

Input 28.12.2018

«I think we're going to the moon because it's in the nature of the human being to face challenges. It's by the nature of his deep inner soul... we're required to do these things just as salmon swim upstream.»
Neil Armstrong

Good afternoon

28.12.2018 - final day @ work (not on the moon yet), reflecting on 2018 as one of the most challenging years, facing major headwinds and extreme volatility on global financial markets. Main reason for the pressured market is the yet unsolved Sino American trade conflict, and President Trump is at the center of investor's crisis of confidence.

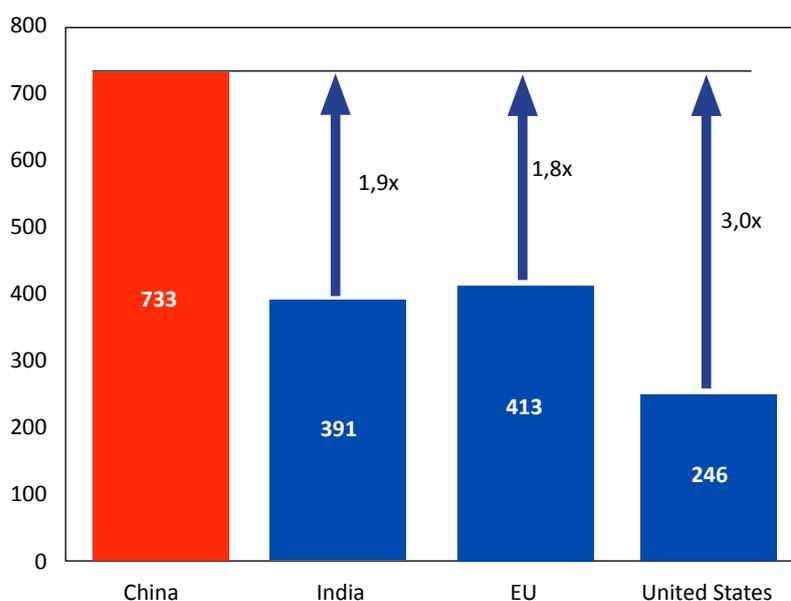
Markets can recover quickly. Less volatility as a silent wish. Some easing of market pressure we have just experienced during the latest +4% day «Santa move» on the US stock exchanges. Considering the present low interest rate environment in Europe and Japan the «TINA principle» (There is no alternative) still applies. The sell-off did not relate to what companies produced in earnings and we sense that a potential global slowdown is priced-in by now.

Since coming to power in 2012, President Xi Jinping has repeatedly urged Communist Party members not to forget China's socialist roots while pursuing the «great rejuvenation of the Chinese nation». At an event in May held to commemorate the 200th anniversary, he said that for Communist cadres reading Marxist works and understanding Marxist theories should be a «way of life» and a «spiritual pursuit», adding that the philosopher's theories were still **«totally correct»**. The Karl Marx cartoon series, co-produced by central government's Marxism office, will be shown by video streaming website Bilibili.com. This statements are scary, especially considering the following economic hard facts:

Digital Leaders

China is a global leader in frontier industries such as e-commerce.

(internet users in millions of persons)

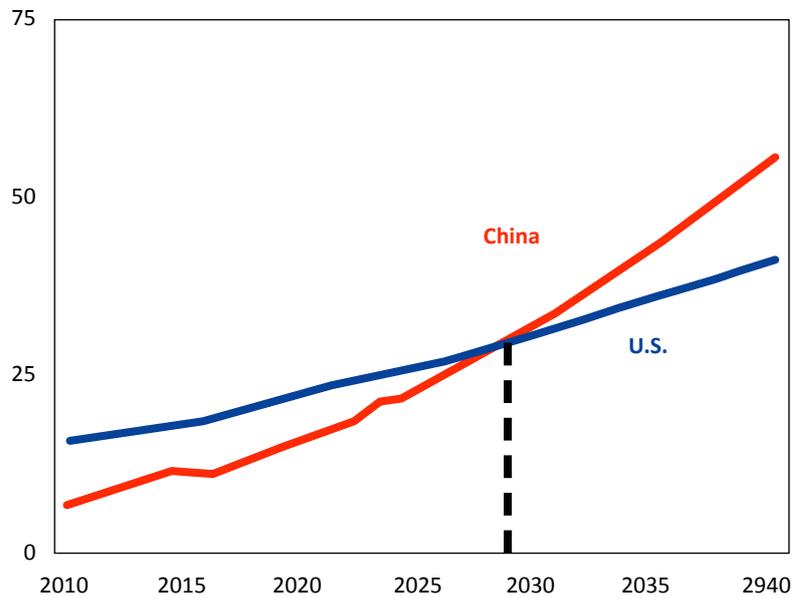


Source: World Development indicators (WDI) database

Quality as well as quantity

Chinas GDP could overtake the United States by 2030.

