Investment Committee Meeting
September 2020

Summary and risks

Key risks include:

- US China trade war rhetoric and US Elections, Covid developments

Made some key changes in asset allocation:

- Reduced cash allocation from c.12% to c.7%, deployed in European equities (overweight) and some US equities
- Considering taking profits off US equities before US elections as a risk mitigation measure
- Participated in new bond issues to take advantage in a low yield environment
- Core sector exposures are tech, consumer, healthcare and utilities
- New trades include buying Walmart, Medtronics, Veolia, Nissan bond new issue

VAR portfolios: Changes in asset allocation

	Previous (Q2 2020)	Current (Q3 2020)
Cash	5-15%	5-10%
Fixed Income	35-45%	35-45%
Equities	50%	50-55%

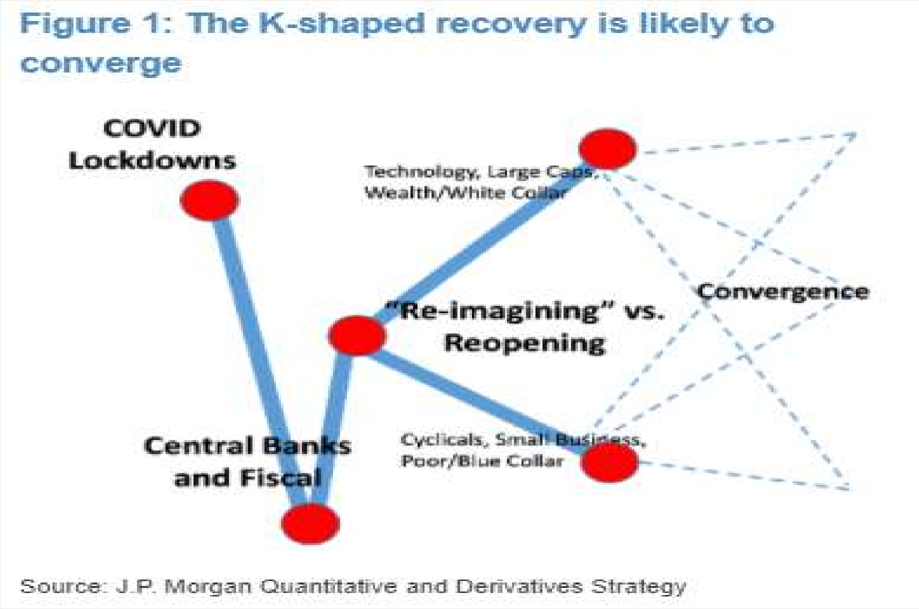
Note: The above asset allocation applies to a medium risk portfolio mandate

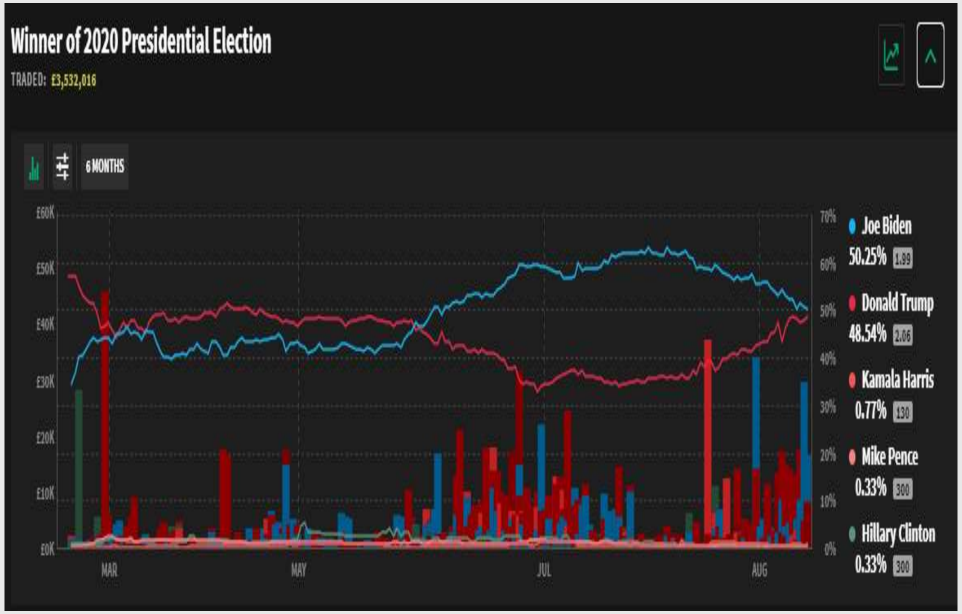
Appendix slides…

The market has overall recovered significantly but volatility is back in September

