

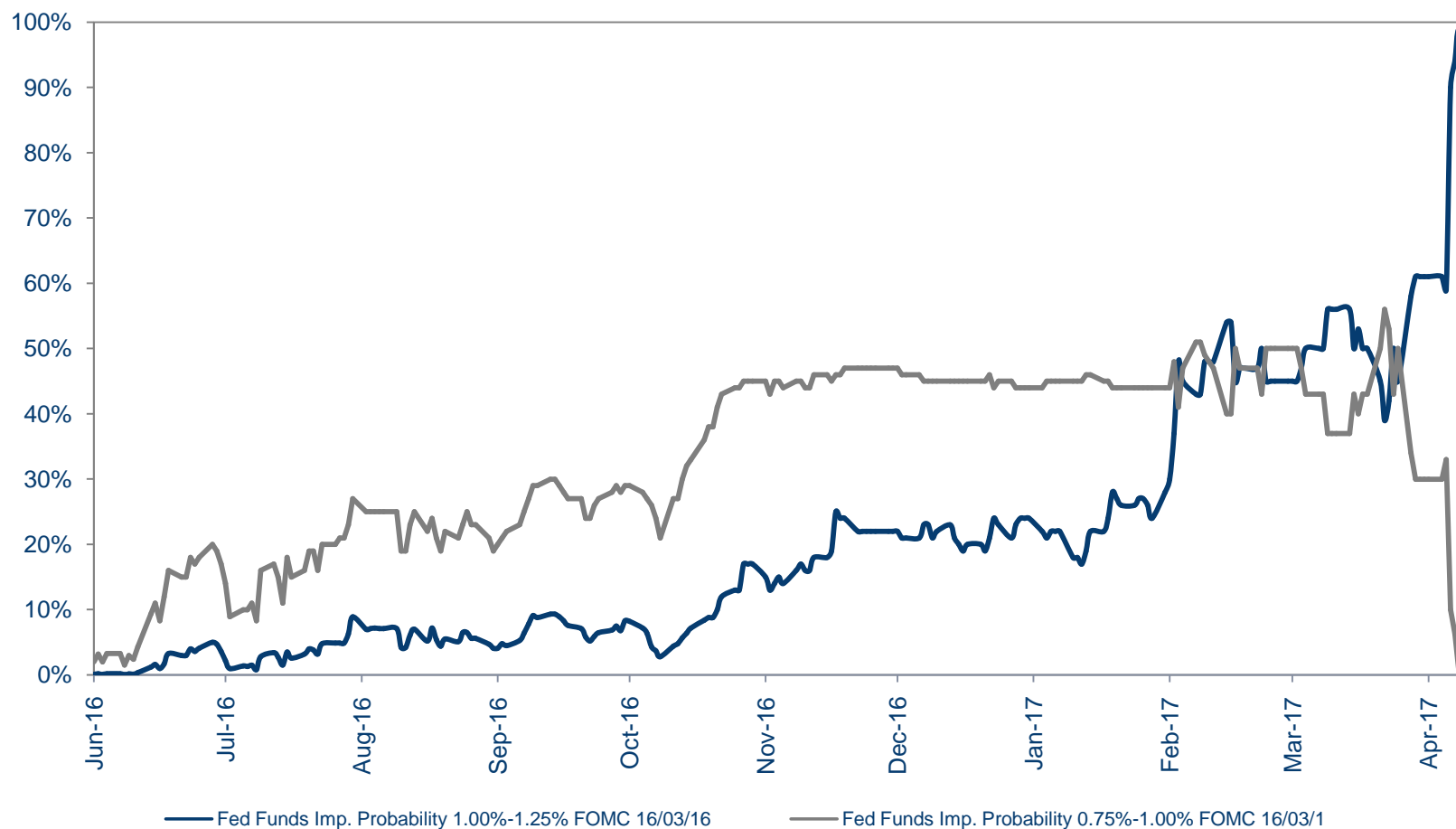


*yours  
independently*

## Investment Policy

- We remain cautious in **fixed income** favoring **short to medium** maturities due to a very unattractive combination of risk and return in longer maturities. We have **increased High Yield** and **subordinated debt** exposure as we think that after Trump's victory the risk of recession in the US has abated. **High quality bonds in the US** – particularly **corporate investment grade** – remain attractive in relative terms, and **Treasury bonds** could protect the portfolios 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 in the US** remain very high, mostly **supported by low interest rates** and high expectations of **tax reform** and **deregulation**. Combined with positive macro data from other main developed markets, we see a **greater chance of a reacceleration in global economic growth**. However, with the **Fed potentially normalizing interest rates at a faster pace**, there is a risk of returning to lower valuation multiples. Therefore, we recommend to take equity exposure in a **non-directional way**. From a relative **valuation** perspective, we favor **European equities, quality growth stocks, biotechnology** and **listed real estate**
- Our **diversified commodities** and **gold** allocations, further help us to **increase diversification** and to position the portfolios for a scenario of **rising inflation**
- **Alternative investments** offer a much needed source of **diversification**. Besides **cat bonds** and **private equity**, we have recently increased the allocation to **hedge-funds**, by investing into liquid and low cost **multi-manager/multi-strategy** fund of funds
- We have **reduced our cash allocation** as **negative interest rates** have been introduced in some of our reference currencies. We have also **reduced** the allocation to **short-term high quality bonds** that we held as an alternative to cash and increased credit exposure instead, with the aim of increasing the yield of the portfolio

# The focus is back on the Fed



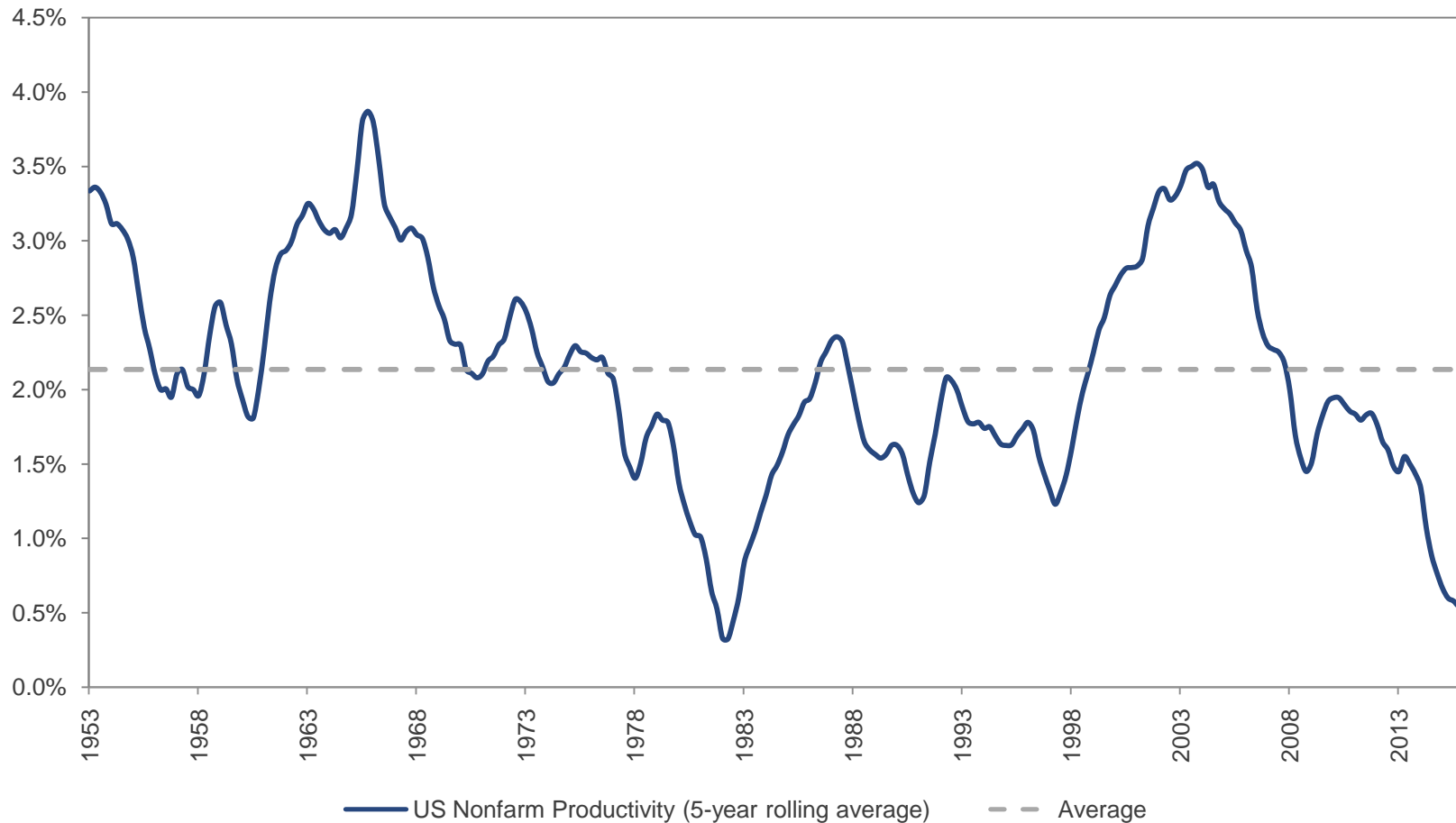
- Once most of the **political risk has receded** – at least until the Italian elections which will take at an unknown date over the next 12 months – the **Fed is back at center stage**
- The market is fully discounting a **25bps** hike in the next FOMC meeting in **June**, and a **50%** probability of **another hike in September**

