Liechtensteinische Landesbank 1861

Tradition meets Innovation.

February 2020

Capital & Markets

Contents

Editorial

Dear Readers

Over the last ten years, investors have been able to earn more than 145 % on the broad worldwide equity market – equivalent to an average annual performance of nearly 9.5 %. This is all the more gratifying given that only few people are likely to have predicted this following the financial crisis. In 2019 alone, the positive development on the markets yielded more than 27 % – three times the average of the past decade.

However, we believe that this performance has exhausted a considerable part of the potential for the near future. This has less to do with the escalation between the United States and Iran or the outbreak of a new viral disease in China than with the structural changes that are becoming increasingly noticeable.

With the collapse of the Eastern Bloc and the integration of China into the world trade system, the last thirty years have seen the rapid advance of globalisation. However, 2019 may mark a turning point in this development. Catchwords such as «America first», «Brexit», and «BEPS» (envisaged redesign of the tax regime in the OECD), which will have striking and rather negative effects especially for globally operating companies, are merely a starting point to give you an idea of the next decade. Climate change is another major overarching topic that no one can neglect, least of all investors.

These structural topics will be of regular concern to us. In the current environment, it is all the more important to be able to act tactically. For this purpose, we have once again compiled reports and recommendations in this issue to help you achieve your investment objectives.

We wish you a stimulating read.

Yours faithfully

M. Wiede

Markus Wiedemann
Chief Investment Officer

Market assessment

Currencies – page 5

- The outlook for foreign trade has brightened recently. The Eurozone is likely to benefit, and this environment suggests a recovery of the Euro. Despite the recent interest rate hike, the Swedish Krona is not expected to appreciate significantly.

Economy and interest rates – page 6

- After weakening in practically all industrialised countries last year, growth has now likely bottomed out. Sentiment indicators are pointing to stabilisation at the least. Investors are now waiting for the economic data to confirm this assessment.

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- The two rivals have come through – for now. Investors are taking a positive view of the conclusion of an interim trade agreement between the United States and China. The conflict with Iran had only a brief impact on the markets.

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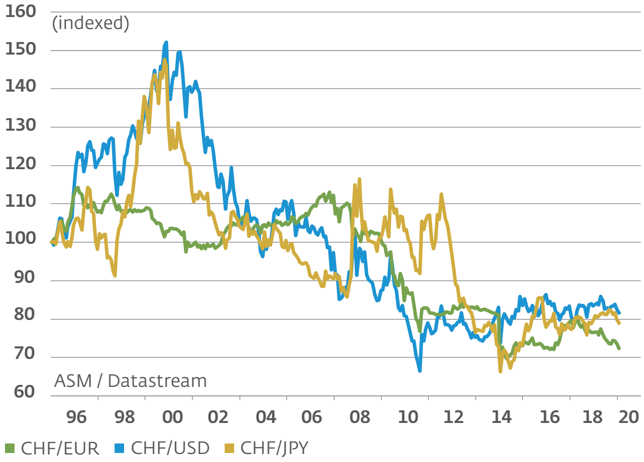
- The valuation of real estate equities has clearly become more attractive in recent months. At the same time, the fundamentals are intact. We are therefore increasing our weight in real estate equities.

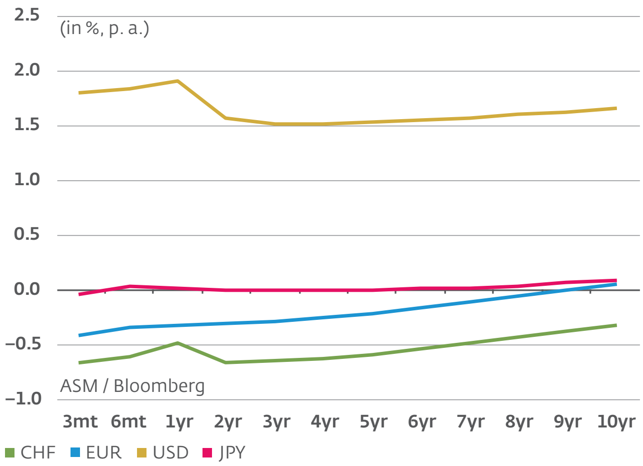
- Clear trends in many asset classes and strong equity markets are having a positive effect on CTA strategies and equity-oriented approaches such as long/short equity.

- Commodity investments are still accompanied by high price volatility. We estimate higher prices for cyclical commodities in 2020, provided that the global economy does not fall out of step.

CHF exchange rates EUR, USD, JPY



Yield curves CHF, EUR, USD, JPY



Macroeconomic indicators [1]

	Switzerland		Eurozone		UK		USA		Japan	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Gross domestic product, % yoy	0.9	1.3	1.2	1.0	1.1	1.0	2.3	2.0	1.1	0.7
Consumer price index, % yoy	0.4	0.3	1.2	1.2	1.8	1.8	1.8	2.0	0.5	0.6
Budget balance, % GDP	1.2	0.5	−0.9	−1.0	−2.2	−2.4	−4.7	−4.8	−2.6	−2.8
Public debt, % GDP	40	40	101	100	113	112	110	113	226	226
Current account balance, % GDP	9.7	9.9	2.8	2.7	−4.4	−3.9	−2.4	−2.4	3.5	3.3
Unemployment, %	2.4	2.4	7.6	7.5	3.8	3.9	3.7	3.6	2.4	2.4
Interest rates, 3 months Govt. bonds	[2] −0.7	[3] −0.8	[2] −0.6	[3] −0.5	[2] 0.6	[3] 0.5	[2] 1.6	[3] 1.7	[2] −0.1	[3] −0.1
Interest rates, 10 years Govt. bonds	[2] −0.7	[3] −0.5	[2] −0.4	[3] −0.2	[2] 0.5	[3] 0.7	[2] 1.6	[3] 2.0	[2] −0.0	[3] 0.0

[1] Sources: ASM, Bloomberg, OECD etc., [2] current, [3] 12-month view, as per 24 January 2020

Currencies

The outlook for foreign trade has brightened recently. The Eurozone is likely to benefit, and this environment suggests a recovery of the Euro. Despite the recent interest rate hike, the Swedish Krona is not expected to appreciate significantly.

Euro (EUR)

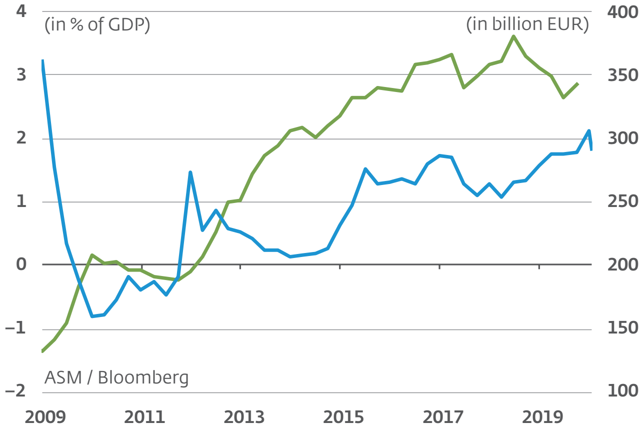
The Euro has exhibited a slight upward trend against the US Dollar in recent months. The exchange rate reflects the recent easing following the interim trade agreement between the United States and China. This provides the basis for a stabilisation of Chinese foreign trade. The Eurozone will benefit from a moderate recovery in China. In contrast, the US economy is likely to lose momentum as a result of the expiry of the 2017 tax relief, and we believe that the US growth advantage will shrink somewhat this year. This will benefit the Euro. In addition, fundamental factors such as the continuingly large current account surplus and the currency reserves that have risen sharply in the Eurozone speak in favour of an appreciation of the common currency. Monetary policy in both the US and the Eurozone is not expected to change significantly in the first half of 2020. The US interest rate differential, which fell last year, is a burden on the US Dollar. Against this backdrop, a recovery of the Euro is likely in the coming months.

Swedish Krona (SEK)

As announced, the Swedish central bank (Riksbank) raised its key rate by 25 bps to 0 % in December 2019. The monetary authorities justified their decision with reference to the recent rise in inflation in Sweden. Moreover, the interest rate hike reflects the growing scepticism within the Riksbank in regard to negative interest rates. According to the Riksbank, the negative consequences of the penalty interest rates for the Swedish economy have intensified. Interest rates have lost their signal function, making the allocation of capital inefficient over time. The risks to financial market stability have increased. In light of Sweden's high total debt (approximately 288 % of GDP), we believe that the interest rate increase was justified. The Riksbank has used this favourable moment to initiate a move away from its negative interest rate policy for now. The Krona had at times lost up to 7.5 % against the Euro in 2019. The prospect of a less expansionary monetary policy supported the Krona until the end of 2019. Given the subdued growth outlook and the continuingly loose monetary policy in Sweden, however, a significant appreciation of the Krona against the major currencies in the coming months is unlikely.

