**IMPRINT**
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Editorial deadline: 16.12.2016

# perspectives

**01/2017** QUARTERLY MARKET OUTLOOK

CIC BANQUE CIC |SUISSE|

Please read the account overview on the reverse

## DEAR READER

Following the introduction of the steam engine, electrification and computerisation and networking of previously independent machines heralds the fourth technological revolution within a small number of generations.
This will enable an individual's health to be permanently monitored, for example, thereby rendering unnecessary the visit to the doctor of bygone days. It could also detect that a car's brake discs are worn and automatically trigger the order process and ask the customer to visit the garage. Such notions might trigger concerns and many may feel reminded of the world of George Orwell's "1984", but technical developments can't really be stopped. It is instead the responsibility of each individual to address the new reality and adjust his behaviour accordingly in order to benefit from it.
There is a lot of writing and discussion about innovation taking place in the financial sector at present under the heading "fintech". Not everything lives up to what it promises. The decisive factor for us is the effective benefit for the customer. For example, we are working in asset management on an innovative idea for enabling customers to involve trusted persons in their investment decisions.
Trust remains a human variable and we wish to strengthen this on an individual basis with the new technology.
With this in mind I would like to thank you for your trust and assure you that we will continue in the future to focus all our energies on meeting your expectations and needs. We aim to create joint inspiration and on this note I wish you a very successful New Year in 2017.

Thomas Müller, CEO

# Economic perspectives

Following the surprising result of the US presidential election, there is much confidence prevailing that Donald Trump's political agenda will boost the growth of the American economy. The fiscal policy measures in particular include increased government spending and tax cuts. Although the details have still to be defined, many pundits are expecting positive effects for the global economy. For example, the OECD anticipates a slight acceleration of global growth of 3.30% for next year and 3.60% for the year after. The increased pace of the US economy should offset a slowdown in China and the UK and any growth delays in the eurozone.

## US fiscal policy as a potential lubricant of the global economy

As well as hopes of economic growth, expectations concerning the future US inflation trend have also picked up. Huge spending on infrastructure projects and protectionist measures against free trade alongside a simultaneous rise in commodity prices will serve to drive up inflation.

Although the economy in the eurozone remains in expansive territory, it is lagging behind its long-term potential. Nevertheless, the growth of industry is at its strongest in around three years. Challenges are posed by the pending implementation of the Brexit referendum and other uncertainties due to political elections.

A recovery from last year's slowdown is forecast for Switzerland. Above all, foreign trade and private consumption are giving the Swiss economy a leg up. Growth of 1.80% is expected for 2017. (robol)

# The Markets

## “The continuation of the currency war is therefore predestined”

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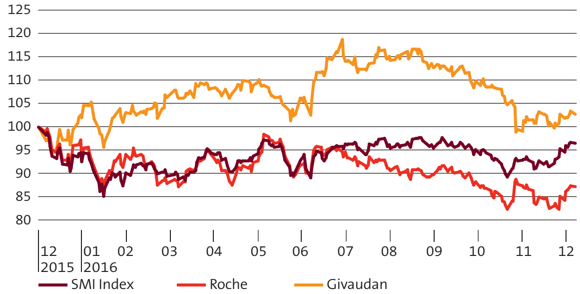
**A bull in a china shop? Following a very short state of shock, the surprising election of Donald Trump has clearly heralded the start of a new era for the financial markets. Above all, the US stock market responded euphorically. However, whether a tough-minded businessman will be able to halt the creeping downturn of the global economy and boost the financial markets further, remains questionable. Announcements such as the cancellation of international trade agreements, the introduction of punitive tariffs and plans for a huge domestic infrastructure programme speak against a sustained recovery of the global economy and will ultimately also damage the US. The diverging interest rates and monetary policies of the leading central banks also offer little encouragement. The Fed has carried out the long-postponed interest rate turnaround, while the other currency guardians remain focused on the redeeming “flood of liquidity”. The continuation of the long drawn-out currency war is therefore predestined, which is hardly likely to please the stock markets. (jub)**

