MONTHLY NEWSLETTER – February 2023

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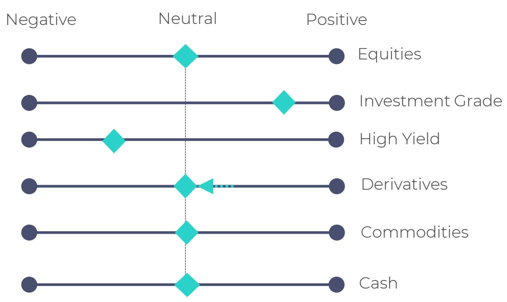
Chief Investment Officer

"The January rally continued in early February after central banks announcements, but the month ended with a softer mood from investors after inflation figures surprised upwards. Resilient macroeconomic figures now make central banks data-dependent.
We do not identify any major short-term risks in equity markets and maintain our neutral strategic allocation, while keeping our preference for investment grade bonds.
The decrease in volatility at the beginning of the year leads us to slightly reduce our exposure to derivatives."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYSTS

- **Pause in central bank's interest rates hikes**
- **Inflation easing**
- **Inflexion in the labour market pressure (US)**
- **Easing of geopolitical tensions (Russia and Ukraine / China and Taiwan)**

KEY INDICATORS

Equities (%)	Level	Jan.	Feb.	YTD
S&P 500	3 943	6,2	- 2,61	2,70
Nasdaq 100	11 890	10,6	- 0,49	8,68
Eurostoxx 50	4 241	9,7	1,80	11,78
FTSE 100	7 944	4,3	1,35	6,61
China SI 300	4 118	7,4	- 2,10	6,36
Emerging markets	984	7,9	- 6,54	2,91

Bonds (rate spreads)	Level	Jan.	Feb.	YTD
10 year government bonds				
US	4,08	-0,1	0,41	5,3
Europe	2,75	-0,1	0,37	7,0
Corporate – 5 years spread				
Investment Grade US	76,77	-10,6	5,00	-6,4
Investment Grade Europe	118,76	-5,9	1,13	-3,6
High Yield US	464,53	-54,0	32,56	-4,0
High Yield Europe	416,20	-59,7	-0,69	-12,2

Currencies (%)	Level	Jan.	Feb.	YTD
EUR / USD	1,0592	1,5	-2,64	-1,1
GPB / USD	1,1939	2,0	-2,42	-1,2
CHF / USD	1,0612	0,9	-2,76	1,9

Commodities (%)	Level	Jan.	Feb.	YTD
Gold	1 835	5,7	-5,26	0,6
Brent	84	-1,7	-0,71	-1,7
Wheat	706	-3,9	-9,16	-10,8
Aluminium	2 394	11,4	- 10,74	1,9

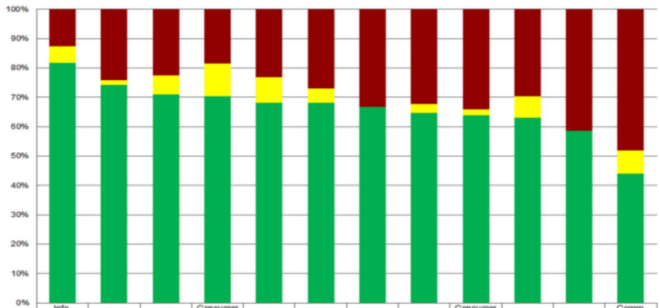
Volatility	Level	Jan.	Feb.	YTD
S&P 500	20	-11,1	5,02	-5,83
Nasdaq 100	20	-10,5	6,70	-6,05

Cryptos (%)	Level	2022	Dec.	Jan.
Bitcoin	23 262	38,8	0,86	40,6
Ethereum	1 625	31,5	1,80	35,4

Sources: Bloomberg, Norman K. - Data as of February 28th, 2023. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

S&P 500 Earnings Above, in-line and below estimates (Q4 2022)



