

July 2020

Capital & Markets



Contents

	Overview
3	Editorial
	Market assessment
4	Market assessment
5	Currencies
6	Economy and interest rates
7	Bond markets
8	Sustainable investments pass coronavirus stress test
	Equity markets
9	Equity strategy
10	Switzerland / Europe
11	North America / Pacific
	Other asset classes
12	Alternative investments
	LLB Comfort
13	Our asset management
	Investment strategies
14	Investment strategies and tactical asset allocation
16	Return and risk of LLB investment strategies
17	Performance of global LLB investment strategies (CHF)
18	Performance of global LLB investment strategies (EUR)
19	One strategy - many possibilities
	Additional information
20	Interest rates and conditions
21	Transparency in investing
22	Legal information
23	Imprint



Dear Readers

The performance of a globally diversified portfolio in Swiss Francs is currently only about 5 % below the level at the end of 2019. In light of the unprecedented, nearly global economic standstill, this would appear to be an exceptionally good result. However, it was made possible only thanks to the expansion of monetary policy by the major central banks and, in some cases, massive government fiscal packages. This is an enormous experiment, the final outcome of which will be open for some time to come.

From a fundamental point of view, the recovery is likely to drag on. Some sectors will recover more quickly, while others are probably facing a long dry spell. In our economy and interest rates article on page 6, we try to show how the economic trend might develop. The crisis has now reached the point where the US Federal Reserve is speaking of direct control of the yield curve and «unlimited» bond purchases. This is also reducing the interest rate advantage of the US Dollar. In our currencies articles on page 5, we discuss what consequences we believe this will have.

In our focus topic on page 8, we take a look at how sustainable investments have performed so far during the crisis. In summary: They have passed the test.

In the environment described above, «risky» investments, i.e. corporate bonds and equities, managed to make up a good part of their lost performance over the last three months. In the technology sector, some stocks even reached new all-time highs. You can read more about this in our bond markets article on page 7 and our equity strategy articles on page 9.

As usual, the regional equity articles (pages 10 and 11) provide up-to-date investment recommendations for sectors and individual investments.

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

- The Fed is one step ahead of the European Central Bank in terms of the degree of monetary easing. This will weigh on the US Dollar. The Franc has weakened recently. This weakening is not sustainable.

Economy and interest rates – page 6

- Given the step-by-step opening, the economy has probably bottomed out. A rapid recovery is unlikely, however. In industrial countries, the recovery is likely to drag on at least until 2022.

Bond markets – page 7

- The Fed is starting to buy corporate bonds, and there are growing signs at the ECB that the recent PEPP increase was only an intermediate step. Corporates are successively able to make up for the setback in March. Swiss Confederation bonds are converging with Bund yields.

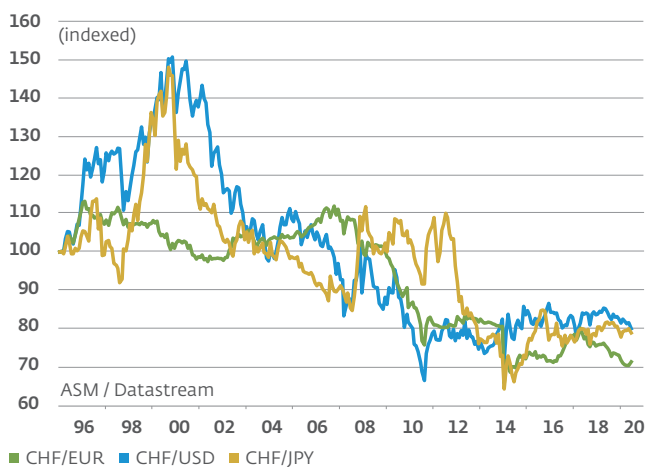
Equity markets – page 9 to 11

- Central banks and governments are doing everything in their power to iron out the serious economic damage and to prevent a further slide. Investors are giving immense benefit of the doubt, but this considerably reduces the medium-term price potential for equities.

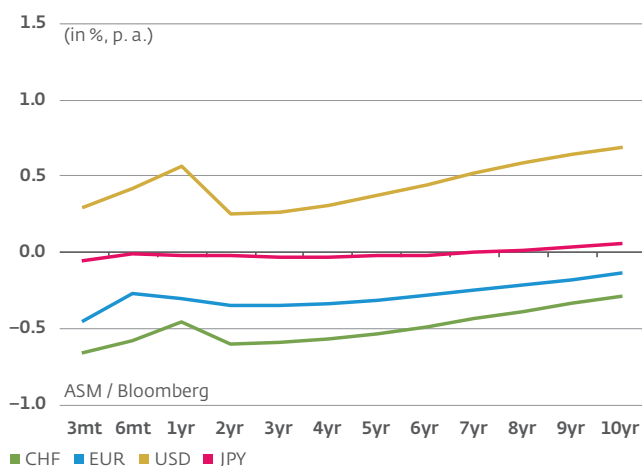
Alternative investments – page 12

- Thanks to continually low interest rates and good corporate results, real estate equities made use of the past month to catch up with the equity markets in terms of relative performance.
- High net exposure is not only helping long/short equity strategies to look good themselves, but also to pull the broader market index upwards.
- Cat bonds continue to work on reducing their spread widening in the first quarter.
- Oil production from shale in the United States is currently being reduced significantly. The recovery of demand once the shutdown comes to an end remains uncertain.

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	-7.0	5.0	-9.0	6.0	-11.0	5.0	-7.5	4.0	-6.0	2.0
Consumer price index, % yoy	-0.2	0.5	0.4	0.5	0.7	0.6	1.0	1.5	-0.3	0.1
Budget balance, % GDP	-6.0	-2.5	-9.0	-5.0	-11.5	-7.0	-17.0	-10.0	-11.0	-6.0
Public debt, % GDP	45.5	47	121	119	138	136	129	133	244	248
Current account balance, % GDP	7.0	9.0	2.7	2.6	-3.5	-3.5	-2.1	-2.2	3.8	3.7
Unemployment, %	4.5	4.0	10.0	9.5	8.0	7.0	10.0	8.0	3.2	3.2
Interest rates, 3 months Govt. bonds	² -0.7	³ -0.7	² -0.4	³ -0.4	² 0.2	³ 0.2	² 0.4	³ 0.6	² -0.1	³ -0.1
Interest rates, 10 years Govt. bonds	² -0.5	³ -0.4	² -0.4	³ -0.1	² 0.4	³ 0.7	² 0.9	³ 1.3	² 0.0	³ 0.0

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

Currencies



The Fed is one step ahead of the European Central Bank in terms of the degree of monetary easing. This will weigh on the US Dollar. The Franc has weakened recently. This weakening is not sustainable.

US Dollar (USD)

The US Dollar has weakened recently against the Euro. This is mainly due to the different approaches of monetary policy. Although the central banks of both economic areas are pursuing extremely expansionary policies, the Fed is far ahead of the ECB in terms of scope. The US Dollar has been weighed down primarily by speculation about the introduction of yield curve control in the US, under which the Fed would set a target for the yield on ten-year bonds. The USD has also been weighed down by the fears of financial analysts that the Fed might still revert to negative interest rate policy. The Fed does not want to make use of these options for now. In light of these developments, the US Dollar has crossed the significant mark of USD 1.10 per Euro in recent weeks and is approaching the USD 1.14 threshold. Against the backdrop of the difficult economic situation in the United States due to the coronavirus, a significant recovery of the US Dollar is not expected in the coming months. However, a weakening of the US Dollar beyond the new resistance line of USD 1.15 per Euro is unlikely.

