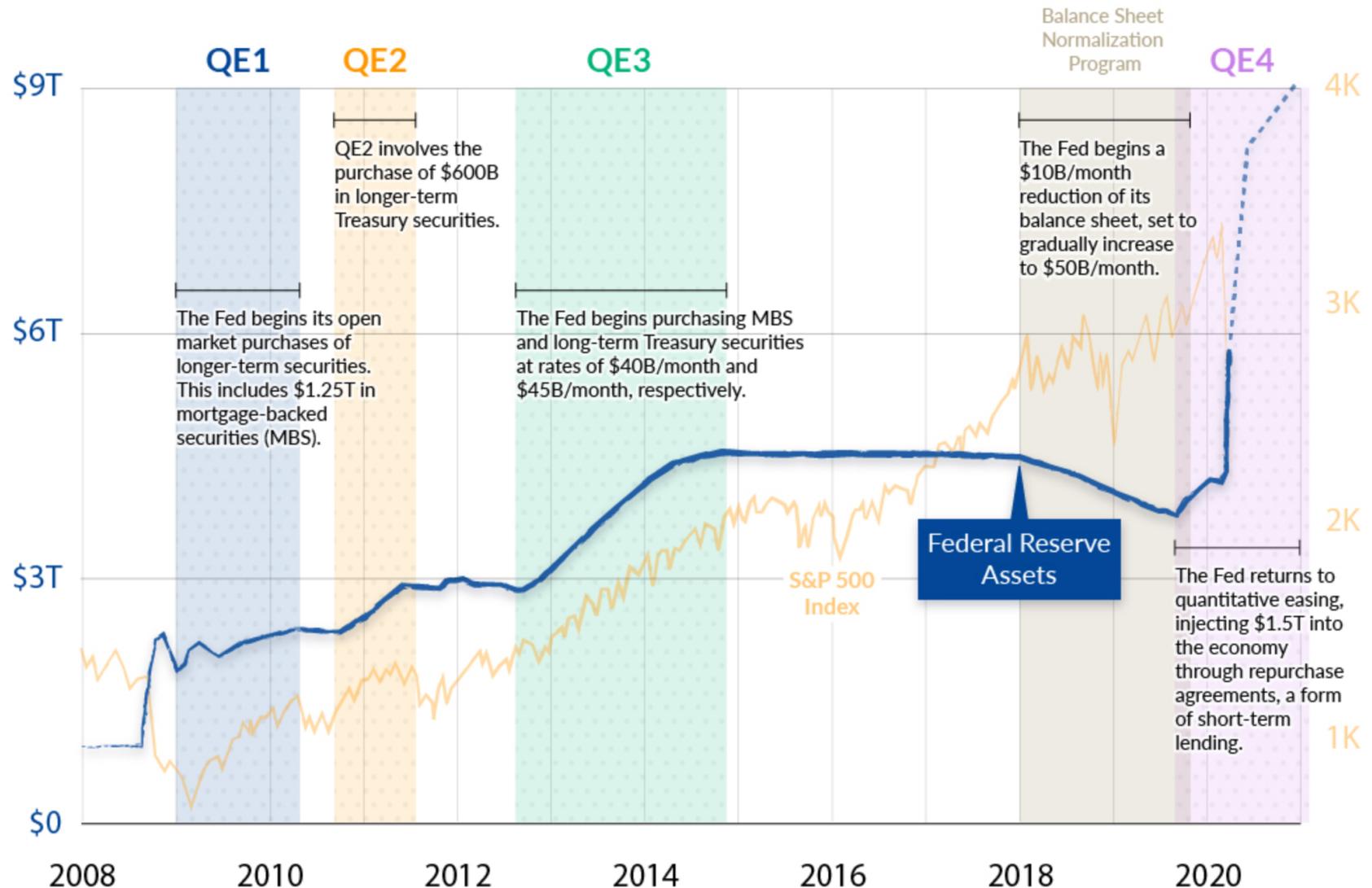


COVID-19 analysis – update nr 5

As per 23 April 2020

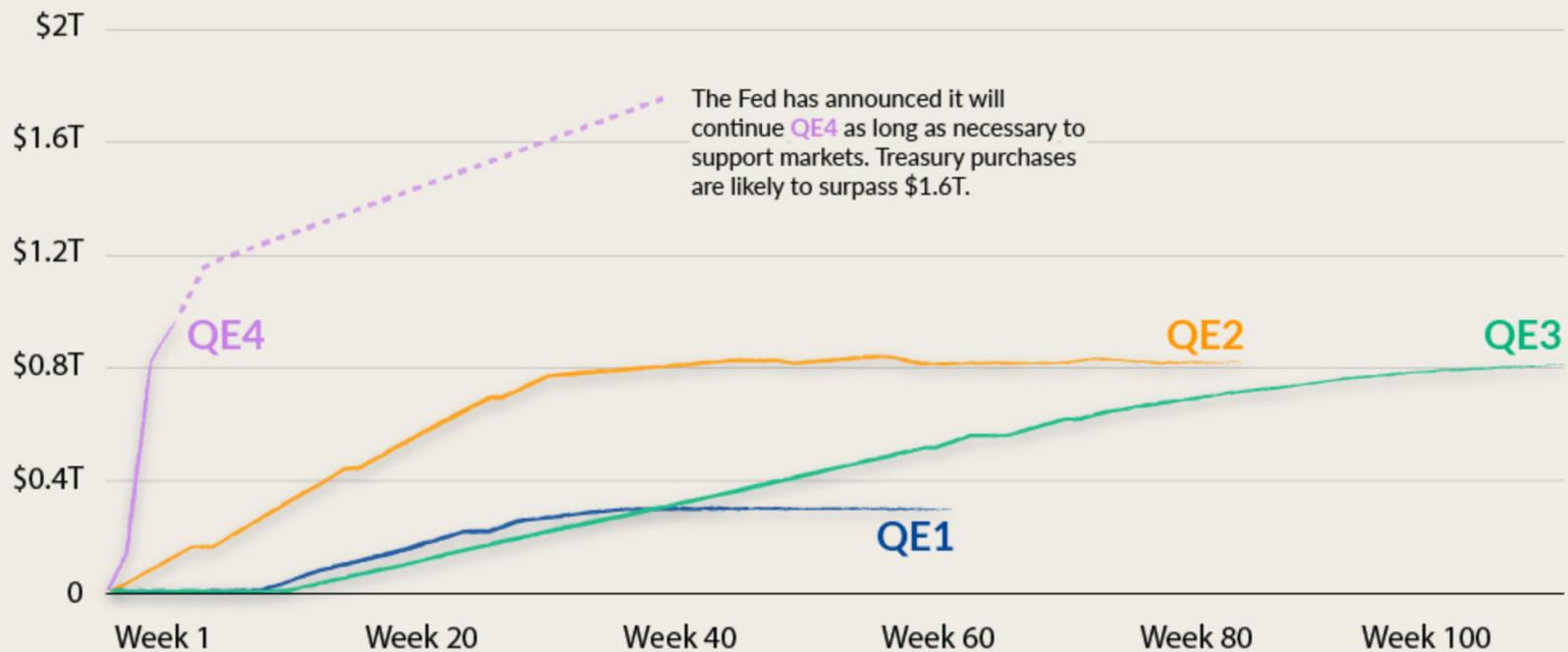
Correlation QEs with the S&P 500 Index

- Analysing the historical correlation between the past QEs and the S&P 500 Index, with the actual QE4, the S&P 500 Index should rally in the next years to a new all time high at 4'000 points



Comparison QE4 with historical QEs

THE FED'S TREASURY PURCHASES IN PERSPECTIVE



Source: BofA Global Research

..... Projected future assets based on BofA Global Research

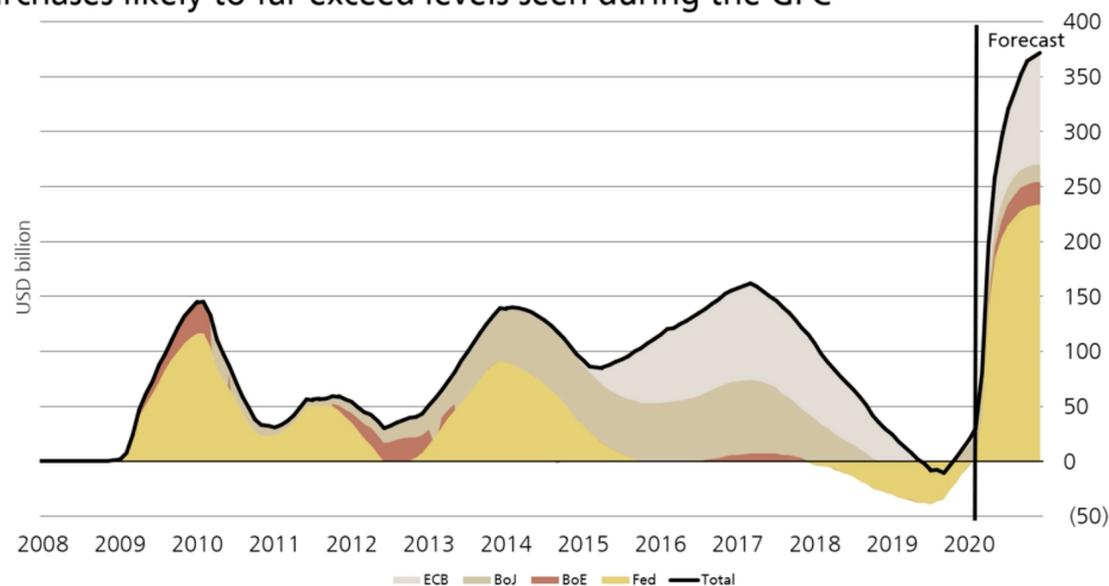
Total G4 central bank asset purchases

- We are talking about huge increase in Governments debts, which means in the futures:
 - Perpetual low interest rates : real returns are turning even negative
 - Higher taxations : on income, wealth and corporate taxes targeted at the wealthy
 - Moderately higher inflation (manipulated?) : inflation over 2% for a couple of years
- For the investor this means:
 - Lower cash allocations as also in bonds and Government bonds and investors should not forget: our pension plan is fully invested in such Gov Bonds
 - Inflation-linked bonds?
 - Greater focus in equity, Gold, real estates and real assets

Monthly flow for G4 central bank asset purchases

www.slido.com
Event code AC19

Purchases likely to far exceed levels seen during the GFC

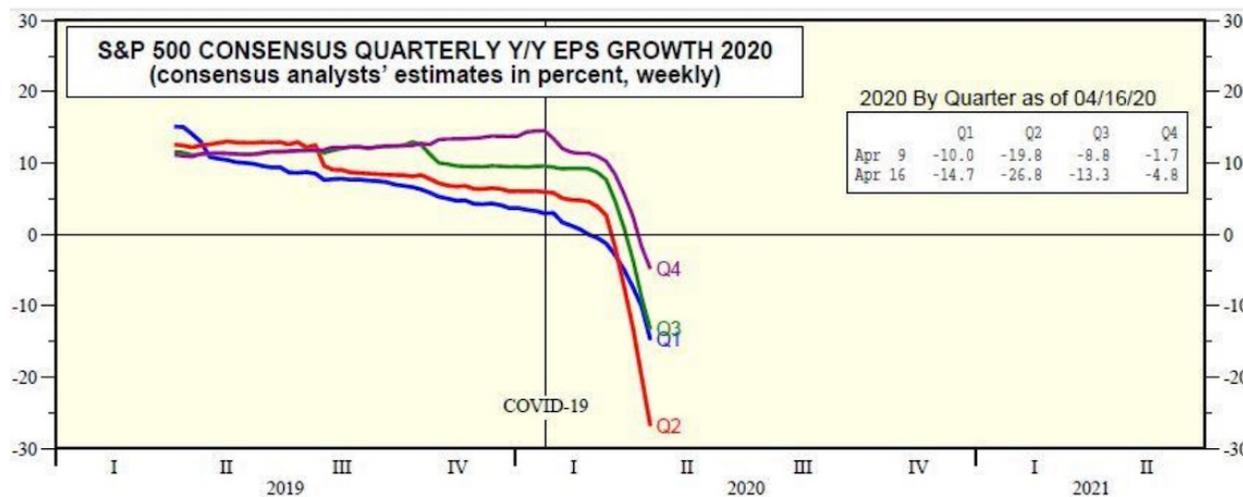


Source: Haver Analytics, UBS, as of March 2020

Note: forecasts bases on UBS estimates of flow of asset purchases

EPS estimations

- New estimations are narrowing to new 120 USD EPS this year for S&P 500 (from 164 USD during 2019)
- EPS general consensus for 2021: 150 to 173 USD
- Translated to the main 4 possible scenarios, **those EPS expectations are discounting a V and U good case economic rebound scenarios and the fair value of the S&P 500 Index would be around 2'916 points or lower!**
- S&P 500 Index stands at 2'795 per 22 April 2020



