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Investment Letter No 1
Week 3
2019

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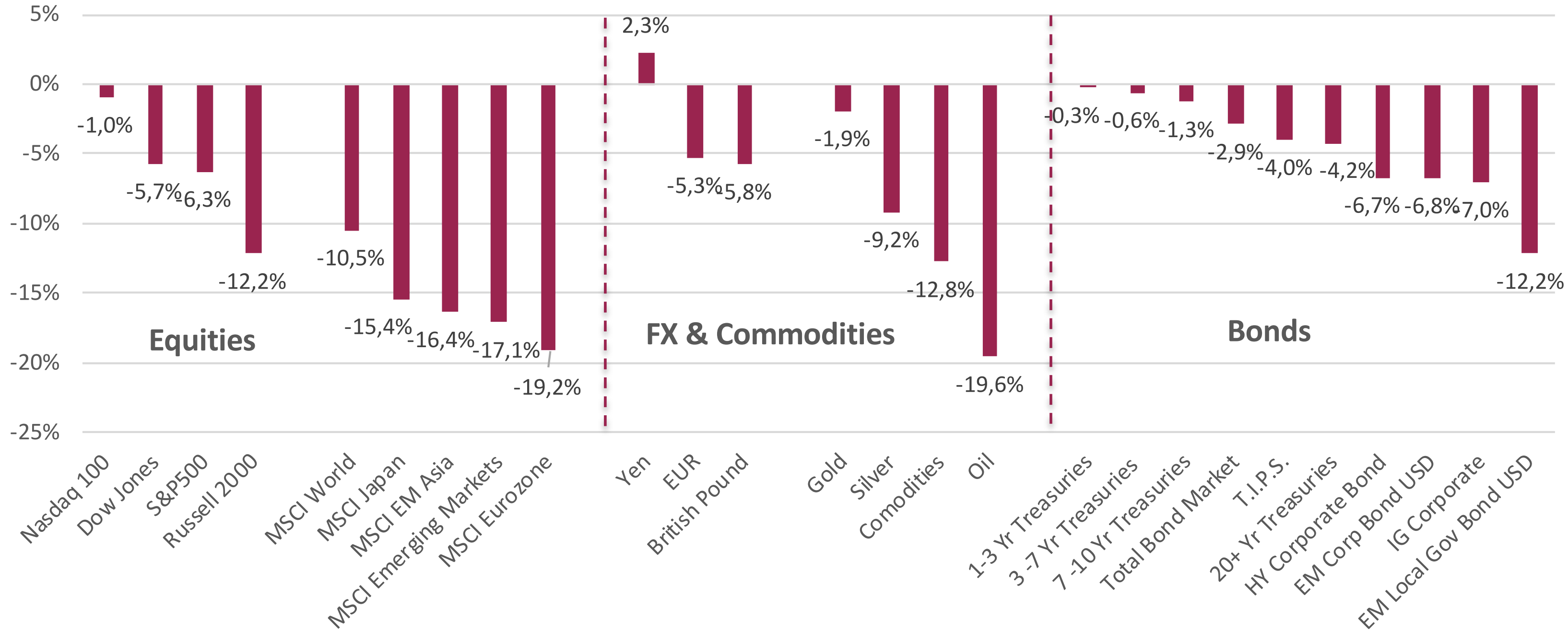
How various assets have performed in 2018

USD-Total Returns of listed Exchange Traded Funds in %:
dark mangenta = 2018 total returns



To put 2018 into context:

- The **loss of market cap in global stocks marks the biggest since 2008**. Asian & European stocks suffered their worst annual performance since 2008 whereas US stocks (which for most of the year outperformed its international peers) suffered the **worst December months since the Great Depression in 1931**. Never since 1979, has the S&P500-index retreated so much in a year where earnings growth was +10%.
- **All segments of USD-bond markets are underwater for 2018**. Investment Grade Corp Bonds suffered their worst yearly loss since 2002.
- All commodities ended the year lower. **USD was the only hiding place**, with the USD-posting its best annual gain since 2015.

