

## AMC ALTERNATIVE FUND – BCV Defensive Fund

### Review

The S&P 500 advanced by 12.6% in Q1 2012, more or less matching its gain notched up in the final quarter of 2011. Most leading indices of international shares, such as the MSCI World, also recorded similar progress. There were basically two reasons for the advances: improving economic prospects in the USA and the gargantuan efforts being undertaken by the European Central Bank to pump liquidity into the eurozone financial sector so as to keep a lid on risks of the debt crisis spreading more widely. Since the start of 2012, emerging stock markets and oil have remained the best asset classes, notching up gains of 14% and 14.4%, respectively. Safe havens, like US Treasuries and the US dollar, lost ground, down by 1.3% and 1.5%, respectively.

The BCV Defensive sub-fund (Class B CHF unit) gained 1.36% in the quarter. The best-performing strategies chiefly involved exposure to 'credit risk', such as Long/Short Credit, ABS and Convertible Arbitrage. The ABL strategy once again penalised the sub-fund slightly owing to adjustments to loan portfolios.

### Outlook

In spite of this impressive start to the New Year, uncertainties resurfaced in early April. Attention in Europe began to refocus on Southern European states (Spain, Italy) which saw their interest rates springing back upwards. China continues to enjoy faster growth than developed countries, but its projected tempo has again been downgraded, which may well have a significant impact on companies and commodity prices. In spite of these minus points, equities remain reasonably valued, especially in Europe, and, to date, earnings revisions have tended generally to be angled to the upside. Overall, we remain quite upbeat about market prospects, but we prefer to err on the side of caution on account of the impressive rises made recently by most asset classes.

In light of the very attractive stock market valuations, solid balance sheets and the fairly readily available access to financing, we expect corporate activity to pick up. We have, therefore, added a fund manager active in this segment in Europe, but with a neutral beta.

BCV Asset Management, Lausanne

31.03.2012

