



*yours
independently*

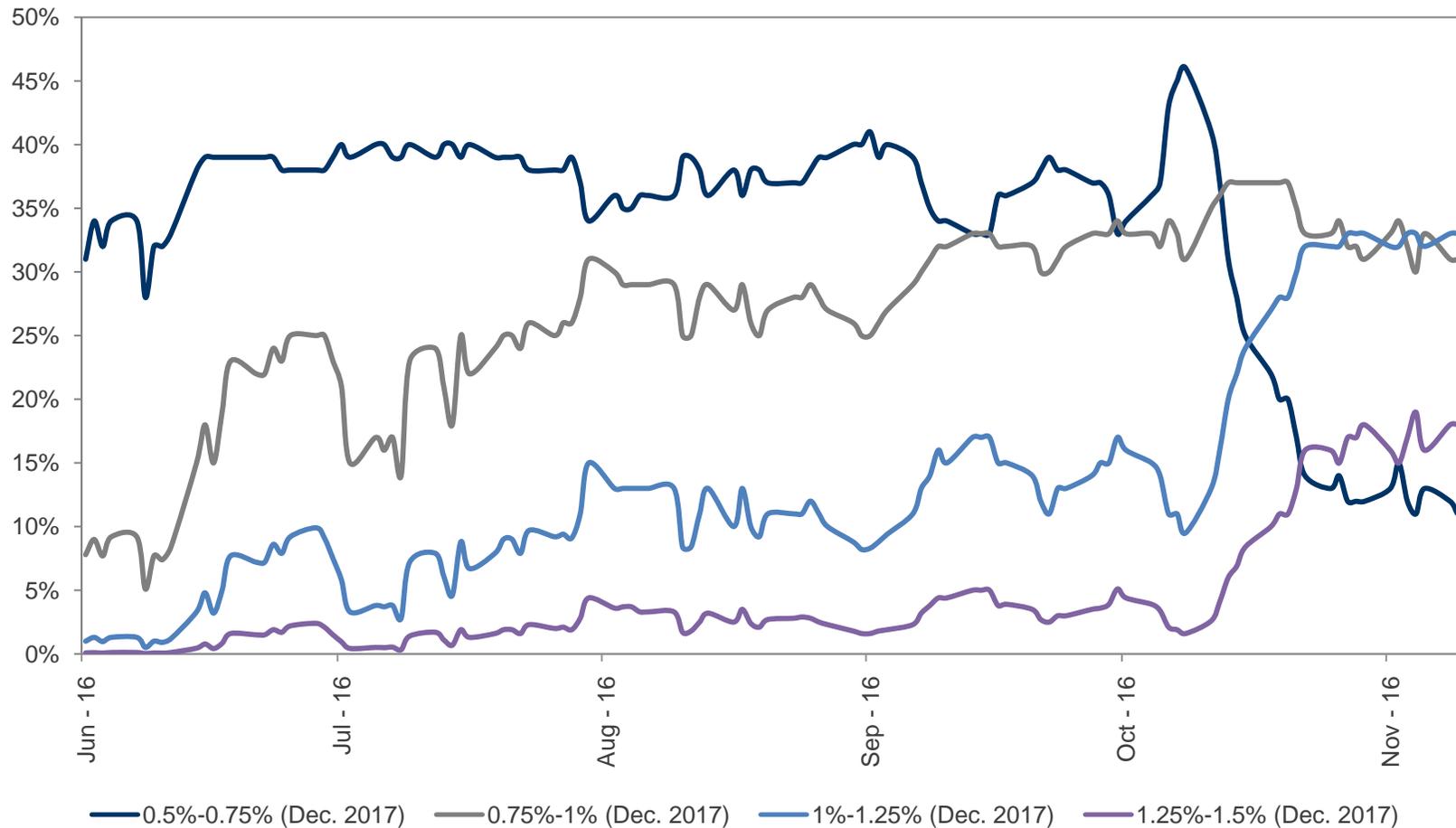
Investment Policy

Late cycle fiscal stimulus will add to inflationary pressures



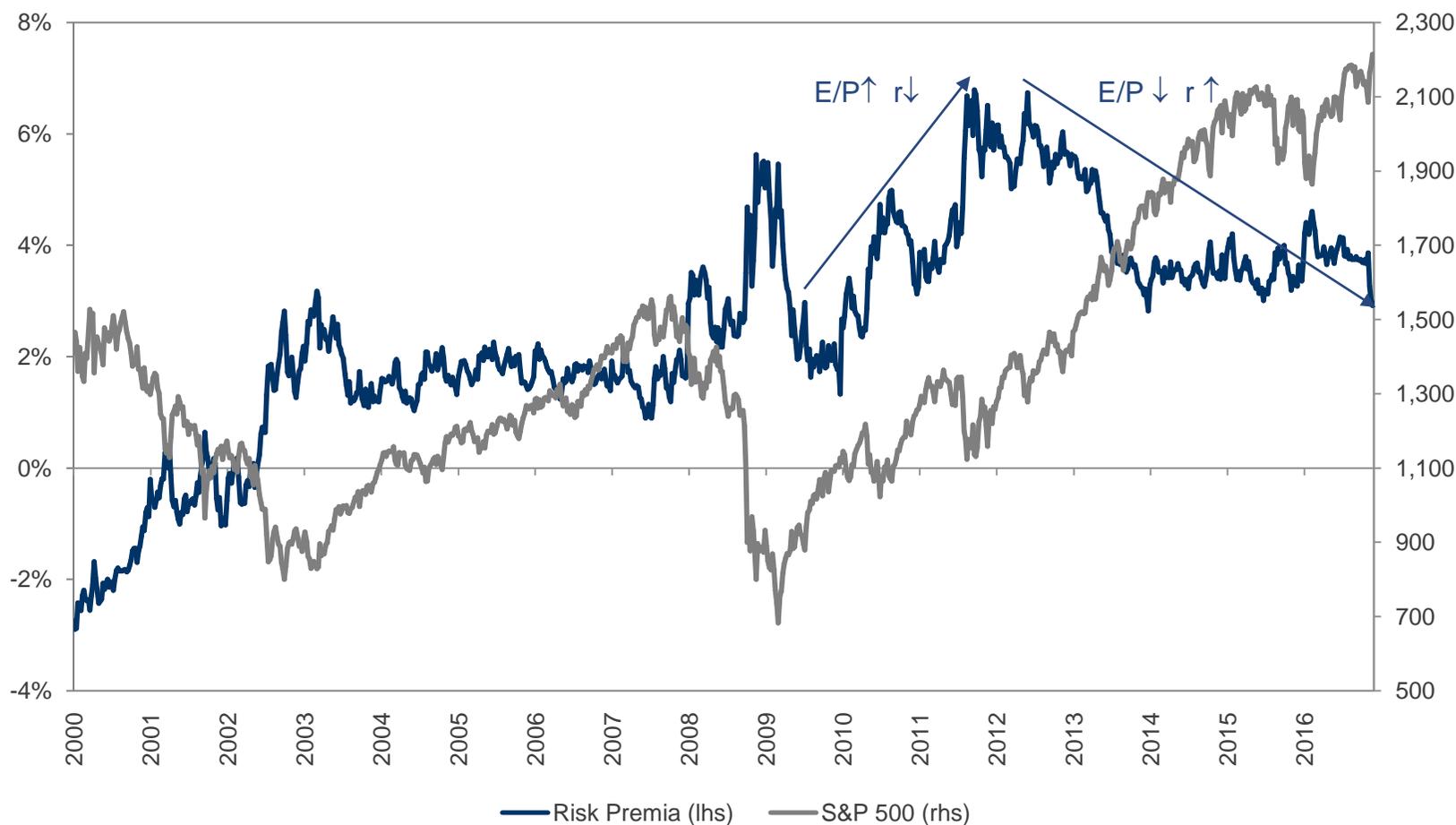
- Trump's **reflationary stimulus** comes at an **unusual time in the economic cycle**, when the economy is approaching **full employment**, and the first signs of **wage pressures** start to appear
- An acceleration of **consumption** and **investments** – fueled by tax cuts and infrastructure spending – coupled with rising wages, will very probably **drive prices up**

Lower for longer?



