

locking in gains: tactical underweight in equities



# SECURE WEALTH MANAGEMENT

## Investment Insights

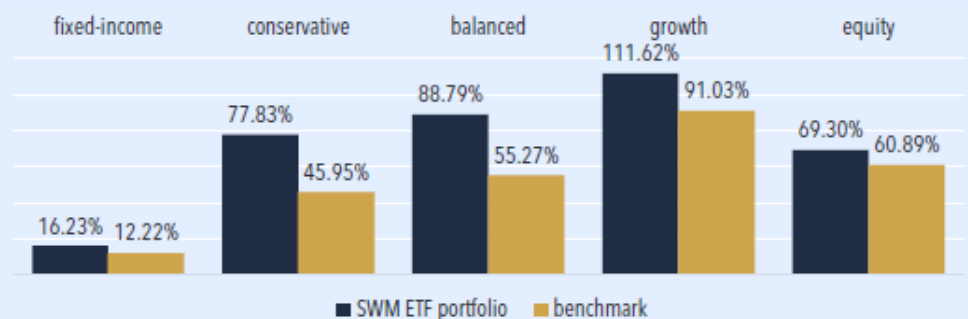
September 2020

# executive summary

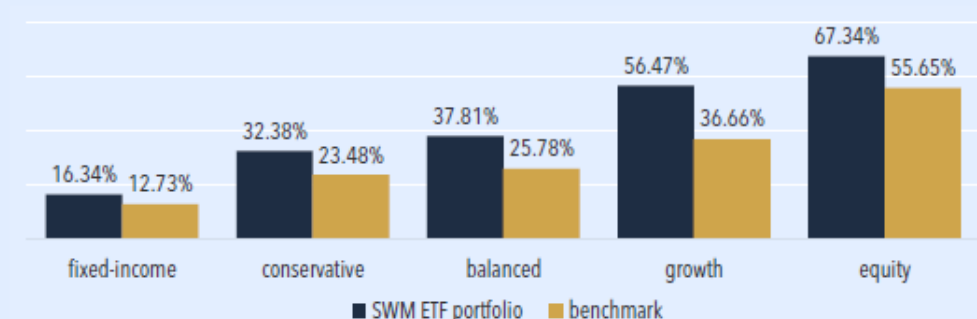
- ❖ *we have reduced equity weightings to a tactical “underweight” across all strategies*
- ❖ *our ETF portfolios containing equities are currently outperforming their benchmarks by between 5% and 10% year-to-date. We increased our equity weightings to “overweight” in early May. We feel it is now prudent to lock-in these significant gains*
- ❖ *our technical signals are currently mixed for equity markets outside the US. We are most underweight Asia ex-Japan, European and emerging market equities*
- ❖ *we continue to be overweight US equities overall, with the focus on technology and ESG*
- ❖ *all 5 of our ETF portfolios continue to show significant outperformance on every time horizon*