- The K-shaped recovery shown below (outperformance of tech and underperformance of value/cyclicals) continues although the first week of September saw some convergence/rotation of the trend

- Additionally, one of the potential risk events for November 2020, the US presidential election, is also fluid. After losing a lot of support over the summer, Trump is again gaining more traction





Source: JPMorgan, smarkets.com

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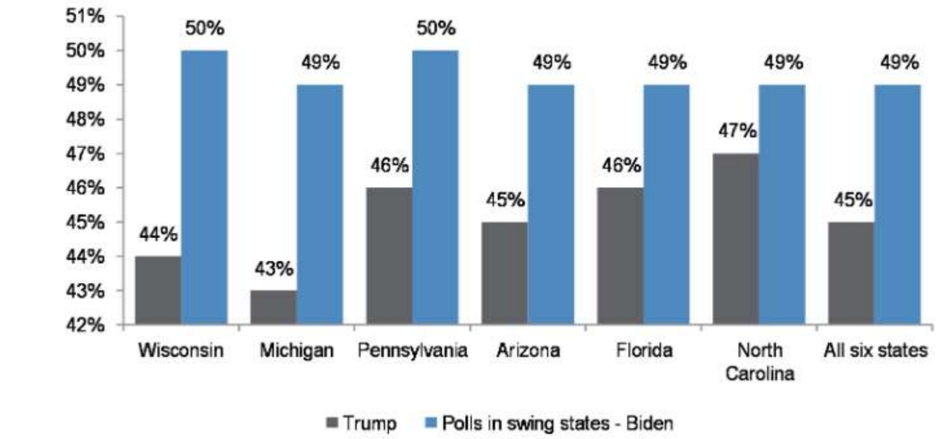
US presidential election one of the risk events in Q4 2020

Figure 5: Polls in number of swing states



Source: CNBC

Table 4: Estimated S&P 500 earnings impact based on Biden's proposals

Sector	Total	Higher corporate tax rate	Higher GILTI tax	15% minimum tax
Communication Services	-12.2%	-8.6%	-3.1%	-0.5%
Consumer Discretionary	-11.1%	-8.4%	-1.5%	-1.2%
Consumer Staples	-7.2%	-5.5%	-1.6%	-0.2%
Energy	-7.6%	-7.4%	-0.1%	0.0%
Financials	-8.3%	-7.7%	-0.5%	-0.2%
Health Care	-9.6%	-5.2%	-3.2%	-1.1%
Industrials	-9.1%	-8.5%	-0.5%	-0.1%
Information Technology	-10.7%	-5.3%	-4.6%	-0.8%
Materials	-7.7%	-6.7%	-0.9%	-0.1%
Real Estate	-0.9%	-0.3%	-0.4%	-0.2%
S&P 500	**-9.2%**	**-6.5%**	**-2.1%**	**-0.5%**

Source: US Equity & Quant Strategy, Compustat
Note: Utilities and Equity Real Estate Investment Trusts (a Real Estate industry) were excluded from the analysis

