Liechtensteinische Landesbank 1861

Tradition meets Innovation.

May 2020

Capital & Markets

Contents

Editorial

Dear Readers

Since our last issue of Capital & Markets, the economic outlook has once again become much gloomier. According to the International Monetary Fund, the economic restrictions imposed due to COVID-19 will lead to a 6 % economic slump in industrial countries this year. In our economy and interest rates article on page 6, we have tried to place this in its historical context.

No further crash occurred on the equity markets, however. On the contrary: Since the publication of our last issue, prices have risen by about 15 % according to the MSCI World Equity Index. With the measures announced in Europe for a gradual return to normal, we can now roughly estimate how long the crisis will last. This strengthens the expectation of most financial analysts that the recession will be followed by a strong economic recovery in the second half of the year, accompanied by unprecedented levels of government monetary and fiscal policy support.

Following their strong recovery, equities have already priced in much of the expected positive economic development in the second half of the year. Corporate bonds tell a different story: Because the number of bankruptcies typically rises during a recession, bonds – like equities – suffered significant price drops. And although they should also benefit from the expected economic recovery in the second half of the year as well as from the massive increase in bond purchases by central banks, this has hardly happened so far. This means that investors are currently able to achieve a significantly positive return with a high-quality CHF or EUR bond portfolio, which is why we increased the tactical weight of our bond exposure from a strong to a slight underweight.

In this environment, we advise all clients with a bond exposure that is significantly too low relative to their profile to discuss and correct this with their advisor.

We wish you a stimulating read.

Yours faithfully

Markus Wiedemann
Chief Investment Officer

Market assessment

Currencies – page 5

- The Euro is benefiting from the measures taken to support the Eurozone economy. In contrast, the loose monetary policy and negative impact of the coronavirus in the United Kingdom will weigh on the Pound for the time being.

Economy and interest rates – page 6

- Although the exact extent of the recession cannot yet be estimated, we must assume that it will be short but deep this year. In industrial countries, the economy will shrink by a magnitude that has not been seen for many decades.

Bond markets – page 7

- After setbacks, corporate bonds have begun to recover. Defensive issuers offer less potential, while opportunities and risks diverge for cyclical companies. The rating trend has become gloomier, and sector effects are moving into focus.

Equity markets – page 9 to 11

- The record crash on the equity markets in March was followed by an equally record-breaking preliminary recovery in the first weeks of April. During that period, governments and central banks adopted enormous rescue packages to stimulate optimism.

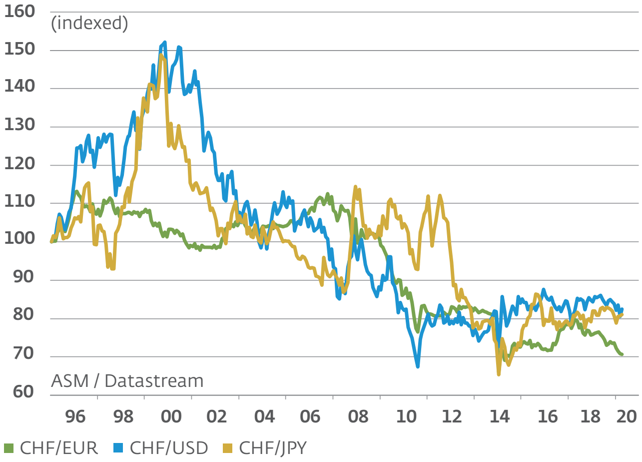
Alternative investments – page 12

- Preliminary information on the real estate sector shows that the initial price drop exaggerated the possible operational slump.

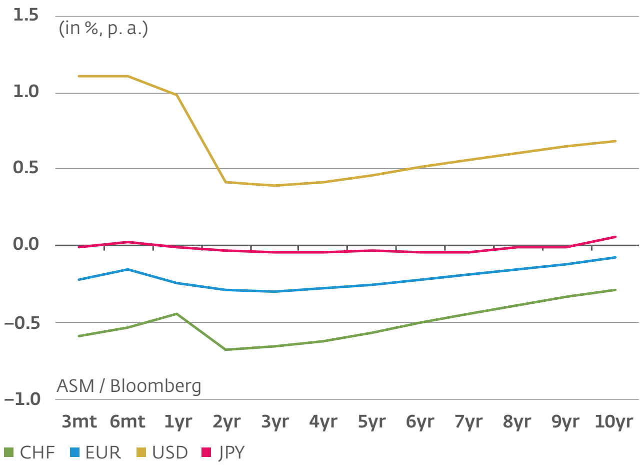
- The quick turnaround on the equity markets not only helped long/short equity funds, but also hardly had any negative impact on CTA managers.

- Politically imposed measures and lower returns on energy production projects will realign supply with the new demand situation in the medium term. Only then will commodity prices be able to rise again.

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	–4.5	3.5	–6.5	4.5	–5.5	3.8	–4.5	4.3	–4.0	2.8
Consumer price index, % yoy	–0.2	0.8	0.7	1.6	1.5	1.8	1.8	1.8	0.6	0.8
Budget balance, % GDP	–5.0	–2.5	–9.0	–4.5	–8.5	–6.0	–14.8	–6.5	–11.5	–6.2
Public debt, % GDP	45	47	115	119	123	128	128	130	237	240
Current account balance, % GDP	9.9	9.8	2.7	2.6	–4.3	–4.0	–2.3	–2.4	3.4	3.3
Unemployment, %	3.8	2.6	11.5	9.5	6.0	5.0	10.0	5.5	3.8	2.6
Interest rates, 3 months Govt. bonds	[2] –0.8	[3] –0.7	[2] –0.5	[3] –0.7	[2] 0.1	[3] 0.2	[2] 0.1	[3] 0.2	[2] –0.2	[3] –0.1
Interest rates, 10 years Govt. bonds	[2] –0.5	[3] –0.4	[2] –0.5	[3] –0.3	[2] 0.3	[3] 0.7	[2] 0.6	[3] 1.0	[2] 0.0	[3] 0.0

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

Currencies

The Euro is benefiting from the measures taken to support the Eurozone economy. In contrast, the loose monetary policy and negative impact of the coronavirus in the United Kingdom will weigh on the Pound for the time being.

Euro (EUR)

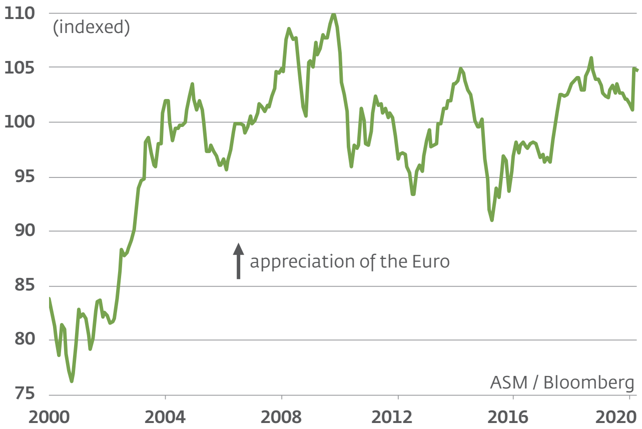
With the emergence of COVID-19, the Euro has appreciated in trade-weighted terms. This is due to the decisive action taken by the ECB and the member countries. The ECB's expansionary monetary policy facilitates the expansion of government spending to limit the consequences of the pandemic. This has improved the prospects of the Eurozone coping better with the current crisis than with the financial crisis of 2008/09. The Eurozone also benefits from its social insurance system. In addition to unemployment insurance, countries such as Germany, Austria, and the Netherlands are relying on short-time work. The member states have recently decided to expand this element of labour market policy throughout Europe. For this purpose, a EUR 100 billion reinsurance scheme (SURE) is being established at the European Commission. The social insurance systems will significantly dampen the slump in household incomes throughout Europe. In the United States, only marginal support is being offered to the unemployed. Future consumption trends in the Eurozone are therefore likely to be stronger than in the US. This outlook will support the Euro. A development around the USD 1.10 mark per Euro is the most likely scenario in the coming months.

