2019 Outlook

Our predictions and preferences

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A bespoke service bringing together everything EFG's Investment Solutions has to offer to you and your clients. Welcome to our 2019 Outlook. For more information on each of the themes discussed please visit EFG's 2019 Outlook.

EFG Equity Approved List

300+ Companies

Tactical Trade Ideas

Short term ideas

EFG Equity Recommended List

15-20 companies per region

EFG Discretionary Portfolio Management

EFG Mutual Funds Approved List

EFG Mutual Funds Recommended List

EFG Fixed Income Approved List

600+ Issuers

EFG Fixed Income Recommended List

20-30 Bonds

Thematic Ideas & Alternative Investments

New Capital Funds

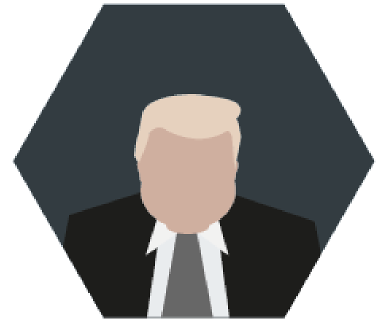
Please contact your CRO for further information

Trump: all out for growth

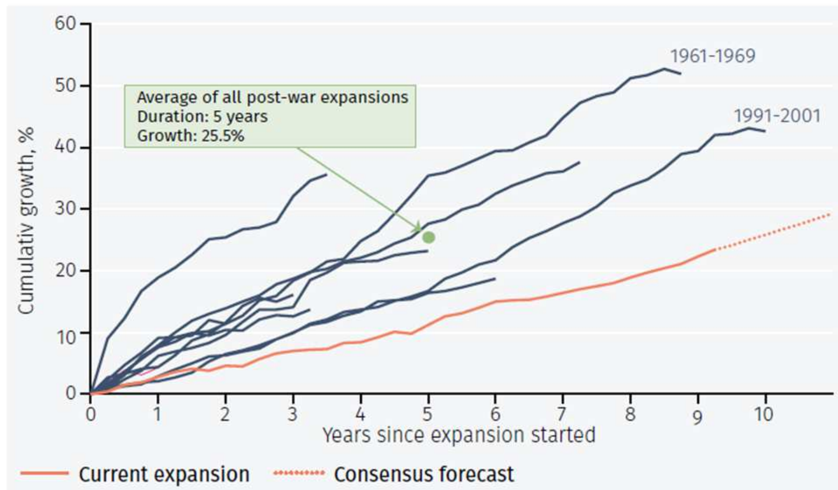
- We believe President Trump will push for all out growth in 2019. Whilst growth has been strong, Trump will focus more on maintenance and longevity.

- Four key areas:
    - Slowing down of interest rates increases;
    - Reduction of oil prices;
    - Infrastructure boost;
    - Softening of tone with China.

- By mid-year we expect Trump to be able to claim delivery of longest expansion ever in US economy.



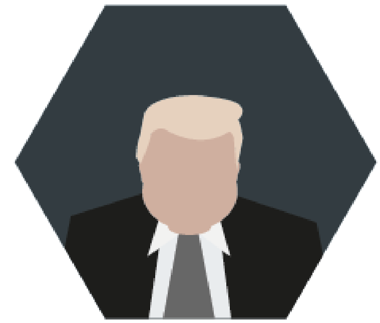
2. US expansions compared



Source: NBER; Atlanta Fed GDPnow; Consensus Economics; FRED database; Thomson Reuters Datastream. Data sourced 10 December 2018.

EFG US Future Leaders Strategy

Based in Portland, our dedicated US equity team manage a number of successful thematic strategies focusing on quality, high growth companies which are well placed to benefit from a Trump: all out growth policy in 2019.



- Investing in Leaders and emerging leaders
  - ✓ Highest quality growth companies
  - ✓ Most profitable & scalable business models
  - ✓ Overweight the highest conviction stocks

- Idea Generation and Due diligence
  - ✓ Fundamentally-driven, qualitative approach to security selection
  - ✓ Augmented by a proprietary valuation framework
  - ✓ Collaborative process enhances decision making and reduces mistakes

How to Invest	Discretionary
Availability	Segregated Mandate Select Strategy
Minimum	£/$/€ 250k
Investment Risk	High

In 2018, we launched The Future Leaders Panel. Comprising of industry and academic experts, the panel are helping us develop a proprietary framework in identifying pioneers in management, feeding directly into our strategies. Please visit our dedicated microsite for more information on The Future Leaders Panel.