Source: JPMorgan, smarkets.com

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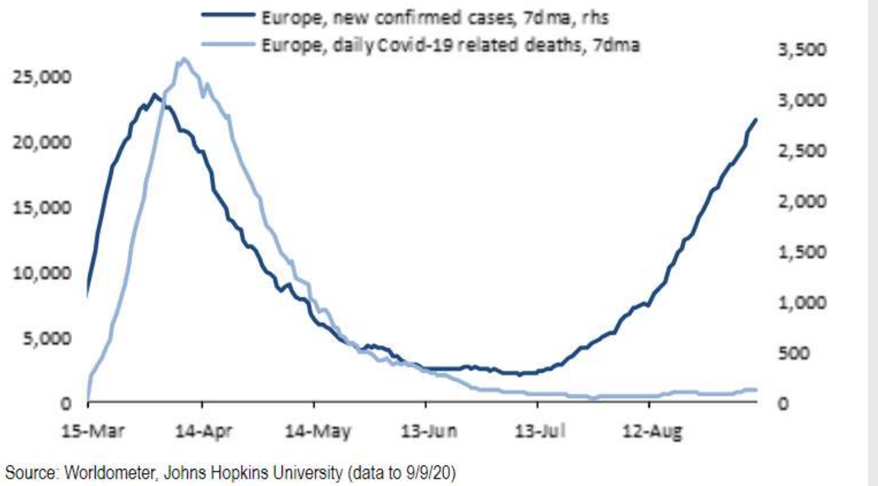
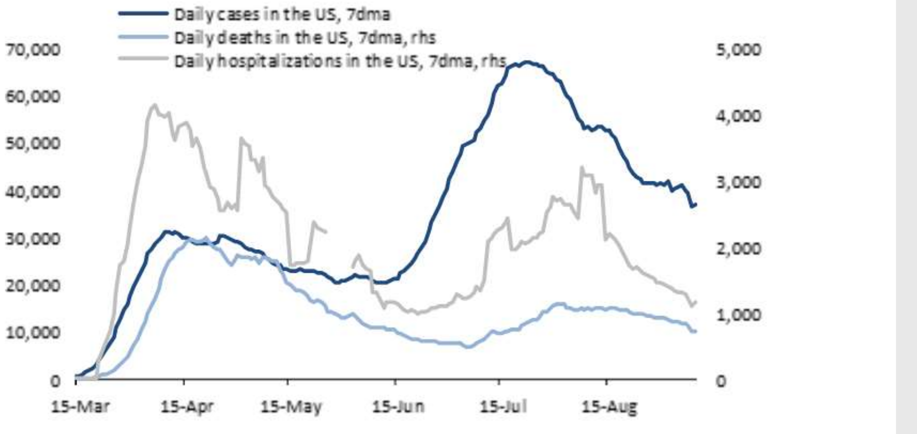
Spread of Covid-19: rising in Europe, fading in the US

- While the 7-day average of daily new cases in the five major European countries (Germany, UK, France, Italy and Spain) is nearly back to the previous peak in early April, daily fatalities have only recently reached 100, compared to an April peak of 3,300
- The 7-day average of Covid-related daily fatalities in the US has fallen below 800, while daily hospitalizations have declined by nearly 60% since end-July



Source: Worldometer, Johns Hopkins University (data to 9/9/20)



Source: The COVID Tracking Project (data to 9/9/20); note: a large temporary spike in the hospitalization data between late May and early June has been removed from the chart

Source: Bank of America Merrill Lynch

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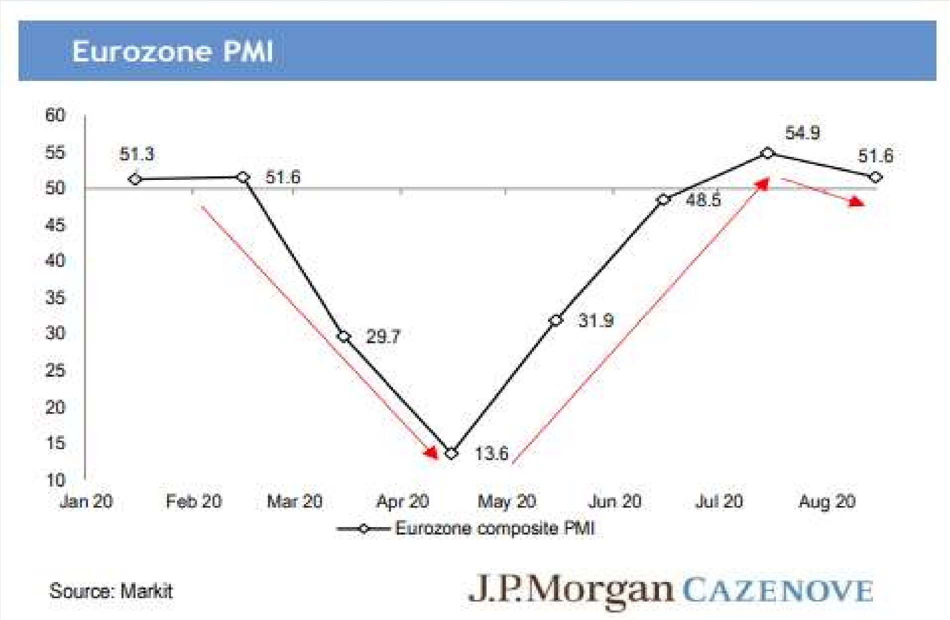
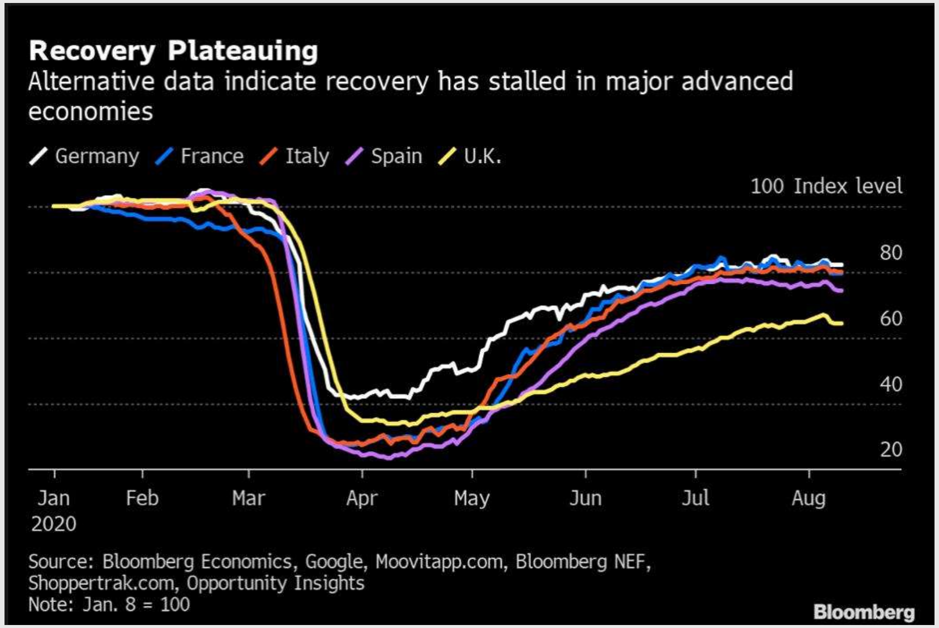
Activity in Europe has bounced from the lows but improvements seem to have stalled





