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Investment Letter

No 1
January
2020

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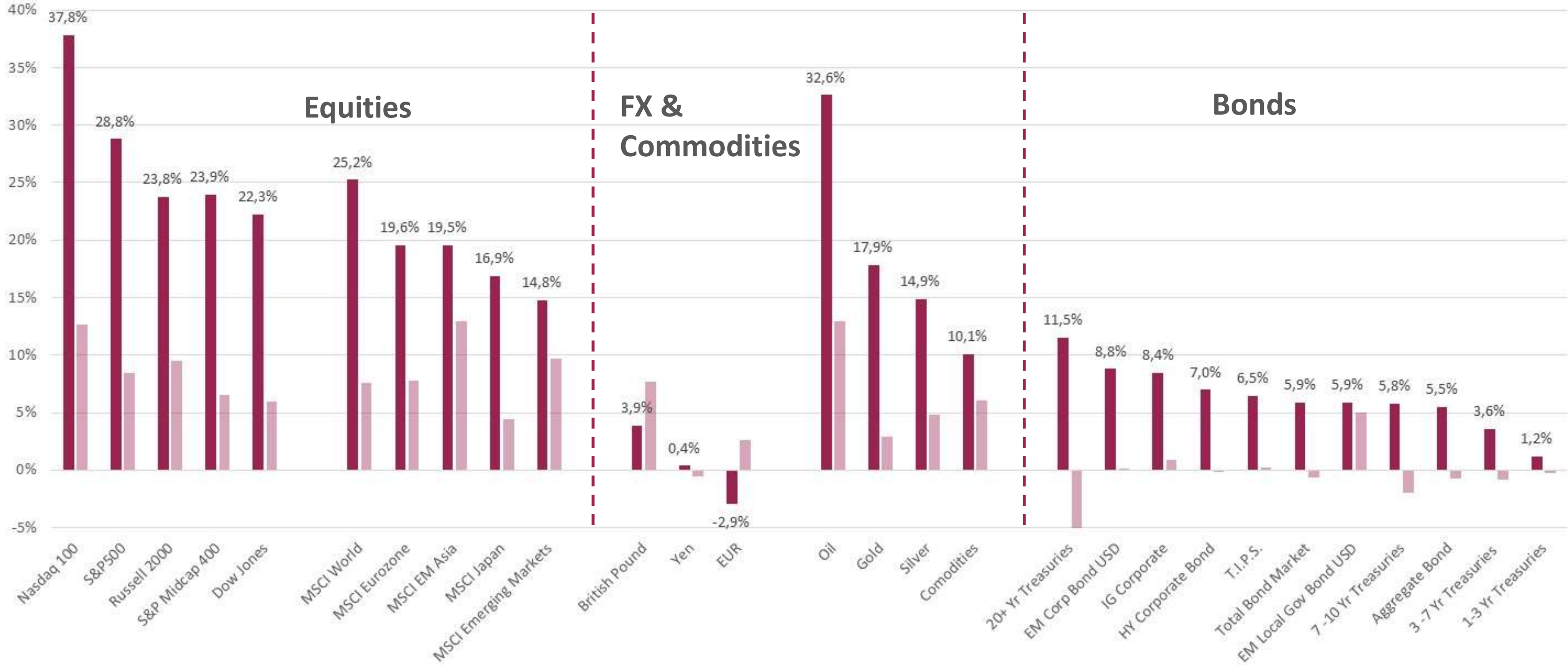
How various assets have performed in 2019

USD-Total Returns of listed Exchange Traded Funds in %:

dark mangenta = 2019 total returns **light mangenta = Q4 2019 total returns**



To put 2019 into context:

- In equities, the **MSCI World Index** experienced its **best year since 2009**. In the US, the S&P 500-Index rose by the most since 2013 although earnings per shares advanced by only a meagre +0.2%. Despite the broad risk-on sentiment, defensive sectors outperformed cyclicals in the US.
- In USD-Bonds, 30year yields fell the most since 2014 while **2year yields fell the most since 2008** (remember: bond prices rise when yields fall).
- **Gold** had its **best year since 2010** while the **USD** basically **went nowhere** (apart from minor gains vs. EUR).