EFG US Future Leaders Strategy

Performance Overview

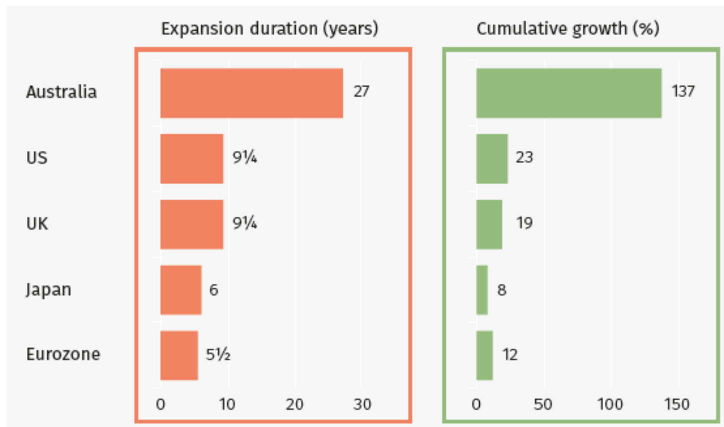
	MTD	YTD	1 Year	2 Year Annualised	Since Inception Annualised (1 APR 2016)
Future Leaders – Gross of Fees	-7.77%	8.88%	8.88%	22.53%	17.86%
Russell Mid Cap Growth Index	-9.07%	-4.75%	-4.75%	9.23%	9.19%
Out (Under) performance	**1.3%**	**13.63%**	**13.63%**	**13.29%**	**8.49%**

Source: EFG Calculations and Bloomberg. Model Portfolio as at 31 December 2018. Past performance is not a reliable indicator of current or future results. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations. The Model Portfolio performance shows only gross performance, with no deduction of fees, brokerage or other commissions, or any other expenses that would accompany the purchase or sale of any of the classes of investments described in this document. Fees deducted would have a negative effect on performance. For example, had a client invested $500,000 at inception (1 April 2016) in this model, after deducting a management fee of 1.5% per annum (paid in arrears) the client would have earned a net return of 3.07% for the nine month period to 31 December 2016. During this nine month period the gross return was 4.19%. Performance results are simulated based on model portfolio(s). The performance information shown represents simulated performance based on model portfolios managed by EFGAM since their respective inception dates to the period ending dates shown. The results are not based on actual portfolios managed by EFGAM. Such simulated performance does not reflect trading in actual accounts and is provided for informational purposes only to indicate historical performance had the strategy been available over the relevant time periods. Simulated performance has inherent limitations in that it does not necessarily represent actual trading on a portfolio in terms of timing and does not account for trading costs and expenses and such results should not be solely relied upon.

Global Growth Continues

- We think global growth will continue in 2019, and will remain steady but constant.
- Fears of an upcoming global recession are misguided, as none of the key indicators (financial crisis and sharp interest rate hike) are likely to happen.
- Banks are much more resilient now compared with 2008. Interest rates are likely to remain low due to recent oil price fall. Wage inflation is also not high enough to trigger wage-price spiral.

1. Global expansions



Source: Thomson Reuters Datastream. Data as at 10 December 2018.

EFG Global Equity Conviction Strategy

The Global Equity Strategy seeks long term capital appreciation through investment in equity securities of companies globally

Performance (%)

	1 Year	3 Years Annualised	Since Inception Annualised	Since Inception 31/05/2012
Model Portfolio	-4.81	9.39	11.67	106.91
MSCI All-World Country Index	-8.93	7.18	9.40	80.70
Difference	4.12	2.20	2.27	26.21

Outlook for 2019

- We believe the macro environment is heading back to a low rate and low growth which is a positive set up for equity markets this year and the best kind of environment for the stocks in this portfolio, with long duration of ability to compound.
- Investors appear nervous and therefore we continue to expect markets to be volatile. It is important to strike a balance between different types of businesses to manage through this but also be able to take opportunities to take action when good businesses' become attractively valued.

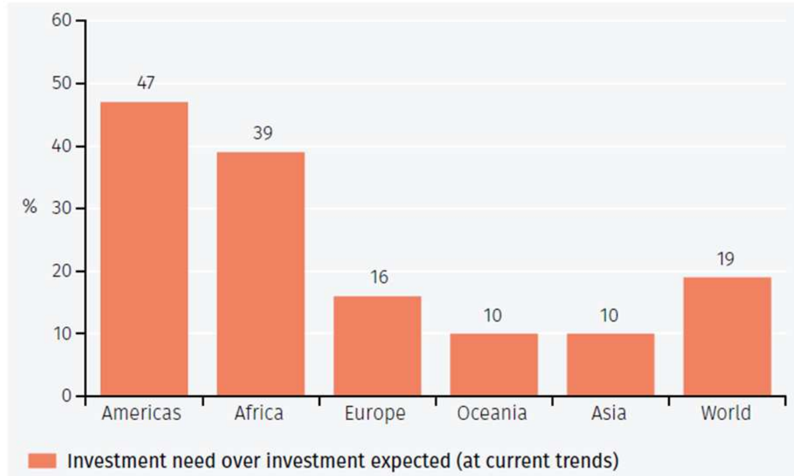
How to Invest	Discretionary
Availability	Segregated Mandate Select Strategy
Minimum	£/$/€ 250k
Investment Risk	High

