January, 2021

Dear Client

We are pleased to enclose your end-of-year portfolio statement, accompanied with a brief commentary on the key events of the year 2020 and the expectations for the new year 2021.

Economic and financial summary of the year 2020

2020 provided investors several challenges, that required conviction and agility.

A slowing US economy combined with a reluctant FED, left investors early in the year facing elevated valuations against weakening corporate earnings, even before the pandemic took hold.

This situation worsened significantly with the emergence of the COVID-19 crisis early in the year, deriving in the shortest and sharpest selloff in equity market history.

With governments' fiscal policies joining central banks' monetary measures in a coordinated manner, a reflationary trend took place in spring.

The crisis and the required social distancing further accelerated the ongoing structural transformation of the global economy and secular trends, creating stark differences between COVID's "winners" and "losers".

With low yields expected to last longer, the "hunt for yield" accelerated and a large-scale allocation adjustment from bond to equity took place.

By the end of the year, central banks and governments were able to support economies through the worst of the crisis and news of vaccines against the virus provided hope that end of the crisis was possible.

A recap of the main events of the year:

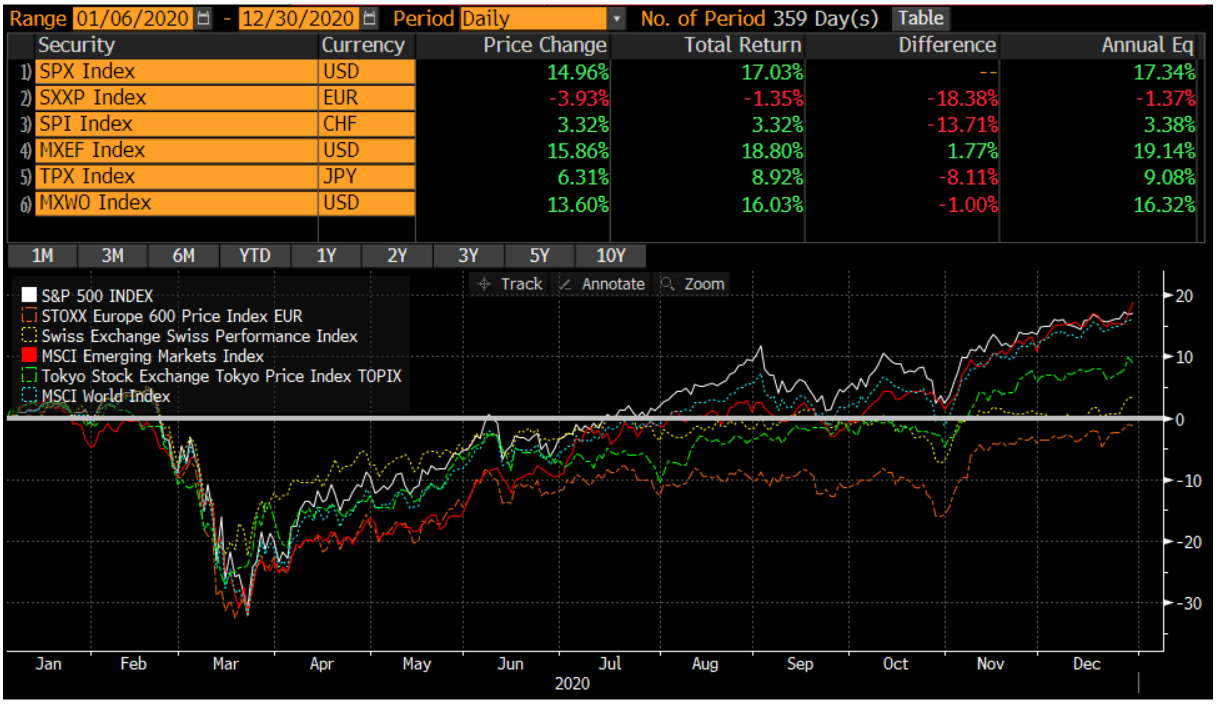
- Brexit (January 31)
- COVID-19 crisis (February)
- FED intervention (March 15)
- Market low (March 23)
- Negative oil prices (April 20)
- ECB stimulus (June 04)
- Market recovery completed (August 10)
- Markets reach another peak (September 3)
- US elections and vaccine news (November)

A look at the main asset classes in 2020

The year 2020 turned out to be much better that investors expected, considering the severe "economic stop" inflicted pandemic and the required measures to avoid a global health catastrophe.

