



Swiss Precision
Asset Management

INVESTORS LETTER Q1 2018

Lapis Asset Management Ltd

Via Collina 9, CH-6962 Lugano, Viganello

T +41 91 971 1692 / F +41 91 971 1694

[LinkedIn.com/company/Lapis25](https://www.linkedin.com/company/lapis25)

E info@lapis25.com / www.lapis25.com

Dear Investor,

We are pleased to present the results of our 'Multi Asset Index' and our 'Dividend Yield Equity Index' for the year 2017. They are part of most of our client's investment strategies:

	Performance 2017	Performance Q4-2017
<u>Lapis Core Portfolio TR Index – USD</u>	11.08 %	3.98 %

Underlying Indexes

MSCI All Country Index	24.50 %	5.82 %
UBS Bloomberg CMCI Composite TR Index	8.14 %	6.84 %
FTSE EPRA/NAREIT Global Index	11.33 %	3.83 %
USD Government 3 – 5 Years Term Index	0.97 %	./ 0.59 %

<u>Lapis Top 25 Dividend Yield TR Index - USD</u>	22.78 %	4.09 %
<u>Lapis MidCap 50 Dividend Yield TR Index – USD</u>	19.32 %	6.87 %

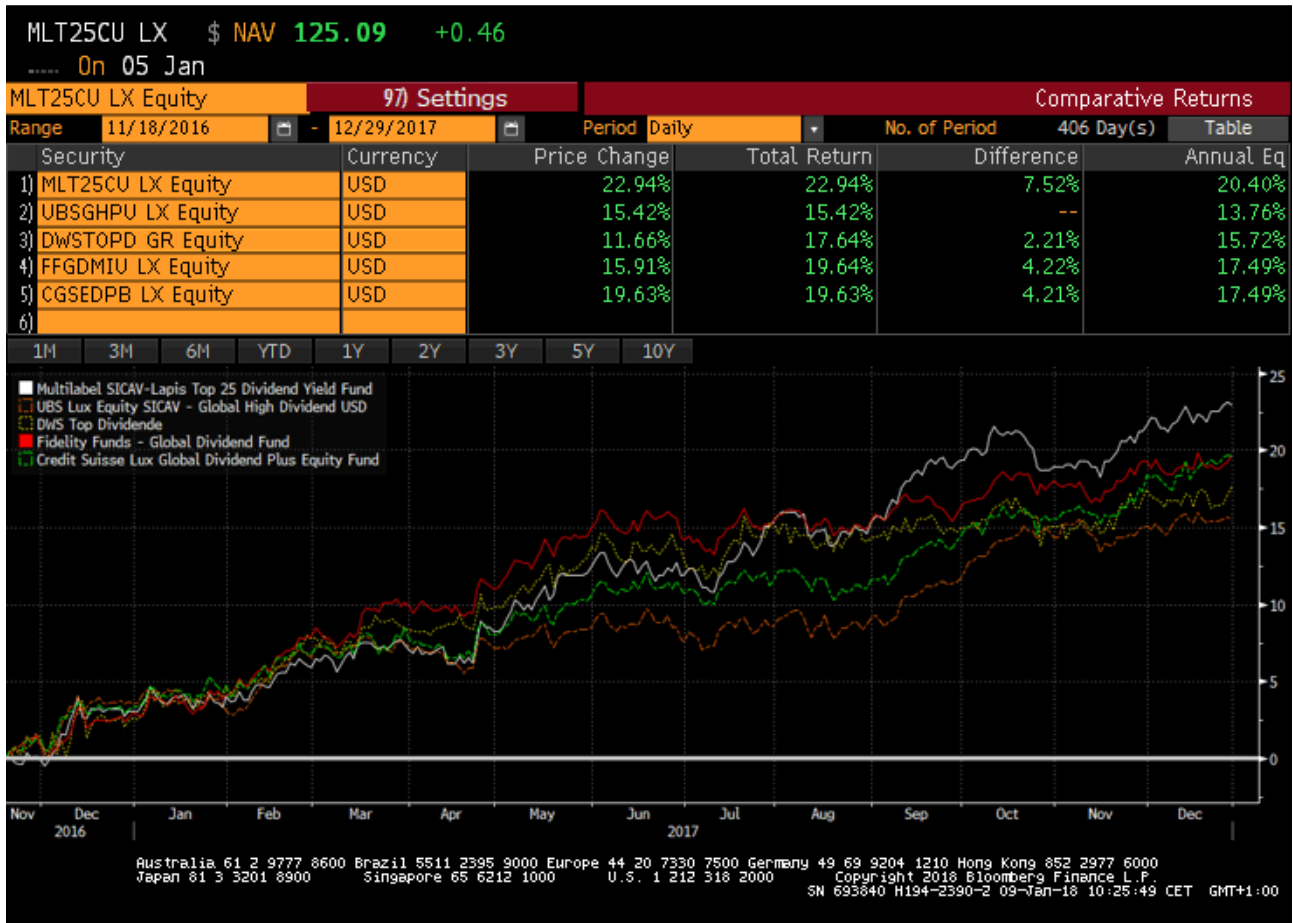
Benchmark

MSCI All Country World Index	24.50 %	5.82 %
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Market comments about Q4-2017

Q4-2017 was once again a very good quarter for the equity market. The **Lapis Top 25 Dividend Yield TR Index** has underperformed the **MSCI All Country World Index** by 1.72 % for the year 2017. This is expected during an exceptional strong Equity market due to the very conservative structure of our indexes.

We are pleased to highlight that the **Lapis Top 25 Dividend Yield Fund** which follows the **Lapis Top 25 Dividend Yield TR Index** has outperformed his main peers by a wide margin:



(Peers comparison from the 18.11.2016 to 29.12.2017)

This chart shows the strength of the selection and rebalancing process of our Lapis Indexes / Fund.

Market outlook

We have started the year 2017 with 'multiple fear factors' which have been forecasted by the media and the financial analysts around the world: President Trump's new policy, rise of 'populists' parties in Europe, UK Economy slowdown after Brexit, 'Hard Landing' of the Chinese economy. Not much of these 'scary forecasts' have been verified and the equity market has had very positive year.

Also this year we can read about many difficult moments that might occur: North Korea nuclear threat, rise of inflation, Bitcoin Crash, USD Mid Term Elections, stretched market valuations etc. The market is a very efficient in absorbing this information.

Since the history of the stock market has started over 100 years ago only two factors have triggered severe bear markets (more than 25 % stock market falls):

- Total euphoria by the market participants (dot com crash etc)
- Flattening of the yield curve

Sir John Templeton had this very famous phrase: "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die of euphoria"

'Euphoria' can be defined by the market of seeing a 'grand future' and most importantly market participants '**stop worrying**'.

We believe that the market should have a positive outcome for next few years even though we might have some more volatility periods to accept.

We believe that our portfolios continue to be very well diversified, invested into high quality companies and most importantly not expensively valued. In case of a major market correction which can never be excluded, we believe that we solidly invested and can wait until the market recovers.

We wish you a good start to the year!

Andreas Wueger
CEO

Lugano, 10th January 2018