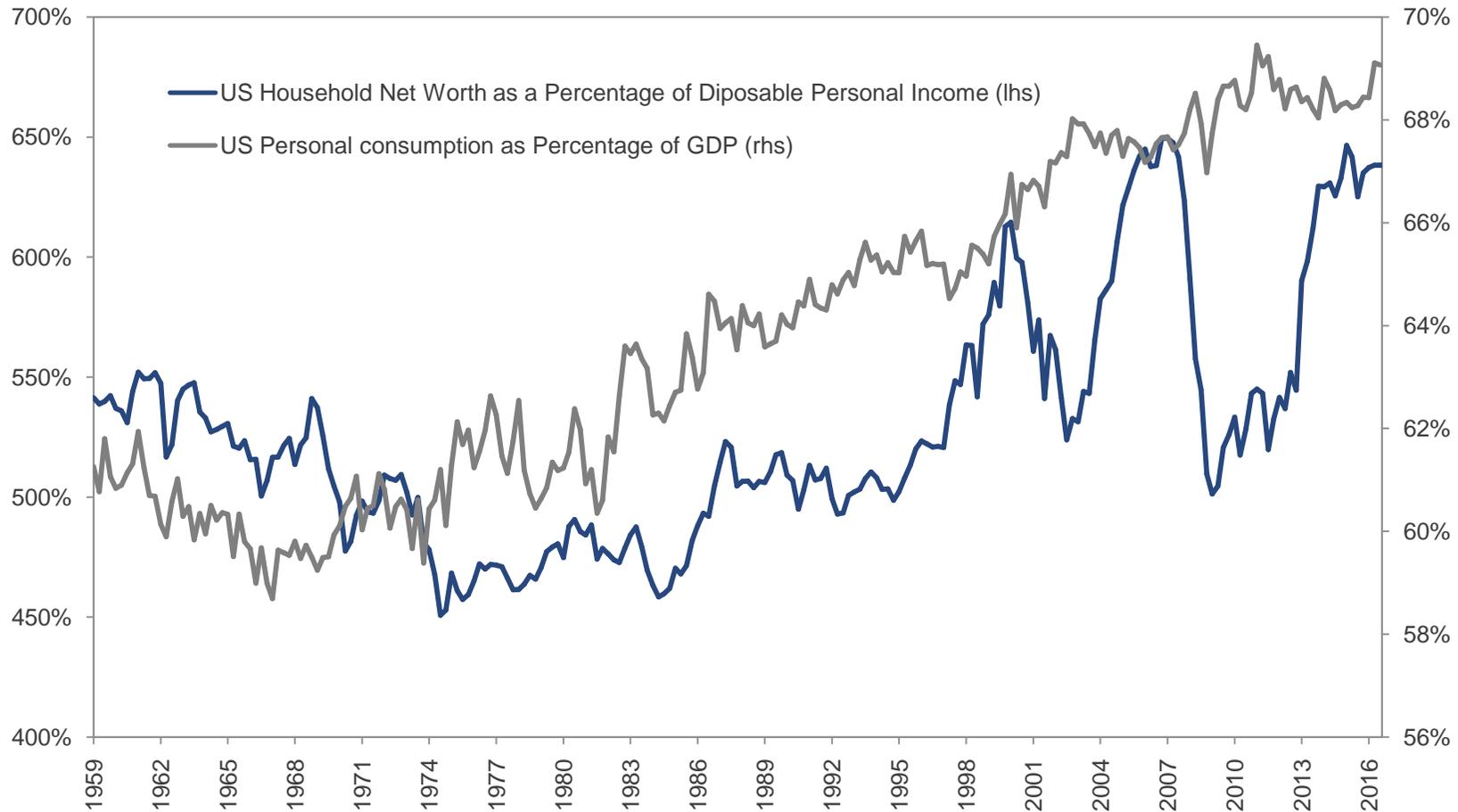
- The **rise in inflation expectations** since Trump's victory has caused the Fed and the market to come **closer in their interest rates projections**
- However, there is still a **discrepancy** in their respective **long-term expectations**, as well as significant **dispersion** across what **market participants** expect

The equity rally foundations are deteriorating



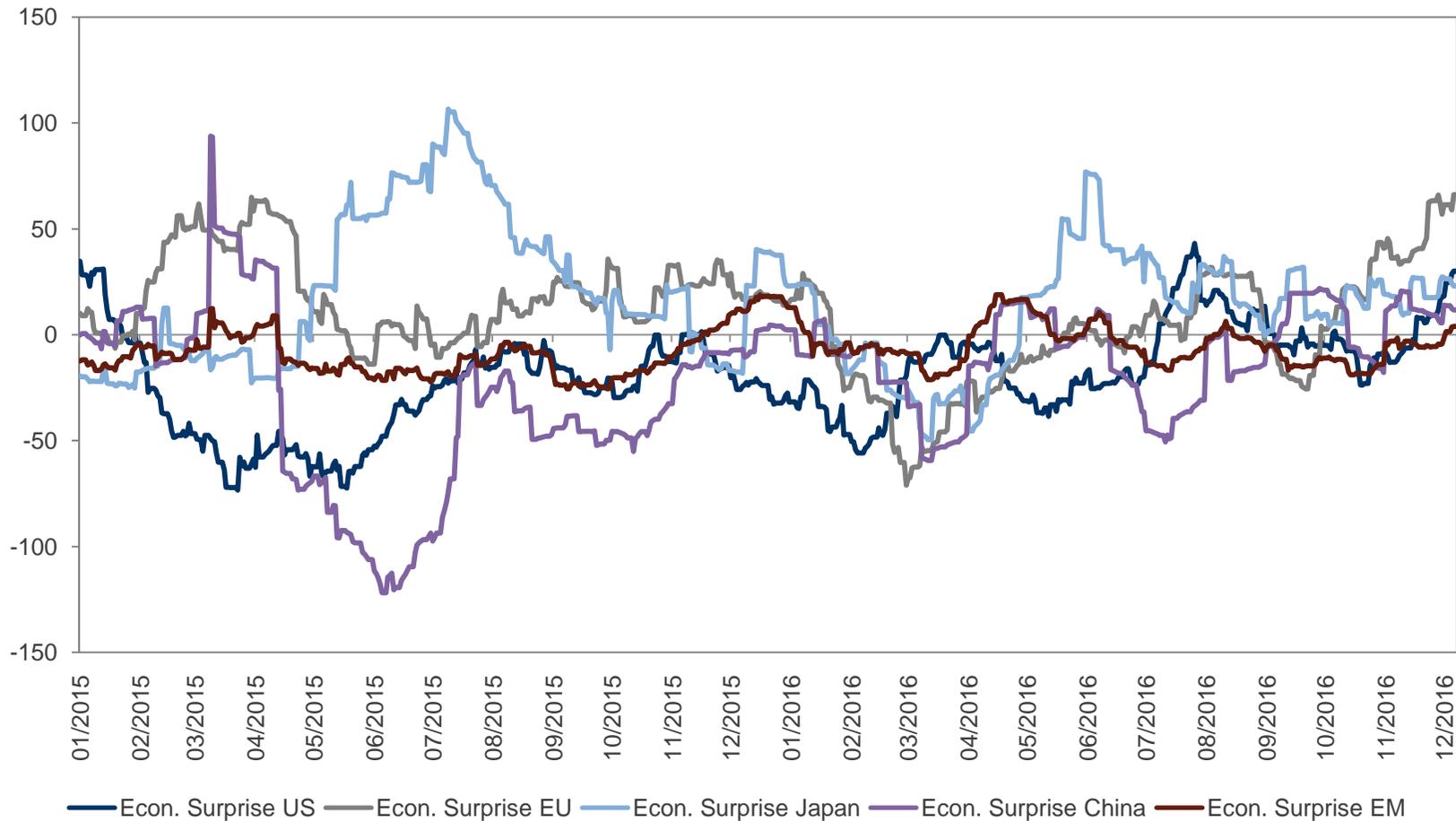
- The **US equity market** has continued increasing **despite deteriorating fundamentals**. Since 2012, **EPS** have been rising less than stock prices, and since 2015 have **fallen in absolute terms**
- The trend of **falling interest rates**, which has been the main reason for investors **accepting higher multiples**, have **started to reverse**, particularly since the US elections