Source: EFGAM Calculations., as at 31 December 2018. Past performance is not a reliable indicator of current or future results. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations. Model portfolio inception date 31/05/2012..Yearly returns are the returns over one calendar year period. Annualised performance shows the compound average performance for each year over a given historical time period. The Model Portfolio Performance shows only gross performance, with no deduction of fees, brokerage or other commissions, or any other expenses that would accompany the purchase or sale of any of the classes of investments described in this document. Fees deducted would have a negative effect on performance. For example, had a client invested US$1 million on 1 January 2014, after deducting a management fee of 1.5% per annum (paid in arrears) the client would have earned a net return of 4.52% for the 12-month period to 31 December 2014. Further details of costs and charges will be provided to clients ahead of making any actual investments in relation to this product. During this 12-month period the gross return was 6.11%. Performance results are simulated based on model portfolio(s). The performance results shown herein do not represent actual performance achieved by any Investor and do not reflect actual trading history in any investment product or managed account.

US industrial sector

- We expect 2019 to see a large increase in US infrastructure projects.
- Much of President Trump's infrastructure spending will bear fruit in 2019, as it forms key part of his "all out for growth" strategy.
- Expectations of a recession are too pessimistic, as the bad 2018 in the industrial sector was not replicated around the rest of the economy.
- High need for global infrastructure spending. McKinsey predicts US$69tr needed by 2035. Gap between demand and expectation largest in Americas (Graph 4b).

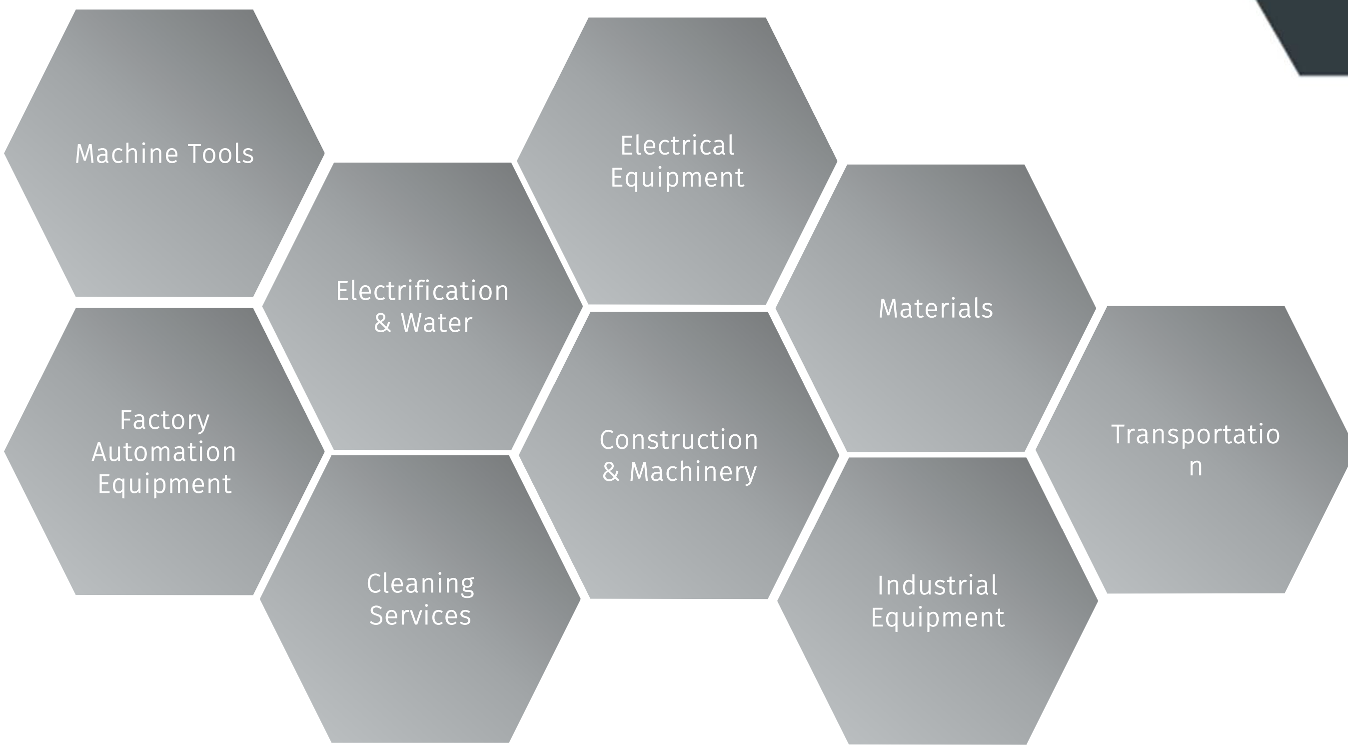
4b. Infrastructure investment gap by region, 2016-2040



Source: Oxford Economics. Data as at 10 December 2018.

Stocks that will Benefit

We expect companies operating in the following sectors to benefit, either directly or indirectly, from an increase in 2019 US Infrastructure spending.



