TRAMONDO
INVESTMENT PARTNERS

NAVIGATOR 2020

A SPECIAL YEAR-END EDITION OF THE TRAMONDO QUARTERLY

Our take on markets, monetary policy, politics and economics. And resulting investment opportunities that successful individuals, families, and institutional investors need to be aware of today.

NOT YET TIME TO SAY GOODBYE

FOCUS THEMES 2020

Central bank behaviour in light of the fear of "Japanification. Geopolitical uncertainty in a multi-polar world. Europe on its path to recovery despite an unresolved Brexit situation. And the likelihood of a third reversal in US national policy after the 2020 election.

2

THE BIG PICTURE

As indicated in the title of this publication, we believe it's not yet time to say goodbye. Risky assets such as equities continue to be supported by a string of positive headlines. Monetary policy may be reaching its limits. And numbers pointing to a recession-free slowdown.

6

ASSET ALLOCATION

With negative interest rates, traditional concepts of wealth management do no longer meet the high demands of ever-changing financial markets. We make the case for an active and risk-sensitive asset allocation with a distinct focus on capital preservation.

10

FOCUS THEMES 2020

THEME ONE

CENTRAL BANKS WILL KEEP THEIR ACCOMMODATIVE STANCE

CENTRAL BANKS ARE AFRAID OF THE PROSPECT OF THE "JAPANIFICATION" OF THEIR ECONOMIES

Central bankers are highly unlikely to tighten monetary policy as long as inflation expectations remain below their normal range, which is in line with an inflation target of 2%. The major central banks are afraid of the prospect of the "Japanification" of their economies.

This translates into a desire for inflation expectations to move back up to normal levels and, finally, will let realized inflation even overshoot these targets. Additionally, many governments are also easing fiscal policy.

DEPRESSED INFLATION

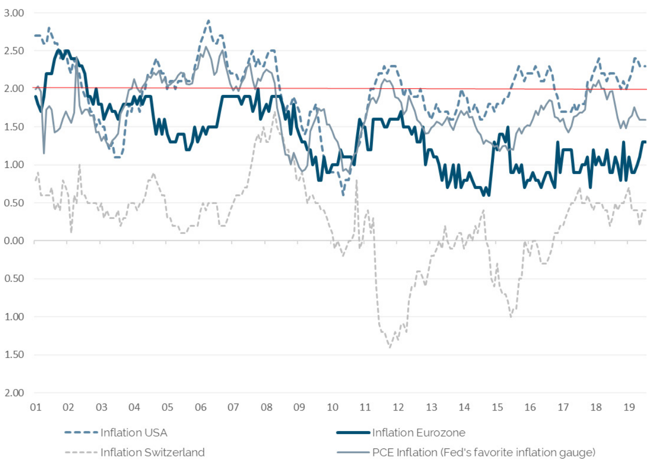

CHART 1 - INFLATION CORE CPI (EX-FOOD AND OIL); SOURCE: TRAMONDO INVESTMENT PARTNERS, BLOOMBERG

We, therefore, believe that the chances of a recession in the US next year are still low due to the financial conditions, which are likely to remain accommodative. As a result, we remain positive on risk assets, especially real assets like equities, and do not favour bonds as they offer extremely poor absolute and relative value.

Yet, if growth continues to weaken, we would be concerned that central banks have few options left. We do not see these risks as imminent but as a very relevant issue in the coming years.

THEME TWO

GEO-POLITICS AS THE PROTAGONIST

GLOBAL ECONOMIC POLICY UNCERTAINTY IS THE HIGHEST IT HAS BEEN SINCE ACADEMICS BEGAN MEASURING IT

The world is burdened with populism, authoritarianism, war, immigration, technological disruption, inequality, and corruption. Thus, in our view, geo-politics is the most likely factor to affect global markets significantly. Particularly since the Federal Reserve, the usual culprit, paused its tightening campaign and is showing some dovishness in terms of further hiking plans.

We have entered a multipolar world in which geopolitical risks are increasing as the national power of the US is declining relative to that of other world powers.