### SWISS EQUITIES

Swiss pharmaceutical heavyweights suffered, above all, in the weeks prior to the US presidential elections from a possible tightening of medicine price regulation. This pressure has receded somewhat since the announcement of the election result. Nevertheless, owing to its defensive sector composition, the Swiss stock market is benefiting less strongly from the more positive global growth outlook. Because the interest rate environment here in Switzerland remains at historically low levels, Swiss dividend-paying stocks are retaining their attractiveness. For many investors they are serving as a replacement for bonds thanks to the high dividend yield of around 3.50% (Swiss Performance Index). We therefore favour **Roche** and **Givaudan**, which are also broadly diversified internationally. (robol)

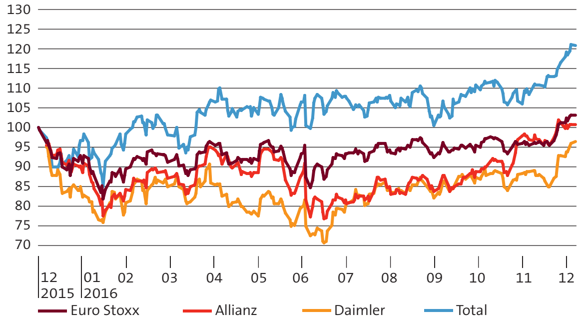
**SMI**




### EUROPEAN EQUITIES

The headwind in Europe is clearly picking up. The largely home-made problems and critical difficulties such as the ailing banking system in Italy remain unresolved and a variety of political and economic challenges lies just around the corner. The elections in France and Germany and the pending Brexit negotiations with the UK will put the values and negotiating skills of the European community to the test. In addition, a stiff breeze is set to blow across the Atlantic as Trump is making no secret of the fact that Europe will in future have to fund more from its own – empty – pockets. Finally, the ECB under Mario Draghi is doggedly clinging to its ultra-expansive monetary policy despite the fact that its effectiveness has long been questioned by experts and the markets. We favour equity investments in well-capitalised global companies such as **Allianz**, **Daimler** and **Total**. (jub)

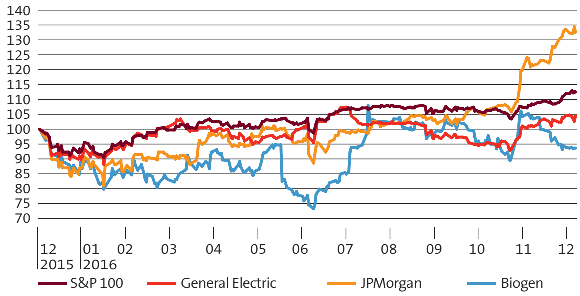
**Euro Stoxx 50**




### US EQUITIES

The US economy appears to have a new baseline with Donald Trump. The TTP free-trade agreement is likely to be overturned. The focus is now being placed on renewing the ageing infrastructure. An easing of the strict conditions in the area of oil extraction can also be expected. The US stock markets have applauded this and outpaced their recent all-time highs. Is this all just a flash in the pan? Companies are at least at the ready in terms of profit growth. It would appear that cyclical sectors, the financial and pharmaceutical sectors are now gaining new momentum. This opens up opportunities for **General Electric**, **JPMorgan** and **Biogen**. (jb)

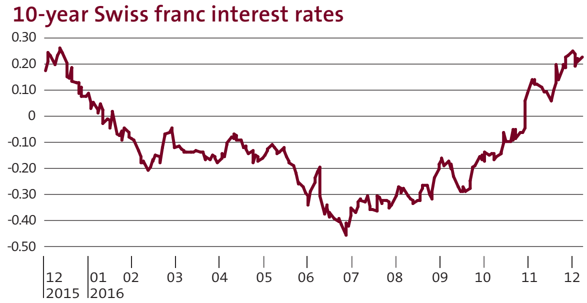
**S&P 100**




### BONDS

Bonds have suffered during the final months of the year. The long-expected rise in interest rates shaped the third quarter. Ten-year Swiss franc interest rates rose from around -0.35% to over 0.20%. 10-year interest rates in the US actually went up from 1.60% to around 2.40%. The surprising election result heralded the turnaround. The investment programmes and tax cuts planned by Trump should cause consumer prices to rise, which in the US is being cynically referred to as “Trumpflation”. However, we do not expect interest rates from now on to increase continuously. Various political stumbling blocks await us in the next few months that are likely to cause a rise in volatility and the search for a safe haven. (cal)

