the coronavirus in Europe, corporate bonds – and especially high-yield bonds – fell on the bond markets. The rise in risk premiums certainly reflects the higher default risks in part, but a lack of liquidity and margin calls are likely to have exacerbated it. Risk premiums on corporate bonds are meanwhile quite attractive again, so we are maintaining our neutral weight in high-yield bonds and our overweight in emerging market bonds. We are still underweight in bonds with high credit ratings.

Bear market is a reality
With a drop of more than 30 % within a very short period of time, the equity markets reacted to the collapse of global economic activity ordered by governments to contain the coronavirus pandemic. After having recommended an underweight in equities on valuation grounds for a long time, we are becoming somewhat more aggressive. We are now returning to a neutral equity exposure in our portfolios.

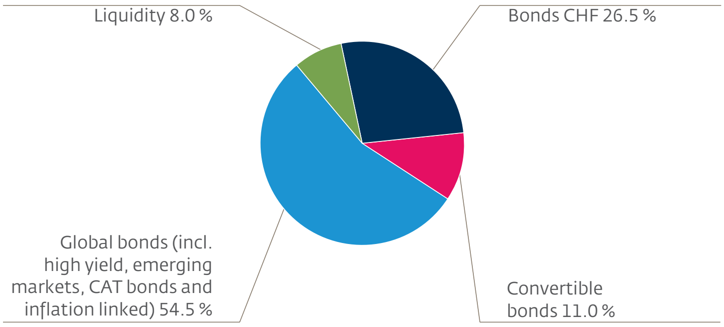
Real estate and alternative investments (incl. cat bonds)
We are maintaining our overweight in real estate equities even after this market correction. We do not believe it is very realistic that fundamentals will deteriorate beyond the price losses, although an operational correction will certainly occur. In addition, we continue to believe that trend-following strategies will provide a degree of portfolio protection. Only a rapid change in trend for equities, bonds, interest rates, and currencies could damage this expectation. CTA strategies remain unchanged, as will our tactical positioning in cat bonds . The 600 bps risk premium of cat bonds, together with the upcoming hurricane season, are the important future factors. All liquid assets are under pressure during the coronavirus crisis, including gold and other commodities. While an undershooting of prices is certainly possible, the focus in the medium term is on the development of fundamentals in terms of supply and demand. Due to the low visibility with regard to demand losses, our weight in commodities remains neutral for now.

Fixed Income investment strategy

This strategy is aimed at investors having an investment horizon of at least two years, and for whom capital availability at any time, regular income and capital preservation are of primary importance. These investors are risk-averse and tolerate only slight fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

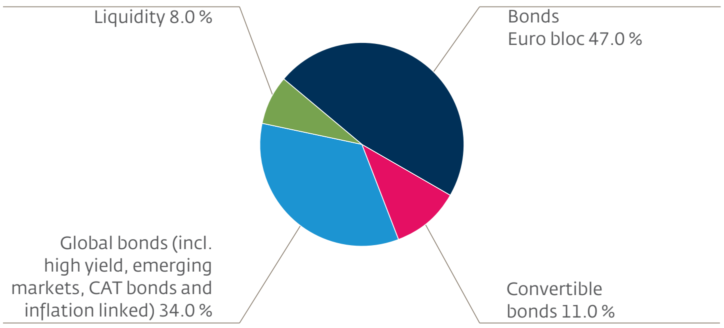
Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	4.5 %	
Risk[2]	7.5 years	
Currencies	CHF	76.30 %
	Euro bloc	10.20 %
	GBP	2.20 %
	Dollar bloc	7.40 %
	Others	3.90 %

