BearBull Global Investments Group

Investment Strategy

January 2021

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Graph sources: Bloomberg/BearBull Global Investments

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- New BFM paradigm supporting enthusiasm and risk-taking
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Q4 began with renewed optimism on the health front, which was gradually confronted with a more worrying reality in most European countries as well as in the United States. The oft mentioned and much feared 2nd wave had materialised, and its scale was pushing many governments to revise their health strategies. With the avowed aim of "saving" the festive season, various new lockdowns were implemented throughout Europe, in the UK and elsewhere. In Europe, these new government restrictions are likely to plunge the economy into a temporary downturn that could reach -2.5% in Q4. In the US, it is not so much a 2nd wave than a continued spread of the epidemic at a sustained pace that could slow down the economic recovery at the end of the year. Overall, Q4 will not be as positive as forecasters had hoped. We believe that in most countries we are likely to see a further economic downturn. This could be temporary, provided that the beginning of the year is not marked by severe lockdown measures made necessary by the negative effects observed after the year-end festivities. It is likely, however, that if this were to be the case, financial markets would end up worrying about it. For the time being, however, it must be noted that the Covid-19 factor is no longer influencing the stock markets. Pfizer and Moderna's announcements regarding the exceptional efficacy ratios of their respective vaccines as well as their availability faster than expected have already been sufficient to reassure investors regarding the probable end of the epidemic, even if everyone agrees that it will take several quarters for the vaccination campaigns to reach enough people to allow a return to normal in our societies. The last quarter of 2020 was above all the scene of major political upheavals in the US, as well as in Europe, which had a significant impact on financial markets. First of all, major uncertainties were removed in the US by the election of the Democratic candidate, which is likely to bring a little more visibility to the government's strategy over the next four years. In the short term, his election is also a guarantee of more decisive support for the economy and the American population thanks to a willingness to support growth and the energy transition, in particular by increasing government spending and budgets. In Europe, the withdrawal of the veto on the recovery package obtained in December by the German Chancellor is also an essential step forward that finally marks the beginning of the implementation of economic support measures decided upon six months ago. As in the US, European economic recovery will be achieved through support for the energy transition. Furthermore, the last-minute agreement on the implementation of Brexit by 31 December 2020 also puts an end to significant uncertainty, even if the British government and people have certainly not yet measured the consequences of this event. In Asia, the new free trade agreement opens up new prospects for regional development, while Joe Biden's future presidency is also seen as probably more favourable to world trade than the policy pursued by Donald Trump. The last few weeks have therefore clearly been favourable to reducing political and geopolitical uncertainties.

The new fiscal and monetary policies support the enthusiasm of investors who are now almost completely unconcerned about the possible repercussions of the Covid-19 pandemic. In the urgency of the health crisis, lockdown measures had to be accompanied by support policies at various levels, starting with monetary policy measures. A new paradigm has emerged that will last well beyond 2021. Indeed, while on the one hand central banks acted quickly by lowering their key rates and/or implementing bond purchase programmes to lower long-term rates as well, governments for their part opened their purse strings to broadly support their economies and populations. Rising budgets and deficits are the obvious consequence for governments of the management of the health crisis, but for central banks it has meant the explosion of their balance sheets and the accumulation of government debt in a great wave of debt monetisation at the global level. We believe this trend will last and provides many investors with the assurance that interest rates will remain persistently low and that liquidity will be provided to support the expansion of financial markets and valuation multiples. The year 2020 thus ended calmly and with some assurance that 2021 will return to growth, profits and positive stock market performance. October marked the end of several months of profit-taking ahead of the US elections and heralded an extraordinary rebound in risky assets in November in a powerful "short covering rally" that involved all financial assets. The latter lost some of its intensity in December, but optimism remained high, such that financial markets ultimately posted moderate growth in the last month of the year. Interest rate markets (+1.34%) were still very much influenced by central banks' asset purchase programmes. Swiss real estate investments benefited from the situation (+6.06%) but also saw their average premium approaching the extreme level of 40%. Enthusiasm remained more moderate in the international real estate market (+3.08%), which slightly underperformed international equities (+4.24%). Commodities (+5.97%) and private equity (+6.66%) benefited more significantly from the improved economic outlook for 2021. Risky assets benefited from a euphoric stock market climate at the price of now often high valuation levels. Caution is therefore logically once again called for in this context.

Alain Freymond
Chairman
BearBull Global Investments Group

Graph sources: Bloomberg/BearBull Global Investments

BIG PICTURE

Main convictions

- Weaker-than-expected global economic recovery in Q1
- Solid macroeconomic outlook for 2021
- Continuing support of budgetary, monetary and tax policies
- The recovery will be green and favourable to stocks associated with the energy transition
- Another positive year for risky assets?

Weaker-than-expected global economic recovery in Q1

The second wave of Covid-19, which occurred in autumn, does not seem to want to decrease in intensity despite the efforts made and the further health measures implemented before the year-end festivities. In most countries, health regulations are certainly better respected, but the virus is still spreading faster than expected. After a "sacrificed" November and a closely monitored month of December, January is unlikely to bring any positive surprises in terms of the trend in new cases in the US and Europe. The risks of a more severe lockdown are present, and the outlook for Q1 of 2021 is therefore likely to be revised.

We anticipate a weaker-than-expected global economic recovery in Q1 due in particular to these risks and a likely and temporary decrease in household consumption. However, Q2 could already show signs of normalisation in economic activity and acceleration in the economic recovery driven by a recovery in consumption and a reduction in the savings rate.

Solid macroeconomic outlook for 2021

The macroeconomic outlook is indeed solid for the whole of 2021, with world GDP forecast to grow by more than +5% or even by +6%. While the risks of negative surprises seem for now to be concentrated in Q1, the economic support measures already announced are likely to develop their effects throughout the year and into 2022. 2020 was clearly a year of uncertainty and unknowns, but 2021 is likely to be more predictable and more positive, at least on the economic front. China is likely to come out of this health crisis in a stronger economic position in any case, in particular reducing the gap with the US by nearly 10% and asserting itself even more clearly as the world's 2nd economic power ahead of Japan. Between 2020 (+2%) and 2021 (+8%), China's growth could reach +10%, while that of the US and Japan will undoubtedly struggle to be positive. The situation in Western countries is likely to start normalising somewhat only in Q2 of 2021, while in Asia, Chinese momentum, if it can be maintained, is likely to fuel the growth prospects of South-East Asian countries. The current momentum is already favourable for the region and in our view is likely to intensify when Western economies return to normal growth and increase their trade with the region. Emerging markets will also benefit in 2021 from this gradual normalisation in the second half of the year.

Continuing support of budgetary, monetary and tax policies

Central banks were the first to react to the crisis by lowering their key rates and providing the liquidity required by the health and economic crisis situation. In 2021 monetary policies will remain very sensitive to the need to ensure favourable financing conditions and will therefore remain largely accommodative. Central bankers will remain committed to monetising government debt and will be wary of taking the slightest risk of surprising financial markets by bringing up the issue of normalising their balance sheets. Key interest rates will therefore remain low, and long-term rates will necessarily be driven by asset purchases.

On the budgetary policy side, governments have embarked on a path of no return. Increasing public spending is a necessity accepted by all, and political leaders will continue to do so as long as the health crisis is a current issue. In 2021 the recovery packages that were discussed, announced, retooled and then ratified will gradually come into force. We will therefore see public money concretely invested in tangible projects such as those related to green energy transition goals.

The same will be true for tax policies and financial assistance granted to companies and especially households, which will remain indispensable for a few more months. The support of these budgetary, monetary and fiscal policies is unlikely to be interrupted and will likely continue to a large extent until 2022.

Risks of a rise in long-term interest rates and a widening of risk premiums

As far as bond markets are concerned, the risks of an unexpected and uncontrolled rise in long-term yields seem to us to be increasing and probable. The weakening economic outlook for Q1 is likely to dampen this trend. However, it seems reasonable to us that a normalisation of global growth in the course of the year could lead to a global readjustment of interest rates. The first country to have already observed such a trend is the US, perhaps because investor confidence in the ability of the US authorities and the Federal Reserve to re-establish conditions conducive to lasting growth is the highest, but also because the incoming Democratic presidency will increase the risks of spending and tax increases. Over the past six months, long-term US Treasury yields have indeed begun a gradual but significant rise. After reaching a low point of 0.54% in March, ten-year yields almost doubled in one week, rising to 0.985%, before suffering further temporary weakness. In recent months, the more positive economic outlook again supported an adjustment in yields, which are once again close to 1%. The yield differential with the German Bund or the 10-year Swiss government bond, which had fallen to a low of 100 basis points, is now once again above 150 bps. When investors reassure themselves regarding the economic outlook, it is likely that they will also realise that the theoretical yield corresponding to solid economic growth should be significantly higher.

In this context, 10-year Treasury yields could quickly readjust to 2%. Such a phenomenon would impact other non-government bond markets, which would logically see risk premiums recover from historical lows.

Graph sources: Bloomberg/BearBull Global Investments

Recovery will be green and favourable to stocks associated with the energy transition

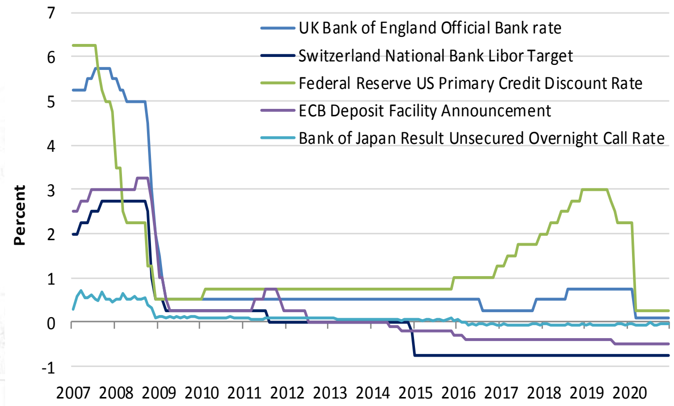
The stated priorities of President-elect Joe Biden seem to focus on four important areas, key among which is the climate issue. On this last point, there is no doubt that the new president will make a 180-degree turn with regards to environmental regulations after four years of Trump deregulation. This U-turn will be of particular importance for the energy sector, since investments in the energy transition are currently estimated at USD 1,700 billion in the US. The global health crisis has had a considerable impact on developed and emerging economies, which will return to growth in 2021 by taking advantage of recovery packages commensurate with the challenges at hand. Most of these recovery packages include a component directly linked to the energy transition, which will be one of the winning sectors in 2021. 2021 will therefore most likely see a strengthening of the paradigm shift for the energy sector, which is increasingly engaged in the global energy transition. Alternative energies will benefit both from a fairly clear change in investors' perception of the sector's economic prospects and from government commitment via fiscal stimulus packages in most countries. The economic environment is thus much more favourable to alternative energies since the convergence of government initiatives such as the European Green Deal's Investment Plan, which will mobilise at least EUR 1 trillion and aim to make Europe climate neutral by 2050, which is matched in China (USD 1.4 trillion), Japan and the US with President-elect Joe Biden's plan to commit more than USD 2 trillion. Fundamentals are undeniably stronger for companies in the sector, which are expected to outperform global indices over the next decade.

Another positive year for risky assets?

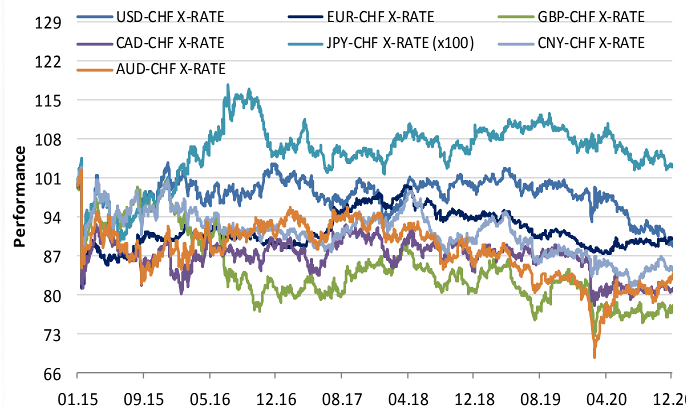
The normalisation of the health situation and renewed economic growth will naturally be positive factors that will support investors' propensity to take risks. The abundance of liquidity provided by central banks in 2021 will also contribute to a greater sense of confidence. An improved economic environment and a revival of world trade will together lay the foundations for likely growth in corporate profits, which will be favourable to equities and more broadly to other assets such as real estate, private equity and commodities. 2020 will have been difficult for rational investors still concerned by the very present risks and uncertainties and who will have favoured diversified asset allocations with reasonable exposure to "risky" assets. 2021 may seem to them less uncertain politically and economically, boosting their willingness to invest more heavily in the markets and in assets more profitable over the long term.

Significant flows of funds could be reinvested in stock markets in 2021, particularly if new opportunities arise. In this rather constructive and positive stock market climate, it should be noted, however, that many risky assets are already fairly generously valued and are often already trading at high valuation multiples that could lead to value corrections. A rational analysis of valuations already suggests risks of overvaluation of assets that benefited from the euphoric stock market climate at the end of the year. However, the economic situation is likely to be favourable for listed companies and other cyclical assets in particular. Nevertheless, given current valuation levels, caution seems to be in order once again pending better reinvestment opportunities in the short term. Over the year as a whole, economic conditions and the likely increasing flow of funds into higher-yielding assets will likely contribute to the positive performance of "risky" assets.

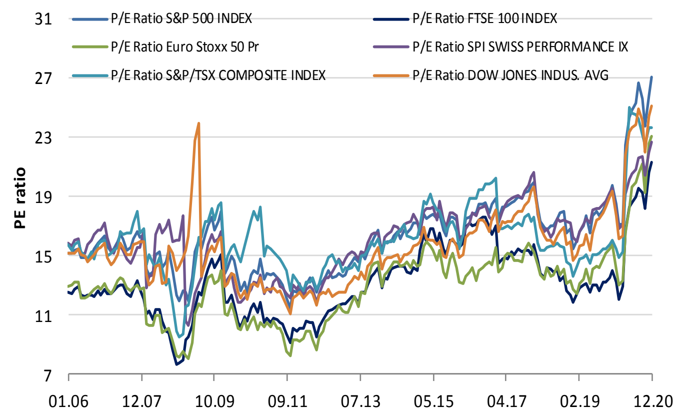
Central Bank rate (EUR, CHF, GBP, USD, JPY)



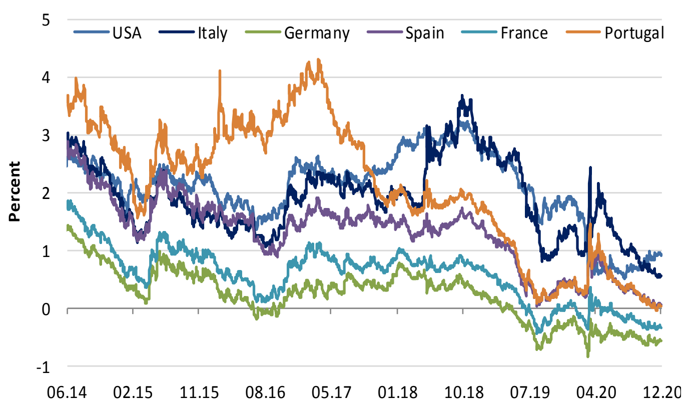
7 Major currencies against CHF (Normalized at 100)



Price/Earning Ratios in developed Markets



Government Bond yield (10 years)



Graph sources: Bloomberg/BearBull Global Investments

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MACROECONOMIC SCENARIO

Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Global Outlook

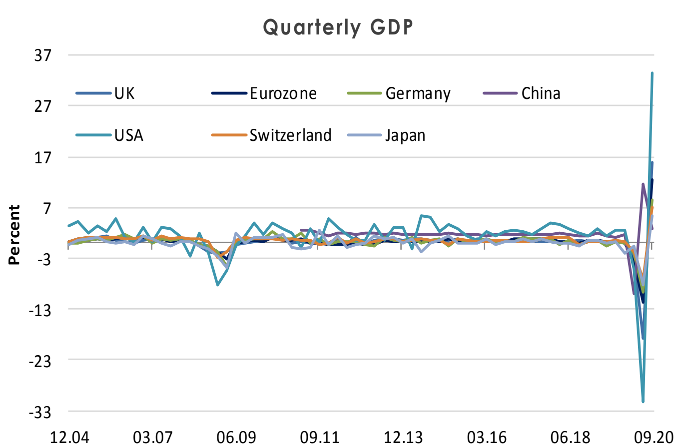
- World GDP growth above +5% in 2021
- Hopes for recovery supported by strong economic priorities in the US
- Doubts regarding expected recovery in Europe
- Less uncertain economic situation in Switzerland
- Better, export-led economic prospects in Japan

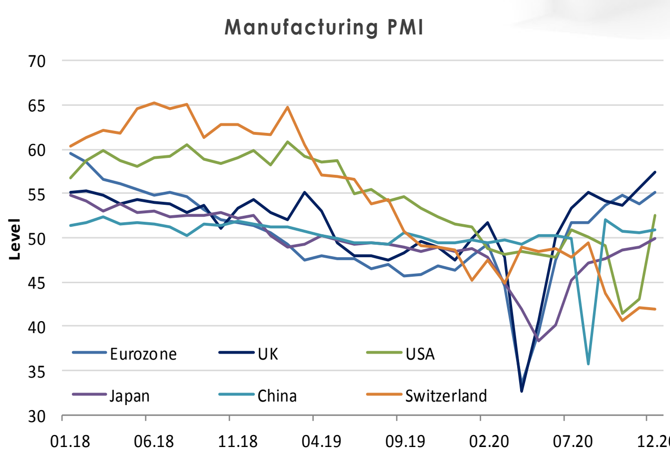
World GDP growth above +5% in 2021

The start of 2021 is in line with the previous quarter in terms of certain aspects of the health situation. As in October 2020, the return from holidays could well trigger new outbreaks of Covid-19 cases in all countries in January and revive fears of new, more severe lockdowns that could once again raise fears of a relapse in global economic activity. The UK appears to be the first to have to impose tighter lockdown measures on its population as of early January, but others may decide to do the same. Vaccination campaigns are unlikely to make much difference, as they are long-term solutions and cannot quickly provide an effective barrier to the transmission of the virus and a revival of the pandemic. The vast majority of industrialised countries experienced an economic downturn as expected in the last quarter of 2020, which is unfortunately likely to intensify at the beginning of 2021. Our overall scenario is still based on a two-stage economic recovery in 2021. The weakening of the current recovery will probably intensify in January and February with the second wave of the epidemic, which will last through the winter. At the same time, new support measures will effectively be implemented by governments to counter at least in part the negative economic effects of the new restrictive health measures. Unfortunately, not until vaccination campaigns expand and reach sufficient thresholds of national immunity will we be able to look forward with more confidence to a return to normal. In most countries, the savings rate has increased since the outbreak of the pandemic and is another factor likely to support an economic recovery driven by household consumption. Beyond the loss of confidence currently observed among households generally, the latter are nevertheless in a position to change their behaviour significantly once the pandemic is under control. We estimate that a clearer recovery in consumption could take place in Q2 of 2021 and gradually strengthen thereafter. Q1 is still likely to be marked by weak growth before the global economy gradual strengthens. World GDP growth could thus be around +5% to +6% in 2021.

Hopes for recovery supported by strong economic priorities in the US

In the US, the expected deceleration of the economy in Q4 is indeed likely to be confirmed and will probably continue at the beginning of 2021. Recent economic indicators do indeed suggest a loss of momentum in the economy as a whole. The declines in disposable income and household consumption are likely to have a negative impact on GDP. As expected, consumer confidence was still not improving in December, but it could nevertheless strengthen following the approval of a new economic support package by the Senate and the House of Representatives aiming to renew direct aid to American households. The employment outlook is still not very bright and is unlikely to improve unless the recent trend of decelerating job creation is reversed quickly. Q4 GDP will therefore certainly be weaker, but the prospects for 2021 are likely to be supported by a new, more assertive political stance announced by the US president-elect. Joe Biden's economic policy will be resolutely Keynesian. Economic recovery will be achieved by increasing public spending in several areas, such as education and health, major investments in infrastructure (USD 1,300 billion) and the energy transition (USD 1,700 billion). Government spending will increase, and rising public deficits will likely weigh on the dollar. Joe Biden's strategy does not share the same slogan as Donald Trump's ("America First"), but it will pursue the goal of ensuring that the future is "made in all of America" by American workers. The mobilisation of the talent and innovative capacity of the American people must harness the support and power of the federal government. Increased government spending to implement the economic stimulus package and provide relief to the American people could reach USD 7 trillion. The actions of President-elect Joe Biden thus clearly seem oriented towards economic recovery and will be supported by a Federal Reserve whose monetary policy will continue to aim to steer the entire yield curve and maintain particularly favourable financing conditions.





Graph sources: Bloomberg/BearBull Global Investments

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In the short term, household disposable income will rebound significantly thanks to the USD 900 billion relief package finally ratified by Donald Trump on 3 January 2021, which will enable the 12 million Americans who had benefited from aid until the end of the year to obtain an extension of the support granted by the federal government until mid-March. This federal aid is essential to ensure a positive outlook for GDP growth in Q1 of 2021, as the economic recovery was stalling at the end of the year. For the whole of 2021, we estimate that US growth could reach +3.5%.

Doubts regarding expected recovery in Europe

In Europe, government restrictions to combat the 2nd wave of Covid-19 in Q4 are likely to plunge Europe's economy into recession by the end of 2020. GDP could contract by up to -2.5% in Q4, settling at -7.2% for FY2020. Hopes of a lasting recovery are therefore postponed to 2021, when the risks of new lockdowns will be mitigated by the arrival of vaccines and the launch of campaigns to protect populations. In the short term, it is quite possible that the return from the year-end holidays will have the same effects as those observed after the summer. The risks of new lockdowns at the beginning of 2021 are therefore significant in many European countries despite the start of vaccination campaigns.

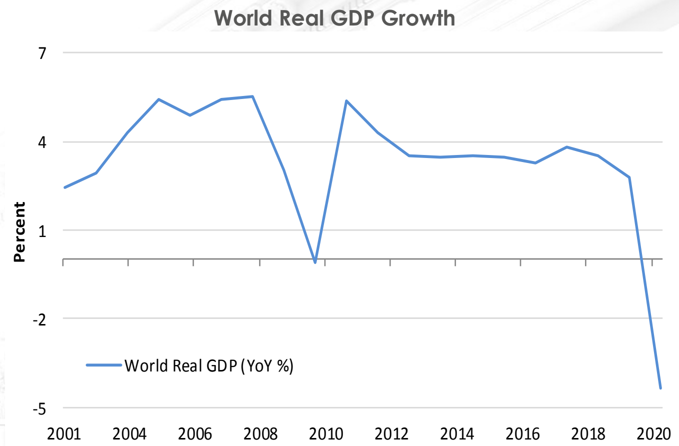
The economic outlook for Q1 could turn out to be too optimistic in such a context, as GDP growth in Q1 could ultimately turn out to be below +1%, especially if the restrictive measures continue in February and if the reopening of schools is called into question. However, GDP growth of +4% to +4.5% over the full year remains justified, although it will also clearly depend on the capacity of the European Union to actually and rapidly set up and deploy its EUR 750 billion economic support programme. The European economy will more certainly be able to count on the action of the ECB, which has increased its PEPP programme from EUR 1,350 to EUR 1,850 billion to ensure the low-interest financing of consumption and investment.

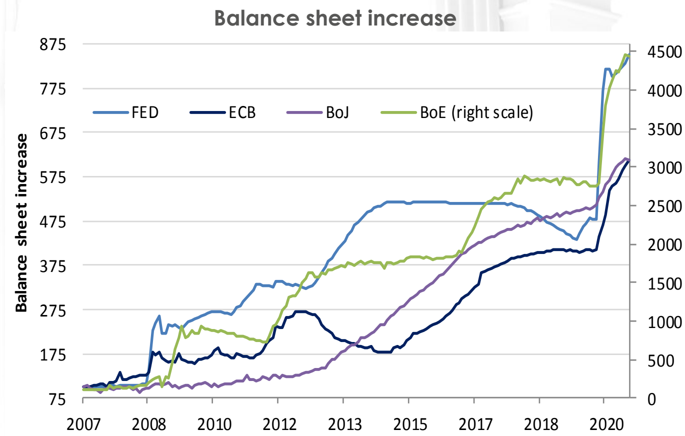
A less uncertain economic situation in Switzerland

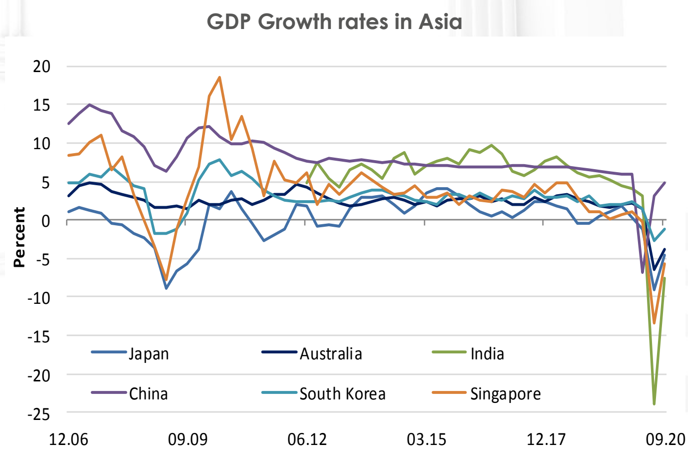
The economic situation at the end of the year in Switzerland seems less uncertain than in other countries. The rebound of the Swiss economy in Q3 meant that Swiss GDP fell by 2% over nine months, an extraordinary performance by international standards. The resilience of the Swiss economy is expected to continue in Q4 and could even allow annual GDP to come out even in 2020 in our country. Most leading indicators have strengthened in recent months and still point to a favourable trend for our economy over the winter. Q4 GDP could thus be close to +1.5% if the revival in consumer confidence withstood the return of the pandemic and the various new health measures imposed. A still very low unemployment rate and the continuation of government measures to support the economy could enable Switzerland to start 2021 in a better economic environment. We maintain our growth forecast of +2.5% for the year 2021 as a whole.

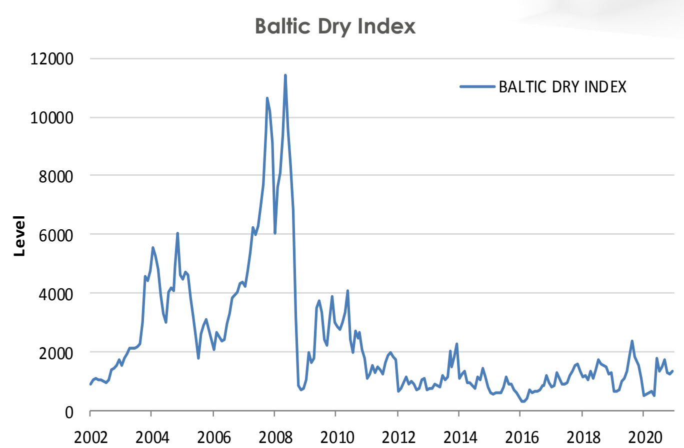
Brexit agreement will not prevent UK recession

The economic situation in the UK will not benefit from the last-minute agreement with the European Union. Already affected by weak household confidence, the British economy will suffer at the end of 2020 from the lockdown measures that will affect household spending and further reduce growth prospects in Q1. The UK economy could again experience a contraction in GDP before seeing a slow recovery in growth.









Graph sources: Bloomberg/BearBull Global Investments

China increasingly going it alone

The Chinese economy will be the only one able to congratulate itself on having recorded positive GDP growth of around +2% in 2020. The country at the origin of the global pandemic seems to have been able to control the spread of the virus and has been in dazzling health for the last three quarters, both from a health and economic point of view. China is still going it alone at the beginning of this year by remaining immune to the economic slowdown observed just about everywhere else. China's economic indicators are in good shape, domestic demand is solid, investments are progressing and exports are once again doing well. China will certainly be affected by the economic downturn in certain countries in Q1, but its prospects remain very positive. It is estimated that China's GDP could grow by 8% in 2021 and that China will continue to be the strongest growth area in the world.

Better, export-led economic prospects in Japan

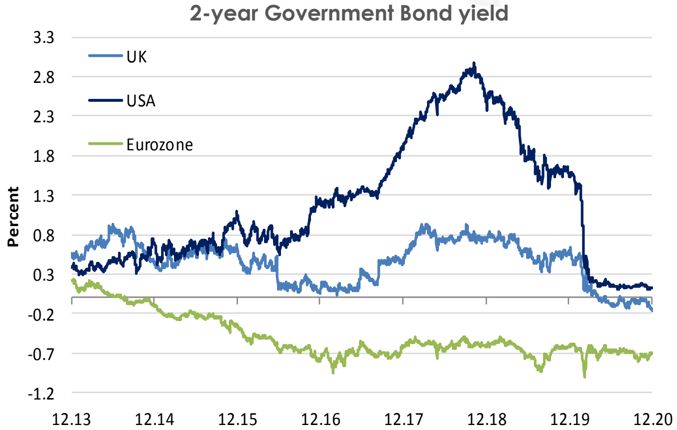
The 2nd wave of the Covid-19 epidemic, which hit Japan during the summer, seemed to be under control in September, while in Europe it was only just rearing its head. But today Japan is once again in the roiling midst of the pandemic with a strong upsurge of new cases. The government promotion campaign "Go To Travel" is often mentioned as a factor in the resurgence of the epidemic. Japan is thus once again on maximum alert after seeing a new record in daily positive Covid-19 cases. However, Japanese Prime Minister Yoshihide Suga has still not announced any new restrictive measures in the face of the surge of cases and is essentially counting on the civic-mindedness of the Japanese to adopt social distancing measures and masks more systematically and with greater vigilance.

In international comparison, however, Japan's situation is no more serious than that of many other industrialised countries, although tests have not yet been carried out on a very large scale, thus potentially underestimating the current scale of the 3rd wave. The recovery in consumption is still uncertain, weakening the positive trajectory of GDP, which is still overly dependent on public spending and exports.

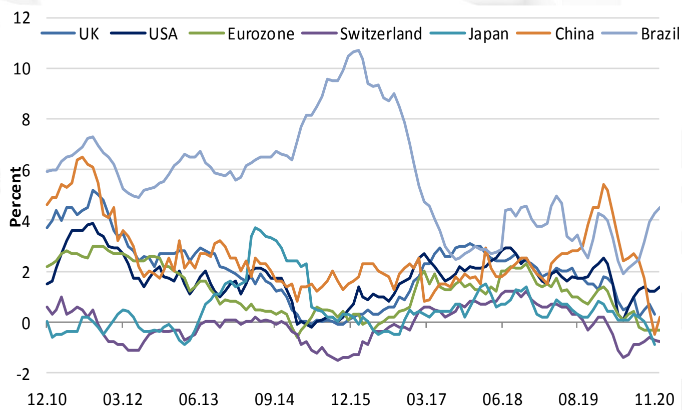
The last quarter is again likely to prove weaker in a domestic context affected by a 3rd wave of Covid-19 that could negatively affect fragile household consumption and by the effects of the lockdowns in various industrialised countries, which also happen to be buyers of Japanese exports. Q4 will therefore probably be weaker than previously expected (+5.1%), although GDP will nevertheless likely increase by +3.8% (SAAR). The strengthening of the PMI indices since June is running out of steam and still does not point to an acceleration of the growth trend. The manufacturing and services PMI indices are declining and are still under the growth threshold of 50.

Consumer confidence has not shown any real change in sentiment either in recent months and is still well below the levels of recent years. Overall, any positive GDP growth in the coming months will have to rely on the continuation of the positive new trend in exports. The rebound in Japanese industry is likely to continue at a slightly slower pace. Furthermore, Japan and other Asian countries including China signed a free trade agreement in November, which is likely to support the economic recovery underway. GDP growth in Japan in 2021 could turn out to be higher than its potential and exceed +2.5% for the year as a whole. This forecast is however likely to be revised downwards if the government ultimately decides to reintroduce health restrictions at the beginning of the year.

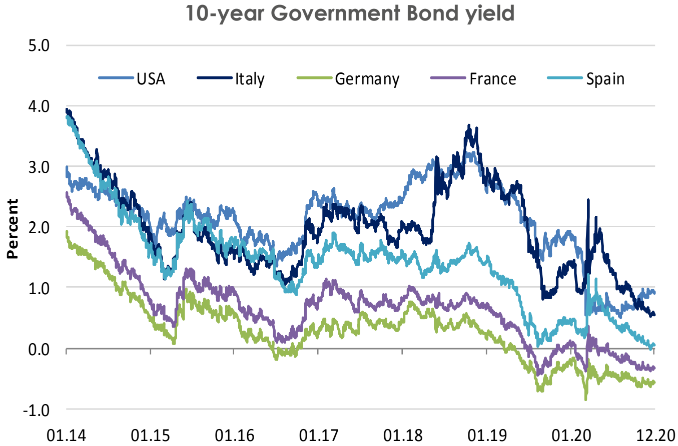
2-year Government Bond yield



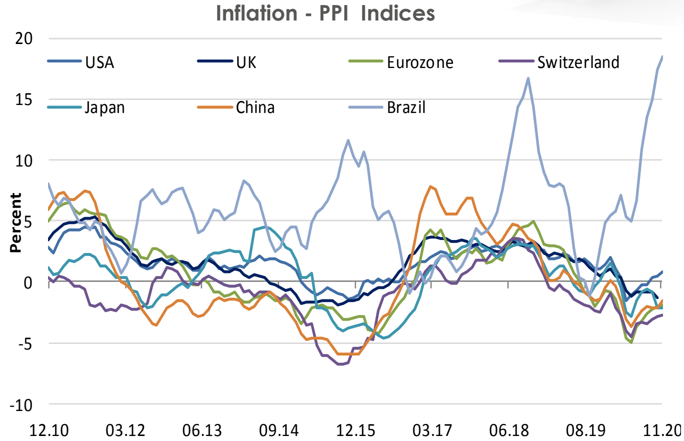
Inflation - CPI Indices



10-year Government Bond yield



Inflation - PPI Indices



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

United States

- GDP momentum expected to slow sharply in Q4
- Employment remains fragile and could penalise consumption
- The Fed can only stay the course
- The rise in long-term rates increases the relative attractiveness of the bond market

GDP momentum expected to slow sharply in Q4

Economic results for Q3 were finally better than expected. The +33.1% increase in GDP (annualised) was slightly higher than the consensus estimates, thus compensating for the -31.4% collapse (adjusted data) on an annualised basis in Q2. In the health context of the third quarter in the US, which saw an increase in the number of Covid-19 cases and deaths, this result is rather surprising.

Personal consumption contributed significantly to this strong result, with an increase of +25.27% compared with the -24.01% drop in the previous quarter. However, it has not yet completely erased the drop in Q1 and is down -2.9% year-on-year, similarly to real GDP, down -2.9% yoy. However, despite this particularly encouraging rebound, measured before the American elections, several factors have since then suggested a clear slowdown in economic momentum at the end of 2020. Annual GDP growth of around +5% is now expected, which is likely to be supported by a continued recovery in household consumption, real estate and inventory rebuilding. However, health risks are still very present and may still have a negative impact on the economy at the end of the year.

The US is not seeing any significant improvement in the situation, and new cases of Covid-19 continue to trend up significantly. While Europe is undergoing a second wave, in the US the situation never really improved. Thanksgiving clearly and unsurprisingly contributed to the deterioration in the health situation in the country, which is now reporting around 220,000 new cases per day.

In the coming weeks the pandemic will therefore slow the recovery, which will lack the stimulus and positive factors to strengthen.

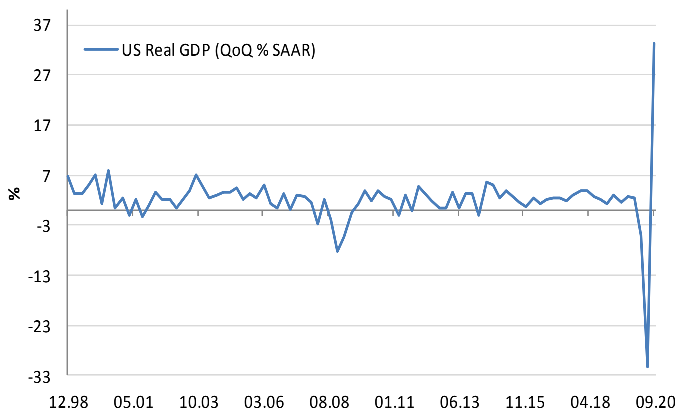
Employment remains fragile and could penalise consumption

PMI leading indicators are still resolutely optimistic. The manufacturing PMI (57.1 in december) is at its highest level since September 2014, pointing to excellent prospects for the industrial sector, confirmed at least in part by the equally high level of the manufacturing ISM index, still close to its highs for the decade.

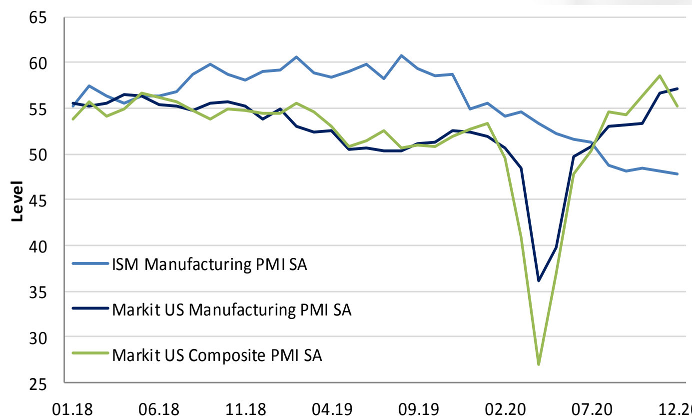
On the services side, the PMI declined in December to 54.8 but remained in a zone of solid growth The ISM indicator strengthened to 57.2. On the other hand, the outlook for future employment trends is no better, the trend remains uncertain, and job creation in December fell (140,000), the lowest since July, and was well below expectations, due in particular to the low level of commitments observed with large companies. The deceleration in job creation is actually quite worrying. It also reveals varying regional situations, which will be negatively affected by the continuing pandemic and by the expiry of the CARES Act programme, whose extension does not seem foreseeable before the end of the year.

The temporary unemployment insurance programs PUA and PUEC, which were due to end at the end of December, affecting more than 10 million Americans who could have seen a net decrease in their purchasing power as early as 2021, have finally been extended until March 2021.

Quarterly US Real GDP Growth

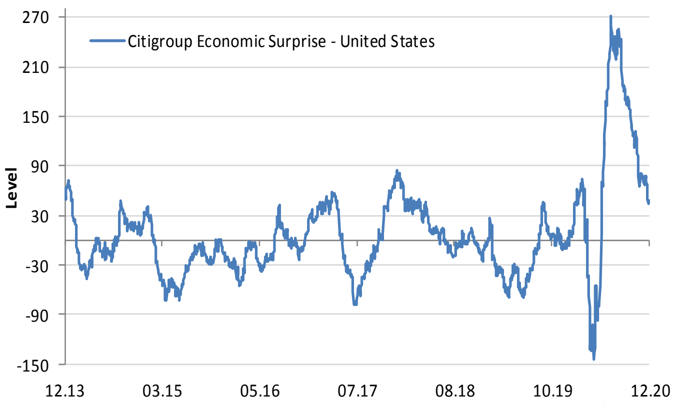


PMI Indices

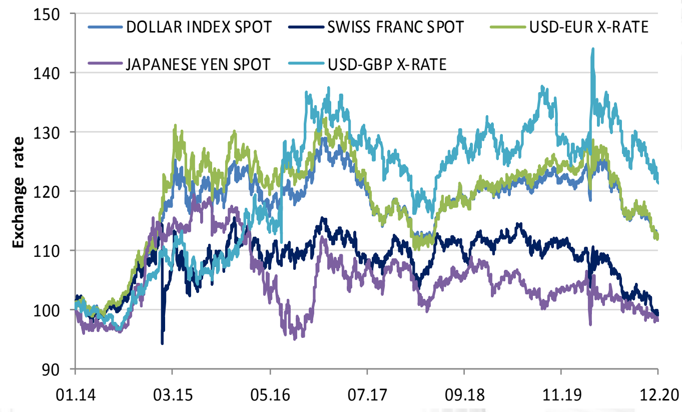


Graph sources: Bloomberg/BearBull Global Investments

Citigroup economic surprise index USA



Dollar trade-weighted index and currencies



The strong performance of consumption has been bolstered by this significant government support, particularly during the summer, but the disappearance of these measures will affect households' disposable income and their propensity to consume. These measures will likely be renewed, but pending the forthcoming economic stimulus plan, sentiment is expected to deteriorate further.

Following the recent positive momentum on the labour market, the next few weeks could again see a decline in employment and a further rise in the jobless rate, which is currently below 7%. While workers sidelined during the initial shock are clearly returning to the job market, this return is gradual and still far from universal.

The risks of disappointing growth at the end of the year seem significant in such a context. A new stimulus plan now seems urgent to sustain employment and consumption. It was negotiated and finally accepted at the beginning of January 2021 and will soon develop its effects.

The four priorities of the new US president

Joe Biden's stated priorities seem to focus on four important areas. Managing the pandemic and economic recovery are at the forefront, as are racial equality and climate issues. On the latter, there is no doubt that the new president will make a 180-degree turn on environmental regulations after four years of Trump deregulation. Biden's economic policy will be very "Keynesian".

It will undoubtedly have a clear impact on economic momentum but will also have a direct influence on the indebtedness of the US and on the growth of the budget deficit. The health crisis has already had a major effect on government finances in 2020, and these will be even more affected by the policies pursued by the Democratic president over the next four years.

Economic recovery will be achieved by increasing public spending in several directions: increases in spending on education and health and major investments in infrastructure (USD 1,300 billion) and the energy transition (USD 1,700 billion).

Government spending will increase, and rising government deficits will likely weigh on the dollar. Joe Biden's strategy does not have the same slogan as Donald Trump's ("America First"), but it will pursue the goal of ensuring that the future is "made in all of America" by American workers.