**10-year Swiss franc interest rates**



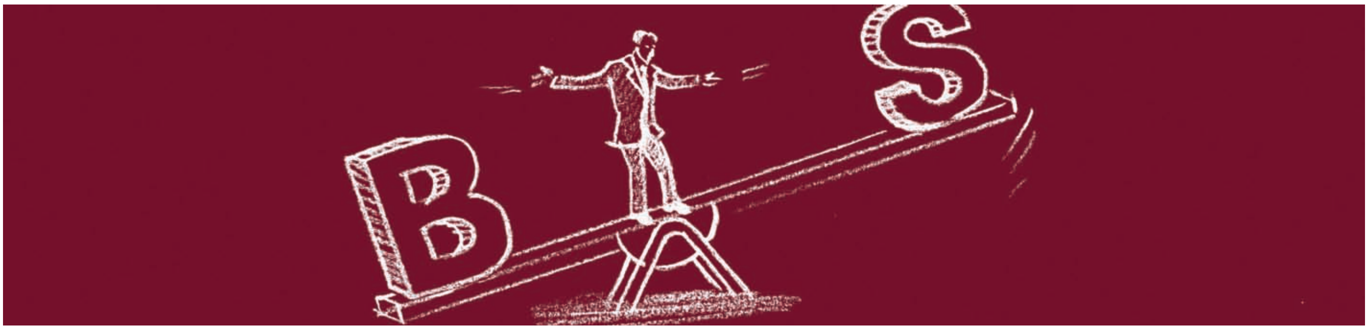
# The Column

with Mario Geniale, Chief Investment Officer

## Cautiously aggressive is the new conservative

**DEAR READER**

Interest rates know only one direction and are falling from one low to the next. This development has been exacerbated further by the financial crisis in recent years. This has caused large central banks to support their ailing economies by introducing negative interest rates. Gone are the times when it was possible to generate a decent return with secure bonds.




For historical reasons, however, the majority of investors still holds a significant share of fixed-income investments as these act as a safety buffer in times of volatile equity markets. This at least was the idea. This is also the reason why the largest investors in Switzerland, namely the AHV and the pension funds, are obliged to invest large portions of their assets in bonds, with exposures of up to 70 per cent.

Having witnessed around three decades of falling interest rates and therefore rising bond prices (the so-called bond rally), we are now approaching a turning point. You could also say that the fun has stopped for bond investors!

Why? In an environment in which even ten-year bonds are barely yielding a return above the zero per cent threshold and at the same time higher interest rates are expected, the risk/return ratio is becoming extremely precarious. Against this backdrop, a rise in interest rates of one per cent can quickly cause bond prices to fall by up to seven per cent or more.

What is to be done?
Adjust the investment strategy! If most of the investments at best break even, investors need to rethink. First of all, the selection of securities in the bond portfolio needs to be changed. Various forms of subordinated instruments are available here that in some cases pay considerably more interest at a slightly higher risk. As the management of such securities is complex, we recommend investing in corresponding investment funds. We also expect consumer prices to pick up in the next few years, which will lead to higher long-term interest rates. We therefore recommend inflation-linked bonds as a further enhancement.

