

"Be Greedy When Others Are Fearful"

Investors remain defensive due to great uncertainty

The current news flow is causing great uncertainty among investors. No wonder, as it is extremely difficult to assess the possible impact of Brexit or a successful impeachment against the U.S. President. In our assessment, we continue to rely on the proven parameters of our Navigator. We use investor sentiment counter-cyclically as negative investor sentiment and defensive positioning usually offer a buying opportunity, not a selling opportunity. The following quote from Warren Buffett, one of the world's most successful investors, illustrates that we are in good company with our current assessment: "Be fearful when others are greedy and greedy when others are fearful".

Sound Capital Investment Navigator

Valuation Bonds: --													
		Yields							Spreads				
		low	-	0	+	high			low	-	0	+	high
		--	-	0	+	++			--	-	0	+	++
New		X					New			X			
Old		X					Old			X			

Valuation Equities: ++													
		Shiller PE							Risk Premium				
		expensive	-	0	+	cheap			low	-	0	+	high
		--	-	0	+	++			--	-	0	+	++
New		X					New						X
Old		X					Old						X

		Leading Indicators							Risk-Index				
		Contraction	-	0	+	Expansion			Euphoria	-	0	+	Panic
		--	-	0	+	++			--	-	0	+	++
New				X			New						X
Old				X			Old						X

Sound Capital AG
 Claridenstrasse 19
 P.O. Box
 CH-8022 Zurich

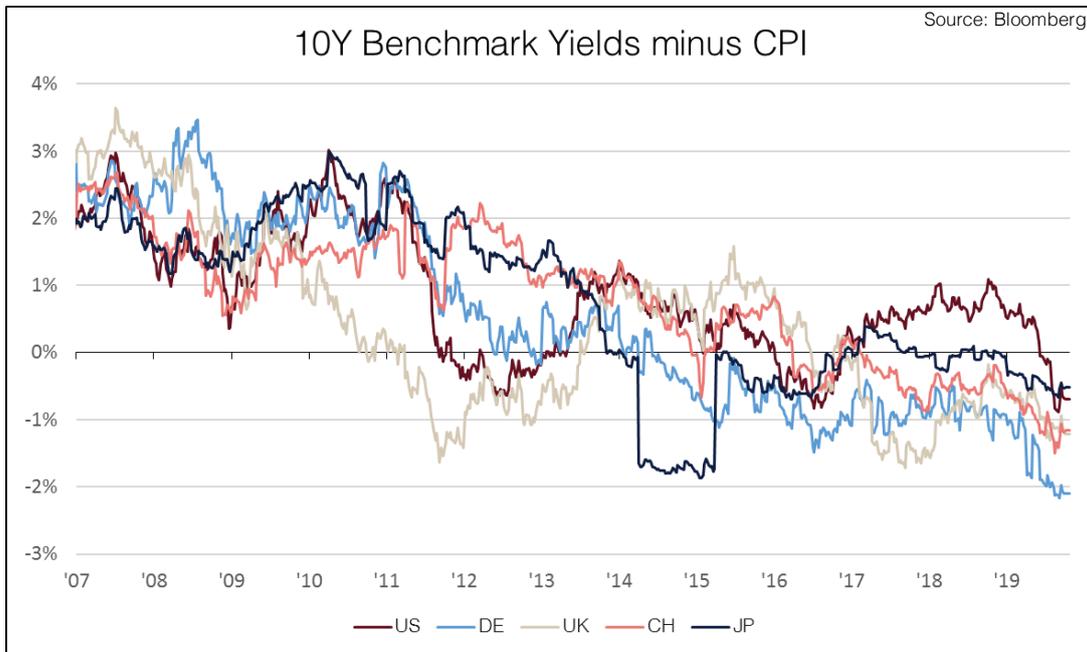
Tel +41 44 206 25 25
 Fax +41 44 206 25 00

