



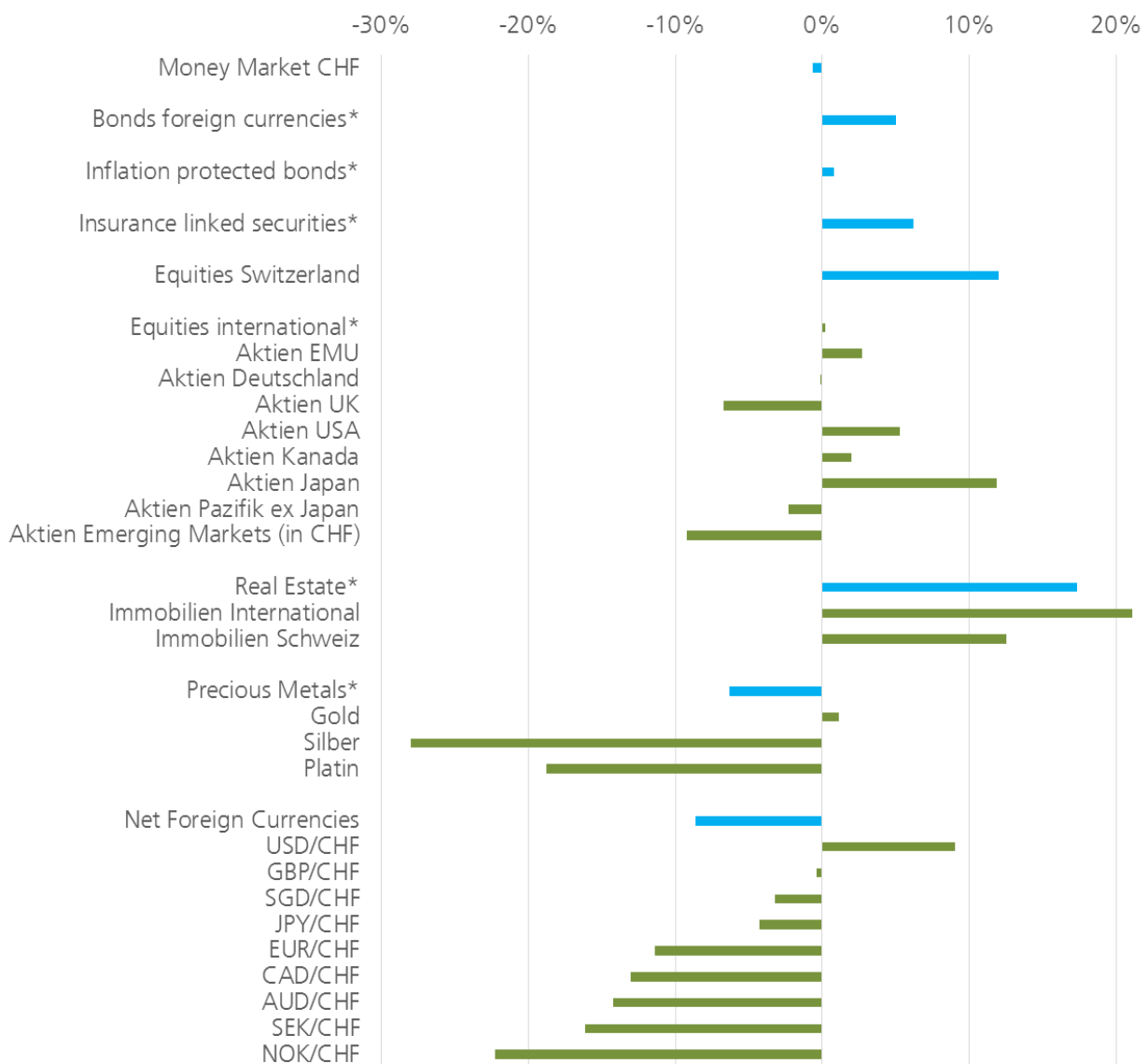
Partisan Strategie Fonds (CHF)

Strategy Meeting 3rd Quarter 2015:

Performance Review, Risks of Inflation, Insurance Linked Securites

Performance Review since 31 December 2013

Both the major asset classes (in blue), as well as the sub asset classes (green) have evolved very differently. This shows the purpose of broad diversification: avoiding concentration risks.



