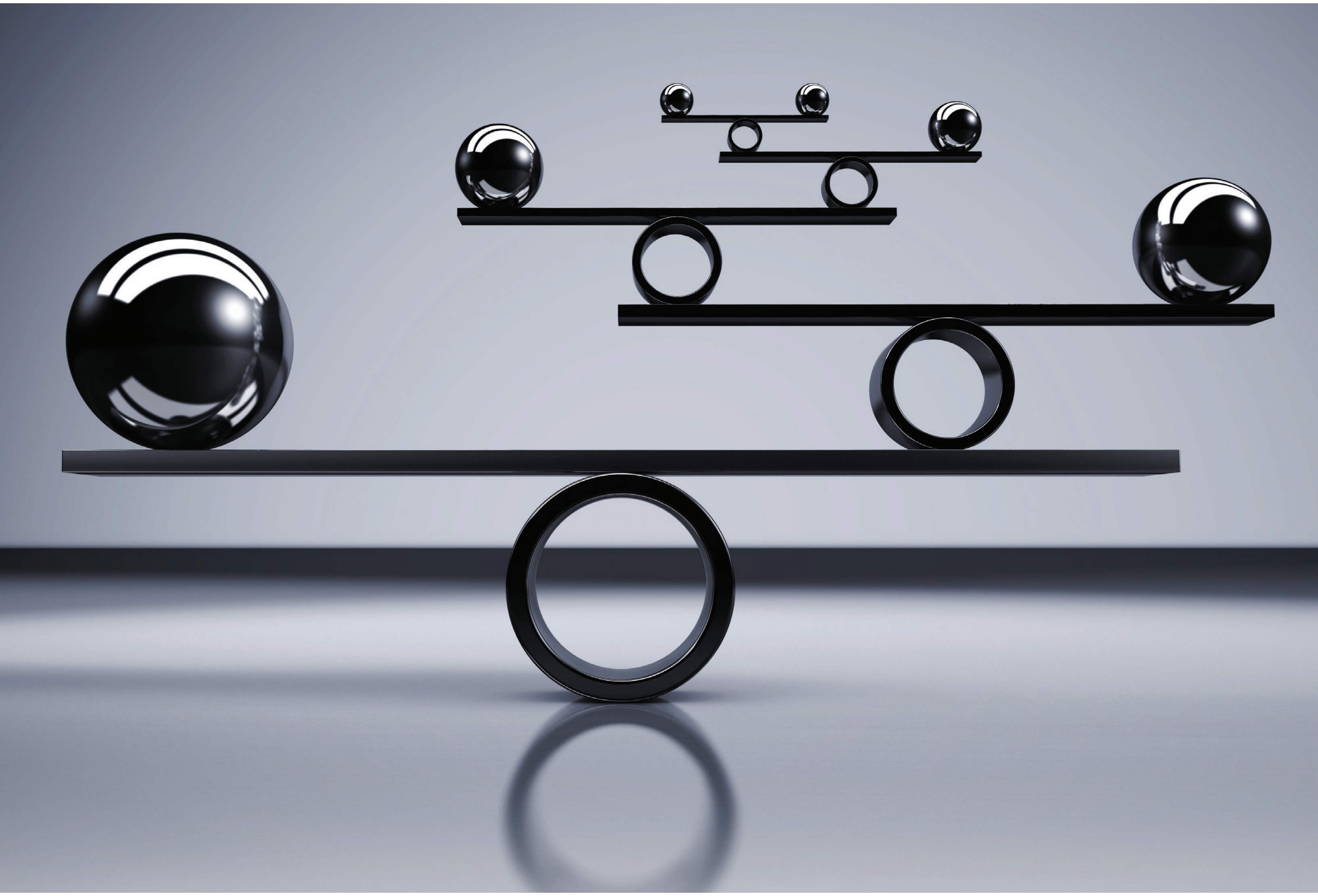

NEUBERGER BERMAN

Asset Allocation Committee Outlook 1Q20

Risks Rebalanced

As we enter 2020, the balance of economic and market risks is changing. Some global trade-related risks are abating and manufacturing growth appears to be stabilizing. On the other hand, new risks are rising, including political risk in the U.S. and the Middle East. Market valuations are high. Central banks remain accommodative but are less likely to provide additional support this year, and it is not clear that governments will fill the gap with fiscal stimulus. Where do the scales settle? We think this rebalancing of risks lays the ground for improved sentiment. The Asset Allocation Committee has begun to embrace risk, upgrading its outlook for more pro-cyclical sectors, regions and investment styles.

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ABOUT THE

ASSET ALLOCATION COMMITTEE

Neuberger Berman's Asset Allocation Committee meets every quarter to poll its members on their outlook for the next 12 months on each of the asset classes noted and, through debate and discussion, to refine our market outlook. The panel covers the gamut of investments and markets, bringing together diverse industry knowledge, with an average of 28 years of experience.