# outperforming benchmarks across the board\*

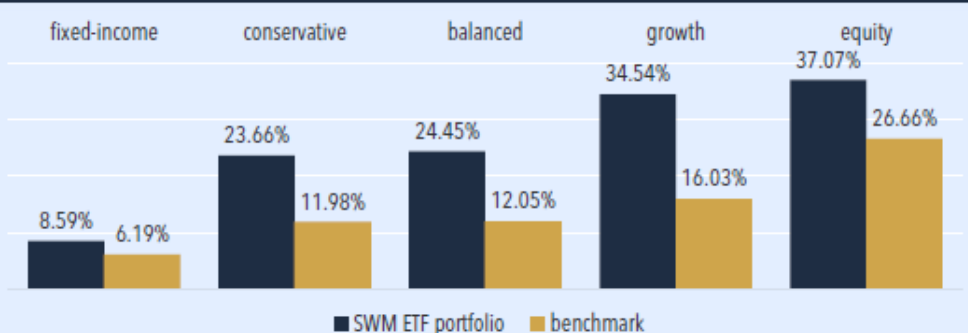
performance since inception



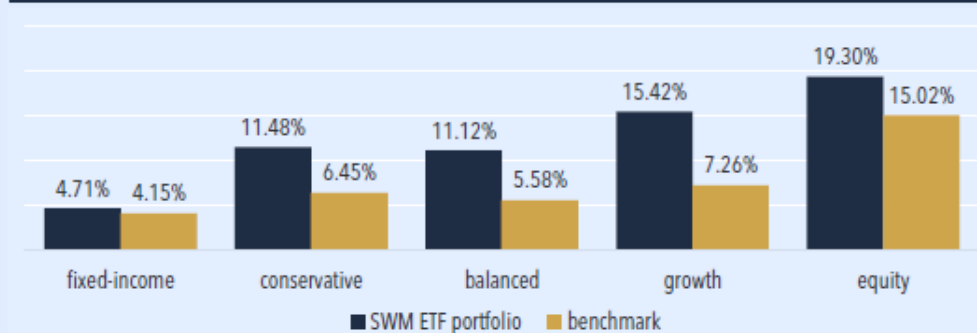
last 5 years performance



last 3 years performance



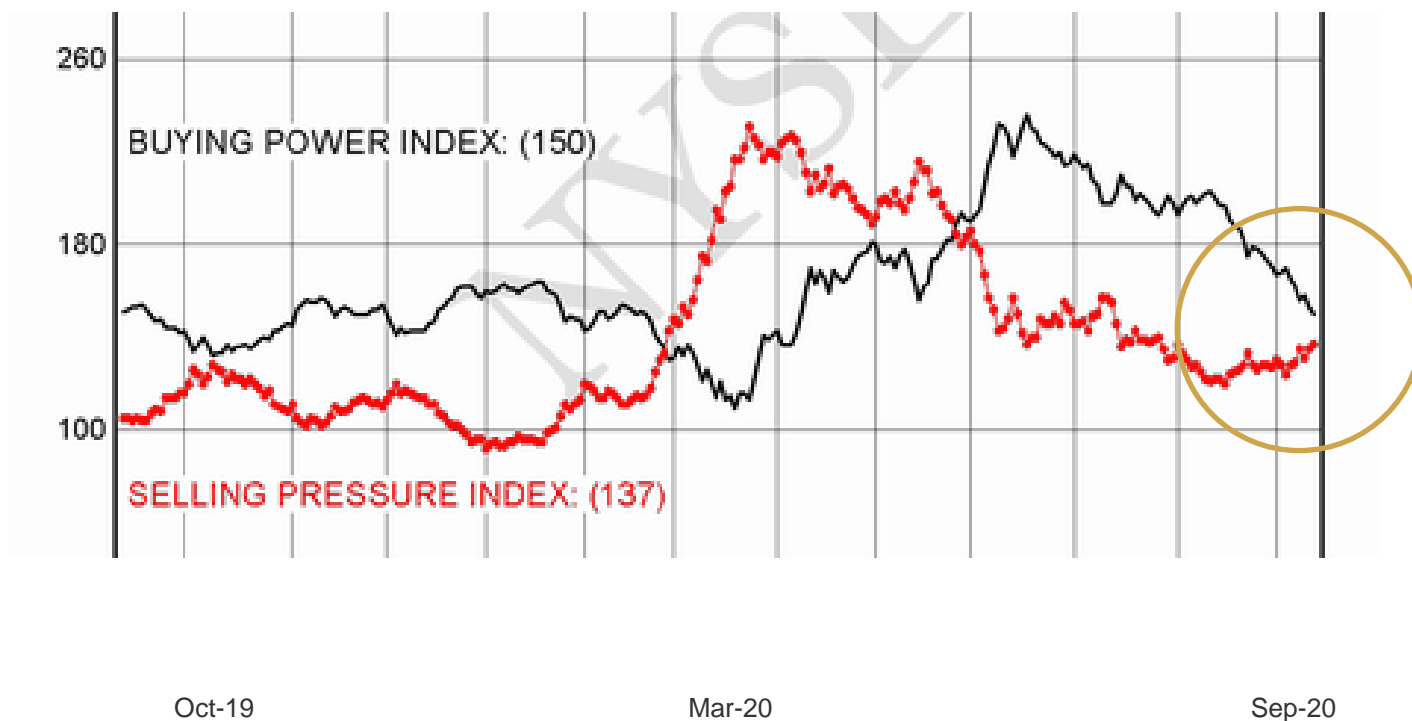
last 12 months performance



# SWM global positioning matrix: September 2020

	equities	bonds	property	commodities	currencies
overall	underweight	neutral	underweight	overweight	
USA	<i>overweight: strong technicals for tech and ESG</i>	<i>neutral: support from long-term up-trend</i>	<i>underweight: hitting long-term resistance</i>	<i>(globally) overweight gold, and silver in higher-risk portfolios</i>	<i>overweight: Covid selloff now overdone</i>
Europe	<i>underweight: long-term downtrend despite Covid bounce</i>	<i>government: neutral; high-grade corporate: overweight ESG bonds</i>	<i>underweight: hitting long-term resistance</i>		<i>underweight: Covid rally now overdone</i>
Japan	<i>overweight: moving into long-term up-trend?</i>	<i>neutral: intermediate trend more positive</i>			<i>overweight: gradually strengthening trend</i>
emerging	<i>underweight: weak technicals, disproportionate hit from Covid</i>	<i>underweight: high volatility and weak technicals</i>			