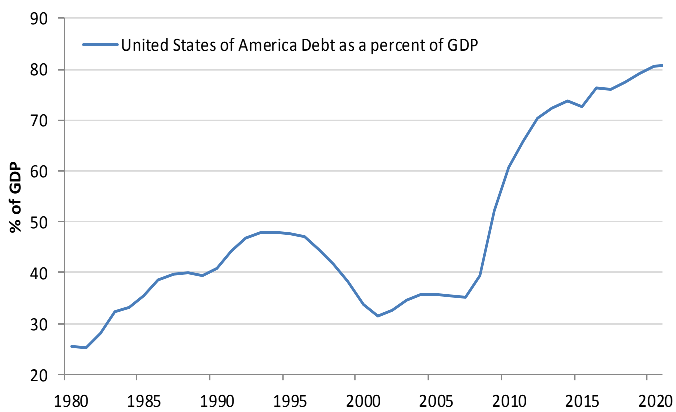
The mobilisation of the American people's talent and innovative capacity must be able to count on the support and power of the federal government. Support will be legislative and financial, but it could still be limited if the Democrats do not manage to win the senatorial seats needed to secure a majority in the Senate in the second round of Senate elections in January.

Fiscal austerity will clearly not be part of the stimulus package. The aim is no longer to slow the progression of debt and provide a solution to the transfer of debt to future generations but rather to safeguard the economic system and avoid social collapse and the impoverishment of part of the population.

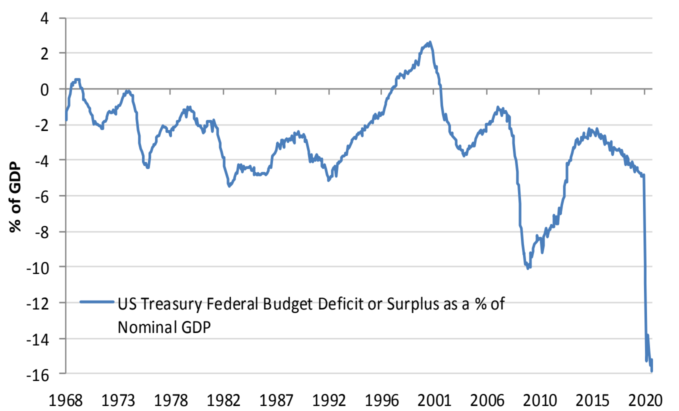
The increase in public spending to implement the economic stimulus package, including support for the US population, could reach USD 7 trillion. The actions of President-elect Joe Biden will therefore quickly have a significant initial impact on government spending and on US debt.

He will first promote growth by expanding government spending before attempting to rebalance the government's budget through higher taxes.

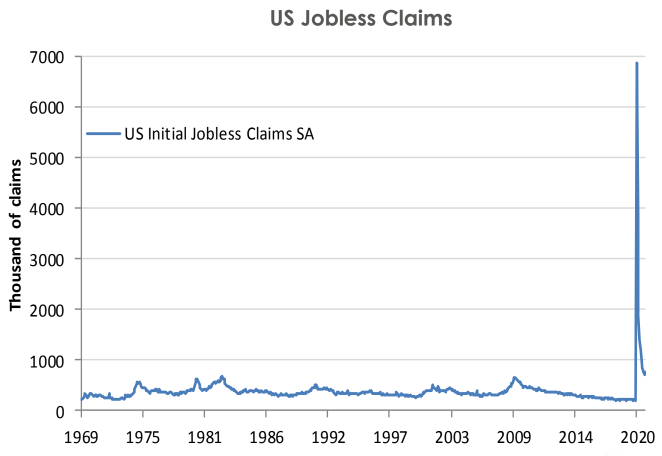
Debt (% GDP)

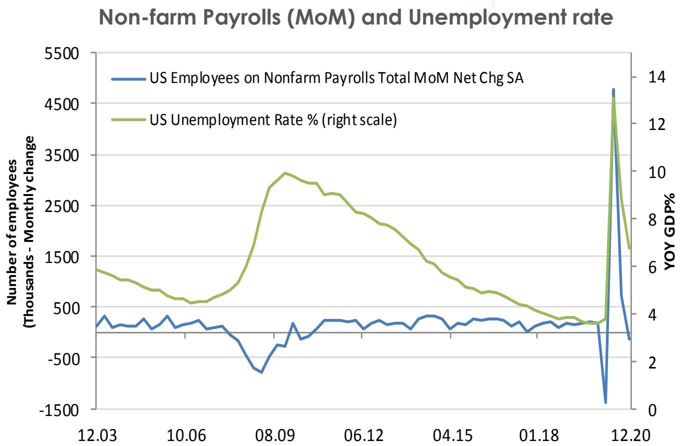


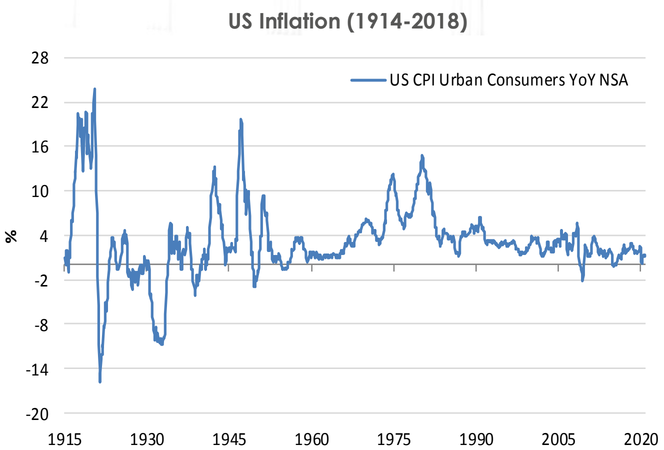
Deficit/Surplus

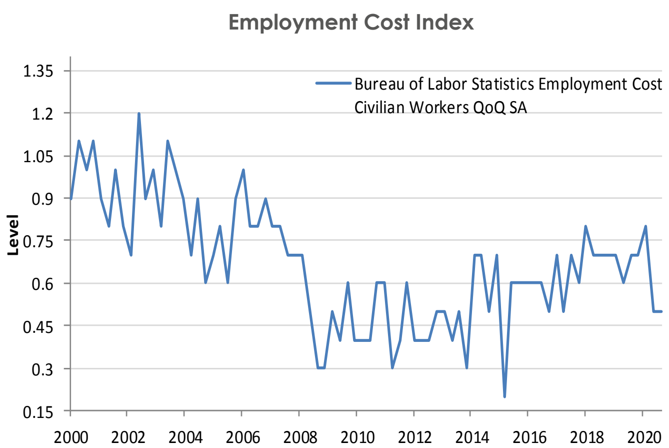


Graph sources: Bloomberg/BearBull Global Investments









Graph sources: Bloomberg/BearBull Global Investments

Rising government deficit and risks of structural depreciation of the US dollar

An increase in the US public deficit could have significant consequences in terms of financing the public debt if the Federal Reserve does not continue its policy of debt monetisation.

An unintended consequence of the health crisis was the extraordinary increase in the household savings rate, which jumped from 11% to nearly 20%. The risks of insufficient domestic savings to finance deficits have diminished but remain significant.

Financing is currently provided by purchases of US government debt by the Fed, European investors and capital inflows from emerging countries.

It is not certain that in a European context characterised by a need to finance Europe's own stimulus plans, Europeans will continue to buy US debt. Capital flows from emerging countries could also decrease. If the Fed maintains its policy of low key rates, it will have to continue its purchases of Treasury securities and finance future deficits, a potentially risky strategy for the dollar.

The increase in the yield differential with the euro and the franc, which is now 1%, is however favourable to the dollar.

Post-Covid debt financing implies further monetisation of new issuance

Given the scale of the health crisis, the emergency measures taken by the authorities were very quickly accompanied by offsetting financial compensation, which immediately increased budget deficits.

These have been largely financed by the Fed's asset purchases, with the corollary expansion of its balance sheet and the full monetisation of new issuance. In the exceptional context of 2020, the financing of these new liquidity needs was therefore provided primarily by the US central bank. The US Federal Reserve had thus increased the size of its assets by USD 3 trillion.

We estimate that in 2021 the Fed will not be able to adopt any other strategy than the one already implemented and will probably not stop adding new federal debt issues to its balance sheet any time soon. Long-term rates are therefore likely to remain under the influence of the Fed.

The Fed can only stay the course

For several months now, monetary policy has remained relatively stable, the key rates policy has remained unchanged, and asset purchases have been commensurate with financing requirements.

In the absence of any real acceleration in the US economic recovery, this situation should be considered the new normal. While on the short end of the yield curve the situation is unlikely to change for several quarters at least, the situation on longer maturities is a little more uncertain.

The evolution of long-term rates will essentially depend on the situation regarding financing needs, net new issuance and the Fed's capacity to absorb the latter.

The rise in long-term rates increases the relative attractiveness of the bond market

Over the past six months, US Treasury long-term rates have begun a gradual but significant rise. After reaching a low point of 0.54% in March, ten-year yields almost doubled in one week, rising to 0.985% before suffering further temporary weakness.

In recent months, the more positive economic outlook has again supported an adjustment in yields, which are again close to 1%. It is also important to note that risk premiums have fallen during this period, approaching historic lows and therefore no longer offering sufficient protection in our view.

The yield differential with the 10-year German Bund and Swiss government bond, which had fallen to a low of 100 basis points, is now again above 150 bps.

Dollar rates have thus become more attractive to European and Swiss investors, even though yield spreads remain lower than they were at the beginning of the year. This adjustment could strengthen the interest of non-resident and domestic investors. These recent developments show that long-term rates may well tighten, even as the Fed continues its purchases.

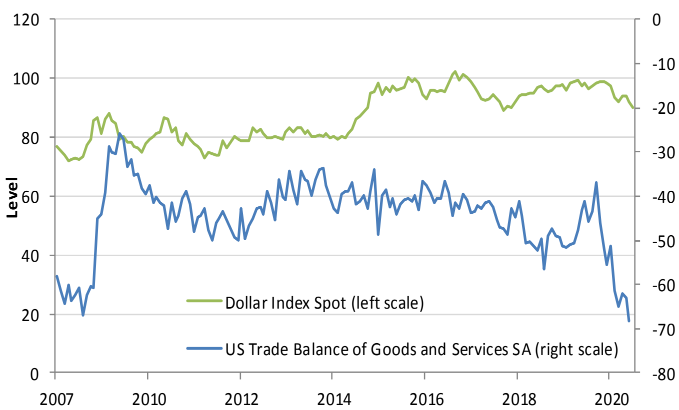
Without the Fed's intervention, it is likely that ten-year Treasury yields would already be close to 2% given the solid economic recovery expected in 2021, unlimited money creation and a possible rise in expected inflation. The November CPI index was only 0.2%, for a yoy inflation rate of +1.2%. The pressure on prices is obviously modest, but expectations are already at +2.8% for the next twelve months.

Exceptional rebound in corporate profits

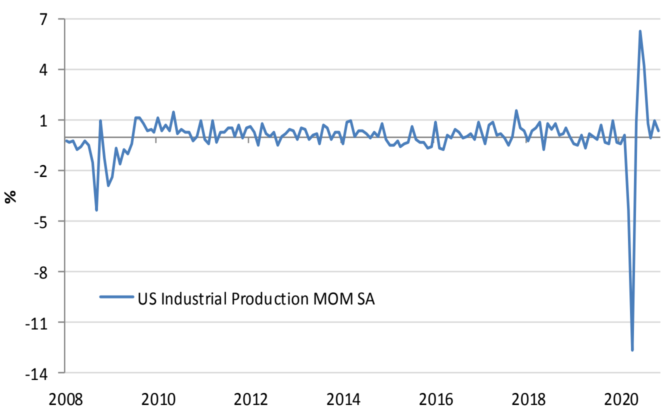
After two quarters of declining profits of -10.3% and -12%, respectively, the latest GDP figures suggest that US companies saw their profits jump by +27.1% (annualised). The end of the drastic lockdown measures and the broader reopening of economic activity in the US has indeed allowed American companies to regain positive economic momentum and return to profits.

The yoy increase in corporate profits is approaching 500 billion. The resurgence of domestic demand and the cost reductions resulting from the massive layoffs in the first two quarters of the year have supported this earnings recovery. Gross domestic income also jumped by +25% after a -32.6% drop in the previous quarter. Valuation levels remain high, however, at 21x expected earnings for 2021, projected to rise.

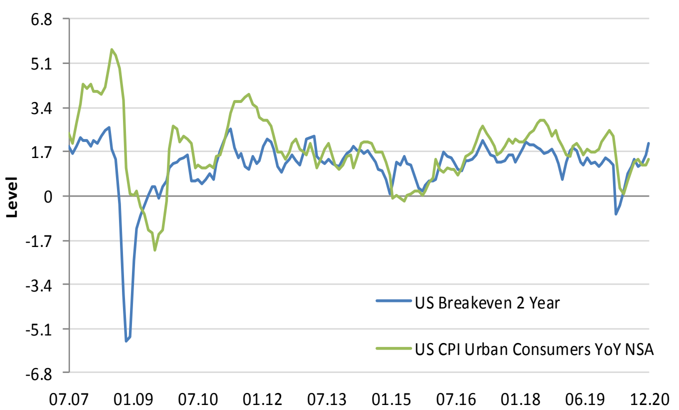
US Trade Balance of Goods and Services



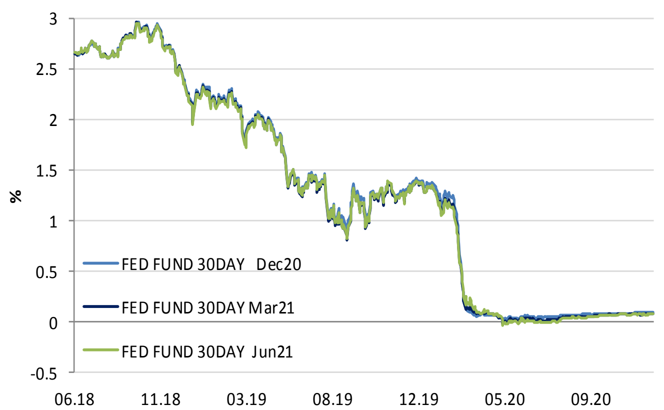
US Industrial Production



US Expected Inflation and CPI

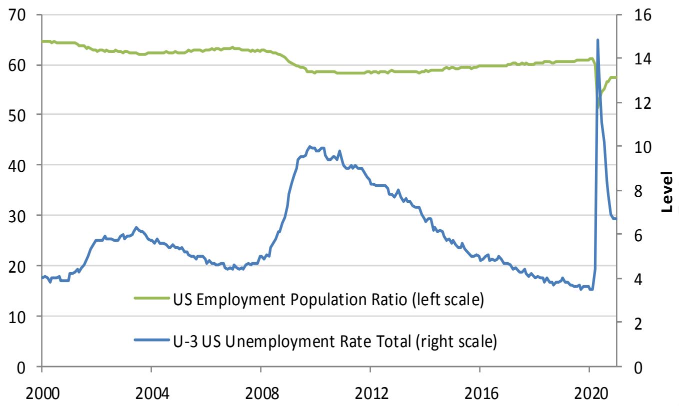


Fed Funds Futures

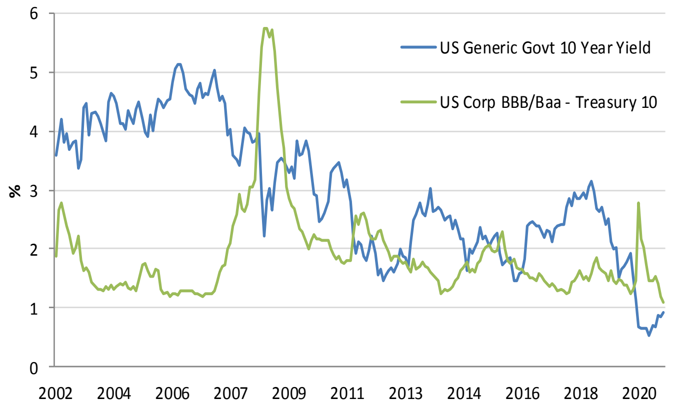


Graph sources: Bloomberg/BearBull Global Investments

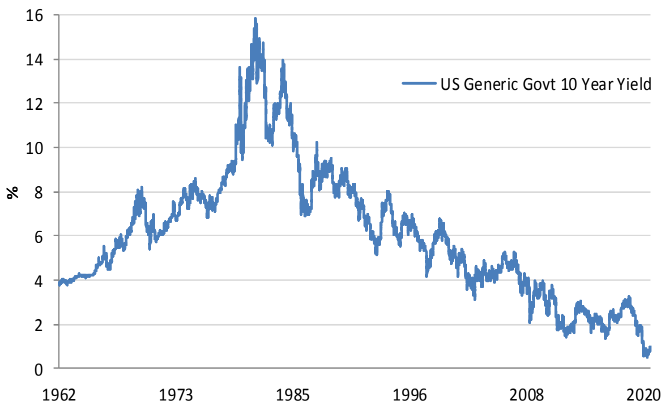
US Unemployment rate and Employment Population Ratio



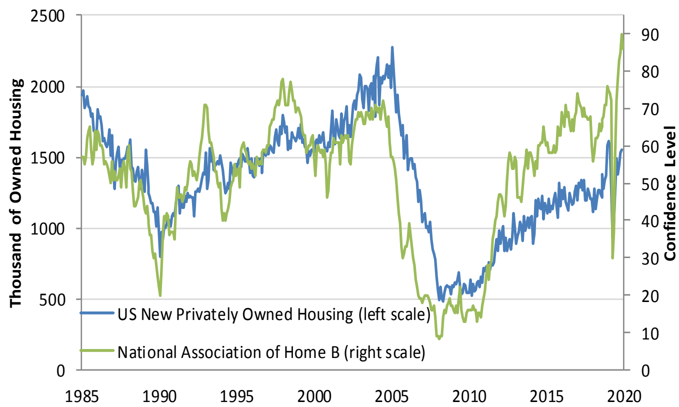
Yield spread Us Treasury - BBB 10 year



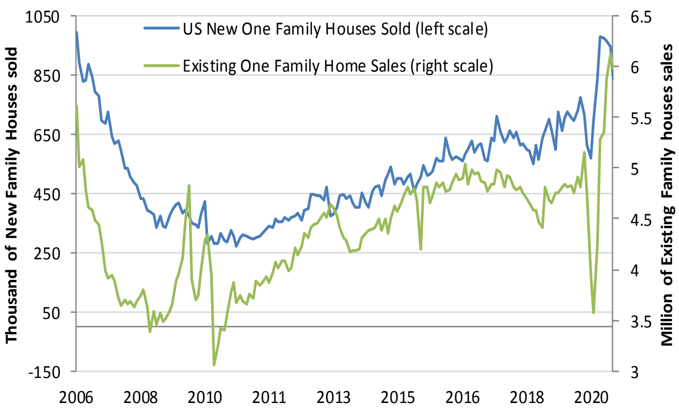
US Government Bonds 10 year yield



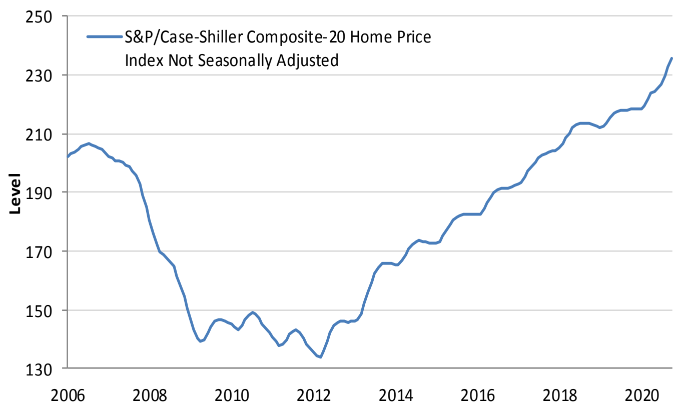
US New Privately Owned Housing and NAHB USA



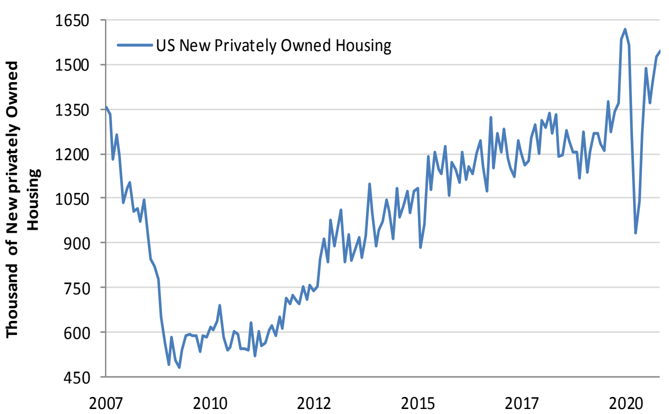
Sale of US New and Existing Family Houses



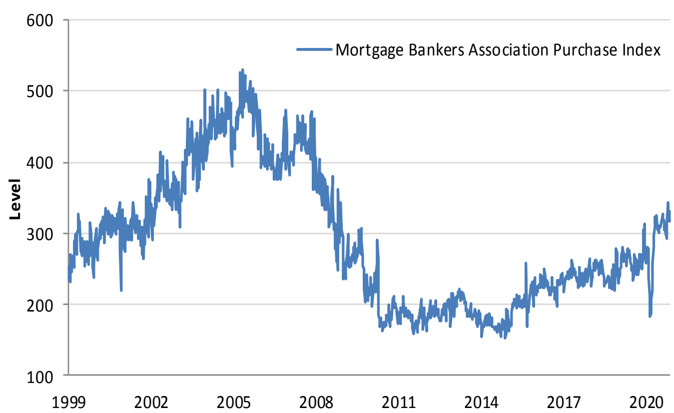
Real Estate Prices - S&P Case-Shiller Index



Housing Starts



New Mortgage Applications - MBA



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Switzerland

- Swiss GDP surged by +7.2% in Q3
- Switzerland has better been able to withstand the Covid-19 shock
- Further consolidation of Swiss equities
- SNB assesses the desirability of a digital franc

Swiss GDP surged by +7.2% in Q3, almost making up for the -8.6% drop at the end of June

The State Secretariat for Economic Affairs (SECO) published Q3 2020 growth figures for our country, which show that GDP (seasonally adjusted) rebounded by an extremely satisfactory +7.2% after declining by -7% in the previous quarter and by -8.6% cumulatively over the first six months of the year.

The Swiss economy thus erased the contraction of the previous quarter and could well end the year on just the slightest annual decline. To date, the size of the Swiss economy as expressed by seasonally adjusted real GDP is only 2% below its year-end 2019 level.

Domestic demand (+11.9%) clearly bolstered this economic rebound. The Swiss economy was already showing strong resilience to the crisis by international comparison, but this quarter it also proved that it is capable of rebounding strongly when international conditions permit. After recording its sharpest quarterly decline since this statistic was first published in 1980, it achieved its best result ever this quarter.

By international comparison, Switzerland thus appears to have been much more resilient to the crisis and the generalised recession caused by the protective measures taken by governments and health authorities.

Domestic demand is surprisingly strong

During the quarter, most of the components of GDP posted positive contributions with the exception of the finance and insurance component, which fell very slightly by -0.1%. The measures to lift the lockdown and normalise activity logically benefited sensitive sectors such as accommodation and catering, as well as sectors linked to recreational activities, which rebounded by +72.9% and +61.9% respectively during the summer period.However, these encouraging upswings are not enough to reassure because, compared to the same quarter in 2019, the drop in activity is still of -24.8% and -7.9%, respectively. Despite the easing of health measures, tourism in Switzerland has remained severely affected by the pandemic and travel difficulties.

Domestic demand thus progressed mainly thanks to the renewed dynamism of private consumption, which rose by 11.9% and was thus much stronger, to the point of erasing the -8.1% fall of the previous quarter and the -4.1% fall in the first three months of the year. Compared with the same period in 2019, it is still slightly lower by -1.1%. Investments in capital goods (+8.8%) and construction (+5.1%) were able to resume and led to a joint increase of +11.9% in imports of goods.

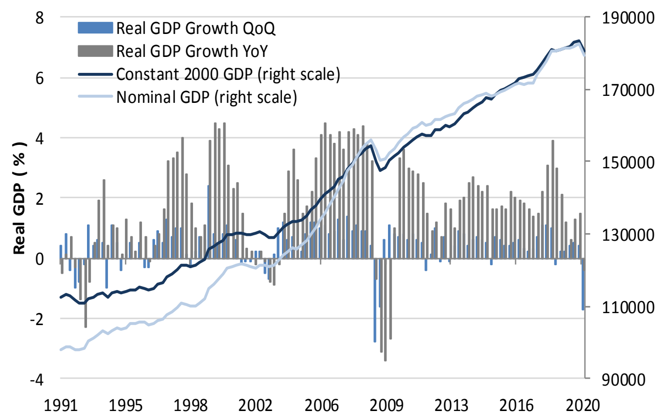
The sectors sensitive to international economic conditions are still struggling to recover from weak external demand, but the recovery in exports of goods (+6.9%) is encouraging and also helps support production and the manufacturing industry, up by +8.6%. Merchandise exports had declined by -7.9% in Q2, so the recent recovery is appreciable, since Swiss exports are up slightly by +1.8% yoy. The situation is more difficult for service exports, which rose slightly by +1.4% after a fall of -15.4% at the end of March. The sector thus remains significantly down (-19.3%) yoy.

Switzerland has better been able to withstand the Covid-19 shock

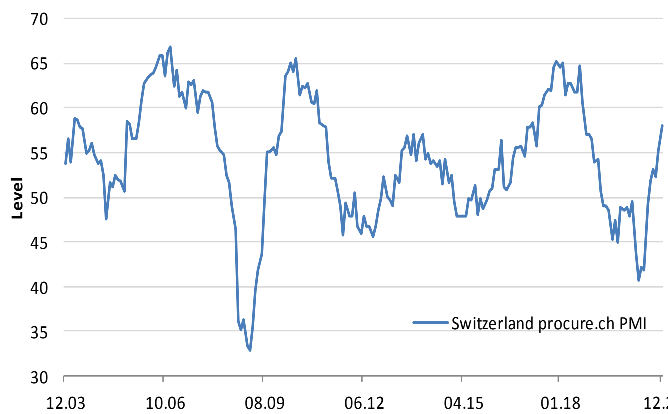
By international comparison, the 7.2% rebound in Q3 in Switzerland (-7.0% in Q2) seems more modest than in other countries such as Germany, whose +8.5% rebound follows a -10.1% decline in Q2.

However, over nine months, Swiss GDP is much closer to its year-end 2019 level than the vast majority of developed countries. China is an exception with GDP growth of +3.24% since the beginning of the year, but Switzerland has also achieved an excellent result, ranking first among industrialised countries.

Nominal GDP - Nominal and Real GDP Growth rate

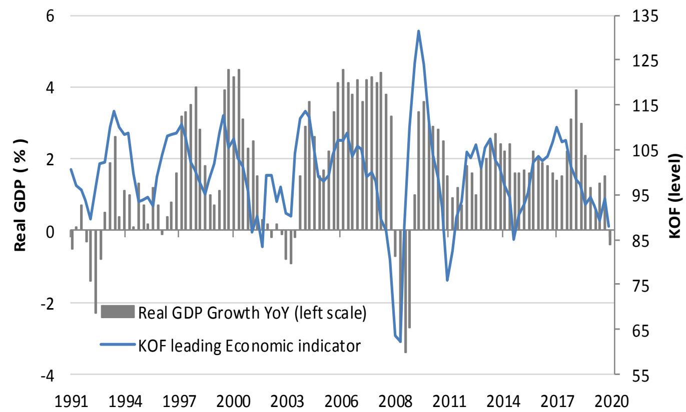


Swiss Purchasing Manager Index (PMI)

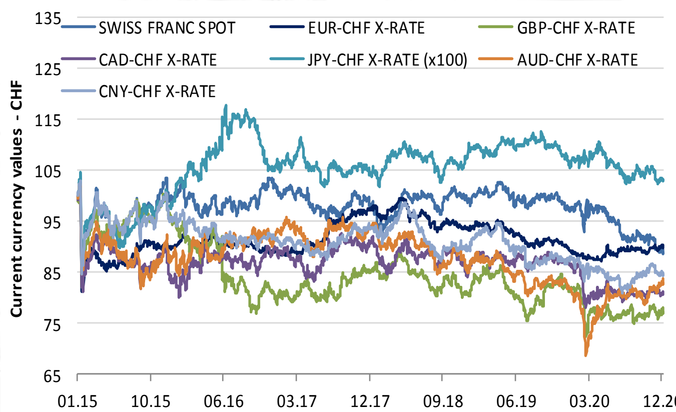


Graph sources: Bloomberg/BearBull Global Investments

Real GDP Growth YoY - KOF leading economic indicator



CHF Exchange rate (Normalized at 100)



With an impact for the moment limited to -2%,the Swiss economy is showing exceptional resilience and is almost twice as strong as that of the US (-3.49%), Germany (-3.99%), France (-3.72%), Italy (-4.71%), Spain (-9.06%), Japan (-4.19%) and the UK (-9.68%).

Growth prospects in Switzerland for the last quarter seem a little better, which could further increase the differentials observed at the end of September.

Positive growth at the end of the year and favourable outlook for 2021

The GDP figures published for Q3 surprised observers favourably by clearly exceeding the consensus forecasts. A continuation of this positive trend in Q4 could even allow FY2020 GDP to balance out. Most leading indicators have strengthened and still suggest a favourable trend for our economy over the winter. GDP could approach +1.5% in Q4 and exceed +2.5% in 2021.

The manufacturing PMI index for December (58) strengthened quite significantly above the theoretical growth threshold (50), while the services PMI logically suffered the negative impact of the new health restriction measures and slipped from 50.4 to 48. The manufacturing sector now seems to be on a new and probably more solid trend, supported by the order book component, which is proving to be even stronger (59.7), thus boosting the outlook for a gradual and sustainable recovery in activity.

As for the KOF leading indicator, which had collapsed from 101.7 in February to 49.5 in May, it has since stabilised above 100 and strengthened further in December to 104.3 and remains on a positive level all the same.

Consumer confidence is relatively stable at -12.8, close to its pre-Covid level. It is supported by a still low unemployment rate (3.2%), a reassuring economic recovery and better health prospects due to the forthcoming availability of vaccines.

SNB maintains a different course from that of the major central banks

The SNB has not changed its monetary policy, unlike the other major central banks, which have been more active in supporting the economy of their respective countries by strengthening their government debt purchase programmes in particular.

Foreign exchange reserves have risen slightly by around CHF 20 billion and now exceed the threshold of CHF 870 billion, significantly more than annual GDP. Renewed investor interest in the Swiss franc in October supported a 1.06% appreciation of the franc, which was quickly countered by a -1.5% decline in November.

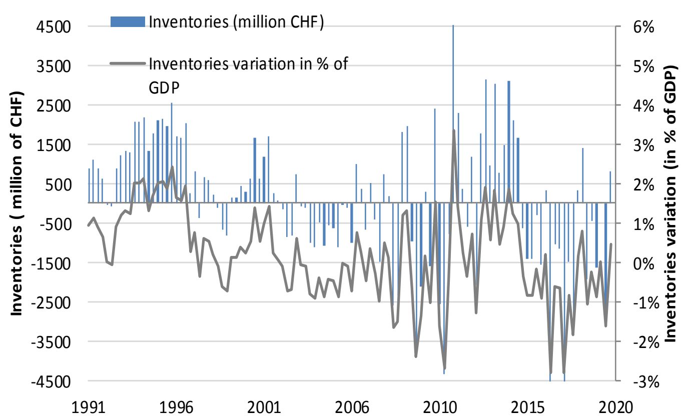
Key interest rates remained unchanged in Switzerland, and the SNB is staying the course by curbing any appreciation of the franc against the euro.

The end of the crisis is approaching and is likely to be conducive to continued depreciation of the franc, which started in mid-May already against the European currency when the exchange rate reached 1.05 francs to the euro.

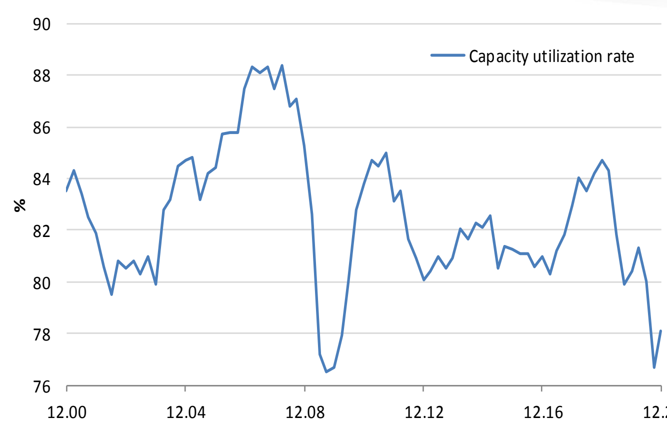
The Swiss franc did rather well in the uncertain international economic environment during the pandemic, but we believe that a return to normality in 2021 is likely to have a different impact on the demand for Swiss francs.

An improvement in the situation in Europe, particularly in terms of taxation, is likely to allow the euro to appreciate against our currency in the longer term. Overall, investors' risk appetite will increase in 2021 and will be unfavourable to the Swiss franc, whose short-term yield is still the lowest in the world.

Inventories - variation in % of GDP



Capacity utilization rate



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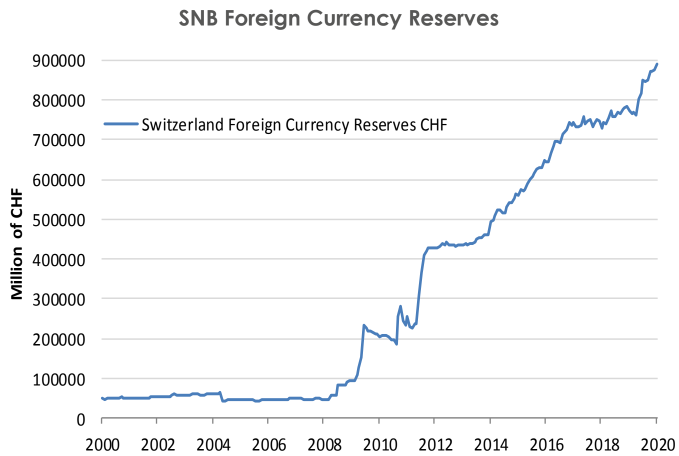
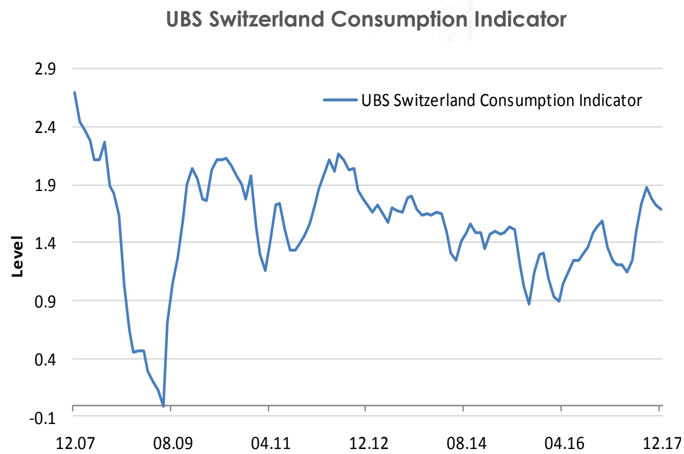
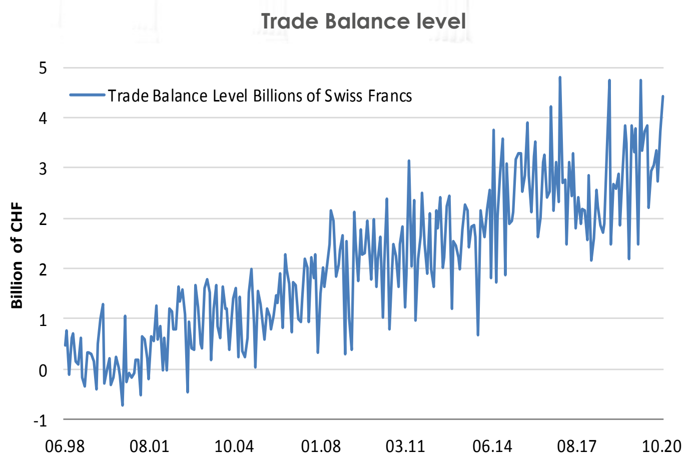
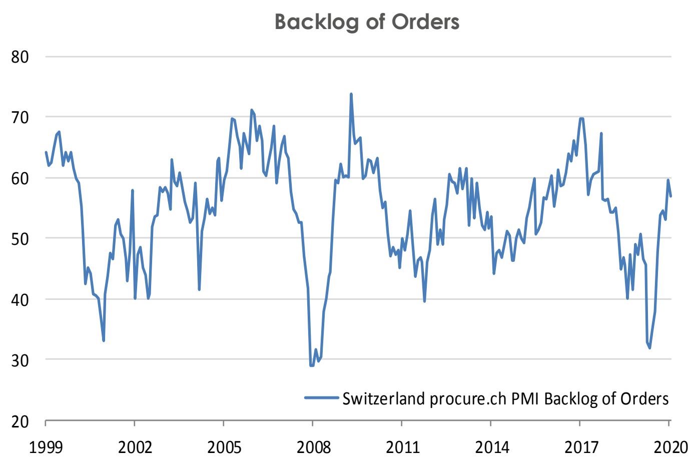








Graph sources: Bloomberg/BearBull Global Investments

The SNB still considers the Swiss franc to be overvalued, and its tolerance for any appreciation of the franc remains low. It has mostly acted to counter such a rise against the euro, but it could also ultimately decide to act to limit its appreciation against the US dollar if such appreciation were to become more likely.

Switzerland's economy at the end of the health crisis clearly seems better positioned than that of many of its economic partners. Switzerland's recovery in 2021 could benefit greatly from that of Germany and Asia in particular.

However, we do not consider this to be a decisive factor in the near-term for the Swiss franc, which is expected to weaken in 2021 against most major currencies. In terms of purchasing power parity (PPP), the franc is probably still overvalued by 10% to 15% against the euro. A rise of the euro beyond 1.15 is therefore possible in 2021.

SNB assesses the desirability of a digital franc

The Swiss National Bank recently announced that it had conducted an experiment to test the effects of introducing a digital Swiss franc into the Swiss financial system. This experiment, conducted in conjunction with the Bank for International Settlements and the financial infrastructure operator SIX, was to test the link with the interbank payment system.

A test of the introduction of digital money on a blockchain platform was also carried out to provide oversight. The SNB is not alone in testing the use of digital currencies around the world. At this stage of the experiment, the SNB noted that major obstacles in terms of policy and governance need to be investigated.

Will the special situation for Swiss yields soon come to an end?

Interest rates in Swiss francs did not remain insensitive to changes in international risk parameters. The correlation between the Swiss market and other developed capital markets remained positive, but while in the US and the euro zone in particular central banks were particularly active in steering the yield curve, in Switzerland the SNB remained comparatively inactive.

While central bank action in the US and the euro area clearly maintained and reinforced the downward pressure on yields, the lack of SNB intervention in Switzerland left market forces free to find an equilibrium. De facto, the Confederation's 10-year yields remained rather stable at around -0.45%, with the exception of the short period of volatility observed in Q1.

The risk premium between BBB and 10-year Swiss Confederation bonds has steadily declined from 2.46% to only 0.99% and is perhaps already close to its absolute low point. The growth prospects for Swiss GDP in 2021 would justify a significantly higher yield for Swiss franc bonds.

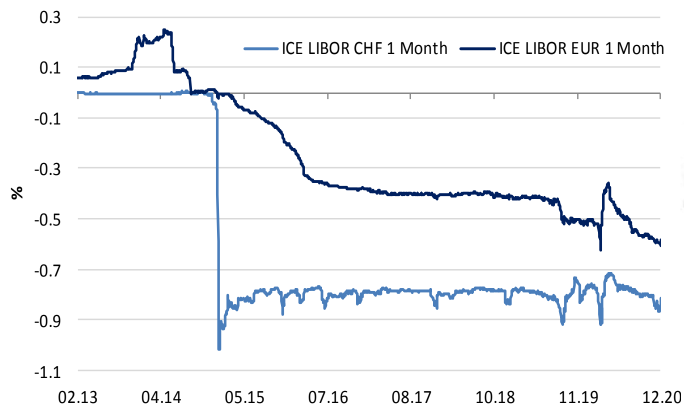
However, interest rates in Switzerland will probably only start to increase significantly once it becomes clear to investors that central banks' steering of artificially low long-term interest rates is nearing its end. The immediate risks of a rise in interest rates are relatively small in Switzerland, but so are the opportunities.

Further consolidation of Swiss equities

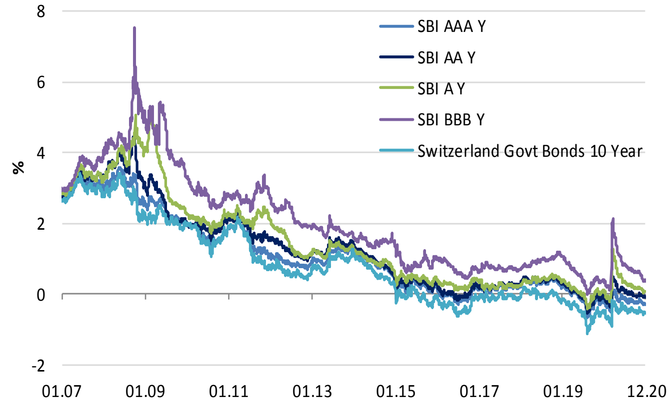
While at the end of March, the extreme pessimism of the investment climate seemed to us to offer an opportunity for repositioning at reasonable valuation levels, the current level of the Swiss stock market, on the contrary, obliges us to suggest renewed caution. The rebound in the Swiss market had been rapid, but for the past six months the levels of the SMI and SPI indices have been similar to those prevailing in January. Earnings expectations for 2021 are around +10%, bringing 2021 PE valuation levels to 20x. These SPI valuation levels are historically rather generous, but in a context of abundant global liquidity it is not inconceivable that current trends will continue. However, we believe that some temporary weakness is more likely before a resumption of the upward trend in 2021.

