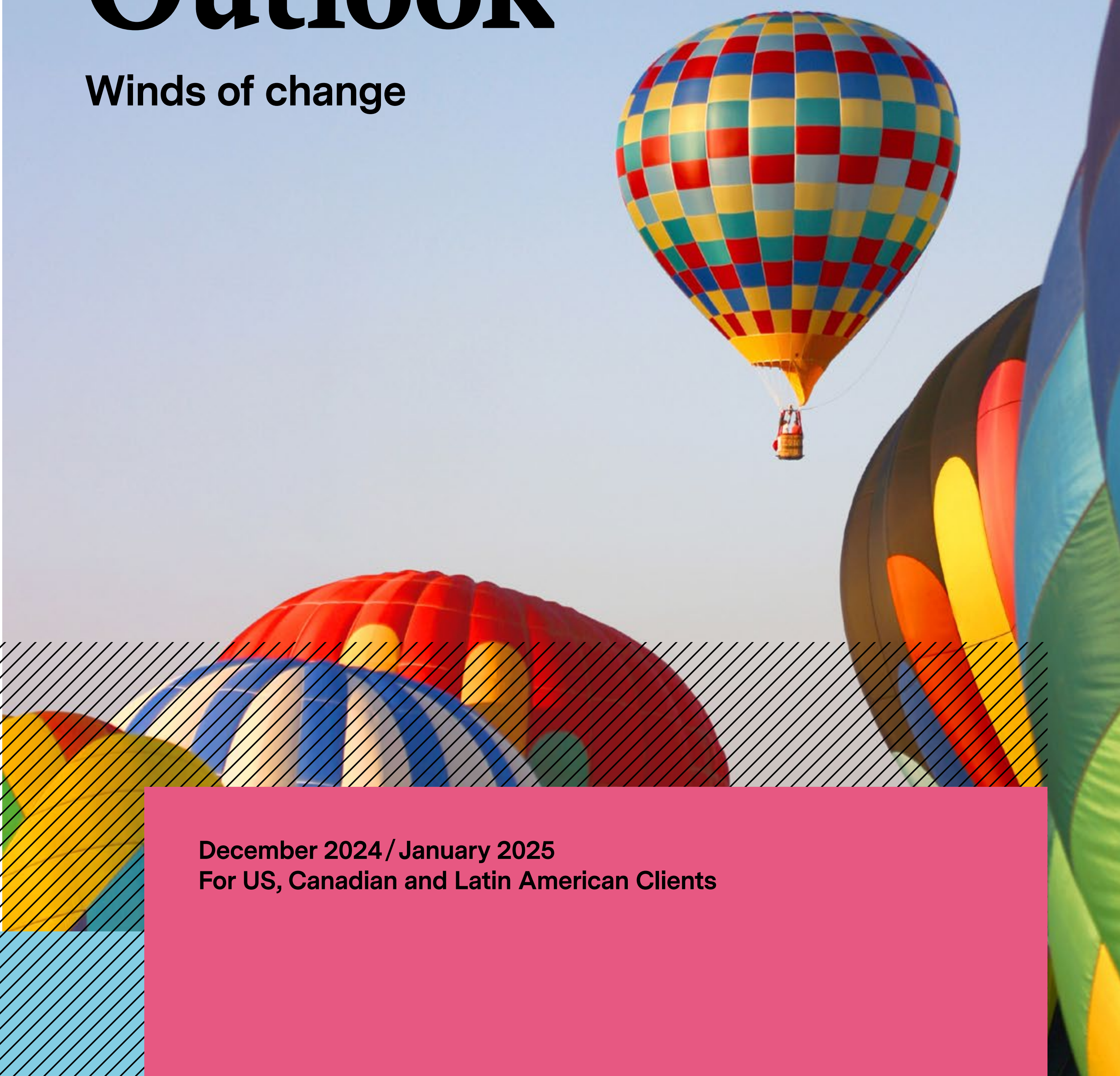
100 years | Empowering Investors

Vontobel

Investors' Outlook

Winds of change



December 2024 / January 2025
For US, Canadian and Latin American Clients

Vontobel Swiss Financial Advisers AG

Content

Imprint

Publishing by
Vontobel Swiss Financial Advisers AG
Gotthardstrasse 43
8022 Zürich
Switzerland

Editors
Vontobel editing team

G.J. Midge Brown
Business Developer,
Vontobel SFA

Authors*
Dr. Pascal Köppel
Chief Investment Officer (CIO),
Vontobel SFA
Dr. Pieter Jansen
Chief Investment Strategist,
Vontobel SFA
Christoph Windlin
Deputy Head Investment Management,
Vontobel SFA
Markus Bruhin
Head Managed Solutions,
Vontobel SFA
Philipp Wartmann
Senior Investment Adviser,
Vontobel SFA

Frequency
Ten times per year
(next issue February 2025)

Concept
MetaDesign AG

Creation & Realization
Vontobel

Images
Getty Images, Vontobel

Input deadline for this edition
November 29, 2024

Remarks
* Legal information on page 13

Winds of change

—
Dr. Pascal Köppel
Chief Investment Officer,
Vontobel SFA

Dear readers,

The American people have spoken and the mood in the market following Donald Trump's election as the next president has set the stage for a dynamic economic outlook as the world approaches 2025.

The red sweep heralds deregulation and tax cuts—measures that are traditionally favorable for businesses. These policy shifts in the world's largest economy coincide with a wave of stimulus measures from the world's second-largest economy. In their quest to boost domestic growth, the US and China are creating what we anticipate to be a global "risk-on" market environment.

On top of the help from policymakers around the globe, tech giants have poured over USD 200 billion into Artificial Intelligence (AI) this year, with executives suggesting this investment spree will continue into next year and may even accelerate. These corporate spending programs, on a scale reminiscent of the Apollo space program, are set to fuel economic momentum in and of themselves.

