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HOTTINGER

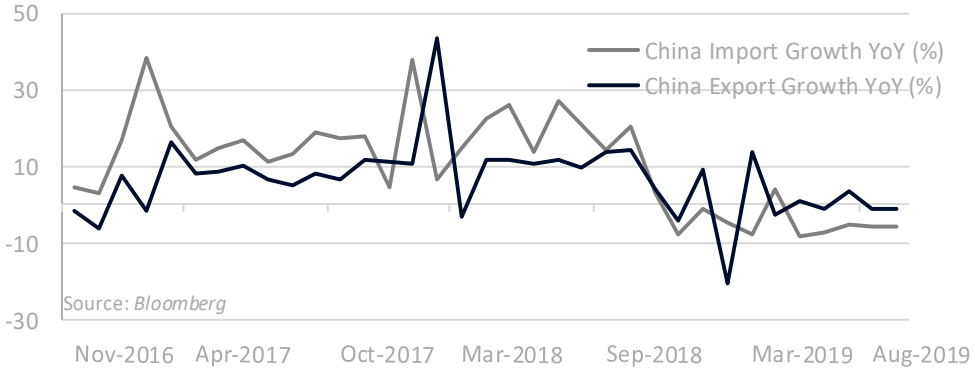
GROUP

GLOBAL INSIGHT

Overview

- Financial innovation has created the opportunity for alternative strategies - once available only to hedge fund investors - to be provided by institutional managers in traditional, liquid products to a wider audience.
- In our **feature article,** Tim Sharp, Managing Director at Hottinger Investment Management, explores the rise of structured products in multi-asset portfolios.
- In our **Macro View**, we cover the ongoing trade dispute between the United States and China and how this has put the brakes on global manufacturing activity.
- In the third quarter of this year, we saw further evidence that the global economy was slowing. Following China in 2017 and Europe last year, the United States' manufacturing sector showed signs that it is struggling to stave off recession.
- In our **Investment Outlook**, we assess activity in the third quarter as the debate between whether global economy is mid or late cycle affects the outlook for risk assets.
- The global trade war has hit China hard. Trade volumes have been stagnant for most of the calendar year while most of China's stimulus efforts have focused on supporting the slowing domestic economy.
- So far, the US has imposed tariffs on more than $360bn (£296bn) of Chinese goods, and China has retaliated with tariffs on more than $110bn of US products. Washington delivered three rounds of tariffs last year, and a fourth one in September. The latest round targeted Chinese imports, from meat to musical instruments, with a 15% duty.

Sluggish Chinese export and import activity



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Economic Highlights

- UK Q2 GDP growth was negative at –0.2%.
- Services PMI for Euro Area fell sharply in September to just above 50.
- In September the ISM Purchasing Managers Index reports a reading below 50 for the second successive month.

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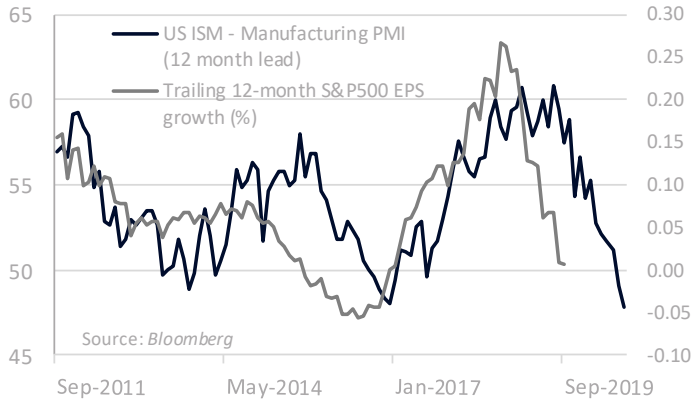
Based upon information available up to and including 11th October 2019

Key Issues in Charts

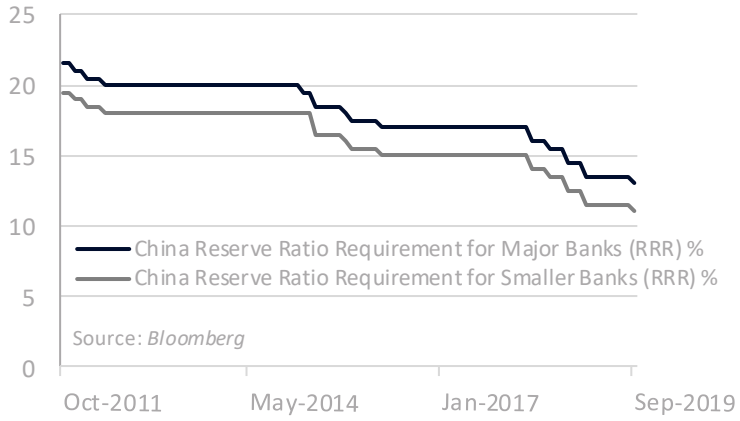
US equities tied more strongly to manufacturing sentiment