British Pound (GBP)

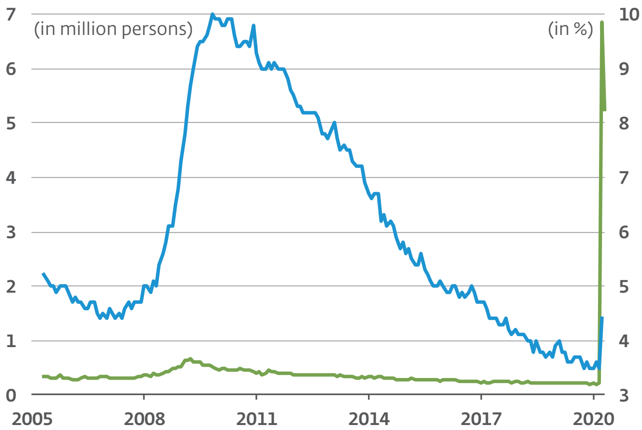
As a consequence of the spread of the coronavirus, the Bank of England has dramatically eased monetary policy. Since the beginning of this year, it has cut its base rate by 65 basis points to currently 0.1 %. Bond purchases are also being expanded by GBP 200 billion (about 9 % of GDP) to GBP 645 billion. It has set up a term funding scheme (TFSME) for small and medium-sized enterprises (SMEs). The core element of this scheme is the provision of liquidity for SMEs with terms of up to four years at conditions close to the base rate. To facilitate lending by banks, the countercyclical capital buffer is being kept at 0 %. The BoE will also make short-term funds directly available to the British Treasury. As part of the existing Ways and Means facility, the government will be able to draw on funds from the central bank similar to an overdraft facility. While the use of this refinancing channel is intended to be short-term, no end date has been fixed. Loose monetary policy and the negative impact of the pandemic on the British economy will put downward pressure on the Pound in the coming months.

Waldemar Lukas
Investment Class Researcher Fixed Income/Currencies

Trade-weighted Euro exchange rate

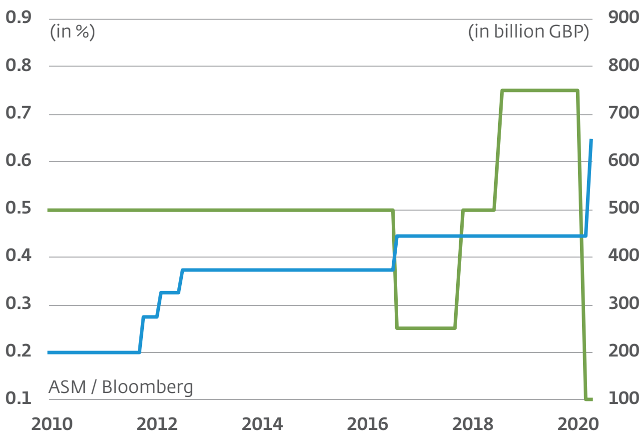


US: Labour market indicators



Initial applications for unemployment insurance
Unemployment rate (right scale)
Source: ASM / Bloomberg

UK: BoE base rate and bond purchases



Base rate Bond purchases (right scale)

Economy and interest rates

Although the exact extent of the recession cannot yet be estimated, we must assume that it will be short but deep this year. In industrial countries, the economy will shrink by a magnitude that has not been seen for many decades.

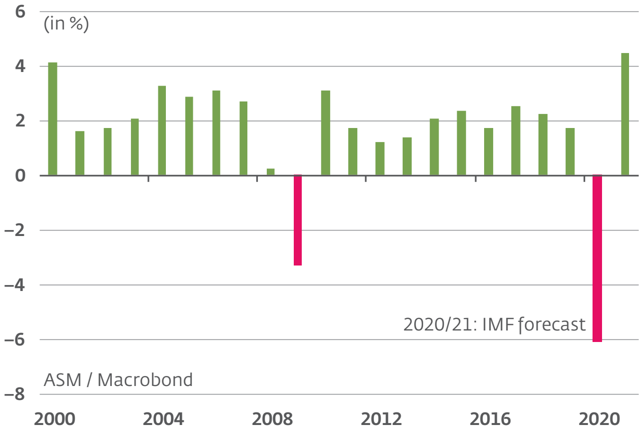
The recession is here, as the latest economic data makes clear. But how deep it will be is less clear. The International Monetary Fund (IMF) estimates that the world economy will shrink by about 3 % this year. In industrial countries, the IMF even expects a contraction of 6 %, with the Eurozone hit the hardest with estimates exceeding 7 %. For many countries, these figures are about twice as high as during the 2009 recession. By today's standards, this is an enormous slump and unprecedented in the post-war period. To find comparable or deeper recessions, one has to look at the Great Depression starting in 1929 and the war years. In the recent past, similar cases have occurred only in emerging markets (for example in Venezuela since 2016). One should not forget, however, that the IMF estimates assume the pandemic will be under control in the second half of the year. If this is not the case, the figures are likely too optimistic.

The recession is expected to last only two quarters. Despite this short duration as well as rapid and extensive countermeasures by governments and central banks, it will be among the deepest recessions of the last 150 years. Annual GDP data is available for England dating back to the 13th century. Economic output used to be very volatile for extended periods of time because the economy's agricultural focus was dependent on the weather; there was also no central bank to stabilise it. Without exception, the deepest recessions therefore occurred before the 18th century. One of these recessions was due to a pandemic, namely the plague. Focusing on the data from England since 1900, and assuming the contraction is 6.5 % as expected by the IMF, then the recession of 2020 will be the third largest. In France, Italy, and Germany, where data is available since the middle of the 19th century, the two world wars are responsible for the worst economic slumps. In France, the current recession is likely to be ranked only 10th and in Germany 8th. The situation is different in Italy, where the current recession may rank 4th – due to an expected contraction by 9 %, by far the worst hit of the large countries in the Eurozone.

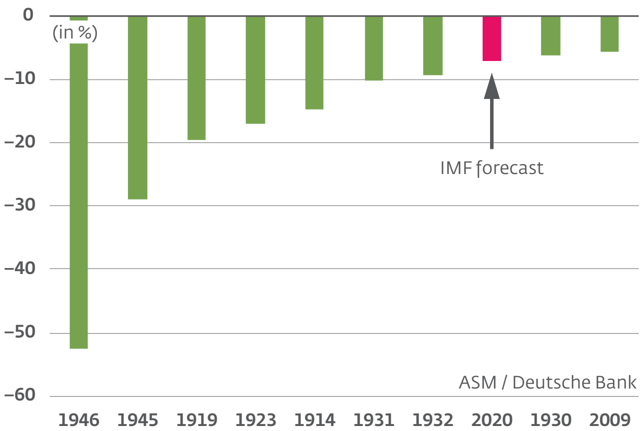
According to IMF projections, emerging markets are recovering quite quickly and will already reach pre-crisis levels by the end of the year. The IMF projects that this will not be the case for industrial countries until the end of 2021. But the uncertainty of these estimates is very high.

Roger Wohlwend
Investment Class Researcher Fixed Income

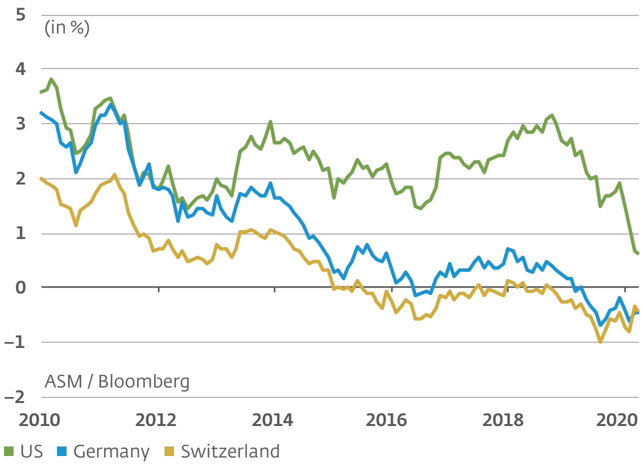
Economic growth of industrial countries



Deepest recessions in Germany since 1851



10-year government bond yields



Bond markets

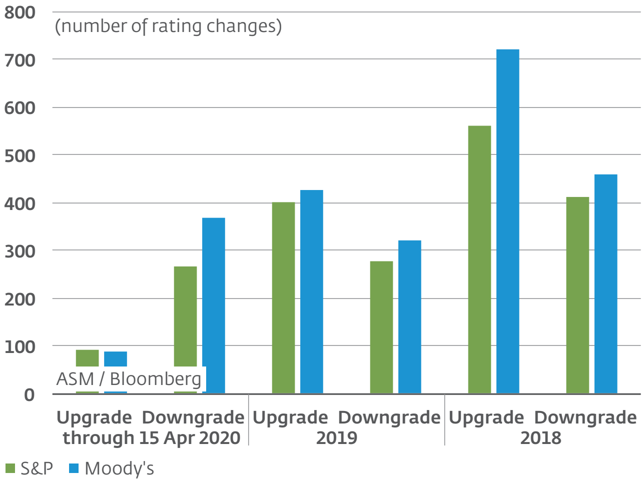
After setbacks, corporate bonds have begun to recover. Defensive issuers offer less potential, while opportunities and risks diverge for cyclical companies. The rating trend has become gloomier, and sector effects are moving into focus.