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USD has collapsed but how much downside is there from here?

- The US dollar has been driven lower for a range of reasons:

1. Lockdowns are ending, the world is recovering and the USD safe haven bid unwinds
2. Europe started doing better given mainly due to the region's fiscal optimism
3. Negative idiosyncratic US political and macro risks (presidential election, growth rebound stalling)

- Net USD positioning is subdued; backtesting the forward USD performance from similar levels, USD tended to move higher (please see chart and table below)

USD net positioning

Source: JP Morgan

Move in USD after positioning reaches -2 Stdev

	+1m	+3m	+6m	+12m
Sep-12	0.2%	-0.3%	3.8%	0.4%
Jan-13	0.7%	3.2%	3.5%	1.5%
Sep-17	2.0%	-1.0%	-3.1%	2.2%
Apr-18	2.7%	4.3%	6.1%	8.1%
Median	**1.4%**	**1.4%**	**3.7%**	**1.8%**
Average	**1.4%**	**1.5%**	**2.6%**	**3.1%**

Source: JP Morgan

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2020 asset returns

Chart 19: 2020 Ranked Returns, USD-terms

Ranked Returns, USD-terms (2020)

	Assets	
1	Gold	27.8%
2	US Equities	7.8%
3	Government Bonds	6.5%
4	Investment Grade Bonds	6.2%
5	Industrial Metals	3.2%
6	EM Sovereign Bonds	2.8%
7	High Yield Bonds	1.6%
8	EM Equities	-0.7%
9	Japan Equities	-2.6%
10	US Dollar	-3.3%
11	Europe Equities	-5.5%
12	Pacific Rim x Japan	-8.6%
13	UK Equities	-20.9%
14	Oil	-37.7%

	Equities	
1	China Equities	15.1%
2	Taiwan Equities	13.4%
3	US Equities	7.8%
4	Switzerland Equities	6.6%
5	Germany Equities	4.7%
6	Korea Equities	3.9%
7	Portugal Equities	0.8%
8	Japan Equities	-2.6%
9	Canada Equities	-4.0%
10	Hong Kong Equities	-4.7%
11	India Equities	-5.0%
12	France Equities	-8.4%
13	Australia Equities	-9.0%
14	Italy Equities	-11.8%
15	S. Africa Equities	-18.9%
16	UK Equities	-20.9%
17	Singapore Equities	-21.2%
18	Spain Equities	-21.2%
19	Russia Equities	-25.8%
20	Mexico Equities	-25.8%
21	Turkey Equities	-30.4%
22	Brazil Equities	-32.9%
23	Greece Equities	-34.5%