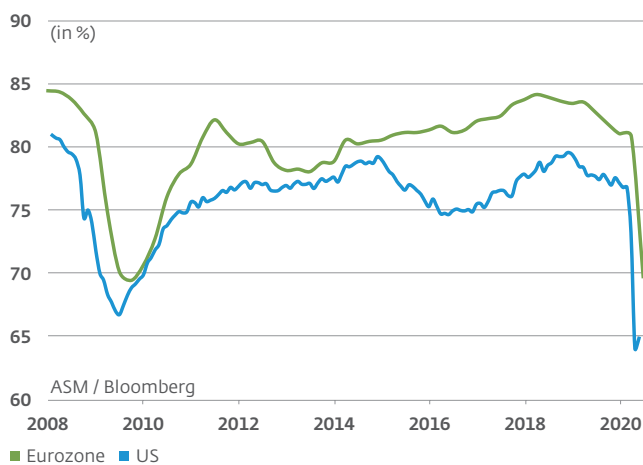
Swiss Franc (CHF)

The Franc has been passing through a phase of weakness in recent weeks. At times, it fell to more than CHF 1.08 against the Euro. This downward trend is attributable not only to the SNB's interventions on the forex markets. Rather, the Franc was weighed down by signs of increased coordination between fiscal and monetary policy in the Eurozone. In addition to financial aid in the amount of EUR 540 billion, which was approved shortly after the coronavirus outbreak, the recovery fund is expected to cushion the economic impact of the pandemic with another EUR 750 billion. At the same time, the ECB has massively expanded its bond purchases. This cooperation has improved the prospects for recovery in the Eurozone. This outlook is reflected in the weaker Franc. However, the Franc will appreciate again against the Euro if investor expectations are not met. A turnaround in Swiss monetary policy is therefore unlikely. The SNB will continue to try to prevent a significant appreciation of the Franc with the help of negative interest rates and foreign currency purchases. The mark of CHF 1.05 per Euro remains critical. However, new measures by the SNB should only be expected if the Franc falls below parity with the Euro due to uncertainty resulting from the coronavirus.

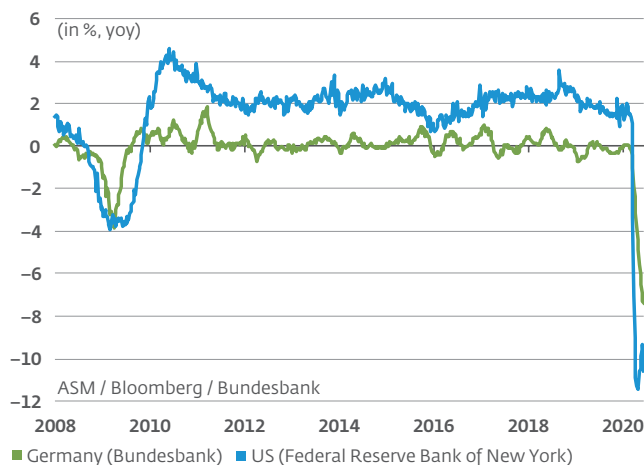
Waldemar Lukas

Investment Class Researcher Fixed Income/Currencies

Development of capacity utilisation



Weekly activity indicators for GDP



Switzerland: Development of foreign currency reserves



Economy and interest rates



Given the step-by-step opening, the economy has probably bottomed out. A rapid recovery is unlikely, however. In industrial countries, the recovery is likely to drag on at least until 2022.

Economic data is gradually showing the impact of the lockdowns. In the Eurozone, industrial production fell by a total of 27 % in March and April, and even by 42 % in Italy. Japan and the United States, on the other hand, got off relatively easy at -13 % and -15 %, respectively. Exports are behaving similarly. In industrial countries, exports are exhibiting year-on-year rates of change around -30 %. Sentiment indicators have improved slightly again after the slump.

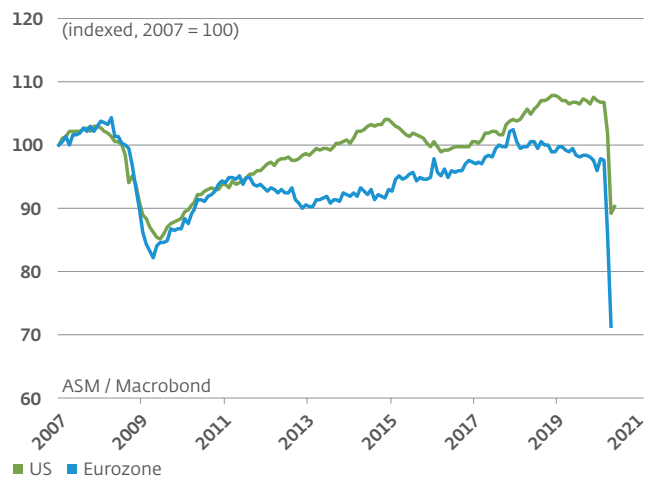
The economy has now likely bottomed out, given that several countries are gradually easing restrictions. Economists are therefore asking themselves what the recovery will look like. Will it be slower in the United States because of the uncoordinated measures to contain the virus due to a lack of central planning? This question cannot yet be answered. As efficient as the European approach may seem, the economy was shut down for a longer period of time than the US economy. This could mean lower growth in the short and medium term. In any event, the latest signals from the labour market and the retail sector have been quite positive in the US, and US economic data is generally turning out to be better than expected. It is therefore tempting to hope for a rapid recovery of the US economy in the second half of the year. However, such a recovery is difficult to imagine – in the US and elsewhere. Of course, consumers have pent-up demand. But despite the opening of the economy, the risk of infection has not disappeared, distancing rules remain in place, and unemployment is high. Under these circumstances, it is questionable whether consumer behaviour will return quickly to normal. The uncertainty is more likely to lead to restraint (e.g. in terms of travel). Moreover, it remains doubtful whether unemployment will disappear completely. It is likely that a considerable number of job losses is not only temporary, but rather permanent (e.g. in the restaurant and tourism sectors).

Most economists believe that the recovery will take time. The OECD expects that economic output in industrial countries at the end of 2021 will still be clearly below the pre-crisis level, even if there is no second wave of infections. In China, on the other hand, the OECD is assuming that the losses from the crisis will be made up by the end of 2021.

Roger Wohlwend

Investment Class Researcher Fixed Income

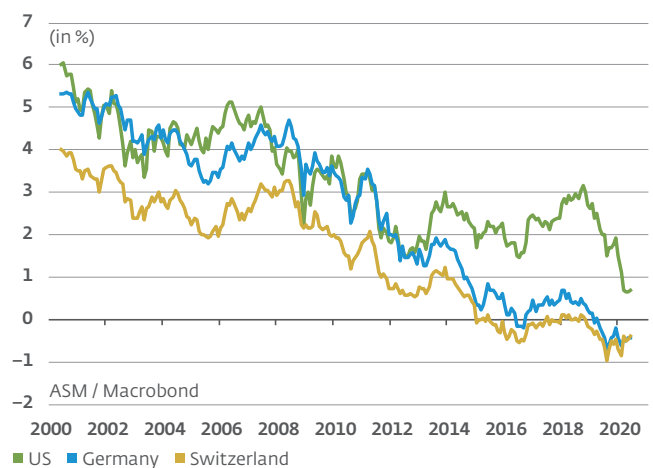
Slump in industrial production



Sentiment in the Eurozone at a low point



Yields on ten-year government bonds



Bond markets



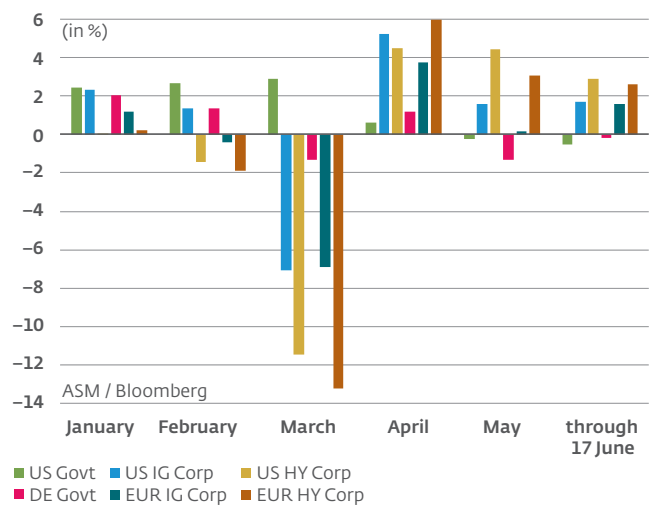
The Fed is starting to buy corporate bonds, and there are growing signs at the ECB that the recent PEPP increase was only an intermediate step. Corporates are successively able to make up for the setback in March. Swiss Confederation bonds are converging with Bund yields.