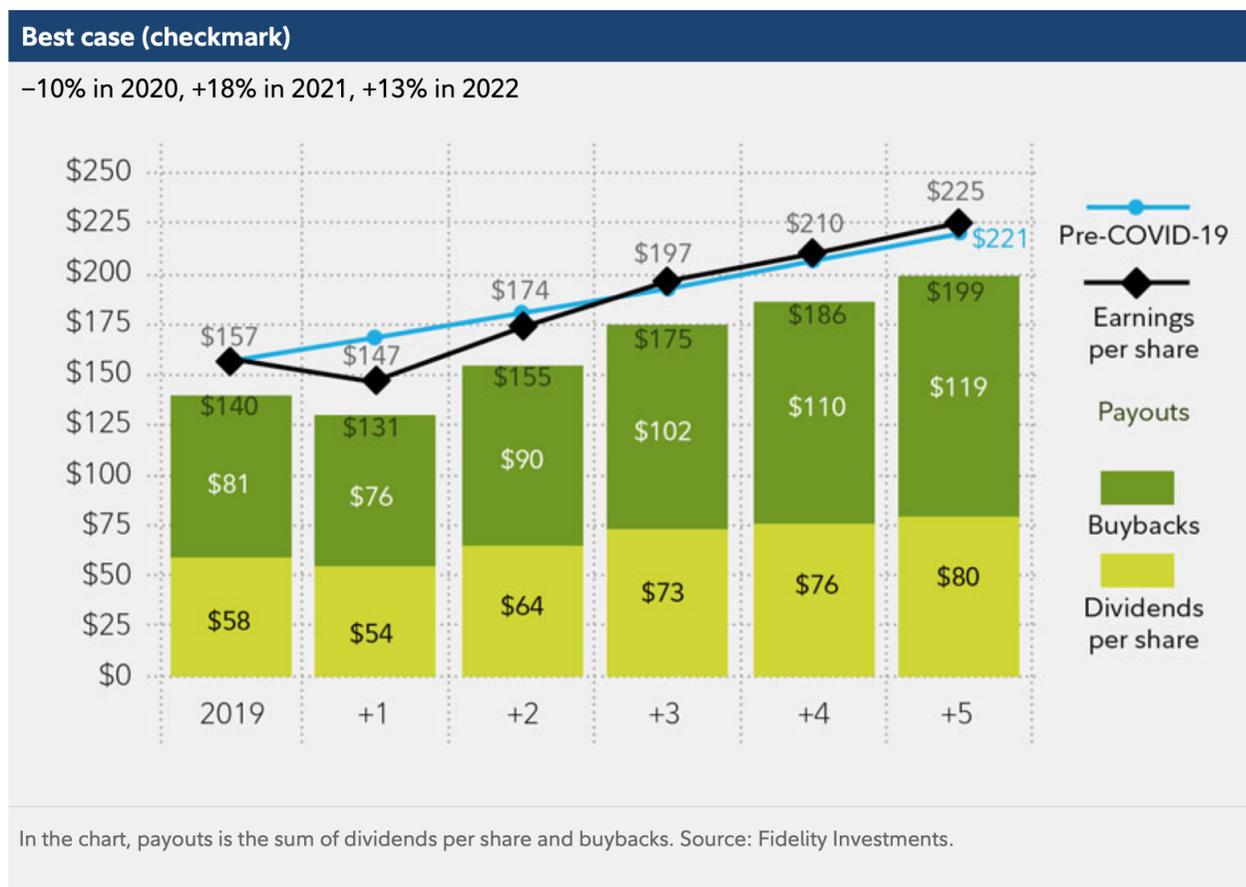
Nasdaq 100 Green YTD, EPS expectations freefalling...

12m forward earnings do not matter in a pandemic....2020 is a write-off

credittrader

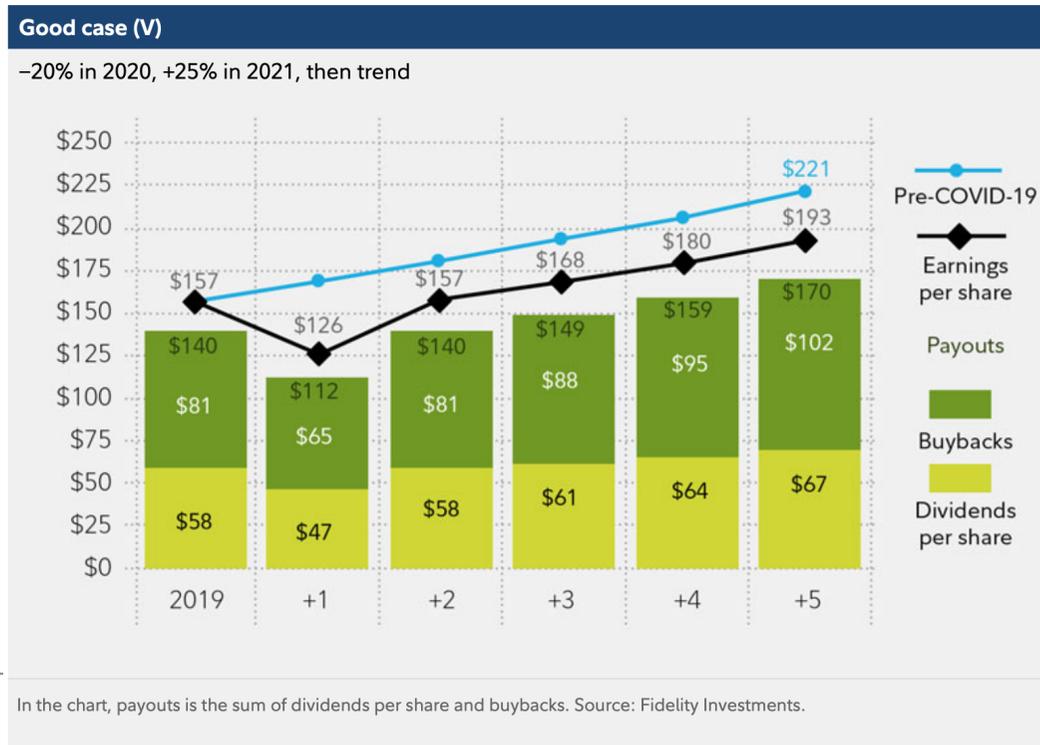
The main 4 possible scenarios: Best case

- EPS estimates for 2020 at 147 USD, not even -10% from 2019' EPS (157USD)
- EPS estimates for 2021 & 2022: grow of 18% and 13%
- Payout ratio via Dividends and shs-buyback programs would be at the historical average of 88%
- Based on those estimates, the **fair value for the S&P 500 Index should be around 3'398** points, which was the high of February 2020.
- In our opinion, this scenario is too optimistic. EPS downgrades during 2020 are higher.



