BearBull
Global Investments Group

Investment Strategy

April 2020

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Graph sources: Bloomberg/BearBull Global Investments

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- A temporary shock that is likely to be followed by a sharp recovery in H2
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On 21 February 2020, in a period of market euphoria, financial markets became aware that despite the extraordinary actions undertaken in China to fight the coronavirus epidemic, the latter had appeared in Europe and had directly affected Italy. It suddenly seemed obvious that the threat had been largely overlooked for several months by the majority of investors. The ensuing shock was then in proportion with the complacency that had prevailed for weeks. Indeed, oblivious to the threat and risks, investors had been concerned about the risks for barely three or four days in January at a time when the gravity of the epidemic in China was beyond doubt and had started to make headlines. Very soon however, greed prevailed again against risk analysis and objective and rational assessment, leading the majority of investors to find renewed enthusiasm and confidence in the economic outlook and the future, which resembled pure madness in the eyes of any measured and rational observer concerned about the increased risks in a context of extreme valuations of financial markets. March will no doubt remain as the month of the most dismal records both in terms of global health and financial markets. In January, we mentioned the risks induced by investors' extreme levels of complacency, too concerned with having to accept negative remuneration on their cash not invested in financial markets and thus unlikely to consider risks of asset overvaluation. As China was fighting the coronavirus epidemic that hit its growth rate hard, we actually mentioned this factor as the main source of uncertainty that could lead to a drop in value for most international assets. In March, the quarantine in Lombardy caused a second wave of market panic which unfolded over only fifteen days.

The drop in stock indices of -30-35% over one month thus became the fastest bear market in history. However, this wave of panic was not restricted to equity markets: It affected all asset classes without real distinction except for traditional safe-haven assets like Treasury bonds, gold, the dollar, the Swiss franc and the yen. At the end of the quarter, after a rebound in share prices that was often very significant and quite generalised, caused by the actions of central banks and governments, equity markets posted drops of -21.1% for international equities and -11.8% for Swiss equities. The eurozone then seemed the most affected by Covid-19 and dropped by -25.2%. While government bond markets benefitted from their defensive character, high yield bonds collapsed by -15.2%. During this period of risk adjustment, corporate bonds also suffered, and risk premiums thus returned to levels similar to those observed in 2008. Switzerland's real estate sector initially resisted well to this apocalyptic atmosphere before finally suffering substantial sell-offs like other assets. International real estate performance (-28.5%) as measured by the EPRA Nareit indices was hit harder than equity market performance (-21.1%). Among non-traditional investments, private equity posted a -30.5% drop, almost as steep as that of commodities, which were hampered in the short term by Saudi Arabia's decision to declare war on US shale oil, which is responsible for the overproduction of global crude oil.

In currency markets, volatility has remained rather contained, as the three main currencies (dollar, euro and yen) only recorded minor fluctuations against the Swiss franc throughout the quarter. In this high-risk environment for the equilibrium of the financial system, the reactions of central banks and governments were relatively swift and sufficient in scope to stabilise financial markets and cause a rebound in indices. The US fiscal package alone represents 2 trillion dollars in financial support for companies, households and federal states. Altogether, we believe that the amount spent by central banks and governments in various countries to counter the negative effects of Covid-19 on global GDP is close to 10 trillion dollars. Although it is still early to claim that these programmes will be sufficient, we can still see that they were enough to reassure certain investors.

We may need a better guarantee that the health crisis is under control for a sustainable bullish trend to set in. The Covid-19 crisis spotlights the well-known interdependency of most economies linked with China, whose negative effects, however, had not been perceived with as much acuity as they are now. It brutally highlights the fragility of these economies and the limitation of their capacity to react in the face of an external crisis, and it also reveals the very damaging absence of anticipation at political and economic levels. Once the global economy recovers from this crisis, the global organisation of production will very certainly undergo significant adjustments, which will then undoubtedly represent particularly interesting long-term positioning and investment opportunities. At this time, the health crisis seems to be under control in China, whose economy is now working at approximately 60-70% of its capacity. In Europe, confinement may well last until May, while in the US the epidemic is clearly lagging behind the developments observed in the other main industrialised countries, as the country has become the epicentre of the pandemic. The second quarter of 2020 will therefore likely be marked by worrying health data and globally negative economic statistics except for China and other Asian countries. Nevertheless, we believe that a sharp recovery in activity in H2 is very likely. Although we cannot exclude an increase in uncertainty and anxiety in financial markets in the next few months, the current valuation levels of certain risky assets seem to offer long-term repositioning opportunities.

Alain Freymond
Chairman
BearBull Global Investments Group

Graph sources: Bloomberg/BearBull Global Investments

BIG PICTURE

Key Convictions

- An unprecedented health crisis but only a temporary economic shock
- New budgetary paradigm in light of extraordinary fiscal packages
- Lasting, unequivocally expansionary monetary policies
- Unexpected consequences for capital markets

An unprecedented health crisis but only a temporary economic shock

The health crisis that has now affected every country and more or less strictly confined close to half the world's population is a major and unprecedented crisis. Nevertheless, health experts have underlined that, even though this crisis is more than likely temporary, it will clearly be managed differently depending on the country and will have a more or less severe impact on respective populations and economies. The successes of certain Asian countries in their struggle against the Covid-19 virus certainly seem to highlight the temporary nature of the pandemic. Key factors in managing the crisis efficiently have emerged, namely governments' capacity for anticipation, the preparedness of healthcare systems in the face of a crisis, the authorities' communication and reaction capacity and the population's acceptance of essential measures implemented by governments. In this regard,

Singapore's management of the crisis will undoubtedly go down in history as one of the best examples of efficient management of the pandemic. Financial markets only started worrying about the potential consequences of the epidemic when it became apparent that a pandemic would be unavoidable. Now the true question in order to measure the impact of this crisis on the global economy is to assess its scope and duration. China certainly curbed the epidemic in three months – at the cost of a confinement that brought about an unprecedented economic shock. Europe and the US will likely be able to contain their health crises within a similar timespan. However, all economies will not be equal in the face of the economic shock they will undergo depending on the specific strategy they used to deal with the crisis.

In terms of investment strategy, it is now therefore rational to consider, first, that the current health crisis will not last. Secondly, it is essential to realise that it will have caused a major, yet temporary, economic shock of varying magnitude depending on the country. Hence, assessing the power of recovery of the economy once the shock has passed is essential in determining which economies will be the least affected and the best able to weather the crisis.

A **new budgetary paradigm in light of extraordinary fiscal packages**

As the health crisis in Europe entered a new phase in Italy and then Spain before finally hitting all of Europe, the complete confinement measures in certain countries logically raised fears of a very significant impact on economic prospects. In March, the aim was no longer to determine what the growth, slowdown or recession prospects were but truly to offer appropriate political responses to governments' political decisions. By implementing confinement measures aimed at safeguarding populations at risk, governments actually created major new risks for the survival of companies and for the employment market. Immediately aware of these risks, they then announced a set of extraordinary support measures.

Whether these measures are sufficient will only be known at a later stage. Nevertheless, we believe that this dynamic will not be interrupted before the situation has clearly normalised. In the Eurozone, the suspension of budgetary criteria is the symbol of this new paradigm, while in the US the 2 trillion dollars in new budgetary expenses represents 50% of the Fed's balance sheet and 10% of GDP in 2019. The US's budget deficit may well represent 20% of its GDP in 2020.

In the next few months, we will likely see a rise in public deficits in every country due to the extraordinary fiscal packages that will be implemented. Obviously, it will not be possible to finance these fiscal packages through an increase in taxes. Hence, this will only be achieved by increasing government bond issuance, which will then be purchased by central banks. This new phenomenon will be long-lasting and will continue to have an impact through 2021.

In Switzerland, the government has announced measures of more than CHF 40 billion, which will likely not be financed by SNB purchases.

Lasting, unequivocally expansionary monetary policies

The European Central Bank has already announced that it will adjust its monetary policy through various measures and particularly through the introduction of the PEPP. EU government debt purchases will be increased in 2020 to close to EUR 1 trillion with the likely easing of holding ratios on national issuances. A rate cut has not been considered as a major monetary easing factor in Europe, while in the US the Fed quickly decided to exploit its greater flexibility and adjust the level of its key rates to the situation. Now back down to zero, the US's key rates should help lower financing costs for banks and all economic actors.

The Fed's monetary policy is once again clearly expansionary. The asset purchase programme initially announced at 700 billion will ultimately be far superior, since the 2 trillion in budget expenditure approved by the Senate and the House of Representatives will have to be financed somehow. Most central banks that have the capacity to act will not hesitate to use it. In this extraordinary context, we believe that monetary policy globally is once again very accommodative and that global liquidity is likely to increase sharply in the next few quarters.

While it is not impossible that in H2 central banks will change their respective positions on the necessity of implementing very accommodative monetary policies, we feel it is more likely that, once taken, these economic stimulus measures will be implemented in full.

From the point of view of investment strategy and financial asset valuation, these measures reduce the overall risk level and increase the likelihood of a more successful recovery from the Covid-19 crisis.

Graph sources: Bloomberg/BearBull Global Investments

Unexpected consequences for capital markets

For capital markets, the drop in key rates and the risks of a lasting slowdown after the initial shock of a temporary economic contraction are factors that support the view that yield curves will remain rather flat in most currencies. Initially, the Covid-19 crisis drove short- and long-term rates downwards once again, even though the initial context for 2020, Covid-19 notwithstanding, seemed rather to support a gradual increase in long-term rates. Beyond this first reaction of expecting key rates to fall, the expected rise in public deficits in conjunction with the monetisation of government debt through cash injections by central banks is likely to lead to new investor concerns and requirements. An explosion of debt and deficits is likely to have an impact on required yields. In parallel, rising economic uncertainty and the increasing risks of issuer bankruptcies and defaults will also have an impact on the yields now required by lenders.

Several months ago, we highlighted the similarities between the extremely low risk premiums in 2008 and in late 2019, which are synonymous with extreme investor complacency and major risks of a brutal return of volatility for financial assets. The expected readjustment is taking place, as these risk premiums are rapidly rising, in the high yield segment in particular.

Repositioning opportunities on risky assets

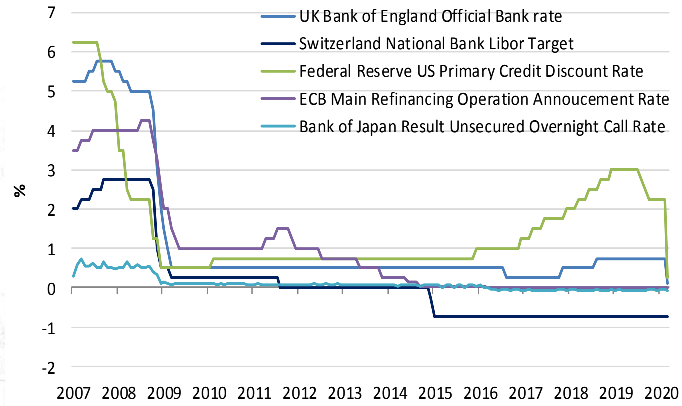
Although it seems difficult to imagine right now, as the crisis is still very present in industrialised countries, that the global economy will recover from the pandemic, it is nevertheless quite certain that this is what will happen in Q2 in Asia, and in Q3 in the rest of the main developed economies. In a matter of days, the euphoria that we decried at the start of the year as irrational investor complacency was replaced by a phase of major readjustment of expectations. A wave of panic swept across all asset classes without distinction, as the spectre of a large-scale global recession became the consensus scenario.

Today, after value adjustments of close to -35% on international equity markets, the question is now obviously whether valuation levels are still excessive or whether they constitute opportunities for long-term repositioning.

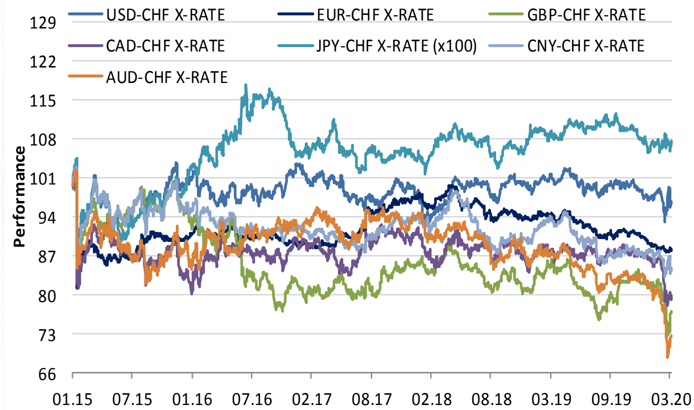
The main obstacle to opting to reinvest liquidities and purchase risky assets at the moment is the absence of visibility with regards to the economic recovery and the capacity of listed companies to weather this crisis and avoid a long-term negative impact on their business.

Nevertheless, we now believe that most risk and opportunity analysis factors point to a risk/return ratio that is favourable to a partial repositioning at least on assets offering long-term gains. Indeed, we reckon the support measures taken by governments and central banks will swiftly meet the current and future needs of the economy in the short term. We consider that, while not all parameters are showing the green light, the -35% correction in valuations certainly constitutes a sufficient level of adjustment for a temporary health crisis and economic impact.

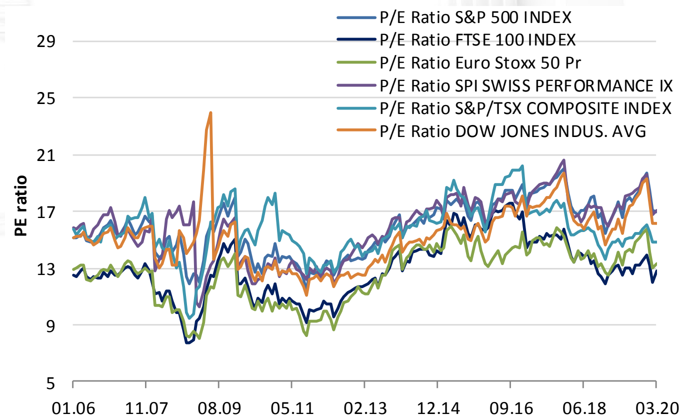
Central Bank rate (EUR, CHF, GBP, USD, JPY)



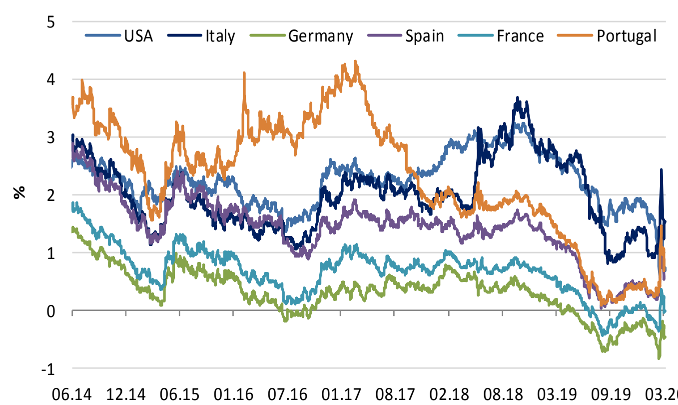
7 Major currencies against CHF (Normalized at 100)



Price/Earning Ratios in developed Markets



Government Bond yield (10 years)



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Global Outlook

- Sharp contraction of US GDP before a clear recovery in H2
- Two difficult quarters for the EU before a return to growth
- First credible signs of recovery in China
- Japan's GDP will have to wait for China's recovery to climb out of recession

Sharp contraction of US GDP before a clear recovery in H2

The latest GDP figures for Q4 2019 published on 26 March pointed to a growth rate of +2.1%, which only a few weeks ago seemed likely to continue in 2020. It has now become particularly difficult, however, to estimate the impact on growth in Q2 of the Covid-19 outbreak and the partial or more comprehensive confinement measures that have been taken by the various US states. In the last few days, leading indicators have also shown a breakdown in confidence and outlook, especially in the services sector. The manufacturing PMI dropped from 50.7 to 49.2 in March, suggesting better resistance than the services PMI, which dropped from 49.4 to 39.1 over the same period. The shock of Covid-19 is shaking up the American economy, which had remained relatively immune in Q1. A sharp contraction of economic activity is thus very likely in Q2, whose scope will be difficult to assess before the summer. The nature of the shock is so extraordinary that an assessment of the impact in Q2 is less essential in our minds for the management of risks and opportunities in terms of investment than the determination of recovery probabilities in H2 for the world's largest economy. Developments in the health situation in the US will certainly be different than those observed in China and Europe. As it stands, it is particularly difficult to predict at what pace the economy will recover in the US, as the only example of recovery available at the moment is the Chinese market, for which we have only limited reliable data. Nevertheless, if China's example can serve to estimate the time required for the US economy to recover, it is possible that a gradual return to normal activity should not be expected before the summer. The synchronisation of economic cycles will likely be more favourable to the US, which could then already count on a credible recovery in Asia and Europe at the end of Q2 2020.

Moreover, the Fed's very swift implementation of a new ultra-expansionary monetary policy to mitigate the potential impact of Covid-19 on the US economy will develop its positive effects once the health measures end. The unprecedented fiscal and budget package that was urgently approved by the Senate and the House of Representatives will also have a lasting impact whose multiplying effects on the economy may be very significant in H2.

Two difficult quarters for the EU before a return to growth

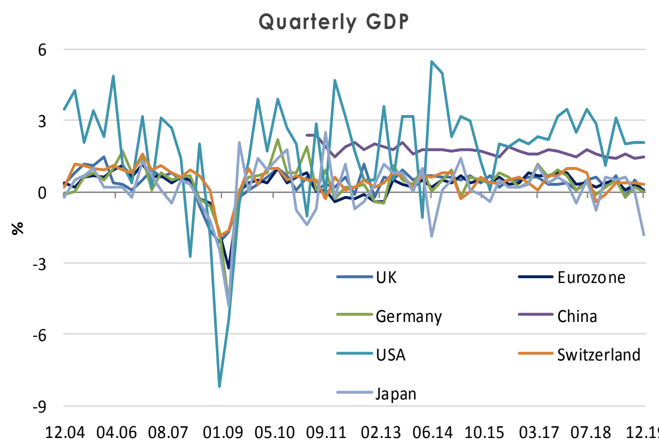
The emergence of the coronavirus in Italy and its spread throughout Europe in the last few weeks constitutes a major, completely new risk for Europe's population.

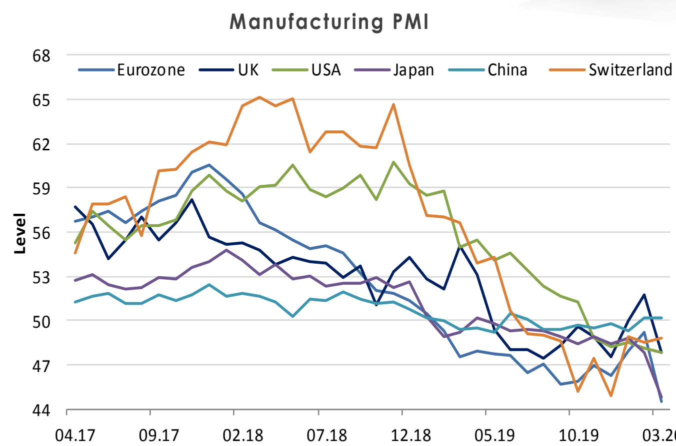
Europe's governments reacted to the health crisis very gradually and mainly under threat of seeing the health crisis affecting Italy increasingly dramatically spread to other countries in the European Union. Europe had ultimately not been affected in 2003 by the SARS epidemic and had thus not prepared for a new virus that could potentially affect the continent. Management of the health crisis in Europe has thus been particularly chaotic in comparison with the policies implemented in Asia.

The health strategies of countries like Singapore or South Korea are now held up as an example for their degree of preparation and anticipation of the emergence of such risks. This is certainly no time to point fingers, but the time for questions regarding the complete absence of preparedness of developed countries, unable to protect their populations, will come soon. The shortage of protective masks and alcohol-based sanitisers in Europe is in sharp contrast with the extreme preparedness of populations in Asia.

Having completely underestimated this risk before the outbreak of the crisis in China, then as the crisis grew in Asia and finally even when the Italian authorities warned of the severity of the situation in their country, European governments had no other choice but to react with haste and with means that will undoubtedly prove to be insufficient and not in keeping with a responsible management of the crisis.

In the last few weeks, we discovered how fragile our economies can be when our lack of preparedness for an epidemic shock ultimately leaves us with no other choice than confinement to put an end to the spread of Covid-19. Partial at first and probably total in many other cases, the confinement measures that have been implemented will have drastic effects on Europe's economic growth in the short term.





Graph sources: Bloomberg/BearBull Global Investments

The market panic that ultimately followed this sudden awareness is certainly excessive despite the scope of the risks and the potential effects of the pandemic. Obviously, the health crisis will be overcome in a few weeks or months in Europe too. The economic cost of this lack of preparedness will be altogether astronomical and the price paid in terms of human lives unbearable. The outcome will be different for the various countries, but this ongoing crisis will have an impact on people's minds and will change behaviours and health policies.

It is also difficult in Europe's current situation to assess the impact of growth in Q1 and Q2 if the current health policies remain in place. Growth in Italy, Spain and France will slow much more significantly than in Germany, if the latter can avoid implementing total confinement measures. In Europe still, we believe it is more important to determine what the real chances of success of the monetary and budget policies that have been announced really are.

The ECB's action and that of various European governments to support Europe's economy are thus essential to protect the population from the economic impact of the health crisis. We are pleased to see today that their capacity to react in that area is at least still assured. We also believe that in Europe H2 is likely to be bolstered by the ECB's PEPP and not the fiscal stimulus package that will be implemented more broadly thanks to the suspension of the EU's principles of budgetary rigour.

First credible signs of recovery in China

China's economy will likely close Q1 2020 on barely positive growth despite the extraordinary measures taken to fight the spread of the coronavirus epidemic. A recovery in Q2 could generate growth of +2%. Over the year, the PBOC expects China's real GDP to be up close to +5.4%, which now also seems to be the consensus forecast of China experts. While these estimates may turn out to be close to reality, it is certainly still difficult at this time to assess the actual impact of the crisis on the performance of China's economy in Q1.

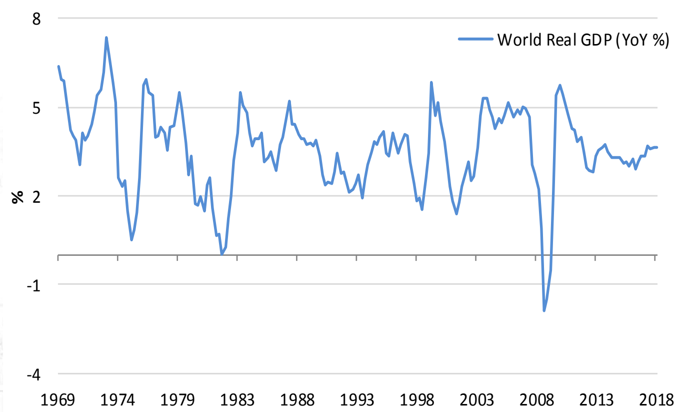
Be that as it may, we believe the most crucial element of concern at this time pertains to the long-term reactivation of the world's industrial production facilities rather than to the scope of the "past" crisis. Official figures in the last weeks show that China's large companies have returned to work and are now operating at 80%-90% of their capacity. Small- and medium-sized enterprises have had more difficulty returning to work and now seem to be operating at close to 60% of their capacity.

Indeed, we noted a few improvements in the situation at the end of Q1 on certain major economic indicators in China. There are signs of a recovery in economic activity especially in the air and sea transport sectors and in China's road network. The wind energy sector already seems to have recovered approximately 60% of its activity and could already be operating at full capacity in April. The PBOC is convinced that China will be capable of returning in Q2 already to a growth rate compatible with its growth potential according to the Vice-Governor of the Central Bank, Mr. Chen Yulu.

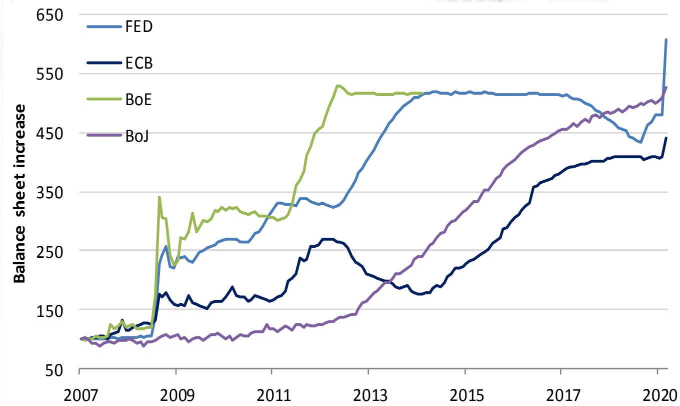
Japan's GDP will have to wait for China's recovery to climb out of recession

The massive contraction of activity in China in Q1, which may well see China's GDP collapse to +1% yoy, has been affecting Japan for several weeks. China is Japan's largest trade partner, and Chinese tourists also make up the largest contingent of foreign travellers to the country. China's stalled economy and the travel ban will have a heavy impact on Japan's economy in Q1 2020. The exponential development of Covid-19 cases also curbed international tourism before more severe government measures put a complete stop to population flows in March. In this difficult context for GDP in this first quarter, recession in Japan is more than likely now after a negative Q4 2019. Even if the Covid-19 epidemic has a limited impact on Japanese growth, the country is unlikely to be able to avoid a recession in the next few months.

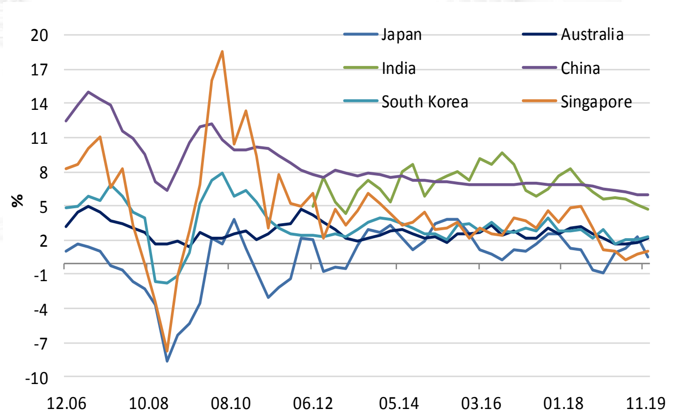
World Real GDP Growth



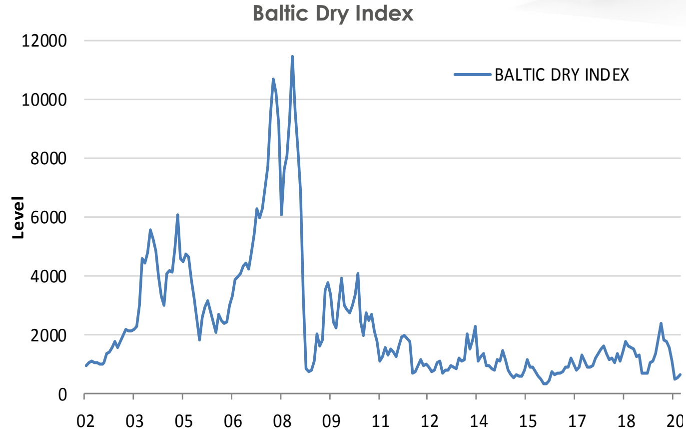
Balance sheet increase



GDP Growth rates in Asia



Baltic Dry Index



Graph sources: Bloomberg/BearBull Global Investments

A technical recession in Q1 is almost certain, and chances that growth for the year as a whole will be positive now seems more remote. The third largest economy in the world may thus well post its biggest economic contraction in more than five years, and risks of a recession for the year as a whole are estimated at 75%. The effects of Covid-19 on China's major economic partners still need to be assessed, but the pressure remains significant for the moment, as the rising yen, in high demand as a safe-haven currency during the ongoing financial crisis, will continue to have a negative impact on the competitiveness of Japanese exports, which were already hit by declining international demand. The expected economic slowdown in Europe and the US in the recent context of partial or total confinement measures taken by the various countries will also have a tangible impact on demand for Japanese products and trade with Japan. Japanese exports are thus unlikely to recover quickly in Q2 in this negative international environment. Consumption, which held up rather well during that period, will certainly be affected by Prime Minister Abe's decision to temporarily close schools and restrict social activities in the country and by the various confinement measures that have already been taken. The recent drop in oil prices will be a positive factor for Japan's economy, which is very dependent on oil imports, but it is unlikely to have a significant impact on household consumption and investment. The lower oil prices will thus not shore up Japanese growth, even if they help the trade balance.

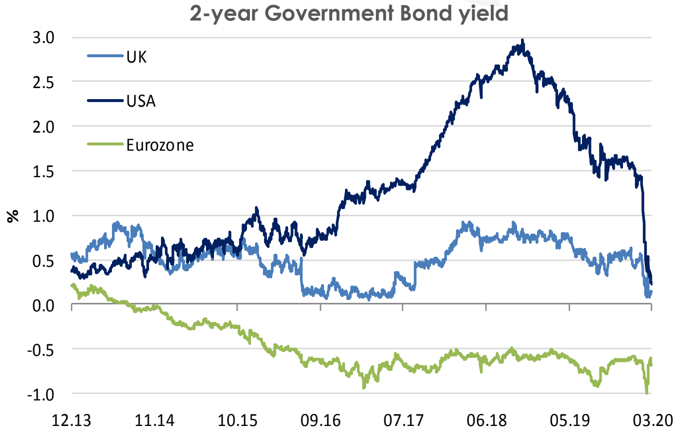
Better economic resilience in Switzerland

The manufacturing PMI index for the month of February increased from 47.8 to 49.5. Although still shy of the threshold of 50, this indicator nevertheless posted its best result since the end of September 2019, pointing to an economic recovery for the beginning of the year in Switzerland. For more than a year, Switzerland's manufacturing PMI pointed to a decline in production, which never materialised, as production actually seemed to strengthen in September before dropping to only +1.3% yoy in Q4. We now believe that risks in the Swiss manufacturing sector are once again significant due to the effects of Covid-19 on the global economy, which will not spare our country. The KOF's economic barometer offered a clearly optimistic sign in February when it climbed back over 100 for the first time since September 2018.

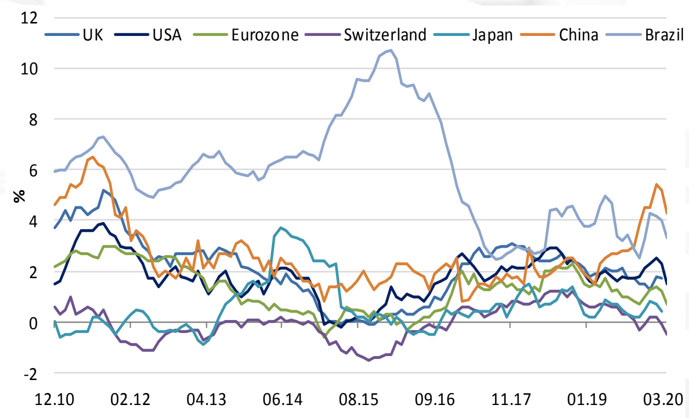
This improvement heralded better economic conditions for the beginning of 2020, but it will likely not withstand the ongoing changes in expectations as well as the gradual factoring in of the growing risks relating to the Covid-19 virus. Retail sales began the year rather timidly with a -0.1% decline, maybe already due to the uncertainties that began to appear in January. Although leading indicators seemed to point to better prospects in January and February in a surprisingly serene atmosphere despite the situation in China, the growing awareness of the real importance of the new risks relating to Covid-19 in the last few weeks has now radically changed the situation and will have a major impact on everyone's expectations.

In this context, we expect significant changes in risk assessments, which will necessarily and quite quickly trigger visible adjustments in expectations with regard to leading indicators in the next few days. Switzerland's economy will also likely slow significantly mainly in Q2. The partial and relative confinement measures taken in our country could ultimately have a more reduced impact than in neighbouring countries. We believe that the economic recovery is also likely to be significant in H2, thanks to robust domestic consumption, growing public expenditure and a rebound in exports.

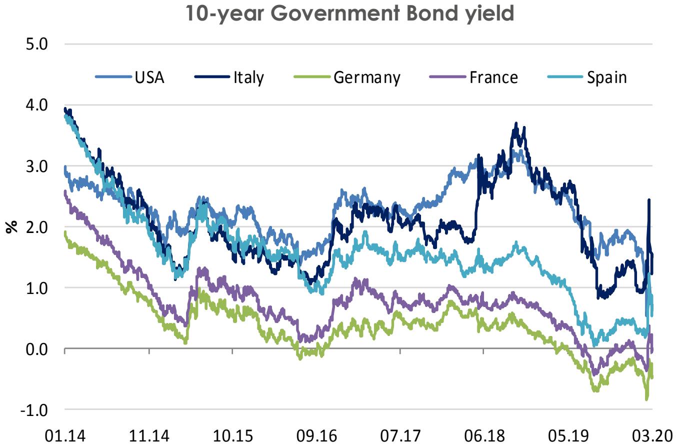
2-year Government Bond yield



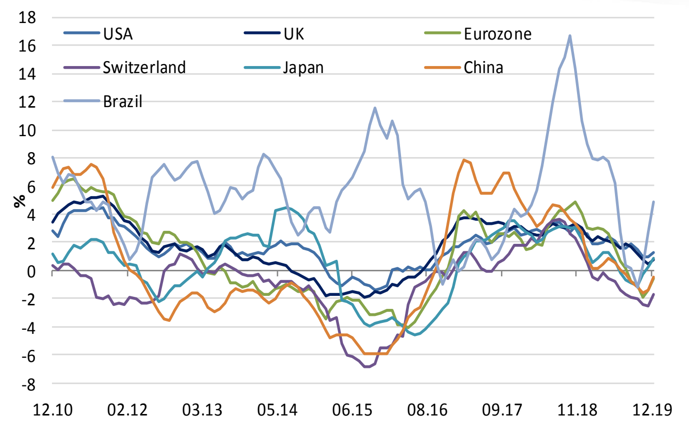
Inflation - CPI Indices



10-year Government Bond yield



Inflation - PPI Indices



Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group

MACROECONOMIC SCENARIO

United States

- Trump capitulates in the face of the magnitude of the health crisis in the US
- Is Trump losing the 2020 presidential election?
- Two trillion dollars to counter the effects of Covid-19
- Has the Fed exhausted its creativity?

Trump capitulates in the face of the magnitude of the health crisis in the US

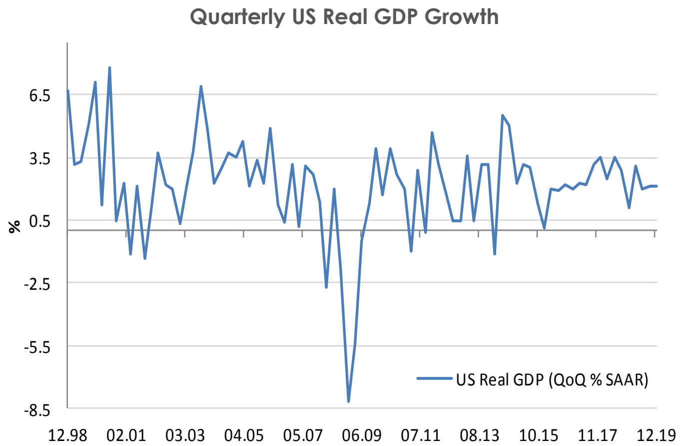
The US government undoubtedly underestimated the risks relating to Covid-19 for a little too long. Indeed, President Trump played a major role in the disastrous management of the health crisis in the US by initially refusing to recognise how dangerous the new virus actually was for the US population. After clearly seeking to minimise the effects of Covid-19 by likening the virus to a simple flu that would disappear of its own accord as the weather improved, the US President may have wasted valuable time in terms of enabling the country's health authorities to warn the population and the US healthcare system to prepare to more successfully deal with a crisis similar to what Europe was experiencing.

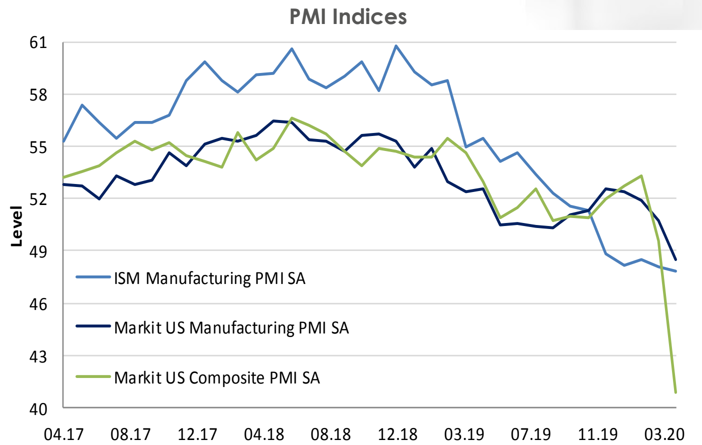
The realisation finally came after financial markets raised the alarm with the fastest bear market decline in international history. Deeming that the US was somehow immune to Covid-19, the President only belatedly and reluctantly triggered measures similar to those taken by other developed countries, quickly emphasising that these confinement measures would not last and arguing that the world's leading power would not choose a cure worse than the disease. Trump does not want to run the risk of seeing US growth hampered by the damaging effects of health measures that are essential to protect the population, but he has run out of options. The number of Covid-19 cases is surging very quickly, as is the number of deaths, which in a few days have placed the US at the centre of the map of countries most affected by the virus.

As we had already mentioned in previous analyses, the US will not handle this health crisis any better than other countries, despite the expertise and excellence of its research teams and multinational corporations at the cutting edge of medical innovation.

Indeed, the US's current healthcare system is not ready to withstand the surge of patients that will soon overwhelm its hospitals. In terms of number of beds per 1,000 inhabitants, the US actually has the worst ratio in the G7, with only 2 beds in comparison with 8 for Japan for example. Nevertheless, the healthcare system will be able to rely on the authorities' capacity to swiftly implement alternative solutions. The world was surprised to see China build a 1,000-bed hospital in the city of Wuhan over just a few days to cope with the influx of patients, and the arrival of a 1,000-bed hospital ship in New York is an example of the solutions that may be provided in the next few weeks to the increase in Covid-19 cases in the US.

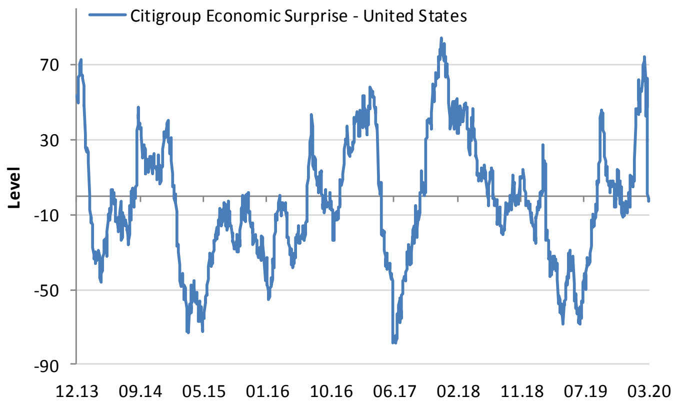
Despite the US President's promises to reopen the country very soon, it is essential to remain cautious and objective about the future development of the epidemic and the effectiveness of the measures taken before considering a return to normal for the country and the US economy.



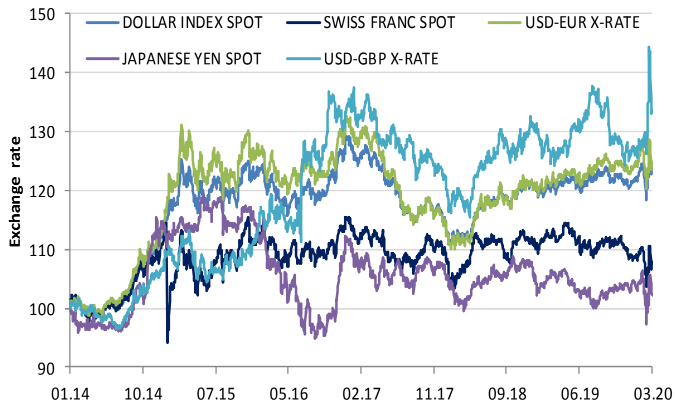


Graph sources: Bloomberg/BearBull Global Investments

Citigroup economic surprise index USA



Dollar trade-weighted index and currencies



Is Trump losing the 2020 presidential election?

The US President is certainly risking his re-election at this very moment. At the start of the year, we had mentioned that risks in 2020 for financial markets with clearly excessive valuations seemed to us to be less related to the issue of the trade war, which had been a major factor of uncertainty in 2019, than to new factors, especially chances of seeing the Democrats win the presidential elections in November. The Democratic nomination has not yet been awarded to Joe Biden, although he is likely to be designated soon. After fearing an excessively left-wing nomination with candidates such as Bernie Sanders and Elizabeth Warren, the Democrats now have more chances of winning the presidential election come November 2020 than before the primary.

The Covid-19 crisis is likely to last several months in the US and will certainly be at the heart of voters' concerns during the campaign. At the time of writing, the upward curve of Covid-19 cases in the US is the steepest among industrialised countries. The epidemic is thus spreading more rapidly after 25 days than it did in China, Italy and Spain. More than 40% of the US's population usually say that they will not see a doctor in case of illness for fear of not being able to bear the costs. Should this fear persist during the development phase of the epidemic, then it will likely constitute an aggravating factor for the spread of the virus and its impact. Some alarmist predictions suggest that the potential number of deaths in the US might reach 200,000 people, i.e. five times the number of officially reported deaths to this day, which amount to 40,000 for approximately 800,000 confirmed coronavirus cases.

The US President has not yet been directly blamed for his lightweight management of the health crisis, but once the situation is under control, the presidential campaign will resume and will undoubtedly be greatly influenced by this unprecedented crisis. Trump will likely appear as a man who did not take the US population's health seriously by not heeding the warnings and advice of the scientific community and public health experts.

He is likely to bear the consequences of his blatant lack of empathy for the population, despite a 2 trillion dollar support plan, which he did actually support.

Two trillion dollars to counter the effects of Covid-19

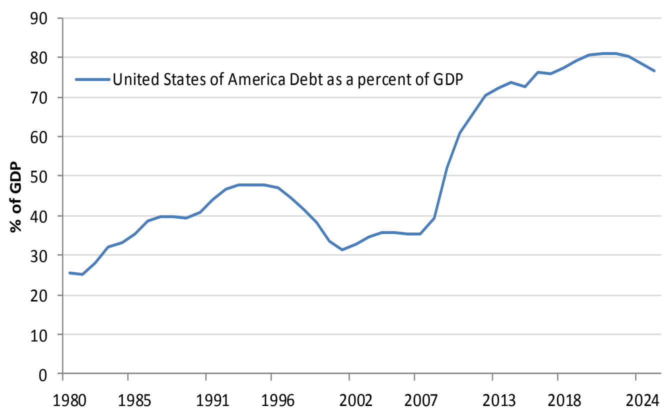
The Senate and House of Representatives successively voted on a fiscal package without precedent in the US of 2 trillion dollars a few days before the end of March. In a nutshell, the plan includes five main types of support. Approximately 500 billion will be provided as loans to the country's main industries, including USD 30 billion to airline companies and 20 billion to companies considered as vital to maintaining the security of the country.