Source: Bloomberg; FIS Market Map; all data as of 31th of December

How our Model Portfolios performed in 2018

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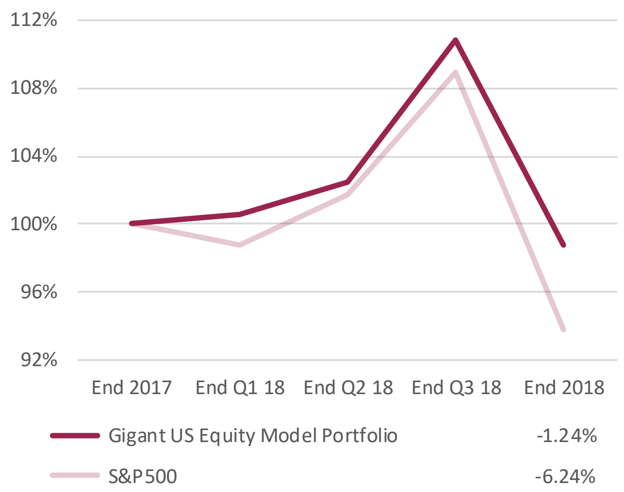
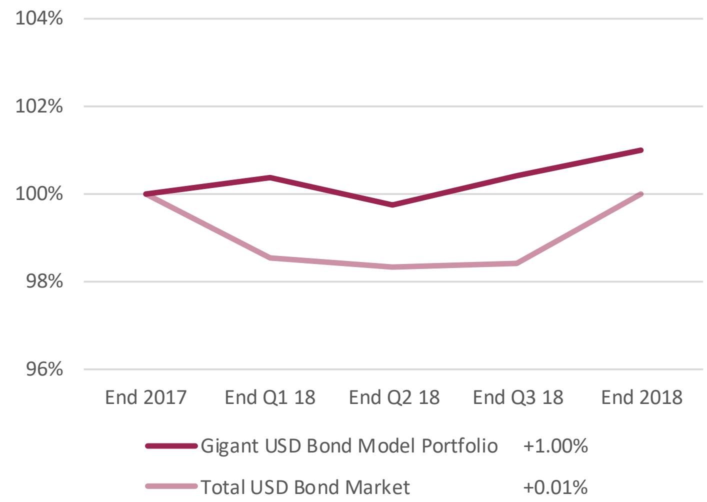
Performance 2018 Equity Model Portfolio vs Benchmark:



Performance 2018 Bond Portfolio vs Benchmark:



Equity Conclusion:

Doing well (not great) on the way up while loosing less on the way down during Q4: apart from the fact we also did not manage to end the year in green, there is not much we can complain about. With hindsight, a prudent approach was key to success in 2018.

Bond Conclusion:

While the absolute level of return is nothing one can cheer about, the relative outperformance and the level of resilience our Model Portfolio is encouraging. Short on Duration and an focus on better credit quality were the key to success. Even the relatively high EM-exposure was no handicap.

Source: FIS Market Map; Stockopedia; own calculations; all data as of 31th of December

Tracker Certificate on "Gigant Option Based Equity Growth Strategy"
Factsheet as of 31th of December 2018

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About the product:

- The Certificate tracks the performance of the «Gigant Option Based Equity Growth Strategy»
- The strategy which consists of equity index options aims to generate positive results independent from the overall equity market direction
- The strategy's return may be derived from the overall market direction, changes in volatility and in particular time decay. The strategy may make use of leverage

PERFORMANCE OVERVIEW *):	1 Month	1 Quarter	YTD	ITD
NAV as of end of months	+10.46%	+24.33%	-1.21%	+2.24%

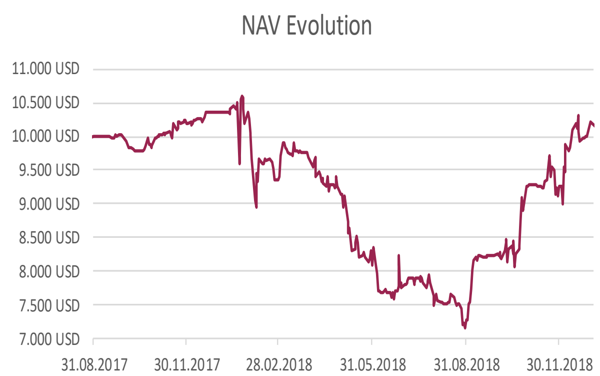
Manager Comment for December 2018:

Although it contained the trading day with the biggest point-rise in the Dow Jones in more than a decade, December 2018 will mark the single worst December-performance since 1931 for US equity markets (-9,9% for the S&P500 index). As nervousness grew, stocks were dumped across the board not matter their price level or quality. While many mainstream investment houses still argued in favour of the notorious year end-rally, we entered the month with a short bias on which we were quick to capitalize substantial gains. That helped us to almost fully recover the admittedly large losses which accrued during H1 2018. With a plus of +24.33% during the last quarter of 2018, a time during which the US equity market lost -14,7%, Q4 2018 was probably the final prove that our strategy does indeed have the ability to smooth out losses of a traditional long-only portfolio during times of market stress. The heighted level of volatility provides an excellent playing field for 2019 so that we are confident this strategy is going to shine in the year to come. We will enter the year with no positions since we prefer to wait until the dust of the last volatile trading sessions settles down.

Open Positions	Option	Underlying	Maturity	Strike	Performance
-	-	-	-	-	-

CERTIFICATE KEY FACTS:	
Launch Date:	01.09.2017
Issue Price:	10'000 USD
End of Month NAV:	**10'223.62 USD**
ISIN:	CH0366634860
Management Fee:	0%
Performance Fee:	20%
Agent / Issuer:	Leonteq Securities
Index Manager:	Gigant Swiss Consulting

RISK FACTORS:	
Max. Drawdown:	-32.59%
Volatility p.a.:	22.13%



*) The performance quoted represents NET past performance and does not guarantee future results. *Current* performance may be lower or higher than the performance quoted.
Source: Leonteq, SIX Swiss Exchange, all data as of 31th of December

Tracker Certificate on "High Income Emerging Market Bond Strategy" Factsheet as of 31th of December 2018

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About the product:

- Within the framework of this **actively managed** strategy, we **invest into a basket of Emerging Market Corporate- and Government Bonds, denominated in USD**. The strategy deliberately puts a **strong focus on Turkey**.
- The strategy puts a **particular emphasis on low investment grade / high junk-credit ratings**. While it avoids the lowest rating buckets, the strategy does not have any credit rating restrictions. Accordingly, it may also invest into securities without official credit rating.

PERFORMANCE OVERVIEW *):	1 Month	1 Quarter	YTD	ITD
NAV as of end of months	+1.34%	+1.12%	+1.12%	+1.12%

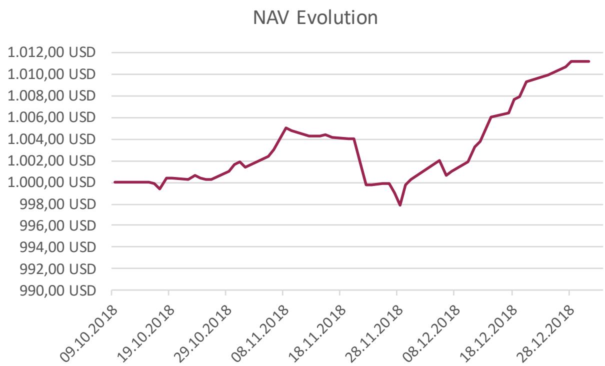
Manager Comment for December 2018:

We used the small retreat in Turkish Bond prices from late November to further invest our spare cash during the first days of December. Among the new purchases were Yapi Kredi, Is Bankasi, Garanti Bank and Arçelik. The portfolio's cash quota is now below 10%. Accordingly, the portfolio fully benefitted from a decent tightening in Turkish Credit Spreads which lifted bond prices across the board. Going forward, the strategy is set to generate a decent income (average coupon rate stands at 5,95%) even if the headwinds of tightening credit spreads should abate.