# Trumponomics fades, global growth takes up the baton



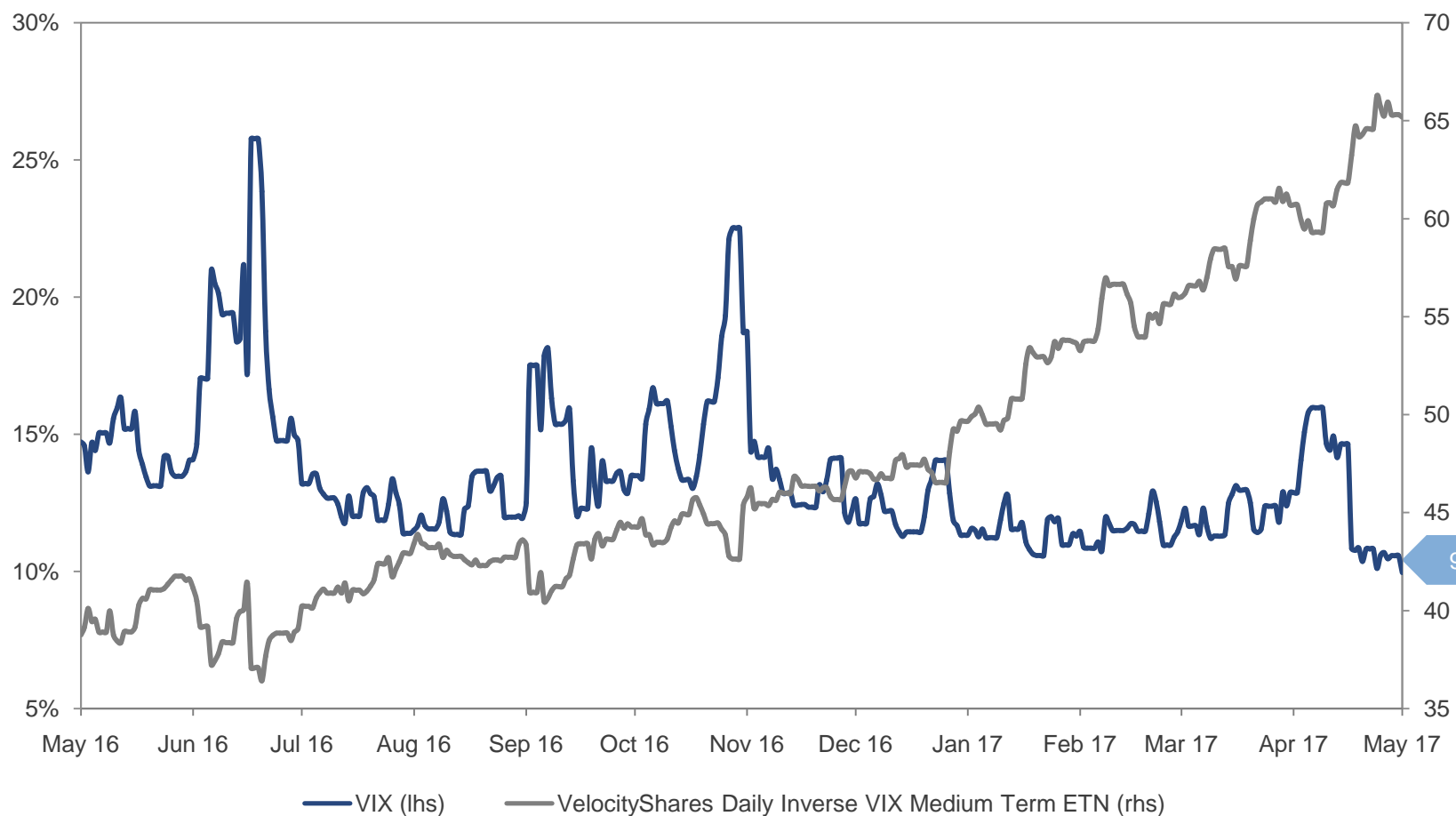
- After the very sharp improvement in **sentiment** indicators following the US elections, **“hard” economic data** (consumption, investments, etc.) has not followed in earnest
- Confidence in president’s **Trump ability to push through with his agenda has markedly declined**. However, the market has opted for **switching into an alternative narrative**, focusing on a nascent **recovery in global growth** instead