At the same time, the potential impact of tariffs on US trade partners has emerged as a concern for investors, particularly regarding their impact on prices and implications for the US Federal Reserve's easing cycle, such as interest rate changes and size of the Fed's balance sheet. While often seen as inflationary, tariffs are inherently deflationary, by increasing costs, they dampen demand, leading to demand destruction—much like how high oil prices curb driving habits. In response, multinationals are poised to prioritize domestic production in the US to minimize tariff risks and ensure smoother operations in a politically charged trade environment. Many companies have already made such strategic adjustments in response to a legacy of earlier tariff rounds that forced re-evaluations of global supply chains. This trend is poised to funnel more capital into the US economy.

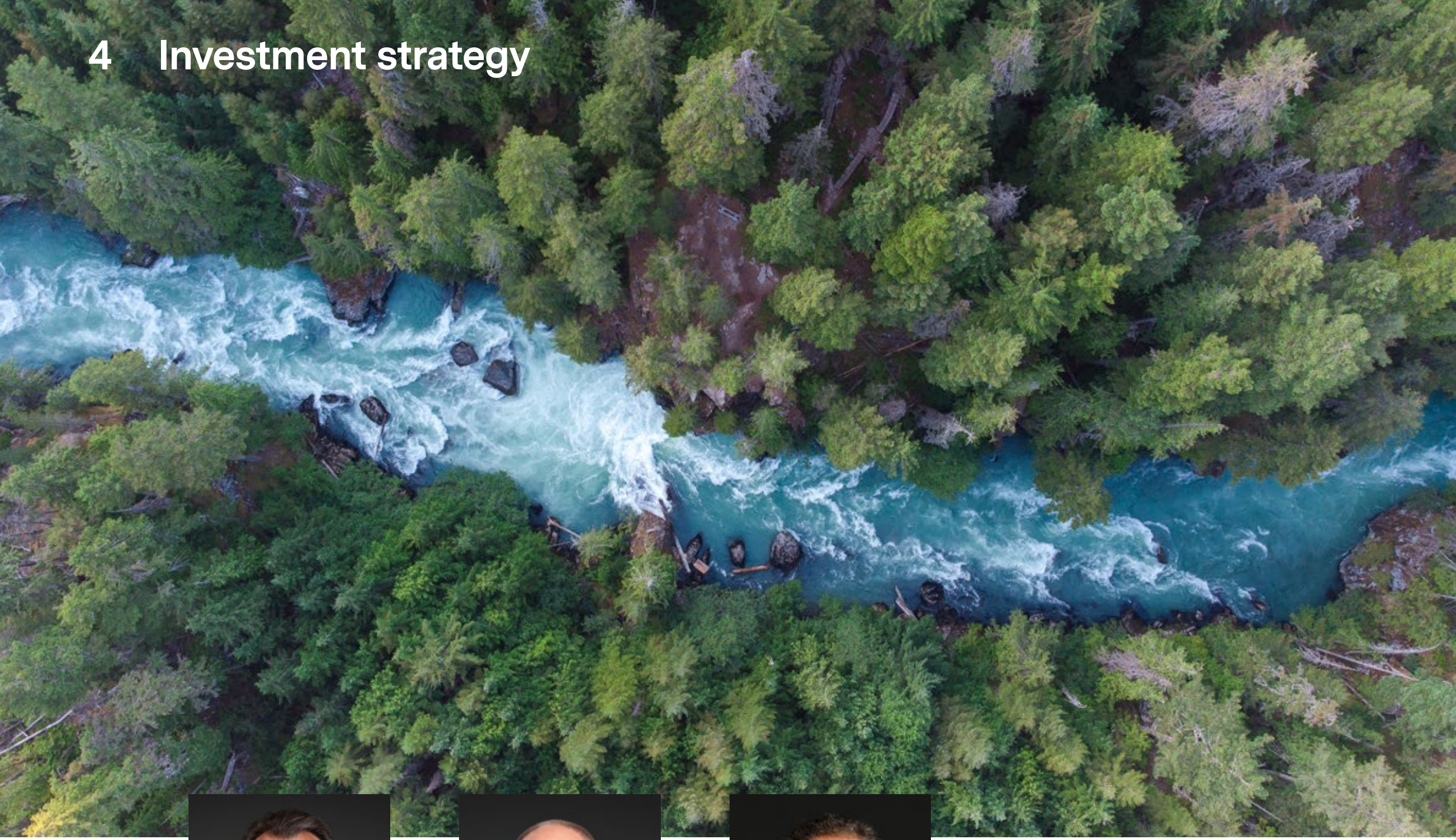
We believe that central banks will continue to reduce interest rates, albeit at a more measured pace. However, some policies are likely to exert inflationary pressure, such as economic stimulus and tighter labor supply resulting from stricter immigration policies. These are the balancing aspects of the macroeconomic picture next year, with stimulus, policy shifts, and corporate strategy shaping the contours of 2025.

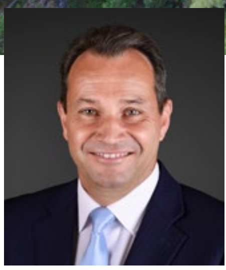
In China, policymakers have also been discussing further stimulus measures. After cutting rates in October, the People's Bank of China (PBoC) held its key rates steady in November. We believe Beijing will probably assess the impact of its existing stimulus measures before providing further support.

In this Investors' Outlook, you will find the details of our expectations for the coming year, our take on equity markets as well as the recent changes to our asset allocation.

The collapse of the Assad regime in Syria creates some uncertainty on the balance of power in the region. However, it does not change the macro and market outlook for 2025.