5 Biggest Holdings	Issuer	Maturity	Rating	Weight
5.5%	Turkiye Is Bankasi	21.04.2019	B2	19.28%
4%	Yapi Kredi Bankasi	22.01.2020	B1	18.77%
7.25%	Turkey Government	23.12.2021	B1	9.88%
6.25%	Turk Gar Bank	20.04.2021	B1	9.57%
4.75%	Turk Gar Bank	17.10.2019	B1	9.54%

CERTIFICATE KEY FACTS:	
Launch Date:	05.10.2018
Issue Price:	1'000 USD
End of Month NAV:	1'011.20 USD
ISIN:	CH0436997461
Management Fee:	1.5%
Performance Fee:	0%
Agent / Issuer:	Bank Vontobel AG
Index Manager:	Gigant Swiss Consulting

PORTFOLIO RISK FACTORS:	
Yield to Maturity:	5.94%
Duration:	1.80



*) The performance quoted represents NET past performance and does not guarantee future results. *Current* performance may be lower or higher than the performance quoted.
Source: Vontobel, SIX Swiss Exchange, all data as of 31th of December

Our Tactical Asset Allocation (6months horizon)

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EQUITIES –> REMAIN UNDERWEIGHT

- In mid December, when we published our last Investment Letter for 2018, major US stock averages traded around the same level where they are right now, just ahead of the busiest weeks of the current earnings season during which corporations will report about their activities in Q4 2018 and offer their 2019 outlook. Anyhow, one should not forget that **during that months, US averages did drop by almost -10%** until Christmas Eve **just to recover most of that drop until now**. So what do we learn out of this and what are the implications for our investment strategy?
- **Stocks can drop fast and further than one might think**: stock investments may turn sour in a very short period of time and without any apparent reason (although off course, regular readers of our publication knew something was up and that we opted for cautiousness). While the **current bounce** looks impressive, it **is nothing but a bear-market rally** until more important technical resistance levels are cleared. We are not perma-bears and we believe that the later stage of 2019 could be an unexpectedly positive environment for stocks (for instance in case macro economic data show that a recession can be avoided). So far however, **macro economic data do point to the downside** and therefore any calls from experts to see the proverbial glass half full is just wishful thinking. Instead, better **prepare for more short term weakness** to come.
- **Momentum works in both directions**: (growth) stocks experienced a strong momentum for most of 2018 leading the broader market by a vast margin. The strategy worked for long until it finally didn't and suddenly the leaders were the laggards in the down move. For the months to come, we (continue) to **believe that a combination of value, quality** (& growth) **will do best** at this very late stage of the economic cycle.

CASH –> REMAIN OVERWEIGHT

- During times where 3months Libor stands above 2,7% **cash is a very viable investment alternative**. Furthermore, having ample ammunition to buy into risk assets once they corrected to more attractive valuation levels will be key to success. We are still of the opinion we haven't reached this level now.

Our Tactical Asset Allocation (6months horizon)

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BONDS –> REMAIN NEUTRAL

- As highlighted in our Outlook for 2091, we **believe the market has somewhat overshoot in pricing out any rate hike for 2019**. While the FED implicitly admitted that it will slow its hiking path, we believe it is unlikely it will come to a halt mainly thanks to continued strength in the labour market and related to it, the short term inflationary pressure building in there. Long term inflation expectations however are well anchored (thanks to demographics, low productivity, a lack of capital investments and rising debt levels. Therefore, **a true and full yield curve inversion seems inevitable to us**. Stay at the front end of the curve until more clarity arises.
- In January, credit spreads have retracted a good amount of their blowout from Q4 2018. Anyhow, **in historic terms, credit spreads are still very low** and that during times of record high leverage and an average credit quality which is poorer then ever. Investors should therefore clearly **avoid lower credit quality** which does only compensate them by a proverbial few basis points but pose a risk of a significant spread widening. If lower credit exposure, then only in the 1-3 year timeframe which you may hold until maturity.
- **Emerging Market Debt in USD looks more compelling to us**, both in relative and absolute terms. The worst seems to be behind us as fundamental economic data are less bad as feared (for now) and further aggressive tightening of financial conditions looks increasingly unlikely.

