BearBull
Global Investments Group

Investment Strategy

April 2021

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Graph sources: Bloomberg / BearBull Global Investments

INTRODUCTION

Letter to investors – Investment climate

- Bond markets are finally taking into account the improved growth prospects
- The rise in long-term interest rates is intensifying in the US but is partially sparing the euro zone
- Business cycles are gradually converging
- Global growth will be strong in 2021 and 2022
- Financial assets could suffer from the adjustment in interest rate and inflation expectations

The beginning of 2021 was marked by a gradual change in growth expectations that rather negatively affected bond markets and instead boosted investors' already strong enthusiasm for most other asset classes. While bond markets were finally taking into account the impact on interest rates of stronger growth prospects for the year as a whole, risky assets in most cases continued their upward trends of previous months. The weakness of the European economy was becoming increasingly apparent with the return of the variants and the new health measures adopted by most governments. In the UK, the English variant had already caused another strict lockdown, which continued during the quarter, as the country embarked on a particularly rapid and effective vaccination campaign. In the US, the economic downturn was also noticeable, but clearly temporary given the vaccination campaigns conducted by the new Biden administration, whose speed of implementation and effectiveness ended up changing investors' expectations in terms of both growth and inflationary outlook. From Q2 onwards, we are likely to already see the beginning of a convergence of the business cycles of the two leading world economies, China and the United States. At the beginning of Q2, the Covid-19 factor is still influencing governments' political decisions, but financial markets have long since stopped worrying about its evolution. The quarter was therefore essentially a new phase of adjustment of long-term rates in this more positive economic context, which affected all bond markets. The correlation among interest rate markets was once again high, even if the magnitude of the rate increases varied from country to country. March saw an acceleration of the trend in the US and the UK, while in Europe, the ECB's intervention, stepping up its asset purchases, made it possible to contain the rise in yields. While 10-year US Treasury yields rose again from 0.91% to 1.74% in three months, UK Gilts jumped from 0.2% to 0.85%. Canadian and Australian dollar yields followed a similar trend, while European yields declined in March on the back of the ECB's reinforced action and in anticipation of a weakened economy due to the lockdowns. Overall, the action of the central banks no longer seemed really decisive and did not succeed in controlling the bond markets. The latter all suffered corrections of around -4% over the quarter, with the main developed markets falling by -7.4% in the UK, -3.3% in the US and -1.9% in Europe. Markets benefiting from the commodities rally such as Australia (-5.5%) and Canada (-4.9%) suffered the biggest adjustments, while bonds in Switzerland also lost ground (-1.2%), though Japan managed to remain relatively stable (-0.3%). The ongoing interest rate adjustment is already well underway and is likely to soon pause as ten-year Treasury yields approach their 2% target. Q2 is already expected to be stronger, but a further rise in long-term rates may have to wait for a confirmation of inflation expectations. For the time being, inflation expectations remain contained and well below the one-year inflation forecast (3%). However, we believe that the expected convergence of business cycles in H2 will have a clear impact on the overall level of inflation and will subsequently push bond yields a little higher.

For the time being, investors are still comforted by the idea that interest rates will remain low for the long term and are not yet worried about this risk for the future valuation of risky assets. A rise in long-term rates is nevertheless likely to have an effect on the valuations of these assets by lowering the present value of their future cash flows. For this reason, growth stocks and stocks with very high valuation multiples have already suffered some profit taking. The outperformance of a number of value stocks in recent months is also one of the consequences of this growing awareness. March thus ended with a further rise in the equity markets in a stock market climate that remained surprisingly optimistic. The rise in long-term interest rates has had little effect on the markets thus far, and the sector rotation in favour of cyclical and value stocks has continued in part. Growth stocks and the technology sector have suffered the profit taking expected in such an environment. Technical and quantitative factors continue to point to a high risk of trend reversal at the beginning of Q2 and suggest an increased likelihood of correction. However, rising interest rates are still not dampening investor sentiment. Equity markets rose by 5% in March overall thanks to the recovery in share prices and saw valuation levels rise further to 23x 2021 earnings in the US in particular. Valuations have also reached record highs for Swiss real estate, suggesting a certain caution with regard to these two asset classes. The convergence of business cycles is, however, expected to be particularly favourable for commodities, which will benefit from new tensions caused by a net increase in demand.

The overall economic scenario is therefore more positive, but the risks of rising interest rates and inflation that are expected to accompany the economic recovery could ultimately also weigh on the future price growth of risky assets and bond markets.

Alain Freymond
Chairman
BearBull Global Investments Group

Graph sources: Bloomberg / BearBull Global Investments

BIG PICTURE

Main convictions

- Vaccination campaigns resume after a transitional Q1
- Convergence of business cycles will have as yet unsuspected repercussions
- A new super growth cycle for commodities?
- Inflation is expected to return
- Long-term interest rates will gradually rise across the board

Vaccination campaigns resume after a transitional Q1

Q1 2021 was far less dynamic economically than might have been expected at the beginning of the year. The emergence of variants during the winter significantly affected the evolution of the pandemic and government strategies. Responses have varied, with different populations showing different levels of resilience to new lockdown threats. On the whole, although China ultimately experienced growth in line with forecasts, Europe will certainly remain the economic area most affected in Q1 by the resurgent health crisis, which was hoped to be under control. The United States started its vaccination campaigns later than the United Kingdom, but both countries have proven to be particularly effective in implementing their new strategies. Overall, the beginning of this year should be seen as a period of transition in both the management of immunisations and the changing economic outlook. The return to social normalcy and the probability of economic recovery logically depend on the success of vaccination campaigns and the degree of herd immunity of the population. The transition now seems to be largely underway in the US and the UK, but it will likely take another quarter to materialise in the euro zone in particular.

Convergence of business cycles will have as yet unsuspected repercussions

Over the next few months, all regional economies will have passed their transition period and will have vaccinated a sufficient proportion of their populations to allow their economies to reopen. This return to normalcy after more than a year of various restrictions will not be gradual but on the contrary will be accompanied by a certain euphoria in the consumption of goods and services. Of course, it will still be a little difficult to travel in the absence of an official passport or certificate, which will still take a few quarters to be set up, but overall we think it is likely that we will see a certain consumption frenzy take hold. Hence the summer might be heated, with a strong economic recovery in most countries.

Such a convergence of monetary policy, government spending and reinvestment of forced savings in the global economy has probably never happened in the past. It will lead to an increase in overall consumption, investment and production and will also impact employment. These effects are exactly what governments are looking for, and they could also have an impact on producer and consumer prices. In other words, a return of inflation is more than likely in this context and desired by both central banks and governments.

A new super growth cycle for commodities?

Commodities have already benefited from the return of growth in China and the improvement in global demand in recent months. The convergence of economic cycles expected in H2 will undoubtedly have an impact on the evolution of demand for raw materials and in particular on market equilibrium in the oil markets and the industrial and precious metals markets. This impact could be all the more significant in 2021 due to the simultaneous improvement in demand motivated by similar recovery plans, all based on an increase in investment in infrastructure and the energy transition.

During the pandemic, the demand shock was brutal, and commodity producers had to react quickly by trying to reduce oversupply. In the energy sector, the drop in crude oil prices below zero was only a symptom of the upheaval underway in the shale oil and gas segment specifically. US conventional oil production collapsed, reducing global crude supply, and is now 20% lower than in February 2020. The reduction in inventories has already been pointing to a normalisation of the market for some time. But particularly in this segment, the massive reduction in capex over the last few years is also contributing to a return to balanced market forces. A global increase in demand for raw materials in 2021 could kick-start a strong cycle of price increases for oil and industrial metals in particular. The inflationary consequences of higher commodity prices may also support a new upward trend in precious metals.

Inflation is expected to return

Financial markets began to fear the return of inflation at the beginning of the year as vaccination campaigns intensified and the economic outlook brightened. The adoption of substantial stimulus packages, notably Biden's latest USD 1.9 trillion plan, have largely contributed to the development of new inflationary expectations. Beyond the trillions of dollars of cash injected by central banks to fight the negative economic effects of pandemic management, it is now the prospects for growth and convergence of economic cycles that are logically expected to worry investors. The return to the labour market of workers laid off during the pandemic may take time to fully materialise, but it will have lasting effects on consumption and prices. Expected inflation in the US is already over +3% for 2021, significantly higher than the one-year forward inflation of +1.7%. A rise in commodity prices will have an impact on producer prices, which will be passed on to consumers. Inflation will return, driven by exogenous and domestic factors.

Long-term interest rates will gradually rise across the board

At the beginning of the year, we noted that the risks of an unexpected and uncontrolled rise in long-term yields seemed to be growing and increasingly likely. Q1 fully confirmed our predictions with the rise in long-term dollar yields leading this new trend. Even the downward adjustment of the economic outlook for Q1 in the Eurozone countries due to further lockdowns did not prevent European bond markets from participating in the adjustment of investor expectations. The correlation among bond markets thus proved once again to be high, with practically all markets experiencing the same trend, albeit with varying degrees of amplitude.

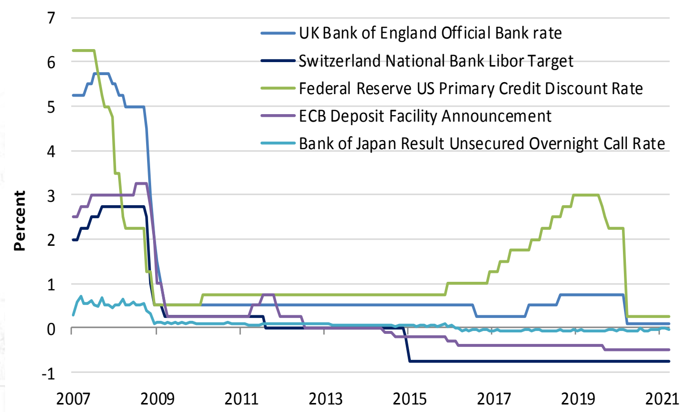
Graph sources: Bloomberg / BearBull Global Investments

The prospect of a strong global economic recovery in 2021 has thus been the main factor influencing bond markets in recent months and will certainly remain one of the determining factors going forward. The competition among governments to attract the capital needed to finance their growing budget deficits will require adjustments and the reconstitution of risk premia that disappeared during the down cycle. It was already clear in March 2020 that the additional financing needs resulting from global budget deficits incurred to meet the direct and indirect costs of managing the Covid-19 crisis would logically have an impact on market interest rates. But in 2020, central bank interventions had made it possible to postpone this impact. However, with the economic recovery expected in the coming quarters, central banks will no longer face the same problem. It was indeed easier for them to keep long-term rates low through their various asset purchase programmes in a context of recession or health crisis than in a phase of general economic recovery. They will therefore probably no longer be able to contain the new yield demands of investors, who may also be increasingly worried about rising inflation affecting real returns on their bonds. This factor will also most certainly be a key element in the changing outlook for bond markets in H2. While inflation remains below central bank targets everywhere for the time being, expected inflation is already above 3% year-on-year, especially in the US. We had already mentioned these likely developments for 2021 a few months ago, stressing that these risks seemed to us to be largely underestimated. We mentioned the fact that these elements would undoubtedly trigger an upward trend in interest rates in 2021, and today we reiterate our negative outlook for interest rate markets.

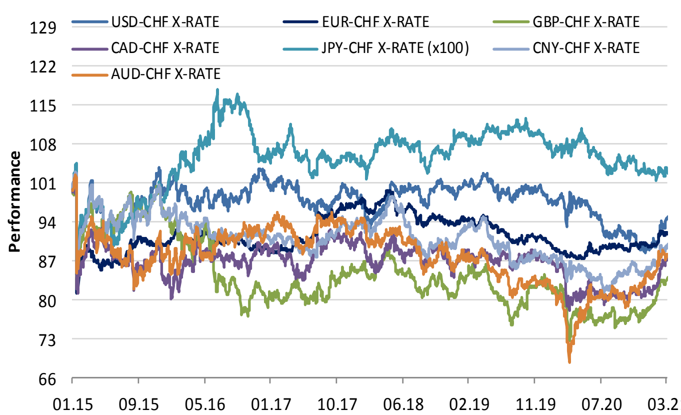
Risky assets threatened by the normalisation of long-term rates?

The acceleration of global economic growth is clearly a favourable factor for the outlook for corporate sales and revenue growth. However, the rise in long-term interest rates that could become widespread in H2 could pose a valuation problem for equities and private equity in particular. The investment climate remains optimistic for the time being due to the stronger economic outlook and is still only slightly influenced by high valuation issues. In this rather constructive and positive stock market context, it should however be noted that many risky assets are already quite generously valued and are often already trading at high valuation multiples likely to cause value corrections. Indeed, a rational analysis of valuations already suggests risks of overvaluation of assets that benefited from a euphoric stock market climate at the end of the year. The economic situation is nevertheless likely to be favourable for listed companies and other cyclical assets in particular. However, given current valuation levels, we believe that caution is once again warranted as we await better reinvestment opportunities in the short term. Over the year as a whole, economic conditions and the likely increasing flow of funds into remunerative assets should contribute to a positive performance of risky assets.

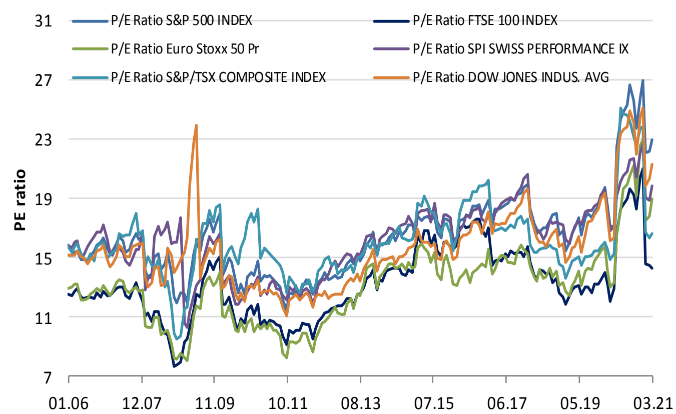
Central Bank rate (EUR, CHF, GBP, USD, JPY)



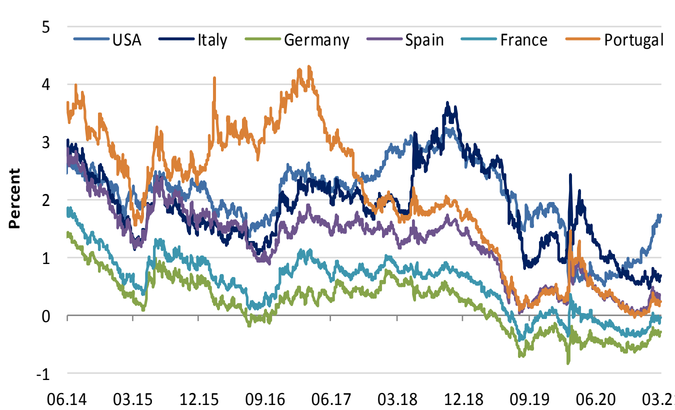
7 Major currencies against CHF (Normalized at 100)



Price/Earning Ratios in developed Markets



Government Bond yield (10 years)



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

Global Outlook

- 2021 is likely to see the convergence of business cycles
- 2021set to be a record year thanks to a +7% increase in US GDP
- The euro zone is temporarily falling behind in terms of economic activity
- The Swiss economy not necessarily immune to a pleasant surprise
- Japan's economic outlook remains modest

2021 is likely to see the convergence of business cycles

Q1 will certainly be disappointing for most economies, but it will not fundamentally challenge the economic trends for 2021. The arrival of the variants in Europe at the beginning of the year strongly affected European economies' recovery capacity in the very short term, but this factor is likely to be temporary. The start of vaccination campaigns has been slower than expected in some countries, and the new health measures have also dampened recovery expectations. In the US and the UK, however, vaccination campaigns have made up for lost time in dealing with the crisis and will certainly support a more rapid acceleration of the economic recovery from Q2 onwards.

In a few weeks, a significant proportion of the US population will be vaccinated, and the world's leading economy will be able to join the second largest in a particularly solid growth cycle. In 2021, the two leading economies could both achieve growth of +7% and thus pull all the other economies into a new phase of recovery and global convergence unknown in recent economic history. Cyclical support measures, stimulus plans supporting the energy transition, increased government spending freed from regulatory constraints and reinvestment of the savings accumulated by households during the crisis will have cumulative and multiplier effects on the global economy starting in the second half of the year.

We believe that 2021 will see a unique convergence of business cycles, the effects of which could sustain growth above the historical average. The world economy could thus exceed the target of +5% to +6% growth in 2021 and could continue growing at a sustained pace in 2022.

2021 set to be a record year with a 7% increase in US GDP

The US economy therefore seems well on its way to emerging from the health crisis in style in 2021 thanks to a combination of factors and political decisions that are likely to enable it to assert itself as the main growth engine globally.

