



CIO Update

Investment Committee Bank J. Safra Sarasin

4 September 2020

Editorial



Dear reader

Probably the most important finding of recent months is that we are beginning to learn how to deal with the corona pandemic and that a second economic lockdown will not be necessary despite the temporary increase in COVID-19 cases. With strong support from fiscal and monetary policy, the global economy is continuing its recovery, which is also reflected in rising stock prices. Although some areas of the equity market as well as individual stocks are showing signs of exuberance, many risky assets are not overvalued and remain attractive. The US dollar is likely to remain weak, which argues in favor of investments in emerging markets. We also continue to see good investment opportunities in the technology and healthcare sectors. Overall, we expect a balanced portfolio to generate an attractive return until year-end.

Yours faithfully

Philipp E. Bärtschi, CFA
Chief Investment Officer

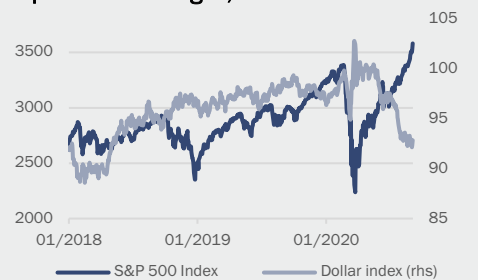
Focus

A balanced portfolio

Review: Equities at new highs

Equity markets continued their upward trend during the summer months. An increase in the number of COVID-19 cases in the US and recently in Europe as well could not stop this trend. An economic environment that continues to improve and optimism regarding an effective vaccine supported risky assets. The global central banks are doing the rest with clear statements of support. Many equity indices reached new highs, while falling real interest rates in the US put the US dollar under pressure.

Equities at new highs, US dollar at low

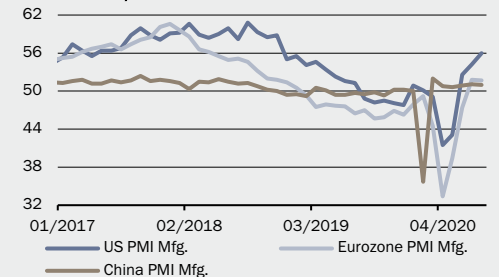


Macro outlook: Recovery continues

Weaker purchasing managers' indices from Europe and below-expectations consumer confidence from the US have reminded investors that it is still a long and rocky path back to pre-corona virus activity levels. In the US, consumer confidence fell amid expired unemployment benefits to a six-year low in August. The significant increase in the number of cases in Europe, whose growth rates in some countries

are already close to their April highs again, has also weighed on sentiment recently. Purchasing managers' indices fell for some European countries and were thus well below expectations.

PMIs: USA, EU and China

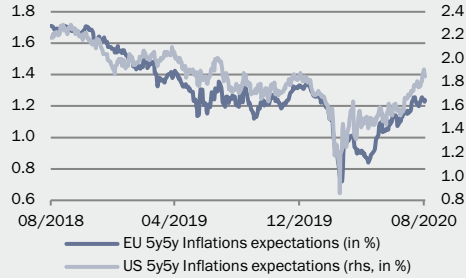


On the other hand, indicators in China as well as in the US surprised positively. The new US orders received in August showed a strong increase and point to a further acceleration in production. Although the recovery is not uniform, it is continuing at a global level despite a slight increase in the number of COVID-19 cases. One reason for this is the still low death and hospitalization rates, despite a considerable increase in the number of cases, which keep mobility levels in developed countries at a high level. The risk of a renewed lockdown with serious economic consequences currently seems low. Although the strength of the economic recovery is likely to weaken in the coming months, the positive surprises on the macro side could still outweigh the risks by the end of the year.

Bonds: Inflation ahead?

Inflation has been one of the dominant themes of recent months. Although it is still more of a theoretical debate at the moment, investors must acknowledge that the risk requires some attention. Against the backdrop of a recovery in economic activity and extensive monetary and fiscal policy measures, inflation expectations rose in August to their highest level since January of this year.

