Liechtensteinische Landesbank 1861

Tradition meets Innovation.

March 2020

Capital & Markets

Contents

Editorial

Dear Readers

After the editorial deadline, the coronavirus infections in Italy have changed the situation for Europeans as well. The physical distance to the «problem» is suddenly far shorter. Fears of a global spread of the disease led to significant price drops on the equity markets on 25 and 26 February. Already in the preceding weeks, interest rate and commodity markets had indicated a decline in risk appetite, but this bounced off the equity markets until recently. Ten-year US government bonds have yields below 1.40 % again, the lowest since July 2016, and the price of Brent crude oil is USD 55 – none of these are signs that the global economy is about to accelerate again.

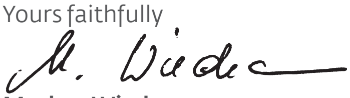
In our economy and interest rates article on page 6, we look at the economic impact of this epidemic and conclude that the market has so far been somewhat overly optimistic about a rapid solution to the problem. Even if the spread of the virus can be contained, consumer behaviour will probably change somewhat in the immediate future. We have prepared an equity recommendation to this effect in the North American equities article on page 11.

BEPS is not a new virus, but it is a threat to companies that – thanks to globalisation, free trade and sometimes also considerable creativity – have been able to reduce their tax burden to single-digit percentages in recent years. The G-20 will probably adopt new rules in November for «digital» companies as well as approaches to minimum taxation for international corporations. Our equity strategy article on page 9 discusses this in more detail.

The General Meeting of Shareholders of the Liechtensteinische Landesbank AG will take place on Friday, 8 May 2020. We warmly invite our shareholders to attend this event.

We wish you a stimulating read.

Yours faithfully



Markus Wiedemann
Chief Investment Officer

Market assessment

Currencies – page 5

- The robust economic indicators are currently benefiting the US Dollar. However, fundamental data and political risks suggest that the US Dollar will weaken. The Swiss Franc is benefiting from the current uncertainty, and a reversal of the trend is not in sight for now.

Economy and interest rates – page 6

- So far, optimism is dominating that the COVID-19 coronavirus will not cause significant damage to the global economy. The longer the crisis lasts, the less this optimism will be sustainable.

Bond markets – page 7

- As a result of improved cross-currency basis swaps, US issuers have increasingly been refinancing themselves on the Euro market. Investors are taking advantage of this opportunity for diversification. Corporate bonds are predominantly offering positive returns and are in demand by the ECB.

Equity markets – page 9 to 11

- Although concerns about the economic impact of coronavirus disease are increasing, markets have so far been expecting a rapid recovery as soon as new infections subside. BEPS, on the other hand, poses a completely different threat to investors.

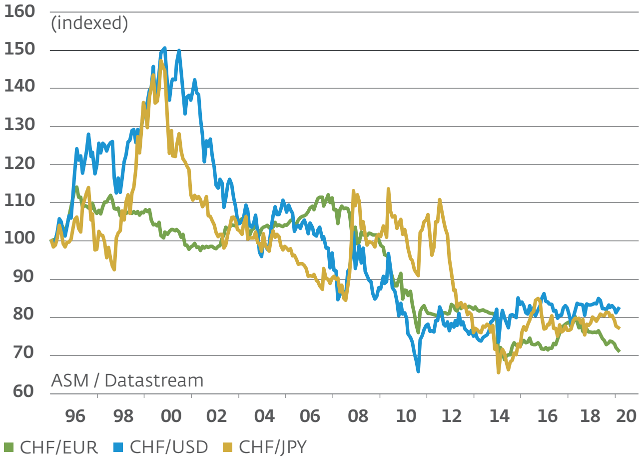
Alternative investments – page 12

- The valuation of real estate equities has become clearly more attractive in recent months. At the same time, the fundamental data is intact.

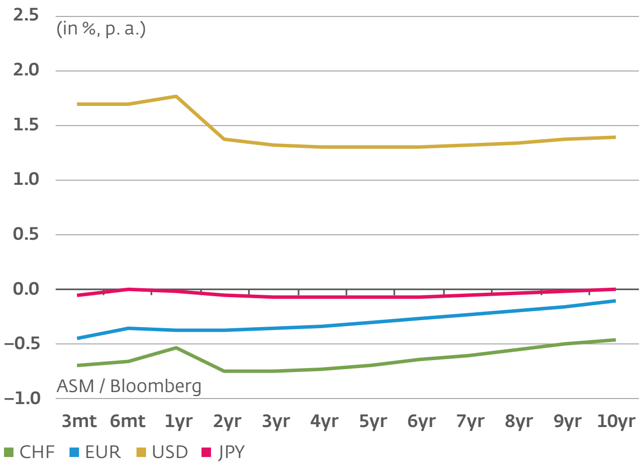
- The record-high equity exposure is having a positive impact on hedge funds. Trend-based approaches also developed positively.

- Commodity investments are likely to benefit from stronger economic activity. Defensive precious metal investments, on the other hand, are likely to gain momentum only if the central banks continue to lower interest rates.

CHF exchange rates EUR, USD, JPY



Yield curves CHF, EUR, USD, JPY



Macroeconomic indicators [1]

	Switzerland		Eurozone		UK		USA		Japan	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Gross domestic product, % yoy	1.3	1.2	1.0	1.3	1.0	1.3	2.0	1.7	0.2	1.1
Consumer price index, % yoy	0.3	0.8	0.7	1.8	1.6	1.8	2.0	1.9	0.6	0.8
Budget balance, % GDP	0.5	0.4	–1.1	–1.1	–2.4	–2.6	–4.8	–4.8	–2.9	–2.7
Public debt, % GDP	40	40	101	101	113	114	112	115	225	225
Current account balance, % GDP	9.9	9.8	2.7	2.6	–3.9	–3.8	–2.4	–2.4	3.3	3.3
Unemployment, %	2.4	2.4	7.5	7.5	3.9	4.0	3.5	3.6	2.4	2.3
Interest rates, 3 months Govt. bonds	[2]–0.7	[3]–0.7	[2]–0.6	[3]–0.5	[2]0.7	[3]0.5	[2]1.6	[3]1.3	[2]–0.1	[3]–0.1
Interest rates, 10 years Govt. bonds	[2]–0.8	[3]–0.5	[2]–0.5	[3]–0.2	[2]0.5	[3]0.7	[2]1.4	[3]1.5	[2]–0.1	[3]0.0

[1] Sources: ASM, Bloomberg, OECD etc., [2] current, [3] 12-month view, as per 21 February 2020

Currencies

The robust economic indicators are currently benefiting the US Dollar. However, fundamental data and political risks suggest that the US Dollar will weaken. The Swiss Franc is benefiting from the current uncertainty, and a reversal of the trend is not in sight for now.

US Dollar (USD)

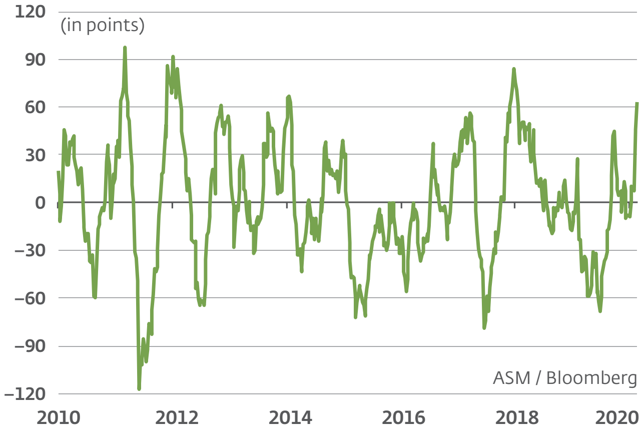
The US Dollar recently gained against the major currencies. It is benefiting from the uncertainty triggered by the coronavirus. It is also supported by the robust US economic data, which has exceeded analysts' expectations. This is reflected in the labour market. Employment has increased and wage growth is robust. This environment will benefit consumption as the pillar of the US economy. However, the strength of the US Dollar is of a temporary nature. Fundamental data suggests that the US Dollar will weaken. The US interest rate advantage has declined. The US has a current account and budget deficit, and both targets are likely to deteriorate in the short term. In addition, the political risk should not be underestimated, given that the upcoming presidential elections could put pressure on the currency. Trump has repeatedly advocated a weaker US Dollar. The prospect of a «socialist» economic policy by the Democrats also poses a risk. Against the backdrop of positive indicators, the US Dollar could appreciate against the Euro in the direction of USD 1.05 over the coming weeks. Depreciation exceeding USD 1.10 per Euro is expected in the second half of the year, however.