welcome@sound-cap.com
 www.sound-cap.com

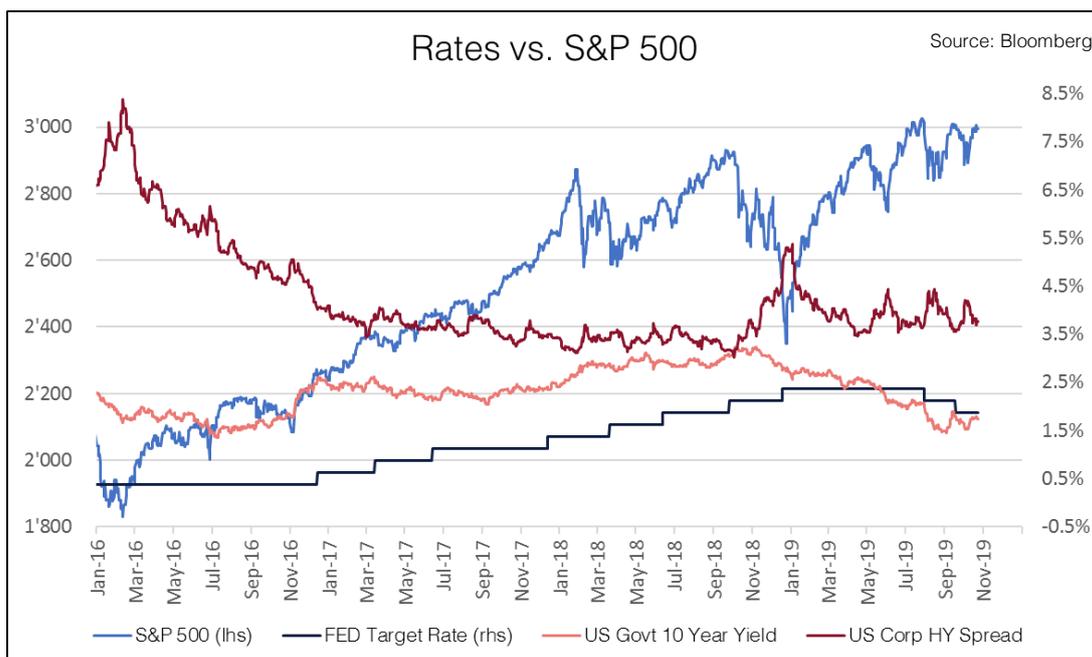
Interest rate level (assessment indicator --) / **Spreads** (assessment indicator -)

Assessment unchanged / Assessment unchanged

While nominal yields on 10-year government bonds in the U.S. and U.K. are still in positive territory, a look at real yields reveals a diverging picture.



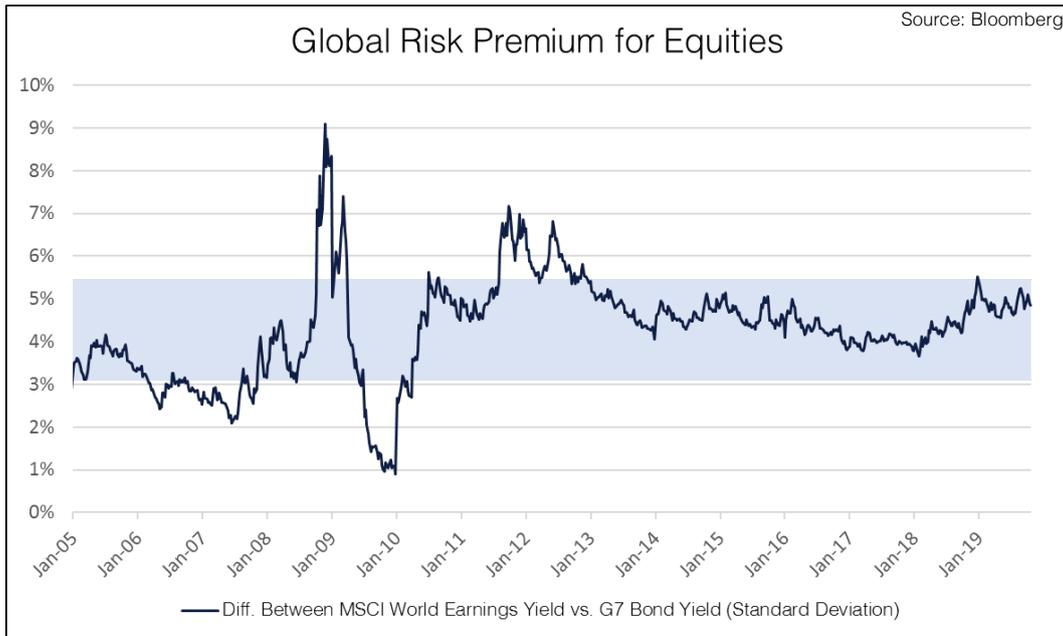
Although the U.S. 10-year government bond yield increased again in the last couple of days, it is still well below the Fed funds rate. Therefore, the Fed remains under pressure from capital markets to act. Continuously lower risk premiums on high-yield U.S. corporate bonds once again point to decreased recession risks.



