MARKET OPPORTUNITIES

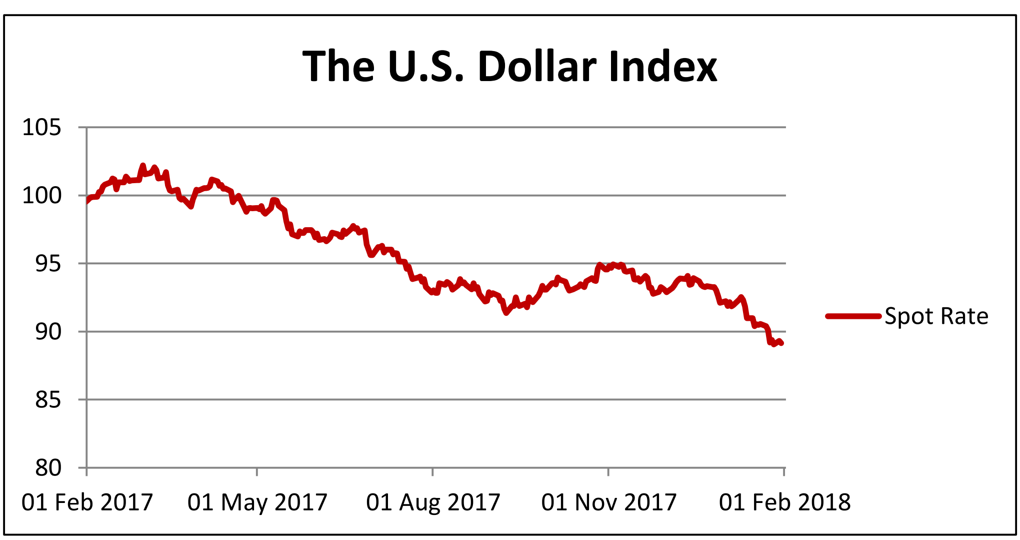
February 2018

- Trump's Treasury Secretary sends dollar to low levels.
- Commodity prices trends higher.

If a currency is to a country what a share price is to a company, then the dollar just got slapped with a "sell" recommendation by none other than U.S. Treasury Secretary Steven Mnuchin. The Dollar Spot Index dropped to its lowest level since 2014 after Mnuchin said in Davos, Switzerland, that a weak dollar is good for U.S. trade.

Even if Commerce Secretary Wilbur Ross later indicated that markets overreacted and that the comments do not mark a shift in America's long-standing strong-dollar policy, investors are starting to worry about the fallout from a greenback that shows few signs of bottoming. In the end, if a stronger economy, a booming stock market and three interest rate increases by the Federal Reserve were not enough to prevent the dollar from depreciating in 2017, what is on the horizon that could turn it around? A weaker dollar could theoretically be good for U.S. exporters. There are also negative aspects, such as the potential for faster inflation and higher interest rates. Foreign investors might see less incentive to finance America's growing budget deficit when the trade-off is holding assets in a depreciating currency. The recent IMF data show that US dollars make up 63.5 percent of global currency reserves, down from 65.3 percent at the end of 2016 and the smallest percentage since mid-2014. The World Economic Outlook Update in January also showed that IMF revised up its forecasts on global growth for 2018 and 2019 by 0.2 percentage points to 3.9 percent.

In the commodities market, the response to the falling dollar was swift. The Bloomberg Commodity Index is currently touching its highest level since October 2015. Commodities are to a high degree priced and traded in dollars, so a weaker greenback tends to translate into higher prices. Higher prices for commodities can also mean faster inflation. Supposing the current levels of oil and the dollar are maintained, inflation as measured in import prices will likely increase over the next few months. Increasing inflation should also force the US central bank to raise interest rates more frequently than currently predicted. This would be a clear support for the dollar. With this in mind, we consider that it may be attractive to have a certain dollar currency exposure in the near future.



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Markets – January 2017

Equity indices	Jan-17	2017
MSCI ACWI	+5.58%	+5.58%
MSCI World	+3.77%	+3.77%
S&P 500	+5.62%	+5.62%
Euro Stoxx 50	+3.01%	+3.01%
DAX	+2.10%	+2.10%
FTSE 100	-2.01%	-2.01%
NIKKEI 225	+1.46%	+1.46%
OMX 30	-1.03%	+1.03%
OMXC 20	-0.63%	-0.63%

Bond indices	Jan-17	2017
Global Treasuries	+1.80%	+1.80%
Global High Yield	+1.19%	+1.19%

Currencies	Price	Jan-17
EUR/USD	1.2414	+3.41%
EUR/SEK	9.7812	-0.54%
USD/SEK	7.8790	-3.72%
USD/DKK	5.9955	-3.41%

Interests	Jan-17
US T-Bill 3M	+1.4338%
Euribor FIX 3M	-0.3280%
Libor FIX 3M	+0.5223%
Stibor FIX 3M	-0.4440%
Cibor FIX 3M	-0.3125%

Other	Jan-17	2017
Gold	+3.25%	+3.25%
Oil crude. Brent	+3.26%	+3.26%
HFRX Index	+2.40%	+2.40%

Portfolio update

Portfolio composition was unchanged during the month.

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Market outlook

- Fixed income

Almost nine years into the recovery from the financial crisis and muted inflationary pressures are still keeping interest rates and yields low. A serious risk for fixed income markets in H2 2018 is that ECB quantitative easing (QE) could end in September while the Fed will be reducing its balance sheet by $50 billion per month. The BoJ could also change its dovish rhetoric, although we see this as less likely. Bond markets would not perform during a fast withdrawal of emergency monetary policy. We think it is clearly best to have a limited duration exposure, and are positioned for rising bond yields by our holdings in senior secured loans with floating rate coupons.

- Equities

Global stocks have advanced in eight of the last nine years and investor sentiment is still fairly strong. Yet, the length of this bull market is explained by the length of the economic expansion, something we don't see ending soon. In the meantime, US is supporting equities by implementing the largest corporate tax cut in history.

- Currencies

Tax cuts, repatriation and a hawkish Fed supports the USD near term. Positive growth momentum keeps the EUR supported and the currency is still below long-term fair value. NOK and SEK gains this year are likely to come later in 2018, as both Riksbank and Norges Bank catch up to ECB dynamic and transitioning toward a more conventional policy footing.

Holding of the Month
BB Biotech

BB Biotech aims to achieve an average annual double-digit return over the long term, thus outperforming the broad market indices by a significant margin.

The portfolio managers invests worldwide in fast growing companies developing and marketing innovative biotech drugs. At least 90% of the portfolio must be in listed companies.

We believe that 2018 will continue to bring important product approvals and milestones for the sector and for the BB Biotech portfolio. Performance year to date is +10.1%.