



SKALIS EVOLUTION FLEX / DEFENSIVE: JULY 2018

Strong equity markets and a good duration call helped both funds to positive performance.

The recovery in equity markets in July led to a positive performance of the Skalis funds: (Skalis Evolution Flex AK I +1,2%, Skalis Evolution Defensive AK I +0,7%).

Overweighting EuroStoxx50 (versus DAX) delivered a positive contribution. Also, in peer group comparison the Skalis funds did well. The increasingly defensive stance of the market participants reduced the overall selling pressure. Solid macro and corporate data became more in focus and supported the positive equity markets. We still expect higher volatility resulting from less supportive monetary policy and from political risks. But given the low yields (especially in Europe) the alternatives to equities are limited. Therefore, we increased the equity allocation during July (per ultimo: 26% in Skalis Evolution Flex and 15,5% in Skalis Evolution Defensive). On the other hand we reduced our overweights in banks and autos.

Given the solid macro data and healthy corporate profits there is a significant discrepancy in Europe between real interest rates and the economy. This should lead to a change in central bank policy in the longer term. Therefore, we used the highs in the current Bund Future contract to reduce the portfolios' durations significantly from 1,7 to 1,2. Furthermore, we continue to reduce our holdings in Italian government bonds as we believe that the Italian excessive budget plans are not sustainable given the high level of government debt.

There is almost no week in which Trump's policies are not discussed. But we like to bring your attention to relevant long term issues like the responsible treatment of environment and society. We believe that the results of the Paris climate summit have not turned into sufficient actions yet. We aim to enhance our implementation of ESG (environmental, social, governance) key performance indicators into our security selection and risk management. Therefore we reduced companies with weak ESG scores and sold producers of nuclear power completely during July. As a result of these transactions the MSCI ESG scores have been improved to good levels (6.7 for the Skalis Evolution Flex and 6.6 for the Skalis Evolution Defensive). The maximum score is 10. We aim to exceed 7 with further portfolio adjustments during August.

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