	Info. Technology	Health Care	Real Estate	Consumer Staples	Industrials	S&P 500	Energy	Financials	Consumer Disc.	Utilities	Materials	Comm. Services
Below	13%	24%	23%	19%	23%	27%	33%	32%	34%	30%	41%	48%
In-Line	6%	2%	6%	11%	9%	5%	0%	3%	2%	7%	0%	8%
Above	82%	74%	71%	70%	68%	68%	67%	65%	64%	63%	59%	44%

Q4 Earnings season

As of February 24th, 84% of S&P 500 companies have reported Q4 results. Reporting earnings of companies are 1.2% above estimates, which is below the 5-year average (8.6%) and 10-year average (6.4%).

If 1.2% the surprise percentage for the quarter, it will be the second lowest surprise percentage reported since 2008.

68% of companies have reported EPS above estimates, also below the 5-year average (77%) and below the 10-year average (73%).

Source: Factset

FEBRUARY: REFLATION AND DATA-DEPENDANT CENTRAL BANKS

USA: Inflation figures came up in February

- FED raised interest rates by 0.25 bps to 4;75-5%, with a softer tone
- Real Estate market is affected by higher mortgage rates
- Inflation figures in January came over expectations and worry investors
- Still strong data from the labor market (nonfarm payrolls, unemployment rate)
- Resilient economy despite interest rate hikes : Q4 GDP grew more than expected, PMI recovered for the 2nd consecutive month

Our view: **Rising inflation** should lead the Fed to revise its **interest rates projections** upwards.
The U.S. economy remains resilient, we maintain our scenario of a **soft landing**.

EUROPE: will ECB be more hawkish?

- ECB raised interest rates by 0.50 bps
- Services inflation in January was revised up in January and core inflation accelerated
- GDP rose 0.1% in Q4 22. PMI suggest eurozone business activity is strengthening
- Still geopolitical risks (Russia/Ukraine)
- Energy crisis seems to be avoided

Our view: As expected, eurozone economy is more **resilient than expected**. We think this may continue with the reopening of China.
Combined with still high inflation figures, we worry the **ECB** keeps a **hawkish tone** for longer.

CHINA: The beginning of a rebound?

- PMI suggest China is rebounding, following the reopening of the country
- China's population declining for the 1st time in decades

We still think that **China rebound** is likely to happen **this year**.
The central bank can lower rates to support the economy.

The market rally that began in January continued at the very beginning of the month, as investors welcomed December inflation figures, positive economic data and considered central banks to adopt a more dovish tone, removing their recession fears. However, the publication in the last weeks of February of a **surprising rise in inflation** in January (in Europe and the United States), particularly in services, raises **worries of more intense monetary tightening by central banks**.

It has been reflected in the **bond market that decreased**, but we see it as an **opportunity to position portfolios through IG-quality issuers**, with an attractive risk/return ratio.

The **USD** rose by +2.7% in February, following the rise of inflation and fears of higher rates. Nevertheless, we **do not see more increase** and we think the dollar will remain **stable**.

In the **equity** market, we do not anticipate significant risks in the short term and remain **in line with our strategic allocation**, with an **enhanced selectivity** on companies (strong balance sheets, pricing power and low levels of debt). Indeed, **mixed Q4 earnings season** shows the importance of being selective, with **companies able to resist in a context of rising costs** (pricing power).

We are still seeing opportunities in **private markets** both debt (asset finance) and pre-IPO segment.

WHICH OPPORTUNITIES IN THIS CONTEXT?

High valuations of stocks

- In-depth analysis and selectivity
- Active Management

Decrease in the bonds market

- Opportunities in the Investment Grade segment

Dislocated markets

- Tactical investments
- Pre-IPO segment / asset finance

Sources: Bloomberg, Norman K. - Data as of Juanuary 28th, 2023. Past performance is not a reliable indicator of future performance. Non-contractual information.

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