Inflation expectations on the rise



This development has been given a further boost by the new policy framework of the US Federal Reserve, as presented by Fed Chairman Powell at the end of August in Jackson Hole. The Federal Reserve is now targeting an average inflation rate of 2%. The central bankers are thus explicitly allowing this target to be exceeded. This has a crucial implication: the Fed is no longer worried that the inflation rate will overshoot, but have this explicitly stated as their goal. This implies more aggressive monetary policy measures in downturns (as already seen in March and April) and a longer period of loose monetary policy thereafter. In any case, the market currently assumes that the US Federal Reserve will leave key interest rates unchanged for the next five years.

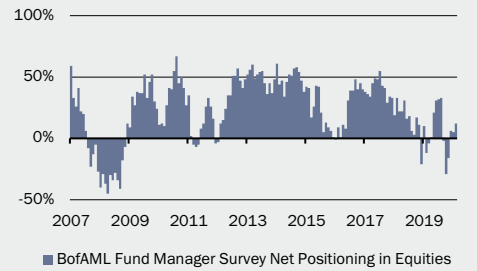
Although credit spreads in both investment grade and high yield have already returned to pre-crisis levels, this environment is funda-

mentally supportive of the asset classes. However, the sharp fall in risk premiums leaves only a relatively small safety cushion should default rates rise too sharply due to adverse economic developments. Although we assume that the economic environment will continue to improve in the coming months, corporate bonds are no longer a clear buy. Emerging market bonds in local currency are an exception, which remain attractive mainly due to the undervaluation of many currencies. The adjustment of the US monetary policy guideline is likely to intensify the downward trend in the US dollar and lead to portfolio shifts into other currencies.

Equities: On to new highs

An improvement in the economic environment and better than expected corporate results have contributed to an increased risk appetite among investors. Still, market sentiment and positioning are not extreme. Due to the upcoming US elections, hedging costs for the coming months will also remain very high. Many investors are driving with their handbrake on, so to speak.

US-Equities: Neutral sentiment



Given that backdrop, U.S. equity markets have reached new all-time highs, just four months after the U.S. economy, like so many other regions, suffered its worst recession since record. The main driver of this development continues to be the technology sector. However,

cyclical stocks have also developed very positively recently. The further recovery of macro data should support the segment and subsequently help European and emerging market equities to catch up with US indices.

Asset allocation: Focus on emerging markets

In recent months, based on a risk-neutral positioning, we have used our risk budget mainly in the credit segment in order to benefit from the extensive monetary policy measures. However, following the sharp decline in credit spreads in the high yield and investment grade area, this segment has lost some of its appeal. Especially compared to emerging market bonds in hard and local currencies. We continue to see more potential for returns there. Primary market activity is solid and investor demand remains strong. In addition, a continuation of the dollar weakness should continue to support the region. A weak dollar and a continuing economic recovery should also support emerging market equities. We have therefore increased the weighting in several steps, but remain slightly underweight in equities overall. In addition, we continue to hold convertible bonds, which have performed very well this year, as well as other alternative investments for diversification in the portfolio. In weighing up future opportunities and risks, we consider a well-balanced portfolio to be the right response to the challenges ahead.

Contact

Philipp E. Bärtschi, CFA
Chief Investment Officer
+41 58 317 3572
Email: philipp.baertschi@jsafrasarsasin.com

Attractiveness of individual investments

Asset class	Weighting	Relative attractiveness within the categories			
		Industrial countries	Emerging markets	Large caps	Small caps
Equities	=/-	-	+	=	=
Bonds	=	Government bonds --	Corporate bonds +	High-yield bonds +	Emerging markets +
Alternative assets	=/+	Money market =	Convertible bonds =	Other alternatives =	Commodities/gold =/+

Disclaimer/Important Information

This document has been prepared by Bank J. Safra Sarasin Ltd ("Bank") for information purposes only.

This document is not the result of financial research conducted, by the Bank's research department nor of any other detailed due diligence. Therefore the "Directives on the Independence of Financial Research" of the Swiss Bankers Association do not apply to this document.