GLOBAL ECONOMIC POLICY

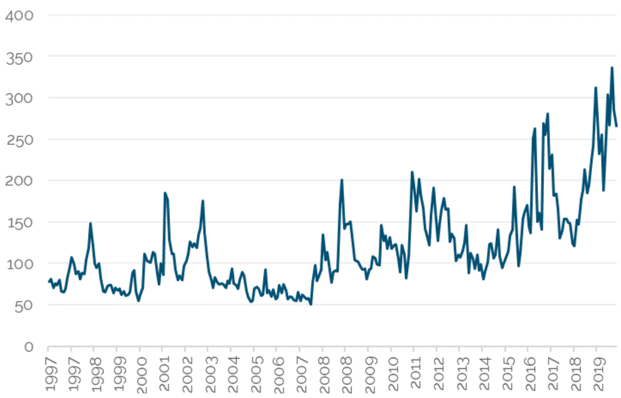

CHART 2 - GLOBAL ECONOMIC POLICY INDEX; SOURCE: TRAMONDO INVESTMENT PARTNERS, GALLUP

China's rise, in particular, is fuelling conflict with the US and its allies in the western Pacific. Russia and China continue to deepen their relations in light of an increasingly unpredictable US. In our view, these strategic tensions will endure despite a possible tariff ceasefire with China.

Hence, the tailwind supporting international trade and investment has weakened, and de-globalization is a long-term headwind for the earnings of globally oriented companies, especially large caps. Moreover, emerging markets, which are mainly exposed to trade, will be confronted with persistent unrest.

Concerning Europe, both the British and European governments must avoid a chaotic Brexit despite their lack of clarity beyond that.

In conclusion, geopolitical risk is declining, albeit from a pa-rticularly elevated level. As a result, there is a prospect that global geopolitical risks will decrease somewhat in 2020.

THERE IS A PROSPECT THAT GLOBAL GEOPOLITICAL RISKS WILL DECREASE IN 2020

On trade, Presidents Trump and Xi each have their strong incentives to reach a trade truce, and to deescalate trade policy uncertainty.

While China's economy is weak President Trump enters the 2020 presidential election with a low approval rating.

Therefore, we believe a trade truce is likely, although it will be a bumpy road ahead, and will probably not result in a permanent deal.

THEME THREE

EUROPE ON ITS PATH TO RECOVERY

EUROPEAN EQUITY MARKETS MAY SURPRISE POSITIVELY IN THE COMING MONTHS

The European economy will struggle with some of its existing headwinds well into 2020. Among those are the unresolved Brexit situation, rising populism (which remains a concern across the continent), and a still fragile European banking system.

Given that a lot of this negativity is already priced into current valuations, European equity markets may well surprise positively in the coming months.

European equity markets, which are very pro-cyclical and export-oriented, benefit from the cheap Euro (which trades substantially below fair-value) and should be one of the main beneficiaries of a pickup in global growth. The first signs of a recovery are seen in the leading indicators for the European economy (see Chart).

LEADING INDICATORS EUROPE

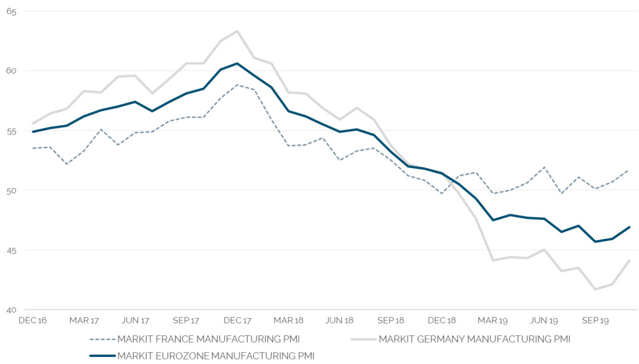

CHART 3 - MANUFACTURING LEADING INDICATORS ; SOURCE: TRAMONDO INVESTMENT PARTNERS, IHS MARKIT

Additionally, as monetary stimulus reaches its limits in Europe, Christine Lagarde serving as President of the ECB, and Ursula von der Leyen taking over the European Commission, are both expected to take the necessary measures beyond monetary policy.