The stage is set for a new chapter. We're ready for what comes next.





—
Dr. Pascal Köppel
Chief Investment Officer,
Vontobel SFA

—
Christoph Windlin
Deputy Head
Investment Management,
Vontobel SFA

—
Markus Bruhin
Head Managed Solutions,
Vontobel SFA

Asset allocation into 2025

With election uncertainty now behind us, businesses and investors alike have greater clarity to plan ahead. Our 2025 outlook is based on three core assumptions: improved outlook for economic growth, low risk of a second wave of inflation and continued normalization of monetary policy; the latter especially outside the US.

The improved outlook for economic growth is supportive for earnings growth and equity markets in general. Given that most of the stimulus takes place in the US with a tilt toward protecting US businesses, it will likely benefit US equities the most.

This outlook may limit the decline of inflation. Even though a material rise is not expected, growth and inflation dynamics will not require aggressive Fed policy loosening. However, US monetary policy expectations have already started to adjust to the new situation and bond yields have risen accordingly. High-quality bonds currently offer attractive yields once again.

Gold has risen sharply over the past two years, although it suffered a moderate setback after the confirmed election of Trump. Going forward, we continue to think that gold holds an important place in our asset allocation, given the underlying strong physical demand and gold's ability to benefit from a variety of uncertainties.

Turn to page 5 for the details on our asset allocation and to page 6 for a deeper dive into our outlook for 2025.

	UNDERWEIGHT significantly	UNDERWEIGHT slightly	NEUTRAL	OVERWEIGHT slightly	OVERWEIGHT significantly	
1 Liquidity	→					We are keeping a significant underweight in cash, as we see scope for bonds and equities to outperform versus cash.
2 Bonds				→		The outlook for high-quality fixed income credit remains supportive, certainly after the recent rise in bond yields. We remain overweight in investment-grade (IG) credit (with a preference for A-rated bonds) and remain underweight in high-yield. In our opinion, companies with weaker balance sheets and a greater reliance on external borrowing are more vulnerable, and their bond prices and spreads over higher-quality bonds do not sufficiently compensate for this risk.
3 Equities				→		We continue to maintain a medium overweight position in equities. The fundamental outlook for equities remains constructive overall. Despite global manufacturing momentum showing signs of stalling, the key drivers of corporate earnings growth remain solid. Policy measures expected in 2025 from the new US government will particularly support US growth and be positive for US equities. We remain overweight US equities and Swiss equities and underweight UK equities.
4 Commodities / Gold			→			We continue to hold a positive view on gold. The yellow metal rallied strongly last year and maintained this performance this year. Lower interest rates, ongoing geopolitical uncertainties and ongoing strategic purchases of gold, especially by central banks in emerging markets, remain positive drivers.

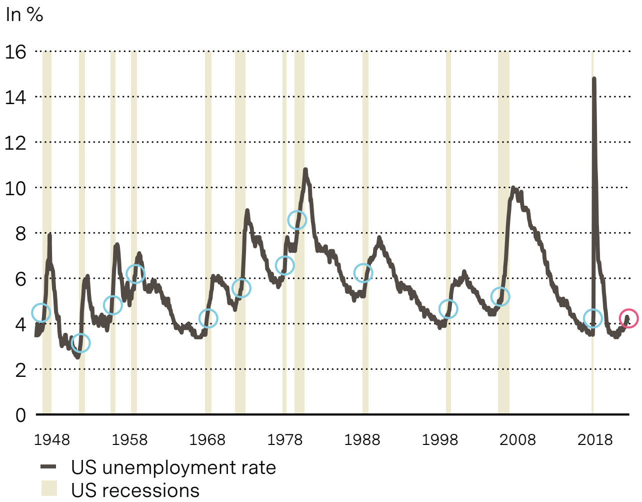
Changes month-on-month: same → higher ↗ lower ↘

Time to look back—and ahead

The turn of the year is always a good time to reflect. At the start of 2024, we expected the US economy to go through a soft landing, that inflation would continue to abate and monetary policymakers would begin cutting interest rates. These macro developments have been confirmed this year. As we set our sights on 2025, we expect growth to improve, inflation to remain in an acceptable range and monetary policy to normalize, but with differences between regions.

—
Dr. Pieter Jansen
Chief Investment Strategist,
Vontobel SFA

Chart 1: US unemployment remains historically low



Source: LSEG, Vontobel; as of November 22, 2024.

In the US, the labor market has cooled from its previously red-hot levels. Job openings fell to a three-year low of 7.44 million in September. The quit rate—a key indicator of worker confidence in job market prospects—dropped to just 1.9 percent in September, down from a peak of 3 percent in 2022. Even the unemployment rate rose from a low of 3.5 percent to 4.2 percent in September, which is close to the Congressional Budget Office's (CBO) 4.4 percent estimate for the natural unemployment rate (see chart 1).

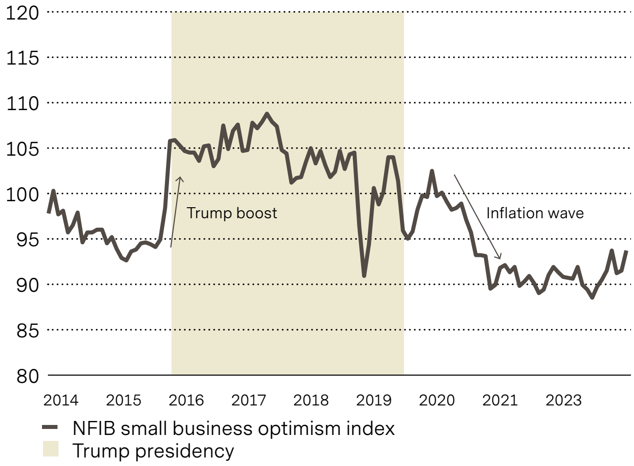
In Europe, growth gradually improved during the year after the region failed to grow in 2023. This improvement is supported by different trends in euro area counties. Those countries, in particular, that underwent restructuring after the European sovereign wealth crisis, for example, in southern Europe, are benefiting from stronger growth (Spain, Greece). However, the region's core (Germany) is now lagging. In Asia, China continued to struggle amidst domestic challenges (real estate sector) and international challenges (changing global supply chains and trade tariffs).