Shiller P/E (assessment indicator --) / **risk premium** (assessment indicator ++)

Assessment unchanged / Assessment unchanged

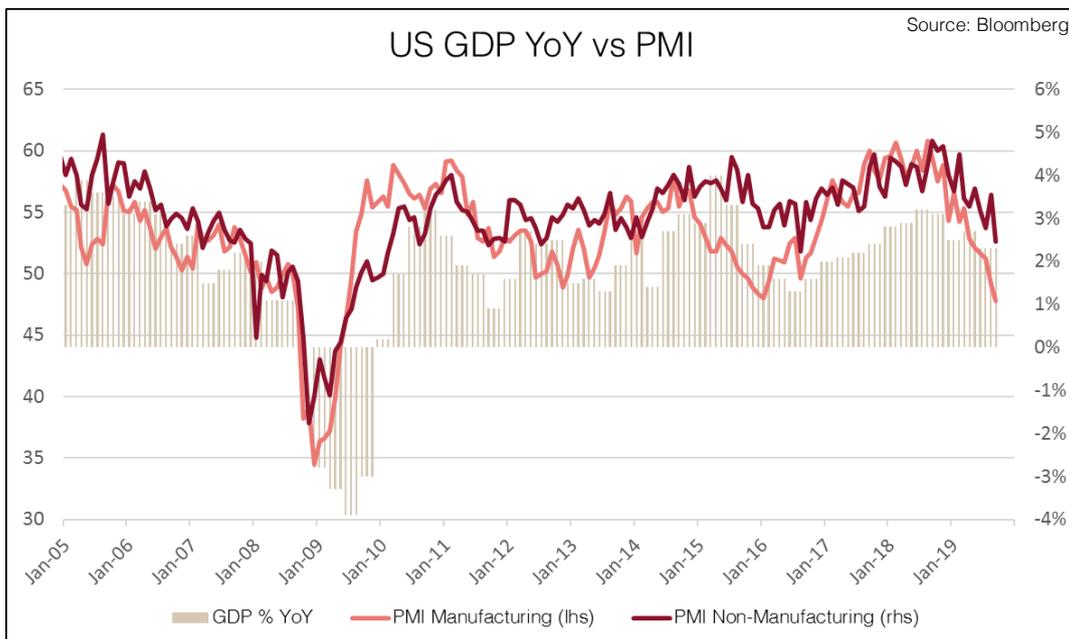
The absolute valuation of the U.S. stock market as measured by the Shiller P/E ratio remains unattractive. On the other hand, the relative valuation of equities versus government bonds is attractive. This market condition is increasingly likely to be used as the main argument for the supposedly "alternative-less" purchase of equities.



Macro leading indicators (assessment indicator 0)

Assessment unchanged

Global PMI data points to a shrinking economy in the industrial sector, printing at 49.1, while the global service sector is still expanding with 51.6 points.



Risk index (assessment indicator ++)

Assessment unchanged

This strongly anticyclical indicator still makes a positive contribution to our overall assessment due to the continued negative sentiment with regards to risky assets and the extremely defensive positioning of investors. A study of investment flows shows that fixed-income investments are likely to be in an exaggerated phase, while equities have been suffering from massive outflows for an extended period of time.

Disclaimer

This document is intended solely for information purposes and for use by the recipient. This document has been prepared by Sound Capital AG (hereinafter "SC") with the utmost care and to the best of its knowledge and belief. However, SC does not guarantee its content and completeness and disclaims any liability for losses arising from the use of this information. The opinions expressed in this document are those of SC at the time of writing and are subject to change without notice. The document does not constitute an offer or recommendation to purchase or sell any financial instruments or services and does not relieve the recipient of its own judgement. In particular, it is recommended that the recipient examine the information with regard to its compatibility with its own circumstances, legal, regulatory, tax and other consequences, if necessary with reference to a consultant. Although the information and data contained in this document have been obtained from sources believed to be reliable, no representation is made as to their accuracy or completeness. The past performance of an investment is not a reliable indicator of its future performance. Performance forecasts are not a reliable indicator of future results. This document is expressly not directed at any person whose nationality or residence prohibits access to such information under applicable law. No part of this publication may be reproduced in any form or by any means without the prior written permission of SC.