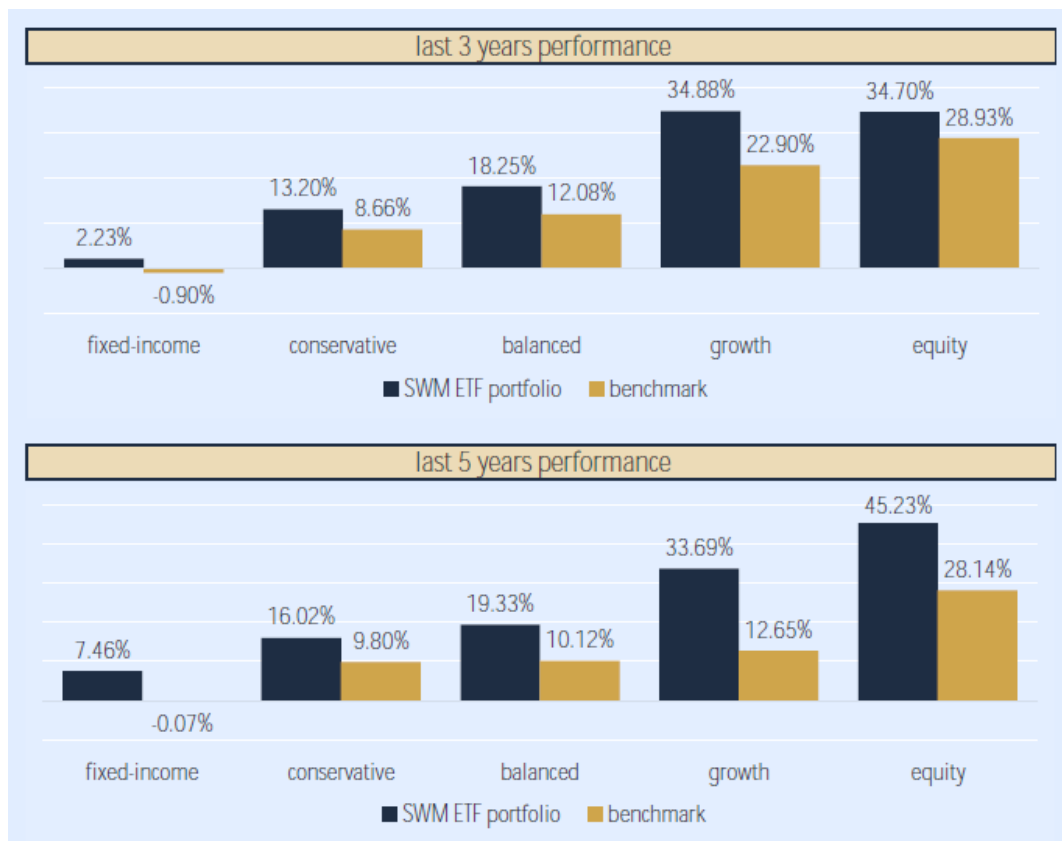


locking in strong gains, paring back equities

- At the start of 2019, following the sharp correction of Q4 2018, we recommended aggressively buying equities (please see full report [here](#)). Our ETF portfolios are up between 14% and 20% year-to-date and are outperforming by 5% to 6%.
- Every single one of our ETF portfolios is outperforming significantly on a 12-month, 3-year and 5-year horizon.
- The risk/return for equities is changing. We have been fully overweight equities for a number of years, we now feel it is prudent to lock in some of the gains for our clients and are moving back to a neutral stance.
- We are also moving up to a full weighting in bonds, precious metals and cryptocurrency.

we have generated significant outperformance for our clients

Over the 10 years since the founding of Secure Wealth Management, we've generated significant outperformance for our clients:



