

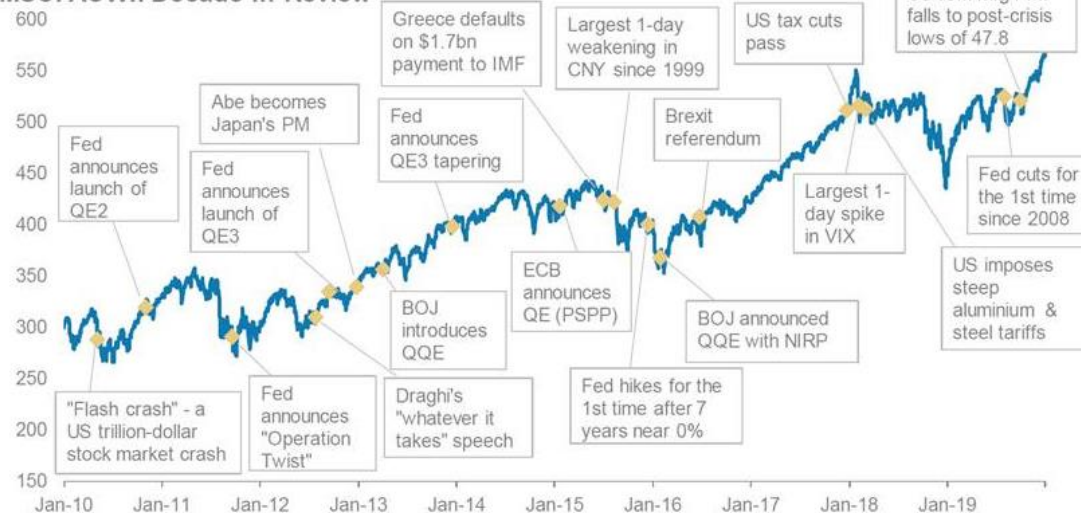
The logo consists of a solid blue square. Inside the square, the words "NOTZ" and "STUCKI" are written in white, uppercase, sans-serif font, stacked vertically.

NOTZ  
STUCKI

ASSET  
MANAGERS  
SINCE 1964

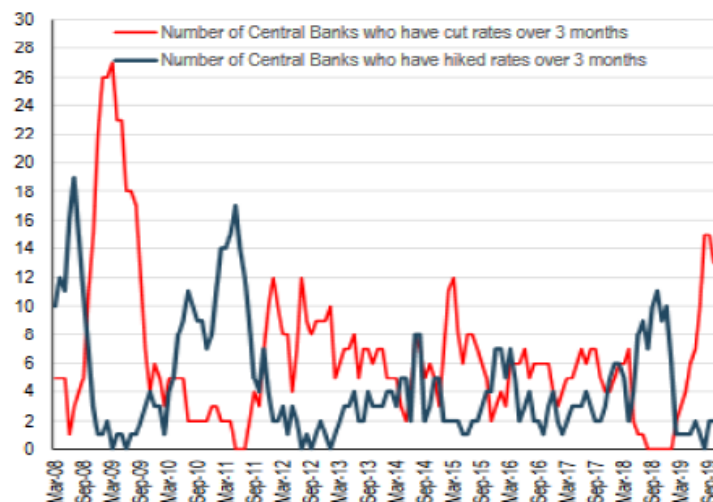
# NS FUNDS – 2019 PERFORMANCE REVIEW

## MSCI ACWI: Decade-In-Review



Source: Mirabaud

Number of central banks which have hiked or cut their main policy rate over a trailing 3 month period, sample of 32 major DM & EM central banks



Source: J.P. Morgan, Haver Analytics

## ASSET ALLOCATION

Horizonte (EUR)	+9.2%
Balanced (EUR)	+12.8%
Dynamic Growth (EUR)	+3.0%*

## EQUITY LONG/SHORT

Hausmann (USD)	+17.4%
Lynx (EUR)	+13.8%
HFRX Equity L/S (USD)	+10.7%

## EQUITY LONG-ONLY

Stock Selection (EUR)	+32.4%
Franck Muller Luxury (EUR)	+22.6%
Raymond James SB (USD)	+30.0%
Kepler Cheuvreux (EUR)	+4.2%*
Quality Trends (EUR)	+21.4%
Swiss Excellence (CHF)	+27.1%
MSCI World Index (USD)	+25.2%

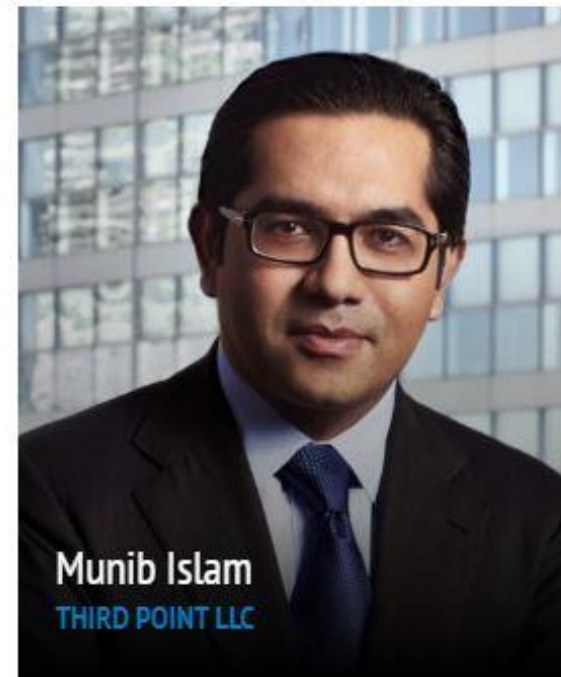
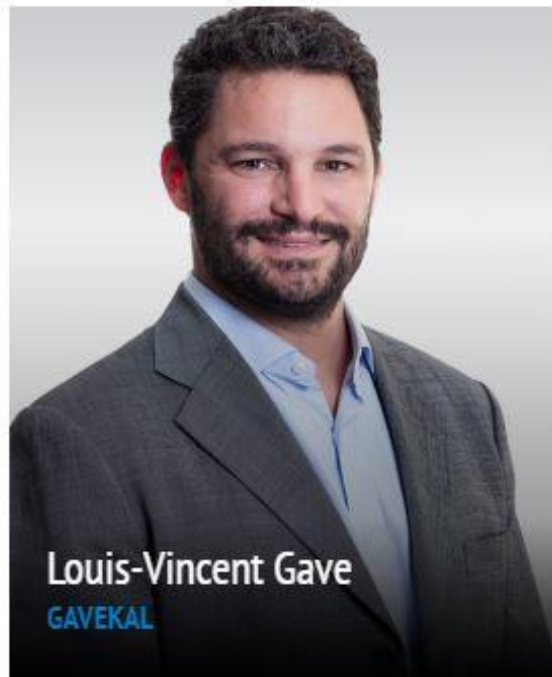
## RELATIVE VALUE

Pendulum (USD)	+6.4%
Emerging Mkts & Macro (USD)	+2.4%
HFRX Relative Value (USD)	+6.2%

## FIXED-INCOME

Citadel (CHF)	+5.0%
Bond (EUR)	+4.7%
Convertible & Credit (EUR)	+8.6%
Barclays AGG. 1-5Y (USD)	+4.5%

# NS INVESTMENT CONFERENCE - SPEAKERS



January 2020

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# **The Surprises of 2019 & Consequences for 2020**

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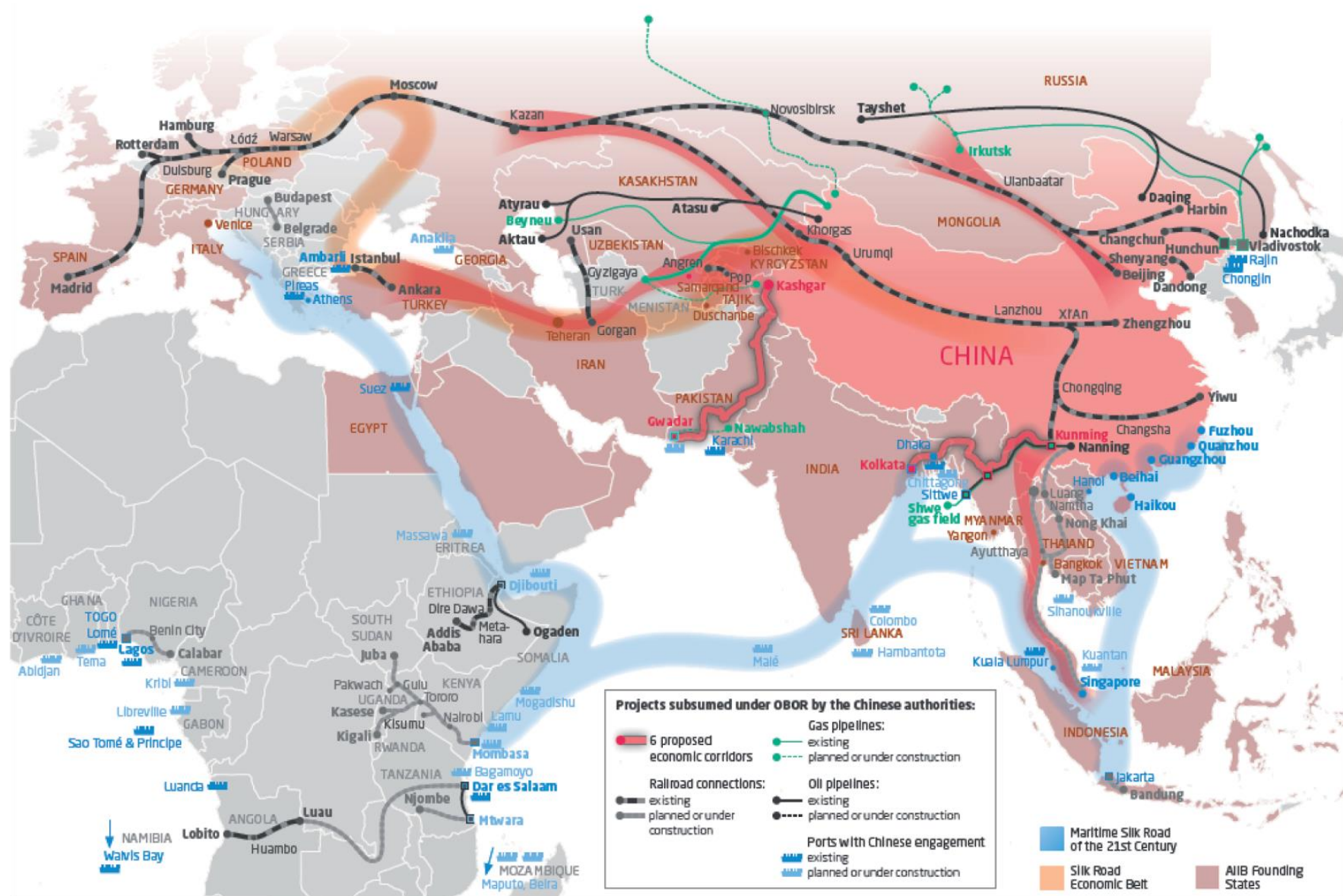
By Louis-Vincent Gave



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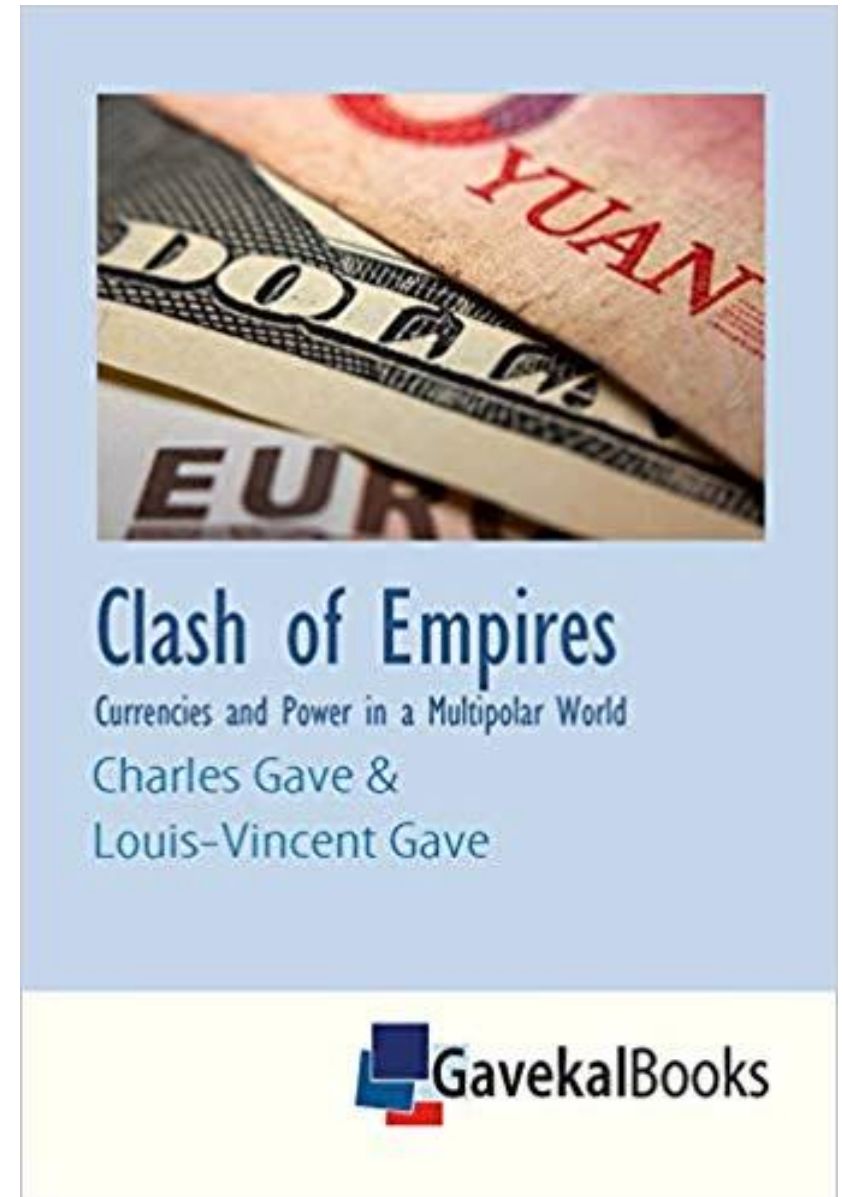
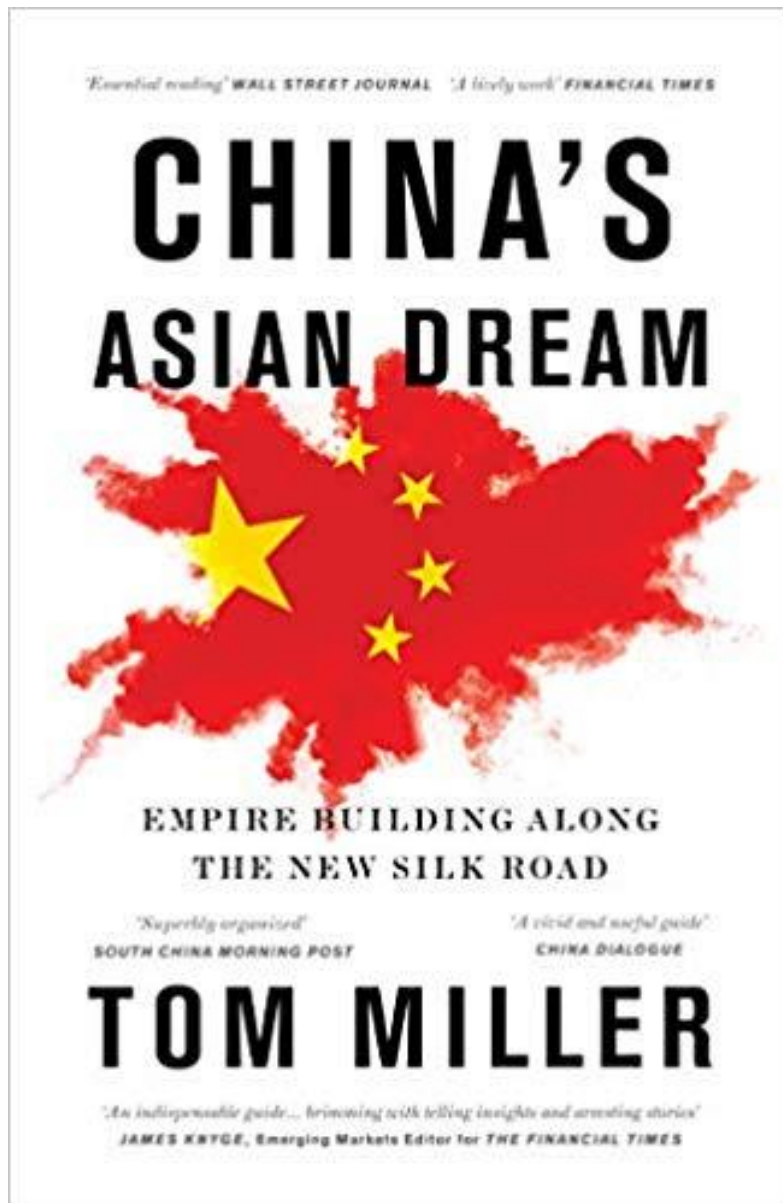
# **#1 Surprise of 2019: the HK vote**

# China, under Xi Jinping has imperial ambitions



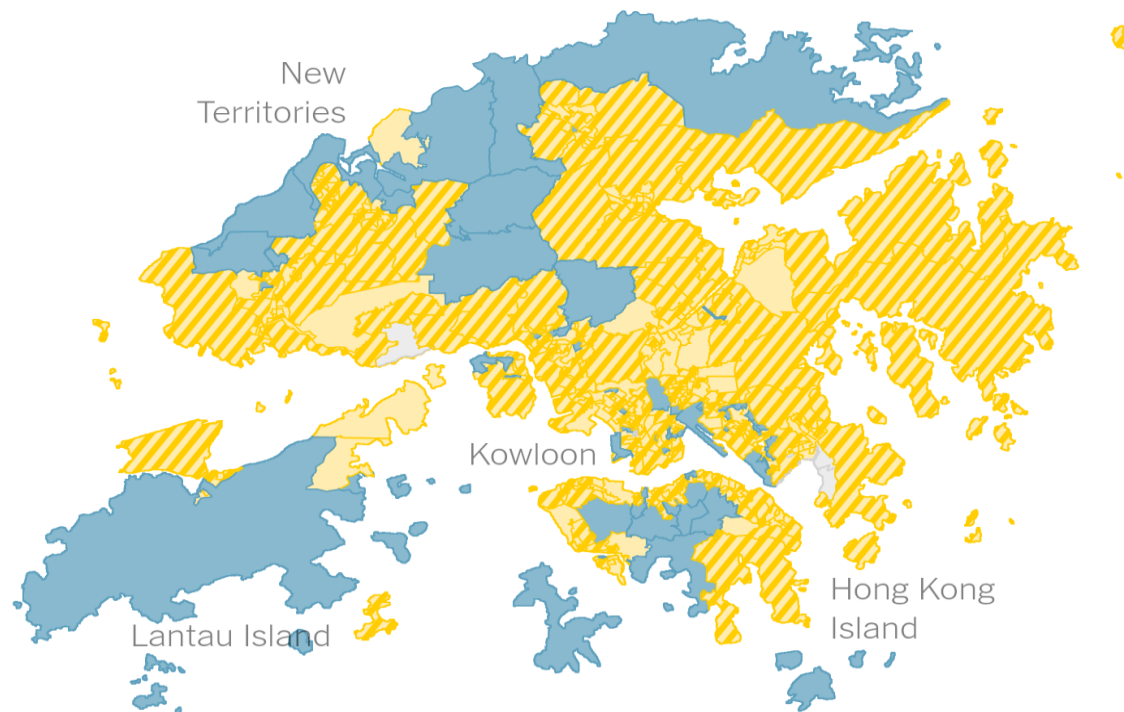
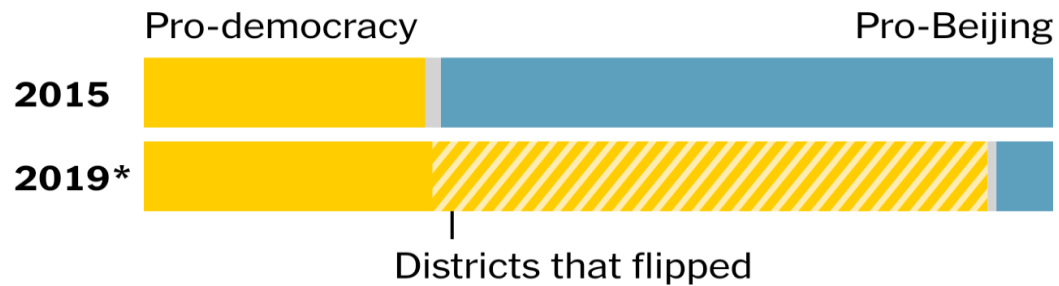
Source: Mercator Institute for China Studies

# Two must-read books on China's imperial ambitions



# But how does the HK vote fit into these imperial ambitions?

## Elected representatives to local district councils



# The HK vote creates an immediate problem for China

- **Start:** Can HK still be relied to be the capital market that will fund China's "Asian Dream"? *Cracking down on HK would be tantamount to 'destroying the village in order to save it'. So Chinese policy-makers are obviously hoping that the situation in HK resolves itself. At the same time, there must be an acknowledgement that hope is not a strategy. China thus needs a "plan B".*
- **Plan B:** the back-up plan has to be the promotion of Shanghai and Shenzhen as parallel capital markets to rival HK.
- **The problem with Plan B:** Shanghai and Shenzhen can't be credible as financial centres unless China opens up capital controls much wider.
- **The problem with opening up capital controls:** The fear has to be that if capital controls loosen up, money will pour out of China, hereby destabilizing China's financial stability, triggering a RMB devaluation that would anger President Trump etc...
- **So if you are going to open up capital controls, you better talk up the currency at the same time...**

***Cue Yi Gang's/Bob Rubin's speech***



# A very important shift in PBoC rhetoric followed the HK vote



**Yi Gang in June 2019**

- “PBoC has tremendous room to adjust monetary policies should trade war deepen”
- “value of the RMB should be set by the market”
- “not wedded to defending a particular level for the RMB”

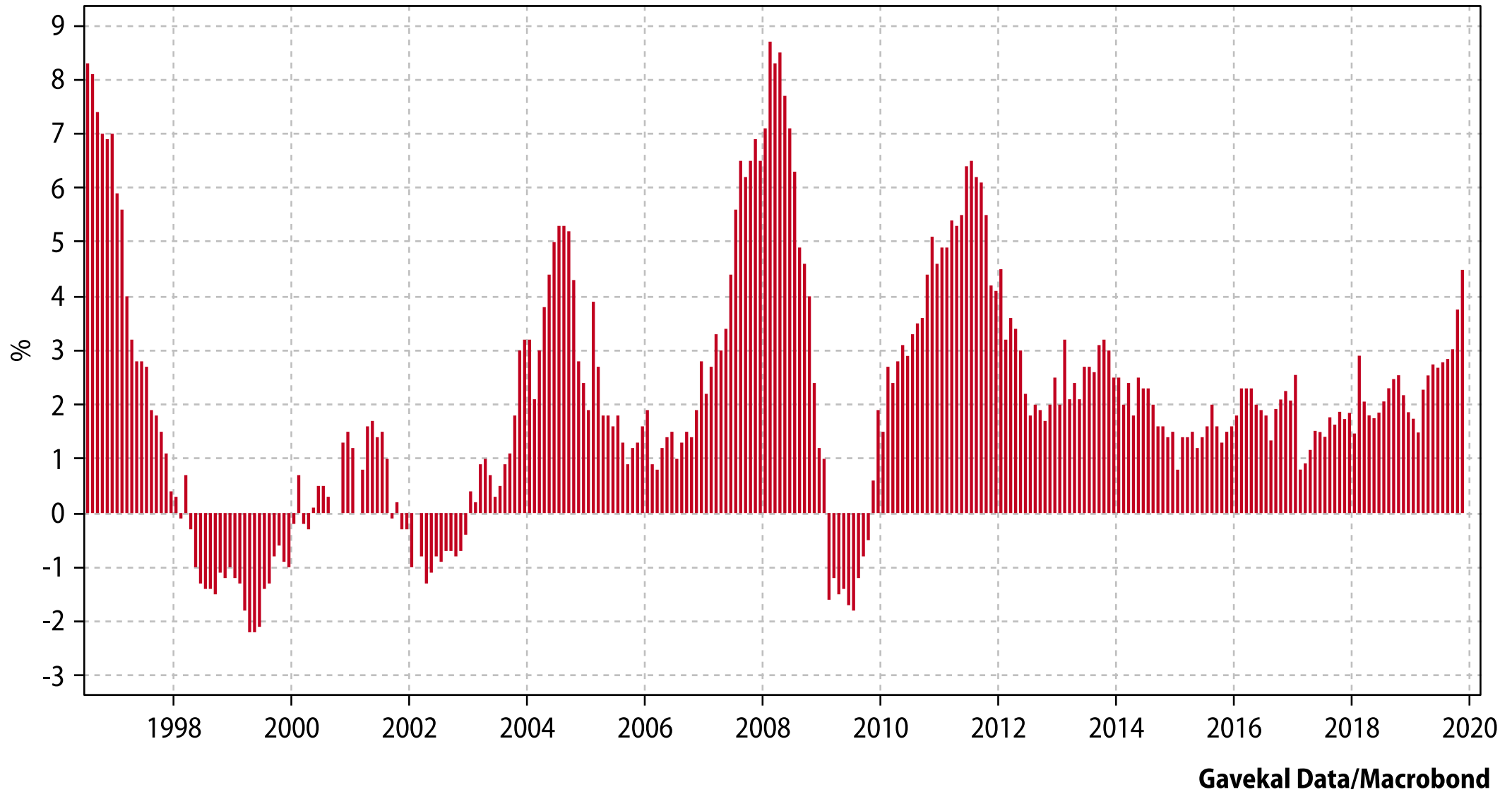


**Yi Gang in December 2019**

- “China should maintain a normal monetary policy and China will not resort to QE, even as the monetary policies of the world’s economies are approaching ZIRP”
- “China should not let the money held by the Chinese to become worthless”
- “Maintaining positive interest rates... is in line with the Chinese people’s saving culture, thus beneficial to the economy”

