



Strategy update

It's Olympic Games... Leading Central Bank's „competition“ to new records?



BK & Associates
Private Wealth Management
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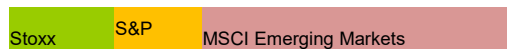
Asset Allocation Model

Momentum: markets on neutral

Valuation: US high, Europe neutral, Emerging Markets cheap

Valuation	Momentum Model: Buy					Momentum Model: Sell					Momentum Model: Neutral				
very high	P	C	C	B	B	C	C	C	C	C/B	C	C	C	C/B	C/B
high	P	P	C/E	B	B	C	C	C	C/B	B	P	C	C	C/B	C/B
neutral	E/P	E/P	E/B	E/B	E/B	C	C	C	C/B	B	E/P	C/E	C	B	B
low	E	E	E/B	E/B	E/B	P/E	C/E	C/E	C/B	C/B	E/P	C/E	C/E	E/B	E/B
very low	E	E	E	E	E/B	E	E	E/B	E/B	E/B	E	E	E/B	E/B	E/B
	very low	low	neutral	high	very high	very low	low	neutral	high	very high	very low	low	neutral	high	very high

Volatility



E = Equity, High Yield Bonds

B = Barrier

P = Protection / Participation / Hedge funds

C = Cash / Quality bonds



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If history repeats...

Seasonal tailwind – Brexit was the correction?