ALTERNATIVES –> REMAIN OVERWEIGHT

- Also when going into 2019, we repeat our mantra that it is now more than ever a must to remain overweight on assets whose return is decoupled from traditional assets such as equities and bonds. The **need for uncorrelated returns was particularly evident during all of 2018 when both, bonds and equities sold off.**

House View: our Preferences on one Slide

Asset Class	We Like	We Don't Like
Equities	*Area*: **Diversification among US, EU & EM** *Sectors*: **Pharma, Consumer Defensives, Utilites** *Style:* **Value**	*Area*: **China** *Sectors:* **Telecom, Energy** *Style:* **High growth *without* quality**
Bonds	*Duration:* **~~Floating Rate Notes~~, Medium term duration** up to **7** years *Area:* **US**; ***selected*** **Emerging Markets (i.e.via Gigant High Income Emerging Market Bond Strategy)** *Credit:* **low grade IG**	*Duration*: **Ultra long duration** beyond **10** years Area: **China** *Credit:* **EU & US High Yield**
FX & Commo-dities	*FX Majors:* **USD, JPY** *Commodities:* **Gold**	*FX Majors:* **GBP~~, AUD~~** *FX Minors:* **~~TRY~~, NOK** *Commodities:* **Base Metals**
Alternatives	*Alternatives:* **Gigant Option Based Equity Growth Strategy; strategies with uncorrelated payoffs to equity & bond market direction**	

mangenta = recent changes

Overview US Equity Model Portfolio

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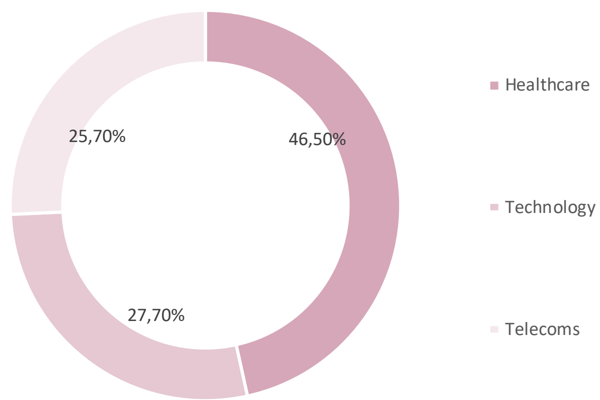
Performance Overview	2019	2018	2017	ITD *)
Gigant US Equity Model Portfolio	**+4,66%**	**-1,24%**	**+17,56%**	**+21,51%**
S&P 500	+5,15%	-6,24%	+19,4%	+17,74%
Dow Jones	+4,47%	-5,63%	+25,1%	+23,31%
Nasdaq 100	+6,14%	-1,04%	+27,1%	+38,14%

Current Situation:	
Current Value:	1’224’978 USD
Start Value:	1’000’000 USD
Realized Gains:	+203’708 USD
Unrealized Gains:	-14’160 USD
Cash:	565’350 USD (46%)
Equities:	659’627 USD (54%)

Evolution of 1Mio USD invested into the Gigant US Equity Model Portfolio since inception:

Current Sector Allocation:



computed by stockopedia.com; all data as of 17th of Jan; *) inception date = 31th of Dec 2016

Constituents of our US Equity Model Portfolio

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GICS Sector	Stocks & Performance	
Energy		
Basic Materials		
Industrials		
Consumer Discretionary		
Consumer Defensives	**CVS Health** -21,30%	
Health Care	**Merck** 28,40%	**Intuitive Surgical** 36,00%
Financials		
Technology	**Alphabet** 5,02%	**YY** -26,60%
Telecom	**AT&&** -15,40%	**Soft Bank** -14,90%
Utilities		
Real Estate		

stocks we hold but don't buy any more

stocks we still buy

performance = price returns

computed by stockopedia.com; all data as of 17th of Jan

Changes to our USD Bond Portfolio:
SELL Pemex 2019 to BUY ALFA GROUP 2024

3.125% Petroleos Mexicanos 23.01.2019

Rating:	BBB+
Selling Price:	99.99%
Hold. Period:	**747 days**
Tot. Return	**+8.49%**

Rationale of Disposal: This bond is about to mature on 23th of January 2019.