In addition, the current situation calls for a review of the risk situation for the years to come. While equity exposure should fundamentally be increased in the longer term, this does not necessarily entail an increased risk as is commonly assumed. This applies in particular to conservative investors with a large number of fixed-income investments. It is therefore a question of increasing the equity exposure in a 'considered' manner but without losing sight of the correction potential. This apparent squaring of the circle is resolved by means of an intelligent and systematic hedging strategy through the sale of options and generation of a premium in doing so. This premium is in turn used to purchase a partial hedging of the equity items, meaning that this protection is brought about virtually 'free of charge'.

While the profit potential of the individual equities is therefore limited, so too is a large portion of the potential losses. An interesting feature is the attractive ratio between the reduction of the profit potential and minimisation of potential losses. Partial forgoing on the upside leads to almost complete hedging on the downside. As a result, the more conservative investor can also increase his equity exposure in a cautiously aggressive manner in the next few years without renouncing his lower risk propensity. Investment funds are also available that reflect this strategy. A direct implementation of this strategy makes sense for customers with a substantial equity exposure.

Finally, we consider a strategic exposure to precious metals to be indispensable. Both gold and silver offer protection in times of major market turbulence. Even a small exposure in the range of three to five per cent can significantly offset substantial losses on equity investments.

The strategies described here are not entirely new. Options, for instance, have always been sold by investors to gain a premium and bought to benefit from price gains. What is changing is the motivation. We see options in the context described here not from a speculative perspective but from the perspective of a systematic reduction of investment risks. What is needed for this is a certain degree of specialist knowledge and the right instruments for establishing such strategies. Your investment advisor would be pleased to assist and support you as we enter the new investment age in which cautiously aggressive is the new conservative.

The column reflects the personal opinion of the author.

As Chief Investment Officer, Mario Geniale is responsible for the investment policy of Banque CIC (Suisse). The certified asset manager and financial expert has many years of experience in portfolio management and consulting. Mario Geniale is a member of the Management Board.

New:
selection of retirement funds with **75% equity component**

## 3a investment savings plan – start the new year with a boost

Interest rates are at an all-time low. The outlook for yields in Pillar 3a assets is therefore also modest, especially if the entire pension assets are held in one account. The investment savings plan offers an attractive alternative and based on the last five years enables you to generate up to 20% higher yields than with a straightforward account solution. We therefore fundamentally recommend pension account holders to invest part of their assets in retirement funds once pension assets of CHF 10 000 have been saved. It also makes sense to invest part of the annual 3a deposits as follow-up investments in retirement funds. Many pension account holders wait for the 'right' time. However, it is impossible to predict this despite all forecasts. But anyone who purchases securities on a staggered basis at regular time intervals, such as quarterly, automatically has good timing and therefore benefits from the cost average effect. When selecting the actual retirement funds, the first thing to decide is how large the equity component is to be. Funds with a larger equity component promise higher yields in the long term but are also subject to greater fluctuations. The investment policy and provider are chosen in two further steps. Because each provider has his speciality and each investment policy its strengths, we recommend considering a split across several retirement funds. With the open investment savings plan of Banque CIC (Suisse) you therefore have a choice of 26 retirement funds from five different providers. We help you to find the right retirement fund at www.wertschriftensparen.ch. By answering some simple questions, you can determine which retirement fund best suits your investor profile. Based on your personal needs and your willingness to accept risks, you determine your exposure and the type of retirement fund or funds in which you wish to invest. This way your Pillar 3a pension assets will start the new year with a boost. (krs)

## Pillar 3a open investment savings plan at a glance


Find out in three minutes why the investment savings plan can also pay off for you and what you should bear in mind: www.wertschriftensparen.ch

## Current interest rates in CHF

(as at 01.01.2017)

| For savings and pensions | Private clients | Business clients |
|---|---|---|
| Savings account | 0.200% | no offer |
| Investment account | 0.150% | 0.050% |
| 3a retirement account | 0.650% | no offer |
| Vested benefits account | 0.250% | no offer |
| **For day-to-day use** | | |
| Private account | 0.030% | no offer |
| Current account | no offer | 0.000% |

Savings account/3a retirement account: offer for clients domiciled in Switzerland. Current conditions and rates of interest can also be found at www.cic.ch.

