

June 2020

Capital & Markets



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Dear Readers

Our equity strategy article describes how the equity markets have recovered explosively since their temporary low on 23 March and are now pricing in a rather optimistic economic picture for 2021. We therefore now recommend an underweight in equities. The regional analysis is interesting here: While Swiss and US equities are slightly positive and Pacific equities are slightly negative year-on-year, European equities are down by a substantial 15 % as measured by the MSCI Europe.

We discuss a possible cause for this in our «Currencies» article and our article on the «Economy and interest rates»: As in any recession, net new public debt will increase significantly as a result of reduced tax revenues and additional support programmes. In the Eurozone, however, this is a explosive mix: The Southern European countries Italy and Spain were hit much harder by the COVID-19 crisis than, say, Germany and Austria, in terms of both health and consequently the economy. At the same time, the public sector in these countries is more heavily indebted and thus has fewer resources available for economic support programmes. In addition, Italy and Spain are also heavily dependent on tourism – an industry that is unlikely to recover fully in the near future. According to Paolo Gentiloni, EU Commissioner for Economy, this inequality threatens the Eurozone and necessitates decisive action at the EU level. One «solution» to this problem would be a centralised budget with fiscal equalisation scheme and joint borrowing, without which a monetary union cannot be sustained in the long term. However, this approach is being rejected by Germany, the Netherlands, and Austria. The EU recovery fund, which is financed by joint borrowing and amounts to about 4 % of economic output, would be only a temporary step in this direction.

The danger of a new crisis in the Eurozone has not been eliminated by these measures. As a result, the Swiss National Bank sees itself forced to intervene massively against a strengthening of the Swiss Franc.

We wish you a stimulating read.

Yours faithfully

A handwritten signature in black ink that reads "M. Wiedemann". The signature is fluid and cursive, with a long horizontal stroke at the end.

Markus Wiedemann
Chief Investment Officer

Market assessment

Currencies – page 5

- Given signs that the coronavirus is being contained, the development of the Euro has remained below expectations. Several factors are putting downward pressure on it. The economic environment in Brazil has clearly deteriorated. A recovery is not expected.

Economy and interest rates – page 6

- The coronavirus shock will hit the economies of Europe and the United States with full force in the second quarter. Overall economic output will once again fall significantly. With the gradual easing of restrictions on production and demand, there are signs that the economy will recover in the second half of the year. However, the pace and extent of this recovery are still unclear. The V-shaped recovery priced in on the markets is likely to prove too optimistic, especially in the event of a generally expected second wave of infections.

Bond markets – page 7

- Measures to combat the pandemic have reached the primary market. A record supply of EUR corporate bonds was seen in April, and the flood of new issues is unbroken. At the same time, volumes of central bank purchases have increased.

Equity markets – page 9 to 11

- Investors have been following the motto «buy what the central bank buys» – a doctrine that has worked in the past. But empirical evidence also shows that equities follow earnings erosion to the bottom before rising again sustainably.

Alternative investments – page 12

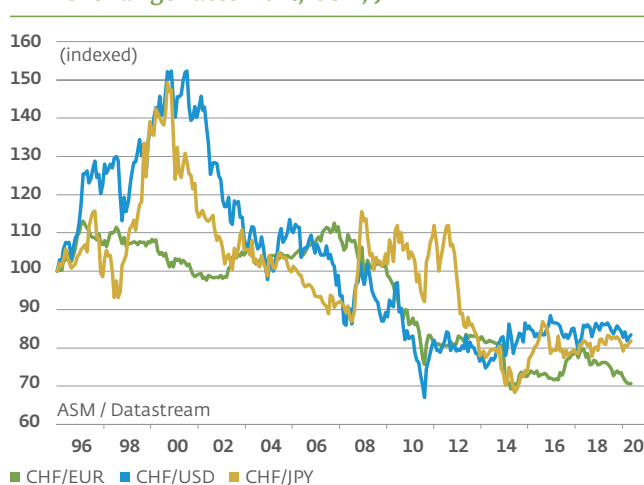
- Real estate equities are unable to take advantage of falling long-term interest rates. There is an increasing focus in real estate sectors on topics related to COVID-19.
- Long/short equity strategies are starting to recover, and CTA funds are able to maintain their price levels.
- Cat bonds are only slowly reducing the widening of their spreads.
- Both OPEC+ and US oil producers are reacting to the lower demand and cutting production volumes.

Macroeconomic indicators ¹

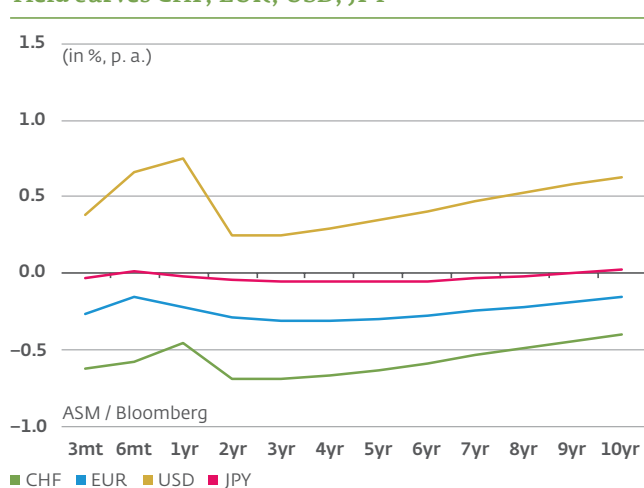
	Switzerland		Eurozone		UK		USA		Japan	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gross domestic product, % yoy	-5.5	4.3	-7.2	5.3	-6.3	3.8	-5.0	4.3	-4.5	2.0
Consumer price index, % yoy	-0.3	0.5	0.7	1.3	1.2	1.8	1.0	1.7	0.0	0.6
Budget balance, % GDP	-5.0	-2.5	-9.0	-4.5	-9.3	-6.0	-14.8	-6.5	-9.5	-5.8
Public debt, % GDP	45	47	115	119	124	129	128	130	237	240
Current account balance, % GDP	9.9	9.8	3.0	2.8	-3.2	-3.3	-2.2	-2.4	3.6	3.3
Unemployment, %	3.8	2.7	11.5	9.5	6.0	5.5	9.2	6.8	3.4	2.9
Interest rates, 3 months Govt. bonds	² -0.6	³ -0.7	² -0.5	³ -0.4	² 0.1	³ 0.2	² 0.1	³ 0.3	² -0.1	³ -0.1
Interest rates, 10 years Govt. bonds	² -0.6	³ -0.4	² -0.5	³ -0.3	² 0.2	³ 0.6	² 0.7	³ 1.0	² 0.0	³ 0.0

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

CHF exchange rates EUR, USD, JPY



Yield curves CHF, EUR, USD, JPY



Currencies



Given signs that the coronavirus is being contained, the development of the Euro has remained below expectations. Several factors are putting downward pressure on it. The economic environment in Brazil has clearly deteriorated. A recovery of the Real is not expected.

Euro (EUR)

In recent weeks, the Euro has weakened slightly against the US Dollar. In light of the recently adopted gradual lifting of restrictions in several Eurozone member countries, a recovery of the common currency would be justified. However, several factors are putting downward pressure on the Euro. Although a package of measures in the amount of EUR 540 billion has been adopted to support the countries most affected by COVID-19, the strategy to boost the economy remains diffuse. The recovery fund that is likely to be part of the multiannual financial framework 2021–2027 is progressing only slowly in terms of both scope and structure. Moreover, the judgement of the German Federal Constitutional Court has created uncertainty. Although the Federal Constitutional Court did not consider the ECB's bond purchase programme (PSPP) to be in violation of the prohibition of monetary financing of government, it did find that the ECB and the European Court of Justice exceeded their powers. In the short term, the judgement will not change the ECB's monetary policy. The bond purchase programmes will continue. However, restraint by the ECB cannot be ruled out in the medium term. Against this backdrop, a recovery of the Euro beyond USD 1.15 is unlikely for now.