Corporate bonds came under heavy pressure in March due to global pandemic concerns, and the market temporarily lost liquidity. The leading central banks dramatically eased monetary policy by cutting key rates and implementing quantitative measures. Confidence returned to the financial markets thanks to fiscal stimulus packages on a historic scale, so that a significant recovery commenced at the end of March. However, rating trends show that since the beginning of the year, there have been more than three rating downgrades for every upgrade among investment grade (IG) issuers from North America and Western Europe. This ratio was clearly positive in the two previous years. We believe this development has not yet come to an end and that it depends in particular on how quickly the economic standstill is overcome.

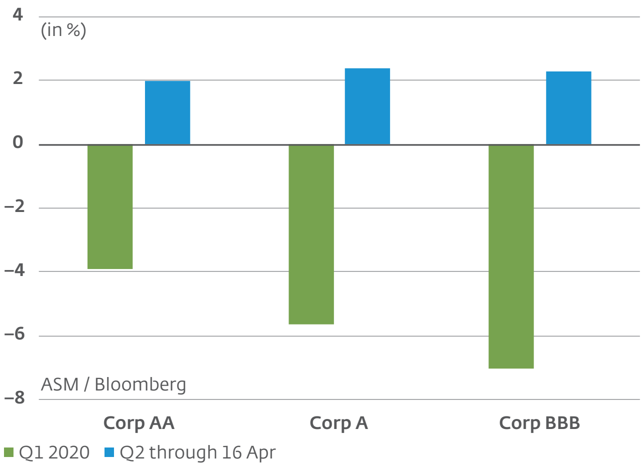
The ongoing expansion of global corporate debt also must not be disregarded. There are currently numerous issuers who, despite an IG rating, are trading at significantly higher risk premiums, as a greater focus is being placed on sector effects. While utilities and telecommunications providers have proven to be relatively stable despite their high BBB share during market upheavals, they offer less potential during the recovery. We believe, however, that the chaff is separated from the wheat when comparing cyclical companies. For example, the valuations of airlines and automotive suppliers (i. e. pressure on margins resulting from high competition, structural changes in the industry) in many cases imply a loss of their IG rating. This is a gloomy situation, given that S&P expects default rates in the European high-yield segment to be 8 % in 2020, up from 2.2 % in the previous year. This scenario assumes a GDP decline of only –2 % in the Eurozone. If the economic slump is more severe, the rating agency believes that as many as 11 % of speculative borrowers will be at risk. In contrast, the institutional parameters for aircraft manufacturers (i. e. small number of suppliers, high strategic relevance, public contracts) and fully integrated energy conglomerates should meet the demands even of investors with a conservative risk profile and at the same time represent entry opportunities. The current low oil price often does not cover production costs (upstream), but these losses can be compensated by refining and fuel marketing (downstream).

Stefan Rösch
Fund Manager Bonds

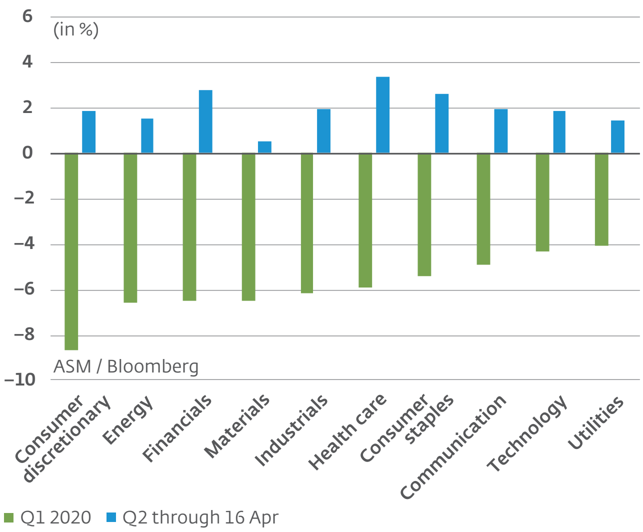
IG rating trend in North America and Europe



Total return on EUR corp. by rating



Total return on EUR corp. by sector



Eurozone: Has the time come for «Eurobonds»?

The enormous costs of overcoming the coronavirus crisis have led to calls for «corona bonds». There is still resistance to common debt instruments, however. The focus for now will therefore be on alternative sources of financing.

The spread of the coronavirus and the requisite containment measures will weigh on the economy worldwide. The member states of the Eurozone are trying to dampen the effects with extensive programmes. Germany is spending financial resources amounting to about 20 % of its GDP. France and Italy have also adopted fiscal stimulus packages in the double-digit range of economic output. The enormous expenditure required to deal with the medical and economic impact is comparable to wartime.

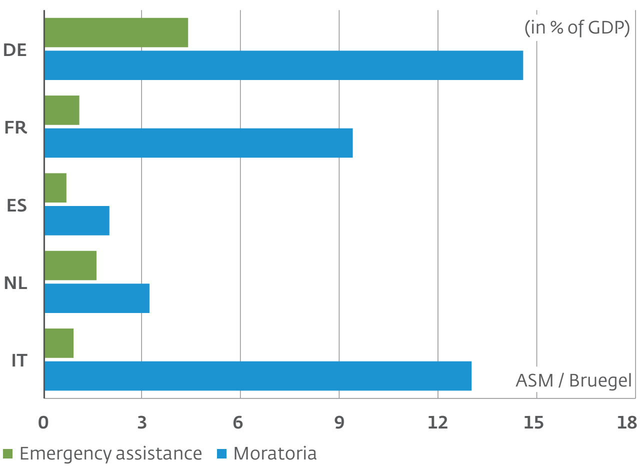
An increase in public debt is unavoidable. While public debt currently amounts to 59.8 % of GDP in Germany thanks to sound fiscal policy, it amounts to approximately 137 % of GDP in Italy. Most Western European countries have a public debt ratio close to 100 % of GDP. In order to bear the immense costs of the pandemic, calls for «corona bonds» have become louder. This is a revival of the «Eurobonds» debate at the time of the Euro crisis from 2010 to 2012. The idea is for the member states of the Eurozone to issue government bonds jointly and subsequently be jointly liable for their repayment and interest. Irrespective of the coronavirus crisis, Germany, Austria, and the Netherlands reject this kind of bond. In their view, they reduce the long-term incentives for budget consolidation.

We believe a communitarisation of debt in the Eurozone is not politically feasible at this time. Now that the major Eurozone economies have initiated extensive fiscal stimulus packages, the ECB has launched a special programme for the purchase of government and corporate bonds, the Pandemic Emergency Purchasing Programme (PEPP). The ECB has significantly relaxed the guidelines for the PEPP, and Greek fixed-income securities can now also be purchased. With the announcement and implementation of the PEPP, the yield spreads of the periphery over Germany have fallen significantly. The ECB's quick action has prevented a marked widening of spreads within the Eurozone. The member states are thus able to finance the expansion of government spending at low interest rates, as has become necessary as a consequence of the coronavirus crisis. There is currently no reason to issue common «Eurobonds».

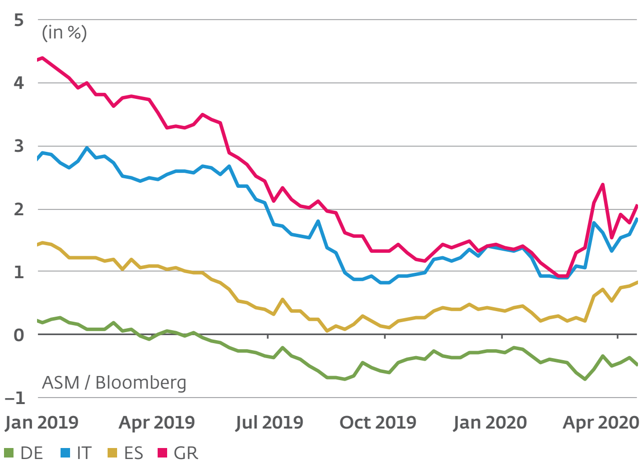
Nevertheless, a signal of solidarity is needed in the Eurozone. Providing an additional source of funding to the weaker countries is inevitable. Now there are signs that the European Stability Mechanism (ESM) may be used. The ESM emerged during the Euro crisis. Its purpose is to provide financial resources at favourable conditions to countries that have lost access to the capital markets. In our view, the conditions for its use are likely to be eased. The ESM currently provides access to liquidity of up to EUR 410 billion (approximately. 3.4 % of Eurozone GDP). The countries availing themselves of the ESM also qualify for the ECB's Outright Monetary Transactions (OMT) programme. The OMT would entitle the ECB to buy additional government bonds. The member states are not yet ready to issue common debt instruments. The ECB's bond purchases guarantee cheap refinancing. An end to these bond purchases is currently not foreseeable. This environment will benefit the European bond market. Yields will remain low for now.

Waldemar Lukas
Investment Class Researcher

Comparison of fiscal stimulus programmes



Yields in selected member states



Equity strategy

The record crash on the equity markets in March was followed by an equally record-breaking preliminary recovery in the first weeks of April. During that period, governments and central banks adopted enormous rescue packages to stimulate optimism.