# US equities: watch for possible supply / demand negative crossover



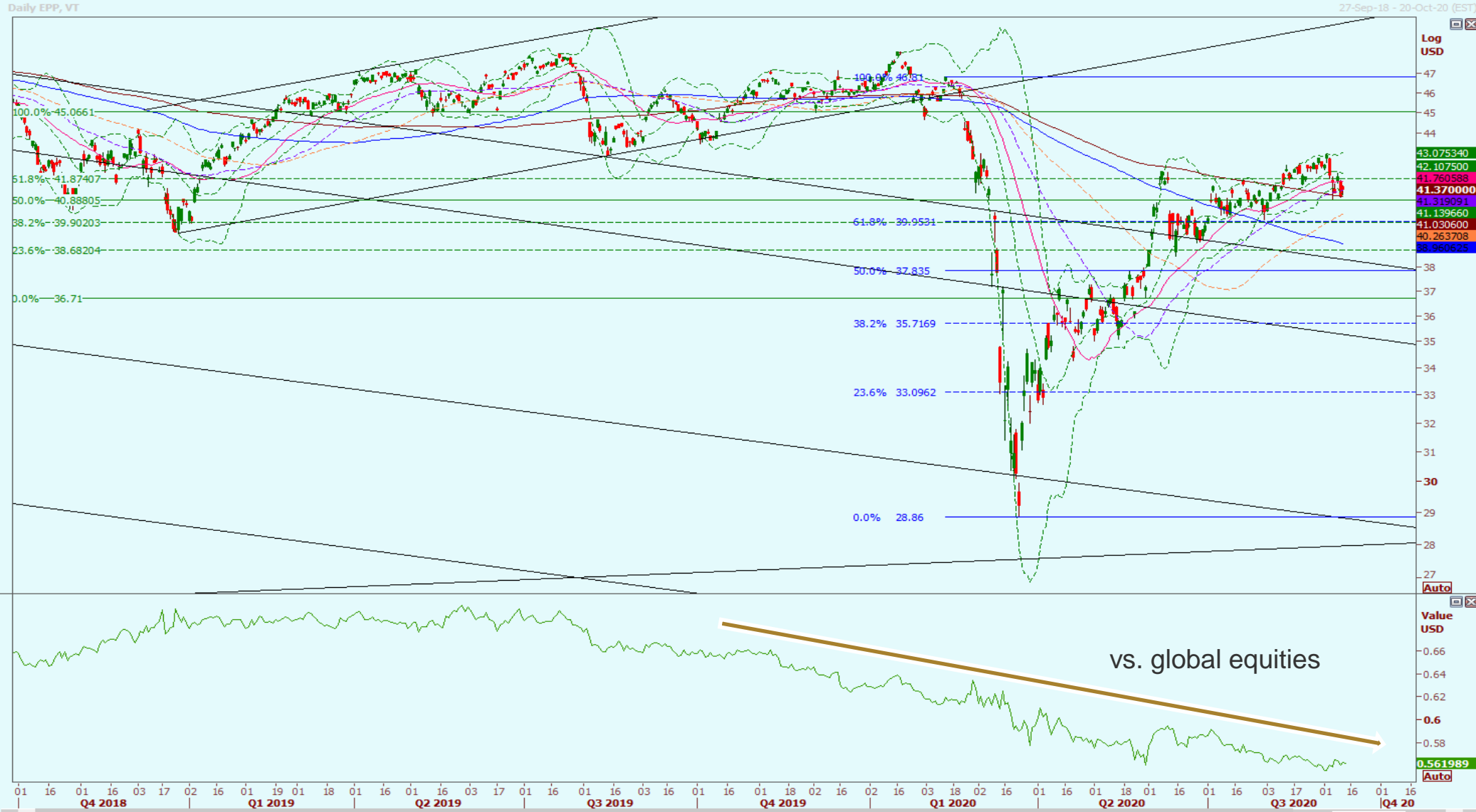


# US ESG ETF remains in up-trend