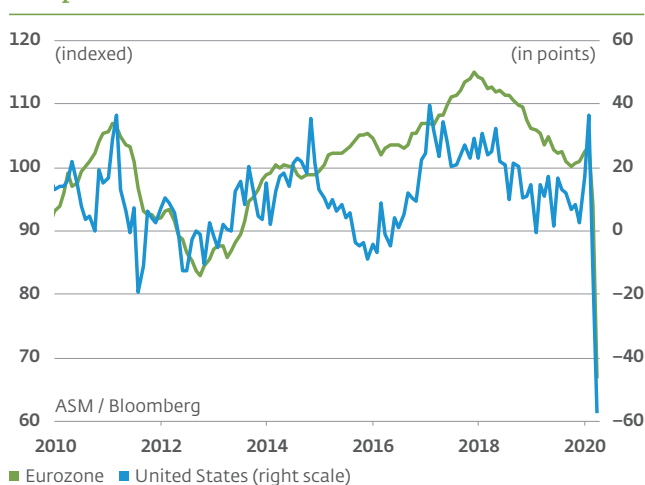
Brazilian Real (BRL)

The Brazilian Real has followed a clear downward trend since the beginning of the year. It has now lost over 40 % of its value against the US Dollar. This is due to the desolate state of the economy. The spread of COVID-19 has recently accelerated in Brazil. The containment measures are burdening economic activity. Although the government has adopted numerous measures to mitigate negative consequences, this means it has abandoned its moderate consolidation policy. Brazil's national debt ratio could reach the 100 % mark in 2020. Growth prospects for the period after the pandemic have deteriorated significantly. Moreover, in light of the looming recession, the Central Bank of Brazil has cut interest rates by 150 basis points since January 2020. The government's risk management is suboptimal. The president is downplaying the coronavirus. The disputes he has triggered concerning separation of powers are impeding the fight against COVID-19. The Supreme Federal Court has initiated an investigation against the president on grounds of political interference. There is a threat of political deadlock. Against this background, a recovery of the Real is not expected in the coming months.

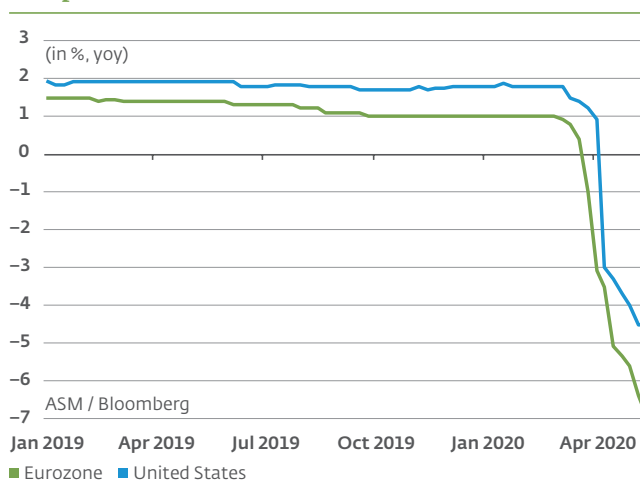
Waldemar Lukas

Investment Class Researcher Fixed Income/Currencies

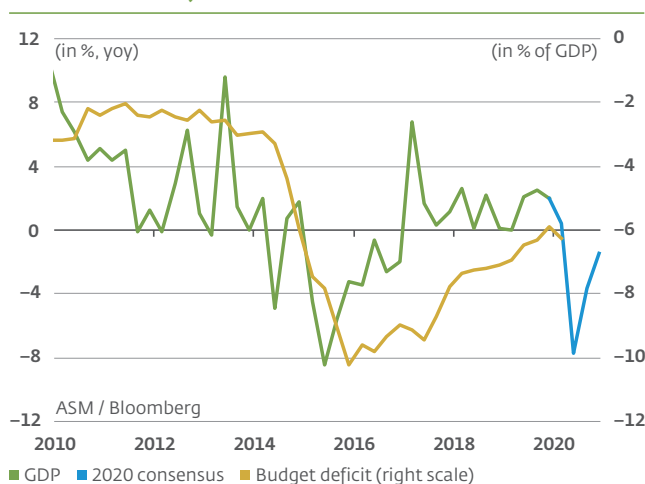
Comparison of current business climate



Comparison of consensus forecasts for 2020 GDP



Brazil: Economy and debt



Economy and interest rates



With the gradual easing of restrictions on production and demand, there are signs that the world economy will expand again in the second half of the year. The V-shaped recovery priced in on the markets is unlikely, however.

The global economy is in its deepest recession since 1945. Already in March, the coronavirus shock caused a dramatic decline in economic output, leaving deep marks on the labour markets. In April, 20 million Americans lost their jobs. The unemployment rate rose to 14.7 %. In Europe, many employees are on short-time work. Due to the associated loss of income, it must be assumed that the coronavirus crisis will hit the economies of Europe and the United States with full force in the second quarter. Economic output will fall again significantly.

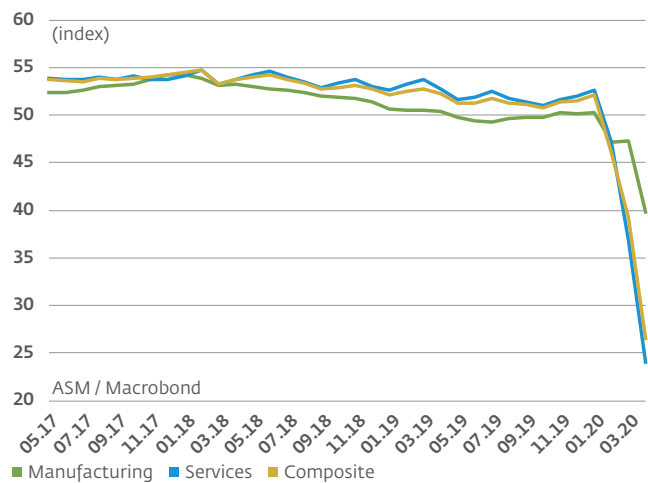
As a result of the recent easing of restrictions on production and demand, economic development is expected to gradually return to normal in the second half of the year. As a result, unemployment rates will also fall. However, the extent and pace of the recovery remain unclear. The latest data for China indicate that economic recovery is proceeding rather sluggishly. This is also assumed by most forecasts. The losses in growth associated with the coronavirus crisis will probably not be compensated until sometime next year and, in the worst case, not until 2022. Analyses of the US labour market also indicate that it will probably take years before full employment is reached again.

According to the latest surveys, financial market experts seem to be expecting a V-shaped recovery of the economy. These expectations usually lag behind the price development on the equity markets by about two to three months and must therefore be interpreted with caution. However, the possibility that the current equity price levels may be painting an excessively optimistic picture of economic development cannot be ruled out.

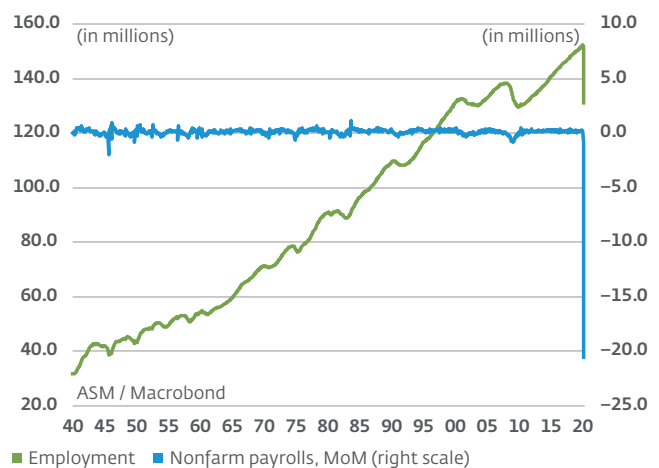
Net new public debt will increase significantly as a result of the extensive support programmes for companies and employees. In individual member countries of the Eurozone, the budget deficit could reach 10 % of GDP; in the United States, up to 15 % is expected. Government spending is unlikely to be cut back significantly in the coming years due to the envisaged restructuring of the economy towards greater sustainability. Governments will therefore probably try to open up new sources of revenue. Under these circumstances, higher taxation of corporate profits cannot be ruled out either.