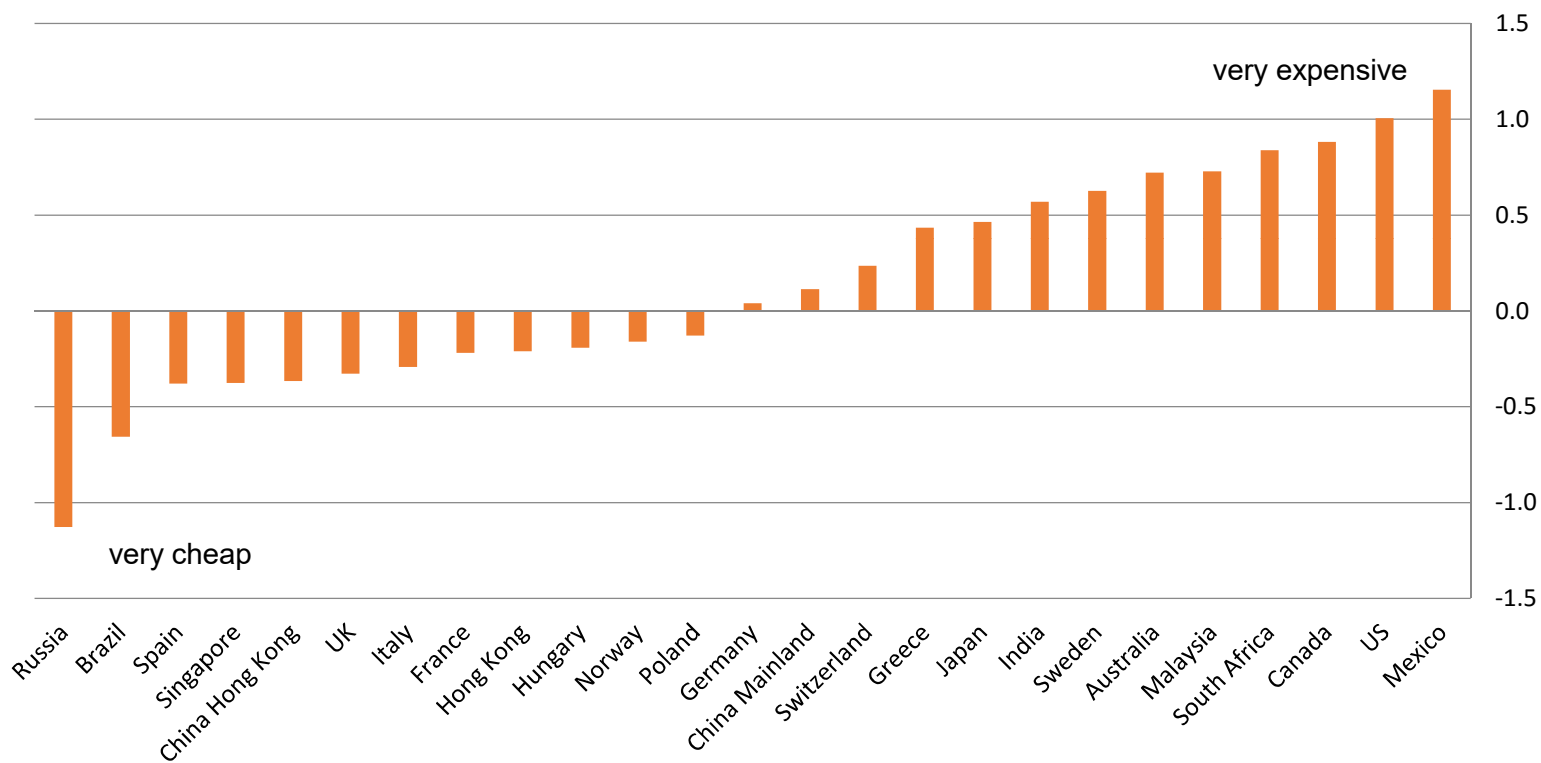
Data: 1897-2011, 28 Presidential cycles



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Valuation Monitor for equity markets (in local currencies)

South- & Eastern Europe and Latin America cheap, North America and Southeast Asia mostly expensive





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Dollar

With mixed economic data and passive FED policy, the USD weakening again. Surprised, how resistant S&P 500 is against the ongoing Renminbi depreciation

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US Dollar Index, (CFD):DX, M



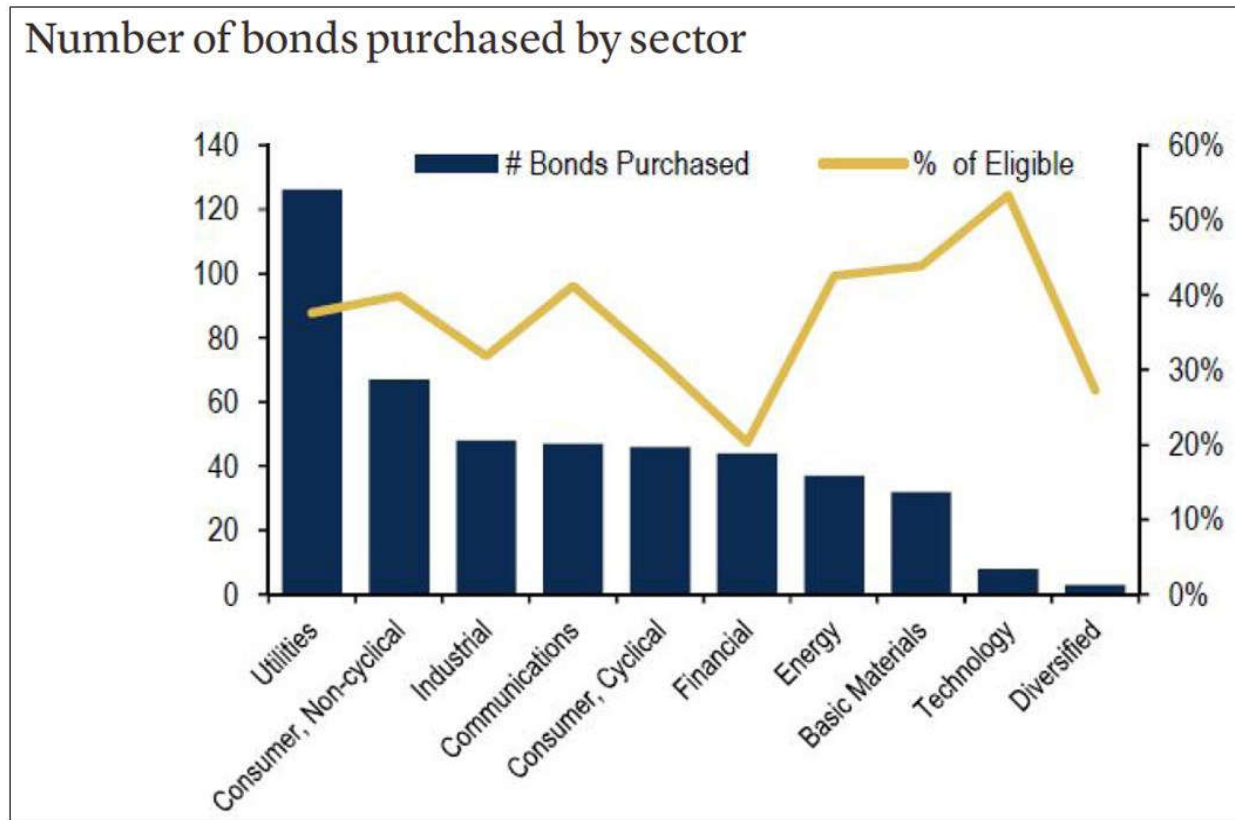


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What did the ECB buy?