# This shift can also be explained by the domestic inflation situation

**China CPI now stands at a cool 4.5%**





# And by the need to strike a trade deal with the US

**February 2019**

U.S. aims to combat Chinese currency manipulation in trade deal: Lighthizer

1 MIN READ



**December 2019**

By EMILY TILLET / CBS NEWS / December 15, 2019, 10:38AM

Lighthizer hails USMCA, China deals as "most momentous day in trade history"

Share / Tweet / Reddit / Flipboard / Email



**A New "Plaza Accord"?**

# Whatever the driving reason, in 2020, we are likely heading to stronger RMB

	<b>Tighten capital controls and promote domestic growth through RMB devaluation</b>	<b>Open up capital controls and promote stronger RMB</b>
<b>How to do it</b>	<ul style="list-style-type: none"><li>- Easier monetary policy</li><li>- Easier fiscal policy</li></ul>	<ul style="list-style-type: none"><li>- Talk up RMB</li><li>- Push US into easier monetary policy</li></ul>
<b>Advantages</b>	<ul style="list-style-type: none"><li>- Stronger growth helps China sweep debt problems under rug</li></ul>	<ul style="list-style-type: none"><li>- Deals with inflation problem</li><li>- Solves trade tensions with US as DJT is fundamentally a mercantilist</li></ul>
<b>Problems</b>	<ul style="list-style-type: none"><li>- Creates future imbalances</li><li>- May worsen trade war, which in turn would hurt growth</li></ul>	<ul style="list-style-type: none"><li>- May promote speculation and 'Plaza Accord syndrome' (i.e.: Japan in the late 1980s)</li></ul>
<b>Investment Implications</b>	<ul style="list-style-type: none"><li>- Buy US growth stocks</li><li>- Buy US Treasuries</li></ul>	<ul style="list-style-type: none"><li>- Buy China fixed income &amp; gold<ul style="list-style-type: none"><li>- Buy AUD &amp; CAD assets</li><li>- Buy Macao, HK...</li></ul></li></ul>

# The recent rebound in the RMB is not a 'dead cat bounce'

## China, FX Spot Rates, Macrobond, CNY per USD



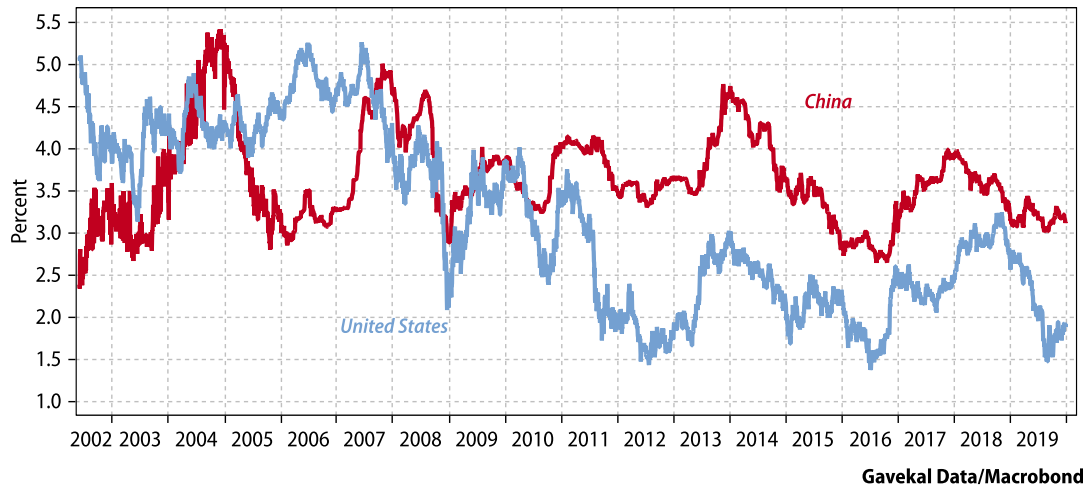
*China, FX Spot Rates, Macrobond, CNY per USD*

Gavekal Data/Macrobond

# What are you doing about this policy shift in your portfolios?

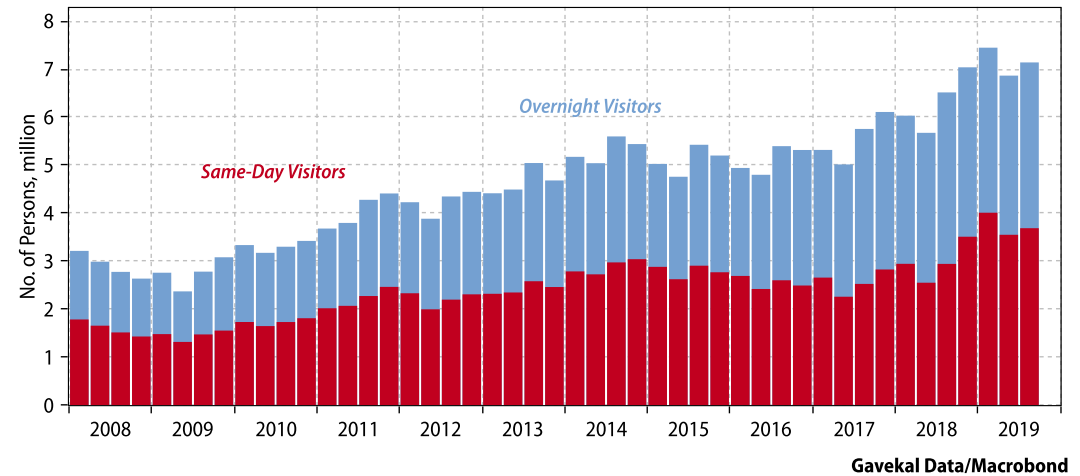
## Buy Chinese bonds

Government Benchmarks, Macrobond, 10 Year, Yield



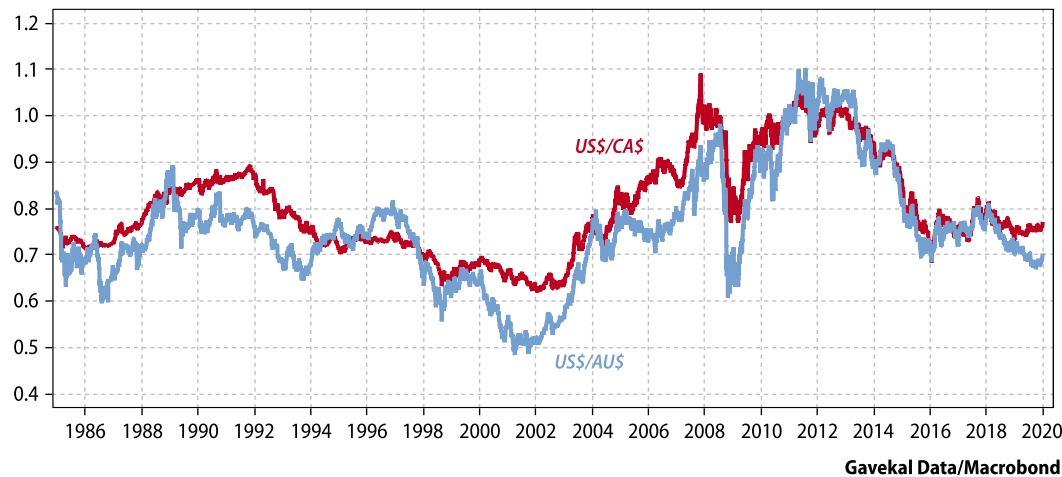
## Buy Macao

Macao, Arrivals, By Country, China



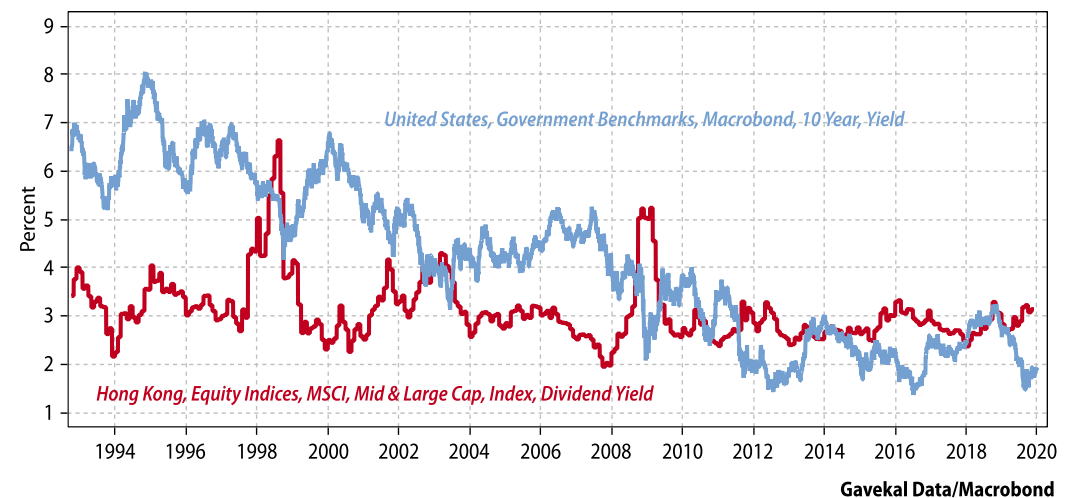
## Buy AU\$ & CA\$

AUD & CAD: simplest way to play Chinese capital outflows?



## Buy HK?

HK MSCI Dividend Yield vs UST 10 Yr Yield

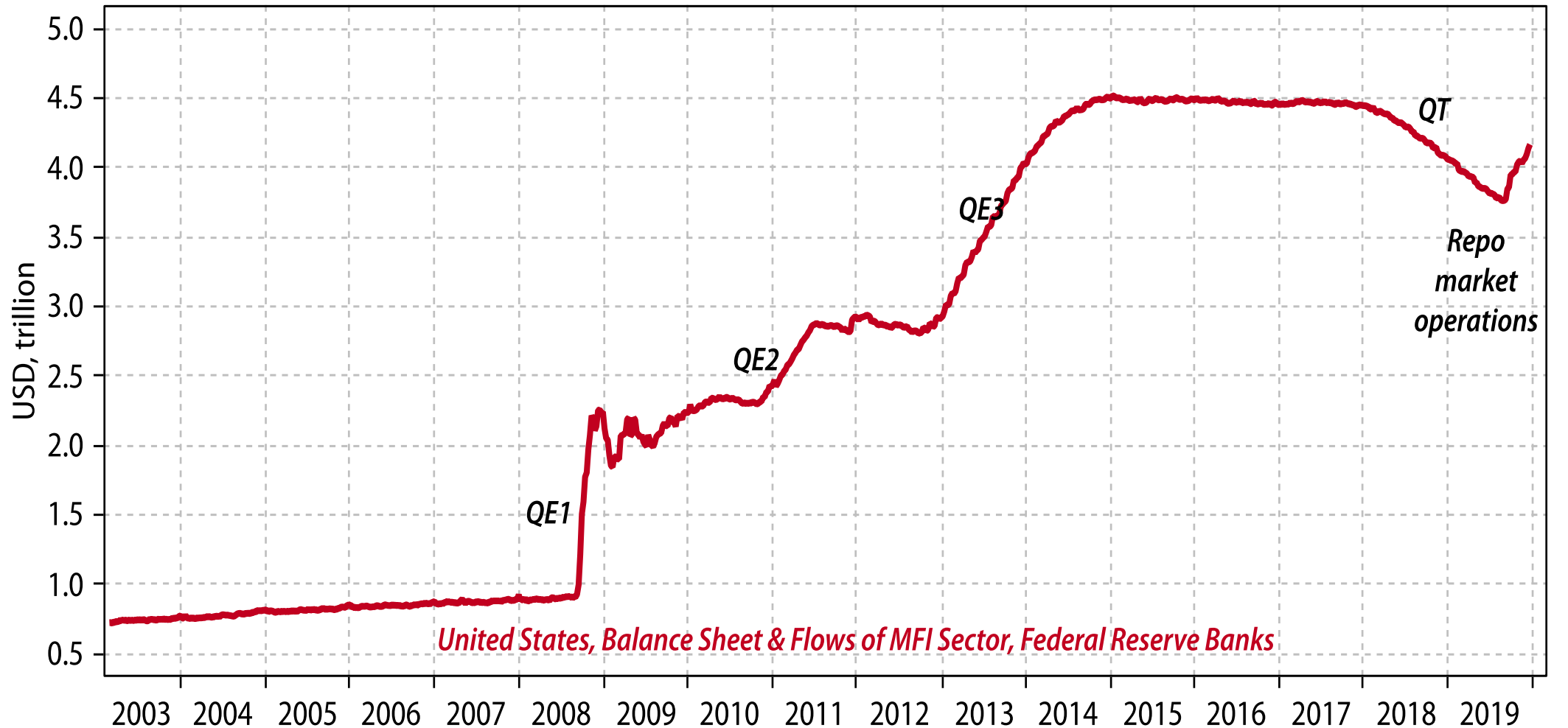


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**#2 Surprise of 2019: massive joint fiscal and monetary policy stimulus, and markets (mostly) brush it off**

# The Fed is back to QE

## Not QE, but Fed Balance Sheet Expansion All the Same?

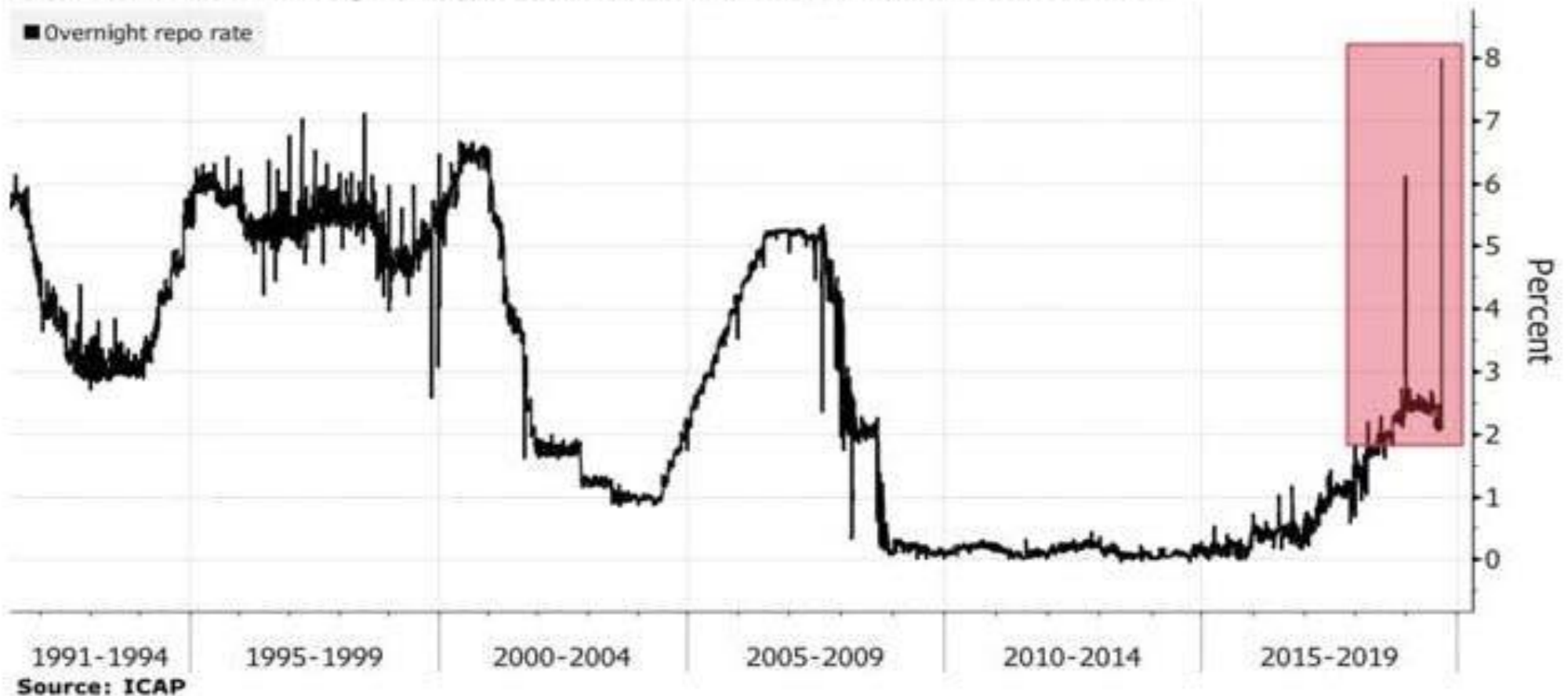


Gavekal Data/Macrobond

# Behind the new QE, the dislocation in the repo market

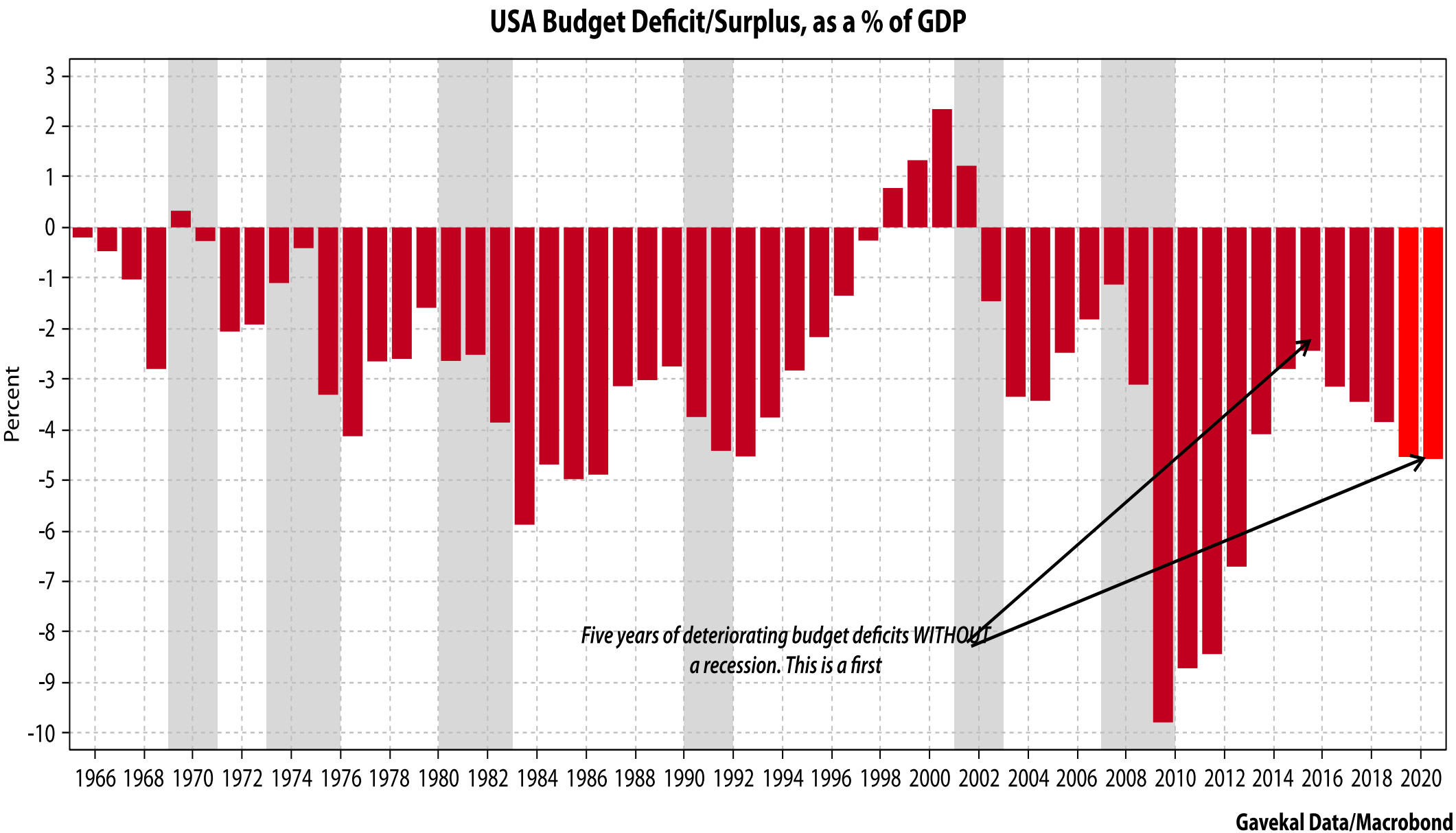
## Funding Chaos

The rate on overnight repo transactions soared to record levels



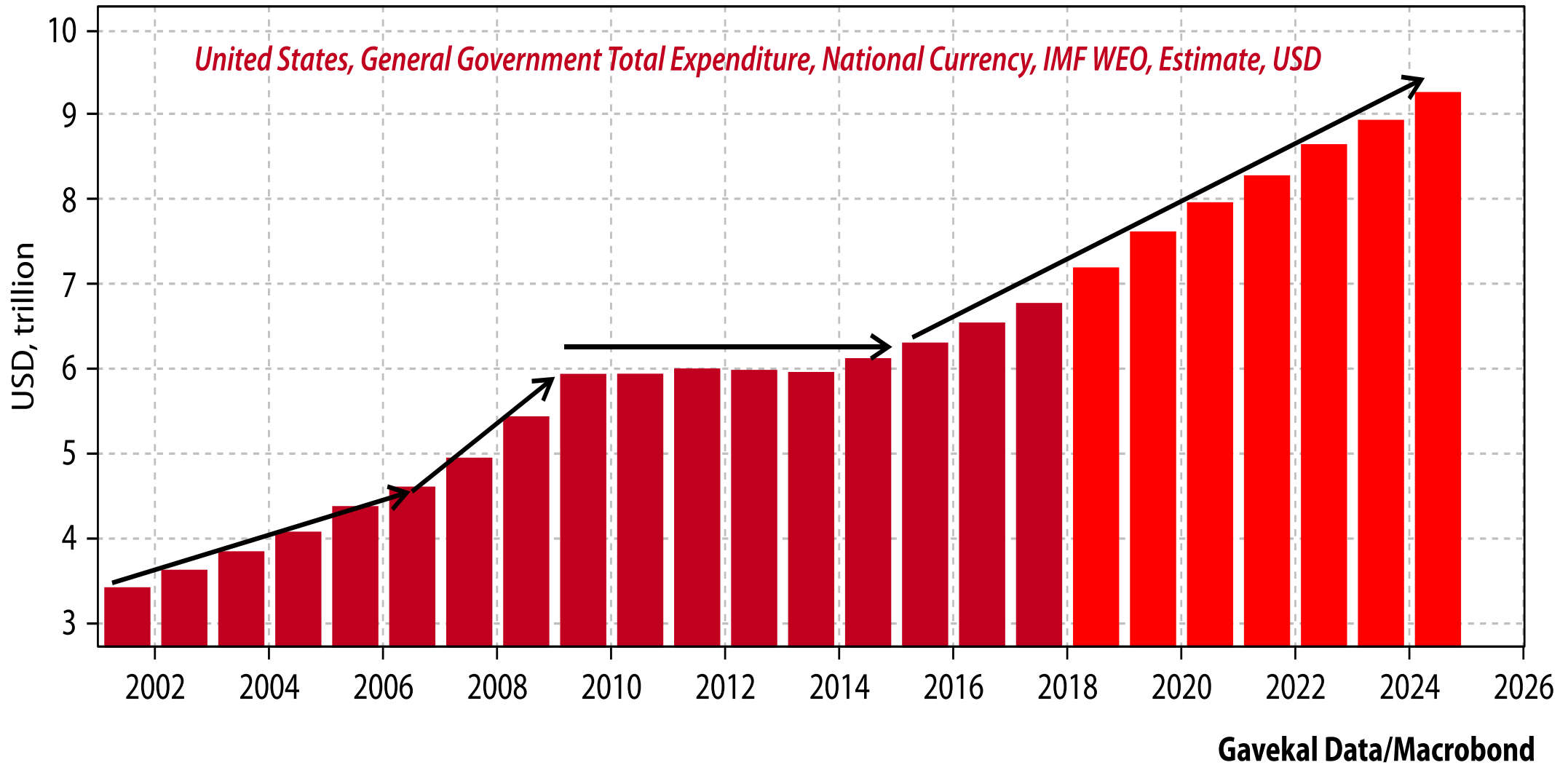


# Behind the dislocation in the repo market are the run-away US budget deficits



# For the first time, Fed is now expanding at the same time as US Government

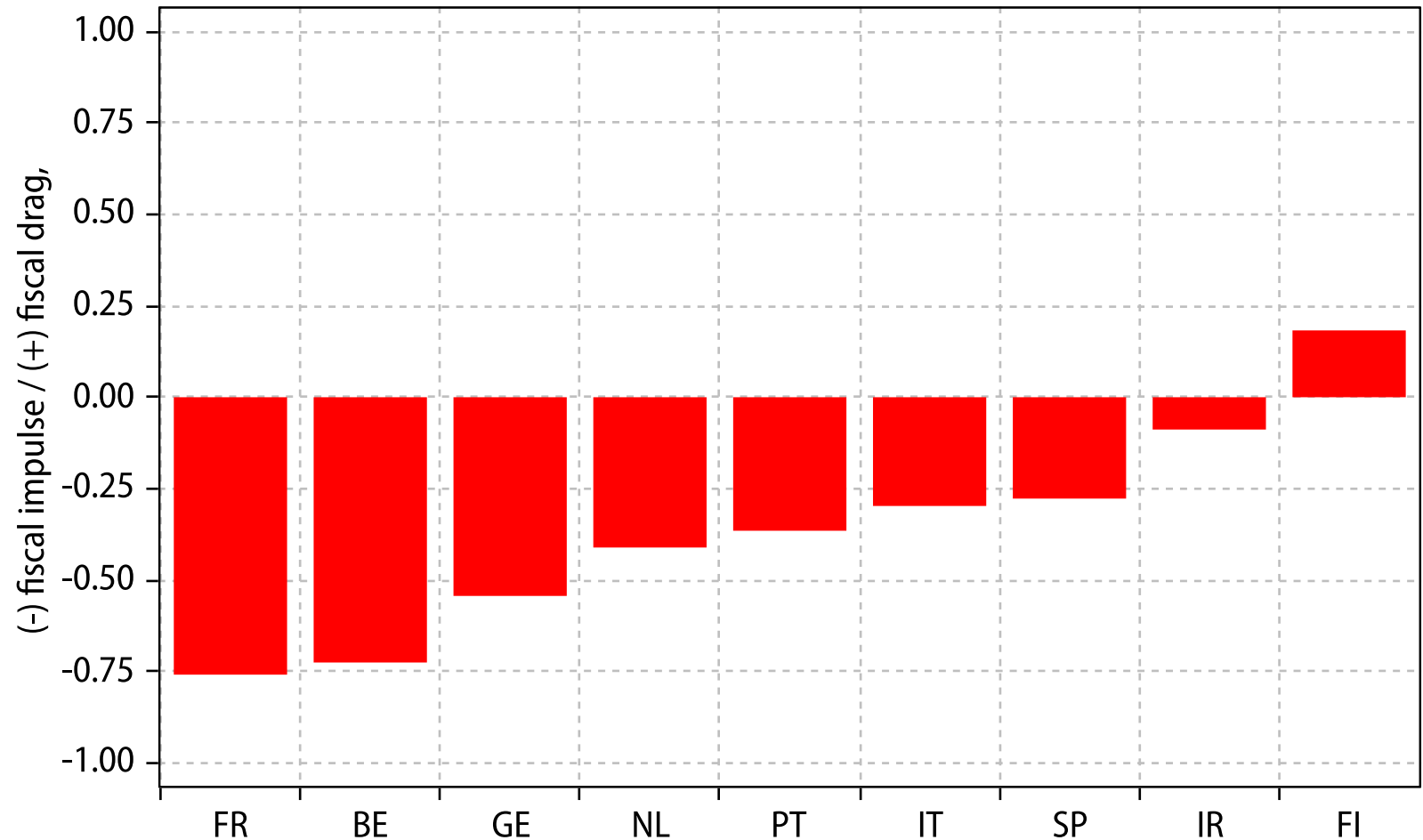
## USA Government Total Expenditure, USD