A little under USD 370 billion will be loaned to small and medium-sized enterprises, 150 billion are earmarked for local governments and US states and 130 billion will help support hospitals. Direct payments of USD 1,200 will be granted to individuals earning less than USD 75,000 per year, representing approximately USD 250 billion. Finally, unemployment benefits will be increased to a maximum indemnity of USD 600 per week, just as jobless claims exploded in one week from 282,000 (19 March) to 3,283,000 (21 March).

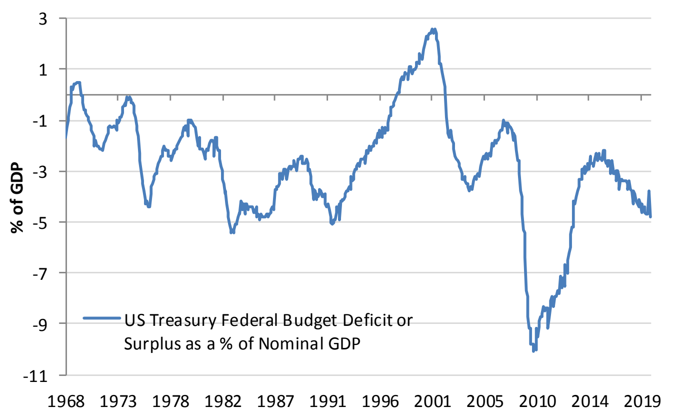
Financial markets had been waiting for this unprecedented fiscal package for a few days, in the hopes that it would put paid to the downwards spiral that had already led to US shares losing more than 30% in total market capitalisation.

The market rally that occurred in the following days was indeed driven by this fiscal stimulus and by the Fed's previously announced actions. However, let us not forget that this will have an impact on the US public deficit, which may well explode to reach close to 20% of GDP!!

Debt (% GDP)

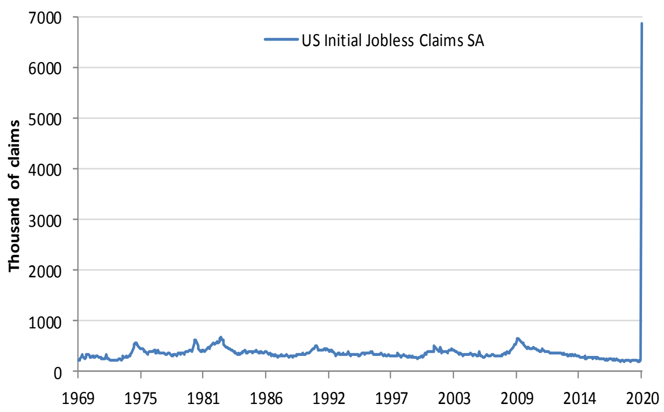


Deficit/Surplus

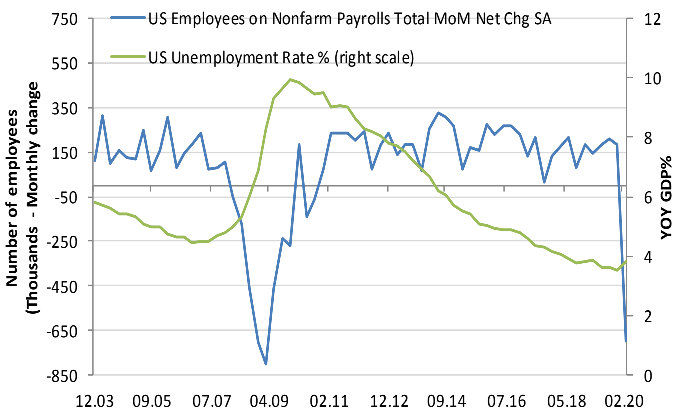


Graph sources: Bloomberg/BearBull Global Investments

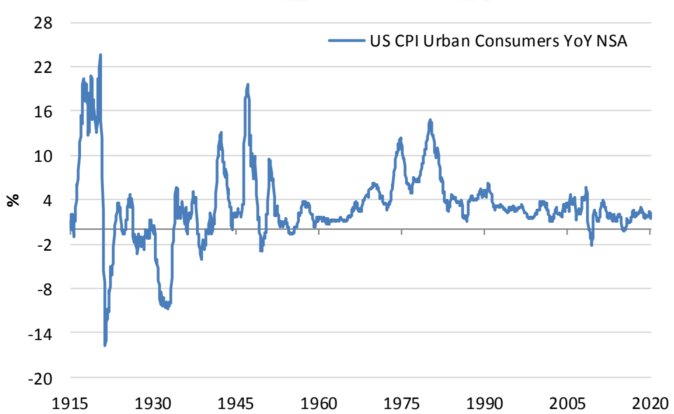
US Jobless Claims



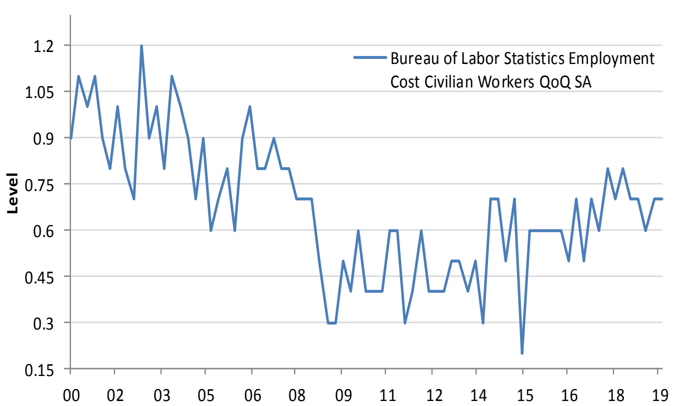
Non-farm Payrolls (MoM) and Unemployment rate



US Inflation (1914-2018)



Employment Cost Index



Graph sources: Bloomberg/BearBull Global Investments

Has the Fed exhausted its creativity?

So far this year, the US Federal Reserve has lowered its key rates to zero and resumed its public debt purchases. In order to counter the threat of production and consumption collapsing in the US due to the Covid-19 epidemic, the Fed has struck very hard by lowering its key rates to zero and announcing a new bond purchase programme estimated at approximately USD 700 billion. The Fed Chair has once again asserted that the institution will use any tool available to support the flow of credit to households and companies, which is what it did when it announced it had taken new extraordinary measures to fight the effects of the coronavirus by creating a new mechanism meant to provide more direct support to households and companies. Indeed, the Fed has created a new credit facility called PDCF for Primary Dealer Credit Facility destined to the banks that are usually in charge of distributing US government bonds. The aim of this support programme is to enable intermediaries to loan funds more directly to those who need it because of Covid-19.

The Federal Reserve can now also count on the support plan adopted by the Senate and the House of Representatives to reinforce the expected positive effects of its new expansionist policy. In this context, the Fed will be able to increase its asset purchases by several additional trillion dollars.

Sharp contraction in GDP in Q2

The latest GDP figures for Q4 2019 published on 26 March pointed to a growth rate of +2.1%, which only a few weeks ago seemed likely to continue in 2020. It has now become particularly difficult, however, to estimate the impact on growth in Q1 of the Covid-19 outbreak and the partial or more comprehensive confinement measures that have been taken by the various US states. In the last few days, leading indicators have also shown a breakdown in confidence and outlook, especially in the services sector. The manufacturing PMI dropped from 50.7 to 49.2 in March, suggesting better resistance than the services PMI, which dropped from 49.4 to 39.1 over the same period. The shock of Covid-19 is shaking up the American economy, which had remained relatively immune in Q1. A sharp contraction of economic activity is thus very likely in Q2, whose scope will be difficult to assess before the summer.

The nature of the shock is so extraordinary that an assessment of the impact in Q2 is less essential in our minds for the management of risks and opportunities in terms of investment than the determination of recovery probabilities in H2 for the world's largest economy. Developments in the health situation in the US will certainly be different than those observed in China and Europe.

As it stands, it is particularly difficult to predict at what pace the economy will recover in the US, as the only example of recovery available at the moment is the Chinese market, for which we have only limited reliable data. Nevertheless, if China's example can serve to estimate the time required for the US economy to recover, it is possible that a gradual return to normal activity should not be expected before the summer. The synchronisation of economic cycles will likely be more favourable to the US, which could then already count on a credible recovery in Asia and Europe at the end of Q2 2020.

USD interest rates close to zero

At the start of the year, bond markets quickly integrated the economic impact that a global spread of the Covid-19 epidemic in China could have on global growth as well as US growth, unlike equity markets, which were very slow to react to the epidemic turning into a pandemic. The collapse in ten-year Treasury yields from 2% in December 2019 to 0.31% at their lowest point on 9 March was historic and came shortly before the Fed's decision on 15 March to lower its key rates to their lowest historic level.

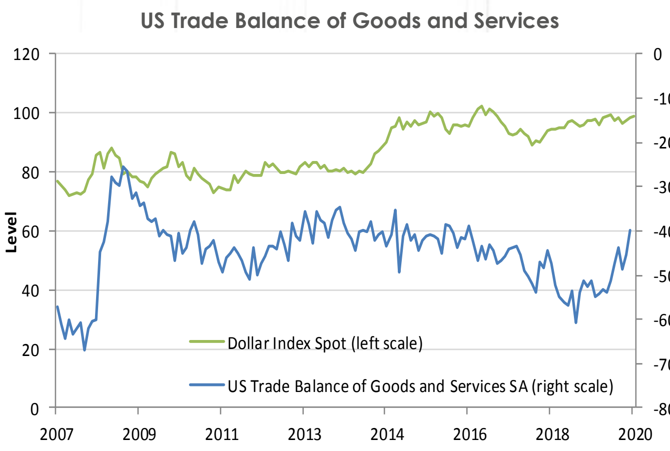
The drop in financial markets, which accelerated in the first two weeks of March, had a worrying negative impact on the credit market, which saw a sharp increase in interest rates, including on US Treasuries, whose yield jumped from 0.31% to 1.25% in seven days. The Fed had to shore up liquidity in the short-term lending market and resume its asset purchase programme in a context shaken by risks of malfunction of a financial system disrupted by the forced sales of all sorts of assets, including those usually considered safe like government bonds and gold. The government bond purchase programme is likely to maintain long-term government rates at historic levels until prospects of emerging from the health crisis and of a significant economic recovery materialise.

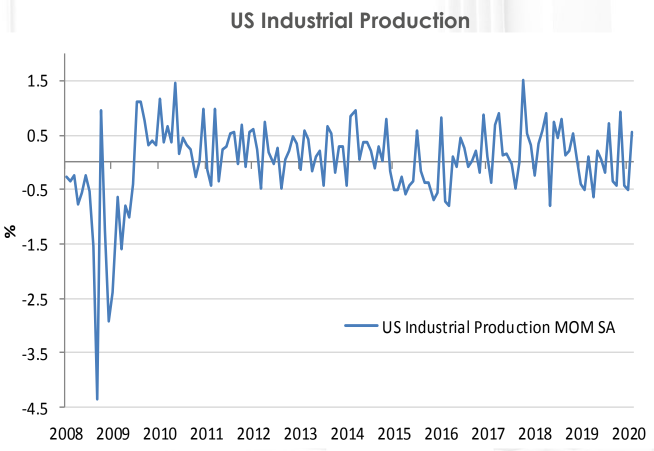
What prospects for equity markets?

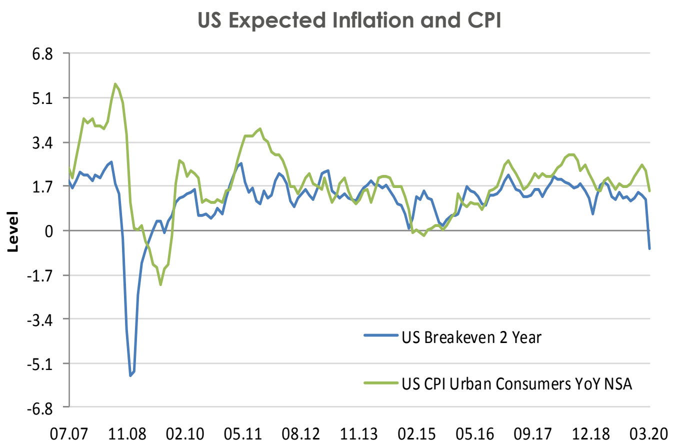
We had mentioned before the collapse in the last few weeks that equity markets in the US were overvalued and that we believed that the complacency characterising the last phase in price increases in January 2020 in particular, at a time when China was suffering heavily from the coronavirus, was a sign of blatant irrationality from investors in the face of the emergence of a major new risk. We then recommended a defensive position towards equities, whose valuations were excessive. At this time, the global health crisis has also affected the US and Wall Street, where a collapse in stock indices wiped out more than 35% of US market capitalisation in only 20 days.

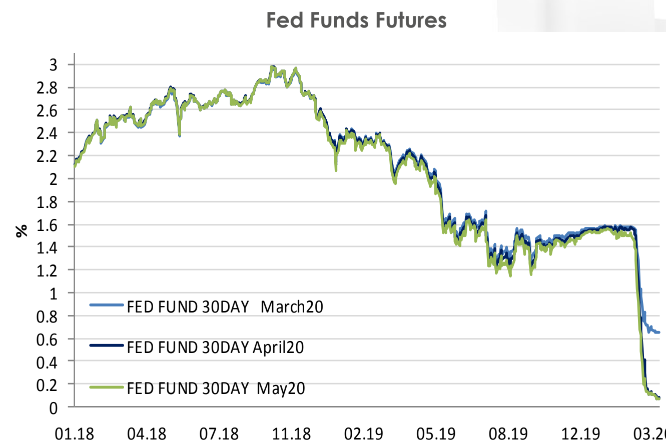
It will clearly be difficult in the next few weeks to rationally determine if the price levels of listed US companies reflect their "true" value or if share prices are still excessive seeing the as-of-yet unpredictable risks of an economic downturn. Investors expected tangible measures in order to be reassured, and they have not been disappointed for the moment by the massive support measures taken.

In the last few days, we announced that, in this context, market valuation levels offered repositioning opportunities in the medium to long term. However, seeing the speed at which prices are rebounding (+20%), we recommend remaining vigilant and not ruling out the possibility of a new phase of weakness, which may occur soon, before what seems to the shortest bear market in history actually comes to an end.



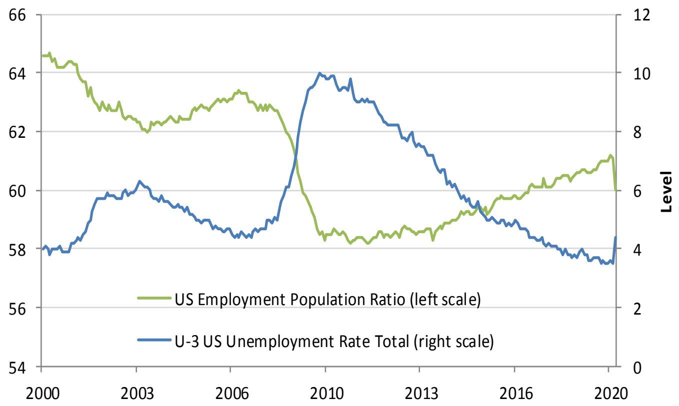




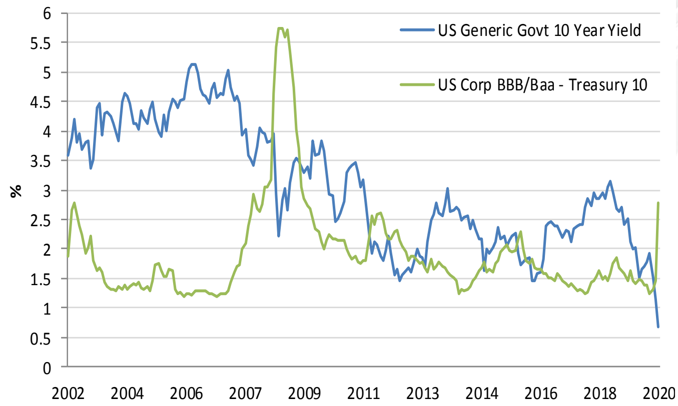


Graph sources: Bloomberg/BearBull Global Investments

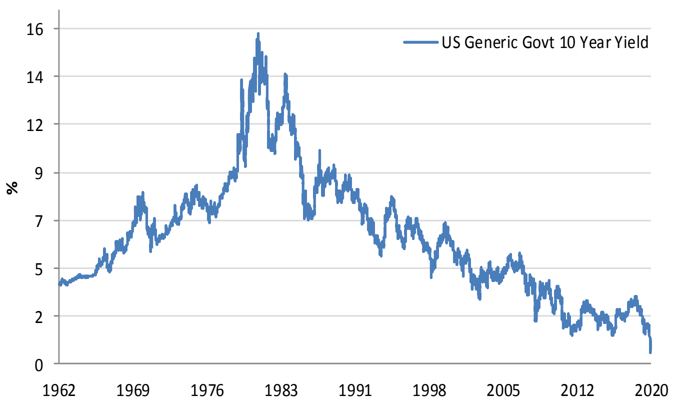
US Unemployment rate and Employment Population Ratio



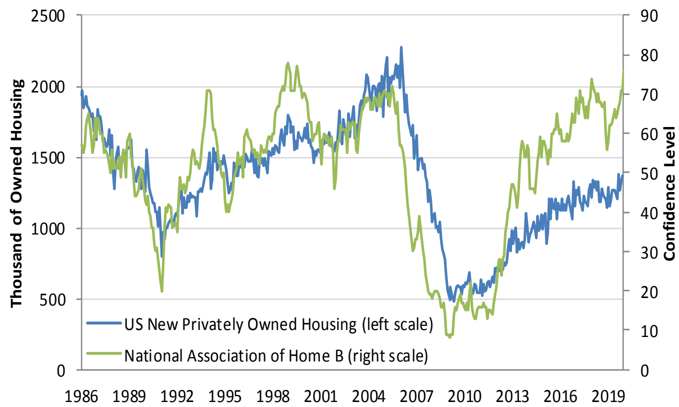
Yield spread Us Treasury - BBB 10 year



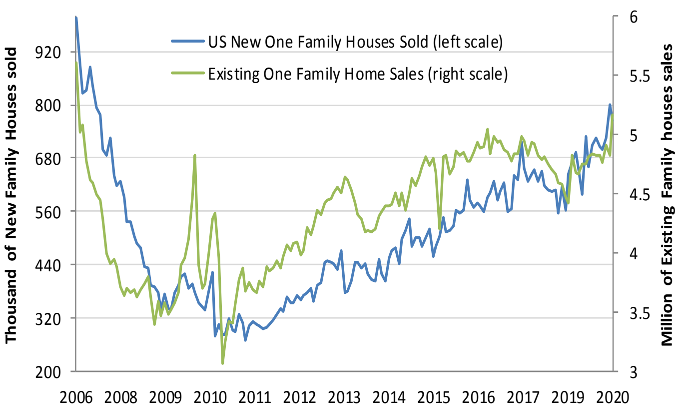
US Government Bonds 10 year yield



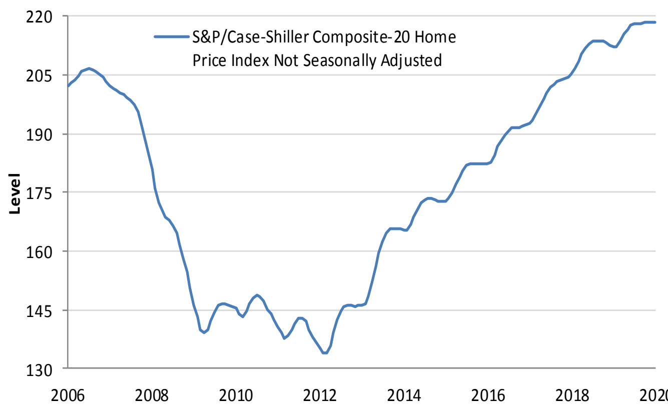
US New Privately Owned Housing and NAHB USA



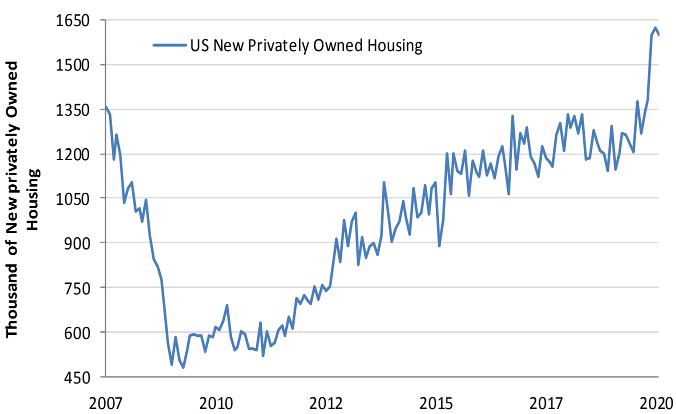
Sale of US New and Existing Family Houses



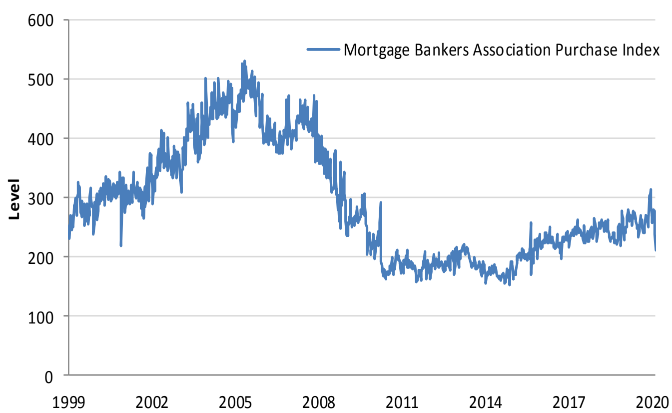
Real Estate Prices - S&P Case-Shiller Index



Housing Starts



New Mortgage Applications - MBA



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Switzerland

- +0.3% growth in Switzerland in Q4 raised hopes of a good start to 2020
- Growth still driven by private and public consumption in Q4
- Following improvement in leading indicators, a major deterioration is now likely

+0.3% growth in Switzerland in Q4 raised hopes of a good start to 2020

The State Secretariat for Economic Affairs (SECO) published our country's growth figures for Q4 2019, which point to slightly reduced activity in comparison with the previous quarter (+0.4%). Nonetheless, GDP growth of +0.3% is a little better than expected by forecasters, who expected growth to reach +0.2% at best.

The initial estimate of real GDP for 2019 points to an annual growth rate of +0.9%. In unadjusted annual comparison, Switzerland's real GDP increased by +1.5% in 2019, significantly less than the +2.8% rate posted in 2018. Ultimately, this is not so disappointing considering the particular context of 2019, which had a severe impact on our primary economic partner specifically. Germany ended the year with growth up a mere +0.3% yoy, among its worst performances since 2008, which has naturally affected our economy.

Fears of a recession and a collapse of interest rates following the growing uncertainties relating to economic growth prospects were ultimately excessive in 2019, since Switzerland's economy grew at a rate similar to that of the rest of the Eurozone (+0.9%).

Real adjusted GDP in Q4 in Switzerland thus increased from CHF 177.9 billion to 178.5 billion. On an annual basis, Switzerland's GDP has now exceeded 715 billion Swiss francs.

Global economic conditions in Q4 were not very favourable to Switzerland's economy, which saw its exports affected by a drop in demand. Domestic factors were a little more positive, as domestic demand helped drive growth at the end of the year. Earlier in the year, we were forecasting that our economy's decent performance in Q4 would lead to a likely strengthening of activity in 2020.

Indeed, we mentioned improved prospects due to the expected recovery of global growth resulting among other factors from the stimulus measures implemented by various central banks and governments in H2 2019, which were expected to have visible positive effects in Q1 2020 already. Our expectations can obviously not remain unaffected by the emergence of a significant new exogenous factor in the last few weeks, which will undoubtedly have a significant impact on international demand as well as on household behaviour.

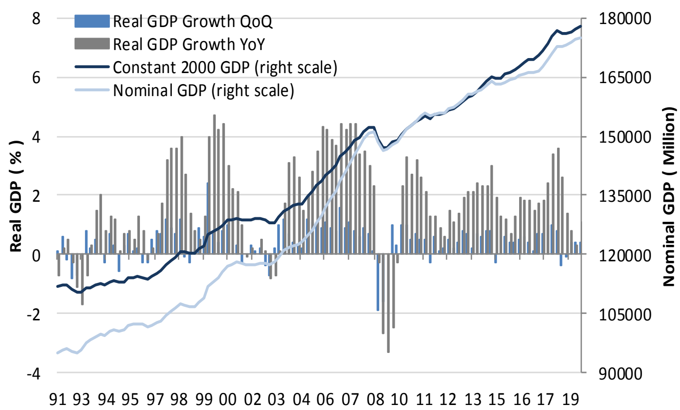
The relatively positive Swiss and global economic scenario that prevailed at the beginning of the year cannot be maintained at this stage, and we have to consider the possible impact of the events in China in the last two months, which have unfortunately begun affecting other regions, including Switzerland.

Growth still driven by private and public consumption in Q4

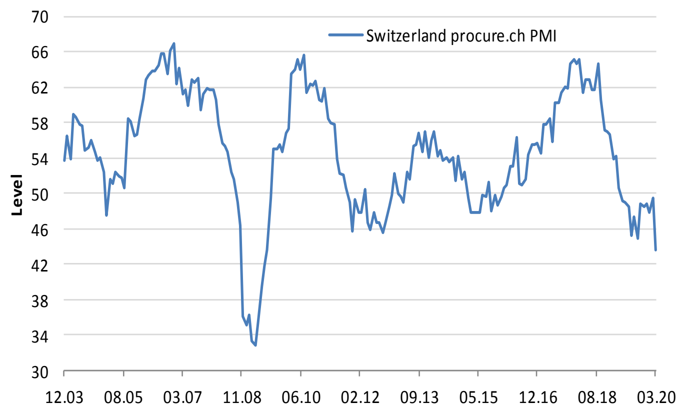
Consumption has firmly established itself in the last few quarters as a major driver of economic growth in our country. Its contribution was once again significant this quarter. Indeed, domestic demand rose by +0.4% (+0.2% in Q3). In comparison with the previous quarter, government consumption remained robust, up by +0.5%.

Domestic demand thus drove GDP growth overall during the quarter, and this trend is likely to continue in the beginning of the year. Most components of the services sector benefitted from this rise. Trade thus achieved strong growth (+1.2%), fuelled especially by motor vehicle sales. Similarly, after two negative quarters, the key segment of business services showed timid growth (+0.2%). Public administration (+0.5%) and the healthcare sector (+0.5%) also contributed positively. By contrast, the previous quarters' lacklustre trends persisted in the transport and communication sector (-0.3%) as well as in the financial sector (-0.4%), both of which were hampered among other things by their international business activities.

Nominal GDP - Nominal and Real GDP Growth rate

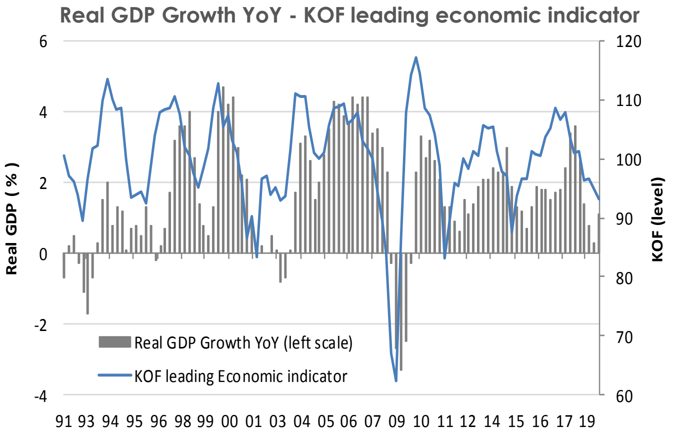


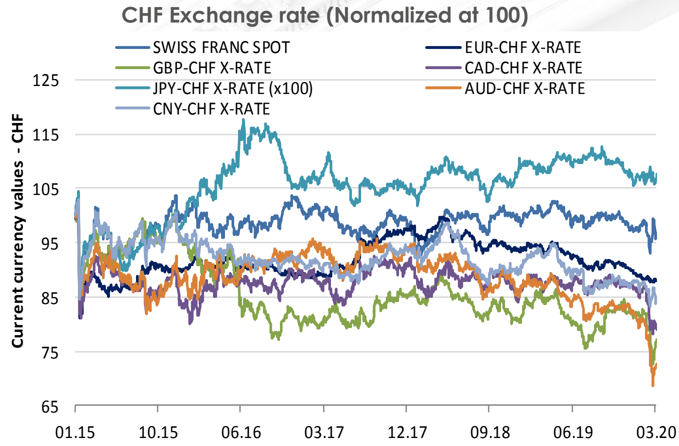
Swiss Purchasing Manager Index (PMI)



Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group





Altogether, exports of services experienced an average growth rate (+0.8%), while imports of services declined (-1.8%). The trend reversed with regards to investment in capital goods, heavily influenced by the uncertain international context. Investment in machinery and electric equipment dropped, while investment in capital goods increased by +2.4%. The construction sector increased slightly (+0.4%), as did added value in building and civil engineering (+0.9%). On the other hand, the Swiss manufacturing sector is once again slowing down. After four consecutive quarters of above-average growth, added value slowed in the manufacturing sector (0%). The unfavourable international situation continues to put a strain on industry segments that are sensitive to the economic situation, such as machines and metals, whose turnover dropped once again. Of course, the chemical and pharmaceutical industry shored up economic growth in Switzerland, but it was not able to maintain the momentum of previous quarters.

Switzerland's economy ended the year on a positive trend and could at that time anticipate improved prospects for 2020, driven by continued favourable domestic trends and stronger global growth. However, fears of a slowdown are now justified.

Following improvement in leading indicators, a major deterioration is now likely

The manufacturing PMI index for the month of February increased from 47.8 to 49.5. Although still shy of the threshold of 50, this indicator nevertheless posted its best result since the end of September 2019, pointing to an economic recovery for the beginning of the year in Switzerland. For more than a year, Switzerland's manufacturing PMI pointed to a decline in production, which never materialised, as production actually seemed to strengthen in September before dropping to only +1.3% yoy in Q4.

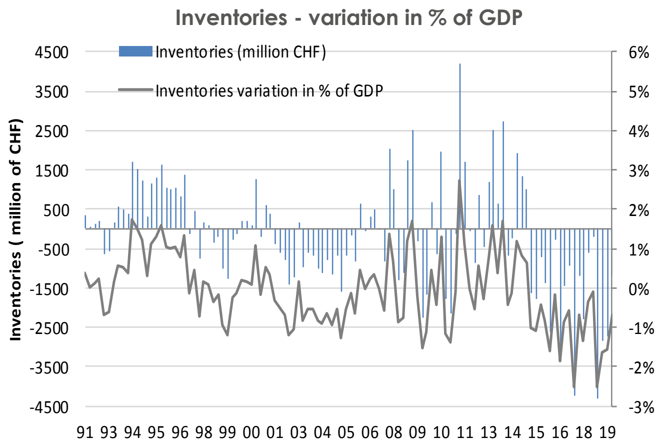
We now believe that risks in the Swiss manufacturing sector are once again significant due to the effects of Covid-19 on the global economy, which will not spare our country. The KOF's economic barometer offered a clearly optimistic sign in February when it climbed back over 100 for the first time since September 2018.

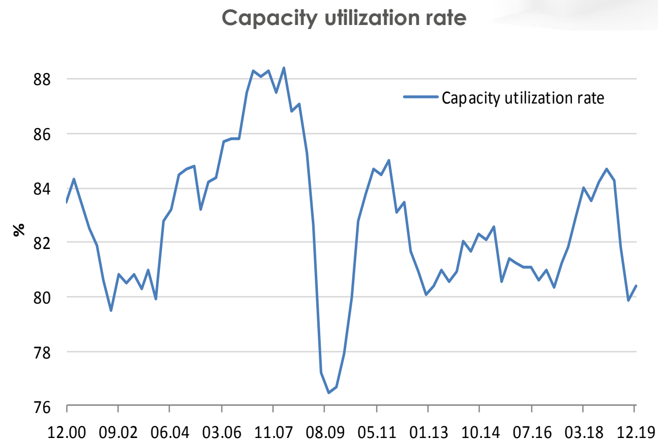
This improvement heralded better economic conditions for the beginning of 2020, but it will likely not withstand the ongoing changes in expectations as well as the gradual factoring in of the growing risks relating to the Covid-19 virus. Retail sales began the year rather timidly with a -0.1% decline, maybe already due to the uncertainties that began to appear in January. Although leading indicators seemed to point to better prospects in January and February in a surprisingly serene atmosphere despite the situation in China, the growing awareness of the real importance of the new risks relating to Covid-19 in the last few weeks has now radically changed the situation and will have a major impact on everyone's expectations.

In this context, we expect significant changes in risk assessments, which will necessarily and quite quickly trigger visible adjustments in expectations with regard to leading indicators in the next few days.

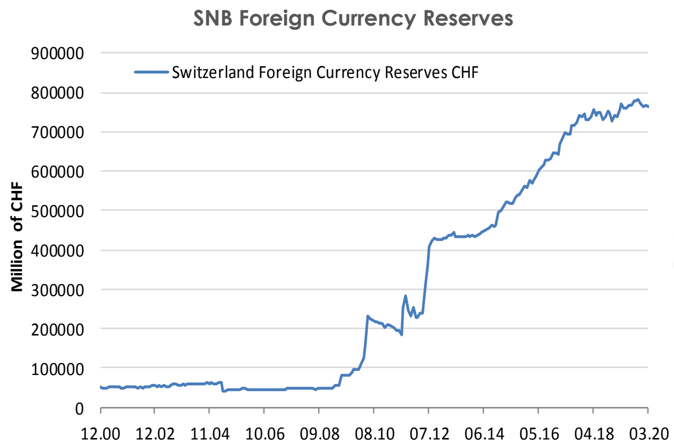
Covid-19 strengthening the Swiss franc

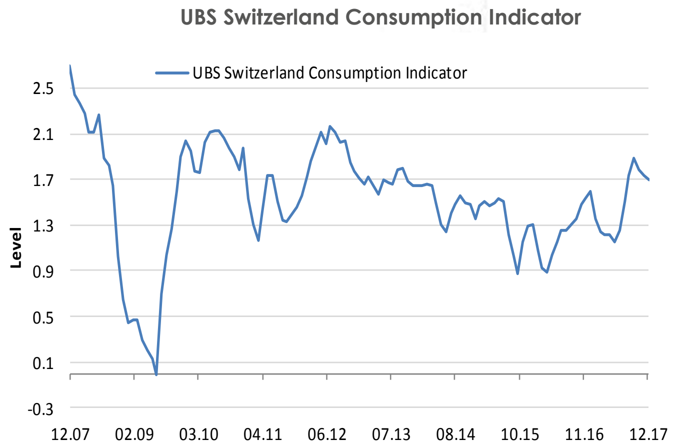
We expected a rather stable Q4 2019 for the Swiss franc and a start to the year marked by relative weakness, driven by higher levels of global economic activity and declining uncertainties. Indeed, the Swiss franc remained stable against the dollar in Q4 and until 21 February, fluctuating around an exchange rate of 0.98. The demand for Swiss francs, which was expected to contract given the more favourable global economic scenario, has actually increased in a matter of days with the growing risks relating to Covid-19. The decision by the US Fed to reduce interest rates by 50 basis points in prevision of new economic difficulties was enough for our currency to appreciate over seven days by almost +4%, significantly more than the increase observed against the euro (+2.4%) since the beginning of the year. Although the yield differential has decreased, we still believe that positive dollar rates as well as the clearly superior growth prospects in the US in comparison with other industrialised countries justify a higher demand for dollars and a rise of the US currency.

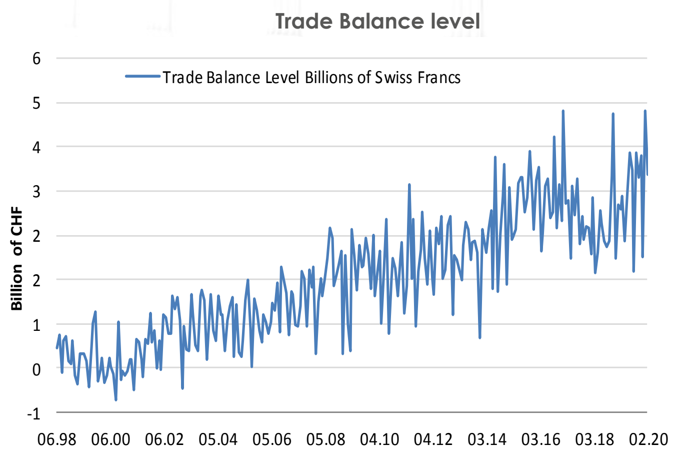


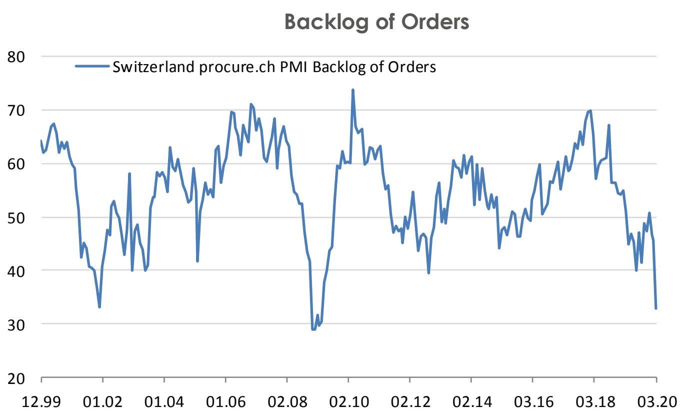


Graph sources: Bloomberg/BearBull Global Investments









Graph sources: Bloomberg/BearBull Global Investments

The SNB once again in the starting-blocks?

Recently, the SNB once again stated that it had sufficient leeway to lower its key rates if necessary. It has thus clearly and unsurprisingly decided to maintain the direction of its monetary policy to curb the appreciation of the franc against the euro. Recent developments in US key rates and long-term rates have reduced the yield differential on which the SNB based its strategy to weaken the franc and have potentially disrupted its policy. The rise of the franc is still moderate in the increasingly worrying context of the emergence of Covid-19 in Switzerland as well.

Covid-19 has clearly postponed the widening of yield spreads, which would have strengthened the appeal of the dollar and pushed the exchange rate above parity. With regards to the euro, the issue is different, especially since the yield spread between rates in euros and in Swiss francs is not that significant and the trend in the last few months does not point to similar developments. The yield spread that the SNB had hoped to create and maintain on three-month rates to weaken the franc is now increasingly under attack. The spread between ten-year German Bund and Confederation yields is down to only 0.18% in favour of euro rates. For the moment, the strength of the franc certainly remains acceptable to the SNB, which will undoubtedly wait a little longer before deciding whether to cut rates again.

Covid-19 reversing the trend in rates

We noted in September the irrational nature of the collapse in ten-year yields from -0.5% to -1.12% in August, predicting a likely significant rebound as soon as risks of a recession were assessed rationally. The last few months of 2019 were thus marked by the gradual recovery of long-term rates from -1.12% to -0.4% at the beginning of November, which was expected to continue in the next few quarters. However, on 13 January 2020, the health crisis broke out in China, which completely upturned growth expectations in the country, raising new uncertainties about global growth.

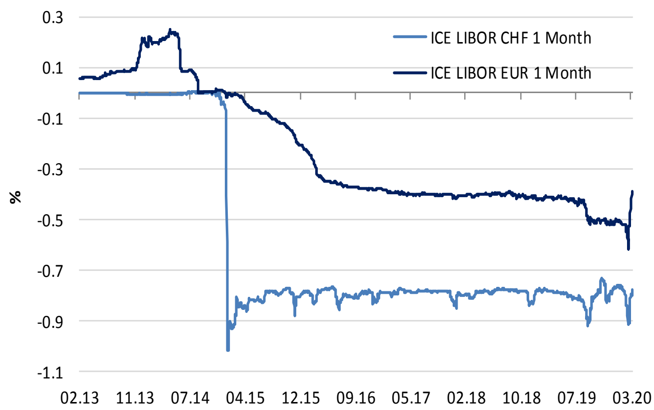
The Covid-19 epidemic in China was gradually factored into the risk modelling for 2020, including in the rate market in Swiss francs. Investor interest in our safe-haven currency undoubtedly pushed demand for governmental bonds more than the inclusion of risks of a recession in Switzerland, lowering the Confederation's nominal ten-year yields to -0.85%. If the pandemic ends up triggering a sharp global economic slowdown, let us also note that the impact on consumer prices may turn out to be more inflationary depending on changes in supply in particular. To date, inflation is once again negative year-on-year in Switzerland (-0.1%), and the real yield is thus at -0.5%.

Panic taking over in equity markets

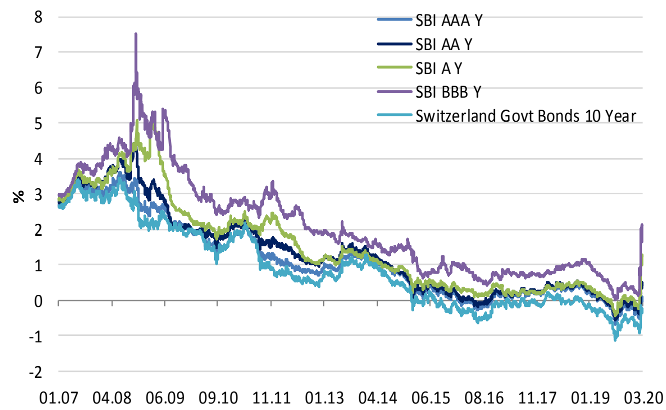
At the beginning of the year, we recommended a more defensive strategy due especially to the already high valuation levels compared to the actual earnings growth outlook for 2020 and the extreme complacency that seemed to characterise the behaviour of investors in the face of a rational analysis of risks and opportunities. The rise in equity markets in the first six weeks had indeed further stretched already extremely high valuation and risk levels, which did not seem to worry the majority of participants in the market.