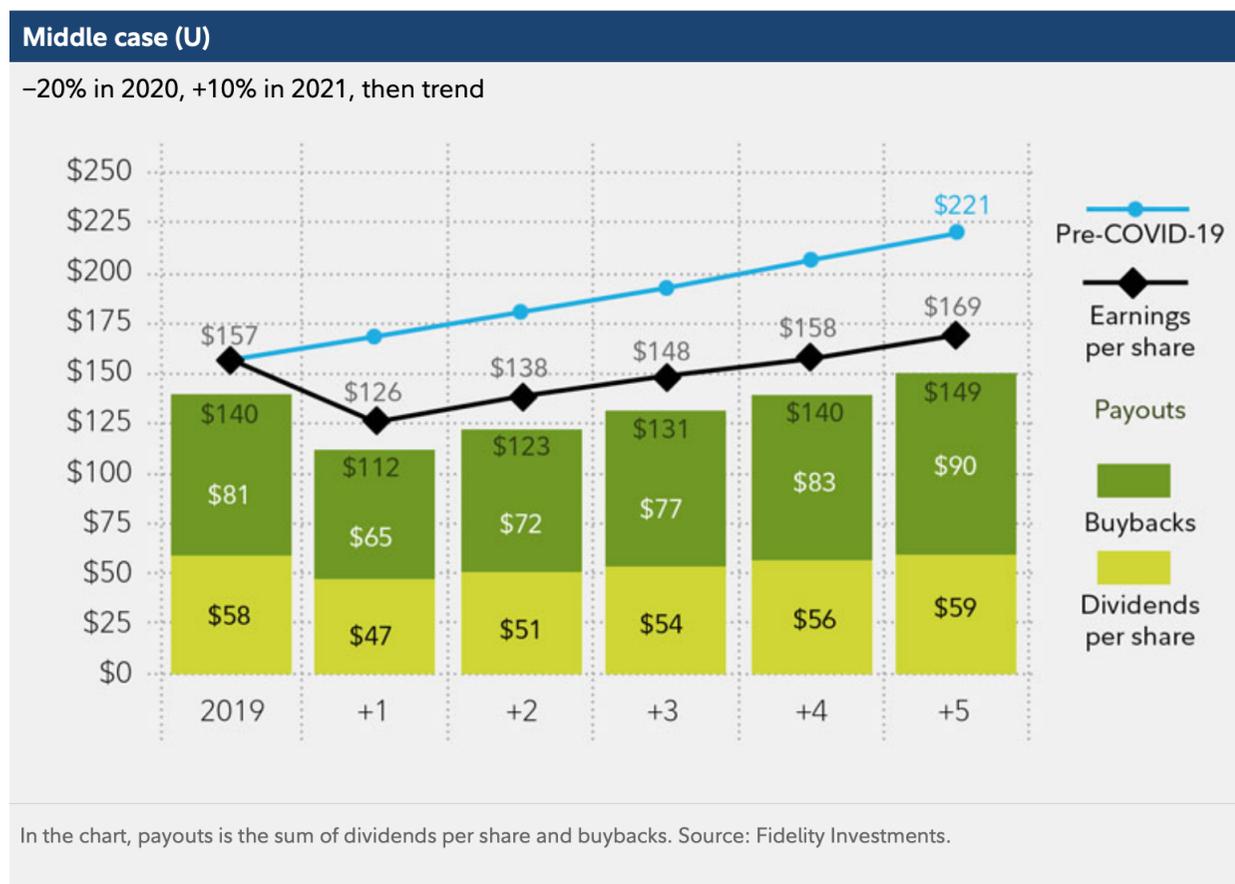
Good case scenario (V rebound)

- EPS estimates for 2020 at 126 USD, -20% from 2019' EPS (157USD) = general consensus
- EPS estimates for 2021 & 2022: grow of 25% to 157 USD and 7% (=long-term compound annual growth rate-CAGR-for EPS)
- Payout ratio 88%
- Based on those estimates, the **fair value for the S&P 500 Index should be around 2'916 points**
- In our opinion, the most probable scenario. This would means, from nowadays the Index does not have any further potential for this year.
- **BUT we are of the opinion, the next upside leg of the market going to be driven by the “underdogs”, therefore we would expect a sector rotation.**



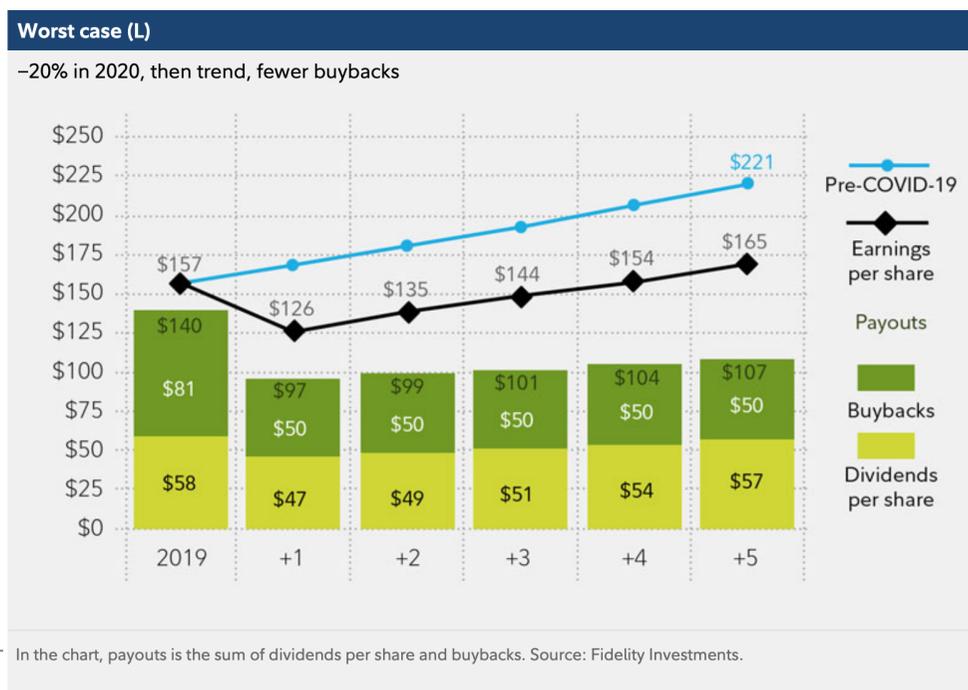
Middle case scenario (U rebound)