## Long-term growth drivers remain (apparently) subdued



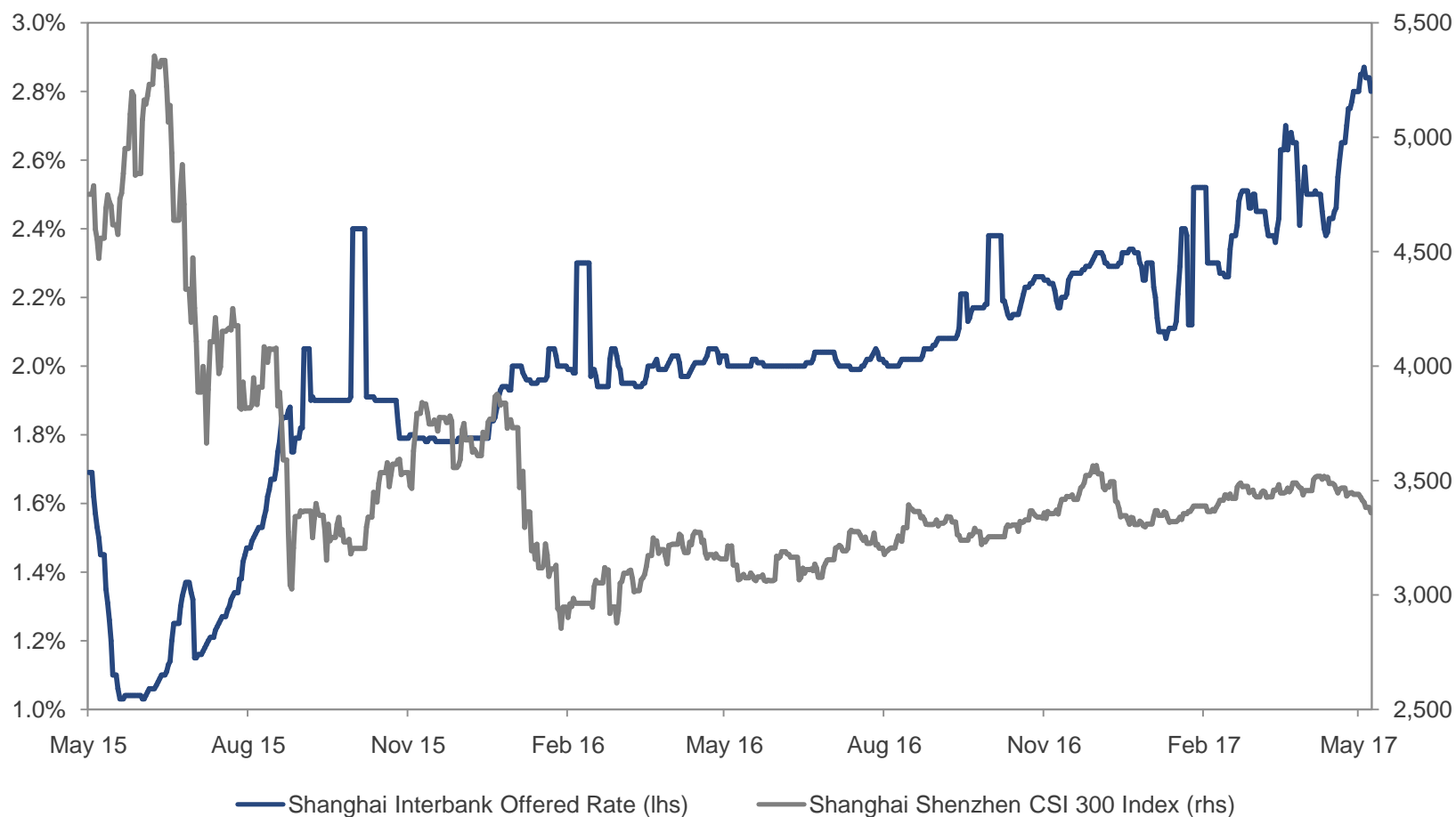
- With **consumption** representing 70% of US GDP, **total debt** at historical highs, and an **aging population**, increases in **productivity** remain the **only engine** for sustainable long-term growth
- Despite the great advances in digitalization, **productivity growth keeps on disappointing** (latest reading in the US was down -0.6%), posing a **conundrum** to economists

# Lowest market volatility since 1993



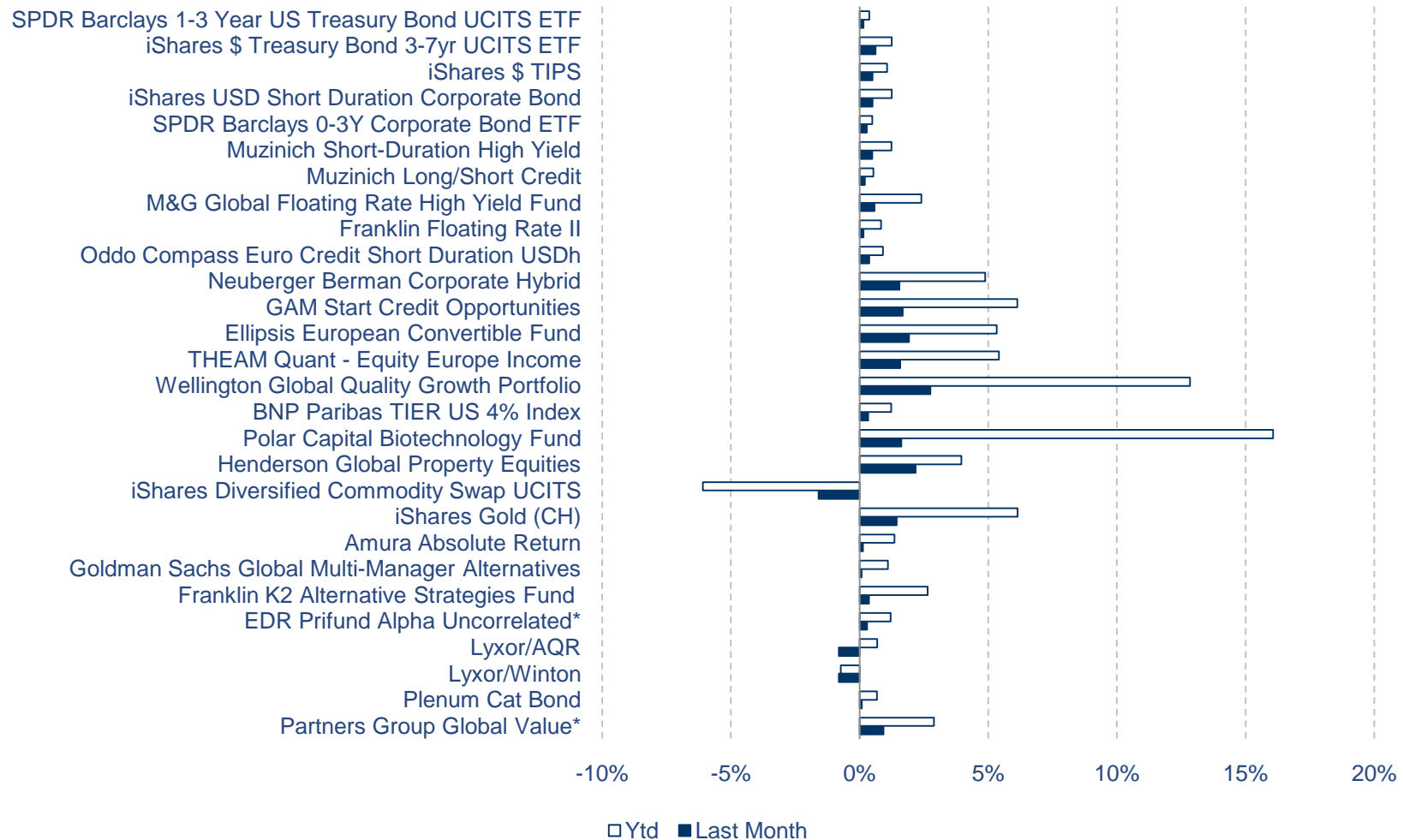
- The **decrease in political and geopolitical uncertainty** has calmed markets to a level not seen since decades ago. The **decrease in market volatility** has been widespread **across equities, bonds and FX**
- This is **depressing one of the last sources of yield** (selling volatility), whilst it is turning very **cheap** the acquisition of **protection against a market correction**

# China's crackdown on leverage raises fears



- China seem to be determined to **bring its credit boom under control**, clamping down shadow banking practices by bringing short-term interest rates higher
- The Chinese authorities remain very **opportunistic** in the timing chosen for their reforms, and present **sedated markets** may offer a good window opportunity. However, **investors are fearing a repeat of the 2015 mistakes**, when errand policies and poor communication caused a market sell-off, which is dragging on **commodities** and **Chinese equities**

# High correlation amongst asset classes remains



- **Most asset classes**, with the **exception** of diversifying positions in **commodities** and alternative investments, continue in **positive territory** for the year
- In the case of **fixed income investments**, the potential for **further price appreciation is limited**, but a correction due to a widening of spreads is not foreseen