About the Issuer: Pemex is Mexico's national oil company and it is 100% owned by the Mexican state. We remain of the view that the Mexican government will continue to support Pemex, if needed, to ensure that the company remains current with financial and supplier obligations. On 18 October 2018, Moody's, which rates Pemex Baa3 with Stable outlook, stated that announced plans by the incoming López Obrador administration of boosting the company's refining capacity and abolishing crude oil exports would be credit negative, if enacted.

5.25% ALFA S.A.B. 25.03..2024

Rating:	BBB-
Buy Price:	100.42%
Yield:	**5.22%**
Duration:	**4.3385**
Min. Size:	200'000 USD

Investment Rationale: Switching maturing PEMEX into this ALFA-204bond keeps the portfolio's country exposure to Mexico unchanged. In light of the much more muted forecast for further rate hikes, adding a touch more duration is necessary given the extremely short duration of the overall portfolio.

About the Issuer: ALFA is a Mexican conglomerate that operates via subsidiaries in petrochemicals (via Alpek brand), aluminum auto parts (Nemak), food (Sigma), telecommunications (Axtel), and natural gas and hydrocarbons (Newpek). ALFA's diversified business portfolio offers the company some protection in times of economic down-cycles, not to mention Alpek's, Nemak's and Sigma's strong positioning in their respective markets. In late 2018, leverage (total debt divided by 12-month trailing EBITDA) came in at 3.2, down from 4x in December 2017. As of 30 September 2018, ALFA reported over USD 1.1bn in cash, USD 607mn in short-term debt, and about USD 555mn in annual interest expense, while 12-month trailing EBITDA is running at over USD 2.5bn.

*) non-annualized total return including coupon payments, changes in accrued interest and price changes; all price data from FIS Market Map

Changes to our USD Bond Portfolio:
SELL IDBI 2019 to BUY Indian Oil Corp 2024

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3.75% IDBI Bank LTD 25.01.2019

Rating:	BB+
Selling Price:	100%
Hold. Period:	**747 days**
Tot. Return	**+6.68%**

Rationale of Disposal: This bond is about to mature on 25th of January 2019.

About the Issuer: The Industrial Development Bank of India (IDBI) was established in 1964 by the government of India to provide credit and other facilities for industrial development. Following its public offering in 1995, government ownership was reduced and currently stands at 70%. The IDBI Act mandates that the government retain a minimum of 51% ownership in the bank. Its development finance role was challenged as the banking sector became more competitive, and in 2004, IDBI became a deposit-taking commercial bank, expanding its range of retail and wholesale banking services beyond its policy role.

4.75% Indian Oil Corporation 16.01.2024

Rating:	BBB+
Buy Price:	100.085%
Yield:	**4.74%**
Duration:	**4.2**
Min. Size:	200'000 USD

Investment Rationale: Switching maturing IDBI into the newly issued Indian Oil Corp 2024-bond keeps the portfolio's country exposure to Indian unchanged. In context with the exchange from Pemex to Alfa (*see page 14 for details*), the portfolio's industry exposure stays equally unchanged. Anyhow, one should note the better credit quality of Indian Oil (BBB+) vs IDBI (BB+). In context of the portfolio and given the much more muted forecast for further rate hikes, holding some 5yr-maturities is nothing but normal.

