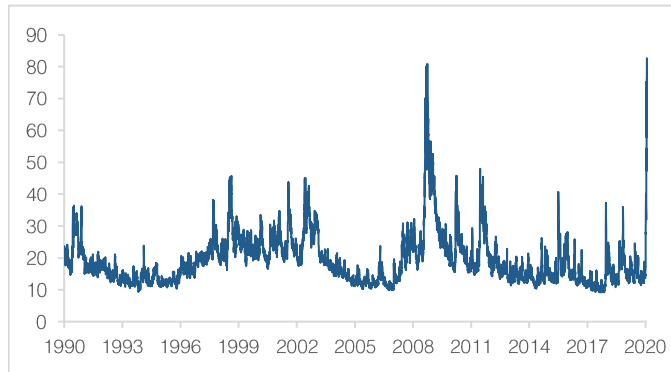


*This document is intended for marketing purposes.

Global equity markets plunged at a pace not seen since the crash of 1987. As in the financial crisis, the correlation between different asset classes is increasing, reducing the benefits of diversification within given portfolios. Many market participants were leveraged which now results in many margin calls from banks, further increasing selling pressure in the markets. Volatility, which was very low for many years, has suddenly returned to levels not seen since 2008.

CHICAGO BOARD OPTIONS EXCHANGE VOLATILITY INDEX (VIX)



Source: Bloomberg

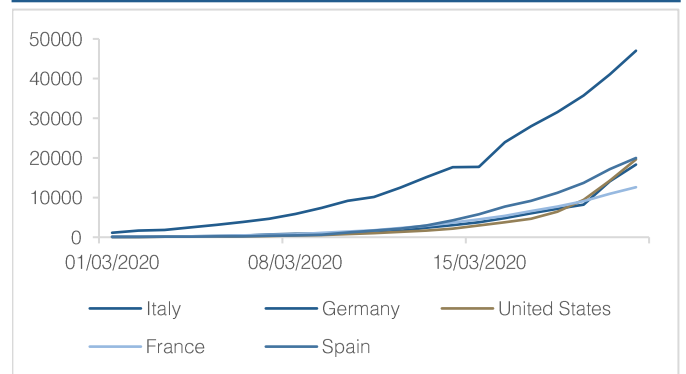
The big difference compared to 2008 is that this time it is not a financial crisis which will perhaps follow at a later stage, but a global crisis. The markets have panicked, and assets are being sold without taking into consideration the longer-term fundamentals. People have switched to some form of "survival mode" and the only asset they want to hold on to are cash so they can buy essential goods such as food, soap and, strangely enough, toilet paper.

The FED reacted quickly by already lowering leading rates twice (by a cumulated 1.5 percentage points) to alleviate the pressure on the liquidity markets, but the synchronous demand and supply shock to the real economy can only be cushioned by massive fiscal support from governments. Central banks around the world are launching huge stimulus packages to help the economy as well. The ECB announced a 750 billion Euro bond purchase program and the FED's package is worth at least \$1 trillion USD, and these packages will likely even need to be increased in the coming days and weeks. The problem with the interest rate cut is that this time it did not have an immediate effect, as the crisis is not currently predominantly among financial institutions. The problem now is that the Fed will run out of firepower at a later stage.

A global recession is inevitable, the question is rather how long and how severe it will be. The forecast for the second quarter of US GDP now ranges from -8% to Morgan Stanley's hefty -30% growth forecast. At the moment it is almost impossible to estimate the impact on the economy, as the modern world has not experienced a situation that is even close to what is happening right now. The complete shutdown of production in Italy, the third largest economy within the EU, will have further enormous repercussions. The big question is still when the situation will ease. We believe that the impact on the economy will be much greater than during the financial crisis as on one hand, supply chains are disrupted, and on the other hand demand is collapsing completely.

The main source of risk is the development of the pandemic in the USA. A further exponential increase in the number of cases is expected in the next few days (if the test numbers increase). Currently, around 80 million people in the US are already affected by the lockdown, including the economically important states of New York and California. The problem is that the infected cases' curve in the US is now much steeper than in Europe, which could also lead to serious problems in the US healthcare system.

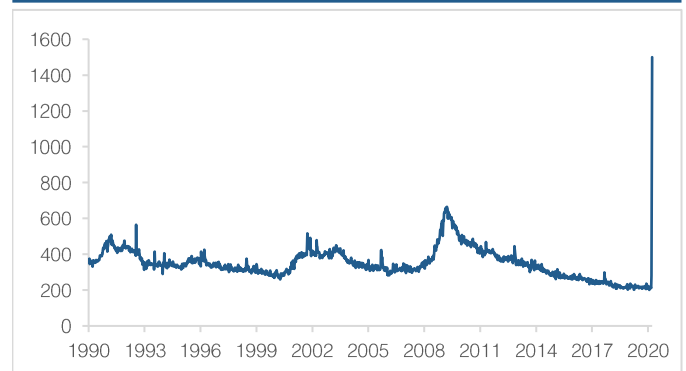
TOTAL CORONA CASES AS OF MARCH 21ST 2020



Source: European Centre for Disease Prevention and Control (ECDC)

The increasing isolation of cities and countries worldwide, the standstill of production and the lack of demand for most products apart from essential goods will also lead to a massive increase in unemployment, which in turn will suppress demand for quite some time. Last week a significant increase from 211,000 to 281,000 claims was reported, but much more dramatic is the expected increase to a record 1.5 million claims, double the highest figure during the financial crisis.