Equity markets

In 2020, all major equity markets rebounded strongly after their setback in the first quarter, fueled by central banks' and governments' coordinated policies, and delivering in most of the cases positive returns for the year (USA = +17%, Europe = -1%, Switzerland = +3%, Japan = +9%, Emerging Markets = +19%, World = +16%)[1].



Range 01/06/2020 - 12/30/2020 Period Daily No. of Period 359 Day(s) Table

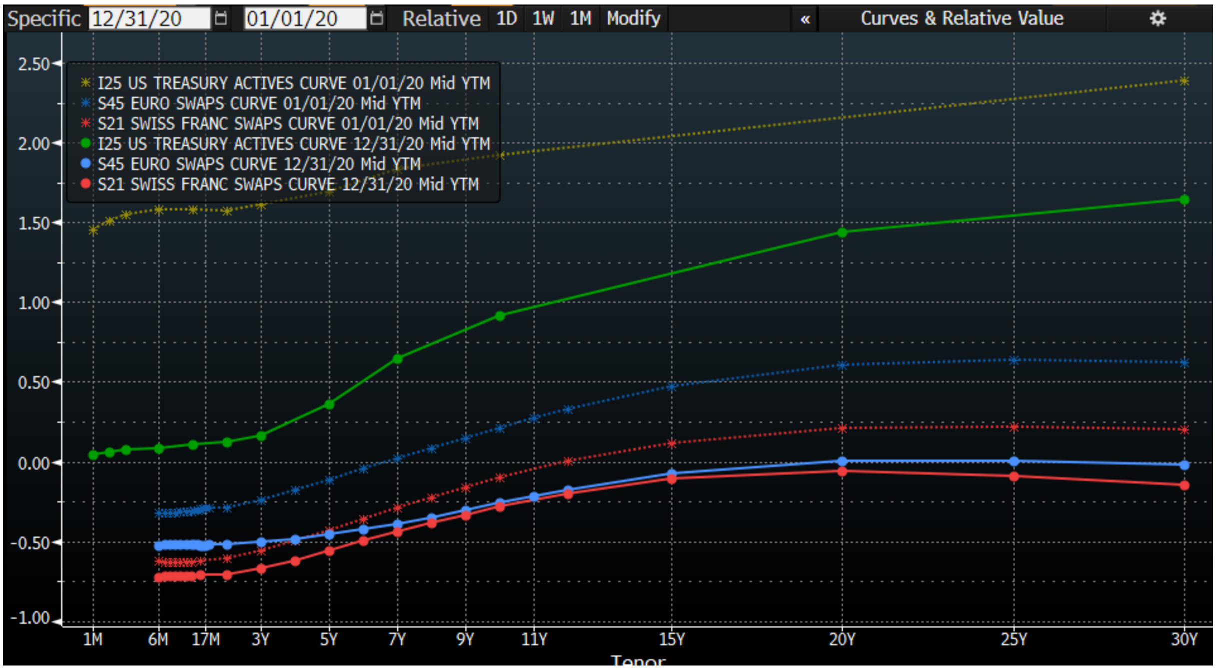
	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	SPX Index	USD	14.96%	17.03%	--	17.34%
2)	SXXP Index	EUR	-3.93%	-1.35%	-18.38%	-1.37%
3)	SPI Index	CHF	3.32%	3.32%	-13.71%	3.38%
4)	MXEF Index	USD	15.86%	18.80%	1.77%	19.14%
5)	TPX Index	JPY	6.31%	8.92%	-8.11%	9.08%
6)	MXWO Index	USD	13.60%	16.03%	-1.00%	16.32%

SPX (S&P 500 Index), SXXP (Eurostoxx 600 Index), SPI (Swiss Perf. Index), MXEF (MSCI Emerg. Mkt. Index), TPX (Topix Index), MXWO (MSCI World Index); Source: Bloomberg

Bond markets

The US treasury yield curve declined significantly in march, reaching zero on the short-term tail of the curve, reflecting the massive economic halt of the largest world economy and the aggressive FED monetary measures taken to support it. A similar trend was observable in Europe and Switzerland, where yields reached historic (negative) lows. During the second half of the year the yields stabilized and recovered partially, but closing the year significantly below than were they started.

[1] Measured in local currency (for emerging markets measured in USD), including dividends.



Benchmark rates: GREEN (USA); BLUE (Germany); RED (Switzerland)
Source: Bloomberg

Credit margins, on the other side, skyrocketed during the turmoil of the crisis, reflecting the market stress and lack of liquidity. As months passed and the monetary and fiscal measures started to take effect across the world, the margins slowly returned to “normal” levels, closing the year almost unchanged. This effect, combined with the declined of the benchmark rates, granted investors with credit risk exposure positive returns during the year.