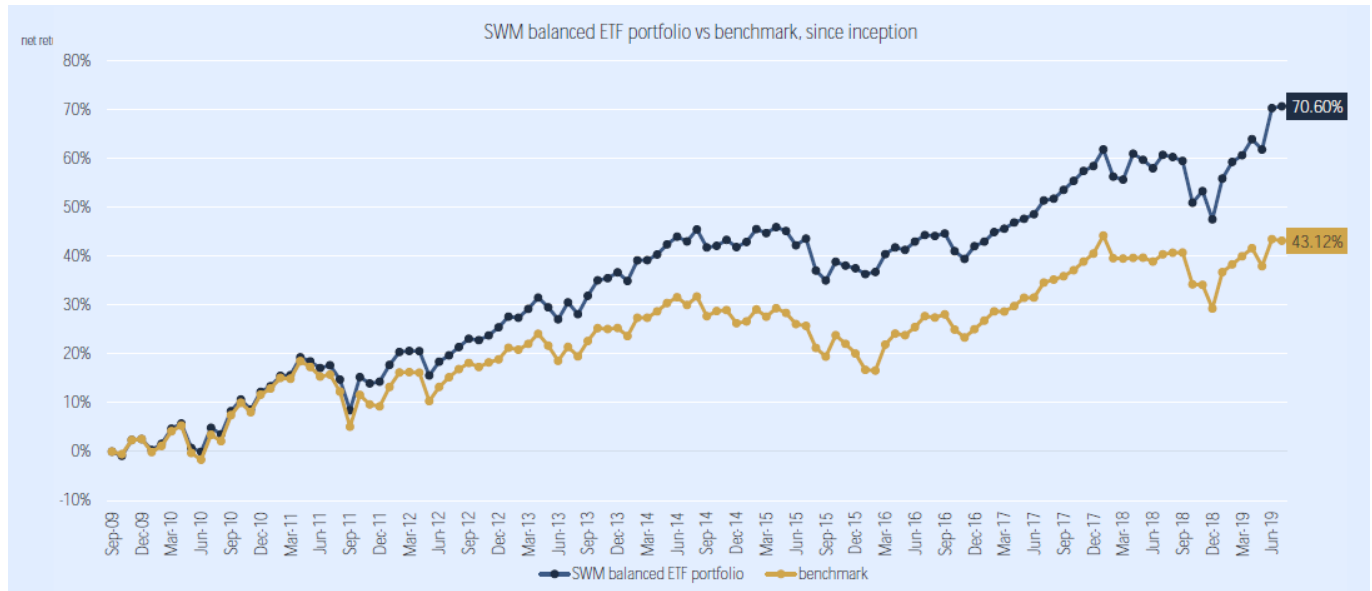
During the last decade, our team has developed a tried-and-tested investment process. It is based around two main elements:

- trend-based technical indicators, using a number of Fibonacci ratios
- network analytics algorithms

SWM Investment Research

We have tested the predictive power of a wide range of indicators, and over the years have consistently refined our selection methodology, so as to optimise outperformance for our clients. The blue line below shows the performance of the SWM balanced ETF portfolio vs its benchmark (the gold line) since 2009:

SWM balanced ETF portfolio vs benchmark



the risk/return is beginning to worsen

After a 10-year bull market in equities, the risk/return is beginning to worsen. Please don't misunderstand us: we believe the equity bull market as such is intact and can run for another 6 to 12 months. However, given the strong outperformance we've generated and the slightly less favourable outlook, we believe it's prudent to take some gains off the table.

What is worsening in terms of the outlook? We go into some detail below, however in summary:

- the supply and demand dynamics for equities are showing early signs of weakening
- geopolitical risk continues to rise, with the impact of Trump's trade war not yet priced into markets
- technical indicators for equities are still positive, but less so following the declines in recent months
- by contrast, technical indicators for bonds, precious metals and cryptocurrencies are strongly positive