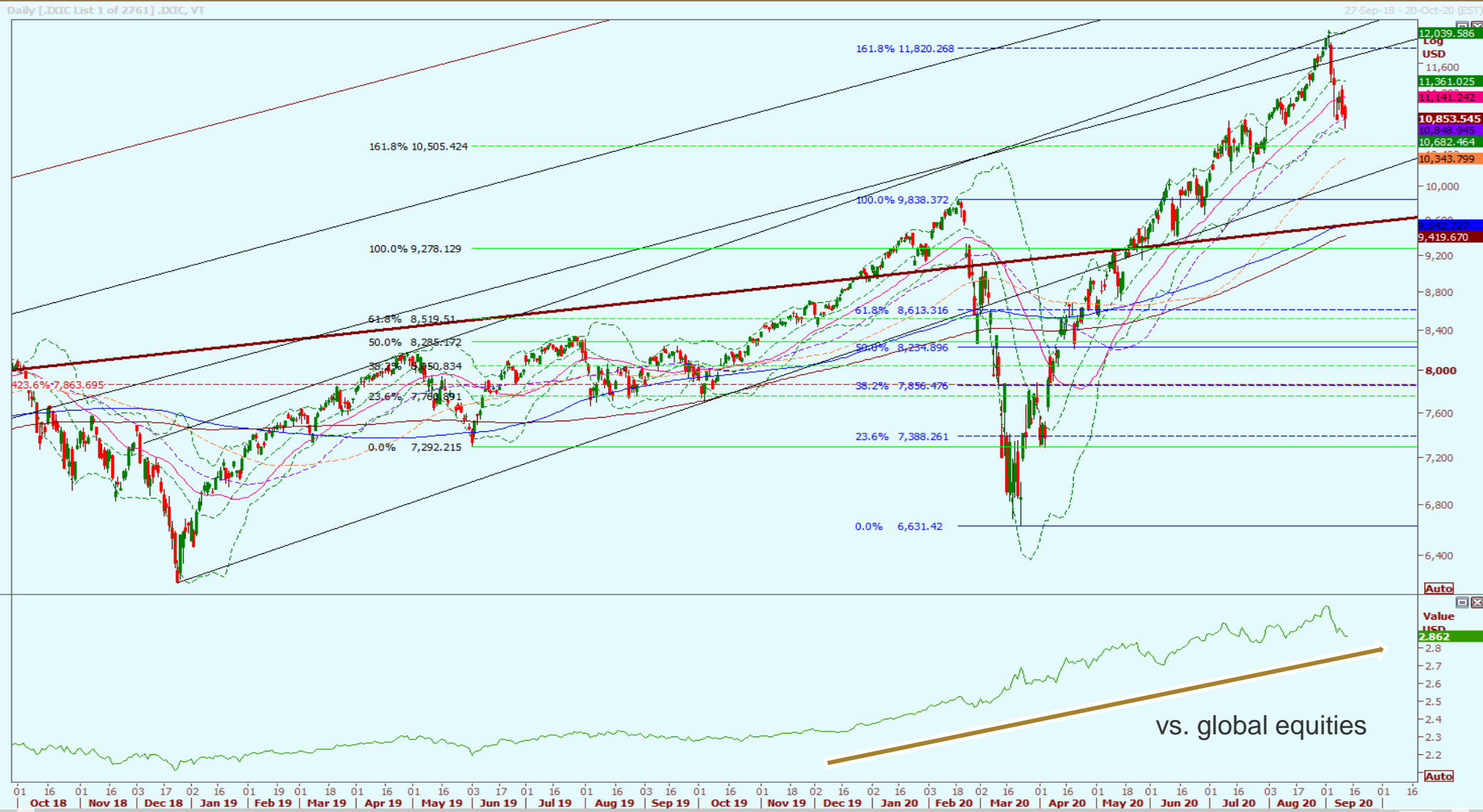


# Asia ex-Japan still in a long-term down-trend





# cloud computing ETF still in strong up-trend







# US Treasuries at