	Sectors	
1	ACWI Info Tech	24.1%
2	ACWI Cons. Discretionary	17.6%
3	ACWI Telecoms	8.5%
4	ACWI BioTechnology	7.1%
5	ACWI Healthcare	5.4%
6	ACWI Materials	2.7%
7	ACWI Consumer Staples	0.1%
8	ACWI Industrials	-4.3%
9	ACWI Utilities	-6.9%
10	ACWI Real Estate	-13.4%
11	ACWI Financials	-20.6%
12	ACWI Banks	-29.5%
13	ACWI Energy	-38.8%

	Fixed Income	
1	30-year Treasury	23.5%
2	TIPS	9.6%
3	Treasury Master	9.0%
4	German Govt	7.4%
5	US Corp IG	6.8%
6	BBB IG	5.8%
7	UK Govt	5.8%
8	Non-US IG Government	4.9%
9	EM Corporate	4.0%
10	US Mortgage Master	3.8%
11	European HY	3.6%
12	2-year Treasury	2.9%
13	EM Sovereign	2.8%
14	Japan Govt	1.4%
15	3-Month Treasury Bills	0.6%
16	US Corp HY	0.4%
17	CCC HY	-8.5%

	FX vs. USD	
1	Swedish krona	7.1%
2	Swiss franc	5.9%
3	Euro	5.3%
4	Australian dollar	3.8%
5	Japanese yen	2.3%
6	Taiwanese dollar	2.1%
7	Chinese renminbi	1.9%
8	NZ dollar	-0.7%
9	Canadian dollar	-1.2%
10	Singapore dollar	-1.5%
11	British pound	-1.9%
12	Norwegian krone	-2.6%
13	Korean won	-2.8%
14	Indian rupee	-2.9%
15	Indonesian rupiah	-6.3%
16	Mexican peso	-11.4%
17	South African rand	-15.7%
18	Russian ruble	-17.7%
19	Turkish lira	-20.5%
20	Brazilian real	-24.1%

	Commodities	
1	Silver	50.4%
2	Iron Ore	34.8%
3	Gold	27.8%
4	Natural Gas	9.9%
5	Copper	9.6%
6	Platinum	-4.8%
7	WTI Crude Oil	-37.7%
8	Brent Crude Oil	-38.2%

Source: BofA Global Investment Strategy, Bloomberg, as of 9 September 2020

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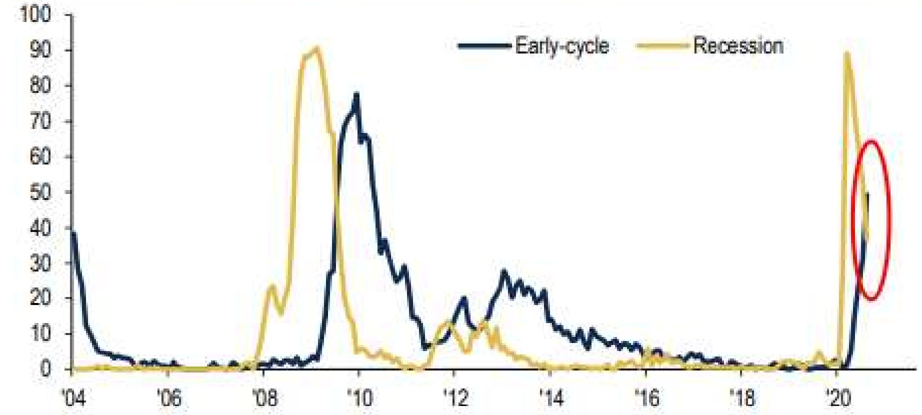
Bank of America Merrill Lynch – Fund Manager Survey (Sep 2020)