BearBull Global Investments Group

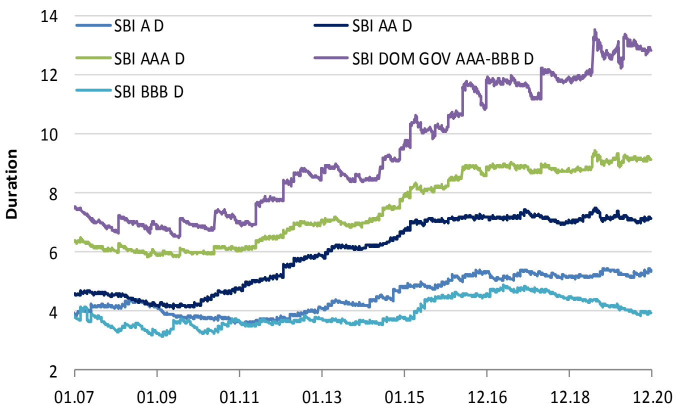
Libor spread rates 1 month



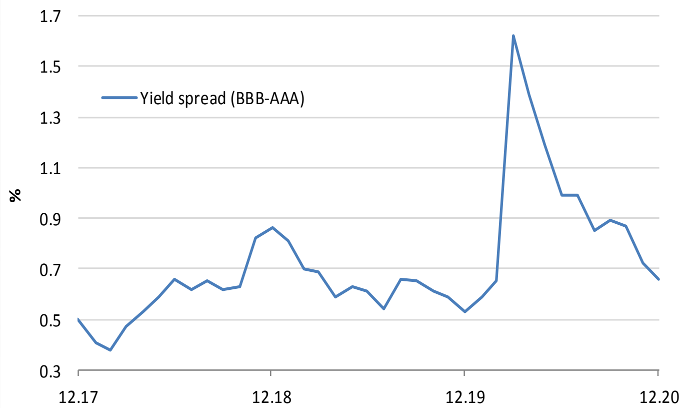
Yield (Government, AAA, AA, A, BBB)



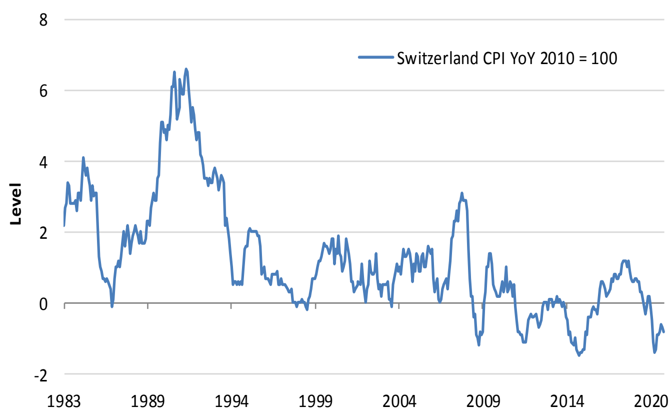
Duration of Swiss bonds



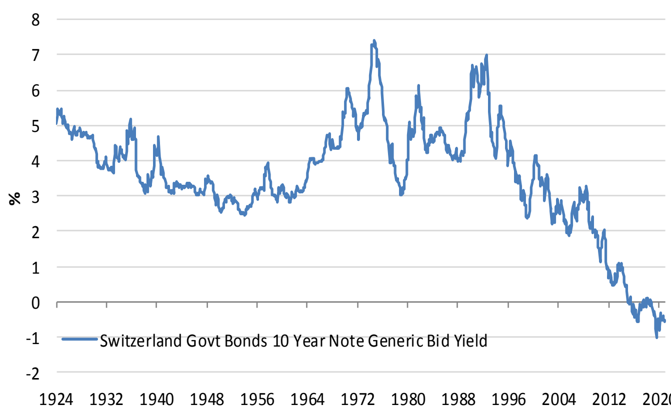
Yield spread



Inflation CPI

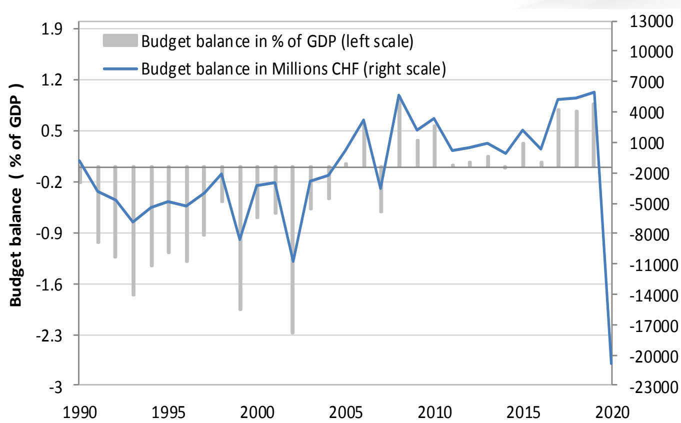


Government Bonds 10 year yield since 1924



Switzerland Government total debt

Switzerland Budget Balance



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Eurozone

- EU will finally be able to distribute 750 billion in Covid relief funds
- ECB remains expansionary and reassuring
- Brexit will be effective with or without an agreement as of 31 December 2020
- Strength of the euro puts it back in the 1.20-1.30 fluctuation band

End of 1st element of suspense: EU will finally be able to distribute 750 billion in Covid relief funds

In July 2020 the 27 members of the European Union adopted a massive EUR 750 bn recovery plan aimed at countering the effects of the health crisis on the economies of EU countries, but the vetoes of Poland and Hungary quickly blocked the implementation of this much-needed recovery plan. The Brussels summit on 10 December finally helped lift these two vetoes thanks to the efforts of the German Chancellor, who holds the EU presidency for just a few more days. Unfortunately, it took almost six months to unblock the situation and start supporting the countries and economies most affected by the health crisis.

The recovery plan called "Next Generation EU" was supposed to finally enable the European Commission to borrow EUR 750 billion in the financial markets on behalf of its member states. This plan was intended to finance the reconstruction of European economies affected by the Covid-19 crisis by preparing the European economy overall for the challenges of the 21st century.

The plan comprised a grant component (EUR 312 billion) and a traditional borrowing component (EUR 360 billion). A further 78 billion was earmarked for the European budget (2021-2027) and for the React-EU, Just Transition Fund and Horizon Europe programmes. The bulk of the funds was to be distributed in 2021 and 2022. Italy (65.5 billion) and Spain (59.2 billion) were to be the main beneficiaries of the plan, ahead of France (37.4 billion) and Poland (23.1 billion).

Both Poland and Hungary had initially refused the agreed-upon conditions for granting support funds, which concerned in particular compliance with the rule of law as well as guarantees in terms of corruption and judicial independence. The 27 therefore seem to have reached an agreement, but we will still have to wait for ratification by the European Parliament and the parliaments of each member state. It is thus not clear that uncertainty has completely abated.

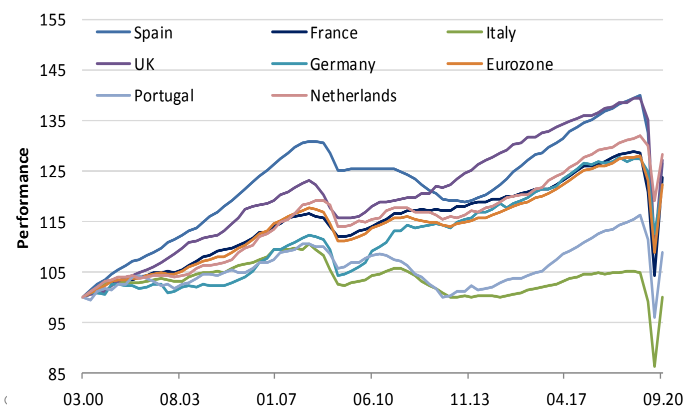
Furthermore, in the best-case scenario, the funds will be released only from the middle of next year. In the meantime, Poland and Hungary may still decide to challenge the agreement before the European Court of Justice. Thus, the EU may well have to find another way to deal with the appeals that these two countries are likely to file in January, which could delay the implementation of the scheme until 2022 or even 2023. There is therefore a good chance that, in 2021, the EU will decide to move ahead with 25 of its members without waiting any longer for a definitive agreement from the two recalcitrant countries in order to finally support their economies and put the recovery plan into action at last.

End of 2nd element of suspense: Brexit will be effective with or without an agreement as of 31 December 2020

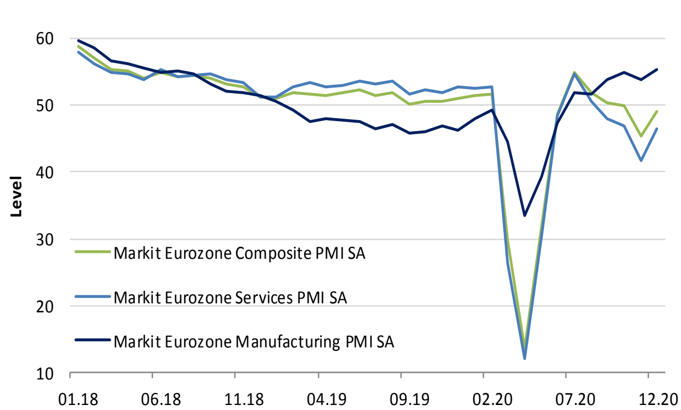
A few days away from the ultimate deadline, the horizon has finally clarified thanks to an agreement obtained in-extremis. The President of the European Commission suggested in mid-December that some progress had been made that would allow for a last-minute agreement, and this is indeed what happened. The issue of respect for fair competition between the UK and the European Union was crucial and was resolved by a commitment by the British to accept a "non-regressive" clause covering environmental, social and fiscal areas. The UK has agreed to undertake to comply with the standards in force at the 1 January 2021 without being tempted by deregulation and possible unfair "dumping" from the European point of view. An agreement also seems to be on the way, which would allow the settlement of future disputes between the two parties through measures of compensation that may be taken unilaterally by the Union European in case of non-compliance by the British.

The question of fishing, without being decisive in terms of the will find a pragmatic solution that can be applied to the satisfaction of both parties.

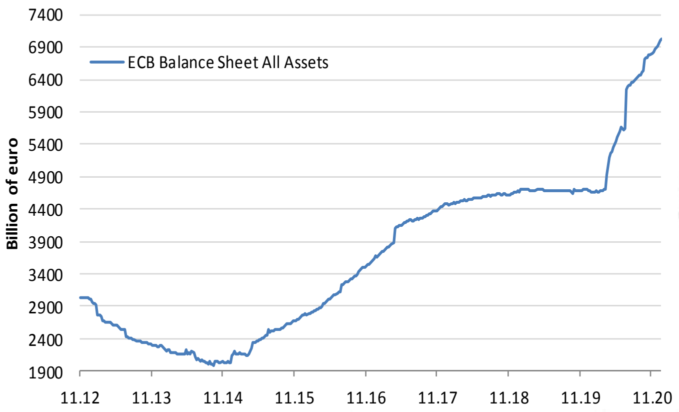
GDP Growth - Eurozone



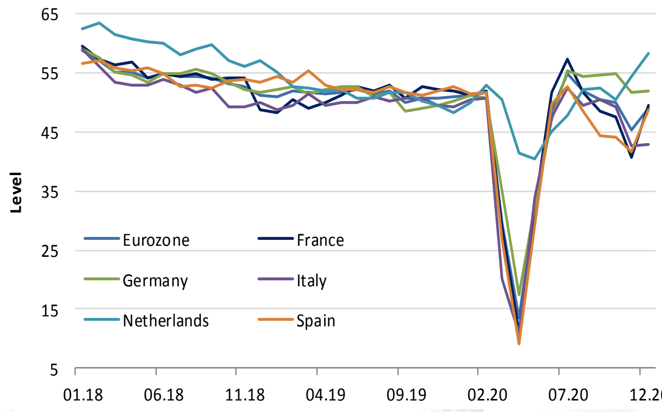
PMI (Manufacturing, Services and Retail) - Eurozone



ECB Balance Sheet



Composite PMI



GDP rebound will likely be followed by a contraction in Q4

European GDP bounced up by +12.5% in Q3, erasing a good portion of the fall recorded at the end of June. Unsurprisingly, Italy, Spain and France benefited more from the reopening of their economies during the summer than Germany (+8.2%). However, this excellent recovery is already being challenged by the second wave of Covid-19, which has hit European economies hard, forcing them to implement new lockdown measures before Christmas and New Year's, which are bound to weaken economic performance in the last quarter. New government restrictions are likely to plunge the European economy into recession towards the end of the year. GDP contraction could reach -2.5% in Q4 and settle at -7.2% for the full year 2020. Hopes for a lasting recovery are therefore postponed to 2021 when the risks of new lockdowns will be mitigated by the arrival of vaccines and the launch of campaigns to protect populations.

Over one year, European GDP might therefore fall by almost -8% before a possible recovery of +4.5% in 2021. In 2020, Spanish GDP will record the strongest decline (-12%), while France and Italy's GDPs will fall by -10%. Germany, on the other hand, is expected to better withstand the crisis and record a decline of only -6%, supporting the European economy as a whole.

ECB remains expansionary and reassuring

The ECB also wanted to reassure the financial markets by clearly announcing that a new stimulus would be implemented to counter the negative economic impact of the second wave of Covid-19, which is affecting the whole of Europe at the end of the year. The bank stressed that the PEPP (pandemic emergency purchase programme) and TLTROs (targeted longer-term refinancing operations) had demonstrated their effectiveness and would therefore remain its preferred tools for steering monetary policy. It therefore logically increased the PEPP, announced in March, which covered a potential volume of EUR 1,350 billion, and its long-term refinancing operations (TLTRO-III). The PEPP will be increased to EUR 1.85 trillion and will be extended for 9 months. As for TLTRO-III, financing terms will be further eased by extending the period by 12 months. The ECB has adjusted its growth target for Q4 to -2.2%, to -7.3% for 2020, and to +3.9% for 2021.

It has also lowered its inflation expectations for 2021 from 1.3% to 1.1% and anticipates a return to normal conditions by the end of 2021. The message is clear: the ECB has the resources to effectively combat further economic slippages. The markets are likely to view these announcements as positive and as a form of insurance against the persistence of some Covid-19 risks in 2021, despite the scheduled start of vaccination campaigns. Moreover, there has been no further rate cut to potentially counter the strength of the euro.

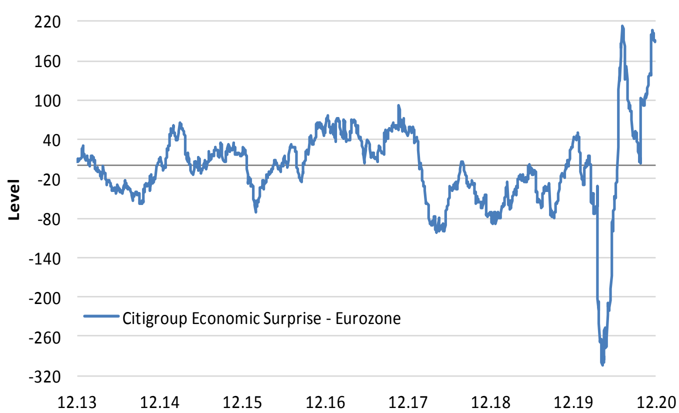
How far can risk premiums go down in the Eurozone?

The PEPP has been operating for several months and is effectively driving the evolution of sovereign bond yields in Europe, which have been falling steadily since mid-March and are now sinking deeper and deeper into negative territory.

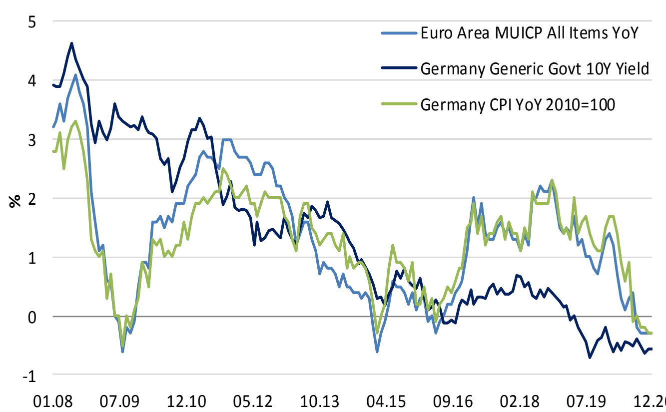
The 10-year Bund yield is again at its lowest level (-0.63%) since mid-March, similarly to French (-0.4%), Italian (+0.55%) and Spanish (0%) government yields, for example.

The yield spreads between European sovereign debtors are thus once again close to those prevailing before the outbreak of the Covid-19 crisis. Risk premiums in euro bond markets have contracted and already reflect to a large extent the new European paradigm resulting from the mutualisation of debts. The low risk premiums for Italian (1.18%) and Spanish (0.63%) debt now leave little room for further price increases unless a target similar to the current premium in France (0.23%) is considered.

Citigroup Economic Surprise Index - Eurozone

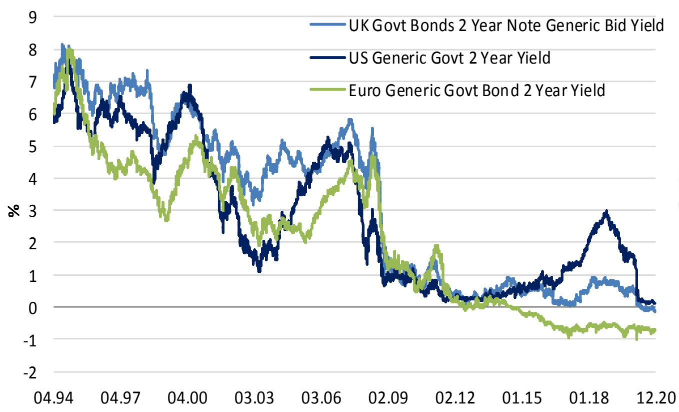


10 year Government Bond yield - CPI

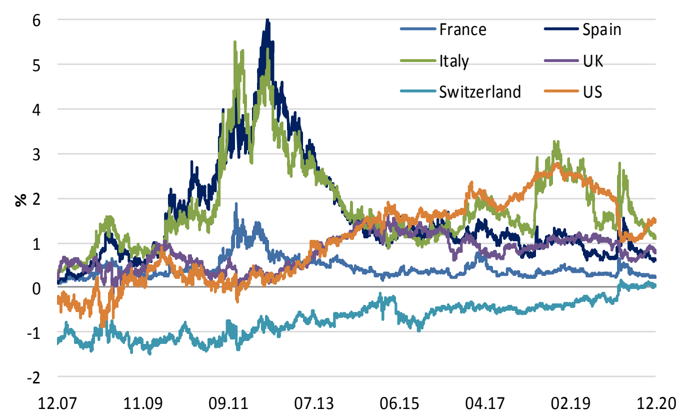


Graph sources: Bloomberg/BearBull Global Investments

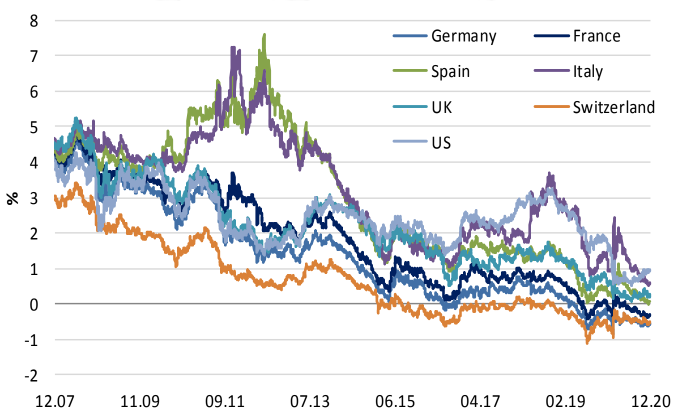
2-year Government Bond yield (US, Euro, UK)



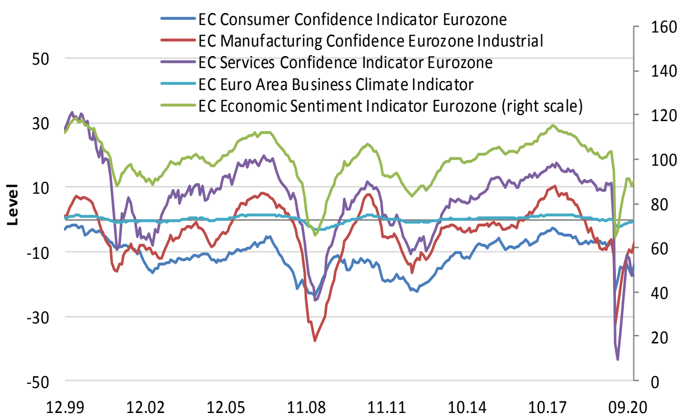
Risk premium - Government vs. Bund



10-year Government Bond yield



Economic Confidence Index



Graph sources: Bloomberg/BearBull Global Investments

Strength of the euro puts it back in the 1.20-1.30 fluctuation band

The ECB also expressed its views on the strength of the euro against the dollar, noting in particular that exceeding the 1.20 threshold was a source of concern. The ECB is uncomfortable with the recent upward trend in the euro, which weighs in particular on imported inflation. Inflation has logically been declining since the beginning of the pandemic and could decline further during the second wave currently underway.

The measures to support the EU economy announced by the ECB on Thursday 10 December could have weighed on the European currency, which remains above 1.20. The ECB's warnings suggesting that it was not closing the door on a rate cut and that it was closely monitoring developments in foreign exchange markets had no effect. The euro/dollar exchange rate is therefore once again in a "natural" fluctuation or average value zone since 1999, when the euro was created. The weakness of the dollar, more than the strength of the euro, could however come to an end in January 2021, at least temporarily.

If, today, the outcome of the US presidential election casts doubt on the newly elected president's ability to implement his programme because of a divided Senate, it could be different if the last votes expected in January 2020 give the Democrats a majority. After a rise of nearly +5% at the end of the year, we believe that the Euro/USD exchange rate is more than likely to lose some momentum and return to a more horizontal trend in Q1 of 2021. While the monetary policies of the ECB and the Fed are relatively similar, with key rates close to zero and the steering of long-term rates through asset purchases, we believe that bond markets could move in different directions.

In this respect, while credit spreads on the short and long ends of the yield curve had already clearly narrowed between German rates and US Treasury yields in March, these spreads have now widened on the long end. The reconstitution of risk premiums in favour of US Treasury bonds seems to us to be an important element to consider that could support renewed interest in dollar investments and in the dollar itself from the end of the year. The ECB is therefore probably not wrong not to worry too much about recent developments favourable to the euro.

Return of short-term risks for European equities

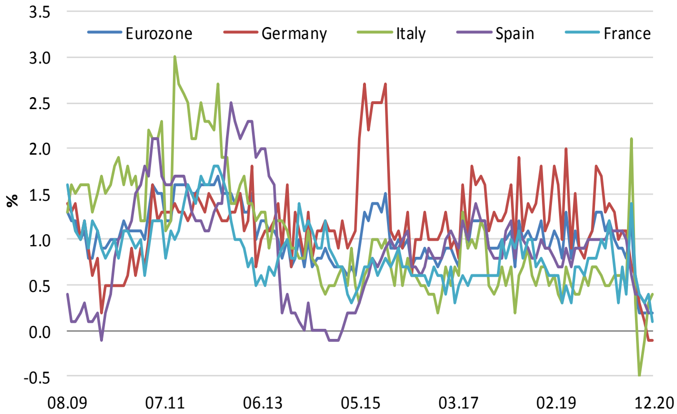
After the SX5E index rebounded by nearly +50% between mid-March and mid-July, European equities suffered profit-taking in the wake of the agreement reached in July on a EUR 750 billion European recovery package.

The expected decline of -15% that pushed European stocks down through the end of October was however followed by an extraordinary rally of the indices in November. This rebound enabled them to return to and surpass their July peaks in just a few days in the wake of renewed optimism linked to the outcome of the American elections.

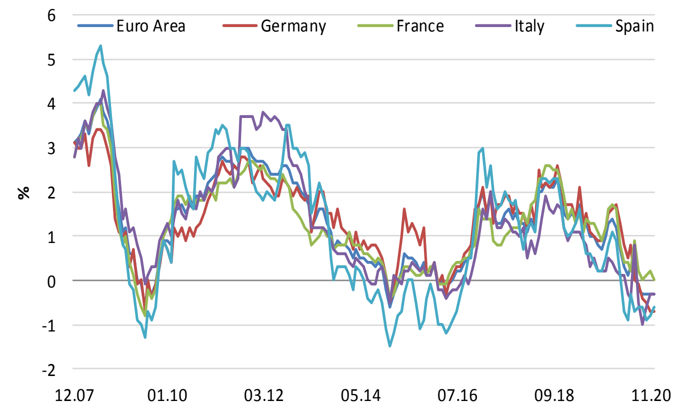
The economic upturn in Q3 also contributed significantly to this more positive stock market climate. However, as the year draws to a close, it is clear that the second wave of Covid-19 will once again have a negative impact on consumption and growth in Europe, as well as on corporate results. While 2021 is nevertheless looking brighter, valuation levels of nearly 23x earnings already seem generous and likely to generate temporary profit-taking.

We again recommend, temporarily, a somewhat more cautious exposure to European equities before we can expect a real recovery in activity and earnings growth in 2021.

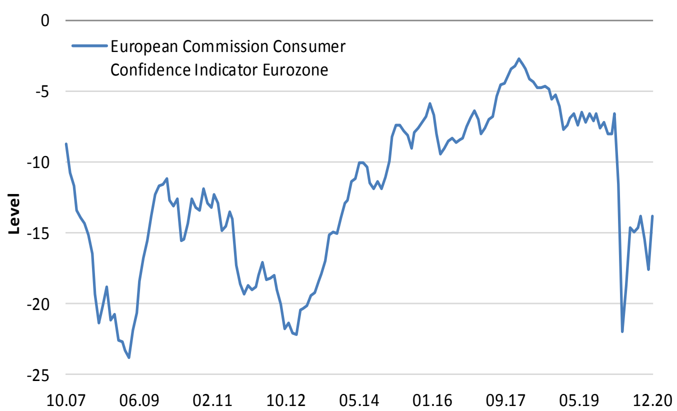
Eurostat CPI - Core Inflation (Eurozone, YoY)



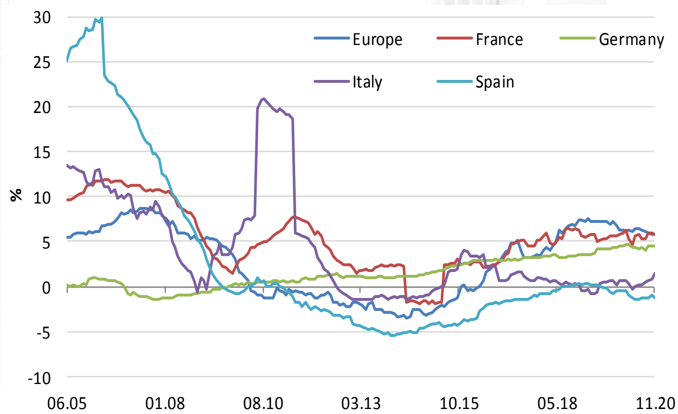
Eurostat CPI - all items (Eurozone, YoY)



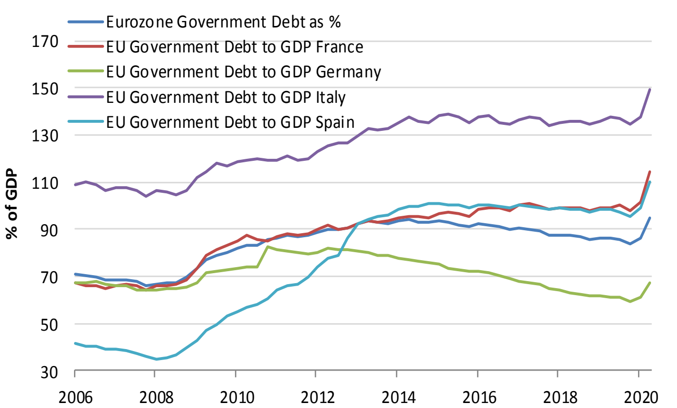
Consumer Confidence - Eurozone



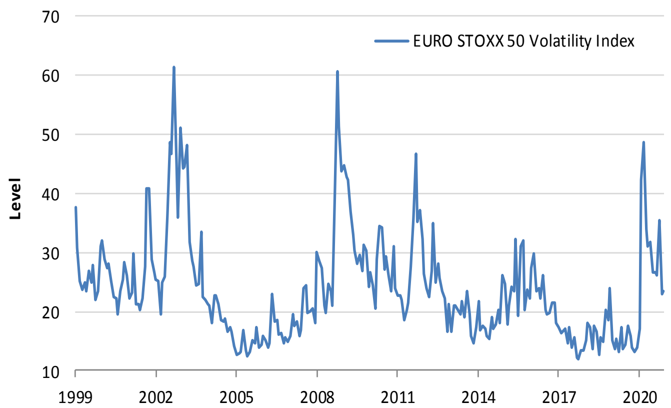
Loans to households (Eurozone - YoY)



EU Government Debt



Euro Stoxx 50 Volatility Index



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

United Kingdom

- Temporary rebound in GDP in Q3
- Confidence once again at an all-time low
- Leading indicators somewhat more circumspect
- BoE to increase its asset purchase programme rather than introduce negative rates

A few days were finally enough to avoid a Brexit without a disastrous agreement for the British.

The arm wrestling continued between the British government and the negotiators of the European Union, when they were left with no other virtually only a few days to determine the terms of a United Kingdom exit from the European Union in the December 31, 2020, failing which the divorce would be granted without agreement at the end of this transition period. A few days only to finally agree on the same issues. However, these discussions have been going on for months without success, all the more so as the positions of the parties could well remain frozen until the deadline expires, each waiting for the other to make a last minute gesture that would allow the dispute to be unblocked and resolved favourably. A nod to the randomness of the calendar, a few days ago, the Americans had voted a few days ago to put an end to their temptation. that brought Donald Trump to the presidency in 2016, but the British will unfortunately not have the opportunity to correct their protest vote of 2016 and could fear that they would certainly leave the European Union without an agreement in 2020 by accepting the still very uncertain consequences of this decision. Finally, an agreement on Brexit will have been obtained from accuracy avoiding an exit without negotiated conditions particularly negative for the British.

The United Kingdom and its people will only begin to feel the real effects of this decision on its foreign trade and on their lives in a few weeks' time, despite this agreement. daily. As of January 1, 2021, trade relations with the European Union, which amount to nearly 1'000 billion euros, will no longer be covered by the transition period expiring on December 31, 2020. The economic circles that had persisted in warning Prime Minister Boris Johnson that an exit without an agreement would be catastrophic for many companies that will have to face at the same time the Covid-19 crisis and new The European Commission will welcome this outcome, as it is the first time that the European Union has adopted regulations restricting their access to the European economic market.

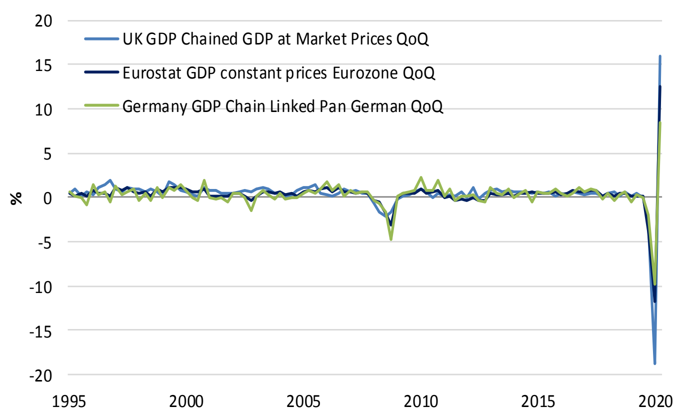
Central bank governor Andrew Bailey, for his part, had also once again in December stressed the negative effects of the new rules on the European economy. probable of a Brexit without an agreement on the British economy considered more destructive in the long term than the Covid-19 pandemic which plunged the country into recession and caused a contraction of the British economy. -11% of its GDP in 2020.

A few weeks ago, the EU seemed to be clearly outweighed by the British strategy, even if it is clearly nevertheless most probably wanted to find a positive outcome to the current confrontation. Today the situation is more serene thanks to this agreement. The European Union had indeed decided on 1 October to initiate legal proceedings against the United Kingdom following London's challenge to the Brexit Treaty, but it certainly hoped to negotiate an agreement, at least at the very least, that would allow both parties to find a way out of their differences. differences of position. The very last days of negotiations were indeed crucial, but the worst is never certain, and the position of each side was able to evolve favorably on the three major issues of governance issues, guarantees of fair rules for competition and fishing rights.

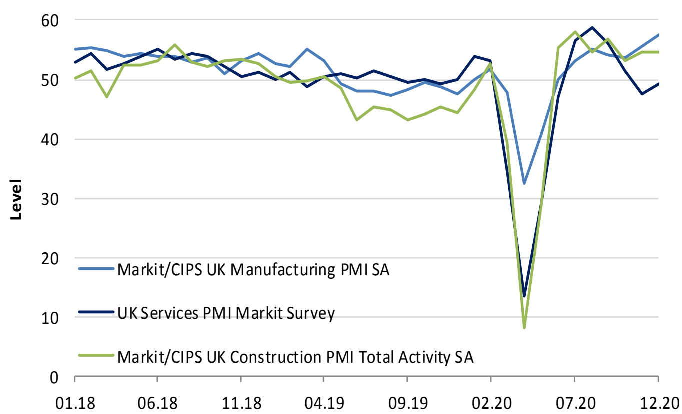
The fact remains that the first half of 2021 will most certainly be chaotic in the UK, whose preparation for the shock of leaving the EU is almost non-existent. We wrote on the evening of the June 2016 vote that the Brexit process was extremely complex and that, contrary to all expectations at the time, it seemed very clear to us that the road would be much longer and particularly difficult to navigate.

Four years later, the British government's lack of preparation a few days before the fateful deadline is shocking and extremely risky for the country's economy, which is preparing for a painful awakening on New Year's Day.

Quarterly GDP Growth - UK

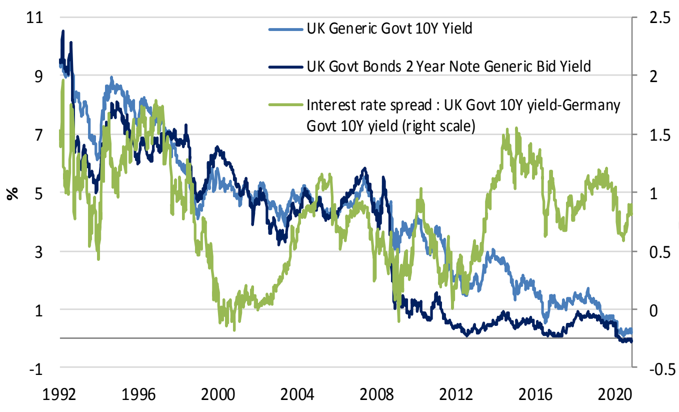


Manufacturing, Services and Construction PMI - UK

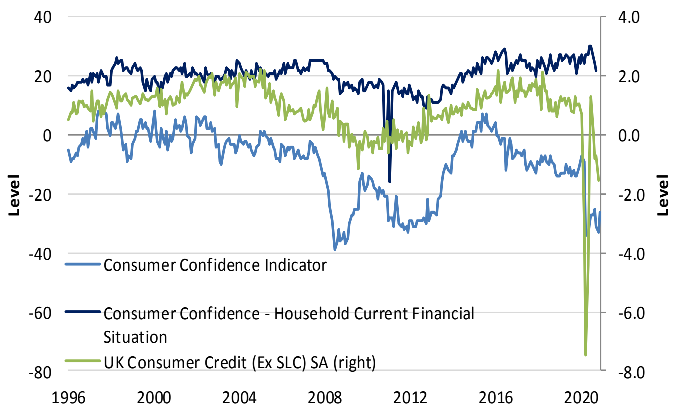


Graph sources: Bloomberg/BearBull Global Investments

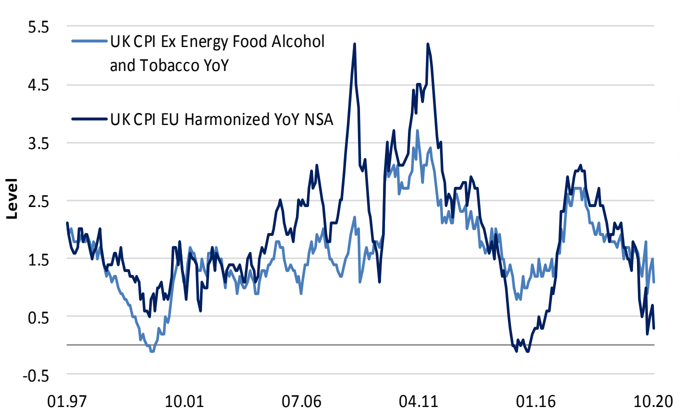
UK Government Bonds - 10 year and 2 year yield



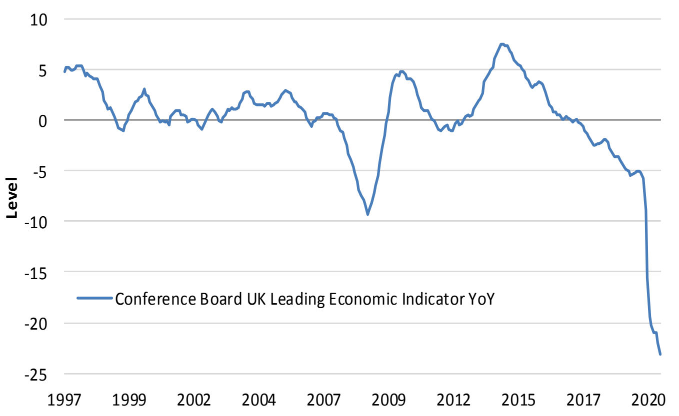
Consumer Confidence



Inflation CPI



UK Leading Economic Indicator



Graph sources: Bloomberg/BearBull Global Investments

Temporary rebound in GDP in Q3

The easing of government measures aimed at combating the pandemic had begun to reassure forecasters somewhat after July thanks to a +6.4% rise in monthly GDP, but in the following months already economic momentum slowed down noticeably. While GDP in Q3 did grow at an exceptional rate of +15.5%, the recovery was slower than in other industrialised countries. Moreover, the size of the British economy is still about -10% what it was before the pandemic. By comparison, GDP in most other industrialised countries is about -5% below December 2019 levels. The loss of momentum at the end of September with a barely +1.5% increase in monthly GDP before the implementation of a new lockdown, which is still in force, should therefore logically continue in Q4 of 2020.

Probable contraction of -2.5% of the economy in Q4

The upturn in Q3 was mainly due to a sharp rebound in domestic consumption, up 18.3%, but clearly the lockdown measures implemented in Q4 will throw a wrench into the recovery in household spending. Available figures concerning shop traffic suggest that at the end of the year it has been around 30% of last year's level. Nevertheless, retail sales increased very slightly (+1.2%) in October, which does not seem to predict an acceleration before the festive season. Retail sales fell by a further -3.8% in November, which does not seem to bode well for a desired recovery before the festive season. Consumer sentiment will certainly remain very mixed after the holidays, as suggested by the confidence indicator again close to the levels of extremely pessimistic. On the industrial production side, recent statistics still seem to point to a further slowdown in recent months with an increase limited to +0.5% below expectations. The construction sector is following the same path and is losing momentum with an increase of only +3% over the period. GDP is thus expected to contract by -2.5% in Q4.

Confidence once again at an all-time low

Consumer confidence remains extremely depressed and well below the average of the last five years. Households are increasingly worried about losing their jobs and are understandably concerned regarding unemployment's further rise to 4.9% in October, driven by 144,000 new redundancies during the month.

The economic situation in the UK and the confidence of economic agents are clearly linked to developments in the pandemic but also to the final conditions of Brexit.

Leading indicators somewhat more circumspect

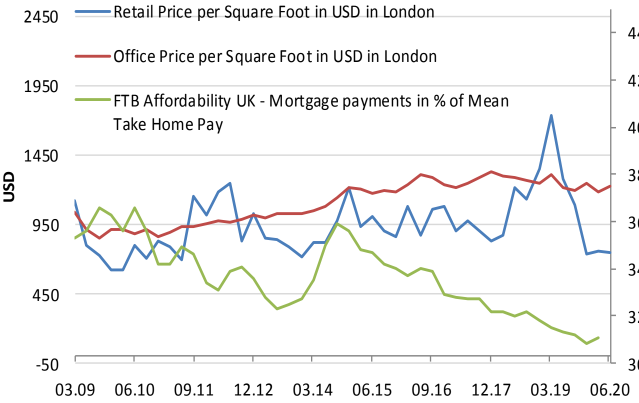
In this environment, the leading PMI indicators for services have finally taken into account the risks that threaten the British economy in the near term, slipping to 49.4, once again below the growth threshold after having shown excessive optimism in August (58) and September (56.1).

Enthusiasm remains present in the manufacturing sector, which increased further from 55.6 to 57.5 in December. A certain degree of caution is again apparent in the construction sector, which is nevertheless benefiting from a dynamism that contrasts with the general economic uncertainty.

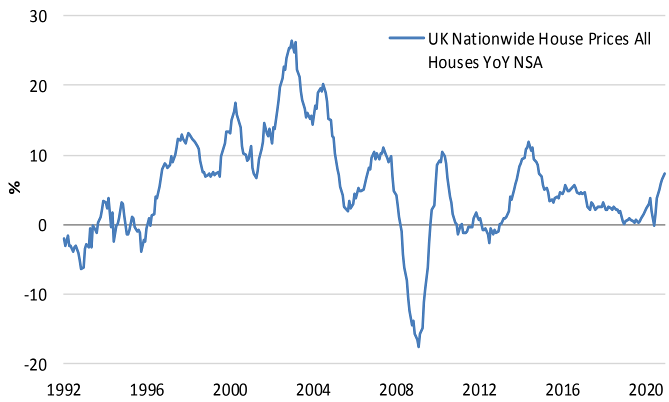
Property prices have risen for the fifth consecutive month, reinforcing positive sentiment regarding UK real estate, which rose by 0.9% in November and 6.5% year-on-year, the largest annual increase since 2015. The very positive trend in mortgage approvals suggests that house prices will continue to rise in the coming months, despite the uncertainty of Brexit.

The economic and political situation in the UK indeed remains particularly uncertain to this day, even with the agreement between the EU and the UK.