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# Overview of range of accounts of Banque CIC (Suisse)

| | PAYMENTS | | |
|---|---|---|---|
| Type | PRIVATE ACCOUNT | CURRENT ACCOUNT | |
| Holder | **Private individuals** | **Private individuals** | **Entrepreneurs and companies** |
| Description | For your salaries, payments and securities transactions | For your bank transactions in a foreign currency or as a settlement account for a line of credit that has been granted | For all transactions within the framework of your business activities |
| Currency | CHF, EUR, USD and GBP | CHF and foreign currency | CHF and foreign currency |
| Interest rate [3] | CHF 0,030%<br>EUR 0,0625%<br>USD 0,125%<br>GBP 0,125% | CHF 0,000%<br>EUR 0,000%<br>USD 0,125%<br>GBP 0,125%<br><br>Other foreign currencies on request | CHF 0,000%<br>EUR 0,000%<br>USD 0,125%<br>GBP 0.125%<br><br>Other foreign currencies on request |
| Interest limit | Interest rate above CHF 10 million on request | Interest rate above CHF 10 million on request | Interest rate above CHF 10 million on request |
| Opening and closing | Free of charge | Free of charge | Free of charge |
| Account management | Included in the client relationship fee [1] | Included in the client relationship fee [1] | CHF 6 per month |
| Availability / withdrawal limit | CHF, EUR, USD, GBP 500 000 p. a.<br><br>Higher amounts are subject to a notice period of 3 months.<br><br>If the notice period is not met, 0,500% of the amount exceeding the limit is charged at the end of the year or upon account closure.<br><br>No limit on purchases of securities and precious metals or for interest and amortisation payments at Banque CIC (Suisse). | Up to the available balance, not subject to a notice period. | |
| Account overdrafts | No facility<br><br>Individually authorised overdrafts are charged interest at the default rate. [3] | Possible<br><br>Amounts that exceed the authorised credit limit are charged interest at the default rate (plus 0,250% credit commission per quarter on the highest debit balance). [3] | |
| Statements | Monthly if there were any transactions,<br>more often and copies CHF 0,50 per statement plus postage | | |
| Account balancing statements | Annually, free of charge | Quarterly, free of charge | |
| Payment transactions | Available | Available | |
| eBanking | Account queries and payment transactions | Account queries and payment transactions | |
| Maestro card | Available for CHF and EUR accounts<br>CHF 50 p. a. (or equivalent) | Available for CHF and EUR accounts CHF 50 p. a. (or equivalent) | |
| Credit card | Available for CHF, EUR and USD accounts<br>Silver CHF, EUR, USD 100 p. a.<br>Gold CHF, EUR, USD 200 p. a. | Available for CHF, EUR and USD accounts<br>Silver CHF, EUR, USD 100 p. a.<br>Gold CHF, EUR, USD 200 p. a. | |
| Link to custody account | Available | Available | |

[1] **Client relationship fee CHF 25 per quarter**
**Simple and transparent – a fee for all accounts**
Banque CIC (Suisse) charges a simple and transparent flat-rate fee per client relationship for private clients instead of an account management fee. This client relationship fee includes the account management for all the transaction accounts held under one client relationship, including foreign currency accounts and other services. You can find details of this in the tariff schedule "Fees and conditions for private clients". For clients domiciled abroad and with a business volume of less than CHF 100 000 the rate of CHF 75 per quarter generally applies. A higher fee may be charged depending on the country in question. Your client advisor would be pleased to inform you about the individual countries.

[2] Offer for clients domiciled in Switzerland.