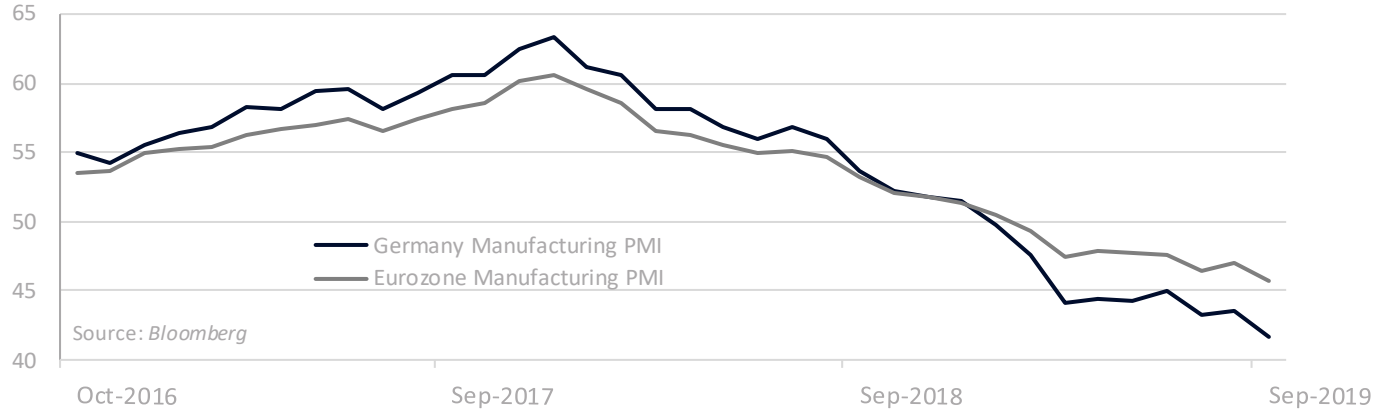
- For most of this decade, US manufacturing sentiment expressed by purchasing managers has been a leading indicator for historical earnings growth for America's largest multinational companies. In other words, it took around 12 months for negative sentiment to be reflected in company earnings.
- However, since the beginning of the year, the two have moved in lockstep suggesting that external factors such as the trade war may have taken US companies by surprise, hitting earnings and thus weakening sentiment. This would suggest that the US hasn't been immune to the global manufacturing slowdown that has roiled other major world regions.

China could keep cutting the RRR at the cost of financial stability

- China has one of the highest reserve requirements for its banks in the world. This has given the People's Bank of China room to stimulate the Chinese economy.
- In September, the People's Bank of China cut its reserve ratio requirement for the third time this year by up to 100 basis points for some banks, which could permit over $125bn of extra bank lending according to officials.
- Further cuts could be in the offing but risk exposing the financial system to banks and firms that are already highly leveraged.



Europe's manufacturing downturn is deepest in Germany



- Even though Germany's service sector is showing more resilience, the poor performance of industrials (down over 5% over the last 12 months according to the Federal Statistical Office, FSO) is a major issue for the country because this sector is a significant driver of German exports.
- Data from the Verband der Automobilindustrie reveal that annual production of passenger cars has fallen by more than a million units (from 5.8 million cars in mid-2017 to fewer than 4.8 million cars today).

Structured products

By Tim Sharp, *Managing Director at* ***Hottinger Investment Management***

Hottinger Investment Management is a bespoke, top down and long-only investor that by its nature is conservative. It seeks to preserve capital and income whilst delivering consistent investment returns through a diversified portfolio of assets. We also subscribe to the view that the use of alternative investments, when authorised, can provide returns uncorrelated to traditional assets and help to reduce volatility and smooth long-term portfolio returns.

Financial innovation has created the opportunity for alternative strategies to be provided by institutional managers in traditional, liquid products to a wider audience.

Financial innovation has created the opportunity for alternative strategies, once available only to hedge fund investors, to be provided by institutional managers in traditional, liquid products to a wider audience. One innovation that has gained traction as a supplement to traditional investments is an asset class, broadly known as structured products, that gives retail investors easy access to derivatives-based strategies.

A structured product is designed to meet a customised risk-return objective that does not necessarily remove the risk of investing but allows the investor to understand its likely outcomes more easily. Further, it allows an investor to speculate or hedge a position that is not achievable through traditional assets. This is accomplished by taking a traditional security - such as an investment grade bond - and replacing the coupons and final principal with payoffs from the positive or negative performance of specific underlying assets such as equities or commodities through the use of derivatives. There are many ways of combining these products to create different return profiles, but essentially there are two broad categories that either offer (but do not guarantee) capital protection as well as an element of market exposure or pay a higher level of income by putting some capital at risk.