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

How our Model Portfolios performed in 2019

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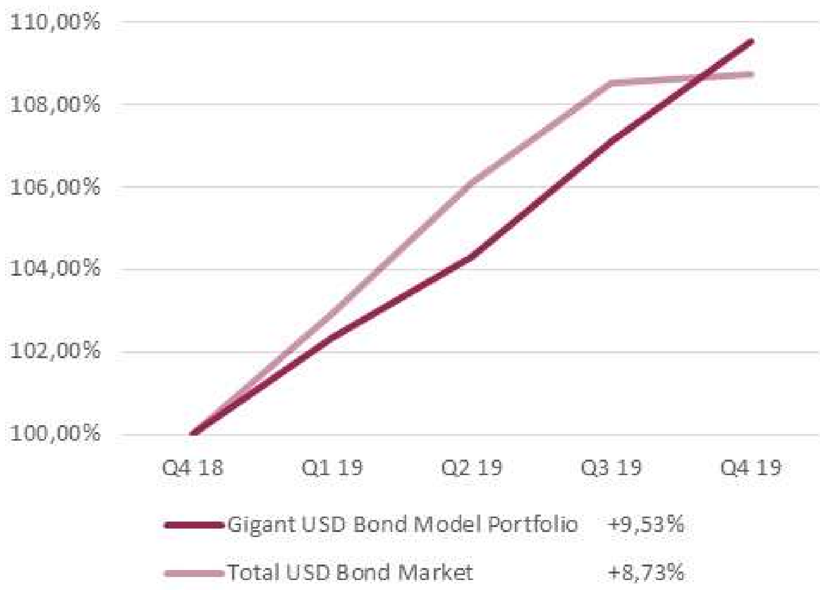
Performance 2019 Equity Model Portfolio vs Benchmark:

Performance 2019 Bond Portfolio vs Benchmark:



Equity Conclusion:

The good thing is that our Equity Model Portfolio has **outperformed the broader market** for all of the year, despite the fact that we were **underweighting equities** for part of the year (and thus holding cash). Conversely, we can conclude that our **stock selection** was **pretty decent** although towards the year end, our outperformance started to lag due to the relatively low beta exposure.

Bond Conclusion:

Being **long duration** lead to outperformance for bond investors in 2019 but although we changed course rather quickly (we were very short duration in late 2018), it was **not long enough-** hence the underperformance for most of the year. Ultimately, a **solid credit selection** helped our portfolio to benefit from continued spread compression, in particular during Q4, a period where most bond indices went sideways.

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

Tracker Certificate on "High Income Emerging Market Bond Strategy" Factsheet as of 31th of December 2019

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About the product:

- Within the framework of this **actively managed** strategy, we **invest into a basket of** (predominantly) **Emerging Market Corporate- and Government Bonds, denominated in hard currency**. The strategy deliberately puts a **strong focus on Turkey**.
- The aim of this strategy is to offer bond investors an attractive total return in USD. The strategy does not have any credit rating restrictions. Accordingly, it may also invest into securities without official credit rating.

TOTAL RETURN OVERVIEW *):	1 Month	1 Quarter	YTD	ITD
NAV as of end of months	+1.14%	+1.64%	+8.31%	+9.53%

Manager Comment for December 2019:

On 6th of December, the 2nd payment worth 30 USD per unit was distributed to investors. Investment-wise, we further diversified our portfolio with new issues from Jaguar Land Rover (owned by Indian Tata Motors) and the inaugural hard currency transaction of the People's Republic of Laos. Short term bond from Mexico's Cemex as well as the Republic of Sri Lanka whose bonds were under pressure following the new president's announcement of larger than expected tax cuts. The high proportion of US Treasury Bills at the end of the year is the result of relatively large cash inflows towards year end. We deliberately hold cash reserves as we expect a variety of Turkish issuers to tab the market in early 2020 for refinancing purposes.

5 Largest Holdings	Issuer	Maturity	Rating	Weight
0%	US Treasury Bill	18.06.2020	AA	11.64%
4%	Veon Holding	09.04.2025	BB+	4.02%
6.25%	Garanti Bank	20.04.2021	Ba1	3.97%
4%	Yapi Kredi Bankasi	22.01.2020	B1	3.85%
4%	Akbank	24.01.2020	Ba3	3.85%

CERTIFICATE KEY FACTS:	
Launch Date:	05.10.2018
Issue Price:	1'000 USD
End of Month NAV:	1'045.26 USD
ISIN:	CH0436997461
Management Fee:	1.5%
Performance Fee:	0%
Agent / Issuer:	Bank Vontobel AG
Index Manager:	Gigant Swiss Consulting
Distribution Yield:	4.79%

