Private Bank

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Global Strategy Quadrant

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US Election: More Certain About the New and Uncertain

After the shock of 2016, investors remain unsure and tentative about staking out positions ahead of US election results. Yet **with Joe Biden tracking nearly 10% ahead in average popular election polls, implied volatility for the post election period has collapsed, suggesting reduced fears of a contested election.**

Greater confidence in a change of administration does not resolve the larger policy uncertainty that comes with any US political regime change. A Biden victory would not reduce US policy uncertainty overall, just the chance of renewed trade wars under Trump.

There's much to absorb from Congressional results, particularly the margins of control to determine what is eventually possible in terms of tax policy changes and government spending. A "split government" would paralyze fiscal policy, perhaps to the longer-term benefit of US markets. A Democratic "blue wave" – control of the Presidency and both houses of Congress - would likely mean a larger immediate stimulus, but delayed until January.

A Blue Wave could mean a large infrastructure spending program in time. However, **such a result would also signal greater tax policy risks for US investors.**

The tone taken by the losers and winners in the election aftermath will be important to understand any possible fiscal response to COVID in coming months. Already approved funding could be re-directed to assist the most impacted industries and individuals in mid-November, with only politics standing in the way.

Quadrant Special: Treating a Disease with Money

Europe has succumbed to the highest COVID infection rates of 2020 in several countries, hampering domestic recovery for now. As in the US, this ultimately means a more costly fiscal and monetary response to come. **In contrast, China's domestic economy has begun to behave in a "Post COVID" fashion** with full office buildings and a restoration in airline travel at 90% of pre-Covid levels.

As we saw in 1Q 2020, China's economic path was indicative for other economies. Pent-up travel and services demand suggest a substantial rebound for "social close" industries across the world. However, this awaits successful healthcare solutions for COVID that we expect in 2021.

A global trade rebound is beginning to unfold even before a COVID health remedy. The composition of western consumer spending has shifted markedly in favor of goods consumption from services. This plays to China's economic advantage and has already arrested the trade-war-led decline in China's exports to the US. Overall Chinese imports and exports are now rising at a double-digit pace.

Broadening away from China, other Emerging and Developed Asian economies will benefit from the global trade rebound, with their equities markets not yet discounting recovery. While we are already overweight the region, when the dust settles on US policy uncertainty, we are likely to add further equity exposure.

GIC – October 21

The Citi Private Bank Global Investment Committee (GIC) left our asset allocation unchanged today. We remain 4.5% overweight Global Equities, 2% overweight REIT assets, and 7% underweight Global Fixed Income. We are still 1.5% overweight Gold, and 1.0% underweight Cash.

Just 13 days away, investors have become less apprehensive about an inconclusive or contested election. This is a result of the sustained polling lead of former Vice President Biden. The impact can be seen in a sizeable drop in equity implied volatility for the period just after the election. Investors had paid a higher premium for hedging risk in the period *following* the election than in the period just before.

Greater confidence in a change of administration does not resolve the larger policy uncertainty that comes with any US political regime change. Tax policy uncertainty measures have jumped. Trade policy uncertainty – driven to record highs by Trump – has fallen.

Markets will have much to absorb from US Congressional results, particularly the margins of control. This will determine what is eventually possible in terms of tax policy changes and government spending priorities. The tone taken by the losers and winners in the election aftermath will be important to understand the near-term fiscal response to COVID, which has seen an unprecedented delay in addressing emergency needs of a segment of the US public.

As we saw in 2016, any knee jerk reaction in markets to election results in the day or days after the polls close, won't necessarily be indicative of longer-term trends.

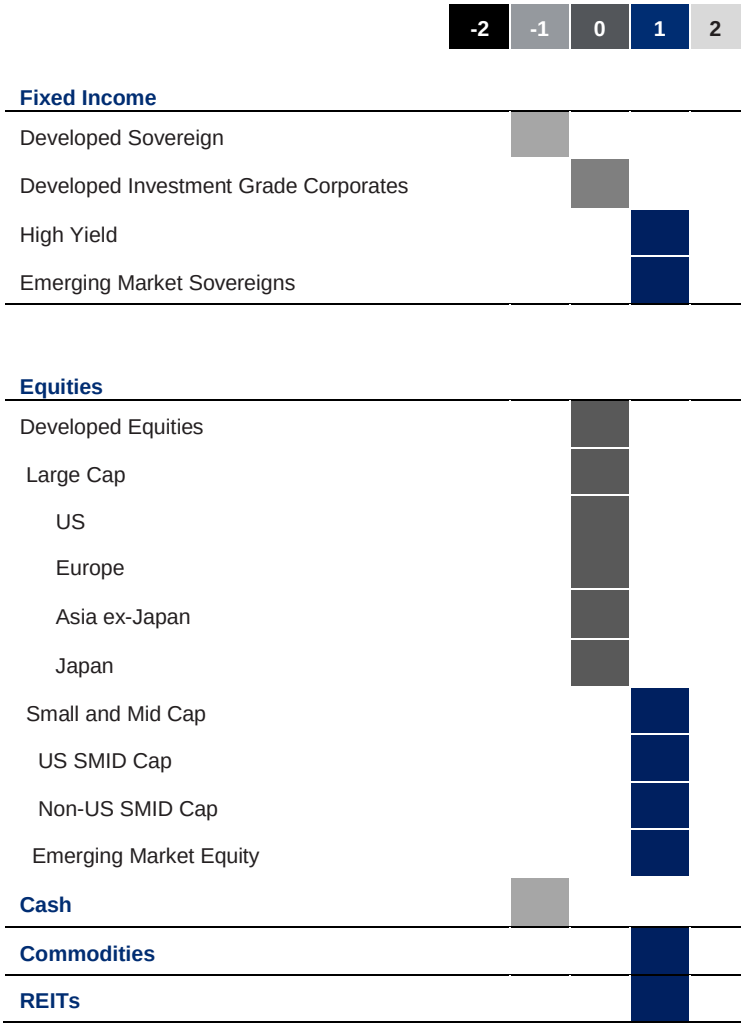
With COVID infection rates hitting all-time highs in parts of Europe, there is a strong possibility of a winter slump or lull in Western economies. Covid's acceleration is creating a greater burden weighing on recovery, though not close to the initial first-wave shock. Underlying trends, however, point toward a global recovery in trade and industrial activity. Within our 12-18 month tactical return window, we should also expect a Covid healthcare solution to drive a sharp rebound in discretionary services spending.

The International Monetary Fund forecasts a near-double-digit gain in global trade volumes in 2021, close to a record pace. This is consistent with what is already happening to regional trade flows despite COVID. Consumers have re-directed spending towards goods purchases from services, requiring stepped up production and trade. This has meant double-digit increases in China's imports, a rapid gain in industrial production and exports.

Asian economies are positioned well for the trade and industrial rebound we should expect through the first half 2021. While we are already overweight in regional equities and certain fixed income, we may further increase broader Asian equities in coming months, including both Southeast Asia and Japan.

Earlier in 2020, the Chinese economy's early collapse and subsequent rebound from COVID foreshadowed a similar pattern through much of the world. China's latest rebound in domestic services consumption and domestic air travel to 90% of pre-COVID levels is indicative of what other economies will eventually see post COVID.

Asset Classes – Global USD with Alternatives Level 3



Allocations as of October 21, 2020

-2 = very underweight; -1 = underweight; 0 = neutral

1 = overweight; 2 = very overweight

Arrows indicate changes from previous GIC meeting

Within equities, we continue to have a neutral allocation to large-cap US equities, but overweights to both US and global small and mid-cap shares on their potential to recover post COVID. We are overweight emerging Asia and Latin America within global Emerging Markets. Looking forward, we would consider an increased allocation to the UK if political uncertainty lifts and the COVID shock crests.

The dividend yield of our tactical equity allocation is about 2.2%, above global benchmarks near 2%. This includes our thematic allocation to equity and credit REITS. These have a forward-looking yield estimate of 5.8%.

While underweight fixed income, our tactical allocation produces a yield of 1.5%, well above the 1.0% global benchmark. This is achieved with overweights to US and European high yield bonds, and emerging markets credit. Within the safest fixed income, our only overweight is US Treasury Inflation Protected Securities (TIPS).

We see large gains in corporate earnings in 2021 and 2022 and will continue to shift assets to position for a post-COVID global economic recovery. A broader growth rebound and relative value favors the equity asset class over most fixed income. Following earlier moves to gain equity exposure, we will consider further reductions in very low yielding cash-equivalent fixed income assets in coming months.

US Election: More Certain About the New and Uncertain

Steven Wieting
Chief Investment Strategist
& Chief Economist

Markets no longer anticipate a protracted battle to determine the US Presidential election results.

Greater confidence in a change of administration does not resolve the larger policy uncertainy that comes with any US political regime change.

There will be much to absorb from Congressional results to determine what is possible or likely from tax policy changes and government spending - including the response to COVID.

Perhaps nothing has beaten the suspense and drama of this year's US Presidential election. President Trump was infected with COVID just weeks before the election. Hypothetically, his nominee for the Supreme Court might be called upon in the event of an inconclusive election result. Among those needed to confirm Justice Coney Barrett are three Republican Senators who have also recently tested positive for COVID. The Republican Senate majority is … three! (Vice President Pence can cast a deciding vote if Republicans ever need to break a tie.)

With the final debate over and former Vice President Joe Biden now nearly 10% ahead in an average of general election polls just 12 days ahead of the results - a stronger lead than Hillary Clinton's at this time in 2016 – markets have now begun to feel more confident that there will be no repeat of that surprise election outcome. As figure 1 shows, equity implied volatility for the period *just after* the US election has collapsed. This means markets no longer anticipate a protracted court (or street) battle to determine who is President.

Somehow, however, we don't believe this marks an "all clear" for markets when looking at the immediate aftermath of the US election.

US political regime changes are a big deal. There's much to absorb from Congressional results, particularly the margins of control to determine what is eventually possible in terms of tax policy changes and government spending.

The tone taken by the losers and winners in the election aftermath will be important to understand any possible fiscal response to COVID in coming months. A Biden victory wouldn't actually reduce US policy uncertainty overall, just the chance of renewed trade wars under Trump (see figure 2).

Figure 1: Markets Price Lower Risk of Disputed US Election: Term Structure of Equity Implied Volatility

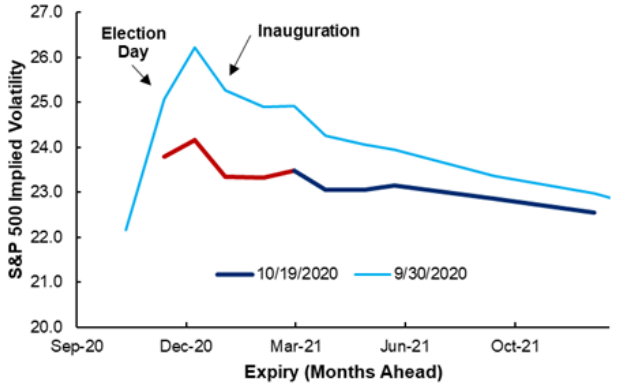
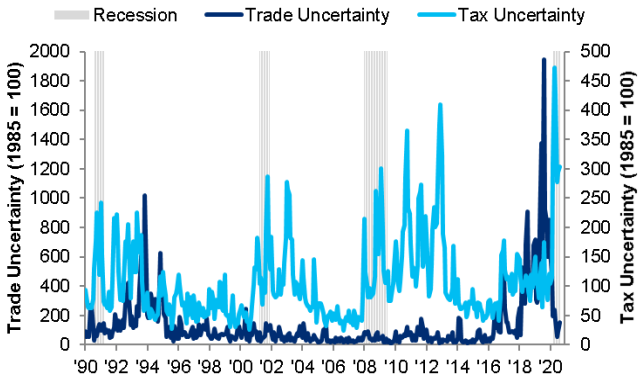


Figure 2: US Tax vs Trade Policy Uncertainty



Source: Bloomberg and Haver Analytics as of October 20, 2020. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

We sense a great deal of tentativeness on the part of investors concerned about their positioning ahead of the results. A large "short base" has built in the US dollar for example. Despite the likelihood that a Biden administration would cease Trump's trade disputes (which would be USD negative) investors have begun to cover those short USD positions (see figure 3).

As we saw in 2016 amid the UK's Brexit referendum and US Presidential election, any knee jerk reaction to results in the day or days after won't necessarily be indicative of longer-term trends (see figure 4). Markets will sooner or later move in the direction of impending fundamentals.

Figure 3: USD Index vs Net Long USD Futures

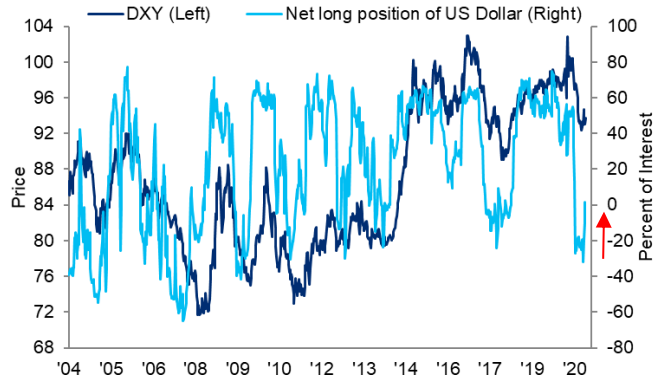
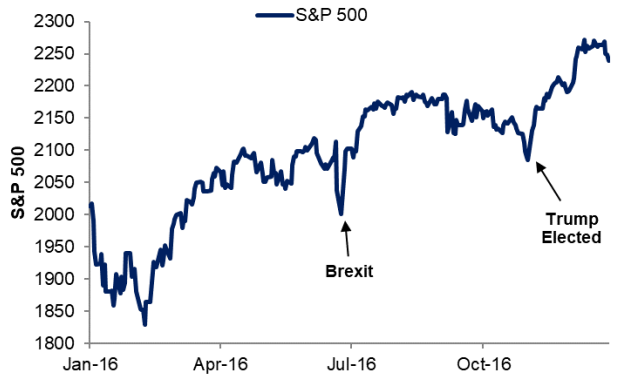


Figure 4: Short Term Reactions Versus Trend



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Pulling Through COVID To Greater Economic Recovery

There is a strong possibility of a winter slump or lull in Western economies as Covid's acceleration is creating a greater burden.

Underlying trends, however, point toward a global recovery in trade and industrial activity.

Over the near-term, there is a strong possibility of a winter slump or lull in Western economies as Covid's acceleration is creating a greater burden. This is while macro-economic stimulus is running thin. Underlying trends, however, point toward a global recovery in trade and industrial activity. We should also expect a Covid healthcare solution to drive a sharp rebound in discretionary services spending by later in 2021. This would mark a far more complete recovery, which we expect to dominate tactical investment returns by the end of next year.

In the near-term, we believe the "fuel" for continued US labor market recovery is now running low. In Europe, the initial effectiveness in reducing COVID infections to negligible levels in the summer has sadly given way to much higher case rates and absolute infection levels (see figure 5).

While infection rates in Italy are rivaling the March surge, the rise in France and the UK are dramatically higher than in the late winter, and far eclipsing the US. We expect this to hold back the region's recovery. However, with the human proclivity to adapt, and public policy steps significantly less onerous than the "shelter in place" response that collapsed the world economy in March and April, we continue to see COVID driving significantly less economic impact than in late winter 2020 (see figure 6).