Source: Bloomberg as of April 30, 2017

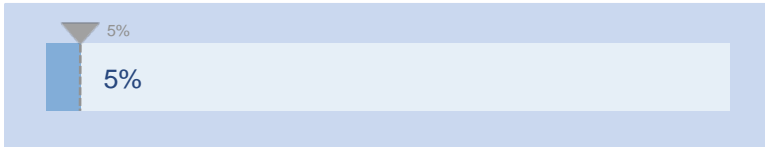
\* Fund publishes monthly NAV with a 1 month of delay



	<b>Scenario 1</b> Recession by political/policy accident	<b>Scenario 2</b> Muddling through “+”	<b>Scenario 3</b> New regime
<b>Drivers</b>	<ul style="list-style-type: none"> <li>Global economic slowdown caused by political accidents or policy errors (Trade war with China, EU breakup, a too aggressive Fed, etc.)</li> <li>Deflationary scenario due to a combination of low growth and structural factors, although the rise of protectionism would be inflationary</li> <li>The Fed will have to reverse course, which would be complicated if inflation is rising</li> </ul>	<ul style="list-style-type: none"> <li>The fiscal stimulus in the US provides a short-term impulse to the global economy, but not enough to attain a higher growth trajectory</li> <li>Inflation, particularly in the US will pick-up, but remains subdued globally due to structural factors (demographics, low aggregated demand, deleveraging)</li> <li>The Fed will continue its normalization path</li> </ul>	<ul style="list-style-type: none"> <li>Growth concerns dissipate, with economic activity accelerating in US, Europe and Japan</li> <li>Inflation in the US increases, as a consequence of president Trump’s fiscal stimulus, and pulls other developed economies off deflation</li> <li>The Fed will have to step up the pace of rate increases and/or reduce balance sheet</li> </ul>
<b>Market impact</b>	<ul style="list-style-type: none"> <li>Correction in credit due to a rise in defaults and a widening of corporate spreads</li> <li>Correction in equities due to lower projected earnings, though low rates will offer support</li> <li>Sovereign and IG credit to profit due to flight to quality and the continuation of an ultra-loose monetary policy globally</li> <li>USD neutral to weak as flight to quality is counterbalanced by low interest rates</li> <li>Commodities will fall</li> </ul>	<ul style="list-style-type: none"> <li>Equities appreciate moderately, with Europe and Japan catching up with the US</li> <li>Credit spreads remain stable as the credit cycle is further elongated</li> <li>Sovereigns suffer as monetary policy is progressively normalized</li> <li>USD appreciate moderately due to higher interest rate differentials</li> <li>Commodity prices will rise in the short-term, normalizing once the impulse vanishes</li> </ul>	<ul style="list-style-type: none"> <li>Impact on equities will depend on how much real economic growth is sustained, and how accommodative the Fed remains</li> <li>Sovereign and IG bonds will face steep losses due to higher rates, particularly if long-term inflation expectations rise</li> <li>Corporate credit will correct moderately if inflation comes together with higher growth</li> <li>The USD will appreciate, particularly against those currencies facing deflation</li> <li>Commodities will gain from higher inflation</li> </ul>
<b>Probability</b>	30%	35% (+5%)	35% (-5%)
<b>Short-term catalyzers</b>			
Fiscal stimulus in the US, improvement in macro-data globally, oil price stabilization			
<b>Other risks</b>			
Trade wars and EM slowdown, Spread of anti-establishment parties, EU Breakup (Frexit, Nexit ...), China, Terrorism			

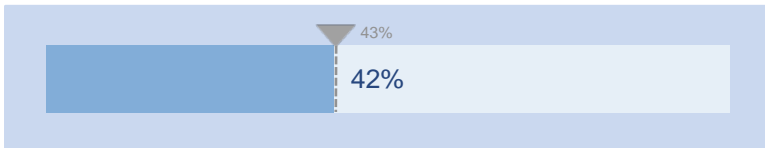
# MWM Investment Policy

## Cash



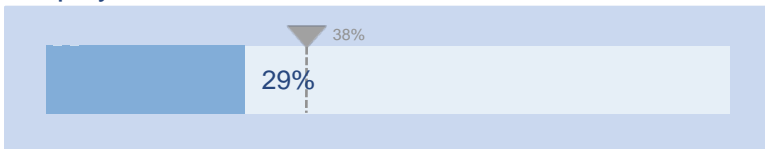
- In the current environment waiting for good investment opportunities is a sensible investment strategy. However, holding cash is becoming costly in some of our reference currencies

## Fixed Income



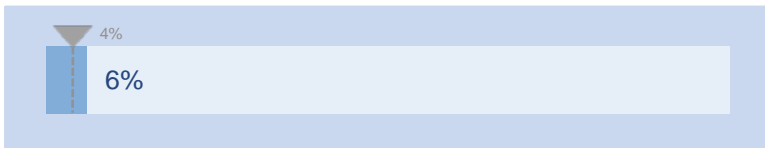
- Corporate debt and High Yield currently offer the best combination of risk and return. Treasuries can benefit from a slowdown in growth – although this less likely with the expected fiscal stimulus in the US – whilst TIPS offer protection against rising inflation
- We avoid emerging markets until there is more clarity on trade policy by the new US administration

## Equity



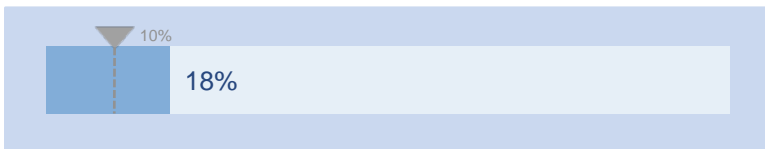
- The expected fiscal stimulus in the US will accelerate growth and postpone the fear of deflation, which will be supportive for equities as the top line will increase. However, it remains to be seen to which extend this comes along with an increase of interest rates, which will be a drag on valuations
- We favor investments in non-directional strategies, as well as in preferred companies and sectors

## 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, but offer in any case good diversification for the portfolio

## 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	5%	5%
Fixed Income	US Treasuries	• iShares Treasury Bond 3-7yr	3%	42%
	Short-Term Corporate Bonds	• iShares USD Short Duration Corporate Bond	5%	
	US TIPS	• iShares \$ TIPS	8%	
	High Yield US	• Muzinich Short Duration High Yield	3%	
	High Yield Europe	• Oddo Compass Euro Credit Short Duration	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 • Neuberger Berman Corporate Hybrid	4% 4%	
Convertible Bonds	• Ellipsis European Convertible Fund	3%		
Equity	Volatility	• Reverse Convertibles on Blue Chips	15%	29%
	Growth	• Wellington Global Quality Growth Portfolio	4%	
	Europe	• THEAM Quant Equity Europe Income	4%	
	Biotechnology	• Polar Capital Biotechnology Fund	3%	
	Real Estate	• Henderson Global Property Equities	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%	
	Multi-Strategy	• Goldman Sachs Global Multi-Manager Alternatives Portfolio	2%	
	CTA, Diversified	• Lyxor AQR Systematic Total Return	2%	
	CTA, Diversified	• Lyxor Winton Fund	2%	
	Cat Bonds	• Plenum CAT Bond Fund	3%	
Private Equity	• Partners Group Global Value	3%		