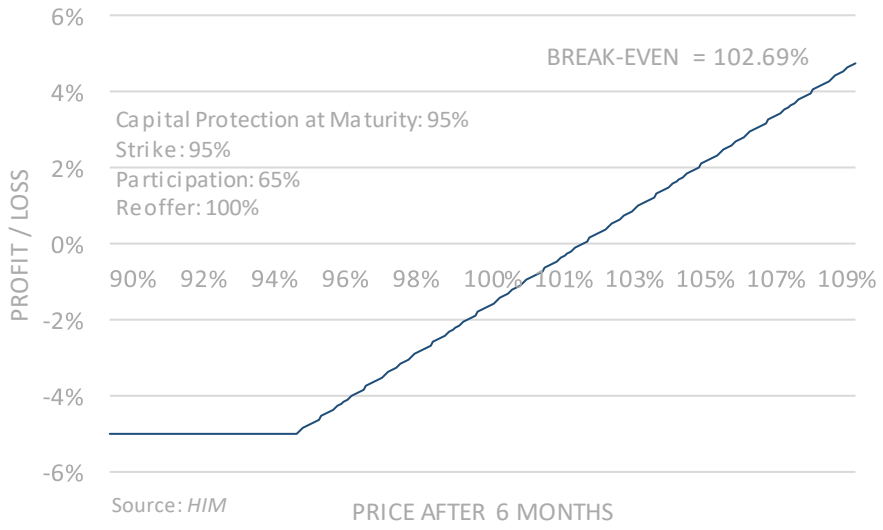
Our principal macroeconomic view expressed at strategy meetings and in articles published on our website is that we believe that the global economy is in 'late cycle'.

Our principal macroeconomic view expressed at strategy meetings and in articles published on our website is that we believe that the global economy is in 'late cycle', meaning that central bank intervention may not be able to prevent a global recession and risk assets are richly valued. Furthermore, the rise in the percentage of passive investors through exchange traded funds and central bank quantitative easing has added to the volatility of financial markets at inflection points. As a result, the pendulum often swings too far before the real value of assets can be ascertained. In other words, equity markets may continue to rise in the short-term before we are able to realise our view. Therefore, the desire to gain an element of upside participation in equities combined with the need to preserve capital would illustrate our current position quite clearly.

In order to create a product that satisfies our preferred risk- return profile we could take a zero-coupon bond issued by an investment-grade bank and a call option on the UK FTSE 100 index. Although the mechanisms that drive the pricing of options can be complex, the underlying principle is reasonably straightforward. On the issue date, for each £1 invested just under 95% will be invested in a

zero-coupon bond providing a 95p return regardless of what happens to the FTSE 100 index. This is achieved via the bond rising in price from its discounted issue price on day one to its face value, or par, on maturity. The performance component is the call option, which will have an intrinsic value at maturity in line with its relationship to the FTSE 100 index, assuming that its value is higher than at issue. If not, the option expires worthless, leaving the structure at its worst case scenario return of 95p in the £1. This can also be illustrated through the traditional "hockey stick" return graph:

Structured product



Principal protection is a key benefit of this kind of structured product and it may be customised so that investors who wish to can trade off levels of capital protection in return for greater upside performance potential.

Principal protection is a key benefit of this kind of structured product and it may be customised so that investors who wish to can trade off levels of capital protection in return for greater upside performance potential. In the example above, the level of capital protection is high, meaning that the return on the note is treated as income not capital gain (much like a bond coupon or equity dividend). With more capital at risk, there is a point where the returns on such a vehicle will be subject to capital gains.

Theoretically, the biggest risk to returns in the example above is the possibility that the bond issuer does not repay at maturity, however, in practice this risk is probably far less than that presented by market volatility.

Theoretically, the biggest risk to returns in the example above is the possibility that the bond issuer does not repay at maturity. As with all corporate bond investment, the rating of the lender is key to the likelihood of principal repayment and choosing an investment-grade lender will help to mitigate this risk. In practice, however, this risk is probably far less than that presented by market volatility.

The next significant risk is linked to liquidity and the decision to redeem before maturity. Structured products, or in this case structured notes, are typically issued with a maturity of between 6 months and 5 years; the longer the maturity, the more attractive the terms of the option will be typically in comparison to the underlying investment. However, the capital protection component

is only deliverable at maturity, when the zero-coupon bond matures at par and the value of the option will be fixed in line with its participation in the underlying investment.

The issuer of the structured note is the institution that will provide liquidity and daily pricing during the life of the product, based on the daily pricing relationship between the components of the note. It is worth noting that the issuer of the note and the issuer of the zero-coupon bond may not necessarily be the same, depending on the lender criteria required by the investor. Quite often, the issuer of the bond component of the structured note will agree with the investor from the outset the terms by which a secondary market will be offered. The point is that the daily pricing of the note will relate to the current price of its components, whether they are positive or negative, and may well produce a different return profile to that expected at maturity. The ability to redeem early is also dependent on the price and liquidity provided by the issuer in line with the agreement at issue.