Now we find that the emergence of the new factor of risk and uncertainty represented by Covid-19 has completely upturned perceptions and triggered a feeling of panic in stock markets. The -13.5% correction in the SMI since 19 February may tempt a few investors, but in the current context we believe that the precautionary principle must clearly prevail over the desire to take advantage of the corrections and to gamble on a rebound of indices. We do not believe the flow of bad news is likely to dry up in Europe. Hence, we recommend further caution in this particularly uncertain environment.

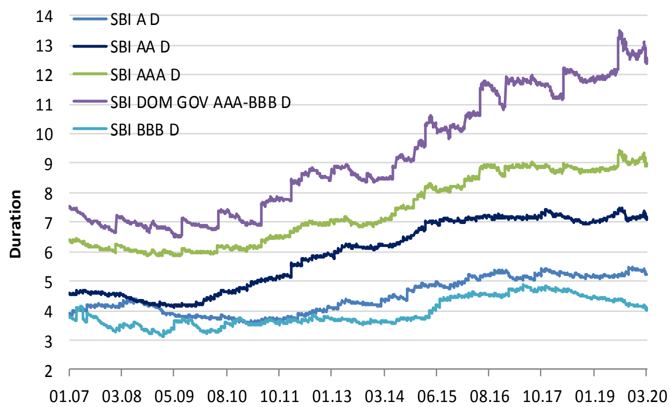
Libor spread rates 1 month



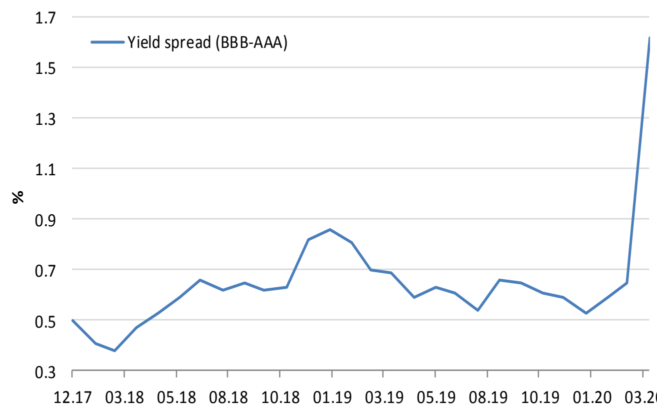
Yield (Government, AAA, AA, A, BBB)



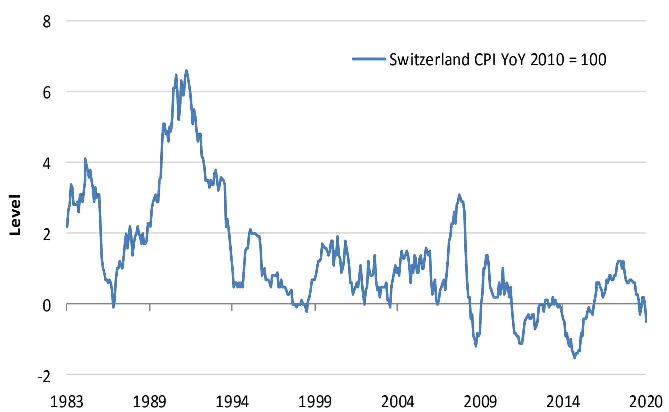
Duration of Swiss bonds



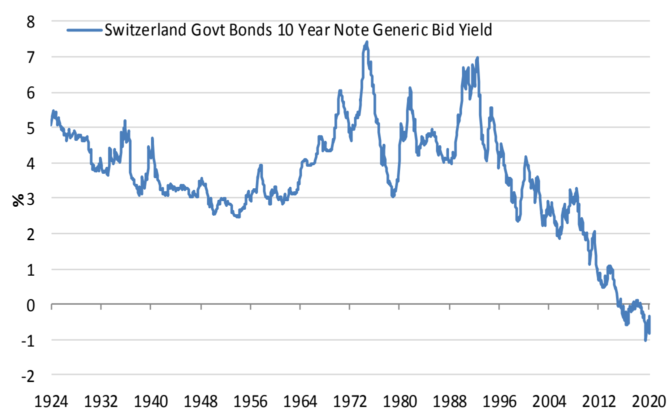
Yield spread



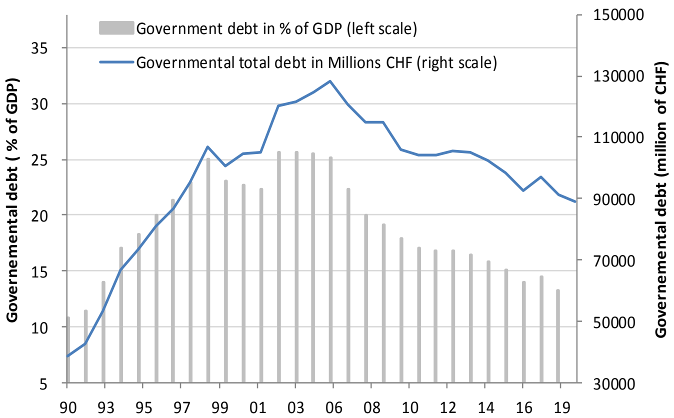
Inflation CPI



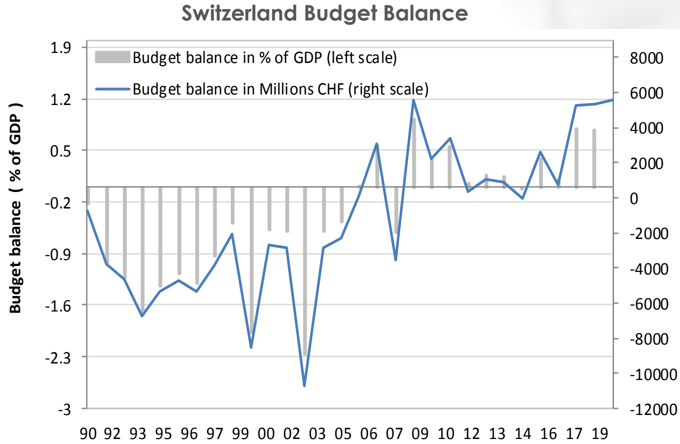
Government Bonds 10 year yield since 1924



Switzerland Government total debt



Switzerland Budget Balance



Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group

MACROECONOMIC SCENARIO

Eurozone

- ECB announce new 750 billion PEPP to support the EU's economy
- An essential action given the considerable risks of economic collapse
- ECB to reassure markets about quality of periphery countries' debt

ECB announce new 750 billion PEPP to support the EU's economy

The European Central Bank surprised observers by announcing the urgent implementation of a new support plan, the PEPP (Pandemic Emergency Purchase Programme). The size of this emergency programme is considerable for the European Union and the ECB's current balance sheet of 4,700 billion euros.

By international comparison, the plan that was announced by the new President of the ECB is also substantial and will come as a positive surprise to investors once the wave of panic of the last few weeks has subsided. The plan calls for 750 billion euros to be injected into the EU's economy in the next few months and will last until December 2020. On 12 March, the ECB had already announced a 120 billion euro budget and the status quo on interest rates, which had come as a disappointment to financial markets, while in the US the Federal Reserve acted more decisively and convincingly.

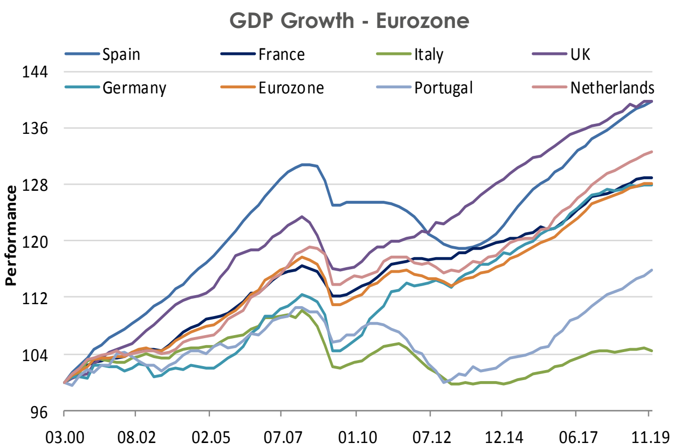
With the surprise announcement of this measure, the ECB is thus ready to inject an additional 870 billion euros, i.e. close to 20% of its current balance sheet. The ECB's injection represents approximately 9% of the overall GDP (9,691 billion euros) of the 19 member countries of the Eurozone, a considerable amount that will have a long-term impact on capital markets.

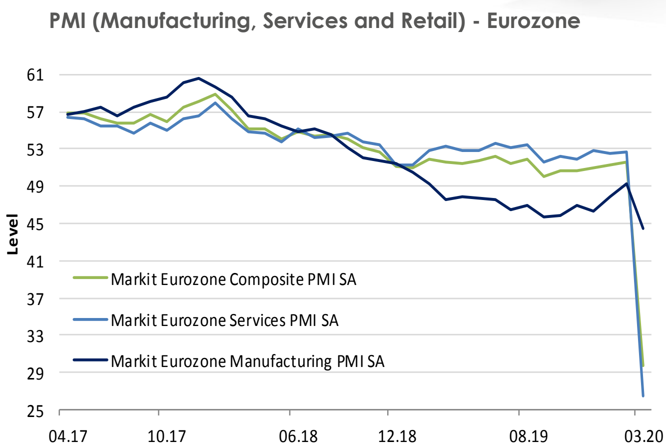
The ECB already owns a large part of Europe's sovereign debt and is already injecting 20 billion euros per month. We believe the currently available eligible stock of European sovereign debt stands at a little over 700 billion. Moreover, the ECB will most likely have to revise its allocation rules to help reinject these funds into Italy's sovereign debt in particular. Since 2015, the ECB has considerably increased its holdings of European government bonds, which at this time represent more than 2,600 billion euros.

An essential action given the considerable risks of economic collapse

The emergence of the coronavirus in Italy and its spread throughout Europe in the last few weeks constitutes a major, completely new risk for Europe's population. Europe's governments reacted to the health crisis very gradually and mainly under threat of seeing the health crisis affecting Italy increasingly dramatically spread to other countries in the European Union. Europe had ultimately not been affected in 2003 by the SARS epidemic and had thus not prepared for a new virus that could potentially affect the continent. Management of the health crisis in Europe has thus been particularly chaotic in comparison with the policies implemented in Asia.

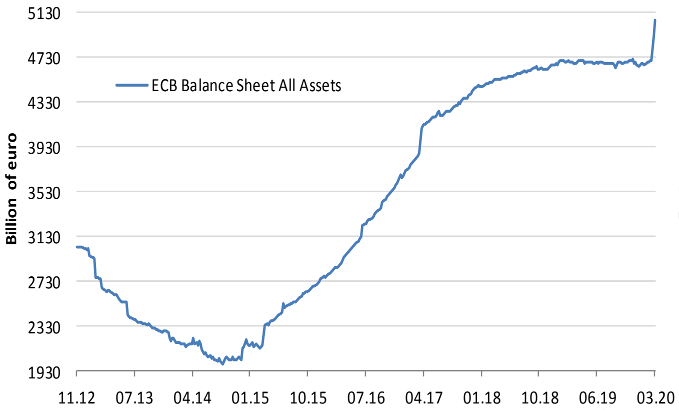
The health strategies of countries like Singapore or South Korea are now held up as an example for their degree of preparation and anticipation of the emergence of such risks. This is certainly no time to point fingers, but the time for questions regarding the complete absence of preparedness of developed countries, unable to protect their populations, will come soon. The shortage of protective masks and alcohol-based sanitisers in Europe is in sharp contrast with the extreme preparedness of populations in Asia. Having completely underestimated this risk before the outbreak of the crisis in China, then as the crisis grew in Asia and finally even when the Italian authorities warned of the severity of the situation in their country, European governments had no other choice but to react with haste and with means that will undoubtedly prove to be insufficient and not in keeping with a responsible management of the crisis. In the last few weeks, we discovered how fragile our economies can be when our lack of preparedness for an epidemic shock ultimately leaves us with no other choice than confinement to put an end to the spread of Covid-19. Partial at first and probably total in many other cases, the confinement measures that have been implemented will have drastic effects on Europe's economic growth in the short term. The market panic that ultimately followed this sudden awareness is certainly excessive despite the scope of the risks and the potential effects of the pandemic.



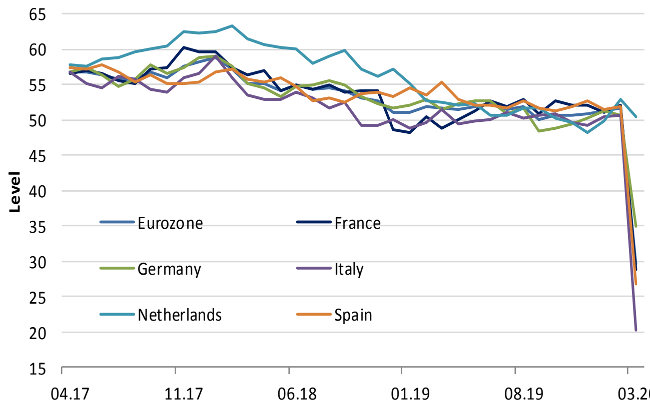


Graph sources: Bloomberg/BearBull Global Investments

ECB Balance Sheet



Composite PMI



Obviously, the health crisis will be overcome in a few weeks or months in Europe too. The economic cost of this lack of preparedness will be altogether astronomical and the price paid in terms of human lives unbearable. The outcome will be different for the various countries, but this ongoing crisis will have an impact on people's minds and will change behaviours and health policies. The ECB's action and that of various European governments to support Europe's economy are thus essential to protect the population from the economic impact of the health crisis. We are pleased to see today that their capacity to react in that area is at least still assured.

ECB to reassure markets about quality of periphery countries' debt

The coronavirus crisis suddenly caused people to become aware of the emergence of new, completely different risks that could affect growth. Partial or total confinement is a completely unique situation, with temporary consequences on the global economy, but which could have longer-term repercussions on certain sectors of activity, for SMEs in particular and for some countries that have been more severely hit.

The crisis will trigger a recession in Q2, a disorganisation of value chains, rising unemployment, a drop in consumption and other negative effects that will lead to lower taxes, an increase in government operating costs, growth in health expenditure, public deficits and finally, a rise in debt. The collapse of financial markets is in proportion with this new awareness and the return of risk aversion. Hence it is essential to reassure investors too that this crisis will not trigger the same concerns as those that arose between 2010 and 2013 during the Eurozone's crisis, when rising interest rates in periphery countries led to a recession and a risk of the Eurozone breaking up. The ECB must prevent rates from rising in countries that are deemed riskier, such as Italy and Spain. It will probably commit a little further still to prevent doubt from returning.

The rise in public expenditure, essential for the protection of businesses and individuals affected by the crisis, will weigh heavily on national budgets in the Eurozone and on deficits in 2020. A rise in government debt is the most predictable consequence of this rise, which has already caused yields on the public debt of periphery countries to rise in the last ten days.

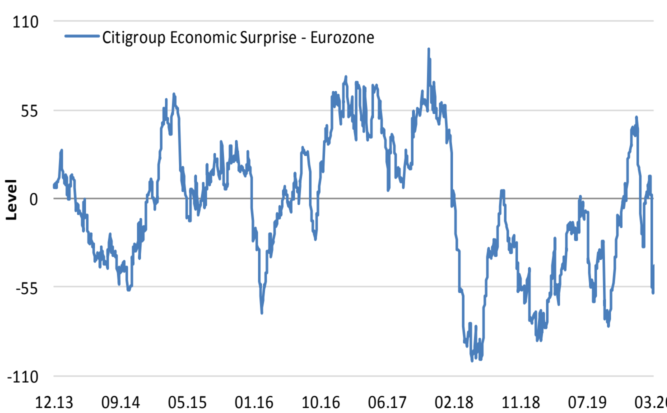
Reversal of trend on long-term rates

After 21 January 2020, the first signs of awareness of the possible gravity of the coronavirus epidemic in China affected financial and capital markets in euros. The initial reaction, which was then exacerbated through 9 March, was first to consider economic risks and the necessity of having to adjust interest rates given this new possible threat to the global economy and the Eurozone in particular. German long-term government rates thus dropped initially from -0.4% to -0.85%, while Italian government rates dropped from 1.4% to 0.84% in the same period between 21 January and 9 March, when the confinement measures were announced in Northern Italy.

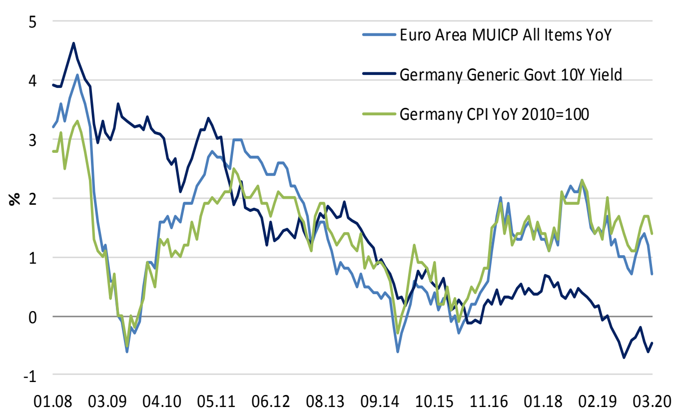
This event marked a radical change in the assessment of the economic situation in Italy and, more generally, in all countries that might be affected by similar measures. After a few days of interest rates falling to historically low levels, most rate markets experienced a comparable upswing.

Investors thus became aware that the management of the health crisis might require the confinement of the population and a potentially complete interruption of economic activity in any country. The effects on government budgets and the risks of a strong increase in deficits and financing needs soon exceeded the expectations of falling long-term interest rates. In a matter of just days, Italian rates tightened and tripled, going from 1% to 3% (18 March) before the ECB intervened to reassure the markets. The PEPP announcement seems to have worked, since, two days later, rates on Italian debt stabilised at 1.6%. In Germany, the increase in yields was spectacular, but those now stand at -0.2%, barely above their level on 21 January (-0.25%).

Citigroup Economic Surprise Index - Eurozone

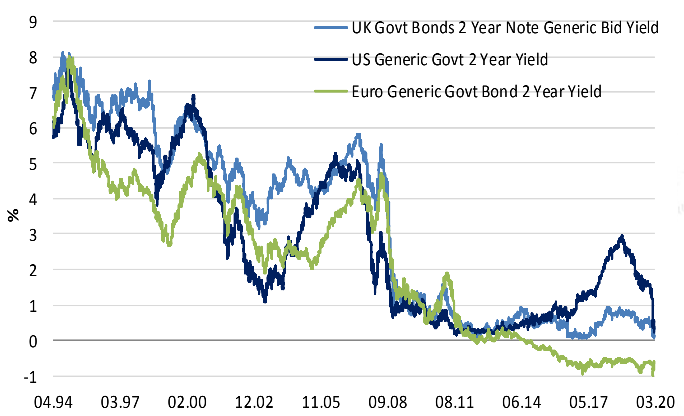


10 year Government Bond yield - CPI

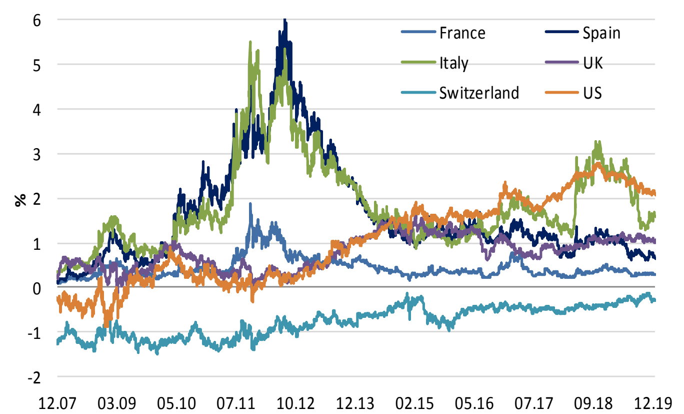


Graph sources: Bloomberg/BearBull Global Investments

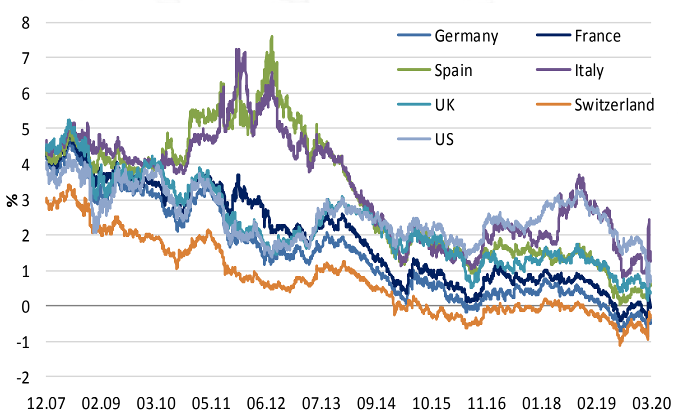
2-year Government Bond yield (US, Euro, UK)



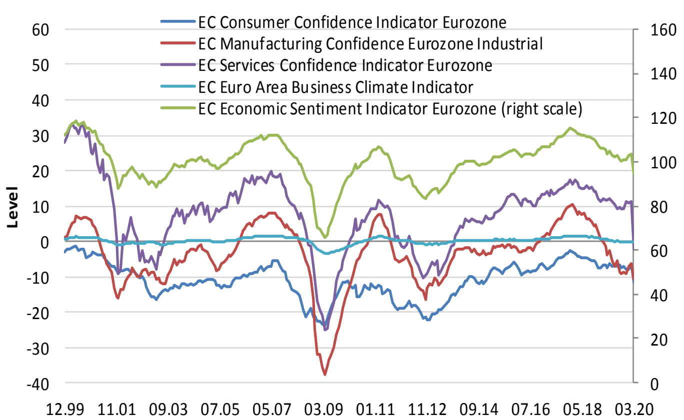
Risk premium - Government vs. Bund



10-year Government Bond yield



Economic Confidence Index



Graph sources: Bloomberg/BearBull Global Investments

Long-term steepening of the yield curve?

The ECB's PEPP will likely help stabilise relative yields among the various countries in the Eurozone. Two days after its announcement, we have noticed that it has soothed investor concerns as suggested by the drop from 3% to 1.6% of Italian ten-year government rates.

Nevertheless, the reversal in risk perception that can be seen in other European countries points to an ongoing steepening of the yield curve. The French Treasury's ten-year yields have also bounced from -0.4% to +0.35% before themselves benefitting from the ECB's decision. The ECB's purchases are thus likely to curb this process, which nevertheless has rational foundations given the likely general increase in government debt.

Monetisation of public deficits, inflation and real yields

The ECB will thus have to quickly monetise the increase in public expenditure by buying the new public debt issuances to mitigate the impact of the health crisis. In other words, this monetisation of new debt will represent monetary creation that will be akin to a policy of "helicopter money". The coronavirus's impact in the Eurozone will increase budgetary deficits and debt, whose proportion in percentage of GDP already grew from 65% to more than 90% between 2008 and 2014. While this ratio declined to 85% in 2019, it will likely pick up in 2020. Another factor must now also be considered in this new monetary policy context, which is a rebound in the risk of an excessive increase in the money supply with potentially inflationary consequences.

In the Eurozone, the monetary base increased by 200% during the financial crisis. From 1,000 billion euros in 2008, it has now reached more than 3,100 billion euros. By deciding to monetise close to 900 billion in new government expenditure, the ECB has agreed to once again increase its monetary base very significantly. However, the ECB is not the only one doing so, since the US has already adopted such a policy. This type of strategy is likely to have a more targeted impact than the previous QEs and is likely to have superior inflationary effects supporting the central banks' stated objectives and reducing real yields further still.

Euro is not a safe-haven currency

The European currency has been suffering from several unfavourable factors for the last few weeks. The deterioration in the growth outlook for the euro area is clearly more significant than the decline in expectations for the US for one. Low interest rates have been a negative factor for a long time, but they quickly normalised after the rate cuts in the US. The fact remains that the euro ranks 4th amongst the safe-haven currencies included in the IMF's special drawing rights. The dollar, the yen and the Swiss franc are usually sought after during confidence crises, which is what happened in the last few weeks.

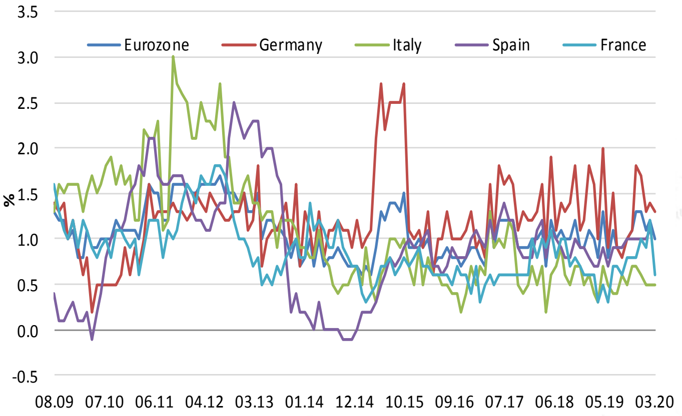
European equities and securitised real estate offer investment prospects

The coronavirus crisis has had a somewhat heavier impact on assets in euros than on other assets. Indeed, equities and securitised real estate have corrected substantially, often dropping by more than -40%. The performance of European equities (-40%) since 21 February is thus well below that of the US market, down 'only' -32% at this time.

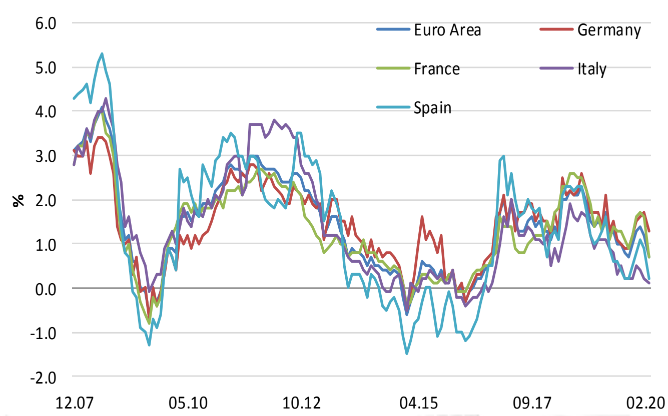
The drop in the stock market in the last few days has preceded the 2020 earnings revision process, and it will certainly take several weeks or even months for the earnings outlook to fully adjust. The macroeconomic context, which remains very uncertain for the next few months, will undoubtedly cause some volatility and risks of further decline in values. Nevertheless, current valuation levels of 10.4x 2020 profits (unrevised) for European companies can be compared with a 14.3x valuation for S&P 500 shares.

In this context, we believe that lower valuations have considerably reduced positioning risks for long-term investors, and we now recommend a more positive and constructive strategy for these two classes of assets on a 12-month horizon.

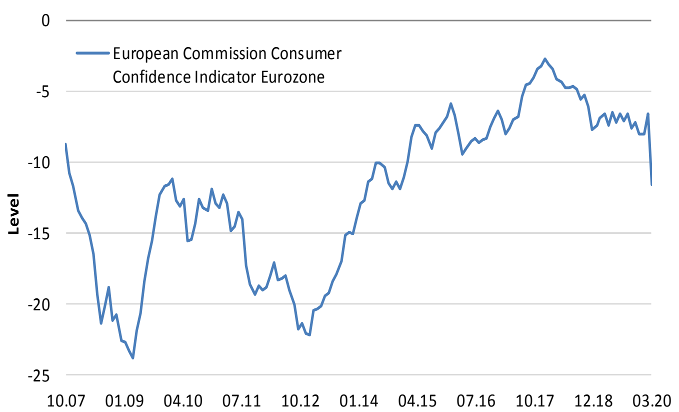
Eurostat CPI - Core Inflation (Eurozone, YoY)



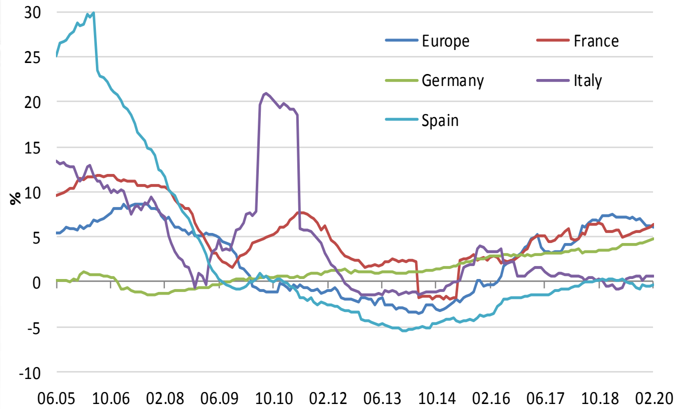
Eurostat CPI - all items (Eurozone, YoY)



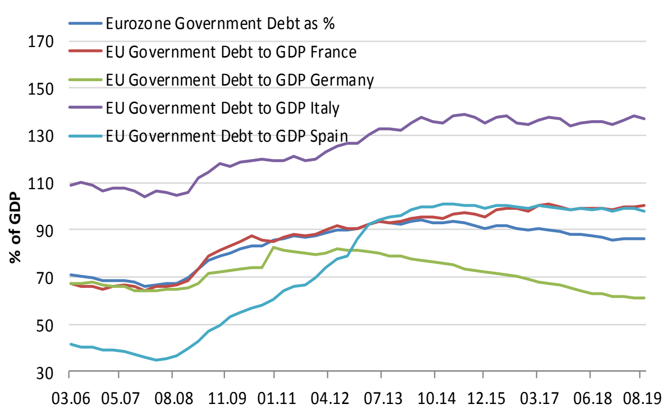
Consumer Confidence - Eurozone



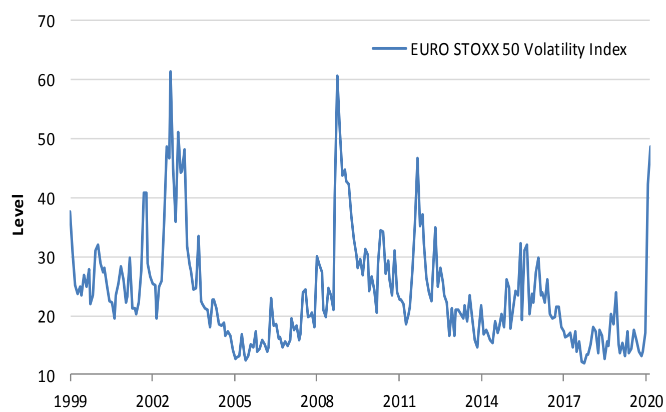
Loans to households (Eurozone - YoY)



EU Government Debt



Euro Stoxx 50 Volatility Index



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

United Kingdom

- Boris Johnson does a U-turn and gives up on his so-called herd immunity strategy
- U-turn in terms of economic policy: stimulus package
- BOE announces exceptional measures
- Leading indicators will not help assess the real risks of a recession

Boris Johnson does a U-turn and gives up on his so-called herd immunity strategy

After developing a unique strategy in contradiction with those implemented by all governments in the countries affected by the coronavirus, Prime Minister Boris Johnson has ended up siding with the experts.

For a few days, the Prime Minister presented a strategy for the UK that aimed to try out a "herd immunity" theory on the country's population. This worst-case theory could have led to contamination of 80% of the population, with the aim that the majority of British citizens would develop natural immunity in this context. The logic of this approach was that, once a sufficient number of people had developed antibodies, the epidemic would stop. Scientific experts had estimated at around 250,000 the potential number of deaths if this policy was implemented, as the British healthcare system would likely have been completely overwhelmed. Fortunately for the British, Boris Johnson's policy to address the coronavirus epidemic in the UK did not stand for long against scientific analysis and the criticisms expressed in the last few days against this worst-case theory.

It is probably a report from the Imperial College of London, which was made public this week, highlighting the risk that over 500,000 deaths could occur in the country if a laisser-faire strategy was implemented with no measures taken against the spread of the virus, that drove the government to change strategy.

In the end, the United Kingdom joined the club of countries recommending that their population adopt measures in line with the gravity of the situation. For the moment though, no radical measures like those taken in most European countries have been announced, such as closures of schools, restaurants, bars and other public venues. Considering the relative weakness of the healthcare system in the UK, Boris Johnson's U-turn is certainly welcome.

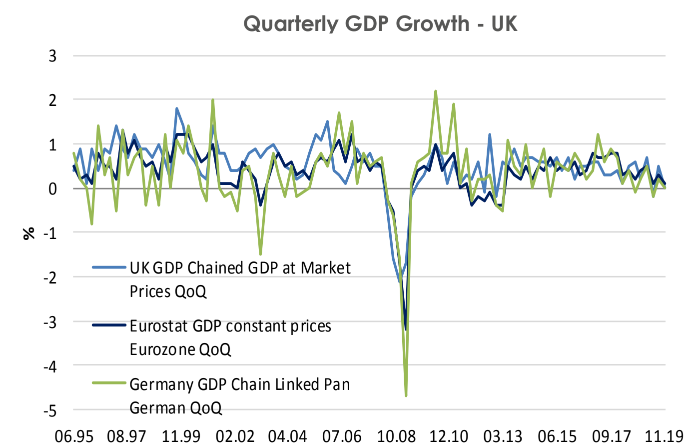
Nevertheless, it is likely that the measures announced ultimately will be insufficient to allow the country to fight efficiently against the ongoing epidemic. By international comparison, the UK has the lowest patient capacity when measured in terms of number of beds per 1,000 inhabitants. With only two beds available, the British ratio is inferior to that of Italy, Spain (3) and China (4). It is far below the French (6) and German (8) ratios and six times below that of Japan and South Korea, which have ratios that exceed 12 beds per 1,000 inhabitants.

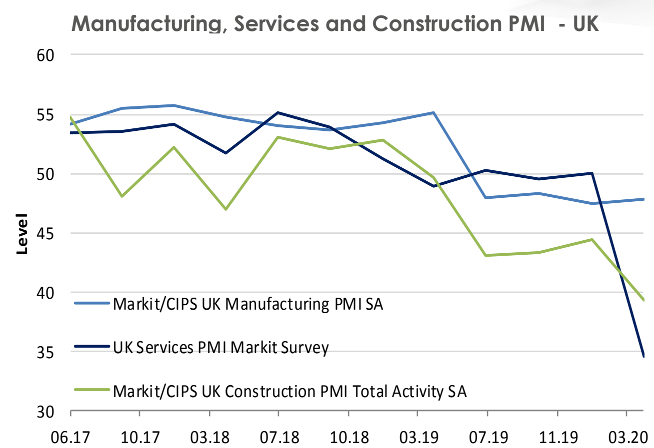
The UK is thus likely to be more heavily affected than other European countries by the current coronavirus epidemic.

In terms of impact on economic growth, the current strategy may initially have more limited effects due to continued activity in most sectors. Services and consumption are thus likely to be only lightly affected, initially at least.

U-turn in terms of economic policy: stimulus package

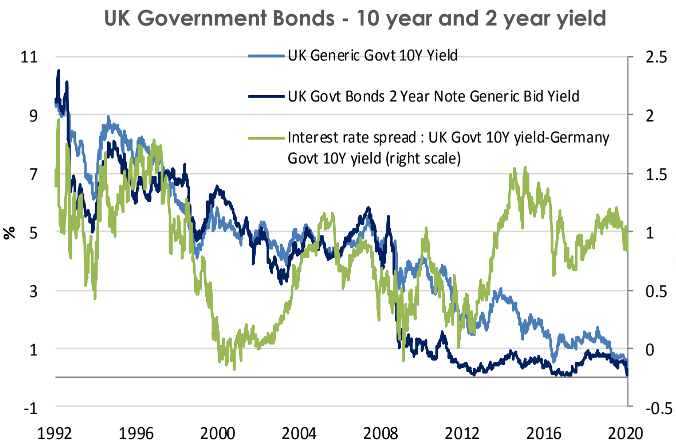
Boris Johnson's U-turn with regards to managing the epidemic is not the only surprise, since he has also opted for a major change in economic policy in the face of the current crisis. The Prime Minister and his government have indeed turned things upside down by adopting an economic strategy that is contrary to their main budgetary austerity doctrine. The new Chancellor of the Exchequer, Rishi Sunak, who was only appointed a few weeks ago, announced a recovery plan of 30 billion pounds to support economic activity, which was already weak before the coronavirus outbreak.

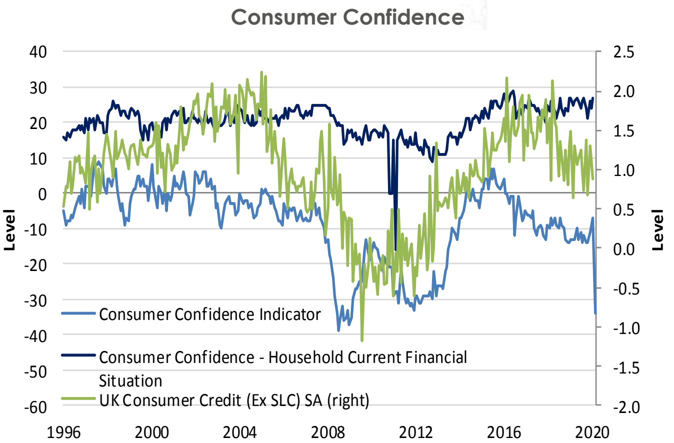


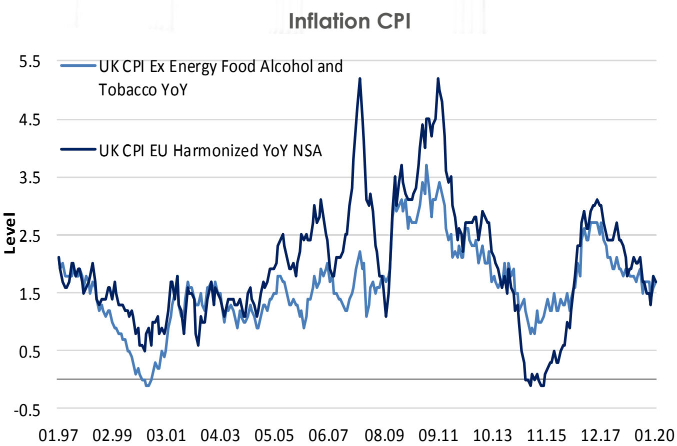


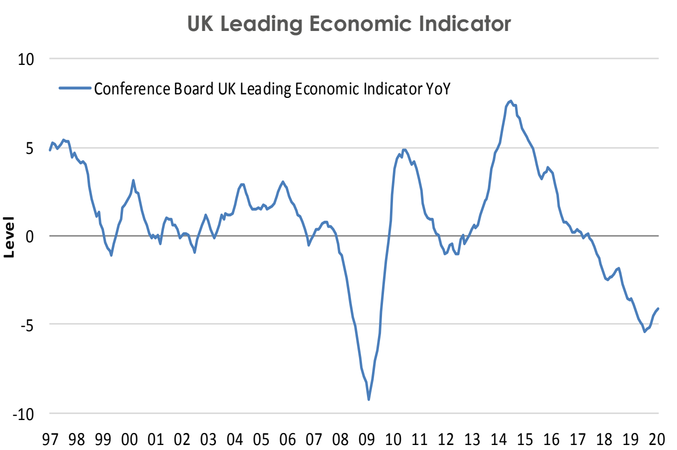
Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group









Graph sources: Bloomberg/BearBull Global Investments

Approximately 12 billion pounds will be disbursed to meet immediate needs resulting from the health crisis. A further 18 billion will be released to stimulate the economy through utility and infrastructure expenditure. Other measures, including loan guarantees of 330 billion pounds, i.e. 15% of the UK's GDP, and close to 20 billion pounds in tax cuts for companies this year have been announced.

After a decade of growth stimulus measures almost exclusively led by central banks, we are urgently rediscovering, in the face of the Covid-19 crisis, the merits of government fiscal stimulus actions and the necessity of supporting the actions of central banks, which are already very active, by adopting more direct support measures for the real economy.

BOE announces exceptional measures

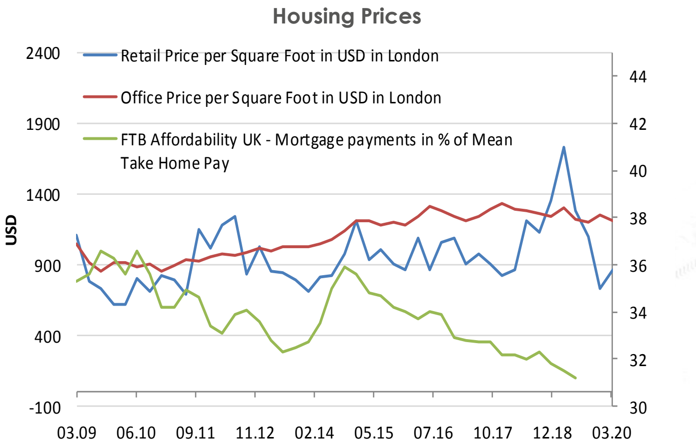
We were expecting a drop in key rates from the Bank of England at the start of the year in the context of the UK's exit from the European Union, but ultimately, it is the urgency of the global health crisis that will have pushed the British institution to adjust its key rates more quickly, lowering them by 50 basis points, from 0.75% to 0.25%. This first action by the BOE occurred before the regular meeting of the Monetary Policy Committee in order to support the UK's economy, which was already in sharp decline at the end of 2019 and is now severely threatened by the coronavirus. The BOE thus sought to reassure financial markets by reducing the UK's key rates to new lows. Moreover, it has announced that it would ease solvency and ratio requirements for banks and create a new mechanism aimed at supporting SMEs. The bank has recognised that the coronavirus will raise significant issues in production and supply chains that will cause a likely slowdown of economic activity. However, it also considers that these damaging disruptions will probably be temporary. One week later, the BOE has once again lowered its key rates from 0.25% to 0.1% and has announced it would increase its asset purchase programme from 200 billion pounds to 645 billion. These new funds will be used to repurchase government and corporate debt.

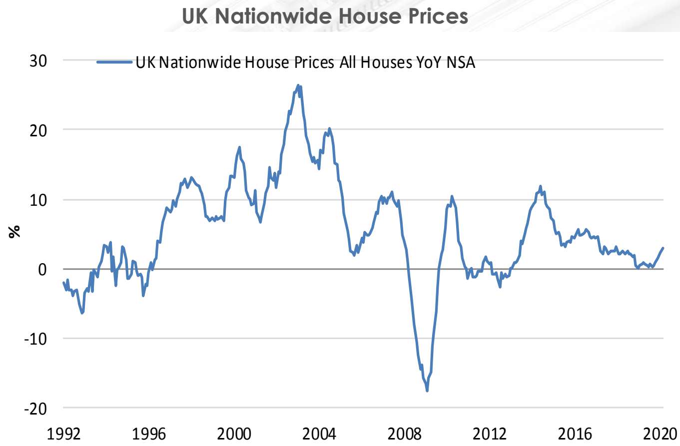
These last measures were taken during an extraordinary meeting of the Monetary Policy Committee on 19 March and are obviously aimed at reassuring all stakeholders of the UK economy that the central bank will do everything in its power to limit as much as possible the negative impact of the coronavirus on the UK's economic fabric.

