Marketing material

Investment outlook 2019: standing the test of time

In our last report, we informed investors on LGT Capital Partners' quarterly tactical asset allocation (SAA) re-positing. Today we present our broader outlook for the year and the outcome of the annual review of our strategic asset allocation (SAA) for the coming years, which was also adopted late last year.

Avoiding the typical pitfalls

Whether we like to admit it or not, we all suffer from behavioral biases that can be a serious impediment to successful investing. Interestingly, these psychological pitfalls are not the same for everyone. The novice investor likes to extrapolate past trends and enters the market only after years of positive returns, at which point it is often too late. On the other hand, professional investors are painfully aware of the market's cyclicality, as they have experienced regime changes in their careers. However, they tend to call the turn too soon, underestimating the chances that trends can extend long beyond what basic fundamentals or simple statistics suggest.

So, where are we today? Although we will attempt to roughly gauge the clock, the final answer to that will of course only be known in hindsight. Timing the market is a tempting but rarely successful endeavor. Instead, investment portfolios should be positioned to fare well through the entire cycle. With a focus on **defensive quality, balanced liquidity** and **alternative risk premia,** a well-diversified investment portfolio should be able to weather turbulent periods and, ultimately, stand the test of time.

Against this background, we hope you will find LGT Capital Partners broader outlook insightful and invite you to share your views and ideas with us.

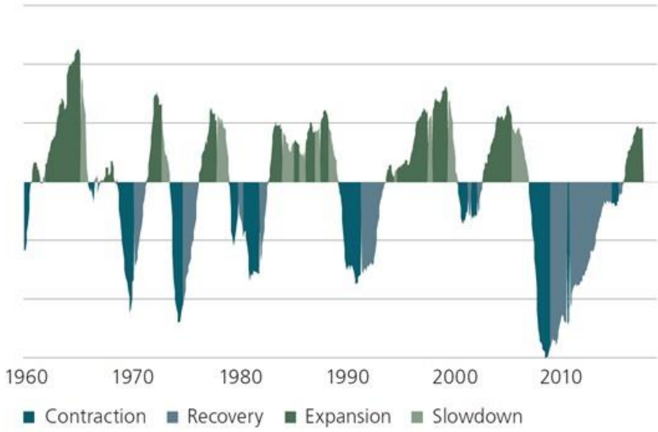
The global economy: the chances for longevity

The current economic growth phase is one of the longest in history. Yet, it has arguably been one of the shallowest recoveries, as the aftermath of the debt overhang weighed heavily on the global economy. This may now be behind us. Our cycle indicator suggests that the US has finally entered the phase in the cycle where production capacity is no longer underused. These expansion phases can last very long and even feature intermittent slowdowns that do not necessarily lead to an economic contraction (graph 1).

Meanwhile, Europe and Japan might not yet boast similar strength, but their recoveries are nonetheless robust. Emerging market economies are profiting from higher structural growth rates and the boom in developed nations. Yet, they are also facing certain headwinds, for instance, from higher tariffs on international trade or, in certain cases, detrimental national politics.

Graph 1

US economic cycle in phases: healing or heating?
(LGT Capital Partners Cycle Indicator for the United States)



The cycle indicator illustrates that the contraction and recovery phase (during which the economy is growing below potential) was usually long since 2008. Similarly, that may indicate that the expansion and slowdown phase (during which the economy is growing above potential) may also last for longer than many investors currently anticipate. Source: LGT Capital Partners

Global economy:
expansion on track but prone to policy errors

Economic activity is finally normalizing, allowing central banks to unwind extraordinary stimulus. Thus, monetary policy may slowly turn from tail- to headwind, especially if populist initiatives around the world add further stimuli to economic growth.

Financial markets:
no major warning flags despite maturing cycle

With no major signs either of an imminent recession or of global speculative excesses, the general upward trend is likely to prevail. However, as the profit cycle matures and political risks rise, the market needs to brace for periods of higher volatility and intermittent corrections.