Elevated asset prices pose an economic risk



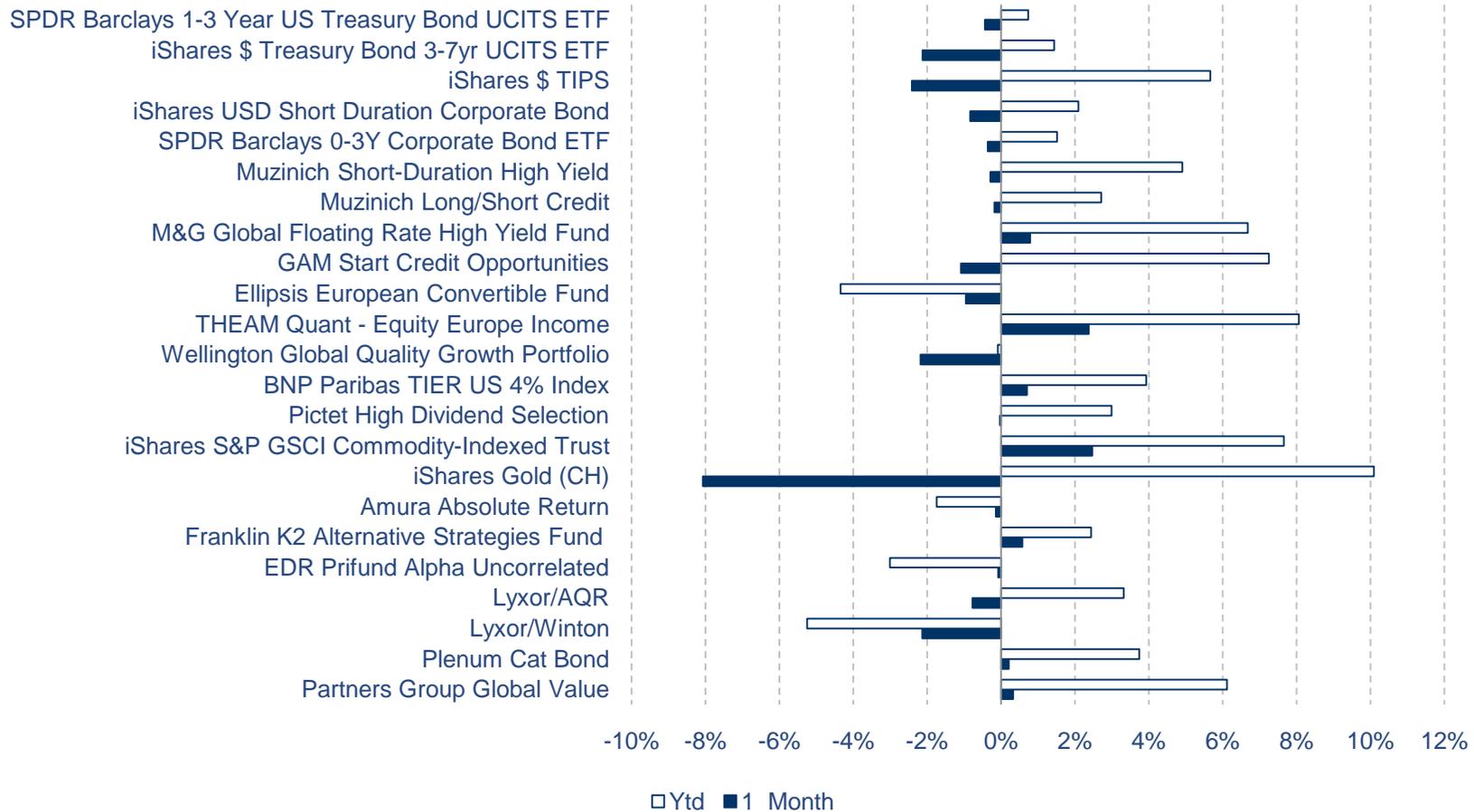
- High US stocks valuations increase the **likelihood that the market experiences a correction**. This is one of the main risks that the US economy will be facing, due to the negative “wealth effect” spillovers (mostly on personal consumption)
- The **main contributor** to the current high level of household wealth are **equity prices**, as **house prices** are on average above but **close to pre-financial crisis levels**

Economic data improving on a global basis



- On the positive side, **macroeconomic data keeps surprising on the upside**. For the first time in the last two years the improvement is happening on a global basis, and currently **all economic surprise indicators are in positive territory**
- In our opinion, a **strengthening of the global economy** would be the **main signal to start increasing our equity allocation**, preferably taking exposure in those markets that are cheaper in relative terms (Europe, Japan and EM)

Performance dispersion is back



- **US Treasuries** corrected due to the sustained increase in yields as inflation expectations have risen
- **Credit** and **equities** were mixed
- **Commodities** raised, gold corrected sharply, and **alternatives** suffered, with the exception of cat bonds and private equity

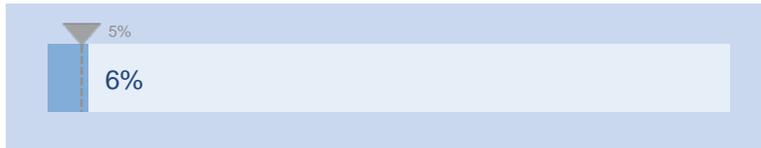
Investment scenarios

	Scenario 1 Global economic slowdown	Scenario 2 Muddling through	Scenario 3 Reflation succeeds
Drivers	<ul style="list-style-type: none"> Global economic slowdown led by a hard-landing in China and/ or recession in the US Fed delays rate raises Strong deflationary scenario due to a combination of low growth and structural factors (demographics, low aggregated demand, deleveraging) 	<ul style="list-style-type: none"> Chinese authorities stabilize the market and halt economic rebalancing (weaker yuan, higher IP). US, Japan and Europe continue exhibiting low but stable growth Fed raises rates at an accommodative pace Low inflation due to structural factors (demographics, low aggregated demand, deleveraging) 	<ul style="list-style-type: none"> Growth concerns dissipate, with economic activity accelerating in US, Europe and Japan Inflation in the US increases, as a consequence of president Trump's fiscal stimulus The Fed does not raise rates preemptively, and real interest rates remain relatively suppressed
Market impact	<ul style="list-style-type: none"> Correction in credit due to a rise in defaults and a widening of corporate spreads Correction in equities due to lower projected earnings, though low rates will offer support Sovereign and IG credit to profit due to flight to quality and the continuation of an ultra-loose monetary policy globally USD neutral to weak as flight to quality is counterbalanced by low interest rates Commodities to remain depressed 	<ul style="list-style-type: none"> Equities recover moderately, particularly in Europe and Japan Credit spreads remain stable as the credit cycle is further elongated Sovereigns suffer as monetary policy is progressively normalized USD appreciate moderately due to higher interest rate differentials Commodities remain weak in short term, but rebound in long-term as supply and demand balance out 	<ul style="list-style-type: none"> Impact on equities will depend on how much real economic growth is sustained, and how accommodative the Fed remains Sovereign and IG bonds will face steep losses due to higher rates, particularly if long-term inflation expectations rise Corporate credit will correct moderately if inflation comes together with higher growth The USD will appreciate, particularly against those currencies facing deflation Commodities will gain from higher inflation
Probability	25%	30%	45%
Short-term catalyzers			
Fiscal stimulus in the US, QE Ramp up (EU, Japan, China?), macro-data (particularly in China) showing resilience			
Other risks			
Spread of anti-establishment parties, EU Breakup (Frexit, Nexit ...), Trade wars and EM slowdown, Terrorism			