Please contact your CRO for further information

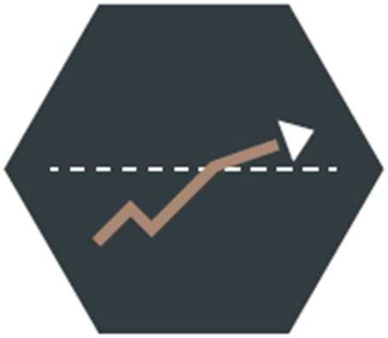
Emerging markets recover

- We expect solid growth from some emerging markets, in particular Brazil and Indonesia.

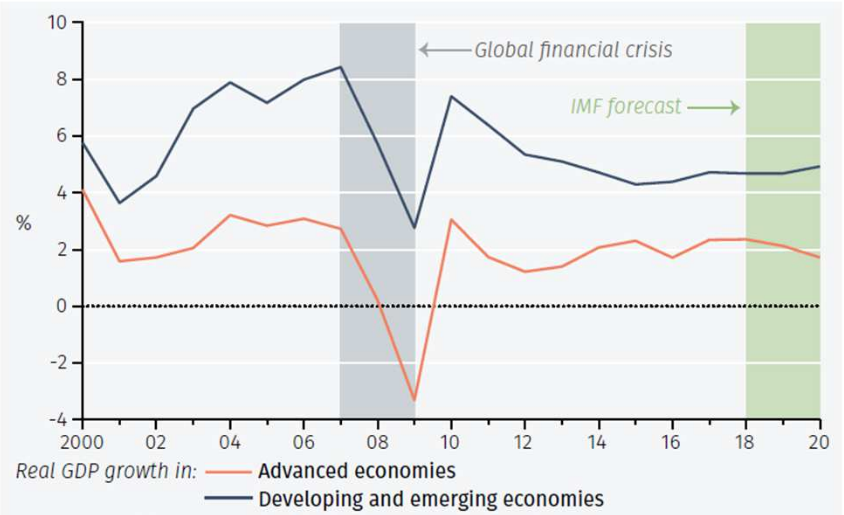
- Whilst some emerging markets will no doubt face crises in their economies, we don't expect this to cause a domino-effect amongst all emerging markets. It would be wrong to treat all developing economies as one group.

- When there are periodic crises, still see growth as consistently above advanced economies.

- The 40% correction in oil price in Q4 2018 will benefit ASEAN countries that are oil importers



3. Advanced and emerging market growth



Source: IMF *World Economic Outlook* database. Data as at 10 December 2018.

EFG Dynamic Asia Pacific Equity Strategy

The Asia Pacific Strategy seeks long term capital appreciation through investment in equity securities of companies in the Asia Pacific region

Performance (%)

	1 Year	Since Inception Annualised	Since Inception 02/10/2015
Model Portfolio	-16.15	9.56	34.55
MSCI Asia Pac Index	-13.52	6.71	25.15
Difference	-2.63	2.42	9.40

Outlook for 2019

- We see the FED pausing and USD weakness in 2019 which is supportive for EM Asia currencies/markets, especially for countries in ASEAN and India, further aided by the weaker oil price.
- Earning downgrades driven by Korea, Taiwan (tech/exports) and China. ASEAN and India remains most attractive. Sectors such as auto, staple goods and tech hardware the weakest, with banks and healthcare the most resilient.
- Valuations for Asia Ex Japan are attractive relative to developed markets, with 5/7 years where the index has fallen >10%, it has rebounded the next year.
- Whilst China has implemented further easing/policy stimulus, sustainable recovery dependent on clear trade war resolution. We Remain cautious for next 3-6 months, but more positive on a 6+ month basis.

How to Invest	Discretionary
Availability	Segregated Mandate
Minimum	£/$/€ 500k
Investment Risk	High

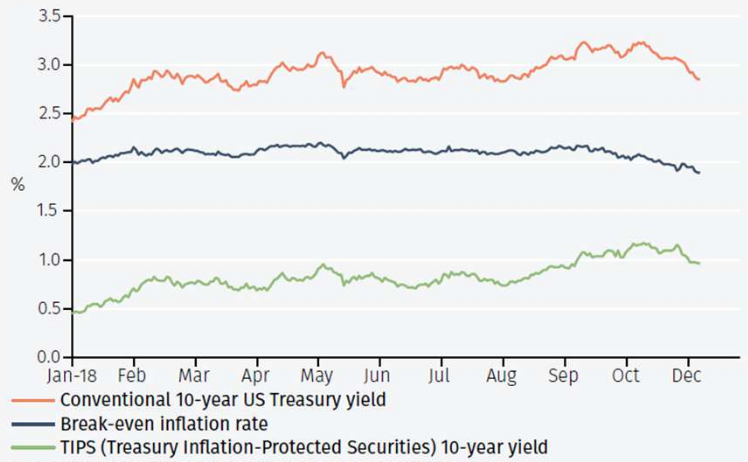
Source: EFGAM Calculations., as at 31 December 2018. Past performance is not a reliable indicator of current or future results. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations. Model portfolio inception date 02/10/2015. Yearly returns are the returns over one calendar year period. Annualised performance shows the compound average performance for each year over a given historical time period. The Model Portfolio Performance shows only gross performance, with no deduction of fees, brokerage or other commissions, or any other expenses that would accompany the purchase or sale of any of the classes of investments described in this document. Fees deducted would have a negative effect on performance. For example, had a client invested US$500,000 on 2 October 2015, after deducting a management fee of 1.5% per annum (paid in arrears) the client would have earned a net return of 6.75% for the six-month period to 31 March 2016. Further details of costs and charges will be provided to clients ahead of making any actual investments in relation to this product. During this six-month period the gross return was 7.52%. Performance results are simulated based on model portfolio(s). The performance results shown herein do not represent actual performance achieved by any Investor and do not reflect actual trading history in any investment product or managed account