long-term support

Daily GOVT.K, VT

27-Sep-18 - 19-Oct-20 (EST)







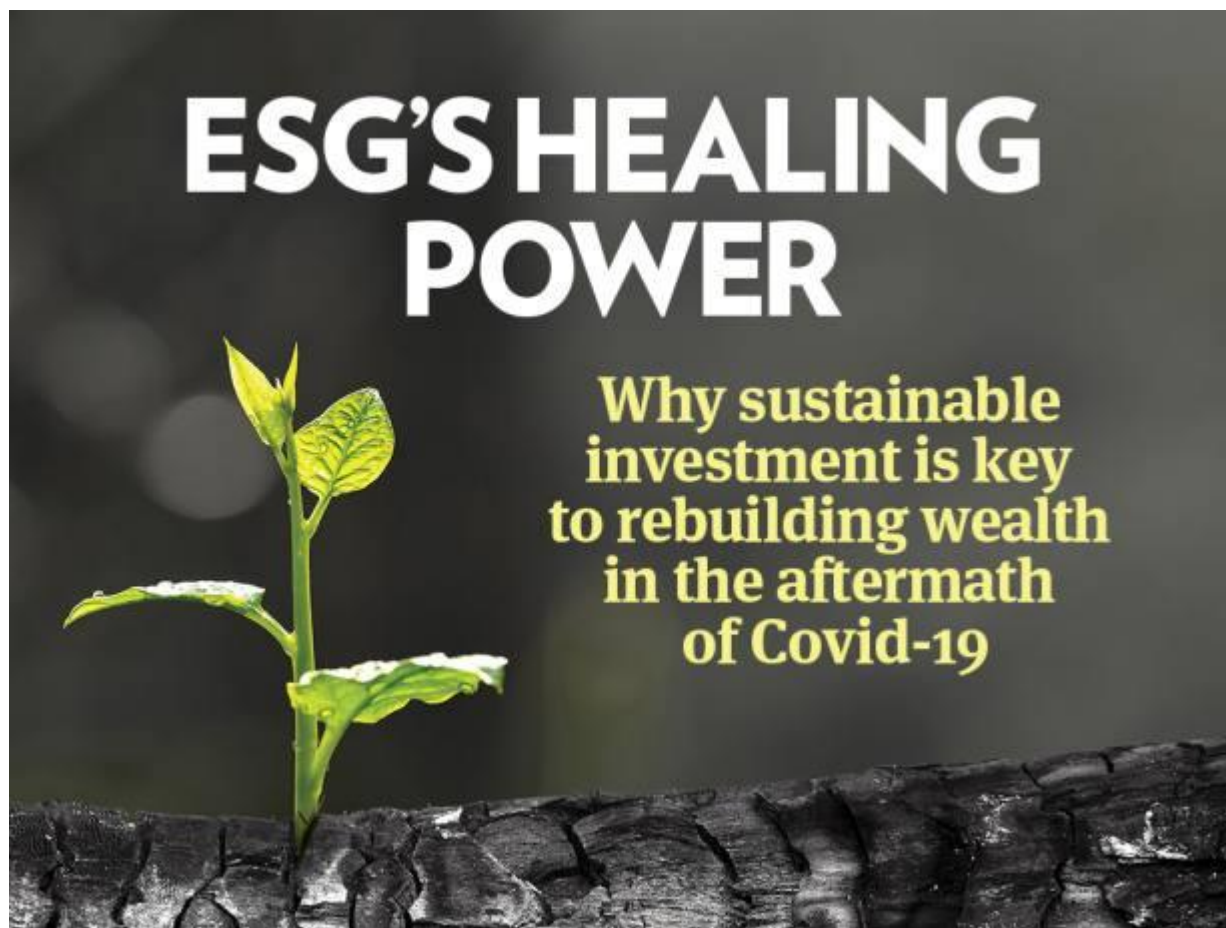
# Euro Covid-rally vs. USD now looks overdone