- We remain cautious in **fixed income** favoring **short to medium** maturities due to a very unattractive combination of risk and return. We have **increased High Yield exposure** as we think that after Trump's victory the risk of recession in the US has abated. **High quality bonds** – particularly **corporate investment grade** – remain attractive in relative terms, and **Treasury bonds** could benefit from a slowdown in growth, although the latter is now less likely. We also have a significant position in inflation-linked US Treasury bonds (**TIPS**) to get protection against an increase in inflation as a consequence of reflationary policies
- **Equity valuations** remain very high and **supported by low interest rates**. Broadly speaking, we think that prospects for **corporate earnings** cannot be positive in an environment of **lackluster global economic growth** – with the exception of some sectors in the US – and a potential **normalization of interest rates** poses a risk of returning to lower valuation multiples. From a relative **valuation** perspective, we favor **European equities** and **growth stocks**
- **Alternative investments** offer a much needed source of **diversification**. We recommend allocating a significant part of the portfolio to Multi-Strategy Hedge-Funds, Private Equity and Cat Bonds
- Our **diversified commodities** and **gold** allocations, further help us to both **increase diversification** and to position the portfolios for a scenario of **rising inflation**
- We have **reduced our cash allocation** as **negative interest rates** have been introduced in some of our reference currencies. As a substitute, we have **a large allocation to short-term high quality** bonds that can be easily redeployed should market opportunities arise

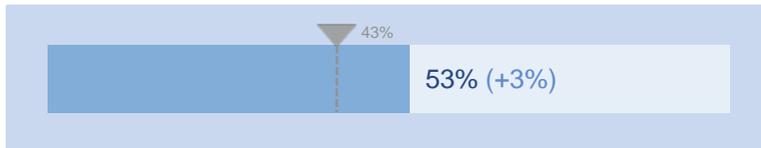
MWM Investment Policy

Cash



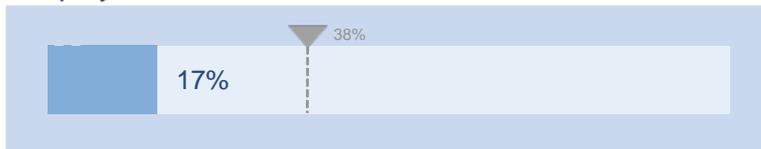
- In the current environment waiting for good investment opportunities is a sensible investment strategy. However, holding cash is becoming costly in some of our reference currencies
- Nonetheless, we have reduced the allocation to enhanced cash strategies as we have taken a more conservative stance on credit and allocated to short-term Treasuries and corporate bonds

Fixed Income



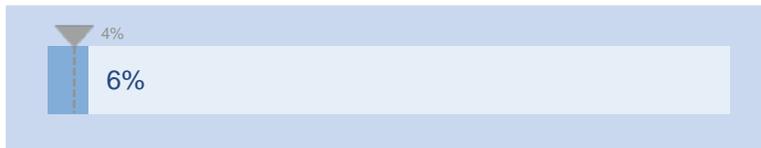
- High-quality fixed income and High Yield in the US currently offer the best combination of risk and return. Treasuries can benefit from a slowdown in growth – although this less likely now – whilst TIPS offer protection against rising inflation
- We avoid emerging markets in the light of the weak global economic outlook and the strong USD

Equity



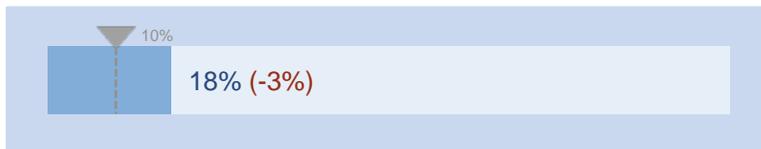
- The expected fiscal stimulus in the US will accelerate growth and postpone the fear of deflation, which will be supportive for equities as the top line will increase. However, it remains to be seen to which extent this comes along with an increase of interest rates, which will be a drag on valuations

Commodities



- Commodity prices have recently stabilized. Reflationary policies, and in particular a boost in infrastructure spending, will further support energy and industrial metals. Gold and precious metals will be dependent on the relative pace of increase in both inflation and interest rates

Alternative investments



- Alternative investments as a source of low volatility and uncorrelated returns are more attractive than ever in the wake of the current latent risks in the market
- However, there is always a certain degree of correlation with traditional asset classes and double digit positive returns cannot be expected in the current environment

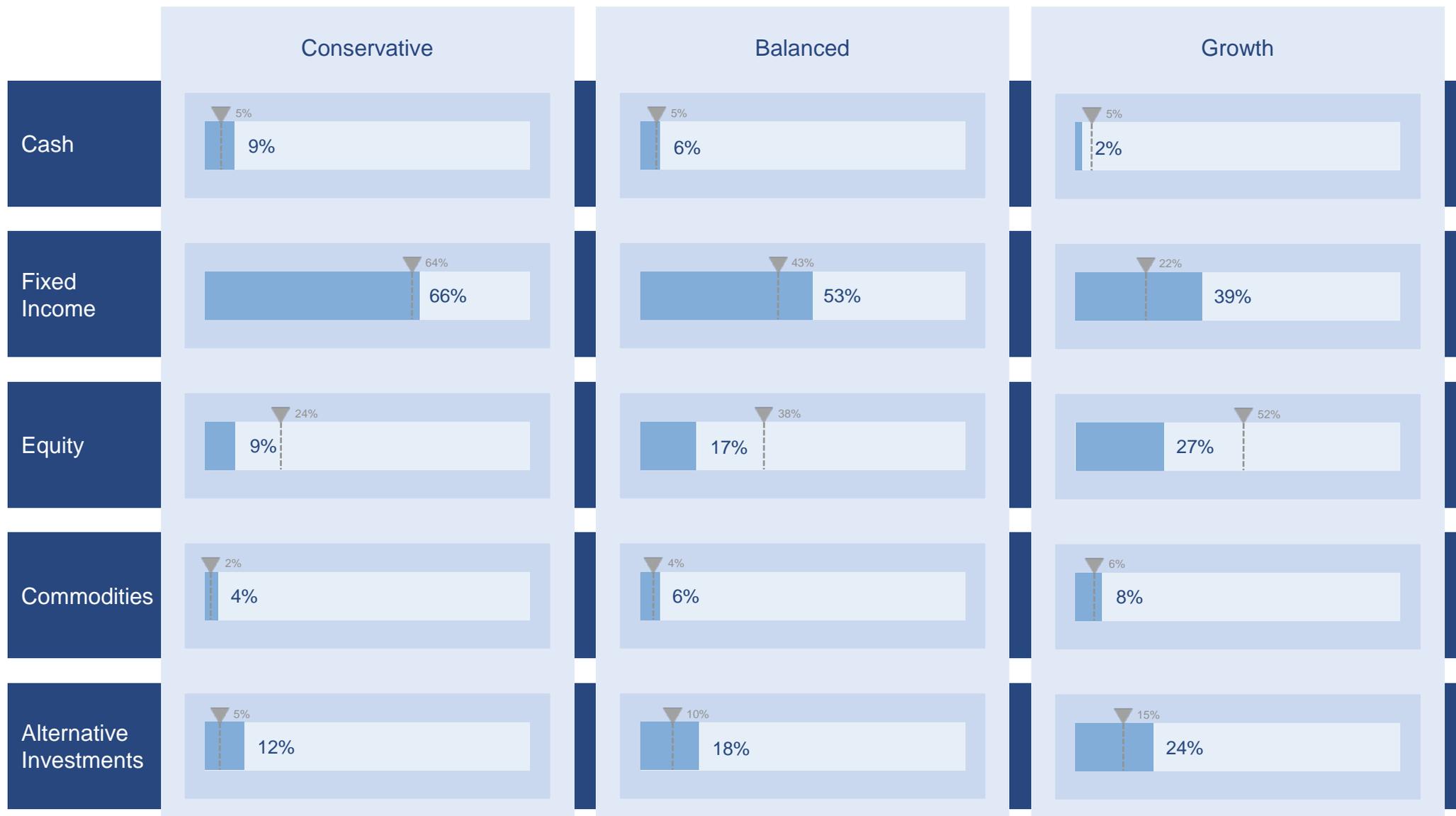
MWM Model Portfolio Balanced (CH)

