

# High-conviction ideas

Selected investment ideas to complement wealth-management clients' portfolios

## Global financials

Idea initiated  
 July 1, 2015

Reference measure

MSCI AC World Financials Index vs. MSCI AC World Index\*

Investment horizon  
 3 – 12 months

Performance since initiation



Financials have underperformed the overall equity market over the last month, due in part to concerns over Greece. But we are still positive on financials over a 3-12 months time horizon. Valuations remain attractive, with the MSCI AC World Financials index now trading at around a 20% price-to-earnings (P/E) discount to the MSCI AC World Index (according to Standard & Poor's). This discount is likely to narrow over time, if financial firms' balance-sheet quality continues to improve.

## Indian equities

Idea initiated  
 May 1, 2015

Reference measure

CNX Nifty Index vs. cash\*\*

Investment horizon  
 3 – 12+ months

Performance since initiation



After a difficult few months, Indian equities started to pick up steam in mid-June and have continued to perform well since then. Recent gains may have been helped by the redeployment of funds by international investors from a faltering Chinese equity market. At a domestic level, there is also evidence that spending on infrastructure is starting to increase. Other medium-term positives are likely to be accommodative monetary policy and expectations of further reform.

## German housing

Idea initiated  
 April 1, 2015

Reference measure

Dallas Fed International House Price Index Database for Germany vs. cash\*\*

Investment horizon  
 24 months+

Performance since initiation



Recently published estimates by the Dallas Fed suggest that German housing prices continued to increase in the first quarter after steady gains in 2009-14. Continuing support for prices is likely to come from Eurozone monetary policy, which probably remains too expansionary for the German economy. Despite the sustained rise in German housing prices, we do not appear to be entering into an unsustainable real-estate bubble, with German mortgage debt increasing only modestly.

## U.S. leisure and entertainment

Idea initiated  
 April 1, 2015

Reference measure

PowerShares Dynamic Leisure and Entertainment Portfolio vs. S&P 500 Index\*

Investment horizon  
 3 – 12 months

Performance since initiation



According to advance estimates, U.S. restaurant and bar sales were down 0.2% month-on-month in June but were up 7.7% from a year earlier. This compares with a rise of 1.4% for retail sales overall. Trends in U.S. airline travel and hotels have been less clear-cut. But as the labor market continues to improve, wage growth accelerates and home and equity prices edge higher, spending on leisure and entertainment should pick up further later this year.

High-conviction ideas may not be suitable for all investors. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time. Some investments may not be suitable for all investors and investors should seek professional advice before investing. The examples above are shown for illustrative purposes only and should not be considered to be an offer or solicitation, advice or recommendation. It is not possible to invest directly in an index.