Leading indicators will not help assess the real risks of a recession

The UK's latest GDP figures pointed to a growth rate of +0.1% over three months at the end of January 2020 and +0.6% yoy. The manufacturing sector dropped by -1.2% over three months, raising fears that the brief lull that had followed the election of Boris Johnson would be short-lived. The economy was thus already in sharp decline and close to a recession before the coronavirus outbreak. Industrial production in January was once again negative over one month (-0.1%), posting a -2.9% drop over one year. Furthermore, the weakness of the UK's economy was already in sharp contrast with the renewed vigour of the rising PMI indices at the end of December. Indeed, the composite index bounced from 49.3 (December) to 53.3 in January, its highest level of confidence since October 2018, and remained robust (53) in February, despite the uncertainty and rising risks relating to the epidemic. In the context of the particularly troubled last few weeks in financial terms, we believe that worries relating to developments in the health crisis that will affect the United Kingdom will trigger a sharp decline in leading indicators.

Despite the support measures mentioned, PMI indices will likely drop below 50 and increase investors' risk perception for several months. We believe that the support measures announced are unlikely to be taken into account quickly in most usual sentiment measures. Leading indicators are unlikely to be good guides in seeking to assess the real risks for the British economy. This calls for caution in interpreting future signals, which will nevertheless undoubtedly be analysed by most observers as they were in the past.





Deterioration of household confidence

The confidence indicator, which had already reached a six-year low at the start of 2019, remained weak until November before the legislative elections.

Given a still solid employment market, this lack of confidence was mainly down to uncertainties relating to Brexit, which left observers in a "wait-and-see" situation.

At this time, the health crisis has not really exploded in the United Kingdom, but our expectations as to its evolution are rather pessimistic. The low degree of preparedness of the healthcare system could exacerbate the crisis, which we believe will develop more deleterious effects on household confidence in the next few weeks. This environment will not be conducive to consumption, investment and the real estate market. Given the absence of more radical measures such as schools and public spaces closing and confinement measures, the UK's economy may still show a few signs of resilience. However, a rise in unemployment rates and a reduction in job creation will certainly go hand in hand with a new dip in sentiment.

Private consumption is likely to weaken and will not be mitigated by a rise in corporate expenditure and investment. Public spending is thus likely to be a supporting factor for GDP.

Volatility affecting capital market too

Uncertainties relating to the emergence in Europe of Covid-19 cases drove long-term rates downwards from mid-January before triggering a drastic drop in British Treasury yields of 0.6% on 21 February to 0.075% on 9 March. The economic support actions announced by the BOE and the British government convinced some investors, while others demanded a higher yield to accommodate for the growing risks and rising government debt. These realisations triggered one of the sharpest rebound in ten-year yields in pounds, which suddenly climbed in five trading sessions from 0.2% to over 1% on 19 March.

Nevertheless, the pound-sterling capital market is still rather unappealing to our mind due to yields that are still significantly lower than those of US dollar markets in particular. We believe that risks of holding bonds in pounds are sufficient in this context to avoid positioning in this market. In this uncertain environment, we recommend that international investors avoid any exposure to capital markets in pounds and to position themselves in other bond segments.

Low probability of recovery for the pound

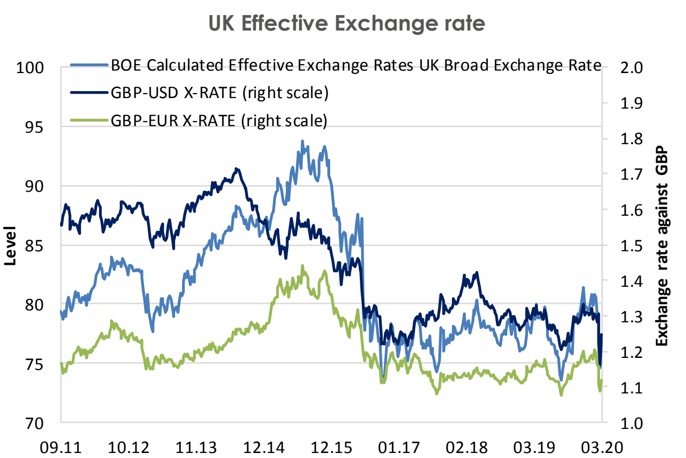
We already mentioned it, but the pound will be influenced for a long time still by the UK's political situation and Brexit's final form. However, its -13% drop in the last two weeks of March rather seems to reflect the relative changes of prospects for the British economy.

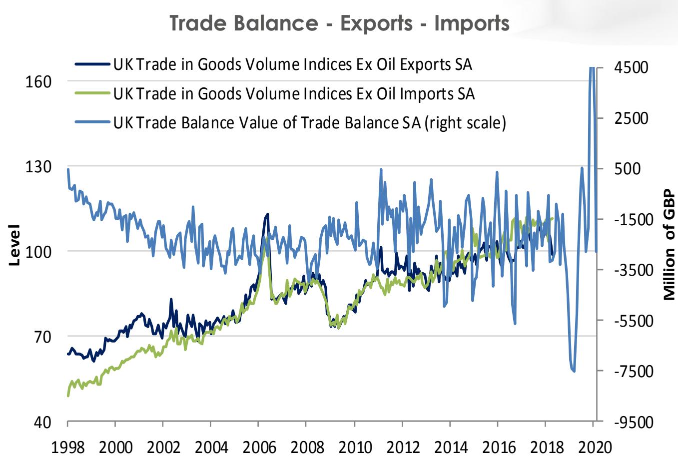
We do not expect any quick recovery of the exchange rate in this context. However, we do expect the pound to stabilise above 1.10 against the euro.

Opportunities in real estate and equities

For a long time we recommended caution towards British equities and real estate investments due to the high level of uncertainty relating to Brexit, despite reasonable valuations. In the current context of a probably temporary slowdown of the UK's economic activity, we believe that valuation corrections of more than -40% in real estate and -36% for the FTSE100 index are excessive and do not reflect the real medium-term prospects of these two asset classes.

We believe that the drops in valuation have clearly reduced positioning risks for long-term investors, and we now recommend a more positive and constructive strategy with regards to both securitised real estate and equities with a 12-month time horizon.





Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Japan

- Japan's GDP collapsed before the coronavirus crisis
- Japan will almost certainly enter into recession in Q1 2020
- More government economic support measures to come
- Industrial production could collapse in Q1

Japan's GDP collapsed before the coronavirus crisis

Japan's real GDP in Q4 2019 had already dropped by -1.8% after very weak growth (+0.1%) in Q3. Annualised real growth stood at -7.1% even before the outbreak of the coronavirus crisis, which also affected the country at the start of 2020. Japan increased its consumption tax from 8% to 10% in October, the first rise in five years, impacting the consumption component of GDP, which dropped by -2.8%. In addition to the fragile and uninspiring economic context at the start of the year, Japan was severely affected by the subsequent coronavirus crisis. Public investment and investment expenditure slowed, partially mitigated by relatively robust private consumption.

Government expenditure grew by only +0.7%, while capital goods expenditure dropped by -4.6%. Japan's economy was thus already in an extremely weak situation when it was hit by the health crisis in China at the start of the year.

Japan will almost certainly enter into recession in Q1 2020

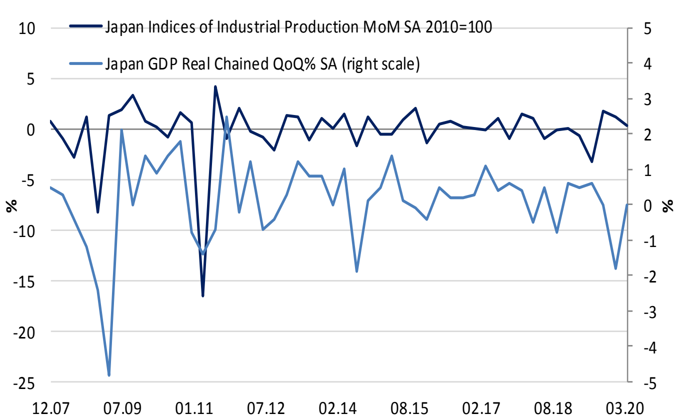
The massive contraction of activity in China in Q1, which may well see China's GDP collapse to +1% yoy, has been affecting Japan for several weeks. China is Japan's largest trade partner, and Chinese tourists also make up the largest contingent of foreign travellers to the country. China's stalled economy and the travel ban will have a heavy impact on Japan's economy in Q1 2020. The exponential development of Covid-19 cases also curbed international tourism before more severe government measures put a complete stop to population flows in March. In this difficult context for GDP in this first quarter, recession in Japan is more than likely now after a negative Q4 2019. Even if the Covid-19 epidemic has a limited impact on Japanese growth, the country is unlikely to be able to avoid a recession in the next few months. A technical recession in Q1 is almost certain, and chances that growth for the year as a whole will be positive now seems more remote. The third largest economy in the world may thus well post its biggest economic contraction in more than five years, and risks of a recession for the year as a whole are estimated at 75%.

The effects of Covid-19 on China's major economic partners still need to be assessed, but the pressure remains significant for the moment, as the rising yen, in high demand as a safe-haven currency during the ongoing financial crisis, will continue to have a negative impact on the competitiveness of Japanese exports, which were already hit by declining international demand. The expected economic slowdown in Europe and the US in the recent context of partial or total confinement measures taken by the various countries will also have a tangible impact on demand for Japanese products and trade with Japan. Japanese exports are thus unlikely to recover quickly in Q2 in this negative international environment. Consumption, which held up rather well during that period, will certainly be affected by Prime Minister Abe's decision to temporarily close schools and restrict social activities in the country and by the various confinement measures that have already been taken. The recent drop in oil prices will be a positive factor for Japan's economy, which is very dependent on oil imports, but it is unlikely to have a significant impact on household consumption and investment. The lower oil prices will thus not shore up Japanese growth, even if they help the trade balance.

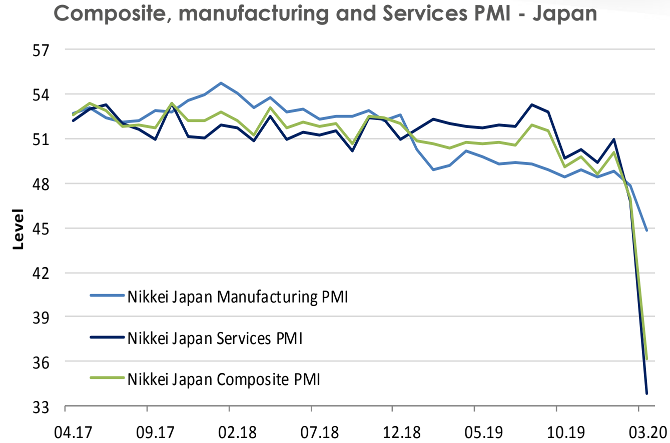
More government economic support measures to come

Shinzo Abe's government had already announced measures to try and stimulate the economy at the end of 2019. Those were going to amount to a little over 13 trillion yen, i.e. approximately 2% of Japan's GDP. These measures mainly concerned infrastructure projects. Considering the gravity of the effects induced by the coronavirus crisis, the government has announced new support measures of up to 1.6 trillion yen. This is an emergency programme destined to support small and medium-sized companies that would face difficulties if their revenues fell to help them cope with liquidity needs in the short term by granting them payment facilities and loans. Nevertheless, we believe that new budget and tax measures are likely to be added to those already announced in order to counteract the already visible effects on industrial production and GDP.

GDP and Industrial Production

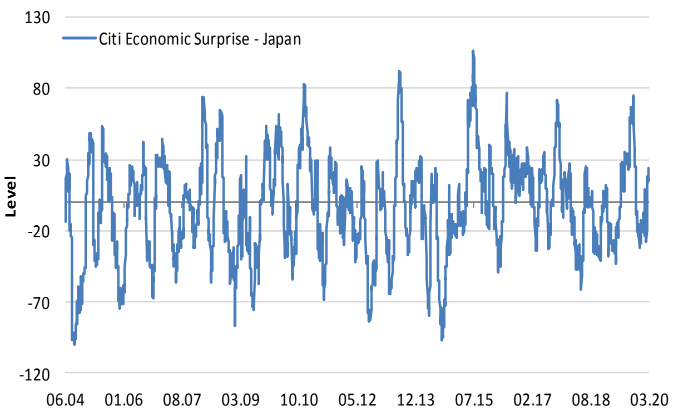


Composite, manufacturing and Services PMI - Japan

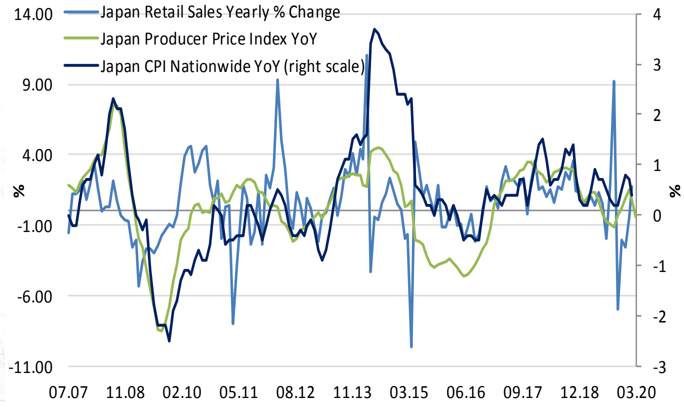


Graph sources: Bloomberg/BearBull Global Investments

Economic Surprise Index



Inflation (CPI and PPI) and retail sales



Industrial production could collapse in Q1

The latest figures published for industrial production in January (+1%) raised hopes of a slight uptick in output after a difficult last quarter in 2019. These initial positive results seemed to indicate that Japan's economy might be looking up at the start of the year, which would have helped it avoid a recession in Q1. This perspective was completely shattered by the emergence of the coronavirus crisis, which also hit Japan. Industrial production might collapse in Q1 and only pick up again slowly in Q2, once international demand gradually improves.

Loss of relevance of leading indicators

There are not many more reasons to be optimistic when looking at the leading indicators for February (47.8) in the manufacturing sector, which in this context are logically continuing on the downward trend they began in February 2018. The situation has deteriorated very quickly in the services sector with the Nikkei/Markit Japan Services PMI Business Activity index dropping from 51 (January) to 47 (February).

Leading indicators are thus logically dropping further still below the growth threshold of 50. It is actually relatively surprising that confidence indicators in March are not showing greater concern from purchasing managers, even though the immediate effects of the Covid-19 crisis are clearly known and the long-term impact also seems quite predictable. In the current context and given the absence of visibility with regards to how the pandemic will evolve, the PMI leading indicators have clearly lost, for the moment, any predictive relevance.

Japan's trade balance in record surplus in February

Japan's trade balance has soared following the -14% drop in its imports overall and the approximately -50% drop in Japanese imports from China. Indeed, Japan's foreign trade exceeded 1,100 billion yen in February, thus recording its highest surplus in the last ten years, also thanks to a drop in exports of only -1%, clearly below economists' expectations of -4.2%. The drop in imports of products from China will have a negative impact on Japan's industrial production in all areas, especially the automotive and electronic sectors. The drop in industrial production expected in the next few months will thus continue to weigh on the capability and probability of a recovery in Japanese exports, whose decline has now lasted fifteen months and which will suffer the negative effects in the next few months of the likely drop in demand in Europe and the US and the loss of competitiveness caused by the rising yen.

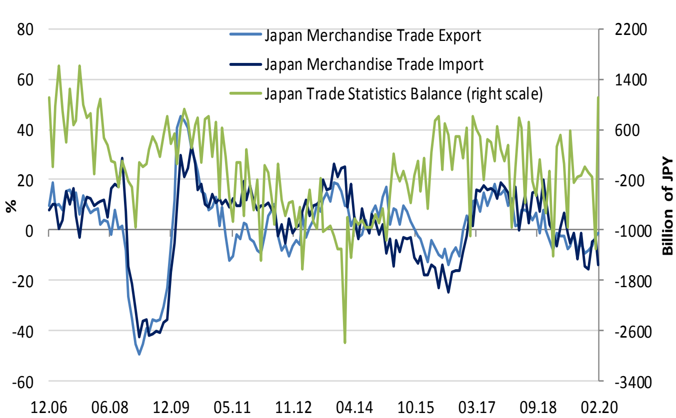
Households logically remain cautious

Consumer confidence showed renewed weakness in February and is likely to drop significantly still in March. The health situation seems relatively under control in Japan, which has only recorded 1,400 cases and 25 deaths to this day. In China, the epidemic is practically contained at this time, while in South Korea developments with regard to the disease are also considered favourable, as the number of new cases has dropped below 100. Consumer confidence might thus improve quickly with the positive developments regarding the epidemic in Asia and support a recovery in consumption after a -10.7% drop in retail sales yoy in February. The VAT increase in Q4 2019 had already significantly disrupted consumer behaviour at the end of the year, and the coronavirus crisis has also caused short-term changes in consumption patterns. We expect a recovery in private and public consumption in Japan in Q2.

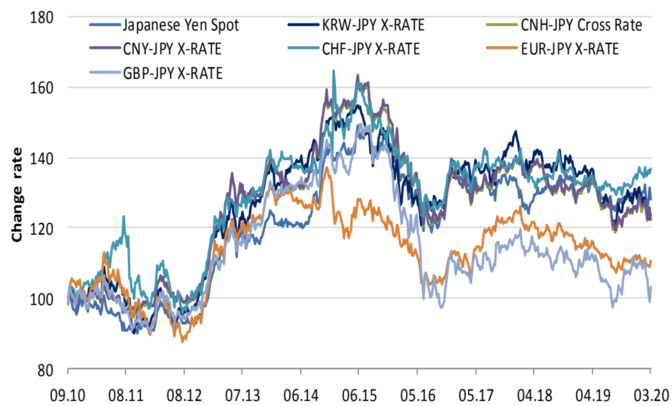
BOJ reinforces asset purchase programme in the face of Covid-19 risk

The central bank of Japan has decided to act as well to try and calm the panic that also affected Japan's financial markets by announcing the doubling of its purchases of Japanese equity index-linked ETFs, bringing to 13 trillion yen, i.e. 112 billion dollars, per year the amount dedicated to these interventions. This is the first measure the BOJ announced with regards to strengthening its support for Japan's economy after the outbreak of the coronavirus crisis. The BOJ has also announced it would increase the scope of its corporate debt buyback by 2 trillion yen until September and that it would increase its provision of collateralised loans by 8 trillion yen. The central bank acted with the aim of ensuring sufficient liquidity to maintain the stability of financial markets and avoid further deterioration of confidence, which has already been undermined by the health crisis.

Trade Balance (Billion of yen)



Exchange rate (Normalized at 100)



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

China

- China did not just halt its economy in February, it also implemented a series of extraordinary stimulus measures
- What can we expect from PMI leading indicators in the next few months?
- First credible signs of a recovery

China did not just halt its economy in February, it also implemented a series of extraordinary stimulus measures

While Chinese authorities decided to confine the city of Wuhan first, then Hubei province, before finally adopting extreme confinement measures for the whole country, China's economy slowed drastically to the point of momentarily coming to a halt. As the epidemic developed, the PBOC and the government continuously implemented measures to support the economy. These measures took various forms and multiplied as the country became aware of the scope of the epidemic. Following the approximately -10% drop in Chinese equity prices recorded after the Chinese New Year at the start of February, the PBOC announced some thirty economic support measures, including the injection of 300 billion yuan for loan refinancing and a drop in borrowing rates for the companies most affected by the situation.

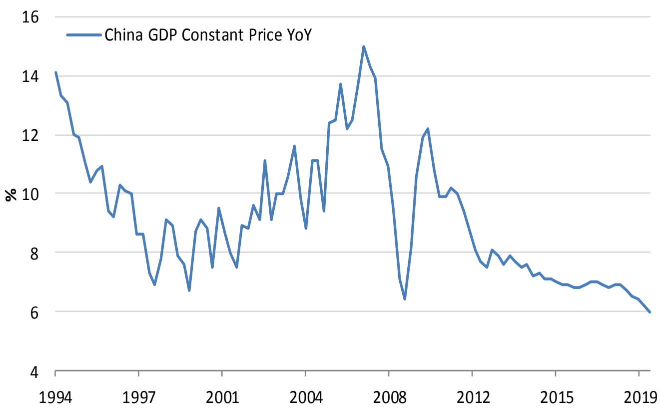
A first cut in very short-term refinancing rates of 0.1% was followed by the injection of 1.2 trillion yuan in one day in money markets, while 400 billion yuan were injected into the banking sector. On 7 February, Chinese authorities announced they would emphasise economic growth over budgetary restraint. A few days later, local governments gained the right to issue close to 850 billion yuan in bonds in order to fund activities to fight the effects of the coronavirus. Tax cut measures for companies were taken mid-February, which reassured financial markets. A further key rate cut of 0.1% to 3.15%, its lowest level since 2017, was followed by new injections of 200 billion yuan through one-year loans. The recovery of the equity market helped reconstitute a trillion dollars in market capitalisation, as the yield curve returned to its steepest slope since 2015. Further rate cuts for companies and individuals preceded an announcement by the authorities highlighting the necessity of adopting a more flexible monetary policy and new tax measures. On 25 February, 500 billion yuan were released to refinance commercial banks, SMEs and the agricultural sector at an interest rate reduced by 25 basis points. At the same time, the VAT was cancelled for SMEs in Hubei until May. At the beginning of March, the PBOC reduced the cash reserve requirements imposed on banks to inject approximately 80 billion dollars into the economy. Measures to boost consumption and the competitiveness of Chinese products and services were also announced. On 20 March, the PBOC decided to keep its base interest rate unchanged for new bank loans, just before the Vice-Governor of the PBOC noted that the economy would soon return to its potential growth rate.

What can we expect from PMI leading indicators in the next few months?

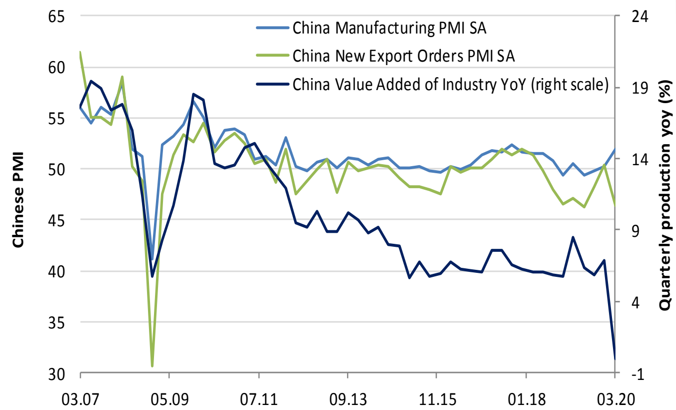
February leading indicators collapsed in China, reflecting the fundamental change in purchasing managers' sentiment. The drop in the manufacturing PMI index from 50 to 35.7 (38.8 November 2008) in one month is clearly unsurprising in the context of the confinement measures implemented by the Chinese authorities to fight against the coronavirus epidemic. The non-manufacturing index reached an even more extreme level, dropping from 54.1 in January to 29.6 in February. Indeed, the confinement measures may have had a heavier impact on services sectors such as restaurants, retail and real estate for example. These levels of concern exceed those observed during the 2008 crisis for the Caixin indices as well, even though the latter are less extreme than the official PMIs. The Caixin Manufacturing PMI declined from 51.1 in January to 40.3 in February (40.9 in November 2008). These leading indicators were not pointing to any contraction in economic activity in January 2020 despite the already visible growth of the epidemic. What then is their predictive capacity in such a troubled context for the next few months?

We believe it will likely soon become clear that these levels were ultimately the lowest in the cycle, as the epidemic appears to be increasingly under control in China. However, these sentiment indicators will hardly be reliable in comparison with other more tangible statistics if they rebound sharply as we expect them to in March already.

YoY GDP Growth

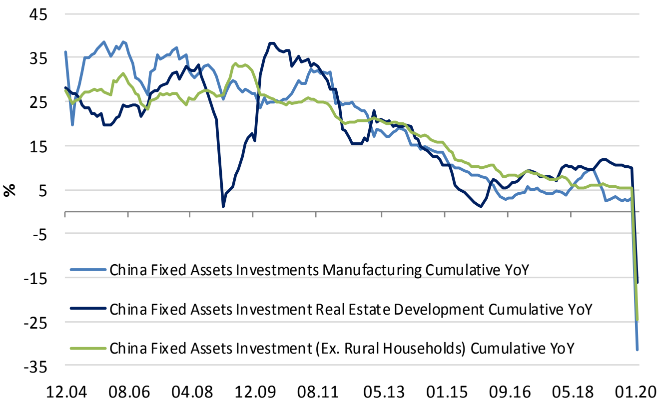


PMI and Industrial Production



Graph sources: Bloomberg/BearBull Global Investments

Real Estate, Infrastructure and Industrial Investments (YoY)



Exports and Imports (YoY)

First credible signs of a recovery

China's economy will likely close Q1 2020 on barely positive growth despite the extraordinary measures taken to fight the spread of the coronavirus epidemic. A recovery in Q2 could generate growth of +2%. Over the year, the PBOC expects China's real GDP to be up close to +5.4%, which now also seems to be the consensus forecast of China experts. While these estimates may turn out to be close to reality, it is certainly still difficult at this time to assess the actual impact of the crisis on the performance of China's economy in Q1. Be that as it may, we believe the most crucial element of concern at this time pertains to the long-term reactivation of the world's industrial production facilities rather than to the scope of the "past" crisis. Official figures in the last weeks show that China's large companies have returned to work and are now operating at 80%-90% of their capacity. Small- and medium-sized enterprises have had more difficulty returning to work and now seem to be operating at close to 60% of their capacity. Indeed, we noted a few improvements in the situation at the end of Q1 on certain major economic indicators in China. There are signs of a recovery in economic activity especially in the air and sea transport sectors and in China's road network.

The wind energy sector already seems to have recovered approximately 60% of its activity and could already be operating at full capacity in April. The PBOC is convinced that China will be capable of returning in Q2 already to a growth rate compatible with its growth potential according to the Vice-Governor of the Central Bank, Mr. Chen Yulu.

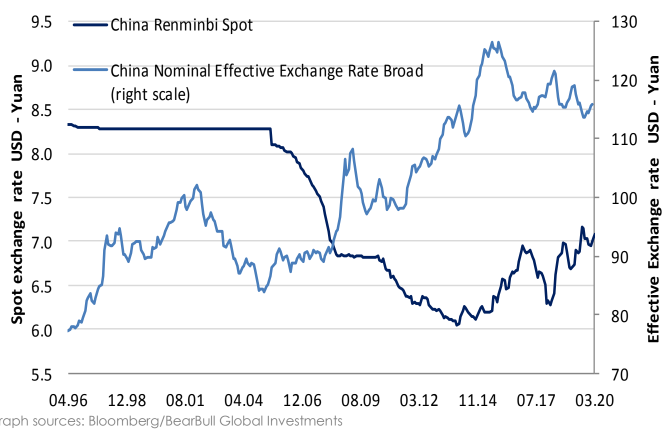
Risks of a drop in international demand mitigated by the desire to rebuild inventories

The consensus currently seems to be that China's recovery will not be robust and that activity will only resume gradually. One of the main factors underlying this analysis predicting a slow, gradual recovery in activity is based on the fact that international demand will remain weak for a long time and will not be able to shore up Chinese exports. The health crisis in Europe, the US and now all over the world will have a long-lasting impact on these economies and their external demand. These countries' imports from China will likely diminish further in Q2, which will deprive China's economy of one of its main growth drivers. We agree that international demand is likely to be lower in the next few weeks and maybe longer still. However, we believe this factor will be partly mitigated by the fact that the recent crisis has already significantly changed multinationals' perception of risks. Indeed, the general dependency of economies, companies and value chains on China is now a clearly identified risk. This risk will necessarily be assessed, and diversification solutions will be looked into at the very least. Moreover, just-in-time production methods limiting stock levels to a minimum will undoubtedly be reviewed as well. If the former risk seems more complex and will probably require significant analyses to modify production chains and supply channels to our minds, we believe that it will be easier to decide to adjust inventory levels to enable better management of any similar crisis in the future.

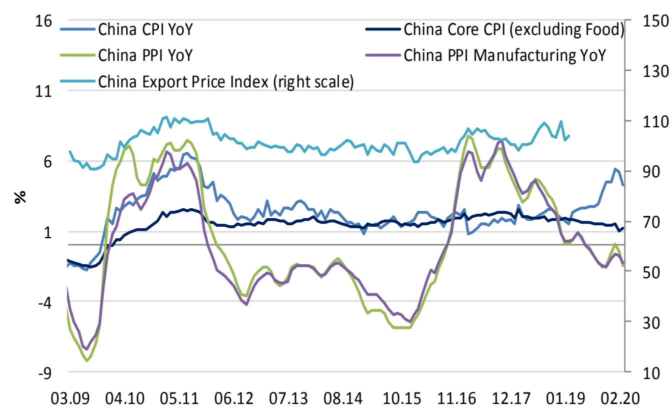
The health context remains particularly serious as we write these lines. However, the extraordinary support measures that have been adopted urgently by all the central banks and governments that have the capacity to act will undoubtedly reassure multinationals, which will not delay in securing their supply of raw materials or any product or service essential to their production capacity. The world after the Covid-19 pandemic will be different in many ways. With regards to international demand for Chinese products, we believe that investors are underestimating this factor.

Multinationals' desire to secure supplies and rebuild inventory levels above those that prevailed before the pandemic will be a decisive factor in the future growth of international demand for China's output. China's situation thus looks like it is returning to normal, although the country has barely produced anything in the last few months. Inventories are certainly low, and companies, as well as the government, will certainly want to produce to rebuild inventories and be ready to supply international demand, which will find it hard to make do without Chinese products in 2020 at least.

Effective Exchange rate and USD/Yuan



Inflation CPI - Core CPI



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

United Arab Emirates

- The UAE swiftly implemented measures to prevent the spread of the Covid-19
- UAE response to limit the economic impact of the Covid-19
- Targeted Economic Support Scheme (TESS) stimulus package
- Revised GDP growth rate

The UAE swiftly implemented measures to prevent the spread of the Covid-19

The United Arab Emirates' government was swift in implementing rational and early advanced precautionary measures to prevent the spread of the Covid-19. As more data emerge regarding the virus' epidemiological characteristics, the UAE has progressively tightened-up the country's lockdown and has placed itself at the regional forefront when it comes to treatment and care offered for those afflicted. Dubai had been under an overnight curfew along with the rest of United Arab Emirates since March 26th, but its Supreme Committee of Crisis and Disaster Management also implemented a run around the clock the lockdown starting 4th of April for a period of two weeks, during which period, it will carry out tests in densely populated areas.

As of 13th of April, the UAE government had reported 4,123 coronavirus cases and 22 deaths. To curb increasing infection cases, the country also introduced strict measures including halting travel and closing shopping malls and all entertainment venues. The speed at which the country has moved to disinfect public spaces, as well as widespread installation of thermal cameras, implementation of movement restrictions, closing educational establishments and restricting prayer times, bodes well for containment. As witnesses in other countries like Singapore and South Korea, moving swiftly in a coordinated fashion is key to preventing the virus's spread. We expect these measures to greatly increases the likelihood of a contraction in Covid-19 cases in the UAE, or at least slow drastically its spread. So far, the government has not yet announced a date for the end of confinement.
UAE Response to limit the economic impact of the Covid-19

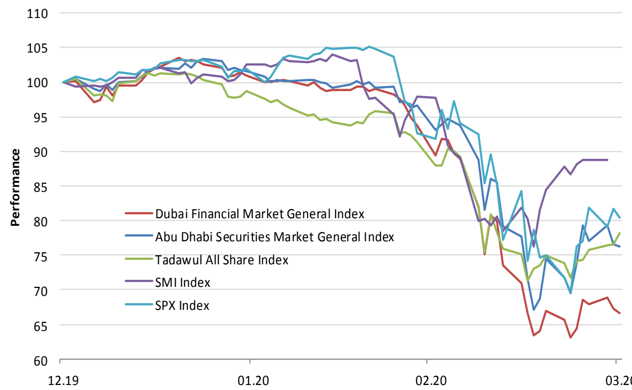
With lockdown measures well in place, attentions are now turning to the multiple implications that the efforts to contain Covid-19 will have on the UAE's increasingly interconnected economy. Overnight, world-leading domestic airlines connecting the country to most global cities, globalised supply chains and global tourism hub have been transformed from economic strengths into economic weaknesses since the UAE has placed itself at the heart of the global economy. On the brighter side however, the country has been swift in responding proactively to both the public health and economic threats. On the coronavirus mitigation front, it has drastically restricted access to public spaces and social environments where the virus could spread, issued updated hygiene directives and extended nationwide coronavirus disinfection campaign. On the economic front, the UAE government has so far doubled the size of its initial stimulus package.

Targeted Economic Support Scheme (TESS) stimulus package

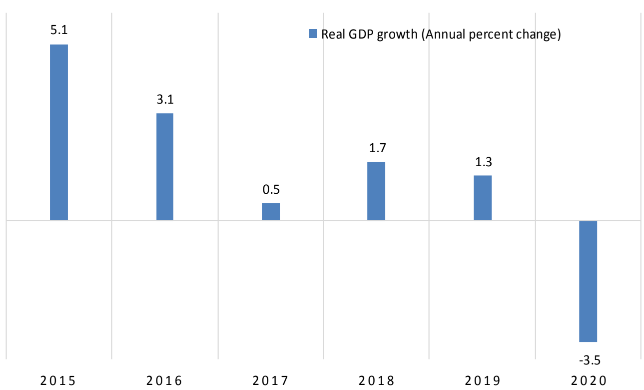
To support the economy during coronavirus pandemic, the UAE Central Bank has doubled its initial "Targeted Economic Support Scheme" (TSS) stimulus package of USD 35billion announced in March. The aggregated value of the Targeted Economic Support Scheme (TSS) alongside capital and liquidity measures adopted by the CBUAE since 14 March 2020 has reached 256 billion dirhams (USD 70 billion), according to the latest statement from the central bank. This represents a whooping 16.9 percent of the UAE's USD 414 billion GDP and places the UAE amongst the countries that have deployed to most significant economic relief package to combat the economic effects of the Covid–19 pandemic.

The initial stimulus announced mid-March was aimed at supporting the banking system, providing facilities for loans and injecting funds into the bourses. Most of the new measures focused on easing financial and liquidity requirements for banks to free up cash for lending. In the new measures, the central bank reduced by half to 7 percent the reserves banks are required to keep for demand deposits, which can be withdrawn by clients anytime. The regulator's new measures also allow banks to defer payment of loans for companies and clients until the end of 2020. Meanwhile, Dubai has announced USD 409million in direct stimulus for the energy, trade, retail and tourism sectors. Individual government-related entities have also begun issuing support packages for their business partners and suppliers.

Regional indices lag behind global peers



GDP growth in the UAE and IMF 2020 projection



Graph sources: Bloomberg/BearBull Global Investments /International Monetary Fund

The above measures are promising and constitute certainly an important step in the right direction by offering the required relief and continued access to funding for businesses and households. However, we also hope that government related entities and non-government entities will also join the nationwide effort to help businesses survive during these extraordinary times by differing or reducing charges to provide small and medium size enterprises with additional working capital. The survival of many businesses will depend on contractual flexibility and proactiveness of both public and private sectors.
Revised GDP Growth Rate

The escalating coronavirus pandemic, the measures to contain it, and their implications on travel, trade and business activity in general is expected to severely impact the UAE's non-oil economy, which accounts for around 70 per cent of the country's overall GDP. We expect the UAE's non-oil economy to record just 0.1 per cent GDP growth in 2020, down from 2.6 per cent growth rate forecasted previously.

Meanwhile, Brent crude, the global gauge for crude prices, have declined by more than 50 per cent year to date, and offers little sigh of short-term relief despite the historical OPEC+ of 12th of April which is expected to pull out more than 13 per cent of world oil production.

Consequently, the required compliance with the global output cuts offers little hope that the UAE will be in a position to offset the negative effects of the Covid-19 pandemic on its economy by an increase in its oil production. Therefore, the total impact of the Covid-19 on the UAE economy is pointing to a significant overall GDP contraction in 2020 and the magnitude of the decline will be significantly subject to the length of shutdown of the economy and the modalities of a gradual recovery in travel, trade and business activity in general.

UAE officially asks to postpone Expo 2020 Dubai

The UAE has officially proposed on 4th of April new dates for Expo 2020 Dubai, postponing the event until October 1, 2021, in light of the ongoing COVID-19 coronavirus outbreak. The news came from The Bureau International des Expositions (BIE), the intergovernmental organisation in charge of World Expos.

The new dates proposed are October 1, 2021 until March 31, 2022. A final decision on a change of dates can only be made by a two-thirds majority vote of BIE Member States. "In solidarity with participating countries, following discussions with the BIE and the Expo 2020 Steering Committee, the Government of the UAE has notified the BIE of its request to change the dates of Expo 2020 Dubai to 1 October 2021 - 31 March 2022," reads a BIE statement.

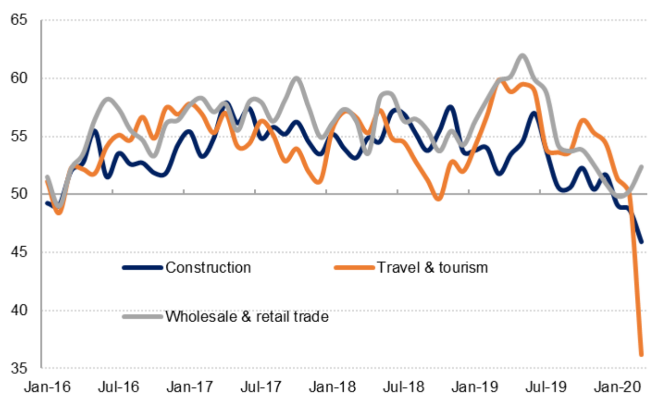
It comes as no surprise that the postponement of the Expo 2020 Dubai and the collapse in tourism and travel sectors constitute a significant blow to the UAE's economy. In fact, the tourism sector contributed USD 44.8 billion, or roughly 11.1 percent, to the UAE's GDP in 2018, according to the World Travel and Tourism Council report for 2019. Unsurprisingly, the UAE's economy deeply relies on travel and tourism by global standards – the average economic contribution from travel and tourism globally stood at 2.9% of the global GDP in 2018. The UAE is home to Emirates, the world's largest long-haul airline, as well as hub to other major international and regional carriers such as Etihad Airways, Fly Dubai and Air Arabia. Air transportation alone represents almost half of the overall revenues from travel and tourism. According to a 2019 report from the International Air Transport Association, air transportation accounted for USD19.3 billion, or around 5 percent of the UAE's GDP in 2018.

Emirates and Etihad, alongside other global airlines had to contend with cancellations as global flight restrictions came into effect. With global travel almost certain to be severely disrupted in short to medium term, a key component of the UAE's economy is at risk of taking a major hit. Consequently, in order to limit downside risks, the Emirates Group alongside Etihad Airlines were swift in undertaking a series of measures to contain costs. These measures include, postponing or cancelling discretionary expenditure, a freeze on all non-essential recruitment and consultancy work, work with suppliers to find cost savings and efficiency, encouraging employees to take paid or unpaid leave in light of

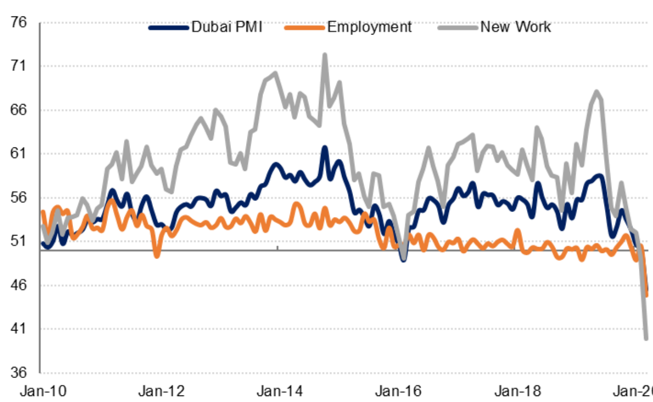
reduced flying capacity. Other important measures included a temporary reduction of basic salary for the majority of airline employees for three months, ranging from 25to 50 percent. It shall be noted that employees will continue to be paid their other allowances during this period and Junior level employees will be exempt from basic salary reduction.

These measures were unfortunately necessary, since rather than asking employees to leave the business, both UAE's major airlines chose to implement a temporary basic salary cut in order to protect their workforce and retain skilled staff, as much as possible. By avoiding massive job cuts, it also enables both airliners to quickly ramp up services once normal flight schedules resume. Dubai government moved swiftly by propping up Emirates airline with fresh capital amid coronavirus travel slump. However, this crisis is like no other and to date we lack visibility to assess the real damage made to the UAE's vital and strategic tourism and travel sectors – nor how much capital injection will be required to sustain it. Whilst hopping for the best, the authorities work round the clock on strong contingency plans to support these important economic sectors.

Tourism sector low in March



Dubai's PMI dropped to a record low of 45.5 in March



Graph sources: Bloomberg/BearBull Global Investments /IHS Markit, EMIRATES NBD Research

MACROECONOMIC SCENARIO

Emerging Markets

- Emerging countries have significantly lowered their key rates in the first trimester
- National growth and inflation forecasts for the quarters to come are revised downwards

Economic situation by country

Brazil — With regards to the global outlook, the coronavirus pandemic has caused global growth to slow significantly, commodity prices to drop and the volatility of asset prices to increase. In this context, the economic environment has become challenging for emerging economies, despite the additional monetary stimulus measures implemented in major economies. Based on the available data, which does not yet reflect the effects of the pandemic on Brazil's economy and is thus unlikely to be very relevant in a prospective analysis, the Monetary Policy Committee concluded that the economy continues to gradually recover. The Committee believes that available information is sufficient to show that the pandemic will have a significant contractionary effect on global economic activity. Indeed, the fiscal and monetary measures adopted by the major economies will mitigate only a small part of these effects. With regards to emerging countries, the outlook quickly went from favourable to difficult. Short-term inflation projections were significantly affected by the recent commodity price fluctuations.