(Nominal GDP in USD trillions, assuring market exchange rate of 2017)



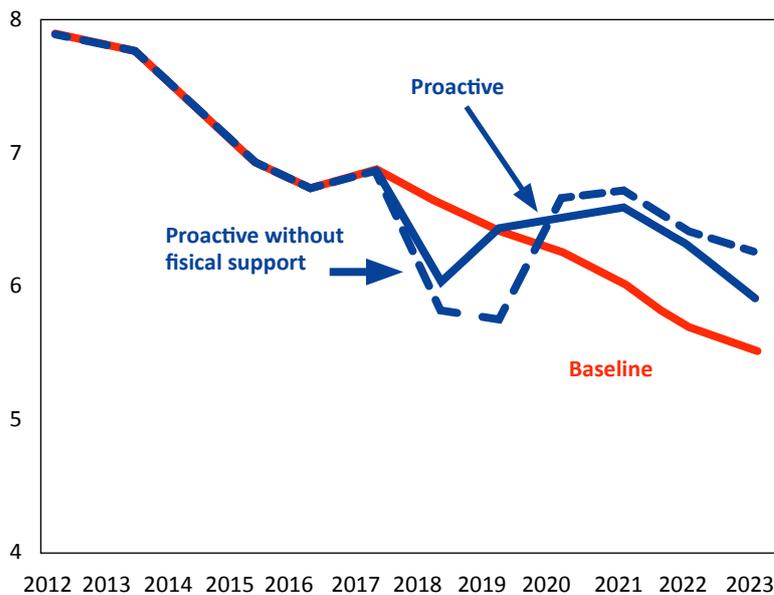
Source: IMF staff estimates



Forseeing growth

Faster reforme progress could pave the way for higher, more sustainable growth.

(GDP in percent, year-on-year growth)



Source: CEIC and IMF staff estimates and projections



JACOT

Please read more in detail on <https://www.weforum.org/agenda/2018/08/china-s-economic-outlook-in-six-charts>.

Economic outlook have almost become a «guessing» of leading economist, journalists and researchers. In Europe we faced the last recession 7 years ago, in the US in 2008. There is no rule that economic growth will die of old age. Hardly anyone does mention, that Australia's economy completed silently 27 years of uninterrupted economic expansion in the second quarter, with solid growth lifted by consumer spending and government-led infrastructure. Impressive.

Themes for 2019 are digitalization (vide our report http://www.jacotinvestmentmanagement.ch/documents/_JIM_UpDates_V01_01.05.18.2S.pdf), renewable energy - triggering fundamental changes in automotive - global trade, communication and more. Despite sharp temporary corrections powerful names as MICROSOFT, GOOGLE and APPLE are ranking top with more than 2 trillion market cap, larger than the entire EUROSTOXX 50, Europe's leading blue-chip index. Remember life before apps? Sure, it was liveable. But it was also a time when we owned paper maps, knew phone numbers, etc. How can today's world operate without cloud computing, mobile devices, functional apps? This won't stop, and the world's most valuable resource in no longer oil, but data.

Driving restrictions in cities, CO² emission guidelines, etc. will trigger that the major car producers are forced to invest more in e-mobility. <http://www.ev-volumes.com/country/total-world-plug-in-vehicle-volumes/> **Is it too late for VW, BMW, NISSAN and others? We do not think so. In comparison to TESLA, VOLKSWAGEN is not a pioneer of a new development in the EV, but if the Wolfsburg take a new path, they will spend more than EUR 30 billion for enforcing the EV, in order to offer models below EUR 30'000.** <https://www.energysage.com/electric-vehicles/buyers-guide/top-ev-companies/>.

Despite «swimming upstream» (= temporary negative year to date results) we do follow a LITHIUM oriented investment mandate. The new «White Gold»; during the 1790s, it was a Brazilian naturalist who discovered the mineral called petalite on an island in Sweden. Then in 1817, a chemist in Sweden discovered that petalite contained a previously unknown element. He was able to isolate one of the salts, but he could not isolate the mineral itself. Nevertheless, he gave it its name – lithium, which meant «stone» in Greek. Finally, 1855 a British and a German chemist were able to separate the metal from the salts. Once this was accomplished, commercial production of the lithium metal began in Germany in 1923. Because it is so light, it is known for its wide use in batteries. As a result of our above-consensus electric vehicle outlook, forecasts predict 19% annual demand growth for lithium over the next decade. This will ultimately require higher-cost lithium supply to come on line to meet demand. With this strong attraction to alternative energy, grows the demand for lithium, which is predominantly mined and imported from countries like Bolivia, Chile, China and Argentina.

As long-term oriented investment managers we are positive towards EUR, JPY vs USD and global equity allocations, but hesitant on a stronger CHF and low, respectively negative yielding fixed income. We prefer to keep our focus on our single stock selection based approach, and remain confident that the performances in our mandates will recover.

On behalf of the JIMAG team I wish you a good weekend, and «en guete Rutsch» into a healthy and successful 2019

Best

Bjoern