



Liechtensteinische  
Landesbank<sup>1861</sup>

Tradition meets Innovation.

August 2020

# Capital & Markets



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## Dear Readers

In economic crisis mode, is the European Union complementing its monetary union – which remains incomplete – with a fiscal union («economic union»)? It is uncertain whether the proposed recovery fund in the amount of 750 billion Euro will receive unanimous approval. But it would be a disappointment for the markets if no agreement were reached before the summer break. Read more in our currencies article on page 5.

Since the lowest point of the recession in May, the economy has been on the upswing, even though the extent and the speed of the recovery are uncertain. Read more about this in our economy and interest rates article on page 6, where we also look at how inflation has developed, broken down by income group.

At the beginning of July, we increased our portfolio weighting of inflation-linked bonds. We did so because the market considers inflation risks to be very low – possibly too low – despite immense monetary expansion. We discuss this in more depth in our bond markets article on page 7. In line with this theme, the LLB is currently launching a sustainable gold fund with physical deposit of gold bars in Liechtenstein. Investors can have their fund shares paid out in cash or in sustainably mined, processed, and transported gold bars. Your client advisor can tell you more.

Is a new generation of economic data able to give a better picture and a head start in assessing the economy? Read more about this in our focus topic on page 8.

So far, investors are not reacting to the possibility of political change in the United States accompanied by significantly higher tax burdens on US companies. In our equity strategy article on page 9, find out whether equity markets will be able to cope with this change so smoothly. Our regional equity articles (pages 10 and 11) provide you with current investment recommendations.

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

- Expectations of financial aid for the peripheral countries and the subdued level of infections in the Eurozone are currently supporting the single currency. A recovery on the commodity markets is likely to benefit the Norwegian Krone.

## Economy and interest rates – page 6

- A gradual recovery of economic activity began with the easing of coronavirus restrictions in May. Despite considerable uncertainties, we expect the expansion to continue in the second half of the year. However, it will probably not be possible to make up the growth losses suffered in the coronavirus crisis before the end of 2021.

## Bond markets – page 7

- The breakeven rate as an indicator of the inflation expectations of market participants is still low. We therefore believe inflation-linked bonds are more attractive than nominal government bonds.

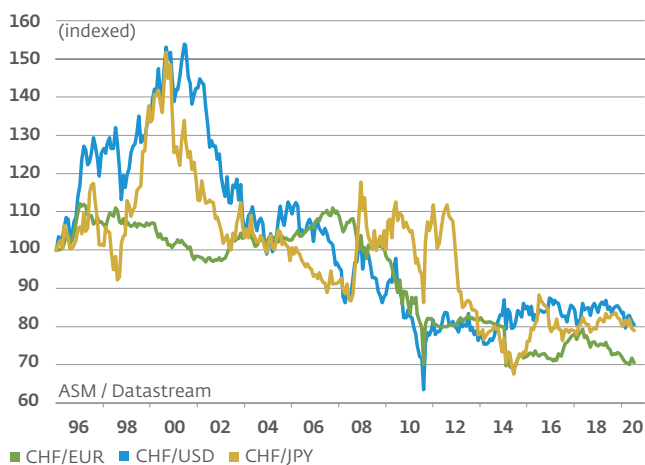
## Equity markets – page 9 to 11

- While the first half of 2020 was emotionally challenging for investors, it was more positive than expected, given the still prevailing circumstances. On balance, a well-diversified equity portfolio needed to absorb only minor losses.

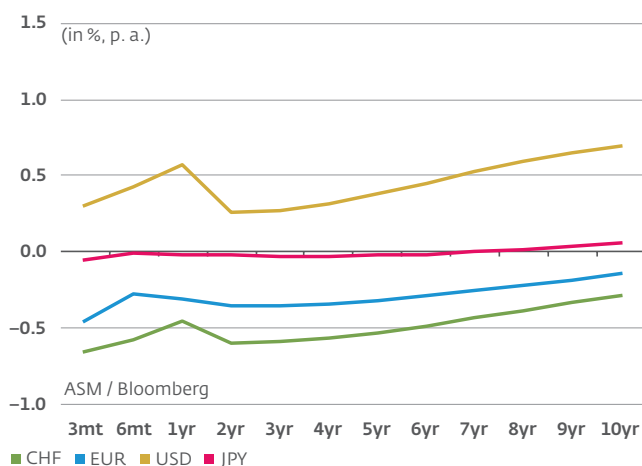
## Alternative investments – page 12

- The ongoing recovery on the real estate markets in the wake of the global lockdown has not yet really succeeded in boosting real estate equities.
- The broad hedge fund indices continue to rise thanks to their certain level of equity directionality.
- Cat bonds still have a significant risk premium over risk-free investments.
- Commodity investments are recovering less strongly than other cyclical markets. There is still catch-up potential.

## CHF exchange rates EUR, USD, JPY



## Yield curves CHF, EUR, USD, JPY



## Macroeconomic indicators <sup>1</sup>

	Switzerland		Eurozone		UK		USA		Japan	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gross domestic product, % yoy	-5.5	4.3	-8.0	5.4	-8.5	5.5	-4.8	4.3	-5.0	2.0
Consumer price index, % yoy	-0.6	0.1	0.4	1.1	1.0	1.7	0.6	1.5	0.0	0.5
Budget balance, % GDP	-5.1	-2.3	-9.5	-4.4	-12.0	-6.7	-17.0	-10.0	-11.0	-6.6
Public debt, % GDP	46	47	121	119	138	136	129	133	244	248
Current account balance, % GDP	8.5	9.0	2.9	2.7	-3.3	-3.3	-2.3	-2.3	3.3	3.3
Unemployment, %	3.7	4.0	10.0	9.5	7.0	6.7	9.4	7.6	3.2	3.1
Interest rates, 3 months Govt. bonds	<sup>2</sup> -0.7	<sup>3</sup> -0.7	<sup>2</sup> -0.5	<sup>3</sup> -0.4	<sup>2</sup> 0.0	<sup>3</sup> 0.2	<sup>2</sup> 0.1	<sup>3</sup> 0.6	<sup>2</sup> -0.1	<sup>3</sup> -0.1
Interest rates, 10 years Govt. bonds	<sup>2</sup> -0.4	<sup>3</sup> -0.4	<sup>2</sup> -0.4	<sup>3</sup> -0.1	<sup>2</sup> 0.2	<sup>3</sup> 0.7	<sup>2</sup> 0.7	<sup>3</sup> 1.3	<sup>2</sup> 0.0	<sup>3</sup> 0.0

<sup>1</sup> Sources: ASM, Bloomberg, OECD etc., <sup>2</sup> current, <sup>3</sup> 12-month view, as per July 2020

# Currencies



Expectations of financial aid for the peripheral countries and the subdued level of infections in the Eurozone are currently supporting the single currency. A recovery on the commodity markets is likely to benefit the Norwegian Krone.

## Euro (EUR)

The Euro's trend has recently been stable above the USD 1.10 mark. The Eurozone is currently benefiting from increased signs of economic recovery. Following the gradual easing of restrictions, the increase in coronavirus-infected persons has been moderate so far. Local containment measures have succeeded in preventing further spread. In light of this development, the economic outlook for the Eurozone has brightened. The expected financial aid through the recovery fund will support the recovery. The recently initiated debate on expanding the Eurozone into an economic union raises hopes of reforms to eliminate the existing structural deficits. The chances for a fiscal union and thus for equalisation between strong and weak member states have increased. Expectations of short-term financial aid for the peripheral countries and long-term reform efforts are currently supporting the single currency. The persistently critical coronavirus situation in the United States is also benefiting the Euro. In the coming months, a development around USD 1.10 to USD 1.17 per Euro is the most likely scenario.