Expectations for 2025
Heading into 2025, we expect consumer sentiment to continue improving—at least in the US. The US labor market appears to be in good shape now, with real personal income growth remaining positive since May 2023. Some pent-up savings should still be available too. Consumers can also anticipate further support from the US government in 2025, potentially in the form of fiscal incentives under President Trump.

We also expect business sentiment to pick up. With the outcome of the US election now settled, much of the uncertainty has dissipated, giving companies greater visibility about the future and how to position themselves. This mirrors what happened after the 2016 presidential election, when small business sentiment surged (see chart 2). The President-elect's predilection for tax cuts and deregulation should further boost sentiment. This revival of optimism, combined with the resilience of the US consumer and potentially more supportive fiscal policies in the US and China, could pave the way for stronger economic growth in the months ahead.

Chart 2: Small business sentiment surged after 2016 Trump win

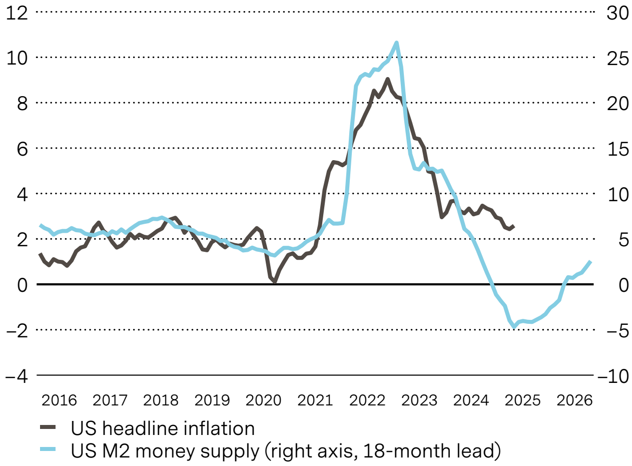
Index



Source: LSEG, Vontobel; as of November 22, 2024.

Chart 3: Money supply growth has reached positive territory again, but more is needed for a second inflation wave

Year-on-year percentage change (both axes)



Source: LSEG, Vontobel; as of November 22, 2024.

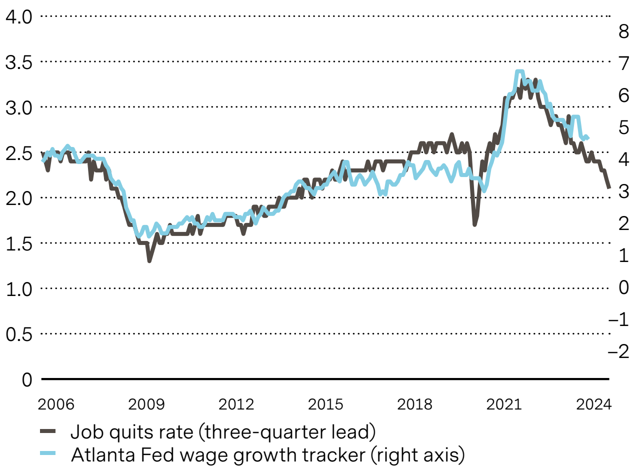
Will the combination of higher government spending, stronger economic growth and the potential resurgence of tit-for-tat tariffs lead to a second wave of inflation? While we acknowledge that many of the expected Trump's policies are "reflationary", we currently see the risk of a second inflationary wave as low. Economic growth is certainly expected to gain ground in 2025, but it is far from explosive. For example, the global manufacturing sector is still struggling.

Monetary policy is undoubtedly more expansionary than it was one year ago, but it is far from being loose. Although US M2 money supply has recently returned to positive territory, it remains well below the levels seen when inflation surged in 2021 and 2022[1] (see chart 3). We also believe there is room for housing disinflation. "Shelter inflation", which is one of the lagging components of overall inflation, typically declines once the Fed kicks off its rate-cutting cycle. Additionally, commodity prices are behaving more favorably this time around. Deregulation of the US oil market could mean that the US may soon pump even more oil and gas than it already does.

In terms of monetary policy, we expect central banks to continue normalizing their policies in 2025, gradually bringing interest rates back to "neutral" territory. Further rate cuts appear reasonable, as both inflation and wage growth have returned to normal for the most part (see chart 4). The Fed's "supercore" inflation measure, which tracks services inflation excluding food, energy and housing, and is considered a more reliable indicator, has been fluctuating around the Fed's 2 percent target for several months. Other core inflation measures, such as the Dallas Fed's trimmed mean personal consumption expenditures (PCE) rate, have also moved closer to the target[2].

Chart 4: Leading indicators (e.g., quits rate) suggest that wage growth will move back to the Fed's target

In %　　　Three-month average



Source: LSEG, Vontobel; as of November 22, 2024.

Some central banks may even cut rates to below what is considered neutral. Several European Central Bank (ECB) doves, including Italy's Fabio Panetta, have suggested the possibility of rates falling below neutral. Similarly, Martin Schlegel, Chairman of the Governing Board of the Swiss National Bank (SNB), has not ruled out a return to negative rates. However, we believe rate cuts below neutral are unlikely in the US, given the relatively elevated inflation expectations.

