MID-YEAR REVIEW INVESTMENT-THESES

2019

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DIEM CLIENT PARTNER

MID-YEAR REVIEW
INVESTMENT-THESES 2019

A **self-critical review** of **our theses from January,**

including our outlook for the second half of the year.

Equity markets

1. We expect a positive year for stock markets in 2019.

✓ **The first half of the year was encouraging.**
The markets are still being supported by expansive monetary and fiscal policies.

2. Trade conflicts and restrictive monetary policies are weighing on economies. However, we are expecting an easing of these problems.

✓ **Restrictive monetary policies have been considerably eased. It seems the key players in the trade conflict are coming closer together.**
A further escalation of the trade war will not help the U.S. President, who will be seeking re-election in a year's time.

Geographical regions

3. In comparison to the U.S., stock values in Europe are considerably cheaper.

⊖ **Relative to other markets, Europe closed at only an average level.**
The comparative basis for the economy is considerably lower than in the U.S. As a result, European stocks could positively surprise.

Sectors

4. In Europe, cyclical and defensive pharmaceutical shares should be particularly highlighted.

✓ **Cyclical shares have in fact performed better.**
Selected cyclical European shares are still part of the portfolio.

5. In the U.S., we like technology stocks and companies with a Chinese focus, and in the area of defensive stocks, pharmaceutical companies.

⊖ **Technology stocks have yielded the best returns by far. Pharmaceutical stocks have remained behind.**
For the second half of the year we still like technology stocks. We are still retaining selective exposure to China.

6. Companies in the real asset sector will provide good returns in the later part of the cycle.

✗ **We're still wrong here because energy stocks have yielded poor returns in the first half.**
Not only because of the geopolitical risks, we are still retaining selected real asset companies in the portfolio in the second half of the year.

7. In general, cyclical stocks and technology shares are of interest to us. As a result, ‚value' is less important than ‚growth'.

✓ **Technology companies and other cyclical stocks have performed positively.**
Towards the end of a cycle we are even more interested in growth and quality stocks.

Bonds

8. In 2019, interest rates will rise. We are seeing the 10-year U.S. Treasury around 3%.

✗ **Interest rates are falling.**
Even if interest rates fall at the short end, at the long end they should rise slightly from a low level in the second half of the year.

9. Our favourites in the fixed income area remain inflation-protected hybrid securities.

✓ **Our hybrid bonds have performed encouragingly in the first half of the year.**
Hybrid bonds remain our favourite.

Currencies

10. On the currency side, we expect the USD to lose value against the EUR. The CHF tends to be weaker against the EUR and the USD in the first half of the year.

⊖ **Currency pairs hardly moved so far.**
We see the USD moving sideways against the EUR and the CHF.

✓ Our hypothesis has so far proved to be correct.
⊖ … has so far proved to be only partially correct.
✗ … has so far proved to be incorrect.