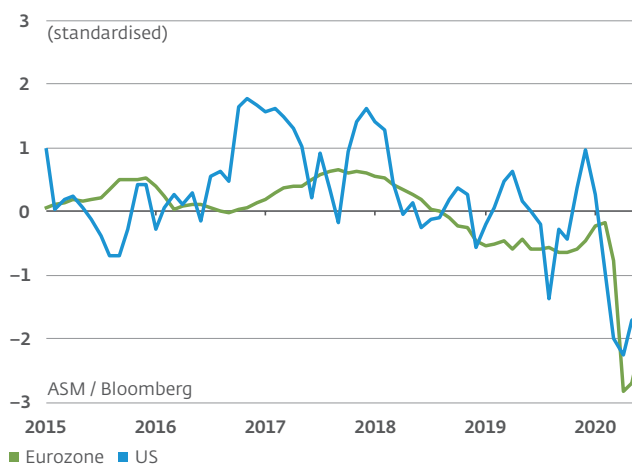
## Norwegian Krone (NOK)

With the outbreak of the coronavirus and the subsequent global containment measures, demand for commodities – especially crude oil – collapsed. In this context, the Norwegian Krone depreciated by more than 30 % against the US Dollar at times. The enormous significance of the energy industry in Norway caused the central bank to reduce its key rate by 150 bps to 0 %. The central bank also provided extensive liquidity support for companies. With the containment of the pandemic in China and Europe, demand for energy commodities is gradually increasing. This development has been accompanied by a recovery of the Krone against the US Dollar by about 20 %. The revived activity on the global commodity markets will benefit the Norwegian Krone. However, if a second wave of infections occurs, another significant drop against most major currencies should be expected. The Norwegian central bank's loose monetary policy is likely to dampen the strengthening of the Krone somewhat in the near future. An appreciation of the Krone below the mark of NOK 9 per USD and NOK 10 per EUR is rather unlikely in the coming three months.

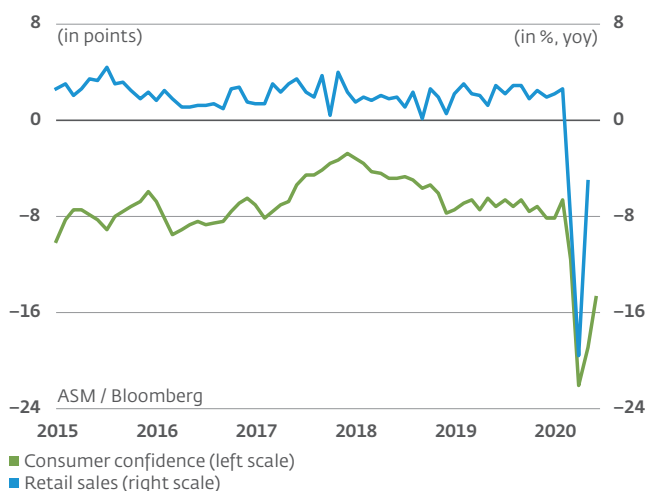
## Waldemar Lukas

Investment Class Researcher Fixed Income/Currencies

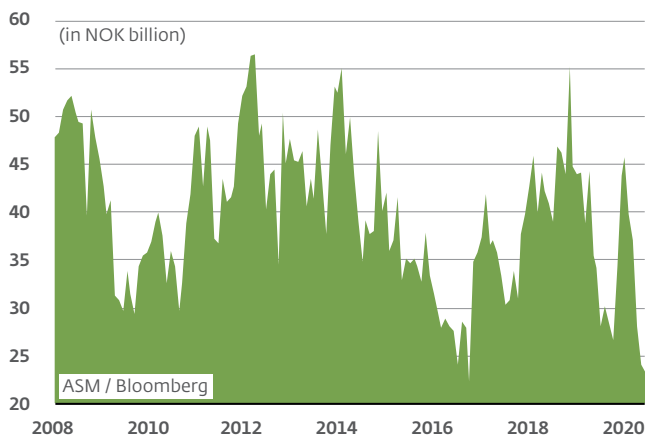
## Comparison of sentiment indicators



## Retail climate in the Eurozone



## Norway: Development of energy commodity exports



# Economy and interest rates



A gradual recovery of economic activity began with the easing of coronavirus restrictions in May. There are still considerable uncertainties with regard to the further development of the economy.

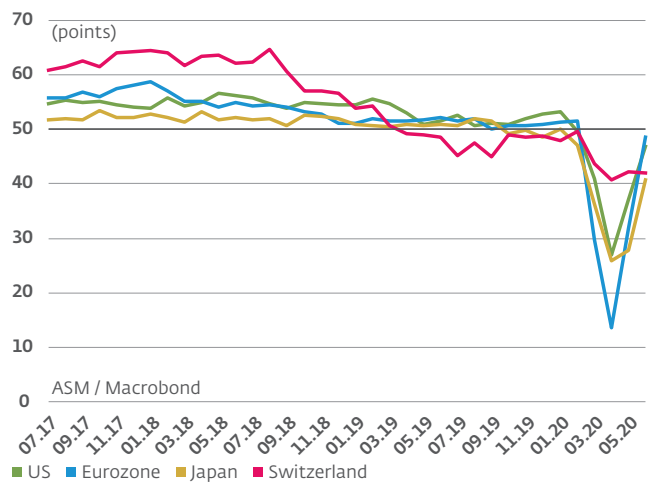
Despite the recovery in May and June, economic output in most economies contracted markedly again in the second quarter. Nowcast estimates for the United States indicate a drop in GDP of 4 % to 10 %. Following US practice, the figures in the chart have been annualised. Nowcast models are not forecast models as such. They aim to provide a timely assessment of the state of a national economy based on current data. The uncertainty of these models is quite large, as the range shows. In our view, a GDP decline of about 10 % in the second quarter is the more likely scenario. Due to the more severe restrictions during the coronavirus crisis, individual European economies are likely to suffer an even greater setback. The Chinese economy, on the other hand, has already likely made up the losses suffered in the first quarter.

The economic recovery will continue in the second half of the year. However, the uncertainties regarding the speed of growth are still considerable. The number of daily new infections does not indicate that the pandemic is under control worldwide. The danger of a second wave of infections has not been averted in Europe either. Governments are likely to respond with regional lockdowns rather than by shutting down large parts of economic life as they did before. The growth losses are nevertheless likely to be considerable. The OECD estimates that in the event of a second wave of infections, the global economy will grow by only 2.8 % next year instead of 5.2 % under the baseline scenario.

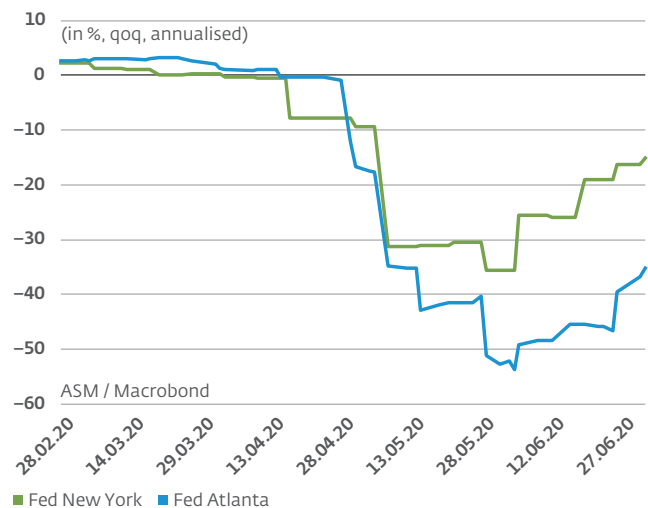
In the developed economies, the increase in consumer prices slowed down significantly in the first half of the year. Alberto Cavallo at Harvard Business School has developed a method for adjusting the weightings of consumer price indices to the changed demand behaviour during the coronavirus crisis. The COVID inflation rate derived in that way for the United States, for instance, is higher than indicated by the official inflation statistics. In May, consumer prices rose by only 0.1 % year-on-year. In contrast, the COVID inflation rate was 1.1 %. Low-income households had to cope with a greater price increase. It cannot yet be estimated how quickly demand behaviour will return to «normal». For that reason, it is still unclear how strongly future growth in consumer demand will be impacted.

