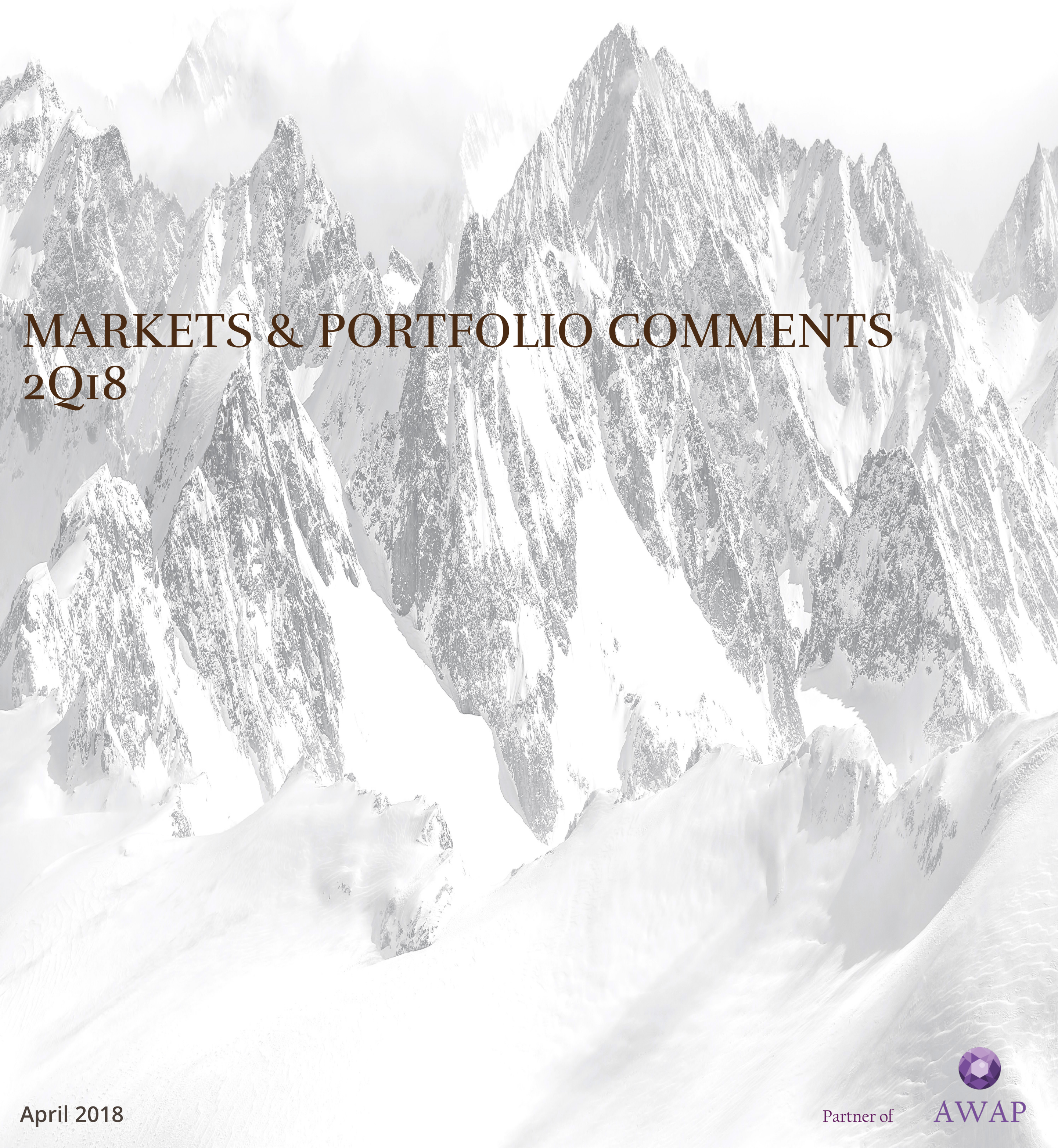
MOUNT INVEST

MARKETS & PORTFOLIO COMMENTS 2Q18



April 2018

Partner of AWAP

Market Weather

LIQUIDITY & SIMILAR

Central Banks raising mode could accelerate (look at the FED late infos). Rising wages should finally pop up some inflation. Exacerbation may come from energy and commodities. Don't chase high yielding currencies (Emerging ones). Short CHF, GBP and MXN, long USD, CAD and EUR.