Returns on major asset classes (blue) and sub asset classes (green) since 31.12.2013.

Source: Telekurs

Falling Commodity Prices and Lower Inflation Expectations Affected the Performance of the Partisan

	Performance Asset Class	Aver. Weight	Contribution to Performance Partisan
Money Market CHF	-1%	13%	-0.1%
Bonds foreign currencies*	5%	16%	0.8%
Inflation protected bonds*	1%	8%	0.1%
Insurance linked securities*	6%	4%	0.2%
Equities Switzerland	12%	18%	2.2%
Equities international*	0.2%	27%	0.1%
Aktien EMU	3%	3%	0.1%
Aktien Deutschland	0%	2%	0.0%
Aktien UK	-7%	2%	-0.2%
Aktien USA	5%	7%	0.3%
Aktien Kanada	2%	3%	0.1%
Aktien Japan	12%	2%	0.3%
Aktien Pazifik ex Japan	-2%	2%	-0.1%
Aktien Emerging Markets (in CHF)	-9%	6%	-0.5%
Real Estate*	17%	5%	0.9%
Immobilien International	22%	3%	0.6%
Immobilien Schweiz	13%	3%	0.3%
Precious Metals*	-6%	9%	-0.6%
Gold	1%	7%	0.1%
Silber	-28%	2%	-0.4%
Platin	-19%	1%	-0.2%
Net Foreign Currencies	-9%	16%	-1.4%
USD/CHF	9%	4%	0.4%
GBP/CHF	0%	0%	0.0%
SGD/CHF	-3%	1%	0.0%
JPY/CHF	-4%	1%	0.0%
EUR/CHF	-11%	1%	-0.1%
CAD/CHF	-13%	3%	-0.4%
AUD/CHF	-14%	3%	-0.4%
SEK/CHF	-16%	2%	-0.2%
NOK/CHF	-22%	3%	-0.6%
Costs (fees, transaction costs)			-1.1%
Total			1.0%

* Hedged in CHF

Yields, weightings and performance contributions to the Partisans total return of about 1% since 31.12.2013

The ultimate goal of the Partisan is the long-term preservation of purchasing power. Best possible protection against unexpected inflation is an important element. This is reflected in the strategy as follows:

- A large share of "real" assets (equities, real estate , precious metals and inflation-linked bonds)
- A relatively small share in nominal bonds
- Emphasis on "healthy" currencies of countries with relatively low levels of debt (CHF, NOK, SEK, CAD, AUD).

In the environment of sharply falling commodity prices, declining inflation, inflation expectations and interest rates, this strategy has somewhat impaired the total return of the Partisan. On the one hand, we benefited only very limited from the falling interest rates due to our low bond allocation. On the other hand, the foreign currency basket has performed negatively not only due to the cancellation of the EUR/CHF minimum exchange rate by the SNB, but also due to the strong dependence of some currencies on commodity prices. Especially NOK, AUD and CAD, due to the economic structure of these countries.

No Strategy Adjustments with regard to Inflation Risks

Do these circumstances not require an adjustment of the investment strategy with regard to the development of inflation? In our view, this would be dangerous. Although it is quite possible that inflation rates will remain low for some time, there remains a very significant risk of prices rising in the medium term. Once concrete signs of rising prices are discernible, it may be already too late to take actions. For this reason, we remain committed to the strategy of inflation protection.

Insurance Linked Securities

Together with specialists we have also analysed the risks of insurance linked securities. These are investments whose value is linked to the occurrence of large claims in the wake of natural disasters. These papers are not without risk, as the owner acts as insurer. But their attractive long term returns fall largely independent of the global economic development and thus of the stock markets, as even large natural disasters usually have local rather than global economic impact. Therefore, these securities improve diversification in the context of the overall portfolio. Our in-depth-analysis confirmed our view, that a ratio of about 5% in Cat-bonds is appropriate and useful.

Interesting Literature with regard to Inflation Risks

John H. Cochrane: Inflation and Debt; National Affairs Issue Number 9, Fall 2011

<http://www.nationalaffairs.com/publications/detail/inflation-and-debt>

Peter Bernholz: Monetary Regimes and Inflation: History, Economic and Political Relationships; Second Edition, 2015

<http://www.amazon.de/Monetary-Regimes-Inflation-Political-Relationships/dp/1784717622>