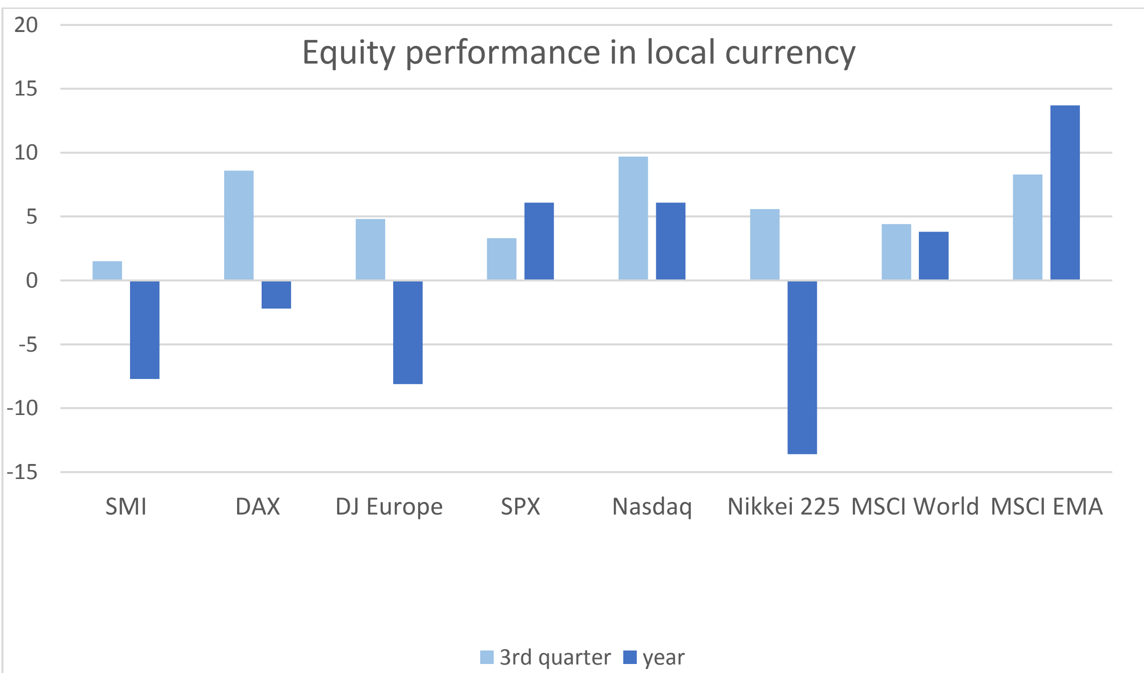
Q3 2016 interim report on investment policy

- The interest landscape has barely changed, although speculation about the next interest rate hike in the US kept the financial markets on their toes. The UK not entirely surprisingly and probably also preemptively cut its base rate to 0.25% following the Brexit vote. The risk premiums of bonds of private and public sector debtors tended to fall, thereby generating decent returns.
  We expect interest rates in Europe to remain very low and the base rate in the US possibly to be hiked in December. This will probably have little impact on dollar bonds as a significant increase in inflation fears is very unlikely for the time being.
- The oil price moved sideways, driven by oversupply fears and hopes of a restriction on production that the OPEC somewhat surprisingly agreed.
- The currency front remained unusually quiet. Sterling succeeded in stabilising after the "Brexit crash". The CHF fluctuated between 1.08 and 1.10 to the euro and also remained virtually unchanged against the USD. With the exception of palladium there was no further increase in the prices of precious metals.



- The attempted coup in Turkey was unsuccessful and its echo on the financial markets correspondingly short-lived. While the outcome of the US presidential elections is set to remain at the forefront of the media, its medium-term consequences for the real economy, interest rates and equities are anything but clear.
- The equity markets gained a good 4% compared with the World Index. The European market performed somewhat better, with above all the DAX delivering a convincing performance. The emerging markets also made gains and are therefore among the year's

winners. In sector terms, technology stocks recovered from their weakness and almost achieved double-digit growth. The losers were the telecommunications and utility industry stocks that were previously surprising on the upside.

While the economic situation has stabilised somewhat, it remains unsatisfactory in various regions/countries. Motivated by the dubious impact of monetary policy, politicians are increasingly rediscovering fiscal policy as an instrument for stimulating the economy and gradually moving away from the austerity path pursued in previous years. Both candidates in the US are promising a package to promote infrastructure. The imminent rebalancing of economic instruments will have varying consequences but is sure to spur the imagination of stock exchange participants in the short term.

Wangs, October 2016