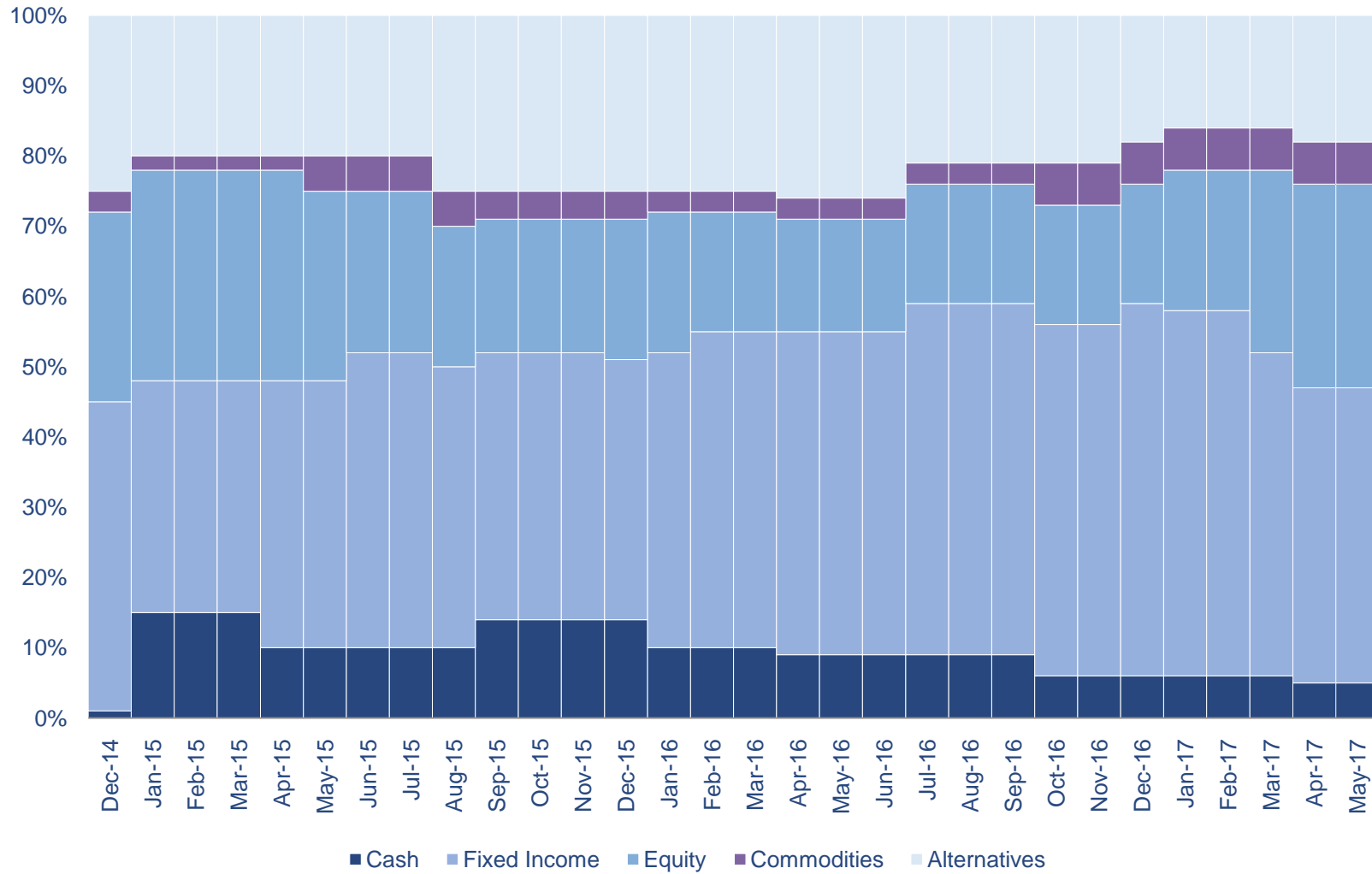
# MWM Model Portfolio Balanced (US)

Cash	Cash	• Cash	5%	5%
Fixed Income	US Treasuries	• iShares Treasury Bond 3-7yr	3%	42%
	Short-Term Corporate Bonds	• iShares USD Short Duration Corporate Bond	5%	
	US TIPS	• iShares \$ TIPS	8%	
	Global Investment Grade	• Carmignac Portfolio - Global Bond	3%	
	High Yield US	• Neuberger Berman High Yield Bond Fund	3%	
	High Yield US	• Lord Abbett High Yield Fund	3%	
	High Yield Europe	• iShares € High Yield Corp Bond UCITS ETF	3%	
	Leveraged Loans	• Franklin Floating rate II	3%	
	Subordinated Debt	• GAM Star Credit opportunities	8%	
Convertible Bonds	• Calamos Global Convertibles	3%		
Equity	Volatility	• Reverse Convertibles on Blue Chips	13%	29%
	Growth	• MFS Meridian Global Concentrated Fund	5%	
	High Dividend Yield	• Schroder Global Dividend Maximizer	5%	
	Biotechnology	• Franklin Biotechnology Discovery Fund	3%	
	Real Estate	• Henderson Global Property Equities	3%	
Commodities	Diversified	• iShares Diversified Commodity Swap	3%	6%
	Gold	• iShares Gold Trust	3%	
Alternative Investments	Multi-Strategy	• Franklin K2 Alternative Strategies Fund	5%	18%
	Multi-Strategy	• Blackrock Multi-Manager Alternative Strategies Fund	5%	
	CTA, Diversified	• IQ-Hedge Multi-Strategy Tracker ETF	4%	
	Private Equity	• iShares Listed Private Equity	4%	