To our way of thinking, this type of structure helps maintain downside protection whilst not limiting the clients in their desired appreciation potential.

There are many other risks for the individual investor to understand - as is the case with any investment where an element of capital is at risk - but the level of that risk can be customised by the investor at creation to suit their needs and expectations. To our way of thinking, the type of structure described helps maintain downside protection whilst not limiting the clients in their desired appreciation potential. This will help maintain the execution of our investment strategies whilst also reflecting our broader macro concerns. The attraction of structured products is not that they offer the impossible - higher returns with limited risk - but instead a clearly-defined return for the investor to consider.

Macro View

In the third quarter of this year, we saw further evidence that the global economy was slowing. Following China in 2017 and Europe last year, the United States' manufacturing sector showed signs that it is struggling to face off recession. International trade volumes remain suppressed.

Domestic activity and producers that operate in the services sector in the three main regions have interestingly been more robust, giving weight to the idea that the manufacturing slowdown originated in the ongoing trade war and affects all parties. With central banks around the world taking measures to stimulate their economies, however, we do not rule out the simple possibility that the economic cycle is turning because financial conditions were previously too tight.

United States

+2.0%

By the end of Q2 2019, the US economy was already decelerating. Expanding by 2.0% on an annualised basis is a level much closer to the country's trend rate and heralded the end of the very high rates of growth of 2018, fuelled by tax cuts and government spending.

When the US government slashed corporation taxes and changed the tax treatment of capital expenditure (CAPEX) last year, it hoped that these policies would encourage investment spending by firms that would raise productivity, wages and GDP. And indeed there was a spike, with S&P Global reporting that CAPEX grew by 11% in 2018.

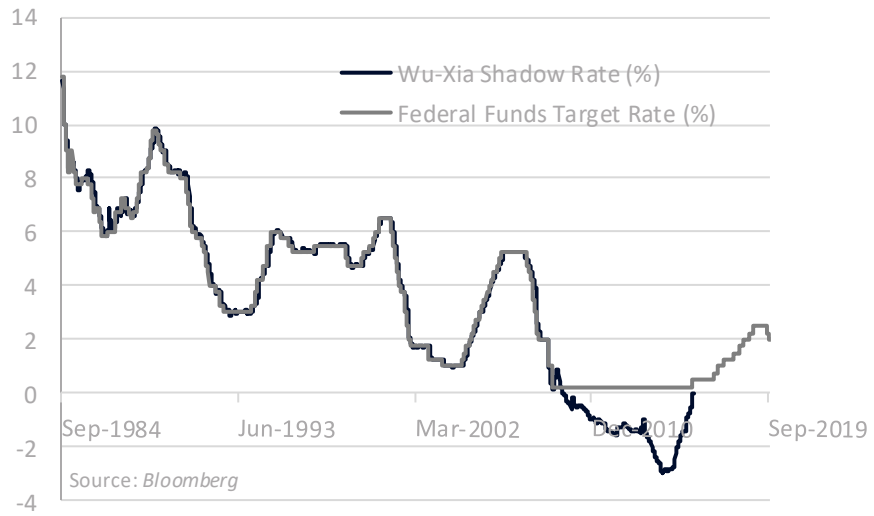
In September, the ISM Purchasing Managers Index (PMI), which measures sentiment about activity, signalled that the US manufacturing sector may be shrinking.

However, the effect has now waned as the deadweight of new tariffs and growing uncertainty over the international trading environment have combined with the waning effect of the tax cuts. In Q2 2019, investment spending actually fell by an annualised 1.0%, the sharpest fall since Q4 2015. This coincided with S&P 500 profits that came in below forecast and well below levels required to justify current valuations. In September, the ISM Purchasing Managers Index (PMI), which measures sentiment about activity, signalled that the US manufacturing sector may be shrinking, as a reading below 50 was recorded for the second successive month.

American consumers may be starting to hold onto their cash as they exhaust purchases of big-ticket yet one-off items.

As a result of lower investment spending and weak export volumes, the outlook for the US economy relied more intensely on the strength of the American consumer. In Q2 2019, consumption grew by an annualised 4.7%. It is doubtful, however, whether the US consumption can continue with such strength despite unemployment falling in September to a five-decade low of 3.5% and wages continuing to grow above inflation. Last month, the US Commerce Department revealed that real disposable incomes rose by 0.4% in August, but spending slowed to a 0.1% gain, its smallest monthly pace since February. Coincidentally, savings rose to $1.36 trillion, the highest level since March, meaning American consumers may be starting to hold onto their cash as they exhaust purchases of big-ticket yet one-off items.

The US Federal Reserve tightened significantly after 2014 when QE is taken into account



The Federal Reserve cut interest rates twice in the quarter in what it described on both occasions as 'mid-cycle' adjustments.