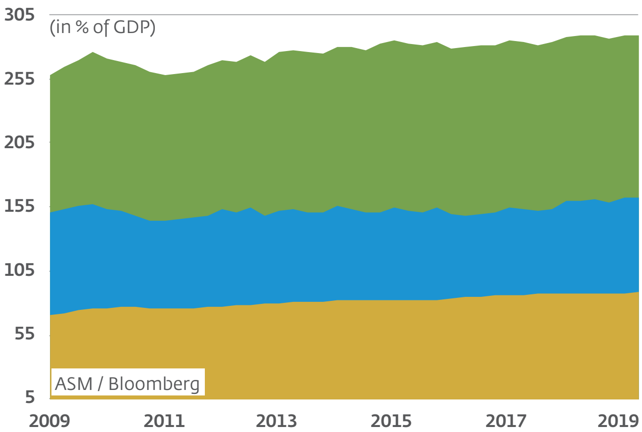
Waldemar Lukas
Investment Class Researcher Fixed Income/Currencies

Eurozone: Current account and reserves



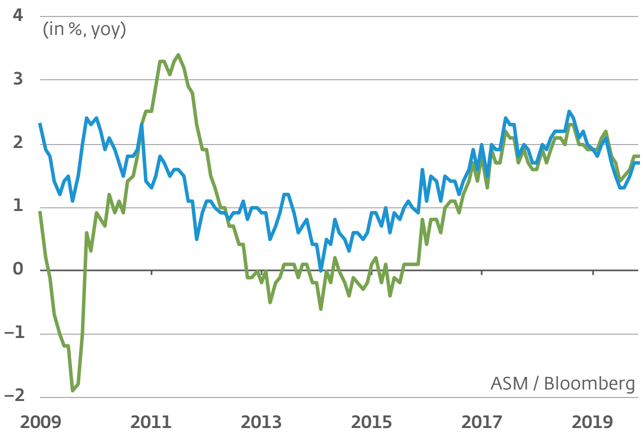
Current account balance Currency reserves (right scale)

Sweden: Development of debt



Total Corporate Households

Sweden: Inflation indicators



Consumer prices (CPI)
CPI with fixed interest rate (target variable of the Riksbank)

Economy and interest rates

After weakening in practically all industrialised countries last year, growth has now likely bottomed out. Sentiment indicators are pointing to stabilisation at the least. Investors are now waiting for the economic data to confirm this assessment.

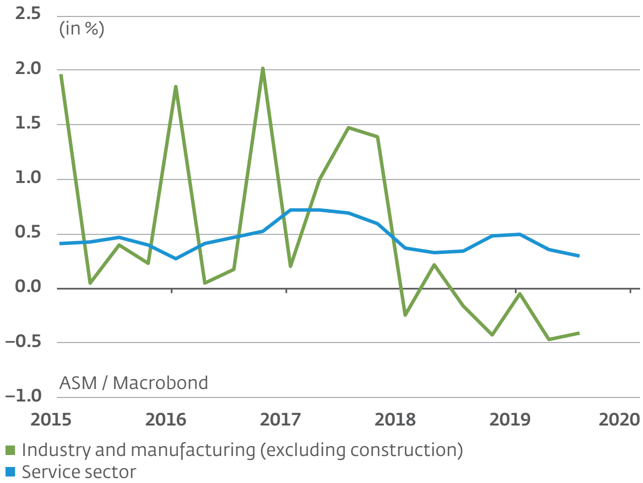
An end to the weakness in the industrial sector is not yet in sight in industrialised countries. Industrial production is falling, value added in this sector is stagnating or shrinking, and export activity is declining – only sentiment indicators are currently giving some reason for hope. On the one hand, the ZEW survey and the Sentix are both sending rather positive signals. However, their data is based on surveys of analysts and investors, whose increased optimism is likely mainly due to recent developments in the trade dispute. More relevant in this respect are surveys from industry itself – and they are currently painting a mixed picture. While no signs of a change in trend are visible in the United States and Japan so far, indicators in the Eurozone and Germany are pointing to stabilisation. But it is still uncertain whether this is the beginning of the end. The easing of tension in the trade dispute is certainly having a supportive effect, but the conflict is by no means resolved.

So far, the weakness in the industrial sector does not appear to have had any negative impact on the (much larger) service sector. Economic data in the service sector is strong, and sentiment indicators are raising confidence that this will not change in the coming months. Also encouraging are the labour markets, which continue to be in good shape. Unemployment is falling, new jobs are being created (especially in the service sector), and wages are rising. All of this ensures that consumers in industrialised countries will continue to be the main pillar of the economy. This allows us to assume that the industrial sector will not plunge the entire economy into recession. It should also be borne in mind that the size of the industrial sector varies from country to country. While it is important for Europe and Japan, it is rather insignificant in the United States.

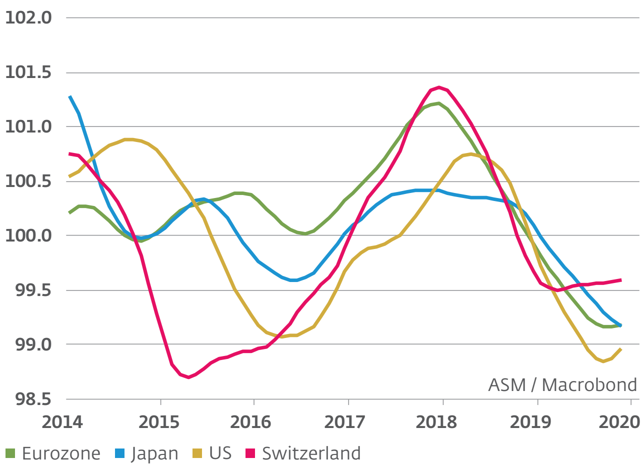
The International Monetary Fund expects industrialised countries to grow by 1.6 % this year, similar to last year. The IMF sees a significant improvement for Germany, Italy, and Switzerland. In contrast, it expects a slight deterioration in the US, Japan, and Spain. Overall, however, the growth figures of most countries are below the average of the last decade. Growth is therefore subdued compared with the past few years. But at least the downward trend that began in 2017 appears to have been halted – which is certainly good news.

Roger Wohlwend
Investment Class Researcher Fixed Income

Eurozone: Real value added



OECD leading indicators



Government bond yields of developed countries

Bond markets

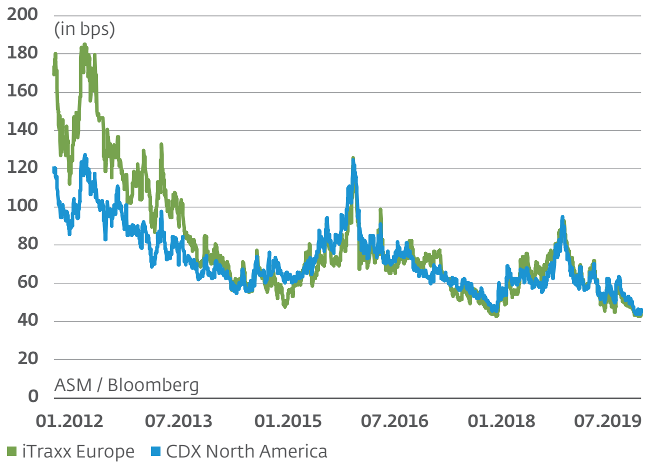
Risk premiums on corporate bonds narrowed sharply in 2019. We continue to see potential from a relative value perspective. The prerequisites are low volatility and a continuingly strong primary market.

We are preferring corporate bonds over government bonds, even though the premiums on five-year credit default swaps for investment grade (IG) issuers from North America and Europe have recently reached historic lows. The potential for lower risk premiums is increasingly exhausted, but they continue to offer a buffer, especially given the negative yields that are widespread in Europe. As a rule, new issues with positive yields to maturity generate higher demand on the primary market. Corporate bonds are also receiving support from their greater weight in the spectrum of resumed ECB bond purchases. Nevertheless, the yield curve of solid IG corporates such as Siemens is currently at the same level as Portugal, despite a significantly better rating (A+ vs. BBB).

The weakness of manufacturing, with purchasing managers' indices below the expansion threshold, has likely been fully priced in, and there are no signs of a spillover to the service sector. Cyclical sectors, especially the automotive sector, have recently seen a disproportionate narrowing of risk premiums. However, danger arises as soon as the equity markets leave their upward trend and exhibit higher volatility. In addition, corporate debt, which has risen in recent years, might increase rating pressure. A solid IG rating should pay off during the correction at the latest.

Stefan Rösch
Fund Manager Bonds

Development of CDS for IG companies



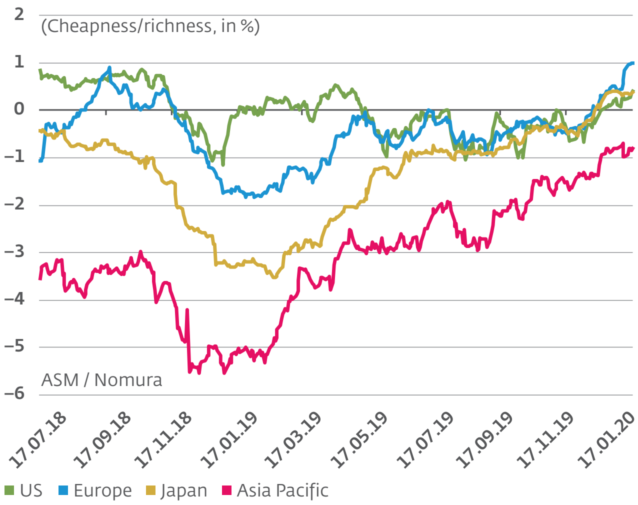
Convertible bonds

The valuations on the global markets for convertibles have increased significantly in recent weeks and are now significantly above their long-term average. We are therefore reducing our tactical weight in convertible bonds in our mixed portfolios.

Since summer 2019, the global investment universe for convertible bonds has suffered significant losses. In the investment-grade convertible bonds (IG) segment in particular, numerous companies bought back their outstanding issues, while on the primary market, new issues have been placed without a rating or with speculative ratings. The proportion of larger IG-rated convertible bonds has thus declined significantly. The redemption calendar for outstanding bonds is currently rather manageable. The reason can be seen in the strong performance of the equity market: Many issuers already exercised their buyback right in 2019 and are no longer listed on the market. The market is therefore likely to return to organic growth in the coming months, which will have a negative impact on convertible bond valuations in the medium term. The European convertible bond market in particular is currently trading at a richness of more than 1 %, which is a significant premium, historically speaking. In this environment, hedge funds in particular will start to sell their CBs again, while at the same time buying the individual components in order to benefit from a normalisation of this valuation premium. Given that we continue to have a rather cautious attitude towards the global equity markets, we recommend tactically reducing convertible bonds exposure in mixed portfolios until valuations have fallen again.