# And it's not just the US: fiscal policy is also easing across Europe

## A modest, but broad based fiscal stimulus in the Eurozone in 2019

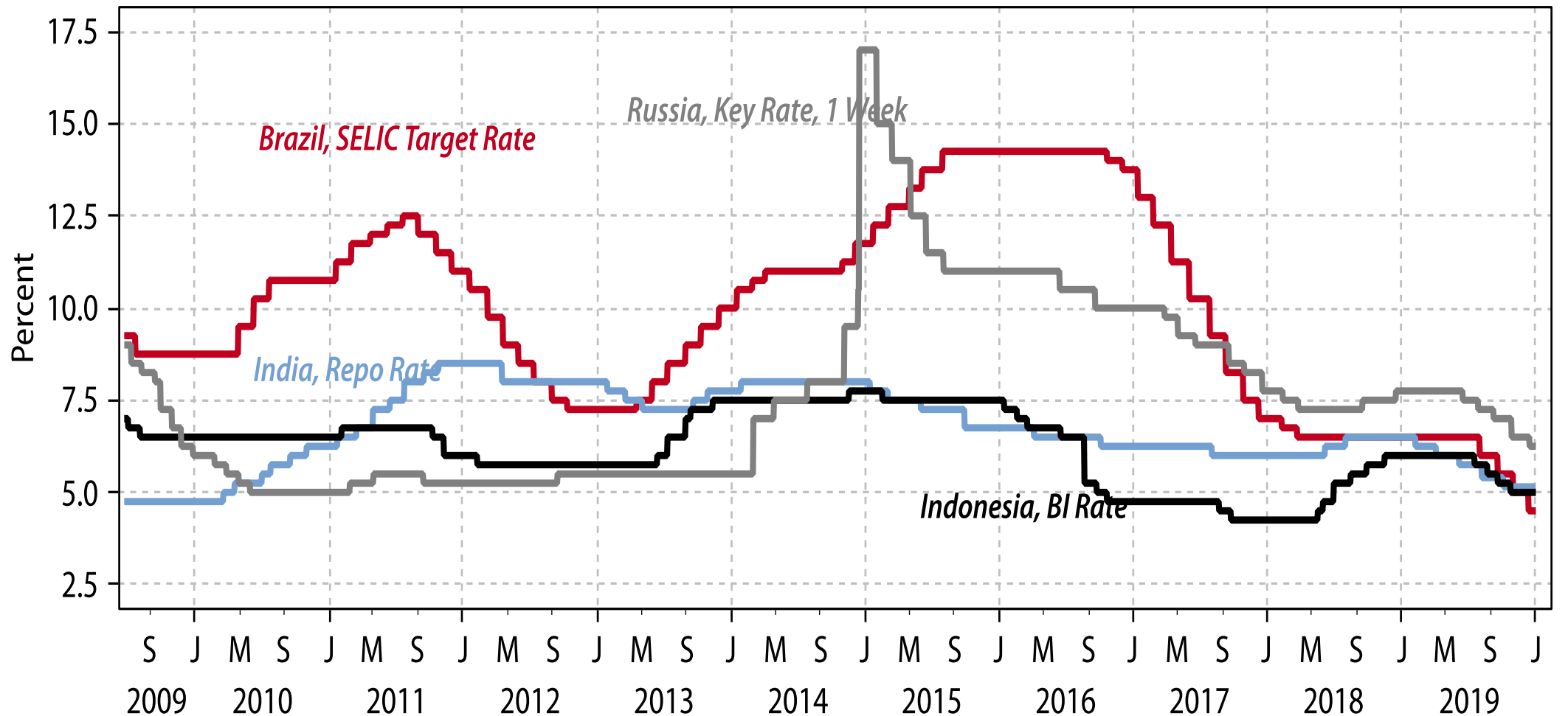
Change (pp of GDP) in cyclically adjusted primary balance, average of OECD and IMF



Gavekal Data/Macrobond

**And same across EM: easier money, lower taxes and deregulation...**

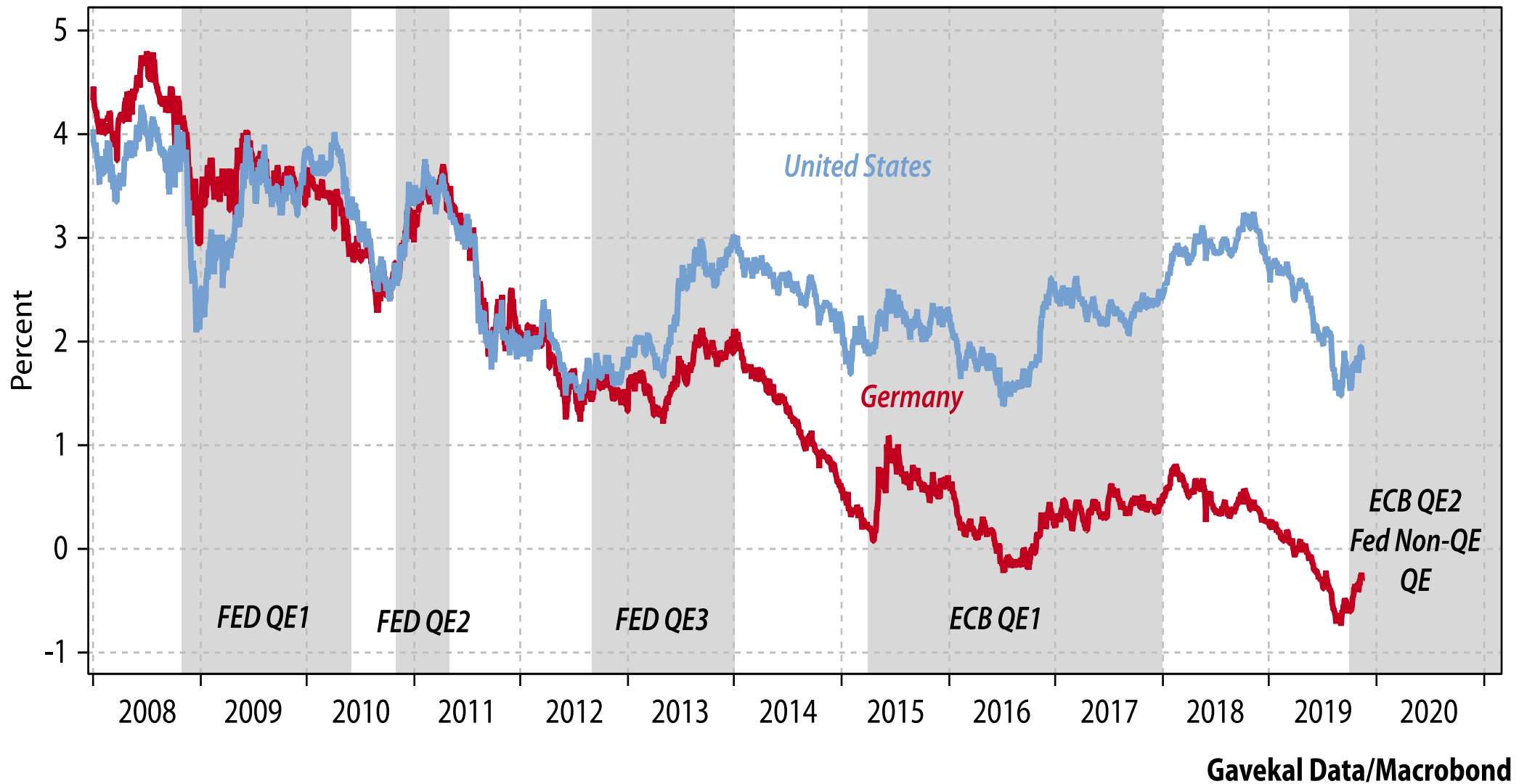
## Policy Rates Are Coming Down Across Main EM



## Gavekal Data/Macrobond

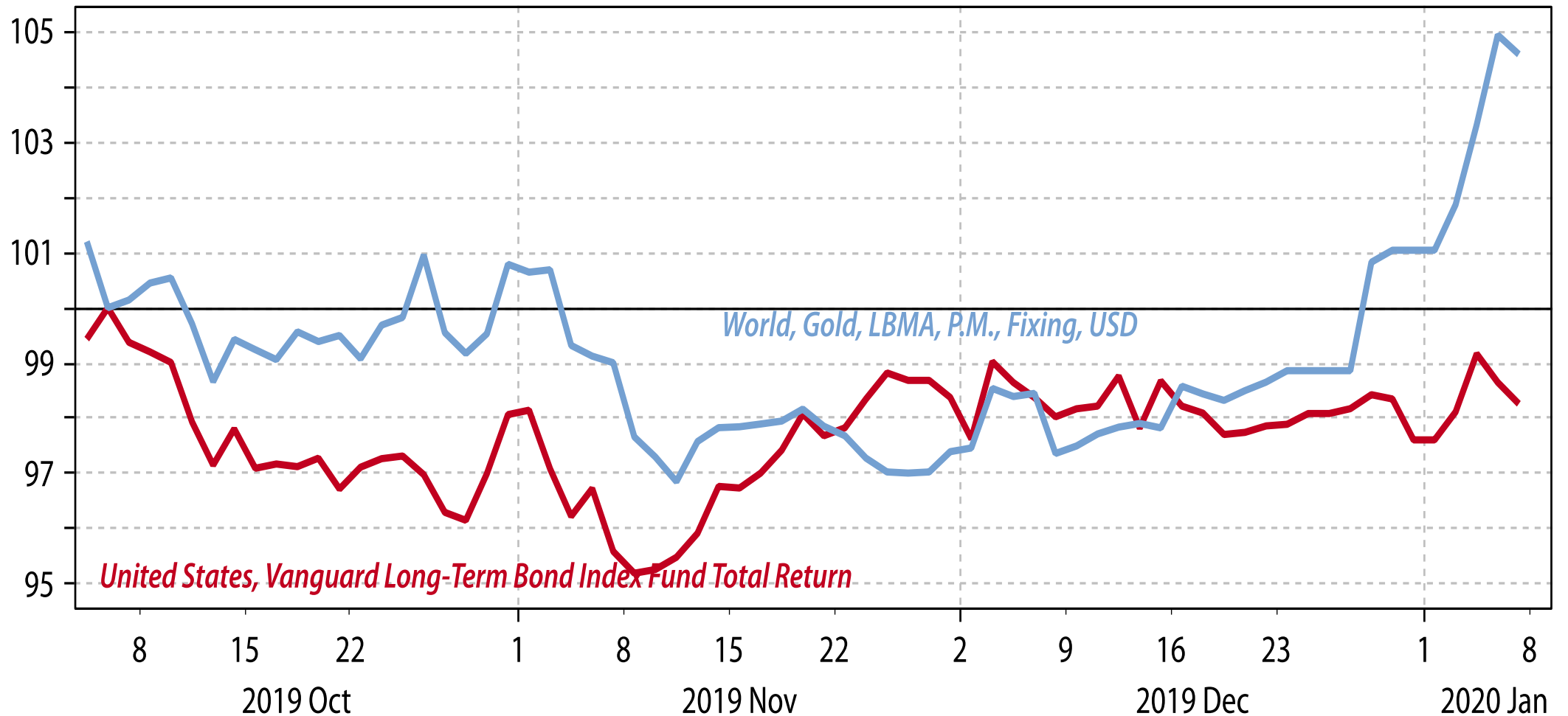
# Easy money, easy fiscal... bullish bonds?

Yields tend to rise when QE starts



# Bonds should be getting crushed... but they are still hanging in there

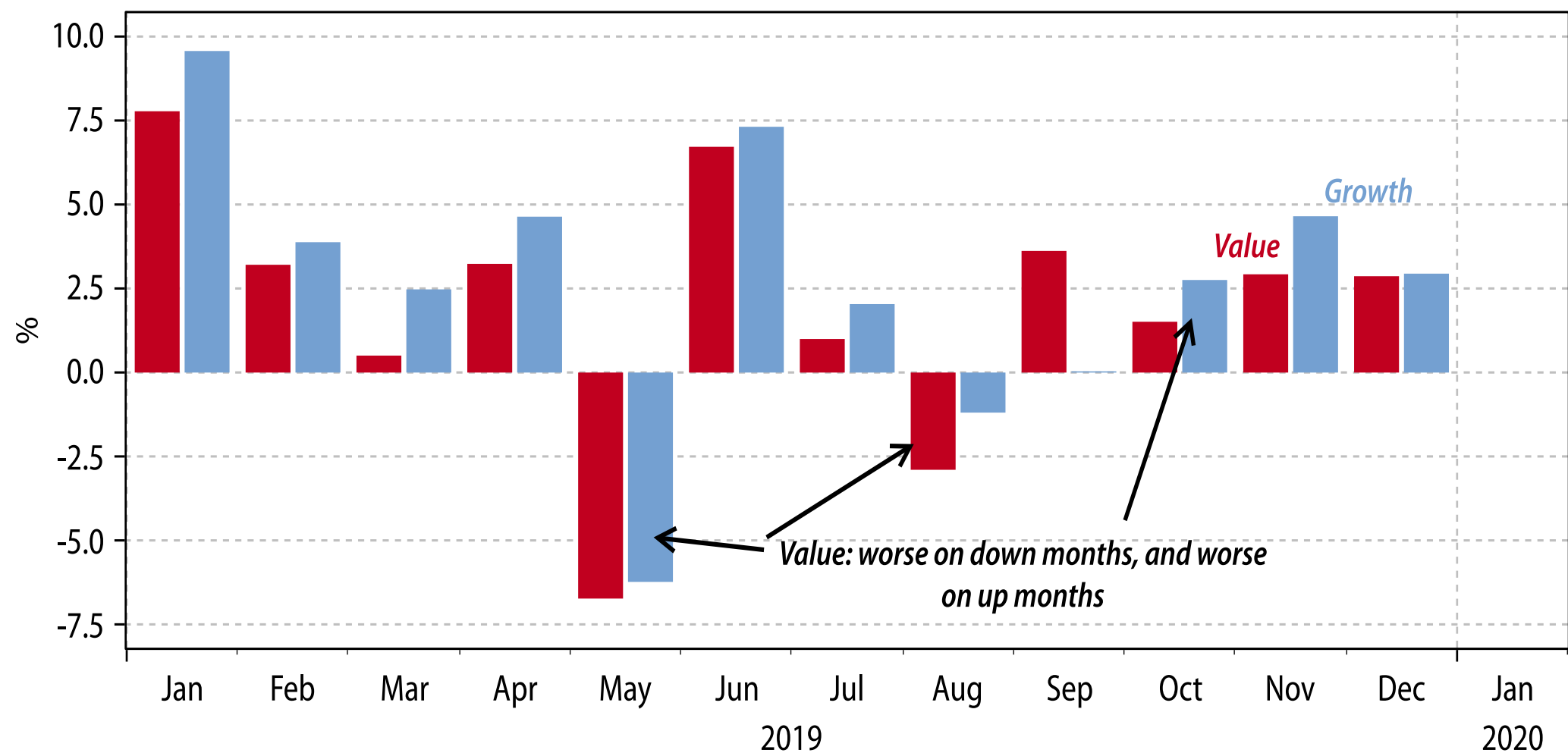
## Gold & Total Return on US Long Bonds - The Summer Panic Buying of Anti Fragile Assets



Gavekal Data/Macrobond

# With all this stimulus, value should be outperforming growth... but it is not

In 2019, September was the ONLY month when value outperformed growth



Gavekal Data/Macrobond

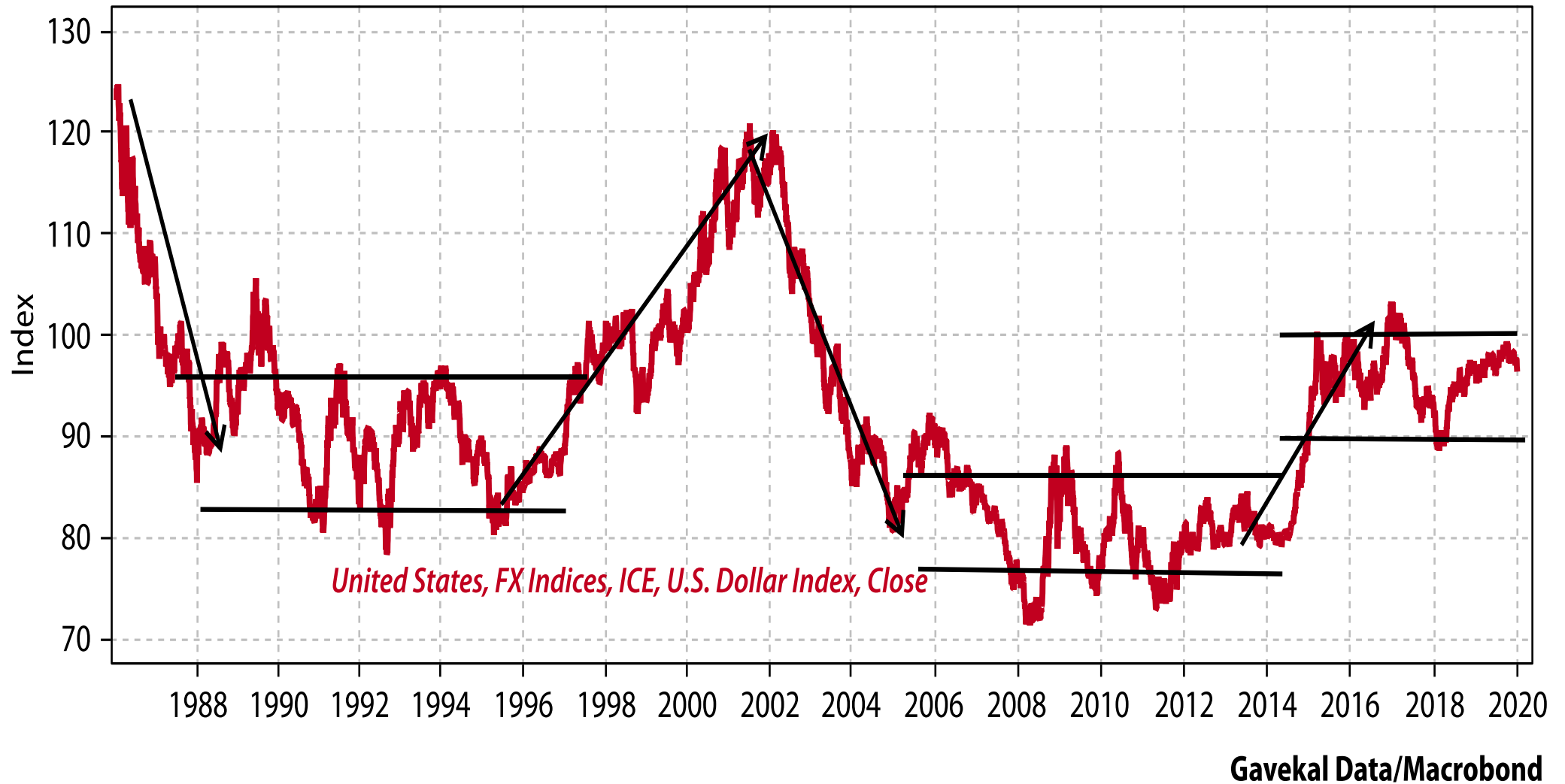


## Question #2 for 2020: what will the Fed do?

	Continue to inject liquidity through 'non QE QE' & remain overly accomodative	Return to balance sheet normalization around March 2020
<b>Immediate Risk</b>	<ul style="list-style-type: none"> <li>- US\$ weakens and domestic inflation accelerates</li> </ul>	<ul style="list-style-type: none"> <li>- Markets tank just before an election and DJT starts to move to revoke Fed independence</li> </ul>
<b>Longer term risk</b>	<ul style="list-style-type: none"> <li>- Foreign investors start to question whether US\$ is trustworthy reserve currency</li> </ul>	<ul style="list-style-type: none"> <li>- Funding crisis for US government and foreign investors start to question worthiness of US assets</li> </ul>
<b>Market impact</b>	<ul style="list-style-type: none"> <li>- Risk assets continue to move higher, with rotation from growth to value. Gold does well</li> </ul>	<ul style="list-style-type: none"> <li>- US Treasuries rally hard and only place to be remains US stocks. EM assets fare poorly</li> </ul>
<b>Assets to avoid</b>	<ul style="list-style-type: none"> <li>- US Treasuries</li> <li>- US\$</li> <li>- Overvalued growth stocks</li> </ul>	<ul style="list-style-type: none"> <li>- Emerging markets</li> <li>- Commodities</li> <li>- Gold</li> </ul>

# Maybe as long as US\$ stays strong, rotation can not happen?

United States, FX Indices, ICE, U.S. Dollar Index, Close



# Is the environment for the US\$ starting to (finally) turn?

GRAB

1) Pricing Hours		2) Settings		World Currency Rates						
Currency Basket		Major Currencies		Base		USD		Quote		
Pricing		Contributed		Calculate via USD		View		Historical %		
								OHLC		
								Zoom - + 100%		
Name	Price	Net Chg	Time	1D%	5D%	1M%	3M%	6M%	YTD%	
10) South African Ran...	14.0182	+0.0420	5:32	-.299	+4.231	+4.048	+9.244	+1.104	-.299	
11) New Zealand Dolla...	.6729	-.0015	5:32	-.222	+.059	+3.539	+7.750	+.885	-.222	
12) British Pound (CM...	1.3247	-.0016	5:32	-.121	+4.496	+2.420	+7.542	+4.844	-.121	
13) Swedish Krona (C...	9.3667	+0.0166	5:31	-.177	-3.319	+1.908	+5.422	-.187	-.177	
14) Australian Dollar (...)	.7016	-.0008	5:32	-.114	-.327	+2.934	+4.654	+.834	-.114	
15) Mexican Peso (CM...	18.9292	+0.0498	5:32	-.263	+5.279	+3.407	+4.553	+.998	-.263	
16) South Korean Won...	1156.02	+1.05	5:29	-.091	-2.674	+2.612	+4.046	+.727	-.091	
17) Norwegian Krone ...	8.7736	-.0070	5:32	+.079	-.272	+4.449	+3.955	-2.171	+.079	
18) Taiwan Dollar (CM...	29.986	+.075	5:29	-.250	+2.741	+1.737	+3.662	+3.545	-.250	
19) Brazil Real (CMPL)	4.0198	+0.0006	4:39	-.015	-2.873	+5.050	+3.552	-4.684	-.015	
20) Singapore Dollar (...)	1.3454	+0.0007	5:32	-.059	+2.081	+1.561	+2.928	+.840	-.059	
21) Swiss Franc (CMPL)	.9676	+0.0011	5:32	-.124	+1.943	+2.532	+2.697	+2.036	-.124	
22) Euro (CMPL)	1.1215	-.0014	5:32	-.125	-1.666	+1.264	+2.532	-.699	-.125	
23) Danish Krone (CM...	6.6627	+0.0083	5:31	-.125	-1.649	+1.253	+2.436	-.818	-.125	
24) Canadian Dollar (...)	1.2984	+0.0006	5:32	-.046	+4.760	+2.426	+1.810	+1.194	-.046	
25) Japanese Yen (CM...	108.65	+.06	5:32	-.064	+1.353	+.359	-.884	-.156	-.064	

%Chg Calculated As Appreciation Vs Base Currency (XDF)

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000  
 Copyright 2019 Bloomberg Finance L.P.  
 SN 291768 H184-168-3 01-Jan-20 5:32:02 HKT GMT+8:00

# Almost all recent developments have been US\$ bearish

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- **Change in Fed policy** => US\$ bearish
- **Brexit deal** => US\$ bearish
- **Trade deal** => US\$ bearish
- **US politics** => US\$ bearish

*Depending on how the presidential campaign goes, 2020 could well be the year when the US stops being the world's 'cleanest dirty shirt'. Instead, the US becomes the equivalent of bell-bottom pants, Abba albums, and monoskis. Something everyone had to have, and then five years later, were embarrassed about.*

---

## **#3 Surprise of 2019: a third of global outstanding debt moves into negative yield**

# This is the biggest bubble in History



**This current bubble, like all of its predecessors, rests on two pillars**

**It's different this time  
/ It's a new paradigm**



**The difference this time is the  
DDD: 1) Demographics, 2) Debt &  
3) Deflation!**

**Some other sucker  
will buy this worthless  
paper from me at a  
higher price later on**



**The sucker this time are the  
central banks, who will continue to  
buy any bond thrown their way**

***Key bubble belief: bonds are 'unique'; the more bonds we issue, the higher their price should be. Law of supply and demand does not apply!***