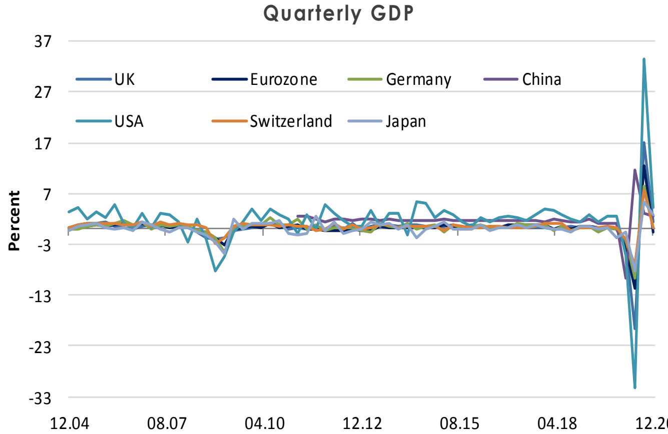
Economic growth of +7% is indeed possible and would be exceptional both by historical comparison domestically and in terms of the US contribution to global economic growth in 2021.

Such growth would even surpass that of China and probably India, putting the US back at the forefront of global economic momentum. The US ultimately supported its economy in a way that no other country was able to during this exceptional period of health crisis. The total support package is now close to USD 5 trillion and represents both more than the size of the US Federal Reserve's pre-pandemic balance sheet and almost 25% of the country's pre-pandemic GDP of USD 21.43 trillion (2019). By international comparison, even if the implementation of all the measures announced is not concentrated in one year, this ratio is still much higher than what the Eurozone for example will be able to deploy.

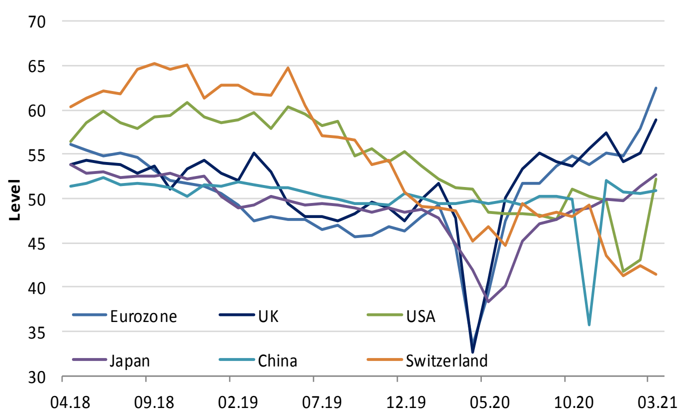
President Joe Biden's USD 1.9 trillion fiscal stimulus package alone accounts for almost 40% of the overall support for a sustained economic recovery and is a fundamental accelerator of this expected recovery.

The current vaccination plan is developing at a steady pace and is one of the key factors in the economy's ability to recover. The forthcoming return to normalcy will have an essential and relatively rapid impact on the labour market, consumption and investment. In addition, US households have accumulated nearly USD 2 trillion in savings over the past 12 months, prior to the recent fiscal stimulus announcements. The savings rate, usually around 7%, jumped to 34% in April 2020 before falling to 13% by the end of the year. Households' propensity to consume is likely to pick up sharply in the coming months as the health restrictions end and the social situation returns to normal.

Quarterly GDP



Manufacturing PMI



Graph sources: Bloomberg / BearBull Global Investments

American households will therefore consume and invest at a higher rate, thereby providing a clear boost to growth. The wealth effect, which has also developed thanks to the rise in stock markets and property prices, is estimated at USD 8 trillion in 2020. Thus, the US economy is on a solid growth path in 2021 and is unlikely to face any serious obstacles that could jeopardise this outlook. Even a likely resurgence of inflation will not push the Fed to act and is therefore unlikely to derail the train.

The euro area is temporarily falling behind in terms of economic activity

Q1 was meant to mark the beginning of an economic revival, but in the end it will instead be beset with renewed disappointment in the euro area. Growth expectations for the Eurozone have had to be revised downwards for Q1 and for 2021 as a whole. The new restrictions imposed in the largest Eurozone countries – Germany, France and Italy – suggest that growth is indeed unlikely to pick up with the expected momentum any time soon. The euro area will therefore not be part of the ongoing international recovery. The prospects for recovery were based on a gradual easing of health measures in March, but recent developments regarding the pandemic mean that a recovery in Europe cannot reasonably be expected for several weeks.

The Eurozone economy could thus contract by -1.5% during the first three months of the year, which would reduce its overall growth prospects for the year as a whole to only +4%. The euro area is thus lagging behind the forward momentum already discernible in North America and Asia. It will likely be able to reposition itself in the business cycle only later, even though its manufacturing sector already seems apt to benefit from international economic momentum. Nevertheless, the Eurozone's rebound capacity remains very high, but it is completely hampered for the time being by the measures still in place and the slow pace of the vaccination campaigns. However, the Eurozone could get a boost from Germany's economic engine, which is already benefiting from the global economic recovery despite the health restrictions. The German manufacturing sector will undoubtedly benefit from the massive recovery expected in the US and the ongoing recovery in Asia.

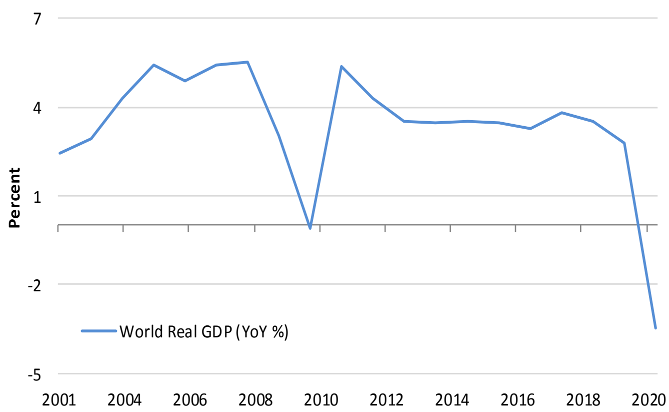
The Swiss economy not necessarily immune to a pleasant surprise

Switzerland's economy, although very sensitive to international economic conditions, has in fact proved to be very resilient during this particularly uncertain and troubled period, as Switzerland's economy recorded the smallest economic contraction in Europe. Q1 2021 is likely to remain influenced by restrictive health measures further tightened in January and still in place today. The same trends are therefore likely to be confirmed, with still anaemic consumption and retail sales dropping by -0.5% over one year in January. This weakness in consumption could be offset by increased public spending. The economic slowdown in Europe is likely to weigh on external demand, although the latter could still be bolstered by strengthening economic momentum in Asia and the US. Swiss GDP is thus likely to grow by +3.2% in 2021, benefiting from a domestic and international recovery, but it could also benefit more significantly from the global convergence of economic cycles.

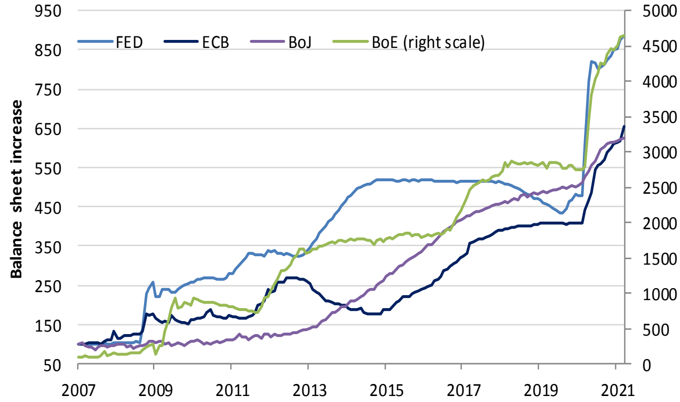
Success of UK vaccinations will support recovery

The UK ended 2020 with the worst economic performance of any European country or G7 member and started the year with a worryingly negative performance. However, the outlook for the year as a whole remains rather positive at the start of 2021. Although GDP will probably fall by -3.5% in Q1, growth estimates for the full year are of +4.7% on average.

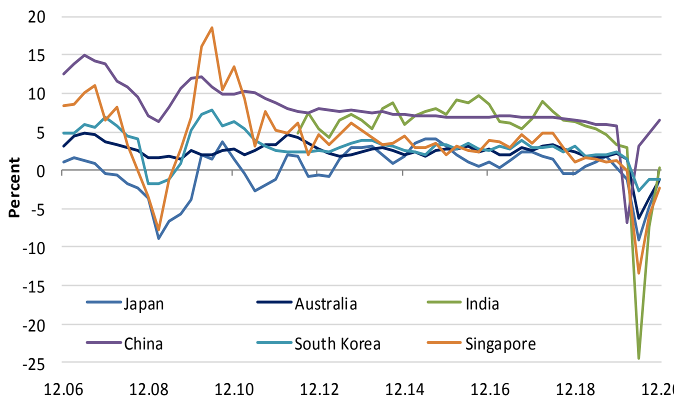
World Real GDP Growth



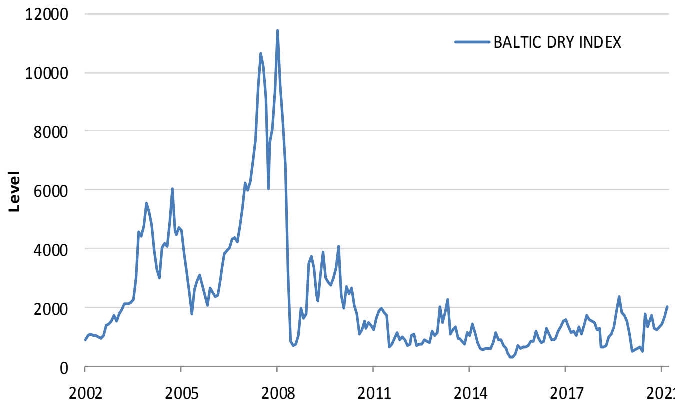
Balance sheet increase



GDP Growth rates in Asia



Baltic Dry Index



Graph sources: Bloomberg / BearBull Global Investments

The economy is thus expected to start recovering already in Q2, which could potentially see an upturn of +4.8%. The success of the vaccination campaign will certainly enable the UK to proceed more quickly with a gradual end to the lockdown, which is essential for the economic recovery that is anticipated more than ever following the initial post-Brexit GDP contraction shock in January 2021.

China's economy will also benefit from the return of global demand

China had set a GDP growth target of +6% for 2021. In previous months, we already mentioned that this target would certainly be exceeded and predicted growth of close to +8%. Chinese exports were expected to benefit from the strengthening of world trade and make a significant contribution to GDP growth. This has already materialised in Q1 2021 with a +60.6% increase in exports in January and February, while imports grew by only +22.2%. Exports to the US and Europe boomed by +87% and +63%, respectively, during the same period. Beyond a positive base effect over one year, Chinese exports are still likely to grow by almost +20% over the whole year. In 2020, China was able to count on relatively solid domestic consumption, and in 2021 it is also likely to be able to rely on a further recovery in domestic consumption. The combination of these two growth drivers is also expected to motivate new investment in capital goods, although infrastructure spending may slow. Chinese GDP growth is also likely to benefit from a stronger than expected US recovery thanks to the effects of the Biden plan and could reach +9% by the end of the year.

The latest PMIs published already support the analysis of a notable acceleration of the Chinese economy, with the services index in particular rising sharply from 51.5 to 54.3 for the month of March.

Economic outlook still modest in Japan

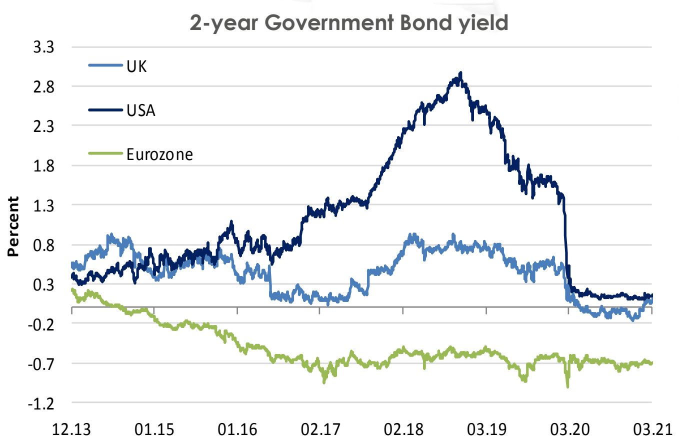
Japan's economy is expected to weaken again in Q1 due to the state of emergency and new health measures taken by the government. Household spending fell by -6.1% in January year-on-year, and the consumer confidence index fell from 31.8 to 29.6. The rebound in this indicator in February to 33.8 suggests that a recovery may be possible as early as the end of the quarter. The unemployment rate improved slightly in January and is now below 3% thanks to the creation of around 110,000 new jobs. Vehicle sales, which have grown significantly, namely by more than +6% in recent months, slowed by -2.2% in February. Retail sales in department stores are still not taking off despite a small increase of +0.5% in January.

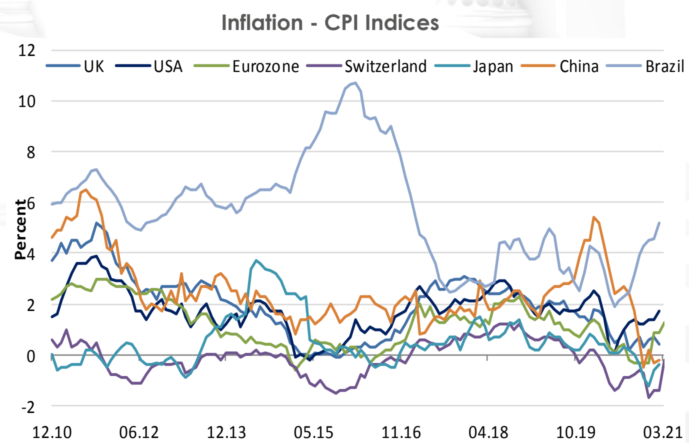
While consumption still seemed to be affected by the health measures at the beginning of the quarter, industrial production recorded satisfactory growth of +11.4% in January in the products and capital goods sector. The manufacturing and mining sector grew by +4.2% as well, also pointing to a likely strengthening of the upward trend for the first time in three months. The production of memory chips and semiconductor and battery equipment surged in response to the shortage in recent months, which also weighed on the automotive sector. Exports to China recorded one of their strongest increases (+15.1%).

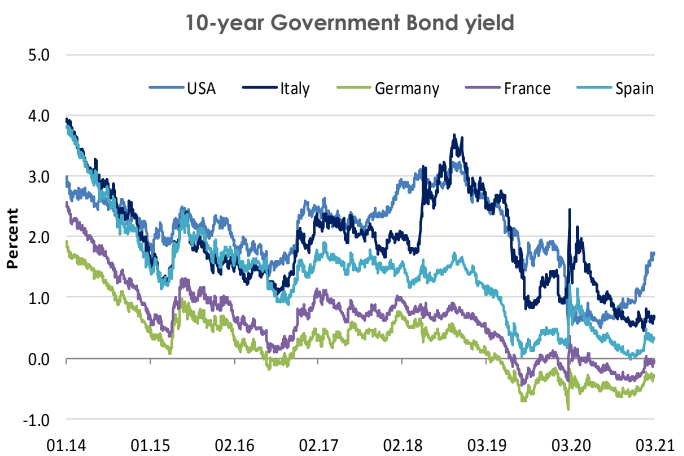
These elements reinforce our conviction that the economic recovery is, for the time being, driven primarily by exports and external demand. However, it will also need to rely on consumption in order to strengthen in Q2. Indeed, it is unlikely that we will see a recovery in consumption as early as March, as the government will maintain its health measures to ensure that its commitment to maintain the Olympic Games can be met.

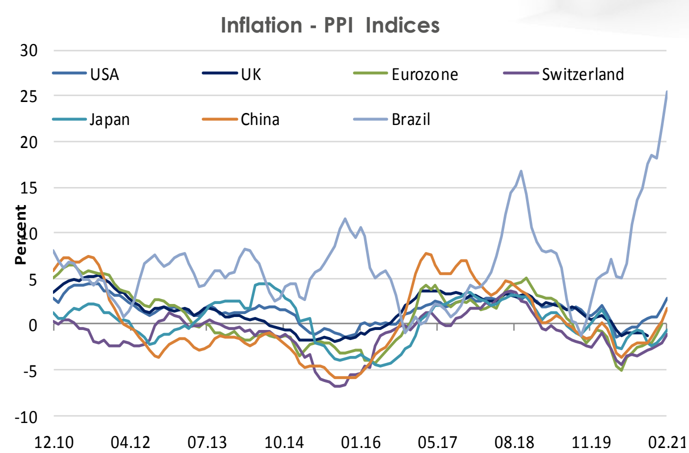
Industrial production is expected to grow again in February and contract in March. Meanwhile, orders for machine tools recorded their strongest rise (+36.7%) since 2018, emphasising the strength of Asian and international demand, which will be favourable to this sector once the global recovery is further along.

The BOJ has nevertheless revised its growth forecast for 2021 downwards, with growth now forecast to come in at +3.9%.









Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

United States

- 2021 promises to set record with GDP growth close to +7%
- Overall economic support of USD 5 trillion will boost growth
- The Fed is not afraid of inflation, and yet...
- Very significant adjustment in expected inflation

Transition in Q1 to visible acceleration of growth already in Q2

The US economy logically ended 2020 on a weaker note than in Q3. The annualised growth of +4% was in line with our expectations following the extraordinary recovery (+33.4%) over the summer. However, it turned out to be slightly below expectations due to the still noticeable effects of the pandemic on the labour market and on household consumption. Despite this sharp, expected deceleration, growth remains above average for the US economy historically. Consumption growth (+2.5%) turned out to be lower than expected (+3.1%) and therefore did not support GDP as much at the end of the year. Alongside this relative caution on the part of households, there was a clear recovery in non-residential investment (+13.8%) and private residential investment (+33.5%). A very strong recovery in real estate investment has begun, with sales of new homes jumping in December for the first time in several months, with the strongest monthly increase since 2006. Nearly 850,000 new homes were purchased in a particularly favourable context of low interest rates, pushing prices up by +8% over one year. The real estate market has thus contributed quite clearly to the economic recovery in the US, the pandemic having also motivated buyers in search of more living space. The sector has thus performed very well and has regained greater momentum than before the health crisis.

In Q1 2021, the economy will likely transition towards an acceleration of growth in Q2, which could then strengthen and allow the US economy to record one of its best annual performances in recent economic history. Growth expectations are now up from +2.3% to +3.2% for Q1, effectively reducing the expected, temporary decline in economic momentum, as the pandemic was still raging at the start of the quarter before the population began getting vaccinated. The current situation on the pandemic management front is radically different from that of previous quarters thanks to the massive and effective vaccination campaigns underway. This logically improves the prospects for economic recovery in Q2, which could reach +5.6% (annualised growth).

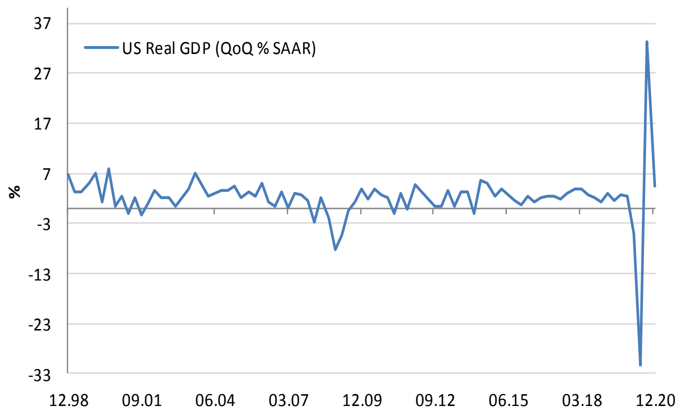
Q1 2021 could also prove to be stronger if the upswing in activity seen at the beginning of the year in the consumer retail sector continued through March. It could indicate an even faster economic recovery during the spring thanks to the stimulus measures and payments made to households in December and January.

The rise in the household savings rate may have reached a sufficiently safe level to support a boost in the propensity to consume, the effects of which may be much greater than expected in the coming months.

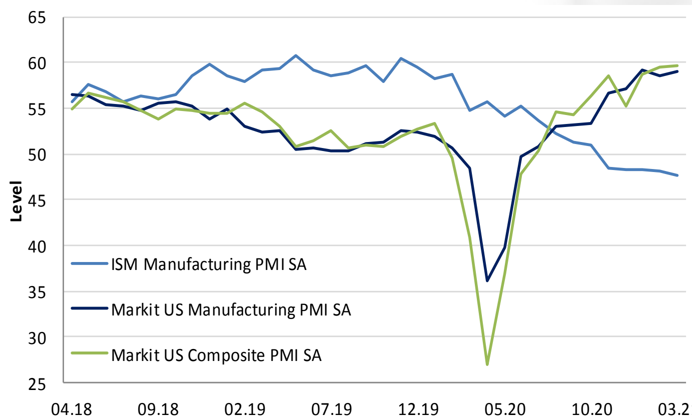
2021 promises to set record with GDP growth close to +7%.

The US economy therefore seems well on its way to emerging from the health crisis in style in 2021 thanks to a combination of factors and political decisions that are likely to enable it to assert itself as the main growth engine globally. Economic growth of +7% is indeed possible and would be exceptional both by historical comparison domestically and in terms of the US contribution to global economic growth in 2021. Such growth would even surpass that of China and probably India, putting the US back at the forefront of global economic momentum.

Quarterly US Real GDP Growth

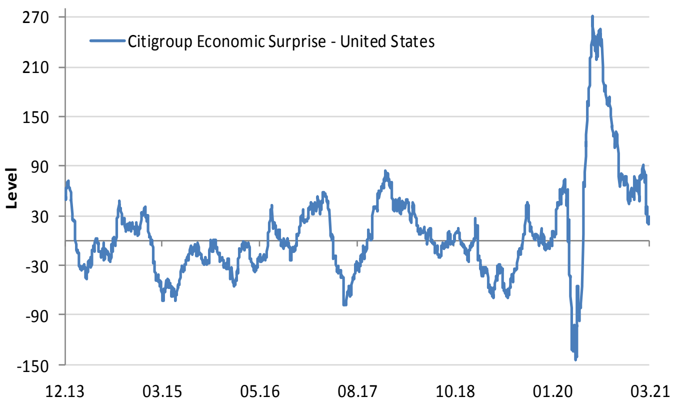


PMI Indices

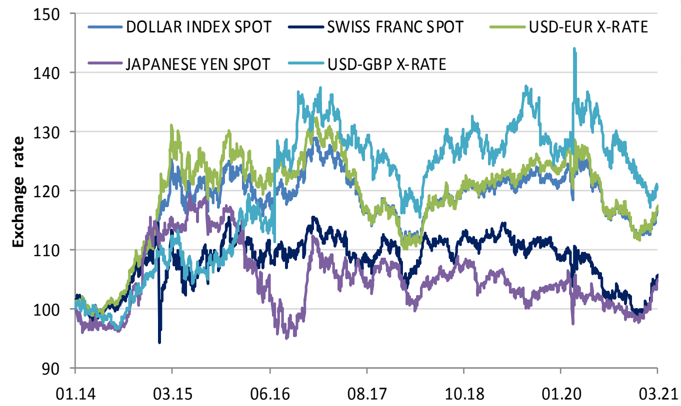


Graph sources: Bloomberg / BearBull Global Investments

Citigroup economic surprise index USA



Dollar trade-weighted index and currencies



Overall economic support of USD 5 trillion will boost growth

The US ultimately supported its economy in a way that no other country was able to during this exceptional period of health crisis. The total support package is now close to USD 5 trillion and represents both more than the size of the US Federal Reserve's pre-pandemic balance sheet and almost 25% of the country's pre-pandemic GDP of USD 21.43 trillion (2019). By international comparison, even if the implementation of all the measures announced is not concentrated in one year, this ratio is still much higher than what the Eurozone for example will be able to deploy. President Joe Biden's USD 1.9 trillion fiscal stimulus package alone accounts for almost 40% of the overall support for a sustained economic recovery and is a fundamental accelerator of this expected recovery. The current vaccination plan is developing at a steady pace and is one of the key factors in the economy's ability to recover. The forthcoming return to normalcy will have an essential and relatively rapid impact on the labour market, consumption and investment.

Leading indicators still very optimistic

The leading PMI indicators are still decidedly upbeat. The March manufacturing PMI (59) is at its highest level since September 2014, suggesting an excellent outlook for the industrial sector, at least partly confirmed by the high level of the ISM manufacturing index (60.8), which is still close to its high points of the decade. On the services side, the PMI rose again in March to 60 and is thus in a zone of solid expected growth, also confirmed by an ISM of 55.3.

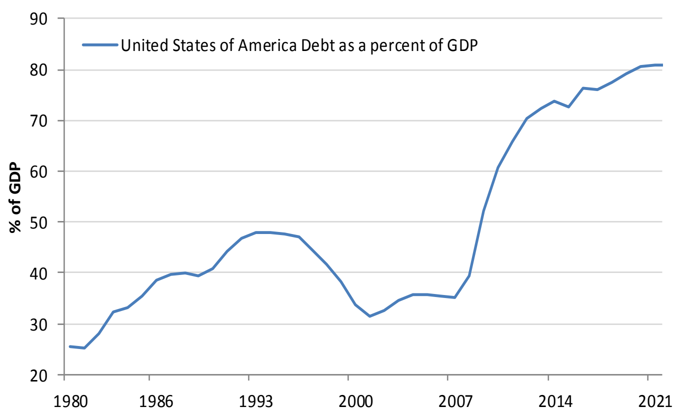
Employment could quickly strengthen

Such a recovery will have an effect on employment, helping it return more quickly to a level similar to that reached before the pandemic, even if this objective is probably not achievable before 2022. After two months of modest growth in January (196,000) and February (176,000), March is finally expected to see the return of more workers to the labour market. More than 500,000 jobs are estimated to have been created during this period, particularly in the service, leisure, catering and industrial sectors. The effectiveness of the vaccination campaigns and the reopening of the economy logically encourages a recovery in employment. The improvement is fairly widespread and affects SMEs more significantly. The service sector is the main driver of this recovery. The unemployment rate has declined slightly to 6.2%, and the improved outlook clearly supported an upturn in household confidence in March.

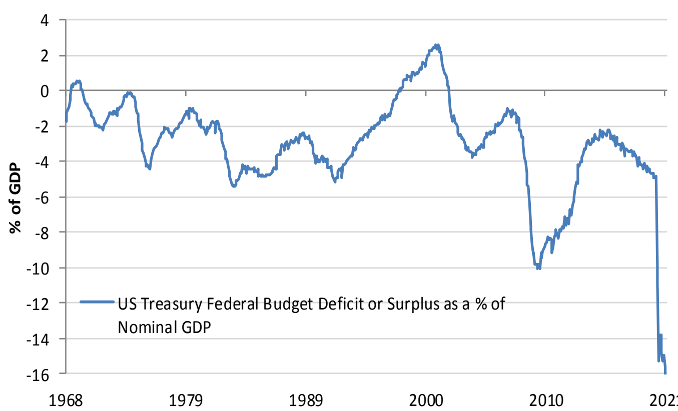
Two trillion in savings accumulated during the pandemic to spend and invest

US households have accumulated nearly USD 2 trillion in savings over the past 12 months, prior to the recent fiscal stimulus announcements. The savings rate, usually around 7%, jumped to 34% in April 2020 before falling to 13% by the end of the year. Households' propensity to consume is likely to pick up sharply in the coming months as the health restrictions end and the social situation returns to normal. American households will therefore consume and invest at a higher rate, thereby providing a clear boost to growth. The wealth effect, which has also intensified thanks to the rise in the stock market and property prices, is estimated at USD 8 trillion for 2020.

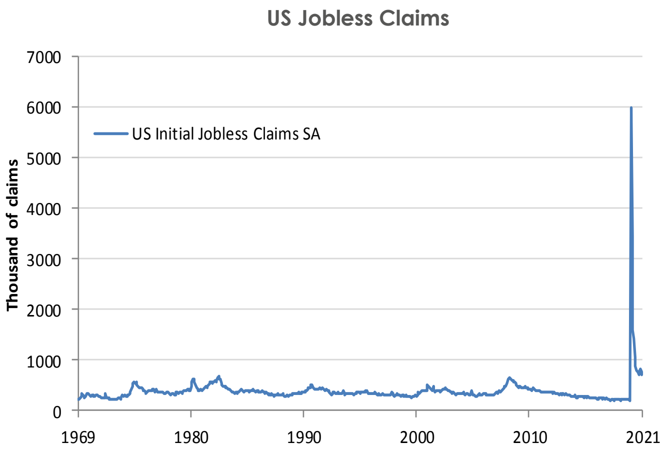
Debt (% GDP)

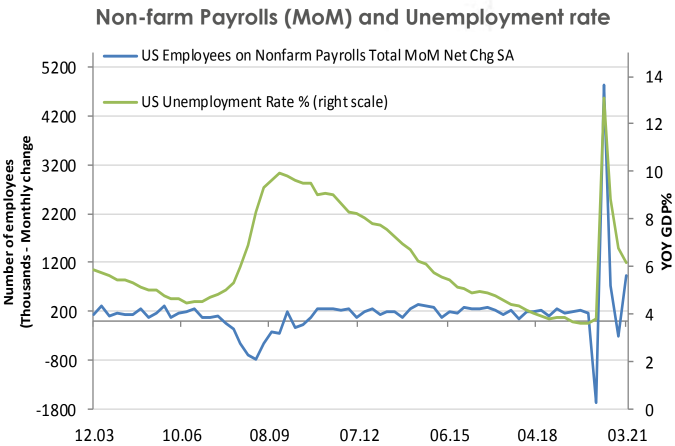


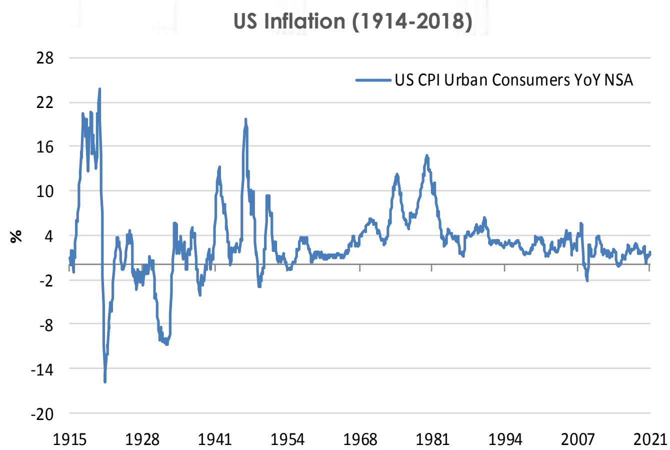
Deficit/Surplus

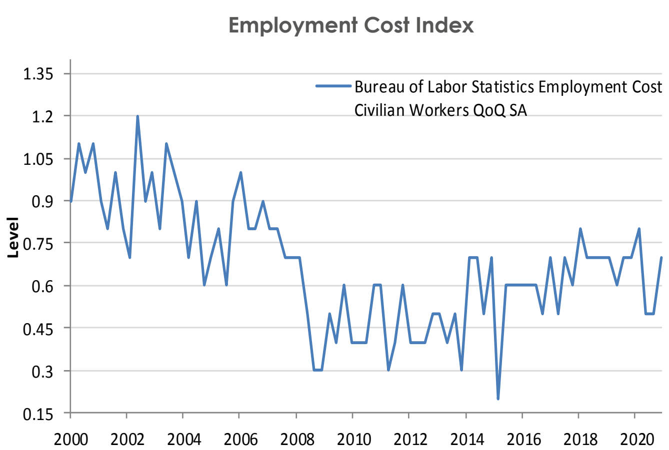


Graph sources: Bloomberg / BearBull Global Investments









Graph sources: Bloomberg / BearBull Global Investments

The Fed is not afraid of inflation, and yet…

Economic growth in 2021 could be exceptional and higher than after the 1981-82 crisis, but will it have the same implications for inflation?

The Federal Reserve certainly sees parallels between the two periods, which were followed by sustained, solid growth. The job growth that followed the 1981-82 recession added nearly 7.5 million jobs in two years without seeing inflation balloon out of control, although the latter did nevertheless rise above 4.5%. However, the unemployment rate remained higher than average for several years, a situation that seems less likely in the present case. The unemployment rate could indeed return to its historical low point at the end of next year. In this context, the risk that inflation would rear its head in the current business cycle does not seem completely under control. The US central bank is clearly prepared to let short-term inflation exceed its 2% target. It will probably point out in the coming months, when inflation approaches 3%, that this trend is temporary and does not pose a risk to the stability of the financial system. A rise in inflation will be seen as a logical consequence of the frictions generated by the reopening of the economy and a temporary increase in demand.

The Fed also seems to view the current rise in long-term rates as a clear indication of investors' changing perceptions of the prospects for an exit from the health and economic crisis. This latter trend indirectly constitutes a change in monetary conditions, which are now less accommodative overall.

The Fed's commitment to supporting a lasting economic recovery is thus assured and will prevent any increase in key rates in 2021 and 2022. We should therefore not expect any change in monetary policy with regards to short-term rates, although it may gradually reduce its asset purchase programme.

Very significant adjustment in expected inflation

The liquidity injections by the US central bank starting in Q1 2020 and the flattening of key interest rates to support the economy during the pandemic did not initially have a significant impact on the inflation outlook. But for several months now, there has been a growing awareness that inflation is likely to return in 2021 and 2022. For the moment, price indices are only reflecting a gradual rise from the lows reached in May 2020, when the CPI index had a very weak growth rate of only +0.11% over one year. A year later, inflation has now risen to +1.7% and seems to be inexorably approaching its pre-Covid level of +2.5%. However, inflation expectations are even higher and already indicate that price indices may rise above +3% in 2021.

Renewed attractiveness of bonds and the dollar

As we have been saying for several months, we felt that a rise in long-term rates in 2021 was inevitable in the context of a very clear improvement in the US economic outlook. The 50-basis-point rise in 10-year Treasury rates in H2 2020 merely heralded a trend reversal that was expected to strengthen and become more pronounced in 2021. Indeed, Q4 saw long-term rates rise a little further and approach the 2% threshold. The rise in Treasury yields from 0.9% on 31 December 2020 to almost 1.75% is significant and constitutes an important changing outlook factor in terms of financial risk assessment.