This should support the economic area, resulting in fiscal stimuli and government spending.

A No-Brexit-Deal has a very low probability at the time of publication, which means that a significant source of uncertainty is likely to be lifted.

This will allow European businesses to resume investment planning.

In the European periphery, the situation is improving, which allows some normalisation of credit origination.

Lastly, the current valuations of European equities look relatively cheap compared to their American counterparts, which results in some “catch-up”-potential.

This is why we believe European equities are well-positioned to deliver a positive growth surprise - provided that external and domestic factors align positively and could serve as a new catalyst.

THEME FOUR

THE PRESIDENTIAL ELECTION

US PRESIDENTIAL ELECTIONS HAVE HISTORICALLY FAVORED THE INCUMBENT

Regarding the presidential election, the Democratic nomination is still wide open, while President Trump faces a low approval rating.

If the Democrats succeed in replacing an incumbent president, they are also likely to take the Senate and remove the foremost hurdle to a drastic policy change.

That would be the third 180-degree reversal in national policy in 12 years. Investors may find that the country has only replaced right-wing populism with left-wing populism.

This outcome worries CEOs about re-regulation and potentially triggers a devious cycle that could ultimately hurt companies' earnings prospects. Still, US presidential elections have historically favored the incumbent., particularly when there has been no recession.

RECESSION VS. REELECTION

RECESSION TWO YEARS BEFORE ELECTION?	PRESIDENT (YEAR)	REELECTION?
No	Obama (2012)	Yes
No	Bush (2004)	Yes
No	Clinton (1996)	Yes
No	Reagan (1984)	Yes
No	Nixon (1972)	Yes
No	Johnson (1964)	Yes
No	Eisenhower (1956)	Yes
No	Truman (1948)	Yes
No	FDR (1944)	Yes
No	FDR (1940)	Yes
No	FDR (1936)	Yes
No	Wilson (1916)	Yes
Yes	Bush (1992)	No
Yes	Carter (1980)	No
Yes	Ford (1976)	No
Yes	Hoover (1932)	No
Yes	Coolidge (1924)	Yes
Yes	Taft (1912)	No

TABLE 1 - RECESSION VS RELECTION; SOURCE: TRAMONDO INVESTMENT PARTNERS, MORGAN STANLEY RESEARCH

THE BIG PICTURE

MARKET REVIEW

RISKY ASSETS CONTINUE TO BE SUPPORTED BY A STRING OF POSITIVE HEADLINES

MARKET BREAKOUTS CAN BE VIEWED AS A POSITIVE SIGNAL FOR INVESTOR SENTIMENT

As indicated in the title of this publication, we believe it's not yet time to say goodbye. After several knocks on the door during summer, global equities finally broke through their price patterns in Q4 2019, reaching all-time highs.

Evidence suggests that market breakouts can be viewed as a positive signal for investor sentiment. They indicate global equity markets might even grind higher heading into 2020. However, investors should be aware that the global economy now has reached a critical turning point that will have a significant impact on future capital market returns of risky assets.

Global economic activity has been weakening since early 2018. Were in not for the service sector, the real economy would probably have already slipped into a recession.

ASSET CLASS PERFORMANCE

MARKET REVIEW INDEX	ASSET CLASS	09/12/2109 2019 YTD
MSCI WORLD	*Equity*	22%
MSCI Emerging Markets	*Equity*	9%
S&P 500 INDEX	*Equity*	25%
SWISS MARKET INDEX	*Equity*	24%
Euro Stoxx 50 Pr	*Equity*	23%
Barclays Glo.-Agg. Total Return Index	*Fixed Income*	6%
Swiss Bond Index (SBI) Domestic	*Fixed Income*	4%
Bloomberg Barclays Euro Aggreg	*Fixed Income*	4%
Gold Spot $/Oz	*Alternatives*	14%
Hedge Fund Research HFRI Equity	*Alternatives*	11%

TABLE 2 - ASSET CLASS PERFORMANCE AS AT 9 DECEMBER 2019; SOURCE: TRAMONDO INVESTMENT PARTNERS, BLOOMBERG

With a first Sino-American trade agreement in sight, investor attention will shift again to looking at fundamental data for signs of a rebound in global growth. Unless these hard data support a re-acceleration in growth anytime soon, investors will adjust their (already fairly optimistic) earnings expectations for 2020, putting markets for risky assets under severe pressure.