# Belief in non-existent inflation has led to dumb-bell portfolio outperformance

## **Growth stocks:**

*Because the global growth environment is weak, and because there is no inflation, let's buy overvalued growth stocks*



## **Government bonds:**

*Still, the risk remains that we have a growth shock (China implodes? Euro growth tanks, Brexit...). So let's hedge our overvalued growth stocks with overvalued bonds!*

***However, given current valuations, both sides of the dumbbell portfolio are a bet on interest rates heading lower – and this at a time when interest rates are already in deep negative territory across most of the developed world!***

# In a world with no growth, you pay up for growth where you can find it

## Top ten market caps: how often do winners stay on top?

1980		1990		2000		2010		2019 - June	
	IBM	●	NTT		Microsoft		Exxon Mobil		<b>Microsoft (1035bn)</b>
	AT&T	●	Bank of Tokyo-Mitsubishi		General Electric		PetroChina		<b>Amazon (936bn)</b>
	Exxon	●	Industrial Bank of Japan	●	NTT DoCoMo		Apple Inc.		<b>Apple (913bn)</b>
	Standard Oil	●	Sumitomo Mitsui Banking		Cisco Systems		BHP Billiton		<b>Google (766bn)</b>
	Schlumberger	●	Toyota Motors		Wal-Mart		Microsoft		<b>Facebook (538bn)</b>
	Shell	●	Fuji Bank		Intel		ICBC		<b>Alibaba Group (421 bn)</b>
	Mobil	●	Dai ilchi Kangyo Bank	●	NTT		Petrobras		<b>Tencent Hlgs (421bn)</b>
	Atlantic Richfield		IBM		Exxon Mobil		China Construction Bank		Johnson & Johnson (371bn)
	General Electric	●	UFJ Bank		Lucent Technologies		Royal Dutch Shell		JP Morgan Chase (360bn)
	Eastman Kodak		Exxon		Deutsche Telekom		Nestlé		Exxon Mobil (320bn)

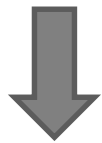
Prominent beliefs :  
Peak oil,  
US businesses are  
just better run

Prominent beliefs :  
Japan will take  
over the world

Prominent beliefs :  
It's different this  
time; US is big TMT  
boom winner

Prominent beliefs :  
Peak oil,  
China taking over  
the world

US is cleanest dirty  
shirt & tech will  
deliver growth  
thanks to monopoly



Underweight USA  
Underweight Energy

Underweight Japan  
Underweight Banks

Underweight USA  
Underweight TMT

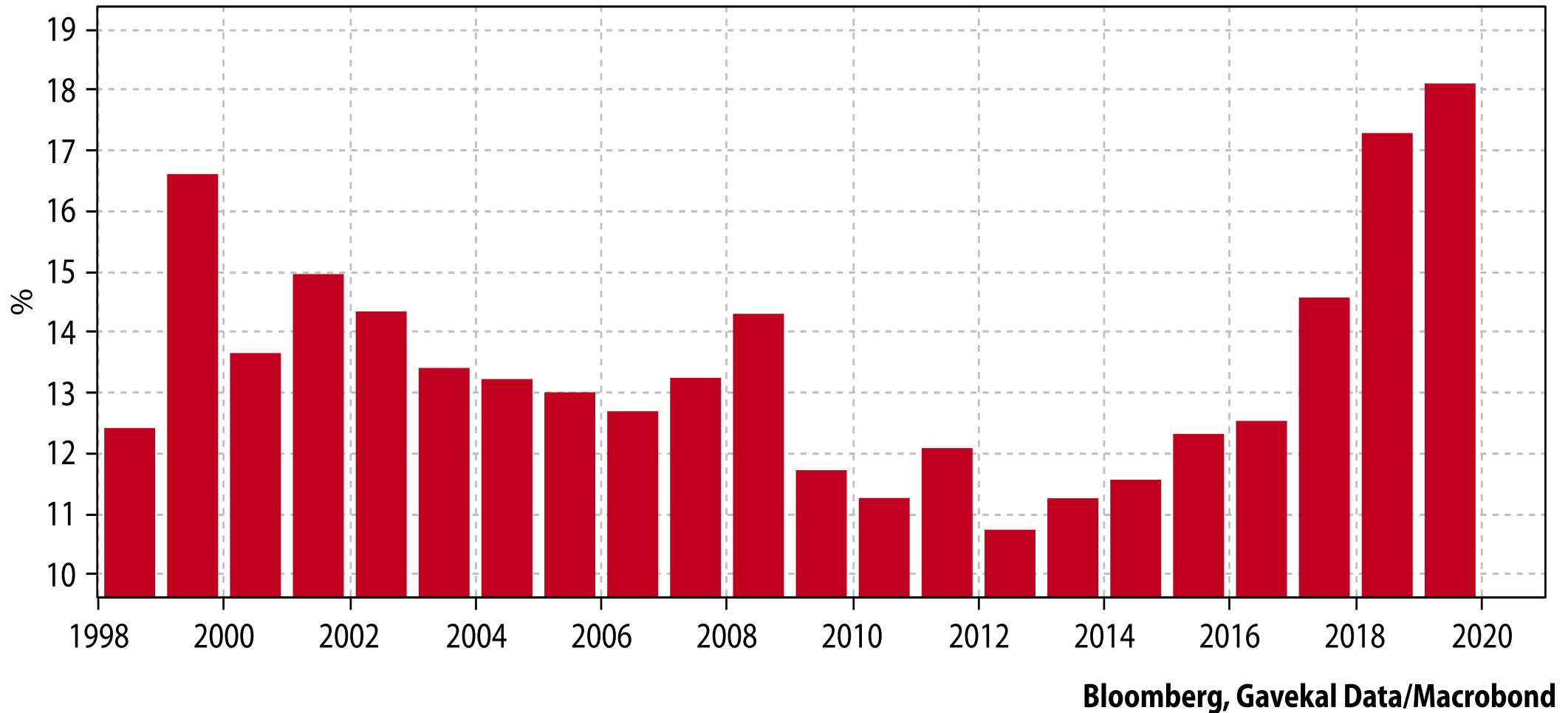
Underweight China  
Commodities

**Fifth time is the  
charm?**

# Is the current set-up healthy?

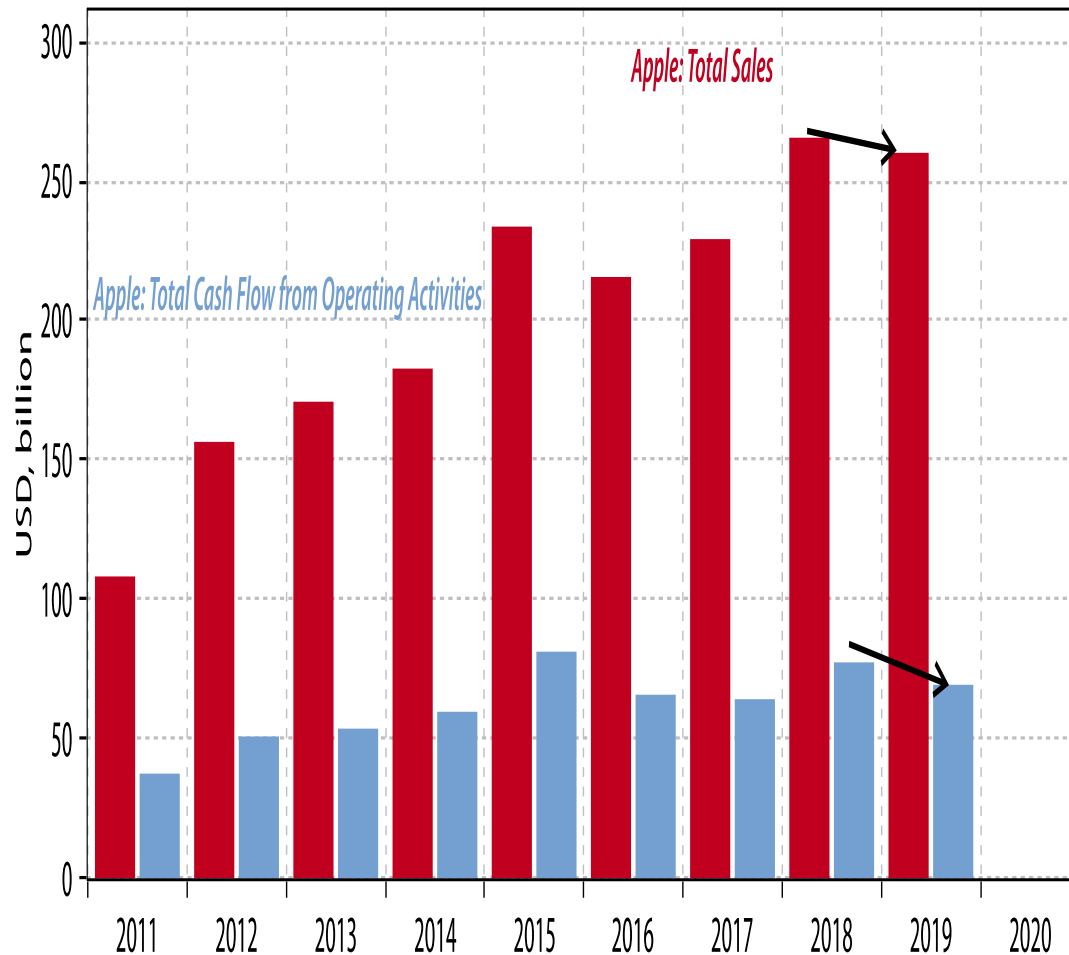
## The size of the top five firms in the S&P 500 top is historically high

Total market cap of S&P500 top-five names as a share of S&P500 market cap



# Apple in 2019: falling sales, falling cash flows, share price +85%

## Apple Annual Sales & Cash Flow from Operations



Gavekal Data/Macrobor

## Apple, Apple Market Cap, USA MSCI

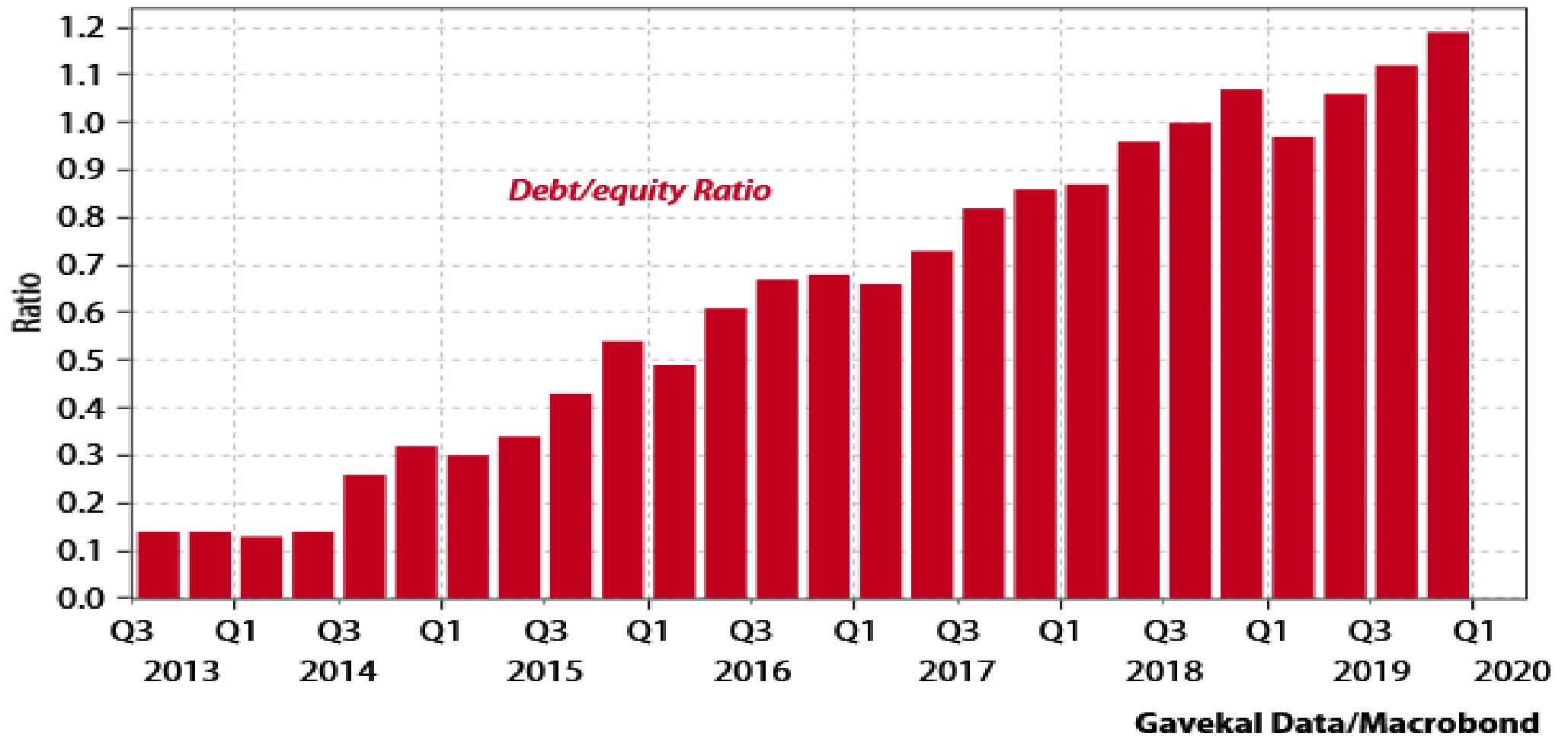


Gavekal Data/Macrobond

# Part of this has been buy-back driven

## An American story

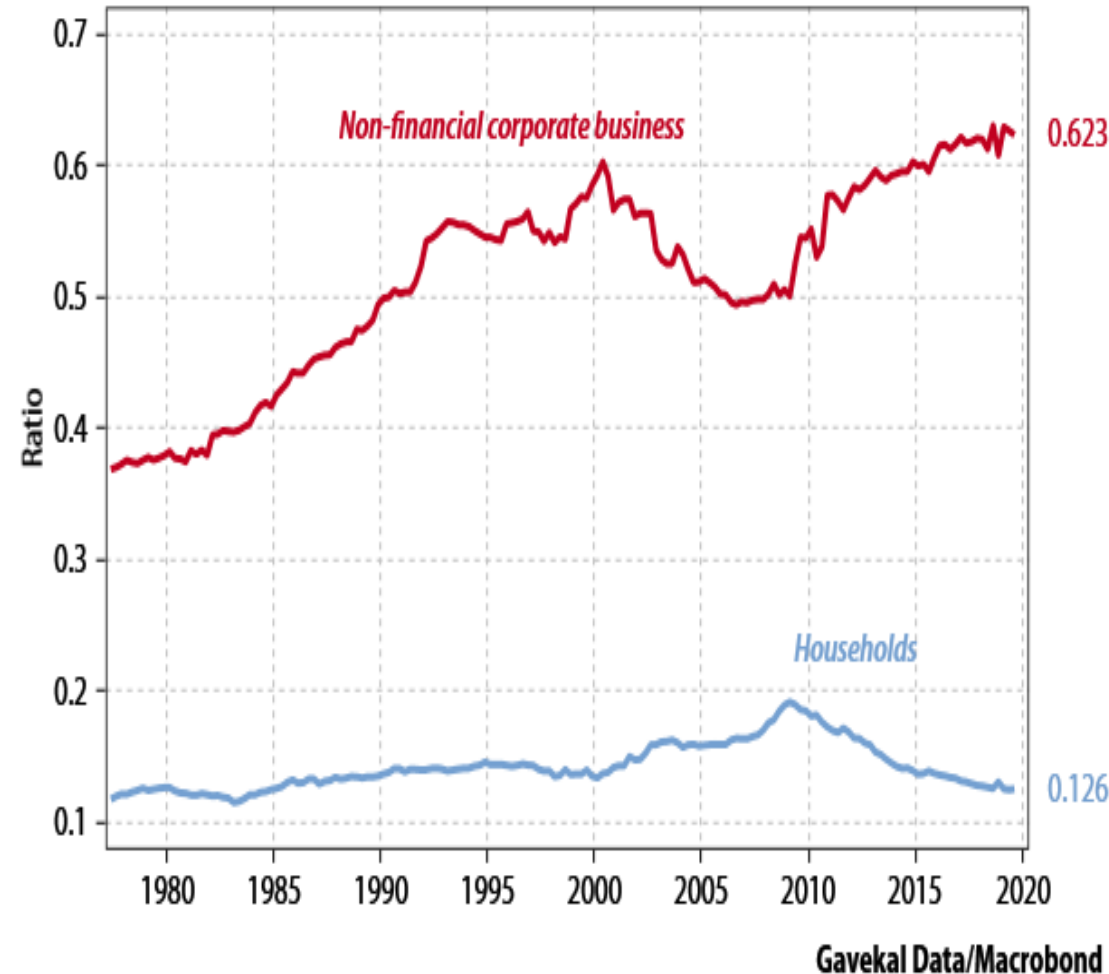
Apple's debt/equity Ratio



# The one concern for the US economy is the expansion of corporate debt

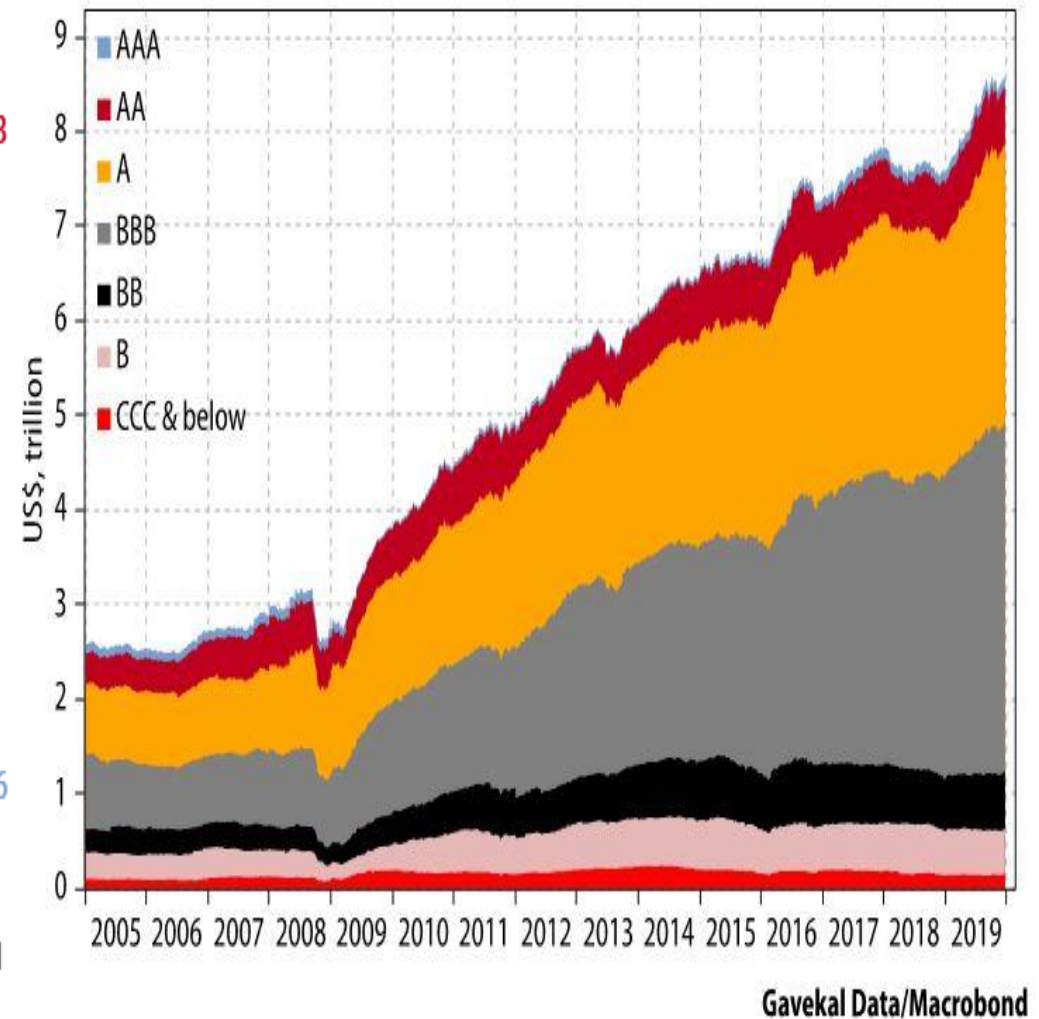
## US households and companies diverge in their debt habits

Leverage (liabilities/assets) in the US; households and corporations



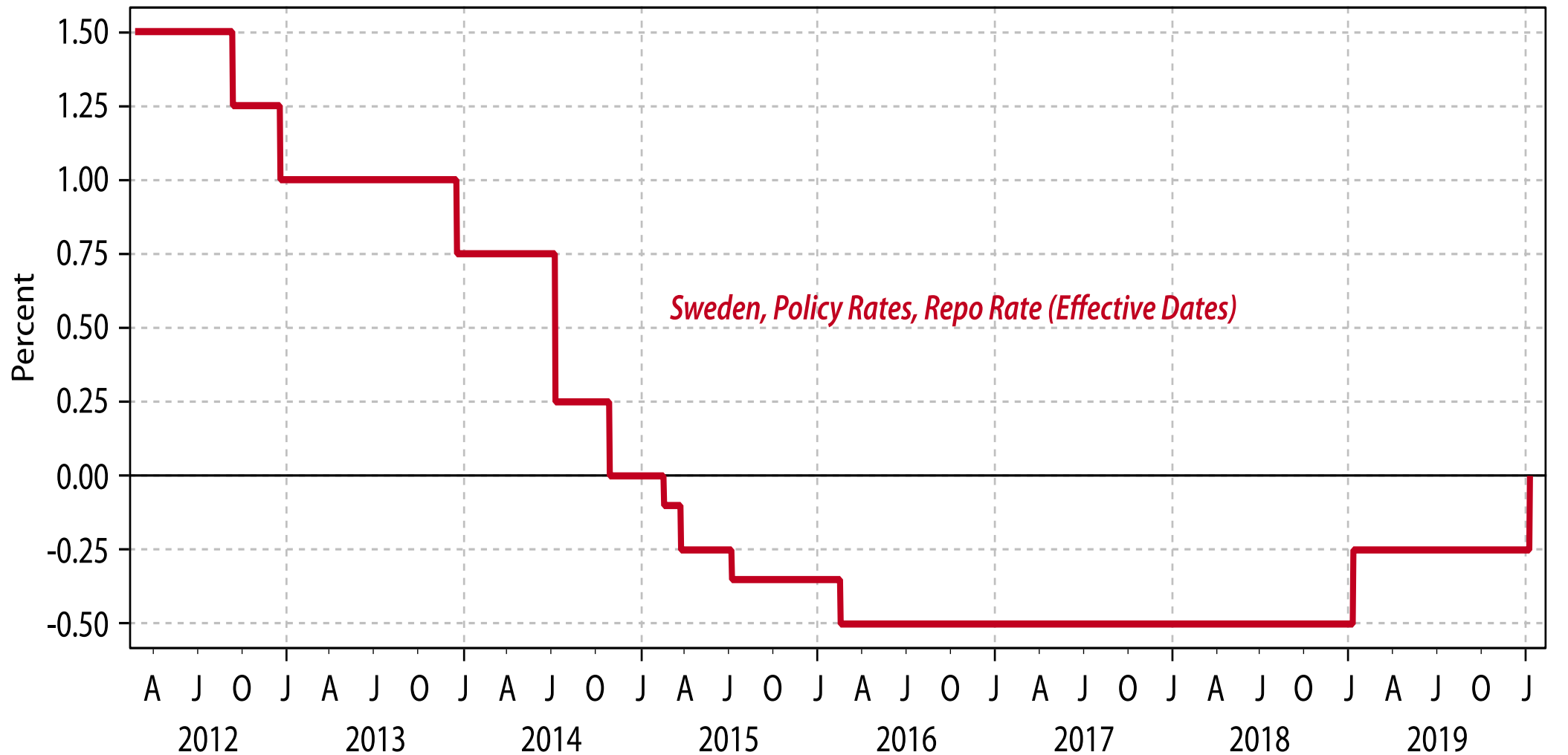
## The size of corporate debt one rung above junk has never been greater

Market capitalization of US corporate bonds by credit rating



# But could environment be changing: Riksbank abandons NIRP

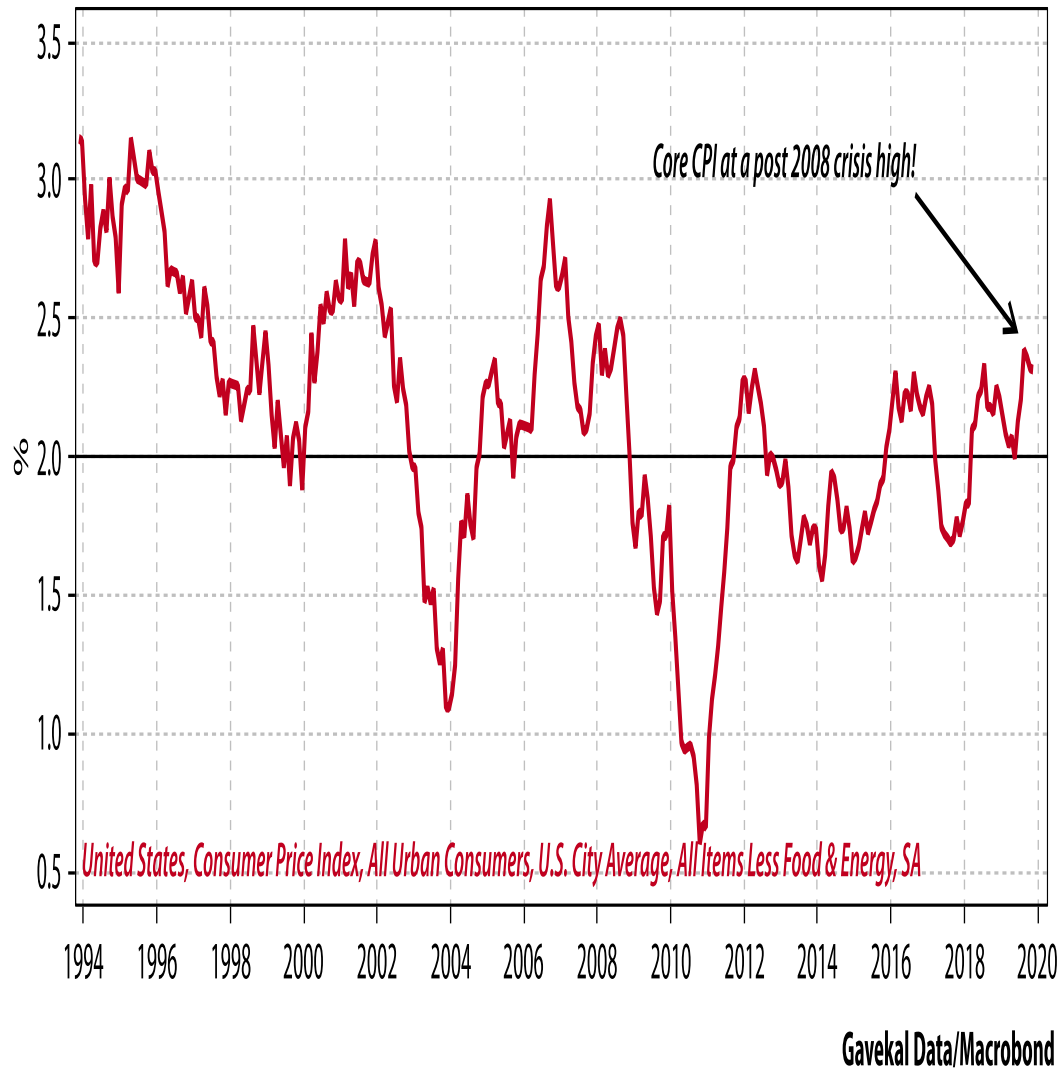
## Sweden, Policy Rates, Repo Rate (Effective Dates)