Housing Prices



UK Nationwide House Prices



BoE to increase its asset purchase programme rather than introduce negative rates

The BoE only has limited room for manoeuvre, in fact, as the year comes to an end. Indeed, the Bank seems rather unwilling to lower its key rates below zero, like Switzerland (-0.75%), Europe (-0.5%), Denmark (-0.6%) and Japan (-0.1%) have already done. It certainly does not consider this solution as the best option at its disposal until it can determine whether the financial sector is ready to support such a policy. Policy rates were lowered from 0.25% to 0.1% during the health crisis in March and have remained unchanged since then. Negative rates are likely to be among the options available, but it appears that the BoE will instead expand its purchase programme to act across the entire yield curve.

Slight rise in long-term rates

The weakening of economic momentum expected in Q4 will probably not impact long-term rates in sterling. Ten-year government yields have already neared zero twice in March and August in anticipation of the high level of risk to the UK economy.

Since then, they have gradually resumed a slightly upward trend. Ten-year yields could thus rise by a further 0.27% to 0.5% by the end of the year, which we believe is the probable short-term inflection point for UK yields. A more significant rise in the short term cannot be ruled out in the context of a no-deal withdrawal and subsequent weakness of the pound sterling in January 2021.

However, at these levels, the bond market still does not seem very attractive to us, and the risks of holding sterling bonds seem sufficient in this context to avoid taking positions in this market.

Likely return of pressure on the pound sterling

The pound sterling had stabilised slightly above its lows (0.94) for the year against the euro (0.90) pending the verdict of the negotiations with the EU and in an economic environment that seemed to be improving until September.

A Brexit without an agreement would probably have been a disappointment, but there has been little reaction since the agreement reached at the end of the year.

The start of the vaccination campaign announced for December 2020, significantly ahead of the other most advanced countries, will not fundamentally change the economic outlook.

The pound is unlikely to appreciate in this context and could, on the contrary, be an indispensable adjustment variable to the economic shock that is bound to occur at the beginning of 2021.

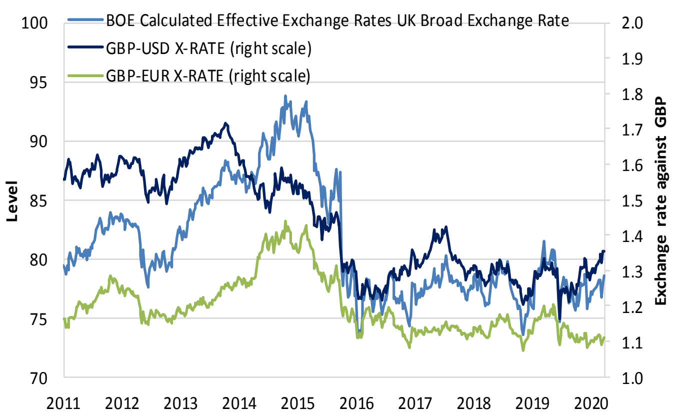
Short-lived catch-up of British equities?

British equities are still the worst performers (-19%) among the European markets in 2020 and have logically suffered from the lack of economic visibility for 2021.

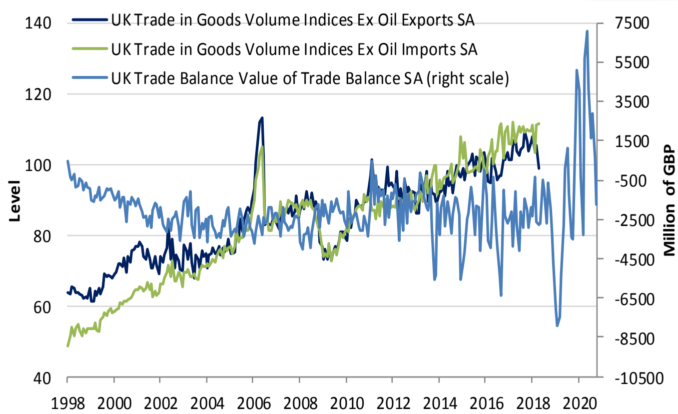
The still optimistic stock market climate at the end of the year could, however, allow British stocks to perform well by taking advantage of the more attractive valuations that we were already seeing a few weeks ago.

The FTSE100 index is still trading at just over 14x expected earnings for 2021 and at a 17% discount to the Eurostoxx 50. This favourable valuation difference could soon benefit UK equities, albeit temporarily.

UK Effective Exchange rate



Trade Balance - Exports - Imports



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

Japan

- Third wave of Covid-19 hits Japan, threatening economic momentum
- Leading indicators continue to waver
- Japan once again in deflation

Third wave of Covid-19 hits Japan, threatening economic momentum

The second wave of the Covid-19 epidemic, which hit Japan during the summer, seemed to be under control in September, while in Europe it was barely re-emerging. But Japan is now once again in turmoil with a strong resurgence in the number of new cases. The government's "Go To Travel" promotion campaign is often cited as a factor in the resurgence of the pandemic. Japan is thus once again on "maximum alert" after a new record of more than 2,000 positive Covid-19 cases per day. Nevertheless, Japanese Prime Minister Yoshidhide Suga has still not announced any new restrictive measures in the face of the upsurge in cases and is essentially counting on the civic-mindedness of the Japanese population to adopt social distancing measures and masks more systematically and with greater vigilance. In international comparison, Japan's situation is no more serious than in many other industrialised countries, but tests are not yet being carried out on a very large scale, which may underestimate the current magnitude of this third wave.

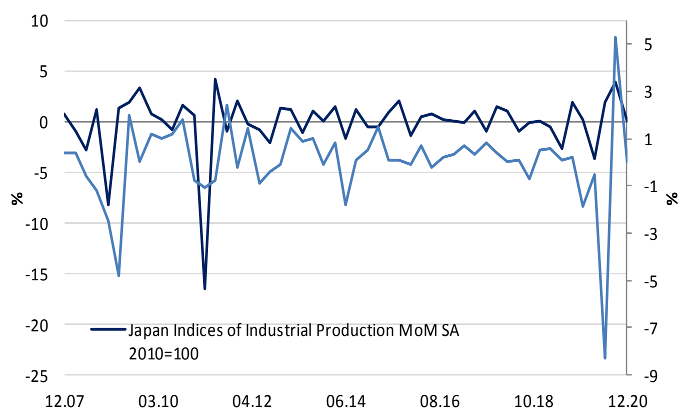
Economic recovery turns out to be stronger than expected in Q3

Japan's economy contracted for three consecutive quarters, plunging the country into recession, before a healthy and stronger than expected rebound in activity in Q3 2020. Japan's economy is finally coming out of recession thanks to a +5.2% upswing in GDP over three months, although it has not yet erased the nearly -8.2% fall in GDP in Q2. The recovery is encouraging given the state of Japan's economy pre-Covid, marked by a slowdown already at the end of 2019 caused by an increase in the VAT. The economists' consensus, which predicted a 4.4% increase in growth, was therefore too cautious, since Japan's economy performed significantly better than their forecasts. Several components of GDP made positive contributions during the quarter under review, which was, however, largely shored up by public spending. The rebound of +21.4% (SAAR) is still far from compensating for the -28.8% fall in Q2, with relatively disappointing private consumption and investment and greater support from government spending.

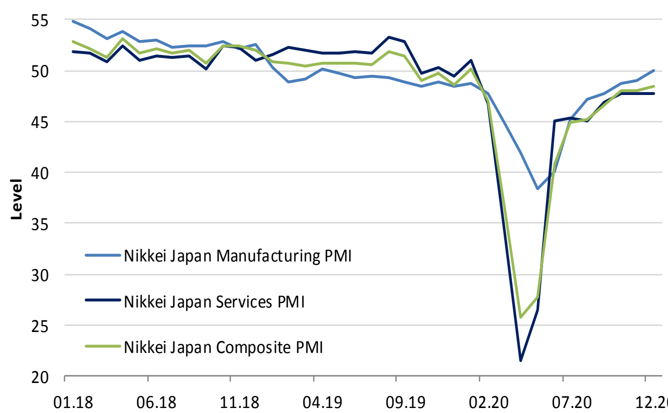
Private consumption grew by +4.7%, significantly less than anticipated (+5.2%), which represents less than 50% of the fall in the previous quarter (-8.1%). Private consumption has thus shown a modest and somewhat disappointing recovery. Household spending remains particularly weak since the increase in the VAT in October 2019 and is still very much affected by the restrictions and changes in consumption linked to the health crisis. Private consumption is struggling to regain momentum despite a sharp decline in pandemic-related risks during the summer. Investment spending continued to decline, as seen already in Q2 (-4.5%), with a further fall of -3.4%, which was greater than expected (-2.9%). Japanese companies seem a little more confident about the future, but this is still not enough to trigger new investment spending. On the public spending side, the Japanese government had announced its commitment to boost spending and consumption, which resulted in a +2.2% increase in government spending, reversing the -0.4% decline seen in the previous quarter. Public investment also grew by +0.4%, marking a slowdown from the previous increase in spending of +1.2%. The combination of these two factors contributed +0.5% to GDP. Exports of goods and services also clearly supported the +5.2% increase in GDP thanks to the joint effect (+2.9%) of an increase in exports (+1.1%) and a decrease in imports (+1.8%).

Thus, GDP expanded once again in the third quarter of 2020, but it is still clearly and unsurprisingly far below its pre-Covid levels. The recovery in consumption is still hesitant, which weakens the positive trend in GDP, still too dependent on public spending and exports. The last quarter should again prove to be weaker given a domestic context once again affected by a third wave of Covid-19, which may negatively affect still fragile household consumption, and by the effects of the lockdown instituted in various industrialised countries, also buyers of Japanese exports. The fourth quarter will therefore probably be weaker than previously expected (+5.1%), although GDP should still increase by +3.8% (SAAR). Over the year 2020 as a whole, Japan's GDP is thus likely to contract by -5.3%.

GDP and Industrial Production

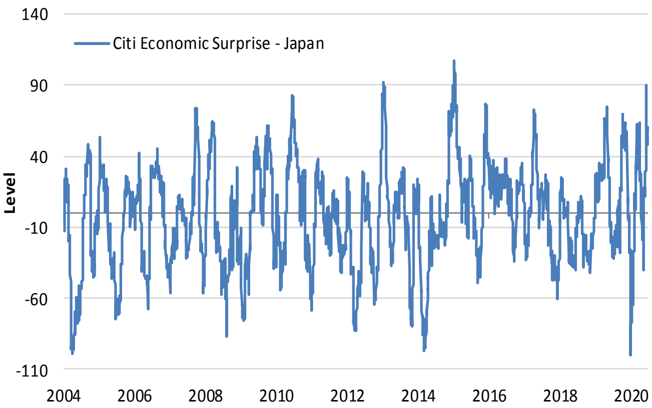


Composite, manufacturing and Services PMI - Japan

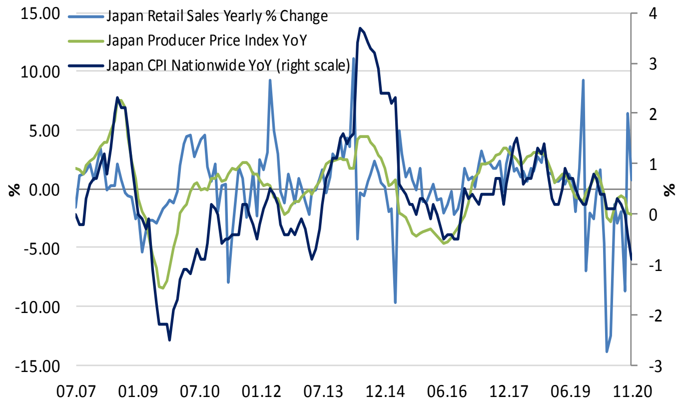


Graph sources: Bloomberg/BearBull Global Investments

Economic Surprise Index



Inflation (CPI and PPI) and retail sales



Leading indicators continue to waver

Despite the recovery in Q3 and the positive foreign trade figures, uncertainty still dominates among purchasing managers. The strengthening of the PMI indices since June ran out of steam in November, and they still are not pointing to an acceleration in the trend. The PMI indices for manufacturing (48.3) and services (46.6) are declining and have yet to climb above the growth threshold of 50. Consumer confidence has not pointed to any real change in sentiment either in recent months and is still well below the levels of recent years after a slight improvement in early summer.

However, the leading indicators for retailers improved significantly in October and exceeded the growth threshold for the first time since January 2018. Overall, further positive GDP growth in the coming months will likely depend essentially on the continuation of the positive trend in exports.

Clear recovery in industrial production and capacity utilisation

Japan's industrial production jumped by 20% in Q3, the strongest three-month increase since 1973. Chinese demand, as mentioned previously, continued its strong recovery, contributing very positively to this result.cExports to China, as well as to the US, gave a strong boost to Japanese manufacturers, which augurs well for the future growth of Japanese exports and GDP. The capacity utilisation rate in the manufacturing sector rose by a further 6.4% in September to reach 90% after having reached a floor of 70% in Q2. Although it is not the highest operating ratio in recent years, at least it already evidences the very clear increase in activity of Japan's production lines. The country's central bank will also be reassured by this development, which continued in the last three months, de facto partly reducing the need for new stimuli.

Japan's trade balance back in surplus

Japanese exports are benefiting from the solid economic recovery in China and improving international and especially American demand. Japanese exports thus recorded a fifth consecutive month of growth in October, despite a decrease in European demand, and are now virtually unchanged yoy compared to October 2019, after plunging by -28.4% yoy in March. October export figures are essential for Q4 GDP, which remains very dependent on Japan's foreign trade results. It is quite likely that a slowdown will occur again due to the resurgence of Covid-19 cases and the ensuing health measures taken by some of Japan's economic partner countries.

In this context, Japan's industrial recovery should continue at a somewhat slower pace. Moreover, Japan and other Asian countries including China signed a free trade agreement in November which, according to the Japanese authorities, is likely to support the economic recovery underway. Japan's trade surplus expanded further in October to reach 872 billion yen, its highest level since April 2020.

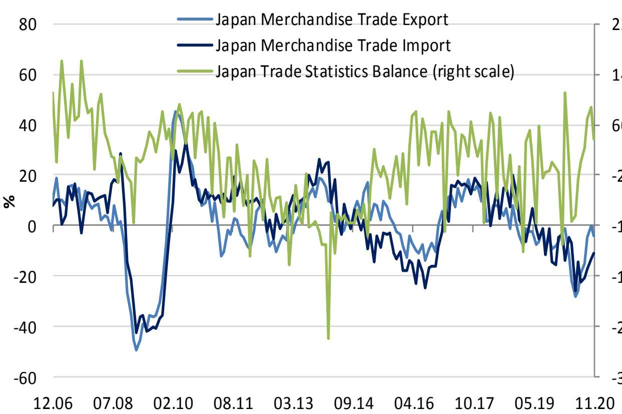
Japan once again in deflation

The consumer price index collapsed in November (-0.9%), posting its biggest drop in nine years, driven by falling energy prices and government offers to lower the cost of travel and hotel accommodation. Inflation is moving away from the BOJ's target. The Bank says it is not worried about this in the short term, although it no longer expects an upturn before next summer. Interest rates are likely to remain stable and close to zero across the entire yield curve. In this context, the BOJ will have to maintain its extreme economic stimulus policy without letting up.

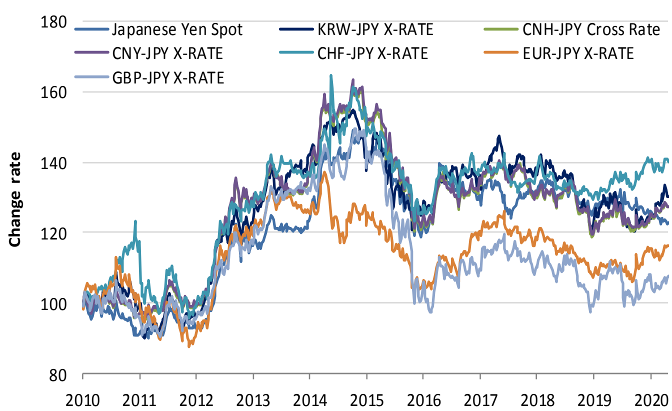
Weak yen remains essential

Despite the gradual reduction of uncertainties in terms of health, economic and financial conditions, the yen is still perceived as a safe haven. The disappearance of the yield differential between the dollar and the yen has certainly contributed to the appreciation of the yen, but Japan's economy still needs a weaker yen to hope to emerge from the current deflation. The recent strength of the Japanese currency against the US dollar is likely to be followed by some depreciation.

Trade Balance (Billion of yen)



Exchange rate (Normalized at 100)



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

China

- China's economy back at full throttle
- 2021 GDP growth of +8% thanks to domestic recovery and external demand
- China invests increasingly more in technology
- The yuan retains significant advantages

China's economy back at full throttle

China's economy will certainly be the only economy in the world to record a +2% growth rate in 2020. While most other economies remained more or less negatively affected by the health crisis throughout the year, China's economy seems to have been steered by the Chinese authorities since Q2 of 2020 without any notable relapse. Spared by the second wave that affected the rest of the world, China was then able to take advantage of its effective management of the health crisis, posting three consecutive quarters of growth.

The strict management of the crisis through severe local and individual lockdown measures seems to have proved effective. Chinese industrial production thus increased by +7% in November (yoy), and retail sales also recorded a significant increase of +5%, while investments in fixed assets grew by +2.6%. After initially having been shored up by public investment during the crisis, China's economic recovery was ultimately also supported by household consumption. The recovery accelerated at the end of the year and could reach +6% in Q4, also boosted by a strong increase in exports (+14.9% yoy).

2021 GDP growth of +8% thanks to domestic recovery and external demand

China has thus started 2021 on a solid footing and will benefit more clearly in 2021 from the recovery in global demand for Chinese products. Chinese exports will benefit from the strengthening of world trade and will contribute significantly to GDP growth. While growth in 2020 was supported in particular by government spending and investment, the objective for 2021 is likely to be to stimulate domestic demand more strongly with the long-term goal of further reducing the dependence of China's economy on external demand.

Domestic consumption, which was substantially impacted by the restrictions stemming from the management of the health crisis, nevertheless recovered rapidly from the shock in Q1, but it remains fragile and significantly lower than it was before the crisis.

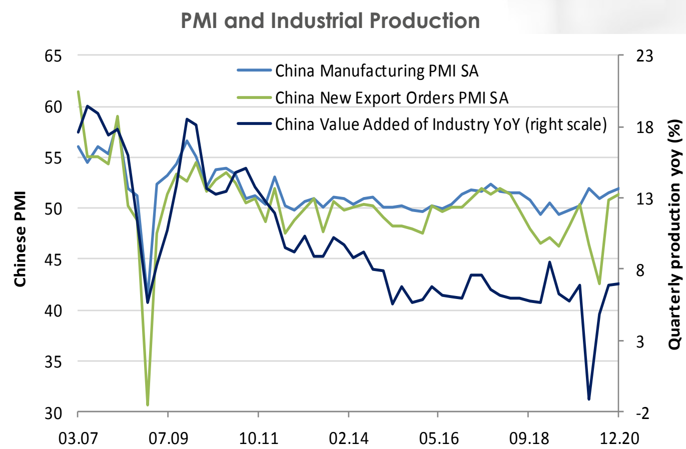
The government's intention to support consumption has never been more clearly stated than it is today, a clear sign that the Chinese authorities sees the strengthening of endogenous growth engines as a priority. The stimulation of domestic consumption and public spending will therefore be the engines of future growth, which could increase China's GDP by more than 8% in 2021 before an anticipated return to growth of 5% in 2022.

China invests increasingly more in technology

In 2020, investment has been a pillar of growth and development. Domestic demand, investment in fixed assets (information and communication) grew by +14.5% in the manufacturing sector and +20.4% in the tertiary sector.

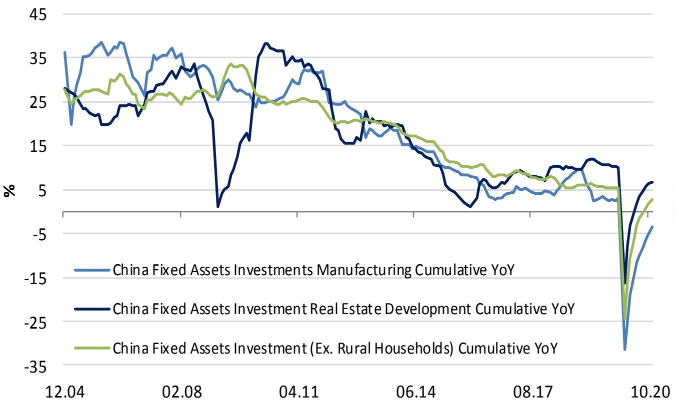
The information and communication sectors benefited from significant investment. Public spending supported investment in infrastructure linked to the digital economy and helped improve technological equipment in industry in particular.

The modernisation of China's industry has become a government priority, which will be reflected both in public funding and the need to finance research and development for these companies. Stimulation of domestic demand and a reassuring framework for companies is likely to facilitate the desired transition.



Graph sources: Bloomberg/BearBull Global Investments

Real Estate, Infrastructure and Industrial Investments (YoY)



Exports and Imports (YoY)

In 2021 the government will also look at the issue of housing in major urban centres and transportation. The structure of Chinese household consumption expenditure reveals that housing (25%) and transport (13%) together account for almost 40% of households' budgets.

A revival of the housing construction cycle thus seems likely and desired by the Chinese government.

For the first time since 2009, inflation in China turned negative in November, with the CPI index falling by -0.5%, while the producer price index was also negative (-1.5%). The rise in raw material prices, particularly for agricultural products in recent months, could already be a factor in the rise in price indices in Q1 of 2021.

The Chinese central bank (PBOC) is thus unlikely to change course and will probably keep to its gradual and prudent normalisation. In 2021 it is likely to reinforce its policy of financing small and very small businesses.

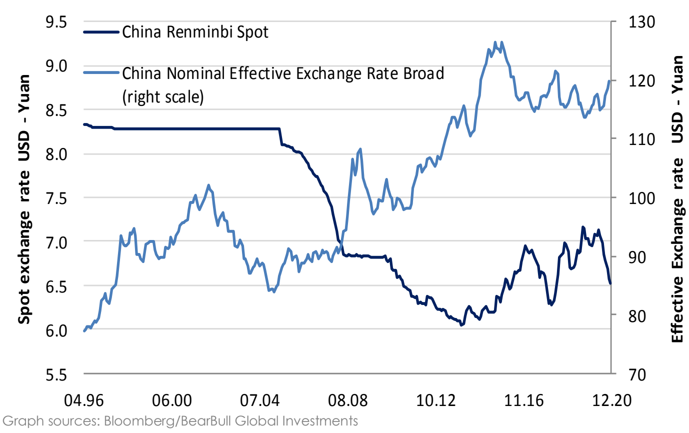
The yuan retains significant advantages

Economic fundamentals are still clearly favourable to the yuan. Better management of the pandemic, a particularly strong economic recovery, monetary policies supporting a gradual normalisation of interest rates, high real yields due to the fall of inflation below zero, and control of capital flows are factors supporting the continued appreciation of the yuan. The increase in the yield differential between the government's 10-year yuan yields (3.1%) and dollar (1%) and euro (-0.5%) yields for example, which developed over the last few months, now stands at +210 bps and +360 bps respectively and also provides significant support to the Chinese currency. However, a new measure adopted by the Chinese regulator will allow Chinese companies to increase borrowing and loans to their foreign subsidiaries to support international expansion needs. This could help curb the current trend and the strength of the yuan against the other reserve currencies.

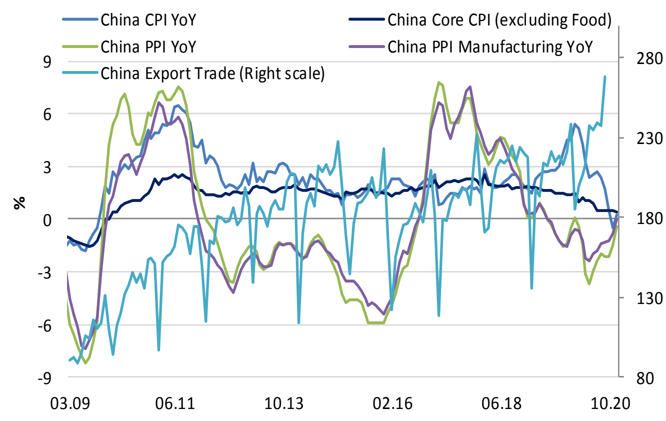
Increase in industrial corporate earnings

Industrial corporate profits rose sharply at the end of the year under the impetus of a simultaneous increase in domestic consumption and exports, recording their sixth monthly increase in excess of +10%. After their +15.5% rise in November, corporate profits are likely to continue to grow in 2021 in the context of accelerating GDP growth.

Effective Exchange rate and USD/Yuan



Inflation CPI - Core CPI



Graph sources: Bloomberg/BearBull Global Investments

MACROECONOMIC SCENARIO

United Arab Emirates

- UAE economic activity is expected to rebound in 2021
- Dubai's economy is expected to grow by +4.0%.
- Real estate at the bottom of the cycle in Dubai
- The UAE is second globally in Covid-19 vaccine administration rates

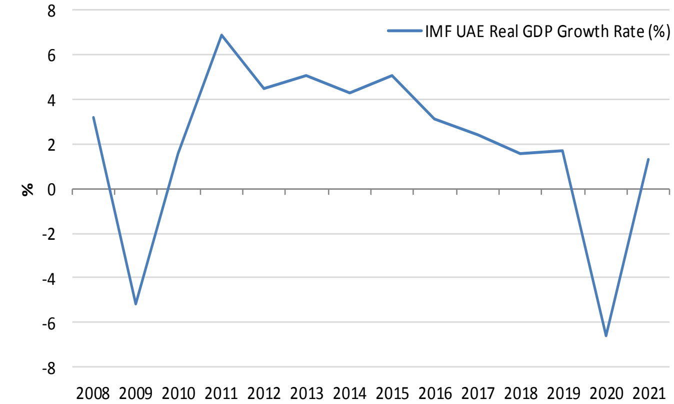
Economic activity in the UAE is expected to rebound as PMIs improve

The United Arab Emirates economy seemingly started to recover in the fourth quarter of 2020, after the first half of the year's sharp contraction due to the global pandemic and its adverse effects on the main pillars of the country's economy. In December, the HIS Markit UAE PMI index moved back into expansionary territory by increasing to 51.0 in December. The latest PMI readings represented the best in record for the year 2020 and paves the way for a healthy recovery to take shape in 2021, further helped by the country's remarkable efforts in rolling out a holistic public vaccination campaign. Looking forward, we estimate Manufacturing PMI in the United Arab Emirates to stand at 54.00 by end of 2021.

UAE Economy to record 1.3% growth in 2021 after contracting -6.6% in 2020

The Gross Domestic Product (GDP) in the United Arab Emirates is expected to contract by -6.6% in 2020 according to the latest estimates by the International Monetary Fund (IMF) as the country had to implement some of the most constraining measured to contain the spread of the Covid-19 virus leading to sharp declines in major economic sectors, particularly in the first half of 2020. The UAE's expected economic contraction for the year 2020 remains broadly in line with growth outlook of other major countries around the globe as reported by the IMF which expects the United Kingdom economy to contract by –9.8%, the Eurozone by –8.3%, Canada by –7.1%, Saudi Arabia by 5.4%, Japan by -5.3% and United States by –4.3%. The hardest hit sectors have been those requiring intensive human contact, such as tourism, services and construction. In addition low oil prices have caused a sharp deterioration of external and fiscal balances, however it shall be noted that thanks to its strong public finances and a debt to GDP ratio not exceeding 40%, the fiscal strain in the UAE is expected to be limited. The UAE government has been very swift in implementing a range of appropriate measures to mitigate the economic damage, including fiscal packages, relaxation of monetary rules, and the injection of liquidity in the banking system which greatly contributed in limiting the overall impact of the pandemic.

GDP Growth in UAE (effective and projected)

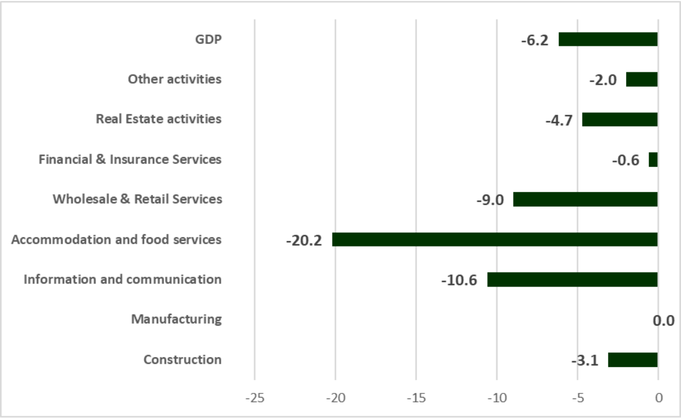


There are tangible signs of improvement in recent months with the return of tourism sector and improving PMI readings. According to the latest consensus projections, the UAE's economy is expected to expand by 1.3% in 2021 underpinned by both the oil sector and the non-oil sector.

Dubai's Economy is expected to grow by +4.0% in 2021

According to the latest estimates by Dubai Economy, the financial and touristic hub of the Middle East is expected to grow by +4.0% in 2021 following a quick economic recovery due to effective policy measures introduced by the emirate's government to contain the Covid-19 pandemic. Economic growth in Dubai declined by 10.8% during the first half of 2020 and is expected to end the year, in line with the UAE's GDP projections, with a 6.2% contraction. During the period between March and October last year, the Government of Dubai launched four stimulus packages worth USD1.69 billion to mitigate the impact of confinement measures in the Emirate that helped in part offset the shock and repercussions in form of job losses and disruptions in businesses. Dubai was one of the first global cities to gradually reopen its markets and businesses in 2020. Going forward, in addition to the Expo 2020 scheduled to be hosted this year, the Government of Dubai is expected to launch new initiatives set to drive increased investment inflows and job creations in the coming years. So far, Dubai emerges as a bright example, both at the country level and in international comparison, as an economy that has succeeded in protecting lives and securing livelihoods by limiting the impact of the Covid-19 pandemic. In fact, Dubai Government stepped up efforts in effectively monitoring market conditions and communicating with the private sector and broader community following the outbreak of the pandemic. It also adopted strong precautionary protocols to safeguard public health and ensure business continuity. We expect this pro-active approach adopted by Dubai Government to enable faster return to some normality and resumption of economic activity in the second half of 2021.

Dubai's Economic Performance in 2020, Covid-19 Impact by Sector



Graph sources: Bloomberg/BearBull Global Investments/ Dubai Government Media Office / IMF

The UAE is second globally in Covid-19 vaccine administration rates

The UAE has rolled out one of the most ambitious and highly successful public vaccination campaigns globally. The converted efforts of the country's health authorities and active participation of the general public have led to a remarkable results in the early day of 2021. In fact, the UAE is second after Israel when it comes to vaccine administration rates to its residents, according to 'Our World in Data' website that tracks vaccination rates run by researchers of the University of Oxford. The data shows that as on January 5th, Israel had given 17.14 vaccination does per 100 people followed by the UAE which had to date administered 8.35 doses per 100 people, followed by Bahrain at 4.02; the US 1.6; the United Kingdom at 1.39 and Denmark at 1.09. With a population of 9.77 million, as of 5th of January 2021, the UAE had already vaccinated, according to the UAE health sector's official speaks person, 826,301 residents. So far, more than 8% of the population in the UAE has been covered since the launch of the vaccination campaign in December 2020. According to government officials, the UAE aims to inoculate half of its population in the first quarter and plans to start manufacturing Sinopharm Group Co.'s vaccine this year according to Bloomberg. The Country is on path to achieve herd immunity later this year by vaccinating as many as 70% of its residents according to the National Covid-19 Clinical Management Committee. The UAE has so far received 3 million doses of the Sinopharm vaccine and has approved the Pfizer Inc.-BioNTech SE Covid-19 vaccine as well.

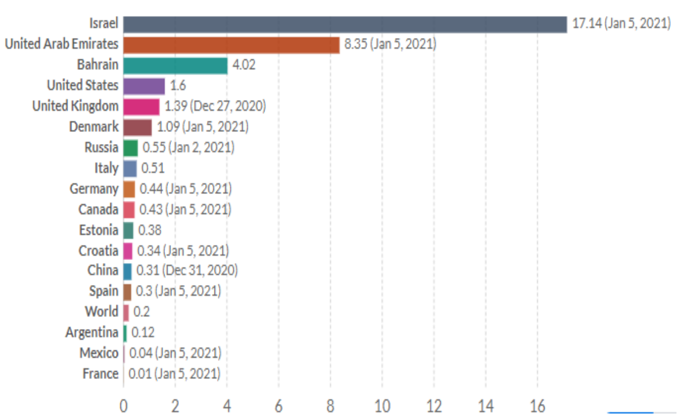
UAE Property prices to stabilise in 2020 helped by economic recovery

We expect property prices in the UAE to stabilise in 2021 as the economy gradually recovers from the pandemic induced slowdown thanks to strong governmental initiatives, resumption of economic activity in the private sector alongside broader vaccination efforts of its population. The recent reform of the law on commercial companies is also positive as it cancels the requirement for onshore companies to have an Emirati shareholder. In our opinion, this will provide a significant boost to foreign direct investments in the country and provide a welcome boost to property investment and home ownership. On the other hand, property valuations countrywide are getting closer or below their cost of replacement when considering rising cost of construction materials and labor. In addition, a host of recent major political developments are also expected to provide additional support to property prices in the country. On September 15th, the UAE government signed the historical Abraham Treaty of Peace with the state of Israel which paves the way for full diplomatic, trade and economic relations between both countries. We believe that this historical accord can lead to noteworthy demand for UAE property on part of the Israeli investors whom so far have shown strong interest towards UAE property market and the Emirate of Dubai in particular. In fact, more than 50'000 Israeli nationals visited the UAE since the signature of the Abraham Accord.

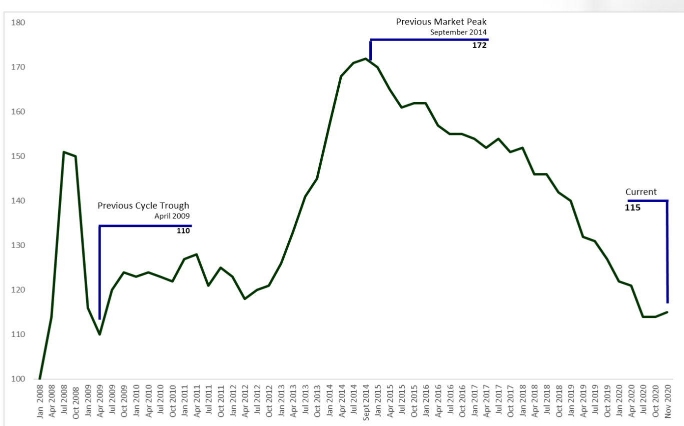
Real estate at the bottom of the cycle in Dubai

Despite the negative effects of the global pandemic and lack of international investors, due to prevailing travel restrictions worldwide, property prices in Dubai have enjoyed a relative stability with some recent green shoots over the last quarter of 2020. According to the latest data published by the Property Monitor, average property prices in Dubai dropped by 8.30% year-on-year in November and 33.14% since last market peak observed in September 2014. After four months of relative price stability, property prices in Dubai increased by 0.68% in November, and is expected to end the 2020 with a positive price increase for the month of December, marking potentially the first positive quarter and reduced pace of decline in property prices compared to the trend set during the same period in 2019 where an annual decline of 11.6% was recorded. As we are expecting the year end data to be released shortly, we expect property prices in Dubai to have either marginally appreciated or remain flat in in Q4 2020, providing further ground that the end of 2020 will likely set the price floor for the current downward cycle from the previous price peak in September 2014. A number of tangible facts support our view that 2020 will mark the bottom of the 7 years cycle. From a technical standpoint, the property price index is clearly showing support for prices around current levels. As highlighted by property monitor, presently at USD 2,400/m2, property prices remain on par with levels last recorded in June 2009. From a supply and demand perspective, over supply has clearly been a primary reason for the long-term downward pressure on the property prices and the global pandemic exacerbated further the situation. On the positive side, this has led most developers to adjust to the new reality by considerably slowing down new project launches and focusing on disposing existing units. Increased cost of construction material is also leading to lower developer margins and at current price points, new project launches are not attractive for most developers. Transaction volumes have also bounced back strongly recording a 13.1% month-on-moth increase in November standing at 3,940. Given the pause in new project launches, transaction activity is likely to have accelerated towards the end of 2020 and is likely to maintain momentum well into 2021as investors will continue to secure quality inventory. With limited new supply, we expect quality existing stock, particularly in prime locations to show greater signs of scarcity paving the way for a gradual increase in prices helped by favorable loan-to-value (LTV) ratios and low mortgage rates. Residential prices have now dropped down to levels close or below replacement value, median apartment price in November stood at USD 222'300, townhouse at USD 408'150 and villa price at USD 734'700. With increased affinity for villas and townhouses during the pandemic, amid limited supply, the segment looks the most likely to benefit form new market stability. With simple supply and demand dynamics into play, we believe that prime property prices in Dubai are reaching the bottom and offer a once-in-a-lifetime opportunity for both local and international sophisticated investors. Indeed, by taking advantage of the prevailing uncertainty investors can secure quality assets in prime locations offering strong potential for both rental and capital appreciation in the long run. Dubai currently offers some of the cheapest property prices per square meter amongst global cities worldwide and is in our opinion best positioned to outperform most of its peers in the coming years.

COVID-19 Vaccination doses administered per 100 people



Dubai Dynamic Property Price Index



Graph sources: Bloomberg/BearBull Global Investments/ Our World in Data as of 06.01.2021 / Property Monitor

MACROECONOMIC SCENARIO

Emerging Markets

- Maintenance of accommodating central bank policies
- Expected return of sustained growth in 2021

Brazil— The measures taken by the government have led to a relatively strong rebound in consumption and investment at the national level. Nevertheless, recent data continue to reflect an uneven recovery in economic activity, while the unpredictability associated with the evolution of the pandemic and the necessary adjustment of public spending from 2021 onwards increases the uncertainty surrounding economic recovery, prompting the Committee to review its scenario for economic recovery more gradually than before.

Inflation expectations for 2020, 2021 and 2022 collected by the Focus survey are of 4.2%, 3.3% and 3.5%, respectively. The latest inflation figures were higher than expected and, despite the expected easing of food price pressures, December inflation is expected to remain high, with the collection of school fees and the increase in electricity rates. Despite higher inflationary pressure in the short term, the Committee maintains its diagnosis that the current shocks are temporary, while continuing to monitor developments closely, particularly with regard to core inflation.

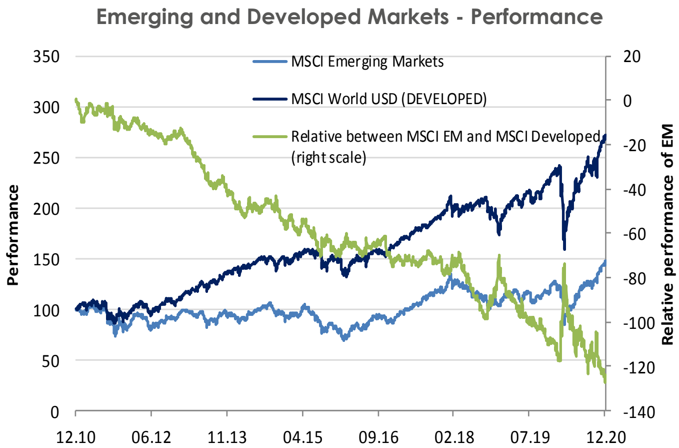
On the one hand, the economic slowdown may continue to produce a lower-than-expected prospective inflation trajectory, especially when the slowdown is concentrated in the services sector. This risk increases if the effects of the pandemic prolong the environment of high uncertainty and the level of precautionary savings. On the other hand, an extension of fiscal policy measures is likely to support the consumer price index. The relative increase in the risks of these events implies an upward asymmetry, i.e. a higher-than-expected inflation trajectory.

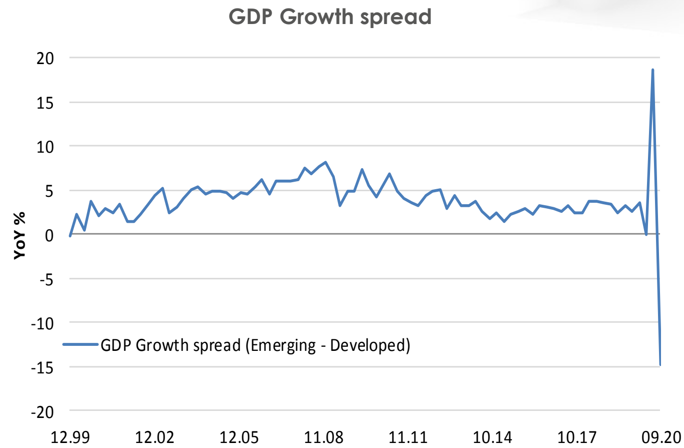
The Copom does not intend to reduce monetary stimulus for the time being, as long as the following conditions are met: 1) inflation expectations, as well as the inflation projections for the baseline scenario, remain below the inflation target; 2) the current fiscal regime has not changed and 3) long-term inflation expectations remain well anchored. The Committee considers that, at present, the upward asymmetry in the balance of risks due to fiscal risks is sufficient to compensate for the fact that inflation projections in its baseline scenario are below the target over the relevant horizon. The Committee therefore considered the current level of monetary stimulus, which is provided by maintaining the policy rate at 2.00% per annum, to be adequate.

Russia— Inflation is exceeding the Bank of Russia's forecasts and should be in the range of 4.6% to 4.9% by the end of 2020. This is largely due to the effects of one-off pro-inflationary factors and the gradual impact of the weakening rouble on prices. These factors could exert a more prolonged upward influence on prices in the context of households and businesses' rising inflation expectations as well as restrictions on the supply side. According to the Bank of Russia, current indicators of consumer inflation reflecting the most durable price movements also rose in November to almost 4%.