Figure 5: COVID Infection Rates Europe and US

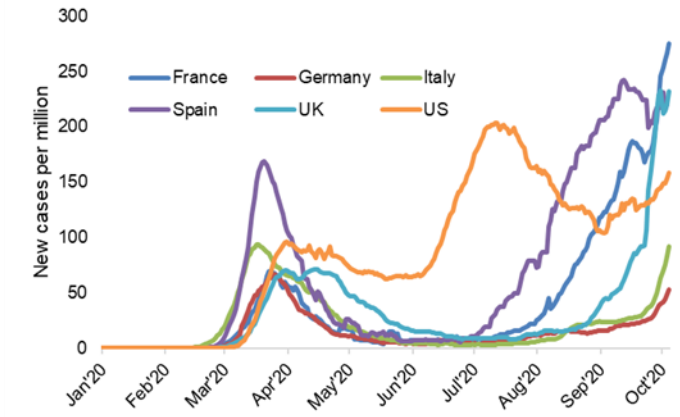
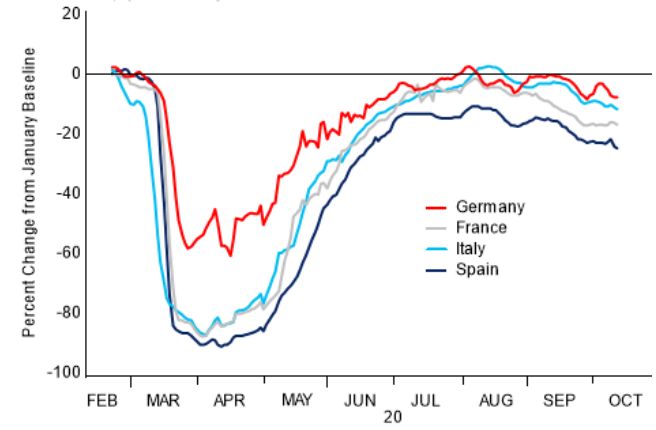


Figure 6: Daily Mobility: Retail and Recreation in Select European Countries

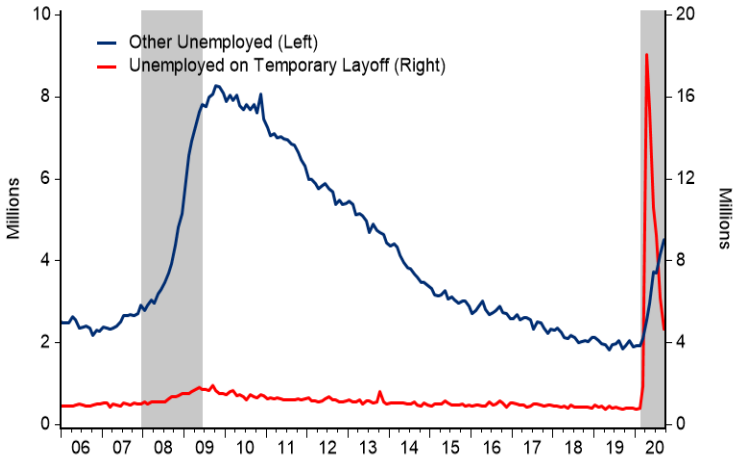


Source: Haver Analytics as of October 20, 2020.

US politics has swung to a "winner takes all" approach even amid the public emergency.

In the US, the COVID shutdown was a very potent force resulting in much larger job losses than in Europe along with a stronger subsequent recovery. On a net basis, 14 million of 18 million US workers who lost jobs on a temporary basis as a result of the April shutdown have already been rehired. In a fully normal environment, this would leave only 4 million left to be rehired (see figure 7). Notably, 33% of the job gains in the past five months were at bars and restaurants, benefitting from outdoor dining in the warm summer months. Thus, as winter weather arrives, we see net employment gains slowing toward zero by year-end 2020, assuming there is no additional fiscal action to preserve jobs or stimulate hiring.

Figure 7: US Temporary vs Permanent Job Losses



Note: Shaded regions are recessions Source: Haver as of October 20, 2020

Of course, there's little reason aside from US politics for a lack of second round stimulus to a second wave of COVID. There is $130 billion in unallocated Paycheck Protection Program funds that could easily be re-directed to help the US economy immediately. There would be enough money to renew the $600-per-week federal supplements for unemployment insurance for nearly two months with enough left over to help US airlines outlast the pandemic. (The industry has requested an additional $25 billion to avoid job cuts.) Spent over two months, the $130 billion in unspent PPP funding **alone** could provide a 3% annualized boost to US GDP during the period.

A "blue wave" would likely mean a larger near-term fiscal spending package to boost the economy, but still delay it to early 2021 when a new Congress is seated.

As discussed below, Democrats have held out for the prospect that the election will unify the US Congress and Presidency under one party. If this is correct, a larger scale stimulus crafted to their liking is more likely than any compromise that might be struck with a divided government.

If Senate Republicans lose out, they may have little incentive to cooperate on legislation during the so-called "lame duck" session following the election in mid-November. This means a "Blue Sweep" for Democrats could mean a larger fiscal package, but delay emergency spending measures for yet another (unprecedented) three months. Though a later priority, Democrats would also fund far more ambitious spending proposals, including infrastructure investments, with tax increases largely unfriendly to financial market returns.

In Europe, meanwhile, a fiscal response is building, but as usual, a more complex bureaucracy takes longer (please see essay below).

Asia Leading On COVID and Economic Performance

On the other side of the world, Covid infection rates have remained dramatically lower in much of Asia (see figure 8). One may attribute this to cultural differences, experience with regional epidemics, as well as overt controls over public movement, testing and tracing. A centralized, disciplined and enforced government response to Covid in large parts of North- and East Asia remains in place and effective.

Figure 8: COVID Infection Rates by Country – Asia Largely Avoided the Surge

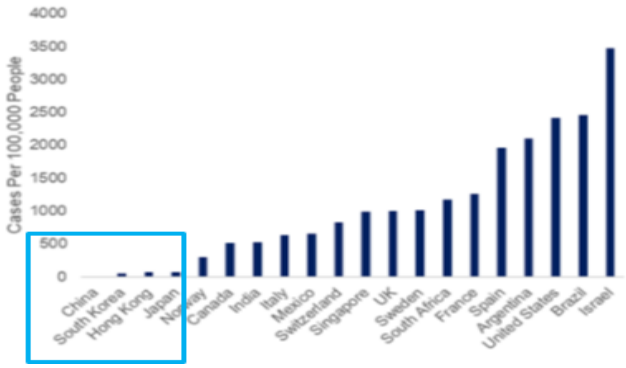
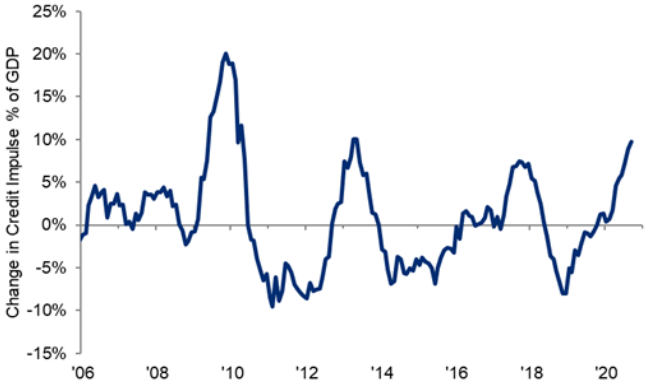


Figure 9 : China "Credit Impulse" (Change in Credit Growth) as % of GDP



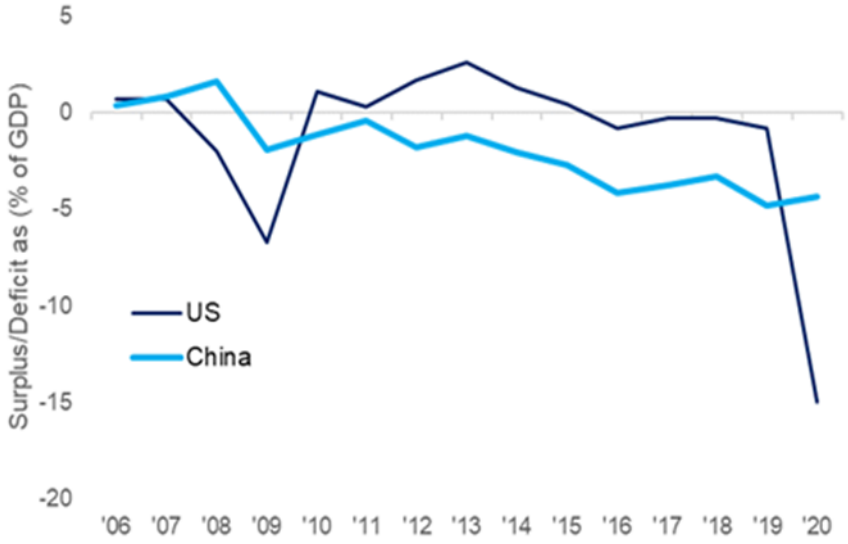
Source: Haver Analytics as of October 18, 2020. Note: Blue box points out Asia countries.

As a result of this strategy, China has been able to mitigate the economic impact without turning to as dramatic a "money printing" approach used by western economies. In other words, through intensive Covid mitigation, China will spend less to recover than the West will. Of course, China has used some macro policy steps to ease, including significant increases in public infrastructure investment. If we look at incremental changes in credit growth in the Chinese economy (the so-called "credit impulse"), we saw a far more dramatic easing by China in the 2009 crisis than in 2020 (see figure 9). The earlier steps created credit quality and debt sustainability issues as worries for investors. While problems remain, to date, China has managed this with a focus on growth quality over rapidity.

In Asia, COVID is largely being treated with healthcare policy steps rather than money printing.

The difference in the "cost of Covid" between the West and East is dramatic and visible. While China's general government budget deficit has growth from 4.7% of GDP in 2019 to 5.3% in early 2020, a surge in US deficit spending, from 5% of GDP to 15% in 2020, has been required to achieve economic stability thus far (see figure 10).

Figure 10: US and China budget deficits as % of GDP



Source: Haver as of October 20, 2020

Asia's economic strength is likely to broaden beyond China in the coming year.

The lack of COVID control in the West has at least temporarily played to China's relative economic advantage. As figure 11 shows, the Western travel and tourism collapse and the flight from cities to suburban housing has meant a very large shift in consumption patterns. US consumer purchases of housing and recreation merchandise have surged at the expense of "socially-close" services. Benefiting are products China exports in mass quantities. The shift has arrested a drop in US imports from China due to the 2018-2019 trade war. China's industrial production and broader trade growth have accelerated, with its overall exports to all trading partners are **up 9.9%** from a year-ago in September (see figure 12).

An additional benefit of China's measured approach to monetary stimulus is currency appreciation (see figure 13). While China is unlikely to resort to indiscriminate boosts across the economy – particularly in real estate markets – currency appreciation does act as a signal for Chinese authorities that it can ease more liberally without fear of capital flight.

Figure 11: US Consumer Goods vs Services Spending (Annualized)

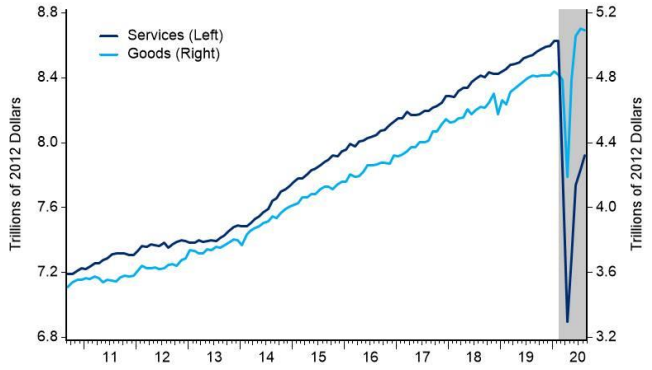
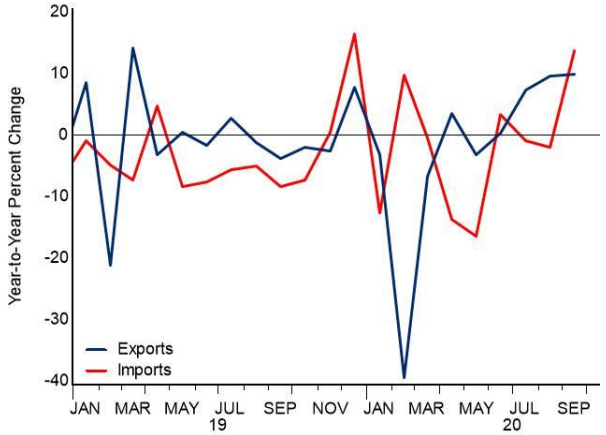
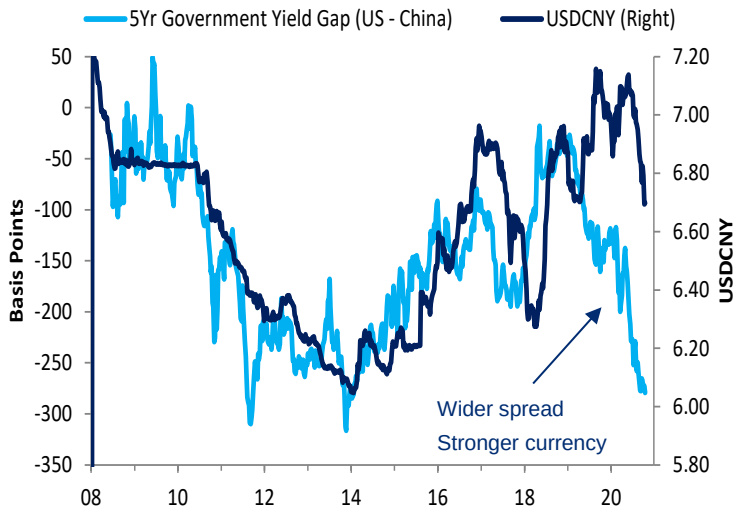


Figure 12 : China Import and Export Growth Y/Y%



Note: Shaded regions are recessions. Source: BEA, Haver Analytics as of October 20, 2020.

Figure 13: China Currency vs Yield Premium to US



Source: Bloomberg as of October 20, 2020

To be clear, China's gains do not come at the expense of the world economy. For example, China's imports have jumped to a 13.2% growth rate, outpacing its own exports. This has net benefits for many other countries. It points to substantial upward revisions in corporate earnings for 2021. EPS growth in Japan and South East Asia is likely to rebound from a 30% year-to-year decline to positive a double-digit rate (see figures 14-17).

Figure 14: World GDP Growth and Global Trade Volumes: IMF Estimates including 2020 and 2021

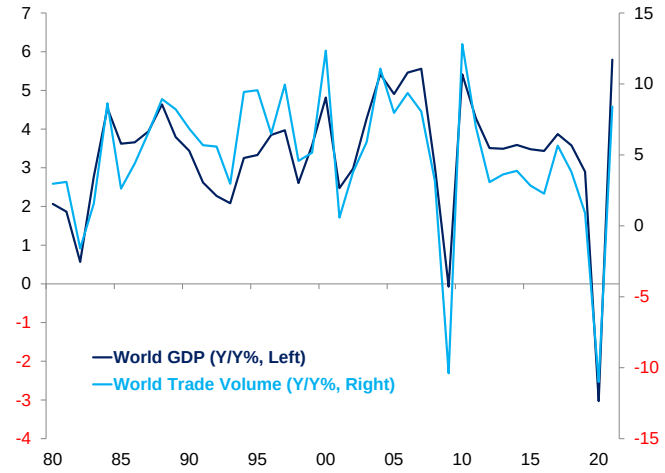


Figure 15 : China's Imports from EM Asia vs ASEAN Equities

Source: Bloomberg and Haver Analytics as of October 20, 2020.

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Figure 16: Japanese earnings are likely to bounce after trade recovery

Figure 17 : Southeast Asian earnings have vastly undershot exports

Source: Bloomberg as of October 20, 2020.