Swiss Franc (CHF)

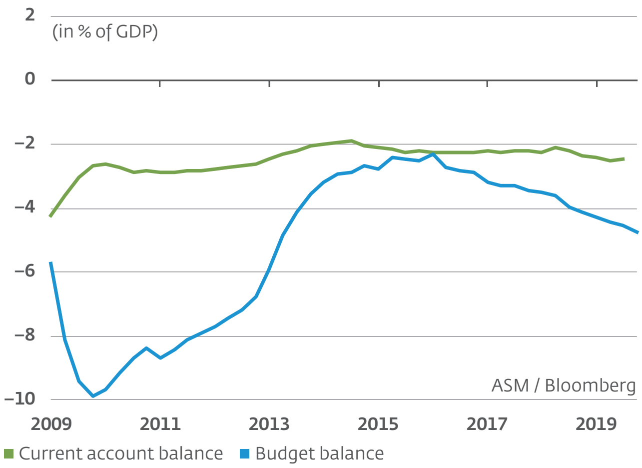
The Franc is often sought as a safe haven. The period of uncertainty triggered by the coronavirus has so far seen a differentiated approach by investors. Against the major currencies, the Franc has appreciated only against the Euro since the beginning of the year. There are several reasons for this: The automotive sector, which is of major significance for the European economy, is undergoing pronounced structural changes. The desired recovery is likely to be delayed due to the currently paralysed economic activity in China. Apart from economic risks, the resignation of the chair of the ruling CDU party has fuelled speculation about new elections in Germany. In addition, investors appear to have a negative view of the option that the AfD, a Eurosceptic party, might join the government. The financial markets also expect the ECB to react to the growth risks. In our opinion, a further easing of monetary policy is unlikely to support the economy. Monetary policy is, after all, already expansionary. In view of the unilateral appreciation of the Franc against the Euro, the SNB will continue to rely on foreign currency purchases. An interest rate cut would be unavoidable only when parity is approached.

Waldemar Lukas
Investment Class Researcher Fixed Income/Currencies

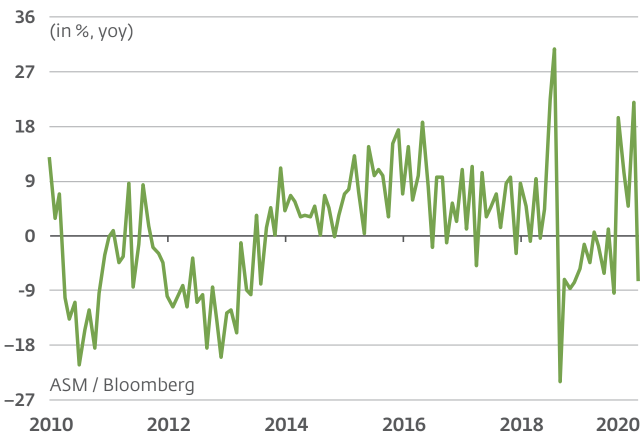
US: Economic Surprise Index (Citigroup)



US: Widening of twin deficits



Eurozone: Evolution of new car registrations



Economy and interest rates

So far, optimism is dominating that the COVID-19 coronavirus will not cause significant damage to the global economy. The longer the crisis lasts, the less this optimism will be sustainable. Reliable forecasts are not possible, however.

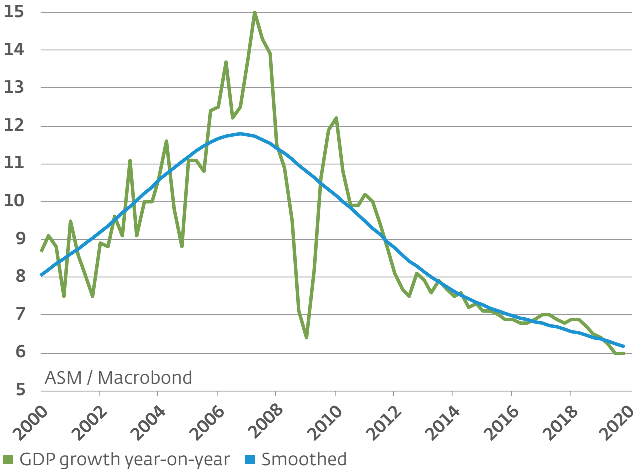
The financial world is currently focusing on the economic consequences of the coronavirus for China and the rest of the world. The spread of the virus – or rather the measures to contain it – will undoubtedly weigh on global growth, and not only the Chinese economy will suffer. Given that China plays a central role in the global value chain, its reduced economic activity will spread to other countries, especially other emerging Asian economies.

Several banks are revising their growth forecasts for China downwards, and it is striking how similar the amounts are. This herd behaviour would seem to suggest that it is possible to estimate the economic burden of the virus to a certain extent. This is not the case, however. The information is too incomplete, the further progression too unpredictable. Looking back at the SARS epidemic of 2003 only gives rise to the realisation that everything depends on how severe the crisis will turn out to be and how long it will last. Currently, economists – and also the financial markets – are expecting a poor first quarter for China with a strong recovery in the second, combined with a low impact of the crisis on the year as a whole. If Chinese factories return to normal activity soon, this may likely be the case. However, prolonged closures could result in high growth losses that will not be compensated this year. The initial economic data from China showing the effects of the virus is worrying, making a contraction in the first quarter seem highly likely.

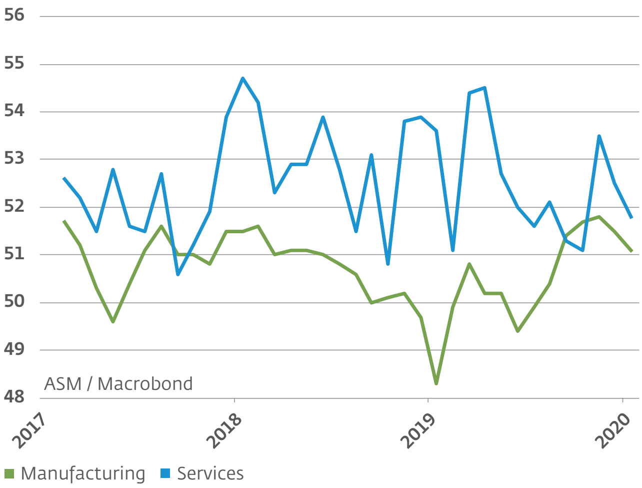
It is meanwhile clear that the current virus will have worse consequences than the SARS epidemic 17 years ago. The number of people affected is already higher, and the Chinese authorities have taken tougher measures this time than they did then. The world economy will be hit harder because China's importance has grown enormously in the almost 20 years since SARS. At the same time, the coronavirus highlights the vulnerability of the global value chain. Many companies outside of China are already warning of delivery difficulties due to the closure of factories in China. This puts globalisation under additional pressure, especially since it is already being torpedoed by the trade war.

Roger Wohlwend
Investment Class Researcher Fixed Income

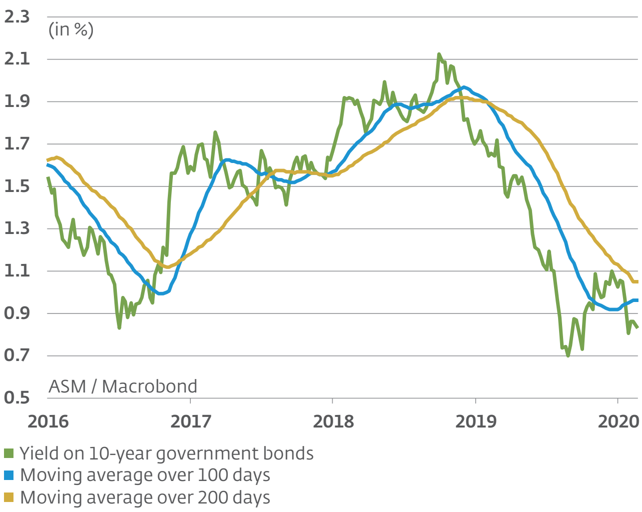
Chinese economic growth



China: Purchasing managers' indices



Government bond yields of developed countries



Bond markets

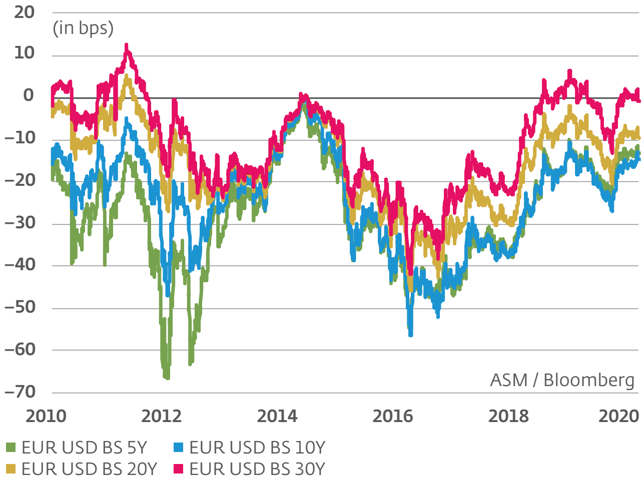
Due to improved cross-currency basis swaps, US issuers have increasingly appeared on the Euro market. Investors are taking advantage of this opportunity for diversification. Corporate bonds are predominantly offering positive returns and are in demand by the ECB.

