CORUM AG Investment Policy – Special Session of 29.11.2021

Omicron – A change-maker?

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To date, our investment policy has relied on the assumption that the developed states will be able to manage the coronavirus pandemic sufficiently well by means of vaccines that no further large-scale restrictions are to be expected. We also assumed in the basic scenario that no serious mutations would arise. These assumptions have had to be viewed in a stark new context since last Friday. The WHO described the new omicron variant as "threatening", as it has a great number of mutations, around three times more than the delta variant. It also has a high reproduction rate, over two. If this is confirmed, we must assume its spread will be rapid. Currently, it is largely limited to South Africa and its neighbouring states. However, individual travellers have already brought it to Europe, Canada and Israel. Understandably, most states have introduced strict restrictions on travellers from South Africa. From experience we know, however, that dominant viral variants cannot be prevented from spreading. The next few weeks will show whether these fears will become reality.

This news also comes at the worst conceivable moment. Western states are now – almost unbelievably – in the same situation as last year: the infection rates are rising massively. Hospital admission rates are following, with a delay. Some countries have already had to fly patients to other areas, and winter is only just beginning. It will scarcely be possible to avoid further restrictions on freedom of movement, above all in those countries where individuals have the luxury of declining vaccination. In this situation it is barely conceivable that omicron will not get a foothold in the cold north.

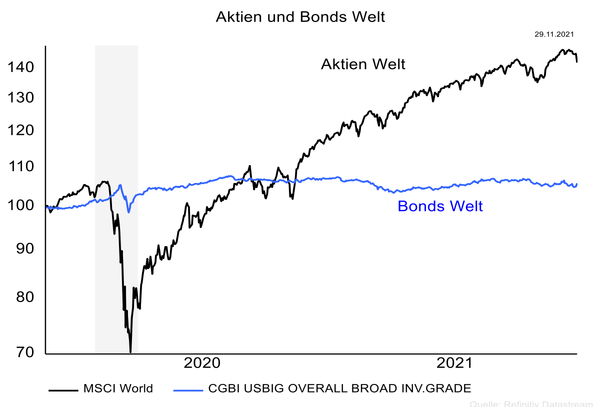
This uncomfortable and surprising situation forces us to reassess our investment policy. Urgently.

In doing so, we make the following assumptions:

- The fourth wave can no longer be stopped and intensive care will once again reach its limits
- The more so because political forces will initially limit themselves to symbolic measures, in order not to endanger Christmas business and the start of the winter season
- Radical measures will only follow at the end of December and start of January
- By then we should also have more information about how dangerous omicron is
- In the intermediate period, increased volatility in the financial markets must be reckoned with
- So far, the markets have reacted relatively modestly to the new information

Whatever is done, one thing is certain: the economy, currently running hot, could slow down for a while. This also has advantages. The signs of overheating will not get worse. And the risk of a wage-price spiral would thus be lower. If extensive limitations become necessary, states will have to take on more debt. This would delay the normalisation of monetary policy until 2023.

For the financial markets, however, one thing is certain: until the open questions are cleared up, they will be marked by higher volatility. In any case, on the basis of a marked worsening of the virological situation, we are working with a downside risk of no more than 10%. Inflation worries can be put on the back burner for a while.



In terms of investment policy, we can match this new situation analysis as follows:

- Inflation need not be hedged for a while
- Stocks will be moved temporarily from neutral to slightly underweighted

With this positioning we can reckon with the increased risks while also expressing the fact that we still see the medium-term outlook for stocks as good. In this sense, omicron is more of a spoilsport than a game-changer for us.

You can find the details of asset allocation in the following table.

Strategic and tactical Asset Allocation for the 4th Quarter 2021

	Reference currency CHF			Reference currency EUR			Reference currency USD		
	Investment strategy Balanced			Investment strategy Balanced			Investment strategy Balanced		
Investment categories	SA	IC	C	SA	IC	C	SA	IC	C
Money market	**5**	**18**	**+2**	**5**	**18**	**+2**	**5**	**18**	**+2**
Bonds	**40**	**32**	**+4**	**40**	**32**	**+4**	**40**	**32**	**+4**
Home Country	24	21	+3	23	20	+2	3	5	+1
Rest of Europe	8	5		5	2	+1	5	2	
USA	4	3	+1	8	7	+1	28	22	+3
Rest of World	4	3		4	3		4	3	
Stocks and shares	**45**	**40**	**-5**	**45**	**40**	**-5**	**45**	**40**	**-5**
Home Country	9	8	-1	15	13	-3	7	8	-1
Rest of Europe	11	9	-2	6	5		7	8	
USA	12	10	-1	15	10	-1	23	17	-3
Rest of World	13	13	-1	9	12	-1	8	7	-1
Alternative investments	**10**	**10**	**-1**	**10**	**10**	**-1**	**10**	**10**	**-1**
Commodities	4	5	-1	4	5	-1	4	5	-1
Various	6	5		6	5		6	5	
Total	**100**	**100**		**100**	**100**		**100**	**100**	

SA = Strategic Asset Allocation IC = Investment Committee C = Change