INVESTMENT THESES FOR 2013

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

Equity markets overall

1. Shift from lower risk to higher risk investments: The “no-yield” bonds are currently the best argument in favour of equities. **Many companies distribute dividends which are significantly higher than the coupons of the corresponding bonds.**
2. We expect **a good start in the new year with new all-time highs in US markets.** Although many of these gains could decline towards the middle of the year. The US fiscal cliff has been averted for the time being, however, not all the problems regarding the debt situation have been solved so far. Nevertheless, equity bull markets tend to start in the middle of a recession rather than at the end.

Sectors

3. When it comes to industries, we prefer companies from **the technology, biotech and insurance sector.** Consumer product companies should be selectively chosen as their valuation is already high. We recommend companies like Celgene, EMC, Munich Re and Christian Dior.
4. In terms of **real assets**, we like oil companies and food commodity producers. In the **oil industry** we prefer oil equipment suppliers, such as National Oilwell Varco, to integrated oil majors and specialised exploration & production companies.

Geographical regions

5. While **Europe** is still trading at a discount to the US in absolute terms, there are no longer any significant differences in valuation on a **sector-by-sector** basis.
6. The **underperformance** of **emerging markets** compared to established markets **will shift** in 2013. **Japanese export companies** will be the primary beneficiaries of a weaker yen as the Bank of Japan has opened up the monetary floodgates.

Bonds

7. We **avoid government bonds** as they are massively overvalued and currently yield at record lows. Ten-year bonds issued by the Swiss federal government are trading at a price-earnings ratio of 200 while bonds of other safe haven states are trading between 60 and 140.
8. **We continue to rely on fix-to-float bonds with implicit inflation protection.** We regard these as attractive **relative to other fixed income instruments.** The high continuous interest payments provide a good source of income during uncertain times. We are not buying high-yield bonds at their current level.

Currencies

9. We believe that **the yen will depreciate** as the Japanese government considers the high value of their currency as the main reason for the weak economy and will therefore put pressure on the currency by the use of fiscal and monetary stimulus.
10. The **USD** will further **devaluate** against the EUR and CHF. The Swiss National Bank will supposably maintain the Swiss franc’s peg to the Euro for the time being. Nevertheless we will **hedge** our **EURO** exposure.