- EPS estimates for 2020 at 126 USD, -20% from 2019' EPS (157 USD)
 - More moderate recovery for 2021 and 2022: grow of 10% and 7%
 - The **fair value for the S&P 500 Index should be around 2'579 points**
 - Payout 88%
- We believe the economic rebound during 2021 and 2022 going to be stronger, also taking into consideration the huge amount of money “pumped” into the system from Central Banks.



Worst case case (L rebound)

- EPS estimates for 2020 at 126 USD, -20% from 2019' EPS (157USD)
- More moderate recovery for 2021 and 2022: grow of 7%
- And less share buybacks programs: from 81 USD a share to 50 USD, so from 88% to 64% payout ratio.
- The **fair value for the S&P 500 Index should be around 1'871 points**
- We do not believe in such scenario, not only because like in the U case, we expect a stronger economic rebound during 2021 and 2022, but we expect higher shs-buyback programs. Analysing the past QEs, we know, companies were buying back stocks for a total of almost 1 Trio USD on an annual basis. Having a much higher QE4, we expect such buyback programs to be higher from 2022 on, still ignoring an higher inflation rate, which is negative for bondholders, but should be positive for equities.



Diverse

- **Airbnb Inc. had raised 1 bio USD in debt and equity securities from Silver Lake and Sixth Street Partners at a valuation of 18 Bio USD, a drop of almost half since it last raised funds in 2017. Bargains in VCs? Valuations coming down means opportunities?**
- **US Insider buying at record high levels during COVID-19 sell-off in March.**
- **German ZEW economic sentiment was surprisingly very strong on the 21 April 2020 at +28.2% against the forecast -42.3% (was -49.5% at the 17 of March). A level above 0 indicates optimism. ZEW is a survey of about 350 German institutional investors and analysts.**
- **Most of our Best in class Funds are still hedged (Flossbach Multiple opportunities Fund is still hedged for 40% : net equity exposure 30%, gross equity exposure 72% , 11% in Gold and still 15% in cash). In addition the Fund is mainly invested in defensive sectors like Pharmaceutical and Food, which are at the moment at highs and in some cases even at new highs.**
- **The block halving event for Bitcoin is scheduled to take place on May 12. 2020!**

Negative oil future prices

- Oil is in contango, that means oil Futures with longer maturities have higher prices than the “front month”
- By every monthly maturity, the price of the future has to be readapt, causing losses, if the price of oil is in contango.
- In addition, oil storages are fully loaded because of the special situation COVID19, therefore only a few counter parties are still able to settle physically the delivery at the maturity of the futures. For the first time in the history, traders had to pay more than 40 USD to be able to sell oil futures to avoid the final physical settlement.
- The only real “free lunch” in the oil space at the moment is to rent fully loaded ships of oil, pay the spot price and contemporaneously sell December oil Futures at much higher prices and let the ship wait for the settlement out in international waters. It happened twice in the history.
- If investors believe in a rebound of the oil price, we advice to buy oil refineries like Royal Dutch, BP or Total or for more aggressive bets, invest in Occidental Petroleum or Schlumberger.