Through-the-cycle portfolio positioning:	Avoid these pitfalls:
Short duration strategies & select real assets ✓	Low term premium and tight credit spreads on traditional bonds ✗
Defensive public equities & time-tested private equity managers ✓	Hidden cyclicality, concentrated sector bets and aggressive newcomer funds ✗
Uncorrelated liquid alternative style premia & pure alpha managers ✓	Expensive and blurred combinations of market beta and style biases ✗
Barbell approach on liquidity: balance private market investments with highly liquid financial instruments ✓	Assets with intermediate, unreliable market liquidity such as high-yield or convertible bonds ✗
Contrarian set-up to buy on value signals (e.g. private equity secondaries) ✓	Chasing momentum in hyped and extended market segments ✗

Source: LGT Capital Partners, Investment Outlook 2019

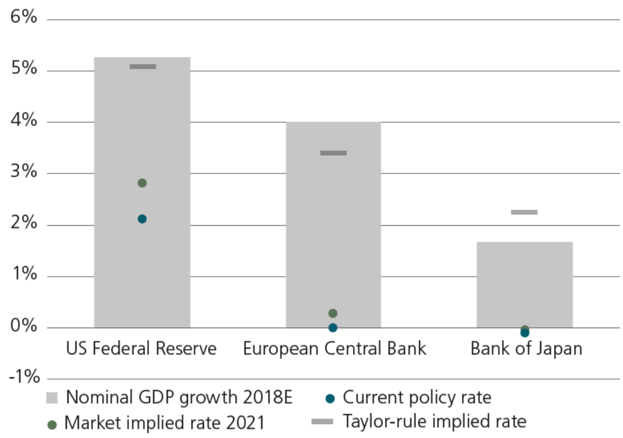
Monetary policy has started to turn

Ultra-loose monetary policies have been one of the main pillars of this upswing. There, the tide has slowly started to turn. A delevered banking system, rising wages and emerging inflation pressures give central banks reason to withdraw stimulus and to start normalizing their policies.

However, they are doing so very cautiously. Policy interest rates – actual or anticipated – are still well below levels in previous expansions and nowhere near the numbers suggested by classic formulas (graph 2).

For instance, the Taylor-rule that posits interest rates should be a function of inflation and the output gap. As such, there is currently only a low probability that aggressive central bank policies will end the economic upcycle – although historically, that was usually the trigger for the next downturn.

Graph 2
The slow and uneven unwind
(Monetary policy rates and nominal growth)



GDP = gross domestic product. The Taylor rule was developed and named after economist John B. Taylor of Stanford University. It suggest a theoretically appropriate policy rate level based on economic growth and inflation. Source: LGT Capital Partners, Bloomberg

Populism: good for growth?

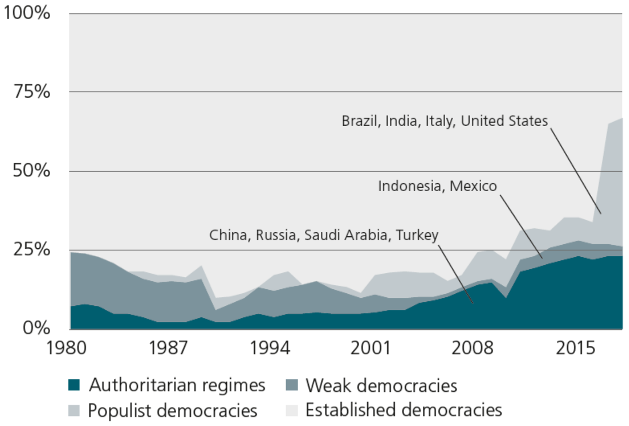
This could change, however, if fiscal stimuli overheat the economy. A notable difference to other periods is the fact that government spending programs have been added so late in the business cycle. The large tax cuts were a shot in the arm of an already booming US economy, as are the planned infrastructure investments. Generally speaking, the shift to more populist governments around the world implies fiscal largesse, as voters are given various benefits that may further fuel the economy.

Conversely, we are also likely to experience a more erratic and volatile environment as less constrained and, at times, chauvinistic leaders command an ever bigger part of the global economy. The retreat to national interests and the resulting weakening of international cooperation pose not just economic risks, but geopolitical ones as well.

Graph 3

Vox pupuli

(Portion of G20 nations' GDP by government category*)



* Categories defined by Bloomberg Economics based on Freedom House; IMF data figures include G-20 nations plus Spain. Russia is included beginning in 1994. Source: LGT, Bloomberg

Financial markets: living on borrowed time?

Bear markets typically start on the first signs of an unfolding economic recession. The case for this to happen is currently rather weak. Another possibility for the bull market to roll over would be an imploding major speculative bubble. Is this a present danger?

Our global excess indicator tracks numerous regional equity, real estate and debt markets and gauges their temperature. Unlike late 2007, when many property and credit markets ran hot, or in early 2000, when most equity markets peaked in overvalued territory, the situation today is not signaling a major alarm (yet). Sure, there are pockets of froth and even speculative excesses; residential property in Australia, Canada and Sweden, for instance, or the private sector debt overhang in China. Still, in aggregate, global speculative excesses are currently not at an alarming magnitude, in our view.