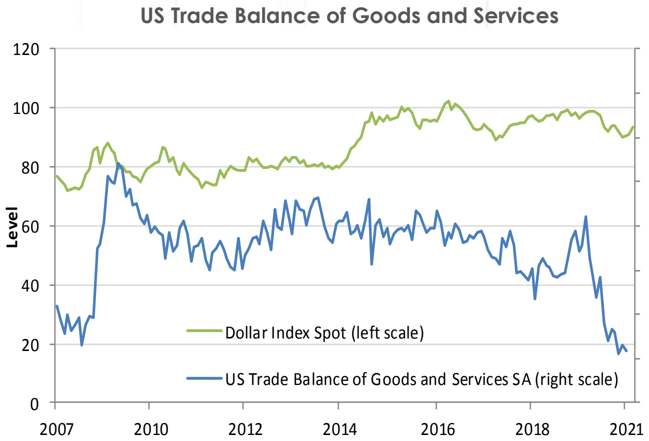
It is also important to note that this adjustment in long-term yields on US government debt has not yet significantly affected risk premiums on non-government bonds, which remain historically low. Within the dollar bond market, the current 10-year Treasury yield may already be providing an incentive for some investors to reallocate positions, as they decide to reduce their exposure to risky yield pick-up strategies. Internationally, US bonds now also offer a safe haven with the prospect of an attractive yield spread.

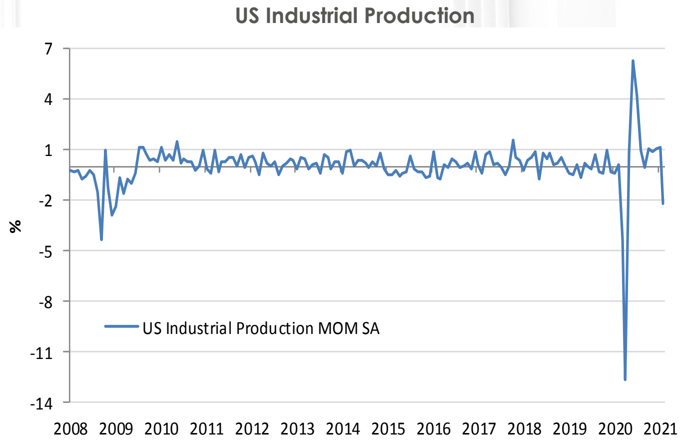
European, Japanese and Swiss investors may now be more interested in dollar-denominated fixed income investments, as the yield spread has narrowed considerably. As we approach the 2% threshold, we believe that this yield differential is likely to stabilise under the influence of new inflows of funds. The dollar is expected to benefit further from this factor.

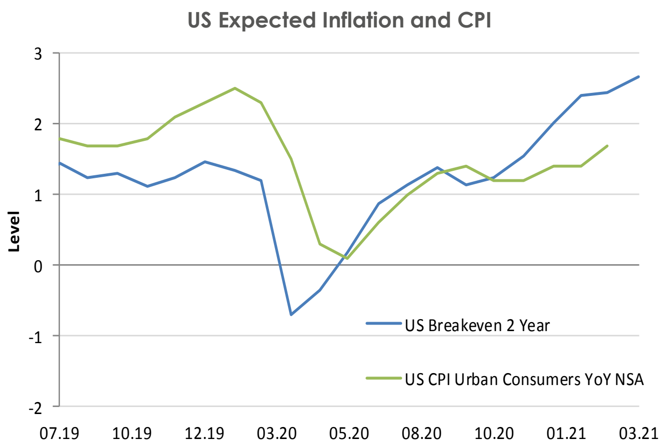
Equity markets benefitting from abundant liquidity despite high valuations

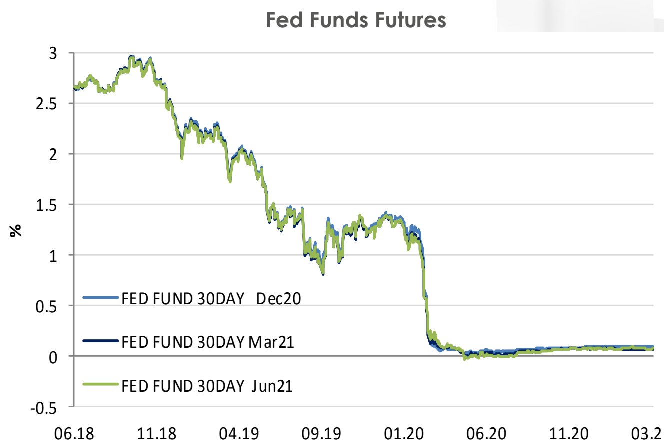
The US market continues to rise without worrying for the moment about rising interest rates and high valuations. For several months now, we have been witnessing the sector rotation that we predicted, which now favours value stocks to the detriment of growth stocks, but optimism remains fairly widespread. The price corrections in the tech sector, and especially on the stocks of companies that are still far from presenting convincing profitability, did materialise, but they did not really affect investor sentiment. The current stock market climate, which is more favourable to value and cyclical stocks, is now benefiting the financial, energy, materials and industrial sectors, which have outperformed since the beginning of the year.

Surprisingly, the increase in the price/earnings factor has not yet had a significant effect on the overall market. However, December 2021 price growth expectations for S&P500 stocks have already almost been reached, leaving little room for further price gains, unless we can count on significant revisions to corporate earnings for the year as a whole. 2021 looks positive for most companies, but at 23x 2021 earnings, we must now already look ahead to 2022 to expect further gains. We again recommend a temporarily more cautious exposure.



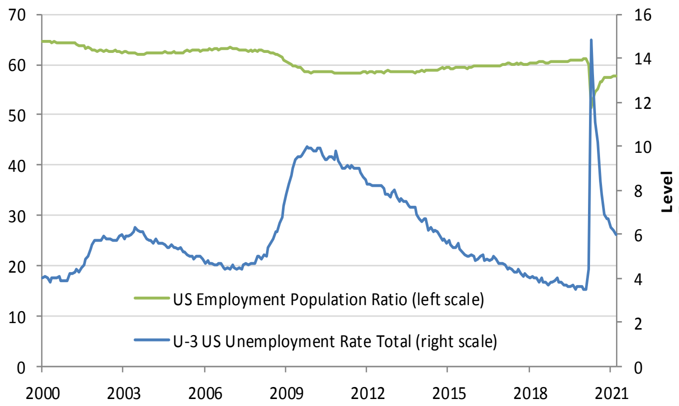




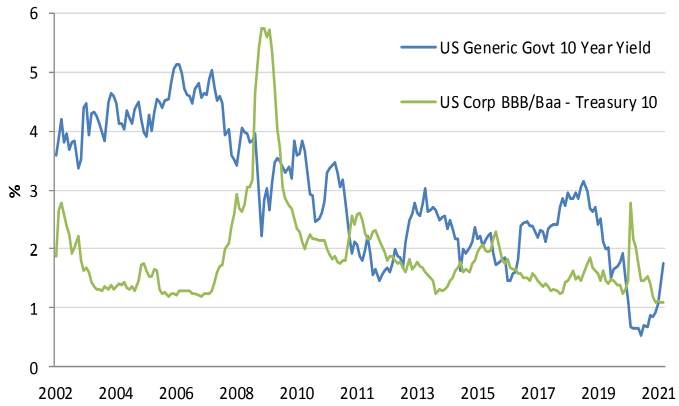


Graph sources: Bloomberg / BearBull Global Investments

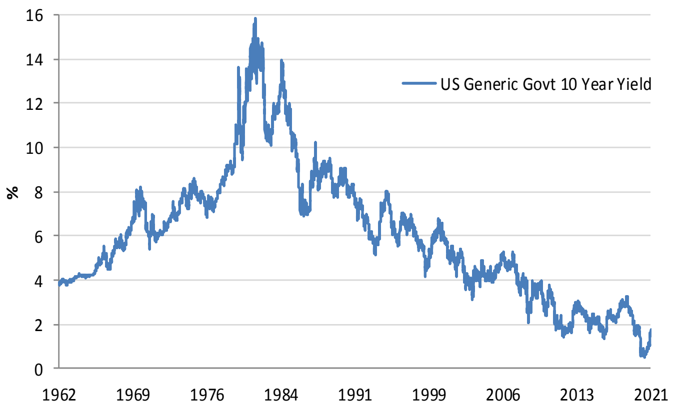
US Unemployment rate and Employment Population Ratio



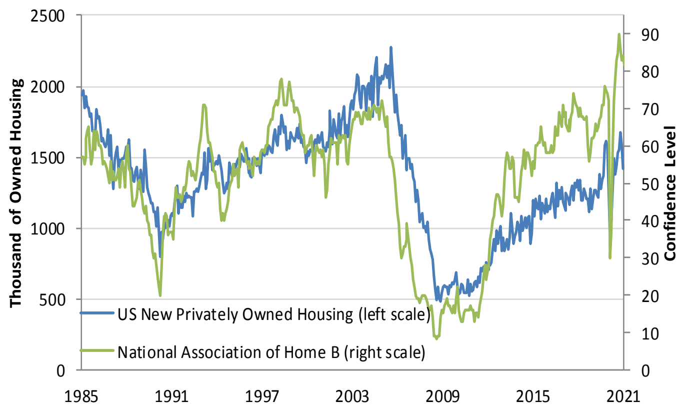
Yield spread Us Treasury - BBB 10 year



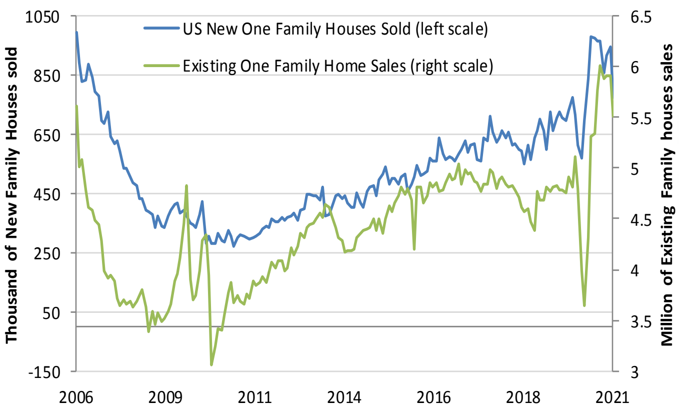
US Government Bonds 10 year yield



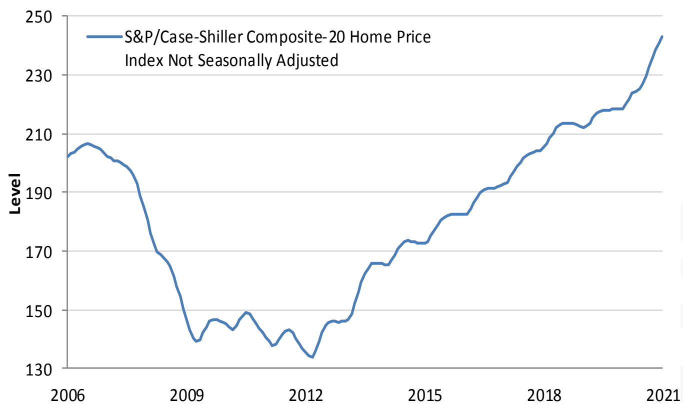
US New Privately Owned Housing and NAHB USA



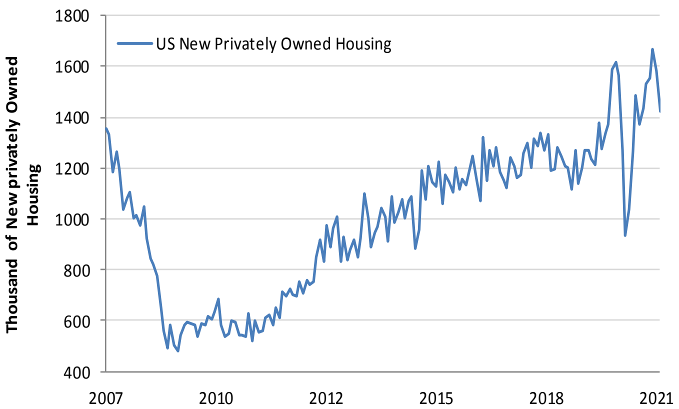
Sale of US New and Existing Family Houses



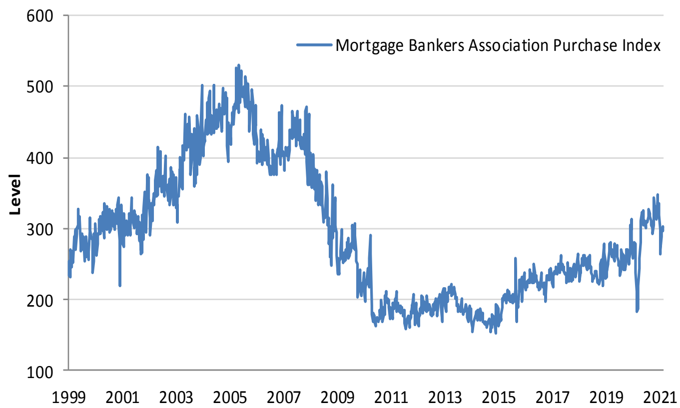
Real Estate Prices - S&P Case-Shiller Index



Housing Starts



New Mortgage Applications - MBA



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

Switzerland

- Swiss GDP growth of +0.3% in Q4 2020 is higher than expected
- Switzerland went through the Covid-19 crisis without any major impact on its GDP in 2020
- SNB earned 23 billion in 2020 and stays the course

Swiss GDP growth of +0.3% in Q4 2020 is higher than expected

The State Secretariat for Economic Affairs (SECO) has published the Q4 2020 growth figures for our country, which show that the economy continued to recover through the end of the year. Although the Q4 growth rate (+0.3%) was much lower than that of the previous quarter (+7.2%), which fully benefited from the end of the health measures, it still proved higher than forecasters' expectations. The latter were in fact expecting GDP to stagnate at the end of the year due to the reinstat ment of health restrictions during the quarter. Swiss GDP thus ultimately contracted by -1.6% over the whole of 2020, a satisfactory result overall given the particularly difficult context of the global pandemic during this period. Adjusted for inflation, however, the trend in GDP growth was more negative, declining by -2.9% over the year as a whole. At the end of the year, the Swiss economy surprised most forecasters with its unexpected strength even as the reintroduction of health restrictions was expected to weigh on economic momentum. The negative effects of the slowdown in consumption caused by the pandemic control measures were essentially offset by stronger external demand and higher public spending. The second wave of Covid-19 was thus clearly less damaging to the economy than the first in the spring.

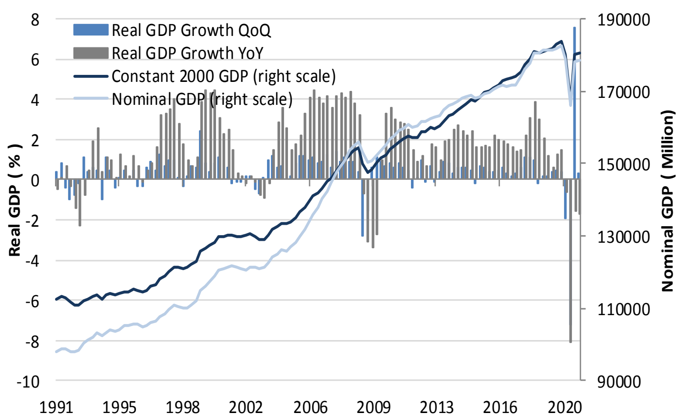
Domestic demand logically collapsed with the return of health restrictions

The new government measures taken to combat the second wave of Covid-19 clearly caused a shock in Q4. The sectors already heavily impacted by the first wave in the spring were again affected and logically saw their sales figures contract significantly. The service sector suffered particularly from restrictive measures imposed by the authorities, as did the hotel and restaurant sector, whose activity fell by -20.8%. After the short summer upturn, tourism, leisure and entertainment also suffered significant declines. On the private consumption side, spending also contracted by -1.5%, so it is surprising to note an increase in trade (+1.5%) and business services (+0.5%). Overall, thanks to the good performance of financial services (+0.7%), the services sector withstood the situation relatively well. Construction investment remained relatively unchanged (+0.1%), but capital goods spending showed a pleasing increase of +1.9%. This suggests companies now have better visibility and have decided to start investing again. The +2.3% growth in public spending associated with the authorities' efforts to offset the disastrous economic effects of the pandemic was expected and is logically predicted to continue. Sectors that are sensitive to international economic conditions have rather benefited from the positive momentum of Asian economies. International supply chains were obviously not affected in the same way as in Q1 when China's economy was at a standstill. The Swiss manufacturing industry was therefore able to take advantage of Asian growth and external demand, recording growth of +1.4%, which benefited the machinery, precision instruments and watchmaking sectors. Exports of goods were temporarily affected by the decline in transit trade, while exports of services registered a small increase of +0.4%.