COMMITTEE MEMBERS

Joseph V. Amato
Co-Chair, President and Chief Investment Officer—Equities

Erik L. Knutzen, CFA, CAIA
Co-Chair, Chief Investment Officer—Multi-Asset Class

Ashok Bhatia, CFA
Deputy Chief Investment Officer—Fixed Income

Thanos Bardas, PhD
Global Co-Head of Investment Grade

Timothy F. Creedon, CFA
Director of Global Equity Research

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David G. Kupperman, PhD
Co-Head, NB Alternative Investment Management

Ugo Lancioni
Head of Global Currency

Brad Tank
Chief Investment Officer—Fixed Income

Anthony D. Tutrone
Global Head of Alternatives

Market Views

Based on 12-Month Outlook for Each Asset Class

	Underweight		Neutral	Overweight	
EQUITY					
Global Equities			→ ●		
U.S. All Cap		● ←			
U.S. Large Cap		● ←			
U.S. Small and Mid Cap			● ←		
Developed Market—Non-U.S. Equities				→ ●	
Emerging Markets Equities				→ ●	
Public Real Estate		●			
FIXED INCOME					
Cash			● ←		
Global Bonds		●			
Investment Grade Fixed Income			●		
U.S. Government Securities		● ←			
Investment Grade Corporates				●	
Agency MBS			●		
ABS / CMBS			●		
Municipal Bonds		●			
U.S. TIPS				● ←	
Non U.S. Developed Market Bonds	●				
High Yield Corporates				●	
Emerging Markets Debt				→ ●	
REAL AND ALTERNATIVE ASSETS					
Commodities			●		
Lower-Volatility Hedged Strategies			● ←		
Directional Hedged Strategies				●	
Private Equity				●	

As of 1Q 2020. Views shown reflect near-term tactical asset allocation views and are based on a hypothetical reference portfolio. Nothing herein constitutes a recommendation, investment advice or a suggestion to engage in or refrain from any investment-related course of action. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

Regional Focus

Fixed Income, Equities and Currency

	Underweight		**Neutral**	Overweight	
REGIONAL EQUITIES					
Europe	○	○	●	○	○
Japan	○	○	○	●	○
China	○	○	●	○	○
Russia	○	○	●	○	○
India	○	○	●	○	○
Brazil	○	○	○ →	●	○
REGIONAL FIXED INCOME					
U.S. Treasury 10 Year	○	●	← ○	○	○
Bunds 10 Year	●	○	○	○	○
Gilts 10 Year	○	●	○	○	○
JGBs 10 Year	○	●	○	○	○
EMD Local Sovereign	○	○	○ →	●	○
EMD Hard Sovereign	○	○	○ →	●	○
EMD Hard Corporates	○	○	●	○	○
CURRENCY					
Dollar	○	○	●	○	○
Euro	○	●	○	○	○
Yen	○	○	○	●	○
Pound	○	○	●	← ○	○
Swiss Franc	○	●	○	○	○
EM FX (broad basket)	○	○	●	○	○

"The schism between what I call the 'Forecasters' and the 'Strategists' is as wide today as it was in 2009. The Strategists are worried about demographics, debt, negative rates and inflation spikes, and they advocate cash, gold and put options. The Forecasters are much more optimistic. Who's right? I tend to go with the Forecasters. The Strategists are talking about big, important issues, but they are 10-year issues, not 12-month issues."

Brad Tank | Chief Investment Officer—Fixed Income

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"Value and pro-cyclical stocks is where we see opportunity in 2020—especially in cyclicals, which have yet to bounce back to the same extent as value stocks. That opportunity does exist in the U.S. market, but it is more clear to us outside the U.S."

Erik L. Knutzen, CFA, CAIA
Chief Investment Officer—Multi-Asset Class

Risks Rebalanced

As we enter 2020, the balance of economic and market risks is changing. Global trade-related risks, such as the U.S.-China trade conflict and Brexit, are abating. Manufacturing growth appears to be stabilizing. On the other hand, new risks are rising, including political risks out of the election-year U.S. and the Middle East, and rising populism globally. The length of the business cycle remains a source of volatility, too, particularly against such high market valuations. Central banks, while still accommodative, are less likely to provide additional support this year, and it is not clear that governments will fill the gap with fiscal stimulus. Where do the scales settle? Overall, we think this rebalancing of risks lays the ground for improved business and investor sentiment in 2020, and removes the main obstacle to a modest recovery in global growth. Across equities, fixed income and alternatives, the Asset Allocation Committee has begun to embrace risk, upgrading its outlook for more pro-cyclical sectors, regions and investment styles.

A year ago we wrote about how 2018 had been the mirror image of 2017. One year ended with virtually every asset class in the black, the next with almost everything in the red. It was unlikely that 2019 would continue this unusual pattern, we reasoned. We were wrong. Most major asset classes posted positive returns.

With hindsight, it is easy to see why. Risky assets such as equities were supported by renewed dovishness from the major central banks, which stepped back into the game as trade tensions flared between the U.S. and China, exacerbating a global manufacturing slowdown. While those forces could not blow equity markets off course, they were enough to plunge core government bond yields to record lows.

Once bitten ought to be twice shy, but we are again prepared to venture that 2020 will see a more diverse set of outcomes across markets as an improving economic outlook is balanced by high valuations, new political risks and an aging business cycle.