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Asian economies are both beating COVID and positioned well for the trade and industrial rebound we should expect through the first half 2021. In 2021, more Asian financial markets are likely to follow the lead of mainland Chinese equities markets in 2020 which have returned about 24% in USD terms. While our asset allocation is already overweight these markets, we are considering broadening the allocation, particularly in a period when currency market volatility subsides and US economic policies become clearer post-election (please see below).

What Happens In China Will Happen in the West

China's rebound from collapse at the start of the year signaled a similar recovery for other economies following shutdowns (see figures 18-19). A now broadening recovery in China provides a reference for what to expect in global services spending in the West post-Covid.

China's Earlier COVID Collapse and Earlier Recovery Highlights Future Recoveries Elsewhere

Figure 18: US and China Retail Sales Y/Y%

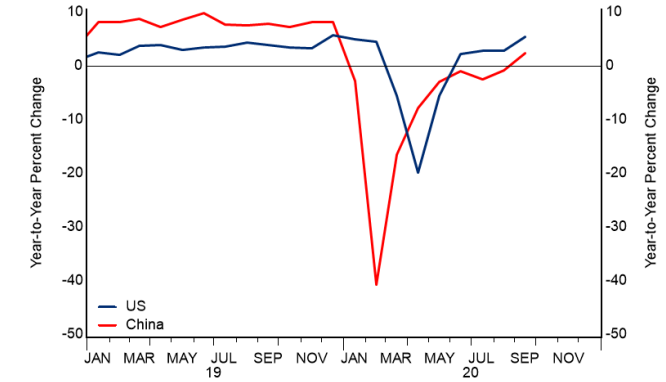
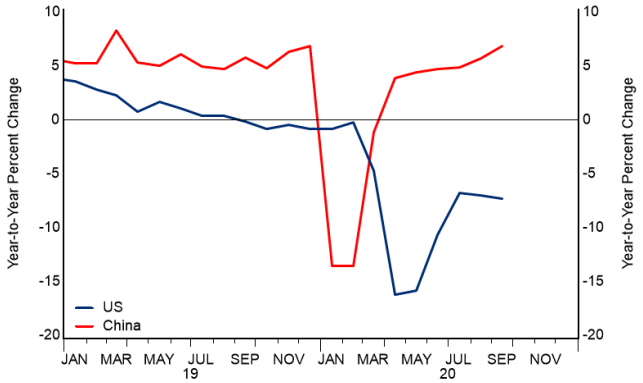


Figure 19: US and China Industrial Production Y/Y%



Source: Haver Analytics as of October 18, 2020.

With extremely low COVID infection rates, the latest Golden Week Holiday in China signaled a further "out of door" normalization with sharp recoveries in tourism and leisure activities. Total revenue from tourism has recovered to 70% of pre-Covid levels thus far. Passenger flights in early October appear to have risen to about 90% of 2019 levels (vs 40% for the US -see figures 20-21).

Figure 20: China Airline Passengers Monthly through July, Daily Airline Industry Indications through Early October

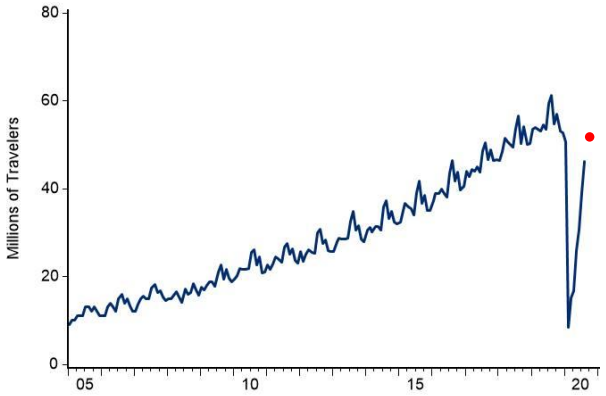
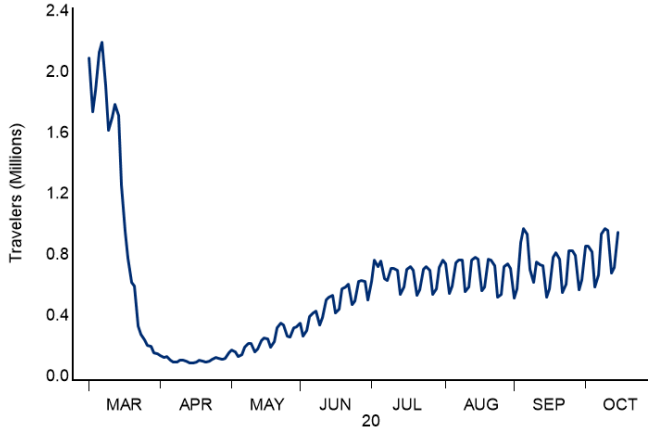


Figure 21: US Airline Passengers Daily



Source: Haver Analytics and Bloomberg as of October 16, 2020. Note: Red dot denotes early October Airline Industry data. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

China's services rebound shows what a "Post Covid" economy will look like across the world.

Singapore and Hong Kong, meanwhile, just announced a bilateral "travel bubble." For the first time in almost seven months, the two cities will open their borders to one another without compulsory quarantine. Instead, visitors will be required to provide a negative virus testing result.

Even though the HK-SG route is a small part of the impacted airlines' revenues, Asian airline shares still surged amid otherwise negative global market sentiment. It shows that investors are highly skeptical of airline shares and their prospects for recovery. In our view, this was a dress rehearsal of what it could be like for the global tourism sector when air travel normalizes post COVID.

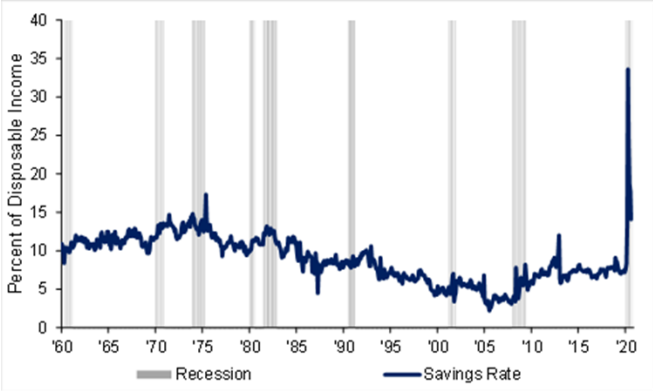
Before that happens, trade is already rebounding. We are likely to add broader Asian equity exposure beyond China in coming months.

The US economy for one has been quite "demand strong" with new record highs in consumer goods spending for four consecutive months. As figure 22 should suggest, the only thing that has knocked down vacation travel intentions is COVID 19. This leaves a powerful unmet demand for future recovery. The US Savings rate was a solid 7.2% prior to Covid. With the

waning of fiscal transfers since April, the savings rate remains almost double that rate now at 14.1% (see figure 23).

Figure 22: US Consumer Vacation Intentions

Figure 23: US Personal Savings as % of After-Tax Income



Note: Shaded regions are recessions. Haver Analytics as of October 16, 2020.

Near-Term Portfolio Implications

Safter fixed income markets are priced for negative real yields.

This presents an enduring problem for traditional asset allocation as central banks seek to maintain negative real rates deep into the coming recovery.

Though we expect a very bumpy economic road to Spring 2021 in the West, it would seem highly impatient and risky to sell off "Covid cyclical"[1] equities now after their Spring 2020 collapse. As figure 24 shows, the most impacted equities have still held April lows despite major economic challenges.

As we have long noted, Covid affected the price of every asset "on its way in" and we will similarly see similar major impact as Covid released its grip. While there is inherent uncertainty in predicting how markets discount the arrival and availability of a successful Covid vaccine, there is much evidence to suggest that the 15% of the global economy devastated by Covid will experience a snap back.

For those seeking to time markets perfectly, let's first recall the 30% drop and 30% rebound in broad US equity markets within the first and second quarters of the year. These moves marked history's fastest bear market and bull market recovery. Second, consider the inherent uncertainty in predicting when markets will discount a successful Covid vaccine.

Our broad equity portfolio recommendations are a mix of global Covid Defensives[1] – particularly "unstoppable trends" such as Longevity investments - and Covid Cyclicals with dividend yields well above global bond yields. This of course includes a long-term overweight to Emerging Asia (*Asian Development*, Outlook 2019 for more). The opportunity cost for investors to take these risks is now a near zero yield for cash and safer government bonds. Both of these are negative yielding when accounting for inflation, and Western central banks have promised to hold these rates at present lows deep through the coming years of recovery (see figure 25).

[1] *COVID-Cyclicals: Financials, Industrials, Energy, Materials, Real Estate, Consumer Discretionary ex E-commerce; COVID-Defensives: IT, Health Care, Communication Services, Consumer Staples, Utilities, E-commerce.*

Figure 24: "Stay at Home," "Leave Your Home" Equity Baskets vs S&P 500

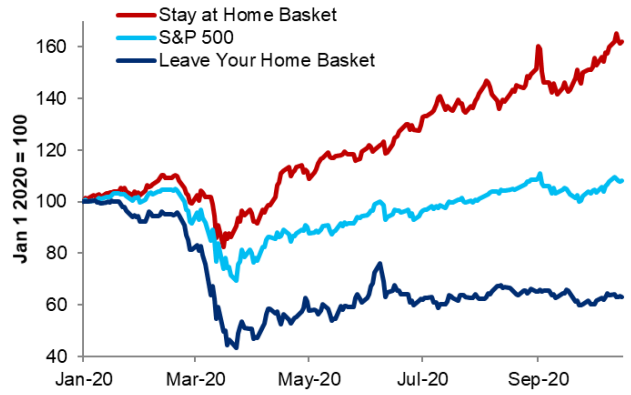
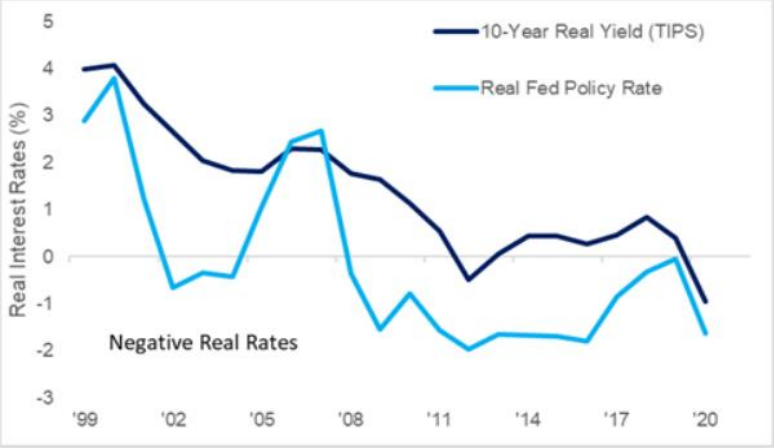


Figure 25: Inflation Adjusted US 10-Year Treasury and Fed Policy Rate



Source: Haver Analytics and Bloomberg as of October 16, 2020. Note: "Stay at Home" basket includes names identified to benefit from COVID-related disruptions and a shift to working from home. "Leave Your Home" basket includes Citi Research Buy and Neutral Rated US names in the following sub-industries: Banks, Industrial Conglomerate, Machinery, Oil Gas & Consumable Fuel, Textiles Apparel & Luxury Goods, Energy Equipment & Services, Hotels Restaurants & Leisure, Building Products, Retail REITs, Construction & Engineering, Leisure Products, Airlines, Multiline Retail. These are shown for illustrative purposes only. This is not a recommendation to buy or solicitation to sell any of the names shown.

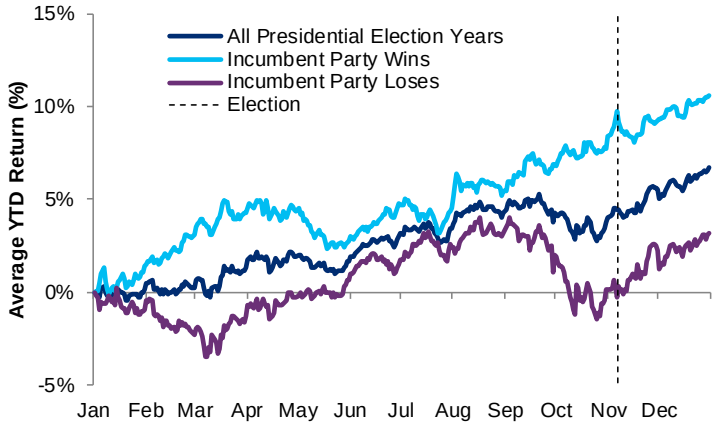
Navigating November

Charles Reinhard
Head – North America

The US election is quickly nearing and former VP Biden is leading President Trump in the Real Clear Politics polling average by 8.6%. He has surplus support in states like California, New York and Illinois but also holds the lead in most battleground states. According to FiveThirtyEight, Biden is favored to win with time running out, as the former VP comes out on top in 88 of every 100 simulations they run (they have run 40,000 simulations).

Historically, the stock market has struggled between the conventions and the election in those years where the incumbent party's candidate loses (see figure 26). The market did stumble in September but it has since recovered lost ground. Since 1984, in each case where the stock market rose in the three months prior to the election, the party in power stayed in power. In that sense, it would be more typical for Joe Biden to win with the S&P 500 below 3295, its level on August 3, than above it. Once the election outcome is known, the stock market typically advances into year-end regardless of the winner.

Figure 26: US Stock Market in Election Years



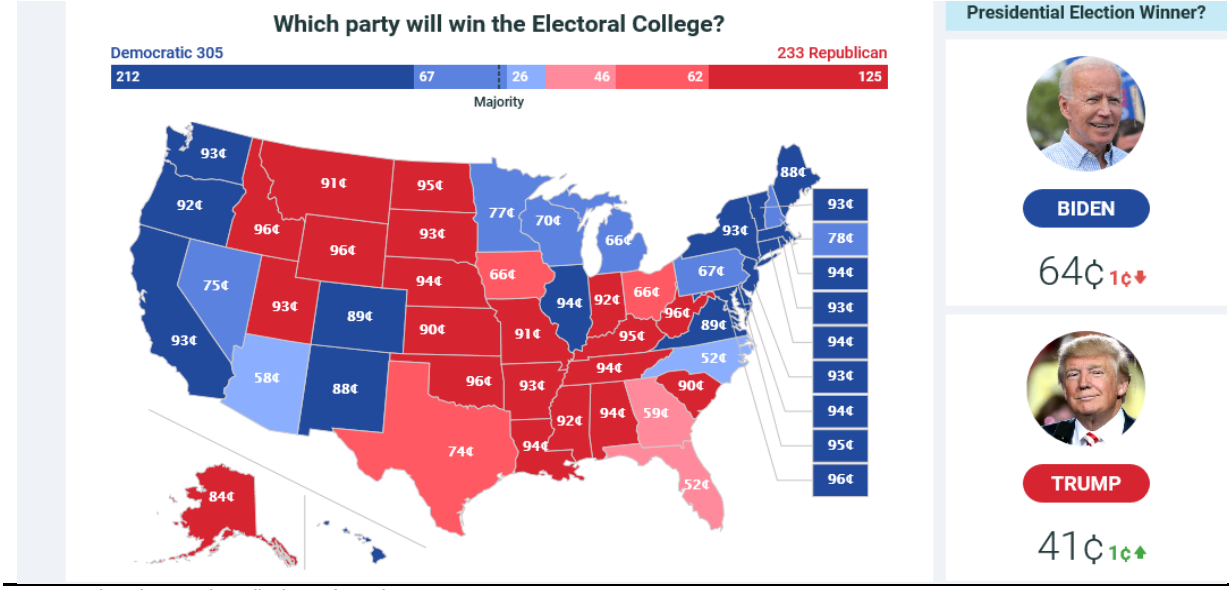
Source: Haver and OCIS as of October 21, 2020
Note: Average YTD returns in Presidential Elections since 1952. The incumbent party won reelection in 1956, 1964, 1972, 1984, 1988, 1996, 2004 and 2012.

