

The Allocation Dashboard

May 15, 2020

Let the models speak!

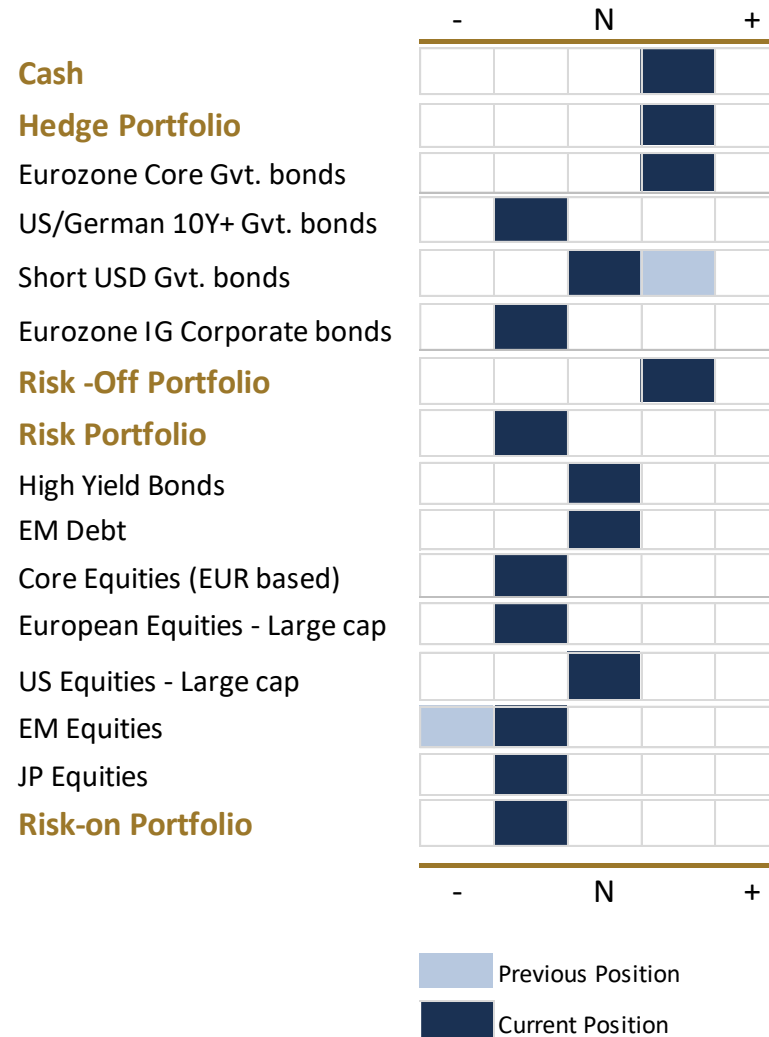
Hopes, fears, and guessing...Time to let models speak.

Our *dynamic asset allocation models* inform our investment decisions. The models assign a score to each asset class ranging from -2 to 2. Highlights:

- We maintain an overall *defensive* positioning in *risk assets*. Our top-down climate indicator remains expressly negative.
- In our *Hedge Portfolio*, we overweight short-dated *EZ Gvt. Bonds* and hold *IG Bonds* as an underweight.
- We have reduced our exposure to short-dated *USD Gvt. Bonds*.
- In our *Risk Portfolio*, we stay underweight in *European, EM* and *JPY equities* while holding *High Risk Credits* and *US Equities* in neutral positions.
- Our Cross-Asset Portfolio Model is implemented in our CAP-M fund. For an in-depth outline of the fund and its methodology: <https://c-a-p.dk/our-fund/>

- Our balanced fund (CAP-M, always holds some strategic exposure to Risk Assets like Equities and Credit Bonds.
- The dynamic part of our investments works on a much shorter time horizon of 3-6 mths. For that part, we currently underweight our Risk Portfolio and overweight our Hedge Portfolio and cash.

