Swiss Precision
Asset Management

INVESTORS LETTER Q2 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

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 first quarter 2018. They are part of most of our client's investment strategies:

	Performance 2017	Performance Q1 2018
Lapis Core Portfolio TR Index – USD	11.08 %	./. 1.43 %
Underlying Indexes		
MSCI All Country Index	24.50 %	./. 0.83 %
UBS Bloomberg CMCI Composite TR Index	8.14 %	0.16 %
FTSE EPRA/NAREIT Global Index	11.33 %	./. 4.30 %
USD Government 3 – 5 Years Term Index	0.97 %	./. 0.74 %
Lapis Top 25 Dividend Yield TR Index - USD	22.78 %	./. 6.18 %
Lapis MidCap 50 Dividend Yield TR Index – USD	19.32 %	./. 3.58 %
Benchmark		
MSCI All Country World Index	24.50 %	./. 0.83 %

Market comments about Q1-2018

In Q1-2018 the equity market entered into a long overdue correction. The **Lapis Top 25 Dividend Yield TR Index** has underperformed the **MSCI All Country World Index** by 5.35 % and the **Lapis MidCap 50 Dividend Yield TR Index** by 2.75 % for the first quarter 2018. This negative relative performance is mainly due to the increase of the US 10 year Treasury Bond Rates against high dividend paying companies. The reversal of this trend has already started during the last month of Q1-2018.

The estimated P/E of **Lapis Top 25 Dividend Yield TR Index** is now **14.73 x** which is very attractive against the **MSCI All Country World Index** with an estimated P/E ratio of ca **18 x.** We believe that our indexes will continue to outperform the main index as we have already experienced during March 2018 and finish the year with a good relative as well as absolute return result.

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Market outlook

As mentioned in our last 'Investors Letter' we were expecting a market correction which has occurred during the last two months. These corrections are very violent and the reason can be manifold. We believe that to time these uncomfortable moments is very difficult and mostly counterproductive because the entry point back in the market will be too late.

We believe that we are entering again into an interesting time for the market:

- The 'WALL OF WORRIES' is high again
- Political 'Gridlock' in main countries

We can hear 'important market voices' that compare this 'Trade War' between the US and China with the 1930. The global economy is MUCH more integrated and interlinked than during that period which means that NO important participant will have an interest in disrupting the current system.

Markets perform best when politicians have few possibilities of changing anything. The German 'Grand Coalition' as the new to be formed Italian government will have little power of initiating any important changes. President Trump might lose his Republican strong hold during the midterm election. But even if he wins again he will continue to face important opposition from his own party.

From 1926 to 2017, US stocks averaged return of 10.5 % in a president's first year and 9.1 % during his second year. But the third year averaged 17.8 % and the fourth year 11.1%. These 'do-little' years are very good for investors.

We feel very comfortable about our current holdings in our indexes which are cheaply valued against the main market and also about the current status of the Equity market.

Andreas Wueger
CEO

Lugano, 6th April 2018

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