The past few weeks have left no doubt about the continued willingness of central banks around the globe to provide support. As a result, risk stocks have continued their race to catch up with AAA government bonds. The recovery in BBB corporate bonds and in the high-yield segment is striking. On 15 June, the US Federal Reserve announced that it would buy corporate bonds directly through its Secondary Market Corporate Credit Facility (SMCCF), after purchases had previously been made via exchange-traded funds (ETFs). The SMCCF also includes issuers whose investment grade (IG) rating was lost only in the course of the downturn due to the pandemic («fallen angels»). In light of the ECB's continually high purchase volumes of about EUR 150 billion per month, the recent increase in the Pandemic Emergency Purchase Programme (PEPP) by EUR 600 billion through mid-2021 appears more as an intermediate step. The statement by ECB Executive Board member Fabio Panetta that the ECB would consider buying corporate bonds below the BBB- rating threshold if necessary is fuelling expectations that the ECB will follow the Fed's lead and expand its range of purchases. Issuers which recently lost their IG credit rating include Renault, Lufthansa, and ZF Friedrichshafen. Nevertheless, the clear focus of ECB purchases continues to be on government bonds. The increases in France's and Belgium's bond issue plans had no impact on their risk premiums. In Germany, the second supplementary budget with an increase from EUR 156 billion to EUR 218 billion will cause the Finance Agency to adjust its refinancing target upwards in the second half of the year.

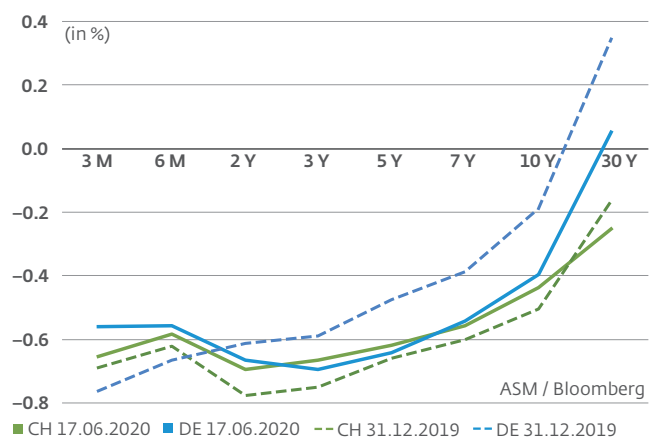
In contrast, the crisis measures of the Swiss National Bank were comparatively restrained. We believe this means less of a distortion of the bond market. However, the outstanding volume of CHF bonds would be small for quantitative measures. Since the beginning of the year, the interest rate differential versus German Bunds has almost disappeared and is now only significant for ultra-long maturities. Moreover, the yield curve in Germany has flattened considerably. A risk assessment based on credit default swaps (CDSs) shows that Switzerland continues to perform better. The yield to maturity of CHF-denominated bonds of foreign issuers is still in positive territory after a general easing of the market. In the meantime, the yields of Swiss Confederation bonds are above the average yield on German Bunds. The yield level is only moderately tempting, but it has become relatively more attractive.

Stefan Rösch
Fund Manager Bonds

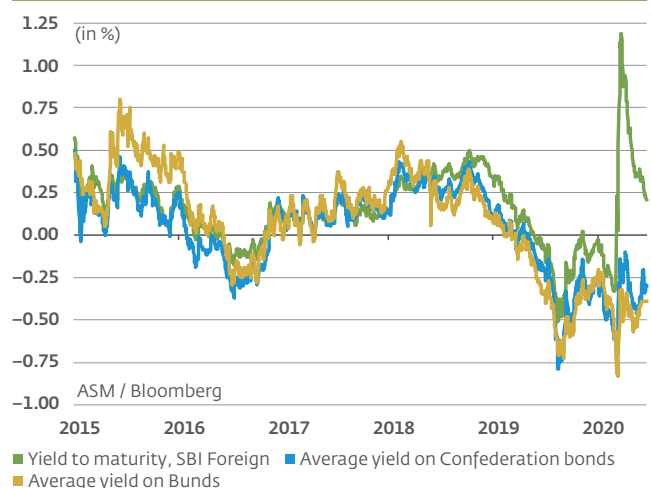
Total monthly return of bond segments



Yield curves of Eidgenossen and German Bunds



Yield development Switzerland vs. Germany



Sustainable investments pass coronavirus stress test



Due to the global coronavirus crisis, ESG criteria have moved into the focus of investors. Funds that use environmental, social, and governance factors in their analysis performed better than their conventional counterparts during the downturn in the first quarter.

No investment segment has been immune to the volatile market environment and the losses in value since the outbreak of the coronavirus crisis. For funds with an ESG focus, the turbulent start to 2020 amounted to another major stress test after the financial crisis. Despite the short observation period, sustainable funds are proving to be relatively crisis-resistant. On an aggregated basis, ESG strategies outperformed conventional funds. An analysis by Morningstar shows that 70 % of sustainable equity funds outperformed their traditional peers in the first quarter. Fund flows into ESG funds during the crisis were also much more robust. The increased interest of investors is reflected not only in the inflows into sustainable funds, but also in the increasing prominence of ESG topics in the news: The number of ESG news items on Bloomberg – the ESG Story Count – has more than doubled since the beginning of the year.

There are several possible explanations for the outperformance and also for the resilience of ESG funds during the coronavirus crisis. For sustainable equity funds, environmental criteria and the resulting sector allocation certainly play an important role. ESG funds tend to be overweight in sectors that have weathered the crisis better, such as health care and technology, while at the same time they have lower exposure to sectors that have been hit the hardest, such as energy and commodities.

But this does not fully explain the outperformance of ESG funds. The holistic ESG approach was important in managing the crisis, especially its social dimension. This is particularly evident in emerging market equity funds. Our third-party

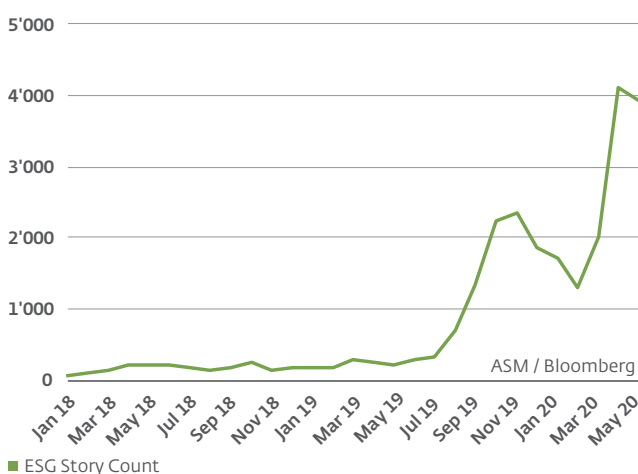
fund recommendation for sustainable emerging market equities was able to achieve significant added value over the non-sustainable index during the downturn and subsequent recovery. Stock selection based on good environmental practices, fair treatment of all stakeholders, and ethical corporate governance has paid off.

