CORE CAPITAL

MARKET OPPORTUNITIES

April 2019

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• A historical perspective on economies

At the closing of the first quarter of 2019 we have witnessed a few interesting themes. The US economy remains in a healthy shape although the growth numbers have come down slightly. Still, cruising a car at 90 km per hour also gets you from A to B even if you were speeding at 100 km/h before. Part of the financing for the wall between US and Mexico will now come out of the US defence budget as part of the national emergency status. The wall together with the outcome of the Russia probe by Robert Mueller are likely to help President Trump get re-elected in 2020. In order to achieve this, he needs his voters to be comfortable, affluent and secure, this goes hand in hand with a strong economy and a powerful administration.

US interest rates will remain accommodative for the short to mid-term. The fact that the US interest curve (2/10 years) is flat and has a tendency to become inverse seems to be more of an academic discussion rather than a clear prediction sign for a recession. The money printing facilities that have made the markets addicted to cheap funding will prove very difficult to detox from. So long as consumer confidence, faith in the balance sheet of the FED, the ECB and the likes remain intact, any prediction of a recession remains a prediction.

The global power of the USA was implemented and exported through the Marshall plan; diplomatic ties, armed forces and cross border legislation are all adding to the superpower. This concept was partially copied by the Japanese government that tried to capitalise on the strong Yen driven export economy by buying assets outside of Japan. The absence of population growth in the land of the rising sun could only be offset by leveraging Japanese companies, households and government over the roof. We all know the outcome; the Nikkei crashed severely and is still far below the high levels from the late eighties. Japan was looking to the East and tried to copy the US formula; today their neighbour in the West has learned from Japan's mistakes. China is gradually moving up in the league of superpowers. The number of countries that depend on Chinese financing is increasing every year. From commodity rich regions in Africa seeking trade, to Montenegro in need for infrastructure, port facilities in Sri Lanka, and so on. Chinese restaurants and warehouses on every corner, Chinese students in Western schools and Chinese tourists flocking the streets. China has clearly spread its wings and is globally present and there to stay, supported by the abolition of the one child policy. This expansion has fuelled the trade war with the US and is a thankful agenda point for the US president. We can only guess that the European Union will be next in line to receive increased demands from Washington. The outcome of any Brexit scenario will certainly lead to the UK choosing a side, USA or EU.

Markets – March 2019

Equity indices	Mar-19	2019
MSCI ACWI	1.01%	11.61%
MSCI World	1.61%	12.61%
S&P 500	1.79%	13.07%
Euro Stoxx 50	1.62%	11.67%
DAX	0.09%	9.16%
FTSE 100	2.89%	8.19%
NIKKEI 225	-0.84%	5.95%
OMX 30	-1.22%	10.27%
OMXC 25	2.03%	12.86%

Bond indices	Mar-19	2019
Global Treasuries	1.21%	1.60%
Global High Yield	0.46%	6.33%

Currencies	Mar-19	Price
EUR/USD	-1.35%	1.1218
EUR/SEK	-0.78%	10.4241
USD/SEK	0.57%	9.2917
USD/DKK	1.43%	6.6549

Interests	Mar-19
US T-Bill 3M	2.35
Euribor FIX 3M	-0.31
Libor FIX 3M	0.85
Stibor FIX 3M	0.01
Cibor FIX 3M	-0.32

Other	Mar-19	2019
Gold	-1.59%	0.77%
Oil crude. Brent	3.57%	27.12%
HFRX Index	-0.17%	2.60%

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Portfolio update

During March we sold our exposure in Vanguard Russell 1000 Value, with current valuations looking strong and potential issues for the financial sector in the US with fewer rate hikes than anticipated we prefer to keep the proceeds from this on the sidelines for now.

Market outlook

- Fixed income

We remain positive on Senior collateralized loans currently offering attractive yield compared to more traditional fixed income investments.

We are also dusting off our potential buying list to take on exposure if we see an increase in yield for corporate bonds, both high yield and investment grade.

- Equities

Although we have further reduced our overall equity exposure, we have continued to enjoy strong returns in Q1. We remain cautious on growth during the year and we continue to believe in being active. However with slowing global growth and expected weak earnings growth we remain defensive in our exposure.

- Alternative Investments

Last year we saw a large number of hedge funds closing down and we retain our view that it's an expensive asset class which simply does not deliver.

- Forex

We maintain our strategic approach to actively hedge currency risk. With the uncertainty around Brexit it's unclear regarding the Sterling, US trade and political risk put the USD at risk and the ECB seeing downside risk could harm the EUR.

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Holding of the Month
Credit Suisse Global Robotics

The fund is one of our thematic investments focusing on robotics and automation and only invest in "pure-players" with a majority of their business focused on robotics, automation and artificial intelligence.

So far the fund has provided a stellar return and gained 16.27% in Q1.