
Alternatives

Our view of non-traditional asset classes

Alternatives portfolios

Due to their distinct characteristics, we take a differentiated look at selected liquid and illiquid alternative investments. ¹

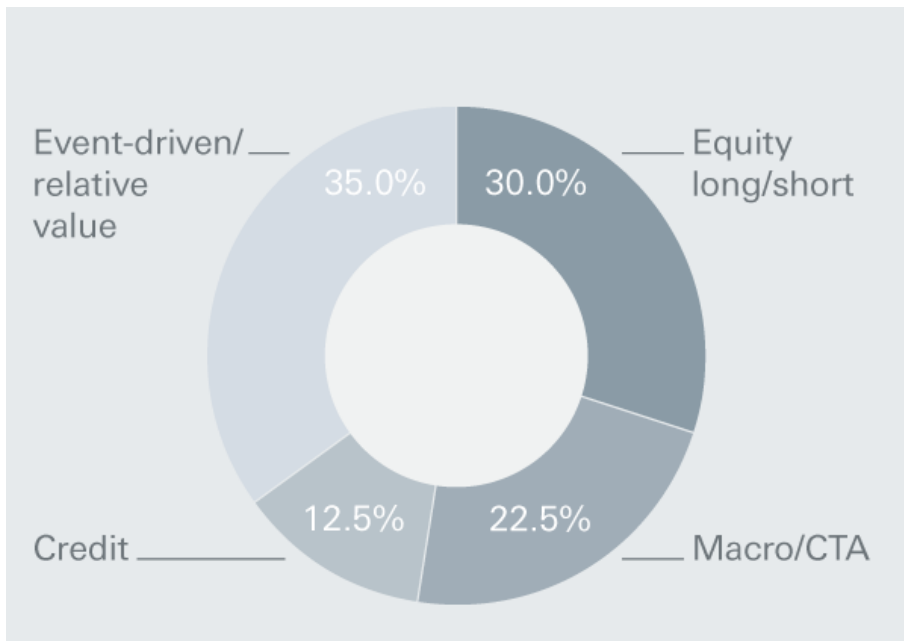
Liquid alternatives

Equity-market neutral

We maintain a positive view on equity-market-neutral managers, both from a structural multi-asset standpoint and from a tactical perspective. Equity-market-neutral strategies generally delivered good risk-adjusted returns throughout most of 2015 and proved an effective diversifier in periods of market stress. Market dispersion continues to be conducive to good performance, especially when looking at the performance differentiation between equity-sector clusters, which has recently increased in both the STOXX Europe 600 Index and the S&P 500 Index.

Macro/Commodity Trading Advisors (CTAs)

The current environment could be particularly fertile for discretionary (i.e. manager-determined) macro and systematic CTA managers. Opportunities include a renewed acceleration in oil- and commodity-price declines, clear dynamics in U.S. dollar foreign-exchange pairs with emerging-market (and some developed-market) currencies and the possibility of trading equity markets from the short side. We feel that a significant allocation to strategies which are generally agnostic to bottom-up fundamentals – and can take increasing short positions in risky assets as volatility rises – could benefit overall risk-adjusted returns in the context of a less supportive market backdrop.



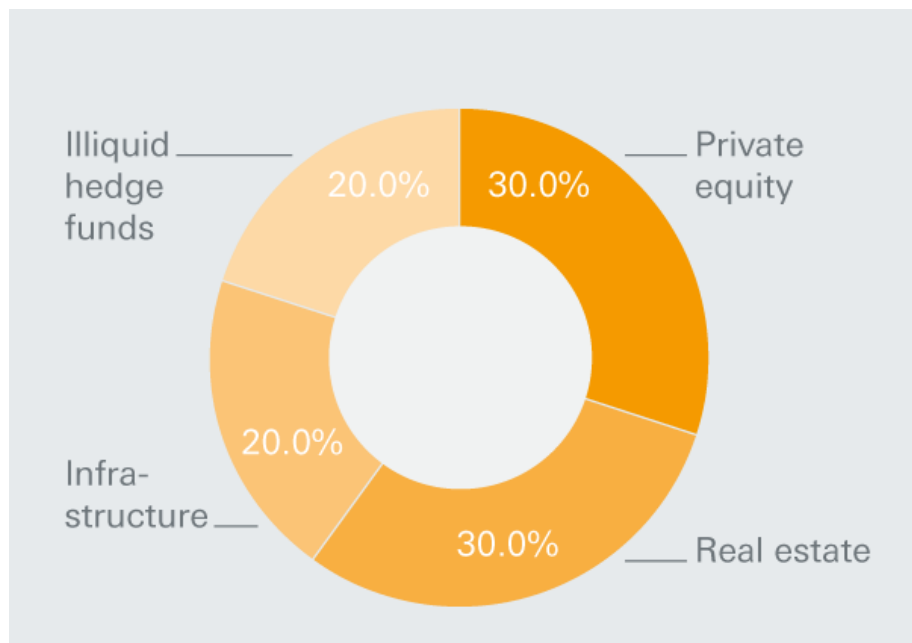
Liquid alternatives

Illiquid alternatives²

Infrastructure

Infrastructure-investment valuations have risen over the past few years as the increasing availability of debt financing, investors' hunt for yields and an improving macro backdrop have all stimulated demand. However, opportunities for investment at reasonable prices remain in the less competitive markets for medium-sized operations.

Prospects remain particularly favorable in Europe, which combines a good investment environment with a transparent legal and regulatory framework and a long history of private ownership of infrastructure. A diverse mix of investment opportunities is also on offer, ranging from the fast-growing economies of emerging Eastern Europe to the larger and more mature economies of Western Europe. At a sector level, energy could provide significant opportunities during 2016 due to structural shifts in electricity generation. Climate-change policies should also provide support for the renewable-energy sector in Europe, in particular in the United Kingdom, Germany and France.



Illiquid alternatives

Glossary

Discretionary macro strategy

Discretionary macro strategies are investment strategies that aim at exploiting macroeconomic, policy or political changes.

Fundamentals

Fundamentals are data giving information about the general well-being of companies, securities or currencies and serving for the subsequent valuation of these as an investment opportunity.

Macro / CTA

For **Macro/CTA** see "Macro investing strategies" and "Commodity trading advisor (CTA)".

S&P 500

The **S&P 500** is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Short

Short, in a financial-markets context, refers to approaches that seek to gain from a fall in the price of the underlying asset.

Stoxx Europe 600

The **Stoxx Europe 600** is an index representing the performance of 600 listed companies across 18 European countries.

Systematic managers

Systematic managers, in the context of Commodity Trade Advisors (CTAs) seek to identify and benefit from trends across a diversified portfolio of assets.

Volatility

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

Yield

Yield is the income return on an investment referring to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.