US INITIAL JOBLESS CLAIMS – LATEST FIGURE ESTIMATED



Source: Bloomberg

As already mentioned, the trigger of the current crisis is not the financial sector, but an "unknown" enemy in the form of the coronavirus. The problem at the moment is that with the current shutdown of public life, everyone is affected in one way or another. The next problem looming on the horizon could be a potential credit crisis. Will the orchestrated debt purchases by central banks be enough to avoid one? We believe that there will be a significant number of defaults. The chain reaction could eventually lead to a new version of a financial crisis. All hinges upon national governments' plans to protect the financial stability of the business sector, the details of which are being formulated as we write.

GLOBAL CORPORATE AVERAGE OAS

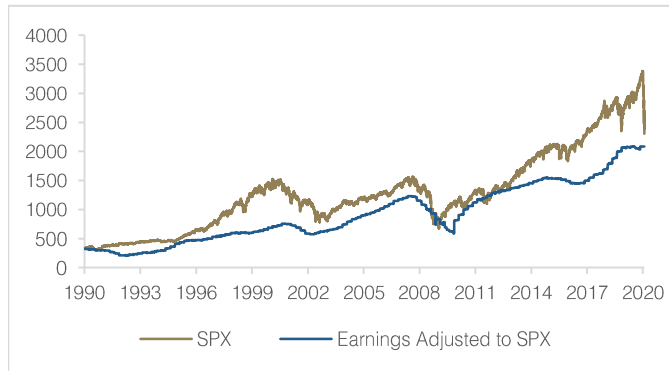


Source: Bloomberg

*This document is intended for marketing purposes.

The stock markets have experienced an 11-year bull market and certain economic data had already started to worsen before the current market collapse. A market correction had been due even without the corona virus. History shows that it takes an unknown and unforeseen event to trigger major market corrections. Let's look at the valuation of the S&P500 and compare it to the financial crisis of 2008. In the past 30 years, the S&P500 has grown much more than corresponding earnings have. If the market were only to return to the levels that earnings have reached since 1990, the market would still be too high, and the fair value would be 2082.

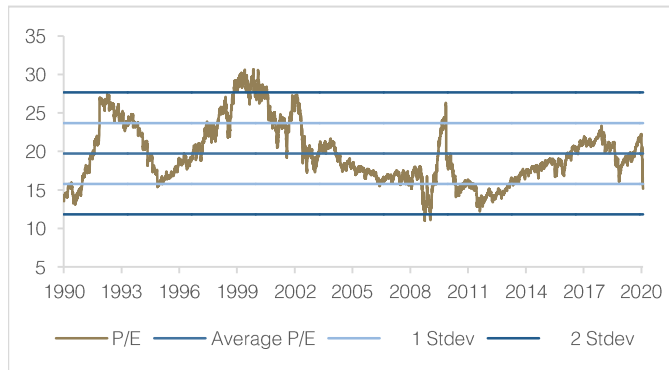
S&P 500 PERFORMANCE VS EARNINGS GROWTH



Source: Bloomberg

Another way to look at it is the price-to-earnings ratio of the S&P 500 over the last 30 years. The P/E now stands about 1 standard deviation below the 30-year average, in 2008 we witnessed a move to more than 2 standard deviations below said average. Since earnings are backward and not forward looking, the picture must be viewed very carefully.

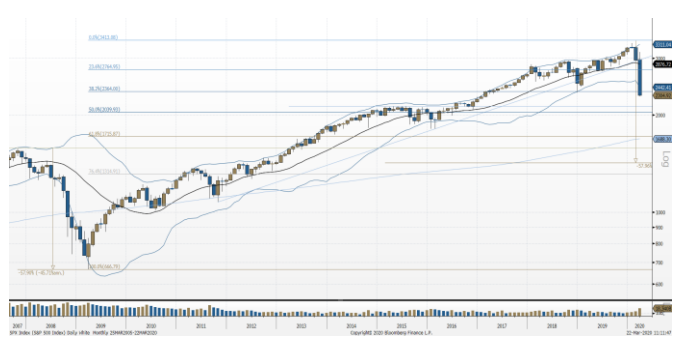
S&P 500 PRICE-TO-EARNINGS RATIO (P/E)



Source: Bloomberg

During the financial crisis, S&P 500 earnings fell 52% from the 2008 highs to the 2009 lows. We believe that the negative impact on earnings stemming from this crisis will be more severe this time than during the financial crisis. The market has so far lost around 32% from the highs of a few weeks ago and has now dropped back to the levels of December 2016. While the sell-off this time was much faster than during the financial crisis, the decline in 2008 was almost 58% from peak to trough. We currently track the market from a multitude of angles, among them the chart-technical viewpoint as in the current situation, as fundamental approaches are fraught with immense uncertainty. Based on the fact that major supports have all been broken, technically-derived price targets now are 2131, 2000, and finally the 1600-1700 region.