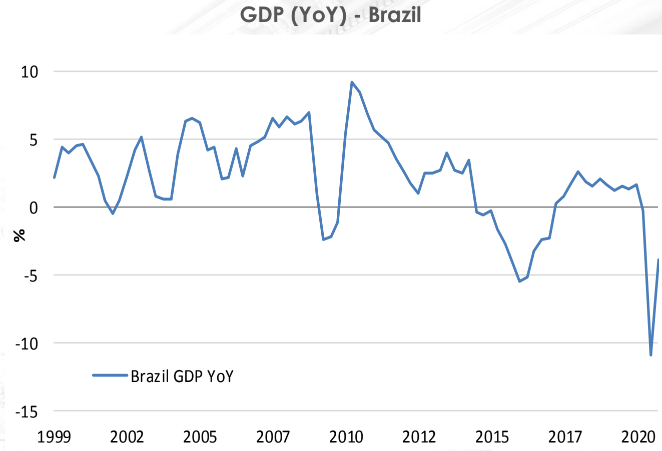
High-frequency indicators of Russian economic activity indicate a pause in the economic recovery in Q4 of 2020. However, the worsening of the epidemic in Russia and around the world is limiting economic activity to a much lesser extent than in Q2, due to the targeted nature of the restrictive measures and the adjustment of households and businesses to the new conditions. As a result of these factors, and given the higher than expected third quarter data, the decline in GDP in 2020 could be of about -4%.

In the spring of 2021, the Russian economy is likely to resume its long-term growth trajectory with the return to normal of the health situation. However, the medium-term economic growth trajectory will largely be influenced by the evolution of the pandemic in Russia and globally, by the nature of the recovery in private demand given a potential change in consumer and business behaviour, as well as by future fiscal consolidation. An accommodative monetary policy will continue to support the economy throughout next year. The Bank of Russia therefore decided to maintain the key rate at 4.25% per annum.





Graph sources: Bloomberg/BearBull Global Investments



India— The inflation outlook moved against expectations over the past two months. The large difference between wholesale and retail price inflation points to the supply-side bottlenecks and large margins being charged to the consumer. While cereal prices may continue to decline given the bumper kharif harvest and vegetable prices may fall with the winter harvest, prices of other food commodities are expected to remain high. The consumer price index is expected to reach 6.8% by the end of 2020 and 5.0% in 2021.

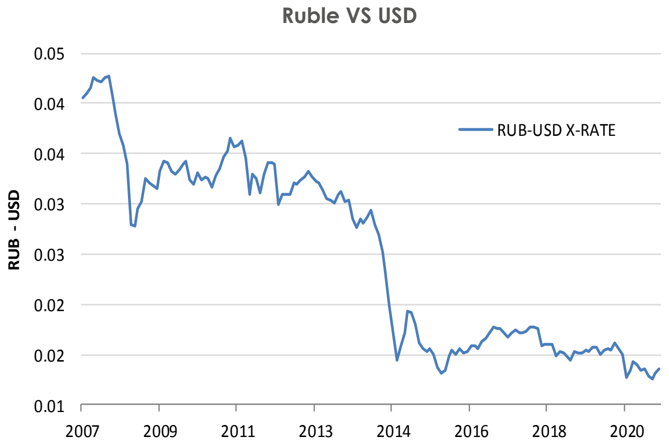
With regard to growth prospects, the overall recovery in demand is expected to strengthen further, partly due to a recovery in employment. However, this positive impetus is overshadowed by a likely increase in infection rates in some parts of the country, prompting measures to be taken at the local level. At the same time, the recovery rate has surpassed 94%, while optimism is high regarding the success of vaccine trials. Consumers remain optimistic about the outlook, and the business climate for manufacturing companies is gradually improving. Fiscal stimulus measures are no longer just supporting consumption and liquidity but growth-generating investment as well. On the other hand, private investment remains weak, and capacity utilisation has not yet fully recovered. While the recovery in exports is uneven, prospects have improved thanks to progress on vaccines. Demand for human contact-based services is expected to remain moderate for some time due to social distancing norms and risk aversion. Taking these factors into account, real GDP growth is expected to be -7.5% in 2020, before resuming an upward trajectory in the subsequent quarters.

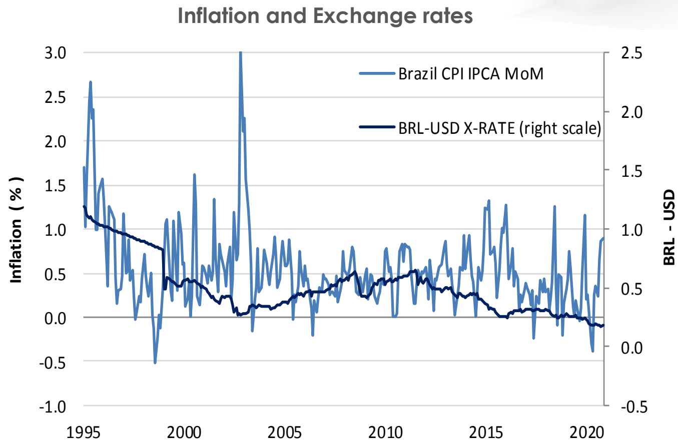
The Committee decided to maintain its accommodative monetary policy stance for as long as necessary, at least for the current fiscal year and the next, to restore growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the 4% target. It therefore maintained its key repo rate at 4%.

South Africa— A further easing of lockdown restrictions supported economic growth, with high-frequency indicators continuing to show a recovery in economic activity in Q3. Growth ultimately rebounded by +13.52% compared with the previous quarter and is now expected to be -8.0% for the year as a whole, compared with a contraction of -8.2% forecast at the time of publication of the September report. The return to pre-pandemic production levels is expected to take time. The sharp decline in investment this year, both in the public and private sectors, will weigh on growth prospects in the coming years. GDP is forecasted to grow by +3.5% in 2021 and +2.4% in 2022.

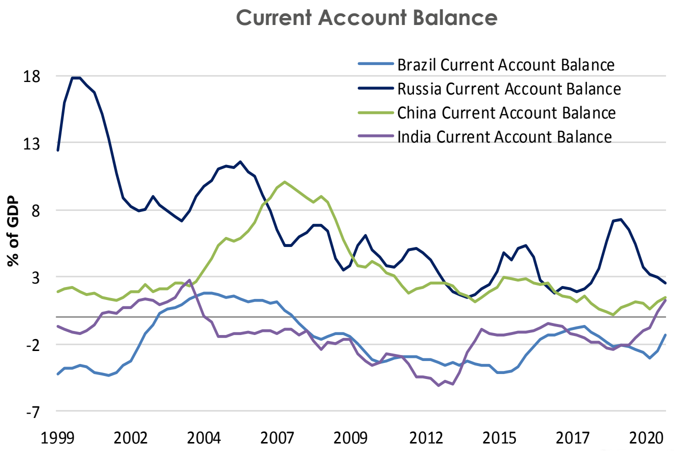
The overall risks weighing on the inflation outlook appear to be on the downside in the short term and balanced over the medium term. The global producer price index and oil prices remain low, while domestic food price inflation is expected to remain contained. Additional exchange rate pressures could result from increased budgetary risks. Although there are no clear demand side pressures, electricity and other administered prices remain a concern. It is important to note that the forecast for future inflation has continued to moderate this year and has fallen slightly below the midpoint of the fluctuation band for 2021. The Reserve Bank's forecast for the consumer price index is for 3.2% in 2020, 3.9% in 2021 and 4.4% in 2022.

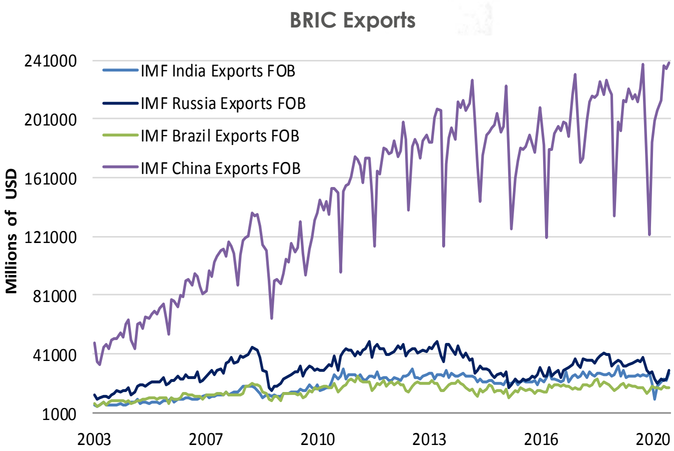
In this context, the Monetary Policy Committee decided to keep key interest rates unchanged at 3.5% per annum. The implicit trajectory of key rates in the model used indicates that there should be no further cuts in rates in the short term, but two increases of 25 basis points in Q3 and Q4 of 2021.

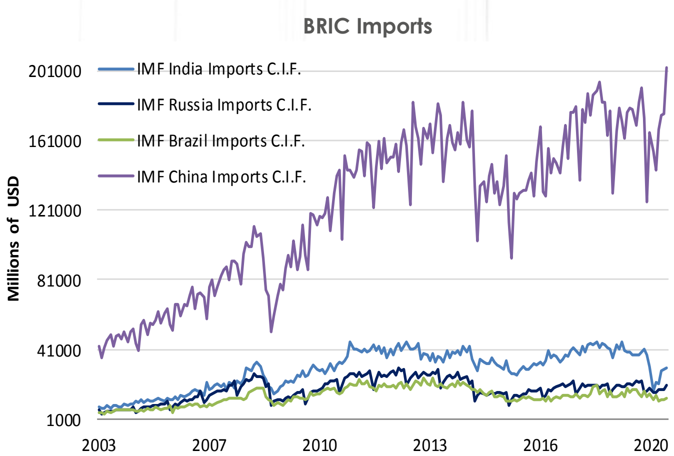




Graph sources: Bloomberg/BearBull Global Investments







Colombia— Economic growth data for Q3 confirmed the sharp contraction in the economy in 2020 and the recovery in most production sectors and demand components compared with the previous quarter. The most recent high-frequency indicators, such as energy demand, housing sales and consumer and business confidence, confirm this trend.

While the Central Bank's inflation forecast for 2021 remains close to the long-term target of 3%, the latest inflation figure is below this mark (1.49%). The state of the labour market remains worrying. Although the September data confirmed a gradual recovery in employment, job creation is concentrated in the informal/non-salaried segment, and the unemployment rate is still very high (14.70%). This reflects the structural rigidities of the Colombian labour market and calls for caution in setting the minimum wage. In this context, and taking into account the balance of risks, all members of the Board of Directors considered that the current benchmark rate of 1.75% would make it possible to maintain a monetary policy that would support the recovery of the Colombian economy.

Mexico— Mexico's central bank kept its benchmark interest rate unchanged at 4.25%. The bank kept borrowing costs stable for the second consecutive meeting after nearly a year and a half of cuts, saying that this pause in the easing cycle provides the necessary margin to confirm that the inflation trajectory is converging towards the 3% target. Annual inflation thus slowed from 4.09% in October to 3.33% in November. Economic activity began to recover in Q3 2020 (+12.10%) but still remains below pre-pandemic levels in a context of uncertainty and downside risks and is expected to contract by -6.5% for the year as a whole.

Indonesia— Indonesia's central bank left its key rate unchanged at a record 3.75%, after a 25 basis point cut at the previous meeting. In 2020 the central bank cut the cost of borrowing five times, reducing the main rate by a total of 125 basis points to support the economy after the coronavirus crisis. Inflation is expected to be 2.10% in 2020, while the forecast for economic growth is slightly positive (+1.10%).

Taiwan— The Central Bank of the Republic of Taiwan maintained its key rate at 1.125%. Policymakers said they would pay particular attention to the development of the pandemic, geopolitical risks and the changing relationship between the US and China. Inflation is expected to remain close to zero in 2020, while the economy is expected to grow by +3.40%.

Turkey— The Central Bank of Turkey raised its benchmark rate by 475 basis points to 15% at its November meeting, stating that a restrictive monetary policy would be maintained until a permanent decline in inflation, currently at 14.03%, is observed. The central bank noted that Turkey's economy continues to recover and forecasts growth of +4.20% in 2020, despite uncertainties regarding the short-term outlook due to the partial restrictions introduced to curb the growing number of COVID-19 cases.

Romania, Czech Republic, Poland, Hungary

The National Bank of Romania maintained its benchmark interest rate at 1.5% and cut from 6% to 5% the minimum reserve requirement on commercial banks' hard currency liabilities at its November meeting. In November inflation fell to 2.10%. Policymakers expect the domestic economy to contract in 2020 (-3.50%).

The Czech National Bank kept its key interest rate unchanged at 0.25%, as expected, after inflation reached its lowest level in 13 months (2.7%), within the central bank's tolerance margin of 1% to 3%. At the beginning of the year, the Czech Republic cut rates by 200 basis points to support the economy, affected by the coronavirus pandemic. The bank expects the economy to grow by only +1.7% next year, after a -7.2% drop in 2020.

The National Bank of Poland maintained its benchmark rate at 0.1%, as expected in a context of severe economic recession and growing inflationary pressure. The annual inflation rate slowed to 3% in November but remains above the central bank's medium-term target of 2.5% for the 13th consecutive month.

The National Bank of Hungary kept its key rate unchanged at 0.6%, after the annual inflation rate slowed to its lowest level in six months in November (2.7%), slightly below the medium-term target of 3% set by the central bank. The latter forecasts a contraction of the Hungarian economy in the order of -6.50% in 2020.

Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

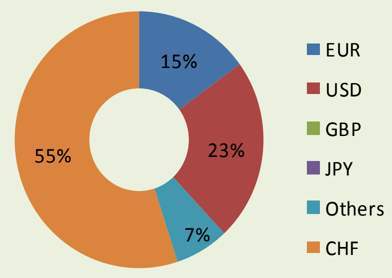
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Currencies

- The strength of the euro puts it back in the 1.20-1.30 fluctuation range
- Rising government deficit in the US and risks of structural weakening of the dollar
- Likely return of pressure on the pound sterling
- A weak yen remains essential

Currency allocation - CHF portfolio



Tactical Allocation

- Underweight CHF
- Favor USD, AUD and CAD
- Take back exposure in euros
- Avoid JPY and GBP

LIQUIDITY/ CURRENCY	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
EUR vs CHF	↗	↗							
USD vs CHF	↗	↗							
GBP vs CHF	↘	↘							
JPY vs CHF	↘	↘							
EUR vs USD	↘	↘							
USD vs JPY	↗	↗							
GBP vs USD	↘	↘							

The strength of the euro puts it back in the 1.20-1.30 fluctuation range

The ECB also expressed its views on the strength of the euro against the dollar, noting in particular that exceeding the 1.20 threshold was a source of concern. The ECB is uncomfortable with the recent upward trend in the euro, which weighs in particular on imported inflation. Inflation has logically been declining since the beginning of the pandemic and could decline further during the second wave currently underway.

The measures to support the EU economy announced by the ECB on Thursday 10 December could have weighed on the European currency, which remains above 1.20. The ECB's warnings suggesting that it was not closing the door on a rate cut and that it was closely monitoring developments in foreign exchange markets had no effect. The euro/dollar exchange rate is therefore once again in a "natural" fluctuation or average value zone since 1999, when the euro was created. The weakness of the dollar, more than the strength of the euro, could however come to an end in January 2021, at least temporarily.

If, today, the outcome of the US presidential election casts doubt on the newly elected president's ability to implement his programme because of a divided Senate, it could be different if the last votes expected in January 2020 give the Democrats a majority. After a rise of nearly +5% at the end of the year, we believe that the Euro/USD exchange rate is more than likely to lose some momentum and return to a more horizontal trend in Q1 of 2021. While the monetary policies of the ECB and the Fed are relatively similar, with key rates close to zero and the steering of long-term rates through asset purchases, we believe that bond markets could move in different directions.

In this respect, while credit spreads on the short and long ends of the yield curve had already clearly narrowed between German rates and US Treasury yields in March, these spreads have now widened on the long end. The reconstitution of risk premiums in favour of US Treasury bonds seems to us to be an important element to consider that could support renewed interest in dollar investments and in the dollar itself from the end of the year. The ECB is therefore probably not wrong not to worry too much about recent developments favourable to the euro.

Rising government deficit in the US and risks of structural weakening of the dollar

An increase in the US public deficit could have significant consequences in terms of financing the public debt if the Federal Reserve does not continue its policy of debt monetisation. An unintended consequence of the health crisis was the extraordinary increase in the household savings rate, which jumped from 11% to nearly 20%. The risks of insufficient domestic savings to finance deficits have diminished but remain significant. Financing is currently provided by purchases of US government debt by the Fed, European investors and capital inflows from emerging countries.

It is not certain that in a European context characterised by a need to finance Europe's own stimulus plans, Europeans will continue to buy US debt. Capital flows from emerging countries could also decrease. If the Fed maintains its policy of low key rates, it will have to continue its purchases of Treasury securities and finance future deficits, a potentially risky strategy for the dollar. This problem is not exclusively American, the increase in European public debt and the policy of the ECB are similar. The economic recovery in the United States should yet be set up more quickly than in Europe, with faster consequences on the recovery of interest rates. The 1% increase in the yield differential with the euro and the franc should continue and be one of the main factors supporting a stronger dollar in 2021.

Likely return of pressure on the pound sterling

The pound sterling had stabilised slightly above its lows (0.94) for the year against the euro (0.90) pending the verdict of the negotiations with the EU and in an economic environment that seemed to be improving until September. A no-deal Brexit would undoubtedly have been a disappointment, but there has been little reaction since the agreement reached at the end of the year.

The start of the vaccination campaign announced for December 2020, significantly ahead of the other most advanced countries, will not fundamentally change the economic outlook.

The pound is unlikely to appreciate in this context and could, on the contrary, be an indispensable adjustment variable to the economic shock that is bound to occur at the beginning of 2021.

Graph sources: Bloomberg/BearBull Global Investments

A weak yen remains essential

Despite the gradual reduction of uncertainties in terms of health, economic and financial conditions, the yen is still perceived as a safe haven. The disappearance of the yield differential between the dollar and the yen has certainly contributed to the appreciation of the yen, but Japan's economy still needs a weaker yen to hope to emerge from the current deflation.

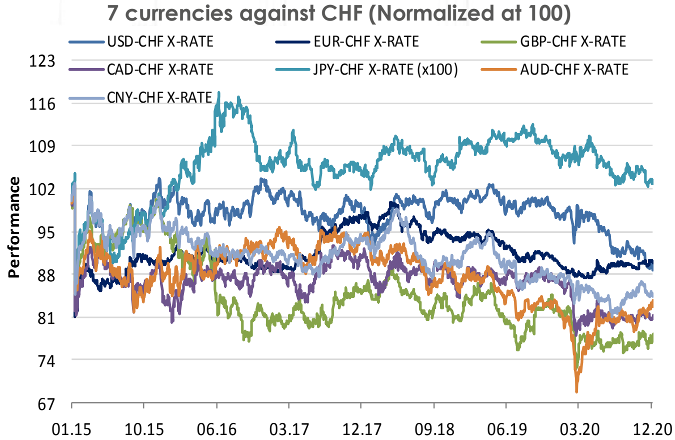
The recent strength of the Japanese currency against the US dollar is likely to be followed by some depreciation.

The yuan retains significant advantages

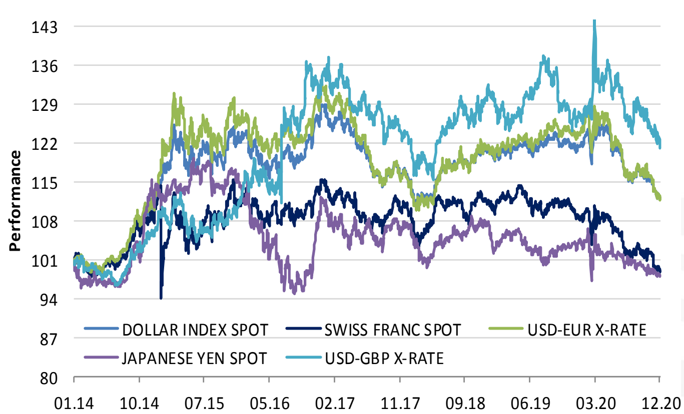
Economic fundamentals are still clearly favourable to the yuan. Better management of the pandemic, a particularly strong economic recovery, monetary policies supporting a gradual normalisation of interest rates, high real yields due to the fall of inflation below zero, and control of capital flows are factors supporting the continued appreciation of the yuan.

The increase in the yield differential between the government's 10-year yuan yields (3.1%) and dollar (1%) and euro (-0.5%) yields for example, which developed over the last few months, now stands at +210 bps and +360 bps respectively and also provides significant support to the Chinese currency. However, a new measure adopted by the Chinese regulator will allow Chinese companies to increase borrowing and loans to their foreign subsidiaries to support international expansion needs. This could help curb the current trend and the strength of the yuan against the other reserve currencies.

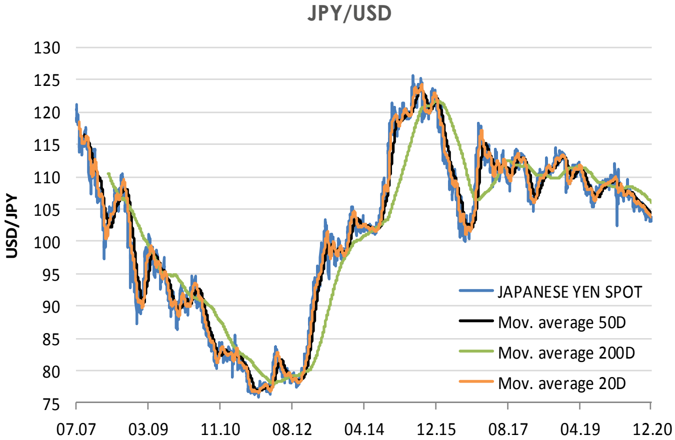
7 currencies against CHF (Normalized at 100)



Dollar Trade-weighted index & cross rates (Normalized at 100)



JPY/USD



EUR/USD

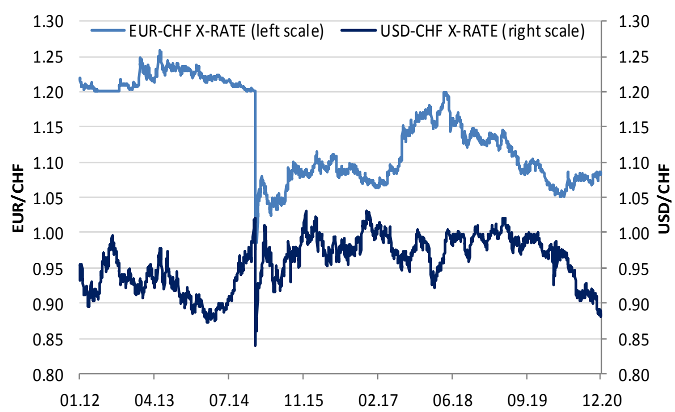
Graph sources: Bloomberg/BearBull Global Investments

CURRENCIES

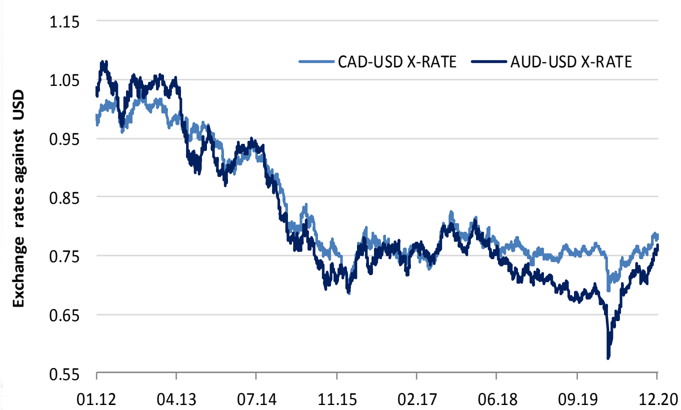
31.12.2020

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
AGAINST DOLLAR						
EUR-USD X-RATE	1.2	0.2	1.2	4.0	8.7	8.9
CHF-USD X-RATE	1.1	0.7	1.7	3.8	6.8	9.4
GBP-USD X-RATE	1.4	0.8	1.9	6.0	9.6	3.1
JPY-USD X-RATE	0.0	0.3	1.0	2.2	4.1	5.1
CAD-USD X-RATE	0.8	1.0	1.6	4.4	6.5	2.0
AUD-USD X-RATE	0.8	1.3	4.4	7.1	11.1	9.6
RUB-USD X-RATE	0.0	-0.1	2.4	4.4	-4.5	-16.2
CNY-USD X-RATE	0.2	0.0	0.7	4.0	8.3	6.7
INR-USD X-RATE	0.0	0.6	0.9	0.2	2.2	-2.5
BRL-USD X-RATE	0.2	0.4	0.2	8.8	3.2	-22.6
AGAINST SWISS FRANC						
USD-CHF X-RATE	0.9	-0.7	-1.6	-3.7	-6.4	-8.4
EUR-CHF X-RATE	1.1	-0.4	-0.4	0.2	1.8	-0.4
GBP-CHF X-RATE	1.2	0.1	0.2	2.1	2.6	-5.7
JPY-CHF X-RATE (x100)	0.9	-0.3	-0.6	-1.6	-2.6	-3.8
CAD-CHF X-RATE	0.7	0.4	-0.1	0.5	-0.3	-6.7
AUD-CHF X-RATE	0.7	0.5	2.7	3.1	4.0	0.5
RUB-CHF X-RATE	0.0	-0.8	0.7	0.5	-10.6	-23.4
CNY-CHF X-RATE	0.1	-0.6	-0.9	0.2	1.3	-2.4
INR-CHF X-RATE	0.0	0.0	-0.8	-3.2	-4.7	-11.0
BRL-CHF X-RATE	0.2	-0.6	-1.7	4.3	-3.4	-29.5

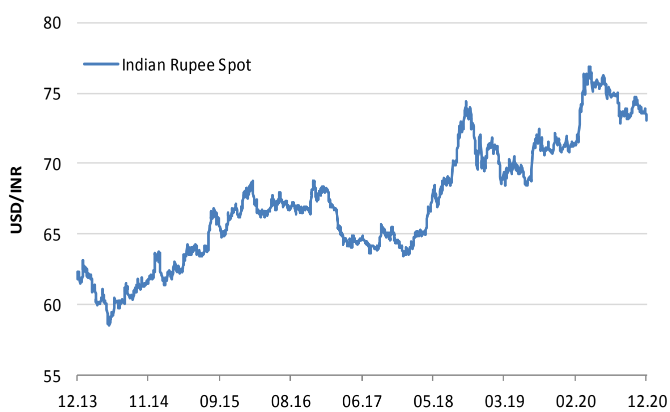
EUR/CHF - USD/CHF



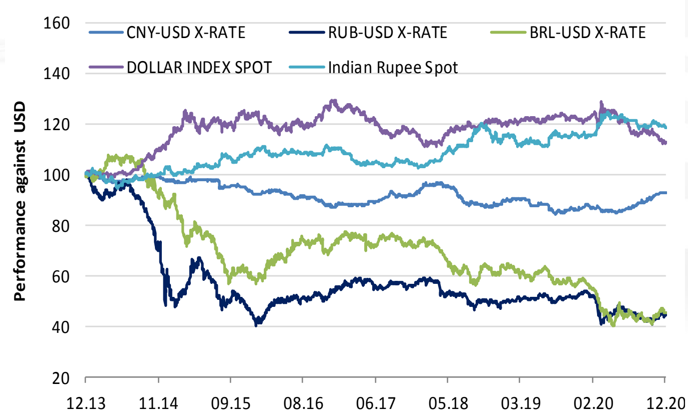
CAD/USD - AUD/USD



Indian Rupee



Emerging Currencies VS USD (base 100)



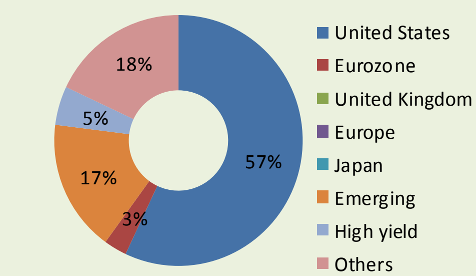
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Bonds

- Unanticipated but probable rebound in long-term rates in 2021
- The rise in long-term rates increases the relative attractiveness of the US bond market
- How far can risk premiums decline in the euro area?
- Deflation in Japan will not push rates lower

International Bonds allocation



BONDS (Areas/currency)	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	→	↘							
United States	↘	↘							
Eurozone	→	↘							
UK	↘	↘							
Europe	→	↘							
Japan	→	↘							
Emerging	→	→							
Other (AUD, CAD, NOK...)	→	→							

Tactical Allocation

- Marginalize allocation to the eurozone
- Overweight US bonds
- Reduce exposure on segments "Corporate"
- Reduce exposure to high yield

Unanticipated but probable rebound in long-term rates in 2021

In the bond markets, the risks of an unexpected and uncontrolled rebound in long-term yields seem to us to be increasingly likely. The weakening economic outlook for Q1 is likely to dampen this trend. However, it seems reasonable to us that a normalisation of global growth in the course of the year could lead to a global readjustment of interest rates. The first country to have already observed such a trend is the US, perhaps because investor confidence in the ability of the US authorities and the Federal Reserve to re-establish conditions conducive to lasting growth is the highest, but also because the incoming Democratic administration will increase the risks of spending and tax increases. This last point is in fact not the prerogative of the US only, for although it is indeed likely that the Democratic administration, supported by a blue House of Representatives and a blue Senate, will be able to make greater use of debt to finance its stimulus programmes, in Europe too there will be an increase in government indebtedness for the same reasons. The additional financing needs resulting from budget deficits globally to meet the direct and indirect costs of managing the Covid-19 crisis will logically have an impact on market interest rate levels. In 2020, investors' perception was that this increase in financing needs would be offset by central bank purchases in a global wave of debt monetisation and that the impact on rates would ultimately be neutral. But in 2021, on the contrary, it may well be more difficult than expected for central banks to prevent a certain normalisation of yields demanded by investors given the international competition to attract funds for investment. Long-term rates could therefore well undergo a trend reversal as early as 2021 despite central banks' attempt to control them. At the beginning of 2021, we will probably also see renewed investor concern regarding a likely rise in inflation. The massive cash injections already made in 2020 and which will continue to be made in various forms in 2021 will be an additional source of uncertainty as global growth picks up speed. In the US, inflation-linked Treasury bond yields have already reached 2%, their highest level since 2018. The Fed, for its part, may even welcome the fact that inflation is picking up and exceeding its 2% target. This risk still seems to us to be underestimated in financial markets and could therefore have a significant impact in terms of triggering a rise in interest rates in 2021.

The rise in long-term rates increases the relative attractiveness of the US bond market

Over the past six months, US Treasury long-term rates have begun a gradual but significant rise. After reaching a low point of 0.54% in March, ten-year yields almost doubled in one week, rising to 0.985% before suffering further temporary weakness. In recent months, the more positive economic outlook has again supported an adjustment in yields, which are again close to 1%. It is also important to note that risk premiums have fallen during this period, approaching historic lows and therefore no longer offering sufficient protection in our view. The yield differential with the 10-year German Bund and Swiss government bond, which had fallen to a low of 100 basis points, is now again above 150 bps.

Dollar rates have thus become more attractive to European and Swiss investors, even though yield spreads remain lower than they were at the beginning of the year. This adjustment could strengthen the interest of non-resident and domestic investors. These recent developments show that long-term rates may well tighten, even as the Fed continues its purchases. Without the Fed's intervention, it is likely that ten-year Treasury yields would already be close to 2% given the solid economic recovery expected in 2021, unlimited money creation and a possible rise in expected inflation. The November CPI index was only 0.2%, for a yoy inflation rate of +1.2%. The pressure on prices is obviously modest, but expectations are already at +2.8% for the next twelve months.

BOND INDICES (local currency)

31.12.2020 — Total Return Performance

	Name	Last price	Curr.	7 d%	1 m %	3 m %	6 m %	YTD %
SWISS BONDS	SBI AAA-BBB	141.9	CHF	0.2	0.3	0.5	1.7	0.9
UE BONDS	Barclays EuroAgg	275.4	EUR	0.3	0.4	1.2	2.8	4.0
UE BONDS - SHORT DURATION	ISHARES EURO GOV BND 1-3	144.0	EUR	0.0	0.0	0.1	0.2	-0.1
US BONDS	Barclays US Agg Total Return Value Unhedged USD	2392.0	USD	0.2	0.5	0.6	1.2	7.5
US BONDS - SHORT DURATION	BGF-USD ST DURATN BOND-USDA1	8.7	USD	0.1	0.2	0.9	1.6	3.0
EMERGING BONDS	JPMorgan Emerging Markets Bond	642.5	USD	0.4	1.8	5.8	7.6	5.8
INTERNATIONAL BONDS (DIVERSIFIED) - USD	Global Aggregate	558.7	USD	0.5	1.5	3.3	5.9	9.2
INTERNATIONAL BONDS (DIVERSIFIED) - EUR	Euro Aggregate	275.4	EUR	0.3	0.4	1.2	2.8	4.0
INTERNATIONAL BONDS (DIVERSIFIED) - CHF	Barclays Global Agg Corporate	155.9	CHF	-0.2	-0.5	0.1	0.0	0.7
CONVERTIBLE BONDS (UE)	Exane Europe Convertible Bond	8605.0	EUR	0.7	1.1	3.6	5.7	5.0
HIGH YIELD BONDS	Markit iBxx Gbl Dev Lq HY USD	167.7	USD	0.6	1.9	7.4	12.5	7.5
HIGH YIELD BONDS - SHORT DURATION	AB SHORT DURATION HI YD-AT	15.1	USD	0.4	1.3	4.5	7.7	6.1

1) Short & Medium-term (1-5 years)
2) Emerging Bonds (Corporate)
3) Emerging Bonds - Eastern Europe

Graph sources: Bloomberg/BearBull Global Investments

How far can risk premiums decline in the Eurozone?

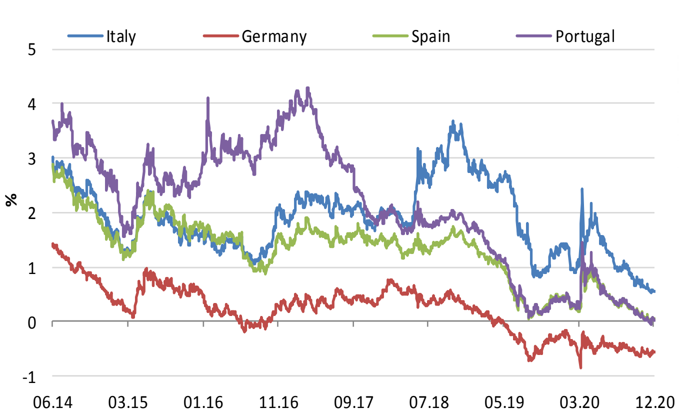
In Europe, the uncertainty concerning the economic recovery seems to us to be more present, due in particular to the greater risks of lockdown that still weigh on the short-term growth prospects of the countries of the European Union at the beginning of the year. The risks of a rise in euro interest rates are therefore lower, as investors do not yet seem sufficiently convinced of an acceleration in economic momentum to start to consider a readjustment of the yields required by the economic situation. The existing correlation between bond markets could logically be temporarily reduced, as long as euro interest rates remain relatively stable despite the likely tensions on the US market. With regard to the national markets in the euro area, we note that the PEPP has been operating for several months and is effectively driving the evolution of sovereign bond yields in Europe, which have been falling steadily since mid-March and are now sinking deeper and deeper into negative territory. The 10-year Bund yield is again at its lowest level (-0.63%) since mid-March, similarly to French (-0.4%), Italian (+0.55%) and Spanish (0%) government yields, for example. The yield spreads between European sovereign debtors are thus once again close to those prevailing before the outbreak of the Covid-19 crisis. Risk premiums in euro bond markets have contracted and already reflect to a large extent the new European paradigm resulting from the mutualisation of debts. The low risk premiums for Italian (1.18%) and Spanish (0.63%) debt now leave little room for further price increases unless a target similar to the current premium in France (0.23%) is considered.

In this environment, European long-term rates have only an extremely limited potential for further declines. The government bond markets in the various national segments thus offer few prospects in terms of yield and capital gains. The stabilisation of yields in Europe could still last for some time before the trend reverses and yields adjust to more positive economic conditions.

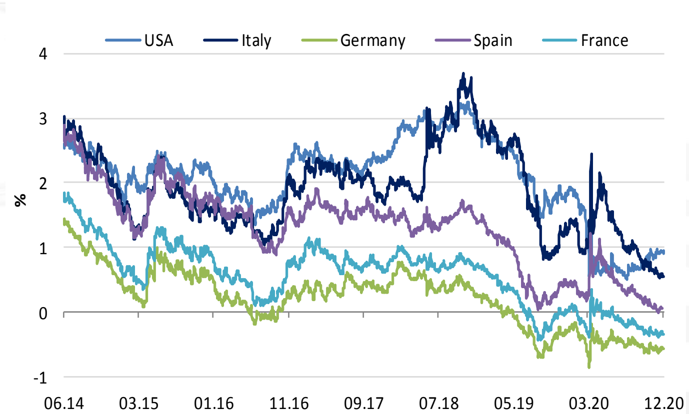
Low potential on long-term rates in the UK

The expected weakening of economic momentum in Q4 and early 2021 is unlikely to have an impact on long-term rates in sterling. Ten-year government yields already approached zero twice in March and August in anticipation of high cyclical risks to the UK economy. Since then, they have gradually resumed a slightly upward trend. Ten-year yields could rise by a further 0.27% to 0.5% by the end of the year, which we believe is the likely short-term inflection point for UK yields. A more significant rise in the short term could not be ruled out in the context of a "no deal" and subsequent weakness of the pound sterling in January 2021. The agreement reached in extremis with the European Union, however, does not alter our expectations for the British economy and the pound sterling. The final agreement negotiated with the European Union also does not rule out the risks of a rise in imported inflation in the UK in 2021, which is also a negative factor for the sterling bond market. At these levels, the bond market still does not seem very attractive to us, and the risks of holding sterling bonds seem significant enough in this context to avoid taking positions in this market. Key interest rates were lowered from 0.25% to 0.1% during the health crisis in March and have remained unchanged since then. Negative rates are likely to be one of the options available, but it seems that the BOE will instead expand its purchase programme to act across the entire yield curve. It may now be more difficult for the BOE to effectively control the level of long-term rates, which could therefore come under further pressure.

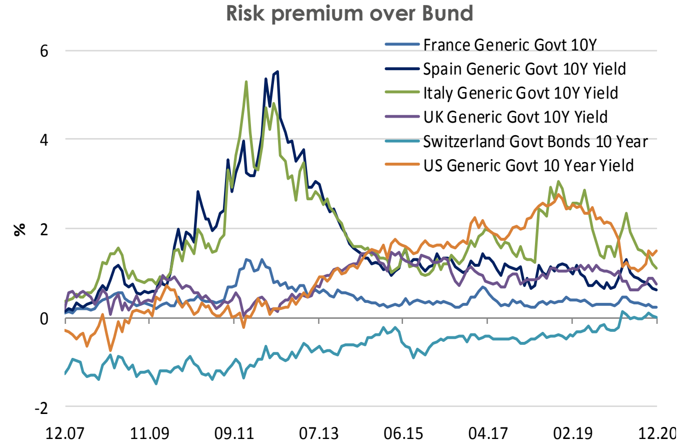
European Bonds (10 year yield)



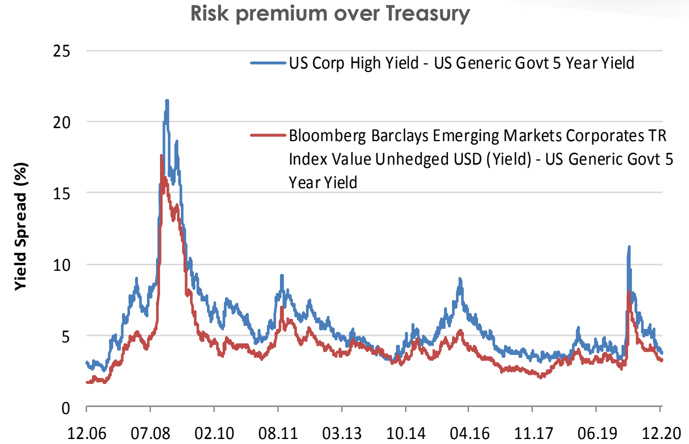
10 year yield



Risk premium over Bund



Risk premium over Treasury



Graph sources: Bloomberg/BearBull Global Investments

Deflation in Japan will not push rates lower

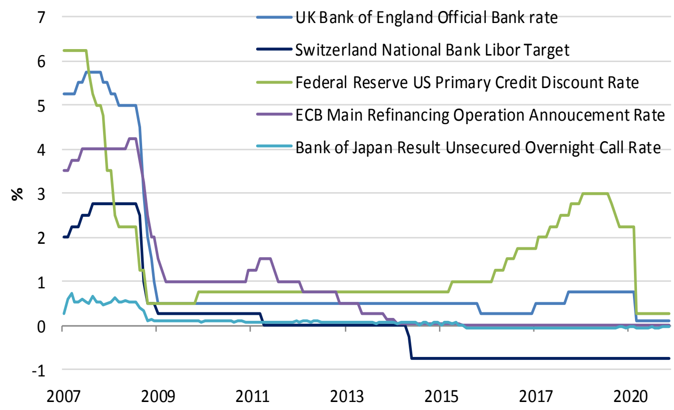
The consumer price index collapsed in November, falling to -0.9%, recording its biggest drop in nine years, driven by falling energy prices and government offers of lower travel and hotel accommodation costs. Inflation is moving away from the BOJ's target. The BOJ states that it is not worried about this in the short term, although it no longer expects a positive recovery before next summer. In this deflationary context and in the absence of a rapid recovery in economic growth in Q1, interest rates may remain stable and close to zero across the entire yield curve. In this context, the BOJ will have to maintain its policy of extreme economic stimulus by continuing its "unlimited" asset purchase programmes. The Bank is unlikely, however, to push its action to the point of lowering 10-year yields significantly below zero. The outlook for the Japanese bond market is therefore unattractive; only a strong yen could bring a positive element to a Japanese bond exposure, a possibility that we believe is very unlikely in Japan's current economic situation.