The Federal Reserve cut interest rates twice in the quarter in what it described on both occasions as 'mid-cycle' adjustments, but it is questionable whether these will be enough to arrest the slowdown in economic growth or undergird further consumer spending. The rate cuts may however do more for the wider global economy by improving the availability of dollars and allowing emerging market central banks to ease monetary policy.

We think therefore that with US manufacturing flirting with recession and with few new tax cuts or federal spending programmes in the offing, US economic growth is more likely to continue to stabilise at or even decelerate below its trend rate of around 2.0%, rather than reaccelerate towards the 3%+ rates seen during last year.

President Trump plans to slap

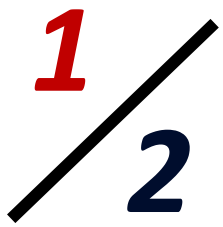
$7.5bn

of new tariffs on a wide range of European industries.

Europe

As yet, Europe has not directly been the target of any American trade sanctions. Last year's tariffs on steel and aluminium were global in nature. However, that may change with President Trump's plans to slap $7.5bn of new tariffs on a wide range of European industries from aviation to agriculture, possibly even with the World Trade Organisation's blessing.

Even still, the global picture has taken its toll on Europe. We have long argued that Europe and particularly Germany are sensitive to how global trading conditions impinge on China and the general slowdown in Chinese growth and import demand. Our main concern for Europe has remained the state of the global manufacturing cycle, which is centred on China and South East Asia and has deep tributaries that run across Eurasia and into Europe. Trump's trade war attacks this even if Europe is not his primary target.



Germany accounted for half of European capital goods imported by China.

Slower Chinese activity is particularly an issue for Germany. According to the World Bank, of the $112bn in capital goods that China imported from Europe in 2017 – the latest year for which there is data – German goods account for over half of it. Germany's industrial sector shrank during the quarter, with manufacturing sentiment weaker than in any other major EU state. The economy itself may have only just avoided a technical recession in Q3.

The services picture in Europe has been stronger – particularly in France and Spain – on the back largely of strong real wage growth and thus retail spending. We are not confident that this will be enough to at least maintain euro area growth at trend. This is particularly because growth in the services sector relies relatively more on employment growth than productivity growth and there are limits to employment growth absent a strong fiscal stimulus in those countries that have spare capacity – such as Germany, Italy and the Netherlands – or high levels of structural unemployment, such as France.

Ominously, the Services PMI for Euro Area fell sharply in September to levels just above 50. This suggests that Europe's more domestic-facing sector may not be immune to the virus affecting global manufacturing, or – indeed, more pertinently – tardy monetary policy guidance from its central bank, which has only recently started to react; and inadequate fiscal policy action from member states, many of which continue to be hamstrung by EU fiscal rules.

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Markit Euro Area Services PMI Index

The ECB effectively offered to subsidise European banks, provided that they increase lending to non-financial companies.

After much foot-dragging, in its September meeting, the European Central Bank (ECB) cut interest rates and pledged to resume bond buying, but it also did something which may open the door to more radical action in the future. By raising the deposit rate on excess reserves to 0% while lending reserves under TLTRO III at -0.5% under certain conditions, the ECB effectively offered to subsidise European banks, provided

that they increase lending to non-financial companies.

Loan demand, however, is weak so it is doubtful how effective this policy will be beyond supporting European banks' equity prices as the policy amounts to a 'helicopter drop for banks'. Is it such a big leap for the ECB to promote a people's helicopter drop if things seriously turn sour? Much will depend on the politics. Nevertheless, weak loan demand suggests weak aggregate demand, and it remains the case that strong fiscal action – supported by the ECB – is necessary to lift Eurozone GDP.

Is it such a big leap for the ECB to promote a people's helicopter drop if things seriously turn sour

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Emerging Markets and China

That many emerging market central banks sought to cut rates over the last three months is a testament to the fact that there are few places in the world that have not at least been touched by the slowdown in trade growth. The strong dollar combined with previously high US interest rates constrained a number of developing countries which by necessity import America's monetary policy stance.
The two Fed rate cuts have enabled central banks in emerging market economies to provide their own forms of stimulus. The Central Bank of Turkey cut its benchmark one-week repo rate by 4.25 percentage points in July, from 24% to 19.75%, and then cut again by a further 3.25 points in September. The Central Bank of India has cut rates five times this year, while Brazil's central bank cut rates by 100 in the last quarter. In Indonesia and Russia, rates have fallen by at least 75 basis points since June.

Chinese authorities have not been sitting on their hands.

While interest rate policy in China has been less aggressive, the Chinese authorities have not been sitting on their hands. Since the turn of the year they have been responding to political hostilities by allowing their currency to depreciate, cutting taxes on incomes and consumption, and expanding loan availability to private firms that have been shut out by the clampdown on shadow banking operations in the country. In September, the People's Bank of China cut its reserve ratio requirement for the third time this year by up to 100 basis points for some banks, which could permit over $125bn of extra bank lending according to officials.