We still believe that our base case of an uptick in global economic activity in early 2020 is valid. Leading indicators suggest that the global manufacturing sector is bottoming out and that both the US and China, will spur growth thanks to expansionary fiscal and monetary policy.

Overall, investors may be confronted with a so-called "goldilocks scenario" – describing a unique combination of moderate economic growth with low inflation, supportive monetary policy, and easing geopolitical tensions. This scenario should raise the odds for a friendly start into 2020.

MONETARY POLICY

REACHING ITS LIMITS

Central banks around the globe will continue to be a supportive factor for equities in the first quarter. Low inflation and moderate growth rates allow for a market-friendly monetary policy without any substantial pressure to hike rates.

PERSISTENTLY LOW INTEREST RATES DO NOT SOLVE ANY OF THE CURRENT STRUCTURAL PROBLEMS, NOR ARE THEY A SUSTAINABLE LONG-TERM SETTING

Today's accommodative monetary policy may be supportive of equity markets. Persistently low interest rates, however, do not solve any of the current structural problems, nor are they a sustainable long-term setting. Firstly, they restrict the central banks' room for manoeuvre. Secondly, extremely low and negative rates cause significant other risks.

Low interest rates fuel financial risk-taking, and the search for yield leads (institutional) investors to take on riskier, less-liquid securities, and less transparent investment structures. These exposures will someday act as an amplifier of shocks.

Looking at official inflation figures, we do not expect a significant increase in 2020. However, the extremely loose monetary policy around the world may revive inflationary pressures in 2021 and, therefore, must be closely watched.

That monetary policy can be a very delicate affair has again been demonstrated in the US in recent months. The Fed could only raise rates to 2.5% before the pressure became too strong, and it has now cut them back to 1.75%. The Fed's recent, somewhat cryptic message of a "mid-cycle policy adjustment" indicates that we are already beyond the beginning of an aggressive easing cycle.

With a negative rate of -0.75%, the Swiss national bank is likely to be out of ammunition and remain hostage to the euro well into 2020. Mario Draghi wrapped up his final monetary policy meeting at the European Central Bank (ECB) in October by leaving interest rates unchanged and sticking to the existing package of loosening measures. Draghi's successor Christine Lagarde has praised the ECB's stimulus. Still, she may ask governments for fiscal support to help revitalize the struggling Eurozone economy.

POLITICS

POLITICAL RISKS STAY IN FOCUS

The ongoing Brexit saga, the worsening political standoff in Hong Kong, and a U.S. election year with impeachment headlines spinning are not suitable for confidence or business certainty.

As in recent months, politics will be one of the main factors influencing market development in the near term. Without venturing into a detailed political forecast: in our base scenario, we don't believe it is likely that any of the current themes will set markets into panic mode for a longer period.

WE DON'T BELIEVE IT IS LIKELY THAT ANY OF THE CURRENT THEMES WILL SET MARKETS INTO PANIC MODE FOR A LONGER PERIOD

The US-China trade war pendulum has continuously swung back and forth between escalation and a more constructive outlook in 2019. In autumn, it again came back in favour of the latter as President Trump announced as a "phase one" deal.

Such an agreement between China and the US would reflect a step in the right direction. We do not expect it to lead to a sustainable resolution of the trade conflict, however, as significant hurdles – such as protection of intellectual property – remain with the ability to spur market volatility in 2020.

Nevertheless, we still think it is likely that further tax increases on Chinese import goods could be waived soon. In light of Mr. Trump's re-election bid, the US president has a strong incentive to keep US consumers in a good mood, and his approval rates rising.