This document constitutes marketing material. If it refers to a financial instrument for which a prospectus and/or a key investor/information document exists, these are available free of charge from Bank J. Safra Sarasin Ltd, Elisabethenstrasse 62, P.O. Box, CH-4002 Basel, Switzerland.

This document is based on publicly available information and data ("the Information") believed to be correct, accurate and complete. The Bank has not verified and is unable to guarantee the accuracy and completeness of the Information contained herein. Possible errors or incompleteness of the Information do not constitute legal grounds (contractual or tacit) for liability, either with regard to direct, indirect or consequential damages. In particular, neither the Bank nor its shareholders and employees shall be liable for the views contained in this document. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data provided and shall have no liability for any damages of any kind relating to such data.

This document does not constitute a request or offer, solicitation or recommendation to buy or sell investments or other specific financial instruments, products or services. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Past performance is no indication of current or future performance. Investments in foreign currencies are subject to exchange rate fluctuations. Exchange rate risk will apply if the investor's reference currency is not the same as the investment currency. Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performance. In particular, neither the Bank nor its shareholders and employees shall be liable for the views contained in this document. The views and opinions contained in this document, along with the quoted figures, data and forecasts, may be subject to change without notice. There is no obligation on the part of Bank or any other person to update the content of this document. The Bank does not accept any liability whatsoever for losses arising from the use of the Information (or parts thereof) contained in this document.

Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such distribution is prohibited and may only be distributed in countries where its distribution is legally permitted.

Source: S&P Dow Jones Indices LLC

The "S&P 500 Index" is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and has been licensed for use. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones").

The Bahamas: This publication is circulated to private clients of Bank J. Safra Sarasin (Bahamas) Ltd, and is not intended for circulation to nationals or citizens of The Bahamas or a person deemed 'resident' in The Bahamas for the purposes of exchange control by the Central Bank of The Bahamas.

Dubai International Financial Centre (DIFC): This material is intended to be distributed by Bank J. Safra Sarasin Asset Management (Middle East) Ltd ["BJSSAM"] in DIFC to professional clients as defined by the Dubai Financial Services Authority (DFSA). BJSSAM is duly authorised and regulated by DFSA. If you do not understand the contents of this document, you should consult an authorised financial adviser.

This material may also include Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Issuing Document or other documents in connection with these Funds. Accordingly, the DFSA has not approved the Issuing Document or any other associated documents nor taken any steps to verify the information set out in the Issuing Document, and has no responsibility for it. The Units to which the Issuing Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units.

Germany: This marketing publication/information is being distributed in Germany by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main, for information purposes only and does not lodge claim to completeness of product characteristics. Insofar as information on investment funds is contained in this publication, any product documents, are available on request free of charge from J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main in English and German language. To the extent that indicative investment options or portfolio structures are included, the following applies: The indicative investment options or portfolio structures presented in these documents and the underlying model calculations are based on the information and data provided to us in the context of the asset advisory discussion, and we have not checked them for accuracy or completeness. The indicative investment option/portfolio structure described here is thus intended as a guide and does not make any claim to comprehensive suitability but aims to inform you about the general possibilities that an investment entails. In order to provide you with a final investment recommendation that is tailored to your specific situation, we need further information, in particular on your investment goals, risk tolerance, experience and knowledge of financial services and products and your financial situation. This publication is intended to be distributed by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main to clients domiciled or having their registered office in Germany and is directed exclusively at institutional clients who intend to conclude investment business exclusively as entrepreneurs for commercial purposes. This clientele is limited to credit and financial services institutions, capital management companies and insurance companies, provided that they have the necessary permission for the business operation and are subject to supervision, as well as medium and large corporations within the meaning of the German Commercial Code (section 267 (2) and (3) HGB).