POTFOLIO RISK FACTORS:	
Yield to Maturity:	3.84%
Duration:	3.64

*) 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

- We have maintained an underweight rating on equities since late Q3 2019. Thanks to a very **sound stock selection** we could keep **underperformance** during that time somewhat **in check** *(see also page 4)* but with such a strong market move, it is needless to say that our allocation is starting to bit into our outperformance achieved earlier on. Funny enough, despite all exuberance in the market, **defensive sectors** (to which we are mostly exposed) **still keep pace** with cyclical sectors. For us, that is just another prove that the **current market rise is** not about a (strong) macro economic recovery but just a function of the **unparalleled liquidity injections** from central banks around the world. For sure, exuberance can persist for longer but the market is getting so heavily oversold these days that it would just be outright irresponsible to throw client's money after it. For instance, the **S&P 500-index** is now trading **about +10% above it's 200-day moving average**, a level which was **higher only two times in history** (and both times were followed by rather aggressive short term corrections). After all, liquidity fuelled asset bubbles (yes we do call this a bubble since neither macro economic growth nor corporate earnings keep pace with the growth rates implied by the stock market) have always ended in tears – sooner or later.
- Unless market leadership was about to change, we happily **maintain our rather prudent sector / style allocation** which favours more defensively aligned industry groups. As highlighted in our Outlook for 2020, we put a particular emphasis on companies with more domestically oriented sales exposure.
- A common financial market "bon mot" is that a rising tide is lifting all boats but as the earnings season for Q4 2019 is about to unfold**, focusing on companies which beat or maintain their guidance** will be more important than ever before. At present high stock levels, we would expect those corporates unable "to deliver" to underperform the broader market.

CASH –> REMAIN OVERWEIGHT

- Admittedly, it's a tough call to defend cash holdings these days. However, getting 1,5% for US-T Bills up to 12months is not the worst and it helps preserving buying power for better opportunities which will arise over the course of this year.
- From a currency perspective, we are still very **constructive on the EUR vs USD** and target 1,14-1,15 to the USD over the course of H1 2020.

Our Tactical Asset Allocation (6months horizon)

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BONDS –> REMAIN NEUTRAL

- In our investment outlook for 2020, we summarized our view that the FED is keeping **short term rates lower for longer**. Despite a muted recovery in economic growth, **longer term yields** will be kept in check by inflation and **will only rise modestly** in our eyes resulting in a **moderate steepening of the yield curve**. We thus advocated to **position around the belly of the yield curve** (i.e. in the 3 to 7 year are).
- In our outlook for 2020, we also warned of the **unfavourable risk-reward ratio of lower credit quality bonds**. This does not seem to be an imminent threat as long as the liquidity driven risk on-sentiment persists, but it represents a **medium term overhang** to credit investors. **Short term** however, yield seeking investors are **pushing spreads** across the fixed income spectrum **lower**. To a degree, we ride this move by taking positions in the lower IG / high non-IG segments but we **avoid the lowest rating buckets**, as well as less liquid senior loans or convertible bonds.
- Our **bright spot** continues to be **emerging markets** (both corporates and government bonds) in hard currency. The **relative attractiveness** of emerging markets compared to developed markets will in our eyes lead to continued investor inflows.

ALTERNATIVES –> REMAIN OVERWEIGHT

- With regards to commodities, we **continue to favour gold** which is set to **benefit from a weakening US Dollar and low inflation**. Its ability as hedge against any de-risking of investors was evident in early January again following the rising US-Iranian tensions. The mid January setback from the USD 1600.- level to about USD 1550.- per ounce is again a decent entry point towards our **medium term target of USD 1700.-** per ounce. For oil, we believe the upside to be fairly limited as the longer prices stay relatively high, the more supply will be added to markets from the US shale gas industry (*see also page 10 for more details*).
- **Relative value** and low beta strategies in any product-form **help to diversify portfolios** during times of high equity prices and low rates.
- Private Equity looks extremely toppish and could be hit first in case global liquidity was about to diminish at some point. Hands off!