Peter Goller
Chief economist

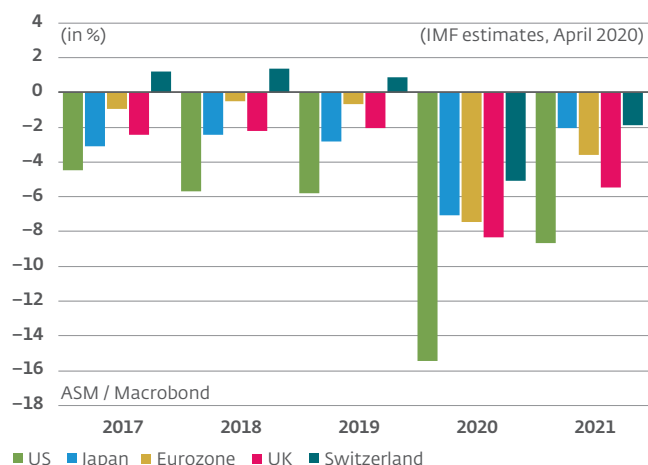
Global economy: Purchasing managers' indices



US: Employment trend



New public debt in % of GDP



Bond markets



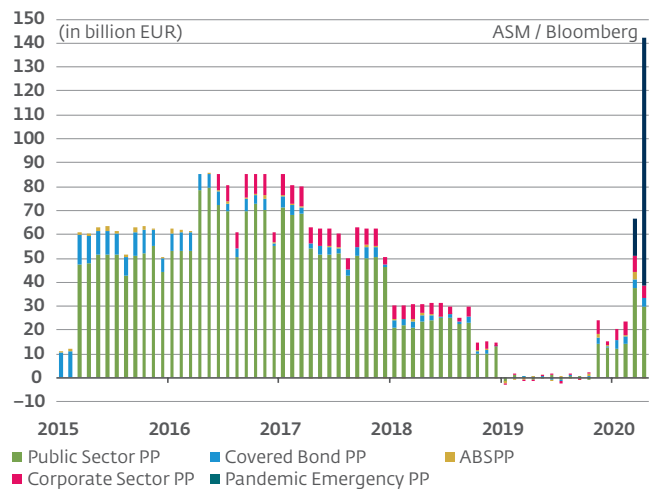
Measures to combat the pandemic have reached the primary market. A record supply of EUR corporate bonds was seen in April, and the flood of new issues is unbroken. At the same time, volumes of central bank purchases have increased.

The coronavirus pandemic requires government aid measures to stabilise the economy, given that a large number of companies have been restricted in their operative business. In order to survive this lean period, securing liquidity is essential. Crisis management has meanwhile arrived on the primary market, with the issuing environment proving to be favourable as a result of the significant recovery on the financial markets and strong central bank support. The record high ECB purchases exceeding EUR 140 billion in April, of which EUR 103 billion were made through the Pandemic Emergency Purchase Programme (PEPP), may even be exceeded in May, according to initial data. In any case, the judgement of the German Federal Constitutional Court, which calls into question the proportionality of the ECB's government bond purchases, has not resulted in any restraint. At this rate, the PEPP volume of EUR 750 billion is already likely to be exhausted by the autumn. Moreover, the Federal Reserve Bank of New York announced that it will invest in corporate bonds via the Secondary Market Corporate Credit Facility using ETFs starting on 12 May.

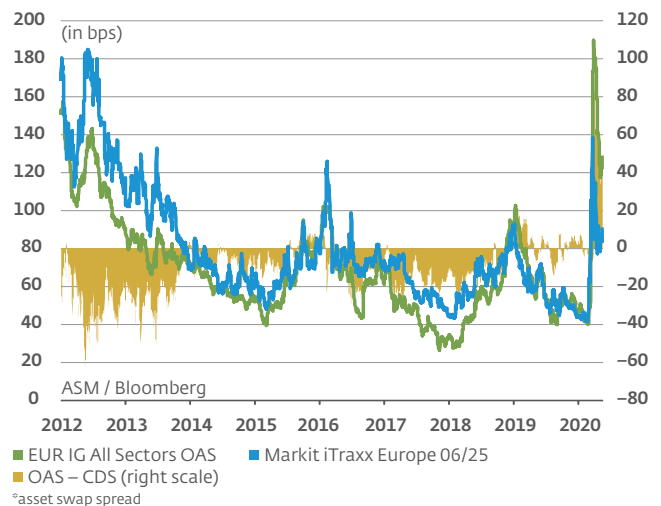
The primary market appears to be in good shape. In April, an offer in the amount of about EUR 80 billion in EUR corporate bonds in benchmark format was placed, with demand being several times higher. May is usually an even stronger month for bond issues. In the case of rare corporate bonds such as Würth, Linde, Evonik, and Swisscom (as a green bond), a strong narrowing of spreads was observed during the subscription phase compared with the initial price indications. Moreover, government debt agencies are also issuing bonds with atypical maturities, such as German government bonds with maturities of seven and fifteen years and a US Treasury bond with a maturity of twenty years. No comparable activity has been observed on the CHF market, given that very high issue volumes are in demand. Accordingly, domestic borrowers with rather short maturities were mainly represented. The liquidity premium on corporate bonds, which expanded strongly in March, continues to be available. As a result of the high primary market supply, a further recovery of risk premiums is currently being slowed down. Nevertheless, total returns on IG corporate bonds have been able to make up some of the March setback. While high credit ratings are in demand, the BBB segment in particular is suffering from the increased rating pressure.

Stefan Rösch
Fund Manager Bonds

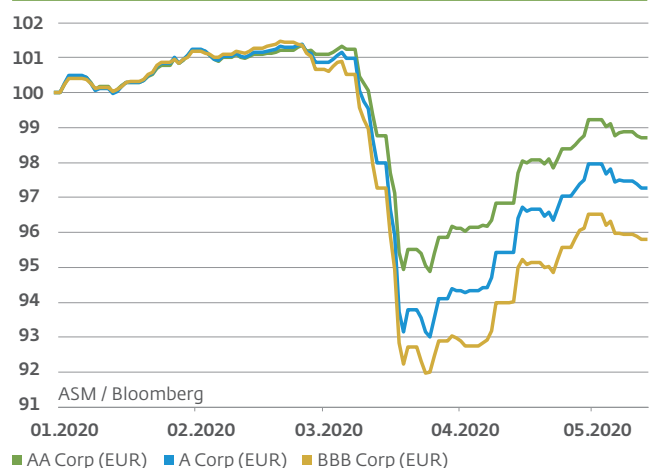
Monthly volume of ECB purchases



EUR corporate bonds: ASW spread* vs. CDS



Indexed total return by rating segment



Outstanding performance with the LLB dividend approach



For about five years now, the LLB has been offering its clients a special investment approach for equity investments. The approach focuses on high-dividend stocks and shows an above-average performance.

In this environment of negative interest rates, shares with above-average dividend yields are popular. But we do not simply invest in equities with the highest possible dividend yields. That would be easy, but it wouldn't be promising. LLB Asset Management has developed a special dividend approach for the evaluation of portfolio candidates.

The LLB dividend approach

The selection process begins by restricting the investment universe to global equities with high market capitalisation that meet certain liquidity requirements. Shares with high dividend yields are sought that also show low fluctuations in value. Share buybacks by companies are also taken into account. Share buybacks have a positive effect on share prices. If the company cancels shares after the buyback, the number of shares is reduced. If earnings remain the same, the proportion of earnings attributable to each share increases. However, caution is advised in the case of companies that finance share buybacks by borrowing, thereby increasing the debt ratio.

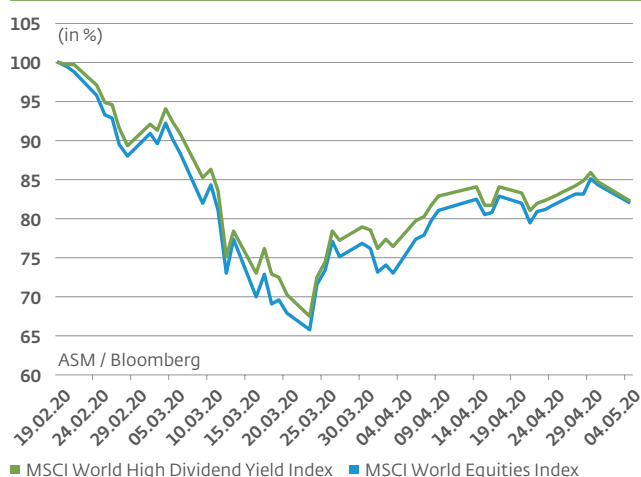
The selection process also takes into account the country or sector weighting. The additional consideration of qualitative and fundamental factors is of great importance, since not only the level of dividend yield but also the quality of the companies is decisive. This is the basis for steady dividend growth and a stable payout ratio. The LLB dividend approach is an excellent tool for efficiently finding a treasure trove full of designated dividend pearls. However, no dividend pearl makes it into the portfolio without having passed the strict review of fundamentals by the fund managers. We take a

quantitative and fundamental approach. The combination is extremely interesting and evidently also successful.

