Investment Policy Annual Report 2019

- The global economy weakened over the course of the year. Based on a worldwide weakness in sales in the automotive sector, industrial activities were slowing down. This was evident in export-heavy Germany, but indicators of the US economy also fell unexpectedly sharp. The dispute between China and the US to regulate the economic relationship dragged on and visibly unsettled market players. Investment activity remained extremely subdued and the volume of trade collapsed.

- The US Federal Reserve initiated a reversal in monetary policy, lowering the benchmark rate by 0.75% in three steps, citing increased economic risks. As inflation persistently remained below target, these expansive policy measures do not contradict the objective of price stability.

- Weak growth in Europe prompted the European Central Bank to resume their securities purchase program of €30 billion per month. This policy was also continued under the new ECB Chairman Lagarde.

- The political climate has tended to intensify: US sanctions against Iran threatened to further destabilize the region (drone strikes on oil tankers and infrastructure facilities in Saudi Arabia), unrest in Hongkong, bickering between Korea and Japan, and the impeachment proceedings against Donald Trump were relevant to financial markets. The Brexit process resulted in new elections, which the Conservatives won by an overwhelming majority.

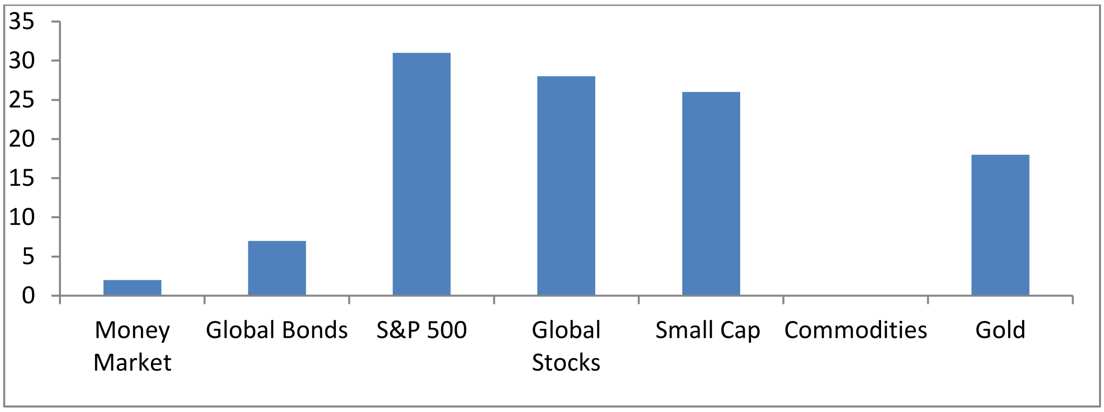
- Government bond yields fell to new lows, and risk premia from both private and public debtors continued to shrink. This resulted in attractive total returns, which were double-digit for high-yield investments.

- Foreign exchange markets were remarkably calm in the main currencies. The USD index was virtually unchanged, and the British pound gained 3% due to clear views in the Brexit process. The economic weakness had a negative impact on the euro, which lost 3.6% against the Swiss franc.

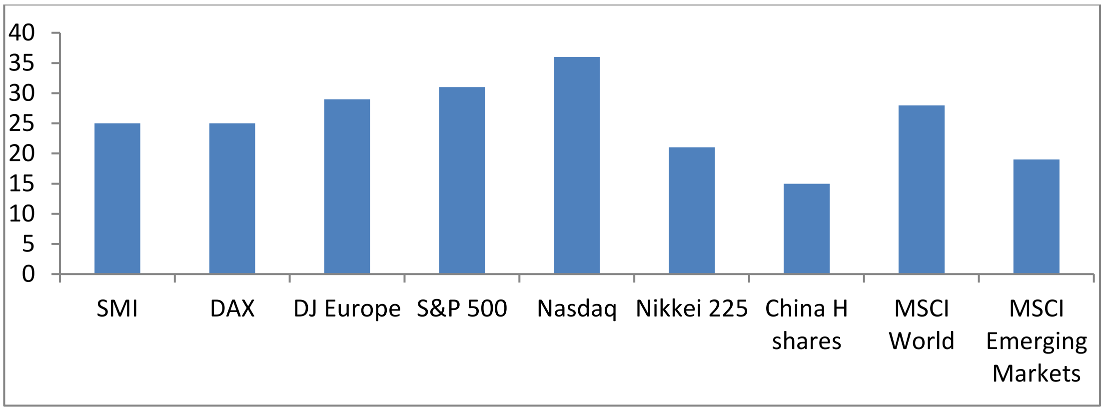
- The price of oil (Brent) rose by almost 30%, butthis was rather the result of an excessive decline in the last quarter of 2018. Fears of a war-induced supply crunch remained modest. Precious metals became more expensive, with the rise of palladium particularly striking. Tighter emissions regulations for car manufacturers created additional demand.

- After a loss-making previous year, stock markets rose sharply in 2019 and various markets reached an all-time high. The bull market continued to be driven by the IT industry. Energy stocks were the weakest, up 12%. The world index for emerging markets fell well short of traditional markets. This is likely to be attributed, among other things, to trade uncertainties and the slump in world trade. The Swiss stock market developed very positively. An important driver of this development was the demand for dividend values as an alternative to the completely uninteresting Swiss franc and Euro bond markets.

Gross income 2019 in USD for different asset classes



Performance 2019 in local currency for selected stock indices



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