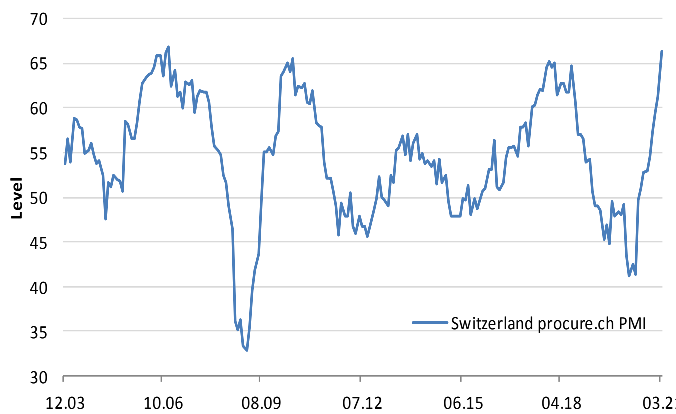
Switzerland went through the Covid-19 crisis without any major impact on its GDP in 2020

The overall impact of Covid-19 on our economy is now known, with GDP recording a -1.6% decrease in 2020. Switzerland's economy, although very sensitive to international economic conditions, has in fact proved to be particularly resilient during these uncertain and troubled times. As a result, Switzerland's economy is experiencing the smallest economic contraction in Europe. The country has thus weathered the health crisis better than its main economic partners such as the United States (-2.46%), Germany (-3.7%), France (-4.9%), Italy (-6.58%), the United Kingdom (-7.72%) or Spain (-8.93%). The management of the health crisis in our country therefore seems to have been rather effective, at least from an economic point of view, in view of this result, which is similar to Japan's (-1.14%) or Australia's (-1.15%), two countries that were altogether less affected than others by the Covid-19 pandemic.

Nominal GDP - Nominal and Real GDP Growth rate

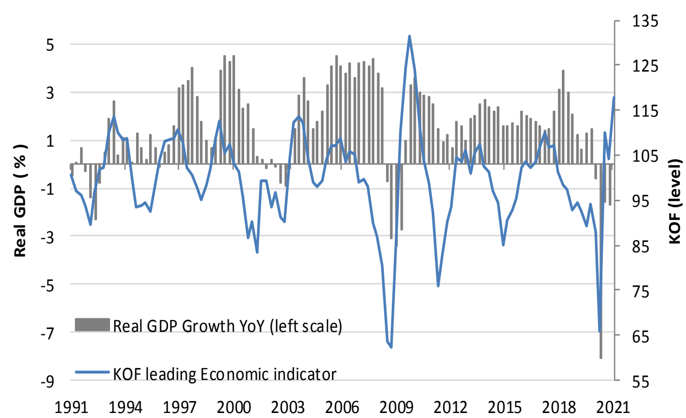


Swiss Purchasing Manager Index (PMI)

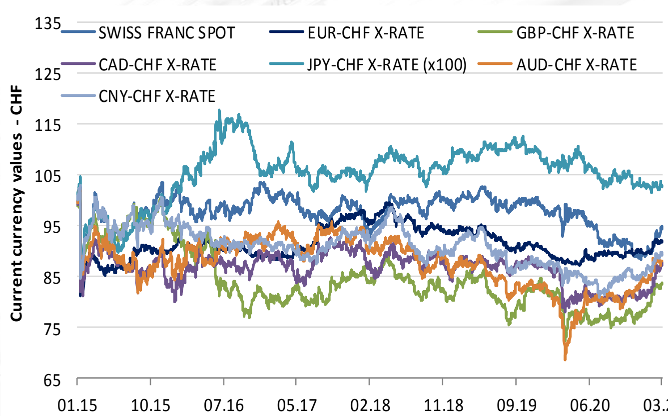


Graph sources: Bloomberg / BearBull Global Investments

Real GDP Growth YoY - KOF leading economic indicator



CHF Exchange rate (Normalized at 100)



Hesitant start to the year but still very favourable outlook for the whole of 2021

Q1 2021 is likely to continue to be influenced by the restrictive health measures that were tightened in January and are still in effect today. The same trends are therefore likely to continue, with consumption still anaemic, as retail sales recorded a year-on-year fall of -0.5% in January. This weakness in consumption could be offset by rising public spending. The economic slowdown in Europe is expected to weigh on external demand, which however could still be supported by the strengthening economic momentum in Asia. Exports rose by +5.7% over one month in January, but the figures for the watch industry are still down by -11% over a year despite the +58.2% increase in exports to China. On the leading indicators side, sentiment measures seem more generally optimistic. February's manufacturing PMI index improved again for the 7th consecutive month and now stands at 61.3, its highest level since August 2018. The manufacturing sector clearly seems to be following a new, more solid trend, which makes it possible to envisage a gradual and sustainable recovery in activity. Asia's recovery is benefiting Swiss exporters and is already causing increased pressure on transport costs and raw material prices. Purchase prices are therefore on the rise. As far as services are concerned, the trend has been more stable in recent months and is still influenced to a greater extent by less dynamic domestic factors. The KOF leading indicator, which had slipped in Q4, strengthened again in February (102.7) and returned above 100, reaching its highest level since February 2018. Consumer confidence remains sluggish despite this increasingly positive context and has been stagnating at -14.6 for several months. Investor confidence continues its meteoric rise from its March lows (-45) and now exceeds its previous peak in December 2017, recording its highest level ever (55.5). Swiss GDP is thus likely to grow by +3.2% in 2021, benefiting from domestic and international recovery.

SNB earned 23 billion in 2020 and stays the course

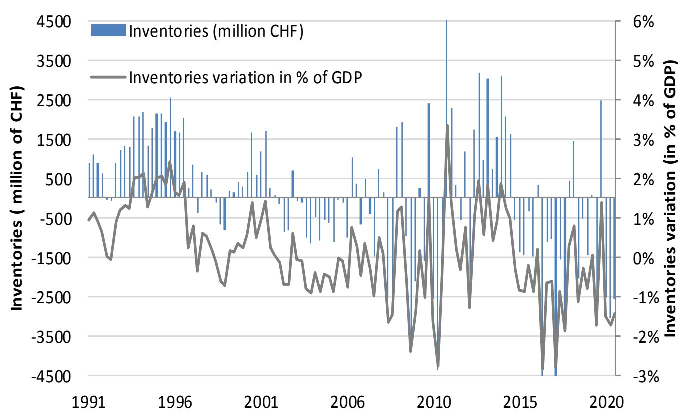
The Swiss central bank confirmed that it had recorded a profit of USD 23 billion in 2020 due to developments in currencies and gold prices. This result, which is significant in absolute terms, will undoubtedly attract a great deal of attention, and the SNB will distribute part of it, i.e. around CHF 6 billion, to the Swiss Confederation and the Swiss cantons, in accordance with applicable rules. However, in view of the size of the SNB's balance sheet, these profits are not exceptional. The SNB's gains resulting from its strategy to combat the strength of the Swiss franc will not affect its monetary policy in 2021, which will remain unchanged.

Contrary to the other main central banks, which have been active in supporting the economies of their respective countries in recent years by reinforcing their government debt purchase programmes, particularly during the pandemic, the Swiss central bank has limited its action to an exchange rate stabilisation objective, which remains in force for 2021. Foreign exchange reserves have increased slightly over the last few weeks and now stand at nearly USD 1 trillion (CHF 896 billion). On the key interest rate front, the SNB is pursuing its strategy of keeping negative rates unchanged in order to ensure a sufficient yield differential with euro-denominated rates to allow the Swiss franc to weaken. once again in the current global economic recovery. These rates are expected to remain unchanged in 2021 and to contribute to the weakness of the Swiss franc, which seems likely to depreciate once again in the current global economic recovery.

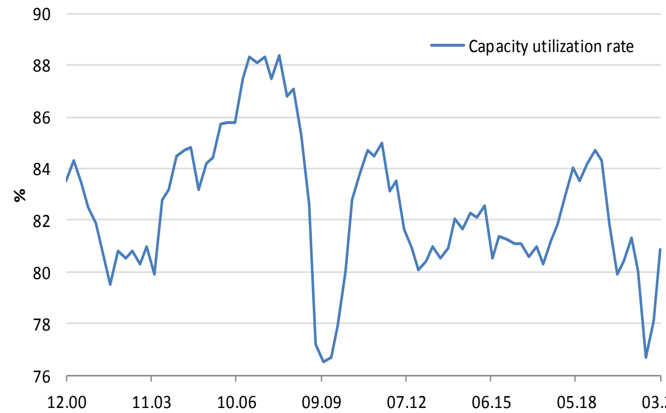
Global economic recovery will support Swiss franc depreciation

The Swiss franc took advantage of the anxious stock market climate of 2020 at the start of the pandemic by first appreciating against most currencies. A few months later, as early as June, the prospects of a global economic recovery had already begun to reduce the franc's attractiveness as a safe haven. In recent weeks, the weakness of the franc seems to have intensified with the growing hopes for a global economic recovery. The month of February was marked in particular by a generalised and expected depreciation of the franc against the euro and other currencies such as the US, Canadian and Australian dollars and the pound sterling. The rise in long -term rates in the US to 1.5% probably marks a change in investors' perceptions, who now clearly see yield spreads widening in favour of other currencies.

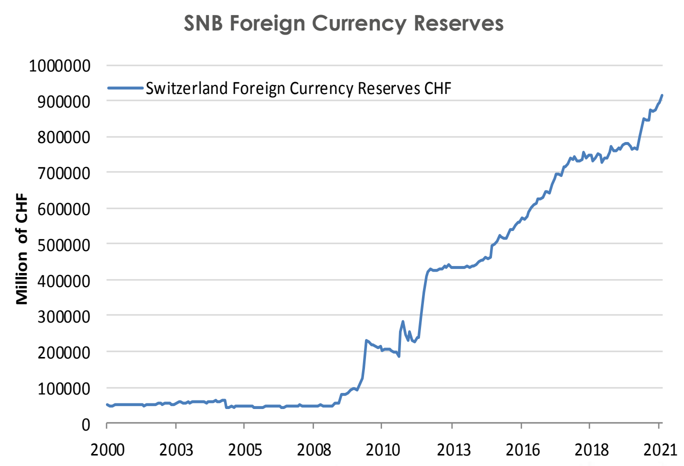
Inventories - variation in % of GDP

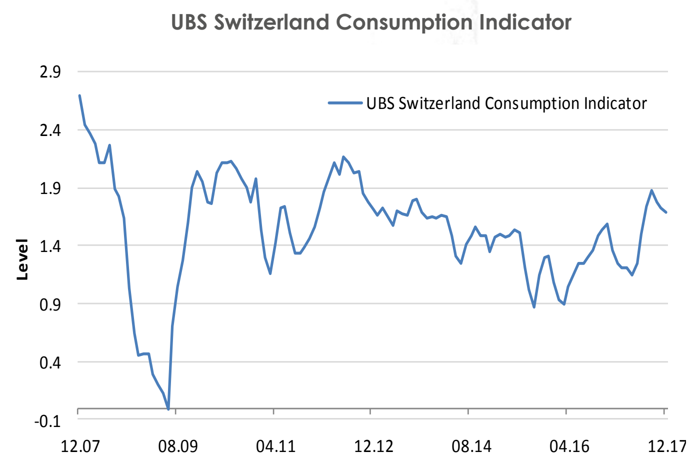


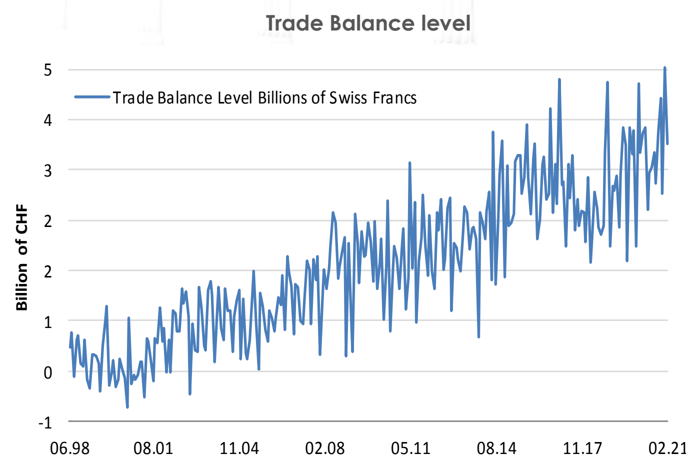
Capacity utilization rate

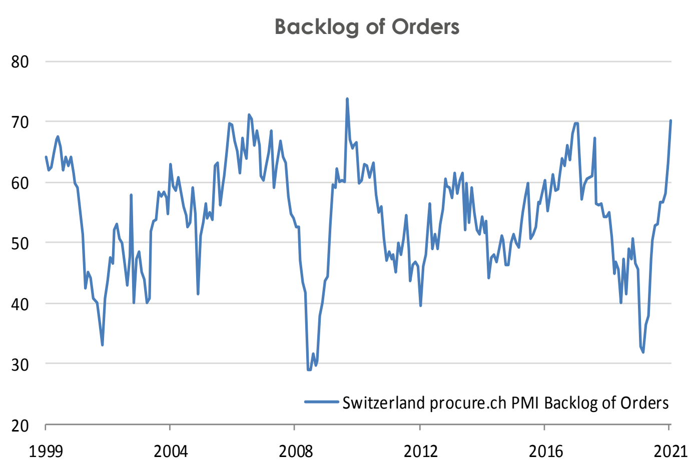


Graph sources: Bloomberg / BearBull Global Investments









Graph sources: Bloomberg / BearBull Global Investments

Expectations of a resumption of inflation are supporting long-term yield increases and flows of funds away from the franc, contrary to what happened in the spring of 2020. Swiss investors are expected to continue to invest in foreign currencies, thereby enabling the SNB to reduce its interventions on the foreign exchange markets. The SNB has been patient and consistent in its actions and is likely to be even more amply rewarded in 2021 for its policy of stabilising the franc. We still believe that a return to global growth in 2021 is likely to have a negative impact on the demand for Swiss francs. Overall, investors' appetite for risk will increase in 2021 and will be unfavourable to the Swiss franc, whose short-term yield is still the lowest in the world. The SNB still considers the Swiss franc to be overvalued, and its tolerance for an appreciation of the franc remains low. Our currency is expected to weaken in 2021 against most major currencies. In terms of purchasing power parity (PPP), the franc is still overvalued by 10% to 15% against the euro. A rise of the euro beyond 1.15 is therefore possible in 2021.

The horizon is getting a little darker for Swiss franc bond markets

International bond markets remained highly correlated at the beginning of the year and followed the same trend as in the US. While 10-year US Treasury yields jumped from 1% to 1.5% in a few weeks, Swiss franc interest rates did not remain insensitive to changes in inflation expectations and underwent similar adjustments. Despite a totally different context in our country, characterised by inflation of barely 0.2% in February and -0.5% over one year, the Confederation's yields nevertheless rose by 40 basis points between January and February, pushing them to their highest levels in the last 24 months.

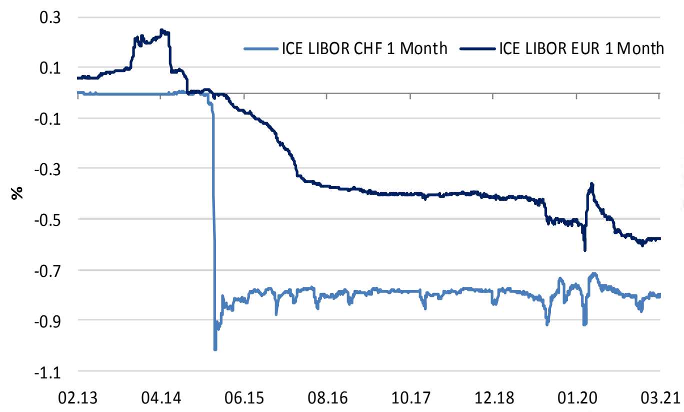
As a result, the Swiss government yield curve has tightened significantly in a generalised move to adjust rates in line with new expectations of accelerating economic growth. Let us note that the SNB estimates real GDP growth in 2021 at +3.2% with inflation of only 0.1%. The expected change in interest rate trends has thus materialised in the investment grade market, but the risk premium between BBB bonds and ten-year Swiss government bonds during the same period still decreased. These are now at an all-time low of 0.45%, which suggests a clear loss of attractiveness for the increasingly risky yield pick-up strategies. We recommend a sharp reduction in durations and a reallocation of credit risk to investment grade securities.

Swiss equities still waffling

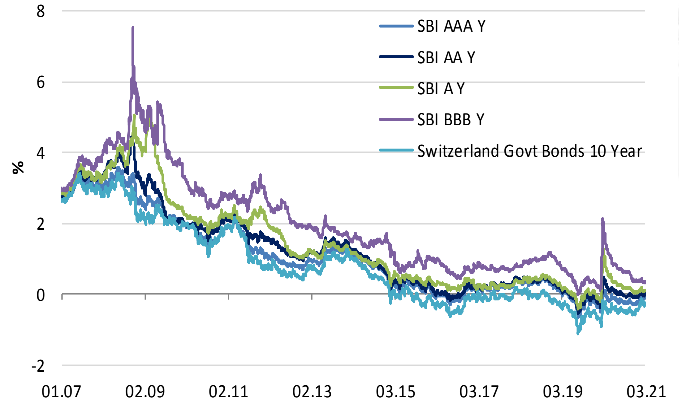
The Swiss equity market ended February on a very limited consolidation of -1.45% after two marginal declines. However, it is moving against the trend in other markets, which are showing moderate increases. The nature of the companies listed in our country and the defensive nature of the Swiss market do not lend themselves to the same forms of speculation as those observed in the US in particular. Technology stocks are rare in the Swiss market, which therefore attracts little speculation. As a result, the euphoria on the stock market seems to be much less pronounced in our market in Q1 2021. However, hesitation seems to increase every time 12-month PE valuation levels soar, both for SMI stocks when they reach 19x expected earnings for 2021, and for SPI stocks (20x). The recent slide as stocks approached these valuations brought SMI levels back to 10,500 points, which they had already reached in July 2020 when the health measures were lifted. The main SMI blue chips still seem to offer attractive growth prospects, and the stability of their business model could also benefit them in a context that is once again more uncertain for risky assets due to the upward trend in interest rates.