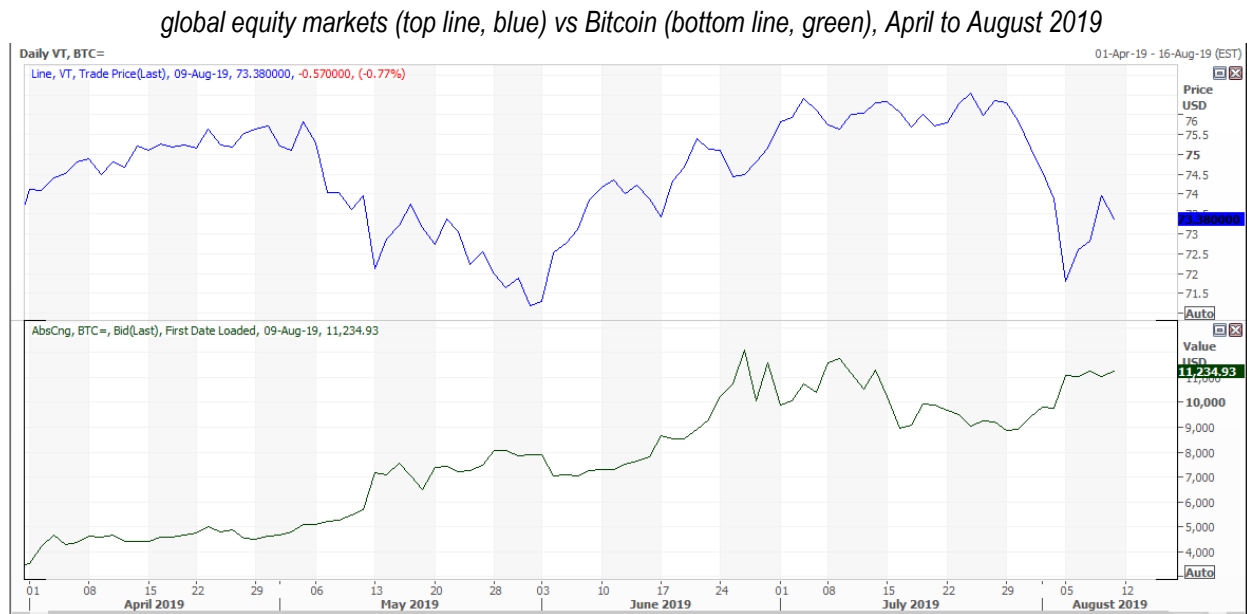
In particular, as UBS highlight in a report* out this week, stocks are now responding negatively to negative economic news. In recent years there has been an inverse correlation, with stocks rallying on weakening economic data (in anticipation of Fed rate cuts). This end of "bad news is good news" could become problematic as we move into 2020 and a recession becomes more visible. In a textbook cycle, the risk/reward of owning equities changes after a peak in PMIs (Purchasing Managers' Indices, a general bellwether for the health of the economy) and the performance of equities tends to be less impressive (but usually single-digit returns). In the current cycle, the S&P has gained less than 3% since the peak in the PMIs in 2018.

* "UBS US Equity Strategy, 5th August 2019, Francois Trahan"

SWM Investment Research

Secure Wealth Management
25 avenue Adrien Lachenal, 1290 Versoix, Geneva, Switzerland
Tel: +41 22 755 33 78
info@securewm.com

One of the most interesting phenomena has been the lack of correlation of bitcoin to global equities, shown in the chart below. Over the last 5 months, we've seen a consistent pattern of bitcoin rising, independent of whether global equities are rallying or declining. In particular, during declines in equities, bitcoin has risen strongly (as seen in the early part of May and August).

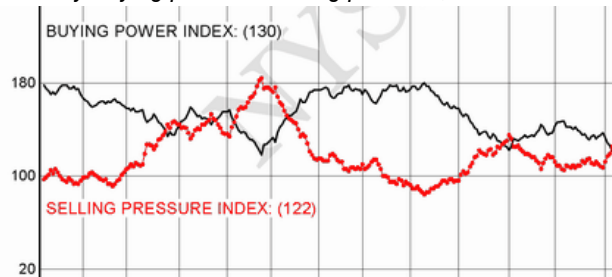


As and when a true equity bear market sets in (a 2020 phenomenon, we believe), we expect flows into cryptocurrency to explode, as investors rotate into this new asset class. This will be supported by the existence of a regulatory and institutional custody framework for cryptocurrency, for the first time. We hold 2% of crypto in all our ETF portfolios and continue to see it as an excellent portfolio diversifier, as well as offering the potential for substantial upside gains over the next years.

the supply and demand dynamics for equities are showing early signs of weakening

Focusing on the US equity market, one of our key technical providers is Lowry Research. Their 95+ year analysis has proven to be reliable over the years. Their aggregate buying power vs selling pressure index has been a key signal, and is beginning to weaken, as shown below. Buying power (the upper, black line) has been weakening since March, and selling pressure (the lower, red line) increased sharply in Q4 2018, but has also been steadily rising since early April 2019.

Lowry buying power vs selling pressure, last 12 months



It should be stated, however, that in order to presage an equity bear market, selling pressure will normally cross above buying power, and then show a rising trend for many months. These conditions are not yet given.

SWM Investment Research

geopolitical risk continues to rise, Trump's trade war is not priced into markets