The recognisable benefits of sustainable investments are not limited to equities, however. Sustainable bond funds, such as green bond funds, have also performed well in these difficult times and have also shown lower volatility than comparable corporate bonds. Green bonds are bonds that finance projects with a positive environmental impact. They are typically issued by large, stable issuers that are better able to hold their ground in times of crisis. The segment also benefits from buy-and-hold investors with a long-term orientation, which likewise provides stability.

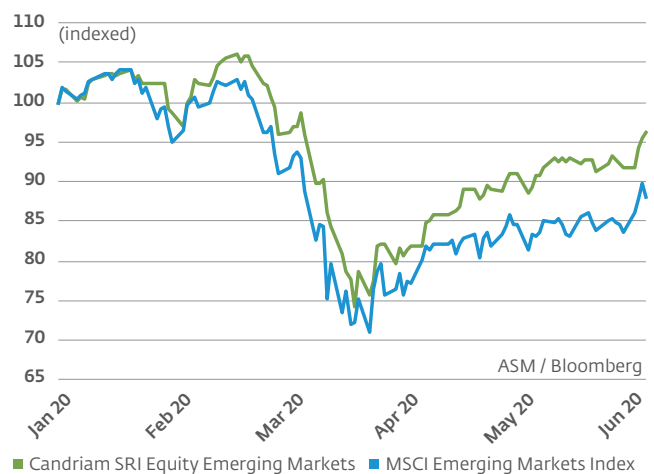
Actively managed ESG funds in particular demonstrated their qualities in the challenging environment at the beginning of the year. Thanks to their selective investment process and rather defensive positioning, the strategies have successfully contributed to better risk-adjusted portfolio returns. We believe that the growing investor interest in ESG investments is a continuing trend. Due to the diversity of the range of sustainable funds, a precise analysis of the various ESG approaches is crucial. In addition to our usual «five Ps» (philosophy, people, process, portfolio, and performance), we therefore integrate a qualitative assessment of the ESG approach into our third-party fund research process.

Jasmin Federer
Investment Class Researcher

ESG Story Count on Bloomberg



Performance comparison year-to-date



Equity strategy



Central banks and governments are doing everything in their power to iron out the serious economic damage and to prevent a further slide. Investors are giving immense benefit of the doubt, but this considerably reduces the medium-term price potential for equities.

Last week, the rally suffered a temporary setback when Federal Reserve Chairman Powell rejected the prospect of a rapid economic recovery. The response: The Fed now doesn't even want to think about raising interest rates before the end of 2022, and the US government is presenting a USD 1 trillion investment package primarily aimed at infrastructure and thus at the construction industry. Chinese measures are also pointing in the same direction, trying to get as many people back to work as quickly as possible. The fear of a second lockdown has been eclipsed for the time being by improving economic data. In any event, recent experience shows that we can hardly expect governments to shut down entire countries anymore, given the lack of fiscal room for manoeuvre and voter support.

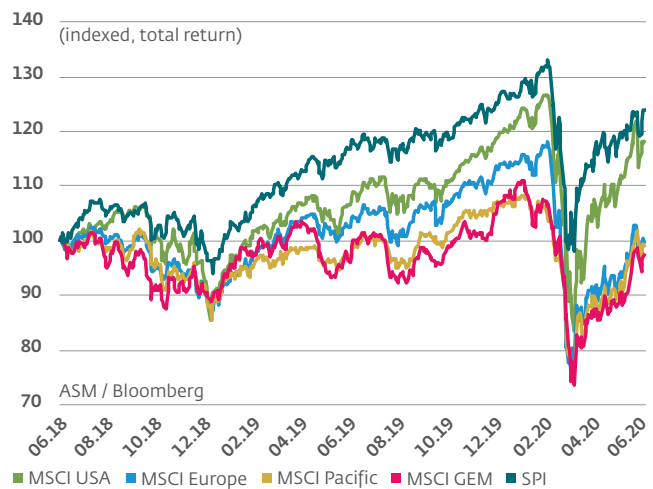
A look at the middle chart shows that price developments in the various sectors vary considerably. Technology shares have in some cases even posted new all-time highs, while energy and financial shares continue to trade at very depressed price levels. Within the financial sector, we continue to emphasise insurers, whose shares suffered less from operational costs due to the pandemic than from price losses in the investment markets. We therefore believe the sector appears attractive. On the more defensive side, we continue to find pharmaceuticals attractive. The relatively good visibility of their course of business and their still moderate valuation are good arguments for a buy.

The lower chart impressively illustrates that not only the valuation for the current year (blue line) with a price/earnings ratio (PER) of 22x, but also the optimistic earnings expectation of +28% for next year with a PER of 17x actually leaves little upside potential. We currently believe that this V-shaped forecast earnings recovery is still too optimistic an assumption for the market as a whole.

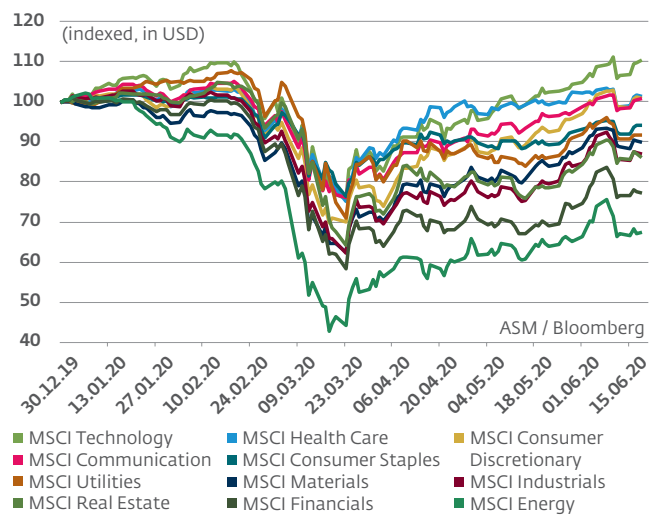
The diminished risk premiums thus leave little room for further price gains for the overall market. On the other hand, investors can make use of sector rotations during this market phase, but this requires active management. Overall, we recommend a moderate underweight in equities in order to profit from setbacks.

Christian Zogg
Head Equity and Fixed Income Management

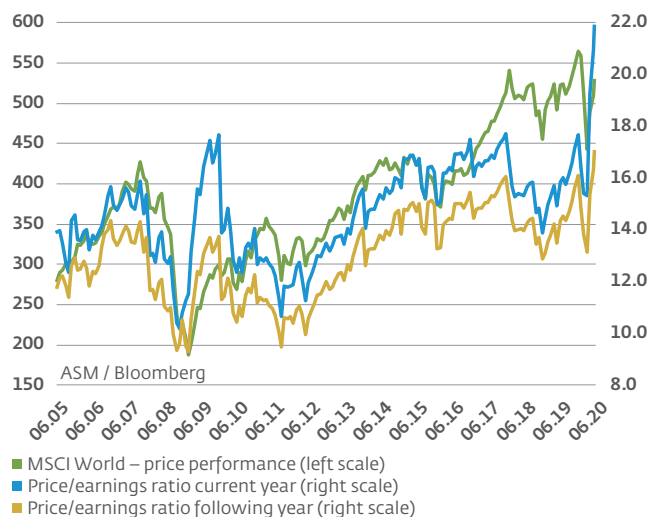
Equity markets in local currency - 2 years



Performance of global sectors (since beginning of year)



MSCI World - PER current and following year



Switzerland



In our opinion, the Swiss pharmaceutical sector is attractive. Growth opportunities are intact, and price pressure due to US health care reform is becoming less likely, in part because the pharmaceutical sector has been able to improve its image thanks to COVID-19.

