

Multimanager-Strategies zweiplus Quarterly Report

Vontobel Asset Management

Market opinion

Review

During the first quarter of 2012, in particular the economy in the USA enjoyed positive growth. Labor market figures showed a clear recovery. In addition, the real estate sector has stabilized. The eurozone emitted intermittent signs of weakness, the problems remain unsolved.

Although bond investments exhibited slightly negative performance in the first quarter of 2012 in the USA, these were able to grow in Europe as a result of the comparatively poor economy. Stock markets certainly reacted positively to the friendly signals from the USA.

This year, the financial markets got off to the best start since 1998. Securities that came under pressure in 2011, such as bank stocks and government bonds for the so-called peripheral countries in the eurozone, recovered particularly clearly in the first quarter. However, the environment has only improved at the first glance. A large proportion of the advances are due to extraordinary activities by governments and central banks after the crisis on the financial markets in 2007/2008.

Outlook

However the path to sustained economic growth demands painful adjustments such as the reform of social systems. As a result, the ECB program is an opportunity for governments to finally finish doing their homework and take serious steps to improving the affected economies' ability to compete. However, here and there political resistance to unpopular measures is to be expected.

We are currently taking a reserved view of the perspectives for the stock market. The excellent performance since the fall of 2011 has already pre-empted a great deal. The proportion of equities is being underweighted again.

We are expecting interest rates on the bond markets to increase in 2012. Economic growth remains robust in the USA, in Europe the economy is awakening from hibernation, and inflation is relaxing.

Tactical changes and key reclassifications in the last quarter

At the end of February we raised the proportion of equities from underweighted to neutral. A new feature is the inclusion of bonds from emerging nations. Bonds from emerging nations are not directly affected by the insecurity in government financing in developed nations, and also have an attractive yield pick-up. Over the past few months, analysts have made a strong downwards correction to profit growth rates for 2012. In view of weak global economic growth (however without recession), this now appears realistic. The liquidity program reduces the systematic risks of European banks. The Vontobel multifactor model has improved as a result of the improved revised profits, and pointed to a neutral weighting for equities.

In terms of specific funds, money-market funds were reduced and funds such as Allianz RCM Europe Equity Growth, Fast Europe, BGF Euro Markets, JPM Highbridge US Steep, Allianz RCM US Equity and BNP Paribas Bond World Emerging Local were increased or purchased.

At the end of March, in addition the duration in the portfolios was cut. This is due to the fact that the interest curve does not currently reflect the improved economic environment, and that we believe that interest rates will increase as a result. We have reduced the funds with a longer duration and increased products such as UBS (Lux) Medium Term Bond, BGF Euro Short Duration and Julius Bär Absolute Return.

Performance of the individual strategies

All of the strategies enjoyed positive absolute performance in the past quarter. Strategies with a higher risk profile were able to fare better than bond-heavy portfolios due to their higher proportion of equities.

Relative performance was also convincing. It was possible to beat the respective peer indices thanks to the excellent fund selection. A particularly positive factor to be highlighted is the equity fund selection within Europe. However, the excellent performance has its foundations in a very broad base. Excellent fund selection has delivered additional value for investors in almost all investment categories.

Performance (in %)

from 01.01.2012 to 31.03.2012

Strategy	CHF	EUR
Conservative	2,69 %	4,62 %
Balanced	4,67 %	6,22 %
Growth	6,48 %	7,88 %

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