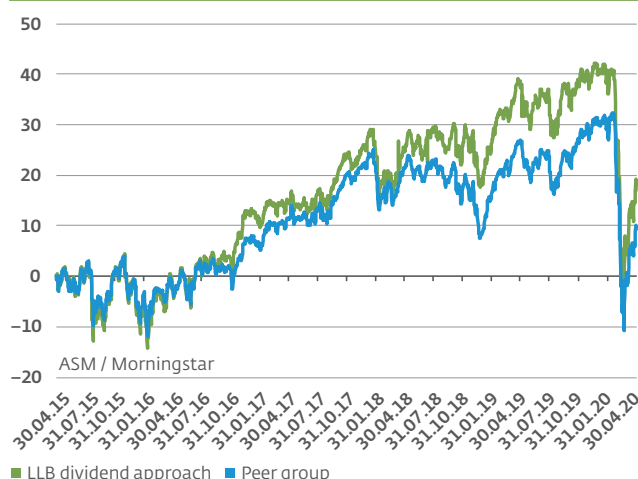
Of course, the approach has not been immune to the current environment of strongly declining equity prices due to the virus pandemic. It should also be expected that some companies will be forced to temporarily suspend their share buy-back programmes during the recession, or even cut their dividends. The search for dividend pearls has become more difficult during the pandemic – but such dividend pearls still exist. Our intensive fundamental analysis now plays an even more important role. It is also worth noting that recessions generally last less than a year and that in the past, share purchases after a 30 % price correction have resulted in strongly above-average performance over the medium term. A long-term view and the success of the LLB dividend approach show that it is especially valuable when the equity markets are in crisis mode.

Manfred Jakob
Fund Manager

High-dividend stocks during the coronavirus crisis



LLB dividend approach vs. peer group



Equity strategy



Investors have been following the motto «buy what the central bank buys» – a doctrine that has worked in the past. But empirical evidence also shows that equities follow earnings erosion to the bottom before rising again sustainably.

After an explosive recovery, share prices are in some cases only slightly below the trading band from March to October 2019, and the MSCI World has fallen only 15 % since the beginning of the year. This development is pricing in a very optimistic economic trend for the second half of the year. Strategists are assuming an earnings contraction of about 50 % for the market as a whole. But (bottom-up) business analysts have reduced earnings only by about 25 % since January. Investors must assume that the figure of minus 50 % will eventually be much closer to the truth (lower chart).

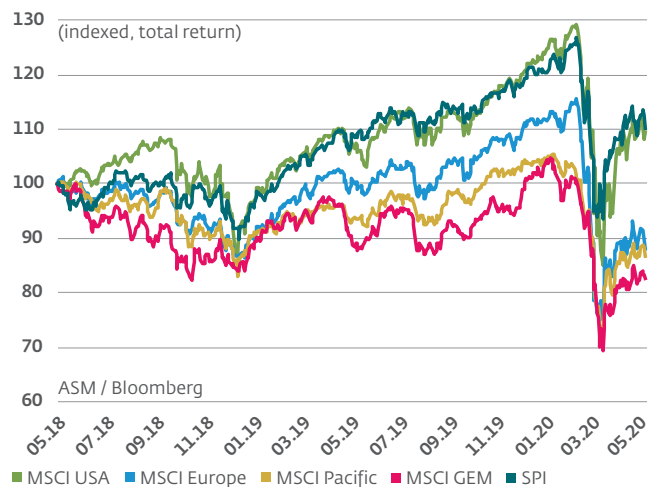
Although the virus was an exogenous factor, the global impact is now so severe that even once infections subside, it cannot simply be assumed that the economy will automatically resume its original growth path. Everyone can ask themselves how they will behave in the near future. Who wants to book a cruise? Who wants to take an intercontinental flight? And who wants to buy a new car right now, when a major technological transformation is underway anyway? In Germany, the debate on government incentives for car purchases has shown that consumers are tending to hold off on buying a car until a decision has been made. These are just a few examples showing that consumption – by far the most important driver of the economy – is unlikely to return very quickly to new highs. We therefore do not expect corporate earnings to be at the same level in 2021 as at the end of 2019, which is still a common assumption.

The rhetoric in the trade war between the United States and China is intensifying again. If the economy cannot be «saved» by Election Day, Trump may increasingly realise that an already marginal agreement will generate little political capital, and he may therefore accept further escalation. Following the judgement of the German Federal Constitutional Court, a growing number of commentators in Europe are raising the possibility that the government debt crisis of 2012 will repeat itself.

We believe that the market recovery has gone too far and that investors have priced in a very optimistic scenario. After taking a step toward neutral equity exposure in mid-March, we now recommend reducing exposure again in order to be able to buy more at lower prices.

Christian Zogg
Head Equity and Fixed Income Management

Equity markets in local currency – 2 years

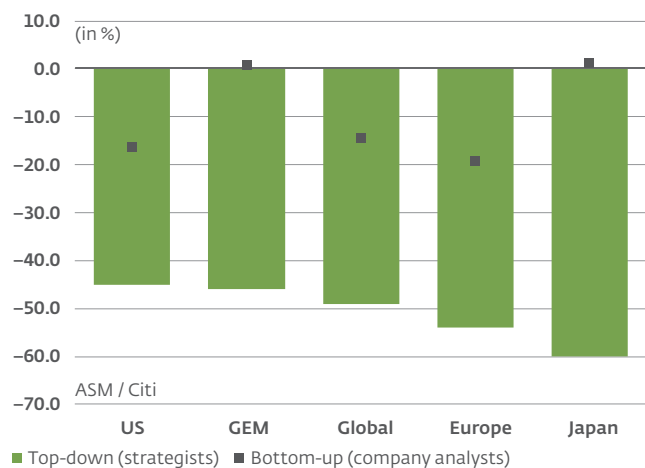


Regional valuation

	EPS growth		Price / earnings		Dividend yield	FCF yield *
	***FY20	FY21	FY20E	FY21E	FY20E	FY20E
USA	-16.6 %	24.5 %	21.6x	17.6x	2.1 %	4.5 %
Europe	-19.3 %	24.0 %	17.0x	13.6x	3.4 %	4.6 %
Switzerland	-8.1 %	15.5 %	19.0x	16.7x	3.1 %	4.5 %
Pacific	-3.7 %	15.0 %	14.0x	12.6x	3.1 %	6.1 %
GEM**	0.7 %	22.5 %	12.9x	10.9x	2.9 %	4.6 %

* Free cash flow yield, ** Global emerging markets, *** FY = fiscal year

Earnings estimates 2020, expected



Switzerland



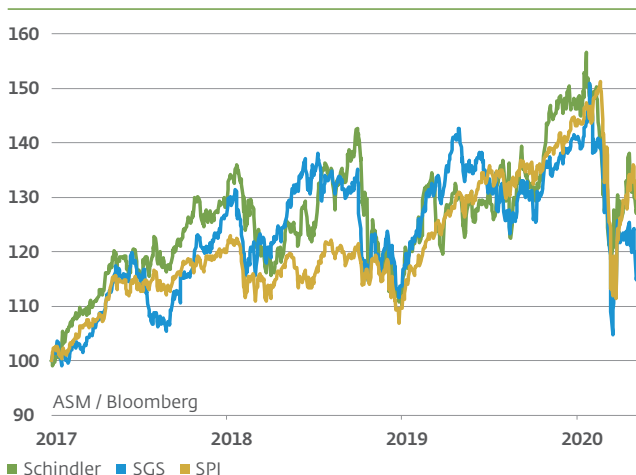
Schindler and SGS are two companies with relatively defensive business models and strong market positions in partially regulated markets. We now recommend both of them as a buy.

As the number two in the world, Schindler has a strong market position in the lift and escalator sector. Because human lives are directly at stake, this is a highly regulated business, which creates barriers to entry. About 70 % of the market is controlled by the top five suppliers. Growth in new installations is being driven mainly by urbanisation. On the other hand, stability is provided by servicing (about 50 % of sales, but a higher share of earnings) and the replacement of existing installations. With expected EV/EBITDA of 14x and a FCF yield of 4 %, we consider Schindler's valuation to be attractive, also compared with Kone (19 x EV/EBITDA).

SGS is the market leader in the goods testing market. Even though the market is led by three large, listed companies – SGS, Bureau Veritas, and Intertek – it is still highly fragmented. Even SGS has a market share of just under 3 %, and the twenty largest companies together account for only 40 %. We think that this strong fragmentation is an advantage for large suppliers like SGS, because we believe that they benefit from digitalisation thanks to topics such as artificial intelligence. In addition, SGS's solid balance sheet allows it to make additional acquisitions each year to support growth. Its valuation at 13x expected EV/EBITDA, only slightly above the peer group, is attractive given its solid business model and leading market position. The dividend yield is 3.7 %.