Electoral College Map

The Electoral College determines US Presidential elections. PredictIt pegs VP Biden as the clear favorite with 64% odds versus 41% for President Trump (see figure 27). Because this is a forecast market with bid/ask spreads the numbers do not always add to exactly 100%. At present, Biden is favored to win in states that add up to 305 Electoral College votes, an amount that exceeds the 270 votes necessary to win. By contrast, Trump is favored to garner support in states that total 233 votes. Even if the President converts North Carolina and Arizona, his next two closest states per PredictIt, he would still trail the former VP by 279-259 votes. Trump would also need to win another state, like Michigan or Pennsylvania, in order to pull off an upset victory.

President Trump's latest 46% Gallup approval rating is less than ideal but not too far below George W. Bush's final 48% rating heading into his narrow 2004 re-election. A few days before the election, the preliminary Q3 US GDP report will be released. Citi Private Bank estimates the US economy grew at a 25% annualized rate in 3Q but it could be higher, as the Atlanta Fed's GDPNow estimate points to more than 35% growth. However, by the time this report is released millions will have already voted by mail. Trailing this late in the game, if Trump does win it will be in the class of Harry Truman's shocking victory over Tom Dewey in 1948.

Figure 27: Electoral College Map: Overall and State-by-State Odds



Source: Bloomberg and Predict it as of October 21, 2020

Biden in Brief

Former VP Biden has extensive foreign policy experience and we expect him to rejoin the Paris Agreement and engage multi-laterally with allies if elected. His domestic policy agenda includes the following:

Taxes: According to US News and World Report, Biden's plan would raise taxes on capital gains by treating them as ordinary income for those earning over $1 million a year. He would raise the top income tax rate from 37% to 39.6% and the corporate rate from 21% to 28%. He'd also roll back tax breaks on real estate investing.

Infrastructure: $2 trillion to be invested in green infrastructure and energy over 4 years.

Climate Change: Eliminate carbon pollution from power plants by 2035. 500 million new solar panels and 60,000 made-in-America wind turbines. Transition to US-made zero emission school buses within 5 years. Net-zero greenhouse gas emissions by 2050.

Health Care: Re-open the Affordable Care Act marketplaces, even outside the normal enrollment system. Lower Medicare eligibility age from 65 to 60. Free covid services like

testing. Adds a “platinum level” public health plan with low fees and no deductible. During the pandemic, those with low incomes would get this for free. In short, this plan focuses on expanding Obama Care rather than moving towards the Universal Health Care plan espoused by the more progressive wing of the Democratic Party. It allows people to keep their private insurance. At the margin, expanded coverage could help managed care, hospitals and equipment companies.

Education: Universal pre-K for children ages 3 and 4. Barr federal funding for for-profit charter schools. Free public college tuition for families earning under $125,000. Up to $10,000 per borrower “covid” student debt relief.

Caregiving: $775 billion to cover care for small children, older adults and those with disabilities. Up to two $8,000 childcare credits per family whose income is $125,000 or less. Add 150,000 community health workers.

Criminal Justice: Ban chokeholds. End cash bail and withhold funds from states that do not comply. Decriminalize marijuana. Federal legalization of marijuana for medical use.

Regulations: Employers must provide at least 12 weeks of paid family and medical leave (especially during the pandemic) and establish paid sick leave protections for all, including contractors, domestic- and gig-workers. Homeowner and Renter Bill of Rights to protect against abusive lenders and property owners.

Social Security: Calibrate Social Security benefits for those who spent years as unpaid family caregivers.

Immigration: Citizenship path for 11 million people living in US. Greater accountability for Immigration and Custom Enforcement (ICE), Customs and Border Control. Keep Obama-era Deferred Action for Childhood arrivals, which shields minors brought to the US illegally from deportation.

The make-up of Congress and future events will influence how much of this agenda moves forward and in what sequence. The Democratic Party is widely expected to maintain control of the House. As for the Senate, the Democratic Party gains control in 74 of every 100 of FiveThirtyEight’s simulations while PredictIt gives the Democratic Party 62% odds of taking the Senate.

In our view a substantial COVID relief package will top Washington’s near-term. In the case a deal cannot be struck before the election and there is a Democratic sweep, House Democrats may opt to wait until the next Congress when they would not have to compromise with Senate Republicans who desire a smaller package.

Closing Thoughts

The President come 2021 will need to guide the country through the rest of the COVID pandemic and the onset of new vaccines, treatments and best practices until a more normal way of life can resume. This President will also need to pursue policies in a way that that significantly reduces the unemployment rate from 7.9% to allow his party to maintain the White House in 2024. If successful, it will be prove to be a very consequential presidency.

Historically, the stock market has performed far better the year after elections when the incumbent party candidate wins but also when the winner is a Democrat, a combination that clearly cannot happen in 2021 (see figure 28). In our view, the stock market will inevitably take its cues from the underlying fundamentals. Citi Private Bank forecasts 3.9% US GDP growth in 2021 followed by 3.2% GDP growth in 2022 with the global economy growing a little faster. If correct, S&P 500 earnings per share should reach a record $174 in 2022. Stay tuned!

Figure 28: Presidential Cycle Stock Market Performance

Presidential Elections						
	Average Return in Election Year	Average Return 1 Year Post-Election	Average Return 2 Years Post-Election	Average Return 3 Years Post-Election	Average Return 4 Years Post-Election	Frequency of Positive Return in Election Year
All Presidential	7.15%	6.77%	3.46%	16.96%	7.15%	88.24%
Split Government	13.11%	4.11%	4.47%	15.80%	7.48%	100.00%
United Government	0.44%	9.77%	2.31%	18.27%	6.78%	75.00%
Democrat President	3.74%	14.28%	2.88%	16.21%	12.24%	71.43%
Republican President	9.53%	1.52%	3.86%	17.49%	2.62%	100.00%
Incumbent Wins	11.82%	11.65%	5.88%	15.18%	1.39%	100.00%
Incumbent Loses	2.99%	2.44%	1.30%	18.54%	13.62%	77.78%

Source: Haver as of October 21, 2020 Note: These results are since 1945.
All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary

Jeffrey Sacks
Head – EMEA

Shan Gnanendran
EMEA Strategy

EMEA policymaking easing ongoing

The first wave of the pandemic hit parts of Europe like Italy very hard, with healthcare facilities very stretched. Countries heavily reliant on services like the United Kingdom and Spain had immediate sharp economic downturns. The initial government and central bank responses were slow and insufficient, however their support programs gathered momentum throughout the early summer. There has been government support, central bank support, and increasing solidarity across the EU region. We believe there is more support needed, and will be delivered.

The accommodative measures so far are summarized in figures 29 and 30.

Fiscal easing

Governments have focused on supporting stressed businesses and individuals. In total the 19 Eurozone countries have spent Euro 1 trillion during the pandemic, which equates to around 8.9% of combined GDP. This is 10X greater than the combined fiscal spending in 2019. The combined debt in relation to GDP is approaching 100%.

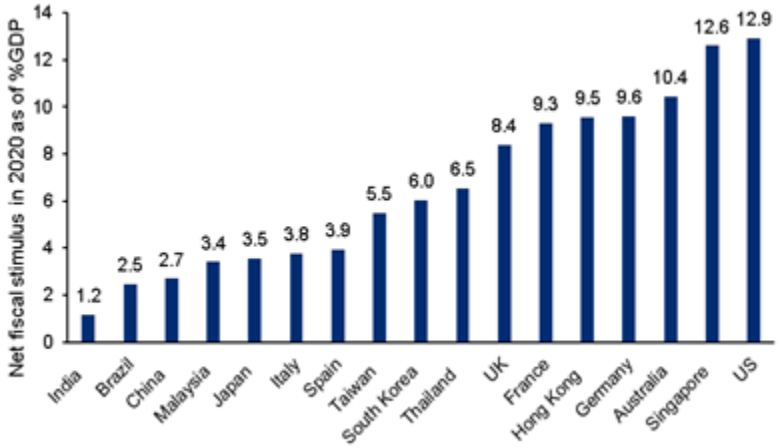
The national fiscal expansions were greatest in absolute terms and relative to GDP in the larger countries Germany, France and the UK. The measures have included generous individual furlough schemes, cheap company loans, company rate reductions, and forbearance from banks and landlords. While the aggregate emergency fiscal spending has equated to slightly less than full absorption of the output losses in the second quarter, most governments also took on substantial contingent liabilities through loan guarantees.

Monetary easing

The European Central Bank (ECB) and the Bank of England (BOE) have kept the costs of the fiscal programs manageable by keeping interest rates low.

In addition to low rate, the emphasis has been on increasing the sizes of the asset purchase programs. The ECB announced its Pandemic Emergency Purchase Programme (PEPP) of Euro 1.35 billion, which included the purchase of periphery bonds. This took their combined asset purchase program up to Euro 3.4 trillion. The BOE increased its asset purchase by £300 billion to £750 billion.

Figure 29: Fiscal measures in 2020 (% GDP)



Source: Bloomberg as of October 22nd 2020.

Figure 30: Monetary and fiscal measures

EMEA				
	Monetary		Fiscal	
Euro area	No change (deposit rate at -0.5%)	€120bn APP + €1,350bn pandemic emergency purchase programme	EU Wide	Eurogroup delivered coordinated €540bn package. **€750bn recovery fund agreed.**
			Germany	€286 of fiscal packages announced in 2020. A further €96bn planned for 2021.
			France	€106bn fiscal package, includes bail-out packages. €100bn 2-year recovery package announced, of which €42bn to be deployed in 2021.
			Italy	€60bn of measures in 2020, further €40bn reportedly earmarked for 2021.
			Spain	€45.7bn fiscal package in 2020, 2021 budget yet to be agreed.
UK	Two cuts to base rate, going from 0.75% to 0.10%	£300bn asset purchase increase (Gilts + some corporates)	€210bn worth of measures announced in addition to deferred tax and subsidised loans already announced. Govt guarantees also on £330bn loans.	

Source: Bloomberg and Citi Private Bank as of October 22nd 2020.

EU Recovery Fund

The Euro 750 billion EU Recovery Fund was a landmark achievement, showing solidarity across the EU, paving the way for grants to the periphery. It allocates Euro 390 billion to the weaker periphery countries, lessening Eurozone breakup risk and thereby supporting the Euro. The Fund will be partly financed by EU bonds, which over time should encourage inflows into the region. See figure 31.

These policymaking measures combined have lessened the Covid impact on growth this year. We expect a -8% fall in European GDP growth and a 6% fall in UK growth, with strong rebounds in the third quarter. The measures have also improved the growth prospects for next year, with Europe expected to grow at 4% which is close to our global average forecast of 4.2%, while the UK should grow at around 3%.

However as the region is now in the midst of a second Covid wave, growth is stalling. Further support measures are needed if these growth forecast are to be met, with the services industry particularly vulnerable. See figure 32.

Figure 31: "EU Recovery Fund breakdown

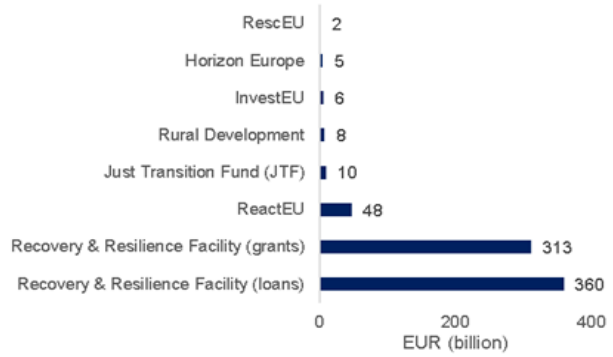
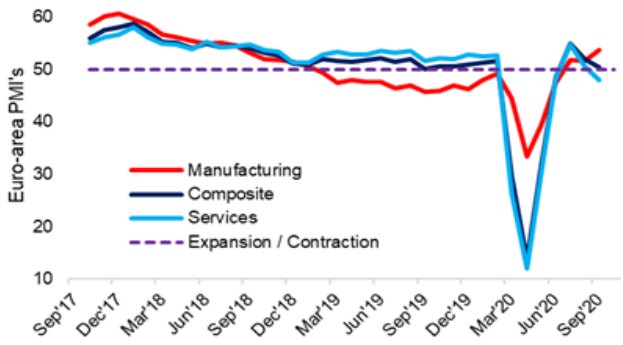


Figure 32: Wave Two has led services PMI's back into contraction



Source: Haver Analytics and Bloomberg as of October 16, 2020. Note: "Stay at Home" basket includes names identified to benefit from COVID-related disruptions and a shift to working from home. "Leave Your Home" basket includes Citi Research Buy and Neutral Rated US names in the following sub-industries: Banks, Industrial Conglomerate, Machinery, Oil Gas & Consumable Fuel, Textiles Apparel & Luxury Goods, Energy Equipment & Services, Hotels Restaurants & Leisure, Building Products, Retail REITs, Construction & Engineering, Leisure Products, Airlines, Multiline Retail. These are shown for illustrative purposes only. This is not a recommendation to buy or solicitation to sell any of the names shown.

Looking ahead the process of further fiscal expansions has been led by the major European countries with new employment schemes as the initial emergency packages for workers conclude:

Immediate additional measures

United Kingdom: have announced a six month scheme which will see the Government subsidize the pay of employees who are working at least 20% of their normal hours (down from the 33% announced in September). The government have also reduced the share of wages for unworked hours that businesses must pay to 5% from 33%. All companies will be eligible even if they have not used the furlough scheme previously, while larger companies will also be eligible if their turnover has suffered during the crisis. These added measures could see an additional £15 billion in additional net spending through to the end of this fiscal year. The combined deficit for this fiscal year could exceed £300 billion and approach 20% of GDP.

Germany: has extended its unemployment support package until the next of 2021. The scheme, known in Germany as "Kurzarbeit", protects jobs by allowing employers to reduce working hours while keeping them employed, while paying an "income replacement rate" for the hours not worked. The extension of the scheme is expected to cost a further €10 billion and was also credited with helping to keep unemployment contained following the 2009 financial crisis.

France: "temporary unemployment" scheme is similar to Germany's, with firms allowed to cut employees' hours by up to 40% for up to three years. Employees are still receiving 84-100% of their net salary for the lower paid, with the government paying a proportion of the cost.

Long-term additional measures

There are long-term fiscal expansion plans too. Towards the end of this year, the UK government is expected to give details of its revamped industrial strategy, and infrastructure plans for "levelling up" the country through substantial investments in the north of England and Scotland. In addition the government has stated its intention for the UK to be "the Saudi of wind".

The EU's Green Deal aims to reduce carbon dioxide emissions by 55% compared with 1990 levels, which will transform how Europeans heat their homes, buy their energy, choose their diets, and travel. This new growth driver for Europe will be accompanied by €1 trillion of funding by the European Commission and support medium-term growth in a way that demonstrates common purpose, which should encourage FDI and portfolio inflows from abroad.

The €750bn EU Recovery Fund discussed above will also have a green emphasis, in terms of both the focus of expenditure as well as in its fundraising. Regarding the latter, the EU leaders are promising 30% of all debt raised will be through green bonds. All spending is expected to

contribute to EU emission-cutting goals. The Just Transition Fund announcement is designed to support EU member nations with the highest dependency on fossil fuels, supporting their transition towards a green future.

Both the ECB and the BOE stand ready to expand their asset purchase programs further if necessary. We believe they will, taking the approach that the risk of over-easing to ensure their economies are supported during Covid, is a lesser medium-term risk than easing too little.

While the policymakers are fully supportive during the pandemic, and have increasingly attractive long-term plans too, the region could have four significant additional catalysts to accelerate growth coming out of the pandemic.

Firstly, we expect an EU-UK “bare bones” trade deal to be announced by mid-November 2020, paving the path to future sub-agreements next year in areas like environmental protection, security, and data sharing.