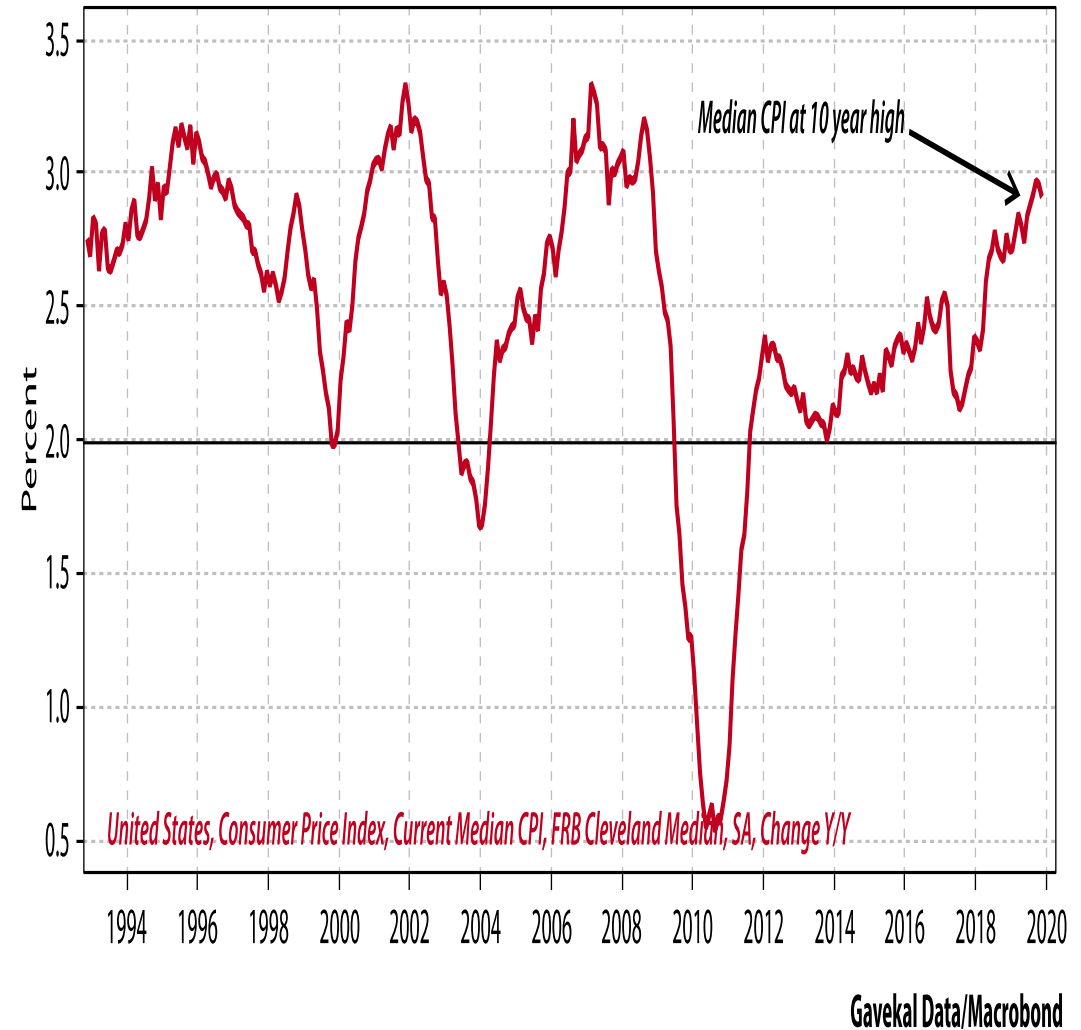
Gavekal Data/Macrobond

# Inflation is at a decade high, in spite of strong US\$ and plentiful energy

United States, Consumer Price Index, All Items Less Food & Energy, SA



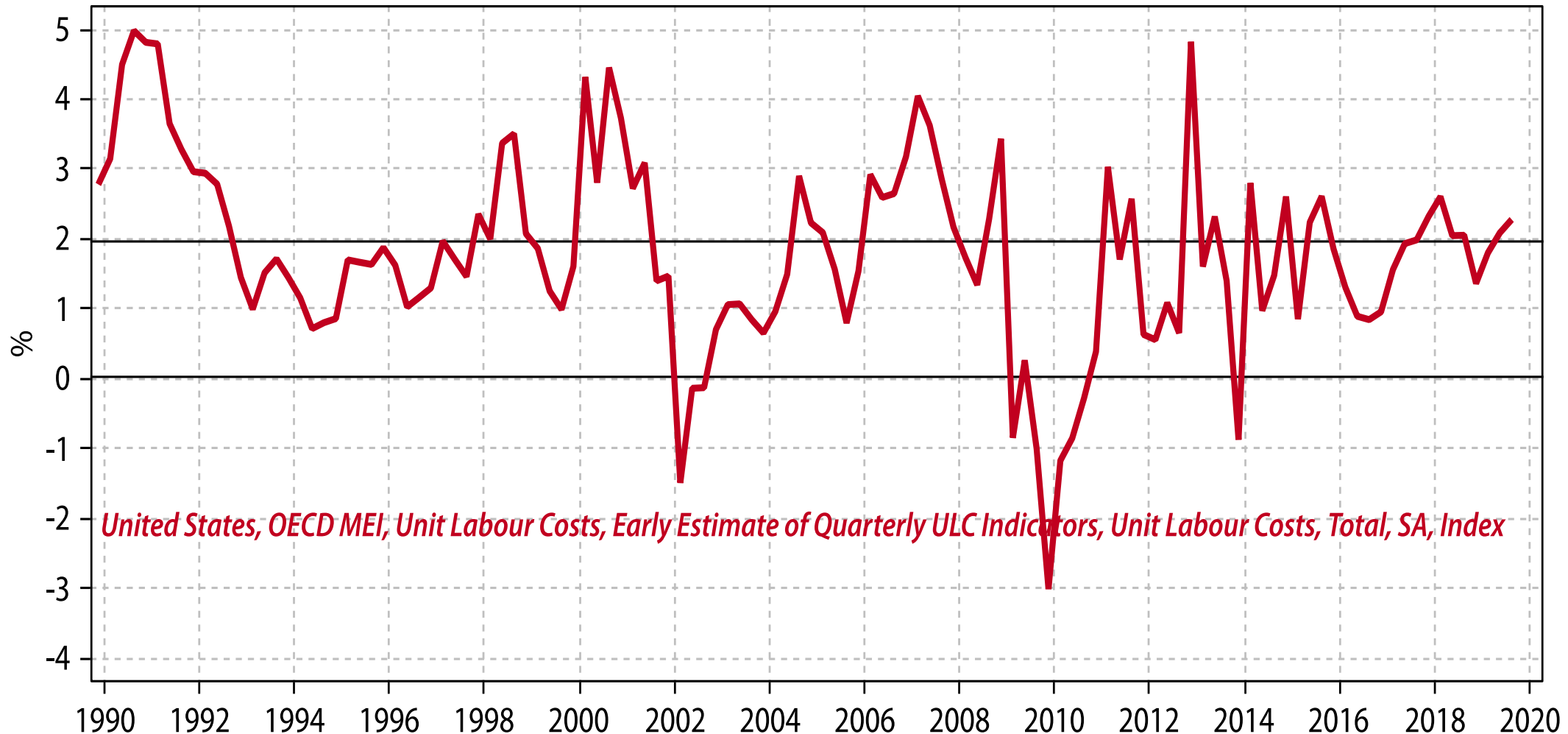
United States, Current Median CPI, FRB Cleveland Median, SA, Change Y/Y





# Strong US\$, weak global growth, weak manufacturing... ULC at 2.51%?

## United States, Unit Labour Costs, YoY % Change



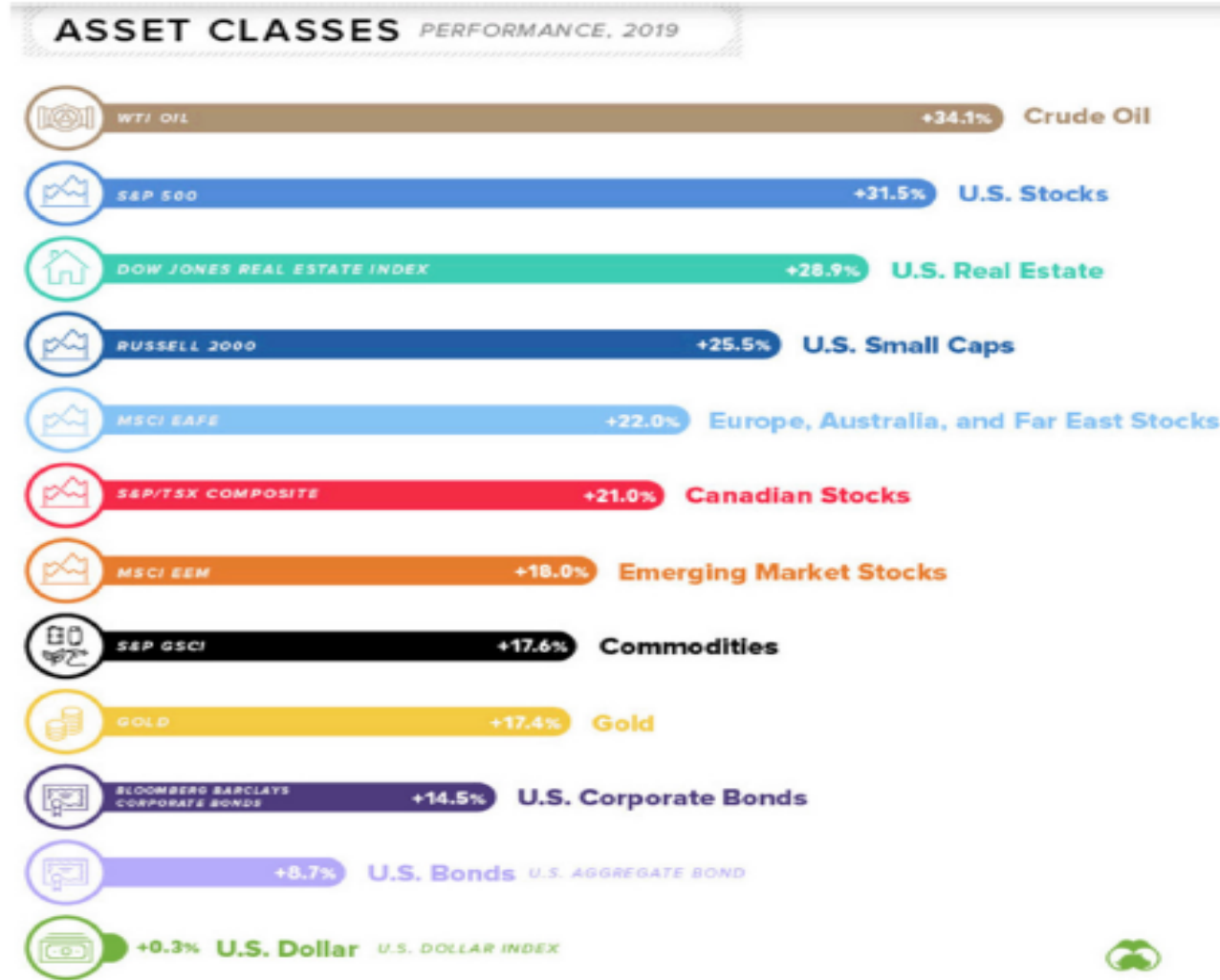
*United States, OECD MEI, Unit Labour Costs, Early Estimate of Quarterly ULC Indicators, Unit Labour Costs, Total, SA, Index*

Gavekal Data/Macrobond

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## **#4 Surprise of 2019: oil and energy investing**

# Which major asset class outperformed the S&P 500 in 2019?

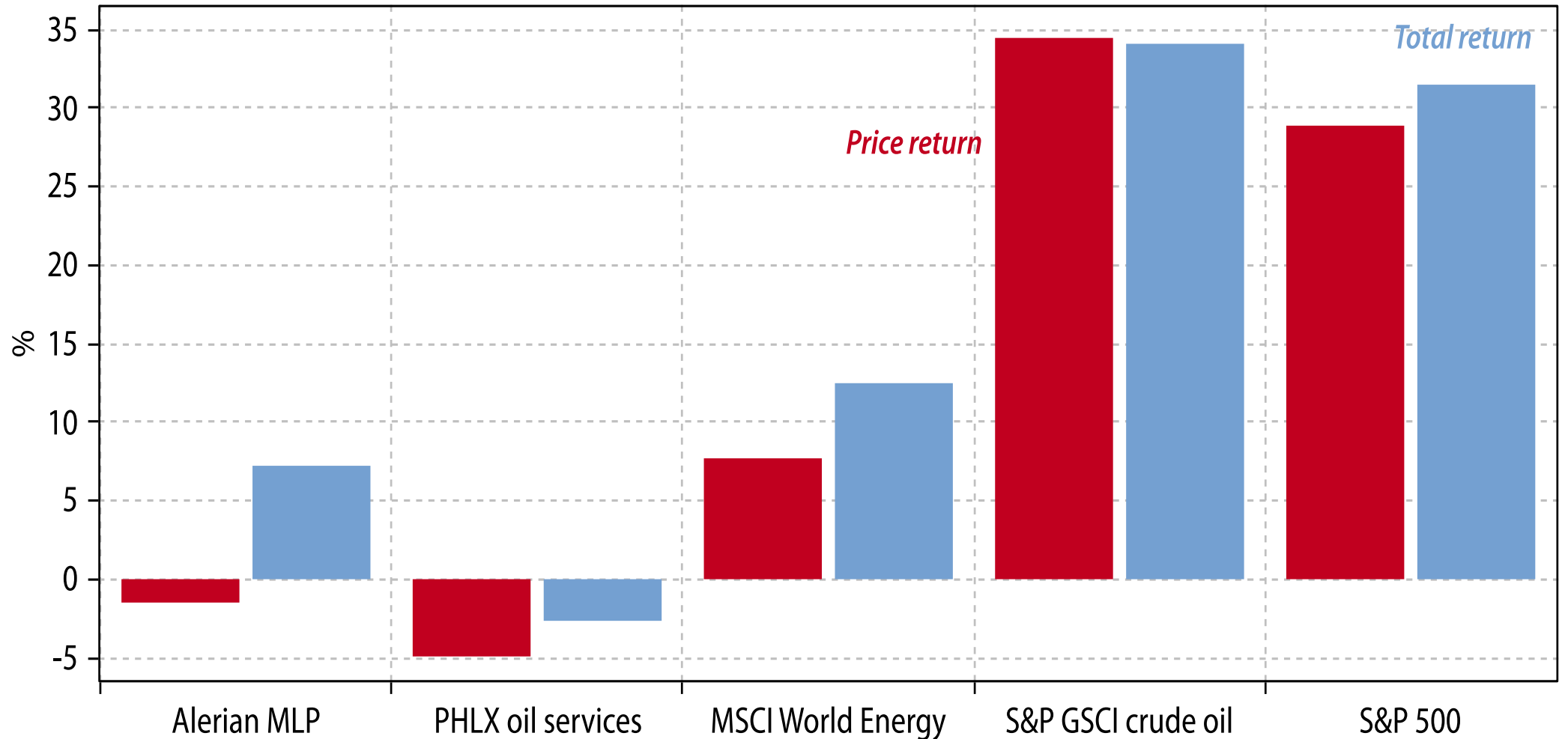


Note: all indices here (i.e. S&P 500, Russell 2000, etc.) are using total returns, with dividends re-invested.

Source: [Visual Capitalist](#)

# Though you wouldn't know it looking at energy stocks!

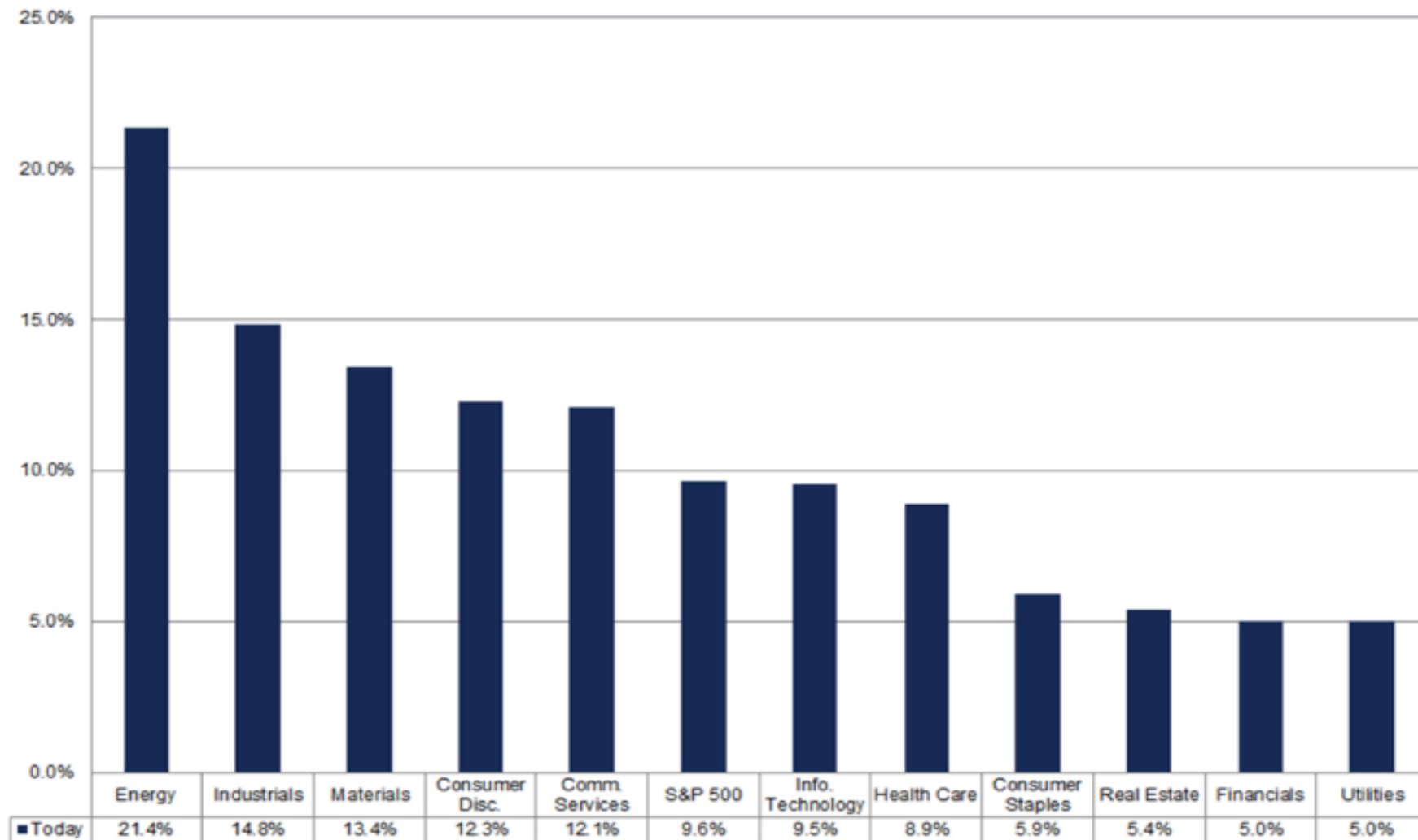
## Soaring crude prices did little for energy equities



Bloomberg, Gavekal Data/Macrobond

# Dismal performance in spite of solid EPS growth outlook

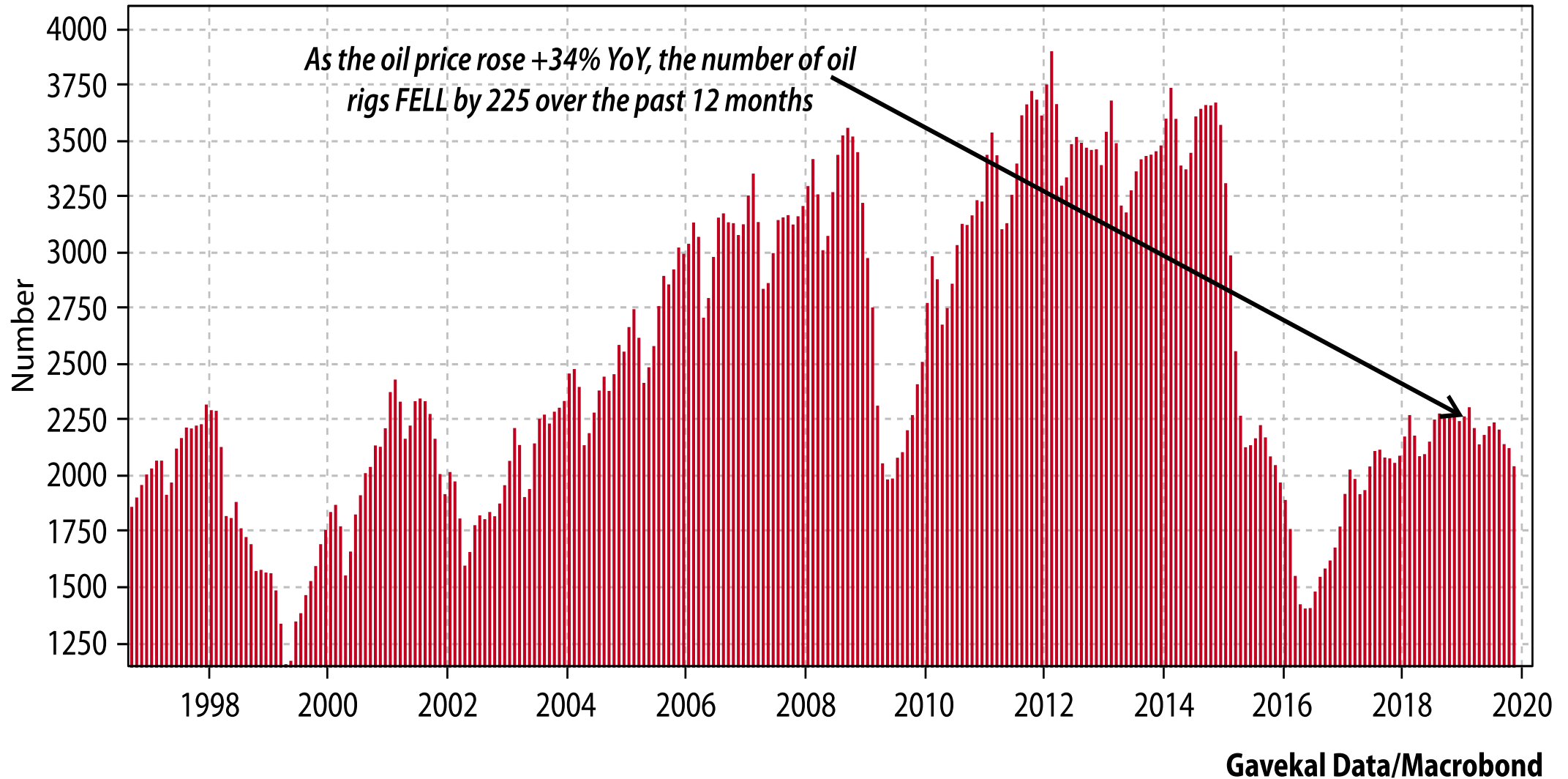
**S&P 500 Earnings Growth: CY 2020**  
(Source: FactSet)



Source: [FACTSET](#)

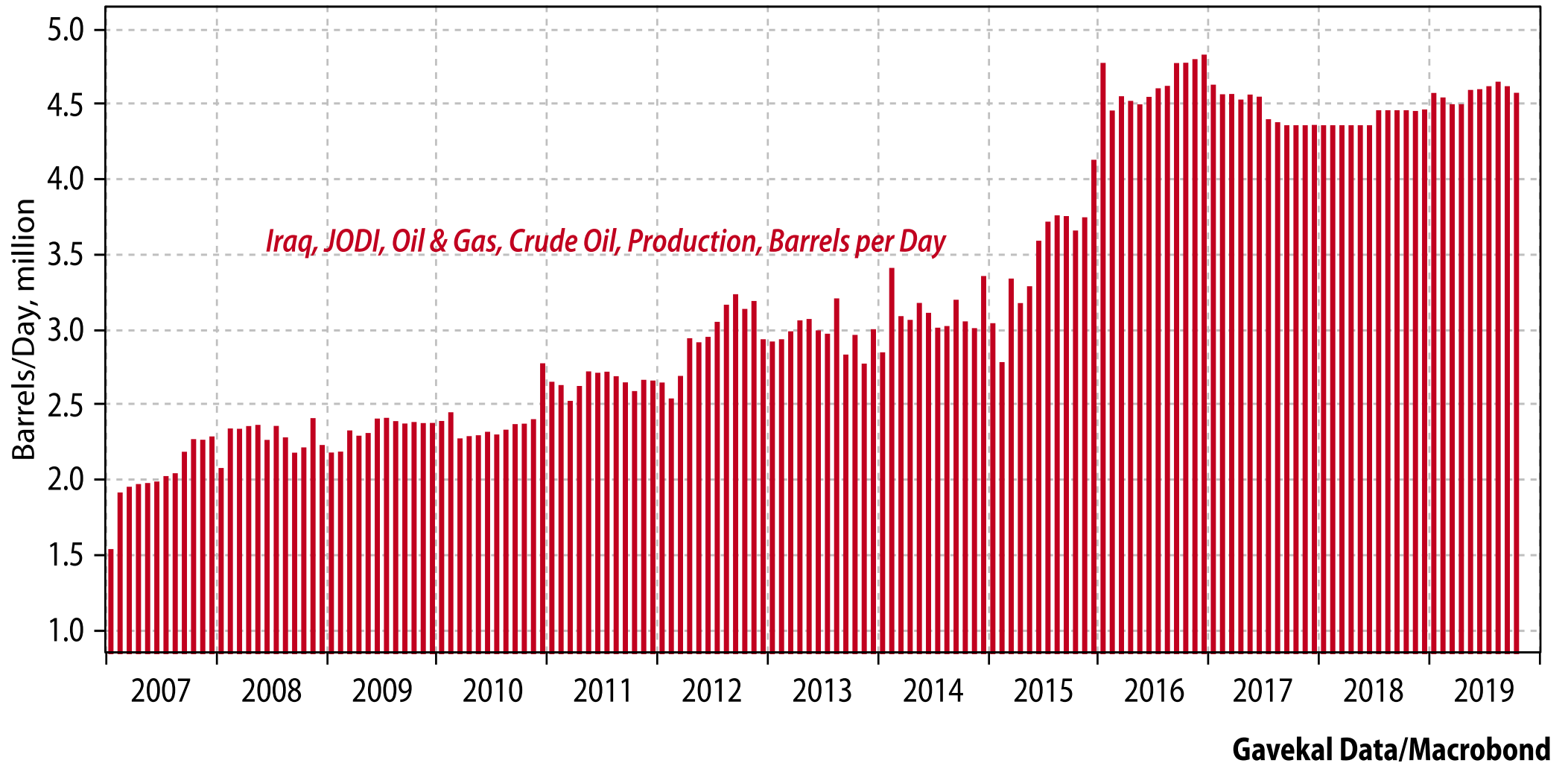
# Begging the question: has energy now become un-investible?