Cash	Cash	• Cash	6%	6%
Fixed Income	US Treasuries	• iShares Treasury Bond 1-3yr	8%	53%
		• iShares Treasury Bond 3-7yr	3%	
	Short-Term Corporate Bonds	• SPDR Barclays 0-3Y Corporate Bond	8%	
		• iShares USD Short Duration Corporate Bond	8%	
	US TIPS	• iShares \$ TIPS	8%	
	High Yield US	• Muzinich Short Duration High Yield	3%	
	High Yield Absolute Return	• Muzinich Long/Short Credit Yield	3%	
	High Yield Floating	• M&G Global Floating Rate High Yield Fund	3%	
	Leveraged Loans	• Franklin Floating rate II	3%	
	Subordinated Debt	• GAM Star Credit Opportunities	3%	
Convertible Bonds	• Ellipsis European Convertible Fund	3%		
Equity	Volatility	• Reverse Convertibles on Blue Chips	11%	17%
	Growth	• Wellington Global Quality Growth Portfolio	3%	
	Europe	• THEAM Quant Equity Europe Income	3%	
Commodities	Diversified	• iShares Diversified Commodity Swap	3%	6%
	Gold	• iShares Gold	3%	
Alternative Investments	Multi-Strategy	• EDR Prifund Alpha Uncorrelated	2%	18%
	Multi-Strategy	• Amura Absolute Return	2%	
	Multi-Strategy	• Franklin K2 Alternative Strategies Fund	2%	
	CTA, Diversified	• Lyxor AQR Systematic Total Return	3%	
	CTA, Diversified	• Lyxor Winton Fund	3%	
	Cat Bonds	• Plenum CAT Bond Fund	3%	
Private Equity	• Partners Group Global Value	3%		

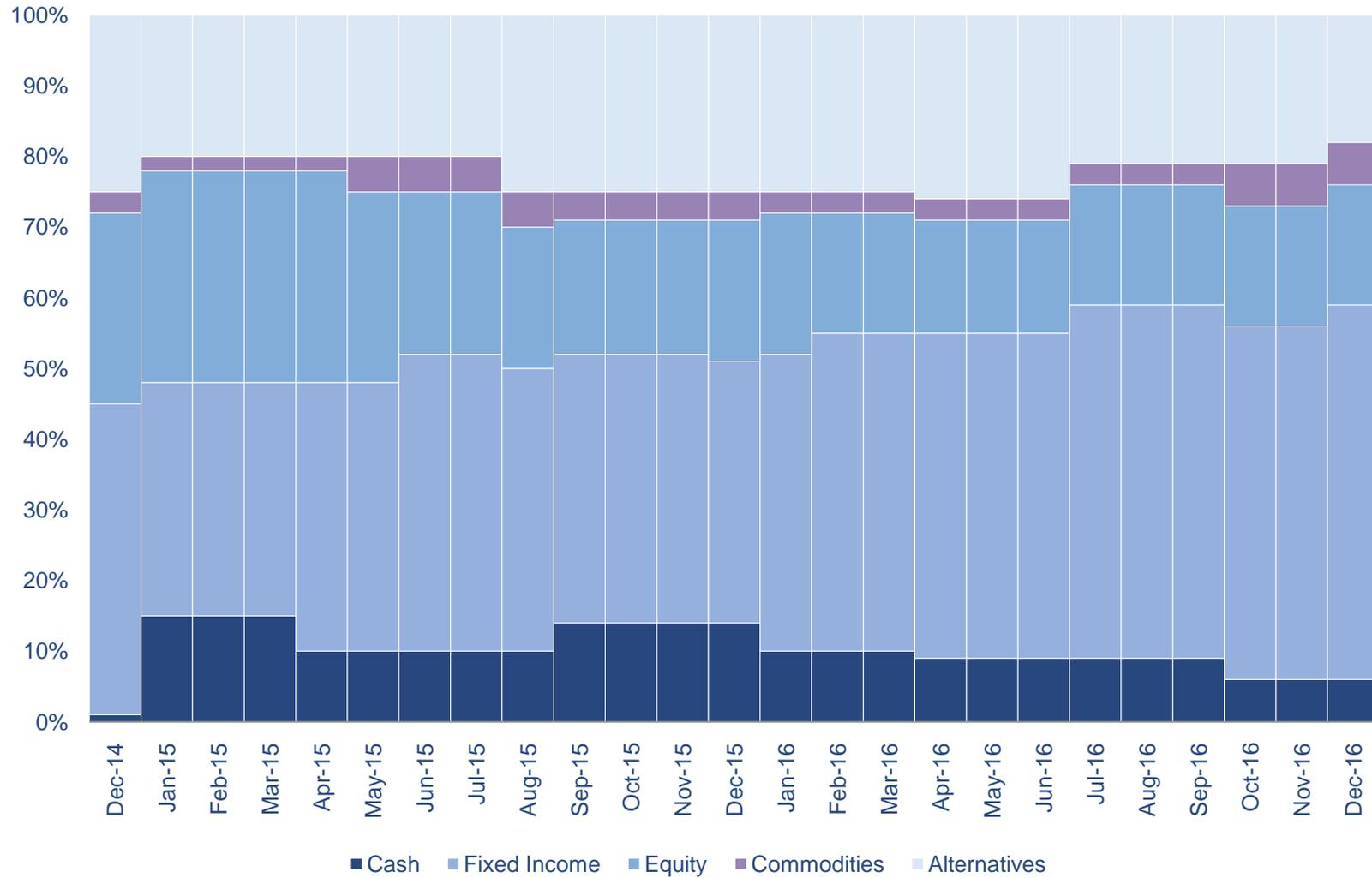
MWM Model Portfolio Balanced (US)

Cash	Cash	• Cash	6%	6%
Fixed Income	US Treasuries	• SPDR Barclays 1-3 Year US Treasury Bond UCITS ETF	8%	53%
		• iShares Treasury Bond 3-7yr	4%	
	Short-Term Corporate Bonds	• SPDR Barclays 0-3Y Corporate Bond	7%	
		• iShares USD Short Duration Corporate Bond	8%	
	US TIPS	• iShares \$ TIPS	8%	
	Global Investment Grade	• PIMCO Global Bond	3%	
	High Yield US	• Neuberger Berman High Yield Bond Fund	3%	
	High Yield US	• Lord Abbett High Yield Fund	3%	
	Leveraged Loans	• Franklin Floating rate II	3%	
	Subordinated Debt	• GAM Star Credit opportunities	3%	
Convertible Bonds	• Calamos Global Convertibles	3%		
Equity	Volatility	• Reverse Convertibles on Blue Chips	9%	17%
	Growth	• MFS Meridian Global Concentrated Fund	5%	
	High Dividend Yield	• Schroder Global Dividend Maximizer	3%	
Commodities	Diversified	• iShares Diversified Commodity Swap	3%	6%
	Gold	• iShares Gold Trust	3%	
Alternative Investments	Multi-Strategy	• Franklin K2 Alternative Strategies Fund	4%	18%
	Multi-Strategy	• Blackrock Multi-Manager Alternative Strategies Fund	4%	
	Multi-Strategy	• Catalyst Hedged Futures Strategy Fund	4%	
	CTA, Diversified	• IQ-Hedge Multi-Strategy Tracker ETF	3%	
	Private Equity	• iShares Listed Private Equity	3%	