The events of recent weeks have changed the balance of economic and market risks, removing some obstacles from a rally in pro-cyclical markets and making another good year for bonds much less likely. The tone of U.S.-China trade negotiations has become less aggressive, the U.K. is finally plotting a course through Brexit and global manufacturing sentiment appears to be stabilizing. The details and implications of the emerging U.S.-China accord are sketchy, but expectations fell so low during 2019 that most investors are glad to see any progress. Similarly, the U.K. faces a tough negotiation on its future relationship with the European Union this year, but a strong majority government and forward movement after months of deadlock have come as a relief.

On the other hand, political risk is rising in a lot of places worldwide, including the election-year U.S. The length of this cycle is still a source of uncertainty, too, particularly against such high market valuations. We think 2020 will pass without recession, but the probability of a turn in the cycle in 2021 is rising and it is not yet clear that governments are ready to take on the stimulus baton from central banks, which look set to intervene less.

Where do the scales settle?

The range of potential outcomes for 2020 is wide, but we anticipate GDP growth will stabilize at around 2% in the U.S. and 5.8% in China, while rising slightly across the rest of the emerging and the developed world. The alleviation of some of the biggest global trade-related risks should help to underpin those expectations and lay the ground for a recovery in business and investor sentiment.

The Asset Allocation Committee (the "AAC" or the "Committee") has therefore begun to embrace risk in its views once more. Our view on cash is back to neutral; we take an underweight view on global sovereign bonds, while our view on global equities has moved back up to neutral, with a bias toward non-U.S. markets. Our view on investment grade and high yield U.S. credit remains overweight. In alternatives, while our view on lower-volatility hedged strategies has moved down to neutral, we remain overweight in our view on the more market-sensitive directional hedged strategies and private equity.

Equities: Staying Balanced, But With a Pro-Cyclical Tilt

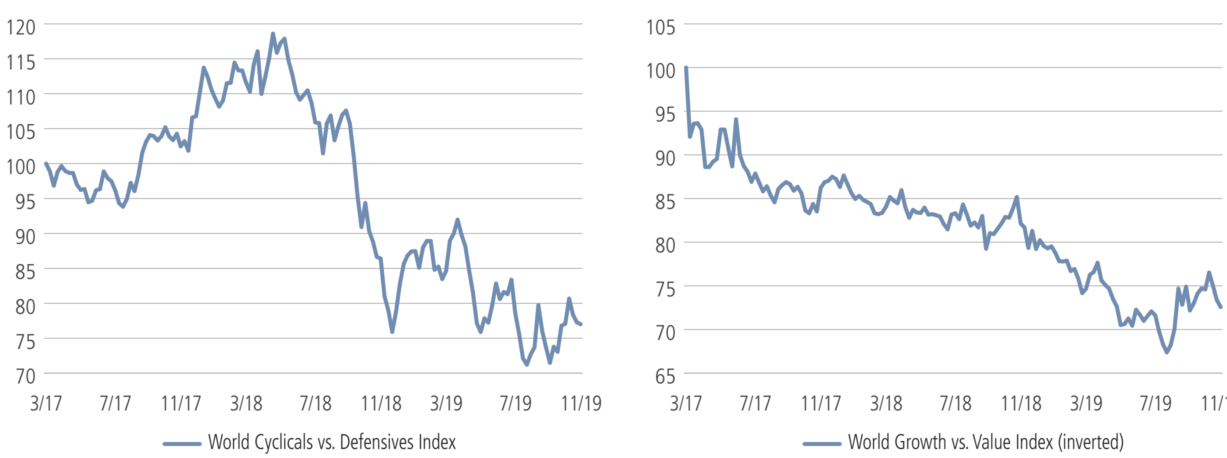
We are more optimistic on equities than we were three months ago. While neutral in our view at the global level, we prefer markets that are cyclical and more operationally leveraged. On top of that, our preferences are determined by relative valuations and the prospects for fiscal support in different regions.

That translates into a preference for non-U.S. over U.S. equities. We believe U.S. GDP will grow by 2.0% or even more in 2020. That would have the potential to generate S&P 500 earnings growth of 5 – 8%, with higher growth possible if we begin to see inventories replenished and a recovery in capital expenditure. Much will depend on business confidence, which will be sensitive to developments running up to the U.S. elections (see "Up for Debate: Will We See a U.S. Capex Recovery in 2020?").

If earnings growth comes in at mid-single digits, the S&P 500 multiple would need to exceed 20-times to generate a 10% return this year. With accommodative monetary policy and improving sentiment, that is not inconceivable—but it is not our central scenario, and nor is it a prudent basis for a market outlook, in our view.

It is important to note, however, that we do not anticipate a large multiple expansion at the index level in part because we

FIGURE 1. VALUE STOCKS HAVE REBOUNDED MORE CLEARLY THAN CYCLICAL STOCKS OVER THE PAST SIX MONTHS



Source: Morgan Stanley, Refinitiv. The World Cyclicals vs. Defensives (MSZZCYDE) and World Growth vs. Value (MSZZGRVL) indices are return spread indices that represent the performance of a strategies that are long the MSCI World Cyclical Sectors and short the MSCI World Defensive Sectors Indices, and long the MSCI World Growth and short the MSCI World Value Indices, respectively. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

do anticipate further rotation out of defensive and growth stocks into cyclical and value stocks, where multiples are lower. This is where we see opportunity in 2020—especially in cyclicals, which have been priced in line with tepid economic data and have yet to bounce back to the same extent as value stocks. That opportunity does exist in the U.S. market, but it is more clear to us outside the U.S. There are more cyclical and value stocks in Europe, Japan and the emerging markets.