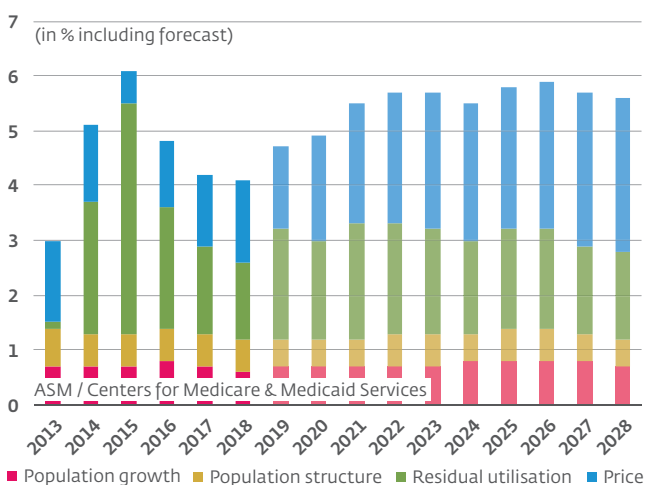
In the United States, the health care sector is expected to grow by 5 % over the next few years, also because utilisation is constantly increasing. The population over 60 years of age will grow globally by about 2 % per year over the next few decades, which will support the pharmaceutical sector in the long term. In our opinion, possible price pressure in the US health care market as a result of health care reform is the greatest risk for the sector, given that various drugs cost about three times more in the US. Although the Democrats are on the upswing, we consider health care reform unlikely because Republican voters are strongly opposed to it; Republicans, even with a possible minority of at least 40 seats, could probably block a reform using the filibuster. The coronavirus crisis has also helped the pharmaceutical sector to improve its image, which is likely to reduce the political will for drastic health care reforms.

The world remains uncertain, given the coronavirus crisis and increasing tensions, which are likely to further strengthen the relative attractiveness of secure cash flows from the health care sector. Novartis and Roche are in an excellent position with several blockbuster drugs in the pipeline. Roche is even benefiting directly from the coronavirus crisis thanks to its diagnostics business and possibly Actemra. Both stocks have an attractive valuation with a P/E ratio of 14–15x and implied growth rates of 0.8–1 %. We recommend both as a buy.

Thomas Kühne

Fund Manager LLB Equities Switzerland

Growth in US health care costs



Europe



The significant easing of restrictions on public behaviour and the strong fiscal policy measures in many European countries should also benefit suppliers of consumer goods that are not directly necessary.

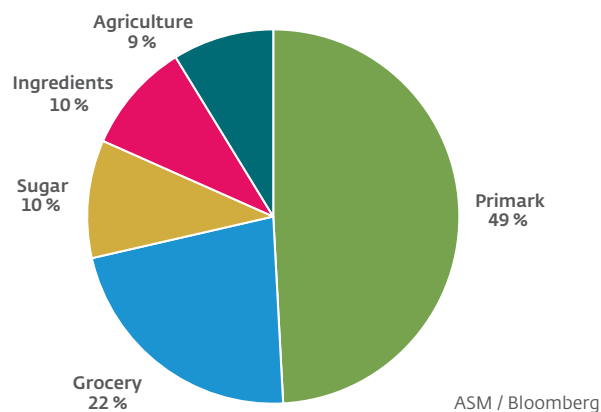
This sector, which includes the major clothing chains, suffered greatly from the lockdown. For many businesses without online channels, sales temporarily collapsed completely due to the lockdown. In this environment, a solid balance sheet and a robust business model are important. The COVID-19 crisis has increased the wave of insolvencies in the highly competitive retail fashion business. Following Airfield, Colloseum, Haanl, and Stefanel, the men's clothing chain Dressmann in Austria has now also filed for bankruptcy. However, this also creates opportunities for proven business models to gain market share during the recovery.

Two such companies are Primark and Inditex. Primark is part of Associated British Foods, whose other business segments, namely Agriculture, Sugar, Ingredients, and Grocery, provided a financial buffer during the crisis. Although Primark does not operate an online business and is thus growing more slowly, fears are completely exaggerated that physical clothing retail is doomed. 80 % of clothing is still bought in shops, and this will only change slowly. After the first few weeks of opening up, business has taken off again. Inditex recently presented its quarterly figures and announced that it intends to invest EUR 900 million annually over the next few years, mainly in the expansion of its online business. Inditex currently has liquid assets of EUR 5.75 billion.

Dr. Karlheinz Gfall

Fund Manager LLB Equities Europe

Associated British Foods – breakdown of sales



North America



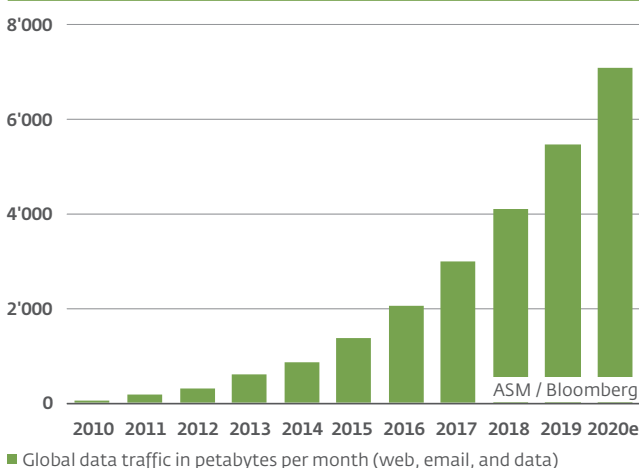
Perhaps the most important megatrend of our generation is the invention and spread of the internet. All areas of daily life are affected by it, which can be seen as the cause of the resulting flood of data.

While in the past, an electronic watch was able to measure heart rates simply using a chest strap, today the measurement, data transfer, and simultaneous storage of this information in the cloud entails a significantly larger amount of digital data. The same applies to cars, for instance: In terms of complexity, digital driver assistance systems of the last decade cannot be compared with the autonomous systems of the current generation. Today, the same amount of data is generated worldwide within a few hours as was processed in several months just ten years ago.

Secure storage of this data is the core business of Seagate Technology, a US technology company based in California. The company effectively shares the market with only one competitor. The price war in recent years has led to strong cost and consolidation pressure in the industry. In light of the increase in security requirements, the need for ever higher data volumes, and complex manufacturing methods, Seagate has established itself as an industry leader. In addition to its business model, Seagate's financial situation is also convincing. With a ratio of net debt to EBITDA of 1.6x, the company is only moderately indebted. The need for investments is easily financed from operating cash flow, while still leaving a high free cash flow yield for shareholders. The company also has an attractive valuation compared with the sector.

Timo Gruber
Fund Manager LLB Equities North America

Development of global data volume



■ Global data traffic in petabytes per month (web, email, and data)

Pacific



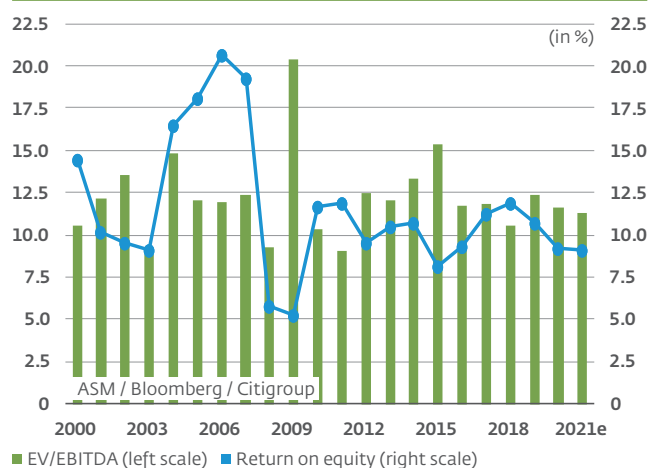
Recession – recovery – rotation? The Australian economy contracted by 0.3 % in the first quarter. The decline in the second quarter is likely to be historic, although reopening Down Under occurred significantly earlier than in other European countries.