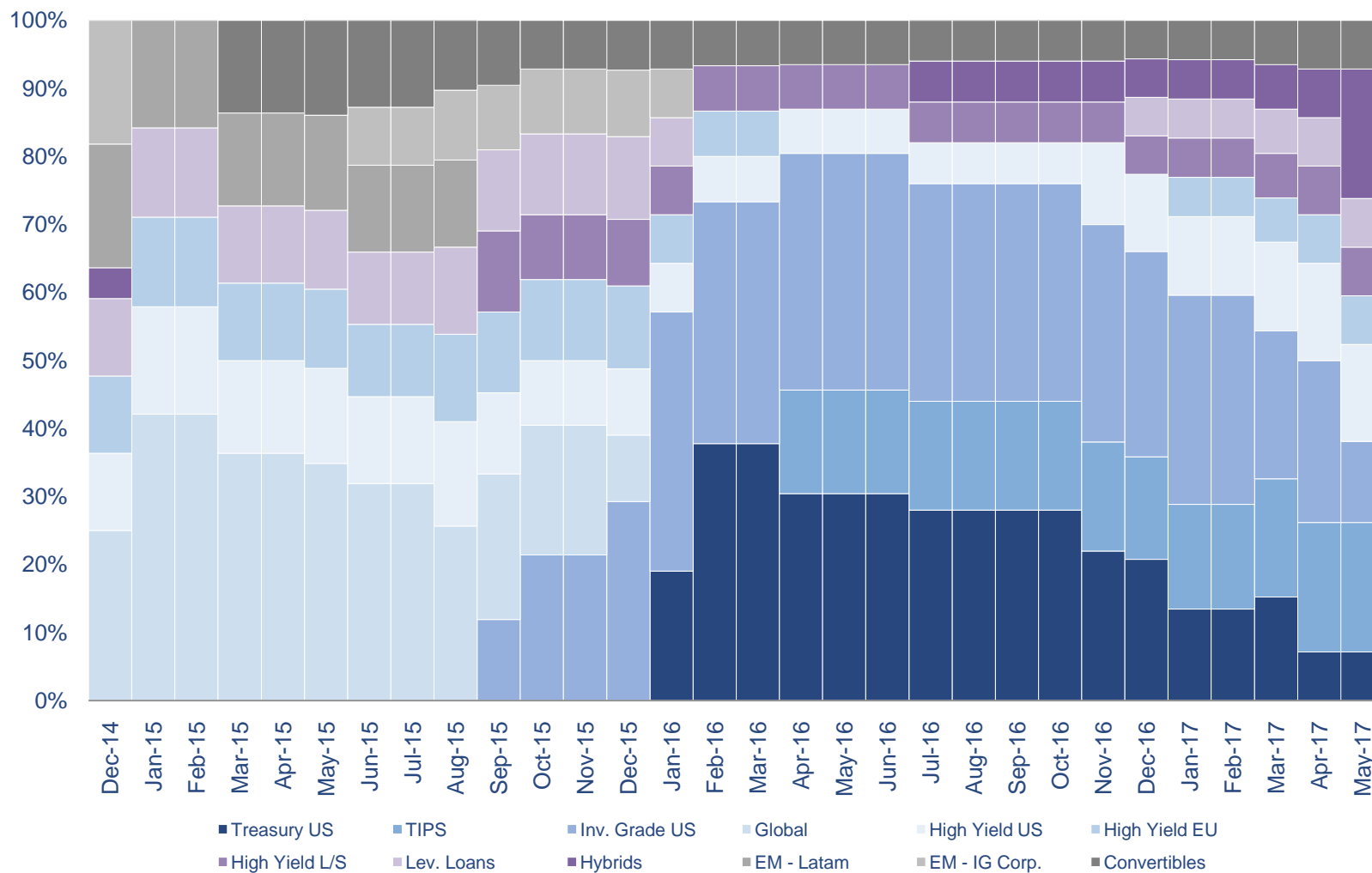
# MWM Investment Profiles



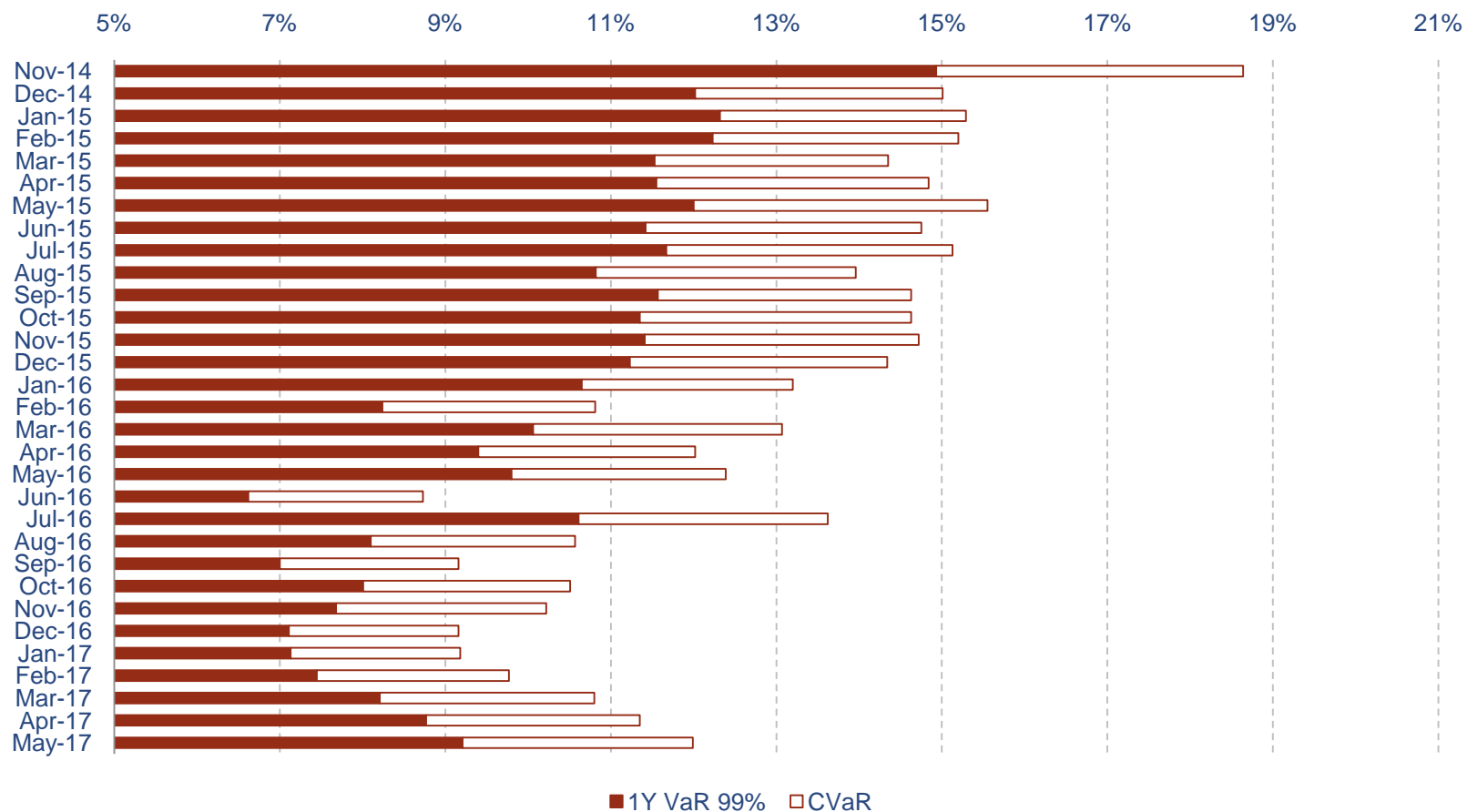
# MWM Model Portfolio – Asset Allocation evolution