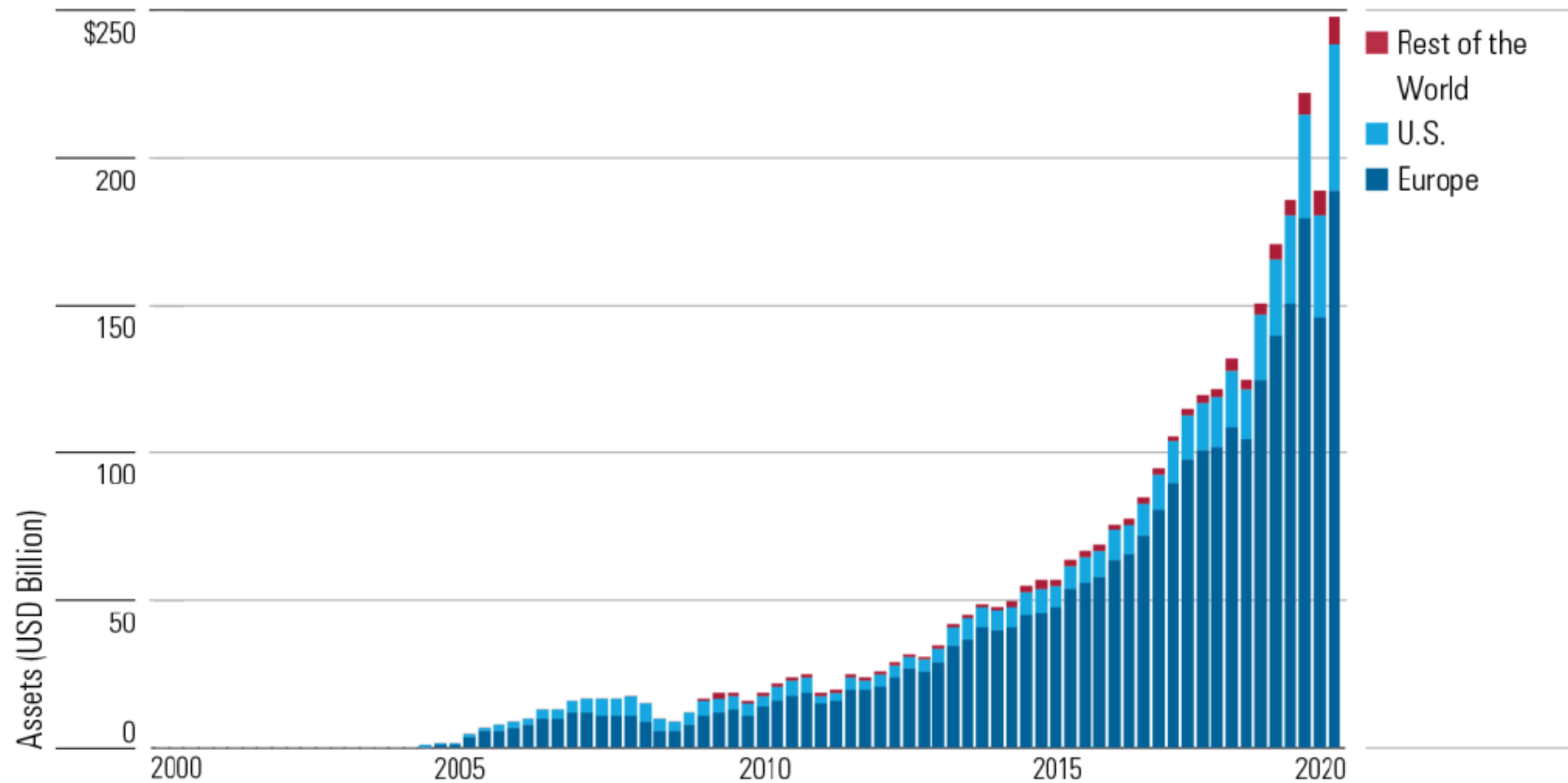
# US dollar now oversold post Covid decline