Reference currency Euro

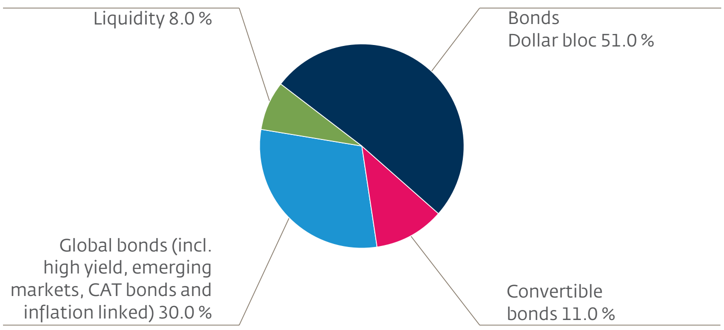
Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	6.2 %	
Risk[2]	8.5 years	
Currencies	Euro bloc	85.10 %
	GBP	2.20 %
	Dollar bloc	9.20 %
	Others	3.50 %

Reference currency US Dollar

Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	7.6 %	
Risk[2]	13.0 years	
Currencies	Dollar bloc	82.70 %
	Euro bloc	11.40 %
	GBP	3.30 %
	Others	2.60 %

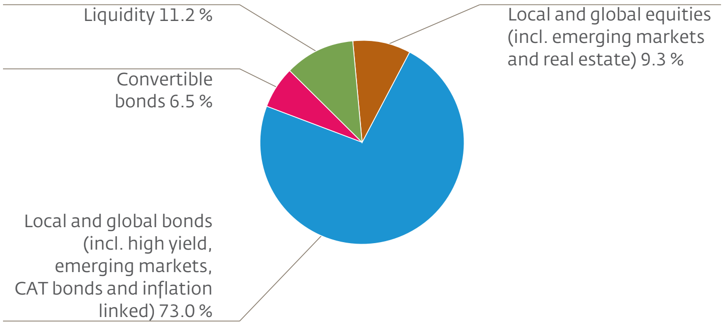
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Conservative investment strategy

This strategy is aimed at investors having an investment horizon of at least two years, and for whom capital preservation, capital availability at any time and regular income are of primary importance. These investors have a limited risk tolerance and tolerate only small fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

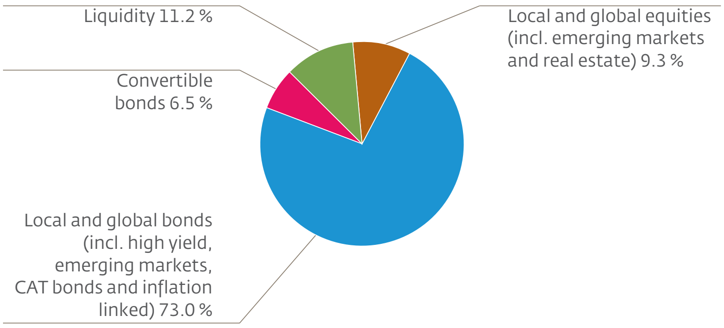
Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	4.9 %	
Risk [2]	5.0 years	
Currencies	CHF	74.80 %
	Euro bloc	10.00 %
	GBP	2.30 %
	Dollar bloc	8.40 %
	Others	4.50 %

Reference currency Euro

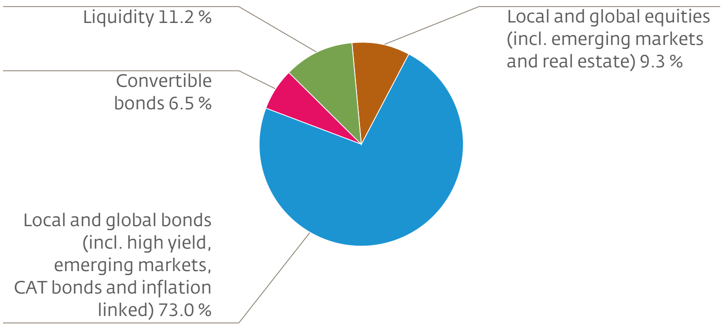
Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	6.6 %	
Risk [2]	8.0 years	
Currencies	Euro bloc	81.70 %
	GBP	3.20 %
	CHF	0.60 %
	Dollar bloc	9.90 %
	Others	4.60 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	7.9 %	
Risk [2]	16.5 years	
Currencies	Dollar bloc	82.30 %
	CHF	0.30 %
	Euro bloc	9.30 %
	GBP	3.30 %
	Others	4.80 %