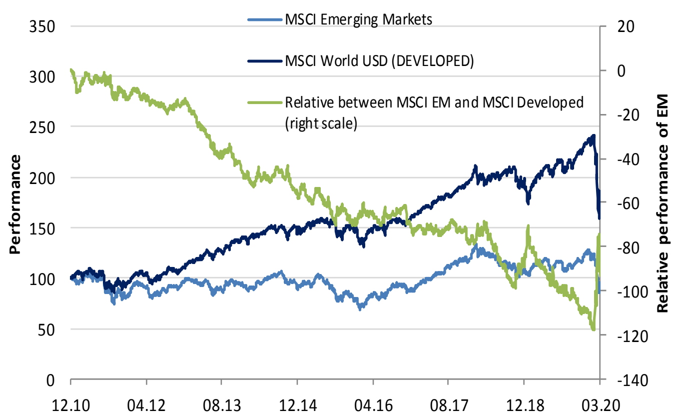
In particular, the sharp decline in international oil prices could quickly affect domestic fuel prices. The pandemic's impact on the services segment, especially on air fares, is likely to be reflected in monthly inflation readings, mostly from May onwards. Inflation forecasts for 2020, 2021 and 2022 based on the Focus survey stand at 3.1%, 3.65% and 3.5%, respectively. In response to lower demand resulting from growing uncertainty and the restrictions imposed in response to the pandemic, the Committee may decide to reduce its key rate by more than 0.50%. However, the Committee believes that a rate cut beyond 0.50% could be counterproductive and lead to tighter financial conditions, which would have the opposite effect from that intended. Based on information available at this time, the Committee unanimously decided to lower the Selic rate by 0.50% back down to 3.75 % per year, having concluded that, although monetary policy effects remain limited for now, they will become relevant to the acceleration of the economic recovery when the restrictions imposed by the pandemic are gradually lifted.

Russia — In the next few months, inflation is likely to temporarily accelerate and exceed its target due to the weakening of the rouble in February-March linked to changes in external conditions, i.e. the worsening situation in global financial markets in the face of the threat of a global recession against the backdrop of the coronavirus epidemic and a sharp drop in oil prices. The weakening of the rouble and the subsequent acceleration in consumer price growth may trigger a temporary increase in corporate and household inflation expectations.

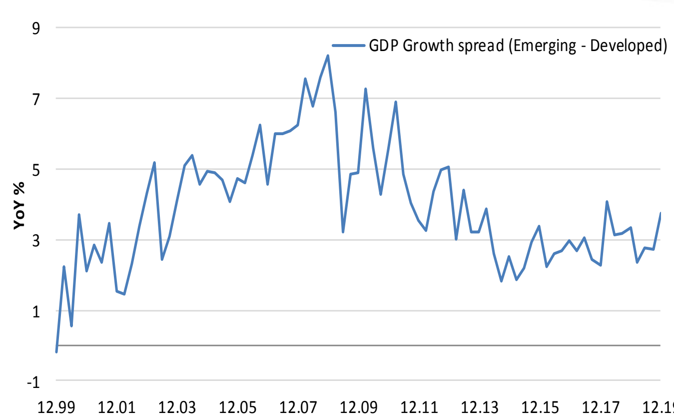
Nevertheless, notably weaker external demand, a potential drop in consumer activity and the delayed effects of the tightening of monetary conditions could become a significant source of deflationary risks in the medium term. In this context, given Russia's current monetary policy stance, annual inflation is likely to go back down to 4% in 2021, after temporarily exceeding its target in 2020. At the end of the quarter, the situation turned out significantly different from the Bank of Russia's forecasts due to the reduction in growth prospects given the spread of the coronavirus and restrictions on the cross-border transport of goods and passengers as well as a rapid deterioration of conditions in financial and commodity markets. These factors are likely to reduce the economic forecast from moderate growth expected at the start of the year to a slowdown of economic activity in the next few quarters.

On 20 March 2020, the board of directors of the Bank of Russia decided to maintain its key rate at 6.00%. In parallel with this decision on the key rate, the Bank of Russia took a certain number of measures aiming to guarantee financial stability by supporting the economy and the financial sector in the context of the coronavirus pandemic. These measures aim, among other things, at maintaining access for small and medium-sized enterprises to bank loans, consolidating mortgage loans and protecting the interests of people affected by the spread of the pandemic. Similarly, measures are being taken to reduce the administrative burden for the financial sector, in order to support the sector's lending capacity.

Emerging and Developed Markets - Performance



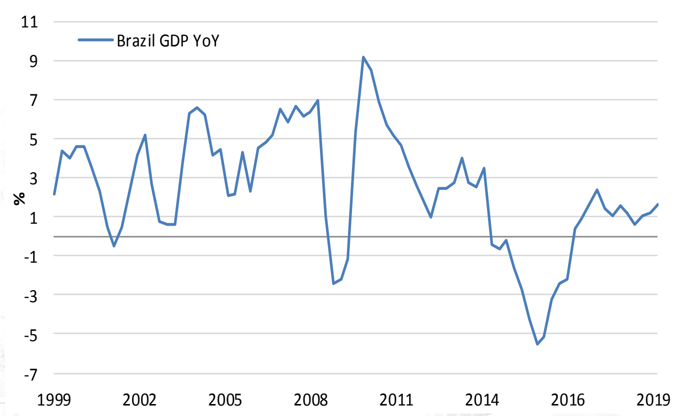
GDP Growth spread



Graph sources: Bloomberg/BearBull Global Investments

GDP (YoY) - Russia

GDP (YoY) - Brazil



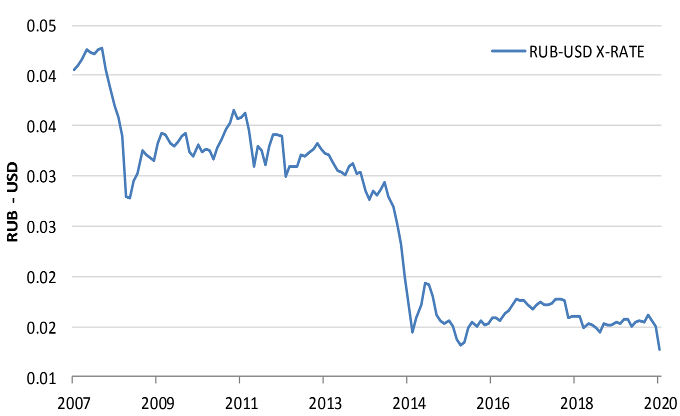
India — Food inflation is expected to decrease from the highs reached in December, and the decline is likely to accelerate in the months to come, since the price of onions has been dropping sharply due to the late harvests of kharif and rabi crops. The increase in vegetable production, despite early losses due to non-seasonal rains is also likely to have a negative impact on food inflation. Furthermore, the recent increase in non-vegetable food prices, such as milk in particular due to the growing costs of inputs, and legumes due to the shortfall in kharif crop production, is likely to continue. These factors may well result in an increase in food prices in general. Given these factors as well as changes in oil and services prices, and assuming that the monsoon in the southwest of the country will be normal in 2020, the overall inflation forecast has been revised upwards to 5.4% for Q1 2020, against 4.0% previously. For 2020, growth prospects will be influenced by several factors. First, private consumption, in particular in rural areas, is likely to recover thanks to improvements in rabi crop prospects. The recent increase in food prices has changed the terms of trade in favour of agriculture, which will support rural incomes. Conversely, the coronavirus epidemic will have an impact on the arrival of tourists and on global trade. Finally, the rationalisation of the income tax rate for individuals in the context of the Union budget for 2020 is likely to support domestic demand, in parallel with measures aimed at stimulating rural and infrastructure spending. Given the above-mentioned factors, GDP growth is expected to reach 6.0% in 2020, namely between 5.5% and 6.0% in H1 and around 6.2% in H2. The Monetary Policy Committee believes that there are political measures available for future actions.

Nevertheless, inflation was high and trending upwards through Q4 2019. The inflation outlook is very uncertain at this stage. Furthermore, economic activity remains weak, and the few indicators that have improved recently still need to strengthen more generally. Given changes in the growth-inflation dynamic, the Committee deemed it appropriate to maintain the status quo. Consequently, it decided to keep its repo rates unchanged at 5.15% and to continue with this accommodative orientation for as long as required in order to restore growth, while ensuring that inflation remains within its target.

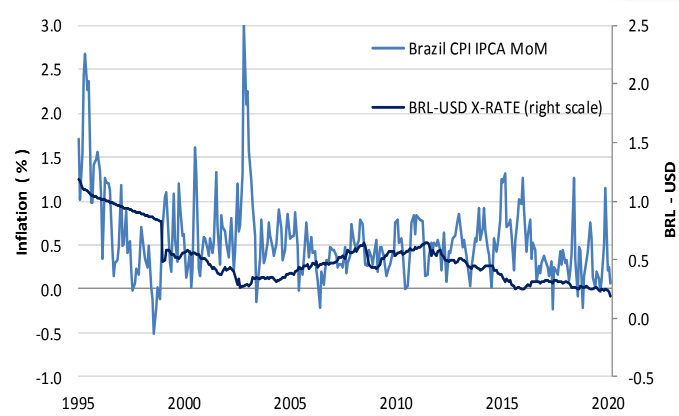
South Africa — Since its January meeting, the South African Reserve Bank's inflation forecast has continued to decline, in accordance with monthly inflation data and the recent drop in oil prices. The forecast is now for inflation of 3.8% in 2020, 4.6% in 2021 and 4.4% in 2022. At a global level, once sound economic growth prospects have been revised sharply downwards due to the emergence and spread of Covid-19. The coronavirus will have a negative impact on global as well as domestic economic growth until Q1 2020 and maybe longer depending on the measures taken to limit its spread. Domestic economic prospects remain fragile. At this stage, Covid-19 is likely to result in a drop in demand for exports and for domestic goods and services, but its impact on the economy may be partially mitigated by a drop in oil prices. The Reserve Bank also expects disruptions in supply chains and normal trade operations. The Bank now expects South Africa's economy to contract in 2020. In this context, the Monetary Policy Committee decided to lower its key rate by 100 basis points to 5.25%.

The implicit trajectory of key rates for the forecast period generated by the quarterly forecast model shows three additional 25-basis-point reductions, in Q2 and Q4 2020, as well as in Q3 2021. Monetary policy may ease financial conditions and improve household and corporate resilience with regards to the short-term economic implications of Covid-19. Nevertheless, monetary policy alone cannot boost economic growth or reduce budgetary risks. Current economic conditions highlight the importance of implementing cautious macroeconomic policies and structural reforms that will reduce overall costs and improve investment opportunities, potential growth and job creation.

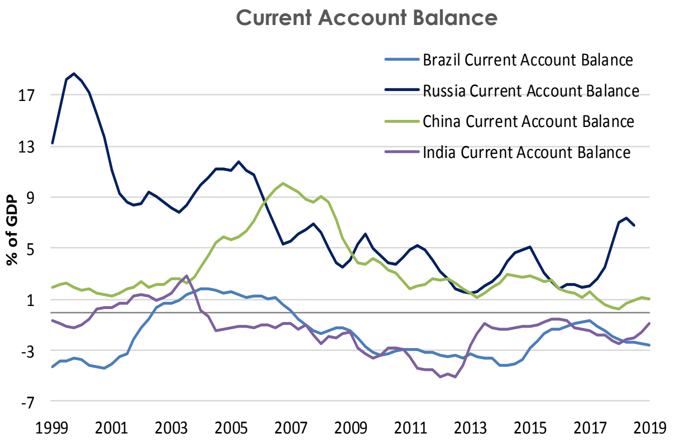
Ruble VS USD

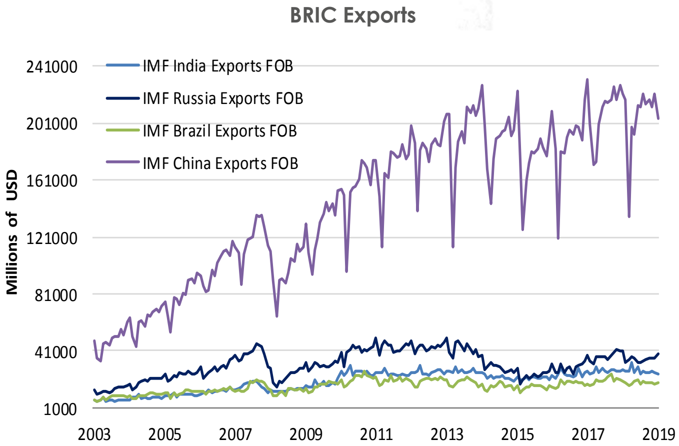


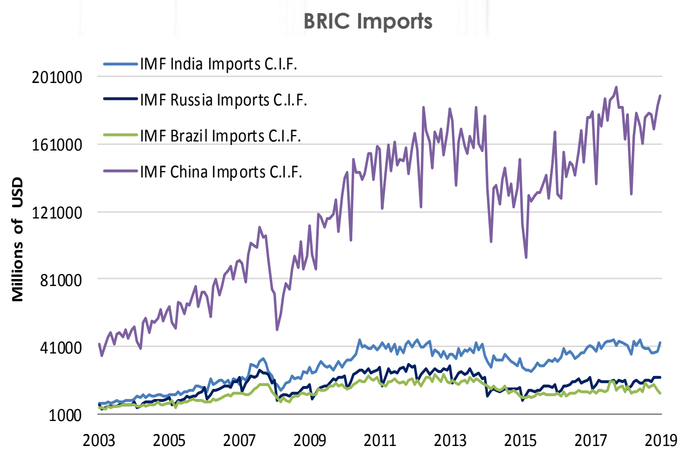
Inflation and Exchange rates



Graph sources: Bloomberg/BearBull Global Investments







Mexico — The Central Bank of Mexico lowered its benchmark interest rate by 50 basis points to 6.5% during an emergency meeting on 20 March, in order to support the country's financial markets affected by the Covid-19 crisis. Political leaders also expressed their concerns with regards to the rapid spread of the epidemic and its effects on global economic growth prospects. The central bank noted that the uncertainty surrounding inflationary risks increased in a context where the negative output gap is expected to widen, international energy prices to drop and the peso to depreciate.

Indonesia — Bank Indonesia lowered its benchmark 7-day repo rate by 25 basis points to 4.50%. This is the second consecutive monthly cut, in the context of a falling rupiah due to the impact of the coronavirus epidemic. This decision is consistent with the efforts to support GDP growth. The central bank will maintain confidence in financial markets by ensuring the smooth operation of mechanisms and the availability of liquidity.

Taiwan — The Central Bank of Taiwan lowered its key rate by 25 basis points to 1.125%, while markets expected a more moderate reduction of 12.5 basis points. This is the first rate cut in over four years, driving borrowing costs to a new record low. The central bank is expecting growth of 1.92% in 2020, below the previous forecast of 2.57% and below growth of 2.7% in 2019.

Turkey — The Central Bank of Turkey lowered its key rate by 100 basis points to 9.75%, as political leaders expressed their concerns regarding the coronavirus epidemic. The central bank noted that the sharp decline in international commodity prices, especially crude oil and metals, had a favourable impact on the inflation outlook despite the recent depreciation of the Turkish lira due to the current global context.

Romania, Czech Republic, Poland, Hungary — The National Bank of Romania lowered its benchmark interest rate by 50 basis points to 2%, driving borrowing costs to their lowest level since January 2018, with the aim of mitigating the impact of the coronavirus epidemic on Romanian households and companies. The Czech National Bank also reduced its benchmark rate by 50 basis points to 1.75% for the same reasons during an extraordinary monetary policy meeting. The National Bank of Poland lowered its benchmark rate by 50 basis points to 1%, driving borrowing costs down to historically low levels, even though inflation remains far higher than its medium-term target of 2.5%. The National Bank of Hungary kept its key rate unchanged at 0.9% on 24 March 2020, as expected, after the annual inflation rate dropped to 4.4% in February, though it remains higher than its medium-term target of 3%.

Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

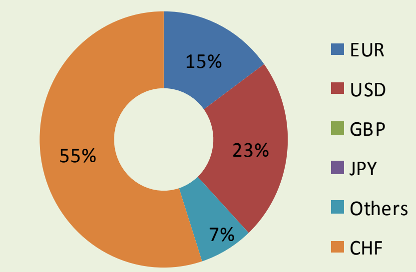
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Currencies

- Covid-19 is causing the franc to strengthen
- The euro is not a safe-haven currency
- The dollar remains the preferred currency
- Trade agreement reverses the yuan's downward trend

Currency allocation - CHF portfolio



Tactical Allocation

- Underweight CHF
- Favor USD, AUD and CAD
- Overweight EUR
- Avoid JPY and GBP

LIQUIDITY/ CURRENCY	Expected Return		ALLOCATION (CHF Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
EUR vs CHF	↗	↗							
USD vs CHF	↗	↗							
GBP vs CHF	↘	↘							
JPY vs CHF	↘	↘							
EUR vs USD	↗	↗							
USD vs JPY	↗	↗							
GBP vs USD	↘	↘							

Covid-19 is causing the franc to strengthen

We expected a rather stable Q4 2019 for the Swiss franc and a start to the year marked by relative weakness, driven by higher levels of global economic activity and declining uncertainties. Indeed, the Swiss franc remained stable against the dollar in Q4 and until 21 February, fluctuating around an exchange rate of 0.98. The demand for Swiss francs, which was expected to contract given the more favourable global economic scenario, has actually increased in a matter of days with the growing risks relating to Covid-19. The decision by the US Fed to reduce interest rates by 50 basis points in prevision of new economic difficulties was enough for our currency to appreciate over seven days by almost +4%, significantly more than the increase observed against the euro (+2.4%) since the beginning of the year. In the subsequent weeks, the Fed's rate cut to zero reduced the yield spread between dollar and Swiss franc investments, but the growing health crisis in Europe and the spread of the epidemic in the US once again fuelled investor interest in the Swiss franc, which is still considered a safe-haven currency in times of trouble and uncertainty. Indeed, the yield spread tends to become less significant as a decision factor in times of doubt. We believe that the Covid-19 pandemic is a temporary factor whose effects may be long-lasting in various respects but will fade rapidly in Q2 with regards to the Swiss franc's safe-haven status. The demand for francs is likely to decline as health conditions in developed countries improve.

The euro is not a safe-haven currency

The European currency has been suffering from several unfavourable factors for the last few weeks. The deterioration in the growth outlook for the euro area is clearly more significant than the decline in expectations for the US for one. Low interest rates have been a negative factor for a long time, but they quickly normalised after the rate cuts in the US. Nevertheless, even if the single currency is one of the main safe-haven currencies among those that are part of the IMF's special drawing rights, the dollar, the yen and the Swiss franc are in general more sought-after than the euro in times of crisis, which is what has happened in the last few weeks.

The health crisis in Italy, which quickly extended to Spain, caused a feeling of general distrust towards these two countries, whose government debt once again became potentially toxic. Naturally, the euro was affected by this new uncertainty and by the significant risks to growth in the eurozone. Ultimately, the euro has barely depreciated since the beginning of the crisis, due in particular to the extraordinary support measures that were swiftly announced by the president of the ECB.

The dollar remains the preferred currency

The dollar certainly played its role as safe-haven currency once again in these times of international crisis for many investors. The dollar's weighted exchange rate rebounded quickly mid-March when concerns regarding financial and economic risks were at their highest. The dollar strengthened essentially against currencies from emerging countries, which as often in these situations suffered capital outflows towards safer currencies. This being said, we mainly saw fairly high volatility for the trade-weighted dollar index, which ended the quarter on a relatively stable note despite various shocks in March. The short-term yield spread is no longer a major supporting factor for the US dollar after the Fed lowered its key rates to zero. However, the economic growth differential still quite clearly seems to favour the greenback, even though the news flow relating to the health crisis is likely to remain negative for a long time in the US. The economic stimulus measures announced by the Fed and the US government should be relatively effective in the US, raising hopes that the economic recovery will be V-shaped and quicker than in other countries. The US dollar certainly remains the preferred and safest currency in this context.

Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group

Low probability of recovery for the British pound

We already mentioned it, but the pound will be influenced for a long time still by the UK's political situation and Brexit's final form. However, its -13% drop in the last two weeks of March rather seems to reflect the relative changes of prospects for the British economy. The UK's economy, which was already threatened by the lack of visibility with regards to the implementation of Brexit, may well be significantly affected by the health crisis that has developed there too, although a little later than on the continent.

We do not expect any quick recovery of the exchange rate in this context. However, we do expect the pound to stabilise above 1.10 against the euro.

The decline of the yen likely to continue in 2020

In the last few weeks, the short-term interest rate differentials between US dollar and yen rates have drastically tightened. Following the rate cuts, first by 0.5% then a further 1%, hastily implemented by the US Fed, US key rates now stand at zero, very close to the nominal yield of -0.1% currently in effect in Japan. The nominal rate differential, which was still very favourable to the dollar just a few days ago, has thus evaporated. Nevertheless, due to a lower inflation rate in Japan and a higher rate in the US, real yields have been less negative in yen than in dollars recently. Changes in the nominal yield differential first drove the yen up by close to +10% against the dollar between 21 February and 9 March, before being followed by a recovery of the greenback during the subsequent stock market crash.

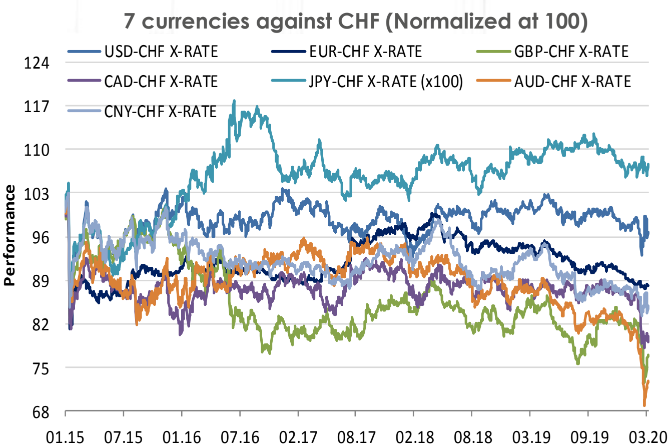
The exchange rate is ultimately relatively unchanged since the start of the year at close to 108 yen to the dollar. Japan's economy now more than ever needs to regain some competitiveness, which is essential to the recovery of its exports, undermined by the health crisis. The BOJ is likely to relaunch its weak-yen policy in 2020. We have not changed our outlook for the yen, which basically remains bearish in 2020. The yen/CHF exchange rate is thus likely to weaken, with an objective of 118 yen to the franc.

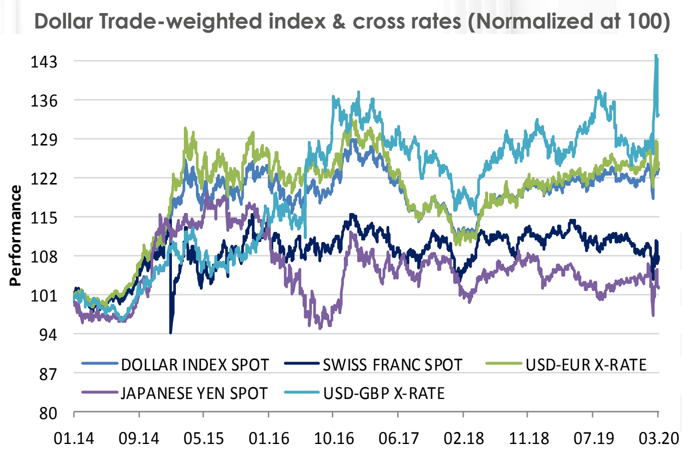
Foreign exchange reserves and returns in favour of the yuan

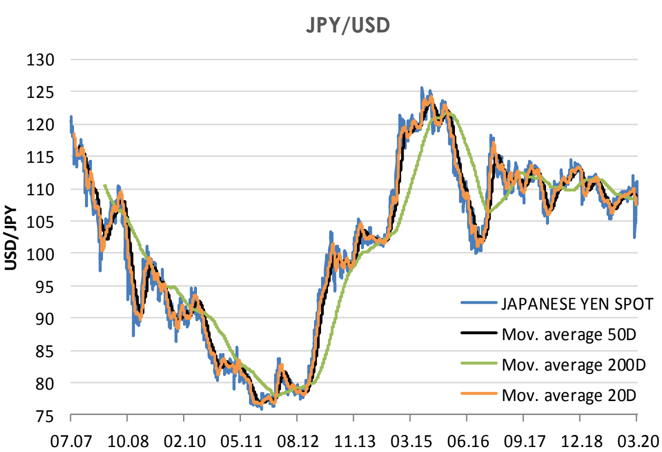
Foreign reserves in China have remained relatively unchanged since 2016, exceeding 3,100 billion dollars. The USD/CNY exchange rate has not fluctuated much in the last few months during the health crisis and the economic shock in China. The PBOC was quite readily able to control the level of the yuan, which fluctuated by plus or minus 0.15 around 7 yuan to the dollar in 2020. This relative stability against the dollar in a time of crisis is remarkable. However, it masks significant appreciation against the vast majority of other currencies, emerging currencies in particular. Moreover, the yuan now offers the best yield among all the reserve currencies that are part of the IMF's SDR.

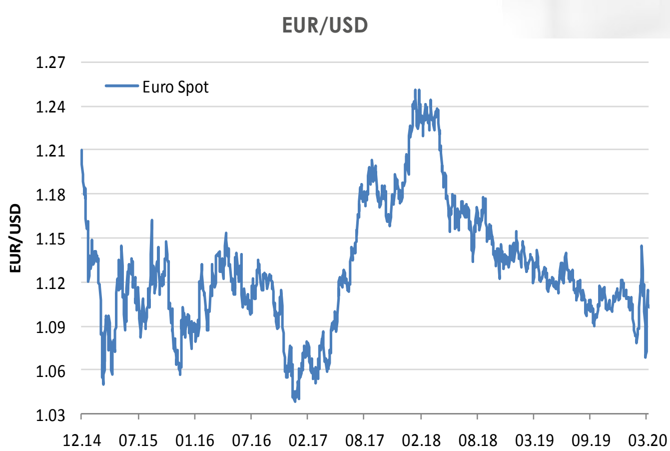
The attractiveness of the yuan in this respect is without question and is likely to draw investors looking for returns, especially when the yield spread between Chinese government bonds and US Treasuries is at its highest since 2011.

The yuan is likely to remain relatively stable at more or less 7 yuan to the dollar in the next few months.









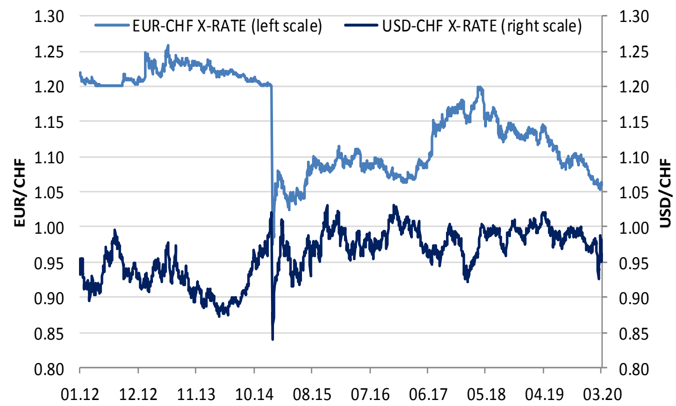
Graph sources: Bloomberg/BearBull Global Investments

CURRENCIES

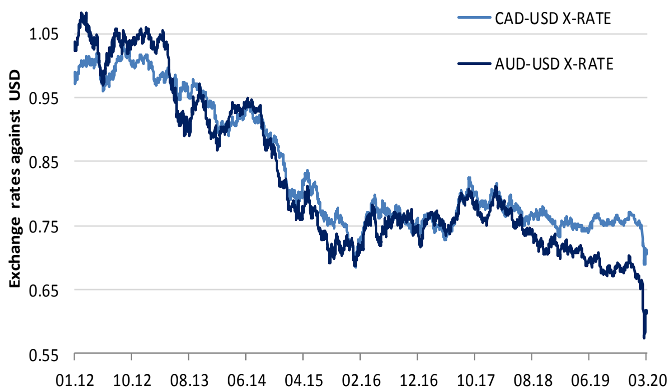
31.03.2020

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
AGAINST DOLLAR						
EUR-USD X-RATE	1.1	2.3	0.0	-1.6	1.2	-1.6
CHF-USD X-RATE	1.0	2.1	0.4	0.7	3.8	0.7
GBP-USD X-RATE	1.2	5.6	-3.1	-6.3	1.1	-6.3
JPY-USD X-RATE	0.0	3.4	0.5	1.0	0.5	1.0
CAD-USD X-RATE	0.7	2.8	-4.8	-7.7	-5.9	-7.7
AUD-USD X-RATE	0.6	2.9	-5.9	-12.7	-9.2	-12.7
RUB-USD X-RATE	0.0	-0.3	-14.8	-21.0	-17.4	-21.0
CNY-USD X-RATE	0.1	-0.3	-1.3	-1.7	0.9	-1.7
INR-USD X-RATE	0.0	0.8	-3.7	-5.4	-6.2	-5.4
BRL-USD X-RATE	0.2	-2.1	-14.1	-22.8	-20.1	-22.8
AGAINST SWISS FRANC						
USD-CHF X-RATE	1.0	-2.1	-0.4	-0.6	-3.7	-0.6
EUR-CHF X-RATE	1.1	0.2	-0.4	-2.3	-2.5	-2.3
GBP-CHF X-RATE	1.2	3.4	-3.5	-6.9	-2.7	-6.9
JPY-CHF X-RATE (x100)	0.9	1.3	0.1	0.3	-3.2	0.3
CAD-CHF X-RATE	0.7	0.7	-5.0	-8.2	-9.3	-8.2
AUD-CHF X-RATE	0.6	0.8	-6.2	-13.0	-12.5	-13.0
RUB-CHF X-RATE	0.0	-2.4	-15.2	-21.6	-20.5	-21.6
CNY-CHF X-RATE	0.1	-2.4	-1.7	-2.4	-2.8	-2.4
INR-CHF X-RATE	0.0	-0.8	-3.8	-5.9	-9.2	-5.9
BRL-CHF X-RATE	0.2	-3.6	-14.4	-23.2	-22.9	-23.2

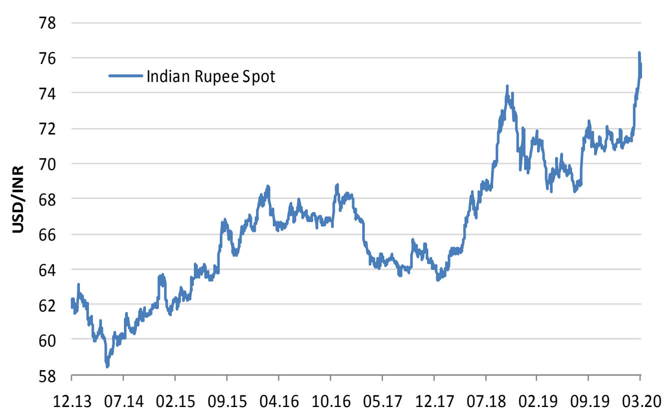
EUR/CHF - USD/CHF



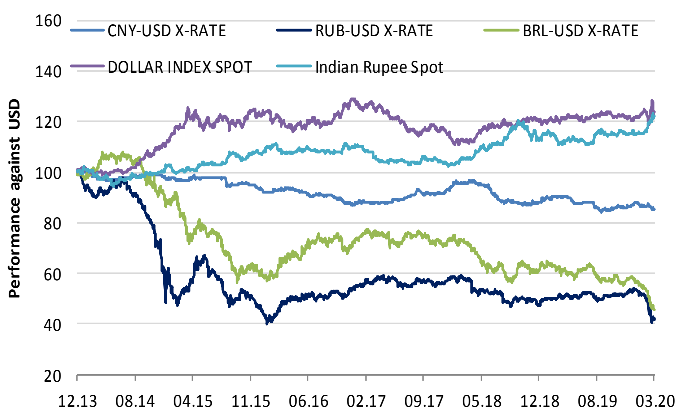
CAD/USD - AUD/USD



Indian Rupee



Emerging Currencies VS USD (base 100)



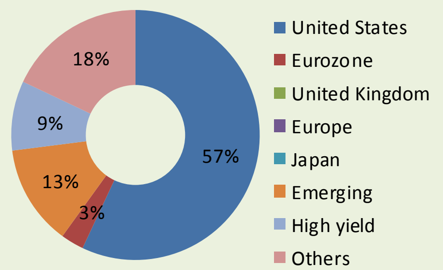
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Bonds

- Interest rates once again at their lowest in the US
- The ECB must reassure markets about the quality of peripheral countries' debt
- A trend reversal in long-term interest rates?

International Bonds allocation



Tactical Allocation

- Marginalize allocation to the eurozone
- Overweight US bonds
- Repositioning on segments "Corporate"
- Reduce exposure to high yield

BONDS (Areas/currency)	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	↘	↘↘							
United States	↘	↘							
Eurozone	↘	↘↘							
UK	↘	↘							
Europe	↘	↘↘							
Japan	↘	↘							
Emerging	→	→							
Other (AUD, CAD, NOK...)	→	→							

Interest rates once again at their lowest in the US

At the start of the year, bond markets quickly integrated the economic impact that a global spread of the Covid-19 epidemic in China could have on global growth as well as US growth, unlike equity markets, which were very slow to react to the epidemic turning into a pandemic. The collapse in ten-year Treasury yields from 2% in December 2019 to 0.31% at their lowest point on 9 March was historic and came shortly before the Fed's decision on 15 March to lower its key rates to their lowest historic level.

The drop in financial markets, which accelerated in the first two weeks of March, had a worrying negative impact on the credit market, which saw a sharp increase in interest rates, including on US Treasuries, whose yield jumped from 0.31% to 1.25% in seven days. The Fed had to shore up liquidity in the short-term lending market and resume its asset purchase programme in a context shaken by risks of malfunction of a financial system disrupted by the forced sales of all sorts of assets, including those usually considered safe like government bonds and gold. The government bond purchase programme is likely to maintain long-term government rates at historic levels until prospects of emerging from the health crisis and of a significant economic recovery materialise.

In this context, let us note that the slope of the yield curve is once again positive thanks to the drop in short-term rates and that long-term rates are now more likely to increase in the future than short-term rates due to the rise in budget deficits.

The ECB must reassure markets about the quality of peripheral countries' debt

The coronavirus crisis suddenly caused people to become aware of the emergence of new, completely different risks that could affect growth. Partial or total confinement is **a** completely unique situation, with temporary consequences on the global economy, but which could have longer-term repercussions on certain sectors of activity, for SMEs in particular and for some countries that have been more severely hit. The crisis will trigger a recession in Q2, a disorganisation of value chains, rising unemployment, a drop in consumption and other negative effects that will lead to lower taxes, an increase in government operating costs, growth in health expenditure, public deficits and finally, a rise in debt.

The collapse of financial markets is in proportion with this new awareness and the return of risk aversion. Hence it is essential to reassure investors too that this crisis will not trigger the same concerns as those that arose between 2010 and 2013 during the Eurozone's crisis, when rising interest rates in periphery countries led to a recession and a risk of the Eurozone breaking up.

The ECB must prevent rates from rising in countries that are deemed riskier, such as Italy and Spain. It will probably commit a little further still to prevent doubt from returning.

The rise in public expenditure, essential for the protection of businesses and individuals affected by the crisis, will weigh heavily on national budgets in the Eurozone and on deficits in 2020.

A rise in government debt is the most predictable consequence of this rise, which has already caused yields on the public debt of periphery countries to rise in the last ten days.

BOND INDICES (local currency)

31.03.2020 — Total Return Performance

	Name	Last price	Curr.	7 d%	1 m %	3 m %	6 m %	YTD %
SWISS BONDS	SBI AAA-BBB	137.0	CHF	0.6	-5.1	questir	-4.3	questir
UE BONDS	Barclays EuroAgg	261.7	EUR	0.8	-3.4	questir	-3.3	questir
UE BONDS - SHORT DURATION	ISHARES EURO GOV BND 1-3	143.5	EUR	0.3	-0.4	questir	-0.9	questir
US BONDS	Barclays US Agg Total Return Value Unhedged USD	2295.1	USD	1.8	-0.6	3.1	3.3	3.1
US BONDS - SHORT DURATION	BGF-USD ST DURATN BOND-USDA1	8.2	USD	2.3	-3.8	-3.1	-2.6	-3.1
EMERGING BONDS	JPMorgan Emerging Markets Bond	524.3	USD	5.6	-14.2	-13.7	-11.9	-13.7
INTERNATIONAL BONDS (DIVERSIFIED) - USD	Global Aggregate	510.0	USD	2.4	-2.2	-0.3	0.2	-0.3
INTERNATIONAL BONDS (DIVERSIFIED) - EUR	Euro Aggregate	261.7	EUR	0.8	-3.4	-1.1	-3.3	-1.1
INTERNATIONAL BONDS (DIVERSIFIED) - CHF	Barclays Global Agg Corporate	146.3	CHF	3.2	-7.3	questir	-6.6	questir
CONVERTIBLE BONDS (UE)	Exane Europe Convertible Bond	7586.9	EUR	1.1	-7.5	-7.4	-6.0	-7.4
HIGH YIELD BONDS	Markit iBxx Gbl Dev Lq HY USD	134.2	USD	8.9	-11.6	-14.0	-10.9	-14.0
HIGH YIELD BONDS - SHORT DURATION	AB SHORT DURATION HI YD-AT	13.2	USD	5.8	-9.7	questir	-9.6	questir

1) Short & Medium-term (1-5 years)
2) Emerging Bonds (Corporate)
3) Emerging Bonds - Eastern Europe

Graph sources: Bloomberg/BearBull Global Investments

A trend reversal in long-term interest rates?

After 21 January 2020, the first signs of awareness of the possible gravity of the coronavirus epidemic in China affected financial and capital markets in euros. The initial reaction, which was then exacerbated through 9 March, was first to consider economic risks and the necessity of having to adjust interest rates given this new possible threat to the global economy and the Eurozone in particular.

German long-term government rates thus dropped initially from -0.4% to -0.85%, while Italian government rates dropped from 1.4% to 0.84% in the same period between 21 January and 9 March, when the confinement measures were announced in Northern Italy. This event marked a radical change in the assessment of the economic situation in Italy and, more generally, in all countries that might be affected by similar measures. After a few days of interest rates falling to historically low levels, most rate markets experienced a comparable upswing.

Investors thus became aware that the management of the health crisis might require the confinement of the population and a potentially complete interruption of economic activity in any country. The effects on government budgets and the risks of a strong increase in deficits and financing needs soon exceeded the expectations of falling long-term interest rates.
In a matter of just days, Italian rates tightened and tripled, going from 1% to 3% (18 March) before the ECB intervened to reassure the markets. The PEPP announcement seems to have worked, since, two days later, rates on Italian debt stabilised at 1.6%. In Germany, the increase in yields was spectacular, but those now stand at -0.2%, barely above their level on 21 January (-0.25%).

A sustainable steepening of the yield curve?

The ECB's PEPP will likely help stabilise relative yields among the various countries in the Eurozone. Two days after its announcement, we have noticed that it has soothed investor concerns as suggested by the drop from 3% to 1.6% of Italian ten-year government rates.

Nevertheless, the reversal in risk perception that can be seen in other European countries points to an ongoing steepening of the yield curve. The French Treasury's ten-year yields have also bounced from -0.4% to +0.35% before themselves benefitting from the ECB's decision. The ECB's purchases are thus likely to curb this process, which nevertheless has rational foundations given the likely general increase in government debt.

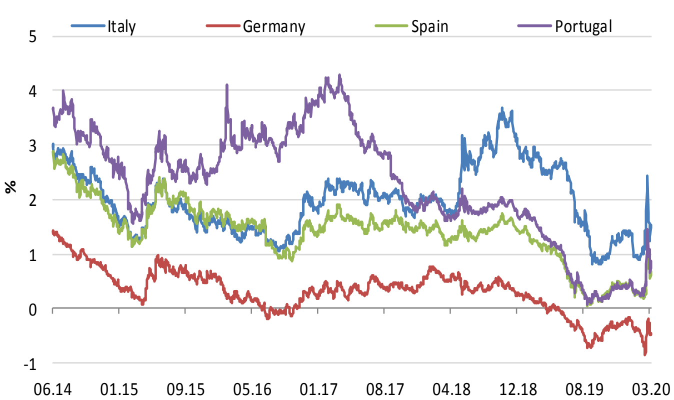
Volatility has not spared British pound capital markets

Uncertainties relating to the emergence in Europe of Covid-19 cases drove long-term rates downwards from mid-January before triggering a drastic drop in British Treasury yields of 0.6% on 21 February to 0.075% on 9 March.

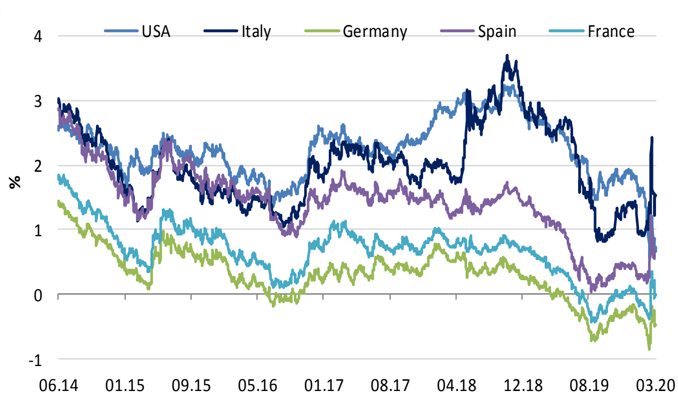
The economic support actions announced by the BOE and the British government convinced some investors, while others demanded a higher yield to accommodate for the growing risks and rising government debt. These realisations triggered one of the sharpest rebound in ten-year yields in pounds, which suddenly climbed in five trading sessions from 0.2% to over 1% on 19 March.

The BOE's asset purchase announcements will have the same impact in the short term in the UK as in other countries. The yields on UK Treasury bonds are once again likely to benefit, declining and staying at lower levels as long as the health crisis and its economic effects remain uncertain.