Thomas Kühne
Fund Manager LLB Equities Switzerland

Return incl. dividends



Europe



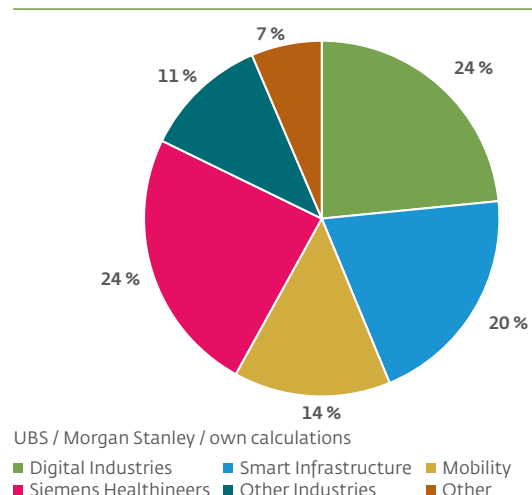
The increasing divergence between economic development and equity market performance in April surprised many. But such divergences are not unusual under extreme economic conditions such as those we are currently seeing.

Assuming that we already passed through the lowest point in March, setbacks in the markets should now be used to build up cyclical stocks. Looking at the last seven bear markets since 1987, cyclical stocks were able to outperform defensive stocks in six out of seven cases in the six months following the lows. But since another correction on the markets is not unlikely, courageous investors should focus on industrials with an interesting medium- and longer-term outlook and a solid balance sheet.

Siemens is one such stock, with its diversified product portfolio, long-term projects, and a solid balance sheet. With its recently published quarterly figures, the company has shown that, despite the crisis, it is able to play a leading role in promising segments and to overcome the crisis better than many competitors in the industrial sector. In addition, the restructuring of the company to form the «new» Siemens is progressing as planned. Siemens Gas and Power will be merged with the 67 % stake in Siemens Gamesa to form the new company «Siemens Energy». The spin-off of the division and its listing on the stock exchange are scheduled to take place by the end of 2020. This will result in a clear focusing of the group, and the increase in margins should trigger a series of positive revisions resulting in considerable price potential.

Dr. Karlheinz Gfall
Fund Manager LLB Equities Europe

Sales breakdown «new» Siemens Sept. 2020E



North America



The impact of the pandemic on consumer behaviour is currently difficult to assess. For that reason, we are focusing on business models that have demonstrated their value before and also during the crisis, such as the shops of Tractor Supply Co.

For several years now, stationary retail trade in the United States has been facing challenges due to the steadily increasing share of online purchases and the dominant competitive position of Amazon and Walmart. We therefore recommend focusing on niche players whose products require a high level of advice and are not so easy to buy online. In our view, Tractor Supply Co. meets these requirements. Its product range is primarily aimed at the more rural population in the United States who owns homes and also pets or farm animals. The shops are therefore located outside the major cities, at a safe distance from Walmart locations. In addition to tools and other goods for daily needs, a large part of sales is generated with garden products as well as pet care and pet food. Management is currently implementing several initiatives expected to increase the company's sales on a sustainable basis. Its branch network is being expanded and is expected to grow by about 50 per year. Its customer loyalty programme is also being rolled out more broadly. In our view, however, its strongest suit is increased cooperation with veterinarians. Regular visits to veterinarians will soon be expanded to all branches, and entire veterinary practices and pet washing facilities are integrated into many of them. This strongly emotionalises and intensifies customer loyalty. We therefore recommend Tractor Supply Co. as a buy thanks to its defensive business model.

Simon Öhri

Fund Manager LLB Equities North America

New customer group of Tractor Supply Co.



Source: ASM

Pacific



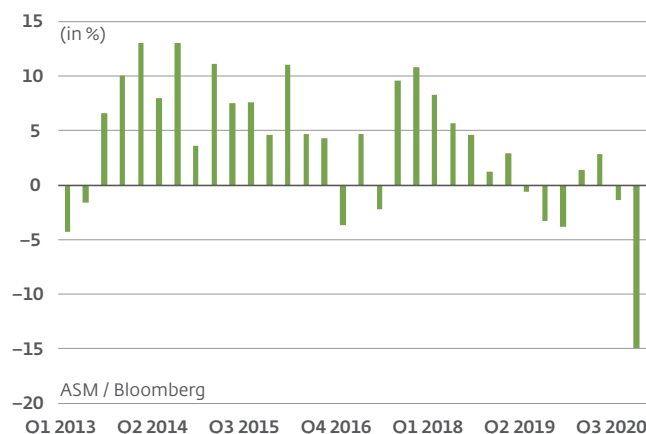
Given that only 30 % of the companies in the First Section of the Tokyo Stock Exchange have presented their quarterly figures for the fourth quarter of 2020, only an attempt can be made at interpretation. But one thing is already clear: The negative impact of COVID-19 is monstrous.

At the level of net earnings, Japanese companies fell short of expectations by more than 14 % in the last quarter. That has never happened in recent history. As the latest figures from Oriental Land, East and West Japan Railway and Kose illustrate, the impact on the travel, transport, and leisure sectors was underestimated significantly. The latest figures from Renesas, Nabtesco, Fanuc, Advantest, and Tokyo Electron paint a significantly less negative picture than expected for the China-heavy sectors and global technology companies. Seven & I was even able to increase its net income by 5 % over the previous year. Daiichi Sankyo increased earnings by more than 20 % over the previous year. The technology companies that have already reported were also able to exceed expectations at the level of net earnings by 5 %. Industrials are likely to be hit even harder in the second and third quarters due to the marked weakness in the automotive sector. Since the share prices of some poorly reporting companies are no longer reacting at all, much of this has likely already been priced in. Nevertheless, we are focusing on good business models, a solid balance sheet and are avoiding capital-intensive business segments at all costs. Many Japanese companies have built up liquidity in recent years and have been rather restrained in their investments. This is likely to pay off, given that the search for quality will intensify even further.

Christoph Hilfiker

Fund Manager LLB Equities Pacific

Negative earnings surprises in Japan



Alternative investments



Real estate equities

Real estate stocks were able to keep up with the global equity markets only during the initial recovery phase. Since mid-April they have fallen behind somewhat, although the underlying data are promising from a relative perspective.

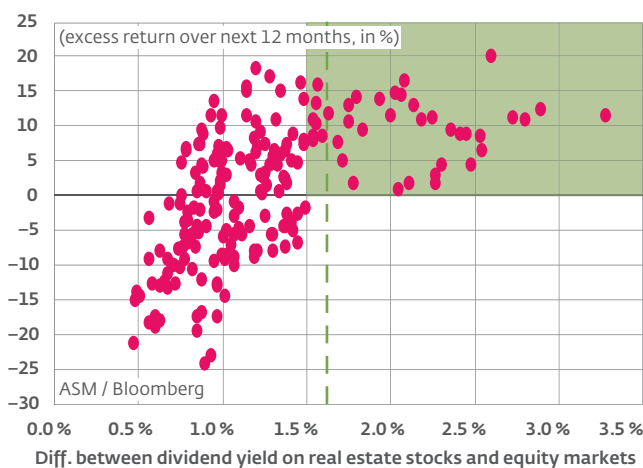
About one and a half months after the index low, real estate stocks have recovered by about 25 %. What sounds good is actually not good enough compared with the global equity markets, which have reached almost 30 % within the same period. This underperformance was certainly not due to US REITs – given that the US continues to be a real estate region with above-average returns. Europe and Japan in particular have performed poorly. The UK and Asia-Pacific are midrange.

This development is astonishing insofar as long-term interest rates have fallen markedly since the beginning of the equity market correction. At the same time, the difference between the expected dividend yield and long-term interest rates is well above one standard deviation in the positive range. These are both diverging indicators suggesting that real estate stocks still have further potential for recovery. The difference in the dividend yield of real estate stocks and global stocks confirms this assessment: The dividend yield on real estate stocks is more than 1.6 % higher than that of the global equity markets. Historically, we can observe that real estate equities have regularly outperformed when that value exceeds 1.5 %. Similarly, operational valuation measures support the high attractiveness of real estate stocks. In the current environment, we therefore prefer high-dividend real estate stocks, and we remain overweight in this asset class in our investment policy.

Bernhard Schmitt

Head Equity & Multi Manager Management

Relative dividend yield and 12-month performance



Commodities

Weak demand due to the shutdown and the expansion of OPEC oil supply are responsible for low oil prices. At the same time, gold is trading much stronger. The price ratio of gold to oil has never been higher. Will this hold?