Bond investment policy focused on quality and short maturities

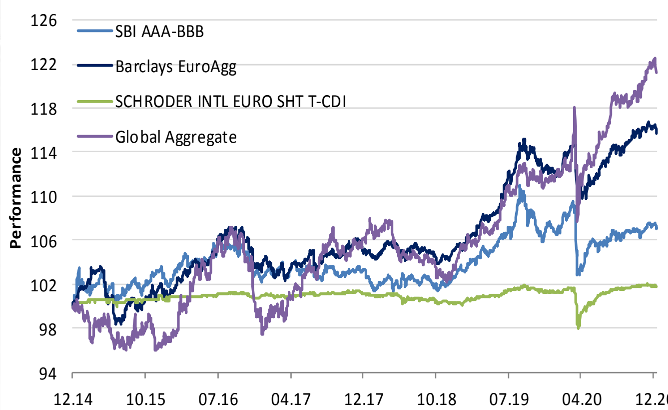
In 2020 central banks came to the rescue of economies and had a very strong and lasting impact on bond markets. They have been able to effectively control and steer interest rates not only on the short end by lowering their key rates, but they have also allowed long-term rates to fall thanks to their government debt purchase activity in particular. Against the backdrop of a highly anxiety-inducing 2020 very much affected by the risks of a collapse in global economic activity, the actions of central banks were decisive and took place in an environment deemed rather deflationary and marked by the risk of recession. The recovery of most economies in Q3 was not enough to change fundamental risk perceptions in interest rate markets, which were still convinced that interest rates would remain persistently low thanks to central bank actions. Growth estimates for Q4 point to a slowdown, which could continue into the beginning of the year. Inflationary risks have therefore logically been put on the back burner and have not been taken into account so far in the bond markets. 2021 could, however, prove to be more complex and less easy for central banks to control. With the economic recovery expected this year there will also probably be a general adjustment of interest rate levels that may not be as effectively controllable by central banks. In China, for example, the government's yuan yields rose from 2.45% at the height of the crisis in April to 3.4% in November, jumping by 100 basis points as GDP growth resumed. Yuan yields have thus very gradually adjusted to this new reality by returning to levels that prevailed in Q4 of 2019, before the health crisis. In the US, the trend reversal was obviously less spectacular, with Treasury yields beginning their adjustment phase in August, going from 0.5% to 0.9% at the end of the year. This trend is expected to continue in the US and to gradually take hold elsewhere in Europe, in the UK and in other developed countries and emerging markets more generally.

Our bond strategy now focuses primarily on diversification within developed markets in the investment grade segment and in high quality government debt in emerging markets. Short maturities are absolutely essential given the likely upward adjustment of interest rates. Yield pick-up strategies, often favoured by investors seeking positive returns, are now particularly risky as yields enter a period of adjustment. In 2020 risk premiums reached historically low levels and have likely reached their limits in an economic climate that is now less penalised by the health crisis.

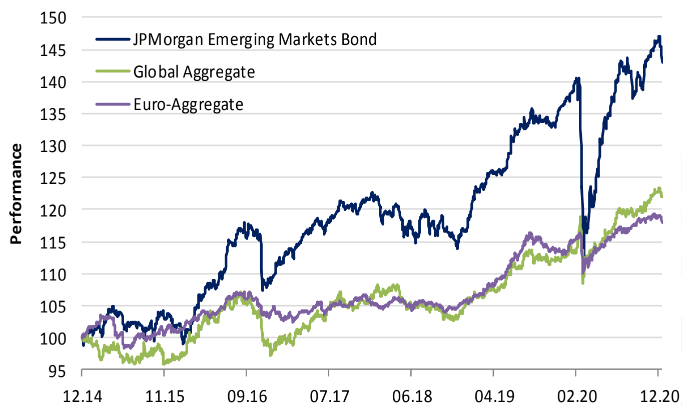
Central Bank rates (EUR, CHF, GBP, USD, JPY)



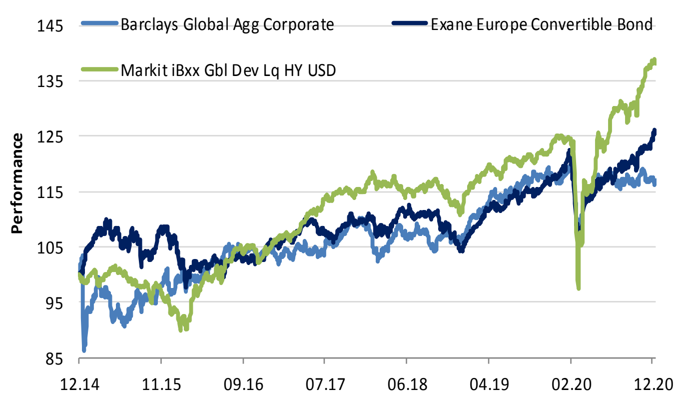
YTD Performance of Bond Indices 1- 5 years (Normalized at 100)



Emerging Bonds - Performance (Normalized at 100)



Eastern Europe Bonds - Performance (Normalized at 100)



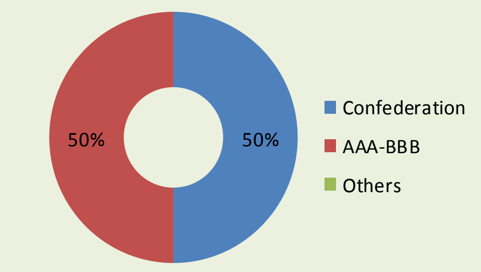
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Bonds

- Will the special situation for Swiss yields soon come to an end?
- Further decline of risk premiums in Switzerland
- The SNB will not stop a possible rise in long-term interest rates

Swiss Bonds allocation



Tactical Allocation

- Underweight Swiss Government Bonds
- Reduce the "IG" segment
- Short durations

BONDS Type of Debtor	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Governement	↘	↘							
Corporate (IG)	↘	↘							
Others	↘	↘							

Will the special situation for Swiss yields soon come to an end?

Interest rates in Swiss francs did not remain unaffected by changes in international risk parameters. The correlation between the Swiss market and other developed bond markets has remained positive, but while in the US and the Eurozone in particular central banks have been particularly active in steering the yield curve, in Switzerland the SNB has remained comparatively quiet. While central bank action in both the US and Europe clearly maintained and reinforced downward pressure on yields, the lack of SNB intervention in Switzerland has left market forces free to find an equilibrium. De facto, the Swiss government's 10-year yields have remained rather stable at around -0.45%, with the exception of the short period of volatility observed in Q1. The risk premium between BBB and 10-year government bonds has steadily decreased from 2.46% to only 0.91% and may already be close to its absolute floor. The growth prospects for Swiss GDP in 2021 would justify a significantly higher yield for Swiss franc bonds. However, interest rates in Switzerland will probably only start to increase once investors take note that central banks' steering of artificially low long-term interest rates is nearing its end. The immediate risks of a rise in interest rates are relatively limited in Switzerland, but so are the opportunities.

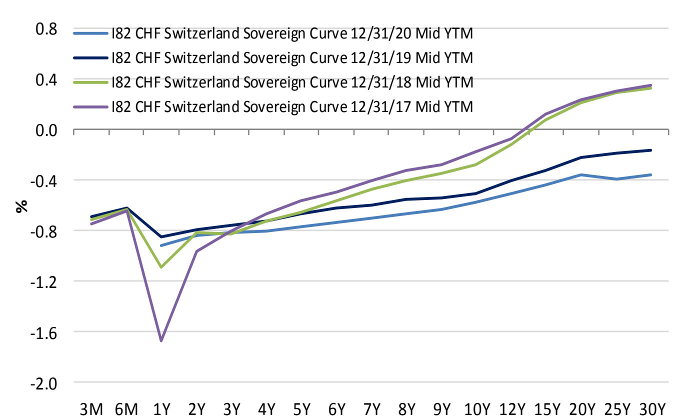
Further decline of risk premiums in Switzerland

The last few months have again been relatively favourable for non-government bonds, which were still sought after by investors looking for yield. Since our recommendation to reinvest in investment grade debt to take advantage of the increase in risk premiums to 2.46% in March, the influx of capital in search of positive returns has largely reduced yield spreads with Swiss government bonds. The risk premium for BBB investment grade debt has fallen below 1% and now stands at 0.91%. We believe that the risk premium is already extremely low, and even if it contracts by a few more basis points over the next few months, repositioning opportunities are no longer attractive at current levels. Yield pick-up strategies are no longer attractive and incorporate risks that we believe once again have not been factored in.

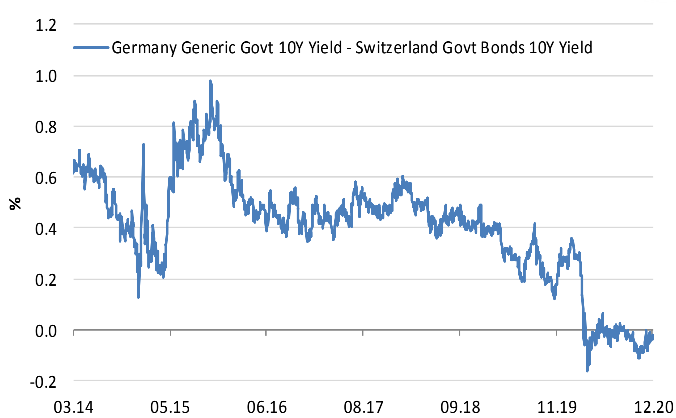
The SNB will not stop a possible rise in long-term interest rates

For the time being, the Swiss bond market is moving in parallel with other developed international bond markets without benefiting from a monetary policy that is clearly aimed at maintaining low interest rates across the entire yield curve. Unlike the ECB, the Federal Reserve, the BOJ or the BOE, the SNB has not used its balance sheet to inject liquidity by purchasing large amounts of domestic government debt. In this sense, the Swiss bond market is more likely than others to experience a yield shock when investors consider bond market yields to be insufficient and inappropriate in view of the positive trend in economic growth in 2021. From this point of view, the Swiss bond market seems to us fragile and would only be protected, if at all, by a positive shift in the demand for Swiss francs, which would prefer to invest in bonds rather than cash. Such an eventuality seems unlikely to us in the context of strengthening global growth, which is more likely to reduce the demand for Swiss francs.

Switzerland Sovereign Yield Curve

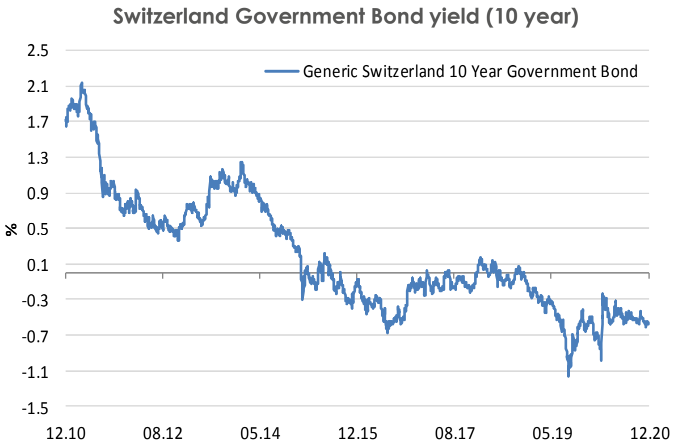


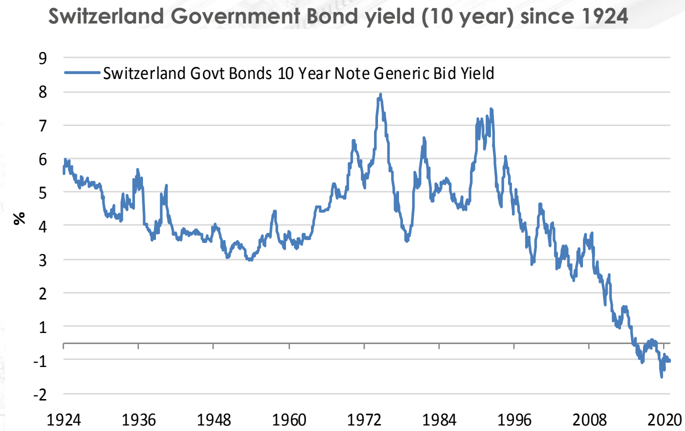
Long rates Yield Spread (German Bund - Swiss Confederation)

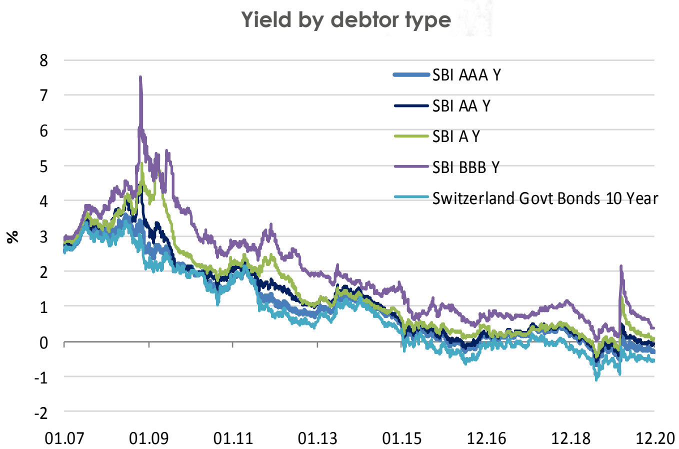


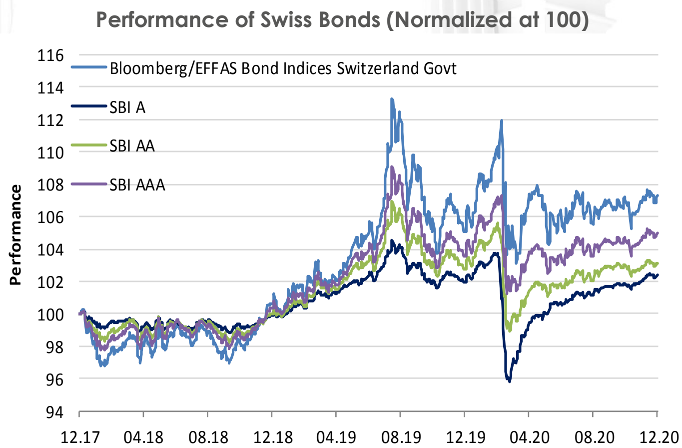
Graph sources: Bloomberg/BearBull Global Investments

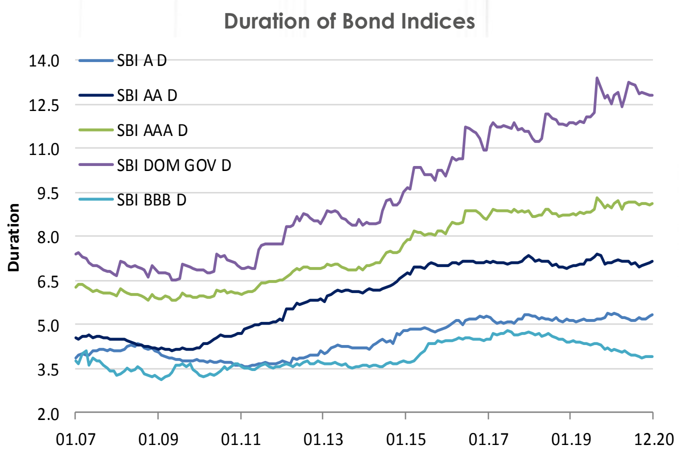
BearBull Global Investments Group

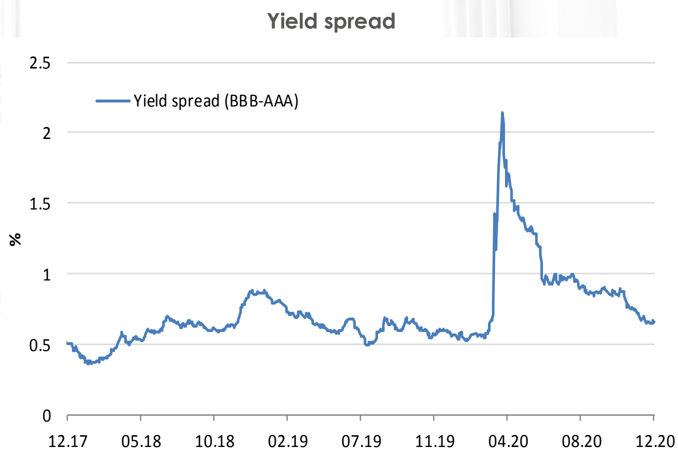


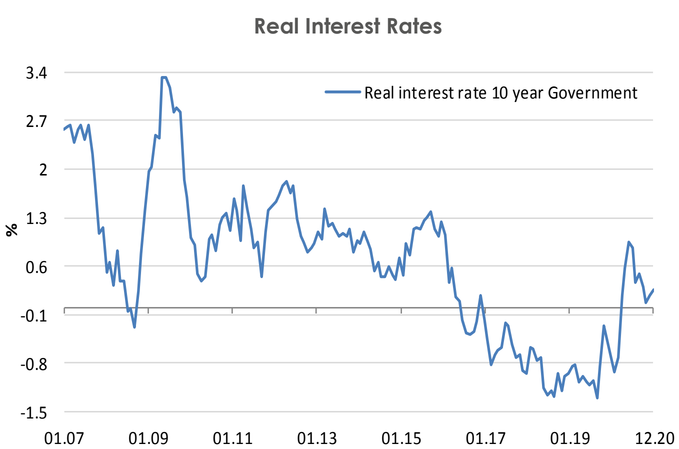












SWISS BOND INDICES (CHF)

31.12.2020 — Total Return Performance

N° ISIN	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
Bloomberg Barclays Series-E Switzerland Govt All > 1 Yr Bond Index	1.0	CHF	-99.6	-99.6	-99.6	-99.6	-99.6
SBI A-BBB	140.2	CHF	0.1	0.4	1.0	2.0	0.4
SBI AA-BBB	138.8	CHF	0.2	0.3	0.6	1.7	0.4
SBI AAA-AA	142.0	CHF	0.3	0.3	0.4	1.6	1.1
SBI BBB	153.1	CHF	0.1	0.4	1.3	2.2	0.3
SBI AAA-BBB	141.9	CHF	0.2	0.3	0.5	1.7	0.9
SBI DOM GOV AAA-BBB 1-3P	64.6	CHF	-0.1	-0.3	-1.0	-1.5	-3.3
SBI DOM GOV AAA-BBB 3-7P	84.2	CHF	0.1	-0.1	-0.5	-0.4	-1.8
SBI DOM GOV AAA-BBB 7+ P	137.4	CHF	0.5	0.3	0.2	1.4	1.7

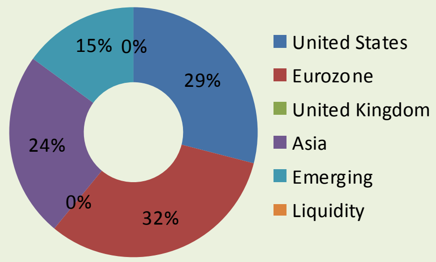
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Real Estate

- A final quarter finally favourable to international securitised real estate
- Collapse in demand not as dramatic as expected
- The economic stimulus plans are also favourable to real estate
- International securitised real estate provides excellent diversification

International Real Estate allocation



Tactical Allocation

- Underweight US & UK expositions
- Focus on Europe, Asia and emerging countries

REAL ESTATE Areas	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	↗	↗							
United States	↗	↗							
Eurozone	↗	↗							
United Kingdom	↗	↗							
Asia	↗	↗↗							
Emergents	↗↗	↗↗							
Liquidity									

A final quarter finally favourable to international securitised real estate

At the beginning of Q4 2020 we believed that arbitrage and repositioning opportunities in the medium term were still attractive with regard to international securitised real estate, which had not yet benefited like equity markets from the positive change in the macroeconomic outlook for the second half of the year. In the vast majority of countries, securitised real estate was still suffering from the negative sentiment of investors worried about the medium-term risks that the pandemic posed to the stability of rent payments and therefore also to the expected returns on real estate investments. The last months of 2020 were ultimately very favourable for international REITs, which jumped up by +12.6% at the end of the year. All regions benefited from this positive trend reversal for the sector. In Europe, REITs were up +11.7%, achieving a performance similar to that of Asian REITs, up +11.1%. The US (+13.1%) and UK (+13.7%) markets both performed even slightly better. Emerging markets, however, lagged behind in the last quarter with only a small increase of 2.8%.

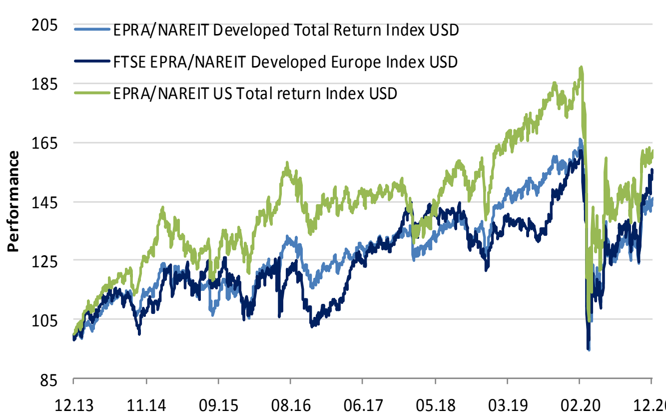
International securitised real estate thus finally benefited from the renewed optimism observed at the end of the year, which owes much to the appearance on the market of Covid-19 vaccines that rapidly changed, at least in part, investors' risk perceptions with regard to growth.

The adjustment in expectations seen in recent months in this asset class is promising and encouraging, but the rebounds observed are still far from erasing the fall in prices in Q1.

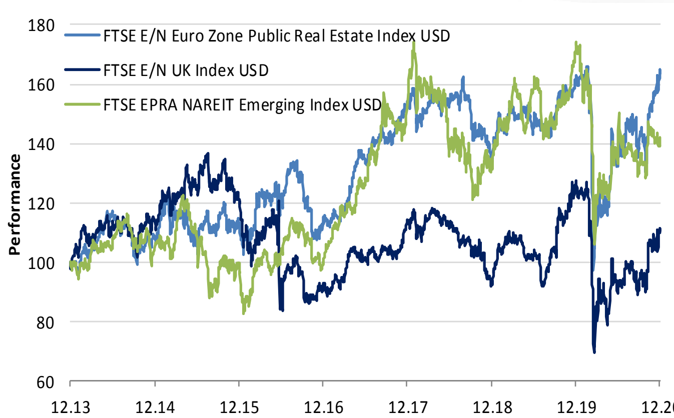
Since the beginning of the year, securitised real estate is still down overall by -10%. The European market has fared best overall with a result of -7%. Real estate in the UK is still penalised by the impact of the dramatic spread of the Covid-19 epidemic and by the increased risks of a marked weakening of the economic outlook. Down -15.9%, British real estate remains less attractive in international comparison. The underperformance of emerging market securitised real estate, down -23.9% in 2020, may not last in 2021. Vaccination campaigns will still take several months to show their effectiveness, but 2021 will be a year of global economic recovery, and this new positive environment will certainly attract new investment in emerging securitised real estate as well.

At the beginning of this year, international real estate is one of the best asset classes in terms of expected risk/return ratios in our view. The revaluation of international real estate markets is underway and still offers significant opportunities for capital gains.

EPRA Nareit - USA, Europe, Global (USD)



EPRA Nareit - Eurozone, United Kingdom, Emerging (USD)



Graph sources: Bloomberg/BearBull Global Investments

Collapse in demand not as dramatic as expected

The pandemic will not have as significant and lasting an impact on real estate markets as is sometimes imagined in connection with the development of homeworking, which intensified in 2020. Of course, we do foresee a lasting impact on companies resulting from the forced homeworking experience that has marked the fight against the pandemic. Many companies have undoubtedly been seduced by this new form of collaboration and work organisation, and a very large number of employees have appreciated the freedom in terms of their personal organisation that this new form of work has brought them. It is therefore likely that employee workspaces will now be viewed differently by companies. Commercial and office space development needs will certainly be affected, probably lowering the prospects for new construction in the coming years. Regarding residential real estate, this trend is likely to have a more positive impact on the floorplans of private accommodation. The need for an additional room for example will certainly be essential to the sustainability of homeworking in a comfortable environment. Otherwise, it is also likely that employees themselves will prefer the comfort of their professional workplace to the constraints of trying to organise a permanent workspace within their private living space. The development of homeworking will not be so simple and will only involve a much smaller proportion of employees than has been the case in times of forced lockdowns. Therefore, while it is indeed likely that demand for office space will fall, we believe that the outlook for international real estate will not be impacted in 2021 as dramatically as share prices may suggest.

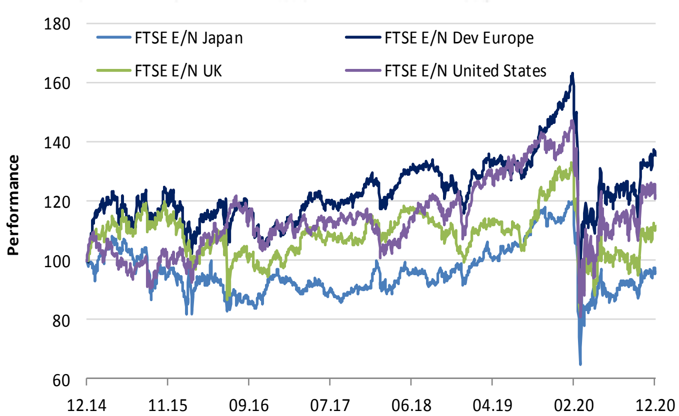
The economic stimulus plans are also favourable to real estate

International real estate will also benefit from the economic stimulus plans implemented by governments. We noted above the risks affecting the demand for office space stemming from the impact of the homeworking experience on the changing habits of decision-makers and businesses. It is also important to note that, in parallel to this likely trend, economic stimulus packages will significantly alter the outlook for global economic growth, which is expected to accelerate by almost +6% in 2021. This particularly positive macroeconomic context will certainly create favourable conditions for many sectors, including real estate. An increase in demand will therefore also be induced by global growth and will compensate for the medium-term decline expected due to the increase in homeworking.

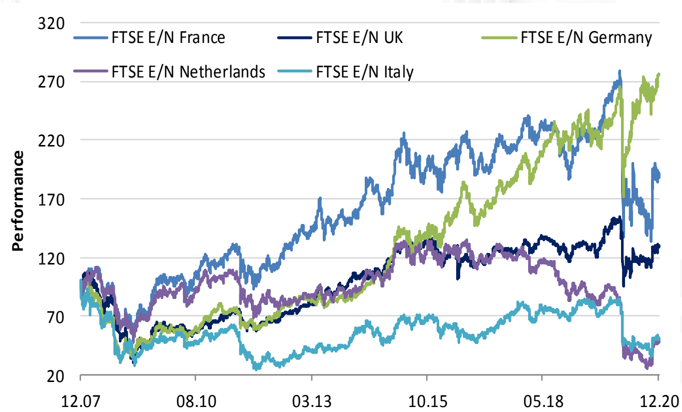
Such a solid economic recovery will also have positive consequences on expectations regarding the sustainability of revenues and rents collected by lessors. In this context, fears of vacancies or non-payment of rents, which could reduce real estate profitability, are undoubtedly overestimated.

In addition, massive liquidity injections by central banks and the availability of credit will continue to support the real estate sector and asset valuations. In the long run, a rise in long-term interest rates will have a negative effect on asset valuations, but for the time being we still believe that securitised real estate remains unfairly penalised by overly pessimistic expectations.

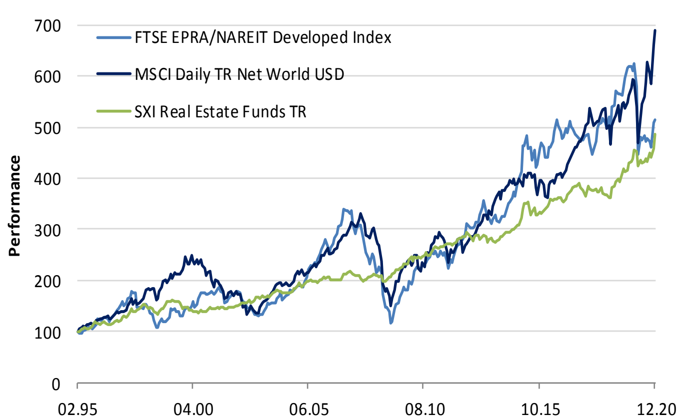
Real estate markets (local currency)



European real estate markets (local currency)



Long-term Performance : international real estate, swiss real estate and international equities (local currency)



INTERNATIONAL REAL ESTATE INDICES (local currency)

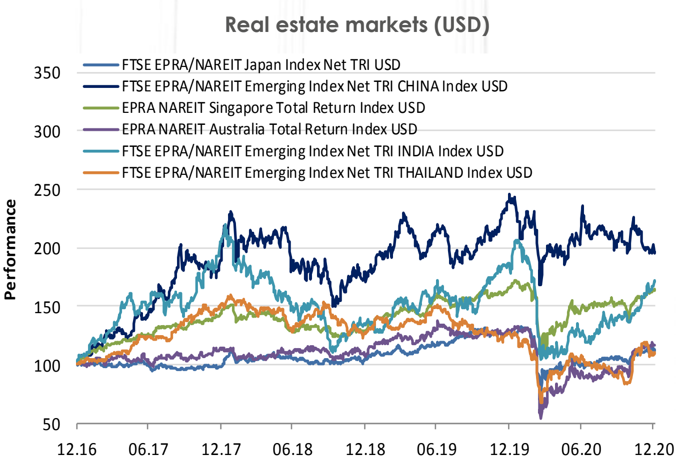
31.12.2020				Total Return Performance				
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	FTSE EPRA/NAREIT Glb TR	2849.6	USD	1.5	2.1	11.1	12.0	-9.2
DEVELOPED	EPRA/NAREIT Dev TR USD	5365.6	USD	1.5	2.6	11.6	13.5	-8.2
DEVELOPED EUROPE	FTSE E/N Dev Europe	2160.8	EUR	1.1	3.3	11.4	11.0	-10.2
EUROZONE	FTSE E/N Euro Zone	2435.9	EUR	1.2	3.7	11.0	9.8	-7.0
USA	FTSE E/N United States	2812.2	USD	1.4	2.2	10.2	11.7	-9.5
DEVELOPED ASIA	FTSE E/N Dev Asia	1396.5	EUR	1.5	0.3	6.1	2.7	-16.6

Graph sources: Bloomberg/BearBull Global Investments

International securitised real estate provides excellent diversification

The overall return on international real estate is still particularly attractive at the beginning of the year, both in absolute and relative terms. In the Eurozone, the yield on the Nareits EPRA indices was 4.45% in 2020 with an expected increase of almost 5% over the next two years. In the US, yields for 2021 are slightly lower, averaging 3.9%, which is roughly the same as those expected for Asia. Yields in the UK are even lower and are estimated at around 3.7%. Thus, yields on securitised real estate in emerging markets logically appear to be the highest in our investment universe with an expected average yield of 5.5% for 2021 and 6.3% for 2022.

International securitised real estate has clearly fallen victim to the process of reallocating assets to risky investments such as equities, whose earnings prospects in the economic recovery phase seemed more constructive and predictable. However, we believe that this asset class remains undervalued and is likely to see renewed investor interest in 2021, as it benefits more broadly from the improved investment climate. The risks of an increase in interest rates in the coming months could possibly be viewed as a negative factor for the sector in the short term, but we consider that this would occur in a context of undervaluation of real estate shares and therefore would not have any real immediate consequences. Competition from slightly better bond yields should also not be overestimated, as the yield spread in favour of real estate would remain significant.



At current price levels, we maintain our positive outlook for international securitised real estate and suggest an overweight investment policy and tactical allocation following what we believe to be unjustified price corrections in indirect real estate investments and given the delay in the ongoing process of revaluing opportunities to take advantage of still attractive valuation levels. The return on real estate investments will not be affected as much by the Covid-19 crisis, and the global economic recovery reinforces the attractiveness of the asset class. An improved investment climate and reduced uncertainty will support the shift of investment away from bonds and towards securitised real estate.

In terms of tactical positioning, we favour real estate markets in countries or regions that can expect a stronger economic recovery in 2021. Our regional allocation is diversified in the current context, but overweight the Eurozone, Asia and emerging markets.

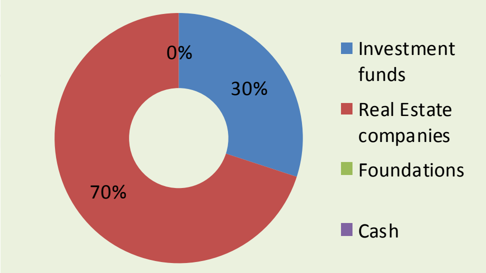
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Real Estate

- A spectacular year end for securitised real estate
- Excessive valuations for real estate investment funds
- Repositioning into real estate companies

Swiss Real Estate allocation



Tactical Allocation

- Profit-taking on investment funds
- Overweight listed real estate companies

REAL ESTATE Switzerland	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Investment funds	↘	↗							
Real Estate companies	↗	↗↗							
Foundations	↗	↗							
Cash									

Return of excessive valuations for Swiss real estate investment funds

December 2020 was a particularly positive month for Swiss real estate investment funds, which recorded a spectacular increase of +6.06%, the strongest monthly increase since November 1995 (+8.19%). The particularly enthusiastic stock market climate at the end of the year finally motivated investors to position themselves in Swiss real estate investment funds, which still offer a higher return than Swiss franc bonds. The enthusiasm for this asset class is due to improved economic growth prospects for 2021. The expectation that risks of further lockdowns would soon abate means potentially less pressure stemming from requests for lower rents and risks of reduced profitability in the real estate market. The emergence of homeworking initially weighed on estimated profitability, but the imminence of vaccination campaigns has put these fears into perspective.

That said, this December repositioning comes after an increase in prices of more than 30% between the market trough of March and November and should really be seen as a short-term exaggeration of the trend. Over the year 2020 as a whole, the sector's performance jumped to +10.81%. When we saw the opportunity to reinvest in this asset in April 2020, valuations were particularly attractive, but now the average premium of Swiss funds (43.65%) is once again above 40%, which in our view is an unsustainable overvaluation in the short term. Despite a still attractive yield of 2.7%, we consider the risks of short-term value adjustments to be significant and recommend a temporary reduction in exposure to real estate investment funds.

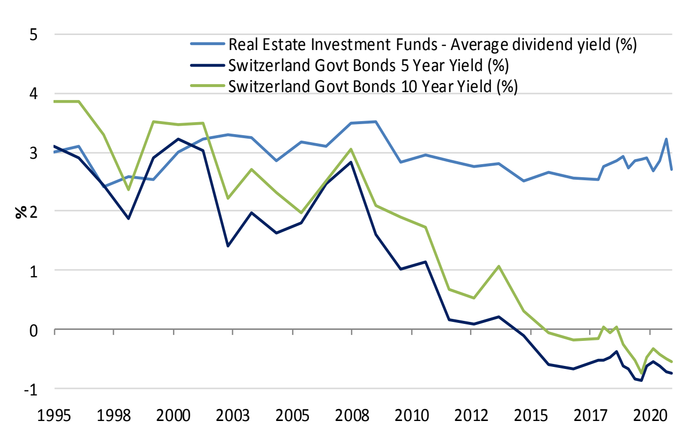
At the same time, listed real estate companies are also beginning to regain the interest of investors, with a +6.56% rebound in December. Despite this latest increase, the SXI Real Estate Shares index still declined by -8.61% in 2020 and did not benefit from a similar rebound. The dividend yield of 3.4% is logically higher than that of real estate investment funds, and the average premium of 18.5% seems more reasonable given the medium-term outlook for the sector. Real estate companies are probably still suffering from the changed outlook for real estate and construction in Switzerland. Less favourable business conditions in the construction sector and the likely decrease in the number of new projects resulting from the increase in homeworking in particular is still weighing on the growth of real estate companies. We believe, however, that these companies are now somewhat unfairly penalised by these probably overly pessimistic medium-term expectations. An adjustment of allocations between real estate investment funds and real estate companies seems appropriate in such a context.

SWISS REAL ESTATE

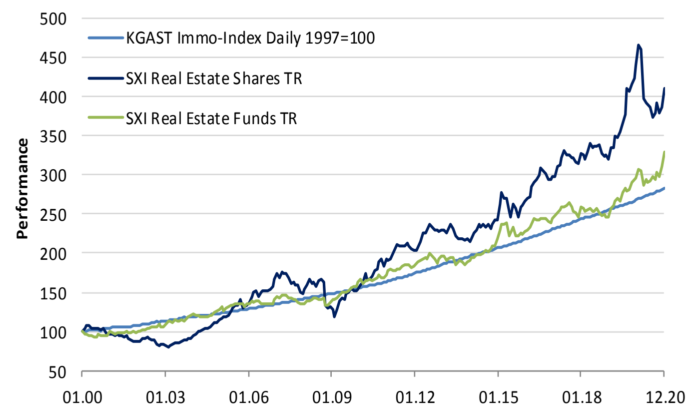
31.12.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SXI Real Estate Funds TR	483.4	0.8	4.8	8.1	14.0	10.8
SXI Real Estate Idx TR	3054.9	2.1	6.5	4.5	5.5	-6.7
KGAST Immo-Index	315.8				2.7	5.1

Government and Real Estate Yield



Performance of Swiss Real Estate

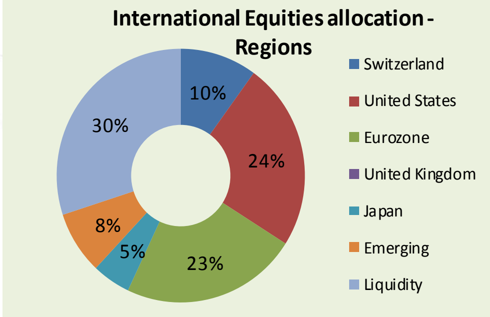


Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Equities - Regions

- 2021 could be the year of value stocks
- Complicated short-term outlook for US equities
- More cyclical European indices may benefit from the situation



Tactical Allocation

- Reduce risk and equity allocation
- Increase Liquidity

EQUITIES REGIONS	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Switzerland	↘	↗							
United States	↘	↗							
Eurozone	↘	↗							
United Kingdom	↘	↗							
Japan	↘	↗							
Emerging	↘	↗							
Liquidity									

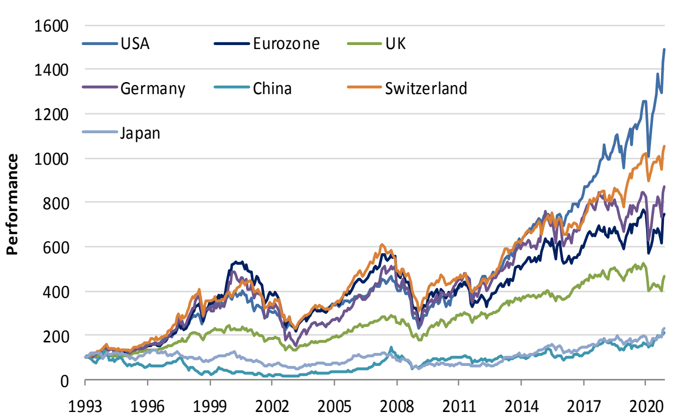
2021 could be the year of value stocks

If 2020 was clearly the year of technology stocks, benefitting in particular from low interest rates and from their supposed "immunity" to Covid-19, 2021 could well be more favourable to value stocks and cyclical sectors. The new Democratic administration as of 20 January 2021 is already perceived as more committed to boosting American growth by increasing investment in infrastructure, notably that required for the energy transition, but also more determined to support the American population and household purchasing power. The Biden administration will certainly oversee a massive increase in budget deficits and public debt. The corresponding issuance of US Treasury bonds is likely to result in an upward adjustment of interest rates. We expect this trend in the United States to be fairly similar in most other countries capable of implementing ambitious stimulus plans financed by increasing government debt. Higher returns demanded by investors in connection with increasing deficits in an environment of gradually recovering inflation will not be without consequences for various economic sectors. Technology stocks and, more broadly, growth stocks and sectors favoured by falling interest rates could suffer from this new and very different environment in 2021. A steepening of the yield curve will certainly be more negative for growth stocks and more favourable to cyclical sectors such as banking, energy, basic materials, etc. The outperformance of the Nasdaq index in recent months is likely to slow down in this new stock market climate, and its stocks will logically experience some profit-taking in the short and medium term. However, while the long-term prospects of technology stocks are clearly not called into question by the likely rise in interest rates, the quite extraordinary valuations often seen in these market segments could be the determining factor and the trigger for their next correction. Overall, the equity markets and stock indices more exposed to this type of stock are also likely to suffer the consequences of the expected price adjustments. The increase in the weighting of technology stocks in the S&P500 Index (close to 40%) and even in the Dow Jones (more than 20%) will therefore be a factor that could affect US indices more than equity indices in other countries, less exposed to growth stocks and the technology sector. On a regional level, emerging markets are also likely to benefit more widely from this new environment. In particular, technology stocks in emerging markets are trading at more reasonable multiples and may benefit from rotation within the same sector. Emerging market PEs as well as those in Europe generally and especially those in Southern and Eastern Europe could also benefit from a normalisation of the international economic situation.

Complicated short-term outlook for US equities

The risk/return ratio of the US market deteriorated sharply in 2020 without worrying investors until the last days of the year. The valuations of some technology stocks became extreme, driven largely by several factors. The first of these is undoubtedly the inherent quality of these companies, which have been able to develop innovative business models adapted to our modern environment with real growth prospects. The second specific factor supporting high valuations is the persistence of interest rates close to zero, allowing future profits to be valued using a low discount rate that mathematically pushes present values higher.

Long-term Performance (Normalized at 100)



Chinese Equities - A and B (Normalized at 100)

Graph sources: Bloomberg/BearBull Global Investments

Finally, in the US in particular, similarly to what occurred before the speculative internet bubble burst in 2000, trading and speculation among small investors in 2020 have grown dramatically and have contributed to the overvaluation of these stocks. This irrational exuberance is also visible in the explosive development of cryptocurrencies.

In early 2021 valuations in the US market, partly due to the extreme multiples observed in the technology segment, are not inspiring. Although high valuations are not likely to be the only trigger of a downturn, they are nevertheless essential for a significant correction to materialise. While a double Democratic victory in the Senate elections of 5 January 2021 in Georgia is not anticipated, it would give the Democrats more leeway to implement their economic policy and would certainly have negative consequences for US equity markets. The beginning of the Q4 corporate earnings reporting period could also be the occasion for more cautious announcements regarding future results. At more than 22x expected 2021 earnings, the S&P500 is significantly more expensive than the European market (18x), Switzerland (16x) or even China (16x). Only Japan is currently trading at a higher multiple. Technical factors, however, again suggest a growing consolidation risk for US equities in the short term. We suggest a certain caution in terms of risk taking at the beginning of the year.