Among those non-U.S. markets, our preference is for emerging markets, the U.K. and Japan. Emerging markets have a lot of businesses with high operational leverage (relatively inelastic costs paired with very elastic sales and margins). Japan has recently announced a new fiscal stimulus package, and the U.K., now moving forward on Brexit, looks set to direct a sizable fiscal stimulus to the northern constituencies that helped elect its strong Conservative majority government.

There is potential for a further recovery in Europe, but it remains contingent on its capacity and willingness to apply similar fiscal stimulus (see "Up for Debate: Can the Euro Zone Loosen Fiscal Policy?").

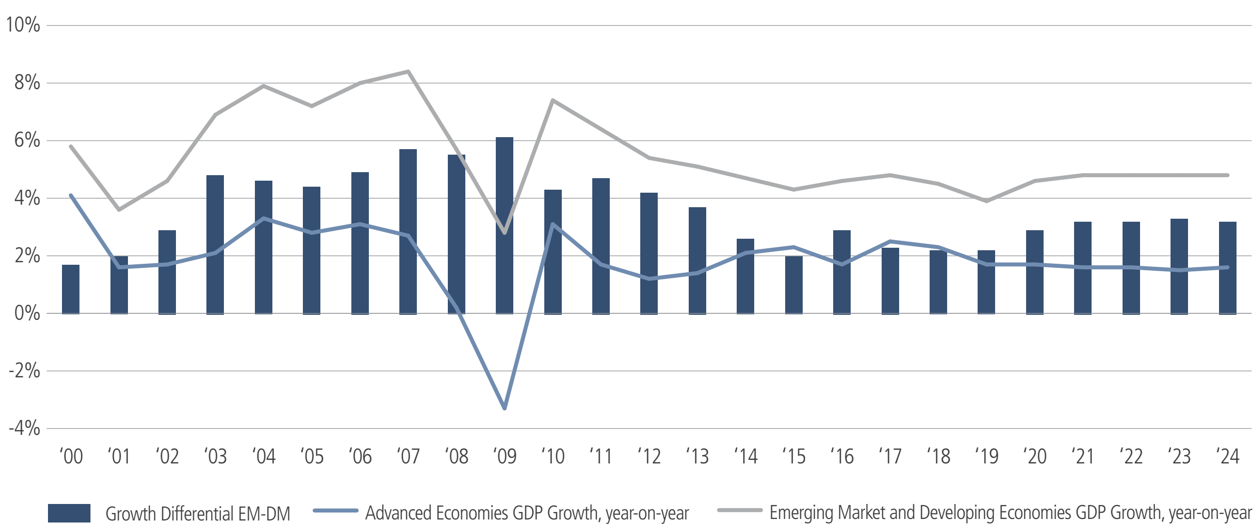
Fixed Income: Emerging Markets, Loans and Inflation-Linked Securities

Within fixed income, the Committee's preference is firmly for credit over core government bonds, and within that, for emerging markets.

Eighteen months of looser fiscal and monetary policy is helping to stabilize growth in China and raise it through much of the rest of the emerging world. Restoration of the growth differential between the developing and developed economies is likely to attract investors back to emerging markets. Neuberger Berman's emerging markets debt specialists have already started to favor select high yield issuers over investment grade. The next steps—overweight views on more economically sensitive local-currency bonds and emerging markets currencies themselves—may be imminent.

Our view on the U.S. dollar will inform our view on emerging markets currencies. As we start 2020, that view remains neutral given ongoing support from relatively high U.S. growth and interest rates. The gap with the rest of the developed world is narrowing, however, and, paired with the U.S. twin deficits, that makes dollar weakness something to watch for over the coming weeks. It could be an additional tailwind for non-U.S. risky assets.

FIGURE 2. THE EMERGING WORLD'S GROWTH DIFFERENTIAL IS FORECAST TO GROW AGAIN



Source: IMF. As of January 2, 2020. The figure for 2019 is a preliminary estimate, and the figures for 2020 through 2024 are IMF forecasts.

The AAC sees opportunity in selected additional components of the global bond markets, but current valuations make bond selection crucial and index-level views difficult.

In high yield, the AAC believes that CCC rated bonds are prohibitively low in quality now that the better names have refinanced in the loan market. The Committee therefore prefers higher-quality, BB rated issuers. However, we increasingly prefer tradable bank loans over bonds, as, until very recently, performance from this very large and diverse market lagged as investors gave up expectations for rising interest rates.

We also see potential value in inflation protected securities. The implied U.S. 10-year breakeven inflation rate ended 2019 back where it started, at around 1.7%. Given our outlook for slightly higher inflation, that lack of movement looks like an opportunity. Moreover, this looks like a worldwide opportunity: our European fixed income specialists point to very attractive value in French and especially Italian inflation-linked bonds, for example.

