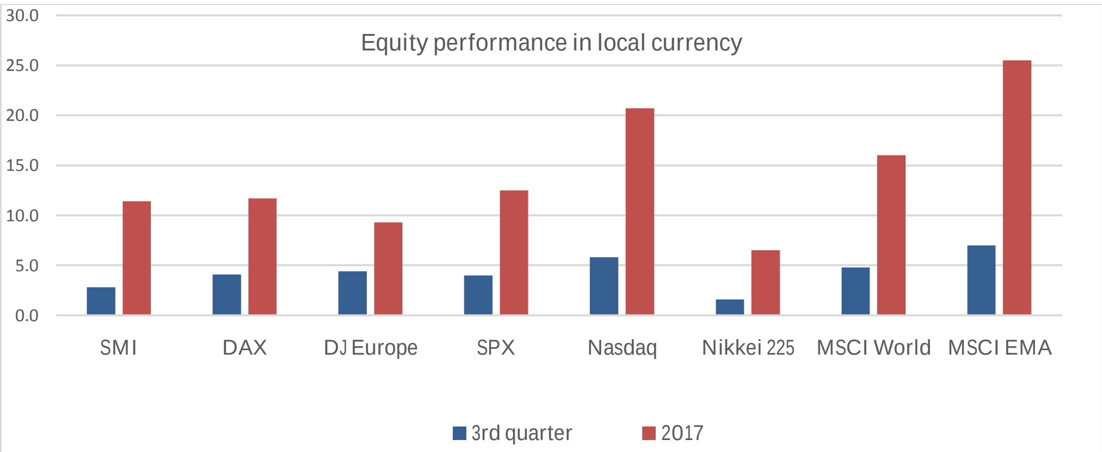
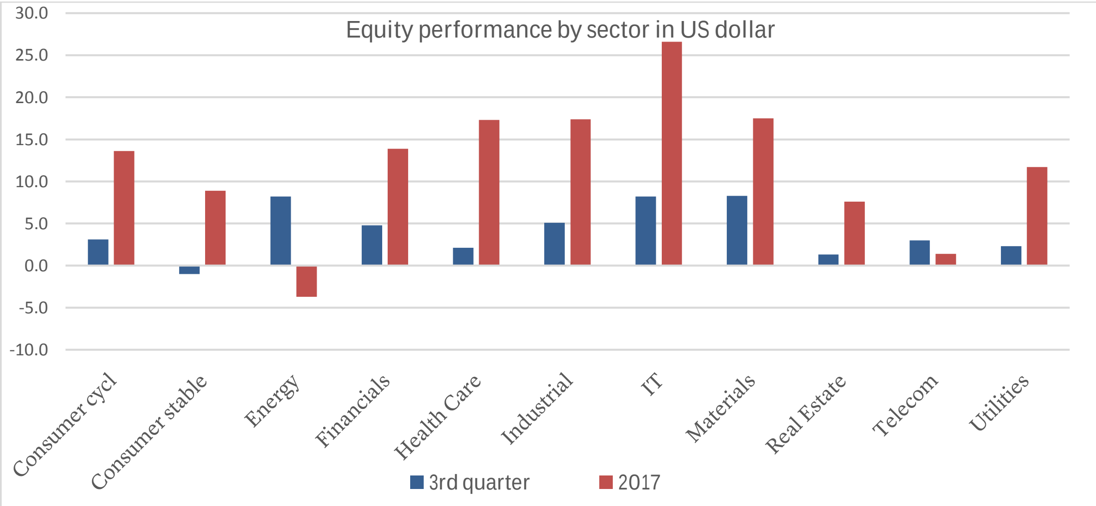
Q3 2017 interim report on investment policy

- It has been confirmed that the global economy is set on a synchronous course of growth for the first time since the financial crisis. China surprised with an unexpectedly strong increase in its national product of 6.9% in the second quarter. In this friendly economic environment, most companies reported quarterly profits in excess of the consensus estimate.
- North Korea provoked the global public with missile tests that escalated into a veritable verbal war between Trump and Kim. This had very little effect on the financial markets as the worst case scenario of a war between the two countries was deemed to be highly unlikely.
- Speculation about the monetary policy of the Fed and the ECB continued as usual against a background of persistently low inflation rates. The markets increasingly started suspecting that the US will not raise the interest rate again this year. The Fed's announcement that it will start reversing the balance sheet expansion in October pushed interest rate expectations higher again.
- The unsteady interest rate expectations affected the performance of the US dollar, which lost around 3.5% against the euro and the pound sterling. At 1.14 to the euro, the Swiss franc lost ground in tandem with the US currency. The ostensible decline in political tension in the EU supported this positive development for the SNB.
- The yield on top-grade ten-year government bonds remained virtually unchanged, with only bonds denominated in pounds returning a slightly better yield. On average, risk premiums for private debtors hardly changed at all.
- The oil price recovered from its lowest point for the year and traded at around USD 52 per barrel for WTI and USD 58 for Brent. Industrial metals also firmed substantially on the back of the positive performance of the economy. Precious metals, however, disappeared into the background.



- Based on the MSCI World Index the equity markets gained around 5%. The emerging markets were the biggest winners once again, but Switzerland at 3% and Europe and the US at 4% each also improved. Commodity, energy and IT shares were among the favourites, while the performance of defensive consumer stocks was slightly negative.



Outlook

The economic momentum is likely to continue for some time, supporting corporate earnings. The expectation in the US is that Congress will implement parts of the tax reform that was announced with great fanfare. This will make it easier for the Fed to return to normal monetary policy. On the financial markets, we still think that bonds are uninteresting and vulnerable to correction, while equities have not yet exhausted their potential. In today's multipolar world, geopolitical tensions remain a threatening reality that can temporary strongly affect the financial markets.

Wangs, October 2017

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