Simon Öhri
Fund Manager LLB Convertible Bonds

Valuation of the convertible bond markets



Is the price of oil killing the economy?

The escalation of the conflict between the United States and Iran is accompanied by higher volatility of crude oil prices. Sustained higher oil prices represent a risk to the world economy. The uncertainty will benefit government bonds and stable currencies.

The conflict between the United States and Iran escalated dangerously at the beginning of 2020 due to the killing of General Suleimani by US forces. There have meanwhile been signs of easing. Risks remain, however, and this political uncertainty is reflected in the volatility of the price of crude oil: fears of a reduction in supply are driving the financial markets. Given the weak economic activity in manufacturing towards the end of 2019, growth risks are playing a crucial role for investors. A sustained increase in crude oil prices could slow down the recovery of the global economy. Two impact vectors can be identified. For consumers, higher crude oil prices act like a tax, leading to a loss of purchasing power and hence to lower consumer demand. This would hit private consumption as the pillar of the economy, which has been central to industrialised countries in recent quarters. Secondly, rising uncertainty makes companies less willing to invest. The US economy would be better prepared for a rapid increase in the price of oil, given that shale oil production has significantly reduced US dependence on foreign oil. The European economy would have to deal with greater losses, given that Europe meets most of its crude oil needs through imports. The increased uncertainty is also likely to have a greater impact on the European economy due to its stronger integration into global value chains. The risk of recession in the US and the Eurozone is currently low. Any significant cooling of the world economy should be expected only if the price of oil (Brent) rises to USD 100 per barrel over an extended period of time.

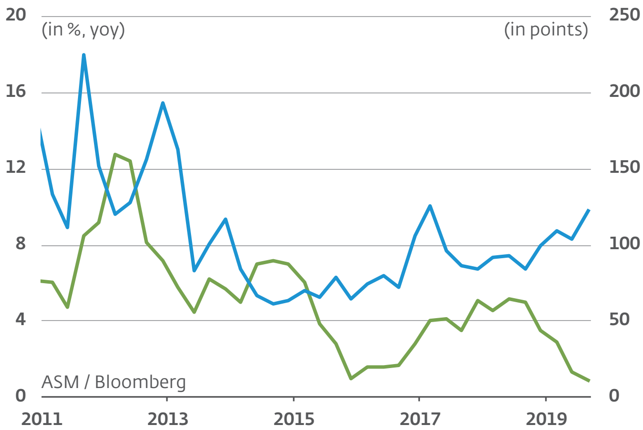
Investors are ignoring the consequences of higher oil prices on inflation, given that inflation is currently low. A rise in Brent to USD 80 per barrel would result in an increase in inflation in the United States of up to 0.3 percentage points. In the Eurozone, inflation would accelerate more sharply. Falling growth expectations due to higher commodity prices and the decline in consumption are dampening prices, however. Central banks will ignore inflation arising due to higher energy prices. A change in the loose monetary policy of industrialised countries is unlikely. During the period of uncertainty, government bonds and currencies of safe havens such as the Swiss Franc and Yen will outperform other asset classes.

Waldemar Lukas
Investment Class Researcher

Volatility of the crude oil price

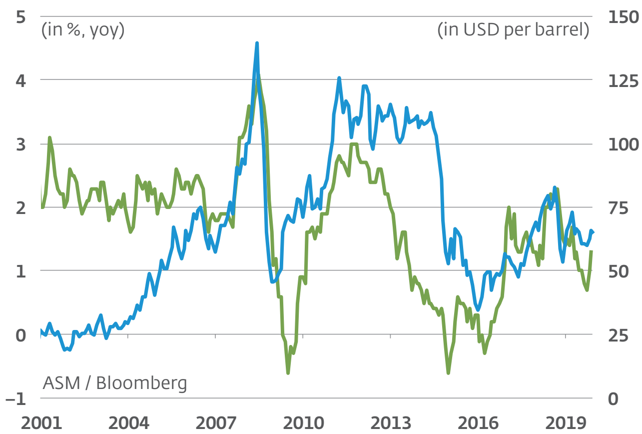
Implied three-month volatility of the crude oil price

US: Investments and uncertainty



Fixed asset investments
US Economic Policy Uncertainty Index (right scale)

Eurozone: Consumer prices and crude oil price



Inflation ■ Crude oil price (Brent, right scale)

Equity strategy

The two rivals have come through – for now. Investors are taking a positive view of the conclusion of an interim trade agreement between the United States and China. The conflict with Iran had only a brief impact on the markets.

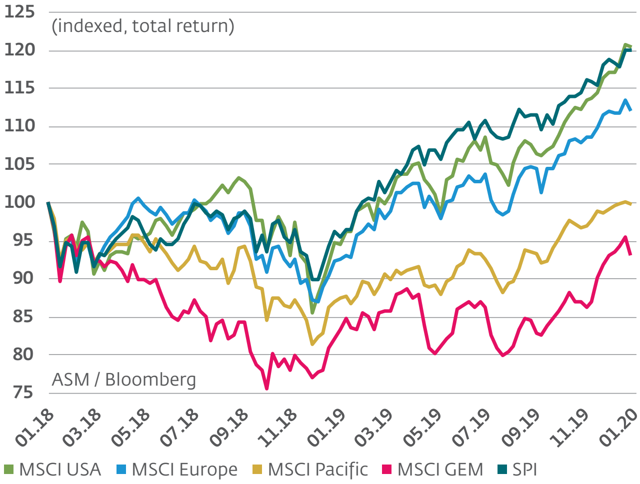
After an excellent rally at the end of the year, the start into the new year has been a little more sluggish. The MSCI World (in USD) rose by 27 % last year to a new all-time high. The good sentiment was supported mainly by the conclusion of an interim trade agreement between China and the United States. The difficult points are not likely to be negotiated further until after the presidential election in November. The elections in the US are approaching and thus increasingly in the focus of investors. According to surveys of financial market participants, the main scenario on the markets for now continues to be Trump's re-election – this is likely to give the market a certain level of support. The impeachment trial currently underway is hardly having any impact. The nomination of the Democratic candidate in the second quarter and the elections themselves could lead to some volatility on the markets. Some of the Democrats' reforms would have a far-reaching impact on certain sectors. However, a majority in both chambers of Congress would be necessary to implement most of the points in those reforms. We advise against positioning portfolios for such an outcome at this time.

The outbreak of a coronavirus in China has led to the first slight price setbacks in Asia. At the same time, some equities in other markets were adversely affected as well, including aviation, travel and hotels, and even luxury goods. This triggers memories of the SARS pandemic in late 2002, which also originated in China. At the beginning of 2003, the Chinese equity market lost about 12 % of its value before recovering quite rapidly.

In recent weeks, earnings estimates for 2019 and 2020 have changed only slightly. The very good performance over the past few weeks is already pricing in the expected earnings growth, however. This means that equity market valuations have already risen considerably again. Reporting on the completed fourth quarter and on the full-year financial statements for 2019 is in full swing. Investors will look carefully at whether companies are meeting expectations, and especially what the outlook is for 2020. Equity prices are pricing in a renewed acceleration of the economy. We still believe that the starting point with expected earnings gains of nearly 10 % this year is too high, and we expect downward earnings revisions. We therefore currently recommend a moderate underweight in equities.

Christian Zogg
Head Equity and Fixed Income Management

Equity markets in local currency – 2 years

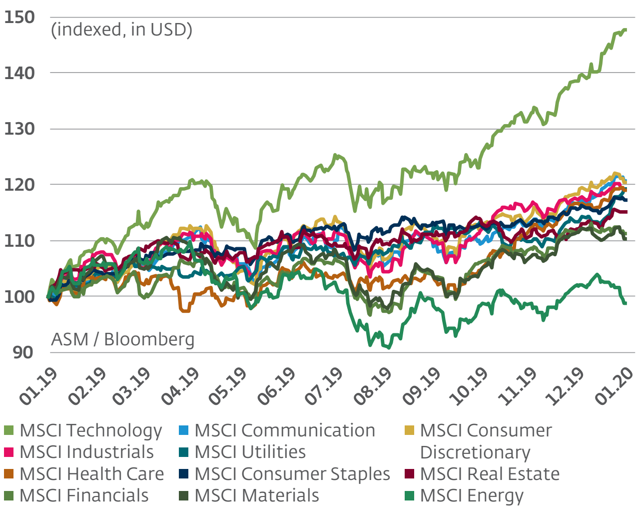


Regional valuation

	EPS growth		Price / earnings		Dividend yield	FCF yield*
	***FY19E	FY20E	FY19E	FY20E	FY20E	FY20E
USA	1.3 %	9.8 %	20.6x	18.8x	1.9 %	3.8 %
Europe	–0.7 %	8.9 %	16.1x	14.8x	3.6 %	5.5 %
Switzerland	5.3 %	8.7 %	19.8x	18.2x	3.0 %	4.5 %
Pacific	–2.3 %	5.5 %	15.7x	14.9x	3.0 %	5.4 %
GEM**	–1.2 %	14.7 %	15.6x	13.7x	3.0 %	5.2 %

* Free cash flow yield, ** Global emerging markets,
*** FY = Fiscal year

Performance of global sectors – 1 year



Switzerland

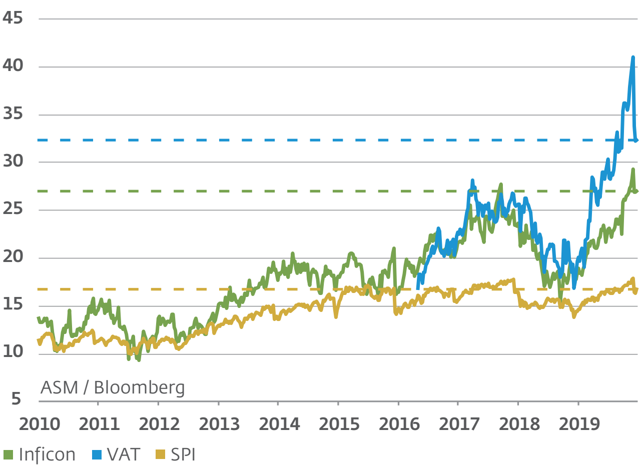
After an excellent 2019 with a return of more than 60 % for Inficon and nearly 100 % for VAT, the valuations of both shares are close to their record highs. We therefore advise investors to take profits now and remove the shares from the Swiss equities list.

