MONTHLY NEWSLETTER – December 2022

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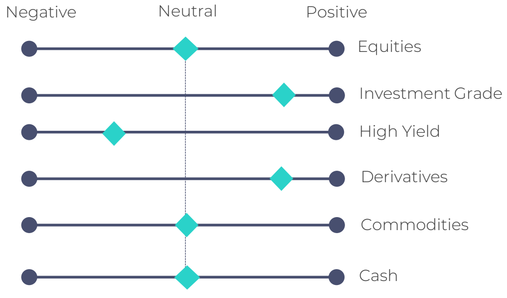
"The two elements that marked the 2022 year were inflation and central banks interest rate hikes, affecting markets. On the positive side, most of the interest rates' hikes have been achieved and inflation is slowing across the board. After a year of defensive positioning, we raised our risk appetite to neutral on equities and will stay this way until we see further catalysts within a context of earnings deterioration and slowing growth. We still prefer bonds, that offer an attractive risk/return."

OUR MARKET VIEWS



MARKET CATALYSTS

- **Slowing monetary tightening cycle**
- **Continuing inflation easing and a less tight labour market (US)**
- **The EUR 2 trillion NextGenerationEU Recovery plan**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**
- **Energy prices decrease in Europe**

KEY INDICATORS

Equities (%)	Level	Nov.	Dec.	2022
S&P 500	3 840	5,4	- 5,90	-20,2
Nasdaq 100	10 940	5,5	- 9,06	-34,0
Eurostoxx 50	3 794	9,6	- 4,32	-12,6
FTSE 100	7 452	6,7	- 1,60	-0,7
China SI 300	3 872	9,8	0,48	-21,5
Emerging markets	956	14,6	- 1,64	-22,7

Bonds (rate spreads)	Level	Nov.	Dec.	2022
10 year government bonds				
US	3,87	-1,4	0,27	2,4
Europe	2,57	-1,2	0,64	2,7
Corporate – 5 years spread				
Investment Grade US	82,02	-14,6	6,39	32,5
Investment Grade Europe	123,19	-16,5	0,12	36,1
High Yield US	483,98	-68,0	31,49	190,9
High Yield Europe	474,11	-96,0	15,30	232,4

Currencies (%)	Level	Nov.	Dec.	2022
EUR / USD	1,0705	5,3	2,87	-5,8
GPB / USD	1,2083	5,1	0,21	-10,7
CHF / USD	1,0817	5,9	2,30	-1,3

Commodities (%)	Level	Nov.	Dec.	2022
Gold	1 824	8,3	3,14	-0,3
Brent	86	-9,9	0,56	10,5
Wheat	792	-12,6	2,66	2,8
Copper	383	10,5	2,75	-13,1
Aluminium	2 350	10,6	-4,30	-16,2

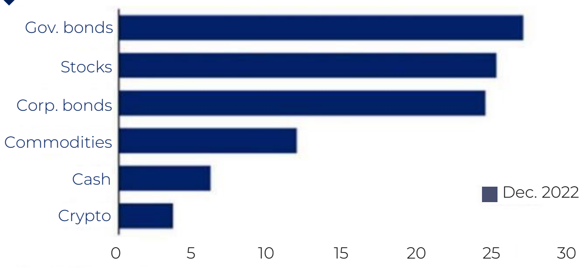
Volatility	Level	Nov.	Dec.	2022
S&P 500	21	-14,6	- 1,53	9,1
Nasdaq 100	22	-20,5	5,30	30,9

Cryptos (%)	Level	Nov.	Dec.	2022
Bitcoin	16 579	-16,2	-3,07	-64,3
Ethereum	1 198	-17,1	-7,64	-67,5

Sources: Bloomberg, Norman K. - Data as of Decembe 31st, 2022. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

What do you think will the best performing asset in 2023?



According to BofA Fund Manager survey, 27% of investors expect government bonds to be the best performing asset of 2023 followed by stocks, corporate bonds, commodities, cash and then cryptocurrencies.

Source: BofA Global Fund Manager Survey

MARKETS IN 2022 AND 2023 PERSPECTIVES

Macroeconomic environment

USA: CPI & FED

- Quick rate hikes finally landing at 4.5%.
- Slowing goods inflation that peaked at 11% in March yoy and has come down to 6%.
- High inflation on services
- Still-tight labor market and strong FED balance sheet
- No recession in 2022 with Q3 GDP rebound.

Our view: a high probability of recession this year that will be mild with positive consumption growth and strong companies' balance sheets.

CHINA: MIXED DATA

- Zero-covid policy and unsteady real estate sector affect chinese GDP
- Low core inflation

Our view: China rebound is possible this year with the relaxation of zero-covid policy and the ability of the government to stimulate the economy.

EUROPE: RECESSION & ENERGY

- Weak PMI indices
- High inflation due to energy bills
- TTF gas prices down by 60% from their peak due to household energy savings and a milder winter
- Debt/GDP ratios improved in 2022

Our view: Most of hard economic data are still well (industrial production, real GDP, labor market). We don't expect a deep European downturn. With lower pressures from gas prices, inflation will ease, and ECB will step down the pace of interest rate hikes to 50 bp.

After a year of defensive positioning, we **raised our risk appetite** to neutral **on equities** and will stay this way until we see further catalysts within a context of earnings deterioration and slowing growth. We remain selective, on companies with high FCFs, low debt and strong management.

We remain **positive on Investment Grade debt** while maintaining a buy-and-hold approach. Despite a better risk premium on short durations, **long-term durations could be preferred** should we expect the end of the tightening cycle to be closed.

On the currency side, **USD should see less support** in coming months as Fed has been leading the way and is closer to the end of their tightening cycle. As a consequence, weak major currencies (EUR, JPY, GBP) should get back part of what they lost in 2022.

We will also hold our **tactical investments** to benefit from volatility through structured products.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Active Management

High credit spreads

- Opportunities in the Investment Grade segment

Dislocated markets

- Tactical investments
- Secondary Private Equity

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