# MWM Model Portfolio – Fixed Income evolution



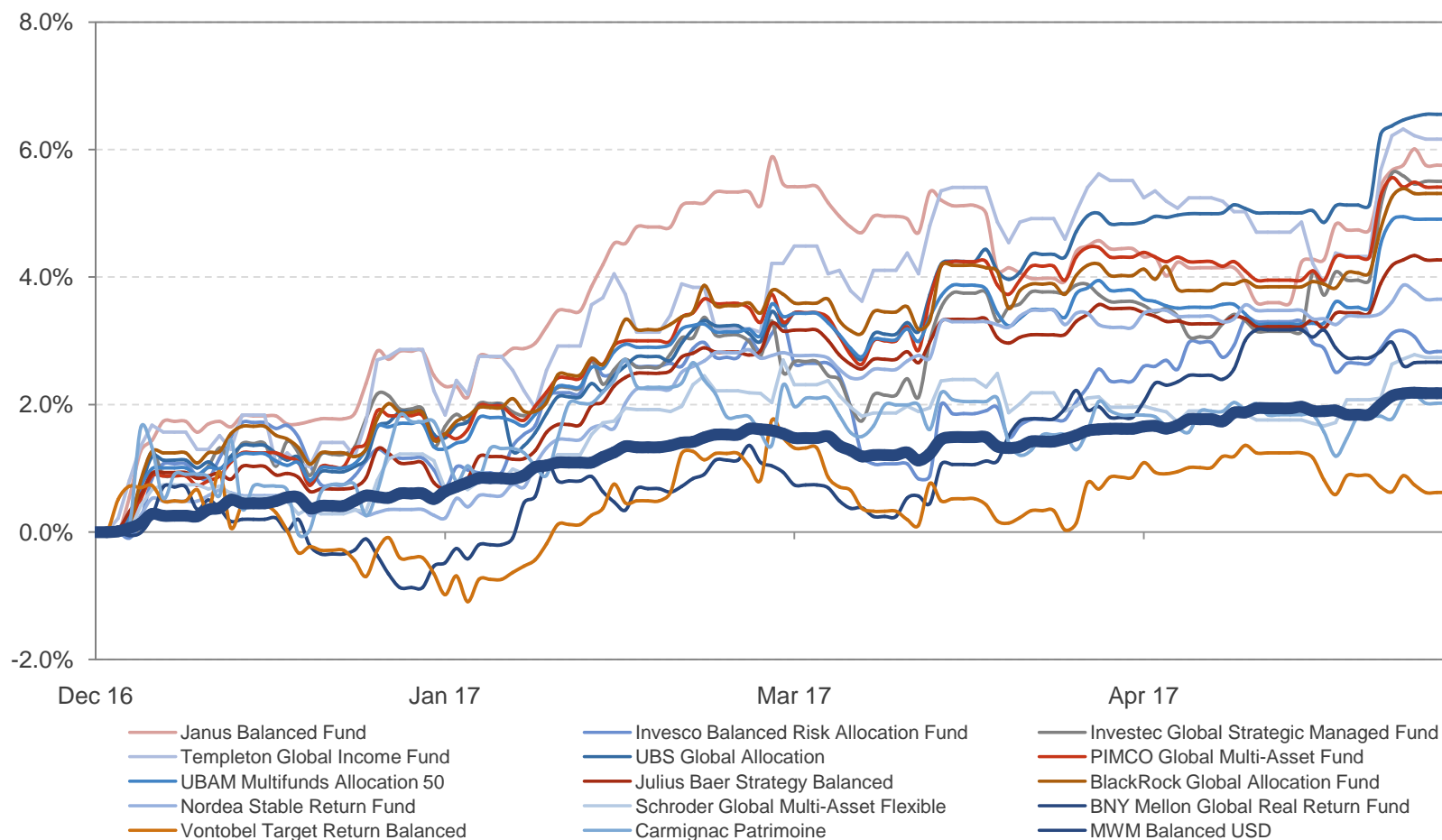
# MWM Model Portfolio – VaR evolution



• The VaR of the portfolio continues increasing in a measured way. However, the current environment of extremely low volatility provides an understated view of the potential risks ahead



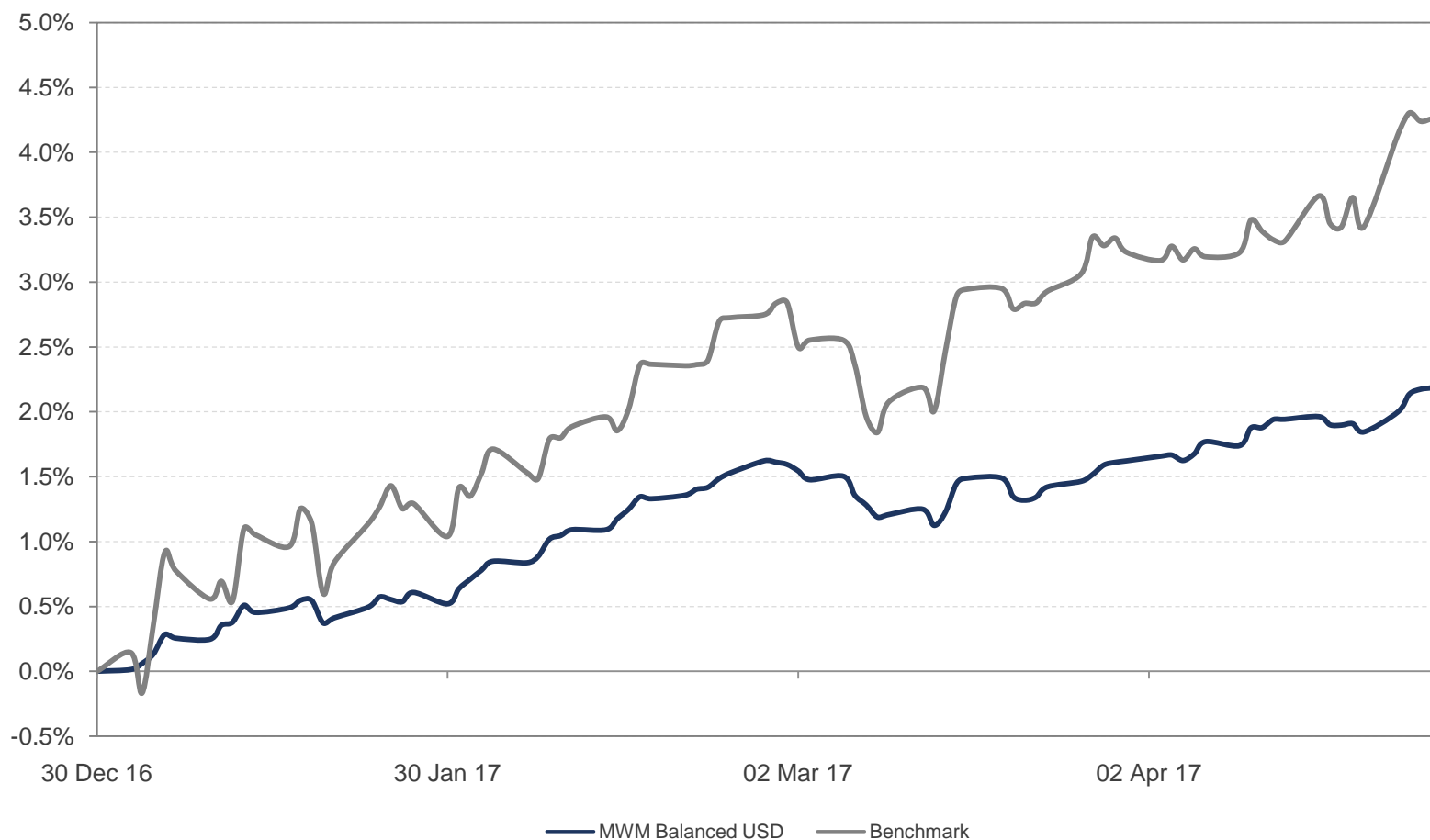
# MWM Model Portfolio – Peer comparison



- **Total Return (Ytd<sup>1</sup>): 12<sup>th</sup> out of 15**
- **Standard Deviation (1 year<sup>1</sup>): 1<sup>st</sup> out of 15**
- **Downside Risk (1 year<sup>1</sup>): 1<sup>st</sup> out of 15**
- **Sharp Ratio (1 year<sup>1</sup>): 5<sup>th</sup> out of 15**