**Peter Goller**  
Chief economist

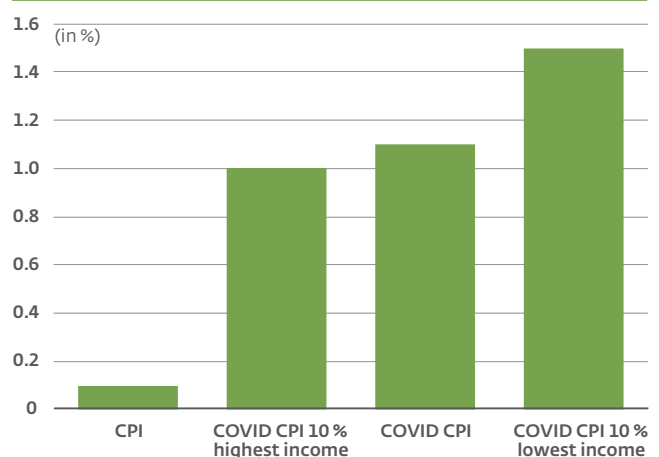
## Composite purchasing managers' indices



## US: 2nd quarter GDP (Nowcast)



## US: Inflation rate und COVID inflation (May 2020)



Source: ASM / Bloomberg / BLS / <https://opportunityinsights.org>

# Bond markets



The breakeven rate as an indicator of the inflation expectations of market participants is still low. We therefore believe inflation-linked bonds are more attractive than nominal government bonds.

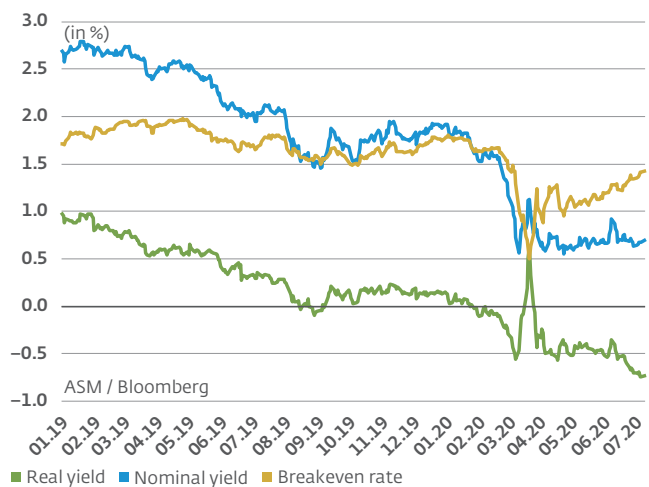
After the lockdown in March, government bonds of countries with strong credit ratings were especially in demand. Demand for inflation-linked bonds was restrained due to falling inflation expectations. Real yields even rose. The combination of nominal and real yields can be used to calculate the average inflation over the term of the bonds – breakeven inflation (BEI) – at which it no longer matters whether the investment is made in inflation-linked bonds or in nominal bonds. Chart 1 shows yields and breakeven inflation for ten-year US government bonds. Before the crisis, BEI was already significantly below the inflation target in the United States. But since March, it has been even lower. Although BEI has been recovering gradually since April, we believe there is still potential.

In nearly all developed economies, we are currently seeing a combination of expansionary fiscal and monetary policy. This is indeed necessary given the economic situation. An initial stabilisation of economic growth can already be seen, however, even though major uncertainties remain. Cyclical commodities, such as energy sources and industrial metals, are also already stabilising. As a result, their negative contributions to consumer price indices will decrease again in the coming quarters. In our view, a recovery of BEI to the previous levels of around 2 % is therefore likely. But we believe inflation-linked bonds will continue to be interesting in the medium and long term. We expect the economic recovery to continue. This means that the expansionary measures taken by governments and central banks will eventually have to be discontinued. But the following point is crucial: Given that the expansionary fiscal measures came into effect after the monetary measures, political pressure by governments on the central banks should be expected. If monetary policy is tightened too late, however, this could lead to a phase of higher inflation. We do not expect this to be an issue in the coming two to three years, but if the major central banks are too hesitant to end their ultra-expansionary measures, market participants could begin to anticipate this scenario. As a consequence, breakeven rates would have to rise.

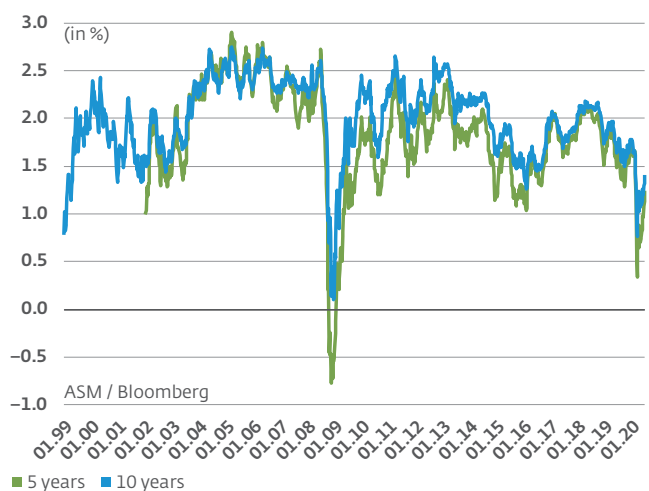
We therefore currently recommend preferring inflation-linked bonds in EUR and USD with a term to maturity of five years or more over nominal government bonds.

**Mirko Mattasch**  
Head Fixed Income Management

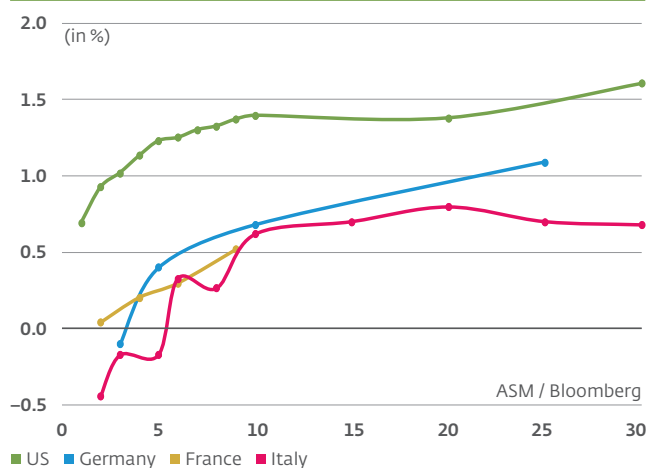
## Yields on 10-year US Treasuries



## Breakeven inflation of US Treasuries



## Breakeven inflation curves



# A new generation of economic data



When the coronavirus crisis erupted, the usual economic data – with its long delays – did not allow for a timely assessment of the current economic situation. Fortunately, data from new sources has been able to close the gap.

Assume that the number of new infections and deaths caused by the coronavirus would be published with a delay of one month. This means that the number of people infected with the virus yesterday would not be known for four weeks. The current progression of the pandemic would be unknown. It would then be impossible to determine whether containment measures are successful. This would be an untenable situation. Using data that is already one month old, how should one be able to assess a situation that changes daily? This is exactly the situation economists found themselves in when the coronavirus crisis broke out. In the best case, the usual economic indicators are compiled monthly, with a delay of one month. This is normally not a problem because the economy changes only slowly. But in the extraordinary situation of the current crisis, this was not good enough. The economy was standing still, but the economic indicators slowly trickling in were still painting an intact picture of the world before the crisis.