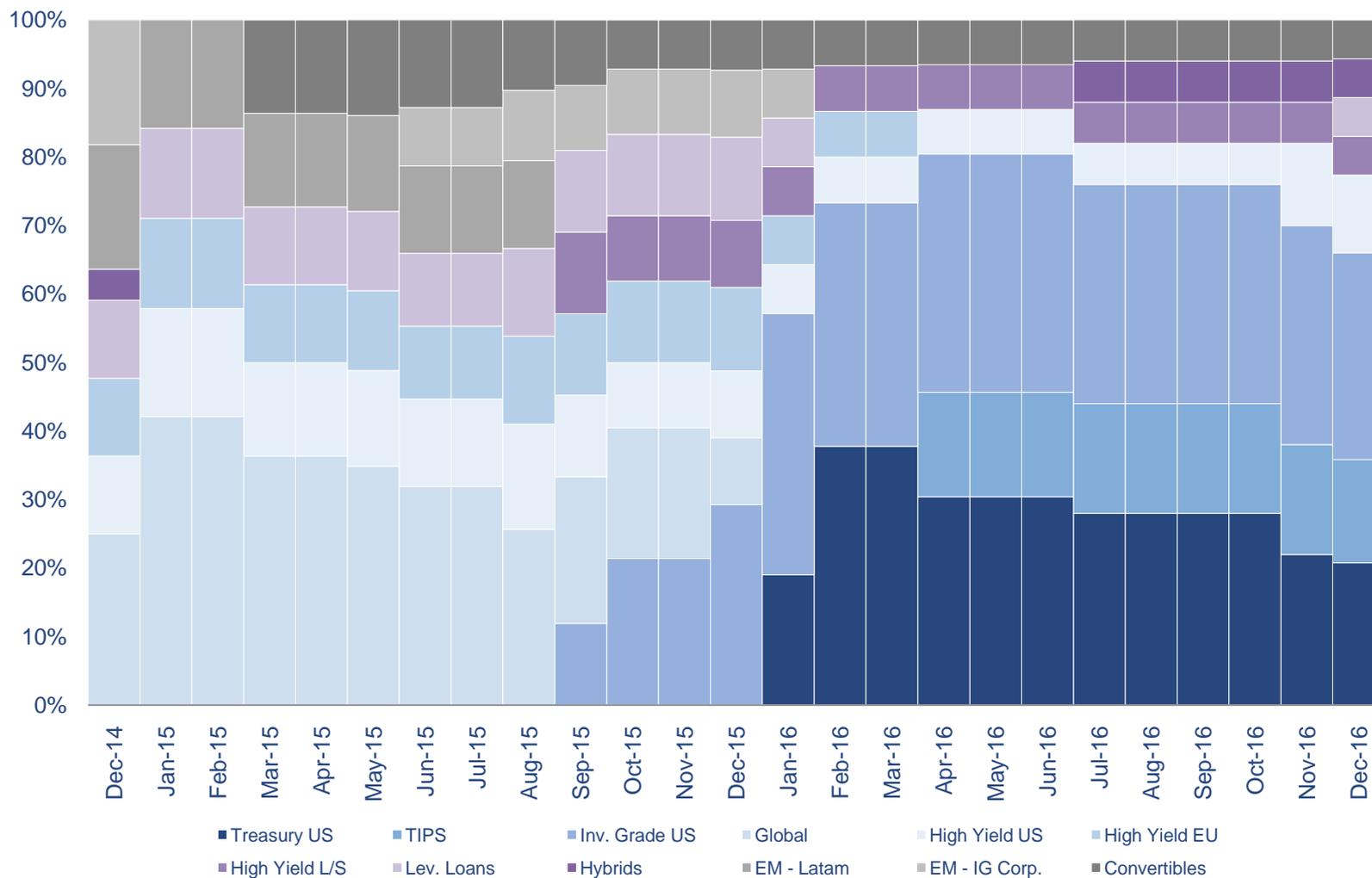
MWM Investment Profiles



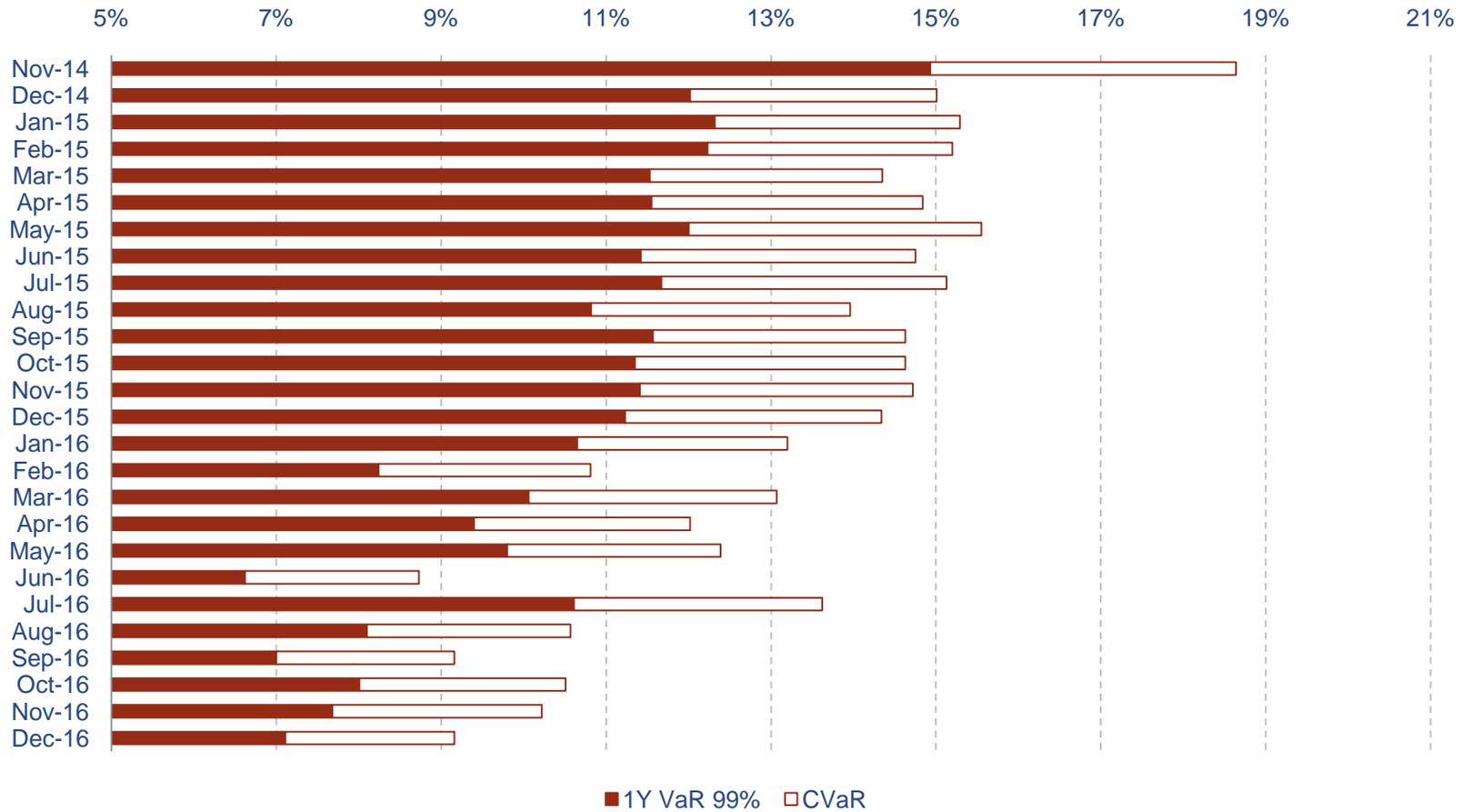
MWM Model Portfolio – Asset Allocation evolution