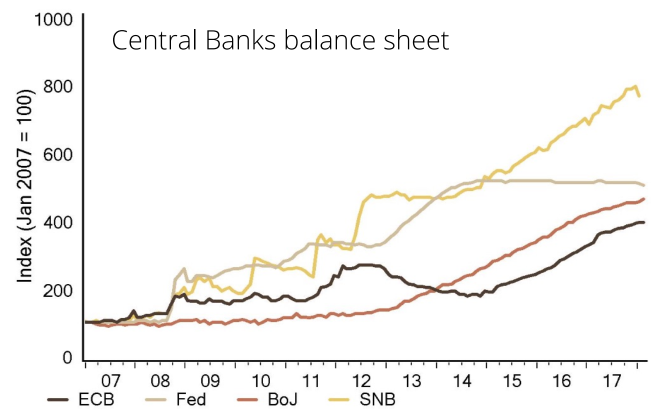
Inflation rise noted lately in the US. We believe this should continue and the FED inflation target (2%) should soon be hit. The pace of US rate hikes should accelerate but this does not mean necessary a hawkish evolution. We still believe in 3 to 4 interest rate hikes during 2018. The ballooning and increasing debt cost will be a burden to any strong growth. Balance-sheet unwind could obviate the need to aggressive rate normalization.

Keep calm and keep USD... but also buy CAD. Any market adjustments on rate expectations (currently not pricing rate hikes) would trigger a rally on the currency. Buy EUR on weakness.

The Mexican peso has been very resilient. The currency largely discounted the NAFTA positive announcements (renegotiations). We believe it is time to factor any leftist election and back to reality currency moves. Sell MXN !

Do not touch the Bitcoin as support may fall!

Total assets in national currency (index: 2007=100)



Source: Haver Analytics, UBS, as of February 2018 (SNB data as of January 2018)

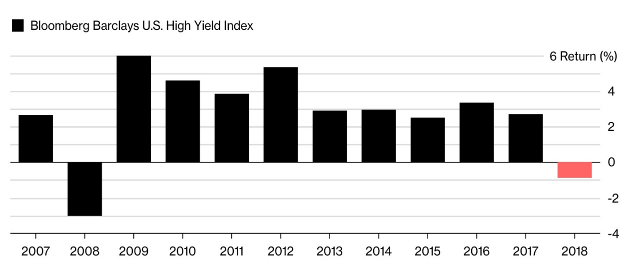
FIXED INCOME & SIMILAR

Inflation acceleration, US flattening and High Yield consolidation are the main factors influencing our asset allocation strategy. We recommend increasing the credit quality and to add inflation related papers. Keep a "barbell" exposure (short + long end of the curve) and watch any credit spread increase.

Credit markets have been sensitive to geopolitical developments. Moreover, the High Yield corporates have been sluggish since 2018. As seen attached, the global returns are on a downtrend movement and we soon will face with some credit deterioration and spread tightening. Increase portfolio credit quality.

After a flattening US curve, we should soon see a steepening effect mainly due by a possible overshoot of inflation or a US growth slowdown. Some products have been issued to take advantage of such factors.

We still like the European Credit segment and the Emerging ones, particularly some fallen angels like the Russian Corporates. The CAD corporates could add to some portfolio diversification.



Credit spreads as a percentage of total yield, 2000-2018

Sources: BlackRock Investment Institute, with data from Bloomberg Barclays and JP Morgan, March 2018.
Notes: The lines show the spreads on the Bloomberg Barclays US High Yield, the Bloomberg Barclays US Credit and the JP Morgan EMBI Global Diversified indexes as a percentage of their total yields.