Fortunately, new sources have been able to help. Many of those sources are companies offering a service over the internet. As soon as this service is used by many people, data is generated that can be used to measure economic activity. From this data, companies then create useful indicators that are provided daily or weekly without significant delay. For example, a provider of a reservation and guest management system for restaurants supplies information on how often people eat out. Starting in March, that activity came to a complete halt due to the lockdowns. Since May, this has changed, but only to a limited extent. Restaurant operations

worldwide are still nearly 70% below the level of the previous year.

In the United States, many SMEs use a specific internet-based software for personnel organisation. Its functions include preparing shift plans and recording working hours. The provider of this software does not provide insight into the exact data, of course, but it does create time series that reflect the activity of US SMEs in the individual industries. According to these time series, SMEs have meanwhile made up half of their losses from the crisis. But on average, activity is still 25% lower than at the beginning of the year. Variance among sectors is also high.

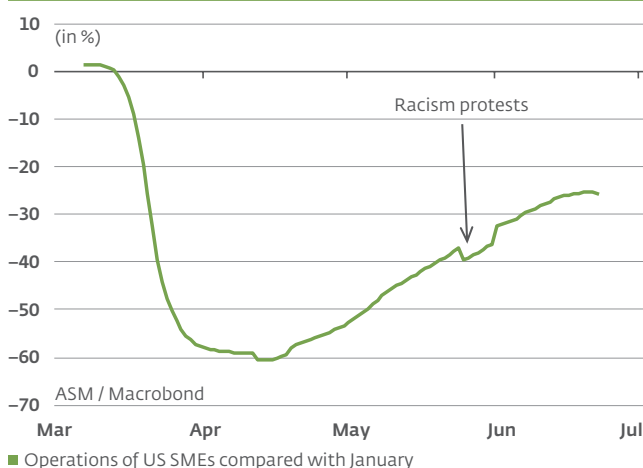
People's mobility is measured by several service providers. This way we know how often people travel by car, public transport, or plane. You can see from the data that the mobility of the French and Italians came almost to a standstill in March and April. The slump for the Germans, on the other hand, was much less pronounced. Especially in the United States, where the containment measures are uncoordinated due to a lack of central planning, the mobility figures provide an insight into the extent to which an individual state restricts the movement of its citizens and thus also economic activity.

These are three examples where providers of online services supply economic data with high frequency and rapid availability. This new type of data facilitates the work of economists – especially in times of crisis, when the situation changes too quickly for the traditional indicators to keep up. The new data is already being used by some central banks to produce new, rapidly available activity indicators.

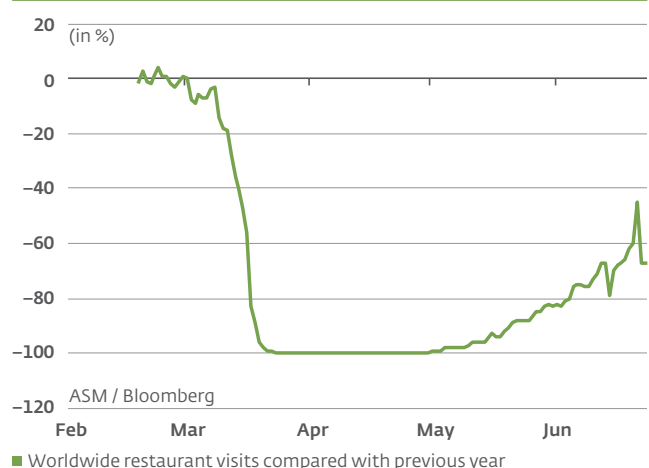
## Roger Wohlwend

Investment Class Researcher Fixed Income

### COVID-19 impacting US SMEs



### Little easing in restaurant business so far



# Equity strategy



While the first half of 2020 was emotionally challenging for investors, it was more positive than expected, given the still prevailing circumstances. On balance, a well-diversified equity portfolio needed to absorb only minor losses.

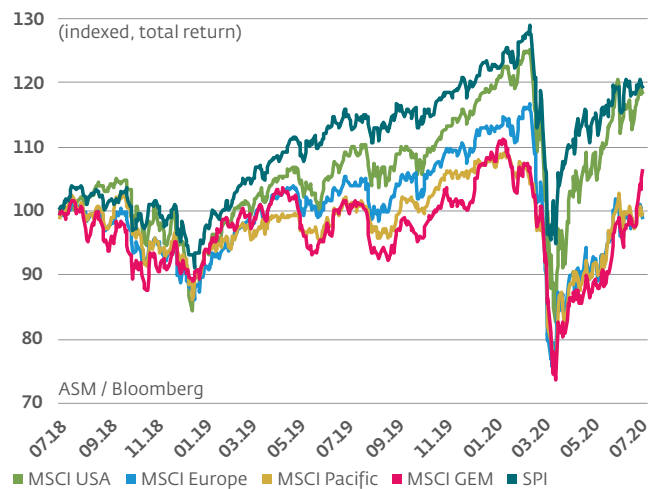
The MSCI World is still 5.5 % below the level at the end of 2019. The reporting season for the second quarter, which should be the low point of the current severe recession, is about to begin. At the level of individual companies, we expect quite strong price swings. Especially in the case of cyclical companies, earnings expectations have been revised significantly downward again in recent weeks, while share prices have even risen significantly. During the last few weeks, about 40% of companies have completely withdrawn their outlook for the year, which means they are not providing any quantifiable guidance. This increases the risk that their share prices will crash.

Using the US equity market as an example, the chart below illustrates that valuation has never risen as much as now since the turn of the millennium. While back then, far exaggerated growth expectations drove up the price/earnings ratios (PERs) of TMT stocks (technology, media, and telecom), the driver in the current market phase is the central banks' unprecedented expansionary monetary policy. Within the next year, they will buy existing and new government debt in the amount of approximately USD 6 trillion. There has never been a «bailout» of that magnitude, either in absolute terms or relative to GDP, since the United States abandoned the gold standard in 1971 and the central banks have been able to control the money supply according to their own rules. If interest rates are pushed down towards zero with these measures, as envisaged by the central banks, the market loses its real price anchor for «risk-free» government bonds. Consequently, valuations can be calculated for equities that would allow for much higher PERs. That is not advisable from our perspective, however.

The focus is increasingly on the US presidential election campaign. The plunge in the incumbent's approval ratings make a Democratic election victory more likely, although polls should be viewed with caution. Even though a Democratic president would not reverse all the programmes adopted over the last four years, corporate America would likely have to expect burdens. The 2017 tax cut in particular would be up for debate. This would mean that the recovery in corporate earnings that started in 2019 would definitely be delayed beyond 2021. We continue to recommend taking some risk out of the portfolio and starting the third quarter with a moderate underweight in equities.

**Christian Zogg**  
Head Equity and Fixed Income Management

## Equity markets in local currency – 2 years

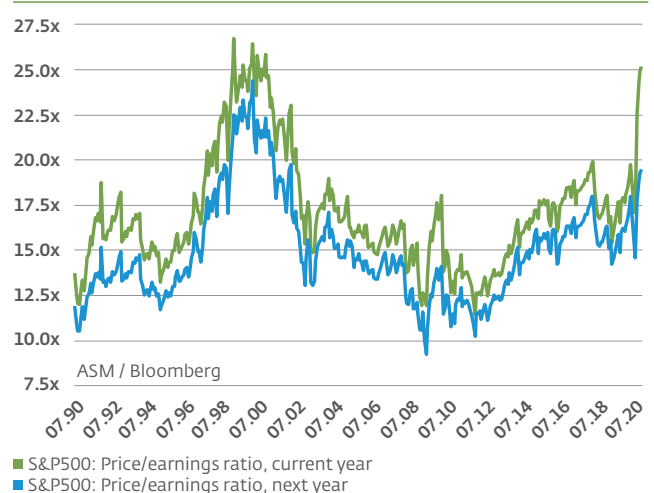


## Regional valuation

	EPS growth		Price / earnings		Dividend yield	FCF yield*
	***FY20	FY21	FY20E	FY21E	FY20E	FY20E
USA	-18.6 %	26.8 %	24.4x	19.2x	1.9 %	4.1 %
Europe	-28.6 %	32.6 %	20.5x	15.3x	3.1 %	3.8 %
Switzerland	-9.7 %	16.2 %	20.4x	17.3x	3.0 %	4.1 %
Pacific	-12.2 %	23.6 %	18.5x	14.8x	2.7 %	4.7 %
GEM**	-5.5 %	27.4 %	16.2x	12.4x	2.6 %	4.2 %

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

## Valuation of US equity market



# Switzerland



Since 2010, Swisscom has always paid a dividend of over CHF 20 per share – and CHF 22 per share since 2012. We believe this consistency will continue. Following a weak phase over the past few months, the time is right for an investment.