Real rates stabilise

- Trend in real yields often overlooked aspect of US bond market. After 2018 rise, we expect them to stabilise in 2019.

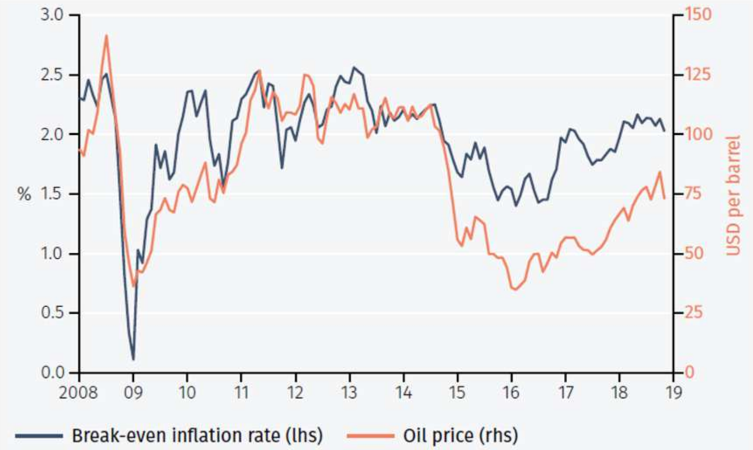
- We expect Treasury Inflation-Protected securities to become more popular with US pension funds, as we have seen in other global financial markets. Investors will be looking to stabilise their funds by matching their assets to inflation-linked liabilities.

5a. US real and nominal yields



Source: Thomson Reuters Datastream. Data as at 10 December 2018.

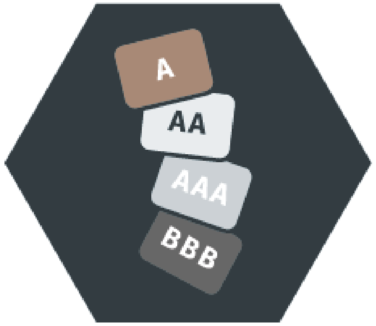
5b. Oil price and breakeven inflation



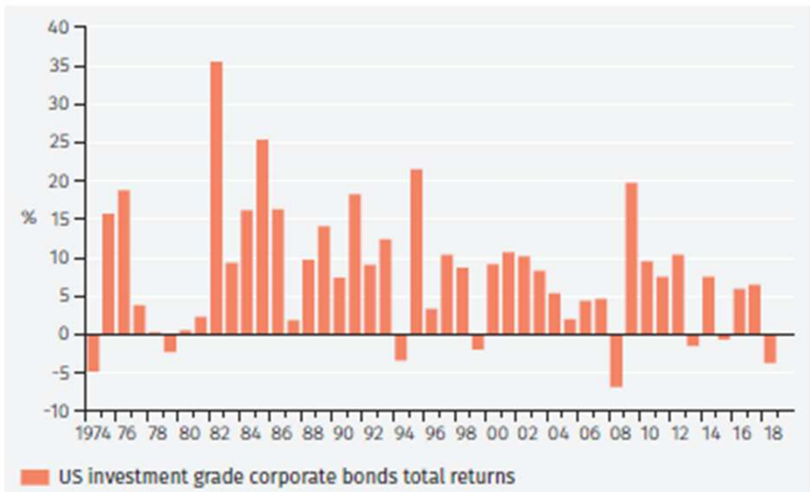
Source: Thomson Reuters Datastream. Data as at 10 December 2018.

Value in US corporate bonds

- We see US investment grade corporate debt offering good value and positive returns in 2019.
- Despite negative returns in the investment grade and high yield sectors of market, we are confident of positive returns in 2019. There have not been consecutive years of total negative returns in sector.
- Benign economic outlook might lessen 2018 concerns that companies won't be able to service their debt in event of recession and interest rates spike.
- Overall, we have a positive outlook for 2019 for the US corporate bond market.