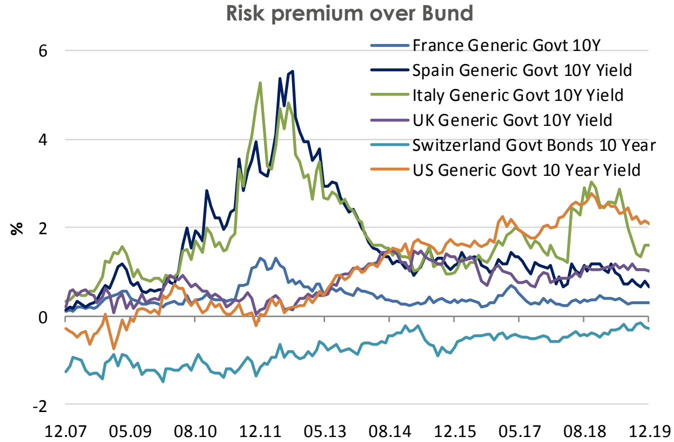
European Bonds (10 year yield)



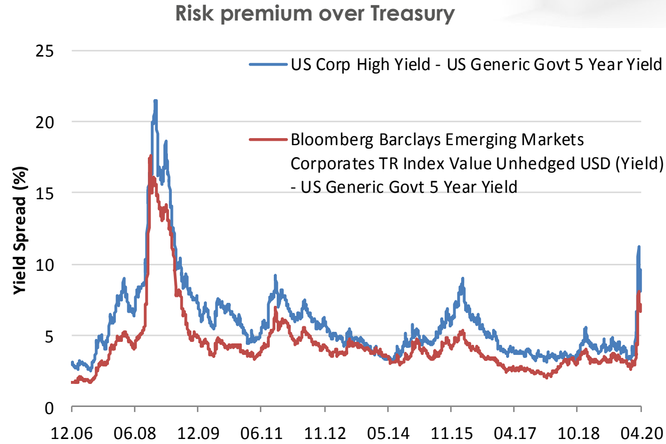
10 year yield



Risk premium over Bund



Risk premium over Treasury



Graph sources: Bloomberg/BearBull Global Investments

Avoid Japanese government bonds

Key rates remain unchanged in Japan but the BOJ has made clear that it will provide all the required liquidity to banks through its asset repurchase programme. The BOJ thus has not acted on its key rates despite the Fed's decision to lower its own key rates by 150 basis points to zero. We believe the BOJ, whose goal remains to weaken the yen, is under significant pressure to once again cut rates. However, Japan's ten-year government bond yields remain relatively stable and unaffected by the health crisis, which the country had under control from the very first weeks.

Unexpected consequences for capital markets

For capital markets, the drop in key rates and the risks of a lasting slowdown after the initial shock of a temporary economic contraction are factors that support the view that yield curves will remain rather flat in most currencies. Initially, the Covid-19 crisis drove short- and long-term rates downwards once again, even though the initial context for 2020, Covid-19 notwithstanding, seemed rather to support a gradual increase in long-term rates. Beyond this first reaction of expecting key rates to fall, the expected rise in public deficits in conjunction with the monetisation of government debt through cash injections by central banks is likely to lead to new investor concerns and requirements.

An explosion of debt and deficits is likely to have an impact on required yields. In parallel, rising economic uncertainty and the increasing risks of issuer bankruptcies and defaults will also have an impact on the yields now required by lenders.

Several months ago, we highlighted the similarities between the extremely low risk premiums in 2008 and in late 2019, which are synonymous with extreme investor complacency and major risks of a brutal return of volatility for financial assets. The expected readjustment is taking place, as these risk premiums are rapidly rising, in the high yield segment in particular.

Welcome rise in risk premiums

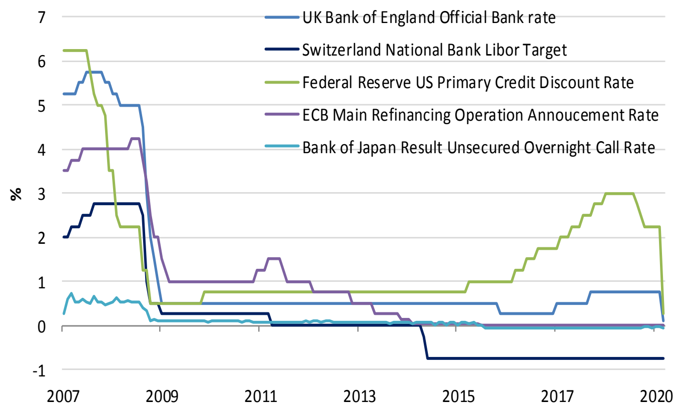
The health crisis has already had an extraordinary impact on international capital markets. Short-term yields are now mostly close to zero or negative once again. The short-term yield spread, which was still clearly in favour of the dollar at the start of 2020, was abruptly erased by the Fed's adjustment in monetary policy in Q1. The high volatility of government bond yields in March in most countries drove ten-year government yields to historically low levels at the end of the quarter, in a fairly broad movement of yield convergence.

In terms of credit risk, the last few weeks have been difficult for lesser-quality bonds. The non-investment grade, high yield and emerging market segments have been particularly affected by investors' desire to place their liquidities in risk-free investments. The inflow of funds into the government bonds of developed countries capable of implementing asset purchase monetary policies has had an impact on prices and significantly changed the levels of various risk premiums.

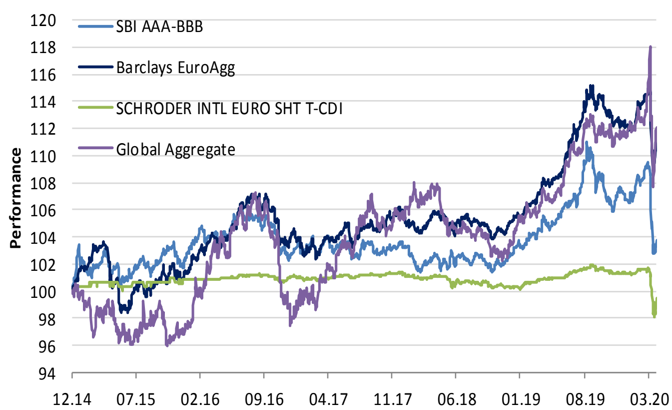
At the end of the quarter, the risk premiums between lower-quality borrowers and sovereign debtors surged once again to the point of reaching levels similar to those observed during the financial crisis in 2008.

It is undoubtedly a little too early still to claim that the current health crisis will only have temporary effects whose consequences will be controllable on an economic level in 2020 and that default risks for non-investment grade debtors are actually overestimated. However, we believe that the current level of risk premiums for this type of debtor and for corporate bonds more generally is once again sufficient to justify a reasonable and diversified allocation in these market segments.

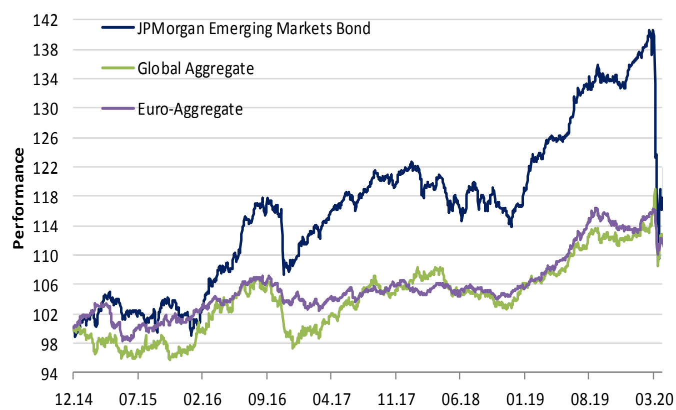
Central Bank rates (EUR, CHF, GBP, USD, JPY)



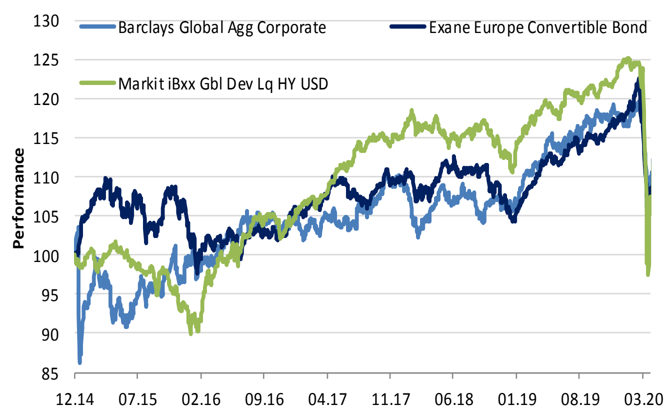
YTD Performance of Bond Indices 1- 5 years (Normalized at 100)



Emerging Bonds - Performance (Normalized at 100)



Eastern Europe Bonds - Performance (Normalized at 100)

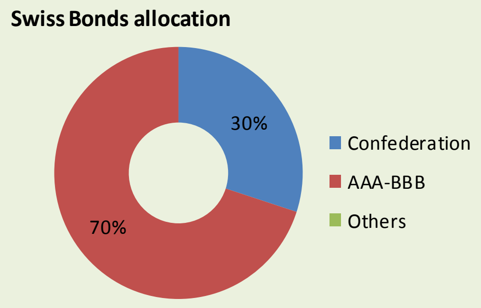


Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Bonds

- Covid-19 reversing the trend in rates
- No government debt purchases by the SNB in Switzerland
- Expansion of risk premiums in Switzerland too



Tactical Allocation

- Underweight Swiss Government Bonds
- Overweight the "IG" segment
- Short durations

BONDS Type of Debtor	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Governement	↘	↘							
Corporate (IG)	↘	↘							
Others	↘	↘							

Covid-19 reversing the trend in rates

We noted in September the irrational nature of the collapse in ten-year yields from -0.5% to -1.12% in August, predicting a likely significant rebound as soon as risks of a recession were assessed rationally. The last few months of 2019 were thus marked by the gradual recovery of long-term rates from -1.12% to -0.4% at the beginning of November, which was expected to continue in the next few quarters. However, on 13 January 2020, the health crisis broke out in China, which completely upturned growth expectations in the country, raising new uncertainties about global growth. The Covid-19 epidemic in China was gradually factored into the risk modelling for 2020, including in the rate market in Swiss francs. Investor interest in our safe-haven currency undoubtedly pushed demand for governmental bonds more than the inclusion of risks of a recession in Switzerland, lowering the Confederation's nominal ten-year yields to -0.85%. If the pandemic ends up triggering a sharp global economic slowdown, let us also note that the impact on consumer prices may turn out to be more inflationary depending on changes in supply in particular. To date, inflation is once again negative year-on-year in Switzerland (-0.1%), and the real yield is thus at -0.5%.

No government debt purchases by the SNB in Switzerland

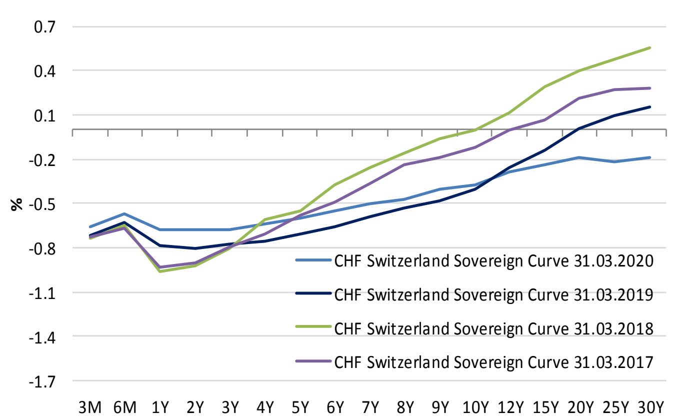
In a context of widespread increased budgetary expenditure in most industrialised countries, Switzerland is also prepared to devote a little less than 10% of its GDP to economic support measures. However, the Swiss capital market will not be able to rely on a mechanism similar to that of countries that will monetise their new government bond issuances through central bank purchases. Indeed, at this stage the SNB has no intention of adopting similar measures to those of other central banks such as the Fed, the ECB, the BOE and the BOJ.

In fact, the Swiss capital market has not followed the same trend as that observed elsewhere. The Confederations' ten-year yields initially surged from -1% on 9 March to -0.3% and have since remained stable at that level, which represents the highest yield in the last ten months.

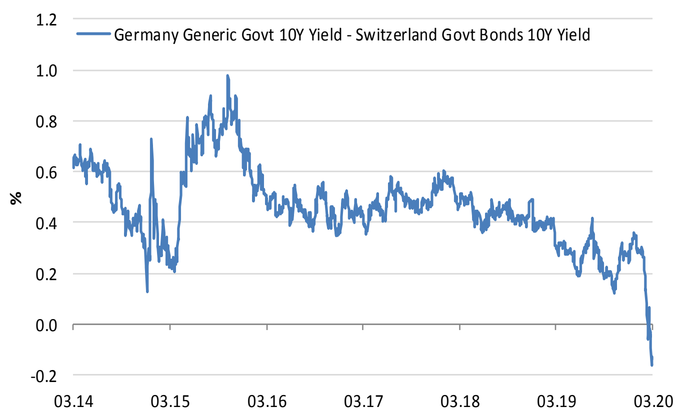
Expansion of risk premiums in Switzerland too

While risk premiums tended to increase in March in other countries, in Switzerland the capital market also saw strong growth in risk premiums, particularly in the BBB and non-investment grade segments. Indeed, BBB bond yields, for example, increased by close to 200 basis points in March (from 0.15% to 2.15%), thus offering positive yields again of close to 1.75% on average for the global BBB index. Yields on bonds issued by triple-A debtors surged from -0.5% to 0.04%, i.e. close to 50 basis points. Hence, we are seeing an expansion of risk premiums due to a more significant rise in yields on the BBB market segment. The rise in the yield spread and the risk premium is therefore quite significant for these two market segments. The risk premium for the BBB segment relative to the Confederation's 10-year bonds is more significant still, exceeding 2.05%. For the overall investment grade segment excluding government, yields increased from -0.4% to +0.3% in March for a yield spread of 0.6% following the rise in Confederation yields from -1% to -0.3% over the period.

Switzerland Sovereign Yield Curve

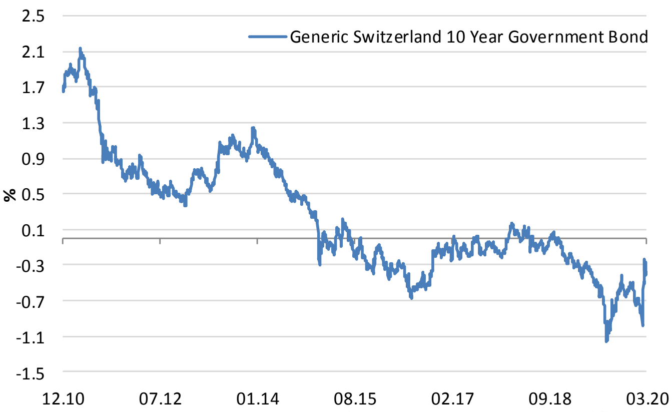


Long rates Yield Spread (German Bund - Swiss Confederation)

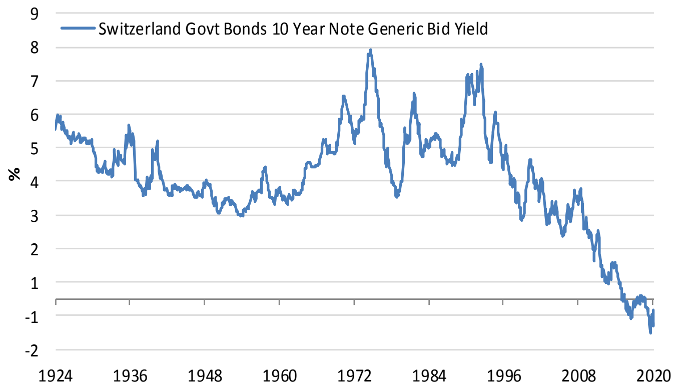


Graph sources: Bloomberg/BearBull Global Investments

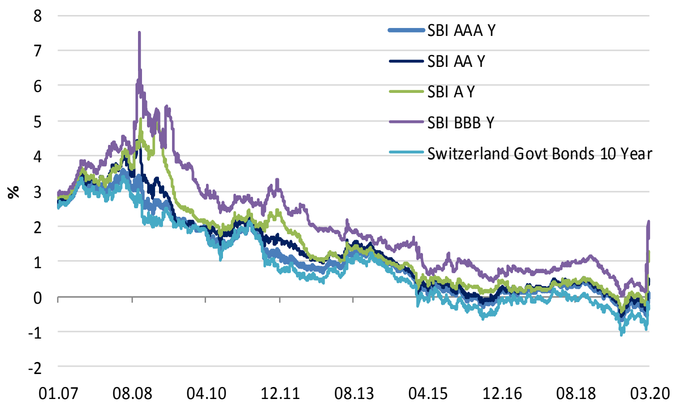
Switzerland Government Bond yield (10 year)



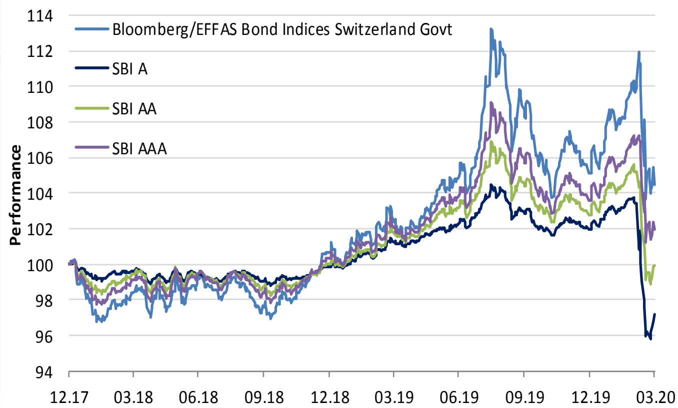
Switzerland Government Bond yield (10 year) since 1924



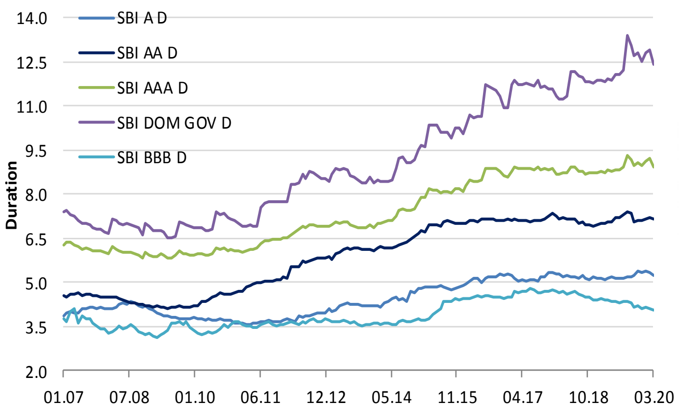
Yield by debtor type



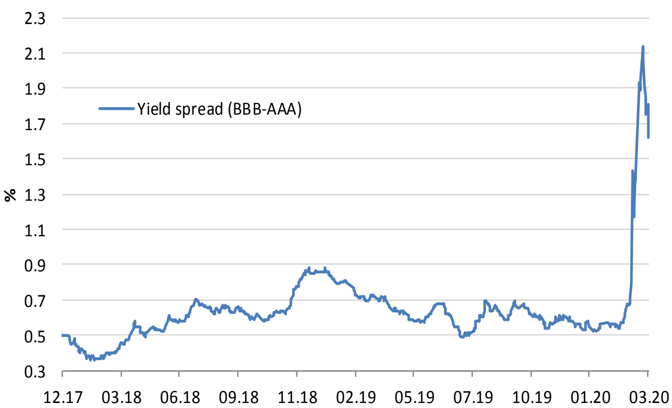
Performance of Swiss Bonds (Normalized at 100)



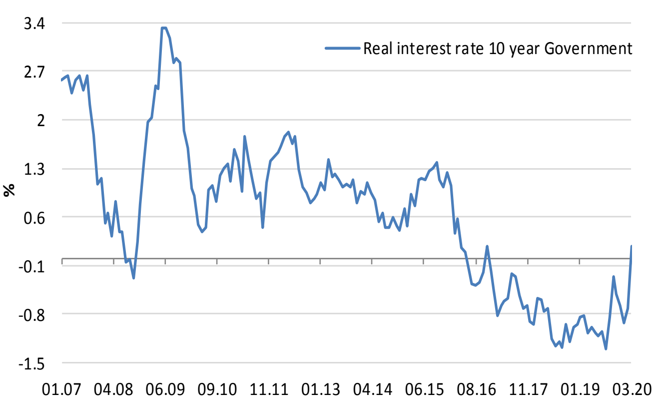
Duration of Bond Indices



Yield spread



Real Interest Rates



SWISS BOND INDICES (CHF)

31.03.2020 — Total Return Performance

	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
Bloomberg Barclays Series-E Switzerland Govt All > 1 Yr Bond Index	1.0	CHF	-99.6	-99.7	-99.6	-99.6	-99.6
SBI A-BBB	133.0	CHF	1.6	-6.1	-4.8	-5.4	-4.8
SBI AA-BBB	133.0	CHF	1.2	-5.6	-3.8	-4.9	-3.8
SBI AAA-AA	137.8	CHF	0.3	-4.8	-1.9	-3.9	-1.9
SBI BBB	145.2	CHF	2.0	-5.9	-4.9	-5.1	-4.9
SBI AAA-BBB	137.0	CHF	0.6	-5.1	-2.6	-4.3	-2.6
SBI DOM GOV AAA-BBB 1-3P	66.1	CHF	-0.4	-0.8	-1.0	-2.0	-1.0
SBI DOM GOV AAA-BBB 3-7P	84.8	CHF	-0.2	-1.8	-1.1	-3.0	-1.1
SBI DOM GOV AAA-BBB 7+ P	133.8	CHF	-0.3	-6.9	-1.0	-5.6	-1.0

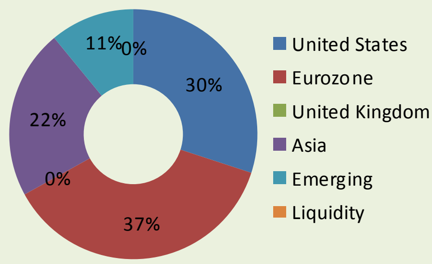
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Real Estate

- Wave of panic in March in securitised real estate
- Unwarranted drop in prices
- Rapid return of inflows into real estate investments
- 2020 will not be like 2008 for international real estate
- Return of a constructive strategy for securitised real estate

International Real Estate allocation



Tactical Allocation

- Overweight Europe and USA
- Repositioning in securities
- Decrease liquidity

REAL ESTATE Areas	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	↗	↗							
United States	↗	↗							
Eurozone	↗	↗							
United Kingdom	↗	↗							
Asia	↗	↗							
Emergents	↗	↗							
Liquidity									

Wave of panic in March in securitised real estate

The last weeks of Q1 were disastrous for international securitised real estate, which dropped by -28.5% on average in just a few weeks. The correction in the global EPRA NAREIT index was significantly steeper than that in equity markets, whose MSCI World index fell by -21.1% during the quarter. This is the sharpest quarterly correction ever observed since the creation of this index in 2008. Over a few weeks, the drop in prices offset the gains of the last three years. All regions saw similar declines in a phase of widespread panic in March especially. The UK (-18.3%) and emerging markets (-19.3%) were more resilient in March to the wave of doubt that submerged the securitised real estate segment, while Europe (-21.5%) and the US (-23.5%) suffered more significant sell-offs. Since the start of the year, US securitised real estate has posted the worst regional performance (-29%), significantly worse than the UK (-27.4%), emerging markets (-27%) and Europe (-25.3%), which seems a little more resilient to investors' selling pressures.

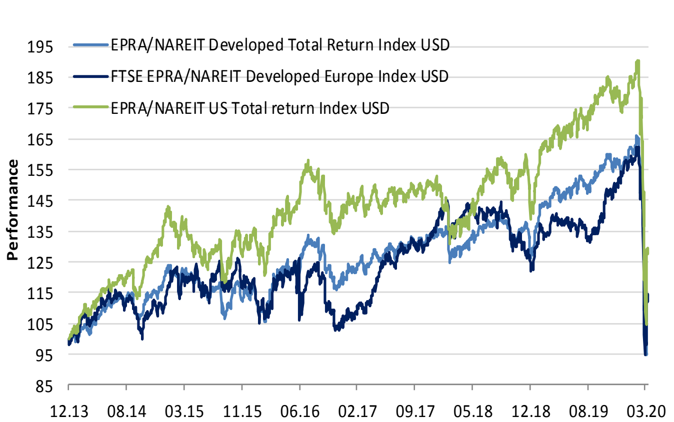
However, these results for the quarter do not entirely reflect the level of panic manifested during the quarter. Indeed, the global EPRA NAREIT index plummeted by over -42% between the peak on 14 February 2020 and the lowest point on 23 March. Thankfully, a quick recovery in prices of close to +20% led to a quarterly result of -28.5%

Unwarranted drop in prices

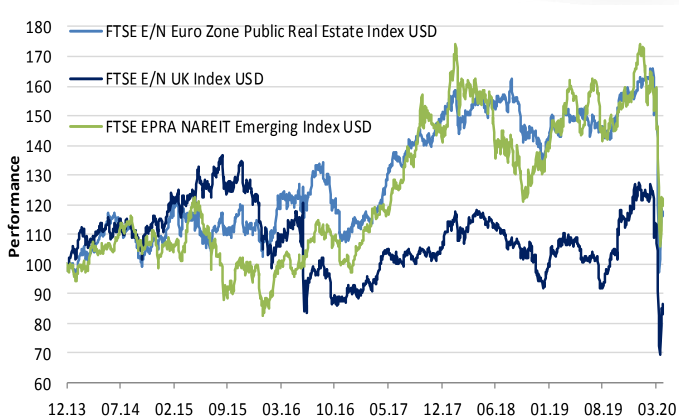
International securitised real estate suffered losses in value higher than those recorded by equity markets in general, even though real estate fundamentals seemed more robust and predictable than those of many equity market sectors. Real estate was thus harder hit by the factoring in of the negative impact on global economic growth of the Covid-19 pandemic. This outcome of the wave of panic in March is surprising to our minds from a fundamental perspective. Indeed, financial flows generally associated with real estate investments are less volatile and more stable than corporate earnings. We believe risks of a collapse in corporate earnings are much more significant than risks relating to the non-payment of rents in the next few quarters.

Hence, the main factor in this underperformance may be linked to REITs' lower tradability and to a relatively narrow securitised real estate market. The probabilities of lease terminations, non-payment of commercial rents and postponement of real estate development programmes have certainly increased in the current context, but we do not expect long-term effects that would justify the price corrections observed in March.

EPRA Nareit - USA, Europe, Global (USD)



EPRA Nareit - Eurozone, United Kingdom, Emerging (USD)



Graph sources: Bloomberg/BearBull Global Investments

The liquidity factor remains essential for real estate

In 2019, despite an uncertain economic context due to the difficulties in the manufacturing sector and the trade war between China and the US, international securitised real estate prices had progressed rather well. Risks of rental income losses, which should logically have been considered in the context of a global economic slowdown, actually were not taken into account. The return of liquidity in Q2 was certainly a more significant support factor. In 2020, the situation is certainly different, but the liquidity factor has made a major comeback in the form of lower interest rates, massive injections of liquidity by central banks and extraordinary fiscal and budgetary packages. Close to 10 trillion dollars will make their way into the global economy, whose multiplier effects will certainly be favourable to direct real estate and international securitised real estate investments.

Rapid return of inflows into real estate investments

The drop in indirect international real estate investments owes more to the global process of risk reallocation in times of major stress and stock market panic than to any fundamental issue. Investors did not have the time to rationally assess the investment risks and opportunities in March when every asset dropped except for liquidities, gold and government bonds. Securitised real estate was therefore also a victim of portfolio reallocation processes and of the reduction, forced at times, in leverage. We believe that this phenomenon is temporary and exclusively related to the shifts in investors' short-term risk perception.

Diversified investment strategies that include real estate investments in their investment universe are likely to benefit from the opportunities triggered by the excessive volatility in financial markets. These last few weeks have been characterised by further key rate cuts and new record lows for long-term government rates.

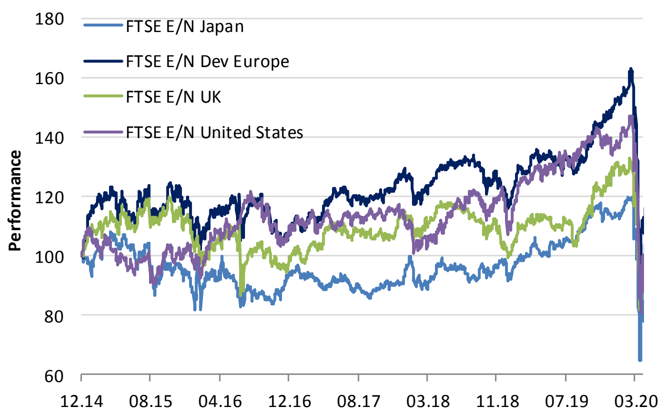
The transfer of positions and asset allocations out of fixed-income investments and into indirect real estate investments will quickly resume and intensify in the next few weeks. The declining prices of these investments has actually strengthened the yield spread with regards to bond yields.

2020 will not be like 2008 for international real estate

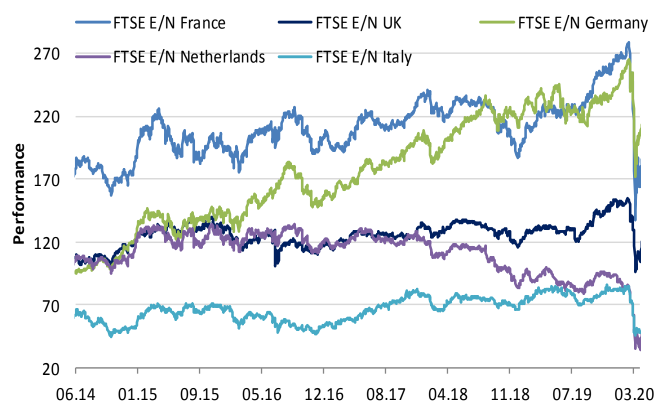
The drop in securitised real estate in the last few weeks may also have been partly triggered by excessive fears resulting from the comparison between the recession period in 2008 and current recession risks. We believe that fears of a recession in 2020 having similar consequences as in 2008 are unfounded, since the situation is very much different today. In 2008, the recession was triggered by a real estate and financial bubble that had created systemic risk in the financial system. Real estate prices collapsed by -50%, even more in some cases, and the losses caused by the sub-prime market put the whole financial system into jeopardy. The recession that has hit the global economy may actually end up only lasting a quarter in some cases and may thus not meet the theoretical requirement of two consecutive quarters of contraction to be defined as a recession. The health crisis will not cause a long-lasting global economic recession in 2020. Central banks and governments have taken the support measures required to limit its effects.

It is likely, however, that economic conditions in 2020 will stamp out overheating in certain local real estate markets. We believe in this context that prices are likely to stabilise, although current conditions and the likely temporary nature of the crisis in particular are unlikely to set off forced sales and a significant drop in values. The most likely scenario today is that the pandemic will be temporary and governments will support consumption and mortgage financing for private individuals in particular.

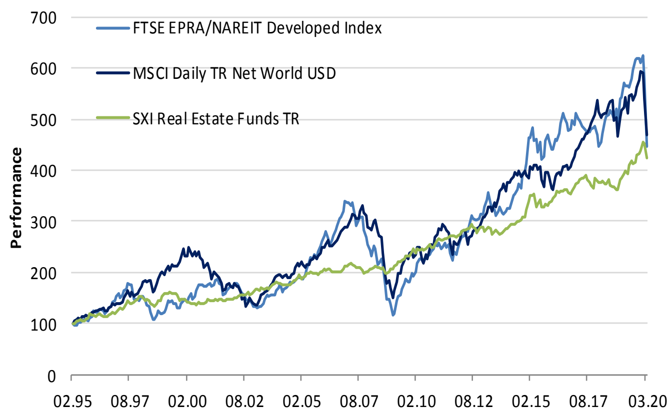
Real estate markets (local currency)



European real estate markets (local currency)



Long-term Performance : international real estate, swiss real estate and international equities (local currency)



INTERNATIONAL REAL ESTATE INDICES (local currency)

31.03.2020 — Total Return Performance

	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	FTSE EPRA/NAREIT Glb TR	2247.1	USD	10.5	-22.3	-28.4	-25.8	-28.4
DEVELOPED	EPRA/NAREIT Dev TR USD	4187.9	USD	10.6	-22.6	-28.3	-26.9	-28.3
DEVELOPED EUROPE	FTSE E/N Dev Europe	1822.5	EUR	4.4	-21.3	-25.9	-19.3	-25.9
EUROZONE	FTSE E/N Euro Zone	2019.8	EUR	1.3	-21.5	-25.3	-21.6	-25.3
USA	FTSE E/N United States	2272.3	USD	12.0	-23.5	-29.0	-29.7	-29.0
DEVELOPED ASIA	FTSE E/N Dev Asia	1291.8	EUR	8.6	-20.4	-25.2	-25.9	-25.2

Graph sources: Bloomberg/BearBull Global Investments

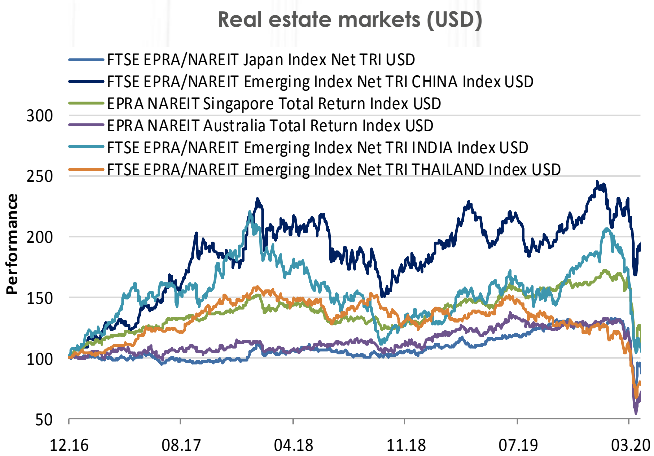
Return of a constructive strategy for securitised real estate

After drawing attention to the high levels of risk in real estate at the start of the year, we now suggest returning to an overweight tactical allocation after the unwarranted (in our minds) corrections in indirect real estate investment prices.

International real estate investments were unjustly penalised in the last few weeks in this widespread wave of panic that overwhelmed all asset classes. Real estate investment yields will not be affected by the Covid-19 crisis, and the global economic recession is likely to be temporary, since it is mainly due to political confinement measures, partial or complete, in some countries.

The 2020 crisis does not result from a real estate crisis, and as such it will not have the same effects on direct and indirect real estate prices. The flow of funds that has strategically shifted from bonds to indirect real estate has no reason to stop. Quite the contrary, it is likely to resume quickly to take advantage of more favourable conditions currently.

In terms of tactical positioning, we favour real estate markets in countries and regions that can rely on powerful central banks and on the commitment of governments with sufficient means to implement effective fiscal and budgetary measures. Our regional allocation therefore favours the US and continental Europe.

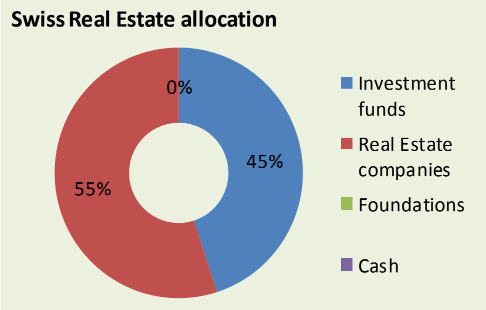


Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Real Estate

- Securitised real estate also succumbs to panic
- Beware valuations which are still higher than the historical average
- Attractive yields and limited risks



Tactical Allocation

- Repositioning on investment funds
- Overweight listed real estate companies
- Decrease liquidity

REAL ESTATE Switzerland	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Investment funds	↗	↗							
Real Estate companies	↗	↗							
Foundations	↗	↗							
Cash									

Securitised real estate also succumbs to panic

Switzerland's securitised real estate has also succumbed to the wave of stock market panic that swept over all asset classes in March. Real estate investment funds' performance of -6.5% during this extremely volatile month was ultimately not so negative by international comparison and relative to Switzerland's listed real estate companies. However, this result masks the two main successive phases that led to it. Indeed, in the initial phase of panic and reckless sell-offs by investors who were likely too heavily invested, investment funds fell by -21%. At that time, we recommended taking a more favourable view on overall levels of exposure to real estate investments in Switzerland. After highlighting the irrational increases in prices and premiums before this correction and valuation adjustment period, we recommended in mid-March a repositioning in Swiss real estate investment funds as a more reasonable diversification option due to the ongoing correction of premiums and prices. The rebound in the following days turned out to be fast and powerful (+15%), reducing to a mere -3.5% the overall decline in this market segment since the start of the year. However, Swiss real estate companies, more directly correlated with equities, posted no real rebound after the -27% correction in prices between 5 and 23 March and ended Q1 with similar corrections in valuations.

Beware valuations which are still higher than the historical average

After the -20% drop in prices, premiums had clearly contracted mid-month, but at the end of the quarter, following the rebound in prices in real estate investment funds, the average premium has risen back to 25%. This is well below the level of 35% reached in late February, but it remains much higher than the average premium level estimated at 15-20%. For listed real estate companies, the valuation premium corrected sharply, dropping by more than 50% in February to 22.8% at the end of March.

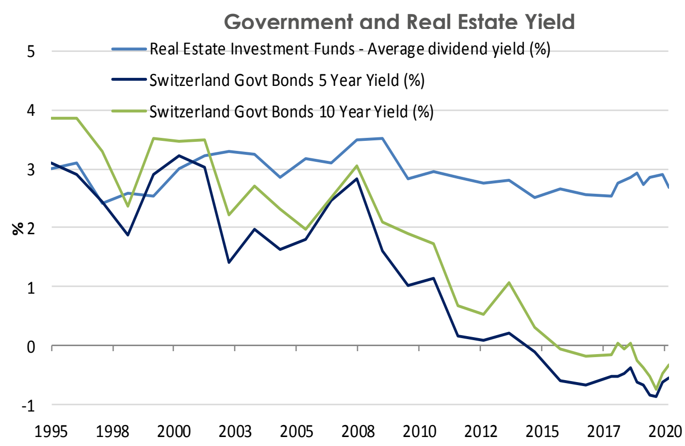
Attractive yields and limited risks

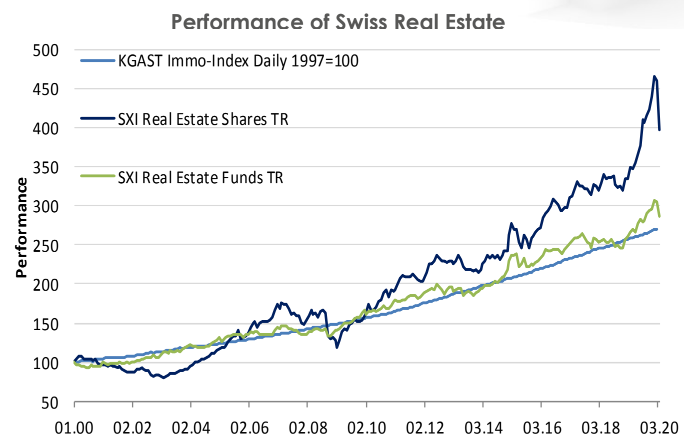
The direct yield of real estate investment funds has logically risen with the drop in prices and now lies at 2.5% on average, while the yield of real estate companies stands at +3.5% on average. In the current health crisis context in Switzerland, where confinement measures have only been partial, and given the extraordinary and considerable support measures for companies taken by the Confederation, we believe that the Swiss real estate market need not excessively fear the impact on rents. The temporary crisis will mostly not affect commercial rents and will have no noticeable effect on residential rental income. We believe that current levels are still attractive in terms of a long-term diversification in Swiss securitised real estate.

SWISS REAL ESTATE

31.03.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SXI Real Estate Funds TR	421.2	6.4	-6.3	-3.4	2.1	-3.4
SXI Real Estate Idx TR	2965.5	6.3	-13.4	-9.4	-2.3	-9.4
KGAST Immo-Index	302.6				2.3	0.6



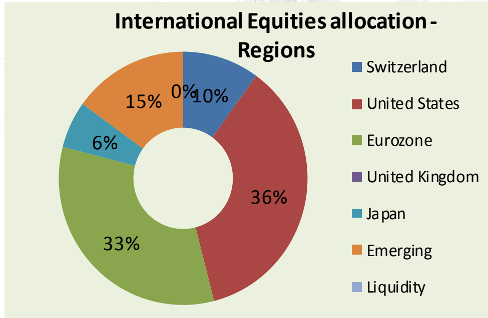


Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Equities - Regions

- Repositioning opportunities in equities
- Quicker rebound of European equities
- US equities hampered by negative news flow on Covid-19



EQUITIES REGIONS	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	↗	↗							
United States	↗	↗							
Eurozone	↗	↗							
United Kingdom	↗	↗							
Japan	↗	↗							
Emerging	↗	↗							
Liquidity									

Tactical Allocation

- General repositioning on the American, European and Japanese stocks markets
- Decrease Liquidity

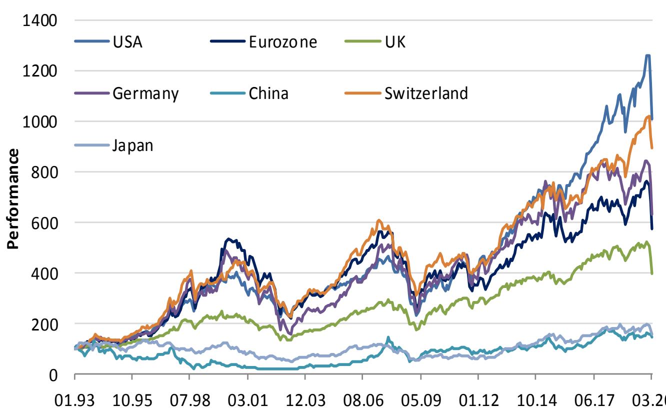
Repositioning opportunities in equities

Although it seems difficult to imagine right now, as the crisis is still very present in industrialised countries, that the global economy will recover from the pandemic, it is nevertheless quite certain that this is what will happen in Q2 in Asia, and in Q3 in the rest of the main developed economies. In a matter of days, the euphoria that we decried at the start of the year as irrational investor complacency was replaced by a phase of major readjustment of expectations. A wave of panic swept across all asset classes without distinction, as the spectre of a large-scale global recession became the consensus scenario. Today, after value adjustments of close to -35% on international equity markets, the question is now obviously whether valuation levels are still excessive or whether they constitute opportunities for long-term repositioning.

The main obstacle to opting to reinvest liquidities and purchase risky assets at the moment is the absence of visibility with regards to the economic recovery and the capacity of listed companies to weather this crisis and avoid a long-term negative impact on their business. Altogether, we believe that the amount spent by central banks and governments in various countries to counter the negative effects of Covid-19 on global GDP is close to 10 trillion dollars. Although it is still early to claim that these programmes will be sufficient, we can still see that they were enough to reassure certain investors. We may need a better guarantee that the health crisis is under control for a sustainable bullish trend to set in. The drop in markets has thus lowered our valuation models' risk scores and has justified since mid-March a level of exposure closer once again to strategic equity allocations.