Secondly, should Joe Biden with the US presidency, then trade pressures with the US could ease.

Thirdly, as Asia emerges first from the pandemic, Europe and the UK exporters are major beneficiaries.

Finally, there are green shoots of hope that corporate “animal spirits” are finally starting to rise, with a pickup in merger and acquisition activity.

Portfolio allocations

This section shows the strategic and tactical asset allocations. The Quant Research & Global Asset Allocation (QRGAA) team creates strategic asset allocations using the CPB Adaptive Valuations Strategy (AVS) methodology on an annual basis. Global Investment Committee (GIC) provides underweight and overweight decisions to AVS's Global USD without Hedge Funds Risk Level 3 portfolio. QRGAA then creates tactical allocations for risk levels 1,2,4 and 5. These are included below. Also included below are Global USD with Hedge Funds and 10% illiquids PE & RE (Private Equity and Real Estate) for risk levels 2,3,4 and 5. The below strategic/tactical allocations are reflective of the October 21, 2020 GIC meeting.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 2

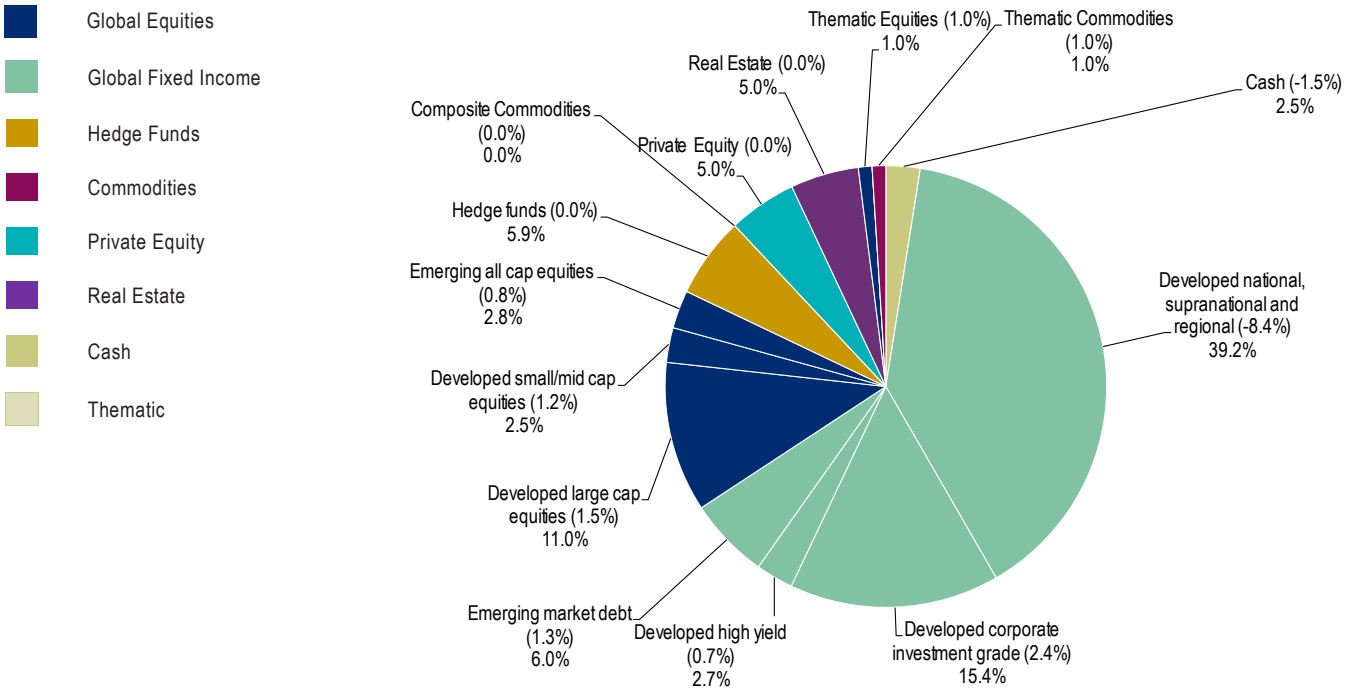
Risk Level 2 is designed for investors who emphasize capital preservation over return on investment, but who are willing to subject some portion of their principal to increased risk in order to generate a potentially greater rate of return on investment.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**4.0**	**2.5**	**-1.5**
Fixed Income	**67.3**	**63.3**	**-4.0**
Developed Investment Grade	**60.6**	**54.5**	**-6.0**
US	34.5	39.4	4.9
Government	14.5	15.8	1.3
Inflation-Linked	2.0	2.8	0.7
Short	3.9	3.9	0.0
Intermediate	6.0	6.5	0.5
Long	2.6	2.6	0.0
Securitized	11.3	12.5	1.2
Credit	8.7	11.1	2.3
Short	1.3	1.5	0.2
Intermediate	4.7	6.8	2.1
Long	2.8	2.8	0.0
Europe	19.2	11.9	-7.3
Government	14.9	7.6	-7.3
Credit	4.3	4.3	0.0
Australia	0.3	0.3	0.0
Government	0.3	0.3	0.0
Japan	6.5	2.9	-3.6
Government	6.5	2.9	-3.6
Developed High Yield	**2.0**	**2.7**	**0.7**
US	1.6	2.3	0.7
Europe	0.4	0.5	0.0
Emerging Market Debt	**4.7**	**6.0**	**1.3**
Asia	0.8	1.6	0.8
Local currency	0.4	0.7	0.3
Foreign currency	0.4	0.9	0.5
EMEA	2.6	2.6	0.0
Local currency	1.3	1.3	0.0
Foreign currency	1.3	1.3	0.0
LatAm	1.3	1.7	0.4
Local currency	0.7	0.7	0.0
Foreign currency	0.7	1.1	0.4
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**12.8**	**17.3**	**4.5**
Developed Equities	**10.8**	**13.5**	**2.7**
Developed Large Cap Equities	**9.5**	**11.0**	**1.5**
US	6.3	7.2	0.9
Canada	0.3	0.4	0.0
UK	0.4	0.5	0.1
Switzerland	0.3	0.4	0.0
Europe ex UK ex Switzerland	0.9	1.1	0.2
Asia ex Japan	0.4	0.5	0.1
Japan	0.8	0.9	0.1
Developed Small/ Mid Cap Equities	**1.4**	**2.5**	**1.2**
US	0.7	1.3	0.6
Non-US	0.7	1.2	0.5
Emerging All Cap Equities	**2.0**	**2.8**	**0.8**
Asia	1.7	2.3	0.5
China	1.1	1.4	0.3
Asia (ex China)	0.6	0.9	0.2
EMEA	0.1	0.1	-0.1
LatAm	0.1	0.5	0.3
Brazil	0.1	0.3	0.2
LatAm ex Brazil	0.0	0.2	0.2
Thematic Equities	**0.0**	**1.0**	**1.0**
Global Equity REITs	0.0	0.5	0.5
US Mortgage REITs	0.0	0.5	0.5
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.0**	**1.0**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.0**	**1.0**
Gold	0.0	1.0	1.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Hedge Funds	**5.9**	**5.9**	**0.0**
Private Equity	**5.0**	**5.0**	**0.0**
Real Estate	**5.0**	**5.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 2 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +4.5%, global fixed income has an underweight of -4.0%, cash has an underweight of -1.5%, gold has an overweight position of +1.0%.

Within equities, developed large cap equities and developed small/mid cap equities have an overweight of +1.5% and +1.2%, respectively. Emerging market equities have an overweight of +0.8%. Thematic equities have an overweight position of +1.0%.

Within fixed income, developed government debt has an underweight position of -8.4%; developed corporate investment grade has an overweight position of +2.4%; developed high yield has an overweight position of +0.7% and emerging market debt has an overweight position of +1.3%

Private Equity and Real Estate are both neutral, each with 5% allocation.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 3

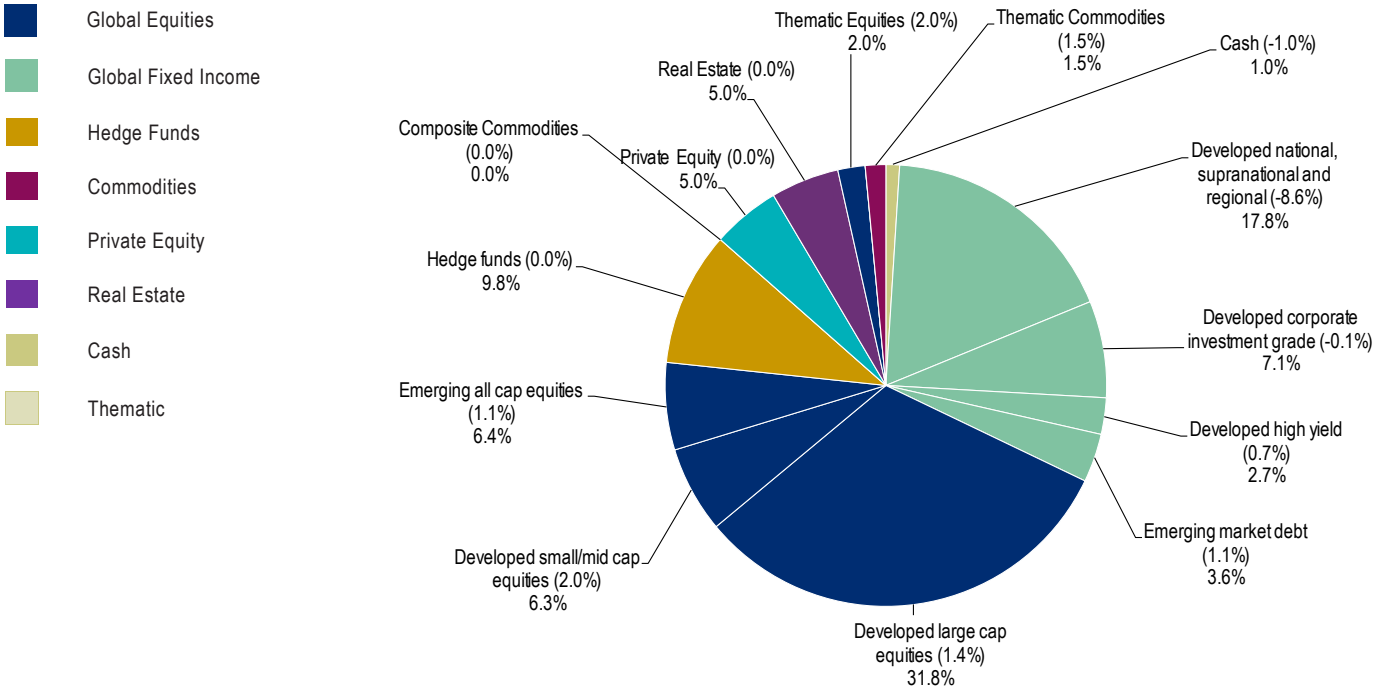
Risk Level 3 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. Risk Level 3 may be appropriate for investors willing to subject their portfolio to additional risk for potential growth in addition to a level of income reflective of his/her stated risk tolerance.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**2.0**	**1.0**	**-1.0**
Fixed Income	**38.1**	**31.1**	**-7.0**
Developed Investment Grade	**33.6**	**24.9**	**-8.7**
US	19.2	20.7	1.5
Government	8.1	9.2	1.1
Inflation-Linked	1.1	2.2	1.1
Short	2.2	2.2	0.0
Intermediate	3.3	3.3	0.0
Long	1.5	1.5	0.0
Securitized	6.3	6.6	0.4
Credit	4.9	4.9	0.0
Short	0.7	0.7	0.0
Intermediate	2.6	2.6	0.0
Long	1.5	1.6	0.0
Europe	10.7	3.7	-6.9
Government	8.3	1.5	-6.8
Credit	2.4	2.2	-0.2
Australia	0.2	0.2	0.0
Government	0.2	0.2	0.0
Japan	3.6	0.3	-3.3
Government	3.6	0.3	-3.3
Developed High Yield	**2.0**	**2.7**	**0.7**
US	1.6	2.2	0.7
Europe	0.4	0.5	0.0
Emerging Market Debt	2.5	3.6	1.1
Asia	0.4	1.1	0.6
Local currency	0.2	0.4	0.2
Foreign currency	0.2	0.6	0.4
EMEA	1.4	1.4	-0.0
Local currency	0.7	0.7	-0.0
Foreign currency	0.7	0.7	-0.0
LatAm	0.7	1.1	0.4
Local currency	0.3	0.5	0.1
Foreign currency	0.3	0.7	0.3
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**40.1**	**46.6**	**6.5**
Developed Equities	**34.7**	**38.2**	**3.4**
Developed Large Cap Equities	**30.4**	**31.8**	**1.4**
US	20.3	21.0	0.7
Canada	1.0	1.0	0.0
UK	1.4	1.5	0.1
Switzerland	1.0	1.1	0.0
Europe ex UK ex Switzerland	3.0	3.2	0.2
Asia ex Japan	1.1	1.4	0.2
Japan	2.6	2.7	0.1
Developed Small/ Mid Cap Equities	**4.3**	**6.3**	**2.0**
US	2.2	3.3	1.1
Non-US	2.1	3.0	0.9
Emerging All Cap Equities	**5.3**	**6.4**	**1.1**
Asia	4.6	5.2	0.6
China	2.8	3.2	0.3
Asia (ex China)	1.7	2.0	0.3
EMEA	0.4	0.1	-0.3
LatAm	0.4	1.0	0.7
Brazil	0.2	0.6	0.3
LatAm ex Brazil	0.1	0.5	0.3
Thematic Equities	**0.0**	**2.0**	**2.0**
Global Equity REITs	0.0	1.0	1.0
US Mortgage REITs	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.5**	**1.5**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.5**	**1.5**
Gold	0.0	1.5	1.5
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Hedge Funds	**9.8**	**9.8**	**0.0**
Private Equity	**5.0**	**5.0**	**0.0**
Real Estate	**5.0**	**5.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 3 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +6.5%, global fixed income has an underweight of -7.0%, cash has an underweight of -1.0%, gold has an overweight position of +1.5%.

Within equities, developed large cap equities have an overweight position of +1.4% and developed small/mid cap equities have an overweight of +2.0%. Emerging market equities have an overweight of +1.1%. Thematic equities have an overweight position of +2.0%.

Within fixed income, developed government debt has an underweight position of -8.6%; developed corporate investment grade has a slight underweight position of -0.1%; developed high yield has an overweight position of +0.7% and emerging market debt has an overweight position of +1.1%.