EQUITY & SIMILAR

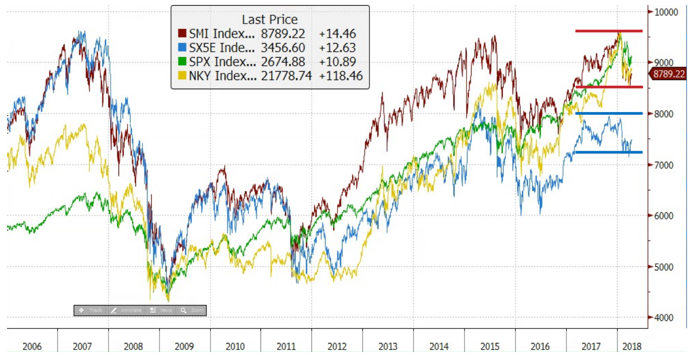
Market Weather

The volatility returns. Market ranges and geopolitical influences are key. Watch for guaranteed protected notes on market indexes or equities linked to late cycle segment potentials. US fiscal tailwinds could add some stimulus to corporate earnings. Still favoring Europe and Emerging's over the US. We may move towards value segments slowly but surely.

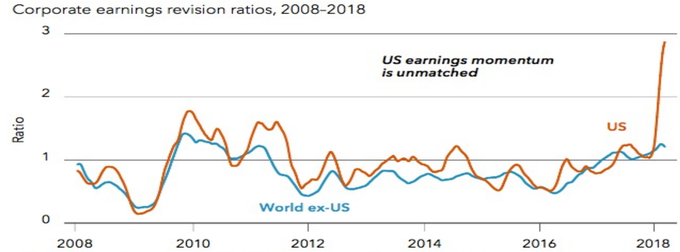
The global synchronized growth is loosing some steam. Some evidences of a peaked cycle (or even past peak) markets. On top of such, US protectionism is a clear menace to a sustained global positive outlook.

We closed our shorts and volatility ETFs positions just before the end of last quarter, taking into consideration an expected market rebound and with the idea to lock-in recent gains (after lowering our cost by averaging down). We will re-enter positions at or near the top peaks of the trading range seen on markets (see attached chart and ranges).

It will be difficult to do better in terms of positive announcements than previously and earning estimates will be closely monitored to initiate sectors rotations.



Corporate earnings revision ratios, 2008-2018



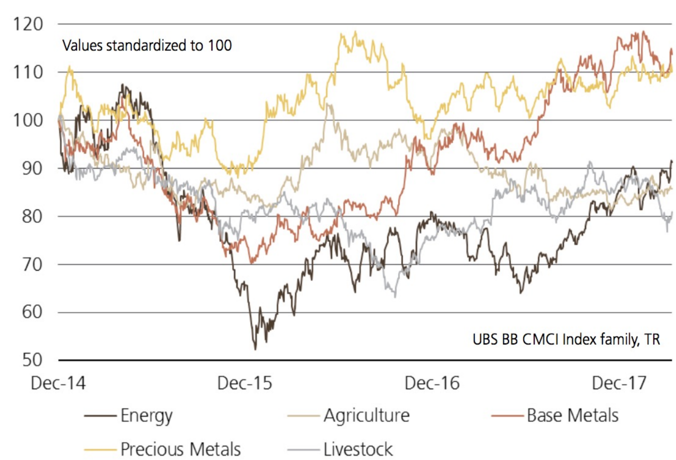
Sources: BlackRock Investment Institute, with data from Thomson Reuters, February 2018.
Notes: The lines show the three-month moving average of the number of companies in the MSCI USA and All-Country World ex-US indexes with 12-month forward earnings-per-share (EPS) estimates revised up in the previous month divided by the number of companies with downward revisions. A ratio above one means there are more upgrades than downgrades.

ALTERNATIVE INV. & SIMILAR

Back to the future on Precious Metals. They are again considered on portfolios as a natural hedge. Our exposure has been steady since 2017 but we may average down if prices come down a bit. Our expectation: rise in commodity prices and precious metals. We closed our shorts but will re-establish positions at a lower entry price. Black Swans will also be fashionable again...

For now the global economies and markets have been quite resilient. The recent corrections and volatility spikes were more related to "markets" effects than economic or geopolitical ones. The rush for gold is not yet active but we saw some interest growing up lately. Keep exposure (or build) to the segment, particularly approaching the May period.

The current escalating trade war combined with US fiscal widening deficits, credit loan surge and interest rates rise could trigger any time a crash in markets. The next recession, even if not yet announce for this year, could show some early signs in 2019. As markets anticipate sometimes 6 months in advance, build a resilient portfolio and keep protections at hand.



