

Market Neutral-Strategy

a 21-month opportunity

Strategy Summary

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Level of Risk	Time Horizon	Upside Opportunity	Asset Type	Target Return	Currency

Top down view

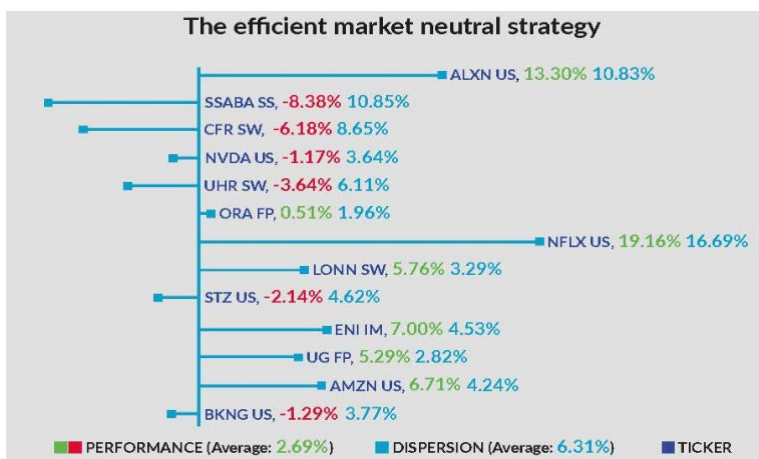
- ▶ After H1's severe contraction – an estimated cumulative -9.5 % – the world GDP is likely to expand in H2 and onwards. Considering recent turmoil around the globe, the outlook appears to be reasonably optimistic. The World PMI Manufacturing index recently reached 50.3; however, regional differences do exist. The EU appears to be the most upbeat, with an index value at 54.0, followed by Emerging Economies (51.4) and the US (50.9), while the remaining OECD countries hover at around 48. These varying layers of progress clearly represent the wave of the pandemic wave as it moves from one region to another.
- US stock indexes hit record levels, but less than 6% of companies have reached a 52-week high. The US reporting season ends with published numbers that are better than expected. One might argue that the market is expensive and that there is no value left – but we only partly agree!
- We contend that companies that have a proven business model and who can generate EPS growth – while facing the "new normal" – deserve a higher price. Contextualizing all that may help investors to avoid value traps.

Investment Opportunity

2

Rational

- ▶ A structural shift is occurring in consumer behavior where spending on experiences is increasing. People want to belong to a community and share their experience, which is reflected in the vibrant growth rates of social media networks. In contrast to these growth stories, there are brick-and-mortar companies that are exposed to work- and capital-intensive businesses that will take much more time to benefit from an economic turn-around. The strategy is benefiting from the increasing of the gauge.



Portfolio composition:

- ▶ In essence this is a business cycle play – Late cycle and Recession stock versus Early cycle Companies. The underlying portfolio is favors early cycle sectors such as Industrials and Consumer Discretionaries, while we are less positive on Real Estate related companies.

The basket composition remains unchanged during the life-time of the product.

Sector preferences throughout business cycles

	Early Cycle	Mid Cycle	Late Cycle	Recession Cycle
Financials	+			
Real Estate	++			--
Consumer Discr.	++	-	--	
Information Techn.	+	+	--	--
Industrials	++			--
Materials	+	--	++	
Consumer Stap.			++	++
Health Care	--		++	++
Energy	--		++	
Comm. Services		+		-
Utilities	--	-	+	++

Heatmaps

▶ Back testing:

Back-testing these strategies is not aiming at providing investors a performance objective, but rather to show the under which economic conditions payouts of that particular basket were positive.

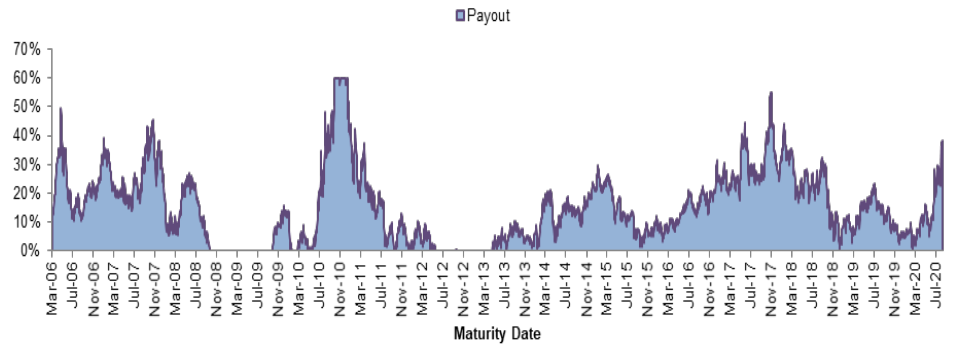
Typically, this basket will not perform during periods of absolute stress such as during the FT of 2008 to 2009 and during the Eurozone crisis of 2012 to 2013. The fact is that during periods of stress, no investments are immune and value corrections may occur systematically whereas during periods welfare, corrections occur on individual segments of industrial activities.

Premium invested: 2.4%

Maximum return 60.00%

Average return: 14.99%

Minum return: 0.00%



Track record

▶ Historic deals:

Dispersion basket US consumers - USD :
 Dispersion basket US consumers - EUR :
 Dispersion basket Technology vs Staples - USD :

Start Date

07 / 2018
 08 / 2018
 08 / 2018

Due Date

07 / 2020
 08 / 2020
 08 / 2020

Performance (locked-in)

53.45%
 113.46%
 512.32%

▶ Running deals:

Dispersion basket Early Cycle vs. Late Cycle - USD :
 Dispersion basket Early Cycle vs. Late Cycle I - EUR :
 Dispersion basket Early Cycle vs. Late Cycle II - EUR :
 Dispersion basket Early Cycle vs. Late Cycle II - USD :

Start

07 / 2020
 08 / 2020
 09 / 2018
 09 / 2018

Due Date

07 / 2021
 11 / 2021
 being launched
 being launched

Performance (not locked-in)

11.60%
 14.60%

Product availability and minimum size

Plain vanilla structure:

- 1 share with a nominal of USD 100.- (issue price 1.90 - price: subject to market conditions)
 - Term: 21 months

Capital protected note:

- Umbrella of USD 3 million: Underlying issuer with a credit rating of BBB or higher (p.e. General Motors Co)
 - Minimum denomination USD 50k, (Increment: 1k)
 - Term: 36 months

Guidance

Characteristics

Certificate name	Early Cycle vs. Late Cycle II - USD
Issuing Bank	to be announced
ISIN Number	to be announced
Duration:	Maximum 21 months
Management Fee	0.4 % on the invested capital
Type of investment	Capital appreciation / Leverage
Issue size:	see above
Risk scale	

Risks / Opportunities

- Capital is not protected, the strategy may expire worthless
- Gain is limited to a maximum of 60 % on the nominal amount
- The investor will not receive dividend payments from the underlying

Product Launch

Pending

Disclaimer

Past performance is no guarantee of future returns.

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