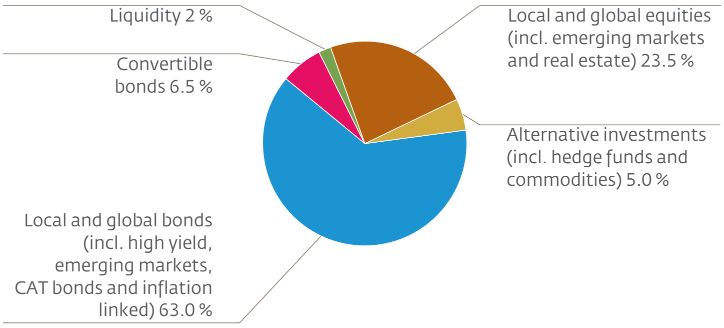
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Yield investment strategy

This strategy is aimed at investors having an investment horizon of at least four years, for whom capital preservation takes precedence over regular income and capital availability at any time. These investors are less ready to take risks and tolerate only limited fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

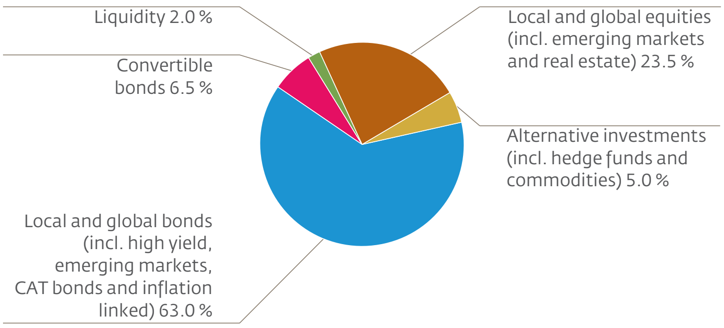
Allocation by asset classes



Equity exposure[1]	25 %	
Investment horizon	at least 4 years	
Return[2]	5.5 %	
Risk[3]	5.5 years	
Currencies	CHF	72.90 %
	Euro bloc	12.20 %
	GBP	2.30 %
	Dollar bloc	6.70 %
	Others	5.90 %

Reference currency Euro

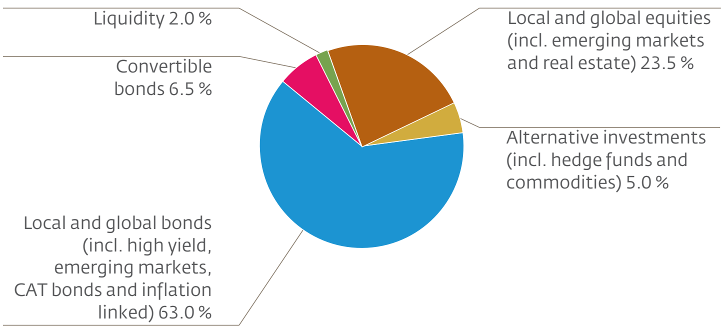
Allocation by asset classes



Equity exposure[1]	25 %	
Investment horizon	at least 4 years	
Return[2]	6.9 %	
Risk[3]	6.5 years	
Currencies	Euro bloc	78.40 %
	GBP	3.10 %
	CHF	0.80 %
	Dollar bloc	10.90 %
	Others	6.80 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure[1]	25 %	
Investment horizon	at least 4 years	
Return[2]	8.5 %	
Risk[3]	14.5 years	
Currencies	Dollar bloc	77.40 %
	CHF	0.90 %
	Euro bloc	10.90 %
	GBP	3.30 %
	Others	7.50 %