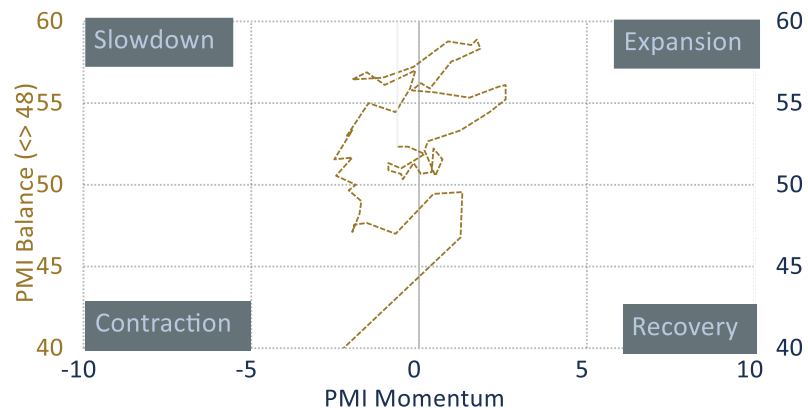
Cross Asset Portfolio Model (CAP-M) (*)



(*) (-) Underweight positions: <-25%, <-10%
(+) Overweight positions : >+10%, >+25%
(N) Neutral position : > -5%, < +5%

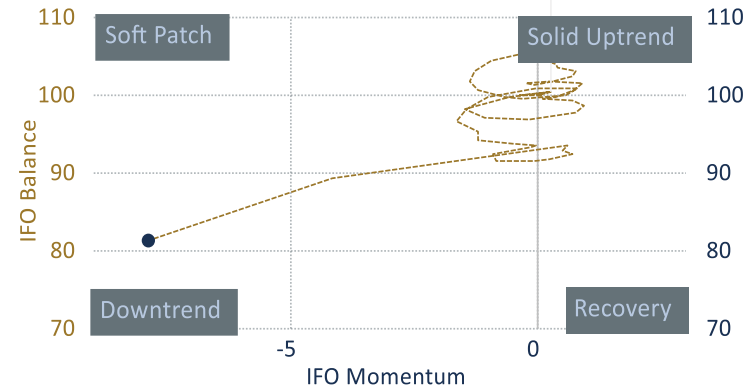
CAP Aggregate Macro Filter - Components

Macro Filter: PMI cycle



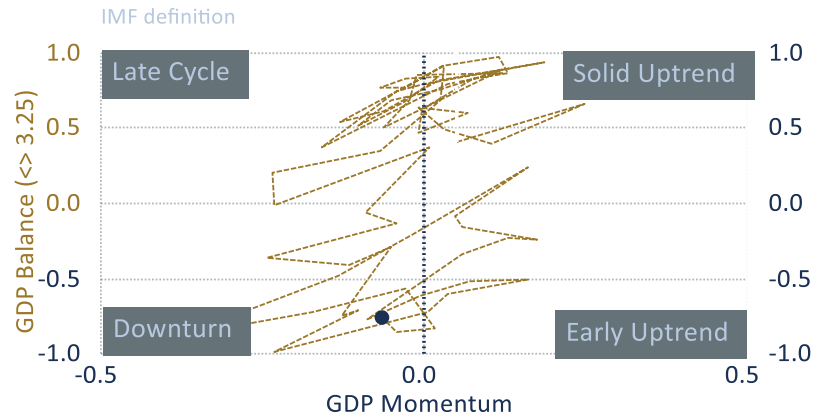
Filter scores: Recovery (2), Expansion(1), Slowdown (0), Contraction (-2)

Macro Filter: IFO cycle



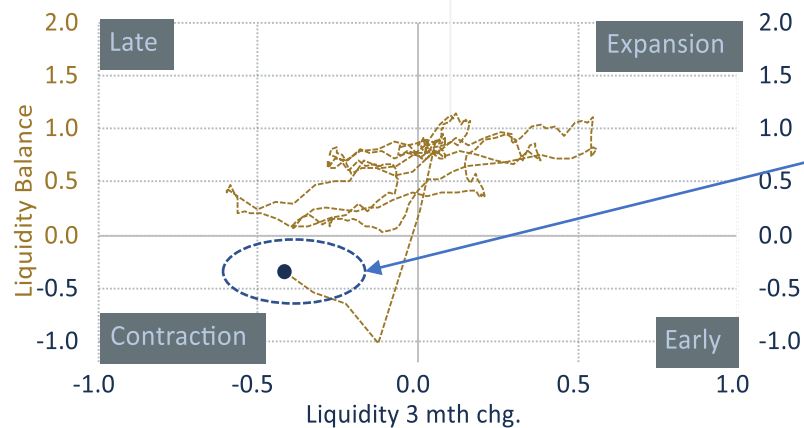
Filter scores: Recovery (2), Solid Uptrend (1), Soft Patch (0,5), Downturn (-1)