The strong counterreaction amounting to nearly half of the price crash is likely mainly attributable to these monetary and fiscal countermeasures. Another reason is that the market is paying very close attention to the decreasing acceleration of the infection rate, i.e. the second derivative of the infection curve. The market also hopes that a reopening of the markets will lead to a V-like economic recovery. In the coming weeks and months, the crucial point will therefore be to restart the economic engine. This may prove more difficult than initially thought.

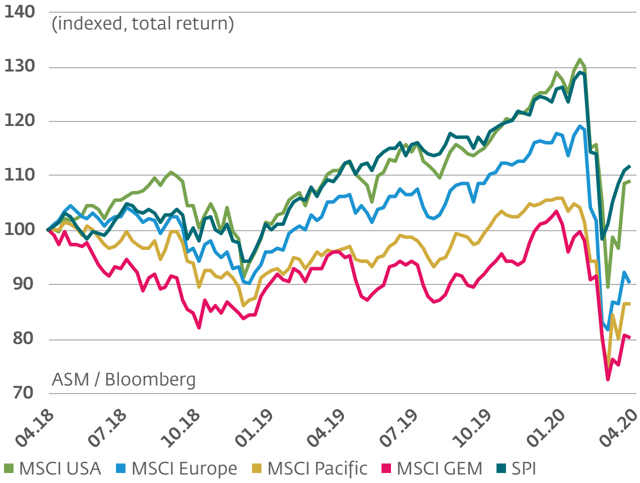
The figures for the first quarter give only a preliminary taste of the results for the first half of the year as a whole, given that – with the exception of China – the impact on the economy was not really felt until mid-March. For good reason, companies will remain very vague in their forecasts of further business development. «Cash is king» will be their motto over the coming months. This means that, whenever possible, expenditures of all kinds will be postponed. For the capital goods industry, not only 2020 but also 2021 will probably be difficult.

OPEC's agreement with the United States to limit production has led only to a short-term stabilisation of the oil price. Moreover, once the lockdown in the major industrial and emerging countries has come to an end, demand for oil will move upwards again. Investments in broadly integrated oil companies certainly appear to be interesting from a risk/return perspective (see also our article on European equities). We otherwise would recommend investing in more defensive stocks in health care and consumer staples.

The price development is again anticipating strongly rising corporate earnings for 2021. The adjacent table shows the current earnings estimates for the various global sectors. With the exception of energy, the estimates are still far too high, meaning that we will see further downward revisions in the coming weeks. In a very large number of cases, the free cash flow yields of 5 % as currently estimated (see table) will be erased. After a first step in the direction of neutral equity exposure, we now recommend holding off on major purchases until reality is reflected in share prices. We assume that it will be possible to buy at even lower prices within a quarter.

Christian Zogg
Head Equity and Fixed Income Management

Equity markets in local currency – 2 years

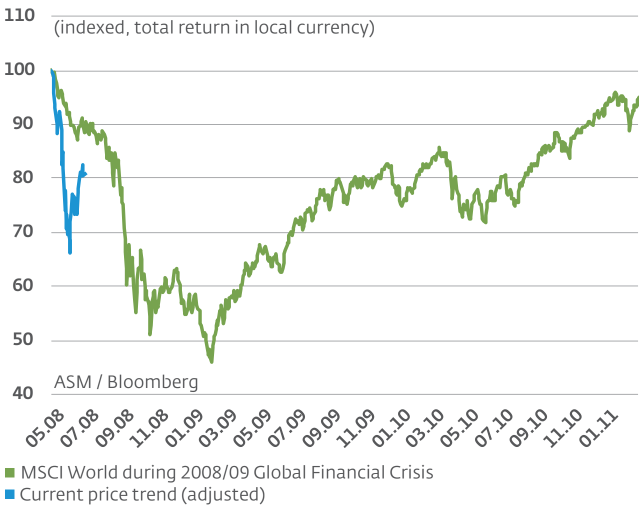


Global valuation ratios by sector

	EPS growth		Price / earnings		Dividend yield	FCF yield *
	**FY20	FY21	FY20	FY21	FY20	FY20
Overall market	–6.9 %	18.0 %	17.1x	14.2x	2.8 %	5.5 %
Technology	8.5 %	18.3 %	21.2x	17.9x	1.6 %	4.5 %
Financials	–13.1 %	14.2 %	10.0x	8.7x	4.5 %	n/m
Cons. discret.	–12.5 %	30.9 %	23.8x	16.6x	1.6 %	5.2 %
Health care	4.1 %	13.3 %	17.6x	15.4x	2.0 %	5.0 %
Industrials	–9.4 %	22.9 %	17.0x	13.5x	2.6 %	5.4 %
Cons. staples	3.1 %	8.1 %	19.6x	18.0x	3.0 %	4.9 %
Energy	–60.5 %	73.3 %	33.5x	15.6x	9.3 %	9.2 %
Materials	1.1 %	20.8 %	16.2x	13.2x	3.6 %	6.5 %
Utilities	3.3 %	6.5 %	15.8x	14.8x	4.1 %	–1.1 %
Real estate	–3.3 %	11.5 %	18.1x	16.1x	4.3 %	–0.1 %
Comm. serv.	2.6 %	14.6 %	18.4x	15.5x	2.0 %	5.9 %

* free cash flow yield, ** FY = fiscal year
Source: Citi, Bloomberg, MSCI

Comparison of current price trend



Switzerland

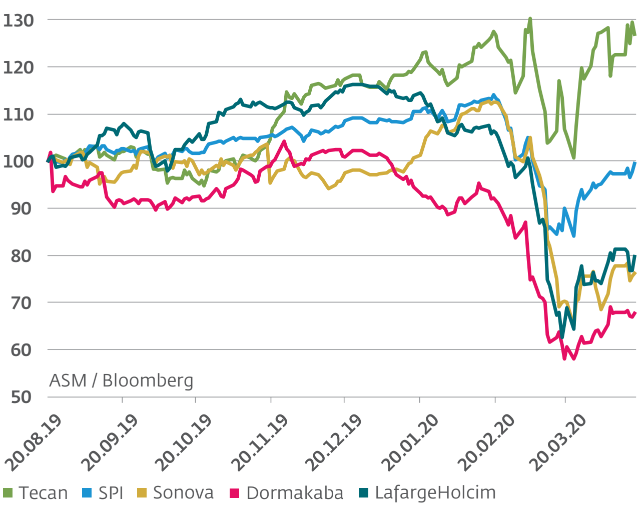
The impact of the coronavirus crisis on equities varies. Some companies like Roche, Galenica, Emmi, and Swisscom have even benefited. We advise a balanced approach and now recommend Tecan as a buy.

Comparing the equity market crash with a hurricane, the houses of Roche, Galenica, Swisscom, and Emmi have emerged looking even better than before. Those of Nestlé, Novartis, Logitech, Orior, DSKH, Allreal, Alcon, and Vetropack have escaped with minor damage. For some industrial, financial, and technology stocks, however, the damage has been considerable; and in the case of Dufry and Aryzta, one would have to ask whether the house is still standing at all. Should an investor sell the winners now and buy the losers? In our view, a balanced approach makes sense. We recommend not selling from the winning group, given that the fundamental outlook for these stocks is effectively very good. From a tactical point of view, we believe that stocks such as Sonova, Dormakaba, and LafargeHolcim are the most attractive buys.

We also now recommend buying Tecan. Tecan is a global leader in laboratory instruments and solutions. Tecan believes that the 21st century will be the century of biology. We share this view. In oncology, for example, individualised therapies are emerging along with completely new mechanisms using cell and gene therapies. The current coronavirus crisis is showing governments worldwide more than ever before how essential a well-functioning health care infrastructure is. Tecan is ideally positioned to benefit from this.

Thomas Kühne
Fund Manager LLB Equities Switzerland

Comparison of selected stocks



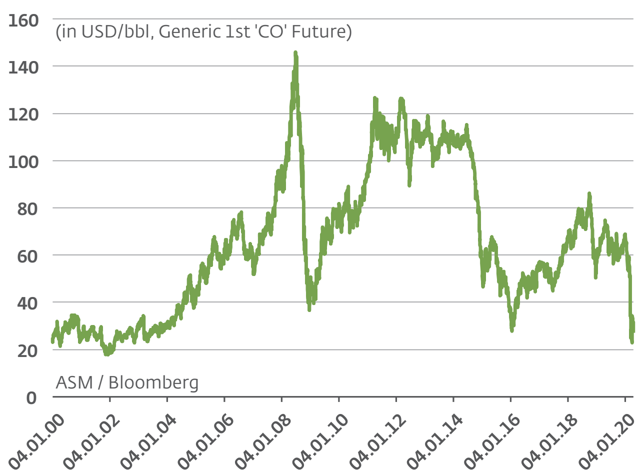
Europe

After the bear market on the equity markets, a significant recovery began in mid-March. Due to the prospects of an agreement by OPEC+ members, gains were recorded again especially by heavily impacted oil stocks.

