



INVESTMENT INSIGHTS

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Editorial View

Meat The New Burger

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Far from just a summer tradition, barbecues have become a national sport in a number of countries – with its circuit of competitions, its legends, sizeable prize money and a bunch of local or national societies. Even Switzerland has its very own Barbecue Association!

Could Australians, who top the meat consumption ranking with an annual per capita intake of over 90 kilograms, imagine putting anything other than meat on their grills? Or Americans, who come a close second, for that matter? Well, they may just find themselves forced to change their habits in the future, not only because of the alleged health issues stemming from excessive red meat consumption (increased incidence of several heart diseases and cancer) but also because of the great distress that a meat-tilted diet is placing on our planet’s resources.

Take water for instance. To dish up one kilogram of beef requires some 20,000 liters of water, for both cattle drinking and the irrigation of feed crops. Which is almost equivalent to the water consumed in taking 365 showers. Put differently, eating a kilogram less of beef saves as much water as going a full year without showering.

By contrast, your favorite cup of coffee takes “only” 140 liters of water to come to you. A glass of wine? 117 liters. And you get to enjoy a head of lettuce for 87 liters.

That is just for water. Large quantities of other resources are also being hogged by meat production: grains and forage obviously, alongside land for grazing and growing feed crops, and energy for feed production and transport – not to mention the harmful effects that cows have on air pollution.

Fortunately, meat is not the only protein-rich food. As a matter of fact, the human race could survive with alternative sources of protein, be they beans, fish, eggs, soy, or others. One way to reduce natural resource consumption would thus be to switch to a more balanced diet and avoid excessive importing/exporting from far away continents or nations (think twice before eating Argentinian beef for example).

A number of companies stand to benefit from a transition away from meat consumption towards alternative protein sources. We would notably point to the fish farming industry, with salmon producers such as *SalMar*, *Bakkafrost*, *Marine Harvest* or *Grieg Seafood*, as well as to vegetable producers in leading niches, like *Bonduelle*.

As for the die-hard carnivores, they might find solace in the meat alternatives produced by companies such as *Beyond Meat*, which is about to make its debut on the stock market. Although fully plant-based, its “beyond burgers” closely mimic the look and taste of animal meat. Almost the real thing, but without the health and environmental side-effects. The company claims to have sold 25 million of these burgers since 2016 and to have presence in over 32,000 grocery stores and restaurants across the US. Its array of high-profile investors and novelty status could well lead to an excessive IPO valuation. But let us bet that other new companies making vegetarian products that appeal to carnivores will soon follow it to market. The US Cattlemen’s Association is certainly smelling change: this year it petitioned the US Department of Agriculture for official definitions of “beef” and “meat”. A last-ditch attempt by the bull to rear its head?

Chart of the Month

Favorite foods water footprint



Global Strategy

Time For A Santa Rally Or Going *Cold Turkey*?

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Can Santa Claus save global financial markets from the recent carnage or will investors find no presents under their Christmas tree after last year’s orgy? While the holiday shopping season seems off to a good start with record Black Friday spending, statisticians will (rightly) remind us that, alas, there is no clear evidence of a Christmas rally over the past century. Let’s face it, Goldilocks is long gone and higher volatility here to stay, with the transition period now well engaged on several fronts, clouding visibility and suggesting a still bumpy road ahead for investors. Indeed, slowing (and de-coupling) economic growth amid diverging monetary paths, mounting geopolitical uncertainties, peaking corporate earnings, creeping inflation, and rising interest rates all suggest additional turbulence as global financial markets adjust to shifting expectations.

All is not doom and gloom, however, as market fundamentals remain healthy overall. A year-end equity rally cannot be ruled out, should upcoming macroeconomic and geopolitical developments (i.e. G20 meeting, FED tone, Brexit approval, Italian Budget Law) prove supportive. In view of this more balanced outcome, we keep our constructive global macro scenario for 2019 broadly unchanged but take additional measures to protect portfolios against heightened downside risks. More specifically, in terms of asset allocation, we maintain our neutral equity positioning, having adopted a more defensive stance already last summer when we trimmed exposure. And we are now more cautious on Credit, while favoring typical *safe haven* assets such as US Treasuries, Gold and the Swiss franc.

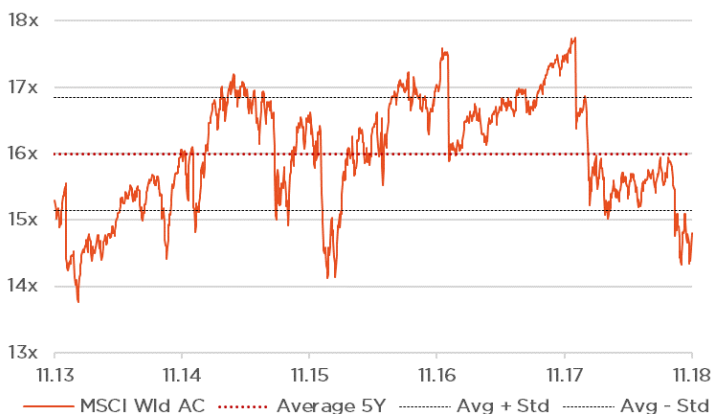
Within an unchanged overall equity allocation, we have nonetheless continued to tilt portfolios towards defensive regions (e.g. Switzerland and the US), while favoring a more balanced approach in terms of sectors and styles and considering beaten-up opportunities on a very selective basis only. The latest events still warrant a note of caution but we believe that concerns about decelerating earnings growth momentum and revived geopolitical tensions are essentially offset by healthier valuation levels and a more favorable (i.e. less bullish) investor positioning after the recent pullback.