Since the beginning of the year, an abundance of new EUR-denominated bonds has been issued by US companies (reverse Yankees). By 19 February, a total volume of EUR 26.8 billion had been issued (minimum issue volume of EUR 500 million); only just over half of that amount, or EUR 14.4 million, had been issued in the same period of the previous year. At the same time, the maturities increased to a volume-weighted average of 9.3 years. IBM, Comcast, and Dow Chemical each launched three tranches on the market with maturities of up to 20 years. The US clothing company VF Corp (including Timberland, The North Face) launched an eight-year Green Bond, which was more than eight times oversubscribed, in addition to the currently popular 12-year bond. The immense demand is evidence of a strong narrowing of risk premiums during the bookbuilding process, especially given that rare issuers contribute to diversification. AT&T also launched a perpetual bond with a call option in 2025 and a volume of EUR 2 billion. While some issuers have significant business activities in the Eurozone, EUR funding by General Mills and Dow Chemical seems rather opportunistic, given that these companies have not been active in the EUR bond market for a long time. This trend is likely to continue. Another US heavyweight – Honeywell – is expected to do the same.

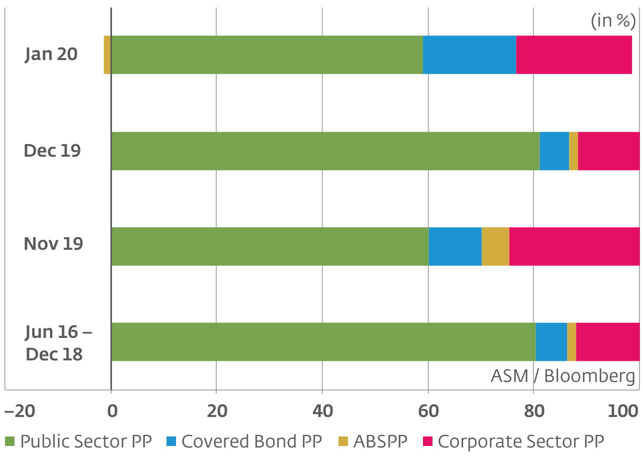
The cross-currency basis swaps relevant for US issuers have performed favourably across the entire maturity range since summer 2019. Corporate bonds also continue to be in strong demand in the Eurozone, given that government bonds and covered bonds with positive yields to maturity require high concessions in terms of duration and creditworthiness. As a result of the generally friendly start to the year on the equity markets, risk premiums narrowed further. The ECB bond purchases are an additional factor. Although bonds issued by companies domiciled in the United States do not qualify for the programme, they have benefited from the fact that the traditional investor base is being crowded out by the central bank purchases. With the ECB's relaunch of net bond purchases, the share of corporate bonds in relation to government bonds has increased. In January 2020, corporate bonds accounted for 23 %, after having averaged only 12 % between June 2016 and December 2018. While the central bank is increasingly reaching its limits in the case of government bonds, there is further buying potential for corporate bonds.

Stefan Rösch
Fund Manager Bonds

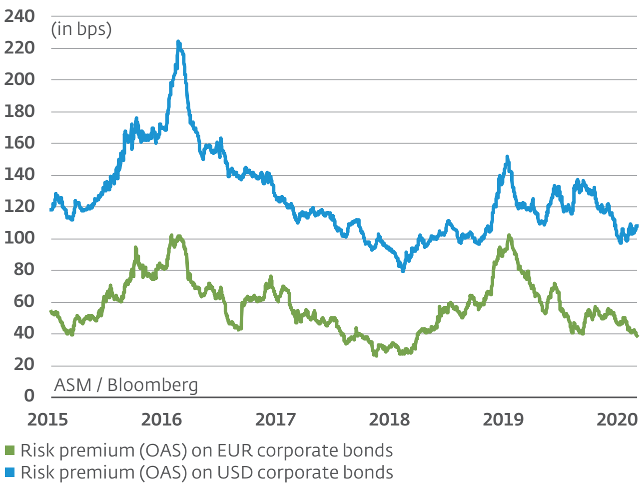
Development of the EUR-USD basis swap



Segment distribution of ECB purchases



Risk premium on corporate bonds



Amazon.com – The harvest phase has just begun

Alongside Apple, Microsoft and Alphabet, Amazon.com is now a member of the exclusive club of American $1 trillion companies. We will therefore take a closer look at the company, which has opened up many new lines of business in recent years.

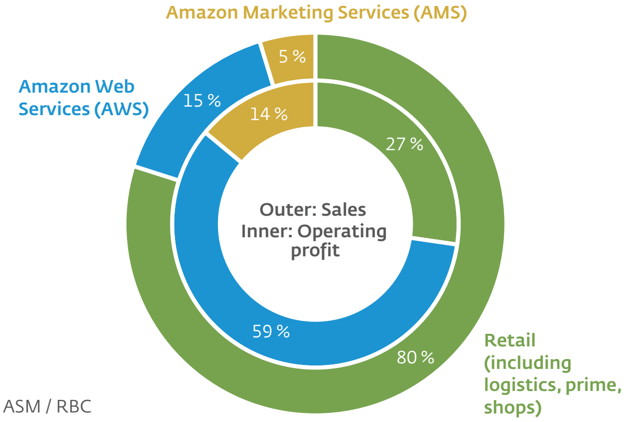
Since its formation in 1994, Amazon has transformed itself from a pure online bookseller to a global internet giant. From a pure bookseller on its own account, Amazon.com is increasingly turning into a service provider that makes its platform available to other retailers worldwide and handles logistics, delivery, and payments in the background. E-commerce currently accounts for just over 10 % of total US retail trade. By acquiring Whole Foods Market, the company has cemented its position as a leading US retailer and expanded its offerings to include food.

Amazon's rigorous investment policy can certainly be described as a unique selling proposition. Amazon's management, in particular CEO Jeff Bezos, has in recent years repeatedly invested in young markets at an early stage, thereby opening up new lines of business which now place the entire company on a much broader basis than just a few years ago. In 2013, for example, Amazon Web Services (AWS) was launched. This division is now the clear market leader in the Infrastructure-as-a-Service cloud segment. Market growth in this segment is estimated to exceed 25 % per year in the coming years. Due to its high operating margins, AWS is Amazon's cash cow and has recently contributed to financing the expansion of the company's distribution network. Most market participants are still unfamiliar with Amazon's newest business unit, Amazon Marketing Services (AMS). There is currently still a misallocation of advertising expenditure: While about 50 % of all Americans initiate their online shopping directly on Amazon.com, companies are investing their advertising budget elsewhere. Amazon is now attacking these budgets, offering merchants better placement in search results and efficient advertising tailored to the customer segment.

With these three business segments alone (retail, AWS, and AMS), Amazon.com will be able to increase operating profits by 25 % annually until 2025. These segments are accompanied by other, still young business areas such as the pharmacy market (PillPack), health services (Haven), as well as mortgage and real estate brokerage. Amazon's uniqueness as well as its high diversification continue to qualify Amazon as a core investment in any global equity portfolio for the coming years.

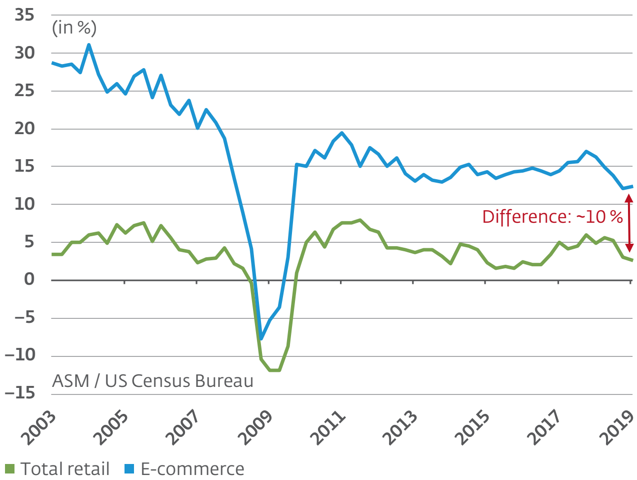
Simon Öhri
Fund Manager LLB Equities North America

Amazon business segments, 2019

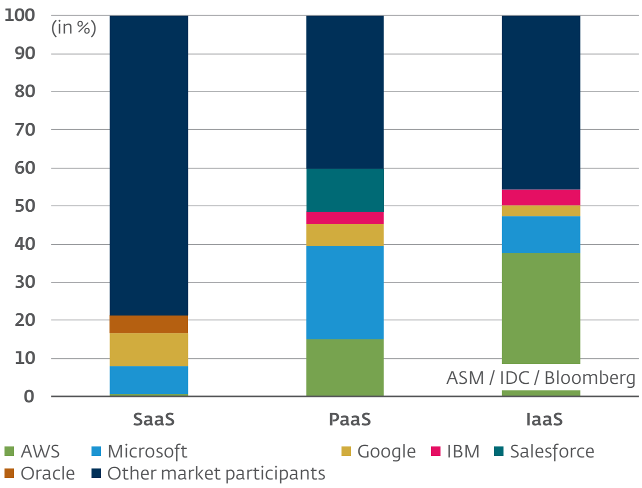


ASM / RBC

Annual growth rates in retail



Market share in the cloud business, 2019



Equity strategy

Although concerns about the economic impact of coronavirus disease are increasing, markets have so far been expecting a rapid recovery as soon as new infections subside. BEPS, on the other hand, poses a completely different threat to investors.