Graph 4

Looking for bubble trouble

(LGT Global Excess Indicator and historical equity bear markets)

Global indicator for excesses in the real economy and the financial markets. Source: LGT Capital Partners, Datastream

Mature phase of cycle with richer market valuations

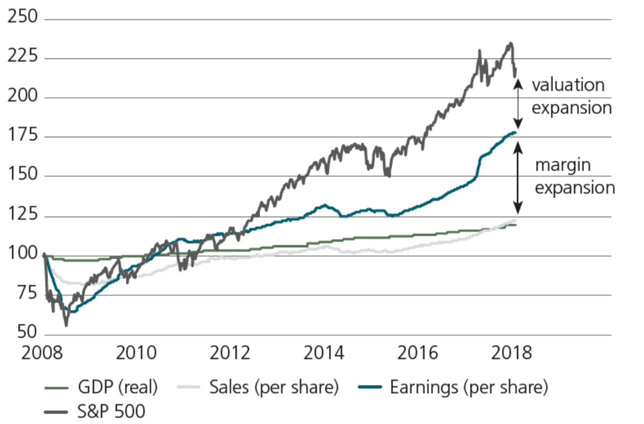
However, that does not mean financial markets are not susceptible to more price gyrations similar to the ones experienced in early and late 2018. The financial cycle is arguably more mature than the economic cycle. Take the US equity market, for instance – a decade of rising stock prices was, in fact, underpinned by strong corporate earnings growth.

Nevertheless, valuations have also expanded considerably. These have come under pressure, now that interest rates are rising. Furthermore, they are certainly prone to an economic slowdown – or the fear thereof. In addition, top-line sales growth lagged bottom-line earnings markedly, meaning that companies were able to expand profit margins. The latter tend to mean revert, however, as labor demands higher wages, management's capital budgeting discipline slackens and competition intensifies.

Graph 5

A maturing financial cycle

(US GDP, company sales, earnings and the stock market*)



* Real GDP US is historic quarterly data, S&P per share data are blended 12M forward estimates, all indexed per September 2008 = 100. Source: LGT Capital Partners, Datastream, Bloomberg

The picture in other equity markets is similar, but with varying degrees. Similarly, corporate credit spreads are very tight globally at a time when base rates are rising and the corporate debt cycle is maturing.

Bonds may not offer sufficient protection during equity selloffs

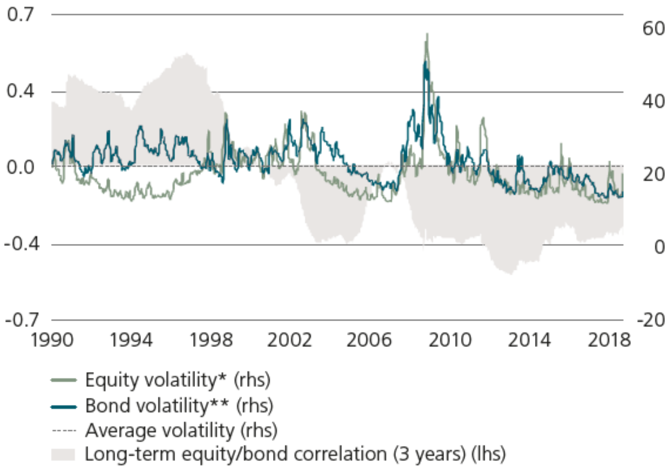
There is also the possibility that safe haven bonds may not diversify equity risk as they have in recent years, should the market regime shift more permanently to an inflationary regime (when treasury bonds and equities correlate positively instead of negatively). This is why we would generally avoid traditional bonds (see tactical positioning on page 7).

Even if the next bear market is not around the corner, financial markets seem too sanguine concerning event risks. Implied market volatilities, both for equities and for bonds, are near historic lows. Presumably, the risk of policy mistakes, whether from the reversal of monetary policy or a geopolitical conflict, is significant in these times and is on the rise.

Graph 6

Asleep at the wheel

(Implied volatilities and long-term equity/bond correlation, US market)



* CBOE VIX Index, 4 weeks average

** BofA ML MOVE Index, level-adjusted, 4 weeks average

Source: LGT Capital Partners, Datastream, Bloomberg

The case for defensive equities and ESG

Typically, the later phases of equity bull markets exhibit narrow market breadth, meaning that only a few darling sectors or hot themes carry the broad indices higher. More often than not, these stocks are highly cyclical in nature and/or detach themselves from underlying fundamentals – with obvious consequences in an ensuing correction.