<sup>1</sup> As of May 2, 2017  
Source: Bloomberg

# MWM Model Portfolio – Ytd performance (Net)

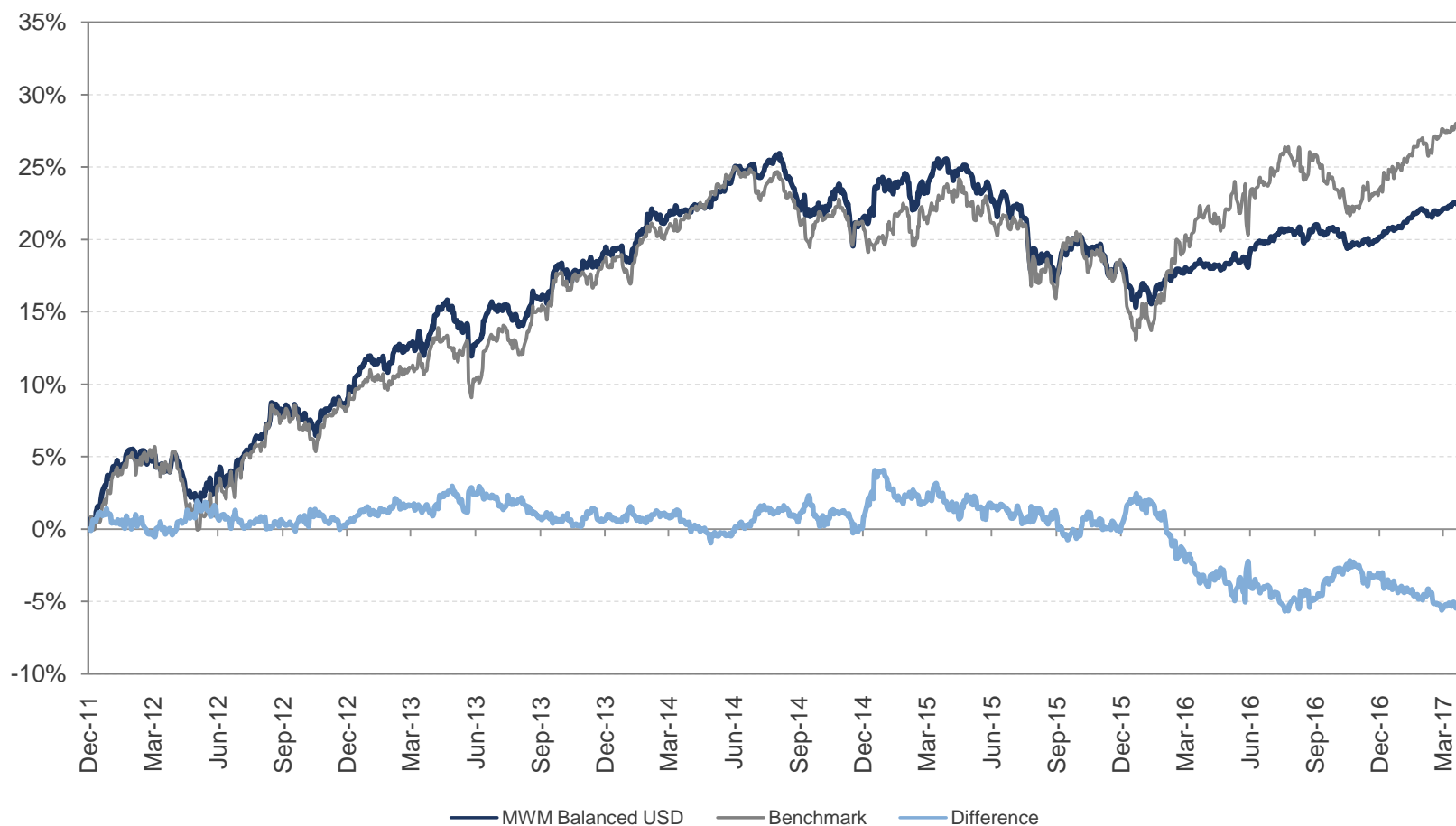


- **Total Return (Ytd<sup>1</sup>): 2.09% vs. 4.47% Benchmark<sup>2</sup>**
- **Standard Deviation (Ytd<sup>1</sup>): 1.16% vs. 3.45% Benchmark<sup>2</sup>**
- **Downside Risk (Ytd<sup>1</sup>): 0.86% vs. 2.26% Benchmark<sup>2</sup>**
- **Var 95% - 1day (Ytd<sup>1</sup>): -0.12% vs. -0.23% Benchmark<sup>2</sup>**

<sup>1</sup> As of April 30, 2017

<sup>2</sup> 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)

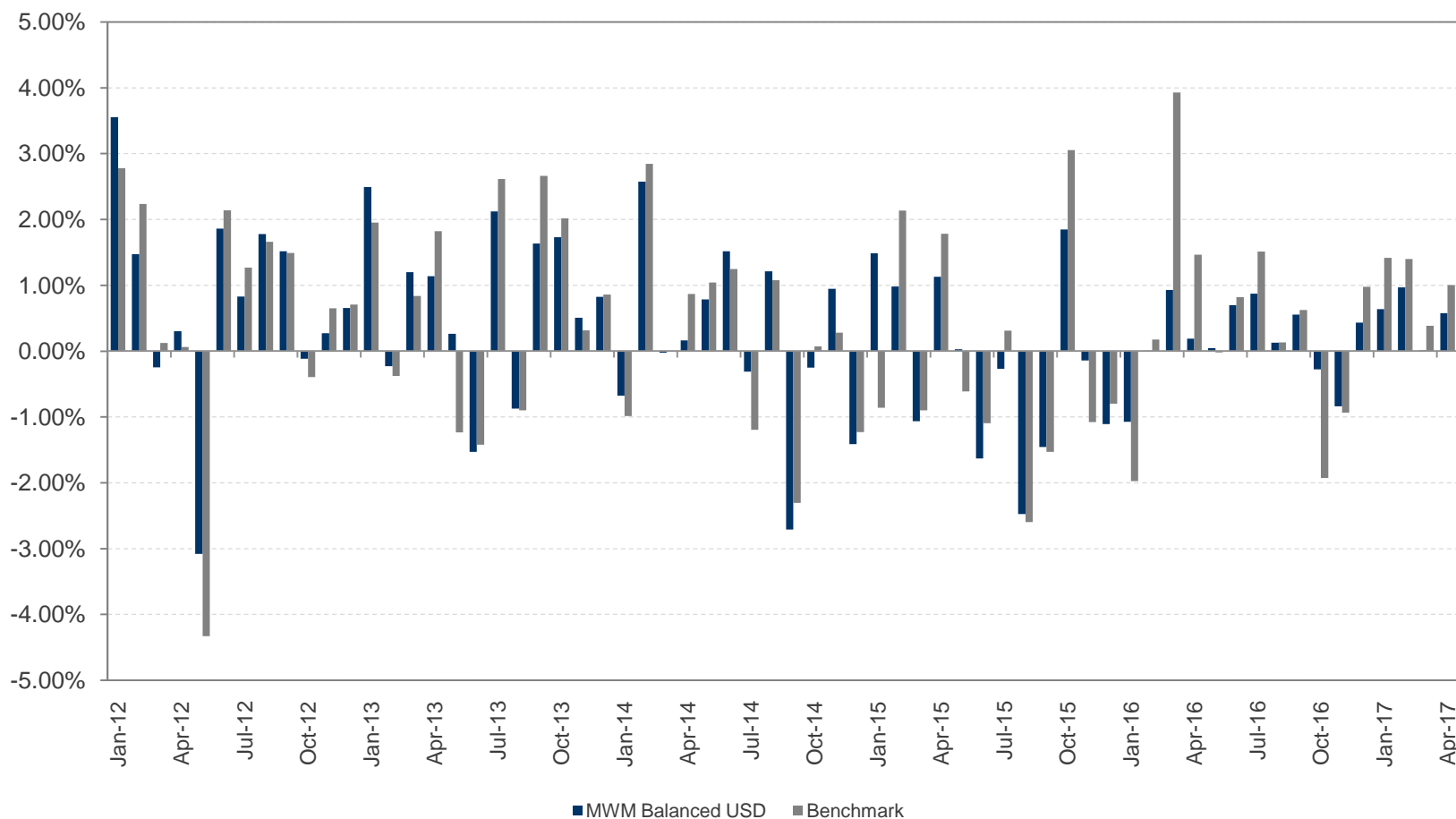


- **Total Return (1 year<sup>1</sup>): 3.87% vs. 6.28% Benchmark<sup>2</sup>**
- **Total Return (3 year<sup>1</sup>): 0.31% vs. 5.50% Benchmark<sup>2</sup>**
- **Total Return (Since Jan 12<sup>1</sup>): 22.83% vs. 28.74% Benchmark<sup>2</sup>**

<sup>1</sup> As of April 30, 2017

<sup>2</sup> 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 year<sup>1</sup>): 1.80% vs. 4.94% Benchmark<sup>2</sup>**
- **Downside Risk (1 year<sup>1</sup>): 1.37% vs. 3.70% Benchmark<sup>2</sup>**
- **Sharpe Ratio (1 year<sup>1</sup>): 1.91 vs. 1.21 Benchmark<sup>2</sup>**
- **Var 95% - 1day (1 year<sup>1</sup>): -0.17% vs. -0.42% Benchmark<sup>2</sup>**

<sup>1</sup> As of April 30, 2017

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

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