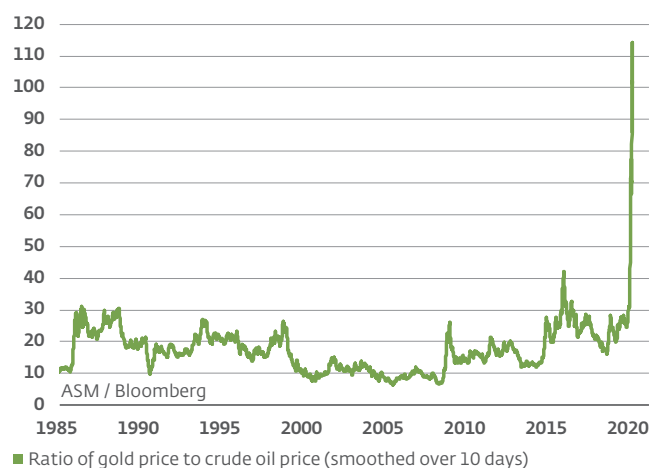
Currently, one ounce of gold buys just under 14'000 litres of crude oil. This marks a historic high. The question arises as to how investors should currently position themselves. Commodity companies behave economically and react to incentives. Gold mines are currently generating very high earnings, given that energy-intensive extraction has become cheaper and the selling price of gold is at a record high. Operators therefore have an incentive to increase production and maximise earnings. Crude oil producers, on the other hand, are facing the opposite situation. The low price of crude oil calls for cost discipline and budget cuts, shutdown of production activity, and defensive behaviour. We expect more supply in the market for gold and significantly less for crude oil.

Low prices generally have a demand-boosting effect, while higher commodity prices tend to reduce consumption. We therefore expect positive effects on crude oil demand when the constraints on the economy begin to ease. On the other hand, the massive interventions and stimulus measures by governments and central banks will lead to higher debt. It should be borne in mind that many of these institutions have acted structurally as gold buyers in recent years. This could likewise change in the current environment. We expect the price relationship between gold and oil to return to near its historic average. Investments in the oil sector in particular should benefit.

Timo Gruber

Investment Class Researcher Commodities

Price ratio of gold to crude oil



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	<ul style="list-style-type: none"> ✓ Personal advice ✓ Standardised investment recommendations 	<ul style="list-style-type: none"> ✓ Excellent risk management ✓ Personal advisor ✓ Individual investment recommendations 	<ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ✓ 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 World strategy, we offer a wide range of thematic implementations, each with a different focus – such as Sustainable, Switzerland, Passive, and Alternative. Further details can be found on the following pages or in our LLB Comfort publications.

Cash		Overweighting
Bonds		
Investment-grade bonds		Underweighting
Inflation-linked bonds		Slight overweighting
High-yield bonds		Neutral weighting
Emerging-market bonds		Overweighting
Convertible bonds		Underweighting
Equities		
Developed markets		Underweighting
Emerging markets		Slight underweighting
Real estate equities		Slight overweighting
Alternative		
Commodities		Neutral weighting
Hedge funds		Slight overweighting
CAT-bonds		Overweighting

Tactical asset allocation

Euro lags behind expectations

Given the gradual easing, the outlook for the Eurozone has brightened. The Eurozone is ahead of the US in terms of COVID-19 progression. However, the single currency has been unable to benefit from this. Uncertainty about the common fiscal policy and weak foreign demand are dampening the Euro. We are maintaining our neutral currency weight.

Emerging market bonds offer potential

Following the price upheavals in March and April, the situation on the bond markets has calmed down. The risk premiums on corporate bonds have partially receded again. Bonds with good credit ratings remain underweight due to their limited performance potential. Inflation-linked bonds are an exception. The low breakeven rates offer opportunities for price gains. The massive capital outflows from emerging markets have weighed on their bond prices. With the gradual normalisation of economic development, however, capital flows should turn around again, and emerging market bonds are likely to benefit from this. They remain overweight.

Equity investors too optimistic for the near future

After falling by more than 30 % from the top within a very short period of time, equity prices have recovered by about half. They are pricing in a very rapid recovery of the global economy and also of corporate earnings. After raising our equity exposure to neutral in March, we are now reducing it somewhat more sharply to a tactical underweight and will wait for a more favourable opportunity to buy.

Real estate and alternative investments (incl. cat bonds)

Real estate equities are still overweight, but we are reducing this overweight slightly due to risk considerations. The attractiveness of this asset class is particularly apparent in its relative valuation ratios, which have reached historically low levels, such as price/net asset value. We continue to maintain our neutral weight in hedge funds, but at the same time we see hedging potential through CTAs should a market correction occur. Risk premiums of more than 600 basis points on cat bonds appear attractive to us, so we are maintaining this tactical position. The second round of the 2020 hurricane season forecasts will be very important for this asset class. We continue to be cautious at the moment due to the high volatility on the commodity markets, and we are keeping the asset class at neutral in the strategies. In the medium term, we expect demand for cyclical commodities to revive. Higher prices will also result from production cuts, given that supply will become significantly tighter.

Dynamic investing. Built on experience.

With the multiple award-winning
investment expertise of the LLB Group.



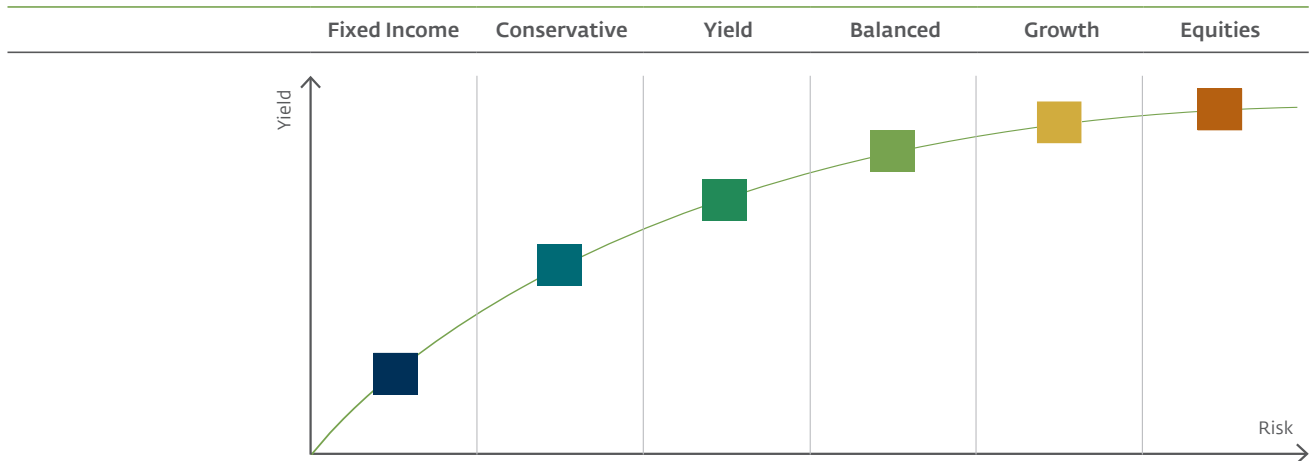
Dynamic, robust, multiple award-winning. Benefit from our 150 years of investment expertise and our in-house asset management. Custom-built solutions for private and institutional investors. www.llb.li

 **Liechtensteinische
Landesbank¹⁸⁶¹**
Tradition meets Innovation.

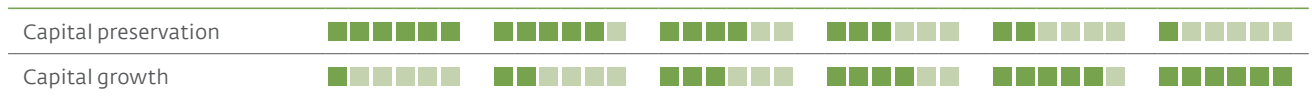
Return and risk of LLB investment strategies

We offer our clients investment strategies tailored to their needs, goals, and possibilities, with varying levels of equity exposure in the reference currencies CHF, EUR, and USD. Investment horizon, risk tolerance, and asset structure play a decisive role in asset management.