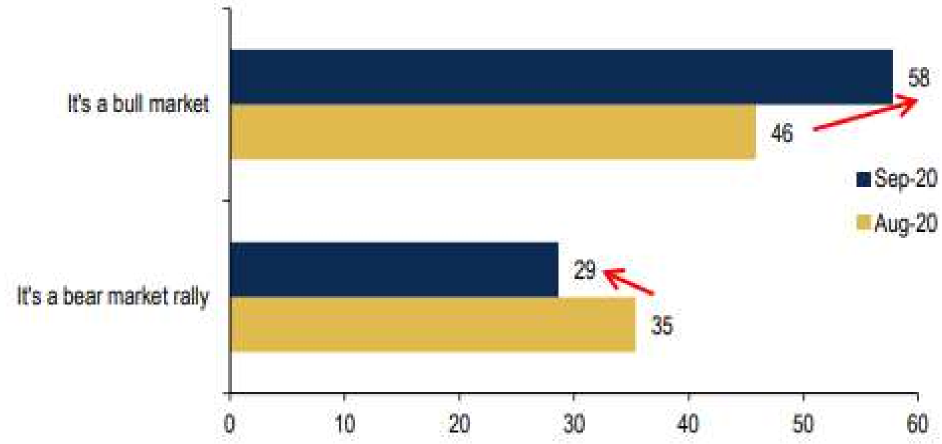
- For the first time since February more investors (49%) say global economy is in early-cycle phase vs recession (37%), key recovery milestone (see 2009 & 2012)
- Net 58% of investors say bull market has started, was 25% in May.

Exhibit 3: FMS investors think early-cycle rather than recession for first time since February



Source: BofA Global Fund Manager Survey

Exhibit 1: FMS investors believe we are in a bull market



Source: BofA Global Fund Manager Survey

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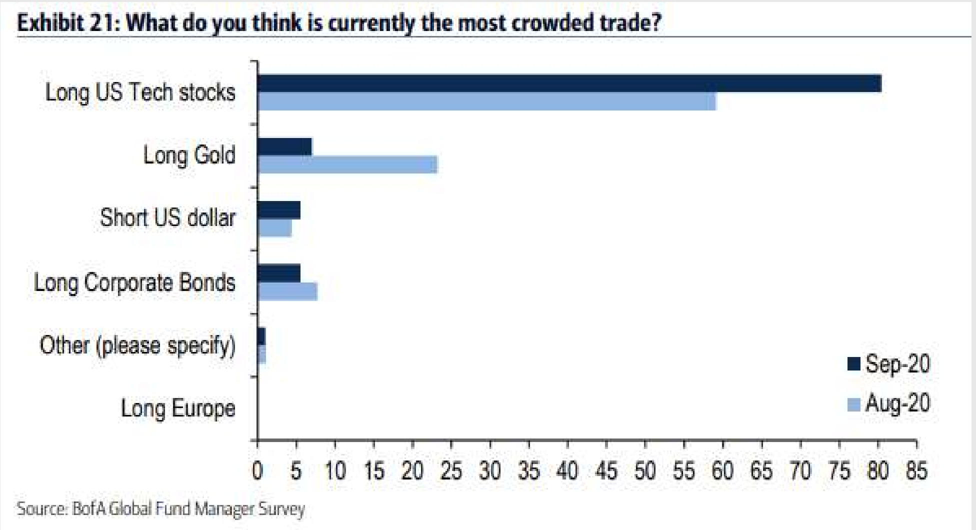
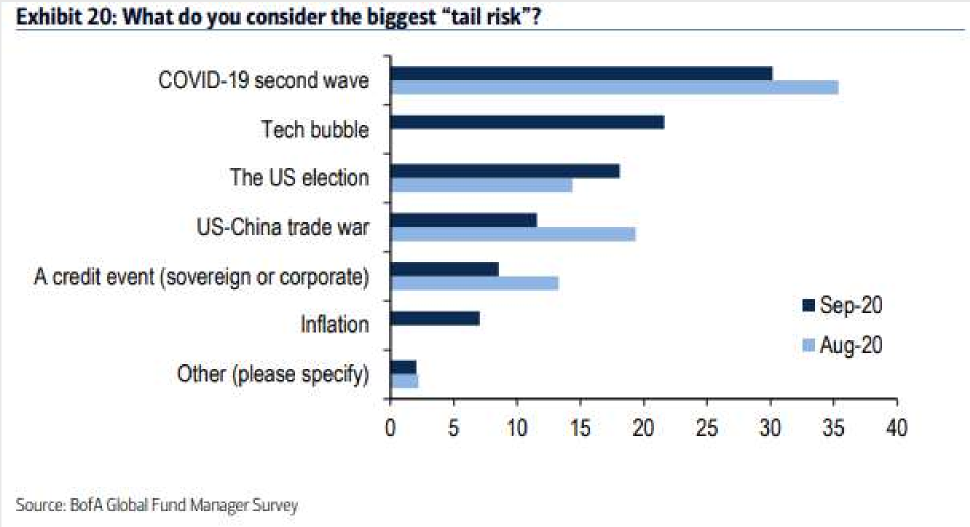
Investor Risk Appetite (FMS BofAML Sep 2020)