## Oil rigs in activity around the world



# The upside risk on oil: renewed Iraq civil war?

## Iraq Crude Oil Production, Barrels per Day



# As investment into energy crumbles, what will happen?

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- **Will oil prices collapse?** With investments in production falling everywhere, and given the current reflationary efforts of global central banks and finance ministries all around the globe (ex China) this seems unlikely. In order to see lower energy prices, we would either need a revolution in supply, a significant change in consumption behavior, or an economic crisis...
- **If oil prices do not collapse, then profits within the energy sector will likely turn out to be stronger than almost any other sector?**
- **Will rising EPS growth within the energy industry trigger automatic buying from algos?** Perhaps. Or perhaps not? Perhaps many institutions have excluded energy stocks from their potential investment target lists?
- **If share prices do not rise, we will likely witness a wave of M&A, LBOs, MBOs and private equity take-overs in the energy sector.** This seems like the path of least resistance... Except that debt funding for energy plays is increasingly unavailable.



# Will 2020 be the year of the energy price break-out?

## World, Crude Oil, WTI Global Spot



Gavekal Data/Macrobond

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**Are we entering the 'late cycle'?**

# We enter the 'late cycle' when scarce resources become constrained

---

- **The first scarce resource is oil:** Here, somewhat amazingly, we may have chosen to organize a shortage for POLITICAL reasons. For now, oil remains within its recent trading range. But we are bouncing along the upper range...
- **The second scarce resource is labour:** Here, after 20+ years of deregulation, de-unionization, and globalization, a number of countries (not least of which the US) seem intent on re-organizing a SHORTAGE of labour... and this at a time when unit Labour Costs are already rising at decade highs. So just like for oil, we are bouncing along the upper range, and 2020 could well be the year when we break out on the upside.
- **If oil breaks out, and labour costs break out, how will policy-makers respond?** In the past, such a combination would have triggered tighter fiscal and tighter monetary policies. But today, policy-makers seem quite intent on taking a step back and letting inflation run ahead. **In turn, this raises the question of whether we can be in a "late cycle" if central bankers continue to sit on their hands?**

# So what does all this mean for portfolios? Currencies

---

- The US\$ is done rising and could well have started a decline which, given the US fiscal situation, could be challenging to arrest. **Sell the US\$**
- Meanwhile, China at this juncture is the only major country not stimulating aggressively, and the only major country that likely wants to see its currency move higher in 2020. **Buy the RMB**
- A strong RMB is usually good for the broader Asian and EM space. With that in mind, **most EM currencies should have a solid 2020**
- If, as we believe, 2020 will witness more attempts at capital opening from China, this should be good for the **AUD, CAD, Gold...**
- The GBP remains the cheapest major currency out there. And Britain leaving the EU will allow the UK to go through a deregulation boom. **Buy the GBP**
- In a risk-on world, there are few reasons to own the JPY. The JPY has been the worst performing currency over the past three months and could well keep that crown in 2020...

# So what does all this mean for portfolios? Fixed Income

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- In a world where China is both a) the only country not stimulating aggressively and b) likely to increase the availability of domestic assets to foreign investors, there is a genuine risk of a melt-up in Chinese bonds. **Buy China fixed income**
- In a world in which the US\$ stays flat or goes down, and a world in which the Fed actively injects tens of billions of liquidity into the system every week, there is every reason to reach out and grab the higher yields offered by **EM local currency debt**.
- Perhaps the single most important development of 2019 that no-one talked about was the announcement by the Swedish Riksbank that NIRP had been a failure, and that consequently, Sweden would move back to pushing its term structure of interest rates back into positive territory. Such a realization represents a real danger for EMU bonds and Japanese bonds. **Sell German Bunds and Japanese government bonds**.
- Perhaps the greatest risk to the unfolding liquidity driven bull market in almost every asset is that corporate spreads in the US start to widen. This could happen because of the lack of counter-parties, liquidity skews, or plain old bankruptcies. Nonetheless, one has to admit that, so far, waiting for wider spreads has been akin to waiting for Godot.
- With inflation the main risk in the system, **TIPS are a better bet than UST**.

# So what does all this mean for portfolios? Equities

---

The rotation from growth to value, and from US to international, failed to materialize in 2019. Will 2020 be any different? The answer to that question will be determined by:

- 1. The direction of the US\$:** a breakdown of the US\$ below 95 on the DXY should trigger the rotation in earnest. The fact that gold has lately started to break out leads us to believe that this may happen sooner rather than later.
- 2. The shape of yield curves:** if yield curves continue to steepen (our belief), then financials should outperform everywhere. Given their relative weights, this would help international markets relative to the US. Needless to say, a move away from NIRP would only accentuate this trend.
- 3. The direction of energy:** somewhat oddly, just as the US become the world's #1 energy producer, the weight of energy in the S&P 500 fell to all time lows. Meanwhile, if energy (and other commodities) continue to rally, this should be good news for a number of Emerging Markets.

I am bullish financials, bullish Emerging Markets, bullish Europe, bullish energy, bullish deep cyclical, bullish Japanese equities.



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*“Making the healthcare system more efficient with Digital Health”*

*Stefan Blum, Senior Portfolio Manager*

*January 2020*

For professional investors only  
Marketing document



# Ever increasing demand for healthcare services meets a highly inefficient and wasteful healthcare system

## Demographics

Over-60s proportion of the population rising rapidly

2010

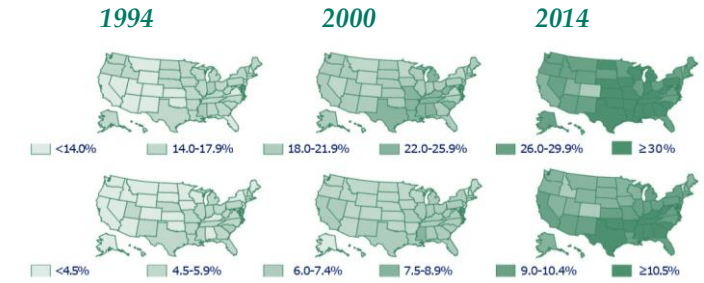
2050



Dark green: >25% of the population is older than 60 years

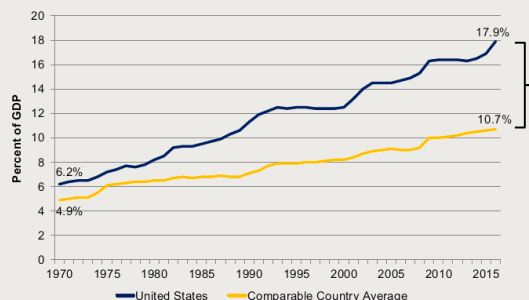
## Lifestyle changes

Dramatic rise of obesity and diabetes



Obesity (BMI  $\geq 30$  kg/m<sup>2</sup>) and Diabetes in the USA

Healthcare as a Percent of GDP



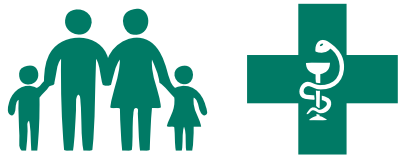
*US healthcare  
waste estimated  
at USD 300bn*

- 10% Failure of care coordination
- 11% Failure of care delivery
- 12% Administrative complexity
- 19% Pricing failures
- 22% Fraud and abuse
- 26% Overtreatment

# The healthcare system is hardly industrialized and among the least digitalized sectors

## Lack of transparency

Lack of transparency prevents patients to choose best price/quality option



Overtreatment and pricing failures

## Treatment cost too high

## Complexity drives shortage of medical staff

No automation

Data fragmentation



Low procedure standardization

## Variations in quality and high readmission rates

## Failure of care coordination

Absence of holistic patient management concepts



Insufficient patient interaction and communication

## Underserved chronic disease patients and the elderly

# *Digital technologies transformed our lives but care almost untouched by digitalization*



*Content*



*Community*



*Commerce*



*Care*

Google

facebook

amazon



# *New technology standards are now upending healthcare systems to achieve better care at lower cost*

## *New technology standards*



Internet of Things



Wearables



Mobile



Additive Manufacturing



Cloud



Big Data Analytics



Robotics



Augmented Reality



Sensors

## *Digital Health applications*

Telemedicine: Virtual doctor visits



Automated blood glucose monitoring



Robotic-assisted surgical procedures

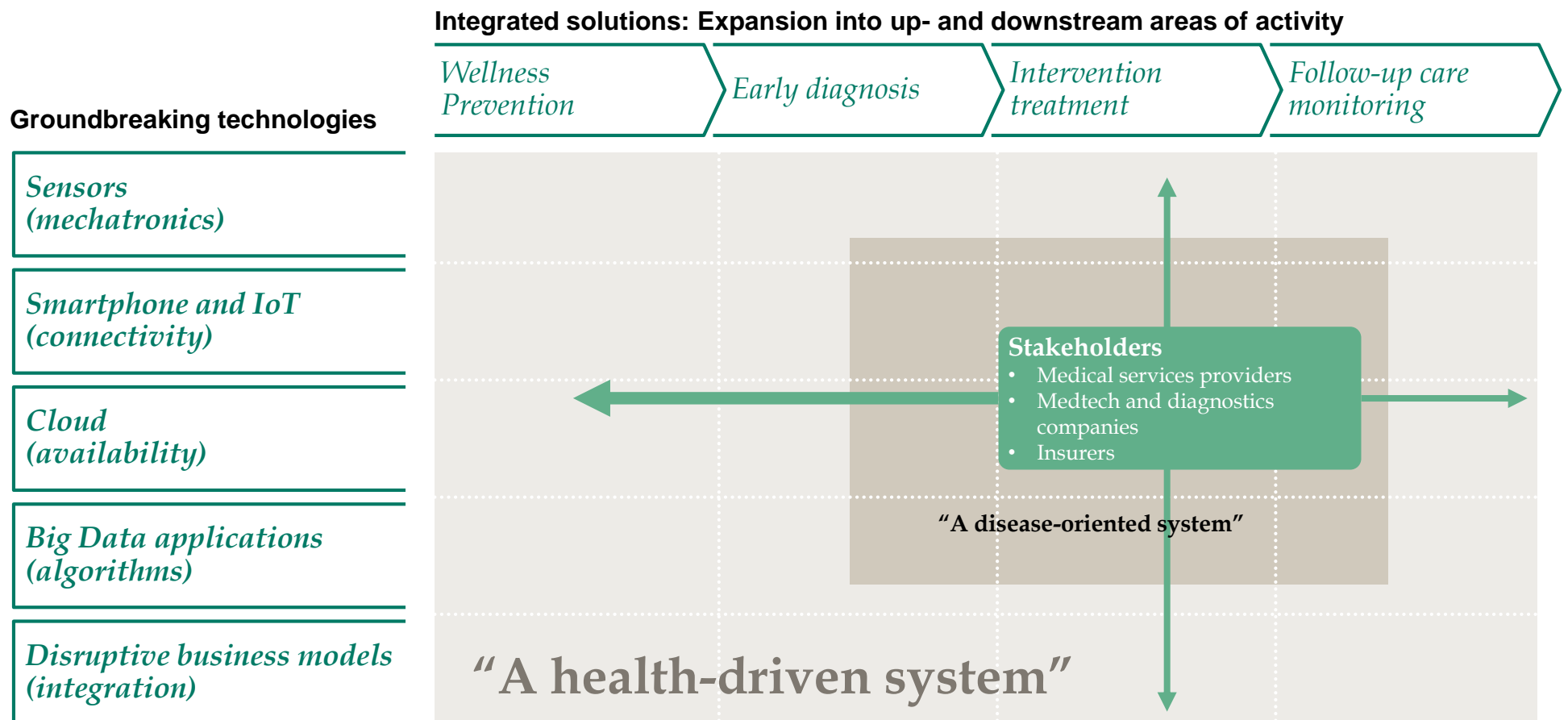


## *Boosting cost efficiency in the healthcare sector*

- **Smart medical devices**  
(e.g., continuous glucose sensors)
- **Advanced medical treatment methods**  
(e.g., robotic-assisted minimally invasive surgical procedures)
- **Virtual treatment models**  
(e.g., telemedicine “virtual doctor visits”)
- **Holistic patient management concepts**  
(e.g., management of insulin patients from a single source with treatment outcome responsibility)
- **Prevention of disease**  
(e.g., early screening)

# Groundbreaking technology is transforming healthcare systems and creating entirely new services

Comprehensive process optimization are replacing standalone silo approaches



# Telemedicine is the communication backbone of value based care model

Virtual treatment models optimize care workflow

## Summary

- Telemedicine provides patients with efficient and low-cost access through an app (voice and video-based), web and phone.
- Telemedicine is used by health insurers, employers, and health care facilities to provide medical care to patients and employees
- Differentiation through additional tele services as dermatology, behavioral health, medical expert opinion, etc.
- Teladoc Health is the largest US telehealth provider with 50,000 medical experts across 450+ specialties and a 50% market share now serves more than 12,000 clients (including 35 health insurers). For 2019, we estimate at least 25 million members and 3.6 million virtual doctor visits

## Virtual access to the healthcare system



Big Data Analytics



Mobile



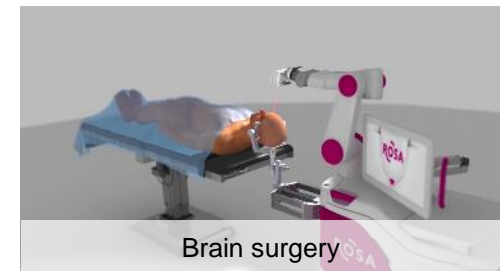
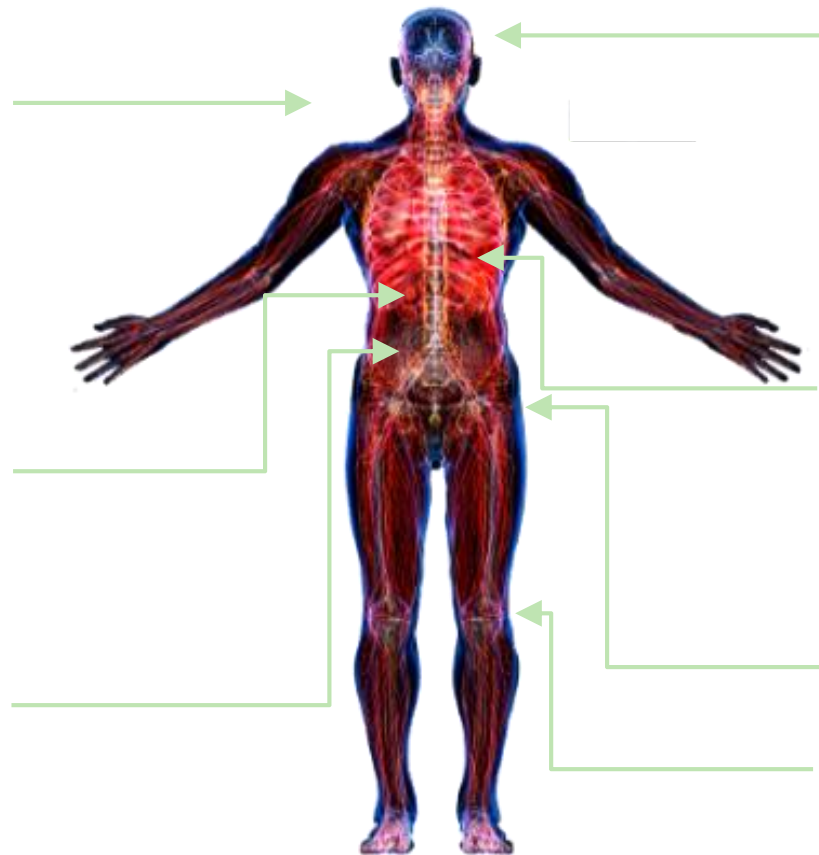
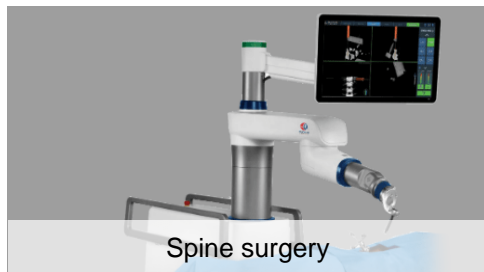
Cloud



# Advanced medical treatment methods

## Robotic-assisted minimally invasive surgery

Robots enable minimally invasive procedures with less trauma and better outcomes



## Advanced medical treatment methods

*Intuitive Surgical is the innovation leader in robot-assisted surgery and diagnosis*

### Da Vinci surgical robot



- The robot-based Da Vinci system for minimally invasive surgery is used for a wide range of procedures
- Average sales growth +18% (CAGR 2007-2019)
- 1.23 million procedures have been performed in 2019
- Installed base: 5572 surgical robots

### ION biopsy robot



- ION is a robot-assisted platform for minimally invasive lung biopsies
- Conventional lung biopsies still pose a mortality risk
- A CT scan is used to determine the lung structure in advance and imported into the ION system in order to ensure safe and precise removal of lung tissue
- We estimate the market potential for robotic lung biopsies at approximately USD 6 billion



Robotics



Cloud



Augmented Reality



Sensors





## Smart digital devices

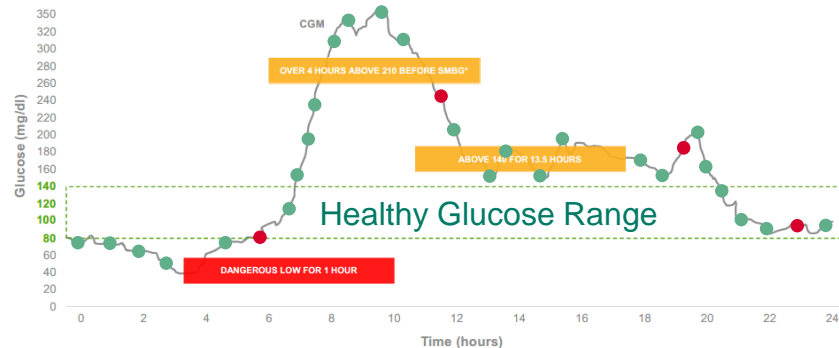
*Dexcom G6 is the quality leader for continuous glucose monitoring in real time*

### How does continuous glucose monitoring work?

- A small sensor measures the level of glucose under the skin in the interstitial fluid (fluid in the tissue)
- A transmitter which is connected to the sensor sends the glucose level to the patient's smart device every 5 minutes

### Intermittent monitoring is not enough

- Diabetes management is a constant balancing act
- 70% of the time patients are outside of the healthy range



### Dexcom G6 Mobile CGM-System



Big Data Analytics



Mobile



Cloud



Wearables

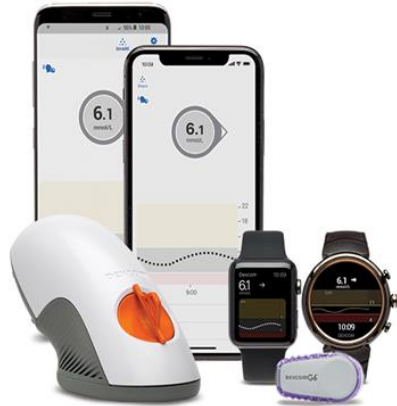


Internet of Things

## Today's continuous glucose monitoring systems

### Dexcom G6

QUALITY  
LEADERSHIP



### Abbott FreeStyle Libre

PRICE  
LEADERSHIP



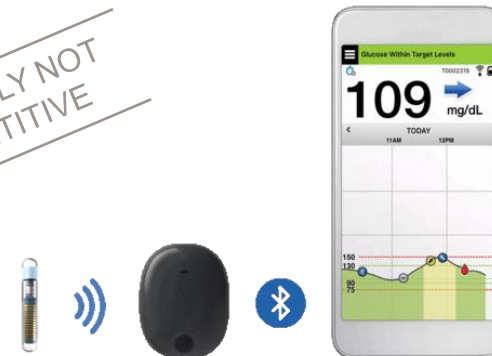
### Medtronic Guardian Sensor 3

CURRENTLY NOT  
COMPETITIVE



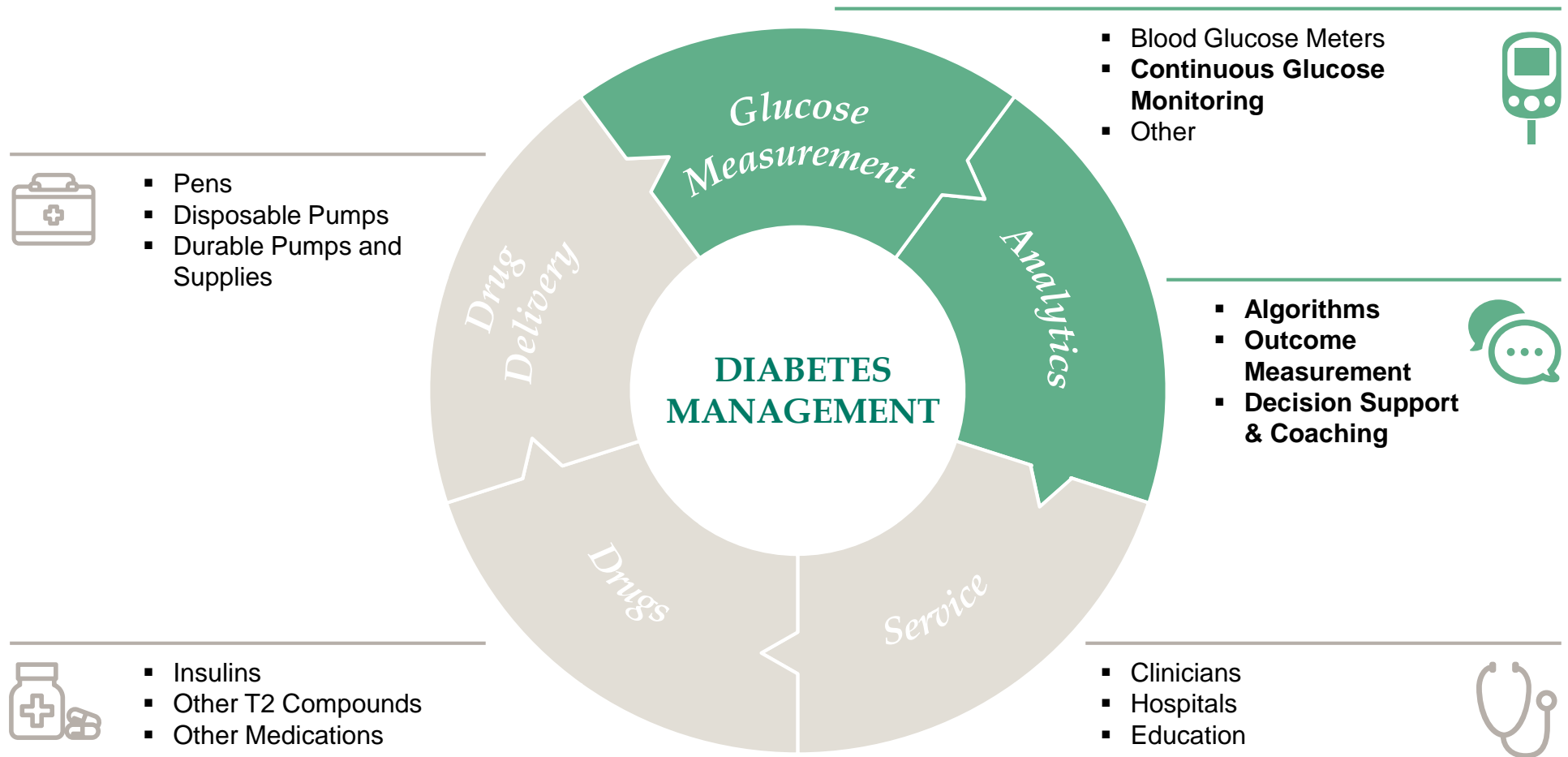
### Senseonics Eversense

CURRENTLY NOT  
COMPETITIVE



# Holistic patient management concepts for chronic diseases (like diabetes)

Body worn continuous glucose sensors enable 24h diabetes patient management



# Holistic patient management concepts for chronic diseases (like diabetes)

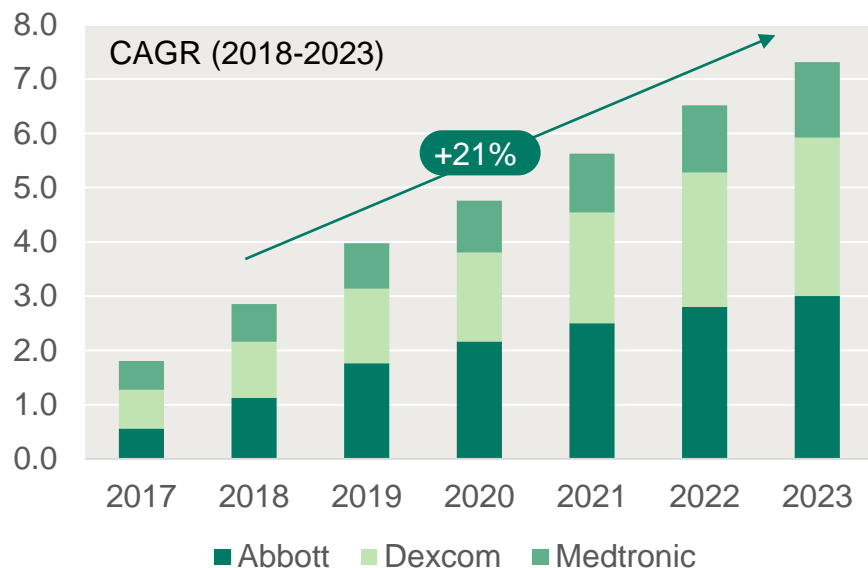
Networking sensors with insulin delivery devices and cloud integration create «the Closed Loop»