For us, it makes sense to consider ways to make a public equity allocation less prone to wild swings. Defensive equity styles tend to outperform in more challenging market environments, for instance in a phase of an economic slowdown (graph 7). If selected and combined wisely, such a basket of stocks should also maintain most of the upside in an extended expansion.

At LGT Capital Partners, we combine the investment styles of quality, low volatility and sustainability (ESG) to a dedicated defensive global equity allocation.

Graph 7

The case for defensive public equities

(Relative performance of indices* vs. market, p.a., all US)

Source: LGT Capital Partners, Datastream

Portfolio positioning to withstand the test of time

Some of the challenges faced by investors today include, among others:

- **low but rising interest rates and inflation**
- **a maturing and extending financial cycle**
- **a gradual tightening of global liquidity**
- **suppressed traditional risk premia**
- **intermittent bouts of market volatility**
- **heightened risks of policy errors**

Since no one knows what tomorrow will bring, we would advocate a strategic portfolio positioning that stands to profit from a continuation of the benign environment. At the same time, it should be able to cope with sudden changes and provide comfortable tactical leeway in volatile market phases.

At LGT, we firmly believe that an endowment-like investment approach addresses the challenges outlined here. At its core, there is a long-term commitment to a strategic asset allocation (SAA) that accounts for several future economic and policy developments through scenario planning. This methodology has the ambition of ensuring a robust, through-the-cycle investment portfolio (see graph 8).

Strategic research initiatives of 2018

The strategic asset allocation of the Princely Portfolio, and all other multi-asset portfolios managed by LGT Capital Partners, are reviewed periodically. During 2018, we reviewed the economic scenarios that underpin the long-term asset allocation and adjusted the existing framework accordingly.

In addition, a number of special research projects were conducted and brought before the Investment Committee for a decision. In summary, the major inputs for the strategic asset allocation 2019 were as follows:

- Revised **scenario framework** and updated **return/risk expectations**
- New **liquid alternatives concept** to replace classic hedge fund styles
- **Dissolution of our commodity-related sectors** (resource equities and energy infrastructure (MLP))
- Private market initiatives in **private debt, trade finance, private real estate** and **infrastructure** (where liquidity constraints of portfolio allow)

Revised set of economic scenarios

The graph below depicts our scenario landscape and highlights the changes undertaken. As these serve as the basis for our robust portfolio optimization, any changes lead to shifts in the long-term asset allocation. In 2018, our existing "Rising protectionism"-scenario became a reality with the unfolding and intensifying trade dispute among others between the US and China.

Thus, we decided to reformulate and reclassify the existing scenario by formulating it even harsher (spiraling tariff rounds worldwide essentially halt the globalization process) and lifting it from an outlier to an alternative scenario (with a higher realization probability).

Conversely, the "Secular stagnation"-scenario was downgraded to the outlier category, as global growth has now reached a higher level which leaves this scenario with a more remote probability of relapse. Furthermore, "China credit crunch" is no longer placed as a standalone scenario, but rather viewed as one possible version of the more global "Deflationary depression"-scenario.

Updated risk and return expectations

We form long-term return expectations for all major asset classes over each of the economic scenarios. These, together with the risk considerations (forward looking volatilities and co-variances), provide critical input for our portfolio construction.

The return expectations are based on the revised scenario framework and updated macroeconomic variables and valuation measures. Thereby, for instance, the money market rate in USD is now higher after several rate hikes by the Fed.

Thus, the starting point for the outlook on the risk-free rate is currently also higher. In general, this lifts the expected returns from a US dollar-perspective. However, most fixed income asset classes are expected to produce negative excess returns (beyond the risk-free rate) going forward. As for emerging market assets, while our returns expectations are still above their developed market counterparts, we downgraded the numbers for emerging market equities and local currency bonds. This is a result of a sharper and higher weighted "Global protectionism"-scenario.

Graph 8

The scenario framework

	Baseline scenarios (high probability of occurrence)		Alternative scenarios (medium probability of occurrence)		Outlier scenarios (very low probability of occurrence)		
2019	"Muddling through"	Reflationary growth	New confidence	Global protectionism	Monetary debasement	Secular stagnation	Deflationary depression
2019	Elevated volatility owed to the dominance of politics on markets and the economy	Effective fiscal policy globally supported by a recovery in emerging markets	Asset price inflation fueled by loose monetary policy and technological innovations	Nationalistic and protectionist policies halt the globalization process	Loss of confidence in fiat money leads to runaway inflation	The world economy is stuck in a liquidity trap and fiscal policy proves ineffective	Debt defaults, deflation and recessions dominate
Changes	**Reclassifications of "Rising protectionism"** The former outlier scenario has already materialized. A further escalation would have incisive consequences for the global economy.		**Reclassification of "Secular stagnation"** A decade after the financial crisis, the global economy has finally closed its output gap. The concerns on secular stagnation have waned considerably.		**Merge scenarios** "China credit crunch" is in essence one possible cause of a global "Deflationary Depression" scenario. We therefore omit the China-specific scenario.		