- Most crowded trade according to the survey is Long US Tech stocks (more crowded than in August)
- Biggest tail risk is still a Covid-19 second wave but now newly & closely followed by a Tech bubble





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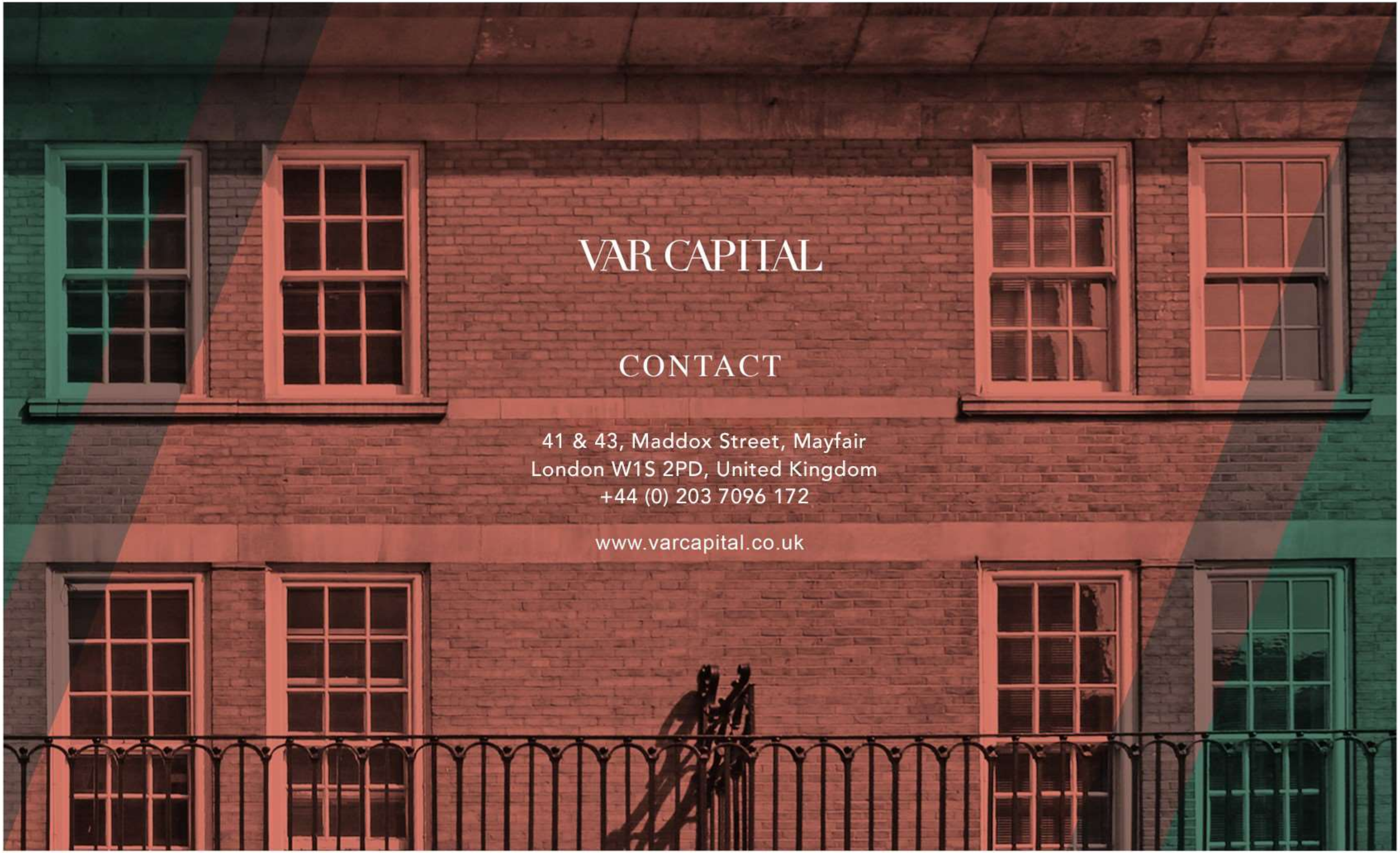
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