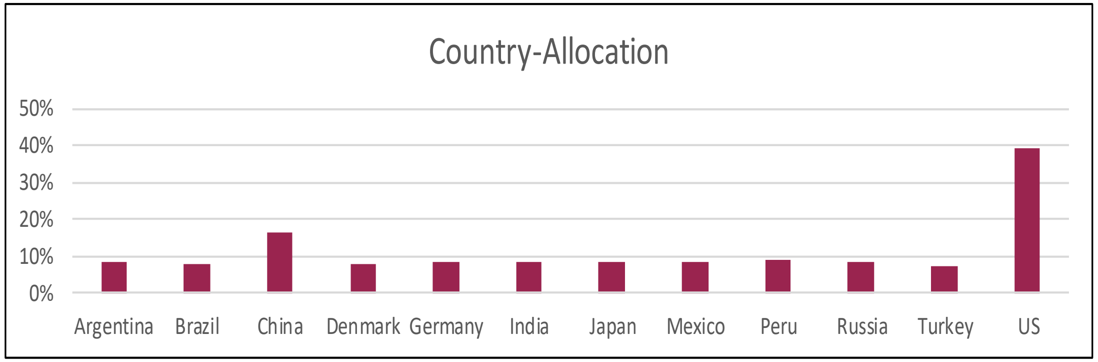
About the Issuer: Indian Oil Corp. Ltd. Explores and refines crude oil, in addition to manufacturing petroleum products such as lubricating oils, liquid petroleum gas, aviation turbine fuel, greases, wax and asphalt. Indian Oil Corp. has retail outlets throughout India. The greatest majority shareholding in the company is held by the Indian Government.

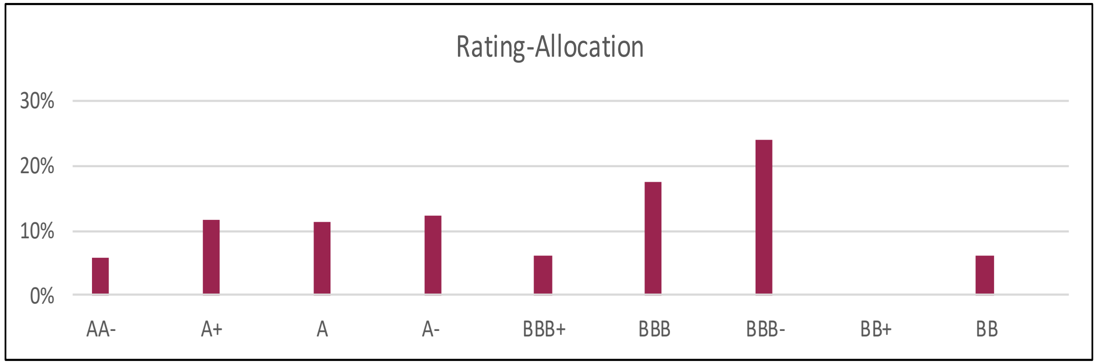
*) non-annualized total return including coupon payments, changes in accrued interest and price changes; all price data from FIS Market Map

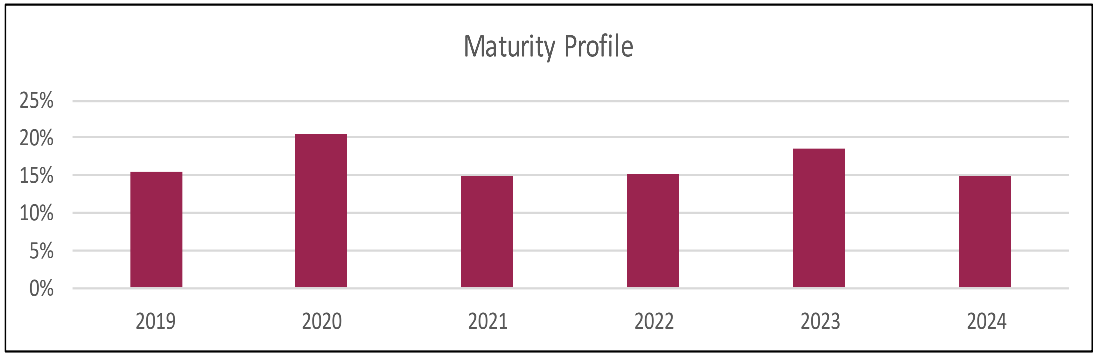
Overview USD Bond Model Portfolio

Performance Overview	YTD	2018	2017
Gigant USD Bond Model Portfolio	**+0,82%**	**+1,00%**	**+4,70%**
Bloomberg Barclays US Aggregate Index	+0,10%	+0,01%	+1,17%
Bloomberg Barclays EM USD Aggregate Index	+1,59%	-2,46%	+6,87%