Valuations are meanwhile high: Inficon is trading at a PER of 27x based on the consensus estimates for 2021, and VAT even at 32x. Both shares are thus significantly above the market at 16x and close to their record highs (see chart below). The estimates for 2021 are already implying high growth – on the basis of the estimates for 2019, the PER values are even 35x for Inficon and 56x for VAT. Although there are initial signs that the economy is improving, certain risks remain. In our view, the Phase 1 deal between the US and China does not resolve the longer-term tensions in the technology sector. For example, questions such as whether Chinese companies have stocked up on semiconductors in view of the negotiations are making it more difficult to assess the global semiconductor cycle.

The fact that the shares are vulnerable after the sharp rise in prices can also be seen in the 3.6 % drop of the Inficon share after the publication of its annual figures in line with the forecast. We therefore advise investors to take profits now and remove the shares from the Swiss equities list. At the same time, we continue to be convinced of the business model of both companies. As soon as the valuation ratios have reached a reasonable level again, we could easily imagine returning the shares to the equities list. In the meantime, Huber+Suhner and u-blox remain our two equity recommendations with technology end markets.

Thomas Kühne
Fund Manager LLB Equities Switzerland

Expected PER over the past 10 years



Europe

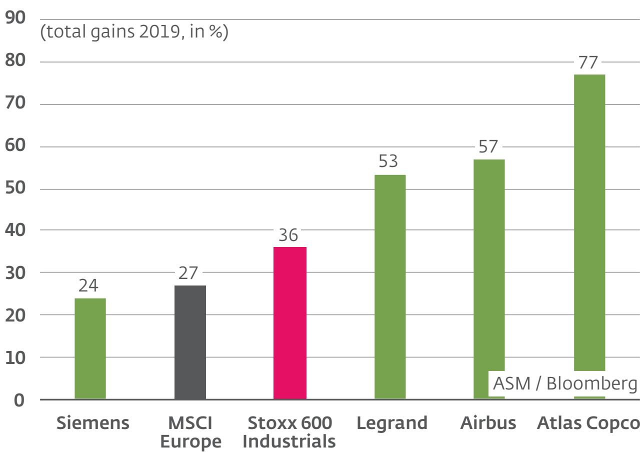
With a total return of more than 26 %, 2019 was one of the best years for the MSCI Europe in the last thirty years (exceeded only by 2009). The rapid price gains of many cyclical stocks was in contrast with the marginal improvement in economic data.

The most plausible explanation for this is the enormous liquidity seeking investment opportunities, especially given that the rally in the fourth quarter coincided with the Fed's resumed expansionary policy. Cyclical stocks in Europe, with the exception of automotive stocks, are currently trading close to their highest valuations in many years. The fact that cyclical stocks such as capital goods are highly valued at the turn of a cycle has also been seen in other cycles. After a turnaround in the global purchasing managers' indices, as is assumed to have occurred in the fourth quarter of 2019, there have also been significant price increases in the past cycles in the subsequent three, six and twelve months. The problem this time is that the entire price increase has already taken place over the last twelve months, and now a significant increase in earnings must occur to justify this price development.

Many of our favourite stocks in capital goods have risen, in some cases very sharply, such as Legrand (+52 %, all figures in Euros, total gains in 2019), Airbus (+56 %), Siemens (+23 %), and Atlas Copco (+76 %). At least in the case of Legrand and Atlas Copco, it appears to make sense to realise part of the profits. Atlas Copco correlates very strongly with semiconductor equities, which also underwent a spectacular rally in 2019. Although the price increases appear to be justified to a minor extent by the higher margins, a large part of these increases was due only to valuation expansion. The situation at Legrand is similar in this regard.

Dr. Karlheinz Gfall
Fund Manager LLB Equities Europe

Comparison of selected industrial equities



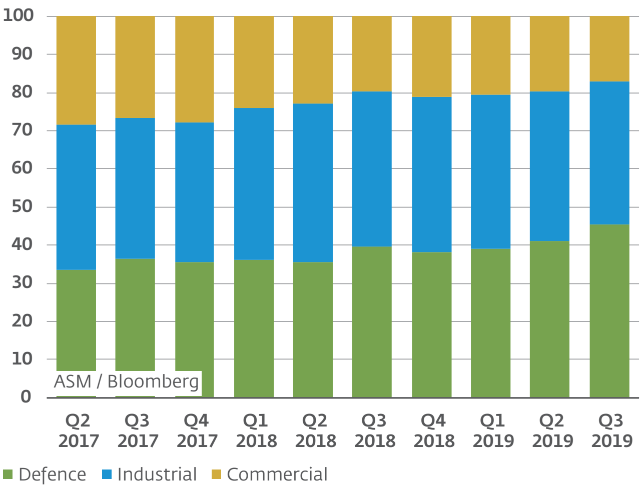
North America

FLIR Systems Inc. is a specialist in electronic sensor technology. Due to the rapid progress of digitalisation, input data play an increasingly important role. Sensors are the eyes, ears, and noses of digital applications.

We continue to expect a significant increase in the demand for sensors. Automation requires more and more interfaces to the surrounding environment, and applications are extremely diverse. The company's work ranges from the detection of explosives to night vision technology. The latter application, based on infrared radiation, is used in military reconnaissance, obstacle detection in autonomous civilian driver assistance systems, and quality assurance in industrial applications. The customers of FLIR Systems are correspondingly diverse, ranging from government agencies to industrial companies. Private customers such as hunters and maritime captains are also aware of the advantages of applications such as night vision cameras. In our opinion, the products manufactured by FLIR Systems fit very well with the zeitgeist. The surge in digitalisation and the widespread use of computer-aided data evaluation are increasingly being viewed from the perspective of security and safety. Business activities focus on the protection of persons in traffic, in the event of terrorist threats, but also in industrial manufacturing processes. The company is one of the largest suppliers of hazard identification products in the United States. FLIR Systems continues to expand its product portfolio through strategic acquisitions. The sensor technology specialist has solid financing and should be able to show attractive sales growth in the coming years.

Timo Gruber
Fund Manager LLB Equities North America

Historical sales development by segment



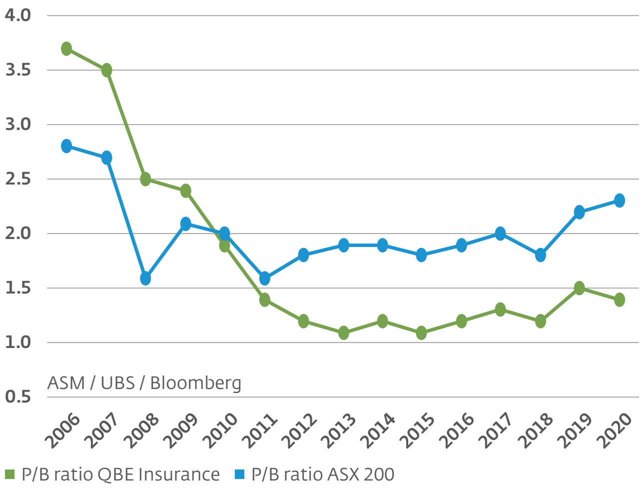
Pacific

Since September 2019, more than 10 million hectares of land have been destroyed by Australian bushfires. Insurance claims have risen to more than AUD 1.5 billion. Only the damage in Victoria in 2009 was comparable.

Although the fires spread mainly in rural areas, they still have a negative impact on the entire economy. Experts estimate that GNP will be depressed by up to 0.3 % in both the last quarter of 2019 and the first quarter of 2020. The government has already spent more than AUD 2 billion on reconstruction, and a possible interest rate cut by the Reserve Bank of Australia in February is under discussion again. Retailers such as Mosaic expect sales to have fallen by up to 10 % in December. The liability of insurers such as IAG and Suncorp is expected to be AUD 400 million each, and QBE is expected to be liable for AUD 150 million. It is important to note, however, that reinsurance and stop-loss covers should reduce the losses. In addition to beverage producers such as Treasury Wine Estate, the transport sector could also be severely impacted. Sydney Airport saw a decline of roughly 20 % in passenger volume, and Flight Centre has likewise already lowered its guidance. The output of companies such as BHP in New South Wales is only marginally affected, where smoke and reduced air quality have recently been a burden on the environment. The bushfires are a catastrophe for wildlife, and the negative impact is omnipresent – but the fires take on a different perspective in the context of the market reaction. The ratio between losses and loss of market capitalisation is 1:4 for the large insurers, and the ratio is similar for transport companies – which means an opportunity.

Christoph Hilfiker
Fund Manager LLB Equities Pacific

QBE Insurance – heavily undervalued



Alternative investments

Real estate equities

Real estate equities have an attractive valuation, and the fundamentals are intact. We are increasing our weighting (see also page 14).