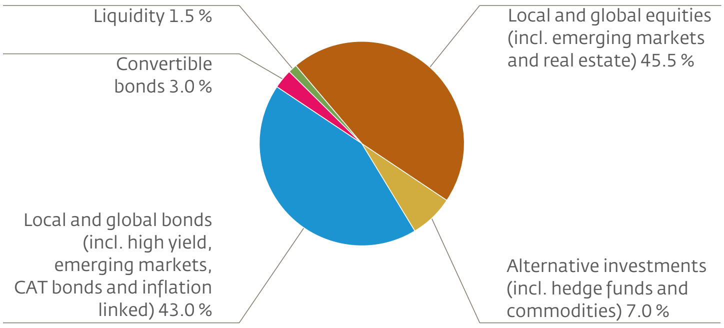
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Balanced investment strategy

This strategy is aimed at investors having an investment horizon of at least six years, for whom real capital appreciation and regular income are of primary importance. These investors are prepared to take risks and accept somewhat higher fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

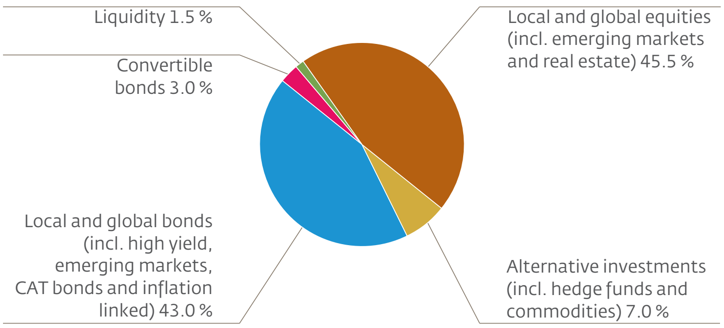
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	6.3 %	
Risk [3]	4.0 years	
Currencies	CHF	72.60 %
	Euro bloc	9.70 %
	GBP	3.30 %
	Dollar bloc	6.00 %
	Others	8.40 %

Reference currency Euro

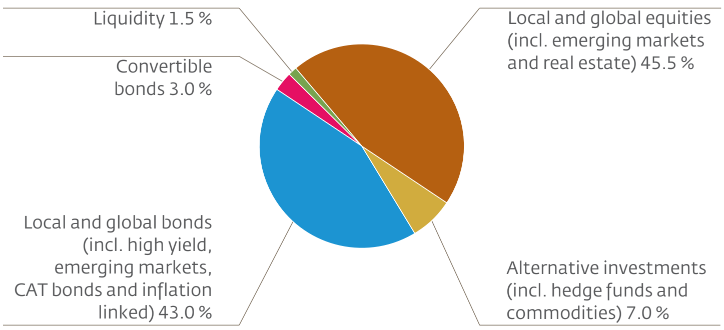
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	7.4 %	
Risk [3]	5.0 years	
Currencies	Euro bloc	77.60 %
	GBP	3.10 %
	CHF	1.10 %
	Dollar bloc	8.70 %
	Others	9.50 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	9.4 %	
Risk [3]	7.5 years	
Currencies	Dollar bloc	75.00 %
	CHF	1.30 %
	Euro bloc	9.80 %
	GBP	2.90 %
	Others	11.00 %

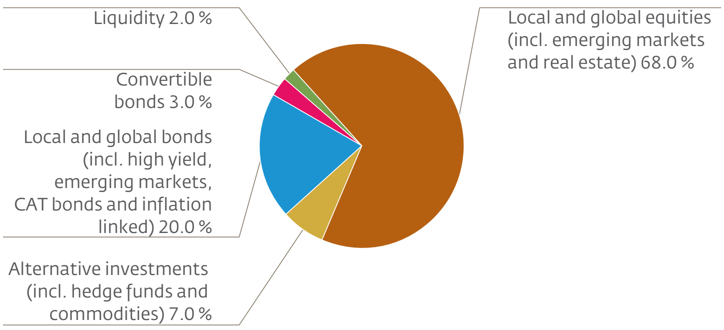
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Growth investment strategy