Australia will thus slide into a recession for the first time since 1991. Since the lows of March this year, the Australian market has recovered by more than 35 %. The stringent measures taken by the Australian central bank and a significant improvement in sentiment gave the starting signal for further recovery. However, recovery also depends on consumer confidence, investment intentions, labour market conditions, and household finances moving in the same direction. During the recovery, typical value stocks in the financial, IT, real estate, and energy sectors have performed significantly better, while the pharmaceutical and consumer staples sectors have fallen behind. The delta is moving at over 20 %.

Will this development hold? We believe so, given that earnings expectations for the recent winners have already been lowered significantly. Certainly, this development requires a broader and stronger recovery, and another lockdown would make everything fall apart again. But we do not expect this to happen. The massive valuation spreads between value and growth that built up during COVID-19 are an additional trigger. How should investors behave? While value stocks such as Rio Tinto, BHP Group, and JB Hi-Fi have already recovered by more than 30 % in some cases, their still attractive valuations favour further price gains. However, we recommend taking profits for stocks like Woolworths or Brambles, which lost almost nothing in the crisis.

Christoph Hilfiker
Fund Manager LLB Equities Pacific

Australia – proceed only selectively!



■ EV/EBITDA (left scale) ■ Return on equity (right scale)

Alternative investments



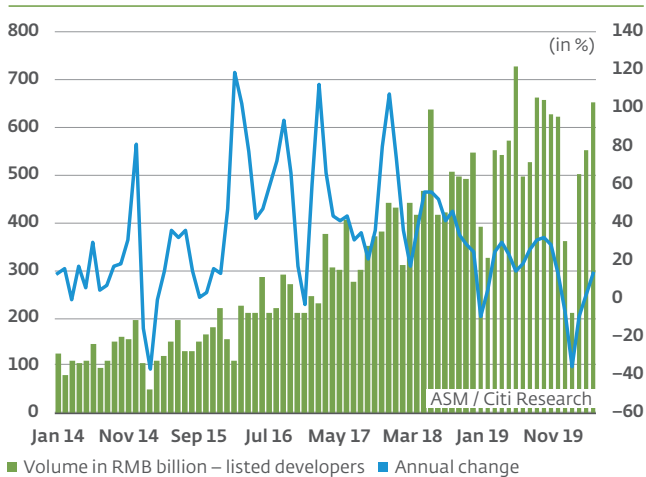
Real estate equities
 Investors in real estate equities are wondering whether the economic data can keep up with equity prices. The current data from the real estate market in China are certainly grounds for optimism.

Chinese housing market data for May points to a broad-based recovery. Nearly all of the data was better than in the previous month. Real estate investments rose by 8 % over April, bringing the growth rate since the beginning of the year almost back to zero. In May, land sales were able to expand on the strong improvement in April (+80 %) by another nearly 8 %. The only bad news came from realised real estate projects. Although they increased, they are still 15 % below the beginning of the year. In the real estate market, economic policy continues to focus on controlling the level of home and land prices. Overall, the money supply figures and the slightly declining level of new lending in the amount of RMB 1.5 billion in May indicate that interest rate policy had not yet eased enough in the first half of the year. We expect further easing potential for the second half of the year and stable real estate lending.

In recent weeks, Chinese real estate equities have met with concerns that the recovery will turn out to be slower, while at the same time economic and monetary policy cannot be pushed any further. However, we expect that continuingly good sales figures, a sector rotation in the direction of value stocks, and the attractive valuation should benefit this real estate region. In the LLB Equities Real Estate Global fund, we are overweight in China and Hong Kong.

Bernhard Schmitt
 Head Equity & Multi Manager Management

China – volume for real estate projects



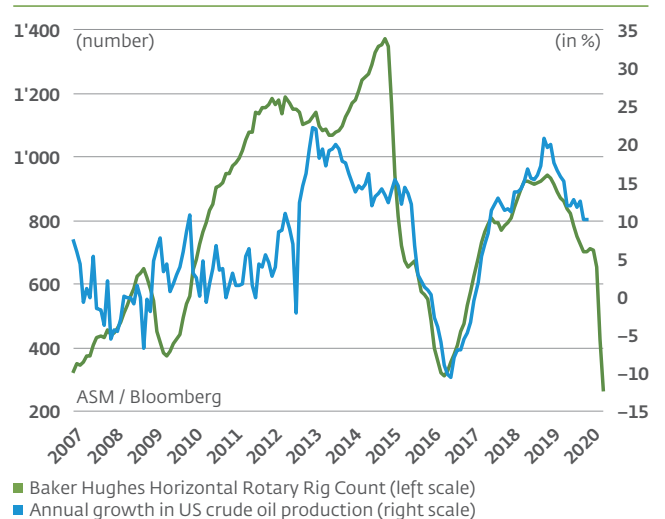
Commodities
 Forced behavioural changes are having a longer-term impact on commodity consumption. The commodity industry is reacting with drastic supply reductions to the sharp price declines as a result of weak demand.

The US is the main source of reliable data regarding the expected supply situation. The activity barometer for US shale oil, the Horizontal Rotary Rig Count published by Baker Hughes, is at a multi-year low with only 246 active rigs. This is even significantly lower than the last low in 2016. Given that the number of rigs is strongly correlated with production growth, a significant reduction in production must be expected for the US. Likewise, OPEC+ is cutting production with the expectation that supply control will support the oil price. On the production side, there have been substantial interventions worldwide, and at the same time governments are launching coronavirus aid packages and stimulus measures on a large scale. We expect these measures to be reflected in prices with a time delay. Currently, the fear of a second wave of infections and renewed weakness in demand are still prevalent. Given the inability to estimate the infection dynamics reliably, we expect commodity prices to continue to fluctuate noticeably.

In the energy sector, rigs cannot simply be reactivated once they have been abandoned. High initial reactivation costs are an impediment. The risk of a price peak in crude oil therefore still exists if demand recovers faster than the ramping up of supply by producers.

Timo Gruber
 Investment Class Researcher Commodities

Rigs and production growth



LLB Comfort – our discretionary portfolio management

Securing and profitably managing your assets is our most important concern. As an effective and capable partner, we are happy to support you in all aspects of asset management.

Macroeconomic, regulatory, and sociodemographic factors increase the complexity of management tasks. At the same time, investors are rightly demanding increasing flexibility from their asset managers and consideration of their individual needs. The range of services offered by LLB Comfort – the asset management mandates of the LLB – is based on these requirements.

By working together with us in this way, you enjoy the following benefits:

- ♦ You can be certain that your assets will always be looked after in the best possible way and that your wishes will be taken into account.
- ♦ Through permanent monitoring of your portfolio, we strive to improve performance continuously. This means that our specialists systematically search the market for risk premiums and investment opportunities and use them to your advantage.
- ♦ You gain more time for other aspects of asset management because you delegate routine tasks to the specialists of LLB Asset Management.
- ♦ Your personal client advisor is still your direct contact for all financial matters. Your client advisor will also be happy to assist you with other tasks in the management of your assets.
- ♦ We provide you with regular, transparent, and comprehensive information about the development of your assets – with reporting that presents the investment performance transparently and is verified in accordance with international standards (GIPS).
- ♦ We explain our investment decisions in an understandable way – especially because we are convinced that demanding and well-informed clients are the best partners for the long term.