6b. US investment grade corporate bond total returns

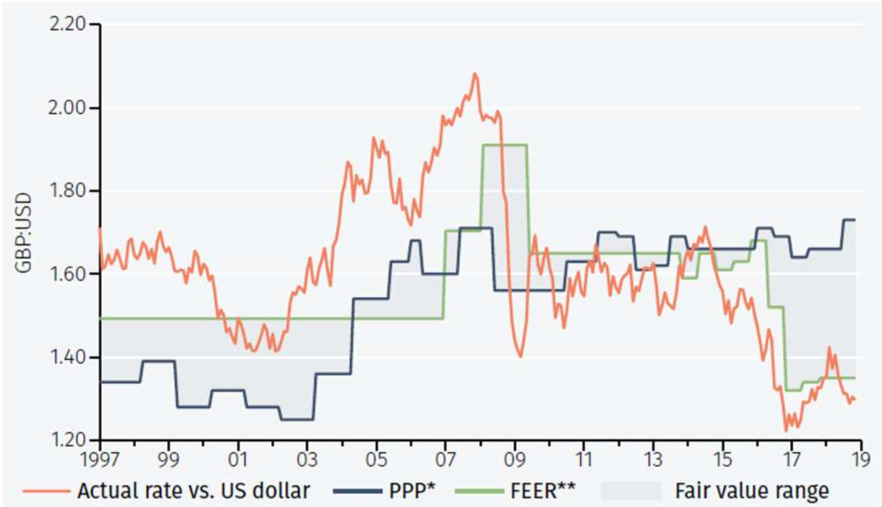


Source: Bloomberg. Data as at 12 December 2018.

Sterling rebounds

- We predict that 2019 will see the value of sterling recovering, as Brexit outlook becomes more clear.
- We currently see sterling as being traded below its fair value (graph 7). We expect terms of Brexit will also be agreed close to expected date of withdrawal.
- In light of this, and the fact that investors have been underweight UK since the Brexit vote, we believe that investors will reassess their exposure once more there is more clarity on the future relationship.

7. Sterling: undervalued



*Purchasing Power Parity rate (The Economist) **Fundamental Equilibrium Exchange Rate (Peterson Institute for International Economics). Source: Thomson Reuters Datastream. Data as at 10 December 2018.

EFG Dynamic UK Equity Strategy

The Dynamic UK Equity Strategy seeks long term capital appreciation through investment in equity securities of companies in the UK

Performance (%)

	1 Year	3 Years Annualised	Since Inception Annualised	Since Inception 13/01/2009
Model Portfolio	-9.65	2.78	14.06	271.04
MSCI UK All Cap	-9.80	6.16	8.97	135.50
Difference	0.14	-3.38	5.08	135.54

Outlook for 2019

UK corporate earnings are a function of international rather than domestic conditions, and we continue to expect the international economic environment to remain broadly supportive of earnings into Q1 2019. The strategy is positioned with a moderate cyclical bias. We are mindful of rising volatility and risks to global growth, and are focused on increasing the quality and cyclical resilience of the stocks we hold. Domestically orientated equities continue to be vulnerable to negative economic outcomes due to Brexit, being mindful of these risks we continue to position the portfolio defensively with respect to the domestic economy with select exposure.

How to Invest	Discretionary
Availability	Segregated Mandate
Minimum	£/$/€ 500k
Investment Risk	High

Source: EFGAM Calculations., as at 31 December 2018. **Past performance is not a reliable indicator of current or future results. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations. Model portfolio inception date 13/01/2009.** Yearly returns are the returns over one calendar year period. Annualised performance shows the compound average performance for each year over a given historical time period. The Model Portfolio Performance shows only gross performance, with no deduction of fees, brokerage or other commissions, or any other expenses that would accompany the purchase or sale of any of the classes of investments described in this document. Fees deducted would have a negative effect on performance. For example, had a client invested £500,000 on 1 January 2014, after deducting a management fee of 1.5% per annum (paid in arrears) the client would have earned a net return of 7.05% for the 12-month period to 31 December 2014. Further details of costs and charges will be provided to clients ahead of making any actual investments in relation to this product. During this 12-month period the gross return was 8.68%. Performance results are simulated based on model portfolio(s). The performance results shown herein do not represent actual performance achieved by any Investor and do not reflect actual trading history in any investment product or managed account

If there is an orderly Brexit…

…UK FINANCIALS ARE LIKELY TO BENEFIT

Banks could be the key beneficiaries from an orderly Brexit.
The sector underperformed the most in the immediate aftermath of the EU referendum in 2016 and has struggled since then.

UK banks valuations are particularly attractive in our view, while the sector would benefit from rising yields and a more hawkish BOE.

There has been a more hawkish tone from the BOE recently and a 25bps rate hike in 2019 would support banks' margins, as there is limited pass-through to savers.

…UK CONSTRUCTION IS LIKELY TO BENEFIT

Construction companies could see a positive share price reaction post any Brexit deal, as uncertainty is reduced to some degree.