House View: our Preferences on one Slide

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Asset Class	We Like	We Don't Like
Equities	*Area*: **"domestic" sales exposure** *Sectors*: **Consumer staples & defensives, Healthcare, (US) Banks** *Style:* **Quality, Value, Dividends,**	*Area*: **"global" sales exposure** *Sectors:* **Energy, Semiconductors** *Style:* **Value traps, High Growth with no quality**
Bonds	*Duration:* **Medium term duration** of up to **7** years *Area:* **Emerging Markets corporate & sovereign debt in hard currency** *Credit:* **high & low grade IG; subordinated debt**	*Duration*: **Floating Rate Notes, duration > 10 years** Area: **EU government bonds** *Credit:* **High Yield, Senior Loans, Convertible Bonds**
FX & Commo-dities	*FX Majors:* **EUR** *FX Minors:* **CAD, NZD, NOK, RUB, BRL** *Commodities:* **Gold**	*FX Majors:* **CHF** *FX Minors:* **TRY** *Commodities:* **Base Metals**
Alternatives	*Alternatives:* **relative value strategies**	*Alternatives:* **listed Private Equity**

mangenta = recent changes

Product of the Month: 1yr Inverse BRC on Oil (1/2)

How it works:

- The investor receives a **fixed & guaranteed coupon of 6% p.a.** **The invested amount is fully repaid if the underlying Oil ETF** (see next page for details) **does not trade > 130% of today's level** **<u>at maturity date in 1 years time</u>.** The Oil ETF may well trade above the barrier level during the lifetime of the product with no impact on the final redemption.
- Accordingly, the investor will only suffer a capital loss in case the underlying Oil ETF gains *more than +30%* of today's value *at maturity date*. In that case, the capital loss equals the positive performance of the Oil ETF over the lifetime of the product.
- The issuer may early recall this product first after 3 months at 100%, provide the Oil ETF trades <100% of today's price.

5 Year Chart WTI Crude Oil:

Preliminary Product Parameters: *)

Issuer:	Goldman Sachs (credit rating: A3)
Coupon:	6% p.a.; paid monthly (0.50%)
Maturity	1 year
Barrier at Maturity:	130% of today's ETF price of the underlying Oil ETF
Underlying ETF:	"The United States Oil Fund"-ETF, traded on New York Stock Exchange under Ticker: USO
Minimum Invest Size	1'000.- USD
Early Redemption:	quarterly, first after 3 months, if underlying ETF trades > 100% than initial price

Where your risks are:

Scenario Analysis at Maturity:

Performance of the underlying Oil ETF	Capital Loss of invested amount:	Interest Payment:
+50%	-50%	6%
+40%	-40%	6%
+30%	0%	6%
+10%	0%	6%
0%	0%	6%
-10%	0%	6%
-30%	0%	6%
-35%	0%	6%
-40%	0%	6%
-50%	0%	6%

Source: St.Louis FRED

Product of the Month: 1yr Inverse BRC on Oil (2/2)

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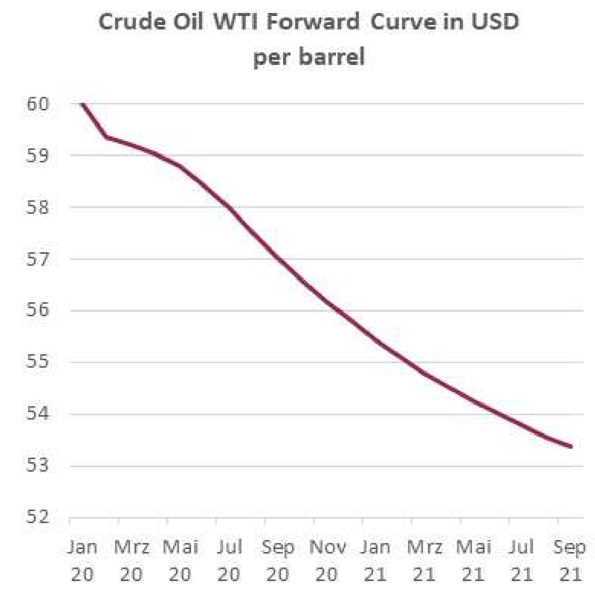
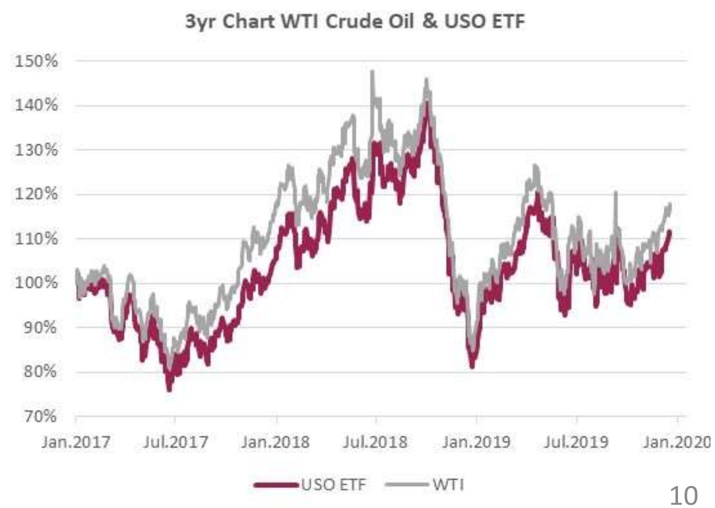
Investment Rationale:
During the first days of 2020, fears of a potential Iran retaliation on oil assets pushed oil prices to their highest levels since the attacks on Saudi Arabia's Abqaiq facility last September. Absent a major supply disruption, we believe that the **risk for oil is skewed to the downside** for the months to come- a view which is also supported by the shape of the current futures curve structure (*see graph on the right*). The precedent set by the Abqia attack showed that the **oil market has significant supply flexibility** starting when Brent Crude Oil trades around $ 70 per barrel, even before US shale gas production needs to ramp up. This implies only moderate upside even in case of an attack on oil assets should materialize. Bear also in mind that, according to the EIA, the US is already now the world's largest oil producers (18%) while Iran's 4% share of world's supply puts it only 7th. Any eventual short term spike caused by a rise in political tension is thus highly likely to be short lived thanks to the **potential for quick capacity increases**. We thus want to capitalize on the recent volatility spike in oil by selling the upside-risk for oil prices over a 1 year time horizon.