MOUNT INVEST

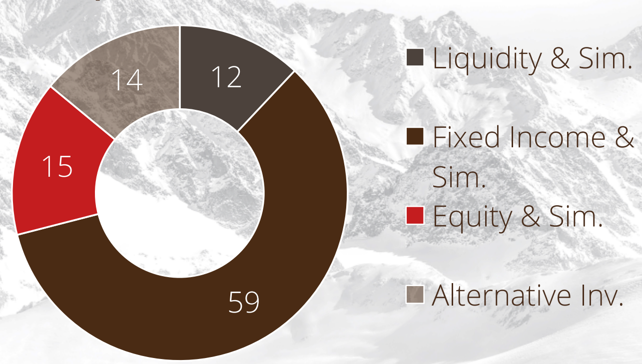
MODEL PORTFOLIO

USD "Special Balanced" portfolio. Not recommended for all investors.

% ALLOCATIONS

ASSET CLASSES		CURRENCIES	
Liquidity & Sim.	12	USD	80
Fixed Income & Sim.	59	EUR	17
Equity & Sim.	15	GBP	3
Alternative Inv.	14	DIVS.	0
	100		100

"Special USD Balanced" Asset Allocation



*Opportunistic % allocation included in each category (for details, contact your advisor).

SPECIAL BALANCED*	% Exposure USD	RISK GRADES	Min-Max RANGES	% Exposure EUR	RISK GRADES
CASH	12.00%	🟩	0-50%	12.00%	🟩
FIXED INCOME	59.00%	🟨	20-60%	59.00%	🟨
EQUITY	15.00%	🟨 / 🟥	0-45%	15.00%	🟨 / 🟥
ALTERNATIVE INVSTMTS.	14.00%	🟩	0-25%	14.00%	🟩
Total %	100.00%			100.00%	
OPPORTUNISTIC*	17.00%			17.00%	

* included in each category

Details of the sub-categories available through your advisor.

INSTRUMENTS

Cash & Similar: Cash, Long USD/short MXN. EUR exposure on weakness. Short GBP

Fixed Income & Sim: Reduce High Yield, focus Investment Grade and add USD Floaters

Equities & Sim.: Buy calls on the low range of the recent consolidation. Long some fallen angel equities and add structured notes 100% capital guaranteed and participation features

Alt. Investments & Sim: Gold, Volatility ETFs and put options. Keep Real Estate

RISK GRADES® = a Mount-Invest SA proprietary colored potential risk model (details with your Advisor)

APPENDIX

MOUNT INVEST

INVESTMENT IDEAS

NOTA SOBRE INDICE EUROSTOXX 50

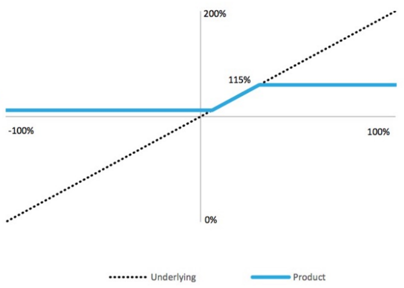
Para inversores conservadores que buscan un rendimiento mínimo combinado con una posibilidad de aumento de capital vía una participación a la alza del índice Europeo EuroStoxx50. Vencimiento de 3 años

DESCRIPCION DE PRODUCTO

Subyacente:	Índice EuroStoxx 50	Moneda:	USD
Garantía:	103 % garantía a vencimiento	Vencimiento:	3 años. Venta a cualquier momento
Barrera:	Mínimo de 103% a vencimiento	Vencimiento:	Mínimo de 103% a vencimiento
Cualificación:	Rating "A" (rating de banco)	Riesgo:	riesgo crediticio del banco que emite la nota

Index level at launch:

3331.25



- USD 5.625% Polyus Finance Plc 29.04.2020, BB-, USD 200k min., 95.60%, YTW 8.01% (XS0922301717) RISK GRADES® = ■
- USD Floaters to add - RISK GRADES® = ■ / ■
- SK Telecom ADR, Korean Mobile Telecom (US78440P1084) RISK GRADES® = ■
- iPath S&P 500 VIX Short-Term Futures ETN, Short term volatility instrument. Buy on weakness (US06746L4225) RISK GRADES® = ■
- Sell Calls on selected fallen angels like Carrefour - RISK GRADES® = ■

DIVERSE COMMENTS

RISK GRADES® = a Mount-Invest SA proprietary colored potential risk model (details with your Advisor)