MWM Model Portfolio – Fixed Income evolution

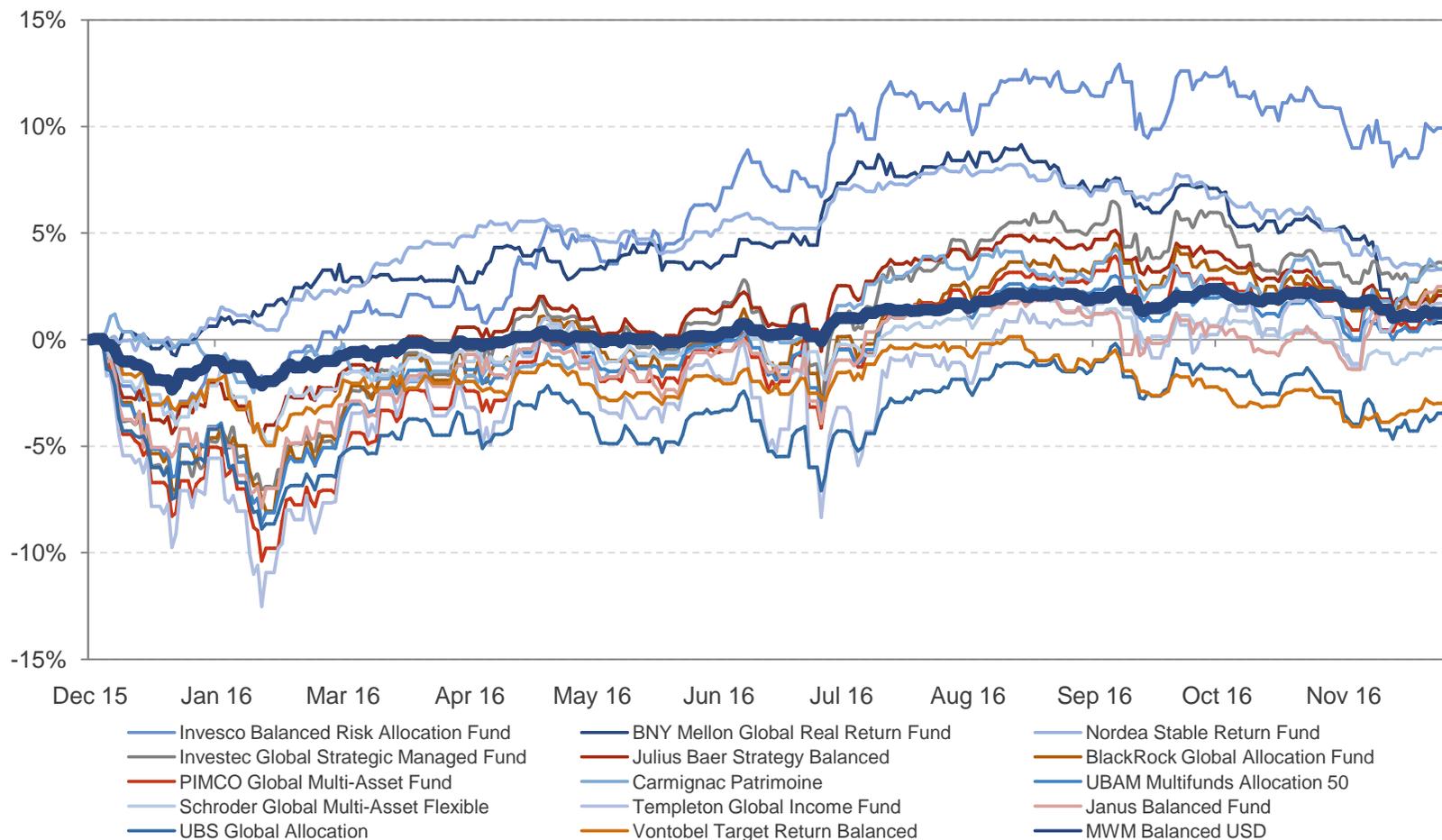


MWM Model Portfolio – VaR evolution



• Despite the addition of the **position in gold** has caused a **reduction in the VaR** of the portfolio, the increase in market volatility over the past month translates into a larger current VaR

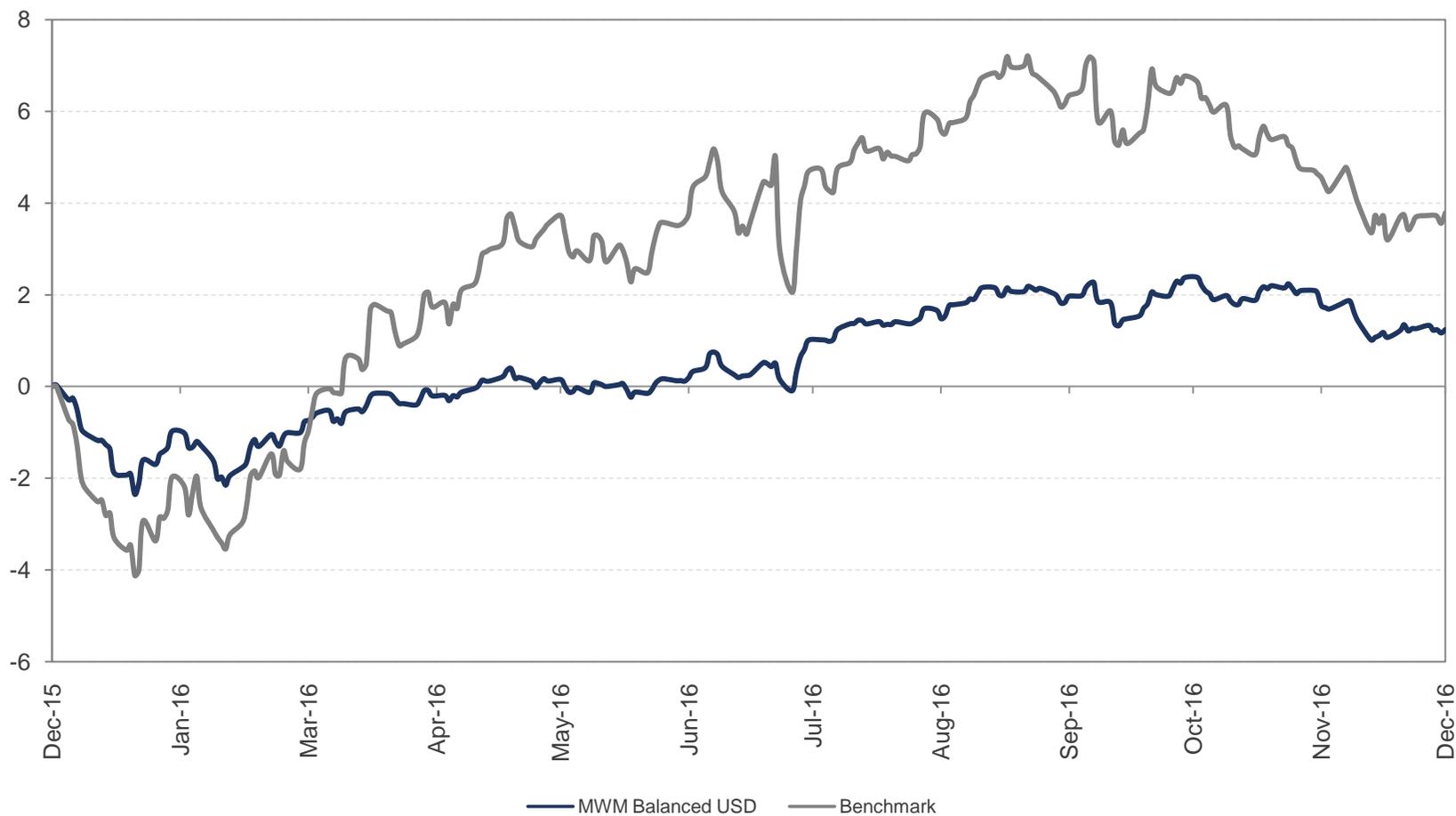
MWM Model Portfolio – Peer comparison



- **Total Return (Ytd¹): 8th out of 15**
- **Standard Deviation (1 year¹): 1st out of 15**
- **Downside Risk (1 year¹): 1st out of 15**
- **Sharp Ratio (1 year¹): 7th out of 15**

¹ As of December 2, 2016
Source: Bloomberg

MWM Model Portfolio – Ytd performance (Net)