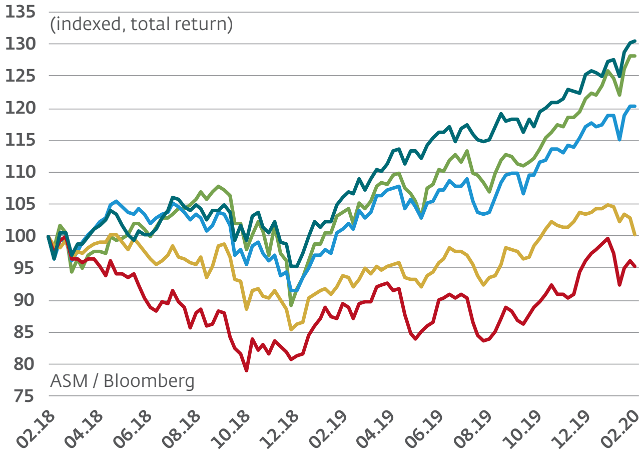
So far, equity investors have not been greatly impressed. Since the beginning of the year, the MSCI World (in USD) has still gained 2.3 %, only slightly below the high of 3 %. The Chinese government has launched a number of programmes to support the domestic economy at various levels. These include direct interventions on the equity market – probably the main reason why the Chinese equity market has been able to recover so quickly to the level of the end of 2019.

At this year's WEF in Davos, climate change may well have been the dominant topic in the media. But the negotiations within the OECD on a «revolution» of the tax system for internationally active companies were also hotly debated. Following the OECD's long-running campaign with the working title BEPS (Base Erosion and Profit Shifting) under the aegis of the G20, the pressure is increasing to make legal tax avoidance – which is still possible today – impossible in future, so as to expand the tax base. After Trump's election, the United States had temporarily lost interest in the project – but this changed last summer, especially in light of the plans of several countries to unilaterally introduce a special tax on «digital companies». From the investor's perspective, the question arises as to which companies could be especially affected by changes or tighter regulations. The bottom chart gives an indication of where tax burdens may tend to increase most in the future. Companies in the health care, communication, and technology sectors appear to be exposed. The high share of US companies that have a tax burden even far below a «normalised» US tax rate is particularly striking. The chart is not country-adjusted, but rather shows the average tax rate over three years (2017–19) of the ten largest companies in each sector. Investment decisions must always be made on a case-by-case basis, however. We expect the G20 summit in Saudi Arabia this November to produce the first concrete resolutions. In our view, the market has not yet reacted at all to this development.

Equity prices in the Western Hemisphere have not yet reacted strongly to the coronavirus, so there is currently no attractive opportunity to buy into the market. We recommend a moderate underweighting of overall equity exposure.

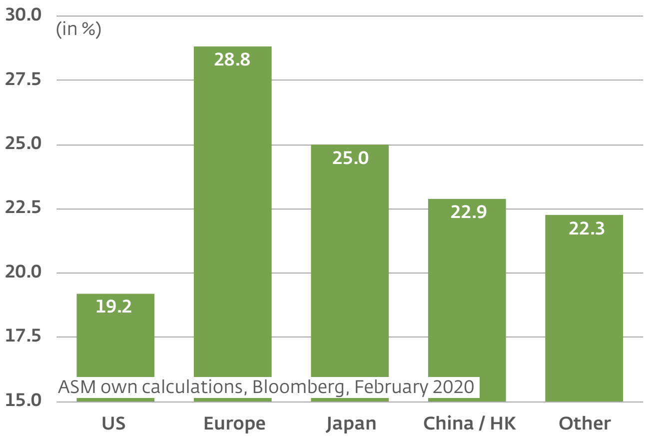
Christian Zogg
Head Equity and Fixed Income Management

Equity markets in local currency – 2 years



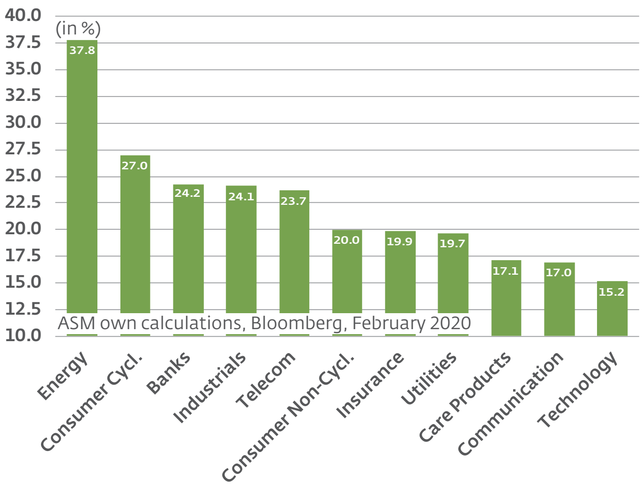
■ MSCI USA ■ MSCI Europe ■ MSCI Pacific ■ MSCI GEM ■ SPI

Tax rates for large caps by region



■ Country average of the 10 largest companies within a number of sectors, not weighted

Tax rates for global sectors



■ Average tax rate of the 10 largest companies within each sector – Bloomberg World Indices

Switzerland

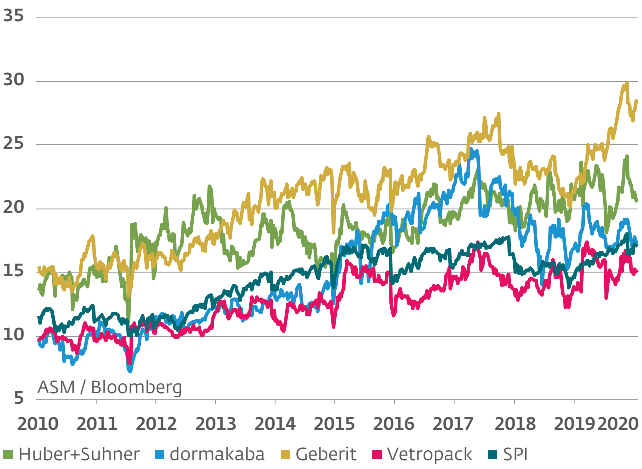
The purchasing managers' index for EU manufacturing is recovering from a 7-year low and is now only slightly below the expansion threshold. Regardless of whether the COVID-19 virus delays this cyclical recovery, we see potential in four industrial equities.

As a supplier of mobile communication antennas, Huber+Suhner will benefit from the steadily increasing consumption of mobile video. The company also supplies high-voltage cables for electric cars and various products for the railway market. Both markets are benefiting from the climate debate. Higher defence spending and increased digitalisation also generally support the business. Dormakaba has a strong market position as the global number three in the market for access and security solutions. Digitalisation enables hotel guests to have direct access to hotel rooms, for example, and offers new opportunities for the three major providers, while smaller companies will have difficulty offering integrated access solutions in future. Valuation is about 30 % lower than the peer group.

Because transport costs for glass containers are high, Vetropack has local quasi-monopolies with solid margins in nearly all markets. The majority of sales are generated through long-term customer relationships, with the Heineken Group as the main customer. The valuation for Vetropack is extremely favourable, at only 6x expected EV/EBITDA and 45 % below the peer group. Geberit is the undisputed market leader for sanitary products in Europe – its valuation continues to be expensive and is approximately 20 % higher than the peer group. But this valuation is justified due to its high level of stability, strong brand, and unique training-based distribution model with correspondingly high FCF margins and returns on capital.