Private Equity and Real Estate are both neutral, each with 5% allocation.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 4

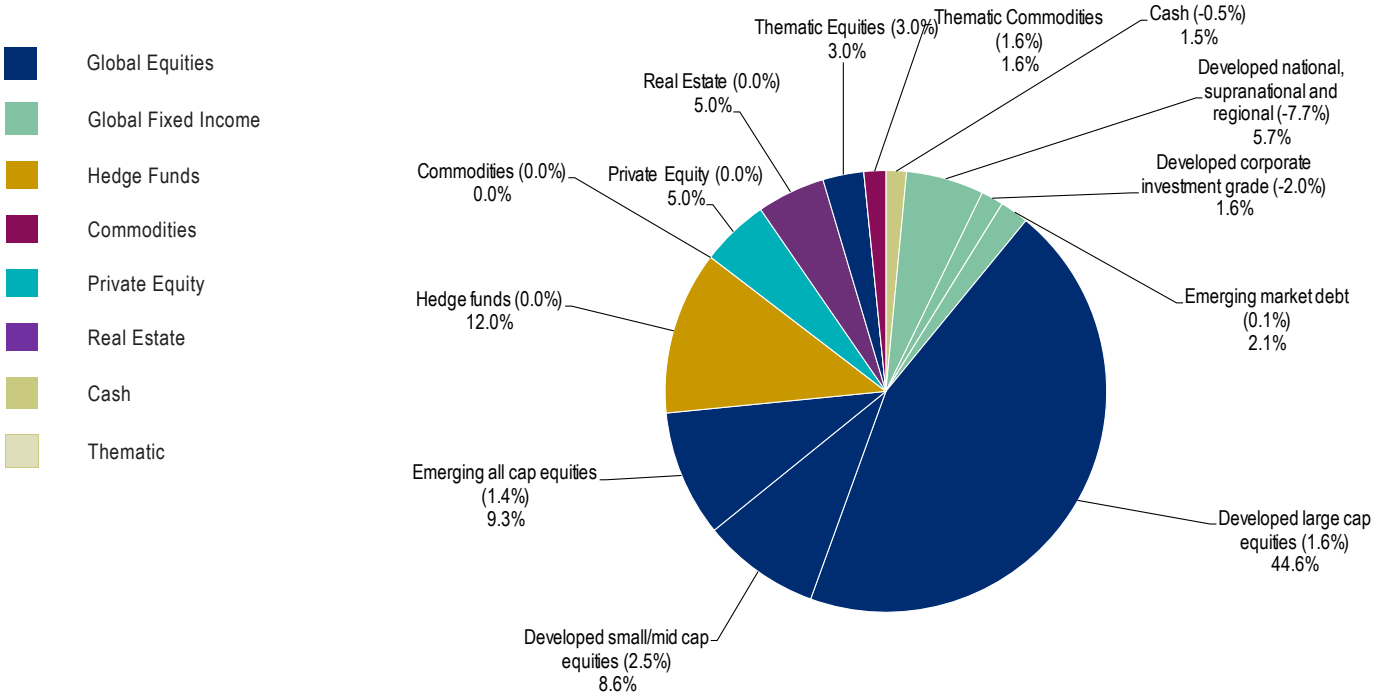
Risk Level 4 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. They are willing to subject a large portion of their portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investment. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**2.0**	**1.5**	**-0.5**
Fixed Income	**19.0**	**9.4**	**-9.6**
Developed Investment Grade	**17.0**	**7.3**	**-9.7**
US	9.7	6.4	-3.3
Government	4.1	3.0	-1.0
Inflation-Linked	0.6	0.6	0.0
Short	1.1	0.6	-0.5
Intermediate	1.7	1.1	-0.6
Long	0.7	0.8	0.0
Securitized	3.2	1.9	-1.3
Credit	2.5	1.5	-1.0
Short	0.4	0.4	0.0
Intermediate	1.3	0.8	-0.5
Long	0.8	0.3	-0.5
Europe	5.4	0.8	-4.6
Government	4.2	0.6	-3.6
Credit	1.2	0.2	-1.0
Australia	0.1	0.1	0.0
Government	0.1	0.1	0.0
Japan	1.8	0.1	-1.8
Government	1.8	0.1	-1.8
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**2.0**	**2.1**	**0.1**
Asia	0.3	0.4	0.0
Local currency	0.2	0.2	0.0
Foreign currency	0.2	0.2	0.0
EMEA	1.1	1.2	0.1
Local currency	0.5	0.6	0.0
Foreign currency	0.5	0.6	0.0
LatAm	0.6	0.6	0.0
Local currency	0.3	0.3	0.0
Foreign currency	0.3	0.3	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**57.0**	**65.5**	**8.5**
Developed Equities	**49.1**	**53.2**	**4.1**
Developed Large Cap Equities	**43.0**	**44.6**	**1.6**
US	28.6	29.4	0.7
Canada	1.4	1.5	0.0
UK	2.0	2.1	0.1
Switzerland	1.4	1.5	0.0
Europe ex UK ex Switzerland	4.2	4.5	0.3
Asia ex Japan	1.6	1.9	0.3
Japan	3.7	3.8	0.1
Developed Small/ Mid Cap Equities	**6.1**	**8.6**	**2.5**
US	3.2	4.6	1.4
Non-US	3.0	4.1	1.1
Emerging All Cap Equities	**7.9**	**9.3**	**1.4**
Asia	6.8	7.5	0.8
China	4.2	4.6	0.4
Asia (ex China)	2.5	2.9	0.4
EMEA	0.6	0.2	-0.4
LatAm	0.5	1.6	1.0
Brazil	0.3	0.9	0.5
LatAm ex Brazil	0.2	0.7	0.5
Thematic Equities	**0.0**	**3.0**	**3.0**
Global Equity REITs	0.0	1.5	1.5
US Mortgage REITs	0.0	1.5	1.5
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.6**	**1.6**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.6**	**1.6**
Gold	0.0	1.6	1.6
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Hedge Funds	**12.0**	**12.0**	**0.0**
Private Equity	**5.0**	**5.0**	**0.0**
Real Estate	**5.0**	**5.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 4 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +8.5%, global fixed income has an underweight of -9.6%, cash has an underweight of -0.5%, gold has an overweight position of +1.6%.

Within equities, developed large cap equities have an overweight position of +1.6% and developed small/mid cap equities have an overweight of +2.5%. Emerging market equities have an overweight of +1.4%. Thematic equities have an overweight position of +3.0%.

Within fixed income, developed government debt has an underweight position of -7.7%; developed corporate investment grade has an underweight position of -2.0%; developed high yield has a neutral position and emerging market debt has an overweight position of +0.1%

Private Equity and Real Estate are both neutral, each with 5% allocation.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 5

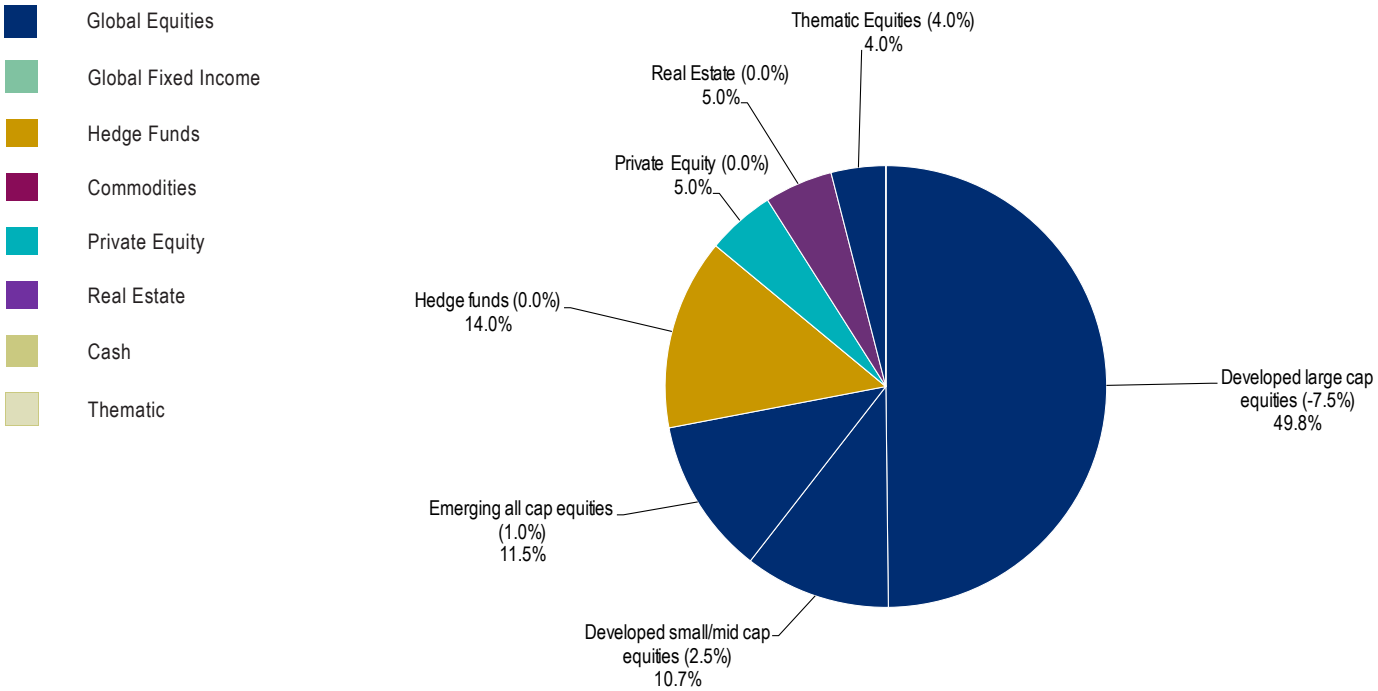
Risk Level 5 is designed for investors who emphasize return on investment. They are willing to subject their entire portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investments. Investors may have a preference for investments or trading strategies that may assume higher than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains. Clients may engage in tactical or opportunistic trading, which may involve higher volatility and variability of returns.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**0.0**	**0.0**	**0.0**
Fixed income	**0.0**	**0.0**	**0.0**
Developed Investment Grade	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Government	0.0	0.0	0.0
Inflation-Linked	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Securitized	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Government	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Australia	0.0	0.0	0.0
Government	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Government	0.0	0.0	0.0
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**76.0**	**76.0**	**-0.0**
Developed Equities	**65.5**	**60.5**	**-5.0**
Developed Large Cap Equities	**57.3**	**49.8**	**-7.5**
US	38.2	36.6	-1.6
Canada	1.9	1.1	-0.8
UK	2.7	1.9	-0.8
Switzerland	1.9	1.2	-0.8
Europe ex UK ex Switzerland	5.6	4.4	-1.2
Asia ex Japan	2.1	1.3	-0.8
Japan	4.9	3.3	-1.6
Developed Small/ Mid Cap Equities	**8.2**	**10.7**	**2.5**
US	4.2	5.6	1.4
Non-US	3.9	5.1	1.1
Emerging All Cap Equities	**10.5**	**11.5**	**1.0**
Asia	9.0	9.6	0.6
China	5.6	6.0	0.3
Asia (ex China)	3.4	3.7	0.3
EMEA	0.8	0.0	-0.8
LatAm	0.7	1.8	1.1
Brazil	0.5	1.1	0.6
LatAm ex Brazil	0.3	0.8	0.5
Thematic Equities	**0.0**	**4.0**	**4.0**
Global Equity REITs	0.0	3.0	3.0
US Mortgage REITs	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**0.0**	**0.0**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Hedge Funds	**14.0**	**14.0**	**0.0**
Private Equity	**5.0**	**5.0**	**0.0**
Real Estate	**5.0**	**5.0**	**0.0**
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 10% illiquids (PE & RE): Risk Level 5 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities, global fixed income, cash and gold are all neutral.

Within equities, developed large cap equities have an underweight position of -7.5% and developed small/mid cap equities have an overweight of +2.5%. Emerging market equities have an overweight of +1.0%. Thematic equities have an overweight position of +4.0%.

Within fixed income, developed government debt, developed corporate investment grade, developed high yield and emerging market debt are all at neutral position.

Private Equity and Real Estate are both neutral, each with 5% allocation.

Global USD without Hedge Funds: Risk Level 1

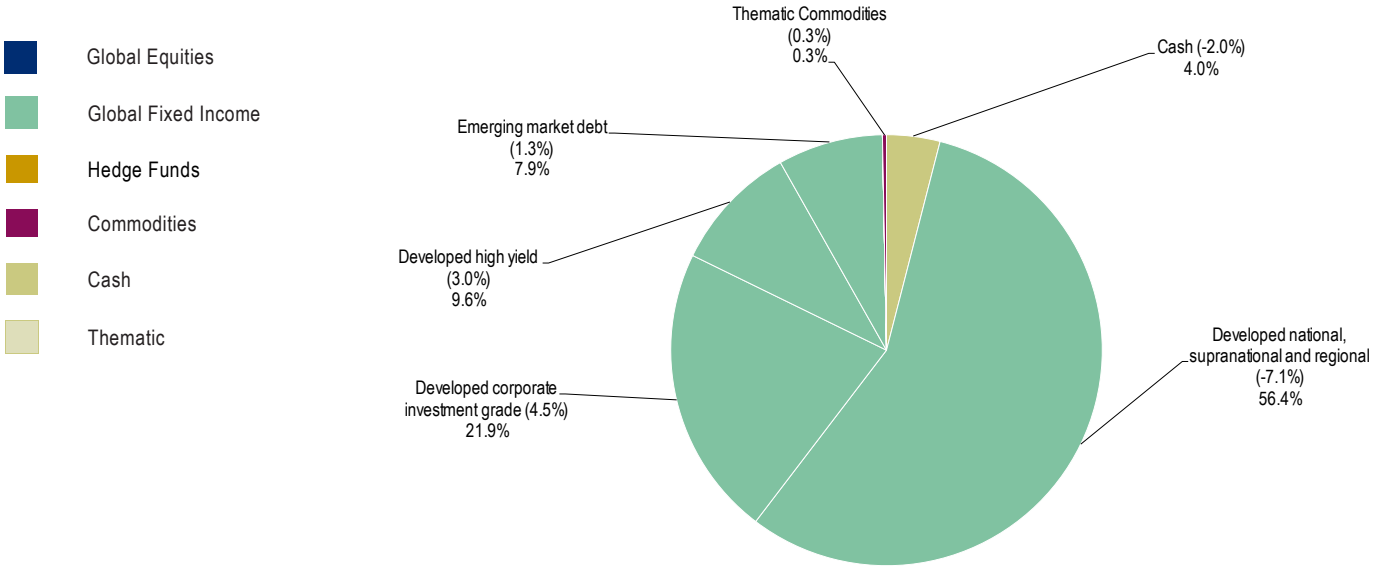
Risk Level 1 is designed for investors who have a preference for capital preservation and relative safety over the potential for a return on investment. These investors prefer to hold cash, time deposits and/or lower risk fixed income instruments.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**6.0**	**4.0**	**-2.0**
Fixed Income	**94.0**	**95.7**	**1.7**
Developed Investment Grade	**80.8**	**78.2**	**-2.6**
US	46.1	54.0	7.9
Government	19.4	21.8	2.4
Inflation-Linked	2.7	3.2	0.5
Short	5.2	5.7	0.5
Intermediate	8.0	9.4	1.4
Long	3.5	3.5	0.0
Securitized	15.1	16.6	1.5
Credit	11.7	15.7	4.0
Short	1.7	2.7	1.0
Intermediate	6.3	9.3	3.0
Long	3.7	3.7	0.0
Europe	25.7	18.7	-7.0
Government	19.9	12.4	-7.5
Credit	5.7	6.2	0.5
Australia	0.4	0.4	0.0
Government	0.4	0.4	0.0
Japan	8.7	5.2	-3.5
Government	8.7	5.2	-3.5
Developed High Yield	**6.6**	**9.6**	**3.0**
US	5.1	7.1	2.0
Europe	1.5	2.5	1.0
Emerging Market Debt	**6.6**	**7.9**	**1.3**
Asia	1.1	1.9	0.8
Local currency	0.6	0.9	0.3
Foreign currency	0.6	1.1	0.5
EMEA	3.6	3.6	0.0
Local currency	1.8	1.8	0.0
Foreign currency	1.8	1.8	0.0
LatAm	1.8	2.3	0.5
Local currency	0.9	0.9	0.0
Foreign currency	0.9	1.4	0.5
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**0.0**	**0.0**	**0.0**
Developed Equities	**0.0**	**0.0**	**0.0**
Developed Large Cap Equities	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Canada	0.0	0.0	0.0
UK	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0
Europe ex UK ex Switzerland	0.0	0.0	0.0
Asia ex Japan	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Developed Small/ Mid Cap Equities	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Non-US	0.0	0.0	0.0
Emerging All Cap Equities	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
China	0.0	0.0	0.0
Asia (ex China)	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Brazil	0.0	0.0	0.0
LatAm ex Brazil	0.0	0.0	0.0
Thematic Equities	**0.0**	**0.0**	**0.0**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**0.3**	**0.3**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.3**	**0.3**
Gold	0.0	0.3	0.3
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 1 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overal neutral position, global fixed income has an overweight of +1.7%, cash has an underweight of -2.0%, gold has an overweight position of +0.3%.