We remain underweight Fixed Income in this market environment, having become even more cautious on Credit given unattractive spreads and the latest *General Electric* contagion risks. Still, we keep our 10-year US Treasury position as a hedge against political turmoil.

As regards currencies, we are now more bullish on the USD and CHF (vs. EUR) with the former likely to benefit in the short run from the higher rate differential, stronger US economic momentum, FED tightening and investor positioning, and the latter from its *safe haven* status. That said, relative valuation and fundamentals (current account, budget deficit, debt to GDP), alongside the shift in ECB stance, should support the EUR medium-term.

In commodities, we continue to advocate gold exposure as a geopolitical hedge and take a more balanced view on oil fundamentals. Finally, uncorrelated hedge fund strategies (market neutral, arbitrage) and private equity remain our preferred plays in Alternatives.

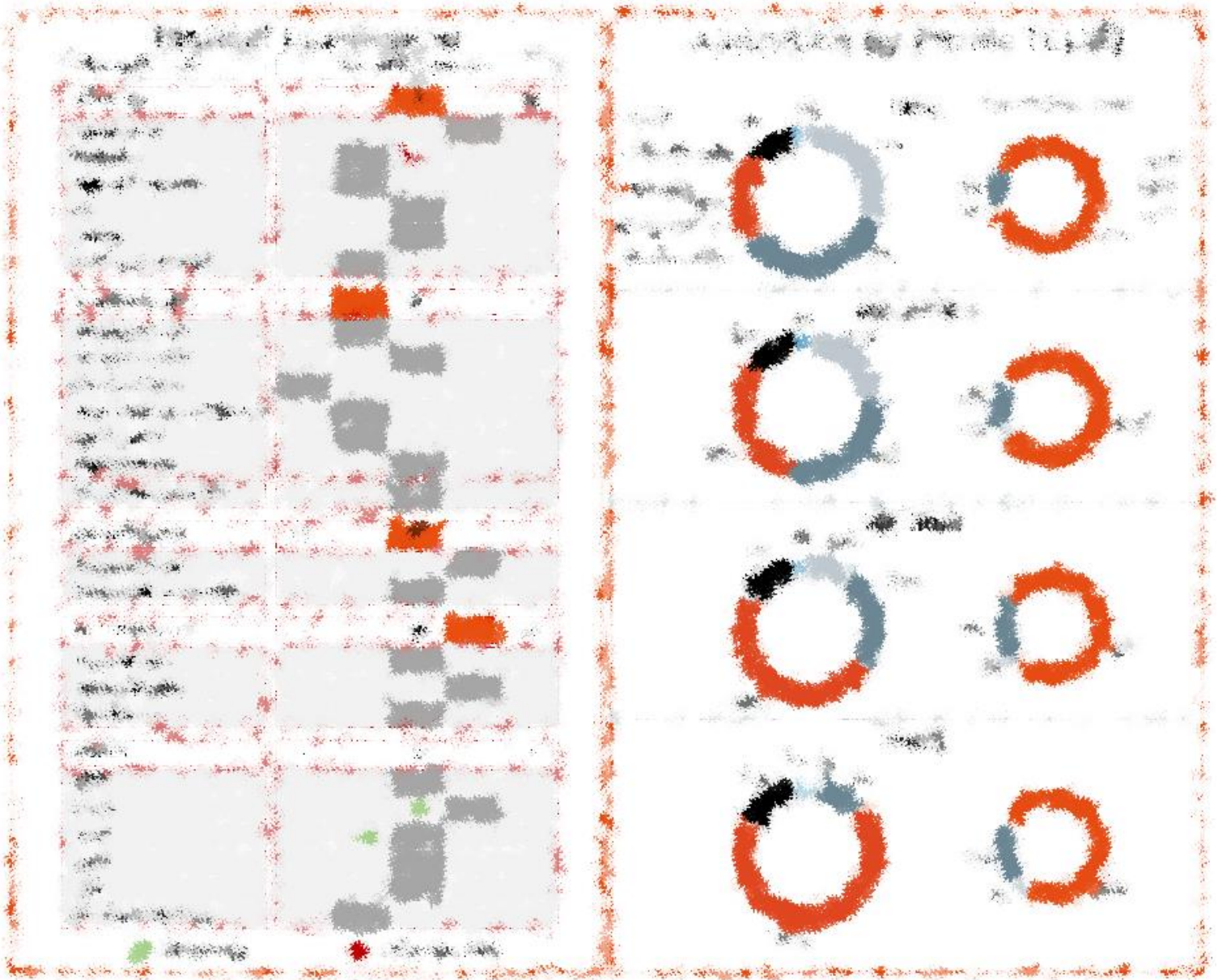
MSCI World AC 12M Forward P/E



General Electric Senior Debt



Asset Allocation



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External sources include: Thomson Reuters Datastream, Bloomberg, USGS, vegsource.com
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