By far the most important factor for investment success is the choice of a suitable strategy. Our client advisors have the knowledge and the means to work with you to find the investment strategy that is tailored to your personal situation.

As individual as our clients are, so different are their needs. We analyse your current asset situation and your investment objectives. We take into account temporal factors such as your earnings expectations, your risk tolerance, and your investment horizon. We pay particular attention to your life situation and your liquidity requirements. In a next step, we work with you to define the investment strategy that suits you best. Based on your investment profile, we make broadly diversified investments and actively manage your assets.

Our experience shows that investors' needs are usually focused on a few typical risk-return profiles. We present these strategies on the next page. We offer these profiles in a risk-controlled and optimised manner in the reference currencies CHF, EUR, and USD. We are happy to include any of your expectations that may go beyond this. Together, we design an investment strategy that is tailor-made for you.

Optimisation and performance

We use a systematic, value-oriented process when selecting securities and funds. Under this process, we invest in securities with favourable valuations and take advantage of their long-term potential to generate above-average returns. We strive for broad diversification both among asset classes and among individual securities within asset classes, given that diversifiable risks are not compensated by the markets. Our globally diversified asset allocation results in high foreign currency exposures. We hedge most of these exposures and invest the freed-up risk budget in return-generating asset classes.

Under our agreement with the client, we deviate from the contractually determined weights of the asset classes to a defined extent. In doing so, we make the best possible use of special market conditions. In our investment committee, we think in terms of earnings expectations over 12 months. We periodically and systematically examine quantitative and qualitative factors. Using our proprietary optimisation software, we construct efficient portfolios that make use of a predefined risk budget to maximise expected returns. We provide an overview of our wide range of products on the following pages.

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

Monetary policy is putting some downward pressure on the US Dollar

Against the backdrop of the coronavirus, both the ECB and the US Federal Reserve have again eased monetary policy. The Fed is far ahead of the ECB in terms of scope, however. Given that the pandemic continues to rage in the US, there is no sign of any moderation in US monetary policy. This environment will put downward pressure on the US Dollar for now. We continue to maintain our neutral weight in USD.

No change for bonds

Investors are currently prepared to take risks due to the extraordinary support from central banks. The result can be seen everywhere in the market: Corporate bonds are better than government bonds, BBB-rated securities are outperforming better credit ratings, and the highest returns can be found in the riskier bond classes. We are taking advantage of this with our overweight in emerging market bonds, which we are leaving unchanged. We continue to be underweight in bonds with good credit ratings because of their limited potential.

Encouraging performance reduces potential returns

The equity markets recovered dramatically from the low at the end of March. Investors expect the economic situation and corporate earnings to return at least to 2019 levels as early as 2021. Even under this assumption, the valuation ratios for the overall market are no longer favourable, and practically no more price gains can be expected. We therefore recommend maintaining a moderate underweight in equities in the portfolio for now.

Real estate and alternative investments (incl. cat bonds)

The price movements of real estate equities are marked by the uncertainties regarding further economic development. They fluctuate between the positive influences of the globally expansionary interest rate policy and the possible disruptions of a delayed upturn. We see good operating results and an attractive valuation. Both factors lead us to overweight real estate. The hurricane season is coming up, and with it the active phase for cat bonds. We consider the spread/expected loss ratio to be quite interesting, which is why we are maintaining our tactical positioning. We recommend a neutral weight for hedge funds, given that the directional equity market risk should not be underestimated. Commodity producers are reacting to weak demand by cutting supply, and they are also affected operationally by personnel shortages due to the coronavirus. This attractive supply dynamic is offset in part by high uncertainties in the development of demand, which is why we are keeping commodities at neutral in our strategies.

Dynamic investing. Built on experience.

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



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SWITZERLAND

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



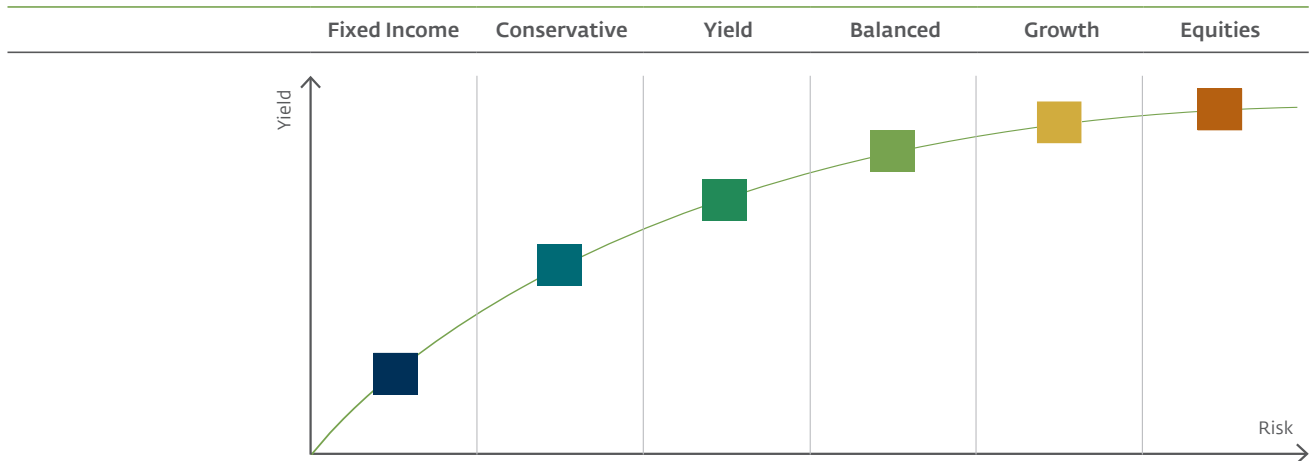
Liechtensteinische
Landesbank¹⁸⁶¹

Tradition meets Innovation.

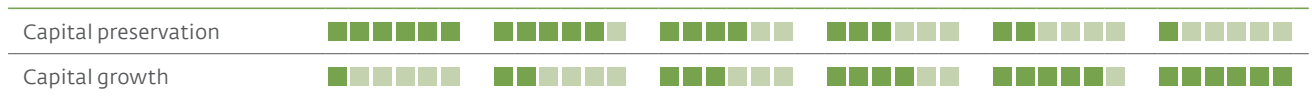
Return and risk of LLB investment strategies

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.