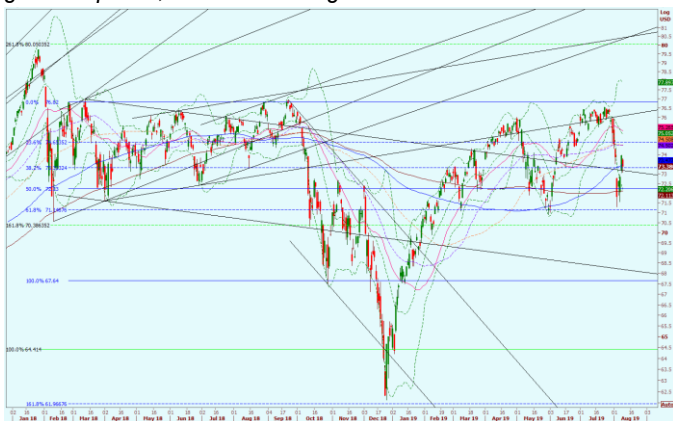
Trump has named China as a currency manipulator in the latest move in the escalating trade war. This further increases the risk of a global recession in 2020, and is not currently priced into markets. UBS estimates that US growth will now slow toward 1½% in H1 2020, with real GDP growth stalling at about a 2% pace in H2 2019 and slowing to a 1½% pace in H1 2020. In Europe, UBS have cut GDP growth forecast to 1.1% from 1.3% for this year, and to 1.0% from 1.3% for 2020. The risks around a hard Brexit weigh on the downside, although European earnings growth remains resilient.

For Japan, growth is likely to accelerate and further stimulus measures to be introduced. However, clear risks remain, in particular around the US-China trade war. We are neutral Japanese equities on a currency-hedged basis. Finally, for emerging markets, the key risk is again a deterioration in the US-China trade talks. The gearing of emerging market equities into this dynamic is so strong that we prefer to take an underweight position.

technical indicators: weaker for equities, strong for bonds, precious metals and crypto

The following four charts show SWM's technical signals, which are still positive for equities but less so than previously. Bonds, precious metals and crypto all show strong technicals trends, hence we are moving to full weighting in all three asset classes.

global equities, Jan 2018 – Aug 2019



US Treasuries, Jan 2018 – Aug 2019



gold, Jan 2018 – Aug 2019



bitcoin, Jan 2018 – Aug 2019



SWM Investment Research

SWM global positioning matrix, August 2019:

	equities	bonds	property/ commodities	currencies
overall	neutral	overweight	overweight	
USA	neutral: overweight selected ESG ETFs	neutral: technicals strong and growth slowing	global property: neutral	neutral USD
Europe	neutral: political risks, EPS momentum supportive	neutral: technicals strong and growth slowing	precious metals: overweight gold and platinum	underweight EUR: established technical downtrend
Japan	neutral: growth and stimulus, but exposed to trade war	neutral: growth slowing	cryptocurrency: overweight, excellent portfolio diversifier	underweight: Japan equity holdings are all hedged
emerging	underweight: strong exposure to trade war	underweight: less value post strong rally		

interested in investing in our ETF portfolios?

please contact our portfolio assistant:

cara.henry@securewm.com


**SECURE
WEALTH**
MANAGEMENT

SWM Investment Research

Secure Wealth Management
25 avenue Adrien Lachenal, 1290 Versoix, Geneva, Switzerland
Tel: +41 22 755 33 78
info@securewm.com



Member of the Swiss Association
of Asset Managers | SAAM

Disclaimer / Risk Warning:

This document is intended for information purposes only and you should not take, or refrain from taking any action as a consequence of it, without consulting a suitably qualified person. This document is not intended for use by persons located or resident in jurisdictions which restrict the publication of this document or the availability of its content.

The content of this document does not constitute an offer to sell or a solicitation to purchase, nor an advice or a recommendation to acquire or dispose of any investment or to engage in any other transaction. This document should not be distributed to, or used by, any person or entity, in any jurisdiction where such activities would be unlawful or where it would require Secure Wealth Management Ltd. ("SWM") or any of its affiliates to be registered, licensed, authorized, approved or otherwise qualified. The information contained in this document is not intended to provide professional advice and should not be relied upon in that regard. Investors are advised to obtain appropriate professional advice where necessary.

Investment involves risks. Past performance is not indicative of future results of an investment. The value of an investment may fall as well as rise and may become valueless and investors may not be able to recover the amount invested. Investors are advised to contact the entity with which they deal, or the entity that provided this document to them, if they require further information.

The information in this document has been obtained or derived from sources believed by SWM to be reliable, but SWM makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Any opinions or estimates contained in this document represent the judgement of SWM at the time of the publication of this document and are subject to change without notice. The content of this document is protected by legal copyright and this document may not be reproduced or further distributed in whole or in part for any purpose without the prior written consent of SWM.

SWM Investment Research

Secure Wealth Management
25 avenue Adrien Lachenal, 1290 Versoix, Geneva, Switzerland
Tel: +41 22 755 33 78
info@securewm.com



Member of the Swiss Association
of Asset Managers | SAAM