

High-conviction ideas

Selected investment ideas to complement wealth-management clients' portfolios

European automotive sector

Long U.S. dollar

Global financials

Indian equities

Idea initiated
 November 1, 2015

Idea initiated
 September 1, 2015

Idea initiated
 July 1, 2015

Idea initiated
 May 1, 2015

Reference measure

Markit iBoxx EUR Corporates Automobiles and Parts Index vs. cash*

Investment horizon
 6 – 12 months

Performance since initiation



When we launched this idea, we cautioned that there could be several more uncertain months before the sector eventually stabilized. This has proved to be the case: Volkswagen's problems have deepened in recent weeks, with increasing numbers of autos likely to be recalled. However, we believe that corporate investment-grade bonds in this sector appear to offer a lower-risk alternative to equities for investors with a longer-term horizon.

Reference measure

Bloomberg Dollar Spot Index vs. cash*

Investment horizon
 3 – 12 months

Performance since initiation



The Bloomberg Dollar Spot Index has been moving upwards since the middle of October, with the U.S. dollar gaining ground against both developed and emerging-market currencies. In part, this was the result of market expectations of further monetary stimulus from both the ECB and the BOJ. The strengthening of many emerging-market currencies in early October – after major falls earlier in 2015 – also appears to have run out of steam.

Reference measure

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

Investment horizon
 3 – 12+ months

Performance since initiation



Global financials are likely to gain from an upwards turn in the U.S. interest-rate cycle. Rising dividends and share buybacks, as well as valuations, are also likely to be positives. Possible negatives include the impact of banking-activity regulation although banks are taking action to offset such headwinds, for example through cost-cutting. Emerging-market opportunities may also exist although selectivity will be critical.

Reference measure

CNX Nifty Index vs. cash*

Investment horizon
 3 – 12+ months

Performance since initiation



The Nifty Index has fallen recently, in part due to concerns about the implications of a December Fed rate hike. But, over the longer term, we remain positive on Indian equities. The government is keen to push on with reforms. In early November it eased restrictions on foreign direct investment in 15 major sectors including defense, civil aviation and mining and also increased the ability of the Foreign Investment Promotion Board to give one-off approvals.

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.