# flows into ESG ETFs are exploding

**Exhibit 3** Global Passive Sustainable Fund Asset Growth by Region



Source: Morningstar Direct, Morningstar Research. Data as of 06/30/2020.

# what is ESG?

## ❖ CFA institute definitions:



### Environmental

Conservation of the natural world

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity



### Social

Consideration of people & relationships

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards



### Governance

Standards for running a company

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes

source: CFA Institute

# Covid will spur a wave of innovation and growth

- ❖ ***“why are markets rallying when a global recession is approaching?”***
- ❖ ***a wave of economic and societal transformation has been unleashed by Covid***
- ❖ This will create significant growth and employment in many industries, including:
  - climate change / environmental protection
  - medical / med-tech
  - supply chain digitalisation
  - remote working and e-learning
  - cybersecurity and data privacy
  - employee health and safety
  - cashless society / e-banking



# digital and cleantech technologies are core investments post-crisis

- ❖ ***“two years’ worth of digital transformation has occurred in two months”***  
***Satya Nadella, CEO of Microsoft, 29<sup>th</sup> April 2020***
- ❖ digital and blockchain technology can increase efficiency, reduce costs, drive democracy and reduce corruption
- ❖ China supported its low-carbon sector generously post the 2009 GFC, and is now ahead of many developed economies in the technology competition
- ❖ South Korea spent a significant proportion of its budget to tackle the 2008 financial crisis on green stimulus measures. It is now a world leader in batteries and other low-carbon technologies
- ❖ democratisation of access to digital currencies via smartphones: the world’s 1.7bn “unbanked”
- ❖ blockchain-enabled decentralised corporate governance hugely increases transparency and accountability

# contact us

email: [info@securewm.com](mailto:info@securewm.com)

website: [www.securewm.com](http://www.securewm.com)

Secure Wealth Management  
25 avenue Adrien Lachenal  
1290 Versoix  
Geneva  
Switzerland  
Tel: +41 22 755 3378

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