Political Risk: Still With Us, But Appearing More Localized

What threatens to dampen the growth and sentiment recovery we anticipate for 2020?

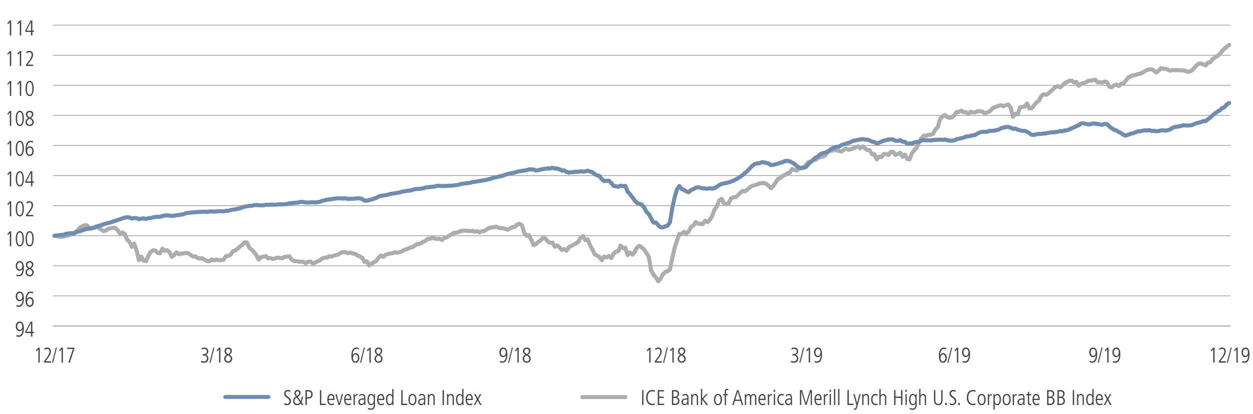
We have already written that we believe political risk will cause more volatility in 2020 than it did in 2019. That is partly because of the U.S. elections, but also because central banks are less likely to prop up markets, making them more sensitive to fiscal policy. Nonetheless, with some political risk withdrawn from the global-trade arena, it now appears more localized. The extent to which the U.S. election campaign will generate volatility is likely to become clearer after "Super Tuesday" on March 3.

Political risk aside, valuations present some downside risk as the cycle lengthens. We believe that can be mitigated by looking for more attractive value beneath the surface of the major indices: in pro-cyclical sectors and regions, in bank loans and inflation-linked bonds.

It is notable that one or two Committee members left our meeting in December more optimistic than when they arrived. Investors are still cautious. Money flowed out from equities in 2019, despite returns in excess of 20%. Even asset allocators that are upgrading their views are generally moving only to neutral on risky markets, according to sell-side analysts. As Brad Tank put it, a big schism has opened up between what he calls the 'Forecasters' who work within the finance industry and the 'Strategists' who make a splash in the finance headlines. The Strategists expand on demographics, debt, populism, declining productivity, negative rates and inflation, and are currently pushing the case for gold. The Forecasters focus on fundamental data and are much more optimistic.

We think the Strategists are identifying important issues, but they are 10-year issues, not 12-month issues. For the time being, they may serve us best as contrarian indicators.

FIGURE 3. LOANS MAY REPRESENT BETTER VALUE THAN BB RATED HIGH YIELD BONDS



Source: Refinitiv. Indexes are unmanaged and are not available for direct investment. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

UP FOR DEBATE: WILL U.S. CAPEX RECOVER IN 2020?

For U.S. large caps, the difference between 5 – 7% earnings growth and 8 – 10% earnings growth in 2020 is likely to be determined by how much investment companies make. A lack of capital expenditure has dragged on the economy for two years, during which time the consumer, emboldened by low unemployment and interest rates, has kept corporate America going.

To invest, business managers need to have confidence. What has been weighing on confidence? Political uncertainty and—especially—uncertainty over global trade.

With some of that global political risk abating, U.S. business leaders will now focus on the domestic scene as they head into an election campaign. Can we hope for enough certainty to release pent-up investment before the results are known in November?

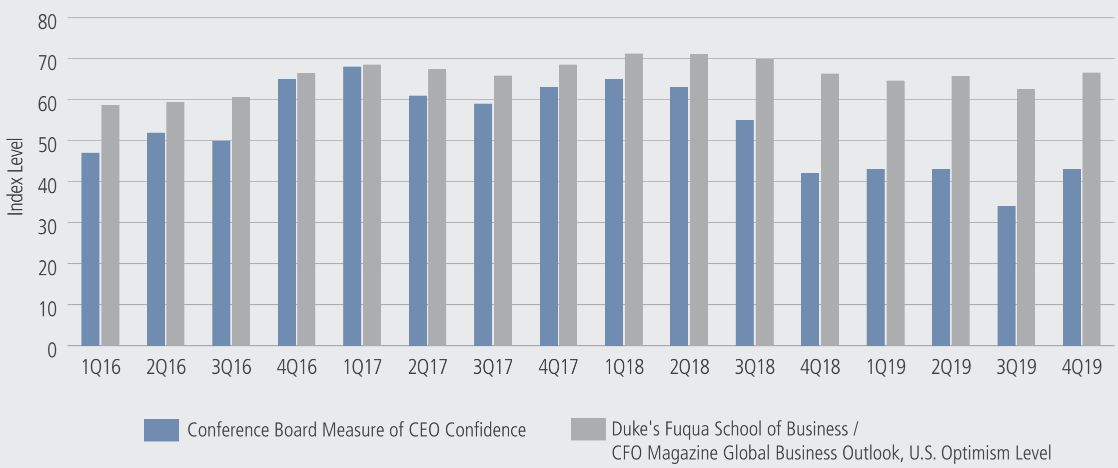
Some on the Committee were doubtful. When you're planning 10-year corporate investments, the argument goes, it pays to wait 10 months and know the lay of the land—particularly as the race for the White House looks set to be close.