Options											NYMEX & ICE Energy Futures										
Filter	Mon 2 Dr	Last Dr	Sett Dr	Time	Bid Dr	Ask Dr	Fair Value	Volume	Open Int		Filter	Mon 2 Dr	Last Dr	Sett Dr	Time	Bid Dr	Ask Dr	Fair Value	Volume	Open Int	
New York Mercantile Exchange (NYM)											Intercontinental Exchange (ICE)										
Light Sweet Crude Oil (WTI)											Brant Crude										
CL1	Jun 20	14.59	+1.11	10:11	14.55	14.90	14.55	153362	382054		CO1	Jun 20	21.52	+1.15	10:11	21.52	21.53	21.52	36156	275799	
CL2	Jul 20	21.80	+1.11	10:11	21.80	21.82	21.79	37940	377244		CO2	Jul 20	25.16	+1.10	10:11	25.17	25.18	25.16	33564	459912	
CL3	Aug 20	24.65	+0.59	10:11	24.70	24.73	24.70	14462	158054		CO3	Aug 20	27.83	+0.93	10:11	27.83	27.84	27.83	26703	221061	
CL4	Sep 20	28.31	+0.74	10:11	28.31	28.34	28.31	12415	180557		CO4	Sep 20	29.81	+0.58	10:11	29.81	29.82	29.81	24355	200572	
CL5	Oct 20	27.54	+0.25	10:10	27.57	27.71	27.57	3609	102529		CO5	Oct 20	31.15	+0.75	10:11	31.15	31.15	31.15	9467	111533	
CL6	Nov 20	25.75	+0.55	10:03	25.85	26.70	25.87	1445	92835		CO6	Nov 20	32.34	+0.59	10:11	32.34	32.37	32.34	5310	107067	
Henry Hub Natural Gas											UK Natural Gas (NBP)										
HG1	May 20	1.939		10:11	1.935	1.941	1.939	4912	37000		FN1	May 20	13.97	-0.46	10:11	13.97	14.00	13.97	625	31751	
HG2	Jun 20	2.053		10:11	2.052	2.054	2.053	7545	254133		FN2	Jun 20	14.77	-0.33	10:11	14.77	14.80	14.77	325	34755	
HG3	Jul 20	2.237	+0.001	10:10	2.239	2.242	2.241	970	164757		FN3	Jul 20	16.20	-0.60	09:54	16.26	16.34	16.30	130	23540	
HG4	Aug 20	2.322	+0.002	10:07	2.323	2.326	2.325	447	81350		FN4	Aug 20	15.16		04:22	17.43	17.70	17.57	110	20935	
HG5	Sep 20	2.333	-0.001	09:59	2.337	2.339	2.335	130	116101		FN5	Sep 20	20.16		04:22	19.35	19.83	19.60	110	26725	
HG6	Oct 20	2.418	-0.001	10:05	2.421	2.423	2.422	205	104566		FN6	Oct 20	23.22		04:22	22.30	23.30	22.80	33	23675	
New York Heating Oil											GasOil										
HO1	May 20	78.97	+2.94	09:58	74.52	74.93	74.53	306	25268		GO1	May 20	217.25	+5.25	10:11	217.00	217.50	217.25	6159	117591	
HO2	Jun 20	150.00	+1.67	10:11	79.97	80.07	80.00	2586	58533		GO2	Jun 20	239.30	+8.06	10:11	239.75	240.00	239.85	12465	131355	
HO3	Jul 20	155.43	+1.79	10:11	83.40	83.82	83.45	455	48011		GO3	Jul 20	259.25	+8.59	10:11	259.25	259.50	259.35	5232	90185	
HO4	Aug 20	91.27	+2.14	10:01	90.85	91.01	90.93	311	11046		GO4	Aug 20	274.25	+3.25	10:05	275.00	275.50	275.25	2195	58465	
HO5	Sep 20	96.75	+2.74	09:49	95.74	95.91	95.83	354	23132		GO5	Sep 20	285.00	+8.25	10:11	287.75	288.25	288.00	2157	58446	
HO6	Oct 20	100.05	+1.65	10:00	100.12	100.29	100.19	430	15922		GO6	Oct 20	299.00	+3.50	10:10	299.25	299.75	299.50	1356	46465	
Gasoline RMBB											Brant Crude Spread										
GB1	May 20	167.47	+3.63	10:11	67.46	67.84	67.47	727	39993		S:CO00	M20-M20	-3.64	+0.05	10:11	-3.65	-3.64	-3.64	12495	0	
GB2	Jun 20	172.04	+3.29	10:11	72.04	72.22	72.04	3525	103400		S:CO00	M20-Q20	-2.46	+0.16	10:11	-2.47	-2.46	-2.47	14431	0	
GB3	Jul 20	73.33	+2.84	10:10	73.45	73.54	73.46	1564	50356		S:CO00	Q20-Q20	-1.95	+0.09	10:11	-1.95	-1.97	-1.95	10693	0	
GB4	Aug 20	78.85	+2.64	10:07	78.81	78.93	78.85	574	24623		Brant/WTI Future Spread										
GB5	Sep 20	50.43	+2.03	10:10	50.52	50.77	50.59	503	39502		S:EN00	M20-M20	-5.70	+1.11	10:09	-6.56	-6.62	-6.54	1391	0	
GB6	Oct 20	74.01	+1.39	10:10	74.05	74.37	74.19	345	27132		S:EN00	M20-Q20	-3.36	+0.01	10:10	-3.39	-3.38	-3.41	2033	0	
WTI Crude Spread											S:EN00										
S:LOL1	M20-M20	-0.02		-0.01	-0.02	-0.01	-0.01	14515	0	S:EN00	Q20-Q20	-2.94	-0.02	10:03	-2.95	-2.91	-2.91	161	0		
S:LOL2	M20-Q20	-2.90	+0.17	10:09	-2.92	-2.90	-2.91	4747	0	NBP Spread											
S:LOL3	Q20-Q20	-1.82	+0.19	10:05	-1.82	-1.81	-1.81	2715	0	S:FNFN	M20-M20	-0.50	+0.07	10:11	-0.50	-0.75		230	0		
Natural Gas Spread											S:FNFN										
S:NGNG	M20-M20	-0.114		10:11	-0.114	-0.112		1627	0	S:FNFN	M20-Q20	-1.63	-0.13	09:25	-1.54	-1.46		5	0		
S:NGMG	M20-M20	-0.165		10:07	-0.165	-0.165		502	0	S:FNFN	Q20-Q20	-1.56	+0.03	04:22	-1.44	-1.10		150	0		
S:NGMG	M20-Q20	-0.064	-0.002	10:07	-0.064	-0.064		126	0	GasOil Spread											
Heating Oil Spread											S:GO00										
S:HOHD	M20-M20	-5.13	+0.07	10:11	-5.15	-5.14		277	0	S:GO00	M20-M20	-22.50	-1.00	10:11	-22.75	-22.59	-22.63	3056	0		
S:HOHD	M20-Q20	-3.45	-0.12	10:11	-3.45	-3.44		250	0	S:GO00	M20-Q20	-19.50	+1.25	10:10	-19.75	-19.50	-19.50	1713	0		
S:HOHD	Q20-Q20	-5.46	+0.01	10:05	-5.46	-5.46		53	0	S:GO00	Q20-Q20	-16.00	+0.25	10:10	-16.00	-15.75	-15.85	915	0		
Gasoline Spread																					
S:GEXE	M20-M20	-4.57	+0.34	10:11	-4.55	-4.55		623	0												
S:GEXE	M20-Q20	-3.62	+0.34	10:11	-3.62	-3.61		992	0												
S:GEXE	Q20-Q20	-2.55	+0.35	10:06	-2.59	-2.59		247	0												