This investment strategy is aimed at investors having an investment horizon of at least eight years, for whom real capital appreciation is of primary importance. A regular income is of secondary significance. These investors are prepared to take risks and, if necessary, will accept larger temporary losses. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

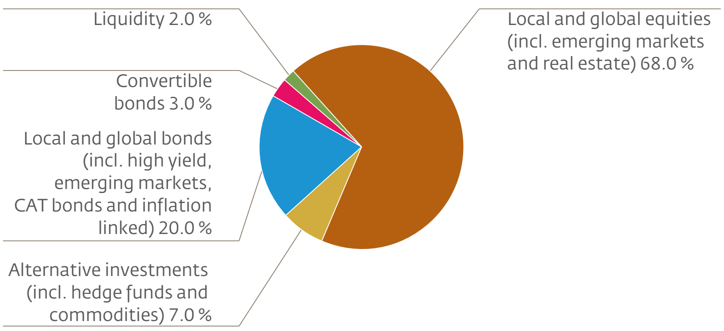
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.1 %	
Risk[3]	4.0 years	
Currencies	CHF	72.30 %
	Euro bloc	10.50 %
	GBP	2.90 %
	Dollar bloc	3.60 %
	Others	10.70 %

Reference currency Euro

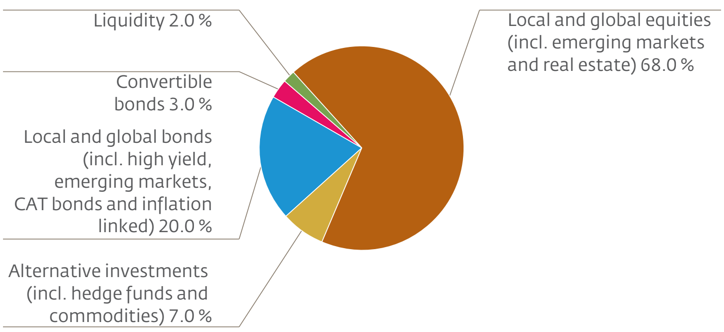
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.9 %	
Risk[3]	4.5 years	
Currencies	Euro bloc	75.70 %
	GBP	3.40 %
	CHF	1.90 %
	Dollar bloc	6.40 %
	Others	12.60 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	10.1 %	
Risk[3]	5.5 years	
Currencies	Dollar bloc	71.10 %
	CHF	1.50 %
	Euro bloc	8.30 %
	GBP	3.90 %
	Others	15.20 %

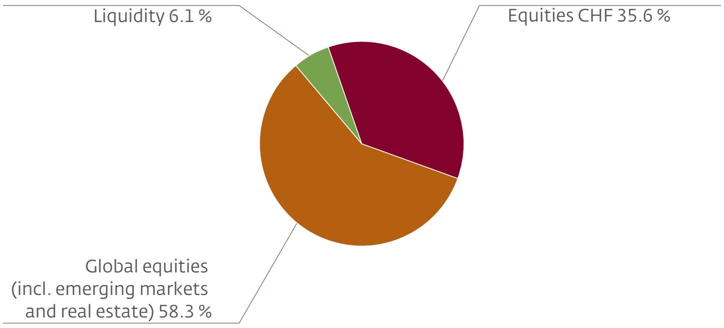
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Stocks investment strategy

This investment strategy is aimed at investors having an investment horizon of at least ten years, for whom real capital growth well above the inflation rate is of primary importance. A regular income is of secondary significance. These investors are prepared to take risks and the pursue an offensive investment strategy with which large temporary losses are possible. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