After the breakdown in talks at the beginning of March, OPEC+ members – at the insistence of the United States – have now reached agreement on a historic production cut of 9.7 mbbl/d. The question now is whether the measures taken by the OPEC+ countries are sufficient to stabilise the oil price. Even if other major oil-producing countries such as the US, Norway, Brazil, and Canada follow suit, the cuts may not be sufficient in the short term to offset the strong decline in demand. Rather, the cut in production volumes was a necessity in order to prevent oil storage facilities from reaching capacity at an early stage. Against this backdrop, we believe that the further potential for recovery in energy stocks is limited in the short term. In the medium term, however, demand should stabilise again, albeit at a lower level. This should play especially to Equinor's strengths. Due to its focus on oil production, Equinor is more dependent on oil and gas prices than its competitors. Moreover, Equinor plans to become one of the leading companies in the offshore wind farm business in the long term – the company plans to expand its capacity in this segment from currently 0.5 GW to 16 GW by 2035. It was also recently announced that the Saudi sovereign wealth fund has bought a stake in the company, more than 60 % of whose shares are held by the Norwegian state. The more defensive option in the energy sector would be Total: Because of its network of petrol stations and its petrochemical production, Total is better able to cushion the low oil price.

Robert Binder
Fund Manager LLB Equities Europe

Oil price development of Brent crude



North America

Because the US stimulus package provides the option to request forbearance on mortgage interest payments to ease the burden on consumers, many mortgage servicers are facing liquidity issues. The private mortgage market, in particular, is hardly receiving any support.

The share prices of mortgage servicers without associated banking institutions were punished especially severely by the market (see chart). These management companies are not the financing company for the mortgages, but are rather only responsible for processing, calculation of interest, insurance, and tax payments. The option of deferring mortgage interest payments offered to homeowners under the Coronavirus Aid, Relief and Economic Security (CARES) Act has created a potential liquidity risk for these mortgage servicers. Interest must be paid to investors in mortgage-backed securities (MBSs) even if the mortgage holder does not make any payments. Unfortunately, only Ginnie Mae – one of the three major federal mortgage lenders – has recognised this liquidity risk so far and guarantees backstop funding for its mortgage portfolios. There is currently no government support for private mortgages or agency mortgages. The only hope is a strong increase in early repayments, which could significantly reduce the liquidity gap for mortgage servicers.

Without further government intervention, we see a greatly increased risk for the housing and financial sector. We therefore advise caution with regard to shares of financial institutions with high outstanding mortgage loans. The default risk is strongly elevated especially for smaller mortgage companies (e. g. MFA Financial) and for independent processors.

Simon Öhri
Fund Manager LLB Equities North America

Pacific

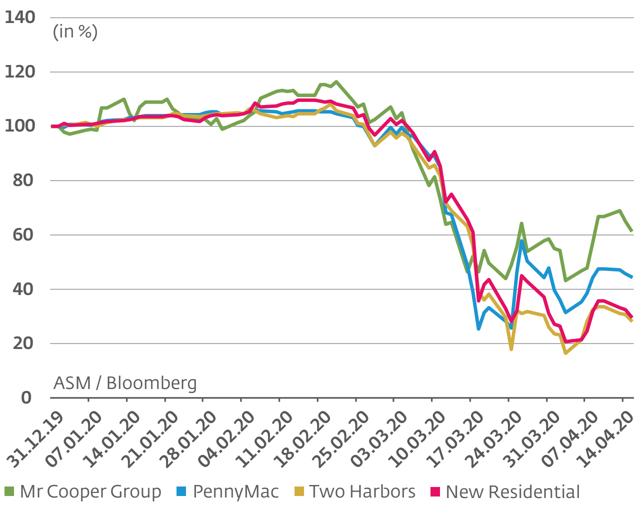
Australia is attractive not only thanks to its breathtaking nature, but also thanks to its uninterrupted economic growth over many years, its wealth of natural resources, its stable service sector, and its ongoing infrastructure boom. Now there is something new.

The Commonwealth of Australia, with an area of 7.7 million square kilometres and more than 25 million inhabitants, has experienced uninterrupted economic growth for more than 27 years. One main reason for this is certainly its consistent immigration policy. Although Australia is the largest exporter of coal, iron ore, lead, and zinc and will be number one in LNG and uranium by 2022, its crisis-resistant service sector is the most important economic factor, accounting for 77 % of GDP. All of this is well-known.

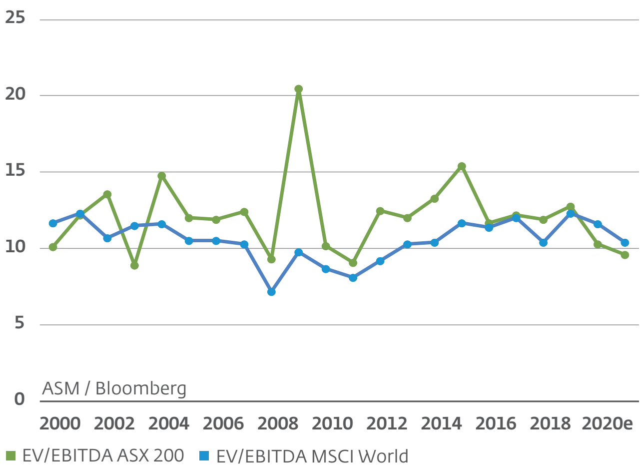
What is new, however, is that due to the current pandemic, the Australian leading index ASX 200 now has a more attractive valuation than the MSCI World at the level of EV/EBITDA for the first time in 17 years. The dividend yield is approximately 5 %, and next year the free cash flow yield should again exceed 5 %. At 160 %, the ratio of total debt to equity is significantly lower than before the financial crisis. Similarly, the cash to equity ratio is 45 %, which means that Australian companies have amassed liquidity in recent years. This is likely to be used for share buybacks, supporting the stability of return on equity. Two prominent mining giants, Rio Tinto and BHP, are on the LLB Asset Management recommendation list. The list also includes the utility AGL Energy and the salmon breeder Tassal. Due to the massive price drop, we have now added Aristocrat Leisure and JB Hi-Fi to the list. More about this in our next issue of Capital & Markets.

Christoph Hilfiker
Fund Manager LLB Equities Pacific

Performance of selected mortgage servicers



Australia – more attractive than MSCI World



Alternative investments

Real estate equities

Like so many other asset classes, real estate equities have also been on a rollercoaster ride. The drastic measures taken by governments to protect the public are raising new questions for real estate investments.

For real estate equities, which win over investors thanks to the high visibility of their cash flows and their steady characteristics, the index decline of nearly 40 % followed by a 30 % recovery amounted to very noticeable volatility. These price movements were accompanied by a refocusing of market participants on debt, rent default, and cash flow stability. The impact on real estate equities cannot yet be fully assessed. It will certainly be sector-specific. In the retail sector: Low usage figures of open shops, shop closures, suspension of rent payments, and the shift to online retail are key developments that will accelerate structural change in the retail sector. In the office sector: The office market entered this crisis in good shape. Certain questions can be raised in regard to demand, leasing growth, and new forms of work (working from home). In the residential sector: Residential real estate is still proving to be crisis-resistant. The economic downturn will at best be able to confirm the rent level. In recent years, however, the supply of new housing has not kept up with demand. The US existing home inventory has fallen back to the level of the 1990s. With a discount to net asset value, real estate equities are trading at about 1.5 standard deviations below the long-term mean. These and other key figures show that the asset class has an attractive valuation and that the market has already priced in a significant downturn.

Bernhard Schmitt
Head Equity & Multi Manager Management

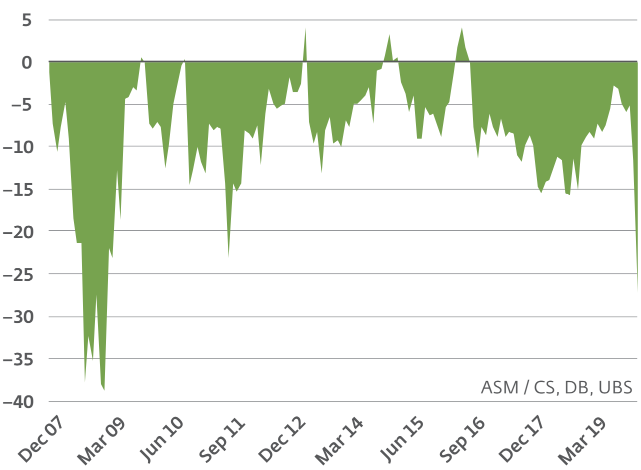
Commodities

OPEC and other allies announced over the Easter weekend that they would cut global oil production by about 10 %. The aim is to compensate for the high decline in demand due to the global lockdown.