Swisscom was trading at CHF 381.50 on 28 April 2010. Anyone who bought the share on that date has received CHF 239 in dividends so far. This means that almost two thirds of the purchase price at the time has already been paid back to the investor. This reflects one of the basic principles of share valuation: investors pay a price for a share today, but they receive it back as payment over the long term, given that shares have no expiry date. As a rule, investors expect that these future payments will cumulatively be higher than the original price – as compensation for the risks and volatility of holding a share.

The standard model for determining this «required rate of return» is the CAPM model, which for Swisscom estimates a return of only about 2–4 % because the share fluctuates relatively little with the market. For investors who required a return of about 3 % on 28 April 2010, it is now clear in retrospect that the share was undervalued at the time: 3 % return on an investment of CHF 381.50 in 2010 is now equivalent to CHF 512. But Swisscom shares are trading already at CHF 490, which is why the cumulative dividends of CHF 239, even after taxes, boost the total return significantly higher than that. Despite some network disruptions and new fibre-optic investments by Sunrise and Salt, we believe Swisscom's dividend to be safe, especially given that the industry is more likely than not to benefit from COVID-19. The story of 2010 could therefore repeat itself for investors in 2020.

**Thomas Kühne**  
Fund Manager LLB Equities Switzerland

## Swiss telecom providers



# Europe



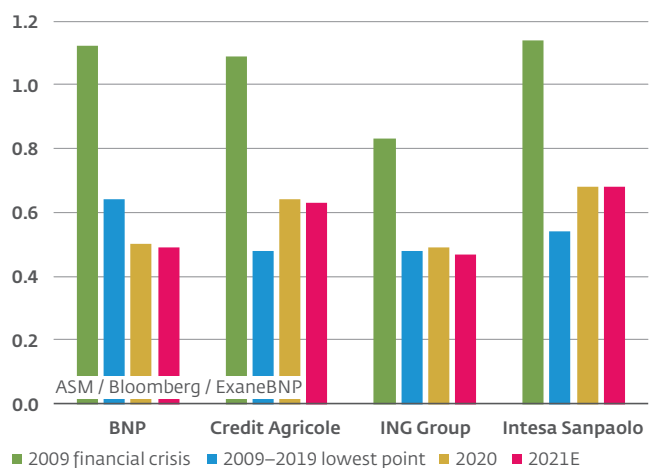
The rapid easing of the national lockdowns, the enormous monetary and fiscal measures, and the surprisingly strong recovery of the purchasing managers' indices have led to a strong recovery of the equity markets in the second quarter of 2020.

With a drop of 35 %, the Stoxx 600 banking index is the second worst sector this year after travel and leisure, and it has hardly participated in the recovery. In our view, however, there is an interesting opportunity in European bank stocks over the next 12 months. Three important factors are coming together over the coming months that could trigger a rally in bank stocks, namely low valuations, economic recovery, and positive earnings surprises. In terms of valuations, we are back at or close to the lows we saw during the financial crisis or have seen since, based on price-to-book ratios.

The negative factors are all well-known and, in our view, they are priced into shares: very low interest rates for a very long time, dividend cuts, and increased need for write-downs on loans as a result of the COVID-19 crisis. Pessimism regarding the sector continues to be extremely high. The current measures adopted by the ECB (TLTRO III) and the EU recovery fund should give the banks an opportunity to do good business with interesting margins. This should give rise to noticeable increases in earnings in 2021 and 2022. The guarantee programmes in the individual Eurozone countries will also help banks that already have strong retail business in those countries. BNP, Crédit Agricole, ING, and Intesa Sanpaolo, all of which have economies of scale and cost discipline, should benefit especially.

**Dr. Karlheinz Gfall**  
Fund Manager LLB Equities Europe

## Price-to-book ratio for selected banks



# North America

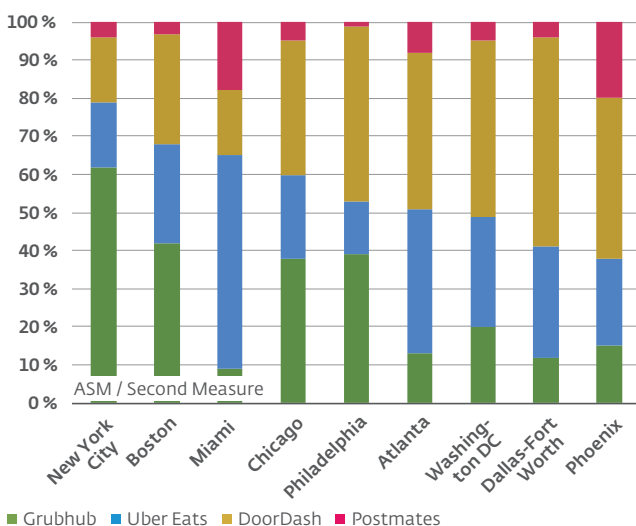


The acquisition of Postmates by Uber Eats is the latest step in the consolidation of the highly competitive market for food delivery services. We do not recommend betting on pure players. Diversified companies such as Uber and Amazon.com are the better choice.

During the pandemic, households around the world ordered more meals for home delivery. In the United States in particular, competition has intensified considerably, and most of the market is now divided between three companies. Market consolidation has accelerated rapidly in all parts of the world. Delivery Hero acquired Woowa Brothers (2019), Takeaway.com merged with Just Eat (2019), and DoorDash gobbled up US competitor Caviar (2019). This year, Amazon entered the market with its acquisition of Deliveroo, and GrubHub wants to merge again with the new Takeaway-JustEat. Looking at the profitability of these companies, the rationale quickly becomes clear: Economies of scale are urgently needed, given that food delivery is a low-margin business. Pure players such as DoorDash and Postmates, for example, therefore need fresh capital on an ongoing basis until the breakeven point is reached in the near future. According to a study by Morgan Stanley, the market could grow to USD 467 billion by 2025. However, we are persuaded by only two models: Uber Technologies and Amazon.com. Uber has two divisions and can use the drivers in its currently weaker ride sharing business as couriers. Amazon.com already has a wide network of supply chains and routes, which means that along with parcels and groceries, delivering prepared meals is just one possible next step building on the existing ecosystem.

**Simon Öhri**  
Fund Manager LLB Equities North America

## Market shares in selected US metropolitan areas



# Pacific

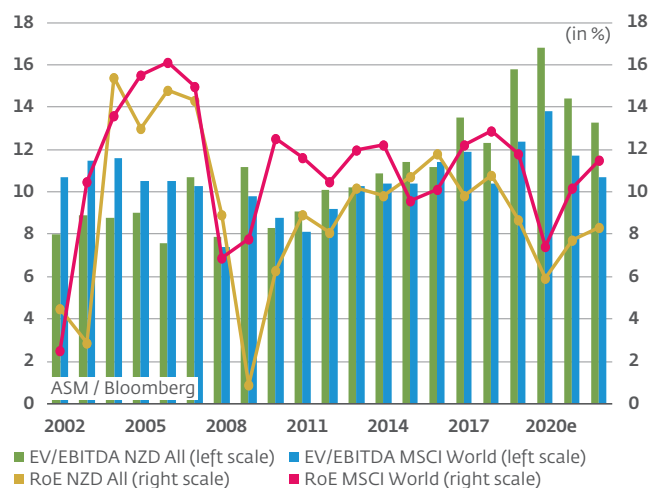


Volcanic vents, endless sandy beaches, lush forests, snow-covered peaks – all of this surrounded by what seems like the Caribbean Sea. The beauty of New Zealand is breathtaking and worth a visit. But does the island nation also offer interesting investment opportunities?