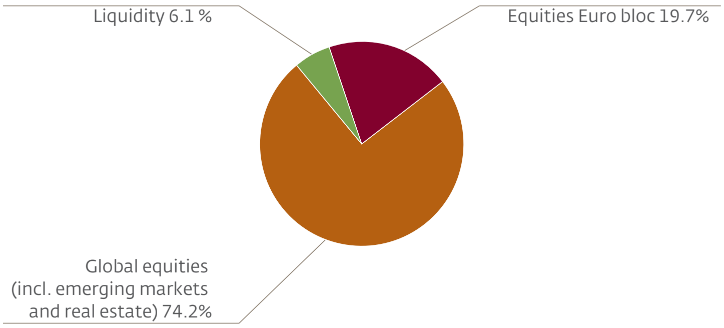
Allocation by asset classes



Investment horizon	at least 10 years	
Return [1]	7.8 %	
Risk [2]	3.5 years	
Currencies	CHF	70.10 %
	Euro bloc	6.00 %
	GBP	3.00 %
	Dollar bloc	4.30 %
	Others	16.60 %

Reference currency Euro

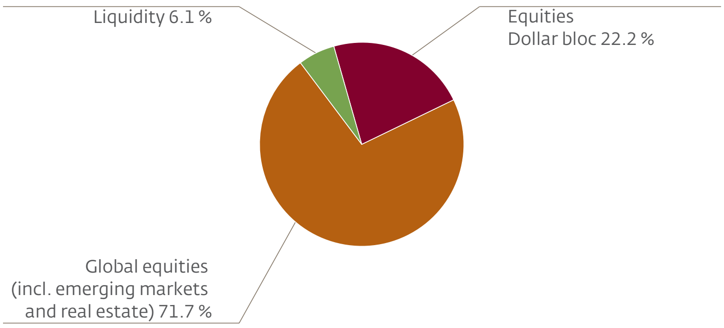
Allocation by asset classes



Investment horizon	at least 10 years	
Return [1]	8.4 %	
Risk [2]	4.0 years	
Currencies	Euro bloc	70.70 %
	GBP	5.60 %
	CHF	2.10 %
	Dollar bloc	6.20 %
	Others	15.40 %

Reference currency US Dollar

Allocation by asset classes



Investment horizon	at least 10 years	
Return [1]	10.7 %	
Risk [2]	5.0 years	
Currencies	Dollar bloc	64.90 %
	CHF	2.10 %
	Euro bloc	6.80 %
	GBP	5.00 %
	Others	21.20 %

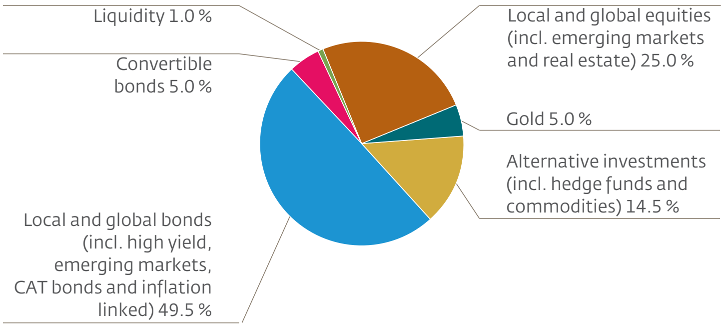
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Yield Alternative investment strategy

This investment strategy is aimed at investors having an investment horizon of at least four years, for whom capital preservation takes precedence over regular income and capital availability at any time. These investors are less ready to take risks, tolerate only limited fluctuations in the value of their capital and who have an affinity for alternative investments. This investment strategy is offered in the reference currencies CHF and EUR. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