Within equities, developed large cap equities, developed small/mid cap equities and emerging market equities are all at neutral positions.

Within fixed income, developed government debt has an underweight position of -7.1%; developed corporate investment grade has an overweight position of +4.5%; developed high yield has an overweight position of +3.0% and emerging market debt has an overweight position of +1.3%

Global USD without Hedge Funds: Risk Level 2

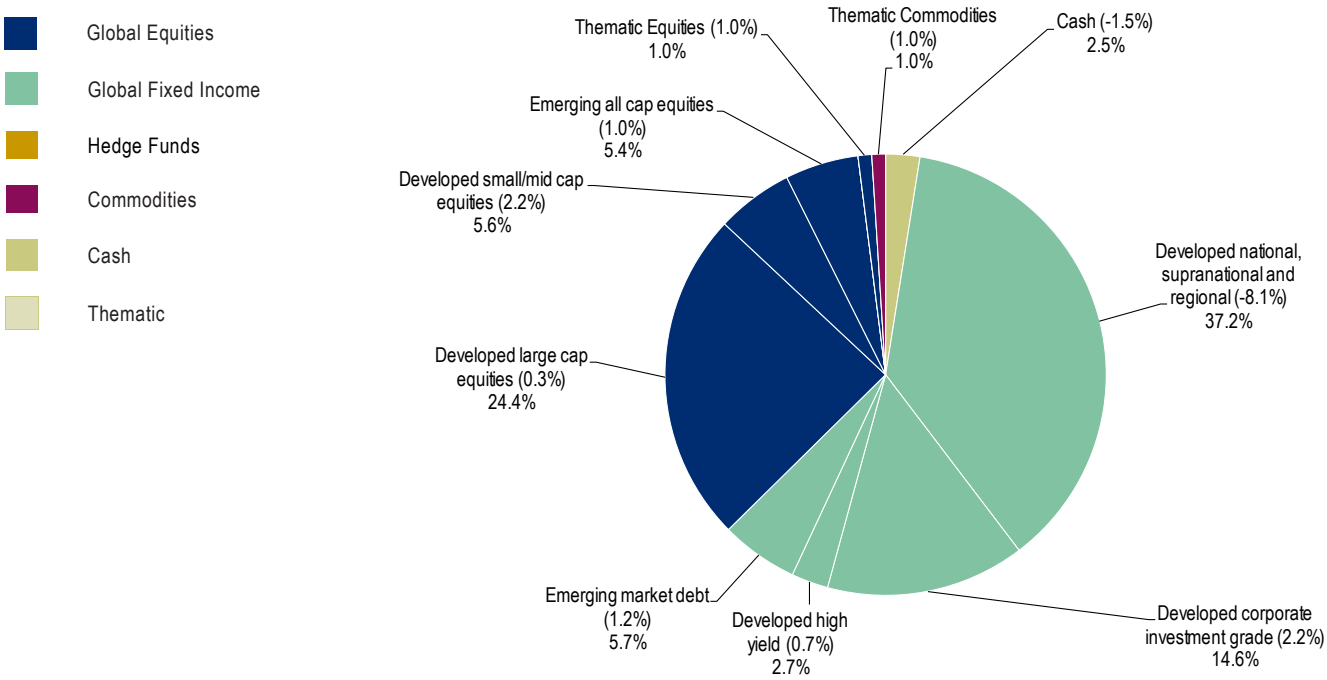
Risk Level 2 is designed for investors who emphasize capital preservation over return on investment, but who are willing to subject some portion of their principal to increased risk in order to generate a potentially greater rate of return on investment.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**4.0**	**2.5**	**-1.5**
Fixed Income	**64.1**	**60.1**	**-4.0**
Developed Investment Grade	**57.6**	**51.7**	**-5.9**
US	32.9	37.4	4.5
Government	13.8	15.0	1.2
Inflation-Linked	1.9	2.6	0.7
Short	3.7	3.7	0.0
Intermediate	5.7	6.2	0.5
Long	2.5	2.5	0.0
Securitized	10.7	11.8	1.1
Credit	8.3	10.5	2.2
Short	1.2	1.4	0.2
Intermediate	4.5	6.5	2.0
Long	2.6	2.6	0.0
Europe	18.3	11.3	-7.0
Government	14.2	7.2	-7.0
Credit	4.1	4.1	0.0
Australia	0.3	0.3	0.0
Government	0.3	0.3	0.0
Japan	6.2	2.8	-3.4
Government	6.2	2.8	-3.4
Developed High Yield	**2.0**	**2.7**	**0.7**
US	1.6	2.3	0.7
Europe	0.4	0.4	0.0
Emerging Market Debt	**4.5**	**5.7**	**1.2**
Asia	0.8	1.6	0.8
Local currency	0.4	0.7	0.3
Foreign currency	0.4	0.9	0.5
EMEA	2.5	2.5	0.0
Local currency	1.2	1.2	0.0
Foreign currency	1.2	1.2	0.0
LatAm	1.2	1.6	0.4
Local currency	0.6	0.6	0.0
Foreign currency	0.6	1.0	0.4
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**31.9**	**36.4**	**4.5**
Developed Equities	**27.5**	**30.0**	**2.5**
Developed Large Cap Equities	**24.1**	**24.4**	**0.3**
US	16.0	16.0	0.0
Canada	0.8	0.8	0.0
UK	1.1	1.1	0.0
Switzerland	0.8	0.8	0.0
Europe ex UK ex Switzerland	2.4	2.5	0.1
Asia ex Japan	0.9	1.1	0.2
Japan	2.0	2.0	0.0
Developed Small/ Mid Cap Equities	**3.4**	**5.6**	**2.2**
US	1.8	3.0	1.2
Non-US	1.7	2.7	1.0
Emerging All Cap Equities	**4.4**	**5.4**	**1.0**
Asia	3.8	4.4	0.6
China	2.3	2.6	0.3
Asia (ex China)	1.4	1.7	0.3
EMEA	0.3	0.1	-0.2
LatAm	0.3	0.9	0.6
Brazil	0.2	0.5	0.3
LatAm ex Brazil	0.1	0.4	0.3
Thematic Equities	**0.0**	**1.0**	**1.0**
Global Equity REITs	0.0	0.5	0.5
US Mortgage REITs	0.0	0.5	0.5
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.0**	**1.0**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.0**	**1.0**
Gold	0.0	1.0	1.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 2 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +4.5%, global fixed income has an underweight of -4.0%, cash has an underweight of -1.5%, gold has an overweight position of +1.0%.

Within equities, developed large cap equities have an overweight position of +0.3% and developed small/mid cap equities have an overweight of +2.2%. Emerging market equities have an overweight of +1.0%. Thematic equities have an overweight position of +1.0%.

Within fixed income, developed government debt has an underweight position of -8.2%; developed corporate investment grade has an overweight position of +2.2%; developed high yield has an overweight position of +0.7% and emerging market debt has an overweight position of +1.2%.

Global USD without Hedge Funds: Risk Level 3

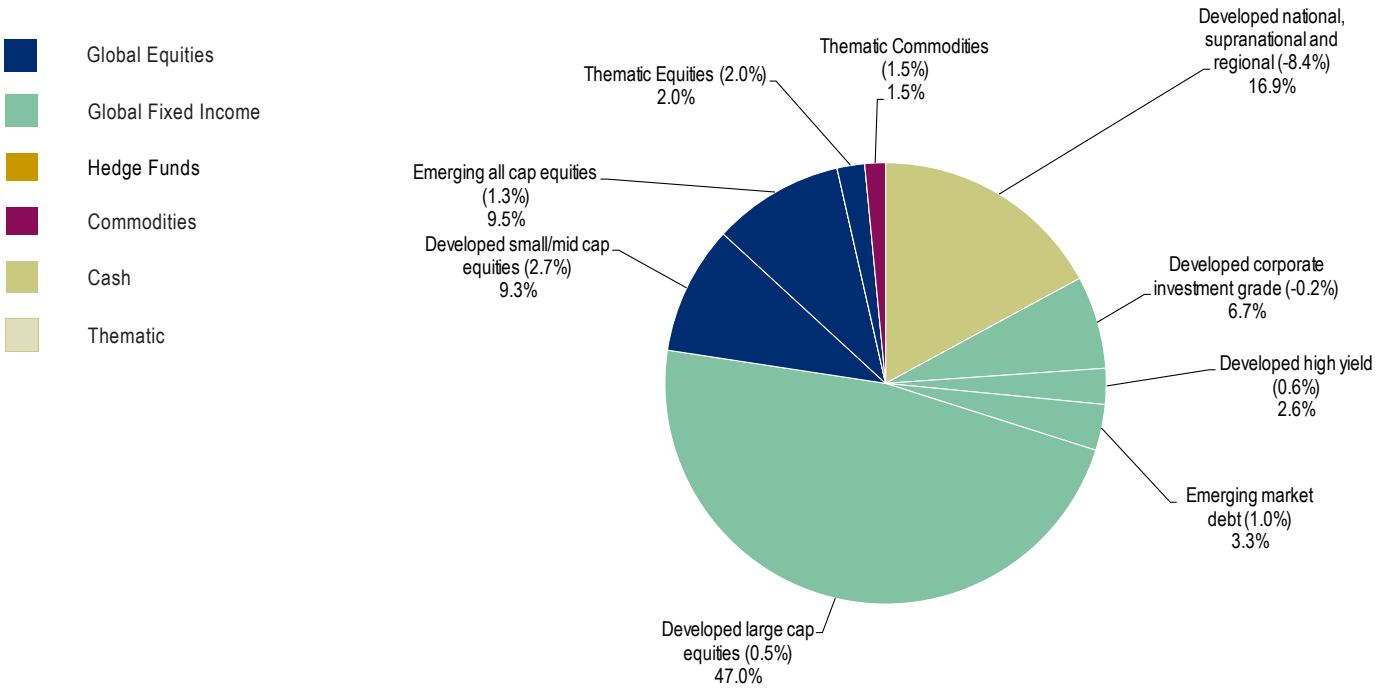
Risk Level 3 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. Risk Level 3 may be appropriate for investors willing to subject their portfolio to additional risk for potential growth in addition to a level of income reflective of his/her stated risk tolerance.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**2.0**	**1.0**	**-1.0**
Fixed Income	**36.6**	**29.6**	**-7.0**
Developed Investment Grade	**32.3**	**23.7**	**-8.6**
US	18.4	19.7	1.3
Government	7.7	8.7	1.0
Inflation-Linked	1.1	2.1	1.0
Short	2.1	2.1	0.0
Intermediate	3.2	3.2	0.0
Long	1.4	1.4	0.0
Securitized	6.0	6.3	0.3
Credit	4.7	4.7	0.0
Short	0.7	0.7	0.0
Intermediate	2.5	2.5	0.0
Long	1.5	1.5	0.0
Europe	10.2	3.5	-6.7
Government	8.0	1.5	-6.5
Credit	2.3	2.1	-0.2
Australia	0.2	0.2	0.0
Government	0.2	0.2	0.0
Japan	3.5	0.3	-3.2
Government	3.5	0.3	-3.2
Developed High Yield	**2.0**	**2.6**	**0.6**
US	1.6	2.2	0.6
Europe	0.4	0.4	0.0
Emerging Market Debt	**2.3**	**3.3**	**1.0**
Asia	0.4	1.0	0.6
Local currency	0.2	0.4	0.2
Foreign currency	0.2	0.6	0.4
EMEA	1.3	1.3	0.0
Local currency	0.6	0.6	0.0
Foreign currency	0.6	0.6	0.0
LatAm	0.7	1.1	0.4
Local currency	0.3	0.4	0.1
Foreign currency	0.3	0.6	0.3
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**61.4**	**67.9**	**6.5**
Developed Equities	**53.2**	**56.4**	**3.2**
Developed Large Cap Equities	**46.5**	**47.0**	**0.5**
US	31.0	31.0	0.0
Canada	1.5	1.5	0.0
UK	2.2	2.2	0.0
Switzerland	1.6	1.6	0.0
Europe ex UK ex Switzerland	4.5	4.7	0.2
Asia ex Japan	1.7	2.0	0.3
Japan	4.0	4.0	0.0
Developed Small/ Mid Cap Equities	**6.6**	**9.3**	**2.7**
US	3.4	4.9	1.5
Non-US	3.2	4.4	1.2
Emerging All Cap Equities	**8.2**	**9.5**	**1.3**
Asia	7.0	7.7	0.7
China	4.4	4.7	0.3
Asia (ex China)	2.6	3.0	0.3
EMEA	0.6	0.2	-0.4
LatAm	0.6	1.6	1.0
Brazil	0.4	0.9	0.5
LatAm ex Brazil	0.2	0.7	0.5
Thematic Equities	**0.0**	**2.0**	**2.0**
Global Equity REITs	0.0	1.0	1.0
US Mortgage REITs	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.5**	**1.5**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.5**	**1.5**
Gold	0.0	1.5	1.5
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 3 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +6.5%, global fixed income has an underweight of -7.0%, cash has an underweight of -1.0%, gold has an overweight position of +1.5%.

Within equities, developed large cap equities have an overweight position of +0.5% and developed small/mid cap equities have an overweight of +2.7%. Emerging market equities have an overweight of +1.3%. Thematic equities have an overweight position of +2.0%.

Within fixed income, developed government debt has an underweight position of -8.4%; developed corporate investment grade has a slight underweight position of -0.2%; developed high yield has an overweight position of +0.6% and emerging market debt has an overweight position of +1.0%.