## The global market for glucose sensors and insulin pumps & hybrid closed loop systems could pass the USD 10bn threshold in 2023

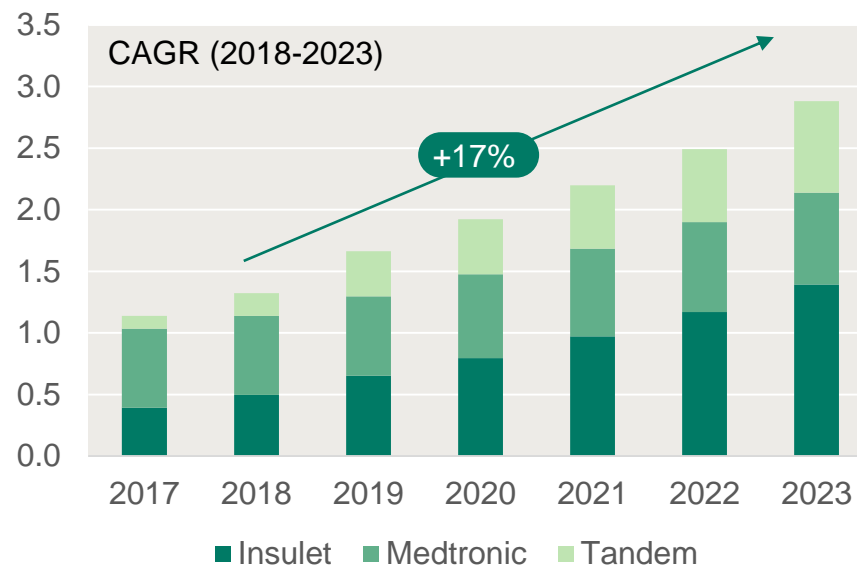
### Global market for continuous glucose monitoring systems

USD bn



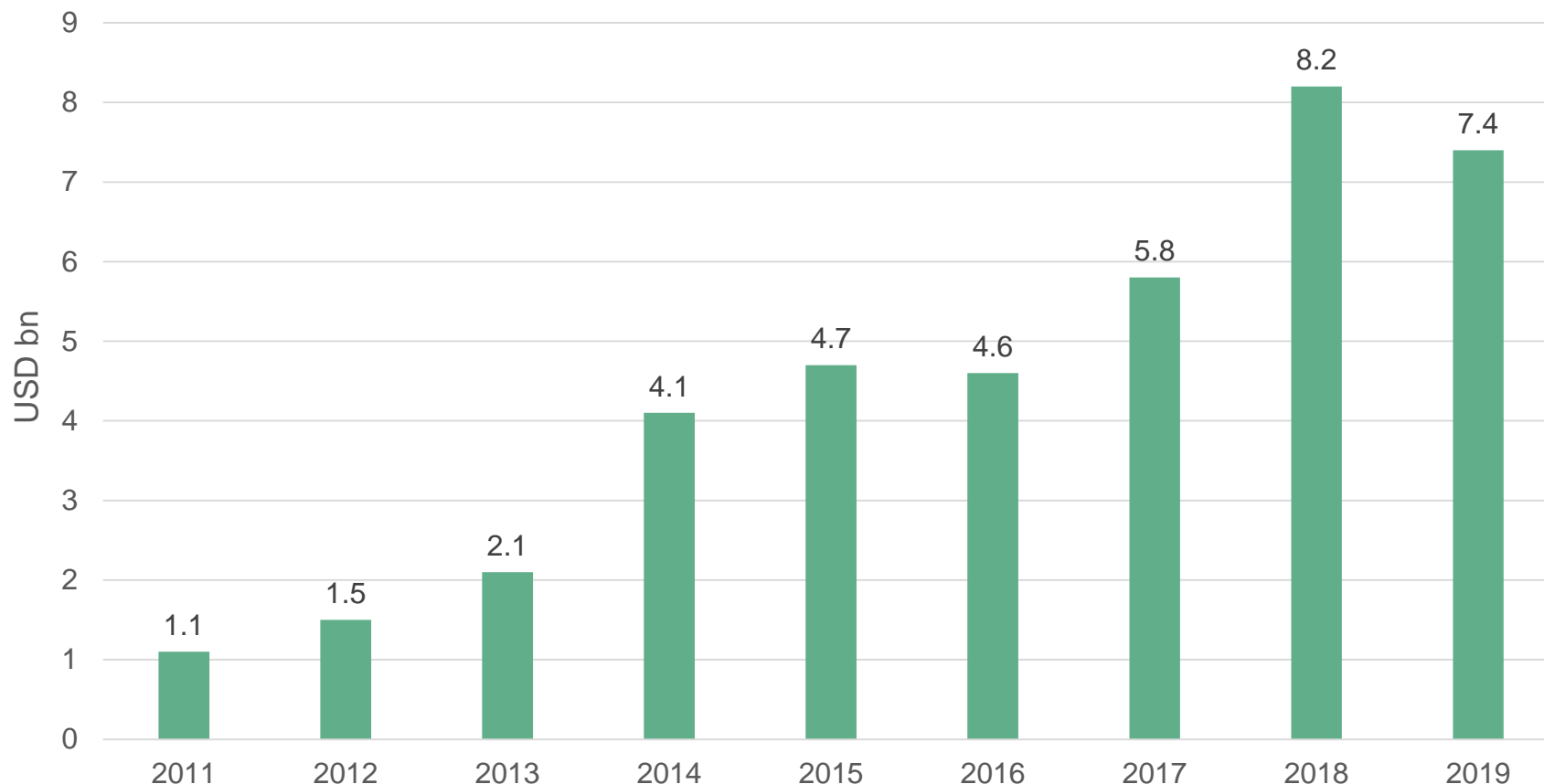
### Global market for insulin pumps and hybrid closed loop systems

USD bn



## *The amount of risk capital being invested in Digital Health is growing at a fast pace and spurring innovation: The IPO's of tomorrow*




*Risk capital firms have invested USD 40bn in over 1'600 Digital Health enterprises in the USA since 2011*



Source: rockhealth.com, funding deals > USD 2 million in the USA

Note: Two of the companies in the IPO class of 2019 - Peloton and Livongo - together raised USD 655mn back in 2018; this accounts for 80% of the difference in funding between 2018 and 2019

## Selection of Digital Health IPOs we participated in 2019

<i>IPOs launched in 2019</i>	<i>IPO price</i>	<i>Price end of December</i>	<i>Change in %</i>	<i>Market cap in USD mn</i>
	14	23.0*	+64.3%	419
	17	43.9	+158.2%	1365
	13	16.4	+26.2%	4151
	18	26.6	+47.8%	954
	26	34.7	+33.5%	1269
	28	25.1	-10.4%	2372

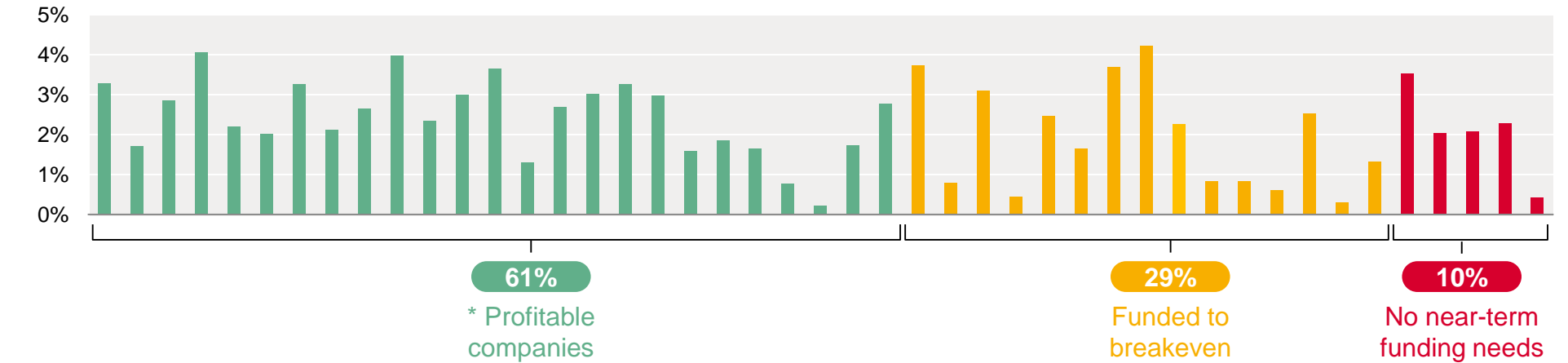


# BB Adamant Digital Health portfolio is focused on fast-growing digital health companies offering high prospective returns

## Portfolio characteristics



## Portfolio weightings

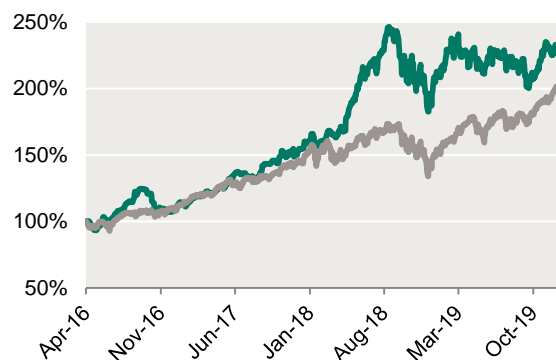


\* Including cash position  
Source: Bellevue Asset Management, as of September 2019, Large cap market cap > USD 10bn

## BB Adamant Digital Health – an out-of-benchmark expert's portfolio

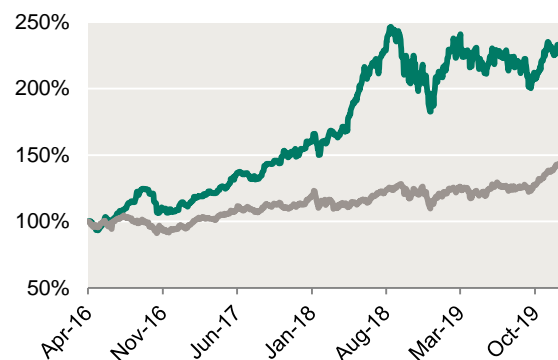
### Technology Investment

Digital Health Strategy vs. Nasdaq 100



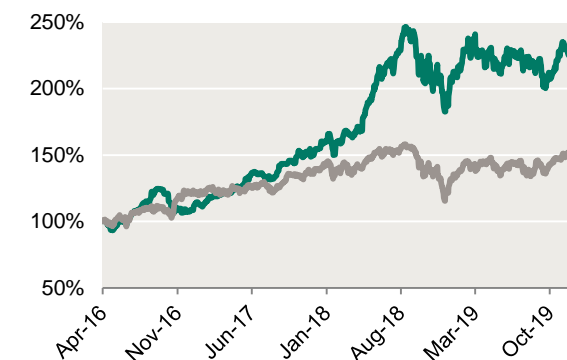
### Healthcare Investment

Digital Health Strategy vs. MSCI World HC

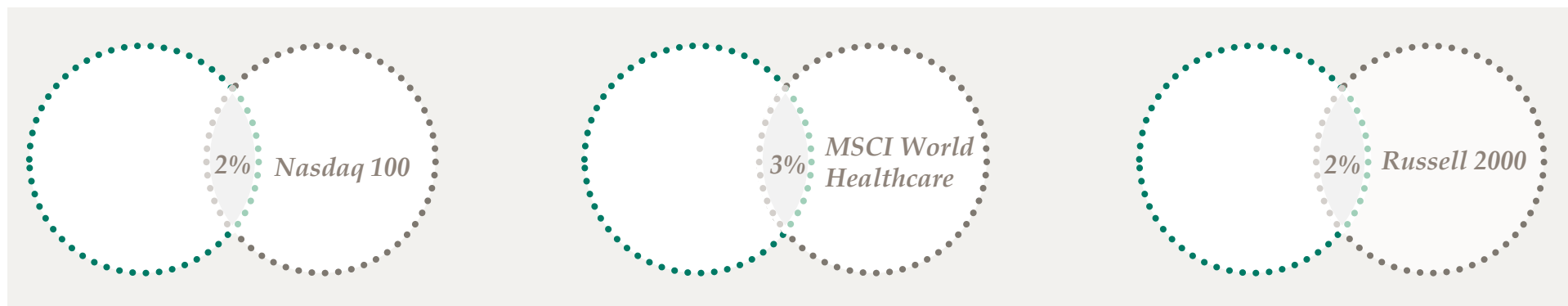


### Small- & Mid-Cap Investment

Digital Health Strategy vs. Russell 2000

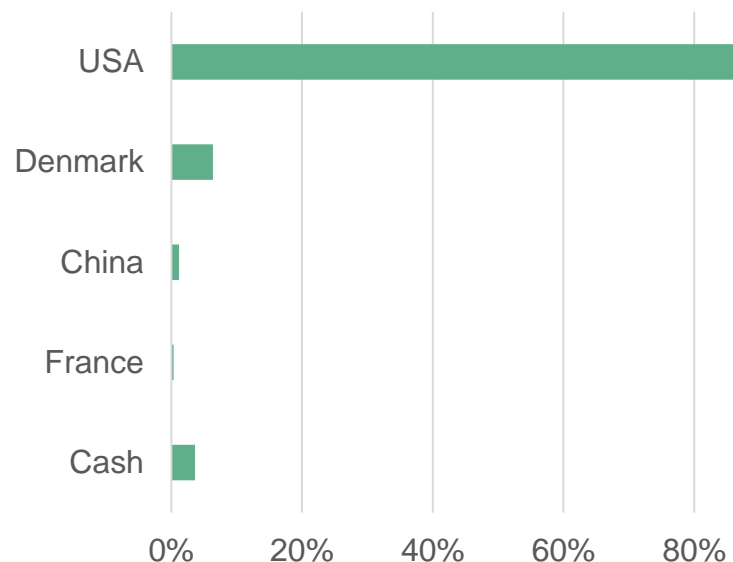


*There is hardly any overlap<sup>1</sup> between the fund's portfolio and the broad tech, healthcare or SMID universe*



## Top 10 positions and country allocation

<i>Holding</i>	<i>Country/Region</i>	<i>%</i>
Inspire Medical Sys.	United States	4.2 %
Globus Medical	United States	3.8 %
Intuitive Surgical	United States	3.8 %
Ambu	Denmark	3.4 %
Oxford Immunotec	Great Britain	3.3 %
Omnicell	United States	3.2 %
Glaukos	United States	3.2 %
Tandem Diabetes Care	United States	3.1 %
10x Genomics	United States	3.1 %
GN Store Nord	Denmark	3.0 %

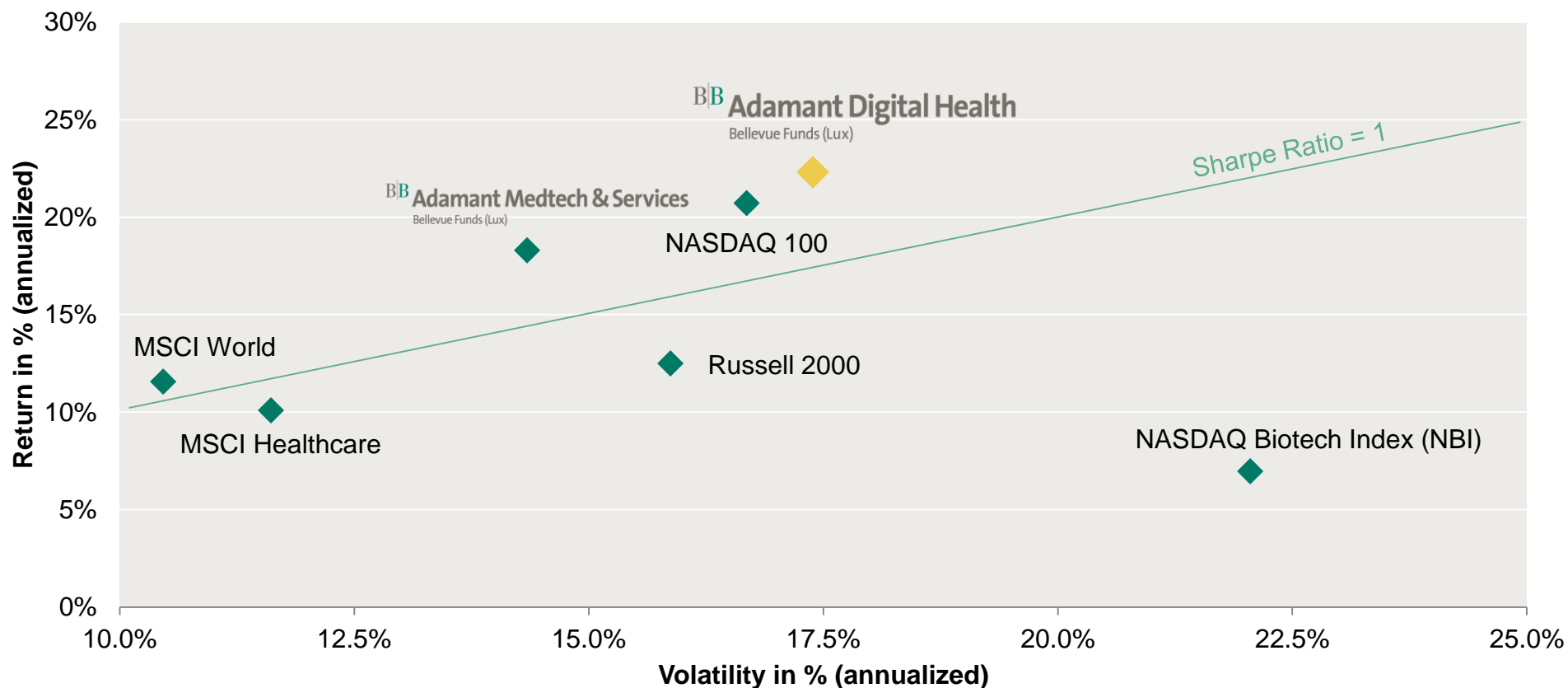


For illustrative purposes only. Holdings and allocations are subject to change. For more information about the risks please refer to the relevant section of this presentation and the Fund documents.

Source: Bellevue Asset Management, data as of December 31, 2019

## Attractive Bellevue Digital Health Strategy

Risk/return profile of Bellevue Digital Health Strategy compared to other countries/sectors



Bellevue Digital Health Strategy: BB HealthTech AMC price (21.04.2016 - 29.04.2018) and BB Adamant Digital Health (Lux) I-USD from April 30, 2018  
All data in USD, period analyzed: April 21, 2016 – December 31, 2019, Net Total Return  
Source: Bellevue Asset Management, Bloomberg (data)

## Experienced Management Team



#2 ranked global healthcare fund manager team over 5 years (December 2019 Citywire ranking)



### Stefan Blum

*Bellevue Asset Management, Portfolio Manager Medtech & Services Team*

- Senior Portfolio Manager of the BB Adamant Medtech & Services (Lux) and BB Adamant Digital Health (Lux) Funds
- 23 years of experience in the healthcare sector
- Economics degree from the University of St. Gallen and Certified European Financial Analyst, CEFA
- Career history includes positions at Sonova AG, Obtree Technologies (content management software developer), Bank Sarasin (research analyst for medtech, TMT and other industries) and F. Hoffmann-La Roche AG



### Marcel Fritsch

*Bellevue Asset Management, Portfolio Manager Medtech & Services Team*

- Senior Portfolio Manager of the BB Adamant Medtech & Services (Lux) and BB Adamant Digital Health (Lux) Funds
- 15 years of experience in the medtech & services sector
- Economics degree from the University of St. Gallen
- Prior to joining Bellevue, he spent more than 3 years as a consultant with Deloitte, where he advised multinational medical technology, pharmaceutical and manufacturing companies on strategic issues.

# Investing in Digital Health

## Digital Health stocks

- Benefit from transformative technology in the healthcare system

## Growth stocks

- Strong double-digit sales growth with reasonable valuations

## Top-quality stocks

- Innovation leaders, experienced management teams, strong balance sheets

## Mega trend of healthcare

- Increase in life expectancy, diseases of modern civilization, emerging markets

## Sustainable investment case

- Digital Health is a long-term investment story

## Value driver

- Value drivers are top-line growth, attainment of clearly defined milestones and M&A activity

## Diversification

- Diversification and a well-balanced risk/reward structure are key

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Where shares are subscribed or purchased under Section 305 by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 305 except: to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3) (i) (B) of the SFA; where no consideration is or will be given for the transfer; where the transfer is by operation of law; as specified in Section 305A(5) of the SFA; or as specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.



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JANUARY 2020

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While the performances of the Funds have been compared here with the performance of well-known and widely recognized indices, the indices have not been selected to represent an appropriate benchmark for the Funds whose holdings, performance and volatility may differ significantly from the securities that comprise the indices. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index). Indices performance includes reinvestment of dividends and other earnings, if any.

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# ABOUT THIRD POINT

Third Point LLC (“Third Point” or the “Firm”) is an institutional investment manager that employs an event-driven, opportunistic strategy to invest globally across the capital structure and in diversified asset classes to optimize risk-reward through a market cycle.

Since inception in 1995, Third Point has generated 17% net annualized returns for investors compared to the S&P 500 and the MSCI World Index returns of 10% and 8%, respectively, over the same period.<sup>1</sup>

Third Point is driven by an ethos of continuous self and organizational improvement, a desire to embrace change and evolution, and a commitment to putting our investors first.

Led by founder Daniel S. Loeb, the Firm has a 36-person investment team, a robust quantitative data and analytics team, and a deep, tenured business team.

Third Point manages approximately \$13.6 billion<sup>2</sup> in assets for sovereign wealth funds, endowments, foundations, corporate & public pensions, high-net-worth individuals, and employees.

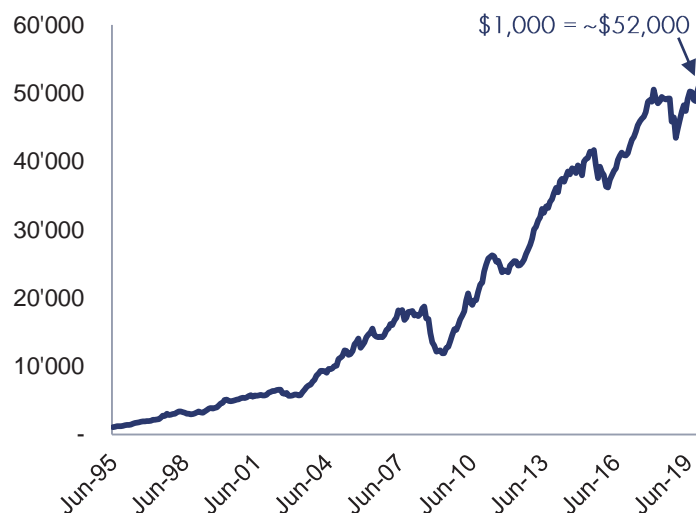
Note: All information is as of 12/31/2019 unless otherwise noted

1. Third Point returns reflect Third Point Partners L.P. from inception (6/1/1995) through 12/31/2019. All references to the S&P 500 and the MSCI World Index reflect performance calculated from 6/1/1995 through 12/31/2019.
2. Excludes \$1.7 billion in collateral and fixed income assets managed for TPPE.

# Third Point Performance Summary



THIRD POINT PARTNERS L.P. GROWTH OF \$1,000<sup>1</sup>



THIRD POINT PERFORMANCE METRICS<sup>1</sup>

	THIRD POINT PARTNERS L.P.	S&P 500	MSCI WORLD	HFRI EVENT DRIVEN <sup>2</sup>
ANNUALIZED RETURN	17.4%	9.7%	7.7%	8.6%
REALIZED VOLATILITY	12.4%	14.6%	14.7%	6.4%
MULTIPLE OF MONEY	51.5x	9.7x	6.2x	7.5x
SHARPE RATIO	1.2	0.6	0.5	1.1
SORTINO RATIO	2.1	0.8	0.6	1.6
AVG. NET EQUITY EXPOSURE <sup>3</sup>	49.2%	100.0%	100.0%	N/A

1. All references to Third Point Partners L.P., the S&P 500 Index, and the MSCI World Index reflect performance calculated from 6/1/1995 through 12/31/2019. All references to the HFRI Event Driven Index reflect performance calculated from 6/1/1995 through 11/30/2019. Please see page one for Important Notes and Disclaimers.
2. Please note there is a one-month lag in performance reflected for the HFRI Event Driven Index compared to Third Point funds, the S&P 500 Index and the MSCI World Index.
3. Reflects Third Point Offshore Master Fund L.P. average net equity exposure from 1/1/1997 through 12/31/2019.