Others were more optimistic. Should the progressive Democratic candidates lose traction in the polls after "Super Tuesday," they think CEOs will see little difference between a moderate, more market-friendly Democrat and the White House incumbent. In this scenario, investment may start to pick up in the second half of the year.

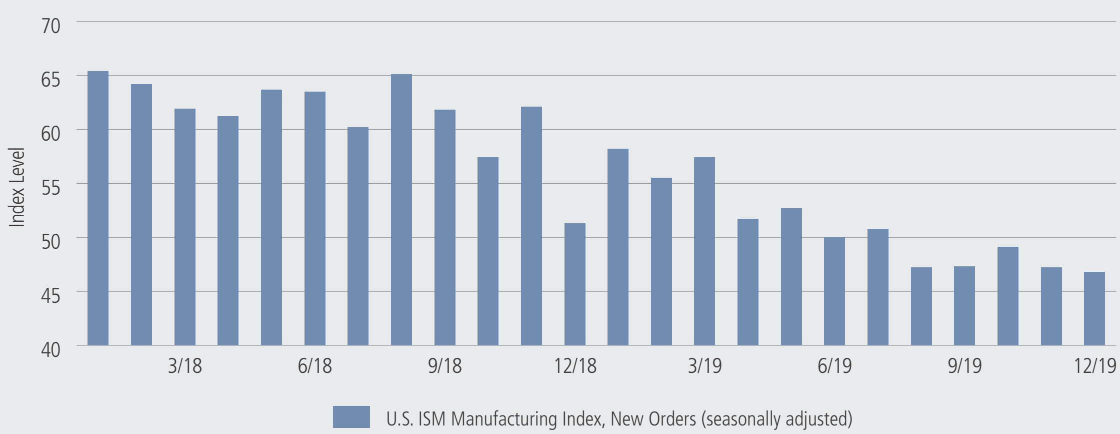
Early signals from survey data are encouraging. While CEO confidence measures were plumbing new lows in the third quarter of 2019, the view of the CFOs who will actually make investment decisions have started to brighten. And while inventories built up to face global-trade uncertainty now need to be run down, a trough may have formed in the Institute for Supply Management's (ISM) manufacturing sector new orders indicator, pointing to a recovery in demand.

It may take some months to pick up momentum, but 2020 could be the year that corporate America starts to spend again.

While CEOs appear gloomier than ever, CFOs' outlooks may be brightening…



… and there are signs that manufacturing new orders may be bottoming-out



Source: Conference Board, Duke's Fuqua School of Business, Institute for Supply Management. All three indices are graded 0-100, with 50 neutral. Values above/below 50 represent improved/worsened CEO confidence and CFO optimism for business conditions 12 months ahead, and a higher/lower level of current manufacturing new orders.

UP FOR DEBATE: CAN THE EURO ZONE LOOSEN FISCAL POLICY?

Despite general enthusiasm for equity markets outside the U.S., there was one region that divided opinion on the Committee: the euro zone.

The case for Japanese and U.K. equities rests in part on new fiscal stimulus in Japan and the potential for post-election and post-Brexit stimulus in the U.K., particularly directed to those northern constituencies that switched their votes to the Conservative party in December. The fiscal rules for the euro zone in general and Germany in particular make a similar intervention more difficult.

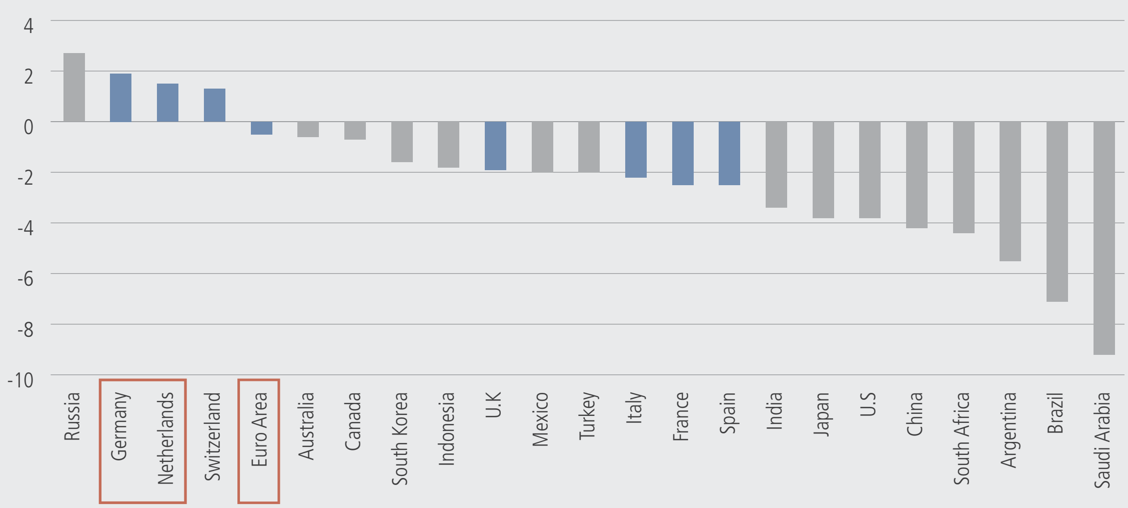
Some Committee members see little scope for this to change, and therefore less upside potential in European equities.