Gibraltar: This marketing document is distributed by Bank J. Safra Sarasin (Gibraltar) Ltd whose place of business is First Floor, Neptune House, Marina Bay, PO Box 556, Gibraltar as a marketing communication for the purposes of the Financial Services (Markets in Financial Instruments) Act 2018, to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd offers wealth and investment management products and services to its clients and prospects. The Bank whose registered office is 57-63 Line Wall Road, Gibraltar is authorised by the Gibraltar Financial Services. Telephone calls may be recorded and your personal data will be handled in accordance with our Privacy Statement a copy of which can be provided upon request. Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. This material does not constitute a request or offer, solicitation or recommendation to buy or sell investments or other specific financial instruments, products or services nor does it constitute a personal recommendation. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Hong Kong: This document is disseminated by Bank J. Safra Sarasin Ltd., Hong Kong Branch in Hong Kong. Bank J. Safra Sarasin Ltd, Hong Kong Branch is a licensed bank under the Hong Kong Banking Ordinance (Cap. 155 of the laws of Hong Kong) and a registered institution under the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong).

Luxembourg: This publication is distributed in Luxembourg by Banque J. Safra Sarasin (Luxembourg) SA (the “Luxembourg Bank”), having its registered office at 17-21, Boulevard Joseph II, L-1840 Luxembourg, and being subject to the supervision of the Commission de Surveillance du Secteur financier – CSSF. The Luxembourg Bank merely agrees to make this document available to its clients in Luxembourg and is not the author of this document. This document shall not be construed as a personal recommendation as regards the financial instruments or products or the investment strategies mentioned therein, nor shall it be construed as and does not constitute an invitation to enter into a portfolio management agreement with the Luxembourg Bank or an offer to subscribe for or purchase any of the products or instruments mentioned therein. The information provided in this document is not intended to provide a basis on which to make an investment decision. Nothing in this document constitutes an investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate for individual circumstances. Each client shall make its own appraisal. The liability of the Luxembourg Bank may not be engaged with regards to any investment, divestment or retention decision taken by the client on the basis of the information contained in the present document. The client shall bear all risks of losses potentially incurred as a result of such decision. In particular, neither the Luxembourg Bank nor their shareholders or employees shall be liable for the opinions, estimations and strategies contained in this document.

Monaco: In Monaco this document is distributed by Banque J.Safra Sarasin (Monaco) SA, a bank registered in “Principauté de Monaco” and regulated by the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Monegasque Government and Commission de Contrôle des Activités Financières («CCAF»).

Panama: This publication is distributed, based solely on public information openly available to the general public, by J. Safra Sarasin Asset Management S.A., Panama, regulated by the Securities Commission of Panama.

Qatar Financial Centre (QFC): This material is intended to be distributed by Bank J. Safra Sarasin (QFC) LLC, Qatar [“BJSSQ”] from QFC to Business Customers as defined by the Qatar Financial Centre Regulatory Authority (QFCRA) Rules. Bank J. Safra Sarasin (QFC) LLC is authorised by QFCRA.

This material may also include collective investment scheme/s (Fund/s) that are not registered in the QFC or regulated by the Regulatory Authority. Any issuing document / prospectus for the Fund, and any related documents, have not been reviewed or approved by the Regulatory Authority. Investors in the Fund may not have the same access to information about the Fund that they would have to information of a fund registered in the QFC; and recourse against the Fund, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside the QFC.

Singapore: This document is disseminated by Bank J. Safra Sarasin Ltd., Singapore Branch in Singapore. Bank J. Safra Sarasin, Singapore Branch is an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110), a wholesale bank licensed under the Singapore Banking Act (Cap. 19) and regulated by the Monetary Authority of Singapore.”

United Kingdom: This marketing document is distributed from the UK by Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, 47 Berkeley Square, London, W1J 5AU, United Kingdom to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd whose Registered office is 57 – 63 Line Wall Road, Gibraltar, offers wealth and investment management products and services to its clients and prospects through Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch. Registered as a foreign company in the UK number FC027699. Authorised by the Gibraltar Financial Services Commission and subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority. Registration number 466838. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. Telephone calls may be recorded. Your personal data will be handled in accordance with our Privacy Statement. Where this publication is provided to you by Bank J. Safra Sarasin (Gibraltar) Limited, London Branch: This document is approved as a financial promotion for the purposes of s.21 of the Financial Services and Markets Act 2000; Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden; You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need; You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

CH-8022 Zürich

T: +41 (0)58 317 33 33

F: +41 (0)58 317 33 00

www.jsafrasarasin.com