LimmatWealth

MEMO

Coronavirus Update

The Coronavirus led investors to panic in late February, leading to a sell-off in European and US stock markets.

Developed Markets	2020 YTD	Since Feb 20th
Switzerland	-7.5%	-12.4%
Germany	-12.9%	-16.3%
Eurozone	-13.8%	-16.4%
United Kingdom	-14.8%	-13.3%
United States	-7.7%	-12.2%
Japan	-12.3%	-11.3%

Emerging Markets	2020 YTD	Since Feb 20th
Asia ex Japan	-6.4%	-6.0%
China	-0.2%	2.0%

Source: Limmat Wealth, Bloomberg as of March 6, 2020

We made two major changes to our positioning since the beginning of the year as mentioned in the last update:

- We took risk out of our portfolios by selling our long-only biotech positions (January 17)
- We sold our liquid investments in China (February 26)

The spread of the Coronavirus and its economic consequences have led to falling share prices worldwide since the end of February. The turmoil in equities is now spreading to government bond markets in Europe and the United States. For example, interest rates on US government bonds have dropped to the lowest levels ever (ten-year 0.5%, thirty-year 0.9% as of March 9). The nerves of investors are in tatters. The recently announced financial aid measures and the surprising emergency cut in interest rates by the United States' central bank FED show how seriously central banks and governments are assessing the economic consequences of the epidemic. However, it is questionable whether these measures will be sufficient to prevent a recession in important regions of the world.

Whether or not the current correction will develop into a bear market can no longer be ruled out. There is great uncertainty about the impact of the virus, but we continue to believe that it would be the wrong decision to further reduce equity exposure. We maintain our long-term asset allocation and look to buy selectively when interesting opportunities arise. We still stand by the reasons mentioned, why one should not panic:

- Selling after a major loss has historically been a poor decision. There are numerous examples of strong rebounds in the days following a stock market sell-off. A reduction of the equity commitment now means risking missing the rebound.

- Fluctuations in equity markets are not a new phenomenon. Investors should not lose sight of their long-term goals based on short-term volatility.

- Large price corrections offer a good opportunity to buy securities at lower prices.

- The price slump this week is unpleasant, but it only costs market participants a small portion of their accumulated profits.

Besides the Coronavirus scare, failed negotiations within the Organization of Petroleum Exporting Countries (OPEC) sent the oil price down and also negatively affected the stock markets today. A power struggle between Saudi Arabia and Russia over the restriction of oil production has escalated. As a result, oil prices dropped as much as 30%. This situation has nothing to do with the Coronavirus, but has led to an overreaction. We are monitoring the situation closely and will selectively invest if we feel it makes sense (e.g. Royal Dutch Shell with a dividend yield of over 10%).

Limmat Wealth takes the situation around the Coronavirus seriously. We have introduced organizational measures to ensure a seamless operation for our customers and employees. In addition, our employees have the opportunity to work from home using remote access technology, consequently ensuring that our relationship managers can assist you with everything you need.

Please do not hesitate to contact us if you have any questions.

March 9, 2020
Limmat Wealth AG