Three important developments will have a major impact on the oil industry: new projects, refinancing options, and potential cost-saving measures. While many oil-exporting countries are unable to present a balanced national budget at the current price level and must therefore draw on their reserves, this is also true of US oil producers. They are cutting their budgets significantly for new projects. Management focus continues to be on the most lucrative sources. This is the only way to reduce structural costs while increasing output. Meanwhile, refinancing options are difficult – as can be seen from the higher spreads on these companies' bonds. By restricting their supply of capital, investors in the energy sector are indirectly limiting the future supply of crude oil. In the short term, we expect continued high fluctuations in both oil prices and the share prices of energy companies. In the medium term, however, the price of oil will rise again. The demand shortfall may thus be less than expected and the recovery may be faster than currently forecast. Governmental fiscal programmes will significantly stimulate demand. It will not be possible to lift the supply cut measures at exactly the same moment. We currently favour companies with a stable financial position, low production costs, and high reserve capacities.

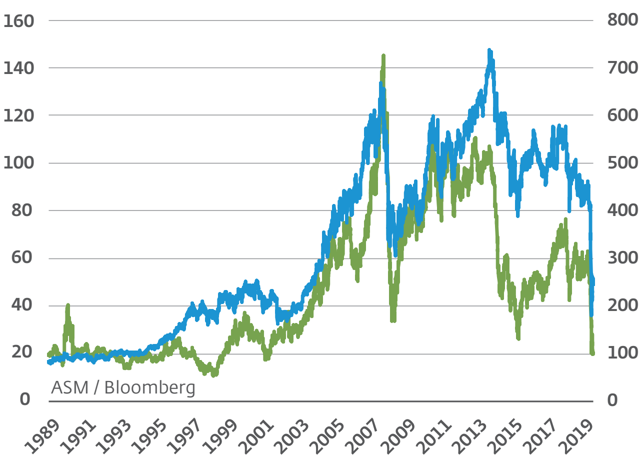
Timo Gruber
Investment Class Researcher Commodities

Global real estate equities: premium/discount at NAV



■ Premium/discount to net asset value (NAV) in %

Crude oil price and sector development, US energy



■ Price of WTI crude oil in USD per barrel (left scale)
■ Price index of US energy equity sector (right scale)

LLB Comfort – our discreationary 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

The Euro is likely to move sideways
Due to different designs of the social insurance systems in the Eurozone and the United States, the income losses of European households are likely to be lower. Consumption in the Eurozone is therefore likely to develop more dynamically. This outlook will provide some support for the single currency. Against this backdrop, we are maintaining our neutral currency weighting.

Recovery of corporate bonds
After a turbulent March, government bond yields calmed down in April. Risk appetite is returning, which is why risk premiums are falling after rising to their highest level since the financial crisis. This is benefiting high yield and emerging market bonds, which we are keeping at neutral. Given that we had just increased our weighting of corporate bonds with good credit quality in some of our strategies, we are not increasing them further for now. But they remain underweight overall.

Equity markets are anticipating rapid recovery of the world economy
After a fall of more than 30 % from the top within a very short period of time, prices are recovering by about half. They are anticipating a fairly rapid recovery of the world economy. Given that we raised our equity exposure to neutral in March, we are maintaining that weighting for now and will wait to increase it further until a cheaper entry opportunity presents itself.

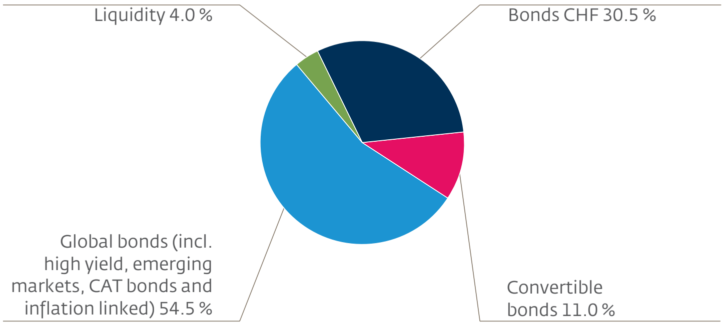
Real estate and alternative investments (incl. cat bonds)
The first operational information from real estate equities shows that the initial sharp price drops exaggerated the potential for deterioration, provided that the global lockdown is gradually lifted within a useful period of time. A historically low discount to net asset value leads us to keep real estate equities at overweight. Hedge funds remain neutral, and we will retain our tactical CTA positioning, given that the rapid turnaround in equities and the credit segment has hardly affected them. We want to participate in the still attractive risk premiums on cat bonds through our ongoing tactical exposure. Due to the heterogeneity of the commodities asset class, we are maintaining our neutral strategic weight. While cyclical investments have been hit hard by the decline in demand, safe havens such as gold are attracting a great deal of interest, leading to rising prices. In the medium term, we expect the political stimulus measures to take effect and the cyclical demand for commodities to rise again.

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

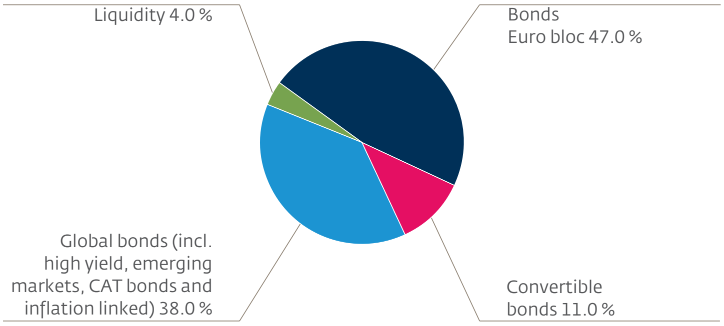
Allocation by asset classes



Investment horizon	at least 2 years	
Return[1]	4.5 %	
Risk[2]	7.5 years	
Currencies	CHF	76.30 %
	Euro bloc	10.20 %
	GBP	2.20 %
	Dollar bloc	7.40 %
	Others	3.90 %

Reference currency Euro

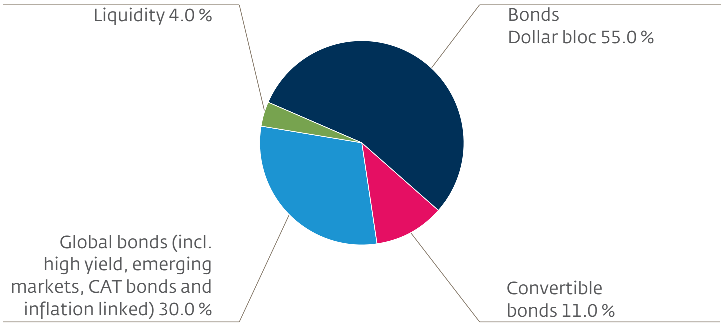
Allocation by asset classes



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	82.70 %
	Euro bloc	11.40 %
	GBP	3.30 %
	Others	2.60 %

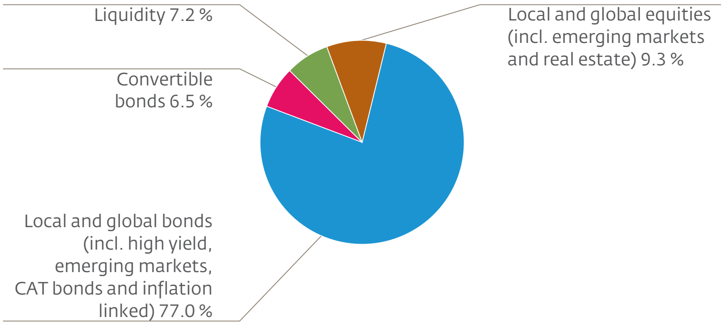
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

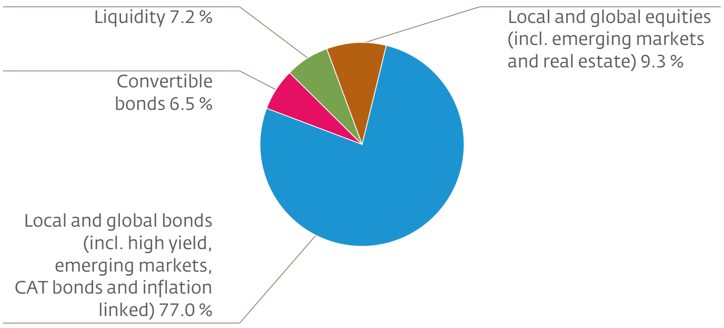
Allocation by asset classes



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	2.30 %
	Dollar bloc	8.40 %
	Others	4.50 %