Since 8 June, the European Central Bank (ECB) has purchased 440 corporate bonds. This figure represents approximately 35% of the estimated universe.

The most popular sector by far appears to be utilities, where the ECB has purchased 126 bonds (28% of the total eligible spectrum). This is almost double the next-most popular sector, the consumer non-cyclicals (67 bonds).





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ECB: focusing on big issues; buying negative yield as well

In terms of **quality**, the ECB has not shied away from taking credit risk. The European monetary authority has bought between 36% and 52% of eligible BBB-grade bonds, but merely 16% to 36% of eligible single-As. The ECB has also purchased 31% of eligible BB-rated bonds.

Top names purchased by the ECB

Ticker	Name	# of ISINs bought
DBHNGR	Deutsche Bahn	12
TELEFO	Telefonica	11
BMW	BMW	10
DAIGR	Daimler	9
ENIIM	ENI	9
ORAFP	Orange	9
ENGIFP	Engie	8
IBESM	Iberdrola	8
AIFP	Air Liquide	8
ENELIM	Enel	7
TOTAL	Total Capital S.A.	7
ULFP	Unibail-Rodamco	7
SRGIM	Snam	7
ABIBB	Anheuser-Busch InBev	6
DT	Deutsche Telekom	6
SANFP	Sanofi S.A.	6
VW	VW	5
EDF	EDF	5
RDSALN	Shell	5
DGFP	Autoroutes du Sud de la France	5
GASSM	Gas Natural	5
REPSM	Repsol	5
EDPPL	EDP	5
RWE	RWE	5
DPWGR	Deutsche Post	5

When comparing **yield levels**, the ECB has bought relatively more of low or negative-yielding bonds than higher-yielding issues. 162 negative yielding bonds (representing EUR 130 bn) have already been purchased by the ECB, which means that 35% of its total acquisitions thus far have been negative-yielding.



ECB: What left before moving to lower qualities?

Top names that have yet to be bought by the ECB

Tickers	Name	NCB	CSPP-eligible	
			Notional (Euro, bn)	# of ISINs
GE	GE	FI	17,723	26
FCACAP	FCA Capital	FI	6,421	15
ALOFP	Alstom	FR	1,975	5
AKEFP	Arkema	FR	1,830	4
ALDINT	ALD International	FR	1,500	3
EDENFP	Edenred	FR	1,485	4
LRFP	Legrand	FR	1,400	4
WPPLN	WPP	DE	1,350	2
PUBFP	Publicis Groupe	FR	1,300	2
FLUXBB	FLUXYS Belgium	BE	1,250	7
CAT	Caterpillar	FI	1,200	6
CARMIL	Carmila	FR	1,200	2
VPARKI	Infra Park	FR	1,150	2
KPN	KPN	BE	1,111	2
TTLINF	Transport et Infrastruct	FR	1,050	2
GLJGR	Grenke	FI	1,003	19
MLFP	Michelin	BE	1,000	3



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Gold- and Silver mining stocks

Precious metal stocks in consolidation

Waiting for a pullback before adding further positions





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Summary

- **Asset Allocation Model** moving to neutral for equities (page 3)
- **Equity Markets: Still strong in Minus this year.**
Except the US, all major markets (Asia, Europe) are still in average by -10% this year.
Despite Brexit and historically weak months August/September, market should move higher this year (page 4)
The weak USD against EUR eliminating the positive US market performance (page 6) for European investors.
- **Corporate Bonds and High Yields** rebounding from February correction. ECB is highly active. (page 7-9)
- **Commodities:** after strong rally in consolidation phase
Gold- and Silver mining stocks in correction, buying opportunity 10% lower
- **Hedge Funds:** having another difficult year so far after challenging 2015. Long-term approach important.



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Strategy implementation

- Adding some new exposure to equity markets (mainly Europe and Emerging Market) through structured products and the BK Fund
- Reducing Alternative Investments further to increase flexibility and buying power
- Adding new government bond and Emerging Market Corporate Bond Fund
 - Macedonia, 4.875%, YTM 4.5%, 2020
 - Anaxis EM Corporate Bond Fund 2020 (the fund with all bonds maturing end of 2020)
- Adding new Structured Products in spiking volatility:
 - 10.6% Reverse Convertible on VW / Porsche with 40% conditional capital protection
 - 10% Recovery Product on Swatch, Allianz and Bouygues with 40% conditional capital protection
 - On watch: banking & insurance sector (we expect a stronger recovery in H2 2016)
- Commodities:
 - Would reopen positions in Gold- and Silver mining stocks in a consolidation phase



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