Source: LGT Capital Partners

Changes to the strategic asset allocation

Based on the revised scenario framework, the updated input factors and the results of the various dedicated research projects, the main changes to the strategic asset allocation are as follows:

1. Reduction and restructuring of hedge funds into a new liquid alternatives concept. The industry of traditional hedge funds has struggled over the past years and the allocation is now tilted towards more systematic, quant-driven, cost-efficient, highly liquid, and less directional alternative style premia. The remaining allocation to alpha managers comes with a sharper profile. In addition, a defensive strategy (adaptive long volatility) serves as an extra diversifier and liquidity buffer for the portfolio.

To **compensate for the lower equity market exposure** in the new liquid alternatives framework, **public equities are increased**. The increase is biased towards defensive equities, i.e. minimum volatility strategies and sustainable quality.

2. Increase of commitments to private markets. The strategic quota for private equity, private debt, real estate and infrastructure are raised to profit from the returns on these specialized, skill-based investments. Trade finance is introduced as a new sub-asset class within private debt. The small initial allocation is expected to be a stable source of income for the portfolio. The yield is derived from short-term asset backed financing in the commodity industry.

3. Reduction of emerging market exposure (equities and bonds). This change stems from the reclassification of the "Global protectionism"-scenario and the implication that developing countries would continue to bear the brunt of the negative effects in such an environment.

4. Elimination of commodity-related equity sectors. Energy infrastructure (MLPs) and the commodity producer's quota are dissolved. For commodity equities, the valuation gap has closed since the sector was strategically introduced in 2016. For MLPs, the diversification benefit and the tax advantage waned on rising correlations with energy prices and new, less favorable tax regulation. The quota is redistributed to public equities, real estate and trade finance.

5. Portfolio duration is held relatively low as bond yields are still suppressed and tending to rise as reflationary efforts are gaining traction. Therefore, traditional government and corporate bonds have a relatively low weighting in the portfolio. The preference is for alternative sources of income with less duration risk, e.g. insurance-linked strategies or private debt.

6. A balanced liquidity profile. As both illiquid private markets commitments are raised and, simultaneously, liquidity is increased within the market-neutral alternative style premia and by shifting equity exposure from traditional hedge funds to public equities, semi-liquid asset classes, such as high-yield bonds, are further reduced.

Graph 9

The new strategic quotas for 2019

Asset class	2018	2019	
Public equity	**27.0%**	**30.0%**	**3.0%**
Equities global developed	19.5%	24.0%	4.5%
Equities emerging markets	8.0%	6.0%	-2.0%
Fixed income	**21.0%**	**21.0%**	**0.0%**
Global government bonds	3.0%	3.0%	0.0%
Invest. grade corporate bonds	2.0%	2.0%	0.0%
Global inflation-linked bonds	3.0%	3.0%	0.0%
High yield bonds	4.0%	2.0%	-2.0%
Emerging market bonds	7.0%	6.0%	-1.0%
Private debt	2.0%	5.0%	3.0%
Insurance-linked strategies	**7.0%**	**7.0%**	**0.0%**
Real assets	**7.0%**	**6.0%**	**-1.0%**
Listed real estate (REITs)	1.5%	2.0%	0.5%
Private real estate	1.5%	2.0%	0.5%
Private infrastructure		2.0%	2.0%
Listed infrastructure (MLPs)	1.5%	0.0%	-1.5%
Commodity equities	2.5%	0.0%	-2.5%
Liquid alternatives	**18.0%**	**15.0%**	**-3.0%**
Alternative style premia		7.0%	n.a.
Alpha generation		6.0%	n.a.
Defensive liquidity		2.0%	n.a.
Private equity	**20.0%**	**21.0%**	**1.0%**
Total	**100.0%**	**100.0%**	**0.0%**