The valuation of real estate equities has become clearly more attractive compared with the equity and bond market in recent months. The discrepancy based on the valuation of the enterprise value in comparison with expected EBITDA, i.e. earnings before interest, taxes, depreciation, and amortisation, appears particularly extreme. Although real estate equities are currently trading at about 35 % more expensive than the market as a whole, we believe there are good reasons for this: Firstly, a large part of the global real estate equity market is tax-exempt. Secondly, investment activity in relation to EBITDA is lower than that of the overall market. Both effects together mean that real estate equities have more available for shareholders from EBITDA than from free cash flow, which justifies a higher valuation. And thirdly, companies are in general attractive that are secured for years with cash flows (rents) – without cross-border business in the context of deglobalisation and without concerns about the economy. Such companies should therefore also have a lower discount rate, which likewise justifies a valuation premium.

In total, the premium in relation to the overall market was about 80 % on average over the last few years. In comparison, a premium of only 35 % with more than two standard deviations (SD) below the mean is far lower. At the same time, fundamentals such as rental growth and vacancies are intact. We are therefore increasing our weight in real estate equities.

Thomas Kühne
Fund Manager LLB Equities Real Estate Global

Commodities

After an outstanding 2019, 2020 also began with strong price gains for some commodities. However, the rapid rise of gold to prices of more than USD 1'600 calls for a breather.

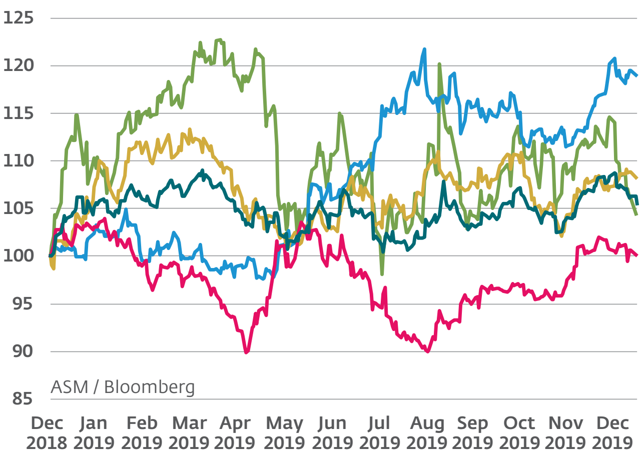
The precious metal was recently able to benefit considerably from the geopolitical tensions between the United States and Iran. An easing of escalations – as is currently the case – and rising equity market prices tend to weigh on the price of gold. We also believe that there is currently no marginal buyer. Both the physical market – especially gold ETF investors – as well as speculative investors appear to be positioned already for rising gold prices. Lower US interest rates or a significantly weaker US dollar would be necessary for further price increases. In our macro scenario with continued moderate economic growth, these two events have a low probability, however. Our assessment of cyclical commodities in the energy sector remains accordingly positive. We continue to believe that potential future production growth in the US is overestimated. US shale fields are characterised by high drop-off rates in production. The effort merely to replace lost production is enormous, significantly reducing the free cash flow of the extraction companies, given that investors are demanding higher dividend payments and share buybacks. If the global economy continues to recover and demand from emerging markets begins to accelerate, it remains to be seen whether the US shale industry will be able to meet the additional demand at low cost. The energy markets cannot currently rely on supply from Iran, Iraq, Venezuela, or Libya.

Timo Gruber
Investment Class Researcher Commodities

Expected EV/EBITDA: Real estate vs. overall equities

■ EV/EBITDA relative to equities ■ Mean
■ +1 standard deviation ■ –1 standard deviation

Development of commodity segments



■ Energy ■ Precious metals ■ Industrial metals
■ Agricultural commodities ■ Commodity index

Advisory models

LLB Invest – your assets in good hands

Traditional investment advice and asset management meet innovative, modern advisory models. Whether you want to delegate the management of your assets and enjoy the other things life has to offer or you prefer to take the active role in making investment decisions, LLB offers a tailor-made solution for both private and institutional clients: LLB Invest.

Straightforward and easy to understand

We provide transparent and professional investment advice and asset management. You decide on the right solution for investing your assets.

Flexible and individual

You and your personal wishes are central. LLB Invest can be tailored to fit you perfectly.

Clear and transparent

Our advice is systematic and understandable. We carry out ongoing analysis of your assets, provide detailed performance reporting, and make concrete recommendations for you to invest your wealth optimally.

With LLB Invest, our focus is on your assets at all times, from a range of perspectives.

Security and monitoring

You decide how intensively you want us to monitor your portfolio in line with your own individual investment strategy. Depending on the advisory model you have selected, we will inform you if we notice any deviations from your investment strategy.

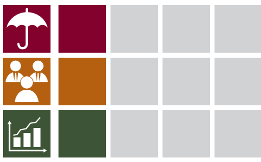
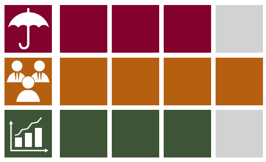
Advisory services and management

All of the advisory models include personal advice and individual support for your investment decisions. It is up to you to decide the frequency, the communication channel and the scope of the advice. You will also be able to call on our investment specialists' know-how.

Optimisation and performance

You decide whether you want us to send you new investment recommendations if your portfolio moves outside of the agreed parameters or if we see new market opportunities. An annual performance report is included as standard in all models.

Our advisory models

	LLB Basic	LLB Consult	LLB Expert	LLB Comfort
Objectives	Personal – partnership-based support	Security-conscious – first-class advice	Dedicated – always abreast of the market developments	Stress-free – outstanding asset management, optimised continuously
Characteristics				
Advantages	✓ Personal advice ✓ Standardised investment recommendations	✓ Excellent risk management ✓ Personal advisor ✓ Individual investment recommendations	✓ Excellent risk management ✓ Highest flexibility in terms of portfolio selection ✓ Personal advisor ✓ Access to investment specialists ✓ Pro-active information on market opportunities ✓ Tailored, expanded investment recommendations	✓ Excellent risk management ✓ Highest flexibility in terms of portfolio selection ✓ Personal advisor ✓ Access to investment specialists ✓ Comprehensive service ✓ Active exploitation of market opportunities ✓ Detailed performance reporting

Investment strategies and tactical asset allocation

Strategies at a glance

As part of our LLB Comfort asset management, we offer our clients a broad range of investment strategies that fulfil all the requirements in relation to investment horizon and the use of different asset classes. All our strategy models have an outstanding risk/return ratio.

LLB strategy models
The LLB strategy models make investments with different weightings in classical asset classes such as money market investments, equities, and bonds. In addition to government and corporate bonds, we also consider convertible bonds, inflation-linked bonds, and high-yield bonds. We pay the utmost attention to the high quality of the securities. We offer six different risk/return models, each in three reference currencies (CHF, EUR, and USD). We call these models Fixed Income, Conservative, Yield, Balanced, Growth, and Stocks. Both the risk and return expectations and the necessary investment horizon for the investor increase in that order.

Investment themes
Supplementing the classic strategies, we offer a selection of thematic implementation options: The «Alternative Strategies» implementation invests not only in a broadly diversified basic portfolio consisting of bonds and equities, but also in hedge funds, gold, and other commodities. The diversification characteristics of these market segments can reduce the portfolio risk while leaving earnings expectations unchanged. We offer these strategies in the reference currencies CHF and EUR.

Within the predefined equity exposure, the «Regional» implementation focuses on successful companies in our home region that we know especially well: the «Euregio Bodensee (Lake Constance)», which includes Northeast Switzerland, Liechtenstein, Vorarlberg, Bavaria and Baden-Württemberg.

The «Dividends» strategy is especially suited to investors looking for the highest possible dividend yield in their equity exposures. Within the predefined equity exposure, we invest a certain proportion in companies with high dividends. In times of low interest rates, this allows you to benefit from attractive dividend payments for your portfolio.

We also have the right solution for investors who want professional asset management that mainly takes passive products into account: the «Passive» implementation. This strategy invests exclusively in funds. These funds are mainly – or where appropriate – passive products that replicate their investment market (benchmark) as closely as possible. The corresponding strategies are likewise implemented faithfully by the LLB Group's asset management.

Tactical asset allocation

Fundamentals have been supporting the Euro
Fundamentals, such as the large current account surplus and the increased currency reserves in the Eurozone, favour a recovery of the Euro. Moreover, US growth is likely to lose momentum as the 2017 tax relief expires. The US growth advantage over the Eurozone is likely to shrink slightly. This will benefit the Euro. Given the limited appreciation potential, however, we are maintaining our neutral weighting of the Euro.

Convertible bonds are underweight
The valuation of convertible bonds has deteriorated significantly in recent months. Meanwhile, all but one of the submarkets can be classified as expensive. Especially the important European market is in the top ranks here. Its valuation is significantly higher than the three-year average. That is why we have reduced our weight in convertible bonds. We are leaving all other bond classes unchanged. Government and corporate bonds are underweight, high-yield bonds are neutral, and emerging market and inflation-linked bonds are overweight.

Strong year-end performance – moderate underweight in equities
In recent weeks, equity prices have once again risen strikingly and are increasingly showing signs of being overbought. The good performance should be used to take any profits and to reduce the overall equity exposure to a moderate underweight relative to the strategy. In light of the persistent record lows of interest rates, we have increased our exposure in real estate equities and have thus reduced our overall underweight in equities somewhat.