The selected underlying ETF:
"The United States Oil Fund LP" (USO) is an **exchange-traded security** designed to **track the daily price movements of West Texas Intermediate** ("WTI") light, sweet **crude oil**. USO issues shares that may be traded on the New York Stock Exchange. The investment objective of USO is for daily changes in the percentage term's of its shares' NAV to reflect the daily changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the daily changes in price of USO' Benchmark Oil Futures Contract, less USO's expenses. As per early January, this ETF held **total assets** worth **approx. 1,148bn USD**.



Source: Bloomberg

Overview US Equity Model Portfolio

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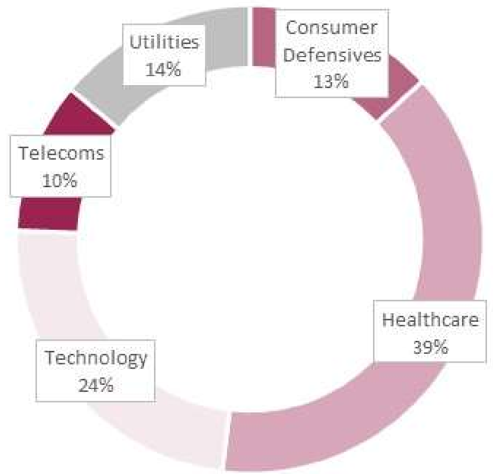
Performance Overview	2020	2019	2018	2017	ITD *)
Gigant US Equity Model Portfolio	**+2,18%**	**+30,56%**	**-1,2%**	**+17,6%**	**+54,90%**
S&P 500	+2,66%	+28,88%	-6,2%	+19,4%	+48,15%
Dow Jones	+2,66%	+22,34%	-5,6%	+25,1%	+48,25%
Nasdaq 100	+4,49%	+37,96%	-1,0%	+27,1%	+87,62%

Current Situation:	
Current Value:	1’548’950 USD
Start Value:	1’000’000 USD
Realized Gains:	+391’136 USD
Unrealized Gains:	+106’329 USD
Cash:	648’643 USD (42%)
Equities:	900’307 USD (58%)

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 16th of Jan; *) inception date = 31th of Dec 2016