Source: LGT Capital Partners

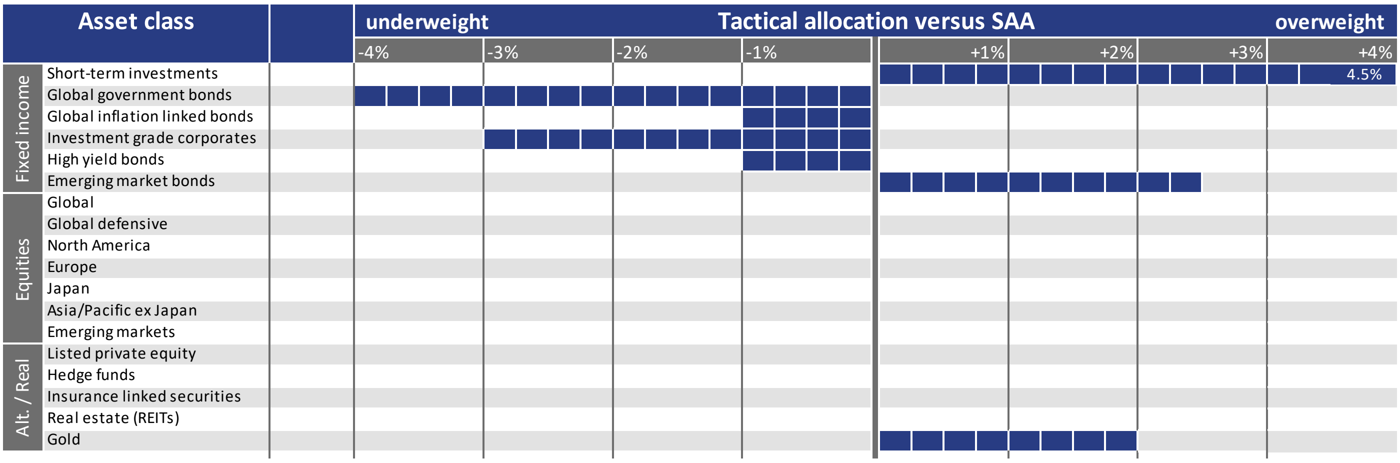
The new strategic asset allocation has come officially into effect on 1 January 2019. Allocations differ depending on the portfolio/mandate. Our portfolio managers will implement the changes over a certain period of time, depending on market conditions.

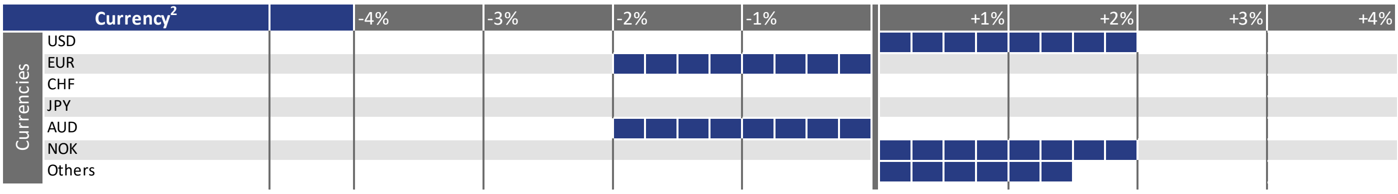
END OF REPORT

LGT Capital Partners: tactical asset allocation for the Princely Strategies in USD

Our tactical asset allocation (TAA) vs. our neutral strategic quotas (SAA) is set quarterly, with a time horizon of three to six months. It is reviewed monthly, as well as ad-hoc when needed. The current TAA was last revised on December 7, 2018, and has not changed since.

- **All equities region are now at neutral; regional differentiation ends after a shift from Japan to the rest of Asia**
- **Fixed income allocation remains underweight duration and credit risk, with a clear preference for EM debt**
- **Long positions in USD and NOK versus the AUD and the EUR; EM currencies remain a passive overweight**
- **Cash reserves at very high levels amid increased market volatility; long position in gold**





The TAA positions shown are based on the LGT GIM Balanced (USD) strategy managed by LGT Capital Partners AG. The TAA can be transferred to similar portfolios as a general rule, but investment restrictions or liquidity considerations may lead to deviations in implementation. In currencies, "others" represents indirect exposures resulting from over-/underweights of unhedged positions in markets, against a portfolio's base currency; the effective position of the base currency may thus deviate from the direct tactical position shown above.