$125bn

of extra bank lending.

However there are concerns that these actions are not enough and pale in comparison to efforts in 2015 and after the global financial crisis where the state actively pump-primed infrastructure investments across the country. Owing to concerns around excess leverage and worries over bridges-to-nowhere, the authorities have been more reluctant to turn on the fiscal taps this time. Allowing local governments to issue more special infrastructure bonds, as the government has done this time around, is merely a supply side solution to a demand side problem.

2.3%

British manufacturing biggest quarterly fall since Q1 2009.

Our view is that we are seeing a number of economies in late-cycle with falling rates of capital expenditure, growth and inflation. In other words, we are not convinced we are seeing benign mid-cycle events.

UK

The UK continues to exist in a state of limbo which is causing consumers to lose confidence in its economy. The combined services and manufacturing PMI for the country fell to its lowest level since the financial crisis.

In August, the Office for National Statistics announced that UK Q2 GDP growth was negative at -0.2%. British manufacturing shrank 2.3% quarter-on-quarter in the three months to June, the biggest quarterly fall since Q1 2009. The poor performance of manufacturing was expected but its magnitude was not. After the swelling of inventories in factories in the months leading up to the original Brexit day of 29th March, it was always possible that Q2 GDP growth would be underwhelming, but the continued sluggishness in manufacturing and soft retail sales make it possible that the UK is currently in technical recession.

There are a couple of encouraging signs. Wage growth (last recorded at 3.8%) remains significantly in excess of inflation (2.0%), continuing a trend of rising wages and falling inflation since the start of last year which ought to be strengthening consumer budgets. It is a sign that in the absence of Brexit, the Bank of England would be looking at tightening labour market for signs of inflation that it would try to forestall by raising interest rates. Unemployment remains at multi-decade lows even if the rate of vacancy growth has fallen this year. A resolution to Brexit could raise consumer confidence and provide a much-needed rebound in domestic spending. Further, economic output was unexpectedly strong in the month of July, perhaps hinting at signs of resilience but until we get data for the months of August and September it is too soon to tell.

Conclusion

Our view is that we are seeing a number of economies in late-cycle with falling rates of capital expenditure, growth and inflation. Employment still looks very strong but historically that is a lagging indicator; activity and earnings can disappoint well before firms start cutting jobs. We think central banks are being reactive and will struggle to forestall further deceleration; in other words, we are not convinced we are seeing benign mid-cycle events. What would shift the dial is a concerted move towards expansive fiscal policy in places other than the United States.

Investment Outlook

As we reach the end of the 3rd quarter there are many market participants celebrating the performance of risk assets this year. In fact, most asset classes are in positive territory year-to-date and it could be argued that the catalyst has been falling bond yields. The assumption so far has been that falling bond yields, short term yield curve inversion and negative yields do not signal a near term recession and that the change in central bank policy, to add more stimulus, is largely expected by equity markets to re-energise global growth.

Most asset classes are in positive territory year-to-date and it could be argued that the catalyst has been falling bond yields.

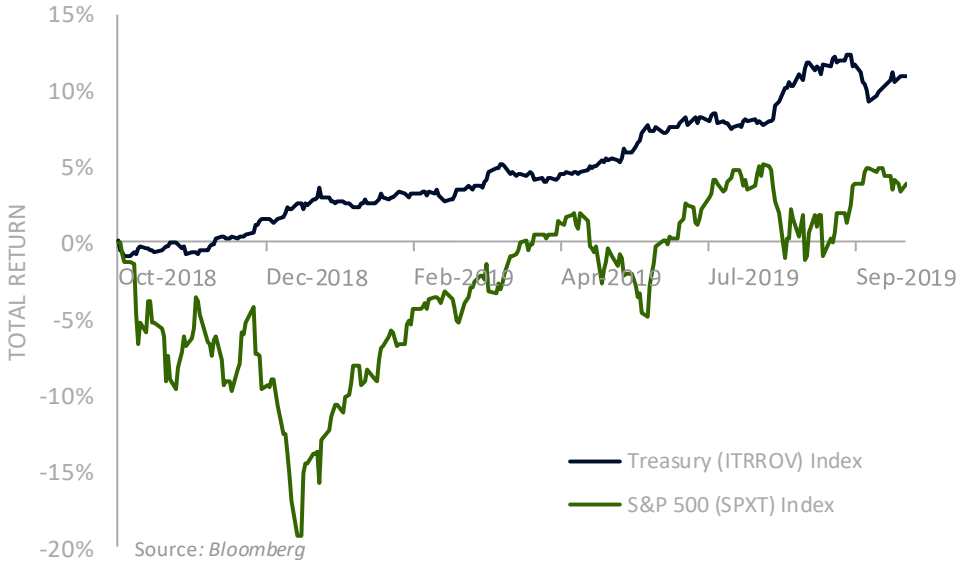
The MSCI World Index is up 15.72% year-to-date but flat on the quarter which to an extent is a product of developed markets vs developing markets. The S&P500 (+1.19%), FTSE All-Share (+0.12%), Eurobloc equities (+2.22%), Nikkei 225 (+2.26%) are all positive on the quarter whilst MSCI Emerging Markets index is down 5.12% and China A shares are also 1.08% lower, perhaps influenced by the strength of the US dollar which was 3.38% better in Q3.