[1] M2 is a Fed estimate of money supply. It is defined as M1 money supply (the most liquid assets such as cash, checking accounts, traveler's checks, etc.) plus savings deposits and money market mutual funds.

[2] Source: Federal Reserve Bank of Dallas. www.dallasfed.org/research/pce#:~:text=The%20Trimmed%20Mean%20PCE%20inflation,of%20Economic%20Analysis%20(BEA).

IG bonds remain attractive after real yield adjustment

—
Philipp Wartmann
Senior Investment Adviser,
Vontobel SFA

The predominant role of rising real yields in the recent Treasury selloff

The markets interpret the election results as pro-growth. Stocks, bond yields and the US dollar have risen. Some strategists have attributed the bond market sell-off to President-elect Trump's proposed tax policies. They argue that his planned tax cuts could significantly expand the US budget deficit, potentially fueling inflation and increasing the "fiscal risk premium". The 10-year US Treasury term premium has risen by 50 basis points since September[3]. The chart here shows that the bond market sell-off since mid-September has primarily been driven by rising real bond yields. Two thirds of the increase in 10-year Treasury yields has come from an increase in the real yield component, while inflation breakeven accounts for the remaining one third (see chart 1). Higher Treasury yields signal heightened growth expectations, attracting increased capital inflows and strengthening the US dollar. This trend underscores the traditional impact of a potential easing of US fiscal policy on the Treasury market. If fiscal policy becomes more accommodative, it would reduce the necessity for the Federal Reserve to cut interest rates aggressively. Simply put, bond yields are experiencing upward pressure as the likelihood of rate cuts diminishes (see chart 2).

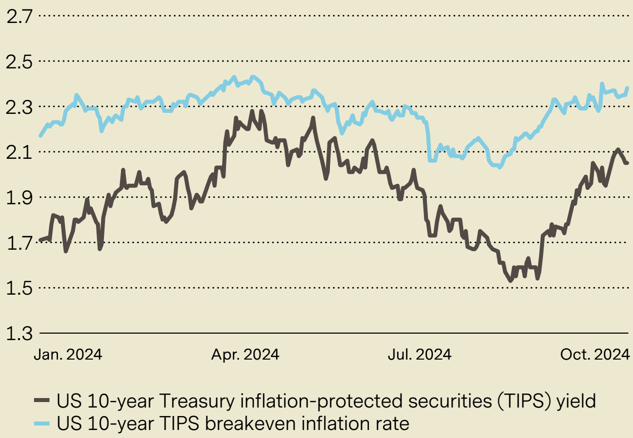
Investment Grade bonds continue to offer value despite tight spreads

We anticipate a moderate rise in net corporate issuance in 2025 led by M&A activity amid lower regulatory scrutiny and pent-up demand. Fundamentals in credit continues to be strong i.e. balance sheet gearing is stable (debt to equity ratios) but leverage may slightly deteriorate in 2025 due to more supply but interest coverage ratios should continue to improve with our outlook that rates will move gradually lower and spreads remain well anchored. Therefore, we continue to favor credit versus government bonds and believe that investment grade (IG) bonds are the best choice in the current macro environment. Our sector preferences include Technology, Capital Goods that will benefit from lower rates. We are more cautious on Consumer Cyclicals (i.e., retailers) that score worse in terms of leverage and valuation (spread) in a scenario where the economy slows faster than anticipated. In the auto sector, we prefer Japanese car manufacturers versus Europeans despite their healthy balance sheets. The EU autos will be exposed to tariffs, and we could see more volatility ahead and potential rating downgrades. Utilities are usually more leveraged than corporates, but they offer a spread pick up versus the broader markets. The sector is also a beneficiary of lower rates.

[3] According to the Kim and Wright measurement from the Fed. Data source: Bloomberg.

Chart 1: Rising real yields fuel two-thirds of bond market sell-off since September

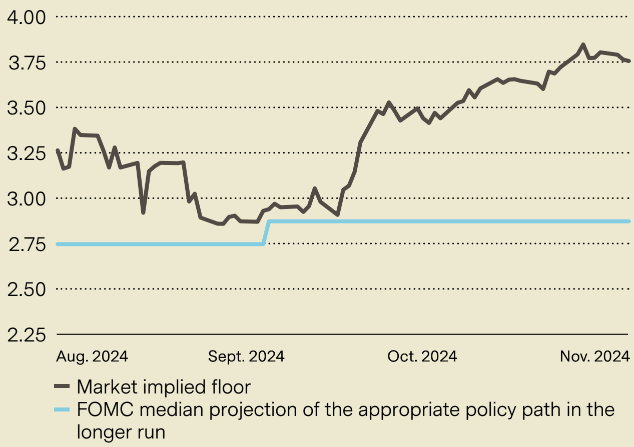
In %



Source: Bloombergm, Vontobel; as of November 20, 2024.

Chart 2: Bond yields are undergoing upward pressure as rate cuts get priced out

In %



Source: Bloomberg, Vontobel; as of November 20, 2024.

Worlds apart

—
Markus Bruhin
Head Managed Solutions,
Vontobel SFA

The outcome of the US presidential election has amplified the already significant performance gap between US stocks and those of other developed countries and emerging markets. While investors widely anticipated that a Trump presidency would create a favorable environment for equity markets overall, the initial market reaction suggests that US stocks are poised to extend their lead.

Much like ABBA's iconic hit "The Winner Takes It All", US stocks have dominated global equity markets for well over two years now. It is not just the outsized contributions of tech and AI-related stocks that are driving this outperformance. Even the S&P 500 index (excluding the "Magnificent 7") and the leveraged small- and mid-cap Russell 2000 index have outperformed the MSCI All Country World Index to date (in total return terms and in USD). This is reflected in market breadth, a key indicator of how widely gains are distributed. This indicator has improved significantly, from 28 percent of S&P 500 companies outperforming the index up to the end of June 2024 to above the 40 year average by the end of November 2024 (see chart 1).