Current Situation:	
Weighted average YTM:	3,95%
Weighted average Duration:	2,5







Source of data: FIS Market Map; own calculation; all data as of 17th of Jan

Constituents USD Bond Model Portfolio

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Coupon	Bond Instruments	Maturity	Rating	Country	Industry	YTM	Duration	Bid-Price	minimum size	Allocation
5,200%	VIMPELCOM HOLDINGS B.V.	13.02.2019	BB	Russia	Telephones	2,13%	0,1	99,99	200.000 USD	7,34%
5,750%	BUENOS AIRES, PROVINCE OF	15.06.2019	B-	Argentina	Municipality	4,28%	0,4	100,31	150.000 USD	7,38%
4,125%	SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPO	07.10.2019	BBB-	China	Electrical & Electronic	3,98%	0,7	100,03	200.000 USD	7,34%
4,950%	BARRICK (PD) AUSTRALIA FINANCE PTY LTD	15.01.2020	BBB-	Canada	Mining & Refining	4,00%	0,9	0,00	2.000 USD	0,00%
4,375%	AFRICA FINANCE CORPN	29.04.2020	A3		Supranational Agency	3,86%	1,2	99,75	200.000 USD	7,30%
4,000%	VOLKSWAGEN INTERNATIONAL FINANCE N.V.	12.08.2020	A3	Germany	Automobile Manufacturers	3,53%	1,5	100,29	100.000 USD	7,38%
2,343%	FORD MOTOR CREDIT COMPANY LLC	02.11.2020	BBB	US	Finance & Investment	4,41%	1,7	0,00	200.000 USD	0,00%
2,362%	CENTRAL NIPPON EXPRESSWAY COMPANY LIMITED	28.05.2021	A1	Japan	Railways & Transportation	3,35%	2,2	97,65	200.000 USD	7,00%
1,949%	CITIGROUP INC	02.08.2021	BBB+	US	Banking & Finance	1,66%	2,5	0,00	200.000 USD	0,00%
2,125%	CORPORACION ANDINA DE FOMENTO (CAF)	27.09.2021	AA-		Supranational Agency	3,23%	2,5	97,11	1.000 USD	6,92%
2,750%	STATE GRID OVERSEAS INVESTMENT (2016) LIMITED	04.05.2022	A+	China	Utilities	3,55%	3,0	97,48	200.000 USD	6,97%
2,500%	PHILIP MORRIS INTERNATIONAL INC.	22.08.2022	A	US	Tobacco	3,29%	3,3	95,88	1.000 USD	6,75%
5,000%	BBVA BANCO CONTINENTAL	26.08.2022	BBB	Peru	Finance & Investment	4,17%	3,2	102,62	200.000 USD	7,73%
3,100%	GENERAL ELECTRIC CAPITAL CORPN	09.01.2023	A	US	Finance & Investment	4,54%	3,5	0,00	200.000 USD	0,00%
3,500%	BRASKEM AMERICA FINANCE COMPANY	10.01.2023	BBB-	Brazil	Chemicals	4,54%	3,5	95,94	200.000 USD	6,75%
3,375%	EMC CORPN	01.06.2023	BB-	US	Electrical & Electronic	5,19%	3,8	0,00	200.000 USD	0,00%
3,875%	DANSKE BANK A/S	12.09.2023	A-	Denmark	Banking & Finance	4,52%	4,1	0,00	2.000 USD	0,00%
4,750%	**INDIAN OIL CORPN LTD**	**16.01.2024**	**A-**	**India**	**Oil & Petroleum**	**4,73%**	**4,2**	99,90	**200.000 USD**	**7,32%**
5,250%	**ALFA, S.A.B. DE C.V.**	**25.03.2024**	**BBB-**	**Mexico**	**Industrial (General)**	**5,16%**	**4,3**	100,24	**200.000 USD**	**7,37%**
4,215%	COCA COLA ICECEK URETIM AS	19.09.2024	BBB	Turkey	Food Manufacturing	5,54%	4,8	93,62	2.000 USD	6,43%

Source: FIS MarketMap; all data as of 17th of Jan

mangenta = recent changes

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