

## INVESTMENT-THESES 2010/11

Each thesis should apply with a probability of more than 50%. The sum of the predictions should apply with a probability of 66%. The purpose of these theses is, on one hand, higher investment discipline and, on the other hand, higher transparency of our views and statements.

### stock markets overall

1. **Equity markets are fundamentally ahead of their expectations.** We are expecting a **substantial correction** latest by midyear.
2. **We do not foresee a sustainable acceleration of economic growth in 2010.** On the contrary we are expecting another weak phase. We do not expect a V-shaped recovery. Best case we could see a U-shaped recovery. We are avoiding cyclical companies as well as the financial service industry. Our focus is on high quality defensive companies with **substantial dividend yields.**

### sectors

3. Sectors with a stable course of business, low debts and steady cashflows will be the winners of this year. **Pharmaceutical-, medical technology-, agriculture- and food companies** are among those winners. We also favour **the telecom- and utility sector** with its appealing dividend payouts.
4. Thanks to president Obama pharma-, solar- and oil companies will benefit. If Obama's health care reform comes through, pharmaceutical companies will compensate their smaller margins with over 30 mio. new „clients“. **Historically low valued oil companies** will be supported by the government in order to incentivate **natural gas** and **solar** technology.

### commodities/ real assets

5. We believe that deflationary tendencies are going to prevail. Nevertheless we continue to be **overweighted in physical gold and goldmining stocks.** Continued monetary stimulus will lead to a selective inflation in commodities in the medium term. **In the first place we see gold as a substitute currency.**

### geographical regions

6. As everyone knows wealth is being created in emerging markets such as China, India and Brasil. However we believe that **emerging markets are rather expensive** at the moment. We prefer to invest in globally aligned companies with growing shares of sales in these emerging countries. Additionally **Japan**, which was neglected in 2009, **finally will outperform in 2010.**

### fixed income

7. Despite a further massive enlargement of the monetary base **we do not expect inflation.** Continuously high unemployment and deleveraging will keep interest rates at a low level. Therefore we prefer **long-term corporate bonds** or even perpetuials. In general and we **stay away from government bonds** not only in the US but also in Europe.

### currencies

8. The **USD will appreciate against the Euro and the Swiss franc** latest when stock markets start to correct. Traditional portfolio managers as well as hedge fund manager will cut back on foreign values for the benefit of US values and close existing USD short positions.