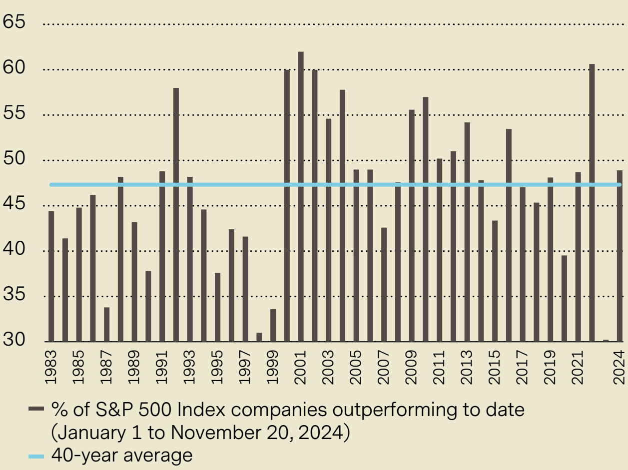
Equity markets often reflect a simple narrative: capital flows to where return expectations are higher. Following the US election, US equities have attracted massive inflows, while other developed countries and emerging markets have seen significant outflows, resulting in underperformance. US equities now represent an all-time high proportion of the MSCI World with 67 percent; Pre-GFC this was ~45 percent.

History provides context. During Trump's first term, US equities outperformed other regions consistently, from the first month to its conclusion (see chart 2). Early indications suggest markets are on a similar trajectory to 2017. So far the increase in bond yields has not posed a problem for equities. This is mainly because the rise in bond yields is driven more by growth than by inflation. A continued sharp rise in bond yields has the potential to become an issue for equities, this is not our base case.

Europe faces challenges due to the risk of tariffs, weak Chinese growth and slow domestic recovery. Earnings growth is expected to be modest, with the US continuing to outperform. Europe's prospects may improve due to cheap valuations, a weaker euro and potential reforms in Germany.

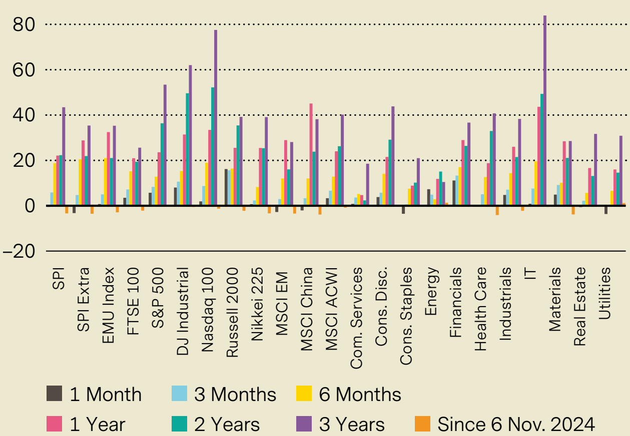
We are keeping Europe at a neutral weight as valuations indicate much of the perceived weakness is already priced in. Also, European equities are only exposed to a limited degree to the European economy with the majority of the revenues coming from outside the euro area, e.g. the German DAX index, which has gained 18 percent (total return in EUR) year-to-date despite the struggling German economy.

Chart 1: Market breadth improving (based on the S&P 500 Index)



Source: LSEG, Vontobel; as of November 22, 2024.

Chart 2: The Trump effect



Note: This chart compares the performance of selected regional and global sector indexes at various intervals after Trump's 2016 election and his 2024 re-election.

Source: LSEG, Vontobel; as of November 21, 2024.

Gold remains well supported

—
Christoph Windlin
Deputy Head
Investment Management,
Vontobel SFA

Gold has dazzled over the past few years, delivering remarkable returns. Following a stellar rally of more than 30 percent (in US dollar terms) in 2024 alone, gold still remains a valuable asset to the portfolio and we continue to hold our overweight in the yellow metal.

Gold experienced a setback after Trump's election was confirmed. The result probably triggered investors into locking in some profits. Prior to this, it was clear that investors were tactically overweight in gold. One of the fears was a challenge of the election result, which did not happen. As such, the uncertainty after the election was less than feared.

In nominal terms, the price of gold kept breaking new records. However, a large part of this is also due to higher inflation over the past years. As can be seen in chart 1, the real price (corrected for inflation developments) is much closer to previous highs relative to the nominal price development. In the end, gold should be seen as a real asset.

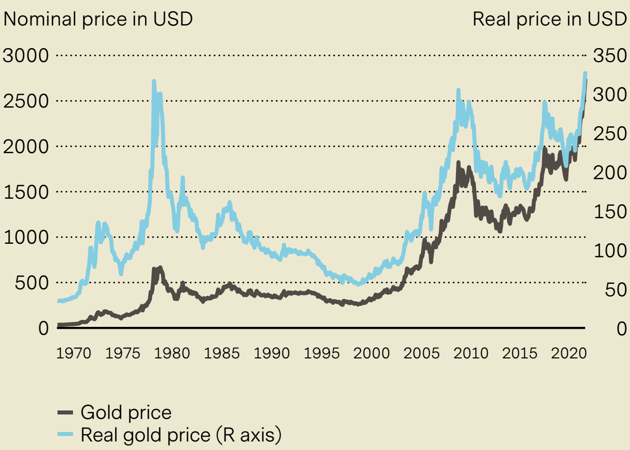
Gold remains an attractive asset in 2025 too

Firstly, the uncertainties have not gone away. As we enter 2025, the geopolitical landscape remains unsettled. Gold tends to perform well in times of economic and geopolitical uncertainties. For that reason, it remains an interesting risk diversifier, especially against downside equity risk.