Reference currency Euro

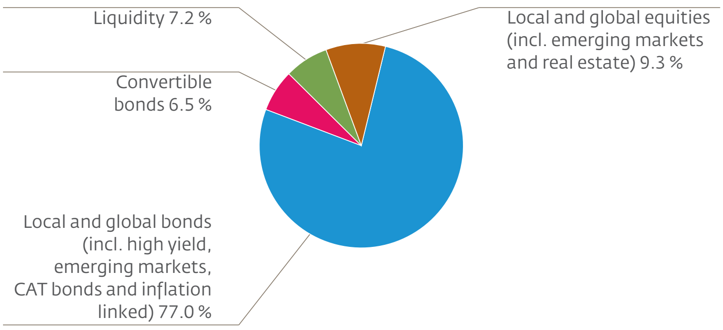
Allocation by asset classes



Equity exposure	9 %	
Investment horizon	at least 2 years	
Return[1]	6.6 %	
Risk[2]	8.0 years	
Currencies	Euro bloc	81.70 %
	GBP	3.20 %
	CHF	0.60 %
	Dollar bloc	9.90 %
	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	82.30 %
	CHF	0.30 %
	Euro bloc	9.30 %
	GBP	3.30 %
	Others	4.80 %

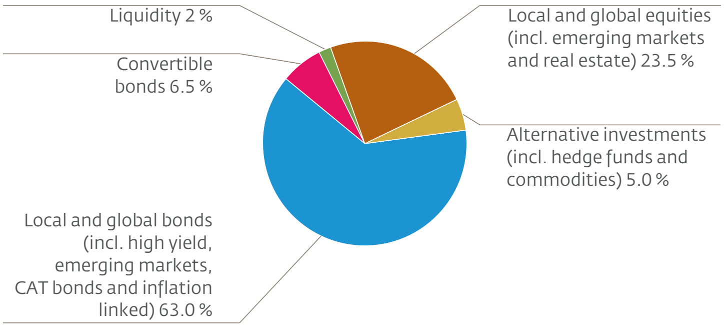
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

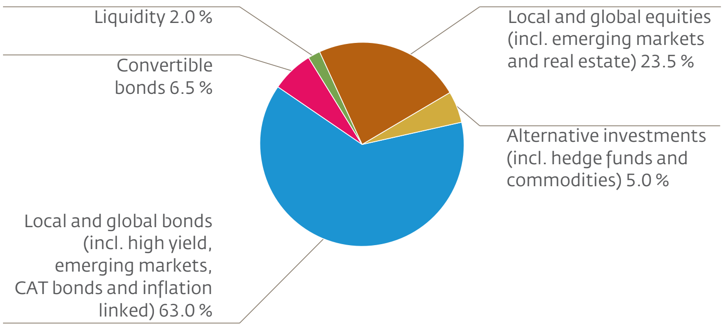
Allocation by asset classes



Equity exposure[1]	25 %	
Investment horizon	at least 4 years	
Return[2]	5.5 %	
Risk[3]	5.5 years	
Currencies	CHF	72.90 %
	Euro bloc	12.20 %
	GBP	2.30 %
	Dollar bloc	6.70 %
	Others	5.90 %

Reference currency Euro

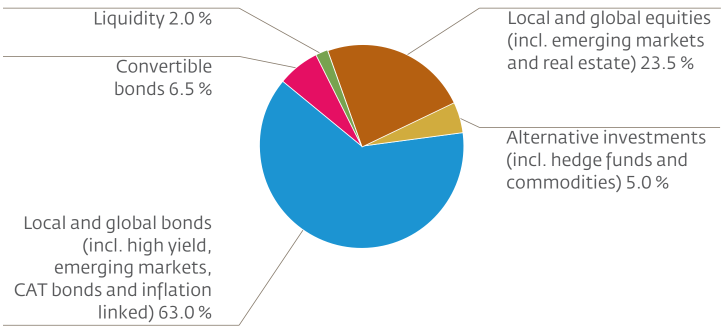
Allocation by asset classes



Equity exposure[1]	25 %	
Investment horizon	at least 4 years	
Return[2]	6.9 %	
Risk[3]	6.5 years	
Currencies	Euro bloc	78.40 %
	GBP	3.10 %
	CHF	0.80 %
	Dollar bloc	10.90 %
	Others	6.80 %

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	77.40 %
	CHF	0.90 %
	Euro bloc	10.90 %
	GBP	3.30 %
	Others	7.50 %

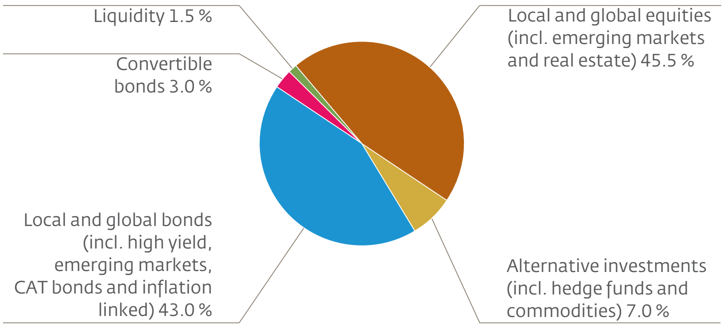
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

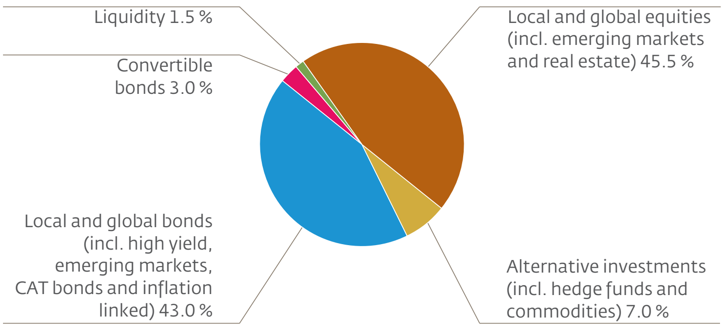
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	6.3 %	
Risk [3]	4.0 years	
Currencies	CHF	72.60 %
	Euro bloc	9.70 %
	GBP	3.30 %
	Dollar bloc	6.00 %
	Others	8.40 %

Reference currency Euro

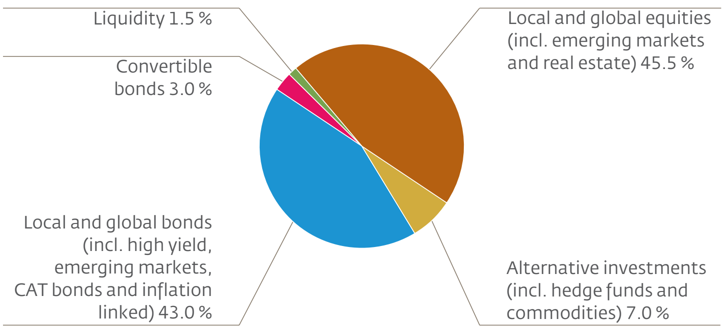
Allocation by asset classes



Equity exposure [1]	50 %	
Investment horizon	at least 6 years	
Return [2]	7.4 %	
Risk [3]	5.0 years	
Currencies	Euro bloc	77.60 %
	GBP	3.10 %
	CHF	1.10 %
	Dollar bloc	8.70 %
	Others	9.50 %

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	75.00 %
	CHF	1.30 %
	Euro bloc	9.80 %
	GBP	2.90 %
	Others	11.00 %

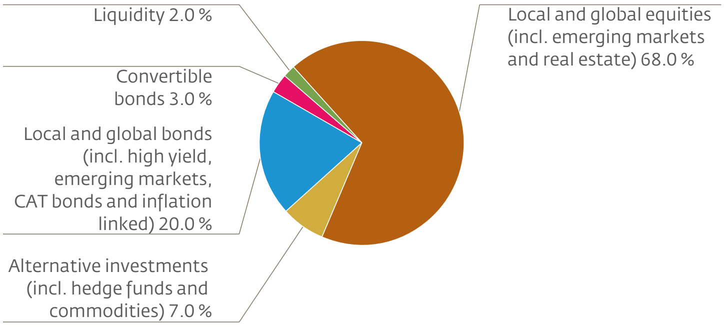
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

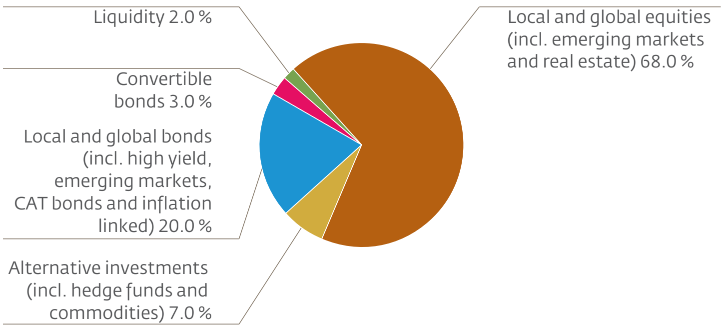
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.1 %	
Risk[3]	4.0 years	
Currencies	CHF	72.30 %
	Euro bloc	10.50 %
	GBP	2.90 %
	Dollar bloc	3.60 %
	Others	10.70 %