Global USD without Hedge Funds: Risk Level 4

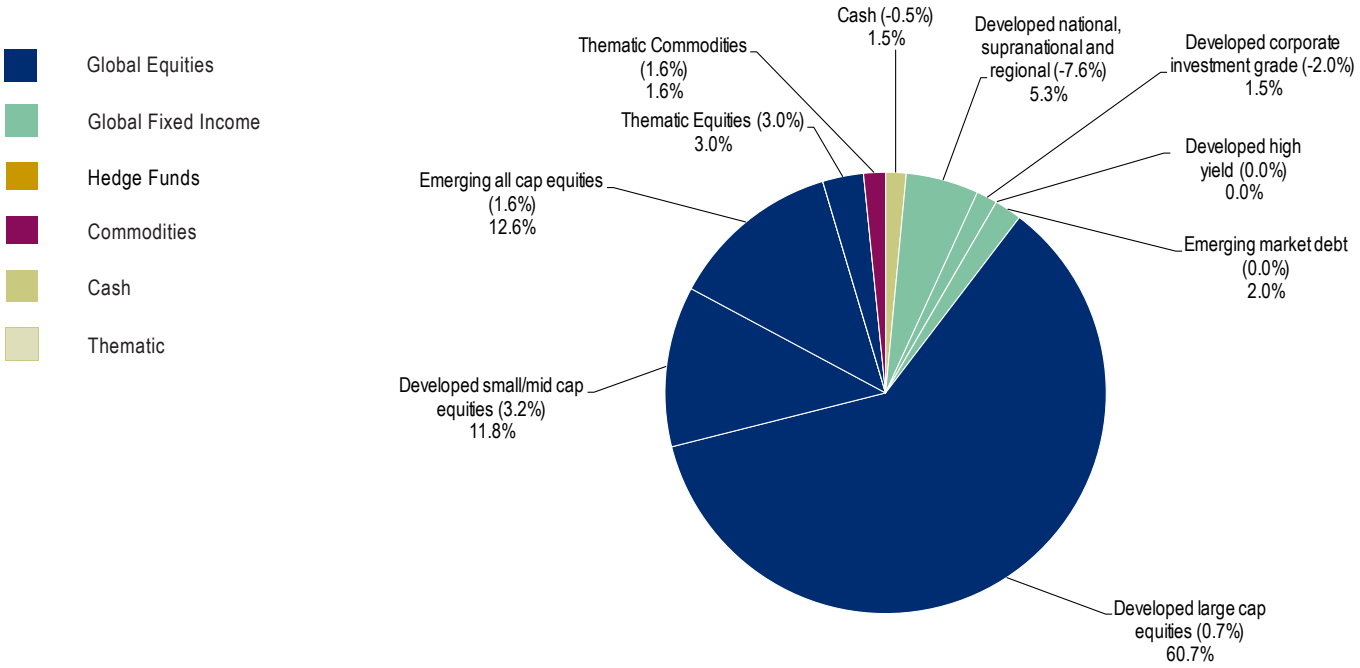
Risk Level 4 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. They are willing to subject a large portion of their portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investment. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**2.0**	**1.5**	**-0.5**
Fixed Income	**18.5**	**8.9**	**-9.6**
Developed Investment Grade	**16.5**	**6.9**	**-9.6**
US	9.4	6.0	-3.4
Government	3.9	2.8	-1.1
Inflation-Linked	0.6	0.6	0.0
Short	1.1	0.6	-0.5
Intermediate	1.6	1.0	-0.6
Long	0.7	0.7	0.0
Securitized	3.1	1.8	-1.3
Credit	2.4	1.4	-1.0
Short	0.3	0.3	0.0
Intermediate	1.3	0.8	-0.5
Long	0.8	0.3	-0.5
Europe	5.2	0.7	-4.5
Government	4.1	0.6	-3.5
Credit	1.2	0.2	-1.0
Australia	0.1	0.1	0.0
Government	0.1	0.1	0.0
Japan	1.8	0.1	-1.7
Government	1.8	0.1	-1.7
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**2.0**	**2.0**	**0.0**
Asia	0.3	0.3	0.0
Local currency	0.2	0.2	0.0
Foreign currency	0.2	0.2	0.0
EMEA	1.1	1.1	0.0
Local currency	0.5	0.5	0.0
Foreign currency	0.5	0.5	0.0
LatAm	0.6	0.6	0.0
Local currency	0.3	0.3	0.0
Foreign currency	0.3	0.3	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**79.5**	**88.0**	**8.5**
Developed Equities	**68.6**	**72.5**	**3.9**
Developed Large Cap Equities	**60.0**	**60.7**	**0.7**
US	40.0	40.0	0.0
Canada	2.0	2.0	0.0
UK	2.8	2.8	0.0
Switzerland	2.0	2.0	0.0
Europe ex UK ex Switzerland	5.9	6.2	0.3
Asia ex Japan	2.2	2.6	0.4
Japan	5.1	5.1	0.0
Developed Small/ Mid Cap Equities	**8.6**	**11.8**	**3.2**
US	4.4	6.2	1.8
Non-US	4.1	5.5	1.4
Emerging All Cap Equities	**11.0**	**12.6**	**1.6**
Asia	9.4	10.2	0.8
China	5.9	6.3	0.4
Asia (ex China)	3.5	3.9	0.4
EMEA	0.8	0.2	-0.6
LatAm	0.7	2.1	1.4
Brazil	0.5	1.2	0.7
LatAm ex Brazil	0.3	1.0	0.7
Thematic Equities	**0.0**	**3.0**	**3.0**
Global Equity REITs	0.0	1.5	1.5
US Mortgage REITs	0.0	1.5	1.5
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**1.6**	**1.6**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**1.6**	**1.6**
Gold	0.0	1.6	1.6
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 4 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +8.5%, global fixed income has an underweight of -9.6%, cash has an underweight of -0.5%, gold has an overweight position of +1.6%.

Within equities, developed large cap equities have an overweight position of +0.7% and developed small/mid cap equities have an overweight of +3.2%. Emerging market equities have an overweight of +1.6%. Thematic equities have an overweight position of +3.0%.

Within fixed income, developed government debt has an underweight position of -7.6%; developed corporate investment grade has an underweight position of -2.0%; developed high yield debt and emerging market debt are both at neutral position.

Global USD without Hedge Funds: Risk Level 5

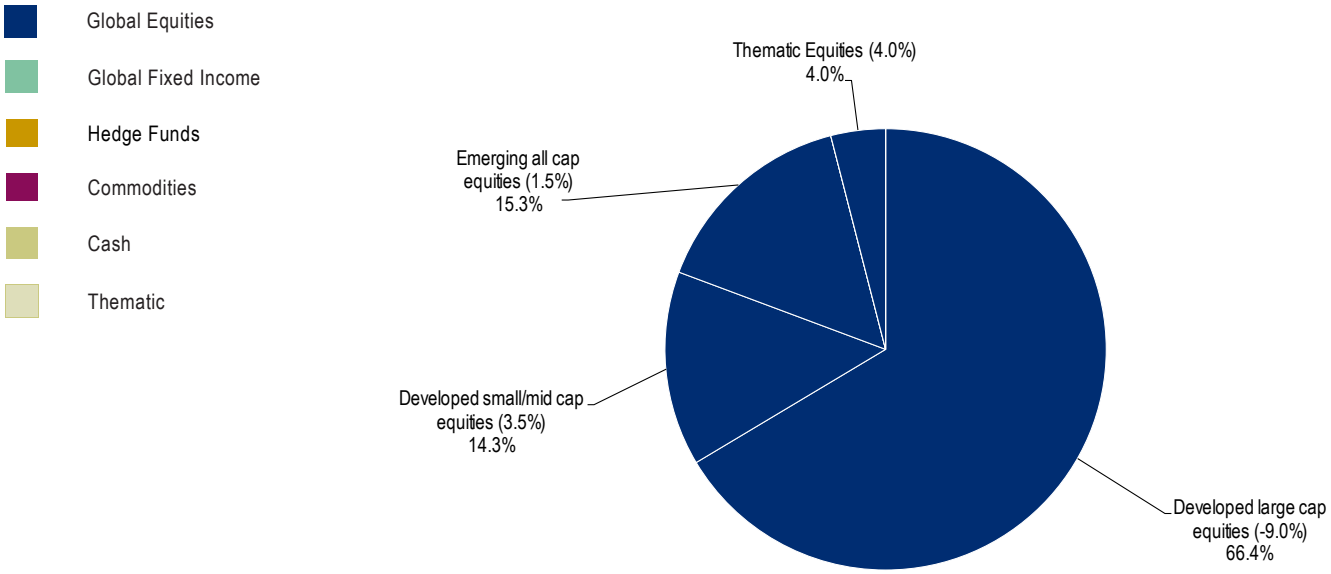
Risk Level 5 is designed for investors who emphasize return on investment. They are willing to subject their entire portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investments. Investors may have a preference for investments or trading strategies that may assume higher than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains. Clients may engage in tactical or opportunistic trading, which may involve higher volatility and variability of returns.

Classification	Strategic (%)	Tactical* (%)	Active (%)
Cash	**0.0**	**0.0**	**0.0**
Fixed income	**0.0**	**0.0**	**0.0**
Developed Investment Grade	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Government	0.0	0.0	0.0
Inflation-Linked	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Securitized	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Government	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Australia	0.0	0.0	0.0
Government	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Government	0.0	0.0	0.0
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
Thematic 1	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
Equities	**100.0**	**100.0**	**0.0**
Developed Equities	**86.2**	**80.7**	**-5.5**
Developed Large Cap Equities	**75.4**	**66.4**	**-9.0**
US	50.3	48.8	-1.5
Canada	2.5	1.5	-1.0
UK	3.5	2.5	-1.0
Switzerland	2.5	1.5	-1.0
Europe ex UK ex Switzerland	7.4	5.9	-1.5
Asia ex Japan	2.8	1.8	-1.0
Japan	6.4	4.4	-2.0
Developed Small/ Mid Cap Equities	**10.8**	**14.3**	**3.5**
US	5.6	7.5	1.9
Non-US	5.2	6.8	1.6
Emerging All Cap Equities	**13.8**	**15.3**	**1.5**
Asia	11.8	12.8	1.0
China	7.4	7.9	0.6
Asia (ex China)	4.4	4.9	0.4
EMEA	1.0	0.0	-1.0
LatAm	0.9	2.4	1.5
Brazil	0.6	1.4	0.8
LatAm ex Brazil	0.3	1.0	0.7
Thematic Equities	**0.0**	**4.0**	**4.0**
Global Equity REITs	0.0	3.0	3.0
US Mortgage REITs	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Commodities	**0.0**	**0.0**	**0.0**
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 5 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities, global fixed income, cash and gold are all at neutral position.

Within equities, developed large cap equities have an underweight position of -9.0% and developed small/mid cap equities have an overweight of +3.5%. Emerging market equities have an overweight of +1.5%. Thematic equities have an overweight position of +4.0%.

Within fixed income, developed government debt, developed corporate investment grade, developed high yield and emerging market debt are all at neutral position.

Asset Allocation Definitions

Asset classes	Benchmarked against
Global equities	MSCI All Country World Index, which represents 48 developed and emerging equity markets. Index components are weighted by market capitalization.
Global bonds	Bloomberg Barclays Capital Multiverse (Hedged) Index, which contains the government -related portion of the Multiverse Index, and accounts for approximately 14% of the larger index.
Hedge funds	HFRX Global Hedge Fund Index, which is designed to be representative of the overall composition of the hedge fund universe. It comprises all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Commodities	Dow Jones-UBS Commodity Index, which is composed of futures contracts on physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The major commodity sectors are represented including energy, petroleum, precious metals, industrial metals, grains, livestock, softs, agriculture and ex-energy. The Thomson Reuters / Core Commodity Index is designed to provide timely and accurate representation of a long-only, broadly diversified investment in commodities through a transparent and disciplined calculation methodology.
Cash	Three-month LIBOR, which is the interest rates that banks charge each other in the international inter-bank market for three-month loans (usually denominated in Eurodollars).
Equities	
Developed market large cap	MSCI World Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the equity market performance of the large cap stocks in 23 developed markets. Large cap is defined as stocks representing roughly 70% of each market's capitalization.
All Country Ex US	MSCI All Country ex US, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the equity market performance of the large cap stocks in all countries excluding the US.
US	Standard & Poor's 500 Index, which is a capitalization-weighted index that includes a representative sample of 500 leading companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with over 80% coverage of US equities, it is also an ideal proxy for the total market.
Europe ex UK	MSCI Europe ex UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in each of Europe's developed markets, except for the UK
UK	MSCI UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in the UK
Japan	MSCI Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in Japan.
Asia Pacific ex Japan	MSCI Asia Pacific ex Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in Australia, Hong Kong, New Zealand and Singapore.
Developed market small and mid-cap (SMID)	MSCI World Small Cap Index, which is a capitalization-weighted index that measures small cap stock performance in 23 developed equity markets.
Emerging market	MSCI Emerging Markets Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance of 22 emerging markets.
Bonds	
Developed sovereign	Citi World Government Bond Index (WGBI), which consists of the major global investment grade government bond markets and is composed of sovereign debt, denominated in the domestic currency. To join the WGBI, the market must satisfy size, credit and barriers-to-entry requirements. In order to ensure that the WGBI remains an investment grade benchmark, a minimum credit quality of BBB–/Baa3 by either S&P or Moody's is imposed. The index is rebalanced monthly.
Emerging sovereign	Citi Emerging Market Sovereign Bond Index (ESBI), which includes Brady bonds and US dollar -denominated emerging market sovereign debt issued in the global, Yankee and Eurodollar markets, excluding loans. It is composed of debt in Africa, Asia, Europe and Latin America. We classify an emerging market as a sovereign with a maximum foreign debt rating of BBB+/Baa1 by S&P or Moody's. Defaulted issues are excluded.
Supranationals	Citi World Broad Investment Grade Index (WBIG)—Government Related, which is a subsector of the WBIG. The index includes fixed rate investment grade agency, supranational and regional government debt, denominated in the domestic currency. The index is rebalanced monthly.
Corporate investment grade	Citi World Broad Investment Grade Index (WBIG)—Corporate, which is a subsector of the WBIG. The index includes fixed rate global investment grade corporate debt within the finance, industrial and utility sectors, denominated in the domestic currency. The index is rebalanced monthly.
Corporate high yield	Bloomberg Barclays Global High Yield Corporate Index. Provides a broad-based measure of the global high yield fixed income markets. It is also a component of the Multiverse Index and the Global Aggregate Index.
Securitized	Citi World Broad Investment Grade Index (WBIG)—Securitized, which is a subsector of the WBIG. The index includes global investment grade collateralized debt denominated in the domestic currency, including mortgage -backed securities, covered bonds (Pfandbriefe) and asset-backed securities. The index is rebalanced monthly.
	Moody's Baa Corporate Bond Index is an investment bond index that tracks the performance of all bonds given a Baa rating by Moody's Investors Service.
	BAML US Corporate index (Bank of America Merrill Lynch) tracks the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market.

Other miscellaneous definitions	
Asset Backed Securities (ABS)	A security whose income payments and hence value are derived from and collateralized (or "backed") by a specified pool of underlying assets such as consumer credit card debt or auto loans.
Commercial Mortgage Backed Securities (CMBS)	Commercial mortgage-backed securities (CMBS) are a type of mortgage-backed security that is secured by mortgages on commercial properties, instead of residential real estate.
High Yield Corporate Bonds (HY)	High yield corporate bonds are bonds with a credit rating less than BBB- (S&P) or Baa3 (Moody's), and are debt securities issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.
Investment Grade Corporate Bonds (IG)	Investment grade corporate bonds are bonds with a credit rating equal to or above BBB- (S&P) or Baa3 (Moody's), and are debt securities issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.
COVID-Cyclicals	Financials, Industrials, Energy, Materials, Real Estate, Consumer Discretionary ex-Amazon.
COVID-Defensives	IT, Health Care, Communication Services, Consumer Staples, Utilities, Amazon.

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Bond rating equivalence
Alpha and/or numeric symbols used to give indications of relative credit quality. In the municipal market, these designations are published by the rating services. Internal ratings are also used by other market participants to indicate credit quality.

Bond credit quality ratings	Rating agencies		
Credit risk	**Moody's[1]**	**Standard and Poor's[2]**	**Fitch Ratings[2]**
Investment Grade			
Highest quality	Aaa	AAA	AAA
High quality (very strong)	Aa	AA	AA
Upper medium grade (Strong)	A	A	A
Medium grade	Baa	BBB	BBB
Not Investment Grade			
Lower medium grade (somewhat speculative)	Ba	BB	BB
Low grade (speculative)	B	B	B
Poor quality (may default)	Caa	CCC	CCC
Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	D	C
In default	C	D	D

1 The ratings from Aa to Ca by Moody's may be modified by the addition of a 1, 2, or 3 to show relative standing within the category.
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(MLP's) - Energy Related MLPs May Exhibit High Volatility. While not historically very volatile, in certain market environments Energy Related MLPS may exhibit high volatility.

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Additionally, the underlying collateral supporting non-Agency MBS may default on principal and interest payments. In certain cases, this could cause the income stream of the security to decline and result in loss of principal. Further, an insufficient level of credit support may result in a downgrade of a mortgage bond's credit rating and lead to a higher probability of principal loss and increased price volatility. Investments in subordinated MBS

involve greater credit risk of default than the senior classes of the same issue. Default risk may be pronounced in cases where the MBS security is secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying mortgage loans.

MBS are also sensitive to interest rate changes which can negatively impact the market value of the security. During times of heightened volatility, MBS can experience greater levels of illiquidity and larger price movements. Price volatility may also occur from other factors including, but not limited to, prepayments, future prepayment expectations, credit concerns, underlying collateral performance and technical changes in the market.

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