Starting in May 2019, New Zealand had been one of the best performers in the Pacific equity market alongside Australia. The stringent measures taken by the government and the central bank, but also the more defensive orientation of its economy, were reasons for this past outperformance. In the first quarter of 2020, New Zealand then experienced the largest decline in economic growth in 29 years due to the impact of COVID-19. Tourism was hit the hardest and in turn had a strong negative impact on the consumption of durable goods. Given that there have been no more new infections since the beginning of May, the economy has gradually been ramped up since then. Today, the capacity utilisation of heavy goods transport, for example, is back at 70 %. With a free cash flow yield of 2.9 % and a dividend yield of 2.8 %, an EV/EBITDA of 16.8, and a return on equity of nearly 6 %, New Zealand's valuation is unattractive compared with the MSCI World, however. Like Australia, New Zealand is a classic stockpicker market. Where do opportunities exist? Arvida, an operator of retirement villages, is one possibility. In addition to an attractive valuation, the high occupancy rate of 96 % for care facilities is also appealing. Customer satisfaction is high, and the care facilities regularly receive awards from the Ministry of Health. But there is also significant upside potential at Mercury, one of the largest utilities, and Fisher & Paykel, a medical equipment company. We would take profits at A2 Milk, however, the best-known stock.

**Christoph Hilfiker**  
Fund Manager LLB Equities Pacific

## New Zealand defensive, but expensive



# Alternative investments



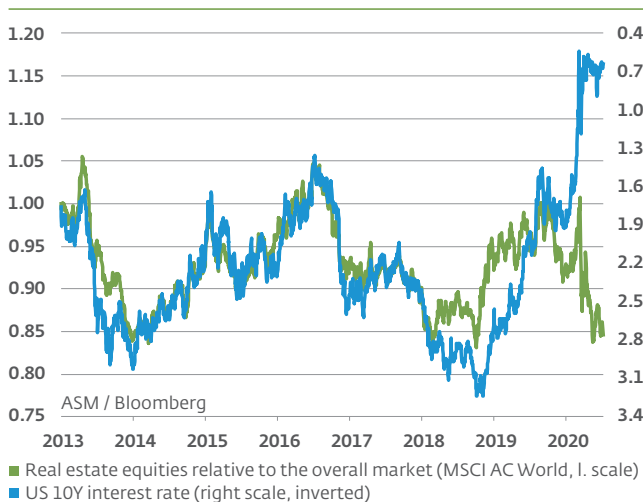
**Real estate equities**  
The valuation of real estate equities is attractive compared with equities and government and corporate bonds. The effects of COVID-19 are not only negative. We are maintaining our slight overweight.

Compared with the equity market, the valuation of real estate equities has become even more attractive. This can be seen, for instance, in the high discrepancy of two standard deviations of the valuation based on the ratio of enterprise value to expected EBITDA, i.e. operating earnings before interest, taxes, depreciation, and amortisation. The dividend yield of the real estate market is more than 1.5 % higher than that of the overall market. Where the difference has been that high in the past, real estate equities have outperformed the market as a whole on an annual basis. The relative return has decoupled itself significantly from the US interest rate trend (see chart below). Real estate equities also have an attractive valuation compared with government and corporate bonds.

The question remains whether everything is different this time. Office, retail, and hotel properties are being hit the hardest by the short-term and possibly long-term impact of COVID-19: working, shopping, and communicating digitally. However, these categories account for only about 7 % of our LLB Equities Real Estate Global (CHF) fund and meanwhile also have a very low valuation. By far the largest subcategory – technology – even benefits from COVID-19. Technology accounts for 30 % of our fund and also includes our two largest positions, American Tower (mobile communication antennas) and Equinix (data centres). We continue to feel comfortable with our slight overweight.

**Thomas Kühne**  
Fund Manager LLB Equities Real Estate Global

Return relative to equities and interest rate level

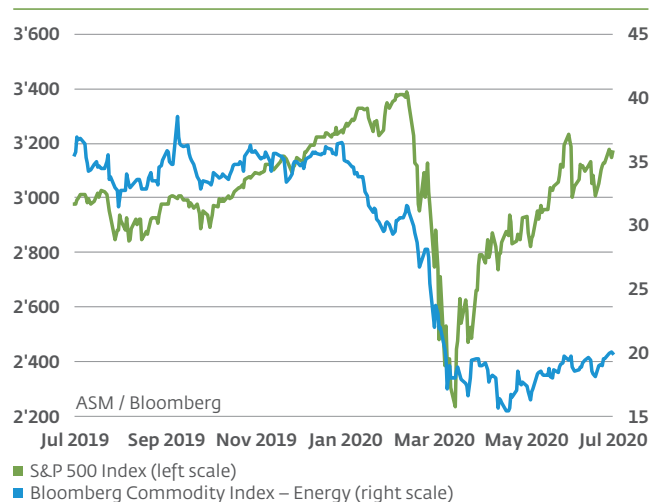


**Commodities**  
The strong price volatility of crude oil in April 2020, when the May futures contract was even trading negatively for a short time, has decreased significantly. However, the recovery of energy prices has been below average.

Looking at the equity market as a cyclical benchmark, the recovery of energy commodities has not been very dynamic. This is not due to the supply side – the fundamental problem lies in the uncertainty of demand. In terms of the supply side, the US shale industry is reporting significantly declining production figures. As production drops, some producers are now also lacking cash flow, which poses major challenges for their capital-intensive business model. Chesapeake Energy recently filed for Chapter 11, which under US bankruptcy law involves a restructuring of the company's finances. OPEC+ is also maintaining its production cuts in order to restore balance to the market. At the same time, the oil-dependent national economies and the largest producers in the cartel need higher prices to balance their public budgets. While equity markets are anticipating a rapid economic recovery, demand for commodities is still burdened by the pandemic. The move towards sustainability will also entail changes to consumer behaviour, both in terms of daily consumption (electromobility) and investor behaviour (exclusion criteria for fossil fuel producers). For investors with a longer-term investment horizon who wish to act contrary to the market, commodities represent an asset class with a cheap valuation that is not in the focus of the investment community and offers good potential for recovery in the event of an increase in demand.

**Timo Gruber**  
Investment Class Researcher Commodities

Energy commodities and share prices



# 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"> <li>✓ Personal advice</li> <li>✓ Standardised investment recommendations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Excellent risk management</li> <li>✓ Personal advisor</li> <li>✓ Individual investment recommendations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Excellent risk management</li> <li>✓ Highest flexibility in terms of portfolio selection</li> <li>✓ Personal advisor</li> <li>✓ Access to investment specialists</li> <li>✓ Pro-active information on market opportunities</li> <li>✓ Tailored, expanded investment recommendations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Excellent risk management</li> <li>✓ Highest flexibility in terms of portfolio selection</li> <li>✓ Personal advisor</li> <li>✓ Access to investment specialists</li> <li>✓ Comprehensive service</li> <li>✓ Active exploitation of market opportunities</li> <li>✓ Detailed performance reporting</li> </ul>

# 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.

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

## Tactical asset allocation

### Recovery of the economy benefits the Euro

The lower infection rate in the Eurozone compared with the United States is contributing to the economic recovery. There are also signs of agreement on pan-European financial aid for the Eurozone member states most affected by COVID-19. Growth expectations have thus increased recently. Against this backdrop, the Euro is likely to hold its ground against the US Dollar in the near future. We are maintaining our neutral currency weighting.