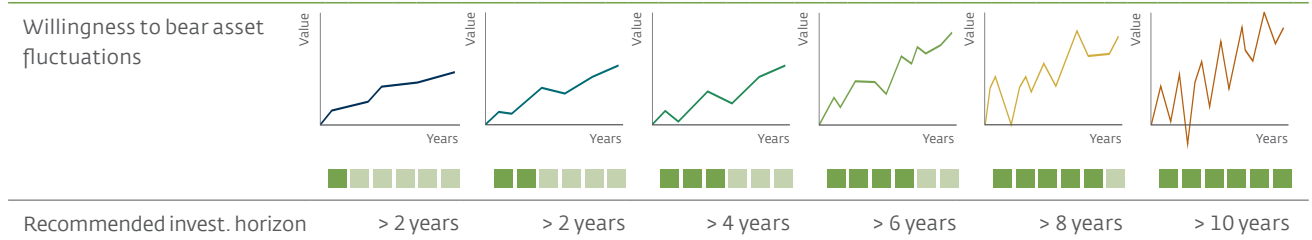
Strategies at a glance



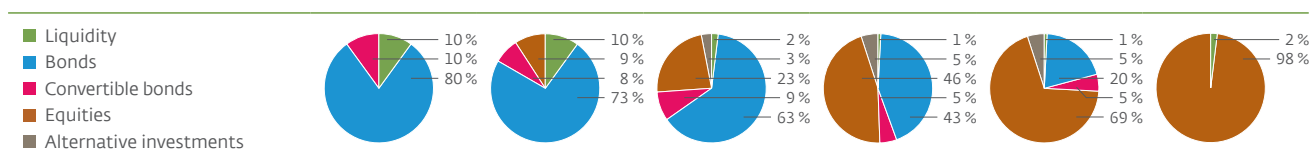
Investment goals



Investor profile



Structure



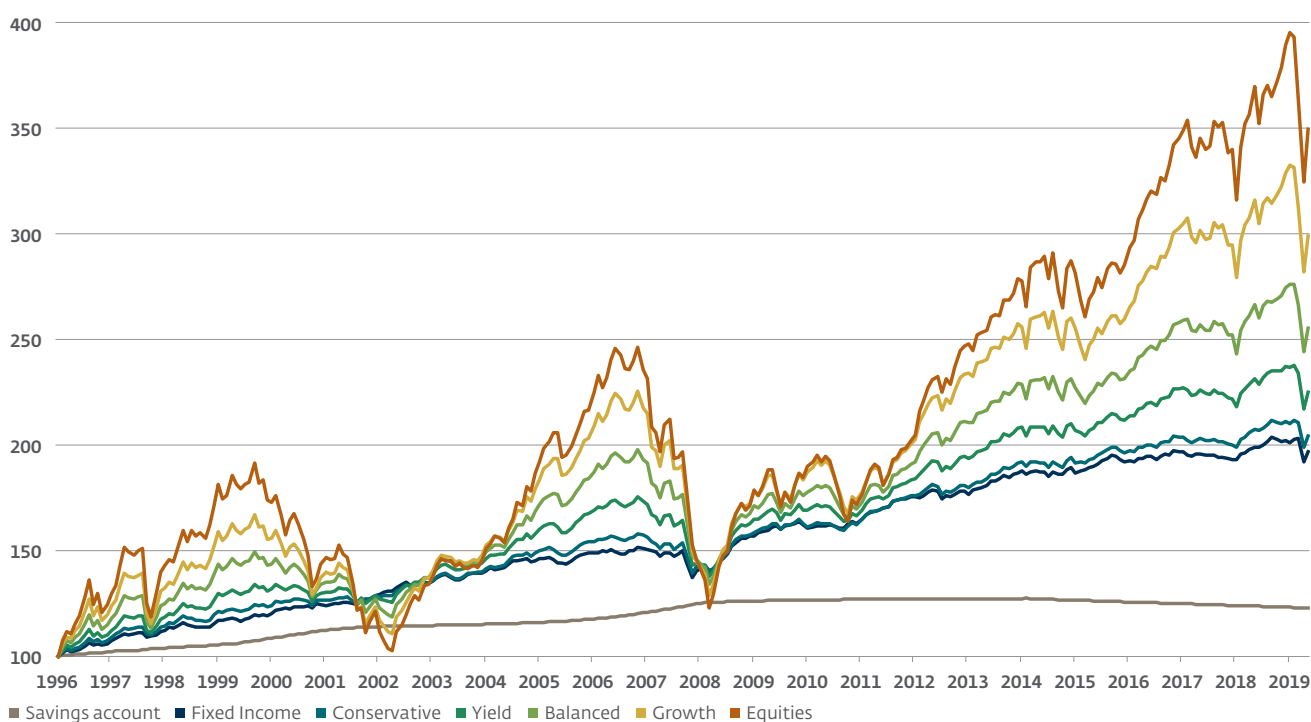
Performance of global LLB investment strategies in the reference currency CHF

Return and risk of global LLB investment strategies

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
Expected return per year (3 – 5 years)	1.50–2.00 %	2.00–2.50 %	3.00–3.50 %	4.25–4.75 %	5.75–6.25 %	7.00–7.50 %
Extreme values over 12 months (1996 – 2019)*	▲ +13.8 % ▼ -9.5 %	▲ +14.9 % ▼ -11.8 %	▲ +20.8 % ▼ -18.6 %	▲ +28.8 % ▼ -25.9 %	▲ +39.5 % ▼ -34.9 %	▲ +46.5 % ▼ -40.3 %
Probability of 12-month periods with negative performance (1996 – 2019)*	once in 10.5 years	once in 8.0 years	once in 4.5 years	once in 4.0 years	once in 3.5 years	once in 3.5 years

* This period covers three global extreme situations on the equity markets (Asian crisis in 1998, dot-com bubble in 2000, real estate and financial crisis in 2008).

A CHF investment would have performed as follows from 31 December 1996 to 30 April 2020



The performance of the investment strategies is presented on the basis of the strategic asset allocation. Market indices with weightings as of April 2020 are used as the data basis for each asset class. The period from 1996 to 2020 covers four global extreme situations on the equity markets (Asian crisis in 1998, dot-com bubble in 2000, real estate and financial crisis in 2008, coronavirus crisis in 2020).

Performance at a glance

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
Historical return per year (1996 – 2019)	3.1 %	3.3 %	3.8 %	4.5 %	5.4 %	6.1 %
Maximum breakeven period after an extreme situation	22 months	26 months	56 months	64 months	72 months	74 months

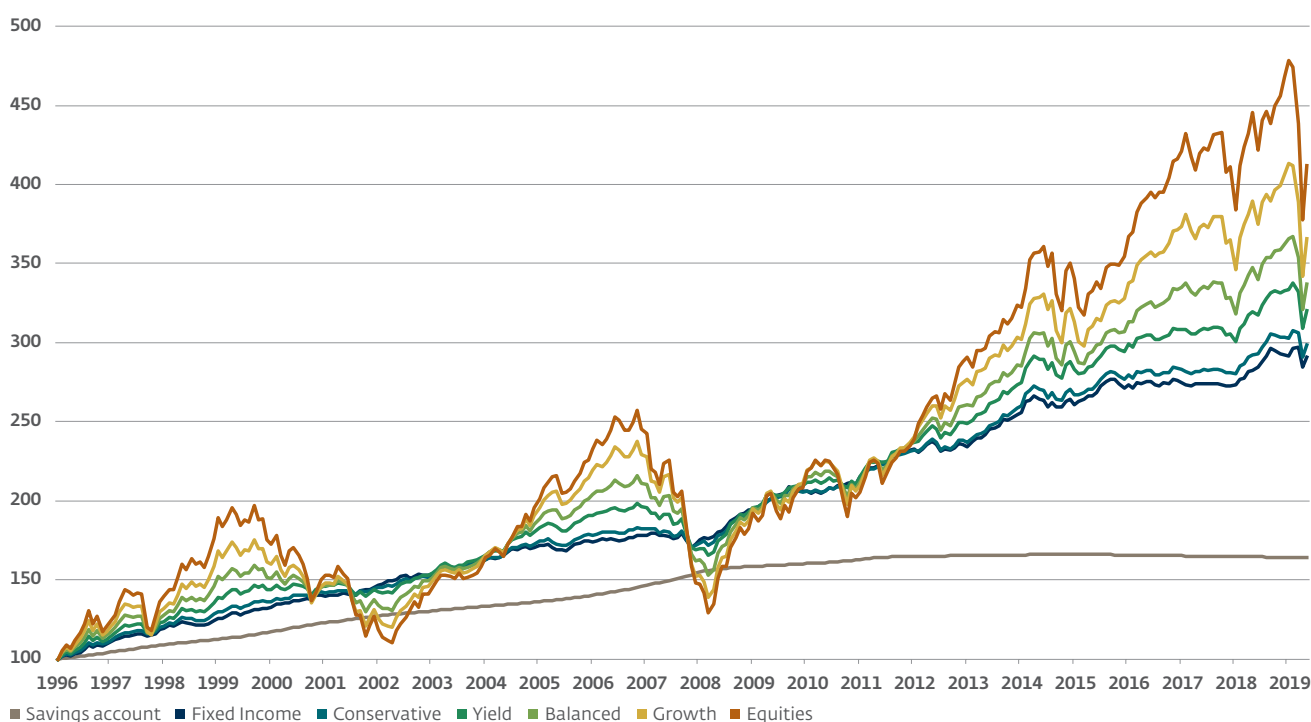
Performance of global LLB investment strategies in the reference currency EUR

Return and risk of global LLB investment strategies

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
Expected return per year (3 – 5 years)	1.75–2.25 %	2.00–2.50 %	3.00–3.50 %	4.50–5.00 %	6.00–6.50 %	7.00–7.50 %
Extreme values over 12 months (1996 – 2019)*	▲ +12.8 % ▼ -4.1 %	▲ +14.9 % ▼ -6.7 %	▲ +21.2 % ▼ -14.3 %	▲ +30.1 % ▼ -24.3 %	▲ +42.1 % ▼ -34.4 %	▲ +50.6 % ▼ -40.9 %
Probability of 12-month periods with negative performance (1996 – 2019)*	once in 13.5 years	once in 11.0 years	once in 6.0 years	once in 4.5 years	once in 3.5 years	once in 3.5 years

* This period covers three global extreme situations on the equity markets (Asian crisis in 1998, dot-com bubble in 2000, real estate and financial crisis in 2008).

