LAPIS ASSET MANAGEMENT Ltd

Dear Investor,

We are pleased to highlight the results of our 'multi asset index' and our 'equity index' for the year 2016. They are part of most of our client's investment strategies:

	Performance 2016
Lapis Core Portfolio TR Index - USD	**7.98 %**
Underlying Indexes	
MSCI All Country Index	8.58 %
UBS Bloomberg CMCI Composite TR Index	16.58 %
FTSEEPRA/NAREIT Global Index	5.07 %
USD Government 3 – 5 Years Term Index	1.28 %
Lapis Top 25 Dividend Yield TR Index - USD	**11.36 %**
Benchmark	
MSCI All Country World Index	8.58 %

Market comments about 2016

2016 was an eventful year with many events/surprises starting with the fear of a China slowdown in January/February, the Brexit in June, Mr. Trump's election and finally the resignation of the Italian Prime Minister, Matteo Renzi after the national vote of the change of the constitution. As we have mentioned during our previous Investor letters the market is volatile by its nature and these kind of events might trigger short term sell offs but don't derail the bull market as long as global growth is intact and the inflation fear remain stable.

The equity market performance was positive although below average for an US election year.

Market outlook

As we have said good-bye to 2016 there are already important fear factors on the horizon that make many market participants nervous. One of the main concerns is the possible interest rate increase during 2017. We would like to give some historical evidence about interest rate hikes that occurred in the past and the related reactions of the market.

- Since 1970 the market went through 6 bull markets and on average from **the first moment** that the interest rates increased the bull market lasted 3.3 years **and** increased by 80.6 %

- From 1988 to early 1989 the Federal Reserve increased the interest rates several times **and** the equity market was thriving

- In the year 1999 the Federal Reserve raised interest rates 3 times and the market rose by 21 %

- From 2004 - 2006 the Federal Reserve increased the rates 17 times and the market performed positively

The market participants seem to view the Fed outlook as a pre-emptive measure to keep inflation under control. This is a positive sign that a normalization to the yield curve should not derail the current bull market.

Therefore we believe that the new level of interest rates will not be a big hurdle to the equity market or a trigger that could lead to a major shift towards the bond market and cause a massive selloff in the equity market.

We continue to follow our strategy of investing into first class hard assets. We **forecast** again as we did in 2016 a **positively performing equity market**. If an unforeseeable political or economic shock might occur we believe that our strategies would be best equipped to maintain the values of our client's portfolios without suffering a severe loss in absolute and or relative terms.

Andreas Wueger
CEO

Lugano, 5th January 2017