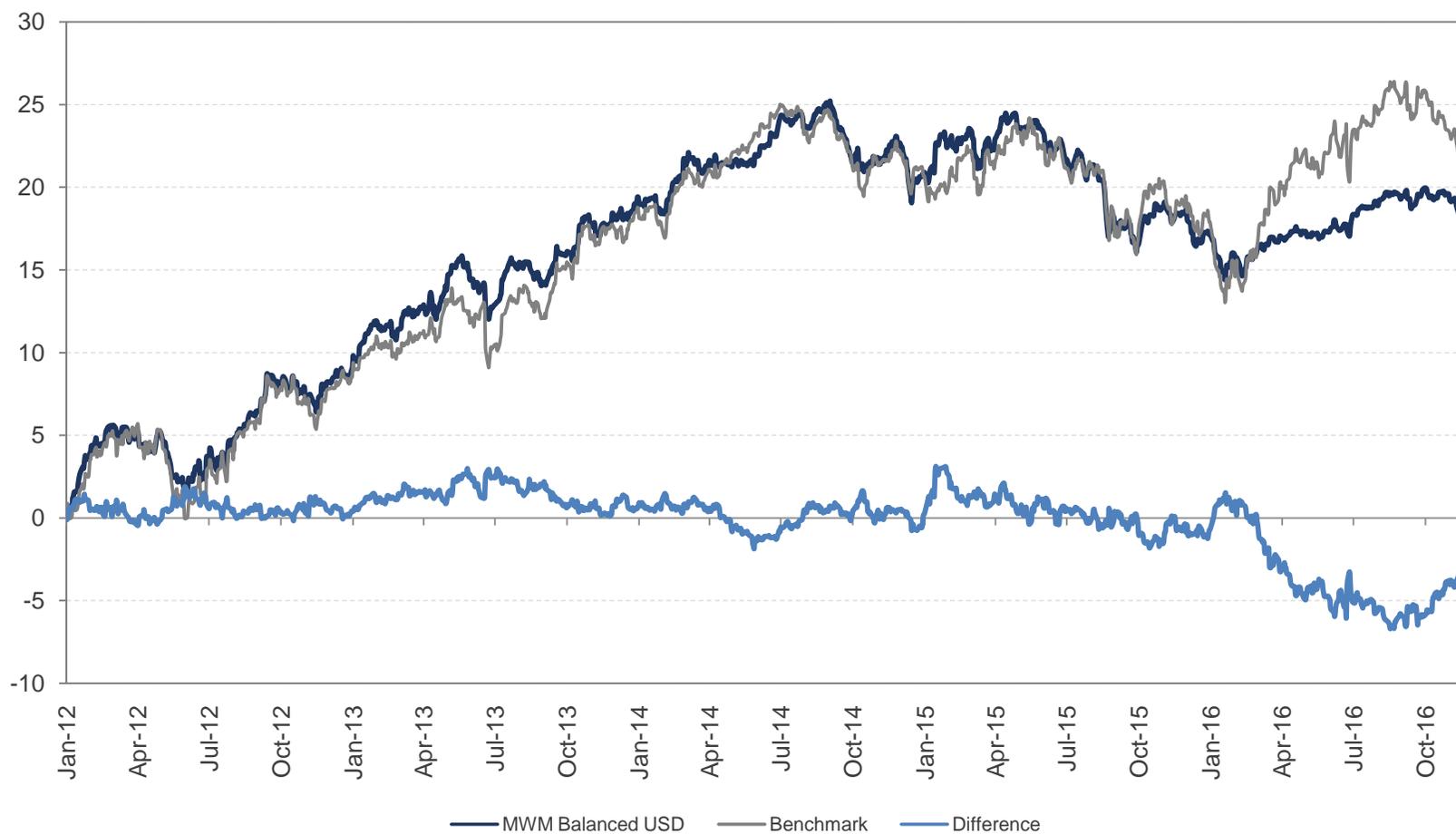


- **Total Return (Ytd¹): 1.24% vs. 3.79% Benchmark²**
- **Standard Deviation (Ytd¹): 2.44% vs. 5.90% Benchmark²**
- **Downside Risk (Ytd¹): 1.82% vs. 4.26% Benchmark²**
- **Var 95% - 1day (Ytd¹): -0.26% vs. -0.55% Benchmark²**

¹ As of December 5, 2016

² Benchmark = 5% Fed Funds + 43% JPM Global Aggregate Bond Index + 38% MSCI World + 4% S&P GSCI + 10% HFRI FoHF

MWM Model Portfolio - Historical performance (1)

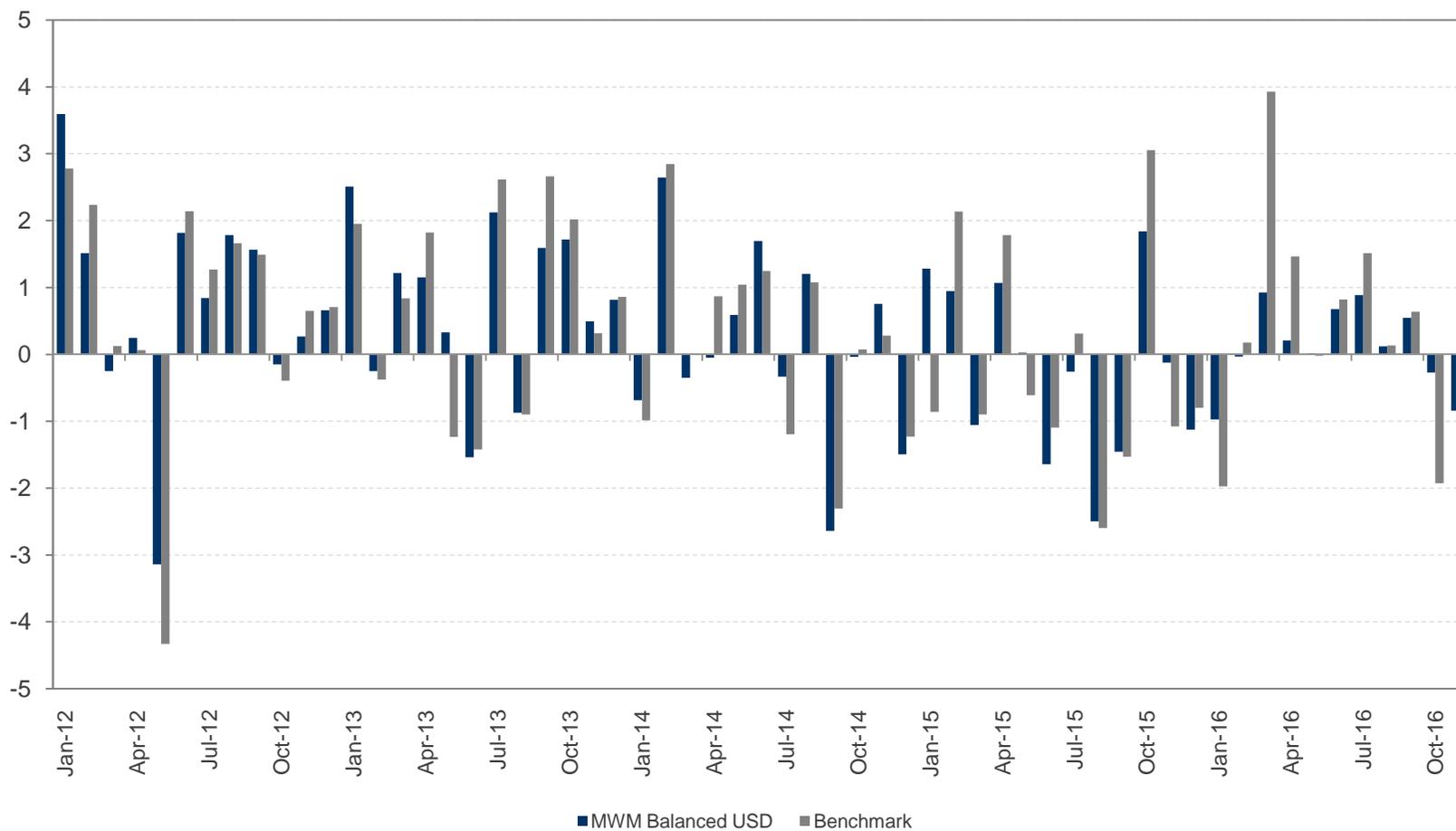


- **Total Return (1 year¹): 0.10% vs. 2.91% Benchmark²**
- **Total Return (3 year¹): 0.37% vs. 4.19% Benchmark²**
- **Total Return (Since Jan 12¹): 18.61% vs. 22.35% Benchmark²**

¹ As of November 30, 2016

² Benchmark = 5% Fed Funds + 43% JPM Global Aggregate Bond Index + 38% MSCI World + 4% S&P GSCI + 10% HFRI FoHF

MWM Model Portfolio - Historical performance (2)



- **Standard Deviation (1 year¹): 2.52% vs. 5.83% Benchmark²**
- **Downside Risk (1 year¹): 1.90% vs. 4.10% Benchmark²**
- **Sharpe Ratio (1 year¹): -0.06% vs. 0.48% Benchmark²**
- **Var 95% (1 day¹): -0.32% vs. -0.51% Benchmark²**

¹ As of November 30, 2016

² Benchmark = 5% Fed Funds + 43% JPM Global Aggregate Bond Index + 38% MSCI World + 4% S&P GSCI + 10% HFRI FoHF

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