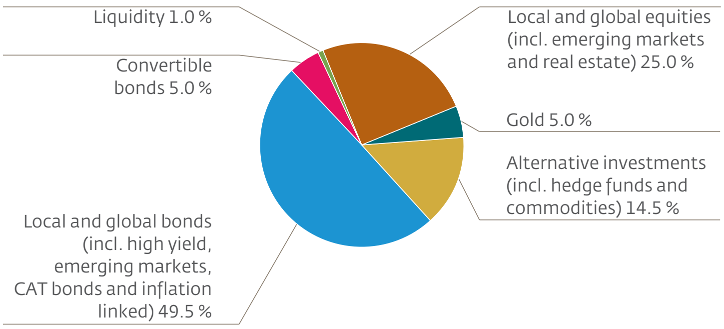
Allocation by asset classes



Equity exposure	25 %	
Investment horizon	at least 4 years	
Return[1]	3.8 %	
Risk[2]	4.0 years	
Currencies	CHF	67.40 %
	Euro bloc	12.20 %
	GBP	2.20 %
	Dollar bloc	6.80 %
	Others	11.40 %

Reference currency Euro

Allocation by asset classes



Equity exposure	25 %	
Investment horizon	at least 4 years	
Return[1]	5.3 %	
Risk[2]	6.0 years	
Currencies	Euro bloc	72.60 %
	GBP	3.00 %
	CHF	0.80 %
	Dollar bloc	11.10 %
	Others	12.50 %

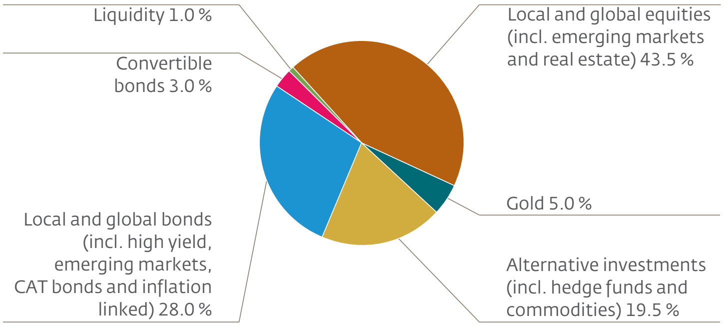
[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Balanced Alternative investment strategy

This investment strategy is aimed at investors having an investment horizon of at least six years, for whom capital appreciation and regular income are of primary importance. These investors are prepared to take risks, accept somewhat higher fluctuations in the value of their capital and who have an affinity for alternative investments. This investment strategy is offered in the reference currencies CHF and EUR. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

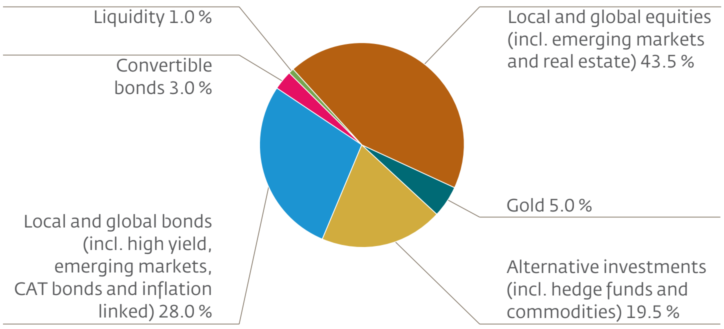
Allocation by asset classes



Equity exposure	50 %	
Investment horizon	at least 6 years	
Return[1]	4.4 %	
Risk[2]	3.5 years	
Currencies	CHF	68.00 %
	Euro bloc	9.70 %
	GBP	2.90 %
	Dollar bloc	5.90 %
	Others	13.50 %

Reference currency Euro

Allocation by asset classes



Equity exposure	50 %	
Investment horizon	at least 6 years	
Return[1]	5.6 %	
Risk[2]	4.0 years	
Currencies	Euro bloc	72.80 %
	GBP	3.20 %
	CHF	1.10 %
	Dollar bloc	8.60 %
	Others	14.30 %

[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Interest rates and conditions [1]