Stimulus packages are significant and are likely to improve investor sentiment, despite the continued negative news flow regarding the health crisis in the US at the beginning of Q2. Nevertheless, we now believe that most risk and opportunity analysis factors point to a risk/return ratio that is favourable to a partial repositioning at least on assets offering long-term gains. Indeed, we reckon the support measures taken by governments and central banks will swiftly meet the current and future needs of the economy in the short term. We consider that, while not all parameters are showing the green light, the -35% correction in valuations certainly constitutes a sufficient level of adjustment for a temporary health crisis and economic impact.

Long-term Performance (Normalized at 100)



Chinese Equities - A and B (Normalized at 100)

Graph sources: Bloomberg/BearBull Global Investments

Quicker rebound of European equities

The coronavirus crisis has had a somewhat heavier impact on assets in euros than on other assets. Indeed, equities and securitised real estate have corrected substantially, often dropping by more than -40%. The performance of European equities (-40%) since 21 February is thus well below that of the US market, down 'only' -32% at this time.

The drop in the stock market in the last few days has preceded the 2020 earnings revision process, and it will certainly take several weeks or even months for the earnings outlook to fully adjust. The macro-economic context, which remains very uncertain for the next few months, will undoubtedly cause some volatility and risks of further decline in values. Nevertheless, current valuation levels of 10.4x 2020 profits (unrevised) for European companies can be compared with a 14.3x valuation for S&P 500 shares.

In this context, we believe that lower valuations have considerably reduced positioning risks for long-term investors, especially after the ECB and European governments' extraordinary economic support measures were announced. We now recommend a more positive and constructive strategy for these two classes of assets on a 12-month horizon.

US equities hampered by negative news flow on Covid-19

We had mentioned before the collapse in the last few weeks that equity markets in the US were overvalued and that we believed that the complacency characterising the last phase in price increases in January 2020 in particular, at a time when China was suffering heavily from the coronavirus, was a sign of blatant irrationality from investors in the face of the emergence of a major new risk. We then recommended a defensive position towards equities, whose valuations were excessive. At this time, the global health crisis has also affected the US and Wall Street, where a collapse in stock indices wiped out more than 35% of US market capitalisation in only 20 days.

It will clearly be difficult in the next few weeks to rationally determine if the price levels of listed US companies reflect their "true" value or if share prices are still excessive seeing the as-of-yet unpredictable risks of an economic downturn. Investors expected tangible measures in order to be reassured, and they have not been disappointed for the moment by the massive support measures taken.

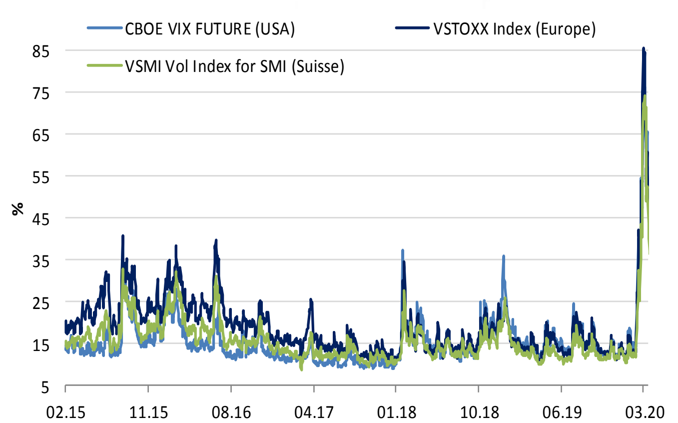
In the last few days, we announced that, in this context, market valuation levels offered repositioning opportunities in the medium to long term. However, seeing the speed at which prices are rebounding (+20%), we recommend remaining vigilant and not ruling out the possibility of a new phase of weakness, which may occur soon, before what seems to the shortest bear market in history actually comes to an end.

Japan will benefit from China's recovery

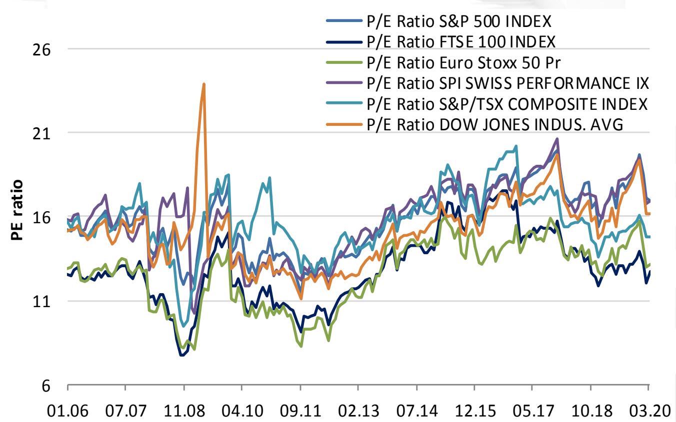
Sales (-6.4%) and profits (-4.6%) of Japanese companies dropped at the end of 2019 and are unlikely to improve in early 2020. The latest Reuters Corporate Survey of 500 major firms on the situation of Japanese companies now suggests that close to 50% of them are affected by the coronavirus crisis, seeing falls in revenues and profits. Two thirds expect a growing impact in the next few months as the pandemic starts to impact other international economies. Half of the firms surveyed confirmed a severe impact on their production chains.

Japan's economy, still heavily export-based, needs the yen to weaken, but more importantly, it needs a recovery in global trade, which will depend on the rebound in activity in China at first, and then on the end of the pandemic. While economic activity seems to be recovering gradually in China after two months of crisis, there is a possibility that the European and North American economies may come through their own health crises in better condition. In this context and following the share price correction of more than -30%, which takes these risks into account, we now believe that Japanese equities offer interesting repositioning opportunities.

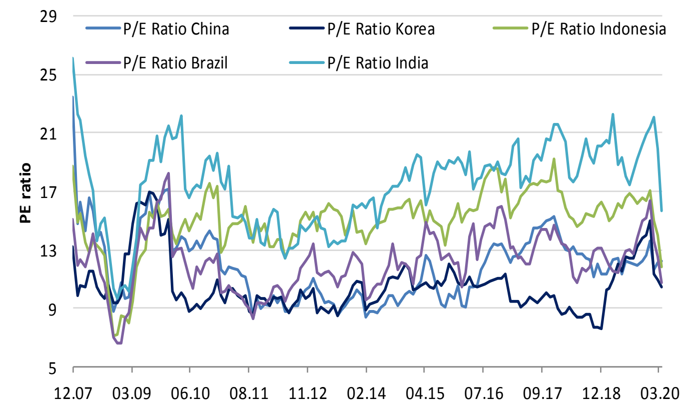
Volatility (USA, Europe, Switzerland)



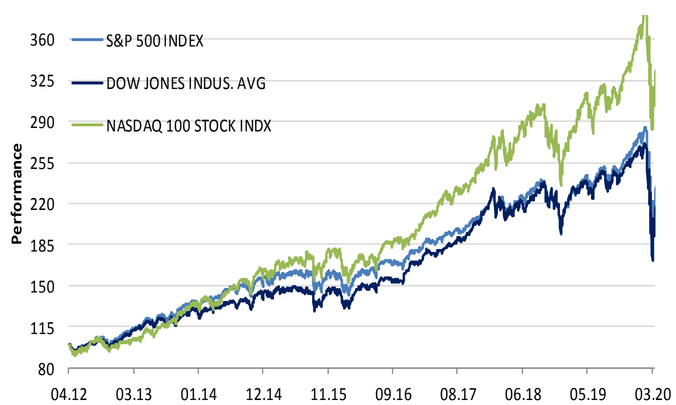
Price/Earnings Developed markets



Price/Earnings Emerging markets



US Equities (Normalized at 100)



Graph sources: Bloomberg/BearBull Global Investments

British equities also offer opportunities

For a long time we recommended caution towards British equities and real estate investments due to the high level of uncertainty relating to Brexit, despite reasonable valuations. In the current context of a probably temporary slowdown of the UK's economic activity, we believe that valuation corrections of more than -36% for the FTSE100 index are excessive and do not reflect the real medium-term prospects of these two asset classes. We believe that the drops in valuation have clearly reduced positioning risks for long-term investors, and we now recommend a more positive and constructive strategy with regards to both securitised real estate and equities with a 12-month time horizon.

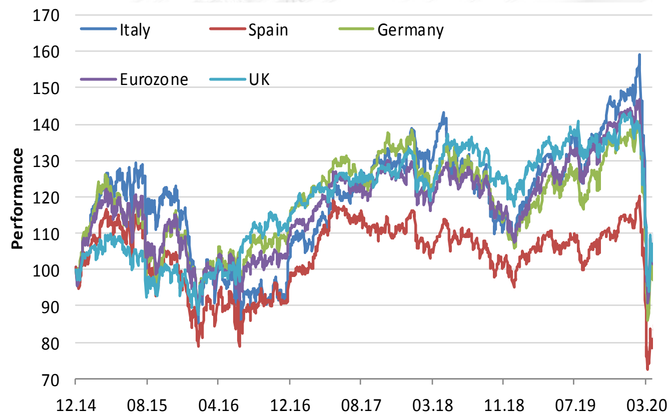
A faster economic and stock market recovery in Asia?

China and other countries in Asia were the first to feel the effects of the pandemic on their economies and may well also be the first to renew with decent economic growth, despite the likely drop in international demand, especially in Europe.

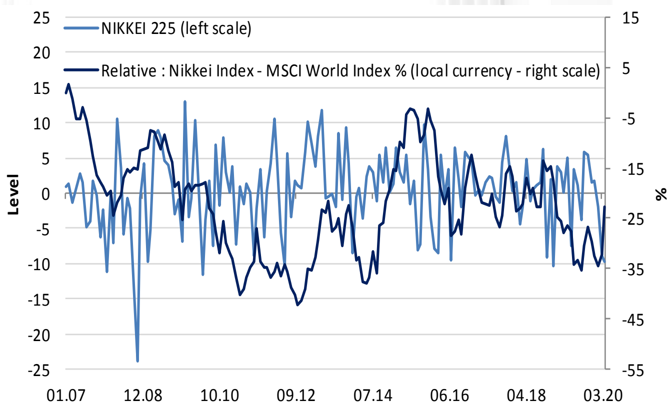
Surprisingly, China's equity market has not suffered much from panic selling, posting the best performance (-8%) among the main equity markets over this particularly volatile period. It is undoubtedly still premature to count on a new bullish trend for Chinese equities in this particular market situation, which surprisingly offers very few attractively priced repositioning opportunities.

However, renewed economic momentum in China may ultimately benefit its partners in Asia more, whose stock markets are in contrast still very much affected, like Australia and Japan, which have dropped –20% to –30%.

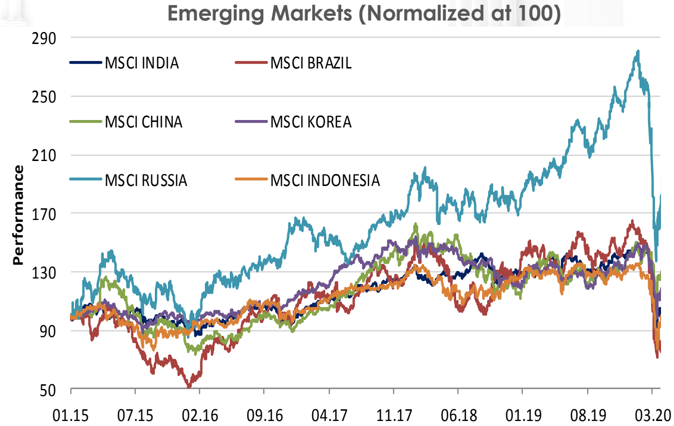
Performance of Stock markets (Normalized at 100)



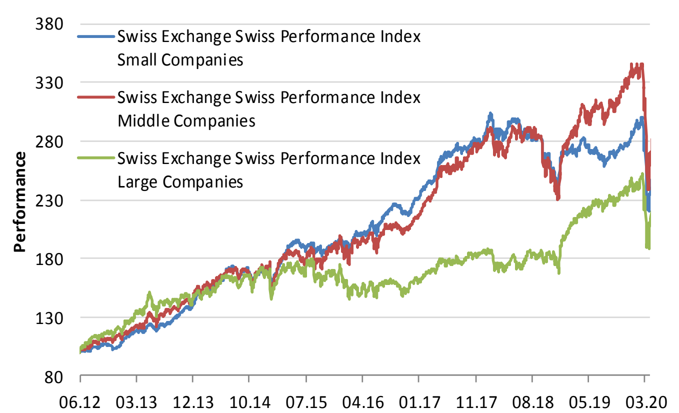
Japanese Equities VS MSCI World



Emerging Markets (Normalized at 100)



Swiss Equities (large - middle - small caps/Normalized at 100)



EQUITIES - BY REGION (local currency)

31.03.2020				Total Return Performance				
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
SWITZERLAND	SPI Swiss Performance Index	11319.5	CHF	6.7	-4.9	-11.8	-7.5	-11.8
SWITZERLAND SMALL-MID CAPS	SPI Extra Total Return	3781.6	CHF	5.5	-11.5	-18.5	-12.3	-18.5
EUROPE	STXE 600 € Pr	320.1	EUR	5.4	-14.4	-22.5	-17.7	-22.5
EUROPE SMALL-MID CAPS	MSCI Europe Small Cap Net TR E	331.3	EUR	7.3	-21.3	-28.9	-20.5	-28.9
UK	FTSE All-Share Index	3107.4	GBP	4.8	-15.1	-25.3	-22.2	-25.3
USA	S&P 500 Index	2584.6	USD	5.6	-12.4	-19.6	-12.3	-19.6
USA SMALL-MID CAPS	RUSSELL 2500	472.5	USD	6.2	-21.7	-29.7	-23.7	-29.7
JAPAN	NIKKEI 225	18917.0	JPY	5.5	-9.8	-19.3	-12.1	-19.3
JAPAN SMALL-MID CAPS	Russell/Nomura Mid-Small Cap I	722.3	JPY	6.9	-5.2	-19.5	-12.3	-19.5
ASIA EX-JAPAN	MSCI AC Asia Pac Ex Japan	436.3	USD	6.8	-14.0	-20.7	-12.2	-20.7
ASIA EX-JAPAN SMALL-MID CAPS	MSCI AC Asia Pacific Ex Japan Small Cap	666.9	USD	10.4	-21.1	-29.0	-24.6	-29.0
EMERGING	MSCI EM	848.6	USD	5.9	-15.4	-23.6	-14.5	-23.6
INTERNATIONAL EQUITIES -DIVERSIFIED USD	MSCI Daily TR Net World	5455.1	USD	6.5	-13.2	-21.1	-14.3	-21.1

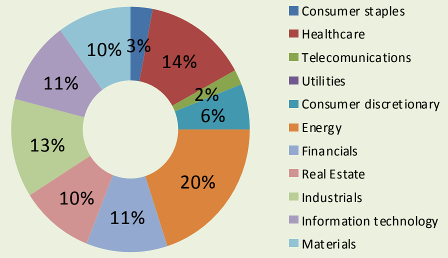
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Equities - Sectors

- Maintain defensive sector positioning
- Overweight in healthcare, consumer staples, telecommunications and gold mines
- Underweight in the technology sector
- Focus on stocks of leaders in their respective markets

International Equities allocation - sectors



Tactical Allocation

- Underweight digital stocks and technology
- Overweight healthcare, consumer staples, energy and gold mines

EQUITIES Sectors	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Consumer staples	↗	↗							
Healthcare	↗↗	↗↗							
Telecommunications	↗	↗							
Utilities	↗	↗							
Consumer discretionary	↗	↗							
Energy	↗	↗↗							
Financials	↗	↗							
Real Estate	↗	↗							
Industrials	↗	↗							
Information technology	↗	↗							
Materials	↗	↗↗							

Over the last quarter, the performance dispersion among sectors reached extreme levels in every region. In the US, only 10 segments in the S&P 500 Index posted positive performances among the 158 that make up the index. The gold mine sector topped the rankings with an increase of +31.9%, thus fully playing its role of safe haven in times of crisis. The 9 other positive segments only recorded a slight increase of approximately +5% on average. Among the 148 other segments, 80 posted performances below that of the S&P 500 (-13.6%). The oil, transport, hospitality and automobile sectors were all more heavily affected by the effects of the health crisis and the immediate economic shock resulting from the confinement measures.

Our international sector positioning focused on defensive stocks in the last few months, such as healthcare stocks and basic materials, mainly gold companies. The defensive sectors favoured in the short term to mitigate global risk in equity portfolios therefore played their role as we had expected.

We recommend adopting a strategy, continuing into Q2 2020, that aims to achieve an increasingly defensive sectoral allocation in the uncertain context of the beginning of the year. The sectors that have suffered the most from global recession expectations will not necessarily come out ahead as prospects normalise in the next few months. Our sectoral strategy will continue to focus on a defensive approach in Q2, favouring the healthcare, consumer staples and telecommunications sectors. Among the sectors that may nevertheless present opportunities in terms of valuation and factoring in of the risks of an economic downturn, REITs and the energy sector still seem attractive to our minds. We are also favouring leading companies in their respective sectors.

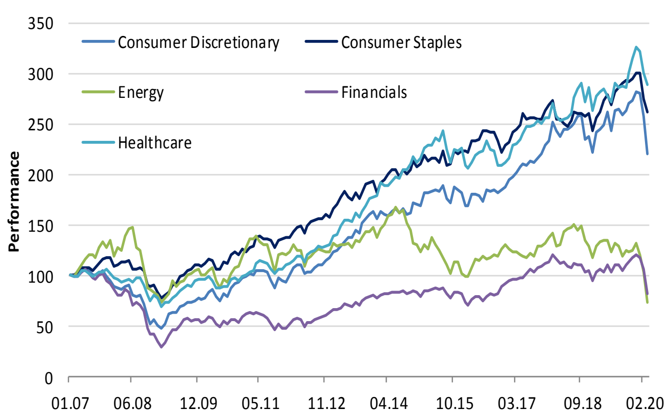
We continue to maintain underweight exposure to technological stocks, whose valuations are still very high.

EQUITIES - BY SECTOR

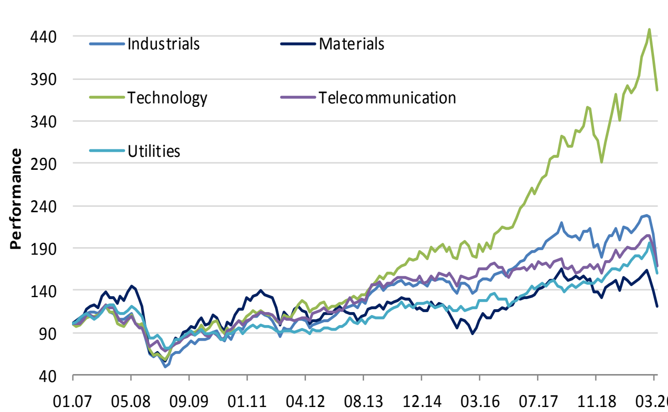
31.03.2020 — Total Return Performance

	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
CONSUMER DISCRETIONARY	MSCI WORLD/CONS DIS	216.3	USD	3.4	-14.6	-21.9	-16.5	-21.9
CONSUMER STAPLES	MSCI WORLD/CON STPL	216.6	USD	7.6	-4.8	-13.2	-10.8	-13.2
ENERGY	MSCI WORLD/ENERGY	107.4	USD	9.9	-29.3	-44.6	-41.7	-44.6
FINANCIALS	MSCI WORLD/FINANCE	85.2	USD	5.6	-22.3	-31.8	-25.7	-31.8
HEALTHCARE	MSCI WORLD/HLTH CARE	245.8	USD	10.5	-3.5	-11.3	0.9	-11.3
INDUSTRIALS	MSCI WORLD/INDUSTRL	203.1	USD	8.0	-17.7	-26.0	-20.5	-26.0
MATERIALS	MSCI WORLD/MATERIAL	198.7	USD	5.6	-13.3	-26.2	-19.8	-26.2
REAL ESTATE	MSCI WORLD/REAL ESTATE	176.2	USD	10.4	-18.1	-23.1	-22.1	-23.1
TECHNOLOGY	MSCI WORLD/INF TECH	269.4	USD	3.9	-9.3	-13.1	-0.8	-13.1
TELECOMMUNICATION	MSCI WORLD/TEL SVC	63.7	USD	3.9	-11.9	-17.4	-10.7	-17.4
UTILITIES	MSCI WORLD/UTILITY	128.7	USD	10.4	-11.6	-13.6	-11.7	-13.6

Sectors - MSCI World (Normalized at 100)



Sectors - MSCI World (Normalized at 100)



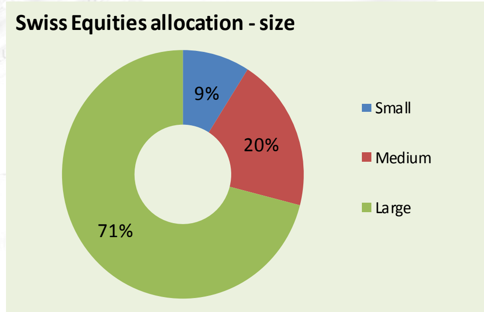
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Equities

- Panic has also seized the Swiss market
- A defensive market that is now more attractive
- New long-term opportunities

EQUITIES capitalization	Expected Return		ALLOCATION (CHF Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Small	↗	↗							
Medium	↗	↗							
Large	↗	↗							



Tactical Allocation

- Maintain a globally defensive approach
- Favor the « blue chips »

Panic has also seized the Swiss market

At the beginning of the year, we recommended a more defensive strategy due especially to the already high valuation levels compared to the actual earnings growth outlook for 2020 and the extreme complacency that seemed to characterise the behaviour of investors in the face of a rational analysis of risks and opportunities. The rise in equity markets in the first six weeks had indeed further stretched already extremely high valuation and risk levels, which did not seem to worry the majority of participants in the market. Since then, the emergence of a new factor of risk and uncertainty, namely Covid-19, completely overturned perceptions and triggered a wave of panic in stock markets. The first wave of corrections, with the SMI down -13.5% since 19 February, may have tempted some investors, but we believed instead that the health context and economic prospects called for caution. After a first phase of correction in stock markets, we recommended maintaining a preservation of capital approach. As we did not expect the flow of bad news to stop in Europe, we recommended caution in this particularly uncertain environment. The stock market panic which then developed was accompanied by a -35% correction in prices over a few days.

The wave of panic also hit Switzerland and did not spare the SMI's blue chips. Although the defensive nature of the Swiss market did not prevent a drop in the SMI and SPI indices initially, the rebound after 17 March was particularly significant. At the end of the quarter, Swiss equities posted one of the best performances and ended the quarter with a limited -11.8% drop, a rather positive result by international comparison (-21%).

A defensive market that is now more attractive

At the start of the year, we wrote that "the Swiss market continues to benefit from certain advantages that might well enable it to remain among the best performers in developed markets in 2020. Indeed, in the current economic and political context, Swiss equities have preserved a few essential advantages. The Swiss market is usually perceived as a defensive market, especially due to the weight of its three main blue chips, Novartis, Roche and Nestlé. The pharmaceutical and food sectors are classic defensive segments that may still appeal in 2020 to investors and strategists looking for positions in solid defensive stocks. A selection process seeking high-quality, defensive blue chips offering attractive dividend yields in a traditionally strong currency is unlikely to overlook the Swiss market. Equity allocations should thus logically include more defensive securities. The Swiss market offers a significant number of stocks whose capacity to generate cash flow is high by international standards. Swiss companies are well managed, enjoy a stable political environment and are often leaders in their respective fields, and these very characteristics, as well as the visibility of their earnings growth, are likely to make them attractive to international investors."

New long-term opportunities

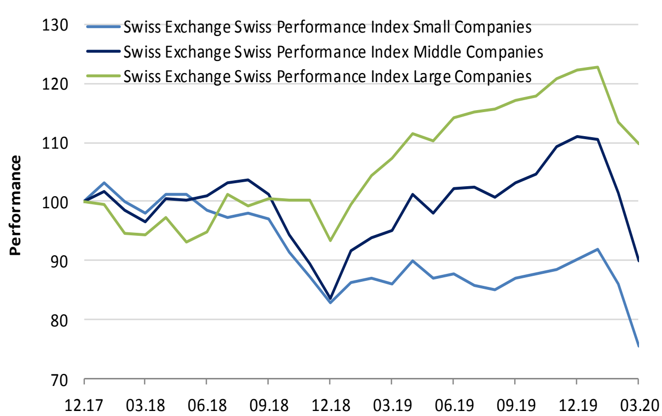
After a historic market crash that reduced the valuations of Swiss shares by -35%, and in the face of increasingly high uncertainty at the start of Q2, Swiss equities now more than ever may be seen as a reasonable compromise with regards to some measured risk-taking. After recommending the implementation of preservation of capital strategies with the aim of protecting exposures in Swiss securities from an expected drop in prices, our investment policy has focused on a reduction, and even complete elimination of these protection strategies since mid-March. In other words, we believe that the share price corrections resulting from the bear market in February-March have probably already taken into account risks of Swiss multinationals' profits dropping for a period that we feel is longer than the likely real effects of Covid-19 on Switzerland's economy and on global GDP growth.

SWISS EQUITIES - Capitalization

31.03.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SPI SWISS PERFORMANCE IX	11319.5	6.7	-4.9	-11.8	-7.5	-11.8
SPI SMALL COMPANIES INDX	20916.8	4.5	-12.2	-16.3	-13.2	-16.3
SPI MIDDLE COMPANIES IDX	14887.3	5.9	-11.3	-19.0	-12.9	-19.0
SPI LARGE COMPANIES INDX	10967.1	6.9	-3.3	-10.2	-6.2	-10.2

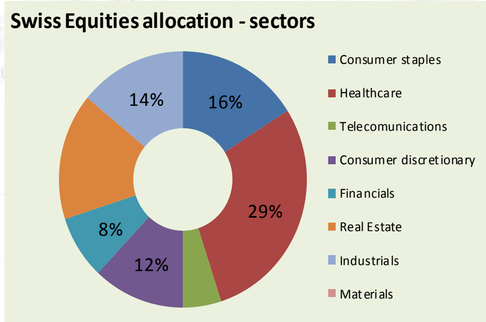
Swiss Equities Performance



Graph sources: Bloomberg/BearBull Global Investments

Swiss Equities - Sectors

SWISS EQUITIES Sectors	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Consumer staples	↗	↗							
Healthcare	↗↗	↗↗							
Telecommunications	↗	↗							
Consumer discretionary	↗	↗							
Financials	↗	↗							
Real Estate	↗↗	↗↗							
Industrials	↗	↗							
Materials	↗	↗							



Tactical Allocation

- Overweight healthcare, consumer staples and telecommunications
- Beware of financial and insurance

Limited growth prospects for prices in 2020

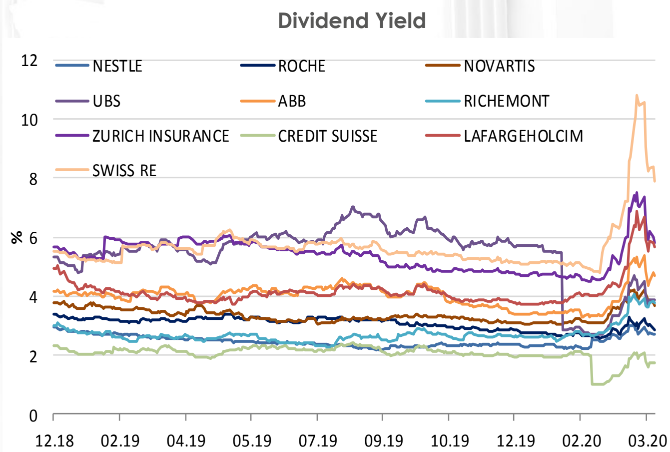
As the year kicks off, SMI stocks seem to have a more reduced margin for growth after their rise in December. In the last few weeks, only four stocks among the SMI's 20 have seen their 12-month average target price adjusted upward. Gradual revisions of earnings prospects in 2020 have thus not significantly modified price growth targets. Overall, the price growth target for the SMI's 20 stocks is below +4% for the three main blue chips and below +1.5% for the other stocks taken as a whole.

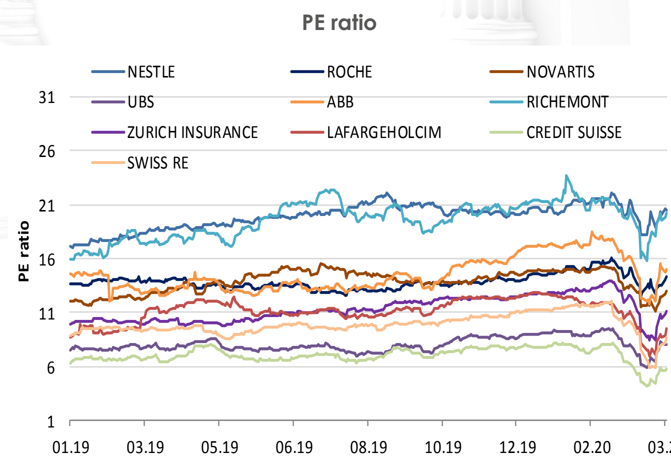
In other words, the SMI index currently already seems to have reached its 12-month average price target considering earnings growth expectations in 2020. Among the four stocks that held out attention in our previous Investment Strategy, Sika posted the best performance of the SMI with a +24.55% quarterly rise. Lafarge also achieved satisfactory results (+9.3%), posting the fifth best performance and clearly outperforming the SMI index (+5.3%).

We recommend limiting exposure to the Sika stock, which has reached our valuation target. Expected price growth for Lafarge, Swatch and Richemont is still above that of the market. These three stocks offer attractive prospects and remain our preferred choice. The bottom-up approach also favours two stocks from the banking sector with expected price growth of approximately +10%.

Dividend yield remains a selection factor

Dividend yields for the SMI (2.9%) and SPI (2.7%) remain high and attractive in the current context of persistently low rates. Quality high-yield stocks will still be sought after by investors in 2020. Among Switzerland's three ultra blue chips, Novartis' yield (3.1%) remains significant and superior to that of Roche (2.75%) and Nestlé (2.37%). The financial sector continues to offer the best yields in the market, often in excess of 4%. This factor will remain significant in the stock selection process.

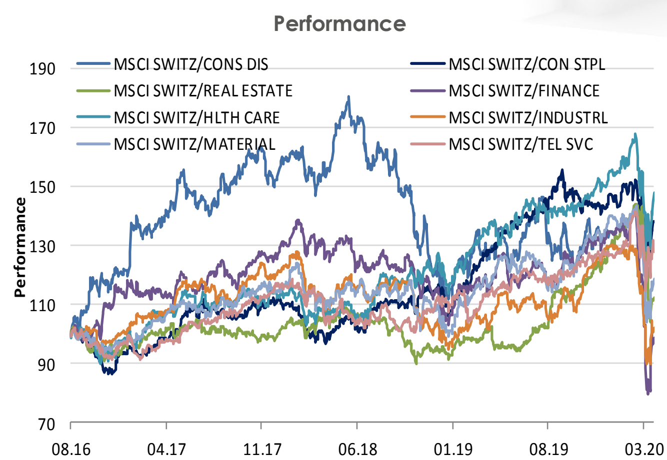




SWISS EQUITIES - BY SECTOR

31.03.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
MSCI SWITZ/CONS DIS	189.7	-2.0	-19.9	-32.5	-29.6	-32.5
MSCI SWITZ/CON STPL	328.8	5.9	0.8	-4.7	-7.4	-4.7
MSCI SWITZ/FINANCE	44.7	7.3	-16.1	-26.1	-21.6	-26.1
MSCI SWITZ/HLTH CARE	173.3	9.2	0.9	-3.7	2.3	-3.7
MSCI SWITZ/INDUSTRL	151.8	3.6	-10.4	-21.0	-10.1	-21.0
MSCI SWITZ/MATERIAL	288.9	3.3	-7.5	-14.8	-4.1	-14.8
MSCI SWITZ/REAL ESTATE	1102.9	5.1	-16.7	-13.6	-1.0	-13.6
MSCI SWITZ/TEL SVC	98.3	0.5	1.3	1.5	5.7	1.5



Graph sources: Bloomberg/BearBull Global Investments

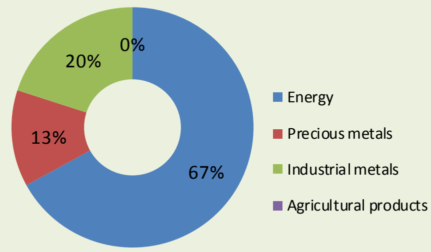
BearBull Global Investments Group

PROSPECTS AND STRATEGIES

Commodities

- Prospects still positive in 2020
- New increases in Brent crude and WTI oil prices to $70
- Rising gold prices and outperformance of silver
- Industrial metals to perk up soon

Commodities allocation



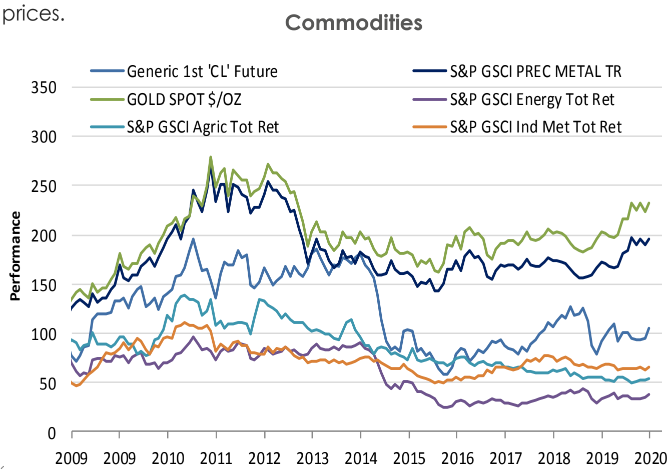
Tactical Allocation

- Overweight energy, precious metals and industrial metals
- Underweight agricultural products

COMMODITIES	Expected Return		ALLOCATION (CHF Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Energy	↗↗	↗↗							
Precious metals	↗	↗							
Industrial metals	↗	↗↗							
Agricultural products	↗	↗							

Crude oil war slams commodity indices

Prospects for 2020 were looking up for commodities in a context of likely economic reinforcement driven by a long-awaited truce between China and the US. The manufacturing sector was likely to recover, and demand for most commodities was expected to rise overall given the positive context. The Covid-19 epidemic spoiled the party first at the start of the year by creating an initial phase of uncertainty about short-term changes in Chinese demand, which initially penalised industrial metals in January. The S&P Goldman Sachs Industrial Metals index dropped by a little more than -9%, a clearly more measured decline than that of US crude oil (WTI), which fell nearly -20%, while gold prices only appreciated by +5%. The health crisis in China shocked commodity markets, but markets only really began to panic when the epidemic that was meant to be contained within China appeared in Italy. As the risks of a pandemic and global slowdown were perceived as increasingly likely, energy and industrial metal prices declined further still. However, an additional specific event added fuel to the fire and definitively drove down prices for most commodities. Saudi Arabia's declaration of war on US shale oil occurred at the beginning of March, when it was clear that China, the top commodities and oil consumer in the world, was going to experience a significant economic downturn, causing a negative shock in the demand for commodities. The two major market segments that are energy and industrial metals suffered price drops logically related to the collapse in short-term economic prospects. The energy index fell by -61.1% over the quarter, while industrial metals managed to drop by only -17.6%. Even the agricultural products sector could not withstand the radical change in stock market climate and ended the quarter down -9.4%. Given the worrying economic outlook, the ongoing uncertainty benefitted industrial metals, up +2.1%, and gold especially, once again an effective safe haven, up +4%. The first quarter thus proved particularly difficult as well for commodities as an asset class, with an overall decline of -42.3%, essentially driven by oil prices.



Graph sources: Bloomberg/BearBull Global Investments

The worst is over, now is the time for repositioning

Commodities suffered a more intense shock than equity markets but, at time of writing, have not yet benefitted from the return of investors as have equity markets and other risky assets. The prevailing macroeconomic scenario for commodities remains characterised by a negative consensus on global growth prospects and especially prospects of a Chinese recovery, even though the latter has already begun. Furthermore, the unusual situation in the oil market in the last few weeks is not cause for optimism. The action led by Saudi Arabia to recover market share and hit the shale oil industry responsible for global overproduction cannot have an immediate impact. However, in the long term, a drop in oil prices may cause significant damage to the US crude oil production chain, which may have more lasting effects. Given the global economic slowdown, Saudi Arabia's action may seem reckless since it widens the gap between actual production and falling demand for crude oil at a time when global storage capacities are beginning to max out. We believe that H2 will likely bring together the conditions necessary for a sharp recovery in commodity prices, once economic growth expectations have integrated post-Covid-19 prospects. We believe the worst is over for industrial metals and energy prices.

We recommend an overweight exposure to these two market segments in a logic of medium-term repositioning of commodities within diversified portfolios especially. With regards to precious metals and gold in particular, the risks of a rise in inflation must be highlighted after the announced injections of liquidities in the international financial system and the global economy. Gold prices are expected to appreciate beyond $1,700 a ounce and reach the peak already recorded in 2011 of $1,900 per ounce.

COMMODITIES (USD)

31.03.2020 — Total Return Performance

N° ISIN	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
	MSCI Daily TR Net World USD	5455.06	USD	6.46	-13.23	-21.05	-14.30	-21.05
GLOBAL	S&P GSCI Tot Return Indx	1494.3	USD	-5.6	-29.4	-42.3	-37.6	-42.3
WTI CRUDE	Generic 1st 'CL' Future	20.5	USD	-14.7	-54.2	-66.5	-62.1	-66.5
BRENT OIL	Generic 1st 'CO' Future	22.7	USD	-16.2	-55.0	-65.5	-62.6	-65.5
NATURAL GAS	Generic 1st 'NG' Future	1.6	USD	-0.8	-2.6	-25.1	-29.6	-25.1
OR	GOLD SPOT $/OZ	1577.2	USD	-3.4	-0.5	3.9	7.1	3.9
ARGENT	Silver Spot $/Oz	14.0	USD	-2.1	-16.1	-21.7	-17.8	-21.7
AGRICULTURE	S&P GSCI Agric Indx Spot	274.1	USD	-1.4	-4.1	-9.2	-2.4	-9.2
INDUSTRIAL METALS	S&P GSCI Ind Metal Spot	267.9	USD	1.8	-10.1	-17.4	-16.2	-17.4

Rising crude prices in H2, average price of $50 in 2020

The structure of oil futures prices clearly suggests that oil prices will soon rise significantly. Indeed, the Brent futures market already presents an exceptional situation of “contango”. The current spread between "spot" prices and the price of a barrel of oil in six and twelve months is again the highest since 2014 and stands between $ 6 and $ 7. The market therefore expects a temporary increase in inventories, which will be followed by a recovery in demand and a significant rise in prices of almost + 20%. Our global scenario for the year 2020 favours an evolution of the market in two phases. The first phase is underway and is characterised by a decrease in demand linked to the Covid-19 crisis (between 0.5 and 1 million barrels per day) and an increase in supply driven by the strategy of winning shares of Saudi Arabia’s markets of around 1.5 million barrels per day. A likely decline in US production, an agreement on new OPEC + quotas including Russia and a subsequent recovery in demand (+1 million barrels per day) after the Covid-19 crisis should characterise the second half. These market conditions should make it possible to reach an average price of $ 50 in the year 2020.

In summary, the fall in recent weeks is therefore similar to that observed in 2015, which hit $ 26 a barrel before rebounding above $ 50 and then stabilising for four years between $ 50 and $ 60. Saudi Arabia's initial strategy to cut OPEC production to keep supply and demand balanced against the backdrop of a weaker economic outlook for Covid-19 was not followed by the Russia. Saudi Arabia has temporarily lowered prices, which we believe will gradually rise above $ 50.

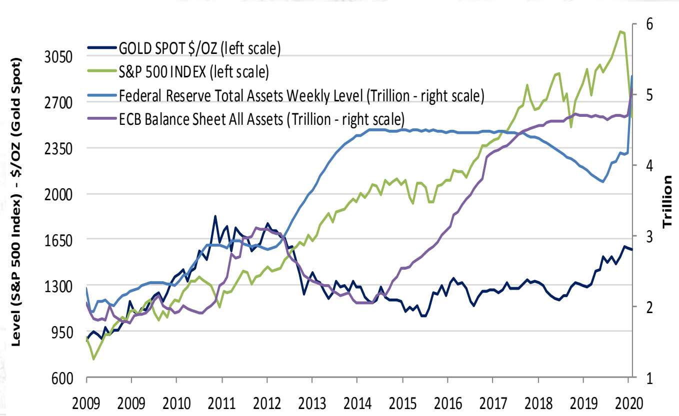
Massive return of investment demand for physical gold

At the beginning of the year, we estimated that gold prices would likely be shored up by a recovery in demand for investment caused by a desire to protect oneself against risks of a rise in volatility in financial markets after a truly exceptional year in 2019. The last few weeks confirmed this forecast which saw quantities of physical gold held in ETFs jump from 82.9 in December 2019 to 92 million ounces on 8 April 2020, significantly exceeding the historic high reached in 2012 of 82.5 million ounces. The massive return of investment in physical gold is related not only to the dramatic rise in uncertainty but also to the possible increases in price indices in the next few months, following the massive injections of liquidity. Let us note that we expect approximately 10 trillion in liquidity injections in the next few months following the decisions announced by central banks and governments. A return of inflation that seems unthinkable in a time of sharp economic slowdown!

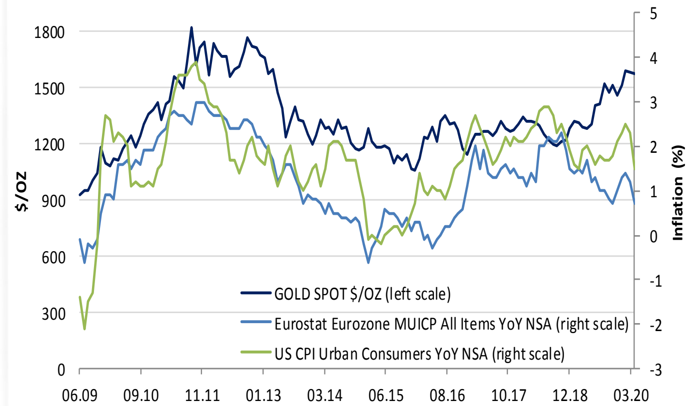
Renewed interest in industrial metals

Industrial metals have also suffered the shock of contracting economic prospects. The rise in inventories is undeniable, and the impact on prices has already been significant in 2019 and has worsened further still in 2020. Supply and demand are not likely about to reach equilibrium, but storage capacities are more significant and easier to implement. We reckon that perceptions of the effects of the health crisis on China’s economy and the global economy are likely to improve soon and favour renewed interest in industrial metals.