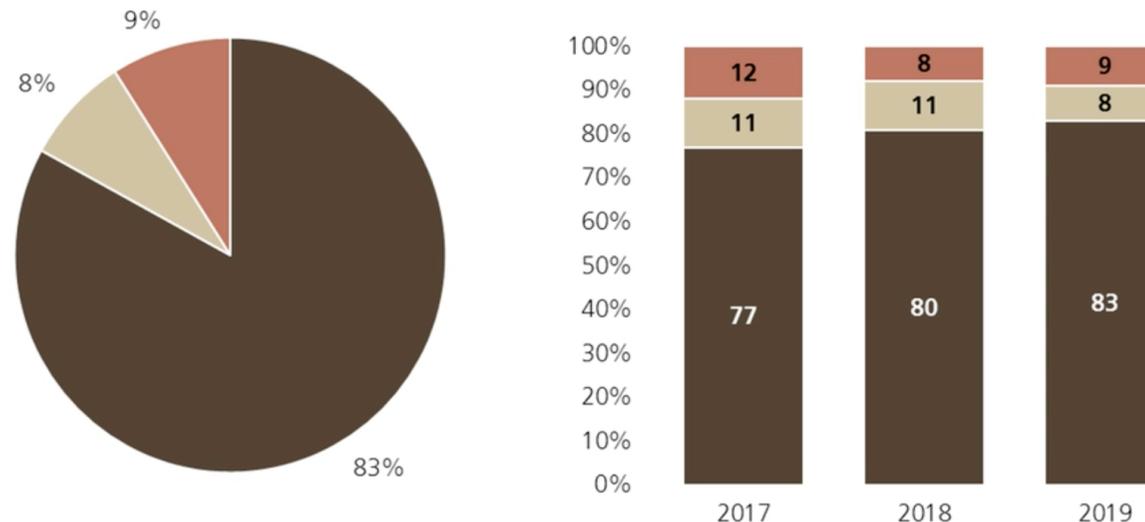
Relocating manufacturing or sourcing outside of China

- During the past years, China already reallocated to Vietnam and neighbourhood like Bangladesh, Cambogia, etc. because of “cheaper” labor force.
- According to a survey of UBS, 83% of supply chain is not considering to relocating manufacturing outside of China

Massive supply chain shifts outside of China unlikely

www.slido.com
Event code AC19

AmCham China: Is your company considering, or has it already begun process of relocating manufacturing or sourcing outside of China?



- No, not considering relocating mfg. or sourcing outside of China
- Yes, considering relocating but not taken active steps to relocate mfg outside of China yet
- Yes, started process of relocating mfg or sourcing outside of China



Sources: AmCham China – 2020 China Business Climate Survey Report; UBS, Apr 2020

Charts and scenarios are for illustrative purposes only. Historical performance and forecasts are no guarantee for future performance. Please see important disclaimer at the end of the document.

Technical analysis

- Highest short interest since January 2016 during April 2020: additional 68.1 Bio USD during the week of 13 April 2020

On the Rise

The percentage of available shares of the SPY ETF, which tracks the S&P 500, that are sold short has risen in recent months.

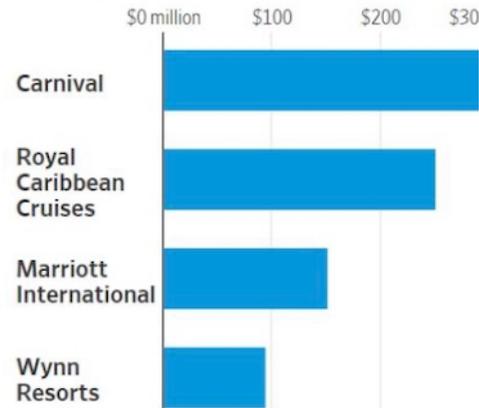
SPY short interest as a percentage of float



- Clear short bets on travel & tourism

Betting Against Travel

30-day change in value of shares shorted



Source: S3 Partners



Technical analysis

- S&P 500 Index holding at the 4-year 200days moving average and has supportive on balance volume



Source: StockCharts.com, Canaccord Genuity Research

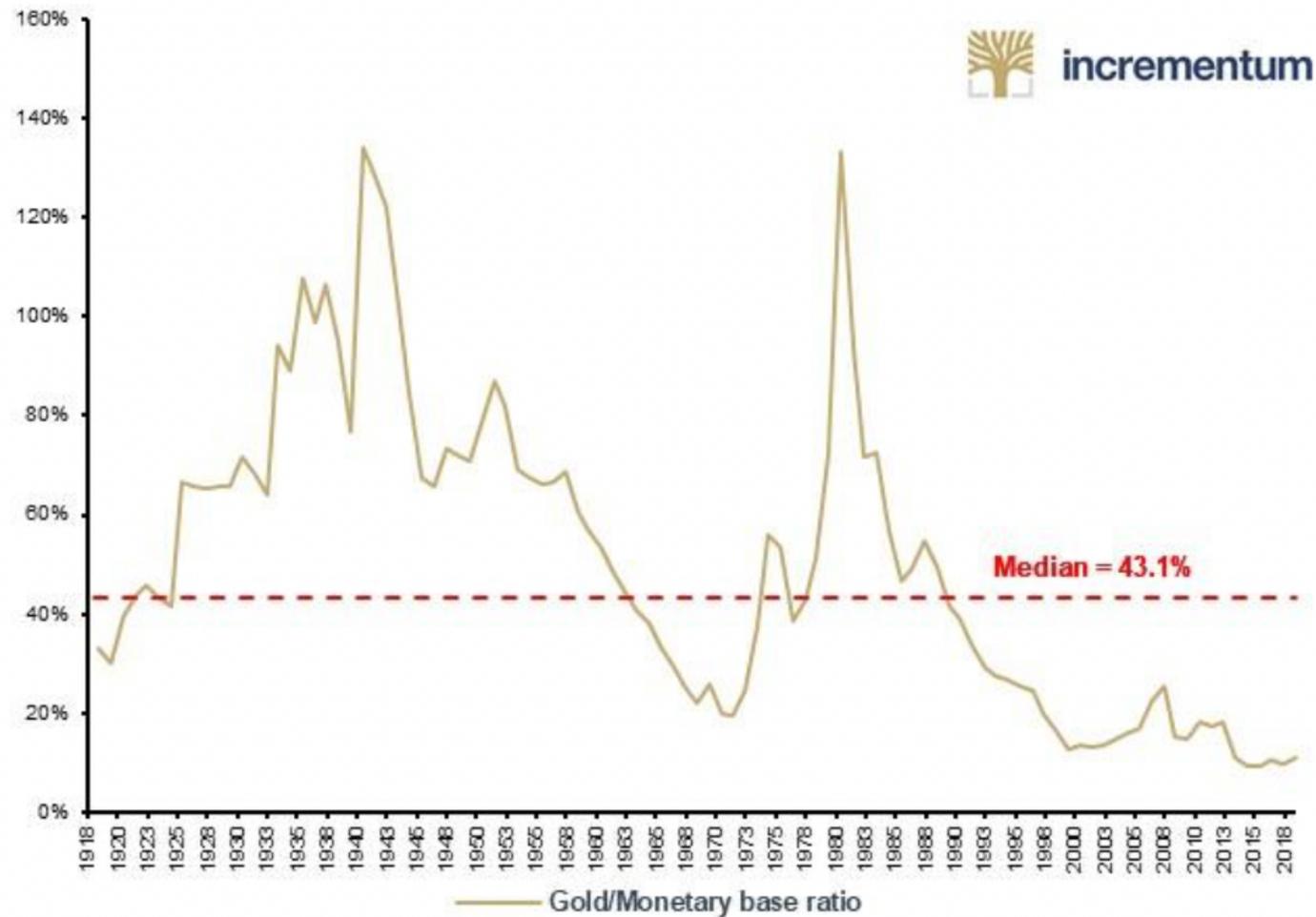
Technical analysis

- S&P 500 Index holding at the 4-year 200days moving average and has supportive on balance volume