Others see modest signs of movement. They argue that, as skepticism about the effectiveness of negative interest rates and quantitative easing rises worldwide, the euro zone will be exposed as the region most in need of a handoff from central bank stimulus to government stimulus. There may be signs of movement in Germany, where the Social Democratic party, currently governing in coalition with the Christian Democrats, unexpectedly elected two left-wingers to its leadership late last year. They have already indicated that they could withdraw support for Germany's commitment to a balanced budget.

When we look at the fiscal balance of the G20 countries, it is clear that Germany and the Netherlands, and even the euro zone as a bloc, are among the world's most austere economies—which is remarkable given their negative interest rates. How should we interpret that? As a sign of how entrenched fiscal tightness is in these countries? Or as expansive capacity to loosen the purse strings when the time is right? The answer may determine the relative performance of euro zone equities in 2020.

NORTHERN EURO ZONE ECONOMIES ARE MORE AUSTERE, BUT ALSO HAVE MORE CAPACITY TO SPEND

G20 budget balances, as of end-2018



Source: National statistical agencies.

FIXED INCOME

Investment Grade Fixed Income

- The Asset Allocation Committee (the "AAC" or the "Committee") moved to an underweight view on U.S. Treasuries while maintaining a positive view on investment grade credit.
- Sovereign bond yields are low and credit spreads remain tight, while interest rate exposure could be a risk in the event that global risk appetite continues to recover.

Treasury Inflation Protected Securities

- The Committee maintained an overweight view.
- Treasury Inflation-Protected Securities (TIPS) pricing remains subdued despite relatively strong realized inflation.
- Stable realized inflation combined with accommodative central banks may fuel outperformance.

Developed Market Non-U.S. Debt

- The Committee maintained its strong underweight view.
- While Europe has steeper yield curves and there is some benefit from hedging currency exposures for U.S. dollar investors, overall rates in Europe and Japan are still well below those in the U.S.
- The new ECB President, Christine Lagarde, signaled policy continuity for the time being, which includes a fresh round of open-ended stimulus launched in September 2019.
- Nonetheless, European ultrashort cash and euro opportunistic approaches are likely to garner interest as investors seek positive yields in European high-quality fixed income.

High Yield Fixed Income

- The Committee maintained its overweight view.
- While CCCs represent poor upside given risks, higher-quality BB rated high yield debt appears attractively valued.
- Supply-and-demand imbalances in floating rate loans and collateralized loan obligations (CLOs) may make them attractive places to take credit spread risk.

Emerging Markets Debt

- The Committee moved back to an overweight view.
- Agreement on phase one of a China-U.S. trade deal should help consolidate stabilization in manufacturing and trade worldwide, and a growing growth gap between the emerging and developed worlds tends to favor emerging markets debt and currencies.
- The potential for a weaker U.S. dollar later in 2020 would add another tailwind.

GLOBAL EQUITIES

U.S. Equities

- The Committee moved back to an underweight view on U.S. large caps and downgraded U.S. small and mid caps to a neutral view.
- While the AAC believes that U.S. GDP growth will be 2.0% or better in 2020, potentially feeding into mid- to high-single-digit earnings growth, that would still require a forward earnings multiple in excess of 20-times to generate a 10% total return in 2020—which is possible, but not our central scenario.
- While the index-level multiple may not move very much, we do see potential for higher returns in more cyclical parts of the market.
- Other global markets have more potential for multiple expansion and higher operating leverage than U.S. equities.
- Impeachment and the November elections could raise U.S. political risk.

Public Real Estate

- The Committee maintained its underweight view.
- The long-term growth prospects of increasingly important alternative sub-sectors such as datacenters, cellular towers and single-family rentals remain intact.
- Nonetheless, Real Estate Investment Trusts (REITs) rallied strongly during 2019, and a rotation into more cyclical sectors could hurt more defensive sub-sectors.

Non-U.S. Developed Market Equities

- The Committee moved from an underweight to an overweight view.

Europe

- The Committee retained its neutral view on European equities.
- Employment, credit growth and consumer confidence remain robust, the European Central Bank remains accommodative, and an easing of U.S.-China trade tensions and stabilizing manufacturing data would benefit the region.
- Nonetheless, the Committee needs to see more willingness to apply fiscal stimulus before upgrading its view in line with other non-U.S. markets.