In the short term, we still consider the risks of price consolidation to be high and suggest a reasonable exposure to Swiss equities before we can expect the upward trend in equity markets to resume at a later date.

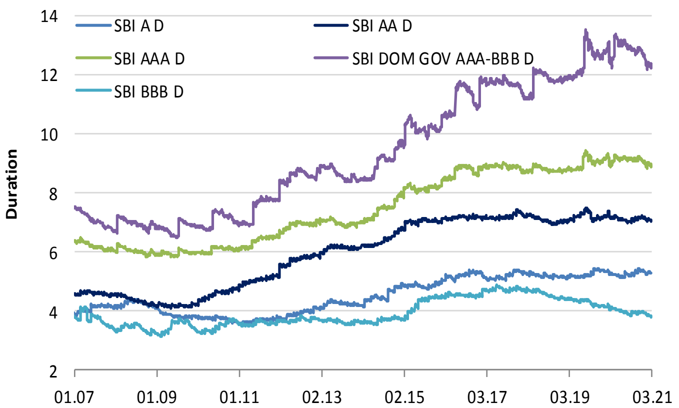
Libor spread rates 1 month



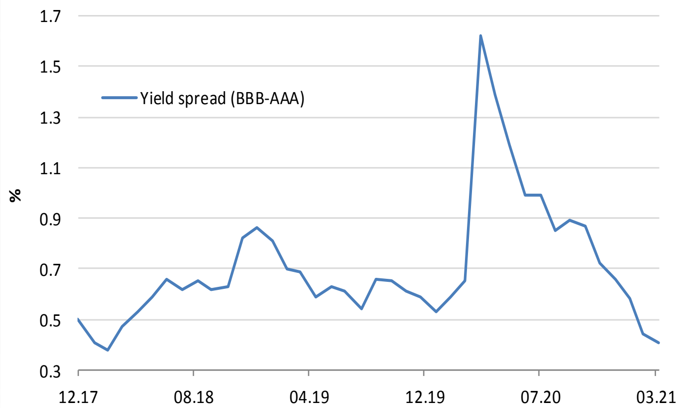
Yield (Government, AAA, AA, A, BBB)



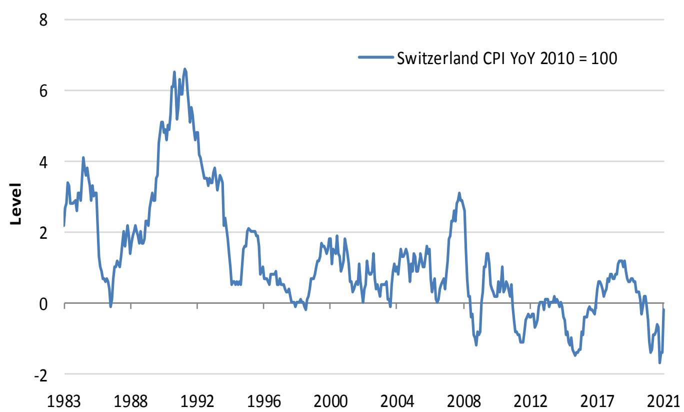
Duration of Swiss bonds



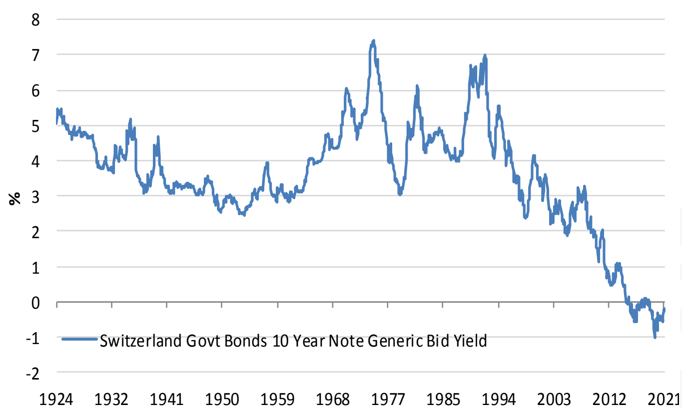
Yield spread



Inflation CPI

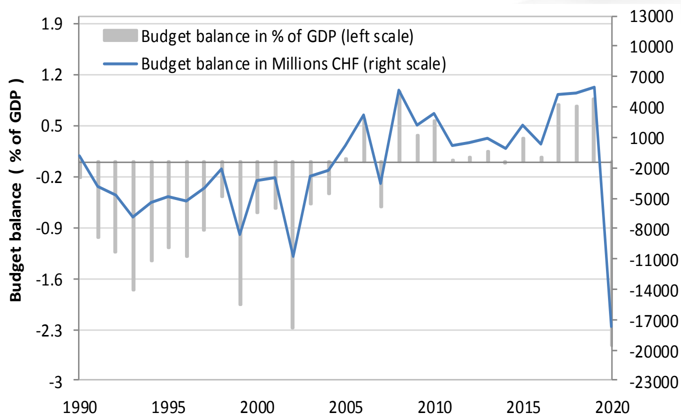


Government Bonds 10 year yield since 1924



Switzerland Government total debt

Switzerland Budget Balance



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

Eurozone

- More optimistic leading indicators bolstered by Germany's manufacturing PMI
- ECB steps up its action and urges governments to strengthen their fiscal policies
- The euro is logically suffering from an unfavourable growth differential

European GDP expected to fall by a further -1.5% in the first quarter

Q1 2021 was supposed to be the beginning of a long-awaited return to normalcy in the euro area. After the efforts made by Europe's populations with regard to the restrictions imposed by their governments before the holidays, the beginning of the year was indeed supposed to mark a return to business as usual and "normal" life. These preventive health restrictions were intended to ensure an effective transition between a year of intense recession in 2020 and a year of renewal in 2021. The long-awaited arrival of the vaccines and announcements of promising and voluntary vaccination campaigns were expected to quickly raise hopes of a return to normalcy. However, the emergence of Covid-19 variants at the beginning of the year has instead triggered a new wave of infections and renewed concerns. Faced with this resurgence of the pandemic in Europe, the authorities have seemed unable to imagine scenarios different from those familiar from 2020. As vaccination campaigns have struggled to get underway, new forms of lockdown have remained the only real measures available to combat a third wave that has taken hold and does not seem to be under control, as Q1 draws to a close.

Q1 was meant to mark the beginning of an economic revival, but in the end it will instead be beset with renewed disappointment in the euro area. Growth expectations for the Eurozone have had to be revised downwards for Q1 and for 2021 as a whole. The new restrictions imposed in the largest Eurozone countries – Germany, France and Italy – suggest that growth is indeed unlikely to pick up with the expected momentum any time soon. The euro area will therefore not be part of the ongoing international recovery. The prospects for recovery were based on a gradual easing of health measures in March, but recent developments regarding the pandemic mean that a recovery in Europe cannot reasonably be expected for several weeks.

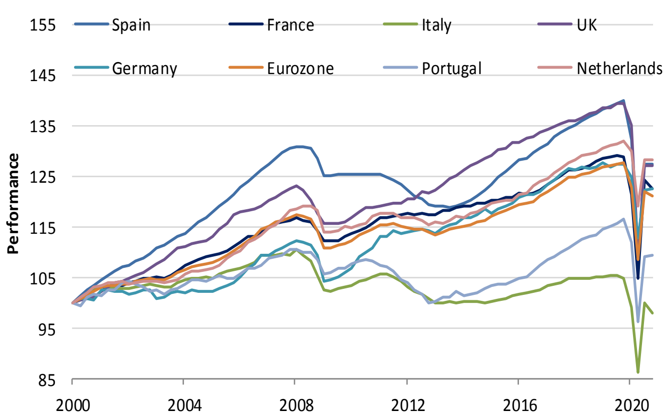
Eurozone economy could thus contract by -1.5% during the first three months of the year, which would reduce its overall growth prospects for the year as a whole to only +4%. The euro area is thus lagging behind the forward momentum already discernible in North America and Asia. It will likely be able to reposition itself in the business cycle only later, even though its manufacturing sector already seems apt to benefit from international economic momentum.

The glaring failure of vaccination campaigns calls for new government support measures

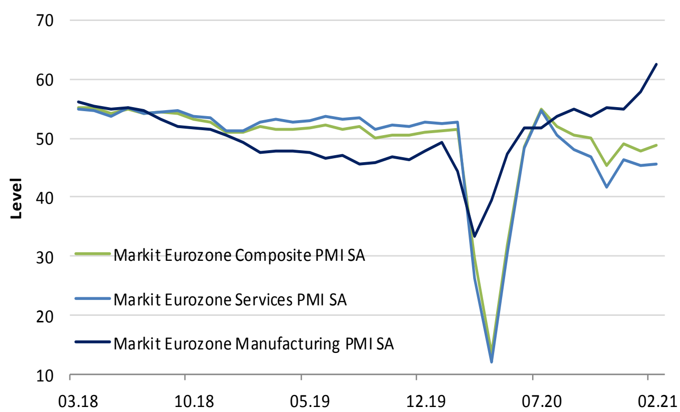
Vaccination campaigns have been relatively disappointing in most countries, falling far short of targets. The EU has administered barely more than 10% of first doses to its population, while the United States, which was very late in managing the crisis under Donald Trump, has already vaccinated 37% of its population. The United Kingdom, which completely changed its strategy by deciding to massively vaccinate its population with at least one dose, has already almost reached the 50% threshold. The European Union must therefore take stock of its delay and, to a certain extent, its inability to organise and implement a vaccination policy that is nonetheless essential to safeguard its population and its economy. The European Commission President's repeated objective of vaccinating 70% of the adult population by the end of the summer is going to be difficult to achieve at the current rate and could well be at least two months behind schedule. Discussions regarding the creation of a vaccination passport, which could have facilitated tourist travel, will probably not lead to concrete solutions before the summer. Nor is it certain that American and Asian tourists will be willing and able to visit the old continent. The return of border restrictions also raises the fear that a new economic disaster will affect European countries that traditionally benefit from the influx of tourists during the summer.

The Eurozone's rebound capacity remains very high, but it is completely hampered for the time being by the measures still in place and the slow pace of the vaccination campaigns. However, the Eurozone could get a boost from Germany's economic engine, which is already benefiting from the global economic recovery despite the health restrictions. The German manufacturing sector will undoubtedly benefit from the massive recovery expected in the US and the ongoing recovery in Asia.

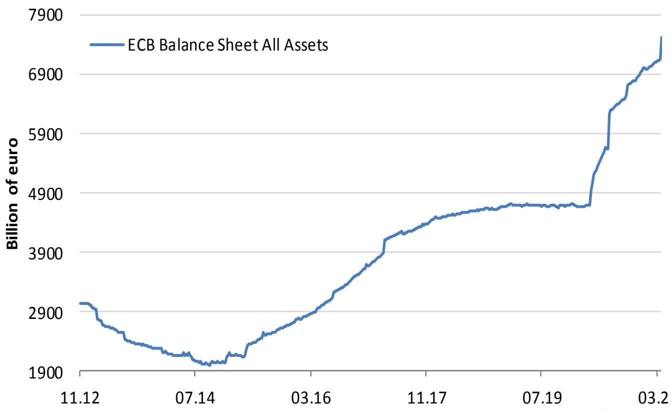
GDP Growth - Eurozone



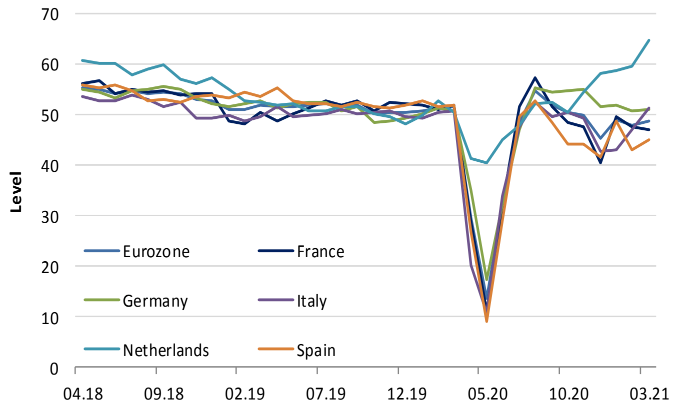
PMI (Manufacturing, Services and Retail) - Eurozone



ECB Balance Sheet



Composite PMI



The convergence of business cycles is still imperfect for the time being due to Europe's delayed start, but it should strengthen starting in Q2 and then intensify in the second half of the year. Economic recovery packages in Europe will need to be strengthened, particularly in view of the extension of health measures and lockdowns. President Emmanuel Macron recently stressed that the EUR 750 billion already granted would probably have to be increased to cope with the effects of the third wave. By international comparison, the euro area also lags far behind the fiscal efforts of the US. The size of Europe's stimulus packages in relation to GDP is half that of US programmes.

More optimistic leading indicators bolstered by Germany's manufacturing PMI

The leading indicators for March already seem to reflect a more optimistic situation for the coming months. The rebound of the European PMI from 48.8 in February to 52.5 in March points to a return to growth, likely supported by an improving manufacturing sector. The manufacturing PMI jumped from 57.9 to 62.4 in one month, thus reinforcing the positive trend already observed in previous months. However, the increase in the services PMI, showing renewed strength with a rise from 45.7 to 48.8 in March, came as a surprise. The situation in the services sector is logically more affected by the lockdown. Nevertheless, resilience appears stronger than anticipated, which might be linked to the gradual adaptation of consumers to the new living conditions during the pandemic.

Industrial activity in Germany is faring well and could well buoy the country and Europe's economy. Germany's manufacturing PMI reached 66.6, its highest level since 1996. The German service sector is holding up, surprising on the upside with a result slightly above 50 (50.8). The German composite PMI, representing the largest economy in the Eurozone, rose from 51.1 to 56.8, posting its best result in 37 months. In France, the leading indicators are also more optimistic, thanks in particular to the rebound of the manufacturing PMI from 56.1 to 58.8 and the more timid recovery of the services sector.

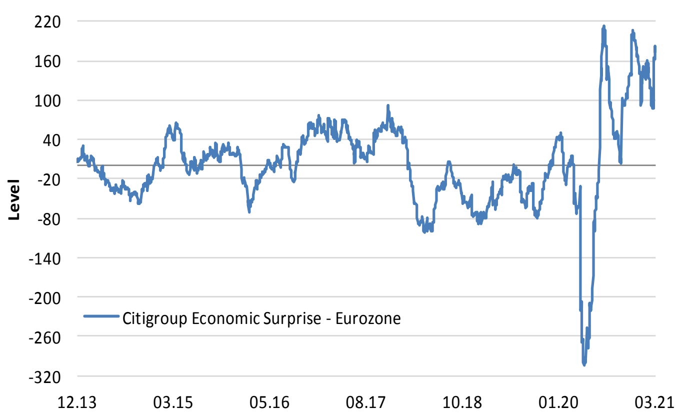
ECB steps up its action and urges governments to strengthen their fiscal policies

The ECB recently decided to keep its key interest rates unchanged at -0.5% and its asset purchase programme at EUR 1.85 trillion. However, it will accelerate its monetary injections by increasing the amount of its monthly asset purchases. The ECB does not want to see euro long-term rates continue to rise as they have in recent months in the wake of the rise in US rates. It will therefore inject its PEPP funds more quickly in order to contain this rise and prevent a de facto increase in financing costs that would damage the desired economic recovery. The ECB could thus increase its purchases beyond 60 billion per month. The weakening growth outlook at the beginning of the year also suggests that the ECB may look to implement the support measures at its disposal more quickly. However, alongside the strengthening of its action, the central bank remains concerned about the slow deployment of funds for economic recovery in Europe. The ECB had already decided to increase its asset purchase programme in order to contain the recent rise in financing costs at the long end of the yield curve, but it stresses the importance of a recovery supported by European governments' fiscal policies while health restrictions remain in place and are even being reinforced in several countries. The ECB is logically concerned that the negative dynamics observed could be reinforced and lead to excessive caution on the part of banks, businesses and households. The current pandemic is also likely to push governments to pursue and accelerate European integration by strengthening the banking union and the strength of the fragmented financial sector. On the inflation front, the ECB has revised its expectations to +1.5% in 2021, slightly below its 2% target.