### Linkers benefit from low inflation expectations

With the beginning of economic recovery, demand for corporate and emerging market bonds has increased. In addition to these two market segments, inflation-linked bonds have been the winners of the past two months. Real yields have fallen. Breakeven rates have risen. Inflation expectations for both the US and the Eurozone are at the lower end of the long-term ranges. Ultra-expansionary fiscal and monetary policy will support the economic recovery and contribute at least to a «normalisation» of inflation expectations. For this reason, we have increased our overweight in inflation-linked bonds.

### Reducing speed after the race to catch up

With the start of the third quarter and company reporting for the past first half of the year, equities are facing a reality check. Even if investors are willing to overlook slumps in earnings, they still expect positive company outlooks for the rest of the year. The time of advance praise may thus be coming to an end. We recommend a moderate underweight in equities at the start of the second half of the year.

### Real estate and alternative investments (incl. cat bonds)

The attractive valuation and intact fundamentals justify our continued moderate overweight in real estate equities. We are maintaining our tactical positioning in cat bonds, given that spreads are at attractive levels and we are expecting the hurricane season to be only slightly above average. Hedge funds remain slightly overweight. Gross exposure in L/S equity managers has increased somewhat again, so that equity market developments have had a substantially greater impact on performance. There is potential for recovery in commodity investments, especially on the cyclical side, namely energy commodities and industrial metals, if demand and economic growth continue to develop positively. We remain invested in the asset class and maintain a neutral weight in the strategies.

# Dynamic investing. Built on experience.

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



REFINITIV LIPPER  
FUND AWARDS

2020 WINNER  
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](http://www.llb.li)



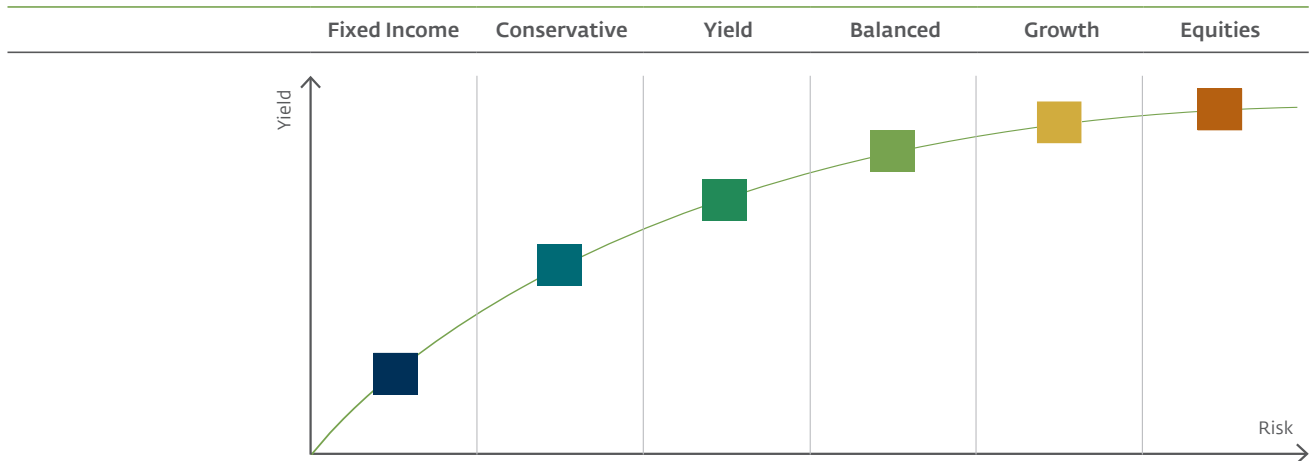
Liechtensteinische  
Landesbank<sup>1861</sup>

Tradition meets Innovation.

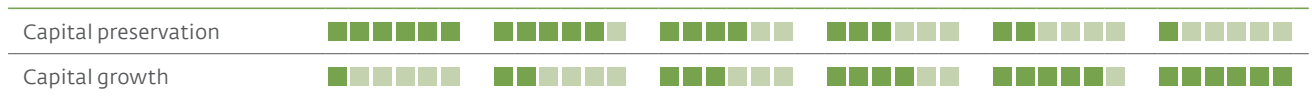
# Return and risk of LLB investment strategies

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.

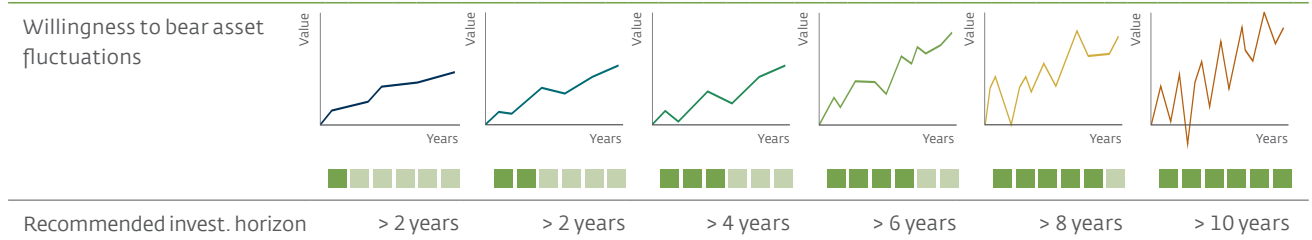
## Strategies at a glance



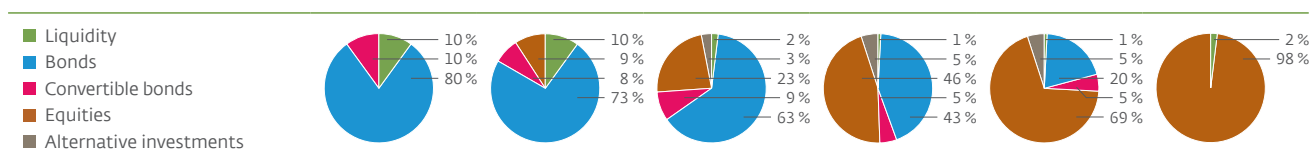
## Investment goals



## Investor profile



## Structure



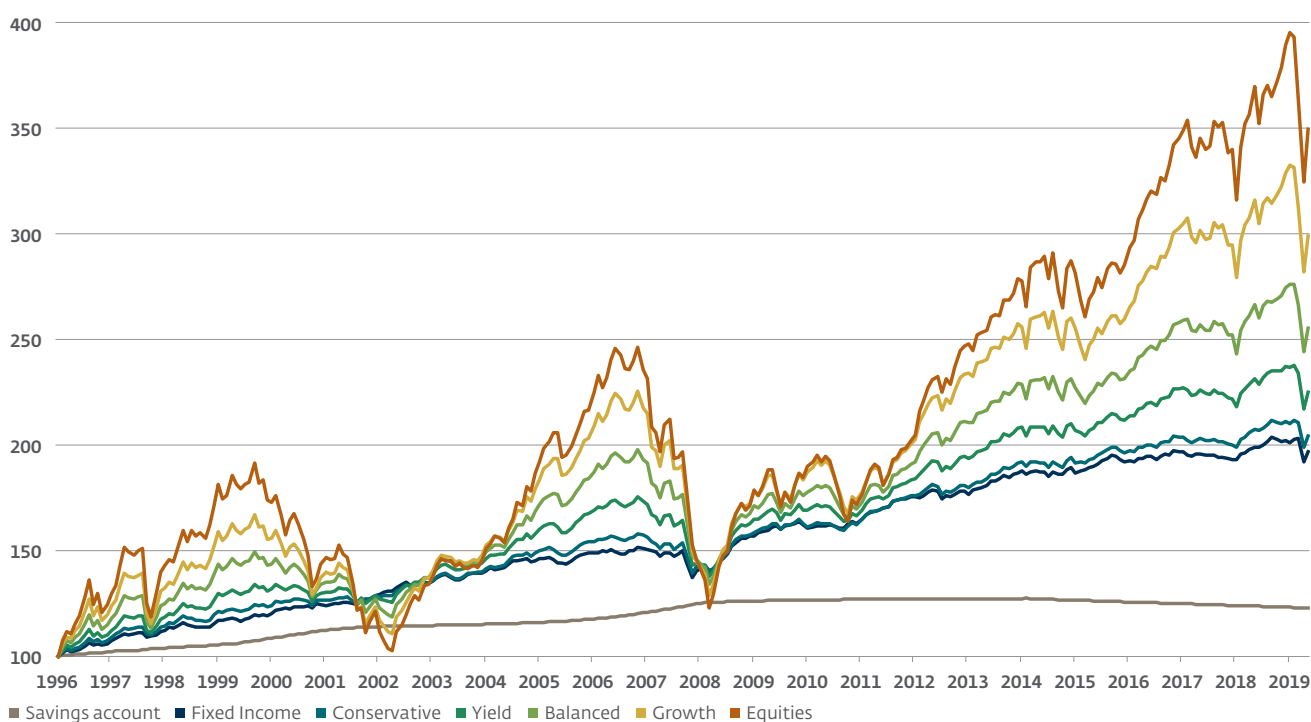
# Performance of global LLB investment strategies in the reference currency CHF