Thomas Kühne
Fund Manager LLB Equities Switzerland

Expected PER over 10 years



Europe

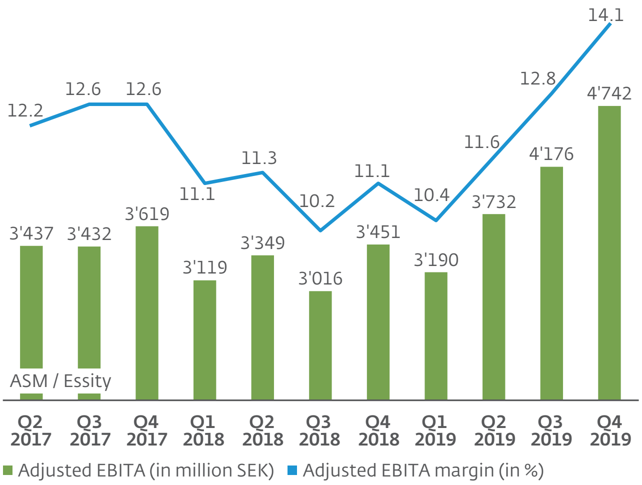
Against the background of rising earnings expectations, European equity markets got off to a good start to the year; the DAX even reached a new all-time high. There is currently a great danger that expectations will be disappointed, however.

European equity markets entered the year with the momentum of the Phase 1 trade deal. But the focus of the United States is now likely to shift more towards Europe again. Moreover, the economic downturn in Asia is also likely to have a negative impact on global economic growth, which could put pressure on the earnings expectations of European companies.

It is therefore time to take a more defensive approach. Defensive sectors such as consumer staples, however, already have a challenging valuation overall compared to the market. One stock with an attractive valuation compared to the sector is Essity, the world's second largest supplier of household and hygiene paper products. The company's best-known brands include Tork, Tempo, Zewa, Lotus, and Regio. The company's long-term growth prospects are interesting as well: Essity is also the global market leader in incontinence products with its Tena brand, which offers excellent growth opportunities due to demographic changes in industrial countries. Incontinence products currently account for nearly 11 % of sales and, with a margin of more than 15 %, are also among the company's most profitable segments. In the hygiene paper segment, Essity is currently able to benefit from the negative trend in commodity prices, which should continue to have a positive impact on the company's margin, especially in the first half of the year.

Robert Binder
Fund Manager LLB Equities Europe

Essity: Development of operating earnings power



North America

The coronavirus is currently dominating the media headlines. In our opinion, this will change travel behaviour in the short to medium term. However, the Booking.com share still offers an opportunity to earn money in the travel industry.

The cruise ship Diamond Princess was quarantined off the coast of Yokohama for two weeks. The entire gambling city of Macao was closed by the Chinese government for about the same period of time. Additional safety and health inspections will be introduced at most airports around the world. In our opinion, this will lead to a change in travel behaviour in the coming quarters: Longer group trips such as cruises, safaris, and guided tours are likely to suffer a dip in growth, while demand for individual travel or even holidays close to home is likely to increase more strongly again. For local hotel operators, this means lower occupancy rates and lower profitability. We would therefore not yet recommend investing in shares of hotel operators or tour operators in light of the increased uncertainty.

One way to participate indirectly in the travel industry is through the shares of Booking.com. The online platform merely acts as a broker for hotel rooms, flights, rental cars, taxis, holiday apartments, and activities and is therefore mostly "immune" to the coronavirus. Its management has worked hard in recent years to diversify the company both geographically and in terms of its product range. The company also impresses with a solid balance sheet and high profitability. We therefore recommend buying Booking.com as a portfolio addition in the leisure sector.

Simon Öhri
Fund Manager LLB Equities North America

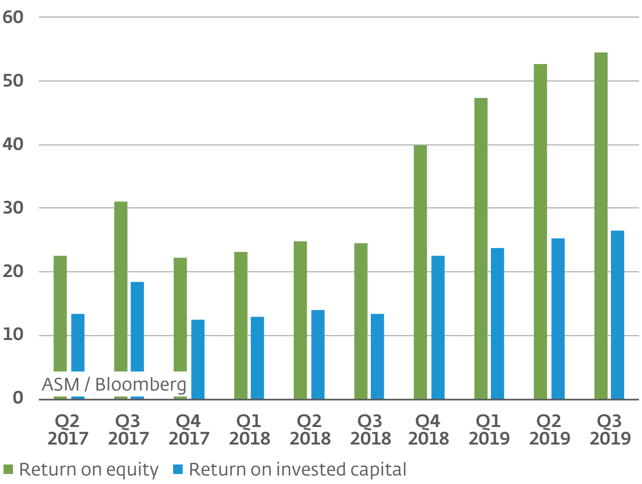
Pacific

Japan's gross domestic product (GDP) plummeted by 1.6 % in the fourth quarter. Consumers and businesses have sharply reduced their spending due to the consumption tax increase. The devastating effects of Typhoon Hagibis were also a burden on the economy, however.

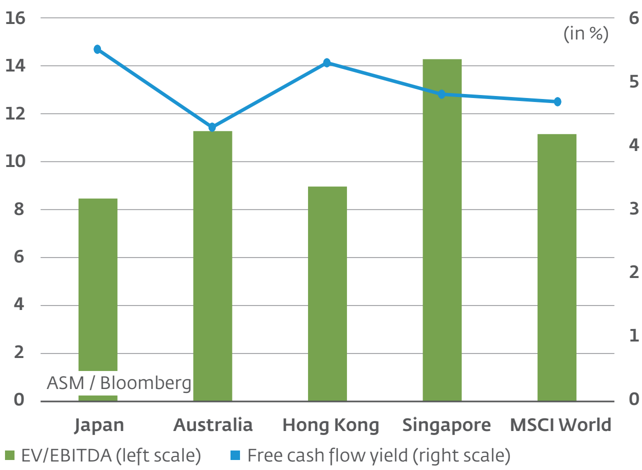
Due to the outbreak of the highly contagious respiratory disease COVID-19, most analysts already see Japan in a technical recession. How should investors now act in this uncertainty? First of all, it is worth taking a look at corporate results. In Tokyo, 48 % of all pharmaceutical stocks, 7 % of all consumer staples, and 4 % of all IT stocks have managed to exceed expectations. As expected, the status quo has made it difficult for industrials and consumer discretionary. This burden is unlikely to change anytime soon. Overall, net earnings estimates for the current year have had to be revised downwards only moderately. But spectacular price gains at Fujitsu, Sony, and Panasonic show that money can certainly be made in Japan. These companies have announced major share buyback programmes as well as improvements in corporate governance, such as a further reduction in cross-holdings. Japanese companies have low levels of debt and still have above-average cash holdings on their balance sheets. In the new financial year, dividend payments and share buybacks in March are also likely to reach record levels. With an EV/EBITDA of 8.4, a price-to-book ratio of 1.1, and a free cash flow yield of 5.5 %, Japan is one of the most attractively valued markets in the world. Earnings accretion is also likely to increase return on equity. The strong valuation differential to the world index is thus a great opportunity.

Christoph Hilfiker
Fund Manager LLB Equities Pacific

Profitability of Booking.com



Japan is still the most attractive



Alternative investments

Cat bonds

Many investors are wondering whether the coronavirus can infect cat bonds. The International Bank for Reconstruction and Development (IBRD) launched two cat bonds in 2017 that address pandemic risk transfer.

The definition of pandemic risks is relatively broad for these two cat bonds. In addition to filovirus, Lassa fever and Rift Valley fever, the coronavirus also appears as a possible event trigger that would lead to a payout in the event of a loss. By issuing these two bonds, the IBRD intended the affected countries to be able to spread part of the costs of dealing with the consequences of a pandemic, in the sense of insurance.

The outstanding volume of the two bonds represents approximately 0.8 % of all securities currently on the cat bond market. From this perspective, the risk for the individual cat bond investor is very low. Moreover, the price movement of the IBRD 2017 (2) bond is determined far more by Ebola in Africa than by the coronavirus. The diseases described above have an aggregate effect on this bond and thus jointly determine whether there is a default or not. However, we believe that the current environment and the outlook for the remaining 99.2 % of the cat bond market are far more important. We still consider the current risk premium of about 600 basis points to be attractive, which is why we are maintaining our tactical position. Beyond this, the market is growing steadily with bond volumes in circulation and the types of events. In 2019, the cat bonds segment saw a shift among investors away from institutional investors in the direction of more investment funds. The next important date for the asset class will be the storm estimates for the 2020 hurricane season.