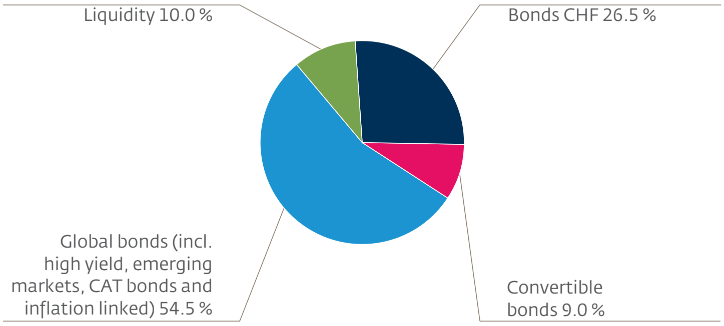
Real estate and alternative investments (incl. cat bonds)
The valuation of real estate equities has become clearly more attractive compared with the equity and bond market in recent months. The discrepancy based on the valuation of the enterprise value in comparison with expected EBITDA appears particularly extreme. At the same time, fundamentals such as rental growth and vacancies are intact. We are therefore increasing our weight in real estate equities. Equity-heavy hedge fund strategies are still benefiting from their high net exposure to equity markets. Given the high valuations of equities, this makes us rather cautious. CTA strategies were again able to generate positive returns, given that clear trends in various asset classes are becoming apparent in the current market environment. We are therefore maintaining our tactical use of CTA. Hedge funds continue to have a neutral weight in our strategies. The geopolitical tensions in Iran have caused the price of gold to rise significantly. However, we expect a constructive economic scenario over the coming months. If the US Dollar were to trend somewhat weaker, demand from emerging markets for cyclical commodities would tend to accelerate. We are keeping commodity investments at neutral.

Fixed Income investment strategy

This strategy is aimed at investors having an investment horizon of at least two years, and for whom capital availability at any time, regular income and capital preservation are of primary importance. These investors are risk-averse and tolerate only slight fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

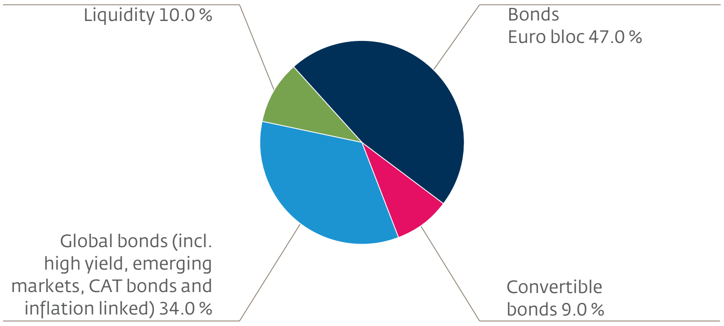
Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	4.5 %	
Risk[2]	7.5 years	
Currencies	CHF	78.30 %
	Euro bloc	8.20 %
	GBP	2.20 %
	Dollar bloc	7.40 %
	Others	3.90 %

Reference currency Euro

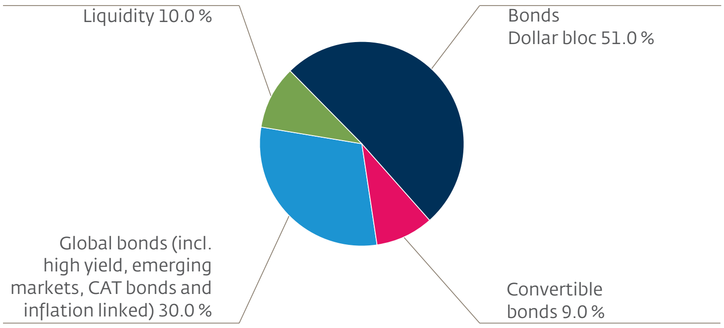
Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	6.2 %	
Risk[2]	8.5 years	
Currencies	Euro bloc	85.10 %
	GBP	2.20 %
	Dollar bloc	9.20 %
	Others	3.50 %

Reference currency US Dollar

Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	7.6 %	
Risk[2]	13.0 years	
Currencies	Dollar bloc	84.70 %
	Euro bloc	9.40 %
	GBP	3.30 %
	Others	2.60 %

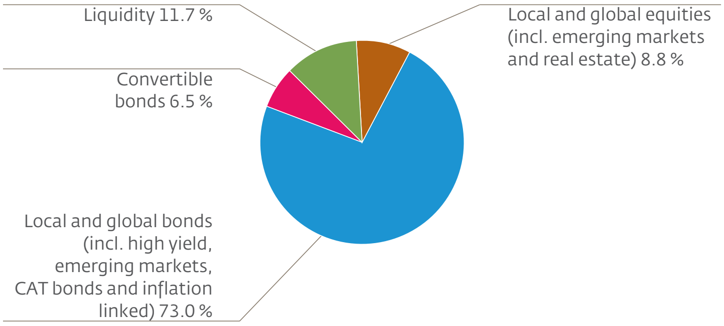
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Conservative investment strategy

This strategy is aimed at investors having an investment horizon of at least two years, and for whom capital preservation, capital availability at any time and regular income are of primary importance. These investors have a limited risk tolerance and tolerate only small fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

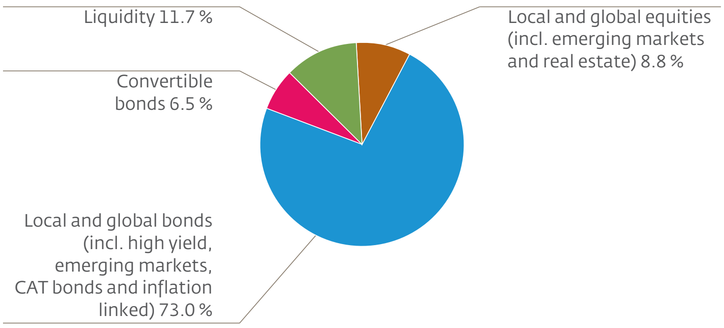
Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	4.9 %	
Risk [2]	5.0 years	
Currencies	CHF	74.80 %
	Euro bloc	10.00 %
	GBP	2.20 %
	Dollar bloc	8.50 %
	Others	4.50 %

Reference currency Euro

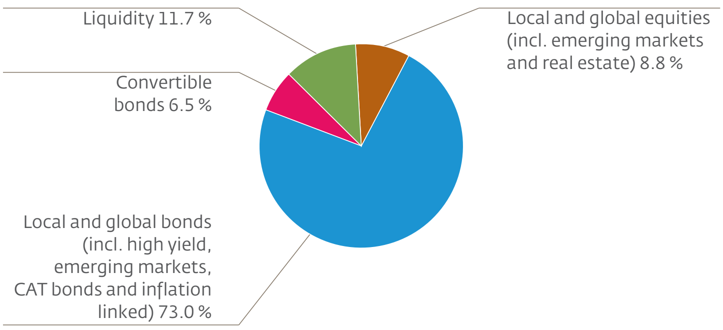
Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	6.6 %	
Risk [2]	8.0 years	
Currencies	Euro bloc	81.90 %
	GBP	3.00 %
	CHF	0.50 %
	Dollar bloc	10.00 %
	Others	4.60 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return [1]	7.9 %	
Risk [2]	16.5 years	
Currencies	Dollar bloc	82.40 %
	CHF	0.30 %
	Euro bloc	9.30 %
	GBP	3.20 %
	Others	4.80 %

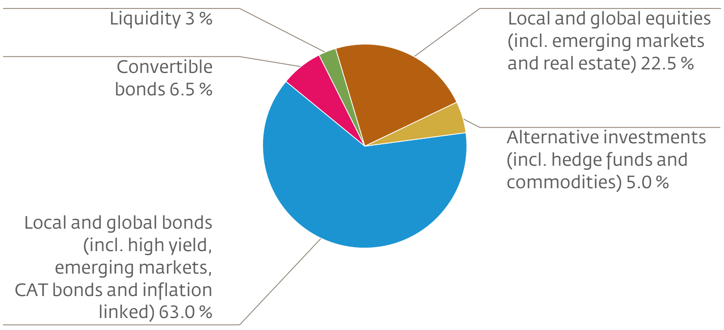
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Yield investment strategy

This strategy is aimed at investors having an investment horizon of at least four years, for whom capital preservation takes precedence over regular income and capital availability at any time. These investors are less ready to take risks and tolerate only limited fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

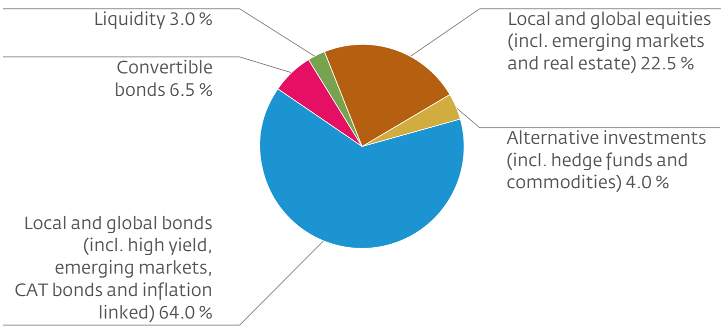
Allocation by asset classes



Equity exposure [1]	25 %	
Investment horizon	at least 4 years	
Return [2]	5.5 %	
Risk [3]	5.5 years	
Currencies	CHF	73.40 %
	Euro bloc	12.10 %
	GBP	2.20 %
	Dollar bloc	6.60 %
	Others	5.70 %

Reference currency Euro

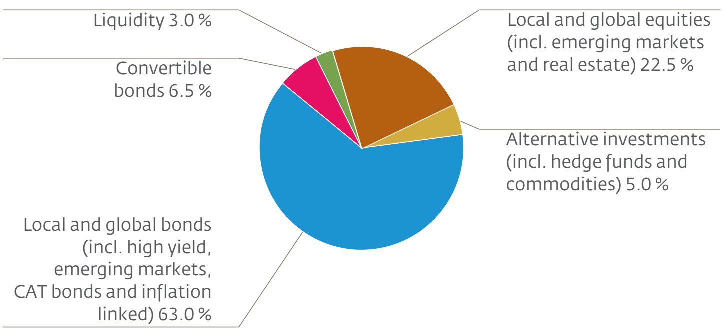
Allocation by asset classes



Equity exposure [1]	25 %	
Investment horizon	at least 4 years	
Return [2]	6.9 %	
Risk [3]	6.5 years	
Currencies	Euro bloc	79.00 %
	GBP	3.00 %
	CHF	0.70 %
	Dollar bloc	10.60 %
	Others	6.70 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure [1]	25 %	
Investment horizon	at least 4 years	
Return [2]	8.5 %	
Risk [3]	14.5 years	
Currencies	Dollar bloc	77.90 %
	CHF	0.80 %
	Euro bloc	10.80 %
	GBP	3.20 %
	Others	7.30 %