To further support the US economy, Mr. Trump would have to pause the tariffs altogether. This might not be necessary, after all. The Chinese economy is weak, and producer prices are once again deflating. In light of this pressure, China might accept a trade truce sooner rather than later.

ECONOMICS

LOOK OUT FOR A REVIVAL OF BUSINESS SENTIMENT

ECONOMIC ACTIVITY IS GRADUALLY IMPROVING, AND DATA SUGGESTS THAT WE ARE AMID A RECESSION-FREE SLOWDOWN

In 2019, global growth appears to have fallen to its slowest pace since the financial crisis (down to 3% from 3.3% in the previous year). A broad-based easing in manufacturing activity seriously questioned the sustainability of the current, long-lasting economic cycle. Capital spending in Europe and the US has slowed significantly as the trade conflict between the US and China strained the business climate.

Nevertheless, economic activity is gradually improving, and data suggests that we are amid a recession-free slowdown. The JPM Global Manufacturing index recorded its third-straight monthly rise from a late-summer low. It is driven by a rebound in the automotive industry where strong car registration numbers in the Eurozone and China positively surprised for once. Additionally, there are signs that the slowdown in growth momentum for the service sector is stabilising.

Another bright spot in recent months has been consumers across the globe. They proved to be rather resilient, preventing the global economy's slide into a recession.

The US economy expanded by 2.1 percentage points in Q3 2019 – compared to 3.4 percentage points a year earlier.

This expansion was supported by strong consumer spending and a robust housing market, which together account for almost 80% of US GDP.

The Q3 2019 GDP growth rates stabilized at 1.1% for Switzerland, and at 1.2% for the Eurozone, respectively.

Chinese GDP expansion in Q3 2019 slowed to 6%, which is a 27-year low. Factors were both the trade war with the US and a natural tailing off in trend growth, which is not unexpected for an economy at this stage of development.

STRONG ARGUMENTS FOR AN ACTIVE ASSET ALLOCATION APPROACH IN 2020

INVESTMENT CONCLUSION

In today's fast-paced and headline-driven market environment, we recommend an active and risk-sensitive asset allocation approach with a distinctive focus on capital preservation. With negative interest rates, traditional concepts of wealth management do no longer meet the high demands of ever-changing financial markets. This defines a strong need for dynamically managed asset allocation solutions with a strong tilt towards liquid and cost-efficient equity investments.

Overall, we think that the outlook for nominal assets is far from compelling and reiterate our preference for real assets, such as equities and gold.

The allocation sliders below illustrate our current view. An indicator in the middle of the spectrum indicates a neutral outlook. Indications to the right indicate increasingly positive views while indications to the left indicate an increasingly cautious, or negative, view with regard to the respective asset class.

EQUITIES

We keep our constructive view on global equities where we see significant catch-up potential for the Eurozone and Emerging Markets.

For a long time, these regions were out of favour among investors and hence, should benefit disproportionally from both a re-accelerating world economy and investor re-positioning.

Furthermore, these equity markets still trade with a substantial discount of up to 30% to US markets, a market we still like, but would not chase, going into 2020.

FIXED INCOME

Given a supportive macro outlook, we expect that the "golden times" for nominal assets will come to an end in 2020.

The current level of yields still discounts a fairly pessimistic outlook for the global economy, which we believe will prove wrong in Q1 2020. Thus, we expect that bond yields heading higher will put pressure on already elevated valuations, especially in the sovereign bond segment, where risk vs. reward characteristics have been skewed for some time.

Within fixed income, we currently see the most attractive opportunities in the credit market. On a relative basis, fixed income issuers from the Emerging Markets still offer an attractive carry, especially given their supportive fundamentals. Similarly, within High Yield, which already enjoyed a stellar run in 2019, certain sectors are still under-owned by investors and could provide for attractive capital growth potential.