Japan

- The AAC retained an overweight view on Japan, given robust consumer confidence and continuing loose policy at the BoJ—an easing of U.S.-China trade tensions and stabilizing manufacturing data would also benefit Japan.

- A consumption tax increase is due in October: this has historically dampened growth for a quarter, but the government is prepared to provide stimulus to reduce the impact.

U.K.
- Now that the Conservative party has a large majority in the House of Commons, the U.K. will be able to move ahead with Brexit and begin its trade negotiations with the European Union.
- The removal of a lot of uncertainty from the process has led to an immediate improvement in business sentiment.
- The new government is also preparing a meaningful fiscal stimulus, particularly in those parts of the country that have been won over to the Conservative party for the first time.

Emerging Markets Equities
- The Committee moved back to an overweight view.
- An easing of U.S.-China trade tensions and stabilizing manufacturing data would benefit emerging markets, and there is still scope for multiple expansion here.
- A growing growth gap between the emerging and developed worlds could favor emerging markets.
- Operating leverage, which tends to be higher in emerging markets, is likely to be a tailwind in 2020 as earnings recover worldwide.

REAL AND ALTERNATIVE ASSETS

Commodities
- The Committee maintained a neutral view.
- Stabilization in global growth and manufacturing has the potential to provide a tailwind for commodities in 2020.
- Gold and oil may serve as hedges against geopolitical shocks in the coming year.

Hedge Funds
- The Committee downgraded its view on lower-volatility hedged strategies to neutral, but maintained its overweight view on directional hedged strategies.
- While lower-volatility strategies are attractive relative to low yields in traditional fixed income, they will play a lesser role in portfolios should appetite for risk continue to improve.
- Because directional hedged strategies retain some market exposure, they remain an attractive allocation as appetite for risk turns cautiously optimistic.

Private Equity
- The Committee retained its overweight view.
- The AAC continues to favor a consistent, strategic and disciplined investment plan in private markets.
- Valuations appear full and covenants in debt packages are weaker in private markets, which argues for selectivity.
- Nonetheless, valuations are also stretched in public markets, and private markets offer more opportunity to create value post-purchase, through operational improvements within portfolio companies, making it one of the AAC's preferred destinations for marginal equity dollars.

Currencies
USD
- The AAC moved from an underweight to a neutral view.
- Market participants remain long the dollar despite it being overvalued on a purchasing power parity (PPP) basis, a closing growth gap with the rest of the world and a twin deficit.
- The Federal Reserve is likely to remain accommodative and balance sheet expansion is dollar-negative on the margin.
- Impeachment and the November elections raises U.S. political risk.
- Risks to the view include support from the (albeit closing) growth gap and the (albeit narrowing) short-term interest rate differentials.

EUR
- The AAC maintained its underweight view.
- The large negative carry already discourages long positions and the ECB has recently adopted a still more dovish stance.
- European Purchasing Managers' Indices have improved, but are still weak.
- While there has been progress on trade with China, the U.S. has still not properly addressed the proposed tariffs on European autos.
- Scandinavian currencies are undervalued versus the euro.
- Risks to the view include: the euro zone's large current account surplus; any signs of recovery in global growth or local fiscal stimulus, from which the euro zone would likely benefit; the market's already short position; and the currency's undervaluation on PPP measures.

JPY

- The AAC maintained its overweight view.
- Japan runs a current account surplus.
- Long yen remains attractive during periods of risk aversion and both PPP and real exchange rates suggest the JPY is undervalued.
- Japanese growth continues to be strong, supported by new fiscal stimulus, while extremely low unemployment should support inflation.
- The recent collapse in global bond yields makes Japan's low yields less discouraging.
- Risks to the view include: the still-wide yield differentials in both nominal and real terms with the U.S., exacerbated by the BoJ yield curve-targeting policy; an ongoing rebound in risk sentiment; and market participants still holding a slightly long position in the currency.

GBP

- The AAC moved to a neutral view.
- The GBP appears undervalued based on PPP measures.
- Brexit uncertainty has lifted for the time being, as the Conservative party achieved a large parliamentary majority in December's general election.
- U.K. job creation and wages have been stronger than expected and consumption activity has remained remarkably healthy.
- The Bank of England (BoE) is unlikely to make a move in either direction until there is further data on sentiment and inflation following the U.K.'s likely departure from the European Union at the end of January.
- Risks to the view include rising political uncertainty as the U.K. embarks on trade negotiations with the European Union; evidence from the U.K.'s trade balance that GBP weakness is not boosting exports as much as expected; easing wage pressures; and any sign that pre-election weakness in business sentiment is persisting into 2020.

CHF

- The AAC maintained its underweight view.
- The CHF still appears very overvalued based on PPP measures.
- Policy action by the SNB is underpriced and the persistent strength of the currency continues to keep inflation low.
- The CHF is one of the most attractive funding currencies and carry is likely to be in favor in current market environment.
- Risks to the view include: Switzerland's current account surplus; the potential for Switzerland to benefit from improvements in European growth; and the likelihood that the Swiss National Bank will be cautious about currency intervention in the run-up to a U.S.-Switzerland trade deal.

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