## Return and risk of global LLB investment strategies

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
<b>Expected return per year (3 – 5 years)</b>	1.50–2.00 %	2.00–2.50 %	3.00–3.50 %	4.25–4.75 %	5.75–6.25 %	7.00–7.50 %
<b>Extreme values over 12 months (1996 – 2019)*</b>	▲ +13.8 % ▼ -9.5 %	▲ +14.9 % ▼ -11.8 %	▲ +20.8 % ▼ -18.6 %	▲ +28.8 % ▼ -25.9 %	▲ +39.5 % ▼ -34.9 %	▲ +46.5 % ▼ -40.3 %
<b>Probability of 12-month periods with negative performance (1996 – 2019)*</b>	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
<b>Historical return per year (1996 – 2019)</b>	3.1 %	3.3 %	3.8 %	4.5 %	5.4 %	6.1 %
<b>Maximum breakeven period after an extreme situation</b>	22 months	26 months	56 months	64 months	72 months	74 months

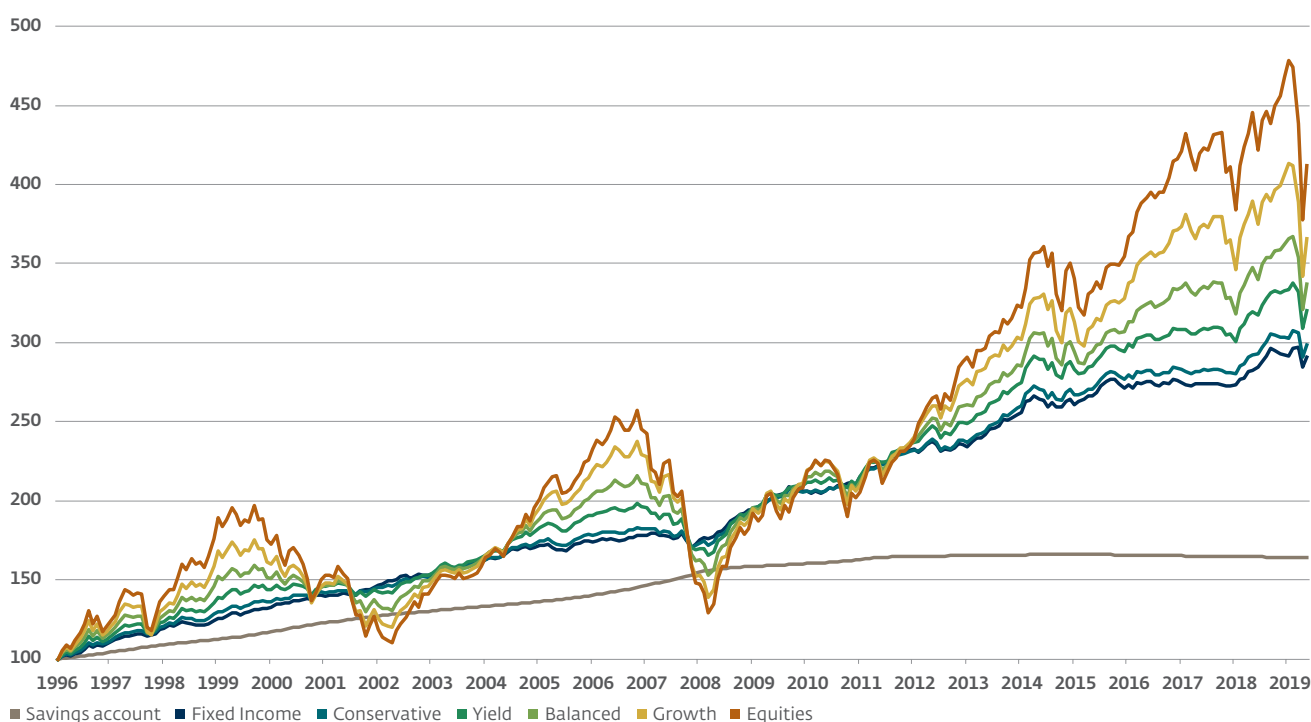
# Performance of global LLB investment strategies in the reference currency EUR

## Return and risk of global LLB investment strategies

	Fixed Income	Conservative	Yield	Balanced	Growth	Equities
<b>Expected return per year (3 – 5 years)</b>	1.75–2.25 %	2.00–2.50 %	3.00–3.50 %	4.50–5.00 %	6.00–6.50 %	7.00–7.50 %
<b>Extreme values over 12 months (1996 – 2019)*</b>	▲ +12.8 % ▼ -4.1 %	▲ +14.9 % ▼ -6.7 %	▲ +21.2 % ▼ -14.3 %	▲ +30.1 % ▼ -24.3 %	▲ +42.1 % ▼ -34.4 %	▲ +50.6 % ▼ -40.9 %
<b>Probability of 12-month periods with negative performance (1996 – 2019)*</b>	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
<b>Historical return per year (1996 – 2019)</b>	4.7 %	4.9 %	5.3 %	5.8 %	6.3 %	7.0 %
<b>Maximum breakeven period after an extreme situation</b>	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
<b>Focus</b>	Globally diversified	Innovative home market	Risk-mitigating opportunities	Environmental, social, and responsible	Index-tracking investments
<b>Reference currency</b>	CHF / EUR / USD	CHF	CHF / EUR	CHF / EUR	CHF / EUR
<b>Investment strategies</b>	Fixed Income to Equities	Yield to Equities	Yield and Balanced	Fixed Income to Equities	Yield to Equities
<b>Direct investments from 1'000'000</b>	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	
<b>Collective investments from 100'000</b>	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 <sup>1</sup>

## 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.–)<sup>2</sup>

## 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

<sup>1</sup> 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: 10.07.2020. All interest rates change according to market conditions and are only currently valid until further notice.

<sup>2</sup> 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](http://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](http://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

Liechtensteinische Landesbank AG  
Städtle 44, PO Box 384  
9490 Vaduz, Liechtenstein

## 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](http://www.fma-li.li)
- Competent regulatory authority in Switzerland  
Swiss Financial Market Supervisory Authority FINMA  
Laupenstrasse 27, 3003 Berne, [www.finma.ch](http://www.finma.ch)
- Competent supervisory authority in Austria  
Austrian Financial Market Authority FMA  
Otto-Wagner-Platz 5, A-1090 Vienna, [www.fma.gv.at](http://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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