ALTERNATIVES

In a world full of negative-yielding debt, we still believe that gold is an important and often underestimated value preserver. Given its strong fundamental and technical support, we could be on the cusp of a multi-year bull market for gold.

Although investor positioning is already very long, and lots of optimism is already reflected in the current rally, we would stick to a strategic position, poised to increase the position in the wake of sharp dips.

Please note that this is an asset allocation snapshot as at 9 December 2019. Our portfolios are actively managed and allocations are reviewed daily for their accuracy and to ensure downside protection.

PERFORMANCE TABLE AND CONSENSUS FORECAST

Asset Classes	**Price**	**2019 YTD**	**Current Quarter**	**6 Months**	**12 Months**
09/12/2019					
GLOBAL EQUITY MARKETS					
Regions					
MSCI World	2'296	24.93	19.91	10.32	18.38
SMI	10'440	28.28	23.43	8.19	24.86
EuroStoxx 50	3'680	27.49	24.87	11.40	25.81
DAX	13'142	24.70	21.82	10.15	21.79
S&P500	3'146	27.90	21.89	11.73	19.07
Nasdaq	8'657	31.83	25.62	14.29	21.79
Nikkei	23'431	18.99	10.43	13.52	10.98
MSCI Emerging Markets	1'049	11.49	10.08	6.43	10.35
China CSI 300	3'895	32.57	25.24	11.33	25.46
Sectors					
S&P GL 1200 Energy Index	1'981	8.19	0.09	0.04	0.34
S&P GL 1200 CONS DISC IX	3'665	23.71	19.16	9.35	17.09
S&P GL 1200 CONS STAP IX	3'095	21.90	16.05	6.60	15.82
S&P GL 1200 Real Estate	2'290	21.92	14.34	3.87	13.75
S&P GL 1200 UTILITIES IX	1'733	20.07	16.08	5.73	16.79
S&P GL 1200 Comm SRVS	1'242	24.10	20.23	11.60	18.92
S&P GL 1200 HEALTH CARE	3'777	20.42	15.82	13.64	13.92
S&P GL 1200 INFO TECH	5'156	41.27	36.59	18.58	32.87
S&P GL 1200 MATERIAL INX	2'685	17.73	17.14	6.64	16.45
S&P GL 1200 INDUSTRL INX	2'894	26.73	22.24	10.32	20.80
S&P GL 1200 FINANCIAL	1'435	21.70	17.45	9.31	16.34
GLOBAL BOND MARKETS					
Sectors					
USD Investment Grade	3'224	13.98	14.77	6.15	14.99
EUR Investment Grade	259	6.21	6.57	2.03	6.43
CHF Investment Grade	142	3.92	4.66	0.88	4.49
USD High Yield	2'148	12.48	10.23	4.03	10.44
EUR High Yield	409	11.37	11.58	5.32	11.47
USD Emerging Markets Debt	1'191	11.40	12.10	3.93	12.41
USD Contingent Convertibles	275	17.65	18.41	7.93	18.63
USD Senior Loans	457	6.99	5.06	1.59	4.99
GLOBAL FX MARKETS					
Currency pair					
EURUSD	1.11	-3.49	1.54	-2.17	-2.54
USDCHF	0.99	-0.77	-0.80	0.01	0.01
EURCHF	1.10	2.76	0.72	2.22	2.22
GBPUSD	1.32	3.22	7.13	3.78	3.78
AUDUSD	0.68	-3.16	1.13	-1.94	-1.94
USDJPY	108.47	1.12	0.36	-0.02	-0.02
USDCNH	7.04	-2.38	-1.45	-1.34	-1.34