A quick look back to 2018 and many equity market observers could be forgiven for thinking that nothing very much has changed. On September 30, 2018 the S&P500 was at 2,913.98 and by September 30, 2019 had recovered to 2,976.74, a return of 2.15%, while the UK FTSE All-Share index was 4,127.91 recovering to 4,061.74 still down 1.08% over the period.

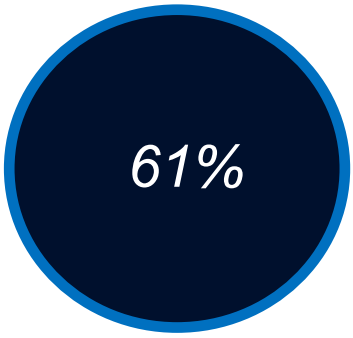
A quick look back to 2018 and many equity market observers could be forgiven for thinking that nothing very much has changed.

By contrast, the iBoxx USD Treasury Total Return Index had reached 220.63 by the end of the 3rd quarter 2018 and the iBoxx £ Gilt Index 318.63. A year later the two indices read 244.55 and 363.79, returning 10.84% and 14.17% respectively.

IBOXX USD Treasury Index vs S&P 500 Index



Over the past 12 months US Treasuries have returned 10.84% vs. 2.15% for the S&P500



This outperformance by government bonds, also echoed in credit markets, goes largely unreported probably due to the historically low yields that most major bond markets provide. As Axa Investment Manager's Fixed Income CIO Chris Iggo reports the share of the European broad market index that traded with a negative yield increased from 48% to 61% in the 3rd quarter. However, the iBoxx Euro Eurozone Sovereign Total Return Index gained 3.79% over the quarter to be up 9.99% year-to-date.

Despite the low yields, bond markets have been able to offer an attractive total return when many investors, including ourselves at times, have struggled to invest into a relatively expensive asset class with a view to benefitting from capital return rather than the traditional income-based return, which is higher in equities. There are many natural buyers of bonds including pension funds, insurance companies and, of course, central banks while many traditional multi-asset investors have probably remained underweight in favour of riskier assets.

Negatively yielding bonds can still potentially be attractive to bond investors.

Furthermore, Chris Iggo argues that the interest rate differential between the US and developed countries will also prevent significant upside in US Treasury yields. For example, if German Bunds yielding -0.5% were hedged back into US dollars by US investors the yield becomes 2.1% which is better than US investors can achieve in US Treasuries. This shows how negatively yielding bonds can still potentially be attractive to bond investors. Should macroeconomic conditions require the Fed to ease monetary policy further this differential reduces once more favouring US Treasury investment for US investors. Obviously, this differential can also be reduced by ECB tightening however conditions and recent actions would suggest that this course of action is currently inappropriate, but it does highlight that differences in interest rates internationally can matter to global bond investors.

Market momentum over the quarter would suggest that the risks are firmly weighted towards further cuts in interest rates, at least by the Fed if not by central banks in other developed economies, suggesting that growth is potentially slowing quicker than equity markets have been previously prepared to admit. The S&P500 has returned 18.74% year-to-date recovering from the negative returns of 2018 despite the economic uncertainty. We are of the belief that the global economy is late cycle and as such central bank's will find it difficult with fewer tools at their disposal to prevent a recession at some point, the question is when?

Despite recent positive noise from US and China regarding the ongoing trade talks following the roll-out of the next stage of tariffs, the data reports would suggest that the trade environment has clearly worsened over the quarter. Our main concern remains global manufacturing, centred on China and South East Asia but with deep connections across the economic area into Europe. There is evidence that global capital goods orders have been decelerating in all the major world regions mirroring data that suggest that global trade volumes have

stagnated. Weak capital expenditure (CAPEX) is worrying because CAPEX is a major driver of productivity growth, which is becoming an increasingly important driver of economic growth as population expansion slows and the global labour force ages.

Although services have been stronger on the back of strong real wage growth, we remain sceptical that this will be enough to keep European growth above trend.

In Europe, Germany's industrial sector appears to be in recession although the economy in general may have avoided a technical recession in the 3rd quarter. Although services have been stronger on the back of strong real wage growth, we remain sceptical that this will be enough to keep European growth above trend. Despite the weakening environment European equities are still up 16.4% year-to-date although they did show signs of anxiety over the summer months.