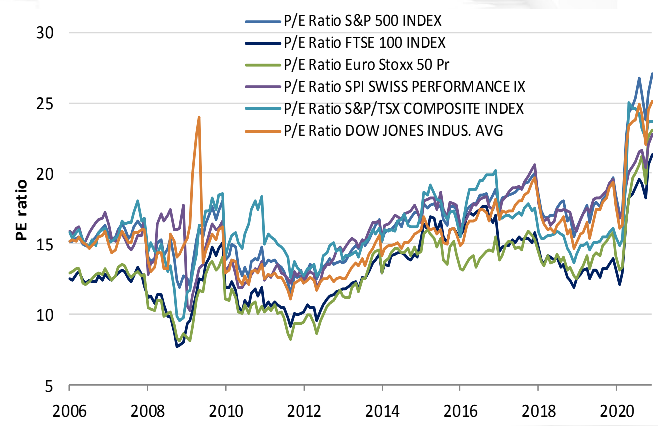
More cyclical European indices can benefit from the situation

After the SX5E index rebounded by nearly +50% between mid-March and mid-July, European equities suffered profit-taking in the wake of the agreement reached in July on a EUR 750 billion European recovery package. The expected decline of -15% that pushed European stocks down through the end of October was, however, followed by an extraordinary rally of the indices in November. This rebound enabled them to return to and surpass their July peaks in just a few days, in the wake of renewed optimism linked to the outcome of the American elections. The economic recovery in Q3 also contributed significantly to this more positive stock market climate. However, at the beginning of 2021, it is clear that the second wave of Covid-19 will once again have a negative impact on consumption and growth in Europe, as well as on corporate results.

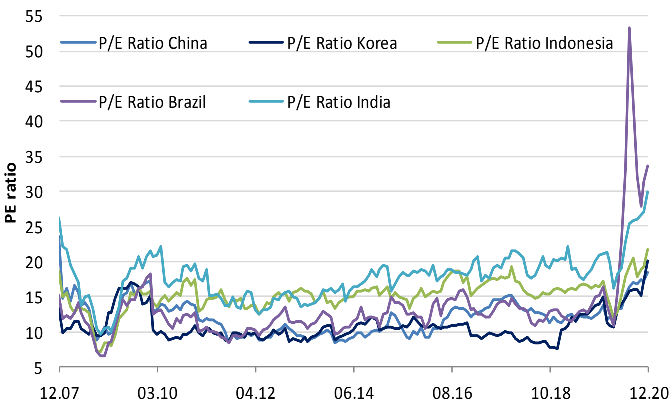
Although the macroeconomic outlook certainly seems better for 2021, the risks of an economic downturn in Q1 are significant. The Stoxx 50 index's valuation at more than 18x 2021 earnings is certainly more attractive than that of the US market, but it could already be such as to generate temporary profit-taking. The composition of stock market indices in Europe, in contrast to the US, has a lower proportion of technology stocks (15%) and a higher share of financial stocks (15%), consumer goods (18%), industrials (17%) and basic materials (9%). This more cyclical composition of the European indices could therefore be favourable to them and support an outperformance of European equities in the context described above. In the short term, temporary consolidation risks are also present in Europe and suggest a perhaps more cautious exposure, although the less extreme relative outlook and valuations may support a further upward phase in European markets.

Volatility (USA, Europe, Switzerland)

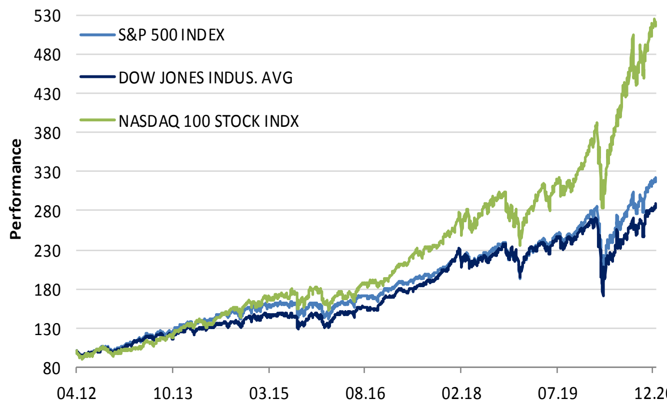
Price/Earnings Developed markets



Price/Earnings Emerging markets



US Equities (Normalized at 100)



Graph sources: Bloomberg/BearBull Global Investments

Nikkei boosted by surprising results

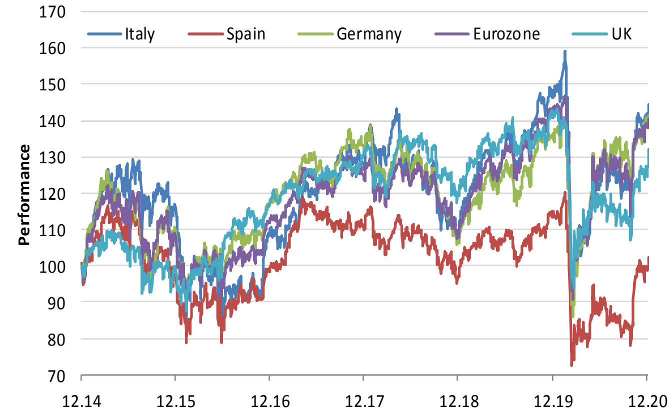
Japanese equities were hit hard in March by a massive sell-off by investors worried about the impact of the pandemic on Japanese exports. At the end of March, we recommended resuming positions in Japanese equities, whose stock prices had largely factored in the various risks associated with the health crisis following a more than -30% correction in prices. Last quarter's results have since beaten analysts' estimates by the highest margin (over 30%) in three years. These results undoubtedly confirm that the low point in the cycle has been reached and that the outlook for the next fiscal year beginning 31 March 2021 could be very favourable. The Nikkei index is now trading above 25,000 points for the first time since 1991, a rise that has certainly not benefited foreign investors, who have been largely absent from this market in recent months. Nevertheless, the upward earnings revision process will have a positive impact on the international demand for Japanese securities in the coming months. Despite these positive expected developments, in the short term, we believe that a loss of momentum seems likely.

At 24x earnings the Nikkei is significantly more expensive than other developed markets, although the Japanese economy is particularly likely to benefit from the global economic recovery, which will boost demand for Japanese goods, already strengthened by the Chinese recovery.

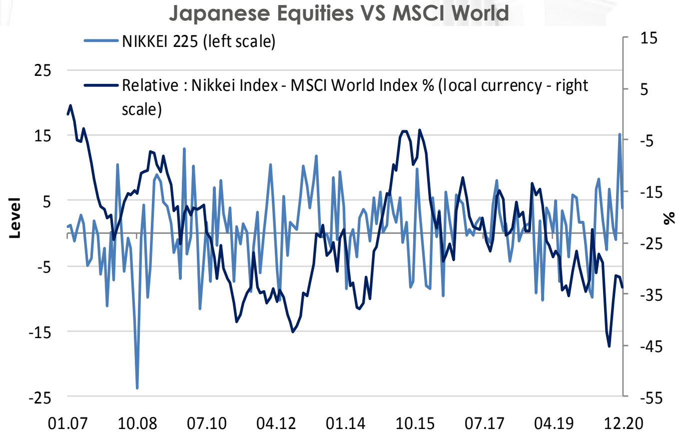
Temporary catch-up of British equities?

UK equities were the worst performers among European markets in 2020 and are logically suffering from the lack of economic visibility for 2021. The still optimistic stock market climate at the beginning of the year could however allow UK stocks to perform well by taking advantage of the more attractive valuations that we were already seeing a few weeks ago. The FTSE100 index is still trading at just over 14x expected 2021 earnings and at a 17% discount to the Eurostoxx 50. This favourable valuation differential could soon, although perhaps only temporarily, benefit UK equities. The FTSE 100 Index is likely to benefit from investors' repositioning into more cyclical stocks due to its composition involving more exposure to financials (20%), basic materials (12%) and oil and gas (9%) than to technology stocks (just 3%). The agreement on the withdrawal of the UK from the European Union removes uncertainty without having any specific new positive effect on corporate results. However, it will now be easier to assess the earnings prospects of British multinationals exposed to growth and with greater transparency and visibility, which may well be favourable to them.

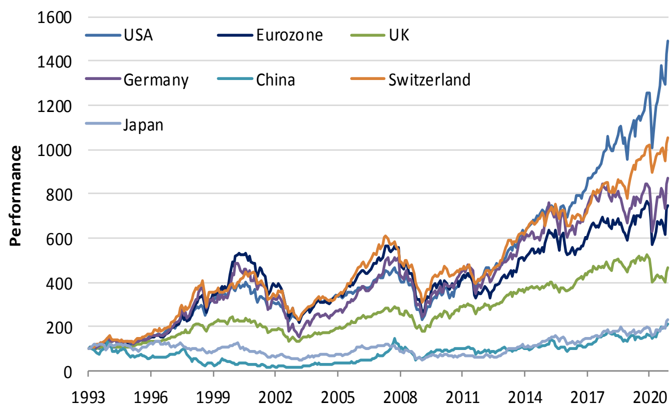
Performance of Stock markets (Normalized at 100)



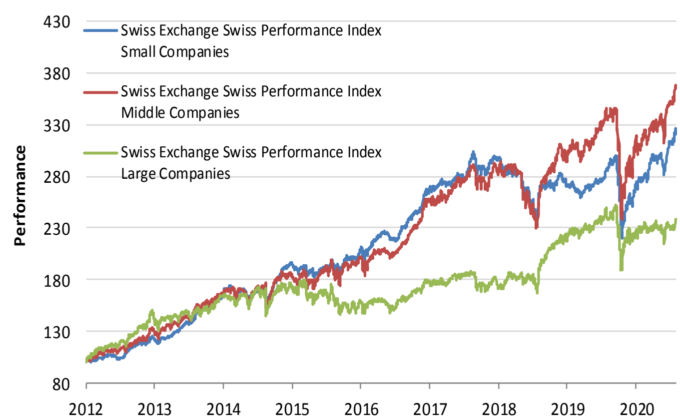
Japanese Equities VS MSCI World



Emerging Markets (Normalized at 100)



Swiss Equities (large - middle - small caps/Normalized at 100)



EQUITIES - BY REGION (local currency)

31.12.2020				Total Return Performance				
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
SWITZERLAND	SPI Swiss Performance Index	13327.9	CHF	2.6	2.7	4.3	5.9	3.8
SWITZERLAND SMALL-MID CAPS	SPI Extra Total Return	5015.5	CHF	1.4	2.8	8.5	14.9	8.1
EUROPE	STXE 600 € Pr	399.0	EUR	0.8	1.9	10.6	9.2	-1.4
EUROPE SMALL-MID CAPS	MSCI Europe Small Cap Net TR E	487.0	EUR	0.9	4.6	16.2	21.6	4.6
UK	FTSE All-Share Index	3673.6	GBP	-0.5	1.8	12.2	8.0	-9.7
USA	S&P 500 Index	3756.1	USD	1.5	2.7	11.5	21.0	18.4
USA SMALL-MID CAPS	RUSSELL 2500	798.3	USD	-0.8	6.6	25.7	35.1	20.0
JAPAN	NIKKEI 225	27444.2	JPY	3.0	2.6	18.5	24.9	18.2
JAPAN SMALL-MID CAPS	Russell/Nomura Mid-Small Cap I	931.8	JPY	1.7	0.9	7.6	16.0	3.8
ASIA EX-JAPAN	MSCI AC Asia Pac Ex Japan	662.1	USD	3.0	5.3	18.6	26.8	22.8
ASIA EX-JAPAN SMALL-MID CAPS	MSCI AC Asia Pacific Ex Japan Small Cap	1156.4	USD	2.3	5.8	19.4	30.3	23.1
EMERGING	MSCI EM	1291.3	USD	3.0	5.6	19.3	27.3	18.5
INTERNATIONAL EQUITIES -DIVERSIFIED USD	MSCI Daily TR Net World	8008.5	USD	1.2	3.2	13.3	21.5	15.9

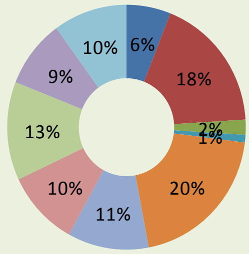
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

International Equities - Sectors

- Overweight cyclical stocks
- Overweight financials, energy, basic materials and gold mines
- Underweight the technology sector and tech stocks

International Equities allocation - sectors



Tactical Allocation

- Underweight digital stocks and technology
- Overweight healthcare, finances, materials, energy and gold mining

EQUITIES Sectors	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Consumer staples	↗	↗							
Healthcare	↗	↗↗							
Telecommunications	↘	↗							
Utilities	→	↗							
Consumer discretionary	↘	↗							
Energy	↗	↗↗							
Financials	↗	↗							
Real Estate	↗	↗							
Industrials	↗	↗↗							
Information technology	↘	↗↗							
Materials	↗	↗↗							

EQUITIES - BY SECTOR

31.12.2020 — Total Return Performance

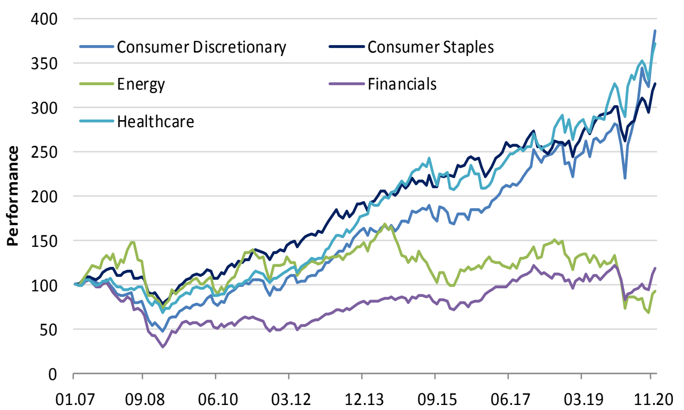
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
CONSUMER DISCRETIONARY	MSCI WORLD/CONS DIS	376.9	USD	1.7	4.1	14.5	31.9	37.0
CONSUMER STAPLES	MSCI WORLD/CON STPL	264.6	USD	1.4	2.2	6.1	13.8	8.5
ENERGY	MSCI WORLD/ENERGY	129.1	USD	-0.4	2.8	30.5	7.2	-30.4
FINANCIALS	MSCI WORLD/FINANCE	119.4	USD	1.3	3.4	23.8	25.9	-2.1
HEALTHCARE	MSCI WORLD/HLTH CARE	312.4	USD	1.7	2.6	7.3	10.7	14.1
INDUSTRIALS	MSCI WORLD/INDUSTRL	304.3	USD	1.0	2.1	15.5	28.2	12.2
MATERIALS	MSCI WORLD/MATERIAL	318.9	USD	0.9	4.3	16.1	28.1	20.6
REAL ESTATE	MSCI WORLD/REAL ESTATE	214.0	USD	1.7	1.2	7.4	8.8	-4.3
TECHNOLOGY	MSCI WORLD/INF TECH	443.5	USD	0.5	4.7	11.7	25.4	44.3
TELECOMMUNICATION	MSCI WORLD/TEL SVC	94.1	USD	1.5	2.2	14.3	23.0	23.5
UTILITIES	MSCI WORLD/UTILITY	153.4	USD	2.1	1.5	8.2	12.4	5.8

Technology stocks and, more broadly, growth stocks and sectors favoured by lower interest rates could suffer from the new and very different economic environment in 2021 as well as from the likelihood of an upward adjustment in interest rates. A steepening of the yield curve will certainly be more negative for growth stocks and more favourable to cyclical sectors such as banking, energy, basic materials, etc. The outperformance of the Nasdaq index in recent months is likely to slow down in this new stock market climate, and its stocks are likely to experience some profit-taking in the short and medium term.

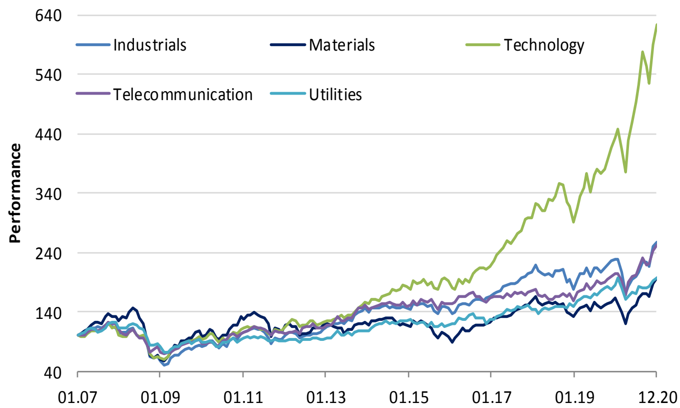
In anticipation of this, we are now recommending a more cyclical sector diversification strategy for 2021. The technology sector's recent stock market run is unlikely to continue with the same momentum in this environment of rebounding long-term rates and is likely to be subject to profit-taking. It is therefore underweighted in favour of the banking sector, which is primarily supported by the rise in interest rates.

Energy and basic material stocks are also likely to benefit from the improved growth prospects for 2021 and by often attractive valuation levels. Chinese GDP is expected to grow by +8% in 2021, and the growth in Chinese demand for raw materials will gradually be accompanied by an increase in global demand. The mining sector will benefit from this and should therefore be included in a diversified international allocation. Gold and silver mines will certainly also benefit from a continuation of the expected rise in precious metal prices. The health and telecommunications sectors offer lower prospects in our view and see their respective allocations reduced.

Sectors - MSCI World (Normalized at 100)



Sectors - MSCI World (Normalized at 100)



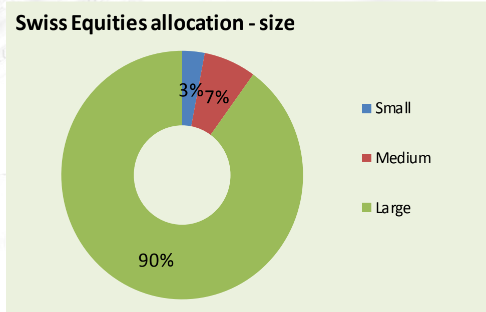
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Equities

- Swiss equities better withstand the crisis
- Attractive valuations in international comparison
- Bullish outlook for value stocks

EQUITIES capitalization	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Small	↘	↗							
Medium	↘	↗							
Large	↘	↗↗							



Tactical Allocation

- Reinforce a defensive approach
- Focus on values of substance, reduce small and medium values

Swiss equities better withstand the crisis

The defensive nature of the Swiss market, with its large exposure to healthcare and consumer staples, enabled it to weather the Covid-19 crisis more serenely than other equity markets. The stability of corporate earnings in these sectors, which make up a large proportion of Swiss stock market indices, was an important supporting factor. The performance of Swiss equities (+3.82%), although quite respectable for the year as a whole in the particularly volatile and difficult context of 2020, nevertheless fell short of that of US indices (+6.49% in Swiss francs) due to its low exposure to technology stocks. In comparison with Europe, however, Swiss equities did rather well, clearly outperforming the MSCI Europe Index (-5.6% in Swiss francs) and the MSCI UK Index (-13.3% in pounds sterling). The low interest rate environment and the year-long uncertainty about the global economic outlook favoured growth stocks at the expense of value stocks. However, the defensive Swiss market, which is more exposed to the latter, could benefit from a significant paradigm shift in 2021.

Swiss equities relatively attractive in international comparison

The quality of its multinational companies, the greater stability of their earnings and the stability of their dividends are often cited in connection with the Swiss market as long-term positive factors for stock prices. While these elements indeed work in favour of the Swiss market, from a relative point of view, the average dividend yield of Swiss shares is rather below that of US or European stocks and is not a real, specific distinguishing factor. However, the expected yield of 2.9% for 2021 is still attractive compared to the yield on Swiss bonds. Swiss equities' current PE ratio of 19x expected 2021 earnings is now also similar to those of European equity markets with the exception of Italy (14x) and the UK (15x). Swiss equities, however, seem clearly more attractive from this point of view compared to US (23x) or Japanese (24x) stocks.

Bullish outlook for value stocks

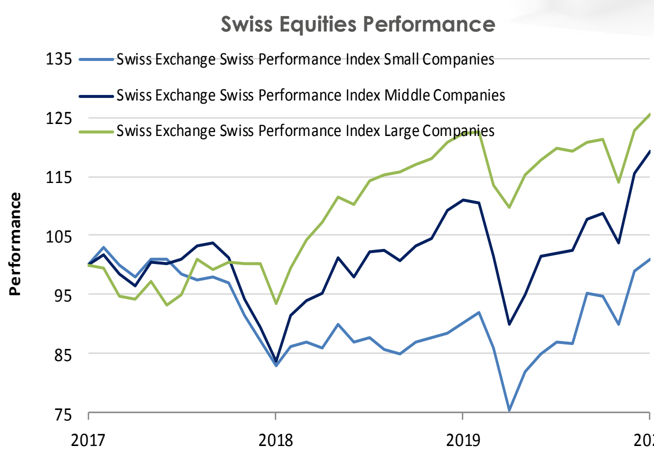
In 2021 the stronger global economic outlook, as well as the risks of a rise in interest rates in the US in particular, could lead to a shift in momentum more favourable to value stocks than was the case in 2020. Indeed, technology and growth stocks largely outperformed and benefited from a low interest rate environment and uncertainties regarding economic growth. The Swiss market, with low exposure to technology stocks, will benefit from this change in the investment strategy of international investors, even if the risks of interest rate adjustments in Switzerland are in fact much less significant.

The currency factor could also prove more positive if, as we expect, the Swiss franc loses its safe-haven status. Improving investor sentiment and confidence against the backdrop of a strengthening global economic environment is indeed likely to reduce demand for Swiss francs. A weaker franc would have a favourable impact on the results of Swiss multinationals and support their earnings growth. Overall, Swiss equities will still be able to benefit in 2021 from the lack of investment alternatives for bond investors, who are forced to turn to volatile assets in the absence of yield and the lack of attractiveness of the Swiss franc bond market.

SWISS EQUITIES - Capitalization

31.12.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SPI SWISS PERFORMANCE IX	13327.9	2.6	2.7	4.3	5.9	3.8
SPI SMALL COMPANIES INDX	27929.2	0.7	1.7	7.0	14.6	11.8
SPI MIDDLE COMPANIES IDX	19767.5	1.5	3.1	9.3	16.2	7.5
SPI LARGE COMPANIES INDX	12552.9	2.9	2.6	3.1	3.6	2.8

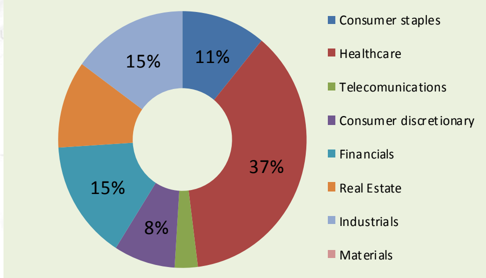


Graph sources: Bloomberg/BearBull Global Investments

Swiss Equities - Sectors

SWISS EQUITIES Sectors	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Consumer staples	↗	↗					■		
Healthcare	↗	↗↗						■	
Telecommunications	↘	↗			■				
Consumer discretionary	↘	↗			■				
Financials	↗	↗↗					■		
Real Estate	↘	↗↗			■				
Industrials	↗	↗↗					■		
Materials	↗	↗	■						

Swiss Equities allocation - sectors



Tactical Allocation

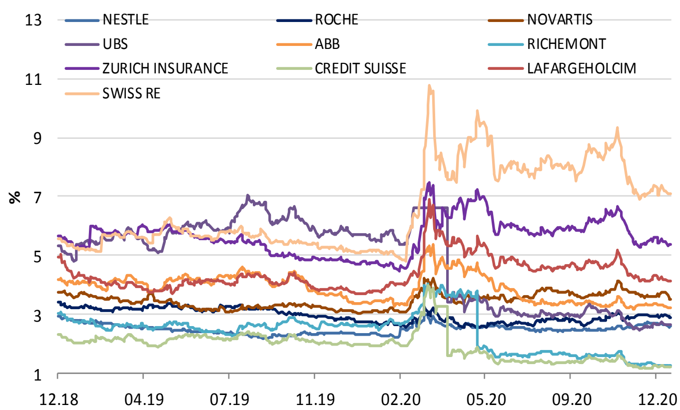
- Overweight healthcare, food, the insurance sector and banking sector

Healthcare and financial sectors significantly undervalued

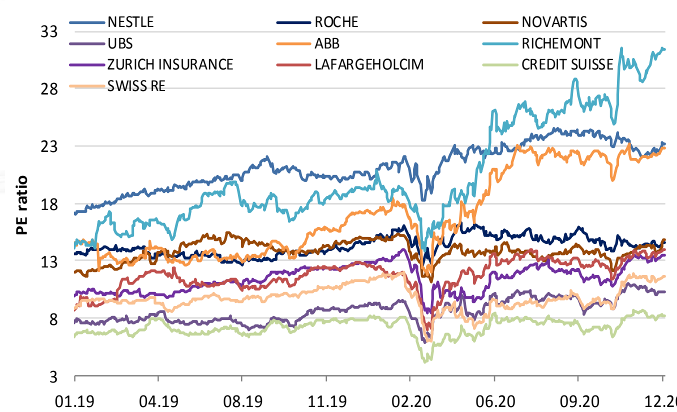
The situation is relatively complex in the Swiss market in terms of company valuations at the beginning of 2021. While the largest market capitalisations are already trading at multiples close to 20x 2021 earnings, medium-sized companies are still trading at multiples above 27x 2021 earnings and 22x 2022 earnings. The three largest Swiss companies, Nestlé, Roche and Novartis, have an average PE ratio similar to that of the market. The two healthcare stocks still seem "cheap" with a valuation of around 14x 2021 earnings, i.e. at a discount of 30%. Nestlé, with a PE of 23x 2021 earnings, already seems a little overvalued compared to its earnings growth of barely +5%. Among the main SMI stocks we favour Roche and Novartis, which we think will outperform Nestlé and all the other SMI stocks due to a probable revaluation of these two stocks, whose expected profit growth in 2021 exceeds +10% for Novartis and 7% for Roche.

With regard to the valuations of the other SMI stocks, it is interesting to observe the great disparity between financial stocks such as UBS, CS, Zurich Insurance, Swiss Re, and Swiss Life and the other listed companies. These financial stocks still have 2021 PEs of between 8.8x and 13.6x, far below the SMI average, while most other stocks already have very generous valuations of above 30x 2021 earnings. The valuations of these few financial stocks are obviously likely to catch up in a context of rising long-term rates around the world. The Swiss market could well see a sector rotation in favour of both healthcare and financial stocks to the detriment of companies that are already particularly richly valued, even given an upswing in profits in 2021. In terms of potential share price growth in 2021, Roche, Novartis, CS and UBS seem today to be best positioned to benefit from a positive adjustment of around +10%. Most of the other SMI stocks seem to have already reached their short-term upside potential.

Dividend Yield



PE ratio

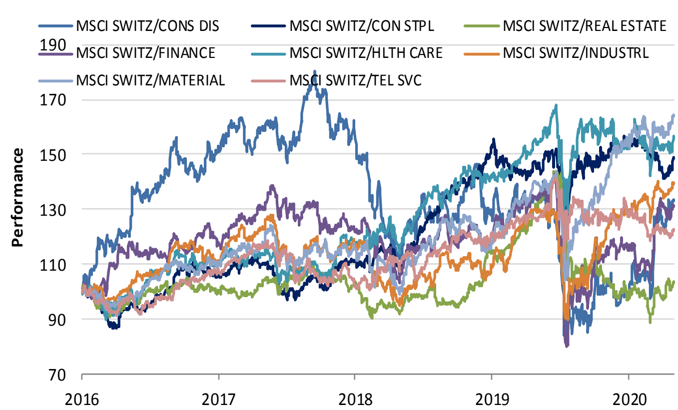


SWISS EQUITIES - BY SECTOR

31.12.2020 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
MSCI SWITZ/CONS DIS	274.4	1.3	6.7	25.1	30.8	-0.6
MSCI SWITZ/CON STPL	345.0	2.9	4.2	-4.5	-0.4	2.5
MSCI SWITZ/FINANCE	56.5	0.9	-0.8	20.7	13.9	-2.0
MSCI SWITZ/HLTH CARE	183.5	3.9	2.8	1.3	-1.1	2.0
MSCI SWITZ/INDUSTRL	204.8	1.2	2.3	5.0	14.1	7.9
MSCI SWITZ/MATERIAL	396.7	1.6	2.6	2.6	16.0	17.8
MSCI SWITZ/REAL ESTATE	1011.5	1.7	6.5	4.0	-1.2	-20.8
MSCI SWITZ/TEL SVC	90.2	1.5	-0.6	-2.9	-3.8	-3.0

Performance



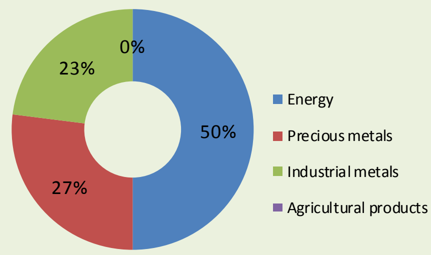
Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Commodities

- Economic recovery favourable to commodities in 2021
- The rebalancing of the oil market supports crude oil prices
- The gold rush may resume in 2021
- New momentum for industrial metals

Commodities allocation



Tactical Allocation

- Overweight precious and industrial metals
- Underweight energy segment

COMMODITIES	Expected Return		ALLOCATION (CHF Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Energy	↗	↗↗							
Precious metals	↗	↗							
Industrial metals	↗	↗↗							
Agricultural products	↗	↗							

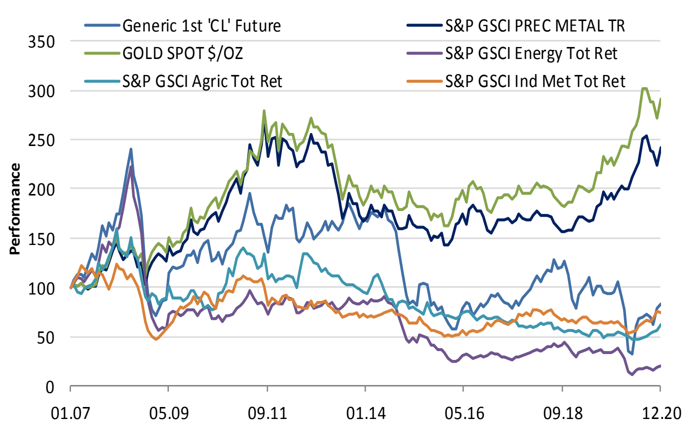
Economic recovery favourable to commodities in 2021

Commodities (+5.9%) soared in Q4 driven by hopes of a stronger economic recovery in 2021 and by the weakness of the dollar. Precious metals, energy and agricultural products jumped by +7.4%, +6.3% and +10.3%, respectively, while industrial metals stagnated (-0.25%) after a strong increase in November and a rise of +13.8% over the quarter. At the beginning of 2021, the victory of the two Democratic candidates in the Senate elections in Georgia has given the new Democratic administration free rein to implement its economic recovery plan favourable to infrastructure and the energy transition. 2021 will therefore certainly be marked by an acceleration of world growth, supported by government economic programmes and powerful stimulus packages also favouring investment in infrastructure projects and the energy transition to a large extent. Industrial metals such as copper, zinc and aluminium should be the first to benefit from this massive capital expenditure and will benefit from the recovery in industrial activity. As regards energy, the rebalancing of the market is under way, with supply remaining limited by the fall in unprofitable shale oil production and the decline in OPEC production. Precious metals, on the other hand, will benefit from a number of positive factors in 2021, including an increase in investment demand driven by a change in expectations regarding the outlook for global growth and inflation. Demand for gold is still expected to exceed supply. Commodities are likely to benefit quite significantly from the recovery of the business cycle in 2021, with WTI oil prices expected to exceed USD 60 and gold potentially benefiting from renewed investment demand and exceeding USD 2,200 per ounce.

The rebalancing of the oil market supports crude oil prices

The global supply of crude oil gradually adjusted in 2020 to the new economic reality of the global pandemic. Transport, travel and commuting collapsed, as expected, followed by a relatively limited recovery in crude oil consumption in H2. While some normalisation was achieved in most countries, demand has remained weak. Production has logically adjusted to this reduced demand, voluntarily in some cases, in others by necessity, particularly in the shale oil sector, whose profitability is generally not guaranteed below USD 50 per barrel. The production of shale oil plunged in 2020 from 9.3 to 7.2 million barrels before stabilising in December slightly above 8 million barrels. The number of active wells according to Baker Hughes fell by 50% in 2020, mainly due to the drop from 682 to 172 wells in the US, while the number of wells exploiting shale gas and oil plunged from 844 to 155 between 2019 and 2020 before recovering very gradually at the end of the year. 2021 is still likely to be marked by political action on the part of President Biden, who has already announced a moratorium on new oil and gas licences, a further brake on the development of US supply. The goal of achieving a carbon-neutral footprint by 2035 will imply drastic changes in the energy industry in the US and beyond. The energy transition is underway and by 2021 will find massive political support in most countries. The major players will gradually transform their business models by increasing their investments in alternative energies to the detriment of investments in fossil fuels. Despite more encouraging economic prospects for 2021, Saudi Arabia surprised observers by announcing a reduction in output of 1 million barrels per day until March 2021. This is an additional factor supporting the decrease in world production and the rebalancing of the global market, as inventories are regularly seeing significant withdrawals. For several months now, our expectations for the evolution of crude oil prices have been positive, as we anticipated that prices would continue to rise beyond USD 50. These expectations have now been fulfilled with a solid start to the year and WTI prices above USD 53. We continue to expect prices to reach close to USD 60 in the coming months.

Commodities



Graph sources: Bloomberg/BearBull Global Investments

COMMODITIES (USD)

31.12.2020 — Total Return Performance

N° ISIN	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
	MSCI Daily TR Net World USD	8008.47	USD	1.19	3.20	13.34	21.55	15.90
GLOBAL	S&P GSCI Tot Return Indx	1977.0	USD	1.2	6.5	16.7	17.1	-23.7
WTI CRUDE	Generic 1st 'CL' Future	48.5	USD	0.6	8.9	25.3	19.4	-20.5
BRENT OIL	Generic 1st 'CO' Future	51.8	USD	1.0	9.2	26.6	20.1	-21.5
NATURAL GAS	Generic 1st 'NG' Future	2.5	USD	0.8	-11.8	0.5	46.4	16.0
OR	GOLD SPOT $/OZ	1898.4	USD	0.8	4.6	-0.4	6.9	25.1
ARGENT	Silver Spot $/Oz	26.4	USD	2.2	10.0	11.0	47.0	47.9
AGRICULTURE	S&P GSCI Agric Indx Spot	367.6	USD	4.2	11.6	21.0	36.0	21.8
INDUSTRIAL METALS	S&P GSCI Ind Metal Spot	381.9	USD	-1.4	-1.1	17.8	25.9	17.8

The gold rush may resume in 2021

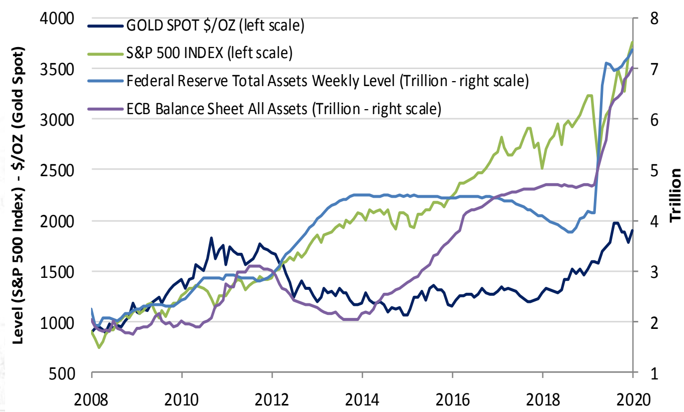
Gold benefited in 2020 from a change in risk perceptions and in the outlook for growth and monetary policies. The consolidation of prices over the last six months around the previous peak of USD 1,921 per ounce in 2011 amidst stock market euphoria regarding risky assets has not erased the massive outperformance of gold as an asset class in 2020 (+25.12%) but on the contrary reinforces its ability to recover. The gold rush is thus likely to resume and continue in 2021. In this analysis, we discuss the various factors that are likely to support a continued rise in prices in 2021. Among the main factors, we note the positive influence of a probable rise in inflation, the persistence of low interest rates, negative real interest rates, a tight supply and demand market, and the likely significant strengthening of investors' investment demand.

The "investment demand" factor was key in the specific context of the pandemic, whereby it increased significantly to reach 3,888 tonnes in ETFs and 222 tonnes in the form of bars and gold coins in Q3 2020. Investors' appetite for diversification into physical gold is now greater than it was in 2011 when gold prices reached their previous peak of USD 1,921 per ounce (2,542 t). The amount of gold currently held in physical ETFs is greater than the annual production of the yellow metal. We estimate that in 2021 investment demand will continue to grow significantly due to a likely increase in private and institutional investor exposure.

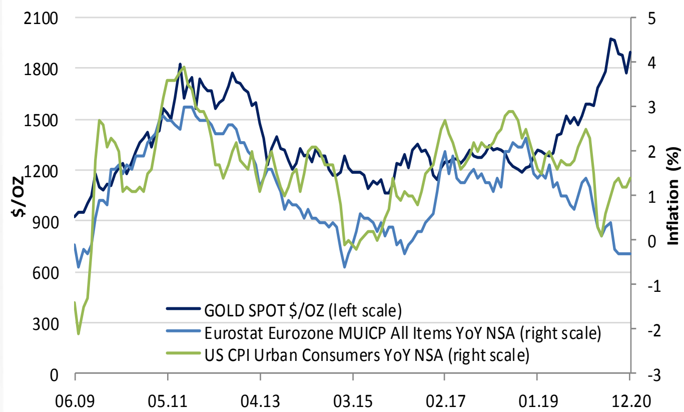
New momentum for industrial metals

In H2 of 2020, industrial metals benefited from the prospects of economic recovery and the return of Chinese demand, which has been growing strongly since Q2. Base metal prices will certainly benefit from infrastructure stimulus programmes, which could well prove to be more massive and decisive than initially envisaged. We anticipate a synchronised increase in demand for most industrial metals in 2021, with Chinese demand reaching its seasonal peak in Q2 and Western economies also finally in a phase of recovery. However, industrial metals prices already rose by 14.8% in 2020 in anticipation of an upturn in raw material consumption driven by Chinese demand. Since the end of the pandemic in China and the resumption of GDP growth, the S&P Goldman Industrial Metals Index has risen by 46%.

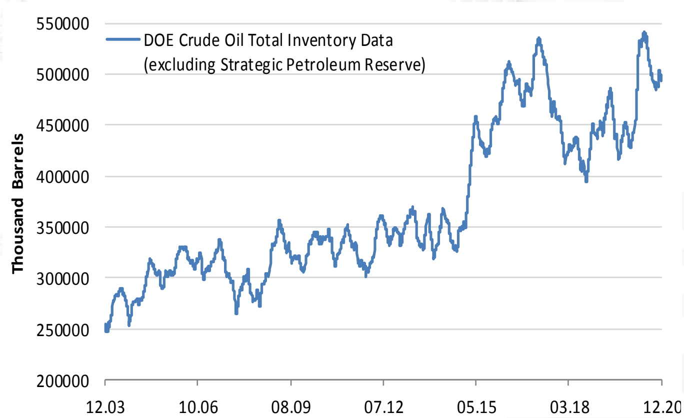
Gold and Global liquidity



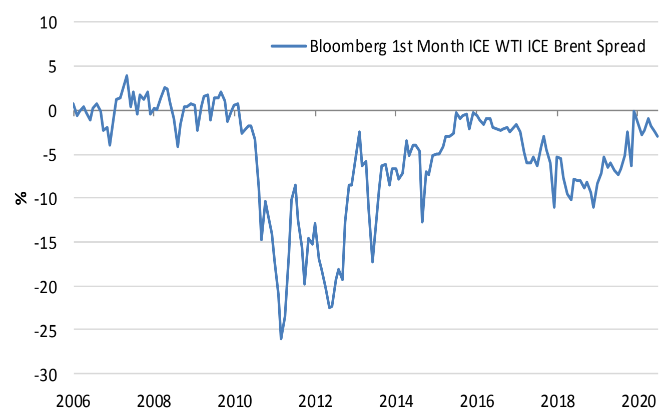
Gold and Inflation



Crude Oil Inventory (USA)



WTI - Brent Price Spread



Graph sources: Bloomberg/BearBull Global Investments

PROSPECTS AND STRATEGIES

Hedge Funds

- Increase of +6.8% in 2020

Private Equity

- Private equity closed the year at breakeven

Increase of +6.8% in 2020

The various alternative management indices followed a positive third quarter with further growth between September and December, pushing their performance during this very singular year 2020 further into positive territory. The global hedge fund index thus rose by +5.0% during the last quarter of the year, for an annual increase of +6.8%.

The different strategies' performance for FY2020 was homogenous in comparison with Q3, with all the strategies ending the year in the black. While the equity hedge (+4.6%) and macro/CTA (+4.3%) strategies posted results below +5% over the last twelve months, the event-driven and relative value arbitrage strategies posted gains of +8.9% and +8.1%, respectively.

Private equity closed the year at breakeven

Private equity ended 2020 on a largely favourable final quarter (+16.7%), with the asset class returning to the level it was at a year ago and thus completely erasing the fall observed during the first quarter. The segment's performance thus stands at +0.5% for the year as a whole.

While quarterly results for Europe (+22.8%) and the UK (+21.7%) soared between September and December, the US saw a less marked increase (+12.4%). In 2020 Europe and the UK posted a positive performance of +1.9%, in contrast to the US, which conceded -8.2% over the same period.