Spreads: BLUE = USD Investment Grade; ORANGE = USD Emerg. Markets; WHITE = USD High-yield
Source: Bloomberg

Commodities

The sudden halt of the global economy and the dislocation of manufacturing supply chains early in the year weighted on energy prices and industrial metals such as copper and iron. Oil prices collapsed (in the USA even became negative) and were able to only partially recover towards the end of the year, as the global economic activity improved. Industrial metals, on the other hand, finished the year well above the initial level, driven by a strong demand of "physical" products and supply constrains during the second part of the year. Gold price rallied on the back of lower (nominal) interest rates, higher inflation expectations and a weakening of the USD.

Commodity prices: RED (Oil, in USD/bb), WHITE (Ind. Metals, in USD/MT); YELLOW (Gold, in USD/oz.); Source: Bloomberg

Foreign exchange markets

During 2020 the USD weakened against almost all major currencies, driven by the sudden economic halt and a reduced interest rate differential vs. other currencies. The EUR showed a come-back vs. the USD, while the CHF maintained its strength vs. the European currency. China initially allowed its currency to devaluate vs. the USD to support its export-oriented economy, but let it strengthen again as the year passed.

Currencies: WHITE (USD Index); BLUE (EURUSD); ORANGE (CHFEUR); VIOLET (CNYUSD).
Source: Bloomberg

Market outlook for the year 2021

Policy makers have built in 2020 “bridges” over the “troubled waters” poised by the COVID-10 virus. The trillions of USDs injected across the world via monetary and fiscal policies provided support to affected businesses and workers during the crisis, allowing a healthy recovery and avoiding corporate insolvencies.

However, much of the world is still dealing with new waves of infections and new restrictions to contain the spread and the potential viable vaccines have to still be tested, produced and distributed.

<u>Economy:</u> We forecast the global economic activity to remain depressed in the first half of the year but to bounce meaningfully the second half, as vaccines are rolled out, pent-up demand is unleashed and human mobility starts to return to normal.

<u>Fixed income:</u> The global debt increased significantly during last year and the main consequence shall be an extended period of low interest rates and continued asset purchased by the central banks, presenting considerable challenges for returns of high-quality fixed income.

With benchmark rates at historical lows, negative real rates and a potential jump of inflation expectations, we foresee a challenging year for sovereign debt. Investment grade corporate bonds shall continue to be, as in 2019 unattractive, due to their limited pick-up vs. sovereign alternatives. “Riskier” credit markets (especially developed markets high-yields, emerging markets, senior loans) remain (relatively) attractive within the asset class.

Equities: We start the new year with valuations that are higher than the normal coming out of a recession. The fall in (real) interest rates has "boosted" valuations and it looks unlikely repeat next year, requiring an emphasis to identify regions, sectors and companies with underappreciated earnings prospects.

Global equities are trading currently at elevated levels: 22.4x forward price-to-earnings ratio in the US (respectively 17.5x in Europe), well above their long-term average of 18.3x (respectively 14.1x in Europe), justifiable only by the low interest rates and a strong corporate earnings recovery.

Nevertheless, we remain positive for global equity markets, amid the expected economic recovery, a "good-enough" risk premia (especially in the US and Europe) and limited alternatives in other assets classes.

Regions we like: Europe and Emerging markets (especially Asia, due to its structural growth prospects).

Sectors we like:

- Technology: The secular growth drivers are expected to continue (online advertising, cyber security, cloud, 5G, mobile payments).
- Health Care: The pandemic has simultaneously increased patient focus on health outcomes a reduced people's ability to access care (e.g. healthtech).
- Climate change & sustainability: 2020 was a watershed for global climate policy (e.g. EU and Japan pledged to go carbon neutral by 2050 and China by 2060) and government are expected to start acting in 2021 (e.g. greentech, smart mobility, renewable energies).

Commodities: We expect commodities (especially oil and industrial metals) to continue their recovery, driven by pent-up demand of manufactured products and disbalances in supply chains. Easy monetary conditions (negative real interest rates), increasing inflation expectations, and a weakening USD should be supportive for gold.

Foreign Exchange: Entering 2021, we expect the USD to outperform other developed markets currencies (EUR, JPY, CHF), amid a stronger reactivation of US economy and potential quicker tapering of the asset purchases by the FED.

As in previous years, we will continue to monitor the markets closely for any sign of deterioration of the global economy to be able to react accordingly.

We wish you a happy holiday season and a good start of 2021!

Your Triaxis Team.