The outlook in the UK remains highly uncertain both economically and politically. Economic data shows unemployment remains at 3.8%, inflation is at target and third quarter GDP may be just enough so that the UK avoids technical recession. UK soft data as measured by the Purchasing Managers Indices (PMIs) looks concerning even within a European context; construction hit a 10 year low in June, manufacturing a 7 year low in August and services activity has also slowed materially over the last 6 months. Strong real wage growth remains a bright spot in a country where investment and exports remain limited and there have been limited signs of increased government spending. Furthermore, British Retail Consortium reported that lower consumer demand has seen shop prices drop at the fastest rate in a year so it seems likely that UK economic activity will remain weak until the Brexit conundrum is resolved. This has been reflected in equities this year with the FTSE All-share and FTSE 100 underperforming developed market equities gaining 10.52% and 10.11% respectively and Gilts that have returned 11.85% year-to-date.

Investing in such an environment can be challenging when the future is so uncertain, not to mention rising tensions in the Middle East, and leads us to follow our instincts to preserve capital first and foremost. We are also aware that timing is everything in such situations and, therefore, would also prefer an element of exposure to risk assets. We have focused our latest round of defensive positions on protecting investors from equity drawdown in UK large-cap equities while maintaining some upside participation through the use of Structured Products. Many small and medium-sized companies have reported that they remain ill prepared for a no-deal Brexit so we feel more confident in the preparations of large global companies.

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Another asset that tends to provide real returns when bond yields are falling, but often struggles when the US dollar is strong, is gold. Although unchanged during the quarter, gold is up 15.72% year-to-date having peaked at $1,552 at the beginning of September. If we are closer to a recession, particularly in the US, then many equity practitioners believe then we can expect further central

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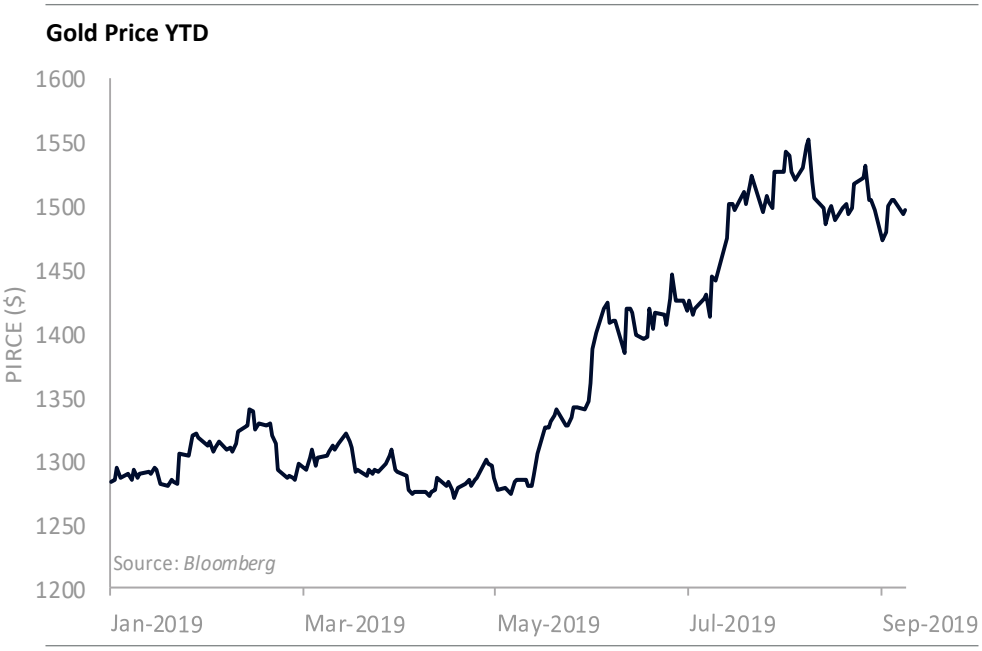

In summary, the next few quarters may be interesting as investors are split between those who believe the global economy is in mid cycle and those, like us, who are less believing that the central banks will be able to underpin growth and risk assets.

bank rate cuts and falling bond yields which tends to be an environment that favours gold.

We believe there are signs that we may have experienced a global earnings recession over the last two quarters and market estimates for the 4th quarter may still be optimistic. We have taken several defensive measures over the last 12 months, including increasing allocations to precious metals, government bonds, rotating sectors within equity and cutting emerging market exposure where appropriate. At the beginning of the year many were advocating emerging market investment as part of a weakening dollar strategy. We questioned the merits of this allocation and the possibility that the US dollar would continue to rise which has been the case over the year so far assisted by weaker Chinese growth. The next few quarters may be interesting as investors are split between those who believe the global economy is in mid cycle and those, like us, who are less believing that the central banks will be able to underpin growth and risk assets.

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