Constituents of our US Equity Model Portfolio

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GICS Sector	Stock & Performance	
Energy		
Basic Materials		
Industrials		
Consumer Discretionary		
Consumer Defensives	**CVS Health** -5,60%	**Philipp Morris** 18,90%
Health Care	**Merck** 54,90%	**Intuitive Surgical** 26,10%
Financials		
Technology	**Microsoft** 39,20%	**Joy (formerly YY)** -32,00%
Telecom	**AT&T** 4,97%	
Utilities	**NextEra Energy** 8,16%	
Real Estate		

performance = price return exluding dividends

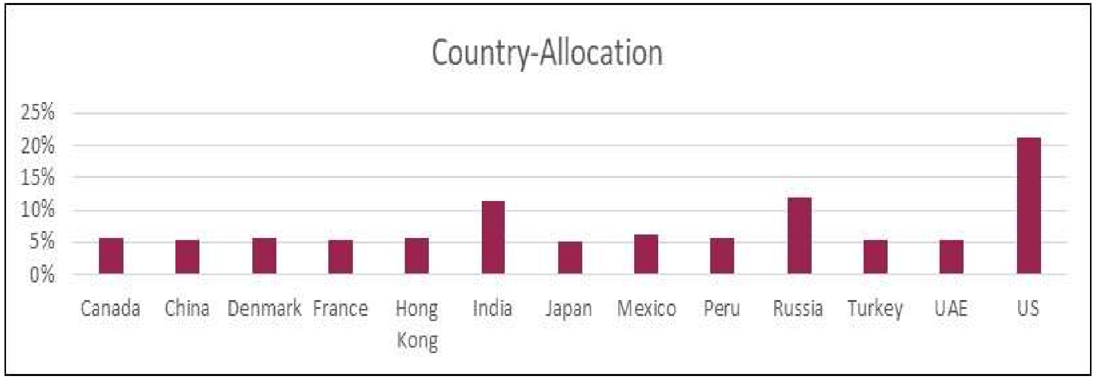
computed by stockopedia.com; all data as of 16th of Jan

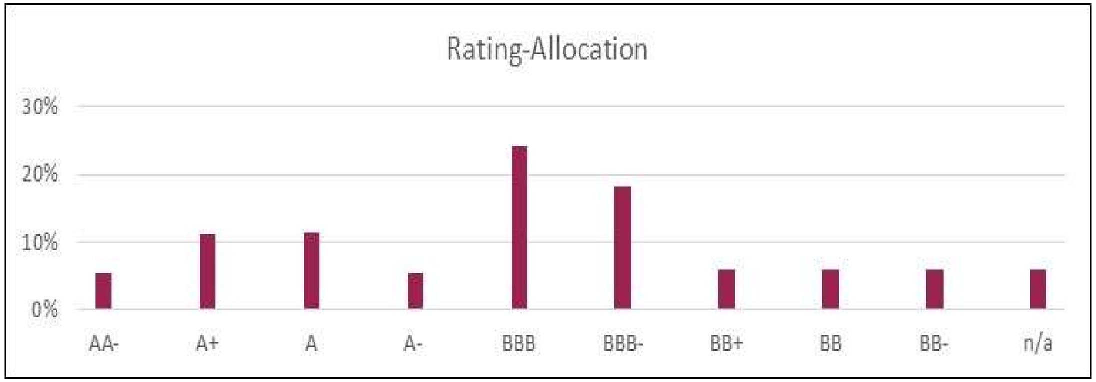
Overview USD Bond Model Portfolio

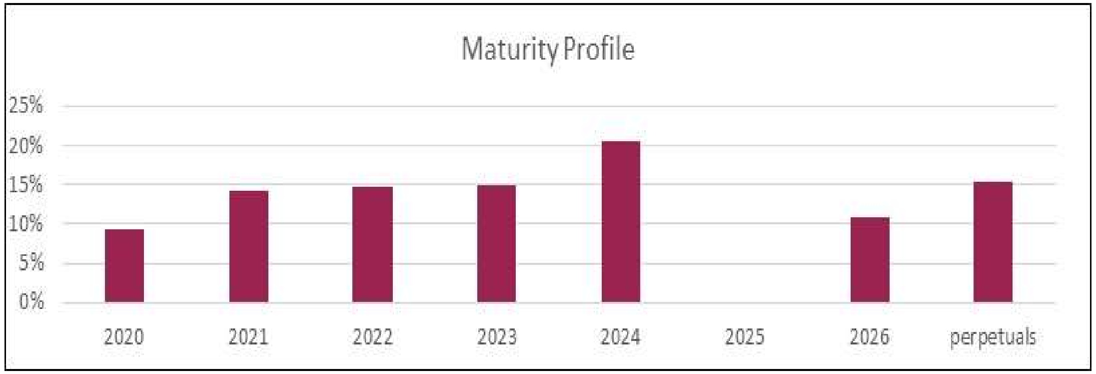
Performance Overview	YTD	2019	2018	2017
Gigant USD Bond Model Portfolio	**+0,50%**	**+9,5%**	**+1,0%**	**+4,7%**
Bloomberg Barclays US Aggregate Index	**+0,60%**	**+8,7%**	**+0,0%**	**+1,2%**
Bloomberg Barclays EM USD Aggregate Index	**+0,92%**	**+10,1%**	**-2,5%**	**+6,9%**