Bernhard Schmitt
Head Equity & Multi Manager Management

Gold

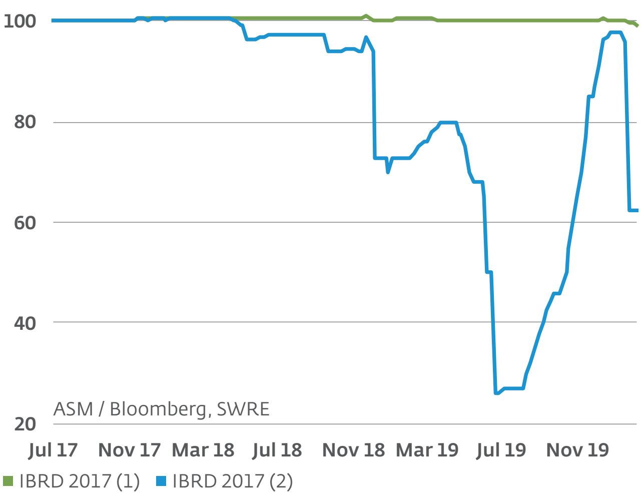
While gold is at an all-time high in Euros, the records in US Dollars reached in 2012 have not been broken. Despite this, gold mines around the world are currently making a profit.

The attractive gold prices may lead to an expansion of supply by mine operators in the coming quarters. If, in addition, investors realise profits on their existing gold positions, more supply could come onto the market. Physical gold holdings encompass the gold holdings of all known and exchange-listed ETFs and have reached new highs, albeit with no further upward momentum. In contrast, it is difficult to estimate the volume of cash transactions in gold coins or small bars, given that these are not systematically recorded.

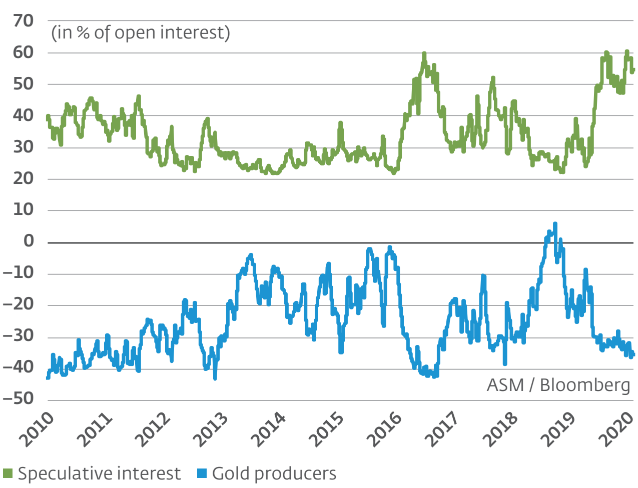
From the point of view of market information, the much larger futures markets continue to be much more important for investors. They were originally created to give producers the opportunity to hedge their production. Currently, however, the market is showing a very high level of speculative interest. At current gold prices, we are seeing record long exposure among speculators in anticipation of further increases in gold prices. Producers, on the other hand, are hedging current prices and have already sold output at current prices far into the future. They therefore do not expect any further price increases. Higher gold prices can be expected only if the Fed should again cut interest rates significantly. In such a scenario, upheavals could occur also on the expensive equity markets in the United States, which would be clearly positive for the precious metal gold.

Timo Gruber
Investment Class Researcher Commodities

IBRD cat bonds – pandemic risks



Investment Class Researcher Commodities



LLB Comfort – our discretionary portfolio management

Securing and profitably managing your assets is our most important concern. As an effective and capable partner, we are happy to support you in all aspects of asset management.

Macroeconomic, regulatory, and sociodemographic factors increase the complexity of management tasks. At the same time, investors are rightly demanding increasing flexibility from their asset managers and consideration of their individual needs. The range of services offered by LLB Comfort – the asset management mandates of the LLB – is based on these requirements.

By working together with us in this way, you enjoy the following benefits:

- You can be certain that your assets will always be looked after in the best possible way and that your wishes will be taken into account.
- Through permanent monitoring of your portfolio, we strive to improve performance continuously. This means that our specialists systematically search the market for risk premiums and investment opportunities and use them to your advantage.
- You gain more time for other aspects of asset management because you delegate routine tasks to the specialists of LLB Asset Management.
- Your personal client advisor is still your direct contact for all financial matters. Your client advisor will also be happy to assist you with other tasks in the management of your assets.
- We provide you with regular, transparent, and comprehensive information about the development of your assets – with reporting that presents the investment performance transparently and is verified in accordance with international standards (GIPS).
- We explain our investment decisions in an understandable way – especially because we are convinced that demanding and well-informed clients are the best partners for the long term.

By far the most important factor for investment success is the choice of a suitable strategy. Our client advisors have the knowledge and the means to work with you to find the investment strategy that is tailored to your personal situation.

As individual as our clients are, so different are their needs. We analyse your current asset situation and your investment objectives. We take into account temporal factors such as your earnings expectations, your risk tolerance, and your investment horizon. We pay particular attention to your life situation and your liquidity requirements. In a next step, we work with you to define the investment strategy that suits you best. Based on your investment profile, we make broadly diversified investments and actively manage your assets.

Our experience shows that investors' needs are usually focused on a few typical risk-return profiles. We present these strategies on the next page. We offer these profiles in a risk-controlled and optimised manner in the reference currencies CHF, EUR, and USD. We are happy to include any of your expectations that may go beyond this. Together, we design an investment strategy that is tailormade for you.

Optimisation and performance

We use a systematic, value-oriented process when selecting securities and funds. Under this process, we invest in securities with favourable valuations and take advantage of their long-term potential to generate above-average returns. We strive for broad diversification both among asset classes and among individual securities within asset classes, given that diversifiable risks are not compensated by the markets. Our globally diversified asset allocation results in high foreign currency exposures. We hedge most of these exposures and invest the freed-up risk budget in return-generating asset classes.

Under our agreement with the client, we deviate from the contractually determined weights of the asset classes to a defined extent. In doing so, we make the best possible use of special market conditions. In our investment committee, we think in terms of earnings expectations over 12 months. We periodically and systematically examine quantitative and qualitative factors. Using our proprietary optimisation software, we construct efficient portfolios that make use of a predefined risk budget to maximise expected returns.

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

US strength is temporary
The robust data supports the US Dollar. In addition, the US economy is likely to be less affected by the impact of the coronavirus than Europe. However, the fundamental data (e.g. the twin deficit) favours a weakening of the US Dollar. The upcoming presidential elections also bear risks. In our view, the current strength of the US Dollar is of a temporary nature. We are therefore maintaining our neutral currency weighting.

No change for bonds
After falling in January, government bond yields stabilised in February. The current low level justifies the underweight in government and corporate bonds. We are waiting for a higher level before reducing them. We are keeping emerging market bonds overweight and high-yield bonds neutral, given that both asset classes will continue to benefit from the search for yield and investors' risk appetite.

Coronavirus has so far had little impact on equities
So far, the equity markets have held up well despite increased uncertainties, especially due to the coronavirus. However, investors should wait before increasing their exposure further. The good performance should instead tend to be used to take some of the profits and reduce overall equity exposure to a slight underweight relative to the strategy. In light of the fact that interest rates remain low, we have in turn slightly increased our exposure in interest rate-sensitive real estate equities.

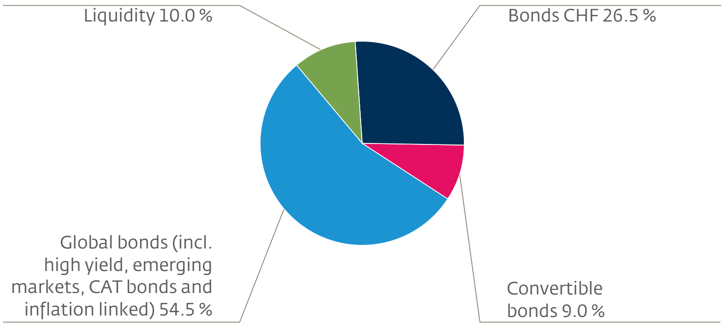
Real estate and alternative investments (incl. cat bonds)
We continue to recommend an overweight in real estate equities, given that their valuation has become clearly more attractive in recent months compared with the equity and bond markets. The discrepancy based on the valuation of enterprise value compared to expected EBITDA, i.e. earnings before interest, taxes, depreciation, and amortisation, appears especially extreme. At the same time, fundamental data such as rental growth and vacancies are intact. The unchanged positive development of the equity markets supports trend followers and long/short equity approaches with and without long bias. We are maintaining our neutral weight in hedge funds and continue to use CTAs as a tactical portfolio addition. Fears about the further spread of the coronavirus and negative consequences for economic growth have caused the price of gold to rise and at the same time the prices of cyclical commodities such as crude oil, but also industrial metals, to fall. We do not expect the situation to escalate any further and believe that the measures taken by central banks and governments will boost demand for commodities. This is why we are maintaining our neutral position in that asset class.