Macro Filter: Global GDP growth



Filter scores: Early Uptrend (2), Solid Uptrend (1), Late Cycle (0.5), Downturn (-2)

Macro Filter: Liquidity cycle



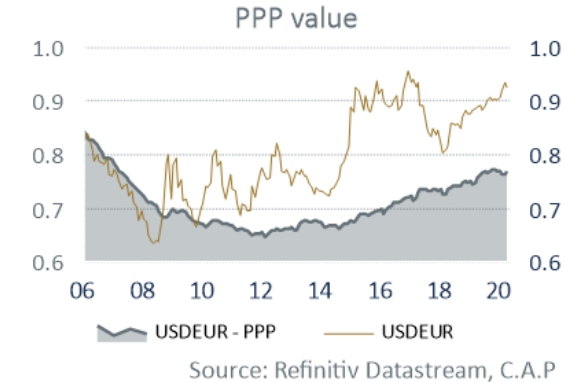
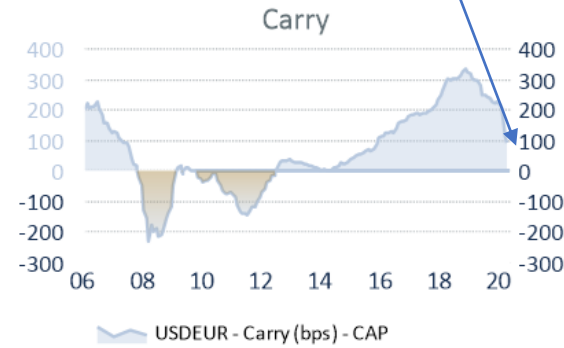
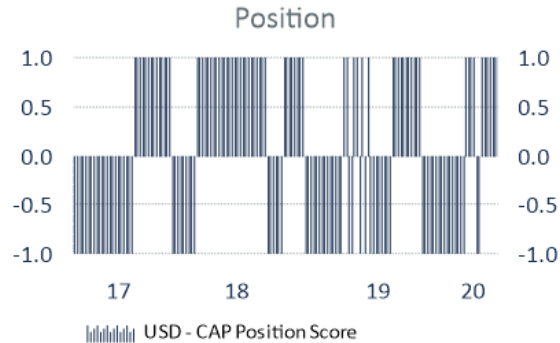
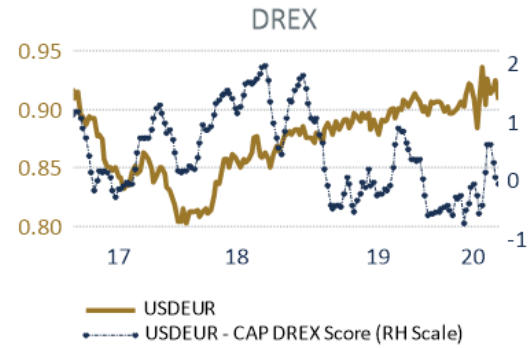
Filter scores: Early (0), Expansion(2), Late (1), Contraction(-2)

A candidate
for 'first
mover'
towards a
positive
climate for
risk taking.
But we're not
there yet!