Secondly, the long-term case remains intact. In an increasingly fragmented world, emerging-market central banks are likely to continue their "de-dollarization" efforts (see chart 2). The push to diversify central bank holdings kicked off in earnest in 2022, when Western nations froze the Russian central bank's reserves. Although high prices have recently cooled buying interest from key players like China, any price correction could reignite demand.

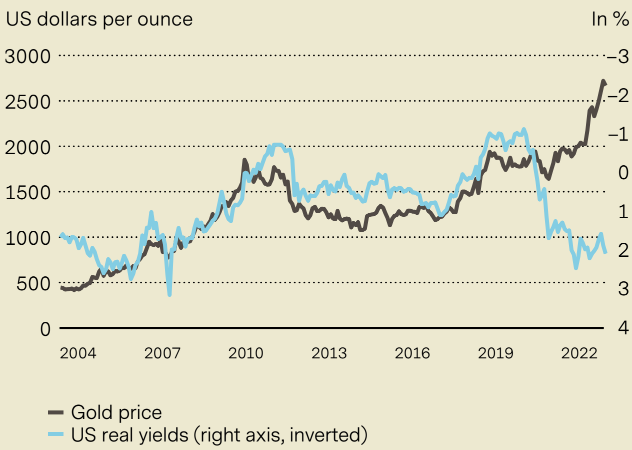
Meanwhile, discussions about a BRICS currency partially backed by gold remain ongoing. Additionally, soaring global public debt-to-GDP ratios add to gold's allure. In the US, in particular, higher fiscal spending and larger budget deficits are expected to continue, which translate into a further rise of fiscal debt. Over time, such developments could erode confidence in paper money and increase the appeal of non-printable assets.

Chart 1: Nominal and real gold price



Source: Bloomberg, Vontobel SFA

Chart 2: De-dollarization tailwinds: Gold hasn't traded in line with macro fundamentals over the past years



Source: LSEG, Vontobel; as of November 20, 2024.

Positive Dollar momentum

—
Dr. Pieter Jansen
Chief Investment Strategist,
Vontobel SFA

Since the end of September, the US dollar has appreciated by around 6 percent versus a basket of trading partners (DXY index). The improvement was driven initially by stronger data releases and later by an improved growth outlook.

This year the key currencies were mainly driven by monetary policy expectations. The changes in market expectations for central bank action generated most of the volatility, which has created several waves in the US dollar performance (see chart 1).

The better starting point and outlook for the US economy suggests fewer Fed rate cuts. Compared to the end of September, the market currently implies a mid-2025 Fed rate of about 4 percent, which is more than 80 bp higher than had been implied at the end of September.

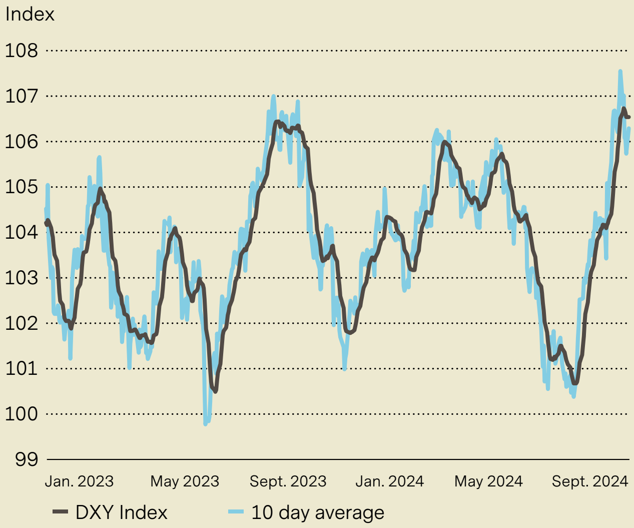
This contrasts with other regions. For the ECB, for instance, the market has priced in an extra 19 bp for mid-2025 and an additional 50 bp rate cut by the SNB for mid-2025. This would bring the ECB and SNB policy rates to 1.75 percent and 0.0 percent respectively (see chart 2).

Short-term dollar support versus medium-term risks
For now, the greenback is well supported, given the improved growth outlook, higher yields and trade tariff expectations. On a medium-term horizon, however, the risks continue to rise. The dollar was already expensive on a PPP basis. In real effective terms, the US dollar has increased by 12 percent over the past five years and even by 28 percent over the past ten years.

A large part of the anticipated improvement in US growth is financed via higher fiscal deficits, which keep the US debt on an unfavorable trajectory. In the medium to long-run, that will likely require a real exchange rate adjustment. The medium-term outlook for the dollar remains negative, despite the short-term support.

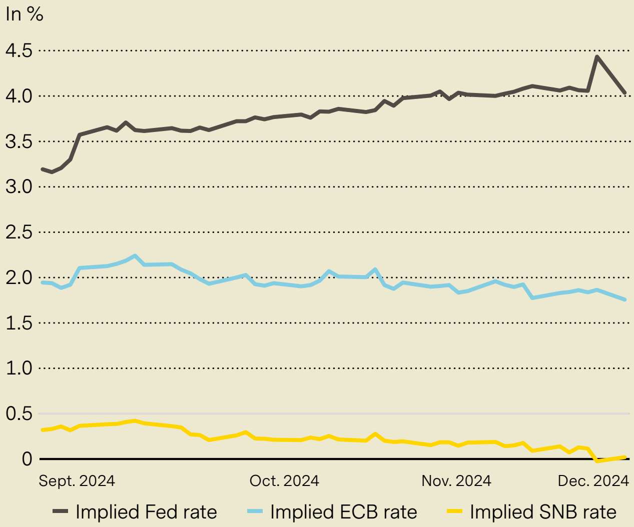
Furthermore, some larger emerging markets are trying to steer away from their exposure to the US dollar. These efforts include the BRICS nations' initiative to replace the US dollar as a reserve currency. The US dollar share in central bank reserves has gradually declined over the past decade. Nonetheless, the greenback remains unchallenged as the international currency and will probably do so for the time being. However, it can be expected that global central banks will continue to gradually diversify their reserves.