However, with long lead-times and delayed decision making affecting project pipelines, commercial new build volumes look likely to remain under pressure, with companies projecting "flattish" top line growth next year. If improved sentiment were to lead to a pick-up in pipelines, UK construction companies would benefit.

How to Invest	Discretionary	Advisory
Available?	-	✓
Minimum	-	£/$/€ 1k
Investment Risk	-	High

Please contact your CRO for further information

Healthcare disruption

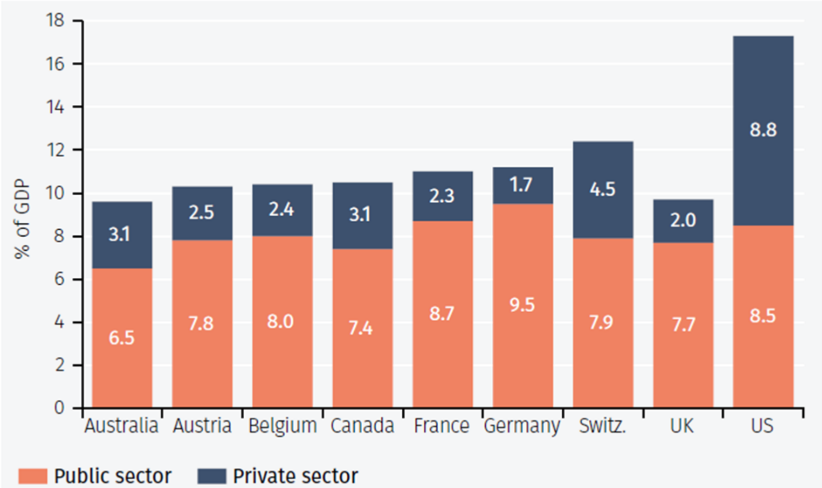
- US healthcare disruption is expected in 2019, as healthcare spending increases to 17%, double that of the OECD average.

- Spending increase due to aging population and the improved technology now available.

- US healthcare is burdened by inefficiencies and unnecessary spending. This problem can be solved two ways: greater competition, and digitisation.

- Both of these solutions offer exciting new opportunities, and we are seeking new ways of gaining new exposure to this sector.

8. Healthcare spending: public and private

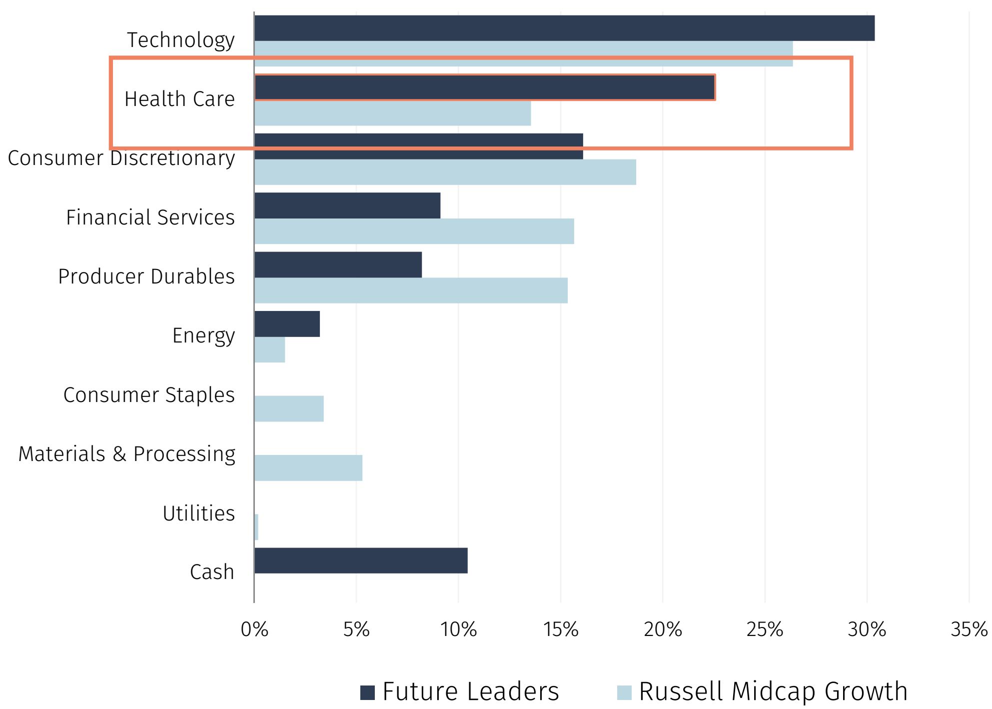


Source: OECD Health Statistics (2016 data)

EFG US Future Leaders Strategy

As highlighted on pages 6-7 and managed by our US equity team in Portland, EFG's New Capital US Future Leaders fund provide another way to gain exposure to our healthcare prediction.

The fund currently has 23% weighting to Healthcare companies.



How to Invest	Discretionary
Availability	Segregated Mandate Select Strategy
Minimum	£/$/€ 250k
Investment Risk	High

Source: EFG as at 02 January 2019.