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

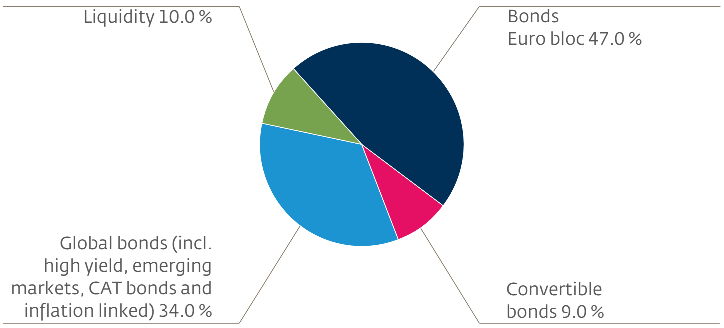
Allocation by asset classes



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

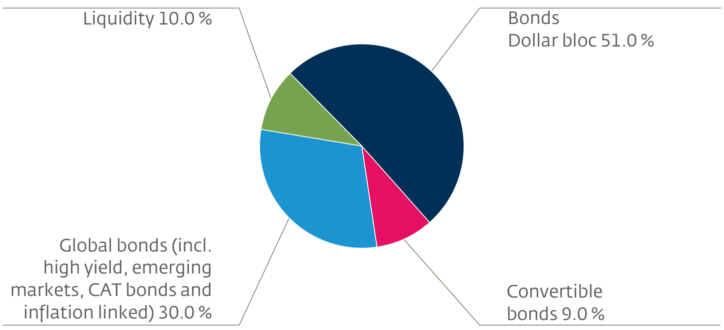
Allocation by asset classes



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 %

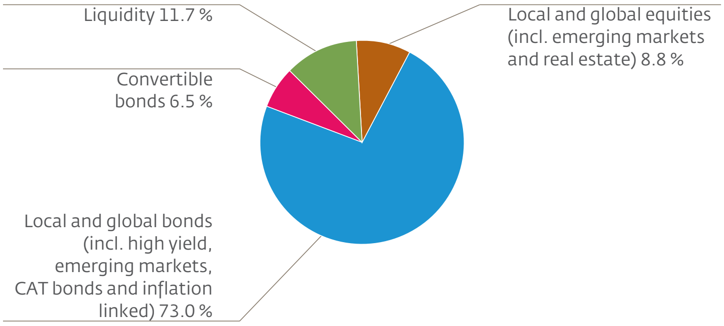
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

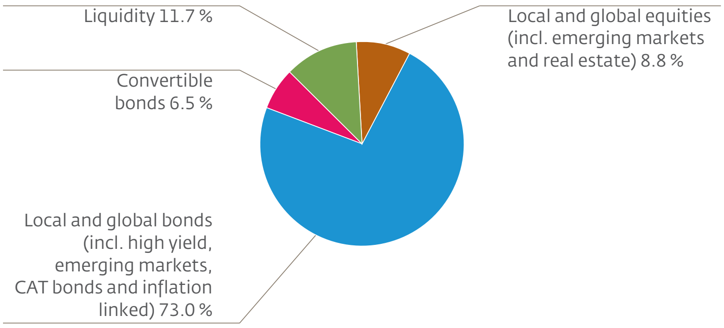
Allocation by asset classes



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

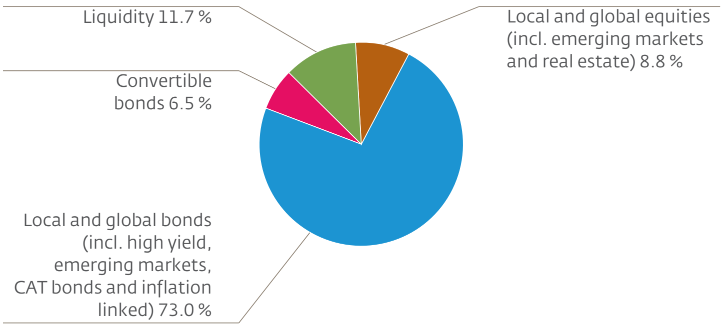
Allocation by asset classes



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 %

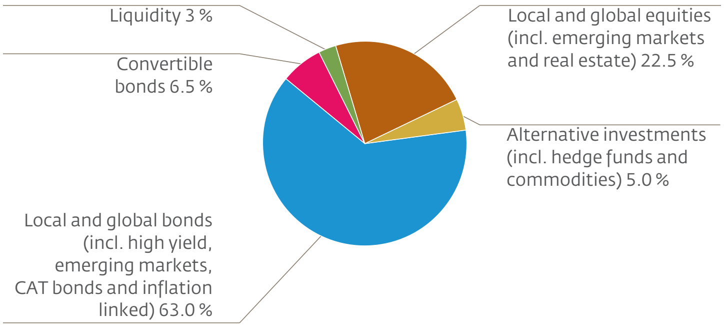
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

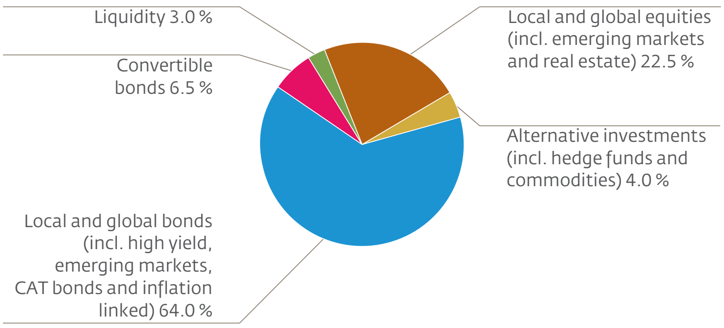
Allocation by asset classes



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

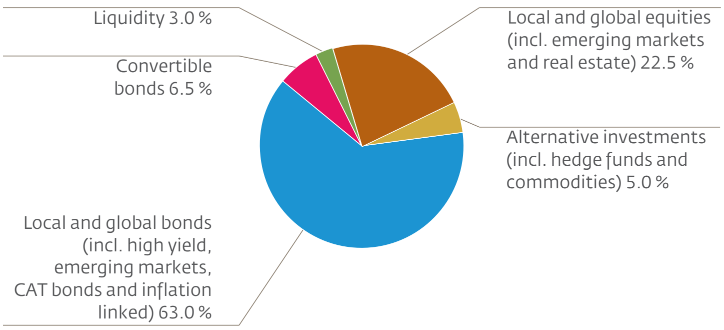
Allocation by asset classes



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 %

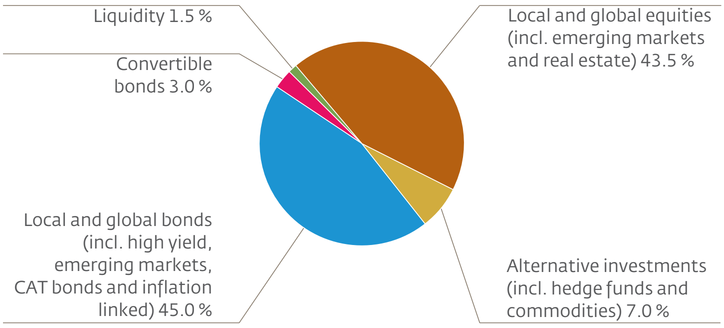
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

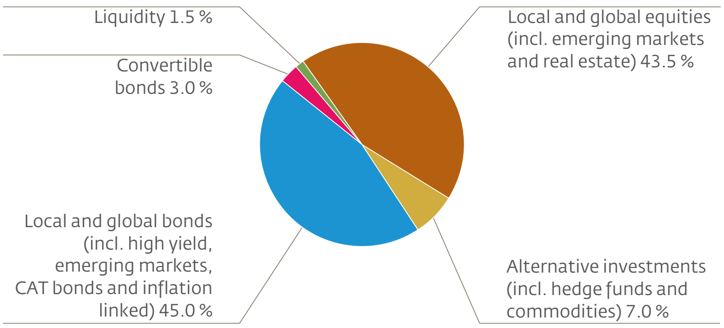
Allocation by asset classes



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

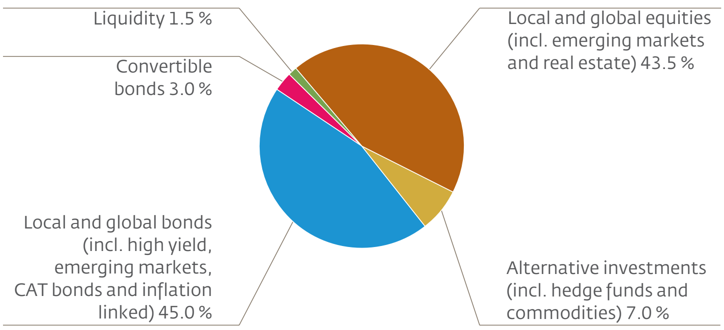
Allocation by asset classes



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 %

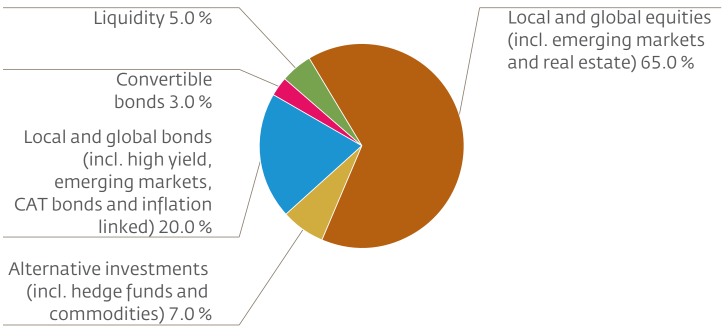
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

