Asset Allocation Strategy

31 October 2008

Investment Committee

JYSKE GLOBAL
ASSET MANAGEMENT

Asset Allocation summary

The table summaries investment decisions on asset allocation and loan currencies taken by JGAM.

Asset Allocation on low, medium and high risk portfolios[1]										
Asset type	**Recom-mendation**	Low risk			Medium risk			High risk		
		N/max	**T**	**TG**	N/max	**T**	**TG**	N/max	**T**	**TG**
Fixed Income	**U**	80/100	**66**	**52**	50/80	**42**	**34**	20/40	**17,5**	**15,5**
Equities	**U**	20/40	**10**	**10**	50/80	**35**	**35**	80/100	**60**	**60**
Alternatives	**N**	0/20	**0**	**0**	0/40	**0**	**0**	0/60	**0**	**0**
Cash	**O**	0/100	**24**	**38**	0/100	**23**	**31**	0/100	**22,5**	**24,5**

N = Neutral weight in %, O = Overweight, U = Underweight, T = Tactical weight in %, TG = Tactical weight with gearing.

Loan currencies	
	Tactical weight
CHF	**70**
EUR	**30**

Economies and financial markets

- Worst financial crisis since 1930.
- Substantial intervention from central banks and governments.
- Most likely the financial crisis is in its late stage.
- The financial crisis (falling market values and deleveraging in the banking industry) plus deflation in housing market will have severe long term effects on growth, unemployment and company earnings globally. Government and central bank intervention can dampen but not stop the spillover effect from financial markets to the real economy (from Wall Street to Main Street).

[1] Speculative clients are offered a leveraged version of the three standard risk portfolios or individual portfolios if funds under management are sufficient.

- Emerging markets are vulnerable in the present situation as many relay on foreign currency to finance balance of payment deficits.
- Commodities and commodity related currencies are not seen as attractive investments in the most likely scenario of low economic growth.

Asset allocation

Fixed income

We keep an **underweight** position in bonds. We expect yield curves to steepen as central banks (especially in Europe) reduce interest rates. Hence, we keep a short duration in the bond portfolio. We see attractive spreads between government and corporate bonds and are prepared to increase exposure in more risky bonds when the financial crisis has come to an end.

Equities

We keep an **underweight** position in equities. Both the present financial turmoil and the long term recession scenario paint a negative outlook for company earnings. P/E ratios are low by historic standards but we are also in historical times and we judge it's too early to increase exposure in equity markets.

Alternatives

We keep a **neutral** position in alternatives as there are no clear-cut investment opportunities in commodities, real estate, metals and the like at present.

Cash

We keep an **overweight** position in cash. This is a cautious strategy justified by an expectation that we can enter both the bond and the equity market at better prices.

Loan currencies

The currency mix is unchanged 70% CHF and 30% EUR.

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Analysis approach

JGAM do macro economic research and financial analysis on various types of securities. These analyses form the basis for JGAM's decision on Asset Allocation, i.e. the tactical weighting of security types (bonds, equities etc.) in the portfolios JGAM offer: Low Risk, Medium Risk, High Risk and Speculative.

JGAM do not make analysis on specific securities. In stead JGAM uses analysis from external sources to decide what specific securities to invest in.

JGAM follow a top-down approach. First, the economic and financial trends are examined. Second, JGAM's asset allocation is determined including the composition of loan currencies in a leveraged investment. Third, we select specific securities within the asset classes based on external analysis.

JGAM's analysis, recommendations and investment decisions are presented in the following papers:

- Asset Allocation Strategy
- Fixed Income Portfolio
- Equity Portfolio
- Alternatives Portfolio
- Foreign Exchange Strategy

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