S&P 500



Source: Bloomberg

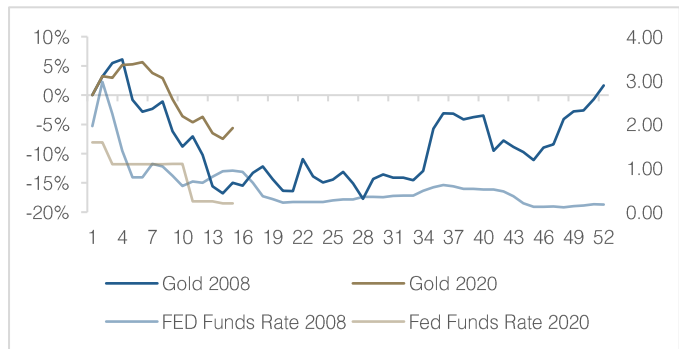
Based on historical events, we have drawn up price targets to give some form of broad estimate where the current plunge could find its bottom.

S&P 500 – FINANCIAL CRISIS VS CURRENT SITUATION

	Implied SPX Price
Financial crisis earnings drop of 52% x average p/e last 30 years of 19.73	1429
Current earnings x low p/e 2008 of 10.99	1670
Current earnings x 2 stdev of average p/e (11.40)	1733
Financial crisis earnings drop of 52% x max p/e last 30 years of 26.28	1903
Financial crisis SPX price drop of 58% from the highs	1422
Technical support of 61.8% Fibonacci retracement from the bull market since 2009	1715
Average of different calculation methods	1645

The fact that even gold has lost more than 12% from its highs underlines once again that correlations among the different asset classes generally jump in market crises. In a more "normal" market environment, the weak USD and falling interest rates should obviously be positive for gold. Unfortunately, nothing is considered "normal" at the moment. Does that make any sense at all? Probably not, and it will create huge opportunities. We believe when the dust settles, the fundamentals will come back, and gold will be a good investment in the long run. In the short term, however, we believe that we have not seen the lows yet, as the markets tend to overshoot. In addition, many people do not remember that even gold lost more than 15% in 2008 before it regained value and went to all-time highs.

S&P 500 – FINANCIAL CRISIS VS CURRENT SITUATION



Source: Bloomberg

After the coronavirus pandemic is over, the world will have changed in many ways. One fact that countries have recognised is that in an emergency, globalisation means depending on other countries. Most likely, there will be a trend that certain goods, especially the systemically important ones, will be produced more and more locally again. This will result in inflationary effects, in our view, which will have a positive effect on gold again.

*This document is intended for marketing purposes.

CONCLUSION:

- We think there is more significant downside for equity markets and therefore recommend waiting before entering the market. Like every crisis does, this one will create enormous opportunities in certain sectors and markets, but we believe it is not the right time now to catch a falling knife.
- We recommend to remain very cautiously positioned in credit markets.
- When the market bottoms, precious metals and cryptocurrencies will be a great buying opportunity. We stress out that also for these assets we recommend waiting till the situation becomes clearer.
- Volatility will remain high for a prolonged time.
- The discovery of a vaccine or an effective treatment would instantly change our view as the financial markets would then price an end to the currently very foggy situation. But we fear that the chances for the discovery of such a drug/vaccine in the coming weeks remain very low.

DISCLAIMER

For marketing and information purposes by St. Gotthard Fund Management AG ("STGFM"). STGFM is domiciled and regulated in Switzerland. This document is for information and advertising purposes only. For further information, please contact STGFM. The above figures refer to a simulated past performance and simulated past performance is not a reliable indicator of future performance. A gain in value in the past provides no guarantee of positive performance in the future. The above figures are presented gross of fees. Before investing in a product please read the latest product documents (e.g. this teaser, factsheets and prospectus) carefully and thoroughly. The documentation is available free of charge in English and, where relevant, in one of the local language(s) where the product is registered. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. Members of STGFM may have a position in and may make a purchase and/or sale of any of the securities or other financial instruments mentioned in this document. The product mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States and other countries. Please contact your tax and legal advisor. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The risk of price and foreign currency losses and of fluctuations in return as a result of unfavourable exchange rate movements cannot be ruled out. There is a possibility that investors will not recover the full amount they initially invested. The performance data do not take account of the commissions and costs incurred on the issue and redemption of the product. Commissions and costs have a negative impact on performance. The information in this publication is intended for information purposes only and does not represent an offer, solicitation of an offer, public advertisement or recommendation to buy or sell any investment or other specific product. It is recommended that advice be obtained from a qualified expert. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by STGFM without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of STGFM. Source for all data and charts (if not indicated otherwise): St. Gotthard Fund Management AG. The place of performance and jurisdiction is at the registered office of STGFM. © St. Gotthard Fund Management AG, 17.02.2020.