Chart 1: US dollar versus trade weighted trading partners



Source: Bloomberg, Vontobel SFA

Chart 2: June 2025 market implied central bank rate



Source: Bloomberg, Vontobel SFA

Economy and financial markets 2022 – 2025

The following list shows the actual values, exchange rates and prices from 2022 to 2023 and consensus forecasts for 2024 and 2025 for gross domestic product (GDP), inflation / inflationary expectations, key central bank interest rates, ten-year government bonds, exchange rates, and commodities.

GDP (IN %)	2022	2023	CURRENT[1]	2024 CONSENSUS	2025 CONSENSUS
Global (G20)	2.9	3.0	2.7	2.5	2.6
Eurozone	3.4	0.4	0.9	0.7	1.2
USA	1.9	2.5	2.7	2.6	1.8
Japan	1.0	1.9	0.3	0.0	1.2
UK	4.5	0.3	1.0	1.0	1.3
Switzerland	2.7	0.7	1.7	1.4	1.4
Australia	3.8	1.9	2.1	1.2	2.1
China	3.0	5.2	4.6	4.8	4.5

INFLATION	2022	2023	CURRENT[2]	2024 CONSENSUS	2025 CONSENSUS
Global (G20)	7.5	4.4	4.8	5.0	3.0
Eurozone	8.4	5.5	2.0	2.4	2.0
USA	8.0	4.1	2.6	2.9	2.2
Japan	2.5	3.3	2.3	2.5	2.0
UK	9.1	7.3	2.3	2.6	2.3
Switzerland	2.8	2.2	0.6	1.2	1.0
Australia	6.6	5.7	2.8	3.4	2.8
China	2.0	0.2	0.3	0.5	1.3

KEY INTEREST RATES (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR	2.50	4.50	3.40	2.80	2.30
USD	4.50	5.50	4.75	4.05	3.30
JPY	–0.10	–0.10	0.23	0.51	0.68
GBP	3.50	5.25	4.75	4.40	3.55
CHF	1.00	1.75	1.00	0.60	0.60
AUD	3.10	4.35	4.35	4.15	3.50

GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
EUR (Germany)	2.6	2.0	2.21	2.14	2.16
USD	3.9	3.9	4.28	3.69	3.67
JPY	0.4	0.6	1.08	1.13	1.32
GBP	3.7	3.5	4.34	3.81	3.69
CHF	1.6	0.7	0.32	0.53	0.70
AUD	4.1	4.0	4.48	3.91	3.93

FOREIGN EXCHANGE RATES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
CHF per EUR	0.99	0.93	0.93	0.96	0.99
CHF per USD	0.94	0.84	0.89	0.87	0.88
CHF per 100 JPY	0.72	0.60	0.58	0.62	0.65
CHF per GBP	1.12	1.07	1.11	1.15	1.19
USD per EUR	1.06	1.10	1.05	1.11	1.13
JPY per USD	130.00	141.00	154.00	140.00	135.00
USD per AUD	0.67	0.68	0.65	0.70	0.72
GBP per EUR	0.88	0.87	0.84	0.84	0.85
CNY per USD	6.91	7.10	7.24	7.04	6.93

COMMODITIES	2022	2023	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS
Brent crude oil, USD per barrel	86	77	73	78	75
Gold, USD per troy ounce	1,824	2,063	2,621	2,595	2,500
Copper, USD per metric ton	8,372	8,559	8,968	9,800	10,125

[1] Latest available quarter
[2] Latest available month, G20 data only quarterly
Source: Vontobel, respective statistical offices and central banks; as of November 25, 2024

Legal notice
This report has been prepared and published by Vontobel Swiss Financial Advisers AG ("Vontobel SFA"). Vontobel SFA CIO is independent. The views of the Vontobel SFA CIO may vary from the view and opinions of others Vontobel group entities.

This publication is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors.

All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of Vontobel as a result of using different assumptions and/or criteria.

In no circumstances may this document or any of the information [including any forecast, value, index or other calculated amount ("Values")] be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed torepresent and warrant to Vontobel that you will not use this document or otherwise rely on any of the information for any of the above purposes.

Vontobel SFA and its affiliates and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by Vontobel SFA and its employees may differ from or be contrary to the opinions expressed in Vontobel SFA publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. Vontobel SFA does not maintain information barriers to control the flow of information contained in one or more areas within Vontobel SFA, into other areas, units, divisions or affiliates of Vontobel. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies prior to publication of this report and those constituencies are able to consider and act on this information before it is published.

Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. Tax treatment depends on the individual circumstances and may be subject to change in the future. Vontobel SFA and its employees do not provide legal or tax advice and Vontobel SFA makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of Vontobel SFA. Unless otherwise agreed in writing Vontobel SFA expressly prohibits the distribution and transfer of this material to third parties for any reason. Vontobel SFA accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which Vontobel SFA manages conflicts and maintains independence of its investment views, please refer to the Vontobel SFA Wrap Fee Program Brochure (ADV Part 2A) available at vontobelsfa.com. Additional information on the relevant authors of this publication and other publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your Wealth Management Consultant.

Vontobel Swiss Financial Advisers AG is a subsidiary of Vontobel Holding AG.

Vontobel Swiss Financial Advisers AG
Gotthardstrasse 43
8022 Zurich
Switzerland

www.vontobelsfa.com