A EUR investment would have performed as follows from 31 December 1996 to 30 April 2020



The performance of the investment strategies is presented on the basis of the strategic asset allocation. Market indices with weightings as of April 2020 are used as the data basis for each asset class. The period from 1996 to 2020 covers four global extreme situations on the equity markets (Asian crisis in 1998, dot-com bubble in 2000, real estate and financial crisis in 2008, coronavirus crisis in 2020).

Performance at a glance

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
Historical return per year (1996 – 2019)	4.7 %	4.9 %	5.3 %	5.8 %	6.3 %	7.0 %
Maximum breakeven period after an extreme situation	14 months	22 months	29 months	52 months	62 months	65 months

One strategy – many possibilities

As diverse as the individual investment strategies of our clients are, as diverse are their implementations. To enable us to respond optimally to your needs and expectations, we offer a wide range of options for your investments. Collective investments are employed. Where it makes sense to do so, direct investments are also made in individual securities. Our proven investment policy always forms the basis for investment decisions.

LLB Comfort World

Globally diversified

You invest worldwide in the most attractive regions. Through international diversification, you participate in global trends and developments.

LLB Comfort Switzerland

Innovative home market

You primarily invest in the Swiss business location – which is characterised by a high level of innovation, competitiveness, and political stability. Investments are mainly made in CHF, and equity investments are exclusively in Swiss companies.

LLB Comfort Alternative

Risk-mitigating opportunities

You invest worldwide in the most attractive regions and increasingly in alternative asset classes. By adding more hedge funds and gold at the expense of bonds, a lower interest rate risk can be achieved without changing expected returns.

LLB Comfort Sustainable

Environmental, social, and responsible

You invest worldwide in line with ESG guidelines. The focus is on environmental friendliness, social responsibility, and responsible corporate governance.

LLB Comfort Passive

Index-tracking investments

You invest worldwide in the most attractive regions. Implementation takes place primarily through passive investment instruments that replicate market developments as closely as possible. Where necessary, active collective investments are used.

Investment form

One-time

We invest the entire investment amount for you immediately upon receiving the asset management mandate. You participate quickly in the developments on the financial markets.

Staggered

The equity component is one of the most important drivers of long-term investment success. Equity exposure is not exhausted from the outset. Rather, it is increased in stages from the starting exposure to the defined target exposure. In regular and manageable steps, you will be able to build up a carefully constructed equity component of your portfolio. Full exposure will be reached after a period of about two years.

Pricing models

All-in model

The optimal pricing model for anyone desiring cost clarity. You pay a flat-rate fee on the assets under management. There are no further brokerage or custody fees.

All-in model – performance-based

The pricing model where the bank participates in investment success. You pay a reduced flat-rate fee on the assets under management as well as a performance fee. This fee is payable only if your assets have performed positively after deduction of all costs. There are no further brokerage or custody fees.

LLB Comfort	World	Switzerland	Alternative	Sustainable	Passive
Focus	Globally diversified	Innovative home market	Risk-mitigating opportunities	Environmental, social, and responsible	Index-tracking investments
Reference currency	CHF / EUR / USD	CHF	CHF / EUR	CHF / EUR	CHF / EUR
Investment strategies	Fixed Income to Equities	Yield to Equities	Yield and Balanced	Fixed Income to Equities	Yield to Equities
Direct investments from 1'000'000	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	
Collective investments from 100'000	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	All-in model w / wo performance-dependence	All-in model

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	0.0100 %
Blocked pension acc. in EUR	unlimited	0.0100 %
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				
AUD				
NZD				
ZAR	2.640 %	2.680 %	2.780 %	2.720 %
CAD				
NOK				

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP		0.18 %	0.37 %	0.45 %
USD	0.30 %	0.50 %	0.52 %	0.60 %
AUD		0.09 %	0.41 %	0.57 %
NZD	0.14 %	0.36 %	0.64 %	0.69 %
ZAR	3.86 %	3.65 %	3.75 %	3.75 %
CAD		0.21 %	0.37 %	0.50 %
NOK			0.17 %	0.32 %

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	3.75 %

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: 15.05.2020. 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.

Legal information

No offer

The information contained in this publication constitutes neither an invitation nor an offer, nor a recommendation to buy or sell investment instruments or to enter into transactions of any kind. The information in this publication does not constitute an aid for the reader in making decisions. Please consult a qualified person before making investment decisions.

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Risk warning

Please note that the value of an investment may fall as well as rise. The future performance of an investment cannot be derived from its past price development. Investments in foreign currencies are subject in addition to exchange rate fluctuations. Investments involving high volatility can be subject to strong price fluctuations. These price fluctuations may equal or even exceed the value of the invested amount. The preservation of the invested capital cannot therefore be guaranteed. Further information about risks can be obtained from the Liechtensteinische Landesbank AG. In addition, this information can be obtained from the brochure Risks in securities trading issued by the Liechtenstein Bankers Association, or from the brochure «Special risks in securities trading» issued by the Swiss Bankers Association.

No warranty / No guarantee

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Basic methodical approaches to financial analysis

LLB and its LLB Asset Management AG responsible for financial analysis have summarised the basic methodological principles of financial analyses on which the individual investment recommendations are founded in their white paper «Theory and Methodology of Securities Analysis by LLB Asset Management AG». This document (in German) can be accessed at the following link: www.llb.li/securities-analysis.

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

can be requested at www.llb.li/legal-notes. We are providing this information also free of charge in paper form.

Internal organisational and regulatory measures to prevent conflicts of interest

The Liechtensteinische Landesbank and any of its Group companies concerned have implemented internal organisational measures to prevent possible conflicts of interest from arising and, if these do occur, to disclose them.

Explanation

Possible conflicts of interest are indicated by the following numbers placed next to the names of issuers:

The Liechtensteinische Landesbank AG and/or its Group companies

1. have more than a 5 % stake in the issuer,
2. have substantial financial interests in relation to the issuer,
3. participated during the last twelve months in the management of a consortium which placed financial instruments of the issuer in the form of a public offering,
4. act as a market-maker in the financial instruments of the issuer,
5. have during the last twelve months concluded an agreement for services in connection with investment banking services with issuers who themselves or whose financial instruments are the subject of the financial analysis, or have received a performance or the promise of a performance from such an agreement,
6. have concluded an agreement for the production of financial analysis with issuers who themselves or whose financial instruments are the subject of the financial analysis.

Responsible for the preparation of this publication

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Competent regulatory authorities

- Competent regulatory authority in the Principality of Liechtenstein
FMA Financial Market Supervisory Authority Liechtenstein
Landstrasse 109, P. O. Box 279, 9490 Vaduz, www.fma-li.li
- Competent regulatory authority in Switzerland
Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27, 3003 Berne, www.finma.ch
- Competent supervisory authority in Austria
Austrian Financial Market Authority FMA
Otto-Wagner-Platz 5, A-1090 Vienna, www.fma.gv.at

Global Investment Performance Standards (GIPS)

The company definition in accordance with the Global Investment Performance Standards (GIPS), includes all the asset management mandates as well as all the investment funds of Liechtensteinische Landesbank AG which are managed by LLB Asset Management AG. The company claims compliance with the GIPS. A list of all composites and a description of them can be obtained from LLB Asset Management AG, Vaduz, telephone +423 236 95 00. The Global Investment Performance Standards are a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement.

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in Financial Instruments Directive (MiFID II, 2014/65/EU).



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