Accounts

Type of account		Interest rate
Savings account	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
you save (until 20 years)	up to CHF 50'000.–	0.3000 %
	over CHF 50'000.–	0.0100 %
60plus savings account	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
Blocked pension acc. in CHF	unlimited	0.0250 %
Blocked pension acc. in EUR	unlimited	0.0250 %
Association savings acc.	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
Association account	unlimited	0.0000 %
Personal account	unlimited	0.0000 %
youli (15 until 20 years)	up to CHF 50'000.–	0.2000 %
	over CHF 50'000.–	0.0000 %
you study (20 until 30 years)	up to CHF 50'000.–	0.2000 %
	over CHF 50'000.–	0.0000 %
Current account in CHF	unlimited	0.0000 %
Current account in EUR	unlimited	0.0000 %
Current account other	unlimited	0.0000 %

CHF medium-term notes

Term	Interest rate
2 years	no offering at the moment
3 years	no offering at the moment
4 years	0.000 %
5 years	0.100 %
6 years	0.200 %
7 years	0.250 %
8 years	0.300 %
9 years	0.350 %
10 years	0.400 %

Nostro time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP				
USD			0.080 %	0.200 %
AUD				
NZD	0.200 %	0.470 %	0.120 %	0.200 %
ZAR	4.990 %	5.190 %	4.550 %	4.270 %
CAD				
NOK				

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP	0.23 %	0.30 %	0.36 %	0.45 %
USD	0.65 %	0.77 %	0.83 %	0.95 %
AUD	0.45 %	0.76 %	0.58 %	0.73 %
NZD	1.42 %	1.44 %	1.09 %	1.17 %
ZAR	6.24 %	6.19 %	5.55 %	5.27 %
CAD	0.60 %	0.57 %	0.54 %	0.53 %
NOK	1.03 %	0.97 %	0.78 %	0.75 %

Minimum deposit upon request

Fiduciary commission: 0.5 % to 0.25 % p. a.

(at least CHF 200.–) [2]

Credit charges

Securities lending without fixed term

Currency	Interest rate
CHF	2.75 %
EUR	1.75 %
USD	4.00 %

Plus 0.25 % commission per quarter

Securities lending with fixed term upon request

Term 1 to 12 months

Minimum amount CHF 150'000.– or equivalent

[1] These interest rates and conditions are valid only for clients of the Liechtensteinische Landesbank AG, Vaduz. The bank reserves the right to apply different conditions for higher amounts. The conditions of the Liechtensteinische Landesbank (Österreich) AG are available at +43 1 533 73 83 0 or llb@llb.at.
Status: 20.03.2020. All interest rates change according to market conditions and are only currently valid until further notice.

[2] Plus 7.7 % value-added tax (VAT) for clients including legal entities domiciled in the Principality of Liechtenstein and Switzerland

Transparency in investing

For several years now, the LLB Group has been free of retrocessions, not only in asset management, but also for «LLB Invest» – our paid investment advisory service. The LLB Group is thus deliberately passing on sales commissions for LLB funds and third-party funds to investors.

This offers several advantages for our clients: With this waiver of retrocessions or the full transfer of sales commissions to clients, we create cost transparency, and fund investments become significantly less expensive. At the same time – already since 1 July 2014 – we are setting standards in the investment business. We are one of the first and few providers to take this step in the Swiss and Liechtenstein financial centres.

We offer additional innovative features in the pricing of investment solutions:

- In our asset management mandates, we rely on a performance fee: Clients pay the variable portion of the fee only if their assets develop positively after deduction of all costs.
- In several of our strategy funds, we are also one of the first providers to use performance fees that are charged only if returns are positive.
- In some of our fixed-income funds, we apply fees indexed to interest rates, which take account of the currently very low interest rate environment.

With these features, we offer strong, innovative, and transparent service packages at fair conditions.

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Additional information
Further information about our publications, in particular
- Summary of the important sources of information
- Valuation principles and methods
- Explanation of the meaning of the recommendations
- List of all recommendations as well
- Information on conflicts of interest

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- Competent regulatory authority in Switzerland
  Swiss Financial Market Supervisory Authority FINMA
  Laupenstrasse 27, 3003 Berne, www.finma.ch
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