Technical analysis

- GOLD/Monetary base ratio at lowest levels. Gold has not really reacted at the huge injection of "fresh" money yet



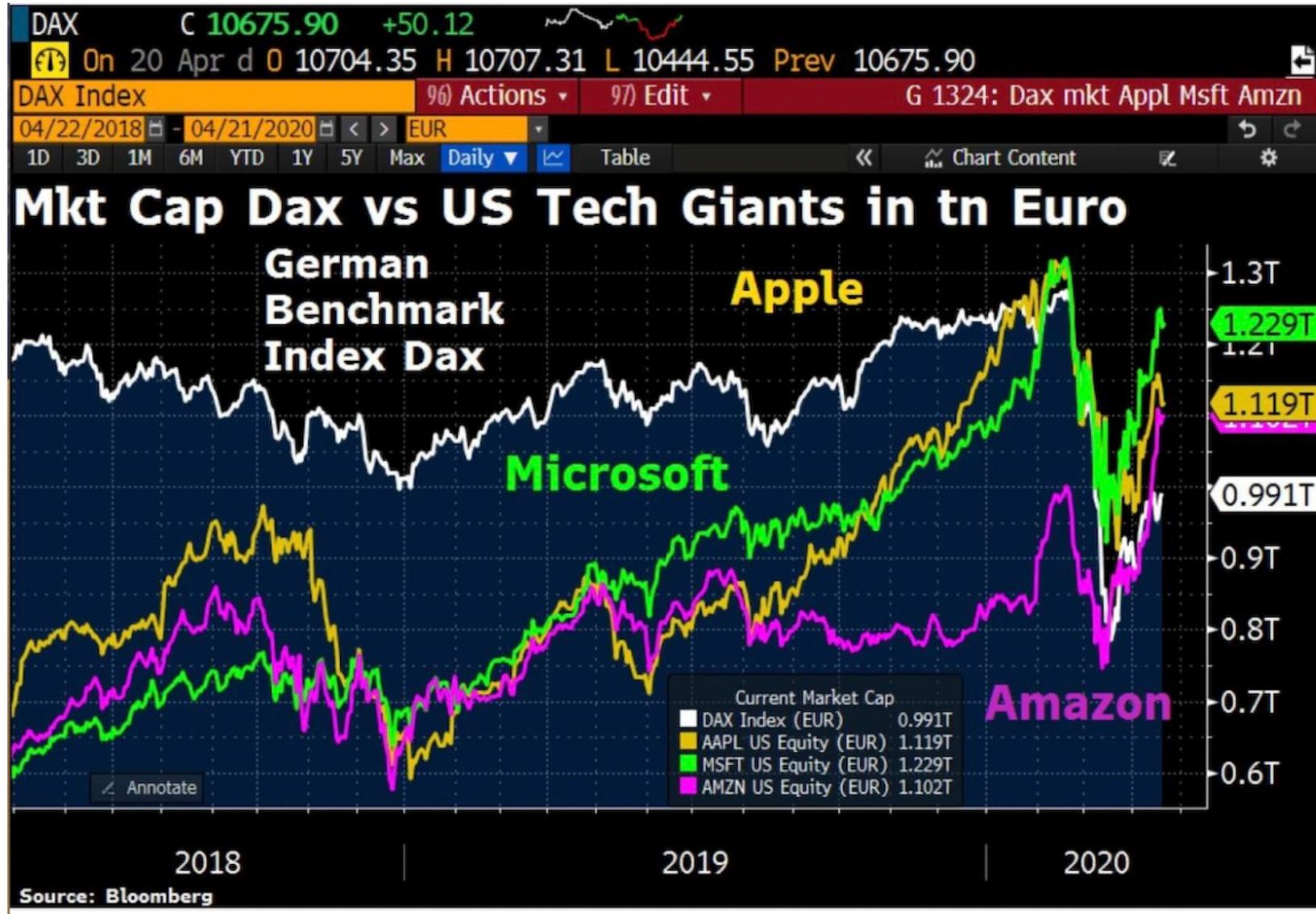
Technical analysis

- Goldmines have not followed the upside move yet, but are bottoming



Technical analysis

- About possible sector rotation during the next rally of markets:
Microsoft, Apple & Amazon market caps are each bigger than the entire heavy industry DAX!



Sector rotation?

- As mentioned, most of investors bought equities during the market rebound, but almost everyone is investing in “stay at home” theme or Pharmaceutical, Food, Diagnostic companies, E-Sports, Biotech companies with vaccine candidates, clean energy
- Most of those theme are at highs, if not new highs.
- If an investor believes in a V or U recovery scenario, we believe, the investor should analyse following sectors:
 - Banks: the heart of the economic rebound. Banks have the full support from Central Banks in the contrary of 2008 (Wells Fargo: WFC US?)
 - Insurances: corrected more than markets, because investors are more worry about the portfolio stability, rather than claims. We know Central Banks are taking whatever it takes to stabilize portfolios of pension plans and insurances (AXA? Swiss Re?)
 - Oil refineries (Royal Dutch, BP, Total or more aggressive bets like OXY US?)
 - Cement and construction companies (LafargeHolcim or Hochtief?)
 - Credit cards (Amexco?)
 - Gastronomy or some retails: delivery to restaurant? Metro (B4B GY), Mediamarkt (CEC GY)
 - Transportation: after COVID19 people are going to use more UBER?
 - VCs space new opportunities? TPVG US?
 - Swiss watches? Swatch Group (UHR SW) or Richemont (CFR SW)?
- We would still avoid tourism, airlines and hotels, even if short interest is huge!?
- Many other interesting sectors already rebounded quite strongly , therefore are not in our list

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