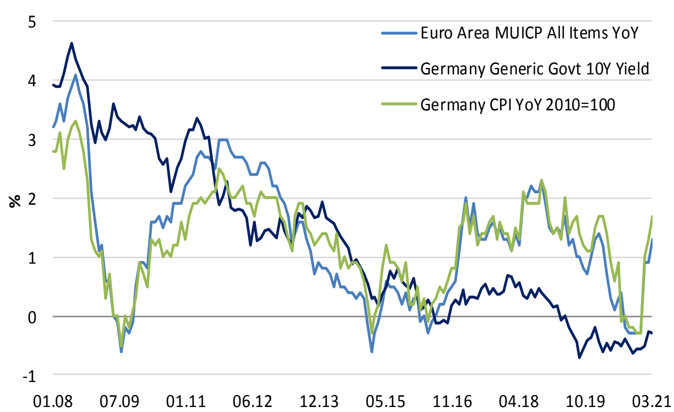
New upward trend in interest rates temporarily curbed by ECB action

Euro area inflation rose slightly in February to +0.9% year-on-year, its highest level in a year. Inflation excluding food and energy rose even more sharply by +1.1% during the same period. Price indices are expected to rise faster in the coming months, driven by energy prices. Inflation could thus exceed the ECB's forecast at the end of the year, especially if the economic recovery in the second half of the year ultimately proves to be stronger.

Citigroup Economic Surprise Index - Eurozone

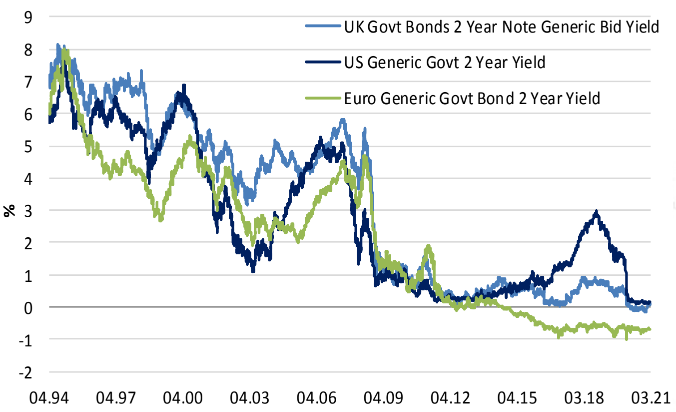


10 year Government Bond yield - CPI

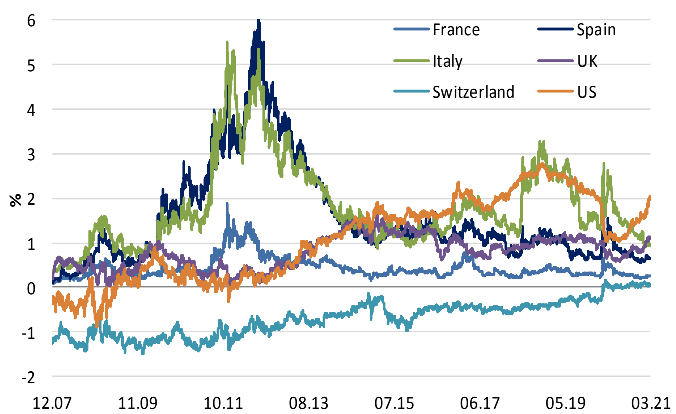


Graph sources: Bloomberg / BearBull Global Investments

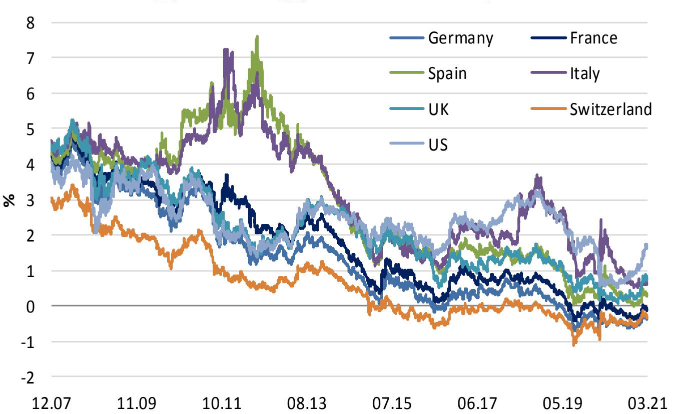
2-year Government Bond yield (US, Euro, UK)



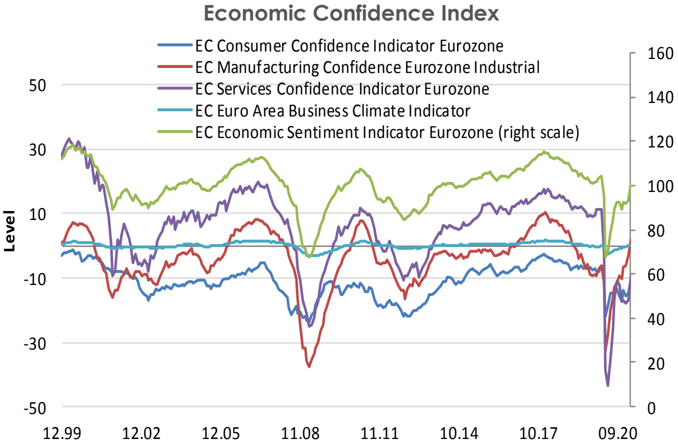
Risk premium - Government vs. Bund



10-year Government Bond yield



Economic Confidence Index



Graph sources: Bloomberg / BearBull Global Investments

In the current international context, which is more favourable to an overall acceleration of economic momentum, the ongoing adjustment of interest rates not driven by central banks will continue and will also affect euro rates. This investment climate favouring a gradual rise in long-term rates cannot be stopped by the ECB, despite its readiness to intervene. It is clear that the ECB will not be able to do more than slow down the rise in long-term rates that finally materialised in 2021. For a while, the PEPP may give the ECB more leverage to influence the trend, but the low point of the cycle has likely already been reached.

With regard to risk premiums between governments, we believe that current yield spreads leave no room for any further relative price increases for Italian and Spanish debt in particular. Euro bond markets may still benefit from a short period of respite offered by the ECB's reinforced action. But beyond a few months, the improved economic outlook is expected to finally reignite the upward trend and allow yields to adjust logically to the new macroeconomic situation. German yields could well be above zero again before the end of the year.

The euro is logically suffering from an unfavourable growth differential

The beginning of the year clearly marked an inflection point for the euro, which is logically losing steam as the economic outlook weakens. The growth differential is widening in favour of the US in particular, while the Eurozone is sinking into a third wave of the pandemic and its prospects for economic recovery are steadily weakening.

The beginning of 2021 is therefore unfavourable for the Eurozone in economic terms but also in terms of interest rate differentials. The dollar had been penalised by the fall in bond yields and short-term rates, although it is now once again benefiting from a very favourable long-term yield differential. The ten-year yield spread between the Treasury and German Bund rates has increased by 90 basis points in a few months. While US long-term rates rose from 0.5% to 1.67% between July 2020 and March 2021 (+117 basis points), German rates only rebounded from -0.63% at their low point in November 2020 to -0.35% in March 2021 (+28 basis points).

This yield differential is likely to widen further in the coming months and penalise the exchange rate. The euro could thus weaken further against the dollar and reach the 1.15 threshold again.

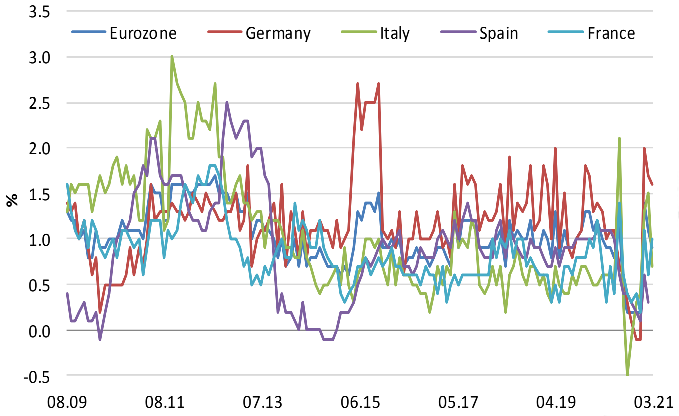
European equities are already approaching their year-end price targets

The European market, which has little exposure to growth stocks compared to the US market, seems better positioned to take advantage of the change in investor perceptions now favouring cyclical stocks over technology stocks. The current stock market climate, which is more favourable to value and cyclical stocks, is indeed benefiting the European indices. However, 2021 price growth expectations for stocks in the Stoxx 600 and Stoxx 50 have already almost been reached, leaving little room for further price gains unless we can count on significant revisions to corporate earnings for the year as a whole.

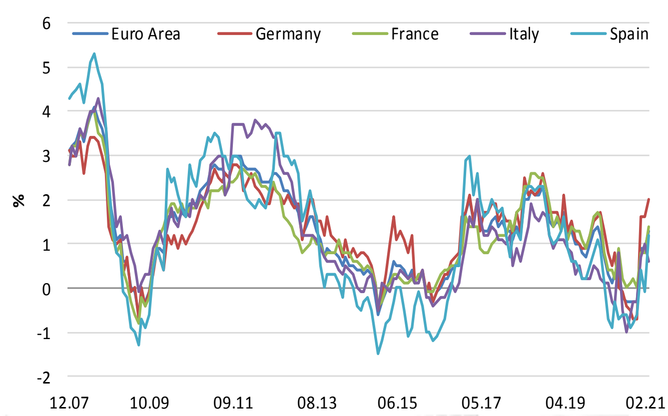
Ultimately, 2021 looks positive for most European companies, and valuations of 18x earnings still offer a significant discount compared to the 23x 2021 earnings valuations expected for S&P500 companies.

However, we again recommend a temporarily more cautious exposure to European equities until a real recovery in activity and earnings growth takes hold in 2021.

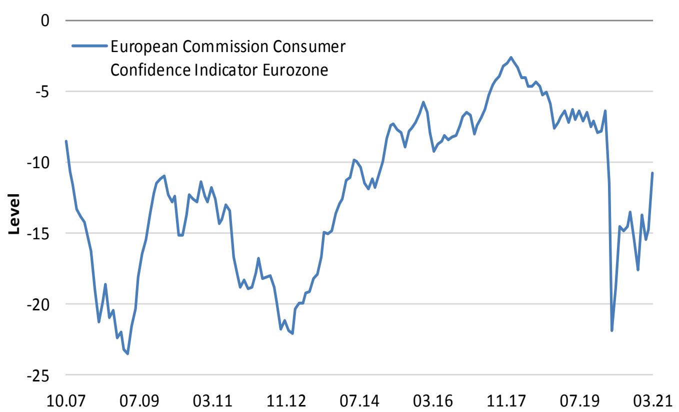
Eurostat CPI - Core Inflation (Eurozone, YoY)



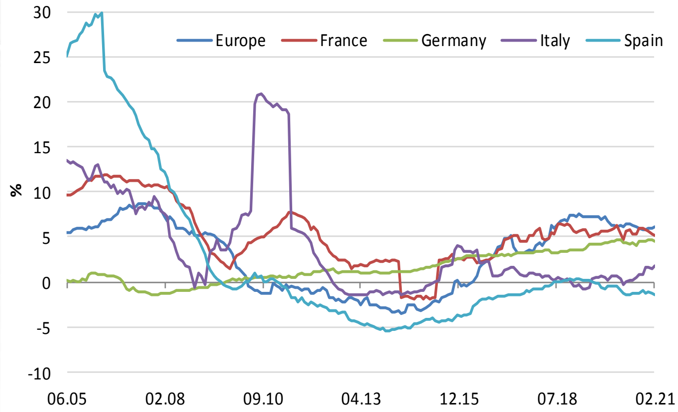
Eurostat CPI - all items (Eurozone, YoY)



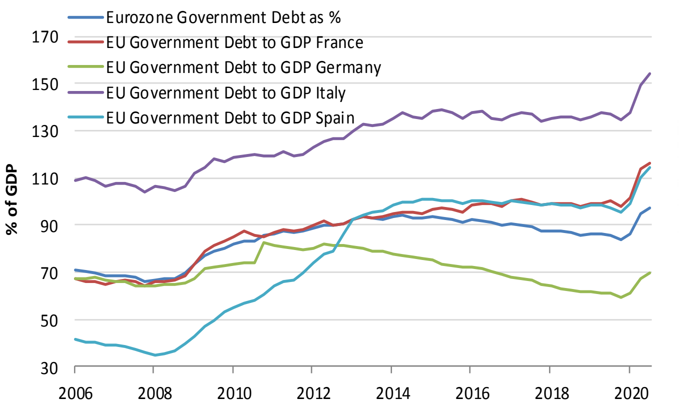
Consumer Confidence - Eurozone



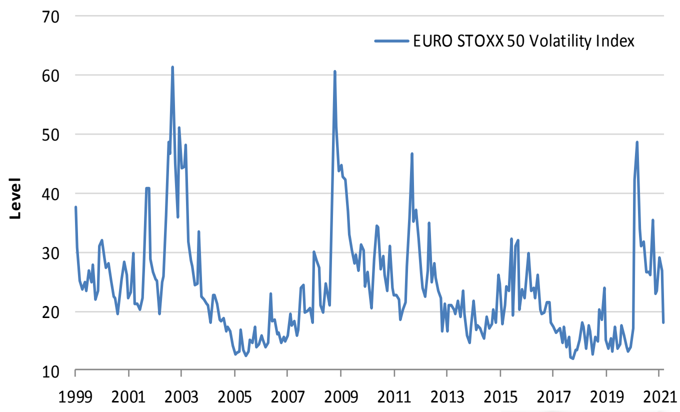
Loans to households (Eurozone - YoY)



EU Government Debt



Euro Stoxx 50 Volatility Index



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

United Kingdom

- Historic fall in British exports
- Leading indicators still relatively mixed
- Trend reversal in interest rate markets

UK GDP shrinks by -2.9% in January

The UK's first post-Brexit GDP figures in January 2021 showed a contraction of -2.9% and a three-month decline of -1.7%. Compared to December's economic performance (+1.2%), the UK economy has kicked off the post-Brexit era with clearly negative though not unexpected results. The UK's economy stumbled in January as a result of the introduction of health measures, which had a negative impact on the consumption of goods and services, and of the sharp drop in activity in the manufacturing sector (-2.3%) and the collapse of exports. The UK ended 2020 with the worst economic performance of any European country or G7 member and started the year with a worryingly negative performance. However, the outlook for the year as a whole remains rather positive at the start of 2021. Although GDP will probably fall by -3.5% in Q1, growth estimates for the full year are of +4.7% on average. The economy is thus expected to start recovering already in Q2, which could potentially see an upturn of +4.8%. In January, the construction sector recovered somewhat (+0.9%) after a decline in December, due in particular to a +3.1% increase in infrastructure spending.

Historic fall in British exports

UK exports to the euro area fell by -40.7% in January 2021 over one month and by more than -60% for food exports, and for fish in particular (-83%). Total exports plunged by -19.3% overall, costing UK exporters over €6 billion in value. The expected shock resulting from leaving the EU has not been long in coming, as Brexit is already affecting Britain's foreign trade significantly, even in times of lockdown and economic contraction. The UK's GDP contracted by -2.9% in January after rising by +1.2% in December 2020. This historic fall in exports was accompanied by a notable -21.6% fall in imports, linked unsurprisingly to the health situation prevailing in the country in January. This collapse is also historical and probably induced by the complexity of the administrative rules to be followed as well as by added costs and taxes weighing on trade. The comparison with the evolution of trade in Q4 is brutal. British exports were still stable (-0.1%), while imports grew by +8.9%, supported by the precautionary demand of British households and businesses. These initial post-Brexit findings are unlikely to be temporary despite the forthcoming end of the lockdown, whose effects on foreign trade are likely to remain limited.

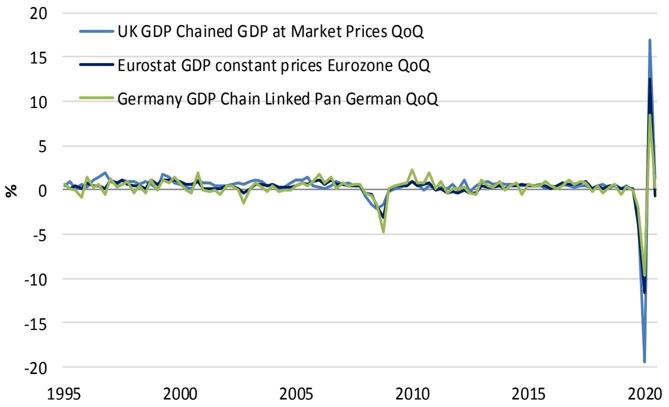
Border controls and breach of protocol

However, the UK has shown its willingness to support its businesses by unilaterally postponing for six months the implementation of new customs measures and procedures for certain imports.

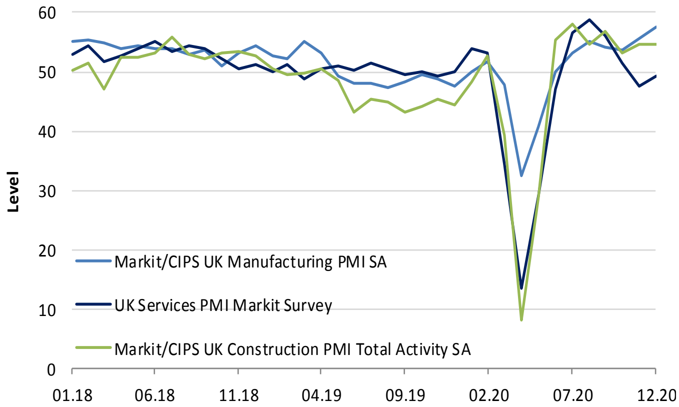
Border controls will therefore certainly be carried out in very different ways on either side of the Channel, as the European authorities have decided to implement customs controls at the borders immediately. British importers will therefore have more time to adapt to the consequences of Brexit. However, while this decision seemed indispensable for British importers, it will not be without consequences for political relations with the EU. Boris Johnson's government has already incurred the wrath of the EU by extending the grace period for controls on trade in goods with Northern Ireland.