US-dollar: losing its attractiveness

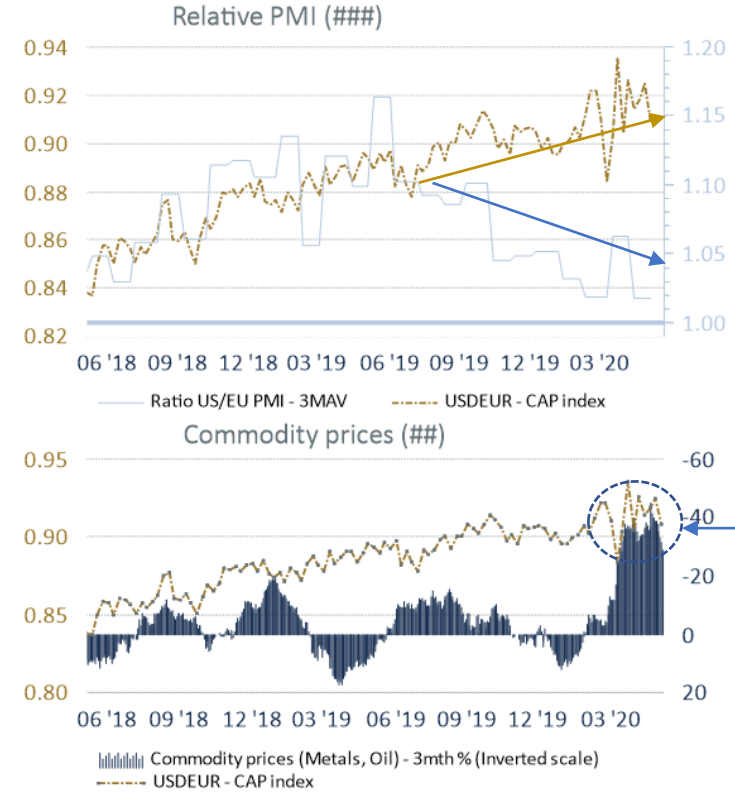
US Dollar USDEUR

DREX & factors



USD tailwind
from carry is
quickly
wearing out

Short-term macro



The US has
stopped
shining on
economic
performance

But the USD
is still
under-pinned
by weak
commodities
prices

Source: Refinitiv Datastream, C.A.P

US Equities

Asset Class Details

	11-May	-1m	-3m	-1y	ytd
Performance	Change in % / levels				
Total return	5803	14.3%	-13.4%	-1.5%	-11.5%
Trend EPS Growth	-7.2%	-1.3%	1.4%	5.2%	1.5%
Fwd EPS rev 3 mth	-18.5%	-8.1%	0.4%	1.7%	-0.6%
Valuation to Trend	95.8	94.7	109.2	92.6	92.2
DREX Score (*)	Change in points				
Macro	-1.5	-0.8	-2.4	-2.3	-2.6
Valuation	0.0	-1.0	0.0	0.0	0.0
Earnings	-1.5	0.5	-3.5	-3.5	-3.5
Position	0.0	1.0	-1.0	-1.0	-2.0
Total	-1.0	0.4	-2.3	-2.3	-2.7

(*) Dynamic Return Expectations Index. Scale: -2 to +2

European Equities

Asset Class Details

	11-May	-1m	-3m	-1Y	ytd
Performance	Change in % / levels				
Total return	222	8.9%	-17.4%	0.0%	-19.2%
Trend EPS Growth	-14.1%	-3.1%	-0.9%	5.6%	-1.5%
Fwd EPS rev 3 mth	-18.9%	-3.2%	0.0%	0.9%	-0.7%
Valuation to Trend	85.3	80.9	84.7	83.6	83.5
DREX Score (*)	Change in points				
Macro	-2.0	-2.0	-2.2	-2.8	-2.8
Valuation	0.0	-1.0	0.0	0.0	0.0
Earnings	-2.0	0.0	-2.0	-1.0	0.0
Position	0.0	0.0	1.0	0.0	-2.0
Total	-1.8	-0.4	-2.4	-2.4	-2.3

(*) Dynamic Return Expectations Input. Scale: -2 to +2

Emerging Equities

Asset Class Details

	12-May	-1m	-3m	-1y	ytd
Performance	Change in % / levels				
Total return	2127	10.4%	-15.6%	-12.7%	-17.6%
Trend EPS Growth	-15.0%	-11.2%	-6.5%	-7.0%	-9.6%
Fwd EPS rev 3 mth	-17.0%	-10.6%	1.5%	-2.2%	2.0%
Valuation to Trend	94.2	91.2	98.9	92.7	92.7
DREX Score (*)	Change in points				
Macro	-1.6	0.0	-2.9	-2.2	-3.2
Valuation	0.0	0.0	0.0	0.0	0.0
Earnings	-1.5	0.0	-3.0	-2.0	-2.0
Position	0.0	0.0	0.0	0.0	-1.0
Total	-1.6	0.0	-2.9	-2.2	-3.2

(*) Dynamic Return Expectations Input. Scale: -2 to +2

The US equity market is still
our favorite on a relative basis

Global High Yield

Asset Class Details

	11-May	-1m	-3m	-1y	ytd
Performance	Change in % / basis points				
Total return	1146	3.1%	-10.0%	-4.5%	-9.3%
Rate Avg.	8.28	-126	308	238	319
Carry	795	-69	385	373	410
Spread(bps)	8.35	-57	416	392	424
DREX Score (*)	Change in points				
Macro	-1.7	-0.4	-2.3	-3.2	-3.1
Valuation	1.0	0.0	2.0	2.0	2.0
Carry-Roll	1.0	-1.0	3.0	3.0	3.0
Position	-2.0	-1.0	-4.0	-4.0	-3.0
Total	-1.0	-0.7	-1.3	-1.7	-1.3