[3] The interest rates published apply to clients domiciled in Switzerland. Conditions for clients domiciled abroad upon request. Debit interest on account overdrafts p. a.: CHF 9.000%, EUR 8.500%, GBP and USD 8.000%. Further terms and conditions on request.

| | SAVINGS | | | RETIREMENT PROVISION | |
|---|---|---|---|---|---|
| Type | INVESTMENT ACCOUNT | | SAVINGS ACCOUNT [2] | 3A RETIREMENT ACCOUNT [2] | VESTED BENEFITS ACCOUNT |
| Holder | Private individuals | Entrepreneurs and companies | Private individuals | Private individuals | Private individuals |
| Description | For flexible saving with high availability for your medium to long-term investment aims | For flexible investment saving with high availability and for the medium-term secure placing of your liquidity | For traditional, long-term saving<br><br>Minimum deposit CHF 10 000 | For private savings within the framework of private retirement provision under Pillar 3a | For the ring-fenced investment of your Pillar 2 assets (BVG) from a Swiss pension fund |
| Currency | CHF, EUR | CHF, EUR | CHF | CHF | CHF |
| Interest rate [3] | CHF 0.150%<br>EUR 0.125% | CHF 0.050%<br>EUR 0.0625% | 0.200% | 0.650% | 0.250% |
| Interest limit | Interest rate above CHF, EUR 500 000:<br>CHF 0.000%<br>EUR 0.0625%<br><br>Interest rate above CHF 10 million on request | Interest rate above CHF 5 million, EUR 500 000:<br>CHF, EUR 0.000%<br><br>Interest rate above CHF 10 million on request | CHF 500 000<br><br>Interest on amounts above this:<br>Same interest rate as for private account | None | None |
| Opening and closing | Free of charge | Free of charge | Free of charge | Free of charge<br>Exception for full repayment: processing fees will be charged in the event of an early withdrawal for self-occupied residential property or definitive departure from Switzerland. [4] | |
| Account management | Free of charge | CHF 6 per month | Free of charge | Free of charge | Free of charge |
| Availability / withdrawal limit | CHF, EUR 50 000 p. a.<br><br>Higher amounts are subject to a notice period of 3 months.<br><br>If the notice period is not met, 0.500% of the amount exceeding the limit is charged at the end of the month or upon account closure.<br><br>No limit on purchase of securities and precious metals or for interest and amortisation payments at Banque CIC (Suisse). | | CHF 25 000 p. a.<br><br>Higher amounts are subject to a notice period of 6 months.<br><br>If the notice period is not met, 0.500% of the amount exceeding the limit is charged at the end of the month or upon account closure. | Transfers to a new Pillar 3a pension provider are subject to a notice period of 3 months.<br><br>No notice period for all other withdrawal options provided for by law.<br><br>Partial withdrawals are only possible in the event of an early withdrawal for self-occupied residential property. [4] | No notice period within the framework of the withdrawal options provided for by law (e.g. transfer to another pension fund, definitive departure from Switzerland, etc.).<br><br>Partial withdrawals are only possible in the event of an early withdrawal for self-occupied residential property. [4] |
| Account overdrafts | Not possible | | Not possible | Not possible | Not possible |
| Statements | Monthly if there were any transactions, more often and copies CHF 0.50 per statement plus postage | | | Annually, free of charge | Annually, free of charge |
| Account balancing statements | Annually, free of charge | | Annually, free of charge | Annually, free of charge | Annually, free of charge |
| Payment transactions | ▪ conditional availability<br>▪ incurs costs pursuant to “Fees and conditions for private clients” and “Fees and conditions for business clients”<br>▪ no direct debits | | | Not available | Not available |
| eBanking | Account queries and account transfers | | Account queries and account transfers | Account queries | Account queries |
| Maestro card | Not available | | Not available | Not available | Not available |
| Credit card | Not available | | Not available | Not available | Not available |
| Link to custody account | Available | | Not available | Saving through securities possible, details on application | Saving through securities possible, details on application |

[4] Processing fees in the event of full repayment or partial withdrawal:
- for early withdrawal for self-occupied residential property: CHF 300 (if financing is obtained from Banque CIC (Suisse), this charge will be waived)
- for early withdrawal as a result of definitive departure from Switzerland or if the withholding tax must be levied: CHF 300

Valid as per 01.01.2017

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