Performance of relevant markets

		1 month	3 months	Year to date	3 years, p.a.[1]	5 years, p.a.[1]
Fixed Income						
Global government bonds	USD	0.9%	3.2%	0.1%	2.6%	3.5%
Global inflation linked bonds	USD	0.3%	0.8%	0.4%	2.9%	2.1%
Investment grade corporate bonds	USD	0.9%	1.3%	0.3%	2.5%	2.6%
High yield bonds	USD	1.2%	-0.9%	2.4%	8.6%	3.6%
Emerging market bonds (hard-currency)	USD	1.7%	1.9%	1.7%	5.8%	4.5%
Equities						
Global	USD	-0.4%	-4.9%	3.0%	10.4%	6.6%
Global defensive	USD	-1.2%	-1.3%	1.8%	9.7%	8.2%
North America	USD	-0.3%	-5.6%	3.4%	12.8%	7.9%
Europe	EUR	-0.3%	-3.0%	2.6%	6.7%	3.7%
Japan	JPY	-3.3%	-7.8%	2.7%	4.6%	4.7%
Asia/Pacific ex. Japan	USD	1.2%	1.8%	1.9%	12.8%	4.1%
Emerging markets	USD	2.4%	2.6%	2.8%	14.5%	2.7%
Alternative and real assets						
Listed private equity	USD	4.4%	-7.0%	6.6%	11.5%	
Hedge funds	USD	-0.4%	-2.8%	-2.5%	2.6%	2.2%
Insurance linked securities (ILS)	USD	0.8%	-0.9%	0.6%	3.4%	4.2%
Real estate (real estate investment trusts, or REITs)	USD	-2.1%	4.1%	3.4%	5.9%	6.6%
Gold	USD	3.4%	5.0%	0.4%	5.8%	0.7%
Currencies (G10) [2]						
US dollar	USD	-1.4%	0.4%	-0.9%	-0.7%	
Euro	EUR	0.1%	-0.8%	-1.0%	1.1%	0.3%
Swiss franc	CHF	0.3%	0.8%	-1.0%	-0.1%	2.4%
British pound	GBP	1.1%	-2.0%	0.1%	-4.4%	-1.2%
Japanese yen	JPY	3.4%	3.6%	0.1%	2.0%	3.3%
Norwegian krone	NOK	-0.4%	-4.7%	0.3%	0.5%	-3.2%
Swedish krona	SEK	0.0%	0.4%	-2.1%	-2.2%	-3.1%
Australian dollar	AUD	-0.7%	1.7%	1.7%	1.1%	-0.6%
Canadian dollar	CAD	-0.3%	-1.9%	2.2%	2.7%	-0.2%
New Zealand dollar	NZD	-0.8%	5.2%	1.0%	1.4%	-0.3%

[1] Annualized returns [2] Currencies are represented by Bloomberg's correlation-weighted indices (BCWI), which measure a currency against the remaining ten other major freely convertible currencies, to show the broader strength / weakness of a currency.

Economic and corporate fundamentals

		USA	Eurozone	China	Japan	Germany	U.K.	India	Brazil	S. Korea
Gross domestic product (GDP)										
- nominal	bn USD	20,513	13,738	13,457	5,071	4,029	2,809	2,690	1,909	1,656
- nominal, per capita 2018 [1]	USD, PPP	62,518	39,614	18,120	44,550	52,897	45,643	7,796	16,112	41,416
- expected real growth for 2019	Consensus	2.5%	1.6%	6.2%	0.9%	1.6%	1.5%	7.3%	2.5%	2.5%
- expected real growth for 2020	Consensus	2.5%	1.5%	6.0%	0.5%	1.5%	1.6%	7.3%	2.5%	2.5%
- real growth in most recent quarter	QoQ, annual	3.4%	0.6%	6.6%	-2.5%	-0.8%	2.5%	6.1%	3.1%	2.4%
Unemployment rate, expected for 2019	annual	2.5%	7.9%	3.8%	2.5%	5.0%	4.1%	8.2%	4.8%	2.4%
Inflation rate, expected for 2019	annual	2.1%	1.0%	1.8%	0.1%	1.5%	1.8%	3.8%	3.7%	0.3%
Last purchasing manager surveys [2]	Neutral = 50	54.4	51.1	52.2	52.0	51.6	51.4	53.6	52.4	49.8
Structural budget balance/GDP 2018	IMF	-5.1%	-0.7%	-4.2%	-3.7%	1.0%	-2.0%	-6.6%	-7.3%	2.4%
Gross government debt/GDP 2018	IMF	106.1%	84.4%	50.1%	238.2%	59.8%	87.4%	69.6%	88.4%	40.4%
Current account balance/GDP 2018	IMF	-2.5%	3.0%	0.7%	3.6%	8.1%	-3.5%	-3.0%	-1.3%	5.0%
International currency reserves	bn USD	41.9	372.4	3,072.7	1,209.0	58.8	140.2	368.5	377.1	398.1
Govt bond yield 2yr [3]	p.a.	2.5%	-0.6%	2.6%	-0.1%	-0.6%	0.8%	7.5%	9.3%	-0.8%
Govt bond yield 10yr [3]	p.a.	2.7%	0.5%	3.1%	0.0%	0.2%	1.3%	7.7%	9.2%	-0.2%
Main policy interest rate [4]	p.a.	2.5%	0.0%	4.4%	-0.1%	0.0%	0.8%	6.5%	7.8%	-0.8%

