MONTHLY NEWSLETTER - October 2022

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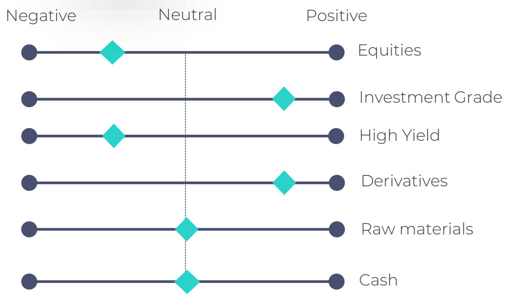
"We remain cautious on short-term equities and will prefer quality equities through strategies that provide some protection in terms of income and capital, unreleased exposure to traditional markets and a longer-term view with Private Equity. We also see opportunities trough the bonds market."

OUR MARKET VIEWS



MARKET CATALYSTS

Slowing monetary tightening cycle (FED)

Easing of tensions between Russia and Ukraine
(no positive expectations in the short term)

Better-than-expected quarterly earning season

KEY INDICATORS

Equities (%)	Level	Sept.	Oct.	YTD 2022
S&P 500	3 872	-9,34	7,99	-20,8
Nasdaq 100	11 406	-10,60	3,96	-33,7
Eurostoxx 50	3 618	-5,66	9,02	-13,9
FTSE 100	10 828	-5,41	5,46	-15,8
China SI 300	7 095	-5,36	2,91	-0,3
Emerging markets	3 509	-6,72	-7,78	-23,7

Bonds (rate spreads)	Level	Sept.	Oct.	YTD 2022
10 year government bonds				
US	4,05	-0,36	0,22	2.6
Europe	2,14	-0,43	0,03	2.5
Corporate – 5 years spread				
Investment Grade US	90,27	15,65	-17,76	41
Investment Grade Europe	139,60	9,25	-17,48	49
High Yield US	520,51	76,56	-89,20	232
High Yield Europe	554,83	52,91	-86,38	287

Currencies (%)	Level	Sept.	Oct.	YTD 2022
EUR / USD	0,9882	-2,5	0,82	-12,7
GPB / USD	1,1469	-3,9	2,68	-16,4
CHF / USD	0,9987	-1,0	-1,42	9,1
CNY / USD	0,9987	-1,0	-1,42	9,1

Raw Materials (%)	Level	Sept.	Oct.	YTD 2022
Gold	1 634	-2,9	-1,63	-8,5
Oil	95	-8,8	7,81	25,9
Wheat	882	13,9	-4,26	9,2
Copper	6	-25,9	-6,07	62,4
Aluminium	338	-3,0	-1,10	-16,6

Volatility	Level	Sept.	Oct.	YTD 2022
S&P 500	25	9,89	-19,14	18,2
Nasdaq 100	26	22,23	-18,15	40,0

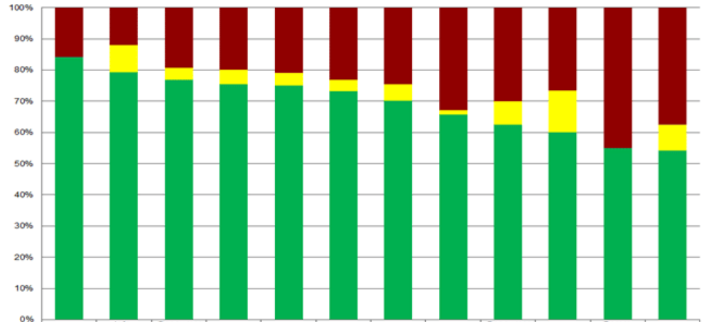
Cryptos (%)	Level	Sept.	Oct.	YTD 2022
Bitcoin	20 406	-3,82	5,05	-54,4
Ethereum	1 565	-15,22	17,51	-55,3

Sources: Bloomberg, Norman K. - Data as of October 31st, 2022. Non-contractual information.