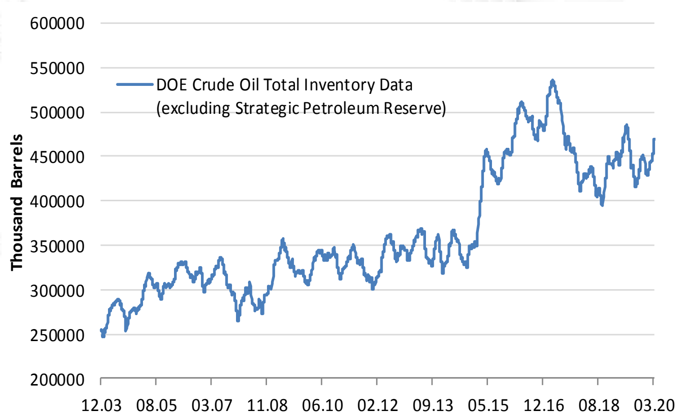
Gold and Global liquidity



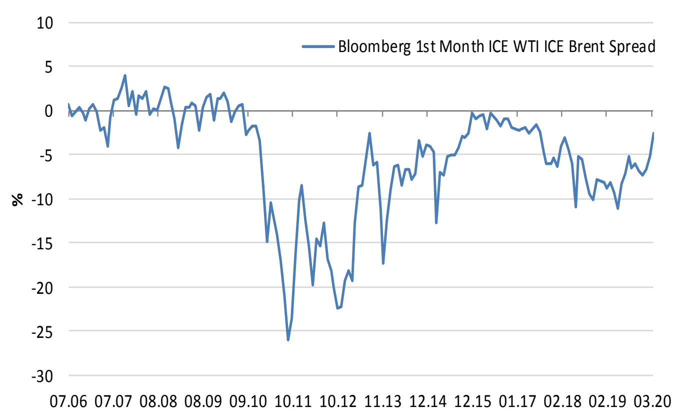
Gold and Inflation



Crude Oil Inventory (USA)



WTI - Brent Price Spread



Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Hedge Funds

- Limited downturn in hedge fund segment

Limited downturn in hedge fund segment

While hedge funds were also affected by the difficult economic context in Q1 2020, the downturn was more limited than in international equity markets. Indeed, initially the global hedge fund index progressed horizontally in January-February before losing -5.88% in March, for an overall quarterly correction of -6.85%.

Nevertheless, the various strategies were not equally successful, with results diverging significantly. Thus, while macro/CTA (-1.18%), relative value arbitrage (-5.44%) and event-driven strategies (-5.51%) posted performances above -6%, the equity hedge strategy dropped by -13.33% in 2020.

Private Equity

- Worse quarter in the ten last years

Worse quarter in the ten last years

The private equity segment suffered heavily from the increase in volatility from the end of February, by which time it had progressed by close to +10% since the start of the year, until the penultimate week of March. Indeed, following a steep correction of -48%, the asset class bounced back by +28% over just three trading days in a relief rally, closing the quarter down -30.48% and entirely wiping out what had been the highest annual increase in the last ten years (+45.40% in 2019).

All geographic areas followed a similar trend, with the US (-35.31%), Europe (-30.98%) and the UK (-31.30%) all correcting by more than -30% in the first three months of the year.

HEDGE FUND INDICES (USD)

31.03.2020 — Total Return Performance

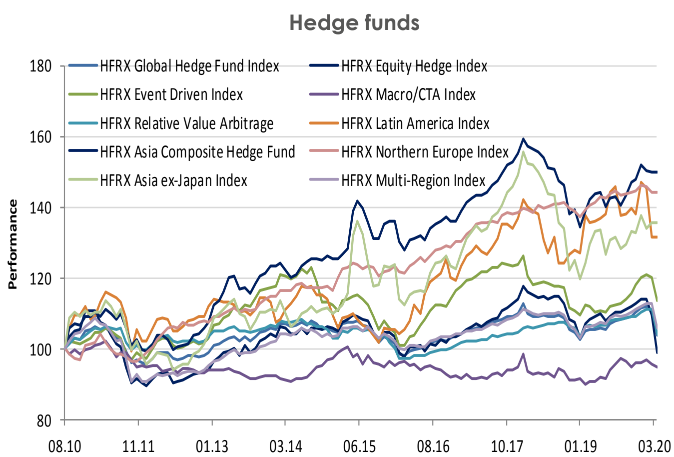
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	HFRX Global Hedge Fund Index	1203.9	USD	2.0	-5.9	-6.9	-4.5	-6.9
EQUITY HEDGE	HFRX Equity Hedge Index	1104.6	USD	3.0	-9.6	-13.3	-11.0	-13.3
EVENT DRIVEN	HFRX Event Driven Index	1528.7	USD	1.8	-5.5	-5.5	-0.4	-5.5
MACRO/CTA	HFRX Macro/CTA Index	1166.7	USD	0.5	-0.8	-1.2	-1.4	-1.2
RELATIVE VALUE ARBITRAGE	HFRX Relative Value Arbitrage	1179.9	USD	2.5	-6.1	-5.4	-3.9	-5.4
LATIN AMERICA*	HFRX Latin America Index	2148.7	USD	-	0.0	-10.5	-4.5	-10.5
ASIA COMPOSITE*	HFRX Asia Composite Hedge Fund Index	2415.9	USD	-	0.0	-1.4	4.5	-1.4
NORTHERN EUROPE*	HFRX Northern Europe Index	2080.0	USD	-	0.0	-1.6	0.2	-1.6
ASIA EX-JAPAN*	HFRX Asia ex-Japan Index	2561.2	USD	-	0.0	-1.5	4.7	-1.5
MULTI-REGION	HFRX Multi-Region Index	1316.2	USD	2.4	-6.2	-5.7	-3.5	-5.7

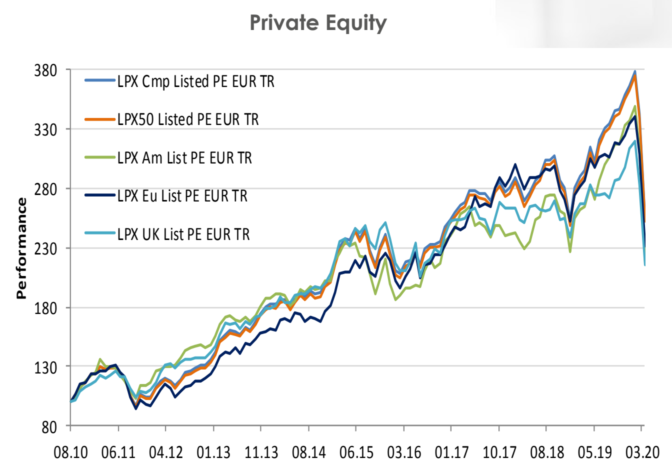
* Subject to one-month lag

PRIVATE EQUITY INDICES (EUR)

31.03.2020 — Total Return Performance

	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
COMPOSITE	LPX Cmp Listed PE EUR TR	211.3	EUR	8.7	-25.9	-30.6	-26.4	-30.6
MAJOR COMPANIES	LPX50 Listed PE EUR TR	1995.8	EUR	8.7	-25.8	-30.5	-26.1	-30.5
USA	LPX Am List PE EUR TR	289.5	EUR	10.1	-30.3	-35.3	-31.5	-35.3
EUROPE	LPX Eu List PE EUR TR	738.5	EUR	7.9	-25.3	-31.0	-27.5	-31.0
UK	LPX UK List PE EUR TR	241.3	EUR	15.3	-23.9	-31.3	-24.6	-31.3





Graph sources: Bloomberg/BearBull Global Investments

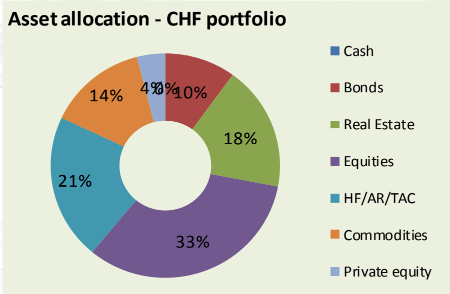
GLOBAL STRATEGY & ASSET ALLOCATION

Graph sources: Bloomberg/BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

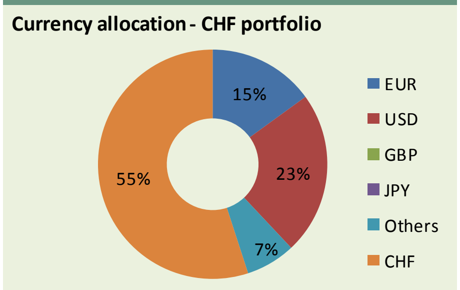
Diversified portfolio: Medium Risk - CHF

- New opportunities for corporate bonds
- Repositioning in securitised real estate
- Increase in equity allocation
- Opportunities for commodities and private equity



Tactical Allocation

- More constructive defensive strategy
- Partial reinvestment of cash on risky assets



ASSETS	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Cash	↘	↘							
Bonds	↘	↘							
Real Estate	↗	↗							
Equities	↗	↗							
Hedge funds	↗	↗							
Commodities	↗	↗							
Private equity	↗	↗							

Asset allocation

Our investment strategy focuses primarily on traditional liquid assets (liquidities, bonds, equities and real estate), supplemented with other diversified and tradable assets (commodities, hedge funds, private equity).

Bonds

Interest rates reacted in March to the growing risk of a pandemic and the latter's effects on global growth prospects for 2020, as the epicentre of the pandemic moved to the US. Following a historical collapse in yields, the disruptions in the credit market drove rates beyond the levels that prevailed before the market downturn. The fiscal stimulus packages that have supplemented central banks' cash injection programmes have fuelled the return of inflationary concerns and an increase in required rates of return relating to countries' growing budget deficits and debt-to-GDP ratios. Risk premiums for the corporate, high-yield and emerging market segments are higher once again and now offer better risk/return ratios. We recommend a cautious bond strategy and reduced global exposure favouring dollar investments and short maturities.

Equities

The equity market collapse through mid-March was certainly excessive in the short term. Risk scores moved quickly into a lower risk zone in March, before all markets settled at a slightly higher risk level at the end of March, due to the rapid rebound observed during the second part of the month. Mid-month we recommended returning to a neutral to slightly overweight position in this asset class before prices rebounded. At current levels, we recommend maintaining more constructive yet reasonable weightings due to the uncertainty that still persists.

Commodities

Commodities suffered a more intense shock than equity markets but, at time of writing, have not yet benefited from the return of investors. We believe that H2 may bring together the necessary conditions for a sharp recovery in commodity prices once economic growth expectations have integrated new post-Covid-19 prospects. The worst now already seems behind us for industrial metals and energy prices. Overweight precious metals.

Real estate

Real estate remains the main alternative to rate markets. After drawing attention to the high risk levels in real estate, we now suggest, following the unwarranted value corrections in securitised real estate, resuming an overweight tactical allocation both in Switzerland and internationally. We favour real estate markets in countries and regions that can rely on the action of powerful central banks and the commitment of governments with sufficient means to implement effective fiscal and budgetary measures. Our regional allocation thus favours the US and continental Europe.

Currencies

Covid-19 temporarily increased demand for Swiss francs, but we believe this demand will drop as the health situation improves. The US dollar remains the favoured currency, even though the yield spread has tightened significantly from levels that prevailed before the outbreak of the current crisis.

Market performances - Q1 2020

		Q1 2020 local	Q1 2020 CHF	YTD local	YTD CHF
Exchange rates					
USD/CHF		-0.6%		-0.6%	
EUR/CHF		-2.3%		-2.3%	
GBP/CHF		-6.9%		-6.9%	
JPY/CHF		0.3%		0.3%	
Equity markets					
World	MSCI World USD	-21.1%	-21.5%	-21.1%	-21.5%
Europe	DJ Stoxx 600	-22.6%	-24.4%	-22.6%	-24.4%
Eurozone	DJ Eurostoxx 50	-25.6%	-27.3%	-25.6%	-27.3%
	MSCI Europe S.C.	-29.0%	-30.7%	-29.0%	-30.7%
Germany	Dax 30	-25.0%	-26.7%	-25.0%	-26.7%
France	Cac 40	-26.5%	-28.2%	-26.5%	-28.2%
United Kingdom	FTSE 100	-24.8%	-30.0%	-24.8%	-30.0%
Switzerland	SPI	-11.8%	-11.8%	-11.8%	-11.8%
	SMI	-12.3%	-12.3%	-12.3%	-12.3%
	MSCI Swiss S.C.	-19.1%	-19.1%	-19.1%	-19.1%
North America	SP500	-20.0%	-20.5%	-20.0%	-20.5%
	Nasdaq	-14.2%	-14.7%	-14.2%	-14.7%
	Tse 300	-21.6%	-28.0%	-21.6%	-28.0%
	SP600 Small C.	-32.9%	-33.3%	-32.9%	-33.3%
Japan	Nikkei 225	-20.0%	-19.8%	-20.0%	-19.8%
Emerging	MSCI EMF USD	-23.9%	-24.3%	-23.9%	-24.3%

		Q1 2020 local	Q1 2020 CHF	YTD local	YTD CHF
Interest rates (3 months)		*(level)*			
CHF		-0.66%			
EUR		-0.25%			
USD		1.45%			
JPY		-0.05%			
Bonds markets					
World	Citi Gr Global Govt.USD	2.0%	1.4%	2.0%	1.4%
Europe	Euro Ser-E Gov > 1	0.3%	-2.0%	0.3%	-2.0%
United Kingdom	UK Ser-E Gov > 1	6.9%	-0.6%	6.9%	-0.6%
Switzerland	SBI Général AAA-BBB	-2.6%	-2.6%	-2.6%	-2.6%
	SBI Govt.	-0.5%	-0.5%	-0.5%	-0.5%
USA	US Ser-E Gov > 1	8.2%	7.6%	8.2%	7.6%
Japan	Japan Ser-E Gov > 1	-0.4%	0.0%	-0.4%	0.0%
Emerging	J.P. Morgan EMBI Global	-11.8%	-12.3%	-11.8%	-12.3%
Miscellaneaous					
	LPP 25 Index	-6.4%	-6.4%	-6.4%	-6.4%
	LPP 40 Index	-8.8%	-8.8%	-8.8%	-8.8%
	LPP 60 Index	-12.1%	-12.1%	-12.1%	-12.1%
Real Estate CH	DB RB Swiss Real Est Fd	-1.8%	-1.8%	-1.8%	-1.8%
Hedge Funds	Hedge Fund Research USD	-7.1%	-7.6%	-7.1%	-7.6%
Commodities	GS Commodity USD	-42.3%	-42.7%	-42.3%	-42.7%

Graph sources: Bloomberg/BearBull Global Investments

BearBull Global Investments Group

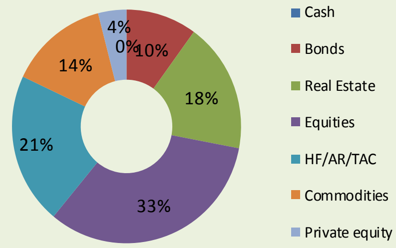
GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - EUR

- New opportunities for corporate bonds
- Repositioning in securitised real estate
- Increase in equity allocation
- Opportunities for commodities and private equity

ASSETS	Expected Return		ALLOCATION (EUR Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Cash	↘	↘							
Bonds	↘	↘							
Real Estate	↗	↗							
Equities	↗	↗							
Hedge funds	↗	↗							
Commodities	↗	↗							
Private equity	↗	↗							

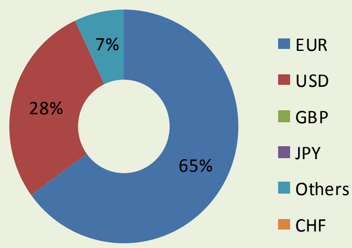
Asset allocation - EUR portfolio



Tactical Allocation

- More constructive defensive strategy
- Partial reinvestment of cash on risky assets

Currency allocation - EUR portfolio



Asset allocation

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Graph sources: Bloomberg/BearBull Global Investments

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Currencies

Covid-19 and the situation in Italy penalised the euro area and the single currency. We believe that the euro is likely to recover as the health situation improves. The US dollar remains the favoured currency, even though the yield spread has tightened significantly from levels that prevailed before the outbreak of the current crisis.

Market performances - Q1 2020

		Q1 2020 local	Q1 2020 EUR	YTD local	YTD EUR
Exchange rates					
USD/EUR		1.6%		1.6%	
CHF/EUR		2.3%		2.3%	
GBP/EUR		-4.8%		-4.8%	
JPY/EUR		2.7%		2.7%	
Equity markets					
World	MSCI World USD	-21.1%	-19.8%	-21.1%	-19.8%
Europe	DJ Stoxx 600	-22.6%	-22.6%	-22.6%	-22.6%
Eurozone	DJ Eurostoxx 50	-25.6%	-25.6%	-25.6%	-25.6%
	MSCI Europe S.C.	-29.0%	-29.0%	-29.0%	-29.0%
Germany	Dax 30	-25.0%	-25.0%	-25.0%	-25.0%
France	Cac 40	-26.5%	-26.5%	-26.5%	-26.5%
United Kingdom	FTSE 100	-24.8%	-28.4%	-24.8%	-28.4%
Switzerland	SPI	-11.8%	-9.8%	-11.8%	-9.8%
	SMI	-12.3%	-10.2%	-12.3%	-10.2%
	MSCI Swiss S.C.	-19.1%	-17.7%	-19.1%	-17.7%
North America	SP500	-20.0%	-18.7%	-20.0%	-18.7%
	Nasdaq	-14.2%	-12.8%	-14.2%	-12.8%
	Tse 300	-21.6%	-26.4%	-21.6%	-26.4%
	SP600 Small C.	-32.9%	-31.8%	-32.9%	-31.8%
Japan	Nikkei 225	-20.0%	-17.9%	-20.0%	-17.9%
Emerging	MSCI EMF USD	-23.9%	-22.6%	-23.9%	-22.6%

		Q1 2020 local	Q1 2020 EUR	YTD local	YTD EUR
Interest rates (3 months)		*(level)*			
CHF		-0.66%			
EUR		-0.25%			
USD		1.45%			
JPY		-0.05%			
Bonds markets					
World	Citi Gr Global Govt.USD	2.0%	4.4%	2.0%	4.4%
Europe	Euro Ser-E Gov > 1	0.3%	0.3%	0.3%	0.3%
United Kingdom	UK Ser-E Gov > 1	6.9%	1.7%	6.9%	1.7%
Switzerland	SBI Général AAA-BBB	-2.6%	-0.3%	-2.6%	-0.3%
	SBI Govt.	-0.5%	1.8%	-0.5%	1.8%
USA	US Ser-E Gov > 1	8.2%	10.0%	8.2%	10.0%
Japan	Japan Ser-E Gov > 1	-0.4%	2.3%	-0.4%	2.3%
Emerging	J.P. Morgan EMBI Global	-11.8%	-10.3%	-11.8%	-10.3%
Miscellaneaous					
	LPP 25 Index	-6.4%	-4.2%	-6.4%	-4.2%
	LPP 40 Index	-8.8%	-6.7%	-8.8%	-6.7%
	LPP 60 Index	-12.1%	-10.1%	-12.1%	-10.1%
Real Estate CH	DB RB Swiss Real Est Fd	-1.8%	-1.8%	-1.8%	0.5%
Hedge Funds	Hedge Fund Research USD	-7.1%	-5.6%	-7.1%	-5.6%
Commodities	GS Commodity USD	-42.3%	-41.4%	-42.3%	-41.4%

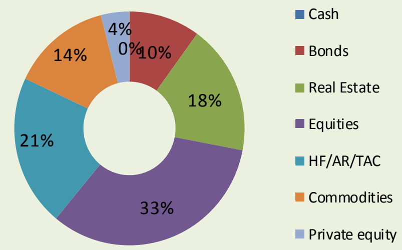
BearBull Global Investments Group

GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - USD

- New opportunities for corporate bonds
- Repositioning in securitised real estate
- Increase in equity allocation
- Opportunities for commodities and private equity

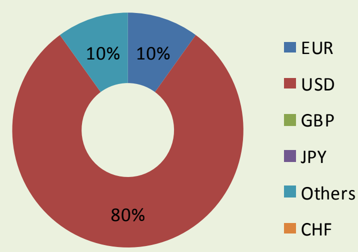
Asset allocation - USD portfolio



Tactical Allocation

- More constructive defensive strategy
- Partial reinvestment of cash on risky assets

Currency allocation - USD portfolio



ASSETS	Expected Return		ALLOCATION (USD Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Cash	↘	↘							
Bonds	↘	↘							
Real Estate	↗	↗							
Equities	↗	↗							
Hedge funds	↗	↗							
Commodities	↗	↗							
Private equity	↗	↗							

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Currencies

The US dollar successfully played its role as safe-haven currency during the Covid-19 crisis despite the collapse in the yield spread that prevailed before the Fed's rate cuts. An exit from the health crisis may temporarily weaken the dollar, which we believe will remain the safest currency.

Market performances - Q1 2020

		Q1 2020		YTD	
		local	USD	local	USD
Exchange rates					
CHF/USD		0.7%		0.7%	
EUR/USD		-1.6%		-1.6%	
GBP/USD		-6.3%		-6.3%	
JPY/USD		1.0%		1.0%	
Equity markets					
World	MSCI World USD	-21.1%	-21.1%	-21.1%	-21.1%
Europe	DJ Stoxx 600	-22.6%	-23.8%	-22.6%	-23.8%
Eurozone	DJ Eurostoxx 50	-25.6%	-26.8%	-25.6%	-26.8%
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	SMI	-12.3%	-11.7%	-12.3%	-11.7%
	MSCI Swiss S.C.	-19.1%	-19.1%	-19.1%	-19.1%
North America	SP500	-20.0%	-20.0%	-20.0%	-20.0%
	Nasdaq	-14.2%	-14.2%	-14.2%	-14.2%
	Tse 300	-21.6%	-27.6%	-21.6%	-27.6%
	SP600 Small C.	-32.9%	-32.9%	-32.9%	-32.9%
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Emerging	MSCI EMF USD	-23.9%	-23.9%	-23.9%	-23.9%

		Q1 2020		YTD	
		local	USD	local	USD
Interest rates (3 months)		*(level)*			
CHF		-0.66%			
EUR		-0.25%			
USD		1.45%			
JPY		-0.05%			
Bonds markets					
World	Citi Gr Global Govt.USD	2.0%	2.7%	2.0%	2.7%
Europe	Euro Ser-E Gov > 1	0.3%	-1.3%	0.3%	-1.3%
United Kingdom	UK Ser-E Gov > 1	6.9%	0.1%	6.9%	0.1%
Switzerland	SBI Général AAA-BBB	-2.6%	-1.9%	-2.6%	-1.9%
	SBI Govt.	-0.5%	0.1%	-0.5%	0.1%
USA	US Ser-E Gov > 1	8.2%	8.2%	8.2%	8.2%
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Emerging	J.P. Morgan EMBI Global	-11.8%	-11.8%	-11.8%	-11.8%
Miscellaneaous					
	LPP 25 Index	-6.4%	-5.8%	-6.4%	-5.8%
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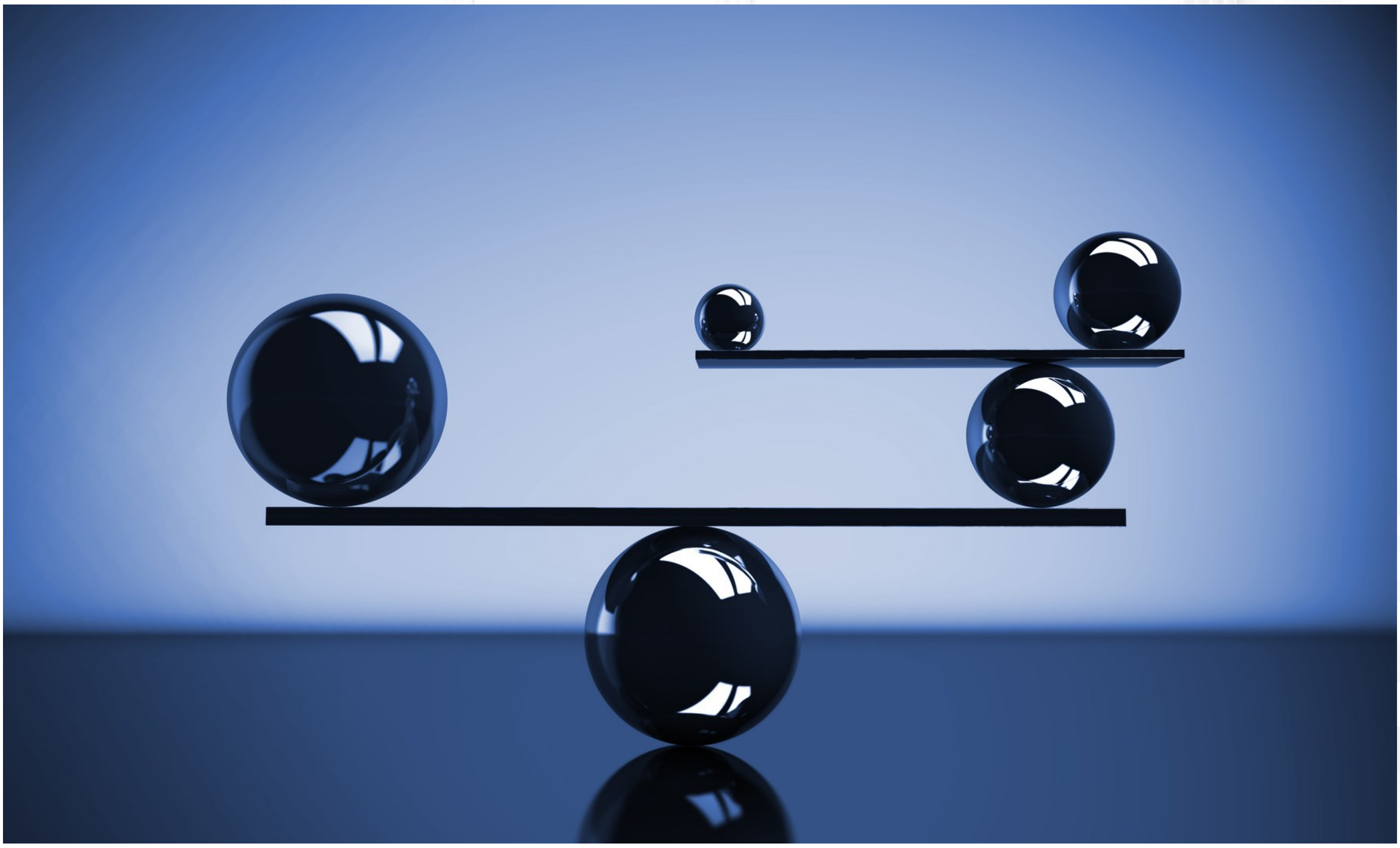
Real Estate CH	DB RB Swiss Real Est Fd	-1.8%	-1.8%	-1.8%	-1.2%
Hedge Funds	Hedge Fund Research USI	-7.1%	-7.1%	-7.1%	-7.1%
Commodities	GS Commodity USD	-42.3%	-42.3%	-42.3%	-42.3%

Graph sources: Bloomberg/BearBull Global Investments

INVESTMENT THEME
FOCUS



Graph sources: Bloomberg/BearBull Global Investments

INVESTMENT THEME

Rise in crude prices in the second semester, average price $ 50 in 2020

- Covid-19 causes first temporary demand shock
- Covid-19 and Saudi Arabia cause panic in a second step
- Saudi Arabia wants to take the initiative and gain market share
- US shale oil producers in the eye of the storm
- Crude prices rise again before the end of the year, average price $ 50 in 2020

Covid-19 causes first temporary demand shock

Covid-19 causes first temporary demand shock From the start of the Coronavirus crisis in China and well before February 21, 2020, the oil market began to anticipate a fall in global crude demand caused by a likely massive decline in Chinese imports in the 1st quarter. A first correction in prices from $ 60 to $ 50 a barrel in January testified to the change in demand expectations at the start of the year. The world's largest consumer and importer of oil was then in an unprecedented health crisis and was undertaking an uncompromising fight against the evolution of the epidemic by quarantining a city, then a province, and then establishing a global strategy at the country level.

This policy quickly resulted in a collapse in Chinese demand for raw materials and logically impacted crude prices. The year 2020 started however on excellent auspices, world demand was then estimated to increase by around 1 million barrels per day on average according to the various energy agencies, while the supply seemed to be able to be stabilized by production declines in OPEC countries and a limited increase in the US supply of unconventional oil.

The Covid-19 thus caused a temporary shock, in our view, to Chinese demand in January and February, which should recover quickly when the Chinese economy resumes a notable pace of activity. The situation is not yet ready to normalize, but the epidemic seems to have been controlled according to statistics released recently in China. Since February 21, it seems clear that the fall in Chinese demand may be accompanied by a fall in demand in the countries newly affected by Covid-19 and which are taking very strict measures to combat it. the spread of the virus. Undoubtedly, travel restrictions and the fall in international trade will have a negative impact on oil demand as well at first.

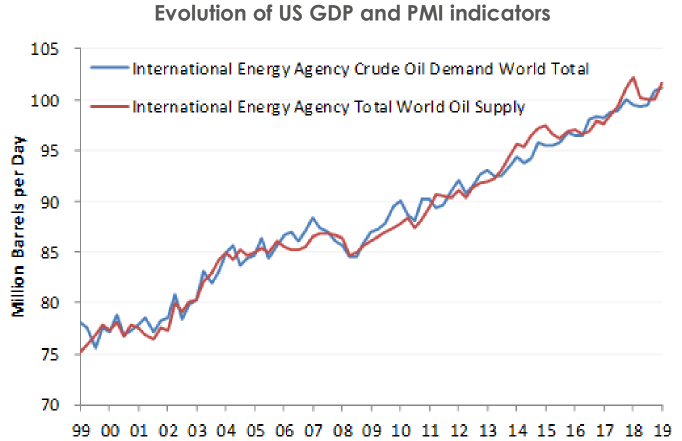
If WHO considers today that the epidemic is now a pandemic, it also notes that it is controllable. In other words, if the oil market is currently disrupted by a temporary demand shock linked to Covid-19, the latter should probably start again in the 2nd quarter when the effects of the pandemic diminish.

Covid-19 and Saudi Arabia cause panic in a second step

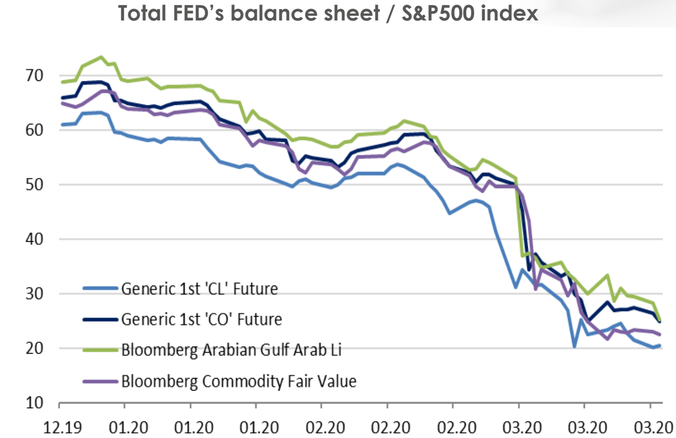
On February 21, crude oil prices resumed a downward trend, prompted by a new awareness by investors that a transmission of the Covid-19 was possible outside the borders of China with considerable potential effects on world populations. Gradually, the world also realized without being able to protect themselves that Western economies were weakened by a now extreme interdependence between them and the Chinese economy. The collapse of Chinese activity, which initially had little impact on the financial markets, has now emerged as a major threat that can affect supply and production chains in a very large number of industrial sectors in particular. The air, maritime and transport sectors in general have suffered massive effects which are sure to cause bankruptcy risks without government support in the coming weeks. At the same time, the risks of a cyclical slowdown thus appeared more serious, pushing interest rates, equity markets and commodity prices down.

Against this backdrop of panic on the financial markets, the fall in crude oil prices was again significant (-14%), but it was then exacerbated also by the shock caused by Saudi Arabia on the oil market. March 6. This handful of digital stocks (5 out of 500) has very much dragged the index as a whole upwards this year, maybe especially so in October. It is estimated that nearly two thirds of the index's growth is down to key technology stocks.

Evolution of US GDP and PMI indicators



Total FED's balance sheet / S&P500 index



Graph sources: Bloomberg/BearBull Global Investments

By decreeing a drop in its crude prices to its customers following the absence of an agreement on the reduction of quotas within OPEC +, Saudi Arabia was unintentionally throwing fuel on the fire and caused a further drop of -40% in WTI prices in two days. WTI prices then plummeted overall by -55% in six weeks.

Saudi Arabia has cut the official price of its deliveries of Arab Light for its Asian customers from $ 6 to $ 8 on average, while announcing its desire to increase its production and its supply of crude by 9.7 million barrels. per day (February) to 12.3 million barrels per day in April. This delivery target exceeds the maximum level of production estimated at 12 million barrels per day, the Saudi Minister of Finance therefore addressed the company Aramco asking to push the maximum level of production to 13 million barrels per day.

This new strategy from Saudi Arabia largely surprised observers for whom the kingdom was attached to follow a policy of supply control by limiting production if necessary, and in particular in the context of the Covid-19 crisis. This complete flip-flop completely overturned the oil market, but also contributed to the development of global panic in the financial markets in the days following this decision.

Saudi Arabia's move lowered Arab light prices, but other crude oil prices (North Sea Brent, Ural Crude, and US WTI) also had to adjust very quickly. Existing premiums contracted, especially those prevailing on the Arab light. The gap between Saudi crude and American crude (WTI) prices narrowed drastically from over $ 10 at the start of the year to around $ 3 in mid-March.

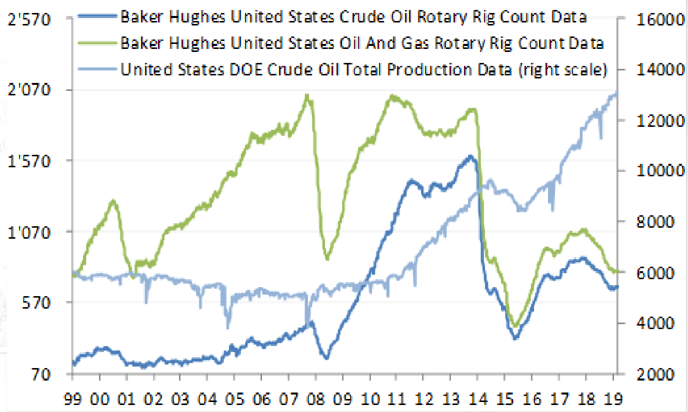
Saudi Arabia wants to take the initiative and gain market share

If Saudi Arabia has radically changed its strategy, it is probably due to the attitude of Russia. The lack of Russian support in OPEC's effort to respond to the drop in demand caused by Covid-19 has left only one option for Saudi Arabia: " to further increase the global supply, to temporarily drop prices and bring back to the negotiating table potentially those who did not feel sufficiently concerned by the management of the supply in the tense context of the 1st quarter. Meanwhile, the increase in Saudi supply at particularly competitive prices will allow it to increase its market share and perhaps keep it when the crisis is over.

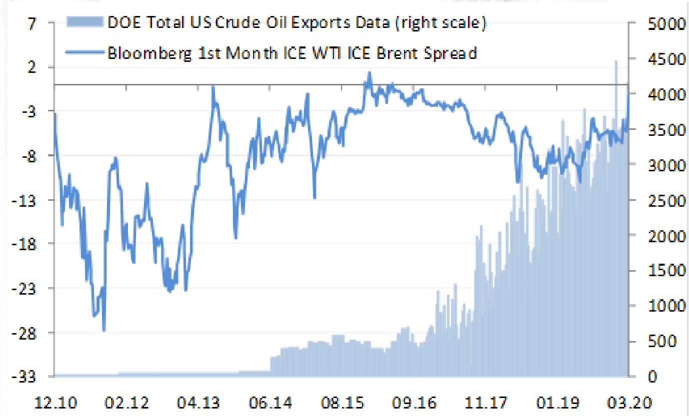
Saudi Arabia's logic, particularly in the context of the colossal costs and financing needs of the major reforms wanted by Prince MBS, would be that it seeks to maintain higher crude prices instead. The previous production cuts accepted by the Kingdom were effectively aimed at reducing supply. Its latest proposal to reduce OPEC quotas by 1.5 million barrels a day was a step in the right direction, but Russia's negative reaction pushed Saudi Arabia into action, clearly it could not cut production unilaterally.

The impact of the Saudi decision on other crude producers will be major and constitutes a revival of the price war already observed in 2014-2015. All prices of other crude oil exporters have adjusted quickly, and exporters with higher production costs are likely to be the hardest hit in this new environment, notably exports of crude oil from Ural and American shale oil.

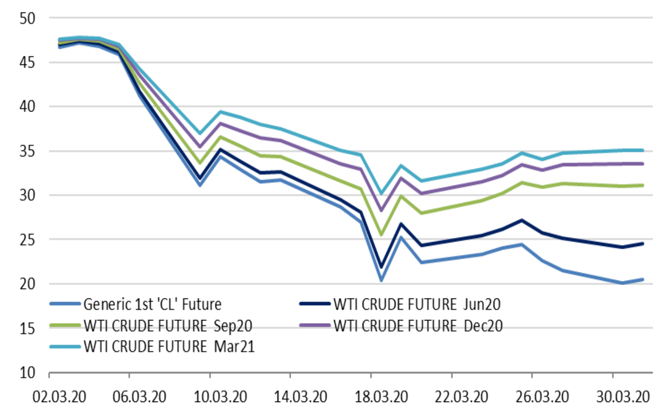
Breakdown between Tbills and Tbonds



S&P500 & P/E



S&P500 index and profit estimates



Graph sources: Bloomberg/BearBull Global Investments

US shale oil producers in the eye of the storm

The fall in the price of a barrel of Saudi crude is obviously not without consequences for Brent or WTI, which naturally fell in concert. Saudi Arabia thus also declares war on American shale oil and it is of an obvious and rational logic if we consider that the balance of the oil market is in fact always driven by OPEC and by the most important producers. efficient and at the lowest production costs. The reduction in global crude supply has been driven since the emergence of unconventional US crude production exclusively by OPEC. From a strictly economic point of view, logic would on the contrary want producers with the highest and least efficient production costs to be the first to suffer from a fall in demand and prices. It is normally ineffective to reduce the production of cheap oil because the production of American shale oil increases.

The return to an average price of a barrel has already caused significant effects on American companies which have announced drastic cuts in their CAPEX and their dividends. Their production will certainly also be reduced, but the need to maintain sufficient cash flow to meet the demands of their creditors will partially limit the decline. It is already estimated that nearly $ 500 billion in potential cash flow will fall for all shale oil producers if crude oil prices stabilize at $ 30 a barrel. Saudi Arabia is fully aware that crude prices below $ 40 or $ 35 have already had a significant impact on the number of active wells in the United States in the past. It hopes that despite efforts to rationalize the sector since 2015, its decision will act as a brutal brake on the development of the sector. Since 2015, the CAPEX of the oil sector had already largely decreased, this new episode will only increase the risks of a future reduction in production capacity in the United States.

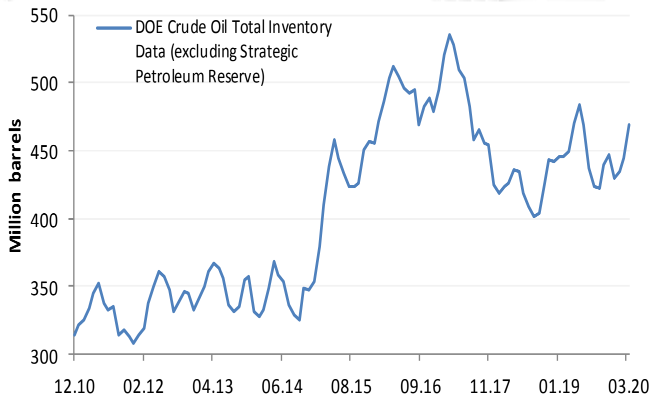
Crude prices rise again before the end of the year, average price of $ 50 in 2020

The structure of oil futures prices clearly suggests that oil prices will soon rise significantly. Indeed, the brent futures market already presents an exceptional situation of “contango”. The current spread between "spot" prices and the price of a barrel of oil in six and twelve months is again the highest since 2014 and stands between $ 6 and $ 7. The market therefore expects a temporary increase in inventories, which will be followed by a recovery in demand and a significant rise in prices of almost + 20%. Our global scenario for the year 2020 favors an evolution of the market in two phases. The first phase is underway and is characterized by a decrease in demand linked to the Covid-19 crisis (between 0.5 and 1 million barrels per day) and an increase in supply driven by the strategy of winning shares of Saudi Arabia’s markets of around 1.5 million barrels per day.

A likely decline in US production, an agreement on new OPEC + quotas including Russia and a subsequent recovery in demand (+1 million barrels per day) after the Covid-19 crisis should characterize the second half. These market conditions should make it possible to reach an average price of $ 50 in the year 2020. In summary, the fall in recent weeks is therefore similar to that observed in 2015, which hit $ 26 a barrel before rebounding above $ 50 and then stabilizing for four years between $ 50 and $ 60. Saudi Arabia's initial strategy to cut OPEC production to keep supply and demand balanced against the backdrop of a weaker economic outlook for Covid-19 was not followed by the Russia. Saudi Arabia has temporarily lowered prices, which we believe will gradually rise above $ 50. Although it is not excluded that the effects of Covid-19 on world demand for crude oil may be more lasting than expected,

We consider that at the current level of $ 25-30 per barrel, WTI prices offer particularly attractive investment opportunities with a nine-month investment horizon. In addition, diversified oil companies with lower production costs and more competitive than those of American producers of unconventional oil will be favored by a high dividend and a price recovery following the rise in crude prices.

Ten-year US Treasury rate



Graph sources: Bloomberg/BearBull Global Investments

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ABOUT US

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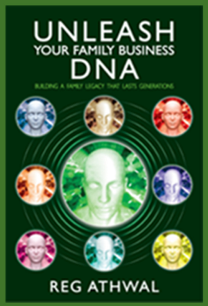
RTS is known for investing time in building private relationships, enabling families to unleash their unique Family DNA, to develop a lasting one-family one-legacy philosophy.

RTS has pedigree, coming from a strong Family Business & Human Capital background and not from traditional Accounting, Taxation, Legal & Wealth Management sectors.

RTS provide sophisticated Regeneration, Transformation and Succession based personalized solutions. We are accelerating our vision to serve more clients, by building a unique eco-system and global family business platform in 150 countries.



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