(*)Dynamic Return Expectations Input

Emerging Debt (Hard ccy)

Asset Class Details

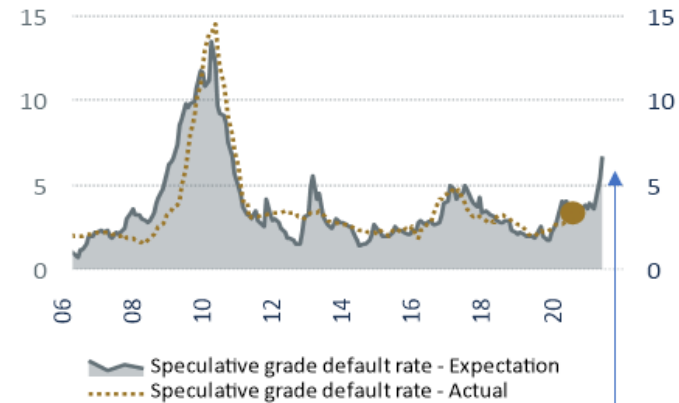
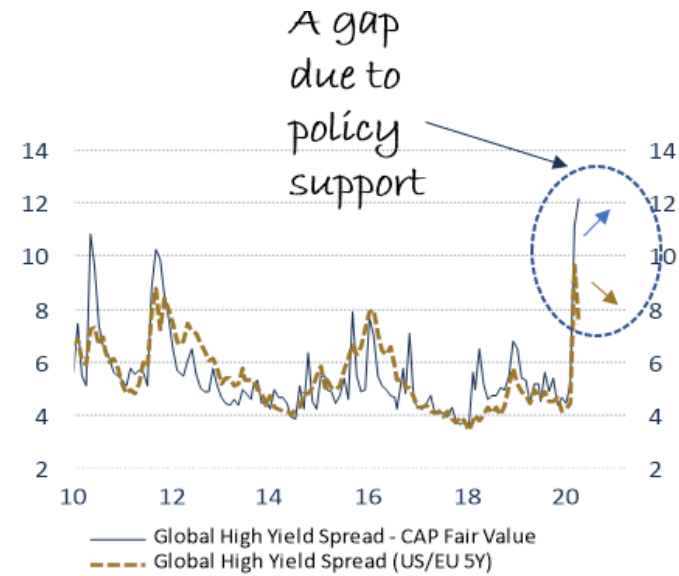
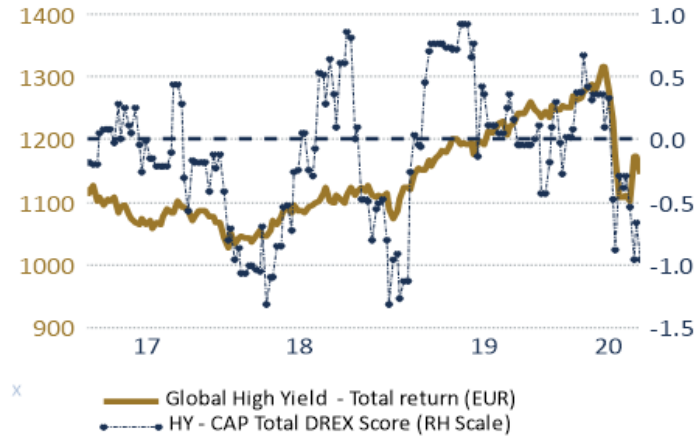
	11-May	-1m	-3m	-1y	ytd
Performance	Change in % / basis points				
Total return	412.5	1.4%	-7.4%	1.0%	-5.5%
Rate Avg.	5.64	-76	199	105	176
Carry	531.3	-19	276	241	267
Spread(bps)	2.64	-50	109	133	143
DREX Score (*)	Change in points				
Macro	0.1	0.5	-0.3	0.1	0.1
Valuation	1.0	0.0	1.0	1.0	1.0
Carry-Roll	1.0	0.0	3.0	2.0	3.0
Position	-2.0	-1.0	-3.0	-4.0	-2.0
Total	0.1	0.0	0.1	-0.2	0.6

(*)Dynamic Return Expectations Input

Our Credit exposure is still
validated by better scores than
Equities in general

Low Quality Credits hold *relative* attractive risk/reward profiles

Global High Yield (USD/EUR)