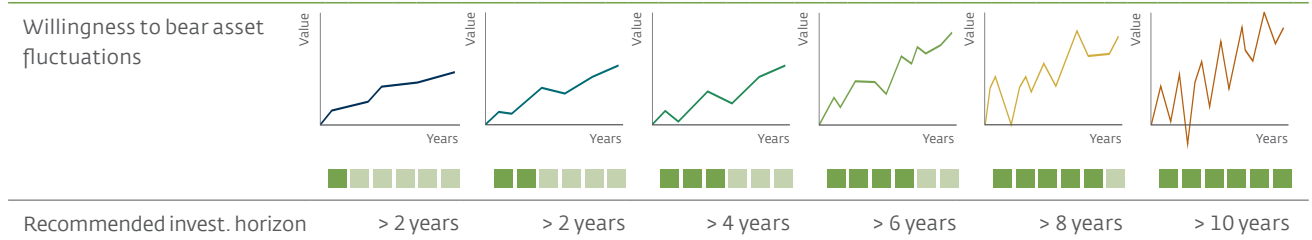
Strategies at a glance



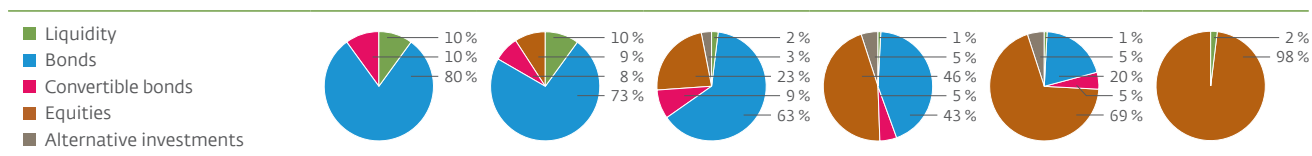
Investment goals



Investor profile



Structure



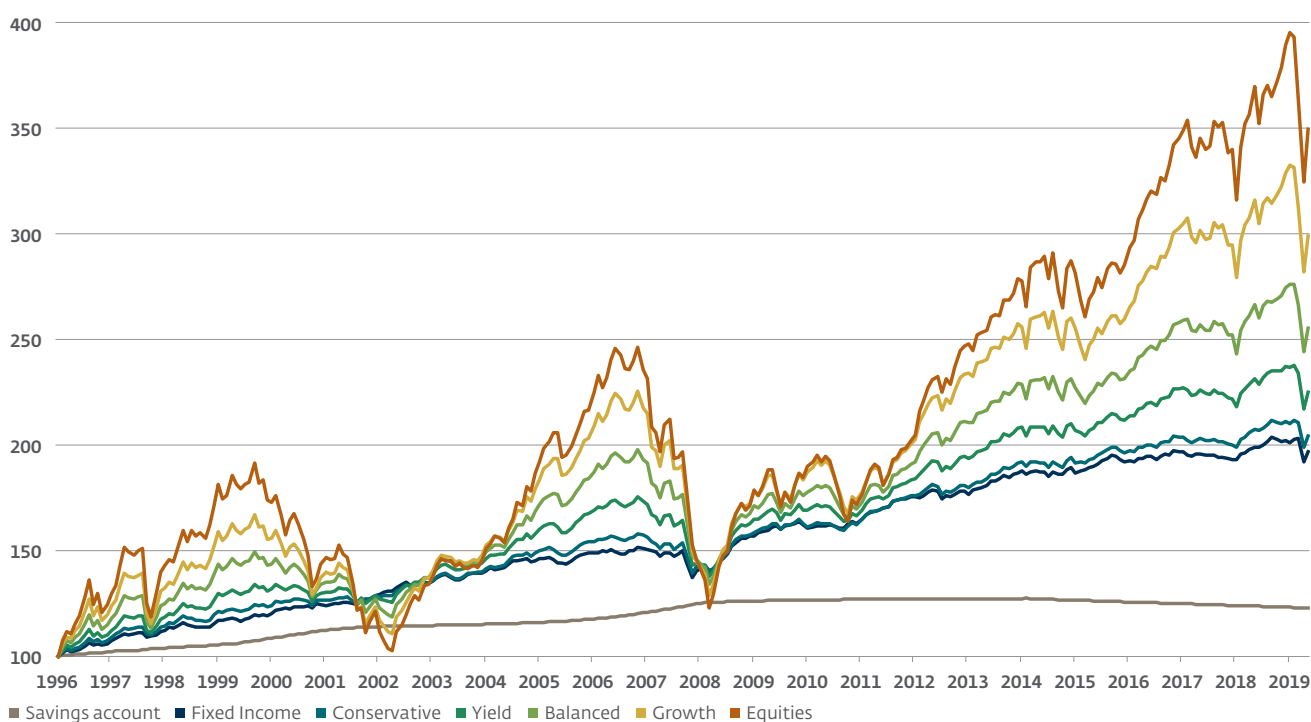
Performance of global LLB investment strategies in the reference currency CHF

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

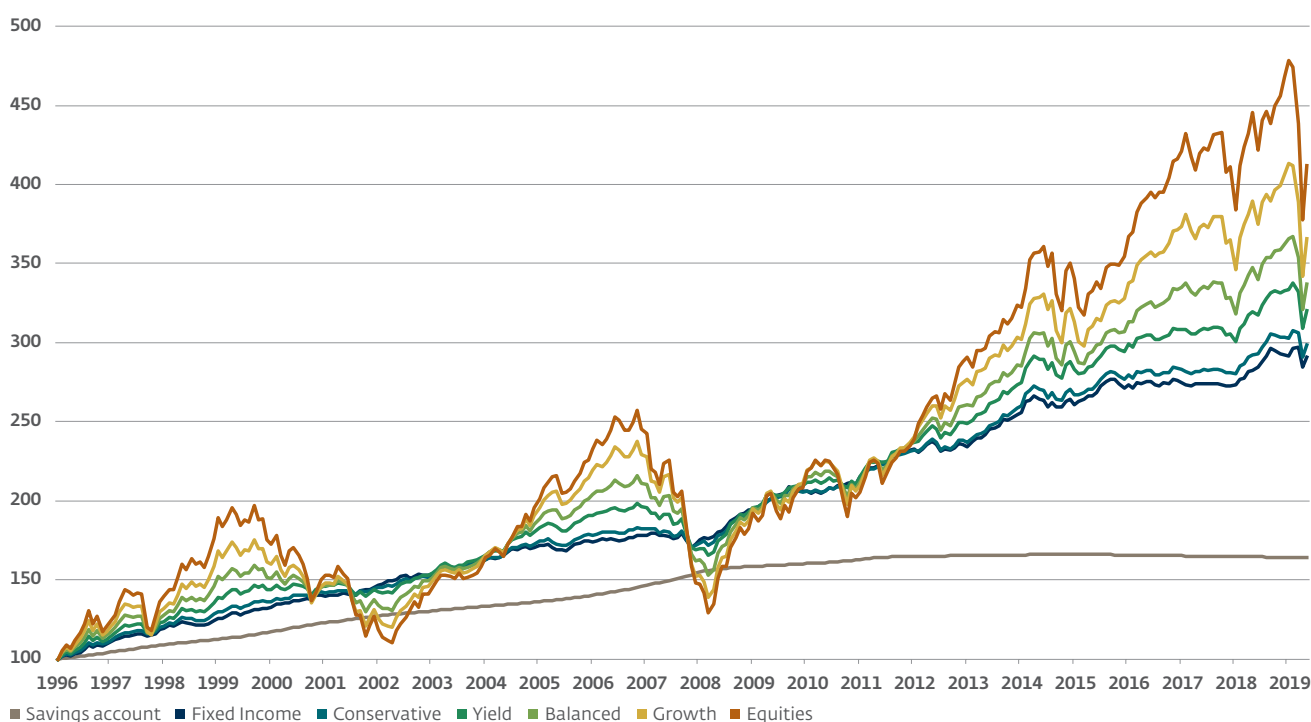
Performance of global LLB investment strategies in the reference currency EUR

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	2.800 %	2.940 %	2.950 %	2.910 %
CAD				
NOK				

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP	0.02 %	0.13 %	0.29 %	0.43 %
USD	0.42 %	0.55 %	0.60 %	0.75 %
AUD		0.12 %	0.30 %	0.62 %
NZD	0.13 %	0.31 %	0.49 %	0.76 %
ZAR	4.02 %	3.91 %	3.92 %	3.94 %
CAD	0.16 %	0.28 %	0.44 %	0.57 %
NOK		0.10 %	0.29 %	0.46 %

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: 19.06.2020. 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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Exclusion of liability

To the extent allowed by law, the LLB and its Group companies exclude all liability for losses or damages of any kind (both direct and indirect damages as well as consequential damages) which arise from the use of or in connection with this publication.

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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