Europe: another crisis averted

- Europe seems to be stumbling from one crisis to another, as structural faults remain not dealt-with.

- Italy's negotiations with the European Commission over its fiscal plans seem to be ending, and a compromise seems to be getting closer. This will improve Italy's credit rating and narrow the Italy-Germany government bond yield spread.

- Italy still shackled by EU's Stability and Growth pact, the rules of which are left open to German and Northern European interpretation.

- Growth of populism, decline of mainstream political parties, high unemployment and inequality, and immigration concerns still all remain.

10. Government 10-year bond yields, Italy and Germany

Source: Thomson Reuters Datastream. Data as at 10 December 2018.

EFG Dynamic European Equities Strategy

The Dynamic European Equities Strategy seeks long term capital appreciation through investment in equity securities of companies across Europe

Performance (%)

	1 Year	3 Years Annualised	Since Inception Annualised	Since Inception 13/01/2009
Model Portfolio	-6.73	3.82	11.83	204.84
MSCI UK All Cap	-10.86	0.56	7.93	114.01
Difference	4.13	3.26	3.90	90.84

Outlook for 2019

Reviewing 2018, it is clear that a mix of economic news and political risks were the main forces behind market moves. We think that in the year ahead, these elements will still be relevant forces impacting the market, but at the same time company fundamentals will become more important, especially the next set of earnings data in Q1 2019. The strategy is therefore concentrating on those companies that have superior capabilities in sustaining cash flow growth going forward.

We think our quality growth bias should benefit from the current environment. But we think sustainable growth, rather than growth at any value, will be the main focus of the market in Q1. For this reason we are reassessing our growth and valuation assumptions for the stocks we own, together with their weight in the portfolio.

How to Invest	Discretionary
Availability	Segregated Mandate
Minimum	£/$/€ 500k
Investment Risk	High

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Structured Product Example

Defensive Stepdown Autocall note with 60% European barrier

Overview of Key Product Terms

Illustrative example below of the type of product we can offer

Summary

- **Investment Term**: 3 years
- **Issuer**: A- rated or better
- **Available Currency**: USD / GBP
- **Underlying**: Major Index
- **Contingent Gross Return**: USD 6.60% / GBP 4.80% p.a. (paid semi-annual first observation at 1 year anniversary)*

Kick out levels

Year 1: 95%; Year 1.5: 90%; Year 2: 85%; Year 2.5: 75%; Maturity: 60% of initial level.

USD 6.60% / GBP 4.80% and 100% of capital is returned if a Kick Out Event Occurs. A Kick Out Event will occur on the valuation date where the underlying closes at or above its defined Kick Out Level. If a Kick Out Event does not occur, the Product simply continues to the next observation date.

Capital at Risk

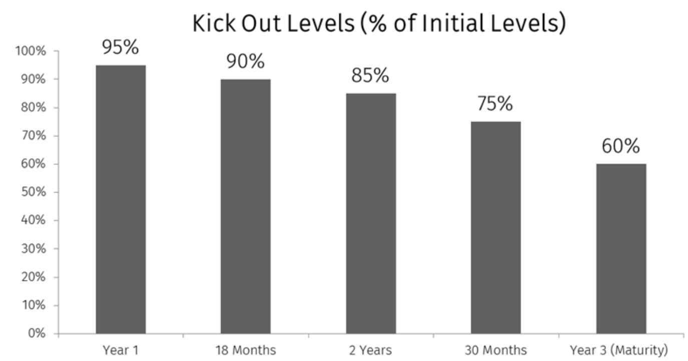
Possible Loss of Capital: Yes, if the Barrier is triggered at the Final Valuation Date.

The product returns Contingent Gross Return of USD 19.8% / GBP 14.4% at the end of the investment if the underlying as not fallen by more than 60% at maturity.

If the underlying as fallen by more than 40%, capital is at risk. Every 1% fall in the Underlying from its Initial Level to its Final Level will result in an equivalent 1% Loss of your capital.

Please contact your CRO for further information

How to Invest	Discretionary	Advisory
Available?	x	✓
Minimum		£/$/€ 150k
Investment Risk		PRIIPS KID Score 4 out of 7



*Indicative Contingent Gross Return provided for illustration purposes only.

Key Risks for Structured Products

EFG

Issuer Risk

Investing in these investment solutions is equivalent to lending money to the issuer of the securities and investors are therefore exposed to the issuers credit risk. Should the issuer be unable to honour their obligations or default, investors may suffer partial or total capital loss.

Capital at Risk

The attached investment solutions have the potential for partial or total capital loss in the worse case scenario.

Financial Services Compensation Scheme (FSCS)

Investors should note that the investment solutions in this document are not covered by the Financial Services Compensation Scheme, unless investors have a valid complaint against EFG Private Bank Limited in respect of the investment. For further information please refer to www.fscs.org.uk .

Further Information

Potential investors must read and understand the indicative term sheet which contains a more detailed disclosure regarding potential risk and rewards prior to making any investment decision.