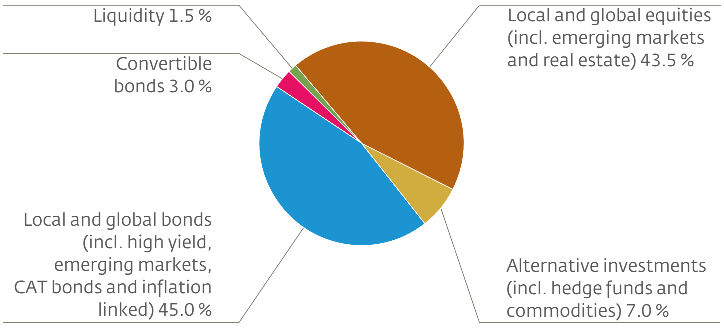
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Balanced investment strategy

This strategy is aimed at investors having an investment horizon of at least six years, for whom real capital appreciation and regular income are of primary importance. These investors are prepared to take risks and accept somewhat higher fluctuations in the value of their capital. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

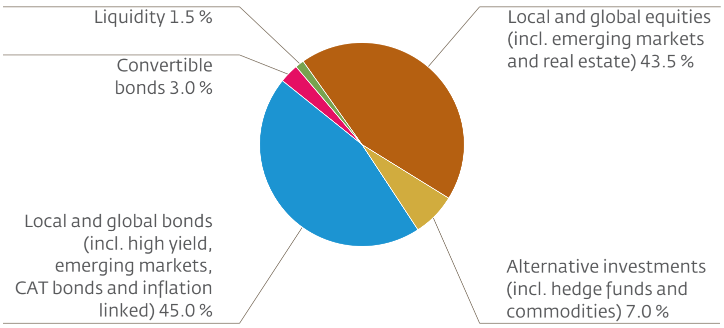
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	6.3 %	
Risk [3]	4.0 years	
Currencies	CHF	73.60 %
	Euro bloc	9.50 %
	GBP	3.20 %
	Dollar bloc	5.70 %
	Others	8.00 %

Reference currency Euro

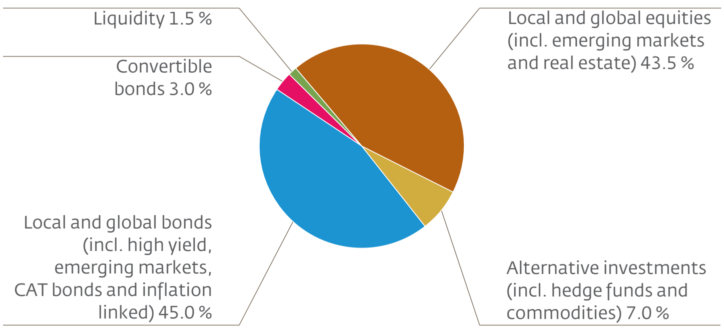
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	7.4 %	
Risk [3]	5.0 years	
Currencies	Euro bloc	79.00 %
	GBP	2.90 %
	CHF	1.00 %
	Dollar bloc	7.80 %
	Others	9.30 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	9.4 %	
Risk [3]	7.5 years	
Currencies	Dollar bloc	76.00 %
	CHF	1.10 %
	Euro bloc	9.50 %
	GBP	2.80 %
	Others	10.60 %

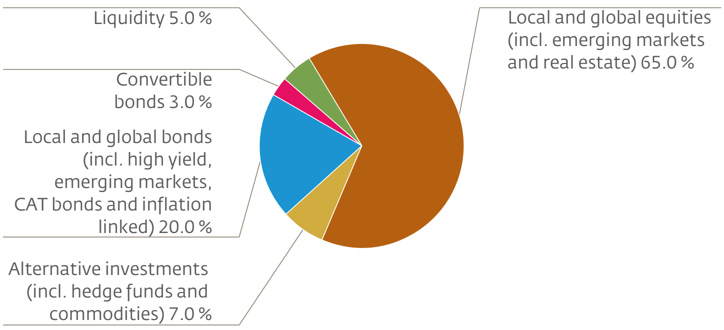
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Growth investment strategy

This investment strategy is aimed at investors having an investment horizon of at least eight years, for whom real capital appreciation is of primary importance. A regular income is of secondary significance. These investors are prepared to take risks and, if necessary, will accept larger temporary losses. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

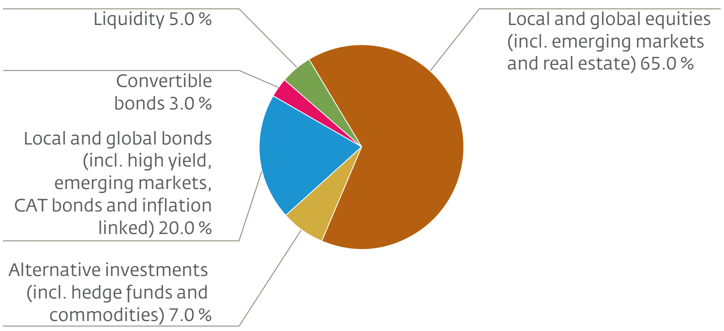
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.1 %	
Risk[3]	4.0 years	
Currencies	CHF	73.80 %
	Euro bloc	10.20 %
	GBP	2.60 %
	Dollar bloc	3.30 %
	Others	10.10 %

Reference currency Euro

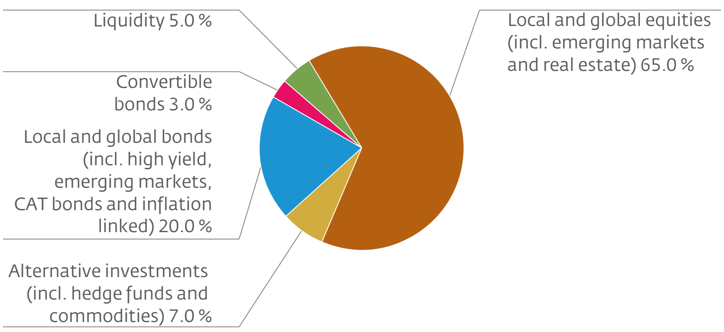
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.9 %	
Risk[3]	4.5 years	
Currencies	Euro bloc	77.80 %
	GBP	3.00 %
	CHF	1.70 %
	Dollar bloc	5.20 %
	Others	12.30 %

Reference currency US Dollar

Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	10.1 %	
Risk[3]	5.5 years	
Currencies	Dollar bloc	72.60 %
	CHF	1.20 %
	Euro bloc	8.00 %
	GBP	3.60 %
	Others	14.60 %

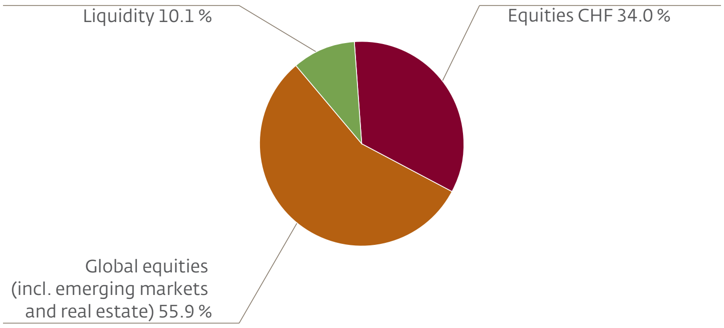
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

Stocks investment strategy

This investment strategy is aimed at investors having an investment horizon of at least ten years, for whom real capital growth well above the inflation rate is of primary importance. A regular income is of secondary significance. These investors are prepared to take risks and the pursue an offensive investment strategy with which large temporary losses are possible. This investment strategy is offered in the reference currencies CHF, EUR and USD. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

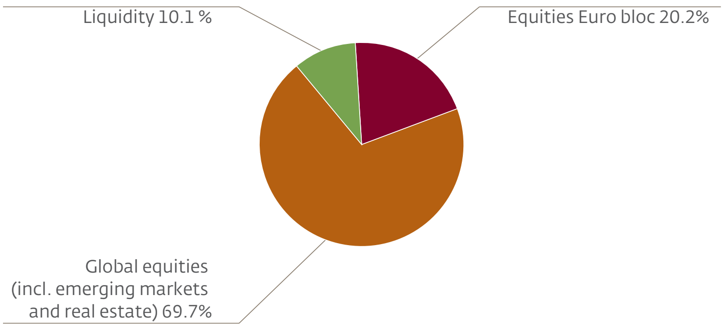
Allocation by asset classes



Investment horizon	at least 10 years	
Return[1]	7.8 %	
Risk[2]	3.5 years	
Currencies	CHF	72.00 %
	Euro bloc	5.60 %
	GBP	2.60 %
	Dollar bloc	4.00 %
	Others	15.80 %

Reference currency Euro

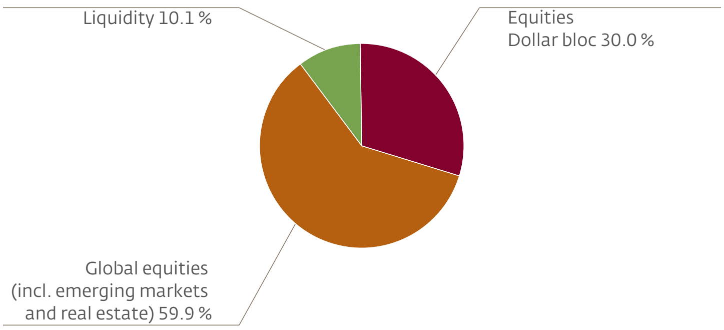
Allocation by asset classes



Investment horizon	at least 10 years	
Return[1]	8.4 %	
Risk[2]	4.0 years	
Currencies	Euro bloc	73.50 %
	GBP	5.10 %
	CHF	1.70 %
	Dollar bloc	4.70 %
	Others	15.00 %