Now, Default rate expectations are the highest since GFC

Source: Refinitiv Datastream, C.A.P

Hedge Asset Performance					
Performance (EUR)					
	- 1w %	- 1m%	- 3m%	YTD %	-12m%
Hedge Assets					
Eurozone Core Gov Bonds	1.5%	1.6%	3.6%	4.9%	
<i>BUND- Future (ETF)</i>	1.3%	1.4%	3.1%	4.2%	
IG Corporate Bonds (EUR base)	0.6%	3.5%	-3.7%	-1.3%	
<i>IG Corporate Bonds - ESG (ETF)</i>	-1.0%	4.6%	-3.6%	-1.3%	
<i>IG Corporate Bonds - BBB (ETF)</i>	0.5%	9.9%	-4.5%	-0.5%	
Long Bond Risk	4.2%	2.2%	25.0%	37.1%	
<i>Long Bond Risk - US</i>	4.1%	2.4%	37.2%	54.1%	
<i>Long Bond Risk - EU</i>	4.3%	1.9%	12.7%	20.0%	
Short USD bonds	1.6%	-0.1%	7.0%	9.2%	
<i>US Treasury 1-3Y (ETF)</i>	1.5%	0.1%	6.8%	9.0%	
<i>USD per EUR (contribution from:)</i>	1.4%	-0.5%	3.8%	3.7%	
US Long High Quality Bonds	2.4%	1.8%	16.4%	22.5%	
<i>US Treasury 7-10Y (ETF)</i>	2.3%	1.9%	15.3%	21.0%	
Japanese High Quality Bonds	1.7%	3.5%	5.4%	5.9%	
<i>Japanese Short Gov. Bond (ETF)</i>	1.7%	3.4%	5.3%	6.4%	
<i>JPY per EUR (contribution from:)</i>	1.6%	3.5%	5.4%	6.1%	
Swiss High Quality Bonds	0.8%	0.8%	3.5%	6.9%	
<i>Swiss Franc AAA-BBB 5-10 Bonds (ETF)</i>	2.0%	5.9%	1.1%	5.8%	
<i>CHF per EUR (contribution from:)</i>	0.3%	0.6%	3.5%	7.6%	
Gold (EUR)	1.4%	11.5%	18.1%	38.3%	
<i>Physical Swiss Gold (ETF)</i>	1.3%	11.5%	18.5%	38.5%	

Risk Asset Performance					
Performance (EUR)					
	- 1w %	- 1m%	- 3m%	YTD %	-12m%
Risk Assets					
High Yield Bonds	7.0%	6.6%	-6.6%	-0.9%	
<i>US High Yield (ETF)</i>	0.9%	11.4%	4.2%	13.1%	
<i>EU High Yield (ETF)</i>	-3.3%	14.0%	-11.2%	-6.7%	
Emerging Debt	4.9%	5.8%	-3.2%	3.9%	
<i>EMD Corporate Hard currency (ETF)</i>	5.1%	8.0%	-0.6%	6.4%	
Core Equities (EUR based)	2.3%	17.2%	-13.5%	-4.5%	
Global Equities	1.3%	24.8%	-11.1%	1.2%	
US Equities - Large Cap	1.8%	27.2%	-7.7%	6.5%	
<i>US Large Cap - ESG (ETF)</i>	1.7%	26.9%	-6.9%	8.9%	
European Equities - Large cap	-1.8%	16.9%	-20.7%	-11.4%	
<i>EU Large Cap - ESG (ETF)</i>	-1.0%	17.2%	-20.4%	-10.0%	
Emerging Markets Equities	2.1%	18.6%	-15.6%	-5.1%	
<i>EM Equities - ESG (ETF)</i>	1.4%	18.8%	-14.8%	-4.2%	
Japanese Equities - Large Cap	2.5%	17.3%	-10.3%	2.7%	
<i>Japanese Equities (ETF)</i>	2.7%	14.9%	-9.8%	1.5%	
US Equities Growth	6.5%	29.6%	9.3%	30.4%	
<i>Nasdaq100 (ETF)</i>	4.4%	29.7%	1.9%	18.3%	
US Equities Small Cap	1.6%	23.1%	-22.6%	-15.6%	
<i>Russell2000 (ETF)</i>	0.2%	21.9%	-24.5%	-17.4%	
European Small Cap	2.8%	22.1%	-18.8%	-9.5%	
<i>MDAX (ETF)</i>	3.5%	22.4%	-18.8%	-9.7%	
CAP-M Equity Bear	2.6%	-34.6%	30.6%	-6.6%	

Updated at close,
May 14, 2020