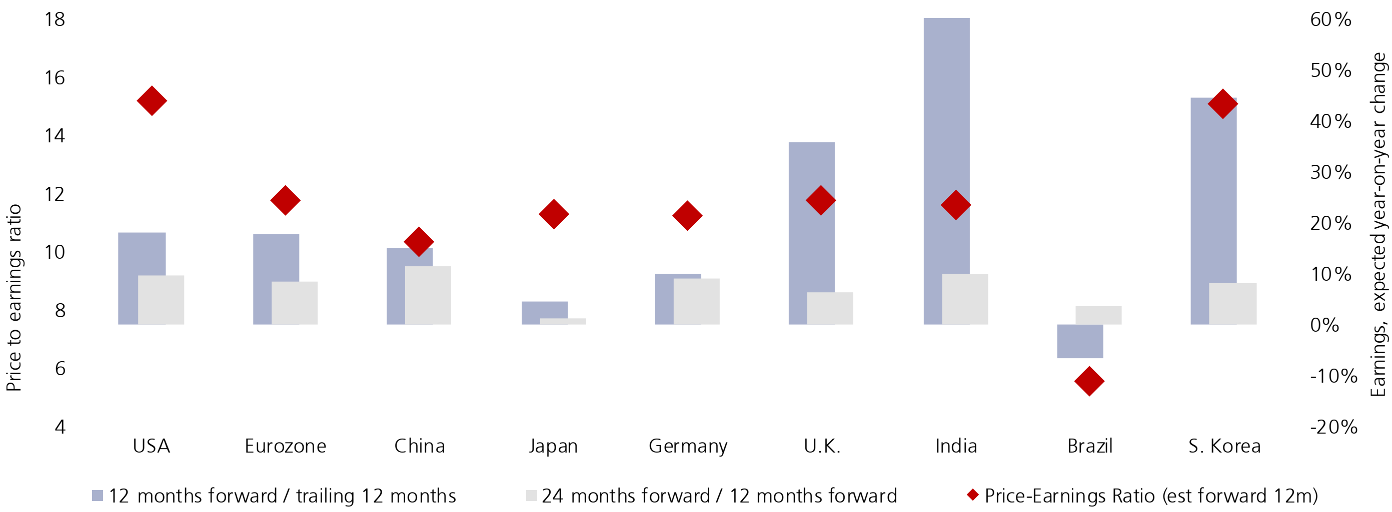
[1] IMF estimates [2] Composite for all, Manufacturing for Korea [3] Currency swap rates for China and Brazil, closest ESM/EFSF bond for Eurozone [4] Max target rate for Fed

		USA	Eurozone	China	Japan	Germany	U.K.	India	Brazil	S. Korea
Exchange capitalization*	bn USD	28,274	7,065	10,602	5,627	2,014	3,136	942	585	1,542
Growth in earnings per share, estimated (MSCI)										
12 months forward / trailing 12 months	Consensus	18.0%	17.7%	15.1%	4.5%	9.9%	35.9%	63.2%	-6.7%	44.6%
24 months forward / 12 months forward	Consensus	9.6%	8.6%	11.4%	1.1%	9.2%	6.5%	10.0%	3.7%	8.1%
Growth in revenue per share, estimated (MSCI)										
12 months forward / trailing 12 months	Consensus	4.9%	3.4%	11.1%	3.3%	4.4%	1.9%	7.3%	2.8%	2.0%
24 months forward / 12 months forward	Consensus	2.3%	-1.4%	-22.7%	2.9%	3.2%	1.8%	28.8%	0.4%	-2.8%
Valuation metrics (MSCI)										
Price-Earnings Ratio (est forward 12m)	Consensus	15.2	11.8	10.3	11.3	11.3	11.8	11.6	5.6	15.1
Price-Sales Ratio (est forward 12m)	Consensus	1.8	0.9	1.2	0.7	0.8	1.0	1.5	0.8	2.0
Dividend yield	Consensus	2.2%	4.0%	2.8%	2.6%	3.8%	5.2%	3.9%	7.1%	3.6%

*China market cap includes Hong Kong | Source: Bloomberg Data per: 1/14/2019

Current equity market valuations and earnings growth expectations

(Implied growth based on Bloomberg BEst Estimates for the next 12 to 24 months)



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