INFORMATION LEAFLET BY IW PARTNERS N°2015-09 SEPTEMBER 2015

INVESTMENT FOR WEALTH

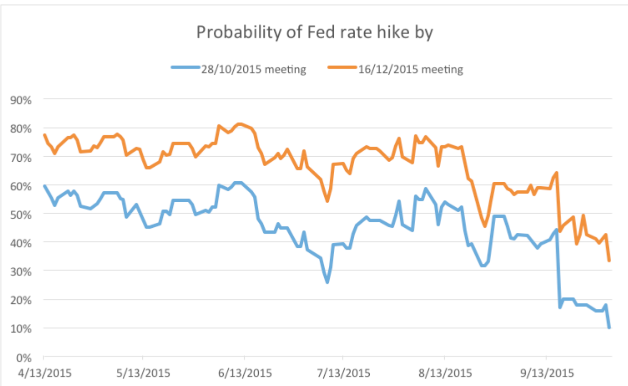
General report

Comments for September 2015

The Fed, China, emerging markets and geopolitics

The Fed went by its September event without hiking rates. Turbulence in China, emerging markets and geopolitical risks were the excuse while they maintained their intention to raise rates in 2015.

After the US jobs report, released on 2 October, showed a shockingly low number of new jobs created in September, the market revised their probability for a December rate hike down to 33.4%.



Even if China's economic woes seem to stabilize, geopolitical tensions are taking a turn for the worse with the Russian army's open involvement in the Middle East.

Furthermore the latest inflation figures are missing their target by a strong margin in the US, Japan and Europe.

The junk bond markets have seen a brutal correction in the last months far beyond the energy sector. This can be seen as an unwanted tightening of financial conditions, independent of central bank policies.

The IMF has AGAIN revised worldwide growth for 2015 and 2016 lower and Mme Lagarde is openly invoking the Fed not to raise interest rates.

In the US, corporate profits are coming in below expectations and the German economy is cooling off. Emerging markets are in distress after the endless fall of commodity prices and after they have levered up on too much US dollar denominated debt during seven years of ZIRP by the Fed.

On the other hand, economists and bankers are increasingly discussing the Fed policy. More and more voices are claiming that only rate hikes will help combat deflation by forcing banks to lend to the real economy and that consequently the velocity of money should begin to grow. We have already stated the same a long time ago. We have said that rate hikes would boost economic growth and inflation. Gold should also benefit, be it after some 30-40 days of initial market adaptation. Remember how Greenspan described the capital surplus in the US bank system after QE as a wooden tinder box waiting for a match to ignite rapid bank lending with the full force of central bank money i.e. high power money.

Of course some die hard neo Keynesians like Kaufman are still calling for more QE. They seem incapable to grasp that this would be the fastest way to a worldwide deflationary collapse.

The Fed, by mouth of Bernanke and Miss Yellen, is now saying they did everything they could on monetary policy. They now also see increasing risk

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of not acting timely on rate normalization and blame congress and the government for not doing their part to revive the economy on a sound basis.

At least they seem to come to their senses acknowledging that the collateral of eternal ZIRP is excessive speculation and an equally strong negative is that it gives government leeway to put on ever more debt. It incentivizes Big Government in detriment of the private sector vibrancy and becomes a hindrance toward normal growth rates.

The coming months will tells us if the path forward is towards deflation or towards normalization. Both ways will lead to higher gold prices in our opinion. We maintain our vision that gold should bottom between now and February-March based on a Fed hike in December or January.

Equity markets will continue to hesitate with a corrective bias until the normalization starts. The dollar should still restart its appreciating based on higher rates. If the ECB would start QE2 at the end of 2015, the euro should fall in anticipation.

Will the Fed have the courage to do what is necessary and if so in time? Pictet sees a rate hike delay towards March 2016 (1), is this not too late? Or will the Fed folder again and not hike at all? In little time we will know for sure.

(1) *Excerpt from "The ideal world is fading" Pictet Wealth Management by Christophe Donay, Head of Asset Allocation & Macro Research, Chief Strategist, 7 October 2015*

We expect the threat of a Chinese economic recession to diminish, the Fed's first interest-rate rise to be delayed to March 2016, and the ECB to begin QE2 by the end of 2015. As this becomes clear, market volatility should fall.

Performances and trading

iW Alternative SIF – Low Risk
The fund has increased by 1,2% in September, NAV 9.247,32 EUR.

iW Alternative SIF – Commodities & Gold Equities
The fund has decreased by 2,4% in September, NAV 254,33 EUR.

iW Alternative SIF – Real Value Growth Fund
The fund has decreased by 2,4% in September, NAV 54,28 EUR (I), NAV 52,91 EUR (P)

iW Alternative SIF – Apis Lucrosa
The fund has decreased by 1,44% in Augustus, NAV 1104,17 EUR (I), NAV 1024,40 EUR (P)

Best regards,
For iW Alternative General Partner,
The fund manager

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