INVESTMENT-THESES

2019

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DIEM CLIENT PARTNER

Your investment advisor

INVESTMENT-THESES FOR 2019

Our theses serve the purpose of investment discipline and increased transparency regarding the statements of the portfolio managers.

Equity Markets

1. After a negative year for markets, despite earnings growth of 20%, it is **very likely that stock markets will have a positive year**. We expect this to be the case for 2019.

2. The recent performance of the global economy has been disappointing. Trade conflicts and restrictive monetary policy have weighed on the economy. However, we expect to see some relaxation in these two problem areas. This will provide a positive impetus for the global economy and the stock markets in particular. But as we are still in the late stage of the cycle, risks around the world may have an impact at any time. **Market participants currently appear to have an exaggerated assessment of risk. We consider the current risk/return profile to be attractive and are therefore invested**.

Geographic Regions

3. Compared to the U.S., Europe's growth has been modest in recent years and valuations are more favourable. This means that there is potential for catch-up. Apart from the threat of a disorderly "hard" Brexit, the upcoming political agenda in Europe looks rather dull. **The potential for convergence may therefore be realised**.

Sectors

4. The valuations of certain **European cyclicals** have already priced in a recession. We consider this to be exaggerated. We will therefore continue to invest in stocks such as Heidelberg Cement, SAP and Continental. **Insurance stocks are also very cheap** and a potential rate hike would provide the sector with a boost.

5. **In the U.S., we still like technology stocks** with intact trends. These include software and internet companies, and also increasingly semiconductor manufacturers. **We like companies with a Chinese focus** such as Las Vegas Sands and Alibaba, as we believe in a recovery in China. In terms of defensive stocks, pharmaceutical and biotech companies are still among our favourites.

6. Companies in the **real asset sector can generate strong returns** in a late-cyclical environment. This is why we are supplementing the portfolio with energy and commodity stocks.

7. The question of value or growth is not necessarily a key issue in the first half of the year. Both are currently interesting and we are starting the year **overweight on technology stocks and inexpensive cyclicals**. The balance sheet quality is particularly important here.

Bonds

8. Interest rates will initially rise slightly in 2019. Refinancing needs will be high due to the expansionary fiscal policy of recent years. This will keep pressure on interest rates. We see returns on the **10-year U.S. Treasury as being close to 3%**. We are also expecting **slight upward pressure in Europe.**

9. In the bond area, we consider the **discount on hybrid bonds** with inflation protection as **exaggerated**. At these low prices, we are buying, with a preference for short-dated securities.

Currencies

10. We expect the **USD to depreciate against the EUR**. The CHF is likely to trend slightly weaker against the EUR and USD in the first half of 2019.