Reference currency Euro

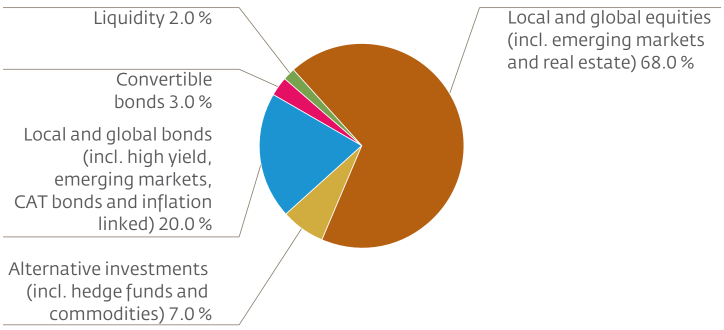
Allocation by asset classes



Equity exposure[1]	75 %	
Investment horizon	at least 8 years	
Return[2]	7.9 %	
Risk[3]	4.5 years	
Currencies	Euro bloc	75.70 %
	GBP	3.40 %
	CHF	1.90 %
	Dollar bloc	6.40 %
	Others	12.60 %

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	71.10 %
	CHF	1.50 %
	Euro bloc	8.30 %
	GBP	3.90 %
	Others	15.20 %

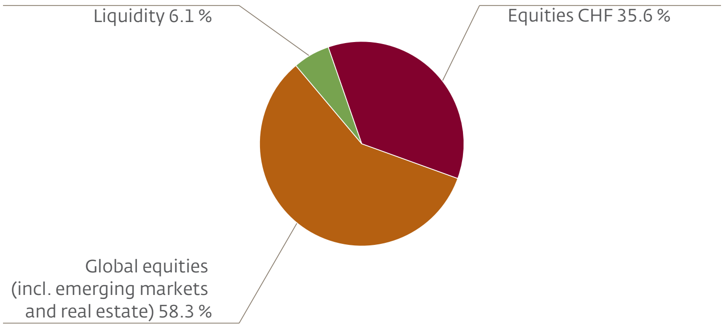
[1] Equities and alternative investments
[2] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[3] Probability of twelve monthly periods with negative return (1x in X years)

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

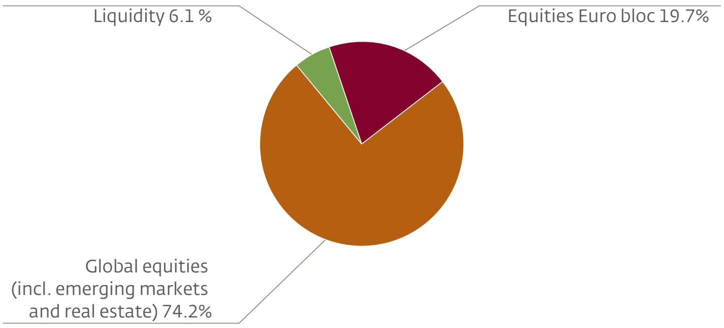
Allocation by asset classes



Investment horizon	at least 10 years	
Return[1]	7.8 %	
Risk[2]	3.5 years	
Currencies	CHF	70.10 %
	Euro bloc	6.00 %
	GBP	3.00 %
	Dollar bloc	4.30 %
	Others	16.60 %

Reference currency Euro

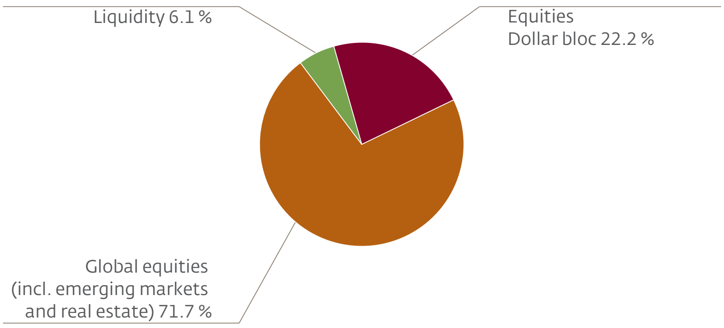
Allocation by asset classes



Investment horizon	at least 10 years	
Return[1]	8.4 %	
Risk[2]	4.0 years	
Currencies	Euro bloc	70.70 %
	GBP	5.60 %
	CHF	2.10 %
	Dollar bloc	6.20 %
	Others	15.40 %

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	64.90 %
	CHF	2.10 %
	Euro bloc	6.80 %
	GBP	5.00 %
	Others	21.20 %

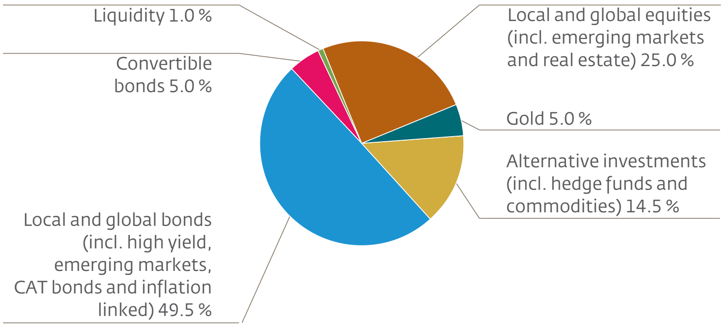
[1] Historical average gross performance of investment strategies p. a. from 31.12.1969 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

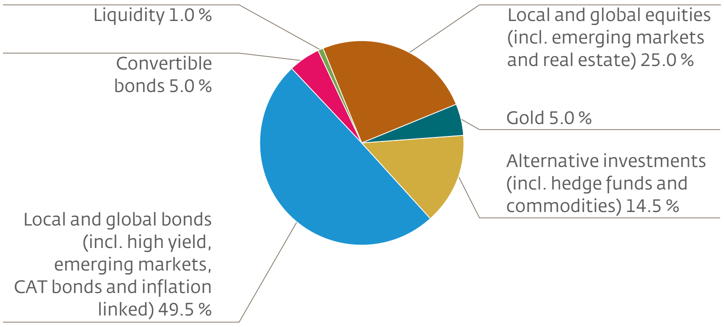
Allocation by asset classes



Equity exposure	25 %	
Investment horizon	at least 4 years	
Return [1]	3.8 %	
Risk [2]	4.0 years	
Currencies	CHF	67.40 %
	Euro bloc	12.20 %
	GBP	2.20 %
	Dollar bloc	6.80 %
	Others	11.40 %

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	72.60 %
	GBP	3.00 %
	CHF	0.80 %
	Dollar bloc	11.10 %
	Others	12.50 %

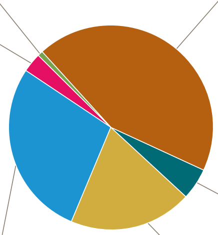
[1] Historical average gross performance of investment strategies p. a. from 31.12.1996 to 31.12.2019
[2] Probability of twelve monthly periods with negative return (1x in X years)

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

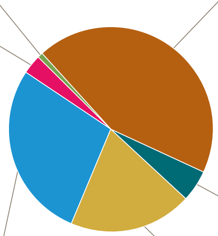
Allocation by asset classes



Equity exposure	50 %	
Investment horizon	at least 6 years	
Return[1]	4.4 %	
Risk[2]	3.5 years	
Currencies	CHF	68.00 %
	Euro bloc	9.70 %
	GBP	2.90 %
	Dollar bloc	5.90 %
	Others	13.50 %

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	72.80 %
	GBP	3.20 %
	CHF	1.10 %
	Dollar bloc	8.60 %
	Others	14.30 %

[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	0.0100 %
Blocked pension acc. in EUR	unlimited	0.0100 %
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		0.300 %	0.350 %	0.450 %
AUD				
NZD		0.100 %	0.100 %	
ZAR	2.930 %	3.530 %	3.570 %	3.470 %
CAD				
NOK				

Minimum deposit upon request

Fiduciary time deposits

Currency	1 month	3 months	6 months	12 months
CHF				
EUR				
GBP	0.23 %	0.45 %	0.60 %	0.65 %
USD	0.75 %	1.20 %	1.20 %	1.25 %
AUD	0.31 %	0.78 %	0.79 %	0.64 %
NZD	0.67 %	1.07 %	1.07 %	0.83 %
ZAR	4.18 %	4.53 %	4.57 %	4.47 %
CAD	0.08 %	0.23 %	0.25 %	0.46 %
NOK		0.29 %	0.41 %	0.62 %

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	3.75 %

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: 17.04.2020. 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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- 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
  Laupenstrasse 27, 3003 Berne, www.finma.ch
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