Current Situation:	
Weighted average YTM:	3,12%
Weighted average Duration:	4,5

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







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Constituents USD Bond Model Portfolio

	Coupon	Bond Instruments	Maturity	Rating	Country	Industry	YTM	Duration	Bid-Price	minimum size	Allocation
	4,375%	AFRICA FINANCE CORPN	29.04.2020	A3		Supranational Agency	2,14%	0,3	100,60	200.000 USD	4,71%
	2,343%	FORD MOTOR CREDIT COMPANY LLC	02.11.2020	BBB	US	Finance & Investment	2,76%	0,8	99,68	200.000 USD	4,63%
	5,950%	GAP INC	12.04.2021	BB-	US	Supermarkets & Stores	3,23%	1,1	103,26	200.000 USD	4,96%
	2,362%	CENTRAL NIPPON EXPRESSWAY COMPANY LIMITED	28.05.2021	A1	Japan	Railways & Transportation	2,19%	1,3	100,22	200.000 USD	4,68%
	2,125%	CORPORACION ANDINA DE FOMENTO (CAF)	27.09.2021	AA-		Supranational Agency	2,17%	1,6	99,92	1.000 USD	4,65%
	5,375%	VOLCAN COMPANIA MINERA S.A.A.	02.02.2022	BB	Peru	Mining & Refining	2,84%	1,9	104,98	200.000 USD	5,13%
	2,750%	STATE GRID OVERSEAS INVESTMENT (2016) LIMITED	04.05.2022	A+	China	Utilities	2,19%	2,2	101,24	200.000 USD	4,77%
	2,500%	PHILIP MORRIS INTERNATIONAL INC.	22.08.2022	A	US	Tobacco	1,92%	2,5	101,45	1.000 USD	4,79%
	3,100%	GENERAL ELECTRIC CAPITAL CORPN	09.01.2023	A	US	Finance & Investment	2,25%	2,8	102,43	200.000 USD	4,88%
	5,250%	LOUIS DREYFUS COMPANY B.V.	13.06.2023	n/a	France	Commodity Trading	4,28%	3,0	103,02	200.000 USD	4,94%
	3,875%	DANSKE BANK A/S	12.09.2023	A-	Denmark	Banking & Finance	2,68%	3,3	104,12	2.000 USD	5,05%
	4,750%	INDIAN OIL CORPN LTD	16.01.2024	A-	India	Oil & Petroleum	2,97%	3,5	106,64	200.000 USD	5,30%
	5,250%	ALFA, S.A.B. DE C.V.	25.03.2024	BBB-	Mexico	Industrial (General)	2,96%	3,7	108,95	200.000 USD	5,53%
	5,375%	GMR HYDERABAD INTERNATIONAL AIRPORT LIMITED	10.04.2024	BBB	India	Services	4,08%	3,6	104,95	200.000 USD	5,13%
	4,215%	COCA COLA ICECEK URETIM AS	19.09.2024	BBB	Turkey	Food Manufacturing	3,51%	4,1	103,00	2.000 USD	4,94%
	4,000%	**BOS FUNDING LTD**	**18.09.2024**	**BBB+**	**UAE**	**Banking & Finance**	**3,75%**	**4,1**	**101,07**	**200.000 USD**	**4,76%**
	5,150%	GAZPROM OJSC	11.02.2026	BBB	Russia	Oil & Petroleum	2,97%	5,2	111,99	200.000 USD	5,84%
	4,949%	**GTLK EUROPE DESIGNATED ACTIVITY COMPANY**	**18.02.2026**	**BB+**	**Russia**	**Oil & Petroleum**	**4,13%**	**5,1**	**104,37**	**200.000 USD**	**5,07%**
*)	4,750%	TOWNGAS FINANCE LTD		A-	Hong Kong	Utilities	4,43%	15,7	105,21	200.000 USD	5,15%
*)	4,800%	BANK OF MONTREAL		BBB-	Canada	Banking & Finance	4,59%	21,8	104,60	200.000 USD	5,09%

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

mangenta = recent changes

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