CHART OF THE MONTH

S&P 500 earnings below the 5-year & 10-year average

S&P 500 earnings above, in-line, below estimates: Q3 2022



	Energy	Info. Technology	Consumer Staples	Industrials	Utilities	Health Care	S&P 500	Financials	Consumer Disc.	Real Estate	Comm. Services	Materials
Below	16%	12%	19%	20%	21%	23%	25%	33%	30%	27%	45%	38%
In-Line	0%	9%	4%	5%	4%	4%	5%	2%	8%	13%	0%	8%
Above	84%	79%	77%	75%	75%	73%	70%	66%	63%	60%	55%	54%

Earnings season – Q3 2022

For now, 85% of the companies in the S&P 500 have reported results for Q3 2022. 70% of these companies have reported actual EPS above estimates, below the 5-year average (77%) and below the 10-year average (73%).

On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q3 2020.

MARKETS IN OCTOBER

From inflation to recession ?

Macroeconomic environment

- High inflation rates
- Deteriorating consumer confidence
- Declining manufacturing indicators
- Restrictive monetary policies of central banks
- Pressure on companies' margins

Key interest rates hikes by central banks

- US Federal Reserve: +0.75 bps (nov, 2nd)
- Bank of Canada: +0. 50 bps
- European Central Bank: +0.75 bps

Macroeconomic outlook

Despite a rebound in GDP this last quarter → slowdown of the economy in the United States

- Real estate sector impacted by interest rate hikes
- Services inflation exceeding goods inflation
- PMI fall below the threshold of 50
- Still-tight labor market , strengthening the case for more rate hikes

In Europe:

- PMI declining below 50
- Ukraine / Russia tensions
- Slowing growth

Increasing recession fears

NK We believe that **volatility** will remain in the markets until the US **Federal Reserve gives a softer tone**.

We continue to remain **cautious on equities**. We have seen technology stocks (excluding Apple) decline following mixed results. In addition, growth stocks remain expensive with lack of expected sales growth, and positioning on these stocks will depend, among other things, on the evolution of central banks' monetary policy.

In October, markets consolidated around the June levels. We remain **very selective on equities**, favoring companies with pricing power, able to face cost increases, benefiting from solid balance sheets and able to generate cash flows. We also benefit from implied volatility in equity markets. However, given the **slowing economy** outlook and the **fall in consensus earnings forecasts** (Q4 2022 – Q1 2023), we stay **neutral-negative on equities in the short-term.**

As rising rates continue to affect the **bonds market**, with the risk of recession and defaults, we favor **investment grade** credit, which remains cheaper than the high yield segment. Some IG bonds offer interesting yields versus extremely low default rates.

Overall, in an environment of uncertainty, we believe it may be appropriate to **reduce overall portfolio risk.**

WHICH OPPORTUNITIES IN THIS CONTEXT?

Volatile markets
↓
- Selectivity
- Structured products

High credit spreads
↓
- Opportunities in the Investment Grade segment

Dislocated markets
↓
- Portfolio « derisking »
- Quality stocks
- Secondary Private Equity

Sources: Norman K. - Data as of October 31st, 2022. Non-contractual information.

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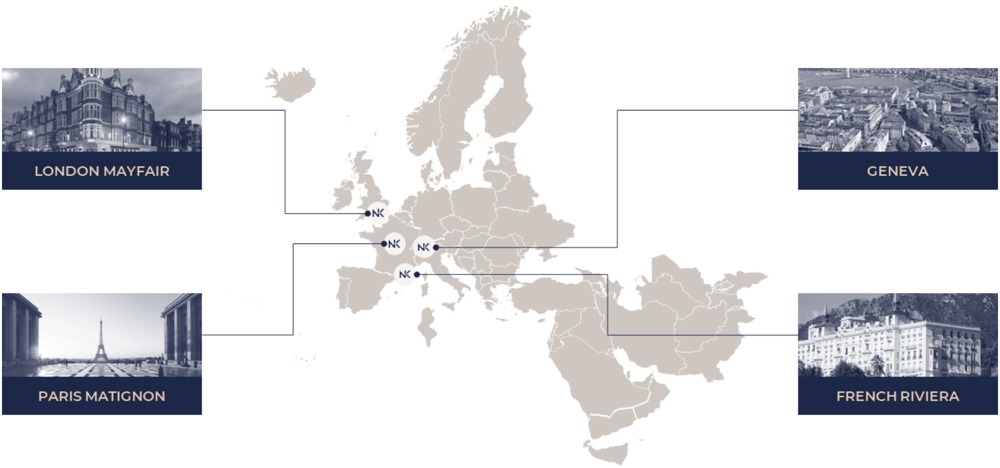
NK LOCATION



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