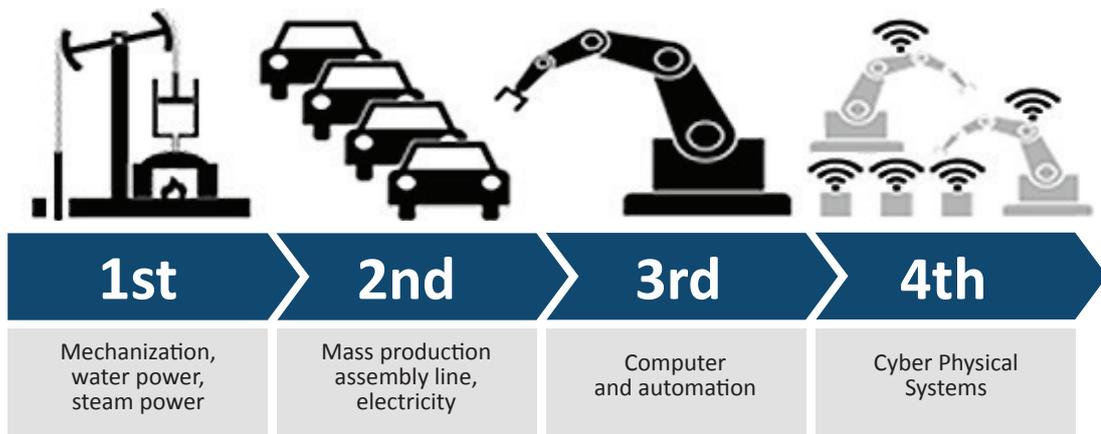


Input 29.09.2016

«Intelligence is the ability to adapt to change». Stephen Hawking

Good morning.

A good way to illustrate changes within the industry is the following graph:



«Industry 4.0, is the fourth industrial revolution, [1] is the current trend of automation and data exchange in manufacturing technologies. It includes cyber-physical systems, the Internet of things and cloud computing. [2][3][4] Industry 4.0 creates what has been called a «smart factory». Within the modular structured smart factories, cyber-physical systems monitor physical processes, create a virtual copy of the physical world and make decentralized decisions. Over the Internet of Things, cyber-physical systems communicate and cooperate with each other and with humans in real time, and via the Internet of Services, both internal and cross-organizational services are offered and used by participants of the value chain.[2]»

Source https://en.wikipedia.org/wiki/Industry_4.0

Present development of internet and all underlying services does support an easier access on many aspects. In our input 30.05.2016, vide download on www.jacotinvestmentmanagement.ch/en/news/, we did refer to «GAFA».

Better logistics make a better world. Consequently all participants within our ecosystem must satisfy basic needs of humans before the perceive themselves. We will experience smart and greener solutions through innovation. Applying algorithms within various sectors will be key. Interesting is, how most of us connected through a broad variety of Apps, on our APPLE iPhones and iPads, and Androids.

ALIBABA GROUP, the world's largest crossborder e-commerce company by gross merchandise volume (GMV), has its roots in China but its aspirations are global. Alibaba makes it easier for companies in the U.S. and elsewhere to leverage technology to sell to China's rising middle class, which is already the size of the U.S. population and is expected to double in seven years.

JACOT

This week I was attending <http://www.iaa.de/en/> and learned through various company and booth visits, at companies. <https://en.wikipedia.org/wiki/Telematics> will help us to optimize movements and processes. New connected services will provide optimization of fuel consumption, GPS tracking, driving behaviour, maintenance management, traffic information, etc. The European Commission has passed a law that requires Tire Pressure Monitoring Systems on all new models as of 2012 and on all new cars as of 2014 – as is already the case in the US. These systems will make their data available to other vehicle systems – the braking system, for example. CONTINENTAL did develop a leading system to cover this law.

An MIT spinout is preparing to commercialize a novel rechargeable lithium metal battery that offers double the energy capacity of the lithium ion batteries that power many of today's consumer electronics. My concern though is access to rare earth metals. Honda started looking to reduce the use of heavy rare earth metals 10 years ago, but a spike in prices around 2011 prompted the tie-up with Daido, the company said. This technology will lower costs and reduce our exposure to price fluctuations. The redesigned motor still uses the light rare earth element neodymium, which is found in North America and Australia, as well as China. Honda is aiming for new-energy vehicles, including gasoline-electric hybrids, plug-in hybrids, battery-electric and fuel cell vehicles to account for two thirds of its line-up by 2030, from around 5 percent now.

Despite upcoming US elections, <http://elections.huffingtonpost.com/pollster/2016-general-election-trump-vs-clinton>, and ongoing political unrest around the globe, but market environment remains with negative interest rates in Europe, versus average Dividend Yields larger than 3% we suggest to hold on to a liquid & equity oriented investment strategy. Single Stock Selection is our choice.

Fixed Income risk-reward ratios are not attractive and we question, why investors are prepared to lend money at such low rates to governments and corporations. As seen this week, German airline DEUTSCHE LUFTHANSA pulled a €500 million (\$562 million) debt sale in an unusual move that signals limits to the European Central Bank asset buying program that has turbocharged Europe's bond market. The retreat is the first major misstep for a European blue chip company raising debt since the ECB announced in March that it would buy corporate bonds. That buying has helped push down yields across Europe, allowing companies to raise funds at ultralow rates and unleashing a flurry of debt issuance.

Saudi Arabia has ended its flirtation with free oil markets. It took the kingdom's new oil minister, Khalid Al-Falih, just six months to blink, ending the country's two-year policy of pump-at-will. The decision at this week's meeting of the Organization of Petroleum Exporting Countries in Algiers to cut production was necessitated by Saudi Arabia's tattered finances. The kingdom has the highest budget deficit among the world's 20 biggest economies, may delay its first international bond issue and now faces fresh legal uncertainty after the U.S. Congress voted Wednesday to allow Americans to sue the country for its involvement in 9/11. Oil prices will most probably recover and we sense that it a question of time until global interest start to increasing again.

As always I am glad receive your feedback and learn about your personal view. Hopefully we will be able to catch up soon!

Best wishes

Bjoern