MACRO DATA				
GDP Growth	**2018**	**2019E**	**2020E**	**2021E**
World	3.70	3.00	3.10	3.15
United States	2.90	2.30	1.75	1.90
Eurozone	1.80	1.10	1.00	1.20
Germany	1.50	0.50	0.70	1.20
Switzerland	2.60	0.80	1.20	1.40
Emerging Markets	4.97	4.42	4.51	4.68
China	6.60	6.10	5.85	5.70
Inflation	**2018**	**2019E**	**2020E**	**2021E**
World	3.30	3.00	3.00	2.90
United States	2.40	1.80	2.00	2.00
Eurozone	1.70	1.20	1.20	1.40
Germany	1.90	1.40	1.40	1.50
Switzerland	0.90	0.50	0.60	0.70
Emerging Markets	3.53	3.78	3.89	3.40
China	2.10	2.80	2.80	2.10
3M Rate Expectations	**2018**	**2019E**	**2020E**	**2021E**
United States	2.74	1.90	1.77	1.90
Eurozone	-0.32	-0.42	-0.47	-0.42
Switzerland	-0.72	-0.77	-0.77	-0.74
China	3.05	2.68	2.58	2.68

TABLE 3 - PERFORMANCE TABLE AND CONSENSUS FORECAST AS AT 9 DECEMBER 2019; SOURCE: TRAMONDO INVESTMENT PARTNERS, BLOOMBERG

LEGAL NOTICE

This document has been prepared by Tramondo Investment Partners AG (the "Company") regardless of specific or future investment objectives, a particular financial or tax situation or the individual needs of a particular recipient and is provided to you for the exclusive purpose of personal use and information only. It is based on specific facts and circumstances and prepared for a specific purpose. It is not intended to be, and may not be, relied on by any other person.

The information in this document constitutes neither a solicitation, an offer, nor a recommendation to any person in Switzerland or any other jurisdiction, to purchase, subscribe or sell any securities or other financial instruments, to use it as a sufficient basis for an investment decision or to conclude any legal act of any kind to this end. Furthermore, this presentation should not be construed as a financial, legal or tax advice.

The information and opinions expressed in this document were carefully collected, analyzed and composed by the Company based on publicly available information from trustworthy sources as of the date of the creation of the presentation. They are subject to change. The Company undertakes no obligation to update the information herein and it should be noted that significant events may have occurred since the date of the creation. Although the information has been obtained from and is based upon sources that the Company believes to be reliable, no guarantee is assumed that the information is accurate or complete. Any reference to past performance data is not necessarily indicative of current and future returns.

The calculated values are solely indicative. The effective allocation and results depend on investment activity and the development of investments and may differ from the model results. The implementation of an investment proposal can ultimately occur differently and deviate from the structure presented or the products mentioned.

Individual products or components of this document may have a certain complexity and a high risk (e.g. derivatives, alternative investments, structured investments). They are only intended for investors who understand and assume the risks involved. Investments in foreign currencies are subject to currency fluctuations, investments in emerging markets or in special products are exposed to special risks. An investment in a target described in this presentation should be made only after careful study of the most recent prospectus and a comprehensive due diligence on the targeted assets. The Company recommends that investors carefully assess and seek professional advice if needed with regard to financial, legal, regulatory, credit, tax and accounting consequences before making a final investment decision or implementing a strategy. The investor assumes responsibility for the proper declaration of all assets and their tax assessment.

The Company reserves the right to change at any time the content of this document in part or entirely, at all times and without prior notice. Although the Company acts with due care to ensure the accuracy of the information contained in this document, it cannot guarantee such. The Company or its employees assume no liability for any damages (neither tangible nor intangible) that arise through the use or non-use of the information contained herein, especially no responsibility for the accuracy, completeness, reliability or comparability of the information contained herein relating to third parties that is based solely on publicly available information. Without prior written consent of the Company this document shall not be copied, referred to or disclosed, in whole or in part. This applies in particular to the Company's logo.

Tramondo Investment Partners AG is incorporated in Switzerland and is FINMA licensed and regulated.

Contact Information:

Tramondo Investment Partners AG
Unter Altstadt 10
CH-6302 Zug

Tel: +41 41 710 76 76
info@tramondo.ch
www.tramondo.ch

TRAMONDO INVESTMENT PARTNERS AG

UNTER ALTSTADT 10
CH-6302 ZUG
T +41 710 76 76
F +41 710 76 78
INFO@TRAMONDO.CH
WWW.TRAMONDO.CH