HEDGE FUND INDICES (USD)

31.12.2020

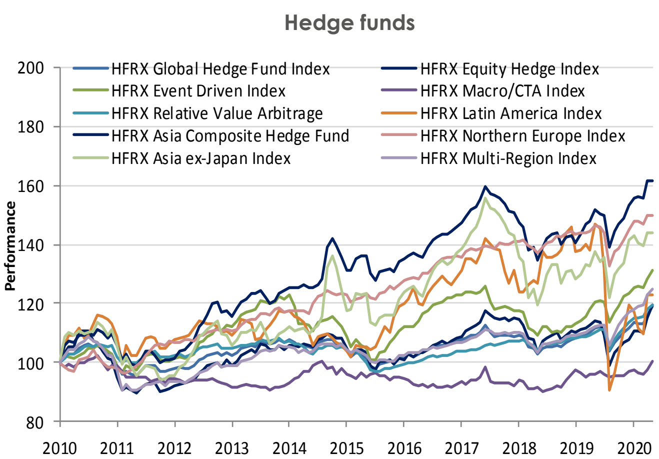
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
				Total Return Performance				
GLOBAL	HFRX Global Hedge Fund Index	1380.5	USD	0.7	2.2	5.0	7.7	6.8
EQUITY HEDGE	HFRX Equity Hedge Index	1333.0	USD	1.0	3.1	7.5	11.2	4.6
EVENT DRIVEN	HFRX Event Driven Index	1761.7	USD	0.6	1.9	4.1	7.0	8.9
MACRO/CTA	HFRX Macro/CTA Index	1231.3	USD	1.2	2.8	4.1	5.1	4.3
RELATIVE VALUE ARBITRAGE	HFRX Relative Value Arbitrage	1349.3	USD	0.2	1.0	3.7	6.6	8.1
LATIN AMERICA*	HFRX Latin America Index	2005.5	USD	-	0.0	10.0	10.9	-16.5
ASIA COMPOSITE*	HFRX Asia Composite Hedge Fund Index	2608.0	USD	-	0.0	3.4	8.7	6.5
NORTHERN EUROPE*	HFRX Northern Europe Index	2165.6	USD	-	0.0	1.3	5.8	2.5
ASIA EX-JAPAN*	HFRX Asia ex-Japan Index	2714.1	USD	-	0.0	2.3	7.4	4.3
MULTI-REGION	HFRX Multi-Region Index	1556.0	USD	0.2	1.7	5.0	8.3	11.5

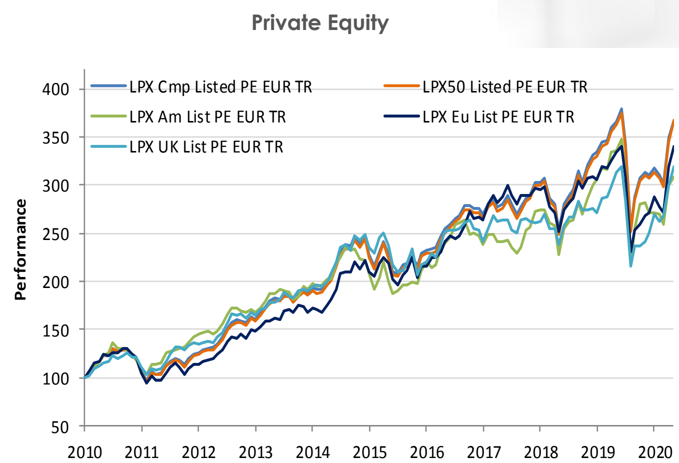
* Subject to one-month lag

PRIVATE EQUITY INDICES (EUR)

31.12.2020

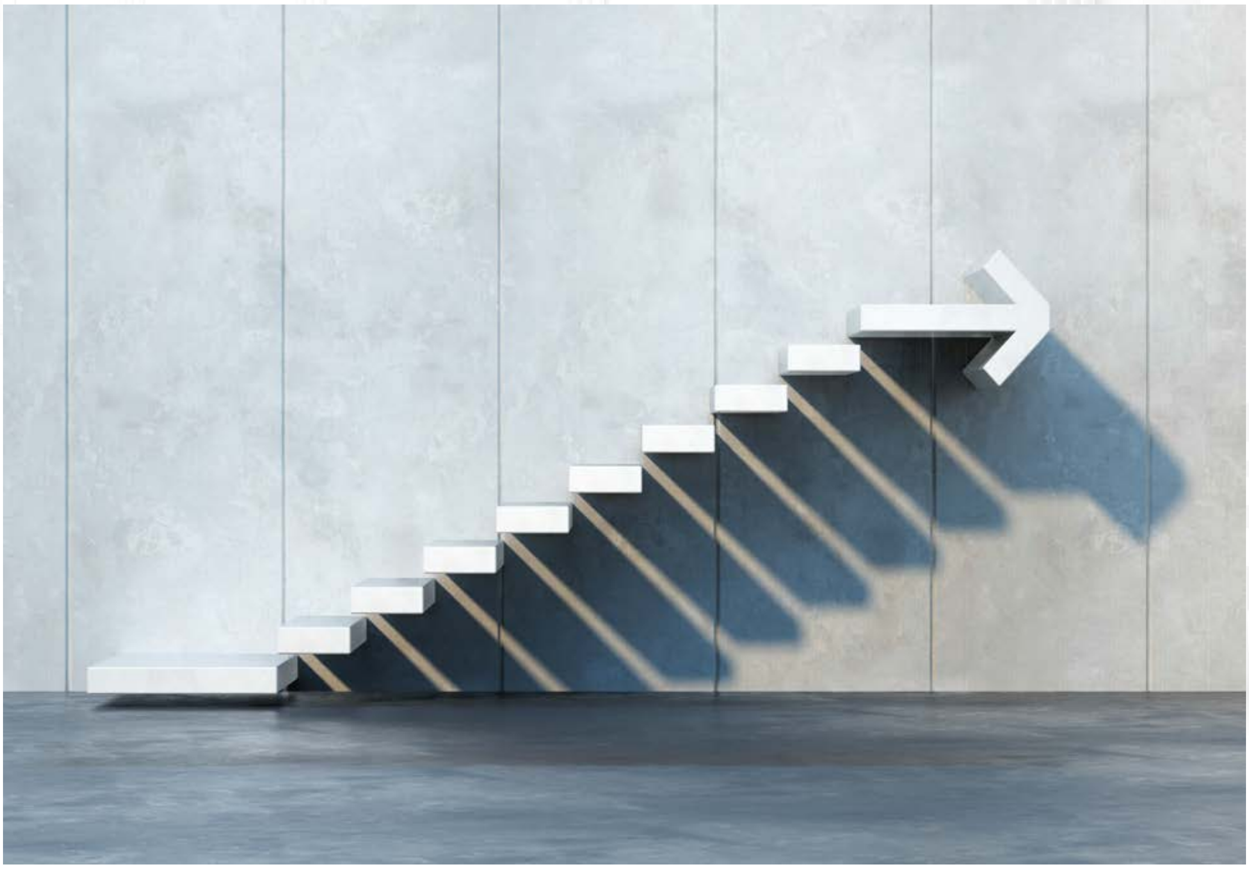
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
				Total Return Performance				
COMPOSITE	LPX Cmp Listed PE EUR TR	306.0	EUR	1.0	4.4	16.7	16.9	0.5
MAJOR COMPANIES	LPX50 Listed PE EUR TR	2913.0	EUR	1.6	5.5	17.9	17.7	1.5
USA	LPX Am List PE EUR TR	411.0	EUR	0.6	2.0	12.4	9.9	-8.2
EUROPE	LPX Eu List PE EUR TR	1090.3	EUR	1.3	5.7	22.8	25.7	1.9
UK	LPX UK List PE EUR TR	357.9	EUR	2.6	5.9	21.7	30.8	1.9





Graph sources: Bloomberg/BearBull Global Investments

GLOBAL STRATEGY & ASSET ALLOCATION

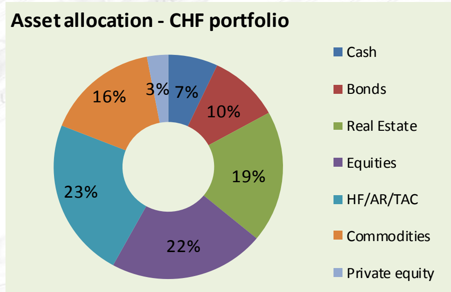


Graph sources: Bloomberg/BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

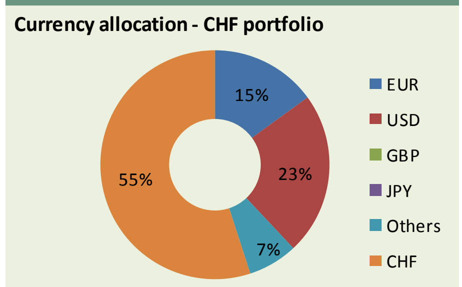
Diversified portfolio: Medium Risk - CHF

- Return of risks in the bond markets
- Relatively high valuations in the equity segments
- Positive outlook for international real estate and commodities
- Appreciation of the dollar and the euro against the franc



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets, increase liquidity



ASSETS	Expected Return 3months	Expected Return 1year	ALLOCATION (CHF Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Cash	↘	↘						■	
Bonds	→	↘		■					
Real Estate	↗	↗					■		
Equities	↘	↗			■				
Hedge funds	↘	↗					■		
Commodities	↗	↗					■		
Private equity	↘	↗			■				

Asset allocation

The core of our investment strategy consists of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and marketable assets (commodities, hedge funds, private equity). The tactical allocation in place at the beginning of the quarter is no longer as constructive as it was after financial markets fell in March, when new opportunities emerged. The equity segment seems to us risky and susceptible to profit-taking. Opportunities have become scarcer in the bond segment, while international real estate still offers attractive diversification. Precious metals are also favoured in this somewhat more uncertain environment.

Bonds

Bond markets have stabilised in recent months as a result of massive purchases of government debt by central banks. As a result, government bond yields have remained relatively unchanged and have not taken into account the more positive economic outlook for 2021. Yields are still very low, but they are likely to adjust to this new situation. Dollar yields have already been rising for the past few months despite the Fed's purchase programme. The credit market turmoil had pushed rates above pre-downturn levels and reconstituted risk premiums in the corporate, high yield and emerging market segments in March, but unfortunately, they have now contracted to historically extreme and worrying levels. We recommend a conservative bond strategy and a reduced overall exposure favouring dollar investments and short maturities.

Equities

The investment climate at the beginning of the year remains rather euphoric despite the resurgence of health risks. Financial markets anticipated a return to growth starting in Q1 2021, supported by vaccination campaigns. However, Q4 2020 and Q1 2021 could prove to be less dynamic than expected. Optimism is present, but valuations are high. The level of complacency is therefore high and is likely to cause a significant decline in prices in the event of disappointment in Q1. Nevertheless, the economic stimulus programmes that will be put in place in most countries will have positive effects on growth and the profits of listed companies. In this context, equity exposure should be temporarily more cautious.

Commodities

Commodities have begun to take into account the positive effects on demand of stronger global economic momentum in 2021. The recovery in China is supporting the trend in industrial metals, while investment demand is driving precious metals, which are more than ever an ideal hedge against further equity market turbulence.

Real estate

Real estate is still the main alternative to interest rate markets. We favour real estate markets in countries or regions that will benefit from the economic recovery in 2021, such as Asia, Europe and emerging markets, which also offer yields in excess of 4%. We therefore recommend a substantial allocation to this asset class.

Currencies

The Swiss franc benefited from its status as a safe haven during the health crisis and the collapse of global growth. The change in the outlook for 2021 will no longer support this trend in our view. The franc could therefore weaken against the dollar and the euro in particular.

Market performances - Q4 2020

		Q4 2020 local	Q4 2020 CHF	YTD local	YTD CHF
Exchange rates					
USD/CHF		-3.9%		-8.4%	
EUR/CHF		0.2%		-0.4%	
GBP/CHF		1.7%		-5.7%	
JPY/CHF		-1.9%		-3.8%	
Equity markets					
World	MSCI World USD	14.0%	9.5%	15.9%	6.1%
Europe	DJ Stoxx 600	10.8%	11.0%	-2.0%	-2.4%
Eurozone	DJ Eurostoxx 50	11.2%	11.4%	-5.1%	-5.5%
	MSCI Europe S.C.	16.4%	16.6%	3.0%	2.6%
Germany	Dax 30	7.5%	7.7%	3.5%	3.1%
France	Cac 40	15.6%	15.8%	-7.1%	-7.5%
United Kingdom	FTSE 100	10.1%	12.0%	-14.3%	-19.2%
Switzerland	SPI	4.7%	4.7%	3.8%	3.8%
	SMI	5.1%	5.1%	0.8%	0.8%
	MSCI Swiss S.C.	13.7%	13.7%	21.1%	21.1%
North America	SP500	11.7%	7.4%	16.3%	6.5%
	Nasdaq	15.4%	10.9%	43.6%	31.5%
	Tse 300	8.1%	8.7%	2.2%	-4.7%
	SP600 Small C.	30.8%	25.8%	9.6%	0.3%
Japan	Nikkei 225	18.4%	16.2%	16.0%	11.6%
Emerging	MSCI EMF USD	19.3%	14.7%	15.8%	6.1%

		Q4 2020 local	Q4 2020 CHF	YTD local	YTD CHF
Interest rates (3 months)		*(level)*			
CHF		-0.76%			
EUR		-0.57%			
USD		0.24%			
JPY		-0.08%			
Bonds markets					
World	Citi Gr Global Govt.USD	2.8%	-1.2%	10.1%	0.8%
Europe	Euro Ser-E Gov > 1	1.2%	1.4%	5.0%	4.6%
United Kingdom	UK Ser-E Gov > 1	0.6%	2.3%	8.9%	2.7%
Switzerland	SBI Général AAA-BBB	0.5%	0.5%	0.9%	0.9%
	SBI Govt.	0.4%	0.4%	2.1%	2.1%
USA	US Ser-E Gov > 1	-0.8%	-4.7%	8.0%	-1.1%
Japan	Japan Ser-E Gov > 1	0.0%	-1.9%	-0.8%	-4.6%
Emerging	J.P. Morgan EMBI Global	5.5%	1.4%	5.9%	-3.0%
Miscellaneaous					
	LPP 25 Index	2.5%	2.5%	2.6%	2.6%
	LPP 40 Index	3.7%	3.7%	3.4%	3.4%
	LPP 60 Index	5.4%	5.4%	4.4%	4.4%
Real Estate CH	DB RB Swiss Real Est Fd	8.4%	8.4%	13.7%	13.7%
Hedge Funds	Hedge Fund Research USD	4.5%	0.5%	5.7%	-3.2%
Commodities	GS Commodity USD	14.5%	10.0%	-23.7%	-30.1%

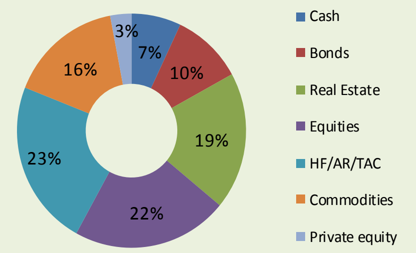
Graph sources: Bloomberg/BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - EUR

- Return of risks in the bond markets
- Relatively high valuations in the equity segments
- Positive outlook for international real estate and commodities
- Temporary weakness of the euro/dollar exchange rate

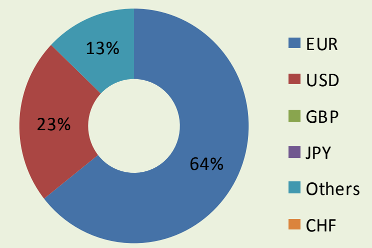
Asset allocation - EUR portfolio



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets, increase liquidity

Currency allocation - EUR portfolio



ASSETS	Expected Return 3months	Expected Return 1year	ALLOCATION (EUR Portfolio) underweight ---	--	-	neutral =	overweight +	++	+++
Cash	↘	↘							
Bonds	→	↘							
Real Estate	↗	↗							
Equities	↘	↗							
Hedge funds	↘	↗							
Commodities	↗	↗							
Private equity	↘	↗							

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Commodities

Commodities have begun to take into account the positive effects on demand of stronger global economic momentum in 2021. The recovery in China is supporting the trend in industrial metals, while investment demand is driving precious metals, which are more than ever an ideal hedge against further equity market turbulence.

Real estate

Real estate is still the main alternative to interest rate markets. We favour real estate markets in countries or regions that will benefit from the economic recovery in 2021, such as Asia, Europe and emerging markets, which also offer yields in excess of 4%. We therefore recommend a substantial allocation to this asset class.

Currencies

The expected appreciation of the euro against the dollar has reached a level that is now likely to lead to a phase of exchange rate revaluation. We believe today that a temporary consolidation would be justified.

Market performances - Q4 2020

		Q4 2020 local	Q4 2020 EUR	YTD local	YTD EUR
Exchange rates					
USD/EUR		-4.1%		-8.2%	
CHF/EUR		-0.2%		0.4%	
GBP/EUR		1.5%		-5.4%	
JPY/EUR		-2.1%		-3.5%	
Equity markets					
World	MSCI World USD	14.0%	9.3%	15.9%	6.4%
Europe	DJ Stoxx 600	10.8%	10.8%	-2.0%	-2.0%
Eurozone	DJ Eurostoxx 50	11.2%	11.2%	-5.1%	-5.1%
	MSCI Europe S.C.	16.4%	16.4%	3.0%	3.0%
Germany	Dax 30	7.5%	7.5%	3.5%	3.5%
France	Cac 40	15.6%	15.6%	-7.1%	-7.1%
United Kingdom	FTSE 100	10.1%	11.7%	-14.3%	-19.0%
Switzerland	SPI	4.7%	4.6%	3.8%	4.2%
	SMI	5.1%	4.9%	0.8%	1.2%
	MSCI Swiss S.C.	13.7%	9.1%	21.1%	11.2%
North America	SP500	11.7%	7.2%	16.3%	6.7%
	Nasdaq	15.4%	10.7%	43.6%	31.8%
	Tse 300	8.1%	8.6%	2.2%	-4.3%
	SP600 Small C.	30.8%	25.5%	9.6%	0.6%
Japan	Nikkei 225	18.4%	15.9%	16.0%	12.0%
Emerging	MSCI EMF USD	19.3%	14.5%	15.8%	6.3%

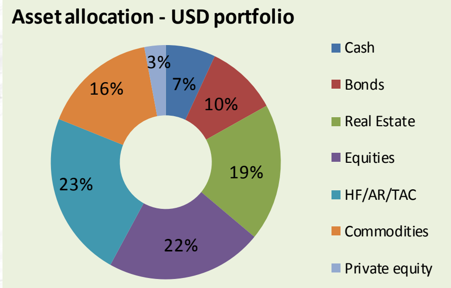
		Q4 2020 local	Q4 2020 EUR	YTD local	YTD EUR
Interest rates (3 months)		*(level)*			
CHF		-0.76%			
EUR		-0.57%			
USD		0.24%			
JPY		-0.08%			
Bonds markets					
World	Citi Gr Global Govt.USD	2.8%	2.6%	10.1%	10.5%
Europe	Euro Ser-E Gov > 1	1.2%	1.2%	5.0%	5.0%
United Kingdom	UK Ser-E Gov > 1	0.6%	2.1%	8.9%	3.0%
Switzerland	SBI Général AAA-BBB	0.5%	0.4%	0.9%	1.3%
	SBI Govt.	0.4%	0.2%	2.1%	2.5%
USA	US Ser-E Gov > 1	-0.8%	-4.9%	8.0%	-0.9%
Japan	Japan Ser-E Gov > 1	0.0%	-2.1%	-0.8%	-4.3%
Emerging	J.P. Morgan EMBI Global	5.5%	1.2%	5.9%	-2.8%
Miscellaneaous					
	LPP 25 Index	2.5%	2.9%	2.6%	3.0%
	LPP 40 Index	3.7%	4.1%	3.4%	3.8%
	LPP 60 Index	5.4%	5.8%	4.4%	4.8%
Real Estate CH	DB RB Swiss Real Est Fd	8.4%	8.4%	13.7%	14.2%
Hedge Funds	Hedge Fund Research USD	4.5%	0.3%	5.7%	-3.0%
Commodities	GS Commodity USD	14.5%	9.8%	-23.7%	-30.0%

Graph sources: Bloomberg/BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

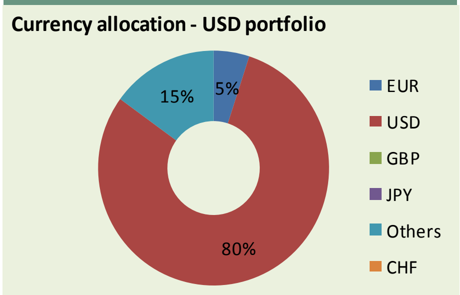
Diversified portfolio: Medium Risk - USD

- Return of risks in the bond markets
- Relatively high valuations in the equity segments
- Positive outlook for international real estate and commodities
- Revaluation of the dollar



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets, increase liquidity



ASSETS	Expected Return		ALLOCATION (USD Portfolio)						
			underweight			neutral	overweight		
	3months	1year	---	--	-	=	+	++	+++
Cash	↘	↘						■	
Bonds	→	↘		■					
Real Estate	↗	↗					■		
Equities	↘	↗			■				
Hedge funds	↘	↗					■		
Commodities	↗	↗					■		
Private equity	↘	↗			■				

Asset allocation

The core of our investment strategy consists of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and marketable assets (commodities, hedge funds, private equity). The tactical allocation in place at the beginning of the quarter is no longer as constructive as it was after financial markets fell in March, when new opportunities emerged. The equity segment seems to us risky and susceptible to profit-taking. Opportunities have become scarcer in the bond segment, while international real estate still offers attractive diversification. Precious metals are also favoured in this somewhat more uncertain environment.

Bonds

Bond markets have stabilised in recent months as a result of massive purchases of government debt by central banks. As a result, government bond yields have remained relatively unchanged and have not taken into account the more positive economic outlook for 2021. Yields are still very low, but they are likely to adjust to this new situation. Dollar yields have already been rising for the past few months despite the Fed's purchase programme. The credit market turmoil had pushed rates above pre-downturn levels and reconstituted risk premiums in the corporate, high yield and emerging market segments in March, but unfortunately, they have now contracted to historically extreme and worrying levels. We recommend a conservative bond strategy and a reduced overall exposure favouring dollar investments and short maturities.

Equities

The investment climate at the beginning of the year remains rather euphoric despite the resurgence of health risks. Financial markets anticipated a return to growth starting in Q1 2021, supported by vaccination campaigns. However, Q4 2020 and Q1 2021 could prove to be less dynamic than expected. Optimism is present, but valuations are high. The level of complacency is therefore high and is likely to cause a significant decline in prices in the event of disappointment in Q1. Nevertheless, the economic stimulus programmes that will be put in place in most countries will have positive effects on growth and the profits of listed companies. In this context, equity exposure should be temporarily more cautious.

Commodities

Commodities have begun to take into account the positive effects on demand of stronger global economic momentum in 2021. The recovery in China is supporting the trend in industrial metals, while investment demand is driving precious metals, which are more than ever an ideal hedge against further equity market turbulence.

Real estate

Real estate is still the main alternative to interest rate markets. We favour real estate markets in countries or regions that will benefit from the economic recovery in 2021, such as Asia, Europe and emerging markets, which also offer yields in excess of 4%. We therefore recommend a substantial allocation to this asset class.

Currencies

Economic fundamentals in the US point to a faster economic recovery than in Europe. The rise in interest rates that has already begun is already rebuilding a yield spread in favour of the dollar. The likelihood of the dollar appreciating is sufficient to reduce the risk of foreign currency exposure.

Market performances - Q4 2020

		Q4 2020 local	Q4 2020 USD	YTD local	YTD USD
Exchange rates					
CHF/USD		4.1%		9.4%	
EUR/USD		4.2%		8.9%	
GBP/USD		5.8%		3.1%	
JPY/USD		2.1%		5.1%	
Equity markets					
World	MSCI World USD	14.0%	14.0%	15.9%	15.9%
Europe	DJ Stoxx 600	10.8%	15.5%	-2.0%	6.8%
Eurozone	DJ Eurostoxx 50	11.2%	15.9%	-5.1%	3.3%
	MSCI Europe S.C.	16.4%	21.3%	3.0%	12.2%
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Switzerland	SPI	4.7%	9.0%	3.8%	13.5%
	SMI	5.1%	9.3%	0.8%	10.3%
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North America	SP500	11.7%	11.7%	16.3%	16.3%
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	Tse 300	8.1%	13.1%	2.2%	4.2%
	SP600 Small C.	30.8%	30.8%	9.6%	9.6%
Japan	Nikkei 225	18.4%	20.8%	16.0%	22.0%
Emerging	MSCI EMF USD	19.3%	19.3%	15.8%	15.8%

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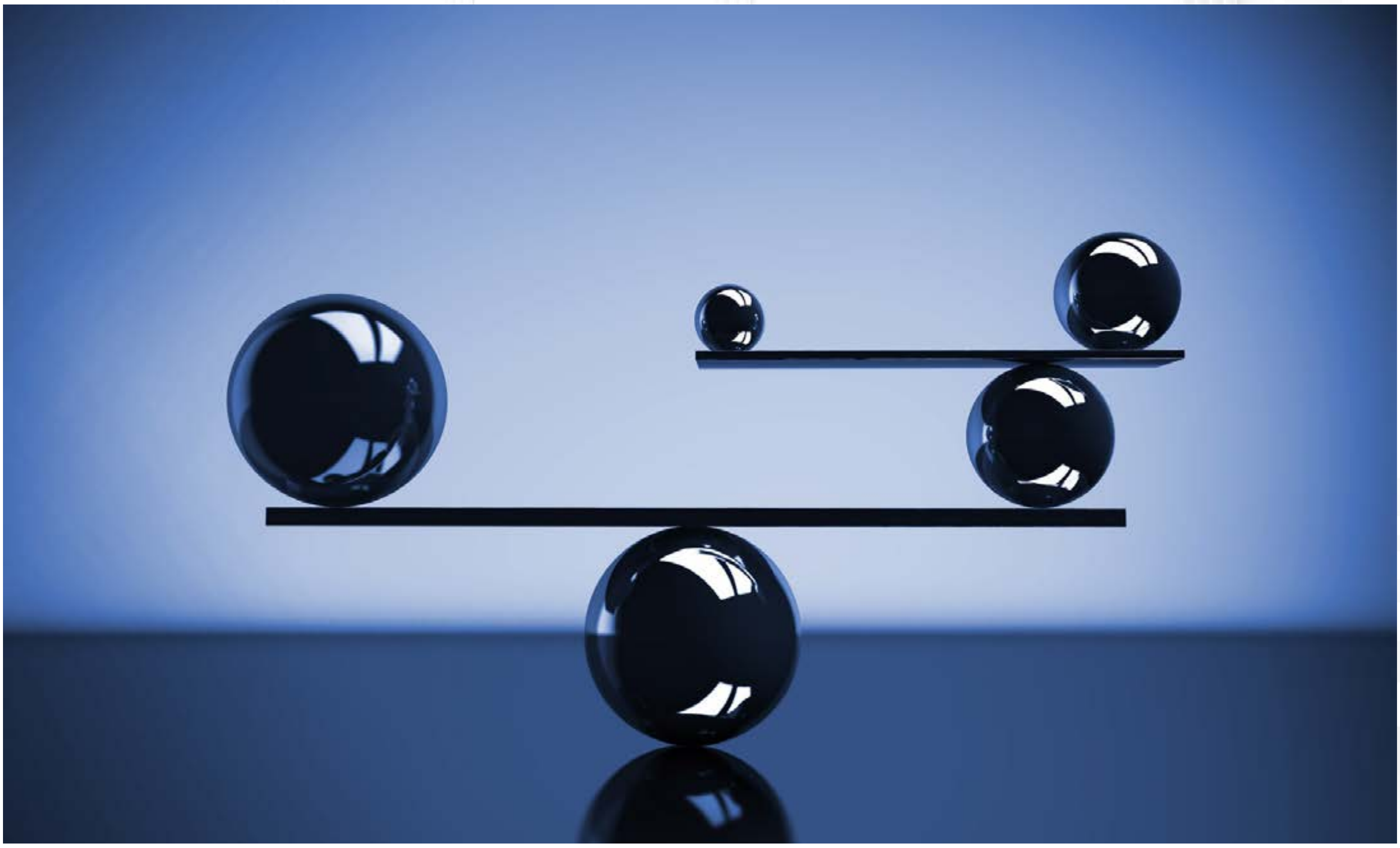
	SBI Govt.	0.4%	4.4%	2.1%	11.7%
USA	US Ser-E Gov > 1	-0.8%	-0.8%	8.0%	8.0%
Japan	Japan Ser-E Gov > 1	0.0%	2.0%	-0.8%	4.3%
Emerging	J.P. Morgan EMBI Global	5.5%	5.5%	5.9%	5.9%
Miscellaneaous					
	LPP 25 Index	2.5%	12.1%	2.6%	12.2%
	LPP 40 Index	3.7%	13.5%	3.4%	13.1%
	LPP 60 Index	5.4%	15.3%	4.4%	14.2%
Real Estate CH	DB RB Swiss Real Est Fd	8.4%	8.4%	13.7%	24.4%
Hedge Funds	Hedge Fund Research USI	4.5%	4.5%	5.7%	5.7%
Commodities	GS Commodity USD	14.5%	14.5%	-23.7%	-23.7%

Graph sources: Bloomberg/BearBull Global Investments

INVESTMENT THEME FOCUS



Graph sources: Bloomberg/BearBull Global Investments

INVESTMENT THEME

Return of the gold rush and new records expected in 2021

- Gold-friendly fundamentals
- Continued growth in investment demand
- Return of the inflation factor
- Stagnation of production
- Rising global demand

Another positive year for gold in 2021

Gold benefited in 2020 from a change in risk perceptions and in the outlook for growth and monetary policies. The consolidation of prices over the last six months around the previous peak, in 2011, of USD 1,921 per ounce amidst stock market euphoria regarding risky assets has not erased the massive outperformance of gold as an asset class in 2020 (+25.12%) but on the contrary reinforces its capacity to resume climbing. The gold rush is thus likely to resume and continue in 2021. In this analysis, we discuss the various factors that are likely to support a continued rise in prices in 2021. Among the main factors, we note the positive influence of a probable rise in inflation, the persistence of low interest rates, negative real interest rates, a tight supply and demand market, and the likely significant strengthening of investor demand .

Strong return of inflation factor

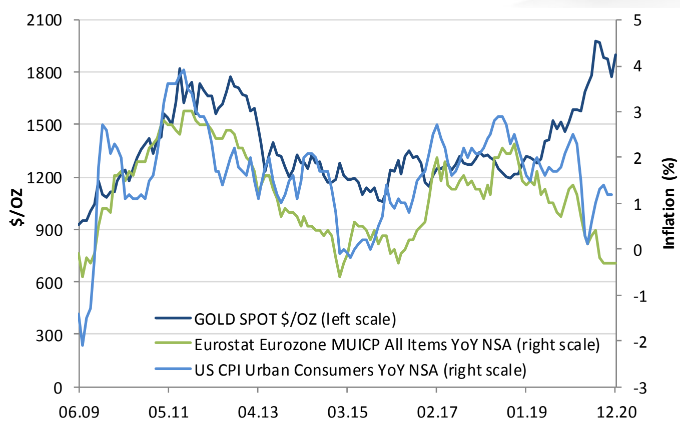
The inflation factor is still not generally favourable in the current context, but the trend reversal in price indices has already been noticeable for several months in most countries. Monthly inflation data only briefly moved into negative territory and have been positive again since mid-May in the US, for example. Year-over-year, inflation fell from 2.5% initially in February to 0.1% at the end of May, then rebounded to 1.17% at the end of November 2020 and is likely to continue to rise in the coming months. While the pandemic logically caused inflation expectations to plunge in Q1 2020, these are likely to be revised upwards quite significantly given the current, increasingly solid economic recovery in 2021. The rise in commodity prices since April is sustainable due to strengthening global demand for industrial metals and oil. The very sharp rise in agricultural commodity prices at the end of the year is sure to influence food prices and price indices, probably more strongly in emerging countries than in industrialised countries. The deflationary trends observed at the height of the pandemic are temporary. Gold still retains its protective character against this risk. The correlation observed since 2008 is moreover quite strong. Recent movements in price indices suggest both inflation and gold will continue to trend upward in 2021. The probable acceleration of world growth to +6% in 2021 and a further rise in oil prices will help to sustain the inflationary effects induced by expected pressures on goods prices. Gold has always outperformed inflation in the long term, even more so in extreme periods. Although we do not expect inflation to rise sharply, we believe that 2021 will be marked by a rebound in price indices. The inflation factor will contribute to a rise in positive expectations for gold.

Support from nominal and real interest rates

The interest rate factor affects the opportunity cost of holding physical gold, but the statistical relationship between nominal rates and gold prices is not stable either. The latest downward acceleration in nominal rates following the pandemic has pushed rates to extreme levels. By becoming negative in Europe and Japan in particular, they pose a new problem for investors, as most short-term rates and government bond yields have tested their limits and are now negative or sub-1%. Gold prices benefited substantially from this downward trend in nominal rates in 2020 as well. Even after the global recession scenario gave way to a more positive economic recovery scenario already in Q3 2020, gold prices benefited from monetary policies ensuring the massive purchase of government debt also aiming to keep long-term rates low. In the short term, the risks of a rise in inflation are still limited, but with the resumption of growth in 2021, they are nevertheless likely to be gradually reassessed. A moderate recovery would be sufficient to affect real yield levels, but it will take a larger movement to create the conditions for significant negative real yields. Real rates in the US, which were negative in early 2020 (-0.5%) temporarily turned positive (+0.5%) during the health crisis. The drop in ten-year yields (-1.4%) from 2% to 0.6% was less than the fall (-2.4%) in inflation from 2.5% to 0.1%. Now, the upswing in inflation (1.2%) is greater than the rise in yields (0.9%), which restores negative real yields. Real interest rates are thus expected to become more broadly negative over the next few quarters and support gold prices.

Gold and Silver Prices (2000-2021)

Gold Price - inflation United States and Europe



Graph sources: Bloomberg/BearBull Global Investments

Net expansion of money supply

The liquidity factor is often mentioned as an important explanatory factor in the evolution of gold prices, particularly through the inflationary effects induced by a massive increase in the money supply. While in the US the tripling of the size of the Federal Reserve's balance sheet was accompanied by a rise in gold prices (+127%) between 2008 and 2011, the second wave of liquidity injections between 2013 and 2014 (+55%) coincided on the contrary with a -35% correction in prices. One could consider that this factor thus lost its importance during this period, but recall that at the same time, in Europe, the ECB was contracting its balance sheet by about one trillion euros. The conjunction of these two trends therefore had more of a net negative effect. In 2020, faced with the pandemic, all the major central banks had to develop highly accommodative monetary policies, agreeing to inject massive liquidity into the economy by practically doubling the size of their balance sheets. In the US, the Fed's total assets increased from USD 4.1 trillion to USD 7.1 trillion in just two months, while in Europe the ECB gradually injected the same proportion of euros over ten months, increasing its balance sheet from EUR 4.6 trillion to EUR 7 trillion. Financing needs related to government spending are still expected to grow significantly in 2021 and will necessarily drain funds from central banks. The liquidity factor is therefore likely to be positive again in 2021.

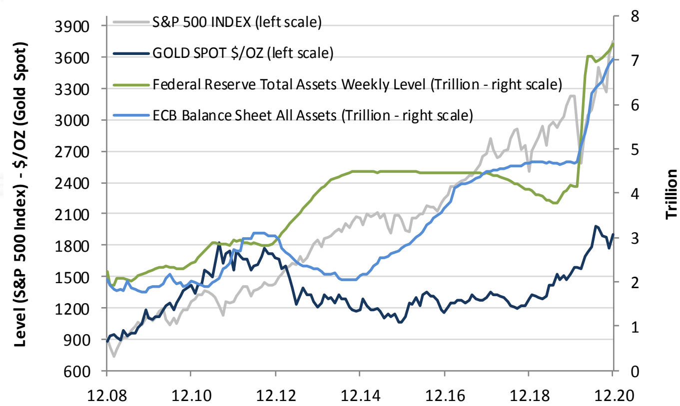
Reduced influence of geopolitical risks

The geopolitical factor need not be overestimated in 2021 in our view. Indeed, with the change of administration in the US and a concentration of executive and legislative powers in the hands of the Democrats for at least two years, it is legitimate to assume that the level of tension in the world is likely to fall. The systematically confrontational and particularly unpredictable and often extreme approach adopted by President Donald Trump in managing relations with economic partners is likely to give way to an approach that is more readable and less likely to generate political tensions. The Iranian "dossier" is obviously not closed and could still be one of the factors of geopolitical disruption in the Middle East in 2021, but we believe that this factor will probably only have a temporary impact if new tensions were to emerge.

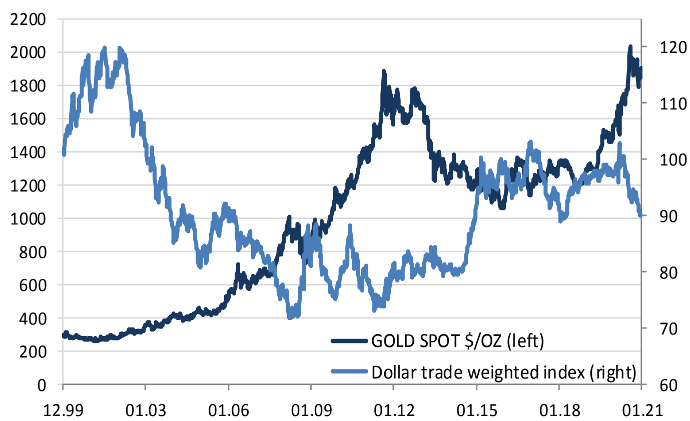
Low systemic risks

The systemic risk factor, which had supported the rise of gold on several occasions and in particular until 2012, has subsequently become a negative element. The decrease in systemic financial risks and in the risk of a Eurozone break-up stemming from the crisis of confidence in Europe changed investors' risk perceptions. The normalisation of the situation has indeed changed investors' risk tolerance and their need for insurance policies, which gold positions had clearly represented until then. This factor has therefore logically lost its influence, even in view of the Brexit issue, which seems to have found a cordial outcome. Systemic risks may therefore be more financial than political in 2021. In our view, this factor is unlikely to directly affect gold prices in the immediate future.

Money creation (USA-Europe), SPX and Gold



Dollar trade weighted index/or



Graph sources: Bloomberg/BearBull Global Investments

Limited role of the dollar

The dollar factor is often mentioned as a key element, but while the negative correlation with the dollar has been demonstrated over a very long period of time, it remains weak, oscillating between -0.1 and -0.6. In the shorter term, the observations are much less convincing. Thus, while it is true that in 2020 gold (+25.1%) moved in a direction opposite to the dollar (-6.6%), in 2019 gold increased by +18.3%, while the dollar remained unchanged (+0.2%). Between 2014 and 2015, the dollar rose by +20%, while gold prices remained stable between USD 1,200 and USD 1,250 per ounce. In 2016, gold prices rose by +8.1%, while the dollar appreciated by only 3.6%. Over the last twenty years, the dollar index recorded 11 annual increases while gold also appreciated 7 times and depreciated only for 4 years. The correlation during periods of dollar appreciation is therefore positive in 64% of cases. 2021 is, however, unlikely to be negative for the dollar after it declined in the second half of 2020. We thus believe that fundamentals and in particular the yield differential will once again support the dollar. In 2021 the rise of the dollar will not stop the rise in gold prices.

Return of its role as a safe haven

The safe haven factor was no longer very positive for gold since equity market volatility decreased significantly in H2 2020. Central bank actions and the economic recovery helped to reassure investors and create a more risk-friendly investment climate, which encouraged an asset reallocation in favour of equities and risky assets at the expense of safe havens such as gold. Following the upsurge in volatility in March 2020, volatility in the markets then fell sharply and gradually returned to a more normal level without, however, returning to levels that prevailed in 2019. In 2021, however, we will certainly see a return of volatility in equity markets, which will once again be favourable to a rise in gold prices.

Stronger industrial and jewellery demand

The industrial and jewellery demand factor is likely to be more positive in 2021, returning to its 2019 level. It was heavily penalised by the pandemic in Q2 2020 and was furthermore unable to recover sufficiently afterwards due to health restrictions and the economic slowdown at the end of the year. Demand for gold in the industrial, technology and jewellery sectors (333 t) is likely to pick up again in 2021 as the situation normalises.

Growth in investment demand

The investment demand factor was key in the specific context of the pandemic, whereby it increased significantly to reach 3,888 tonnes in ETFs and 222 tonnes in the form of bars and gold coins in Q3 2020.

Investors' appetite for diversification into physical gold is now greater than it was in 2011, when gold prices reached their previous peak of USD 1,921 per ounce (2,542 t). The amount of gold currently held in physical ETFs is greater than the annual production of the yellow metal. We estimate that in 2021 investment demand will continue to grow significantly due to a likely increase in private and institutional investor exposure.

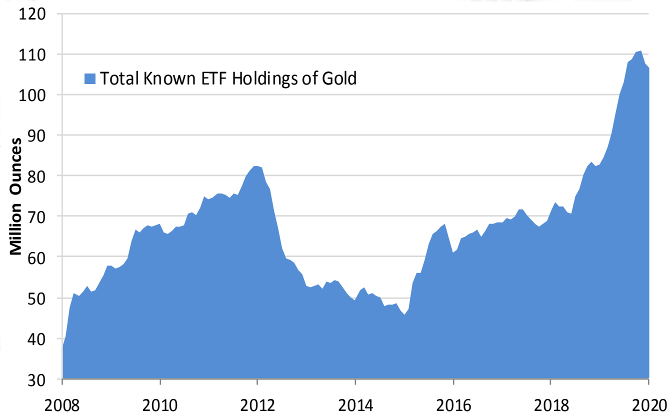
Stagnation of production and supply

The global supply factor is favourable. Supply (1223 t) contracted by -3% yoy in Q3 2020 despite a +6% increase in the supply from recycling. The drop in capex will continue to weigh on production capacities and the supply of gold.

Central banks remain buyers

The central bank factor has been positive again for several years. After having been net sellers of gold between 1989 and 2009, central banks are now net buyers. The major European and US central banks are relatively absent from the market and do not seem to have a strategy to diversify their gold investments. Purchases of physical gold are mainly made by central banks in emerging countries. Q3 was the first quarter of decline in net purchases (-12 t) since 2010 mainly due to sales by Turkey and Uzbekistan. The underlying trend is not about to stop in our view, and this factor is thus likely to continue to play a role in supporting demand.

Total physical gold positions in ETFs



Graph sources: Bloomberg/BearBull Global Investments

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