# Third Point Investment Team



Third Point's total headcount of 115 includes 36 tenured investment professionals with deep sector and capital structure experience.

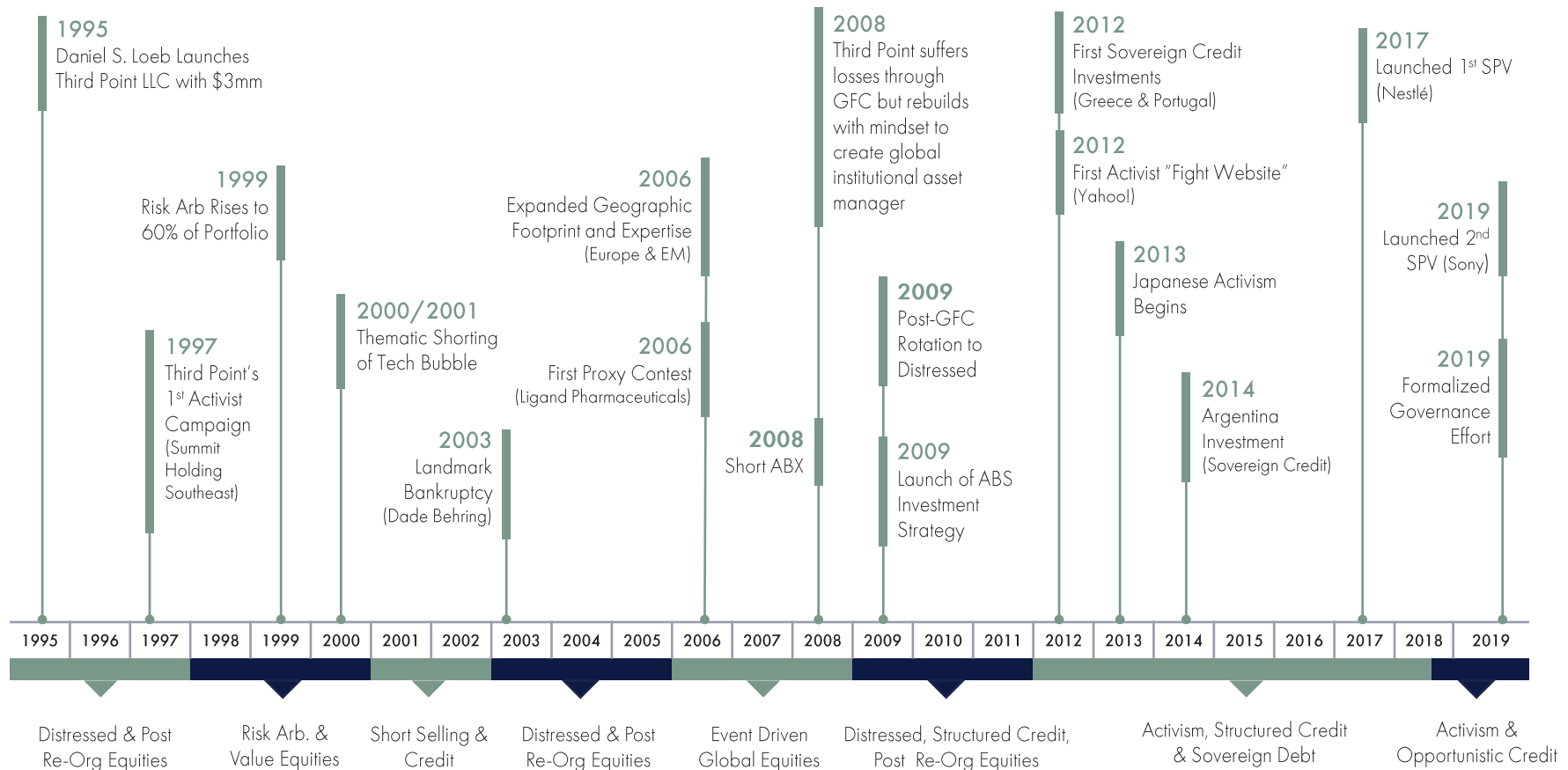
Partners and sector heads (noted in italics) have an average tenure of 8.5 years at Third Point.

Daniel S. Loeb CEO & Co-CIO 30+ Years of Experience			
SENIOR LEADERSHIP			
Munib Islam Co-CIO & Partner 21 Years of Experience	Ian Wallace Partner & Head of Credit 30 Years of Experience	Robert Boroujerdi Head of Markets & Strategy 20 Years of Experience	
INVESTMENT TEAM			
Activism Scott Leslie <sup>1</sup> Tanmay Chheda	Healthcare Jason Hong Zohair Rashid	Industrials Patrick Barth Zachary Savidge	Trading Alok Reejhsinghani Edmund Choo Matt Meyer
Structured Credit Shalini Sriram	Materials Christopher McCoy	TMT Nadi Barash Greg Hart	Capital Markets Chris Rich Priyanka Goyal
Credit Louis Wang Stephen Schatzman Aneesh Kancharla	Financials Josh Klaczek Janice Zhang	Ventures & Private Rob Schwartz Shawn Cherian	Macro & Markets Alex Hess Danielle Ebenstein
Consumer Matthew Cohen Nick Rugoff Emily Corning	Short Selling Stoyan Hadjivalchev Parker Quillen Michael Mueller Gabriel Montenegro Haroon Masood		

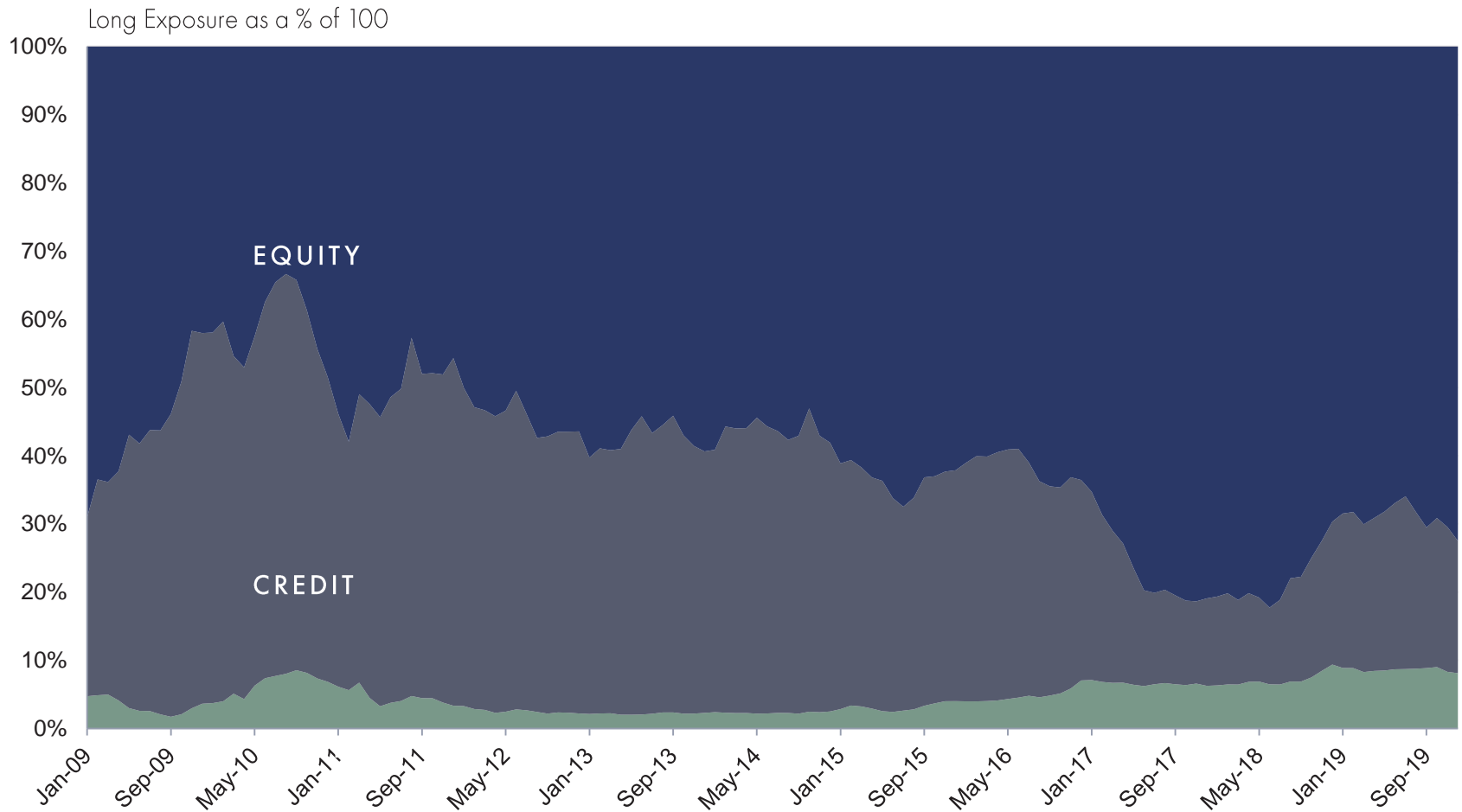
Note: All information is as of 12/31/2019 unless otherwise noted.

1. Scott Leslie also leads Third Point's Energy and Infrastructure investment effort.

# Our Advantage: Pivoting to Opportunity



# Opportunistic Shifts from Credit to Equity



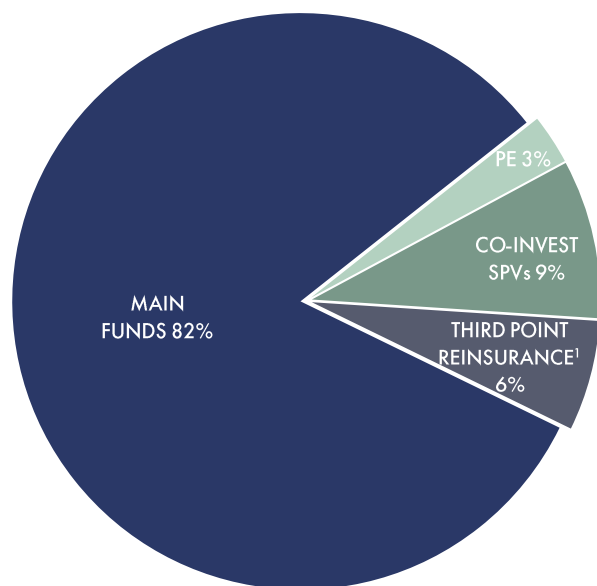
Note: All information is as of 12/31/2019 unless otherwise noted. Reflects the monthly average exposures of long investments and investment specific hedges.



# Sizeable “Permanent” Capital Base

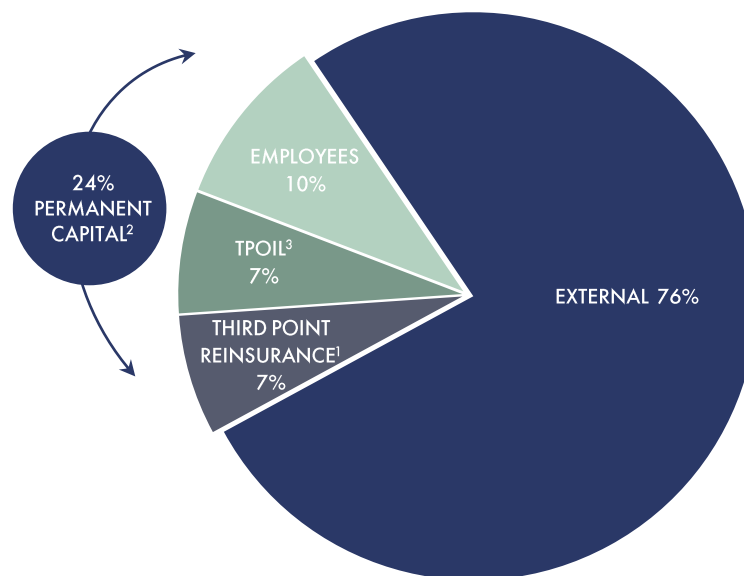


FIRM ASSETS



**\$13.6bn**

MAIN FUNDS ASSETS



**\$12.0bn**

Note: All information is as of 12/31/2019 unless otherwise noted.

1. Includes capital managed for Third Point Reinsurance in Third Point Enhanced LP. Excludes \$1.7 billion in collateral and fixed income assets managed for TPRE.

2. Permanent capital defined as Third Point Offshore Investors Limited ("TPOIL"), Third Point Reinsurance, and employee capital.

3. Third Point Offshore Investors Limited is a London-listed, closed-end fund managed by Third Point LLC.

# Activism: Why It Is Important Today



Of the approximately \$26 trillion<sup>1</sup> in equity assets under management, we estimate \$128 billion<sup>2</sup> is dedicated to activism across fewer than 15 major firms (~50bps of total).

In an environment where quants and systematic strategies are arbitraging away traditional sources of alpha from stock picking, activism is a strategy that cannot be replicated by algorithms.

Management teams, advisors, board members, and other institutional investors are more receptive than ever to thoughtful and credible insights brought by experienced activist investors focused on long-term value creation.

Using an “investor first, activist second” framework, Third Point has reduced the cyclicity of its activist portfolio as the cycle has progressed, and added trade-specific and portfolio hedges to reduce systematic risk and maximize idiosyncratic return.

1. Reflects the global equity AUM for active mutual funds, passive mutual funds, ETFs, US equity hedge fund long positions, and US pension fund assets.
2. Source: Hedge Fund Research. As of 6/30/2018.

# Hallmarks of Third Point Activism



## SIZE IS OUR FRIEND

Large-cap and mega-cap companies are no longer immune to activist campaigns. Third Point's reputation with large investors and sophisticated tactics allow the firm to create change at companies of any size. Since 2011, Third Point has made active investments in 11 corporations with market caps >\$20bn.

## GLOBAL REACH

The strength of Third Point's global brand and its experience engaging with some of the best known multi-national companies in the world coupled with an in-depth legal and regulatory framework affords Third Point unique leverage in conducting campaigns in foreign jurisdictions.

## INVESTORS FIRST, ACTIVISTS SECOND

Third Point's approach marries deep industry expertise with a fine-tuned activist skillset to identify strategic entry points and subsequently drive operational change with a "good to great" mindset.

## TRADE CONSTRUCTION

Third Point aims to maximize idiosyncratic risk and return in its largest and highest conviction positions through thoughtful trade construction.

## LONG-TERM VALUE CREATION

Third Point's activist strategy focuses on driving significant long-term improvement. Average holding period ranges from two to four years with minimal turnover.

YAHOO!



Sotheby's

*Campbell's*

Honeywell

SONY



FANUC



AMGEN

*Baxter*

---

# ~\$22 BILLION

---

INVESTED SINCE 2011 ACROSS 21 ACTIVIST AND CONSTRUCTIVIST INVESTMENTS

86%

Success rate in driving  
change in activist  
investments since 2011



100% success rate in  
every proxy campaign  
initiated



Solid track record of  
appointing seasoned  
executives & industry  
experts from Third Point's  
network; 13 board seats  
awarded since 2011

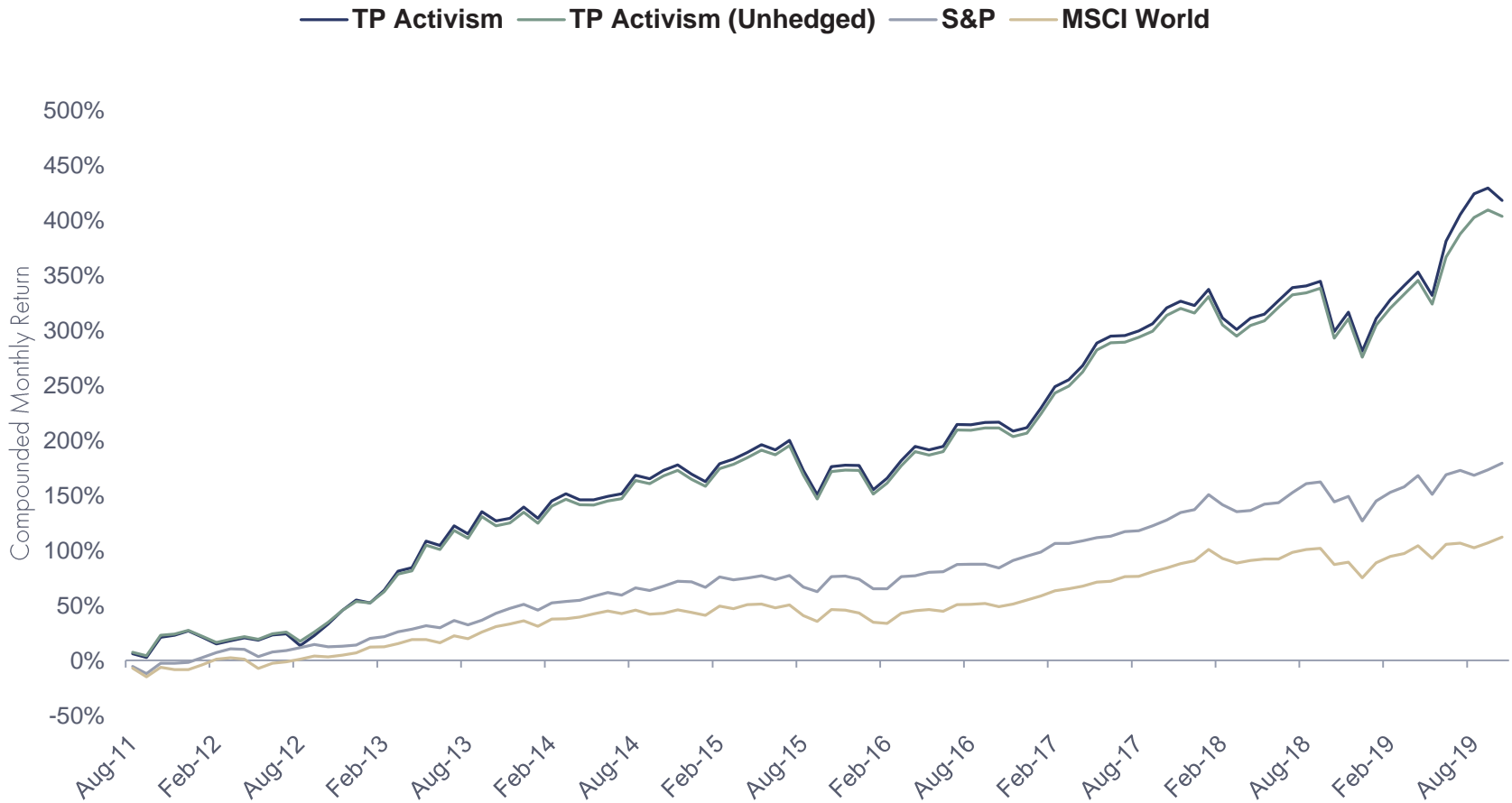
OVER \$5.7bn

Of profits generated  
resulting in an annualized  
return of 23% in activist  
investments since 2011

---

Successful track record of activist and constructivist campaigns around the globe





# Third Point Activist Portfolio vs Benchmarks



# Engagement Strategies for Value Creation



## THIRD POINT'S PRIMARY FOCUS

	 <b>IN PORTFOLIO</b>	 <b>IN PROFITABILITY</b>	 <b>IN OWNERSHIP</b>	 <b>IN BALANCE SHEET</b>
<b>OBJECTIVE</b>	Advocacy for spin-offs, sale of assets and changes in business composition to enhance focus and optimize asset productivity	Advocacy for operational change to enhance revenue growth, profitability, cash flow generation, and strategic capital allocation with a goal to drive long-term value creation	Advocate for an outright sale of a company	Advocacy for short-term balance sheet optimization (e.g. buybacks, dividends) without a concurrent focus on improving operating results and/or management incentives
<b>ENGAGEMENT</b>	Change can generally be achieved through productive dialogue with management and board, often in a less contested process	Change generally requires board seats and/or new management	Typically, an adversarial process	Change achieved through short-term tactics. As a standalone strategy, typically falls short of driving meaningful long-term value creation

# Types of Engagement



# Four Pillars of Third Point Activism



Improved  
Governance



Operational  
Improvement



Portfolio  
Optimization



Strategic Capital  
Allocation



Third Point initiated an investment following Baxter's announcement to spin-off Baxalta, its non-core biopharmaceutical business with a view that Baxter's margins could be meaningfully higher based on peer benchmarking with the right management team and Board in place

### SHARE PRICE PERFORMANCE<sup>1</sup>



### SUMMARY / BACKGROUND

Third Point filed a 13-D in August 2015 following the surprise resignation of Baxter's CEO. Third Point subsequently achieved several major governance milestones:

- September 2015: Munib Islam joined the board of directors and the CEO search committee
- October 2015: Mike Mahoney (CEO of Boston Scientific) joined the board of directors
- January 2016: Joe Almeida, seasoned industry executive and former Covidien CEO, named CEO of Baxter
- May 2019: Munib Islam does not stand for re-election at Baxter AGM

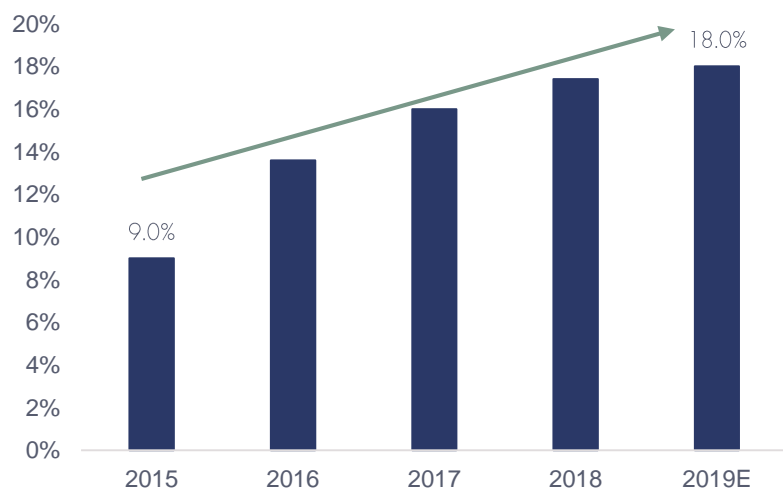
Note: These charts reflect the stock price at certain points in time correlated to Third Point's involvement and are being included to help illustrate our activist strategy and process.

1. Source: Bloomberg. Reflects Total Return % through 11/30/2019.

Baxter is Third Point's most profitable investment in history (~\$1.8 billion in profits since inception) and demonstrates the value of having the right leadership in place

## OPERATIONAL IMPROVEMENT

Operating Margin %<sup>1</sup>



## POST THIRD POINT ENGAGEMENT SITUATION

**Baxter also made significant improvements to its portfolio of assets as well as its capital allocation policy including:**

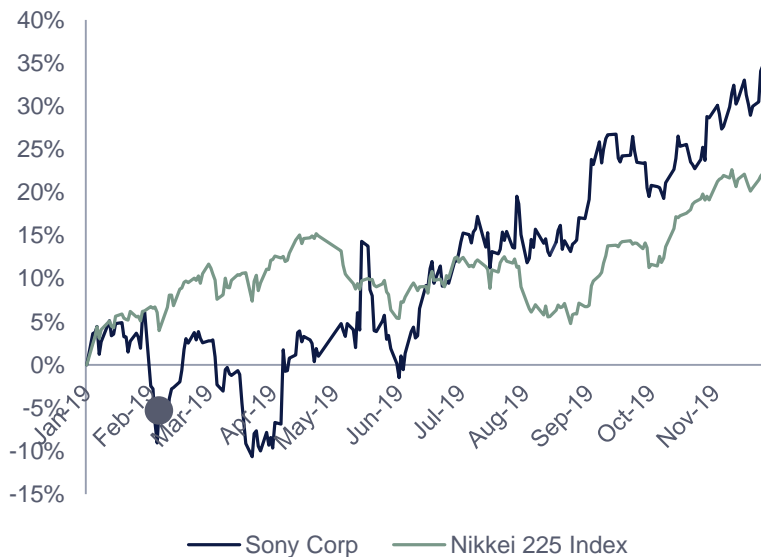
- **Portfolio Optimization:** Baxter terminated unprofitable businesses (i.e. VIVIA home hemodialysis program) and zero-profit contracts, focused R&D investment, and accelerated pace of new product launches
- **Disciplined Capital Allocation:** Baxter monetized remaining Baxalta stake via sale to Shire and has returned over \$4bn to shareholders via dividends and share repurchases since 2015
- **Enhanced Operational Excellence:** 2023 margin target of 23-24%, multiples greater than when Joe Almeida joined as CEO in 2015

Note: These charts reflect the stock price at certain points in time correlated to Third Point's involvement and are being included to help illustrate our activist strategy and process.

1. Source: Company Reports. Reflects non-GAAP operating margins.

Third Point invested in May 2019 with the view that Sony was significantly undervalued due to portfolio complexity. While still early, Third Point's involvement catalyzed a formal review of Sony's corporate structure. The company has taken minor steps to respond to Third Point's suggestions, including the monetization of the company's stake in Olympus

## SHARE PRICE PERFORMANCE<sup>1</sup>



## SUMMARY / BACKGROUND

Third Point re-engaged with Sony's management in 2019 to address its portfolio complexity and the resulting discount, and have made the following recommendations in an open letter to the company:

- Consider a spin-off of its semiconductor division into a standalone public stock, re-named 'Sony Technologies', to be listed in Japan
- Position the new, more focused Sony as a leading global entertainment company
- Divest its public equity stake in Sony Financial, M3 Inc., Olympus, and Spotify
- Optimize its capital structure

Recently, Sony disclosed the results of an in-depth review of the company. This review was in response to Third Point's June 2019 presentation. Results revealed that Sony would maintain the status quo. While unhappy with the outcome, Third Point is committed to constructive dialogue with Sony to create long-term value.

Note: These charts reflect the stock price at certain points in time correlated to Third Point's involvement and are being included to help illustrate our activist strategy and process.

1. Source: Bloomberg. Reflects Total Return % through 11/30/2019.