Reference currency US Dollar

Allocation by asset classes



Investment horizon	at least 10 years	
Return[1]	10.7 %	
Risk[2]	5.0 years	
Currencies	Dollar bloc	67.00 %
	CHF	1.60 %
	Euro bloc	6.40 %
	GBP	4.60 %
	Others	20.40 %

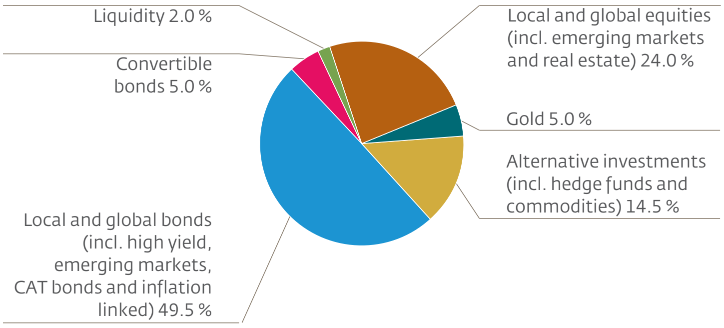
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Yield Alternative investment strategy

This investment strategy is aimed at investors having an investment horizon of at least four years, for whom capital preservation takes precedence over regular income and capital availability at any time. These investors are less ready to take risks, tolerate only limited fluctuations in the value of their capital and who have an affinity for alternative investments. This investment strategy is offered in the reference currencies CHF and EUR. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

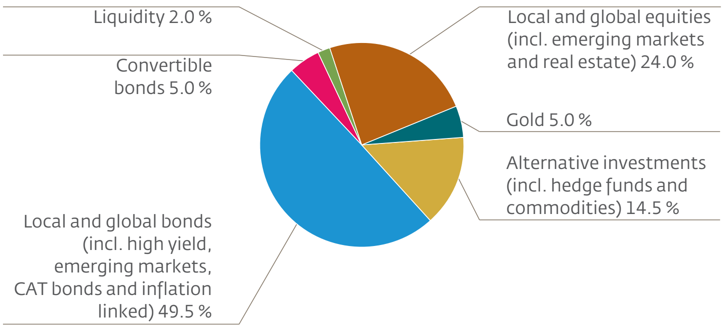
Allocation by asset classes



Equity exposure	25 %	
Investment horizon	at least 4 years	
Return[1]	3.8 %	
Risk[2]	4.0 years	
Currencies	CHF	67.90 %
	Euro bloc	12.10 %
	GBP	2.20 %
	Dollar bloc	6.60 %
	Others	11.20 %

Reference currency Euro

Allocation by asset classes



Equity exposure	25 %	
Investment horizon	at least 4 years	
Return[1]	5.3 %	
Risk[2]	6.0 years	
Currencies	Euro bloc	73.30 %
	GBP	3.00 %
	CHF	0.70 %
	Dollar bloc	10.60 %
	Others	12.40 %

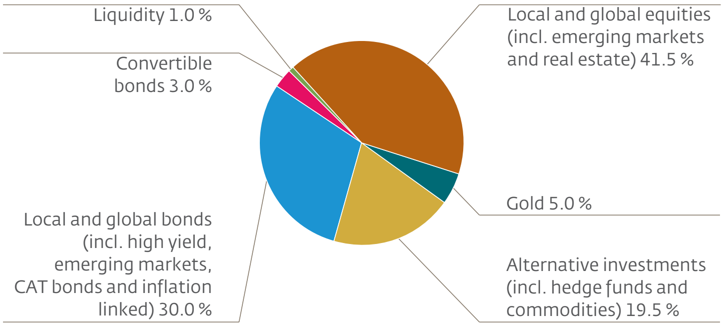
[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Balanced Alternative investment strategy

This investment strategy is aimed at investors having an investment horizon of at least six years, for whom capital appreciation and regular income are of primary importance. These investors are prepared to take risks, accept somewhat higher fluctuations in the value of their capital and who have an affinity for alternative investments. This investment strategy is offered in the reference currencies CHF and EUR. The charts show the currency allocation after being hedged.

Reference currency Swiss Franc

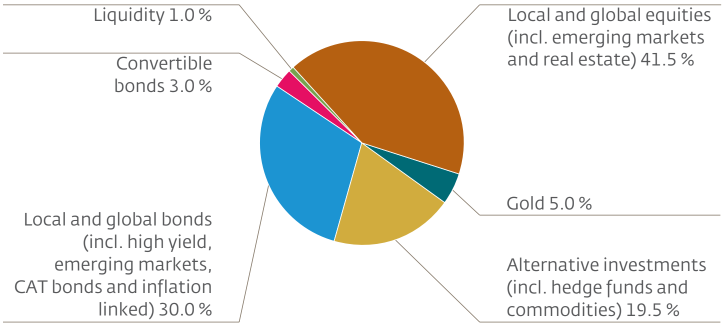
Allocation by asset classes



Equity exposure	50 %	
Investment horizon	at least 6 years	
Return[1]	4.4 %	
Risk[2]	3.5 years	
Currencies	CHF	69.00 %
	Euro bloc	9.50 %
	GBP	2.70 %
	Dollar bloc	5.70 %
	Others	13.10 %

Reference currency Euro

Allocation by asset classes



Equity exposure	50 %	
Investment horizon	at least 6 years	
Return[1]	5.6 %	
Risk[2]	4.0 years	
Currencies	Euro bloc	74.20 %
	GBP	2.90 %
	CHF	1.00 %
	Dollar bloc	7.80 %
	Others	14.10 %

[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

Interest rates and conditions [1]

Accounts

Type of account		Interest rate
Savings account	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
you save (until 20 years)	up to CHF 50'000.–	0.3000 %
	over CHF 50'000.–	0.0100 %
60plus savings account	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
Blocked pension acc. in CHF	unlimited	0.0250 %
Blocked pension acc. in EUR	unlimited	0.0250 %
Association savings acc.	up to CHF 10'000.–	0.0100 %
	up to CHF 50'000.–	0.0100 %
	up to CHF 250'000.–	0.0000 %
	over CHF 250'000.–	0.0000 %
Association account	unlimited	0.0000 %
Personal account	unlimited	0.0000 %
youli (15 until 20 years)	up to CHF 50'000.–	0.2000 %
	over CHF 50'000.–	0.0000 %
you study (20 until 30 years)	up to CHF 50'000.–	0.2000 %
	over CHF 50'000.–	0.0000 %
Current account in CHF	unlimited	0.0000 %
Current account in EUR	unlimited	0.0000 %
Current account other	unlimited	0.0000 %

CHF medium-term notes

Term	Interest rate
2 years	no offering at the moment
3 years	no offering at the moment
4 years	0.000 %
5 years	0.100 %
6 years	0.200 %
7 years	0.250 %
8 years	0.300 %
9 years	0.350 %
10 years	0.400 %

Nostro time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP				
USD	0.670 %	0.840 %	0.920 %	0.960 %
AUD				
NZD		0.100 %	0.170 %	0.350 %
ZAR	5.200 %	5.540 %	5.580 %	5.690 %
CAD	0.730 %	0.810 %	0.860 %	0.900 %
NOK	0.170 %	0.550 %	0.640 %	0.760 %

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP	0.53 %	0.57 %	0.59 %	0.64 %
USD	1.52 %	1.64 %	1.67 %	1.71 %
AUD	0.79 %	0.85 %	0.83 %	0.91 %
NZD	0.92 %	1.07 %	1.14 %	1.32 %
ZAR	6.45 %	6.54 %	6.58 %	6.69 %
CAD	1.60 %	1.63 %	1.63 %	1.67 %
NOK	1.39 %	1.52 %	1.61 %	1.73 %

Minimum deposit upon request

Fiduciary commission: 0.5 % to 0.25 % p. a.

(at least CHF 200.–) [2]

Credit charges

Securities lending without fixed term

Currency	Interest rate
CHF	2.75 %
EUR	1.75 %
USD	4.00 %

Plus 0.25 % commission per quarter

Securities lending with fixed term upon request

Term 1 to 12 months

Minimum amount CHF 150'000.– or equivalent

[1] These interest rates and conditions are valid only for clients of the Liechtensteinische Landesbank AG, Vaduz. The bank reserves the right to apply different conditions for higher amounts. The conditions of the Liechtensteinische Landesbank (Österreich) AG are available at +43 1 533 73 83 0 or llb@llb.at.
Status: 24.01.2020. All interest rates change according to market conditions and are only currently valid until further notice.

[2] Plus 7.7 % value-added tax (VAT) for clients including legal entities domiciled in the Principality of Liechtenstein and Switzerland

Transparency in investing

For several years now, the LLB Group has been free of retrocessions, not only in asset management, but also for «LLB Invest» – our paid investment advisory service. The LLB Group is thus deliberately passing on sales commissions for LLB funds and third-party funds to investors.

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We offer additional innovative features in the pricing of investment solutions:

- In our asset management mandates, we rely on a performance fee: Clients pay the variable portion of the fee only if their assets develop positively after deduction of all costs.
- In several of our strategy funds, we are also one of the first providers to use performance fees that are charged only if returns are positive.
- In some of our fixed-income funds, we apply fees indexed to interest rates, which take account of the currently very low interest rate environment.

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- Summary of the important sources of information
- Valuation principles and methods
- Explanation of the meaning of the recommendations
- List of all recommendations as well
- Information on conflicts of interest

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- Competent regulatory authority in Switzerland
  Swiss Financial Market Supervisory Authority FINMA
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