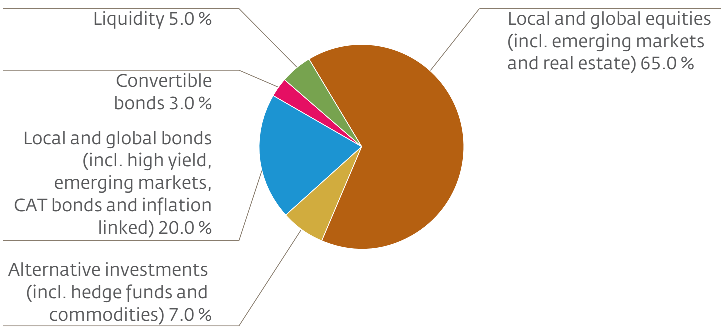
Allocation by asset classes



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

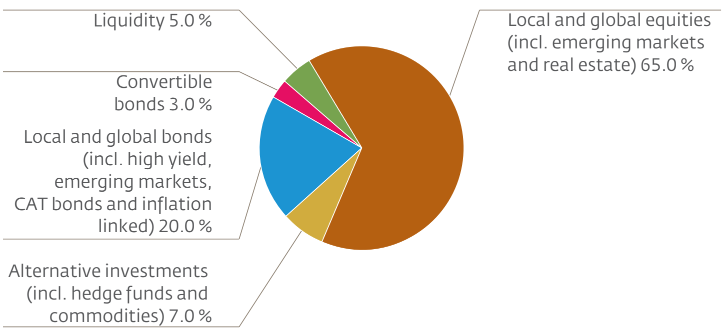
Allocation by asset classes



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 %

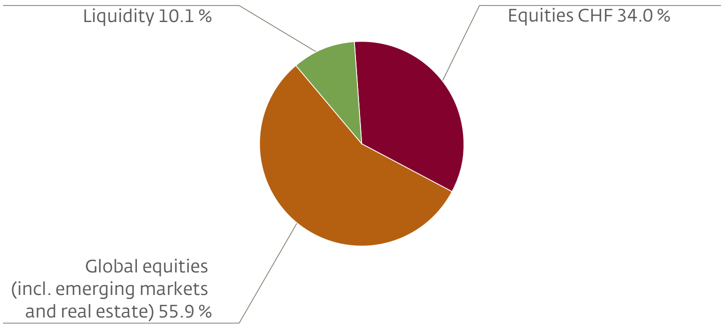
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

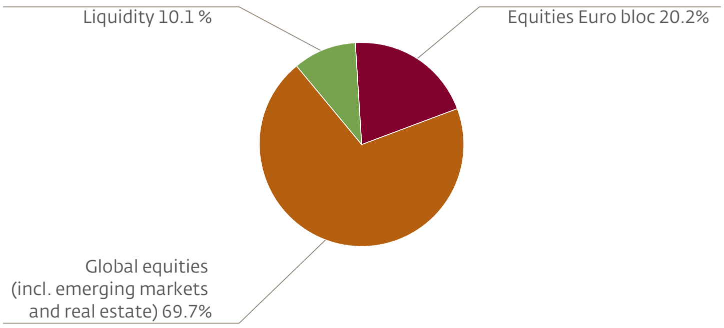
Allocation by asset classes



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

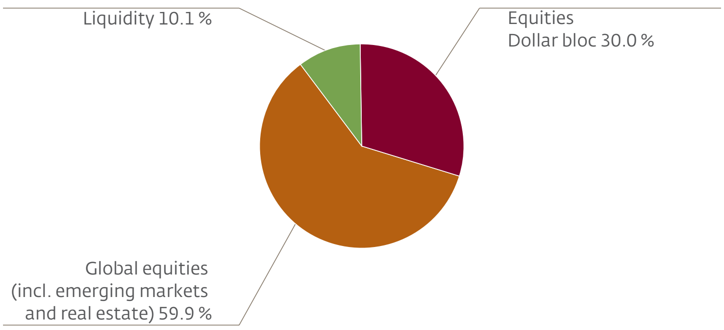
Allocation by asset classes



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 %

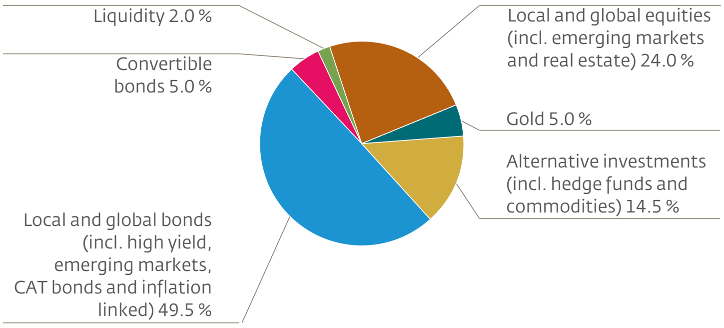
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

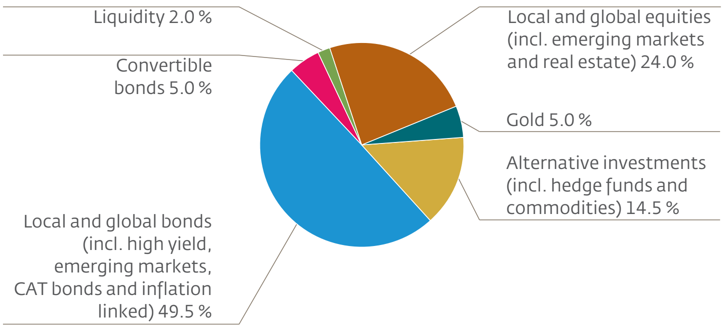
Allocation by asset classes



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 %

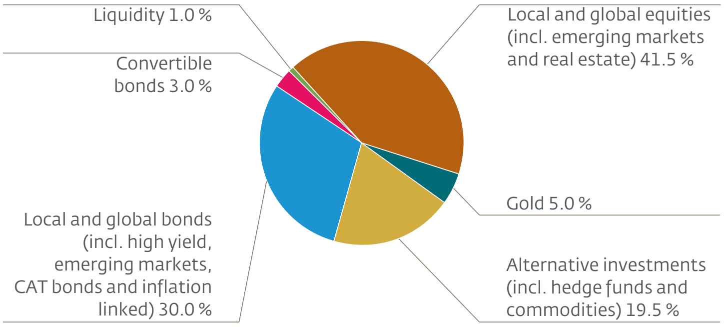
[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

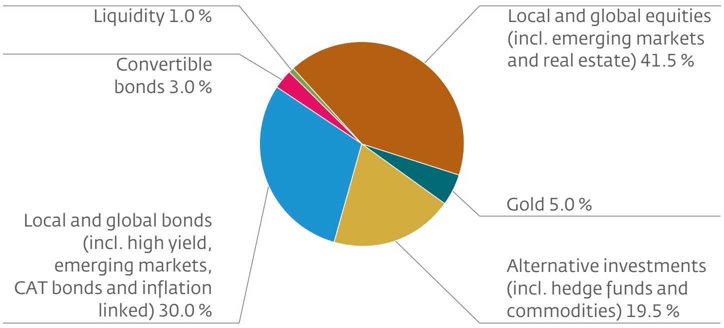
Allocation by asset classes



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	0.680 %	0.800 %	0.850 %	0.850 %
AUD				
NZD		0.060 %	0.090 %	0.250 %
ZAR	5.530 %	5.590 %	5.500 %	5.510 %
CAD	0.700 %	0.760 %	0.840 %	0.870 %
NOK	0.170 %	0.510 %	0.590 %	0.720 %

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP	0.63 %	0.66 %	0.66 %	0.69 %
USD	1.53 %	1.60 %	1.60 %	1.60 %
AUD	0.67 %	0.71 %	0.75 %	0.90 %
NZD	0.98 %	1.03 %	1.06 %	1.22 %
ZAR	6.78 %	6.59 %	6.50 %	6.51 %
CAD	1.57 %	1.58 %	1.61 %	1.64 %
NOK	1.39 %	1.48 %	1.56 %	1.69 %

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: 21.02.2020. 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

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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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- 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.
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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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  Swiss Financial Market Supervisory Authority FINMA
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