The EU is once again losing confidence in the good faith of the British government and is not hesitating to initiate proceedings against the UK, which clearly seems to be taking the political risk of not respecting an essential point in the withdrawal agreement negotiated with Brussels. A new page is thus being written in the UK's tumultuous relations with the EU, which accuses London of not respecting the rules of the treaty. The latter provided for the establishment of customs controls in Northern Ireland in order to protect the European single market. A letter of formal notice has therefore been sent to the British government, which is unlikely to pay much attention to the EU's reminders and will certainly remain firm in its position – a position which, in its view, is aimed solely and simply at temporarily managing the consequences of Brexit as well as possible.

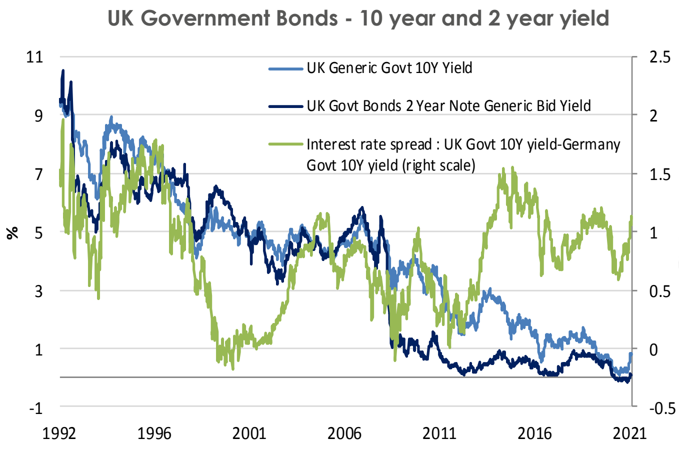
Quarterly GDP Growth - UK

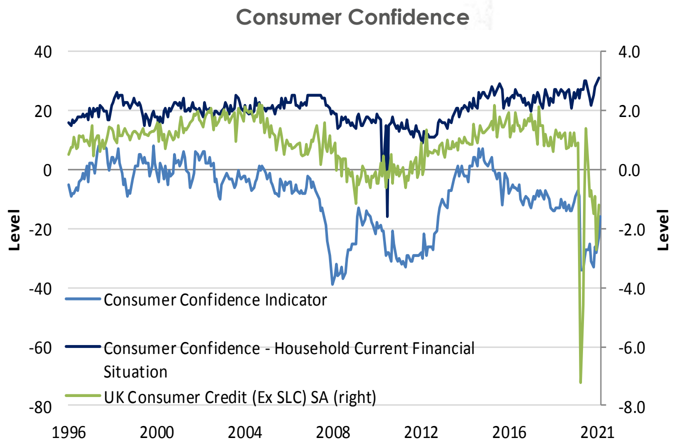


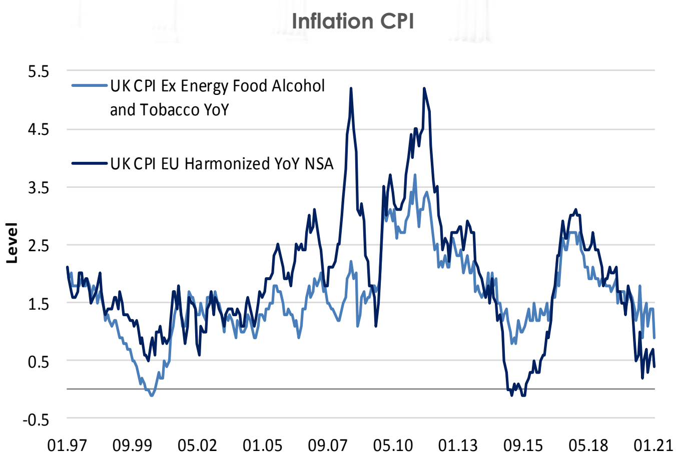
Manufacturing, Services and Construction PMI - UK

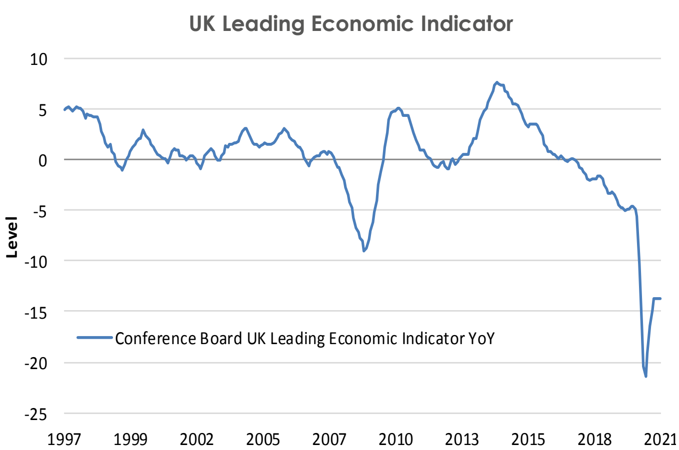


Graph sources: Bloomberg / BearBull Global Investments









Graph sources: Bloomberg / BearBull Global Investments

Barely two months after the UK's exit from the EU, the situation is already getting heated between the parties, who are unhesitatingly heading down the path of an almost inevitable and foretold legal dispute. The worst is never certain, so let's hope that the EU and the UK will be able to be creative and resolve their differences, similarly to the agreement reached with Norway today on fisheries.

The end of the lockdown is on the horizon

In 2020, the UK had one of the worst records of any Western country involved in the fight against the pandemic before launching a massive and rapid vaccination campaign that now places it among the best performers. Having already injected at least a first dose into 24.8 million people, or just under 40% of its population, the UK is one of the most active and effective countries in implementing its vaccination policy. Even though less than 2 million people have received their second dose to date, Johnson's government seems to be delivering on its commitments in contrast to the organisational and logistical difficulties encountered in other European countries. The success of the vaccination campaign will certainly enable the UK to proceed more quickly with a gradual end to the lockdown, which is essential for the economic recovery that is anticipated more than ever following the initial post-Brexit GDP contraction shock in January 2021.

Leading indicators still relatively mixed

The services PMI already reflected the uncertainty caused by Brexit by slipping below the theoretical growth threshold of 50 at the end of the year, while the manufacturing PMI was still benefiting from a better outlook supported by a weaker pound. The latest PMI releases for February are still broadly below the growth threshold, with the composite index showing a slight drop from 49.8 to 49.6. The services PMI also slipped during the lockdown from 49.7 to 49.5. Only the manufacturing PMI seems to be showing increasing optimism by strengthening from 54.9 to 55.1. Levels in the construction sector remain comfortable thanks to a further significant rise from 49.2 to 53.3. Sentiment in this segment is supported by strong monthly figures showing a +0.9% rise in construction. House prices regained positive momentum in January (+0.7%) after declining for several months, which pushed price growth to +6.9% year-on-year. The value of UK real estate assets thus appears to be holding up well and may offer some prospects in the current environment of economic adjustment to this new post-Brexit era.

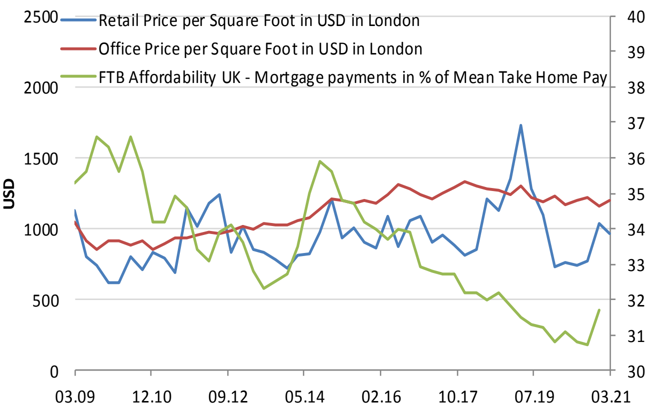
Consumption will soon benefit from the end of the lockdown

Household consumption is still largely held back by health measures and thus showed a rather massive decline in retail sales of -8.2% in January over one month and -5.9% over one year. The gradual end of the lockdown is expected to restore momentum to this sector, whose confidence measure improved again in February while still remaining clearly pessimistic. Private consumption, which declined by -0.2% in Q4, is likely to pick up in March and gradually strengthen as the economy opens up. However, the very significant rise in the unemployment rate during the pandemic shows no sign of reversing. The unemployment rate is now back above 5%.

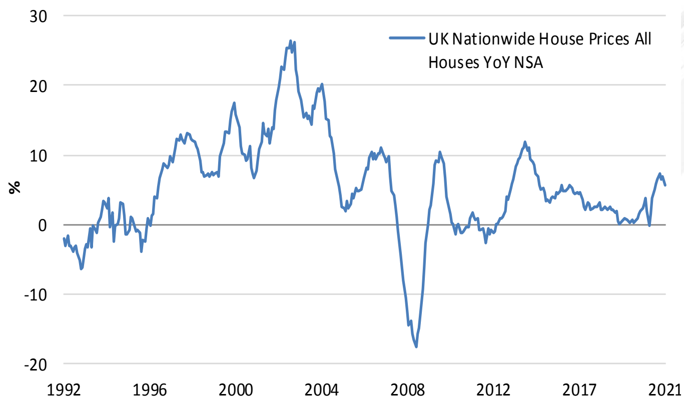
Trend reversal in interest rate markets

Long-term sterling rates have also risen in recent months in a general trend that has affected most international bond markets. In the UK, hopes of an imminent economic recovery also supported a very significant adjustment in bond yields. Indeed, they adjusted very quickly back to the level they were at before the health crisis broke out. Ten-year UK government yields jumped from 0.2% to 0.8%, while inflation was negative in January (-0.2%) and remained under 1% yoy at the beginning of the year. Despite the likely weakness in Q1 GDP, expectations are now focusing on the year as a whole, while the favourable economic outlook also supports revised inflation expectations. We had expected a reversal in the early months of the year that would mark the likely turning point for UK rates, and the recent shift confirms this.

Housing Prices



UK Nationwide House Prices



The increase in positive sterling bond yields places the UK bond market among those offering attractive relative returns compared to the European, Japanese and Swiss markets. The reconstitution of the risk premium is a favourable factor, but the attractiveness of holding sterling bonds still seems insufficient to us.

BOE likely to maintain a stable monetary policy

The UK central bank does not have much leeway in setting monetary policy in the current environment. Key rates are currently still 0.1%, and despite speculation regarding a possible drop below zero, the BOE does not seem ready to adopt such a policy. Negative rates will therefore not be an option at least until the summer, and the BOE's ability to manage the yield curve will thus be limited for a few more month to the sole implementation of its asset purchase programme. The British central bank is likely to maintain its action without necessarily reinforcing or accelerating it, contrary to the change of strategy adopted by the ECB. The current view of the BOE governors is more optimistic and is based on the fact that the current rise in bond yields is more suggestive of a strengthening economic outlook than a threat to growth. Inflationary pressures in the UK also appear to be sufficient to justify maintaining the status quo on monetary policy. The BOE is therefore not expected to change its asset purchases and will continue its programme at the current rate of GBP 4.4 billion per week.

Sterling reacts to the end of the lockdown

Boosted by hopes that the lockdown in the UK will be lifted more quickly than in the Eurozone in particular, the pound has appreciated quite significantly against the euro and the dollar in recent weeks. The economic outlook has certainly appeared more favourable to investors in the recent context of a clear divergence in the management of the health crisis between the UK and Eurozone countries. The new lockdown in Italy and the likelihood of a new lockdown in the Ile de France region, for example, are pushing back the prospect of a Eurozone recovery and allowing the exchange rate to approach the level of 0.85 pound to the euro, a support level that has been tested several times over the last five years.

However, Brexit will pose significant challenges to the UK's economy that are unlikely to be easily overcome in the coming months and will not simply be eclipsed by a recovery that is likely to come sooner in the UK than in the EU. The rise in ten-year UK government yields, which we had estimated as likely in Q1 2021 in our previous analyses, essentially manifested itself at the beginning of the year with an increase from 0.2% on 31 December 2020 to 0.8% in mid-March. This rise in 10-year sterling yields has caused spreads over European yields to widen sharply due to the more modest rise of around 0.2% in German Bund yields in euros. The increase in the risk premium from +0.4% to +1.2% was therefore logically a factor supporting investor interest in pound investments offering such a positive yield differential. On the other hand, the likelihood of an end to the lockdown may also push back the threat of a decision by the BOE to adopt negative policy rates.

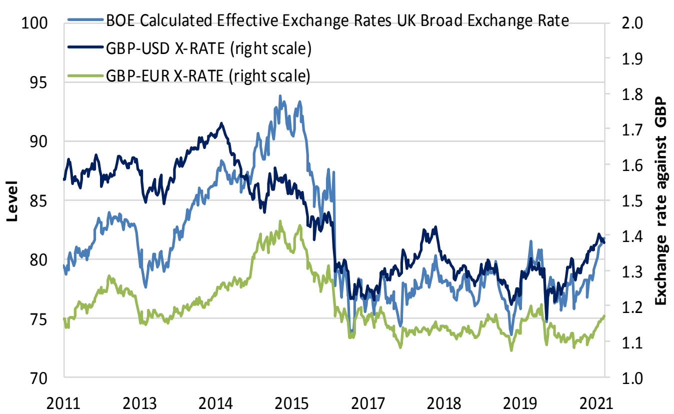
In this context, the pound sterling is still likely to remain within the 0.85-0.925 band established since the June 2016 vote. The potential for appreciation is therefore limited, also taking into account the fact that the British currency would be a likely adjustment variable in the event of a sustained post-Brexit economic shock in line with the GDP figures already published for January (-2.9%).

UK equities enjoy a 20% risk premium

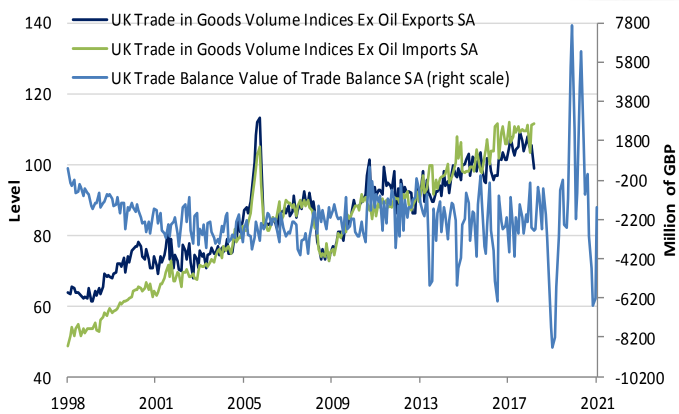
The UK equity market has still not benefitted from positive momentum and continues to lag most other European markets in 2021 as it did throughout 2020. The FTSE 100 index's rise of around +5% in local currency in the first few weeks is well below that of European equities (+8%) in euros. UK stocks are still suffering from Brexit-related uncertainty. The FTSE 100 index is still trading at just over 14x expected earnings for 2021 and thus benefits from a favourable risk premium of around 20% compared to the Eurostoxx 50 (18x).

This valuation gap is likely to be favourable, but the composition of the UK stock market likely still acts as a brake to the adjustment of UK stock prices and valuations.

UK Effective Exchange rate



Trade Balance - Exports - Imports



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

Japan

- Increase in private consumption and exports
- Composite leading indicators still uncertain
- Japan's economic surplus reaches 6 billion (USD)

Double-digit growth in Q4 points to positive momentum for 2021

Japan's GDP grew by +2.8% in Q4, significantly less than in the previous quarter (+5.3%), as we expected. This result is nonetheless exceptional, as it represents an annualized increase in GDP of +11.7%. The last quarter was indeed expected to be weaker given the domestic context once again affected by a third wave of Covid-19, which was logically expected to have a negative impact on still-fragile household consumption. Japanese exports were also expected to decline due to the effects of the lockdowns implemented in various industrialised countries, customers of Japanese exporters. Q4 was therefore logically expected to be weaker than previously expected (+5.1%), but it ultimately turned out even slightly lower than our estimates of +3.8% GDP growth (SAAR). Over 2020 as a whole, Japan's GDP contracted by -4.8%, a rather positive result in international comparison. An annualised quarterly growth rate of +11.7% seems rather promising in terms of an economic recovery in Japan at the beginning of 2021. The potential for economic recovery is therefore encouraging in the long term, even if hopes for a recovery in Q1 2021 must be put into perspective due to the government's declaration of a state of emergency in January to once again fight against the risks of a return of the pandemic. At the time of writing, the situation is unchanged, particularly in the city of Tokyo and its surroundings. Hopes for recovery have since been postponed to Q2, while the vaccine distribution process is now in place.

Increase in private consumption and exports

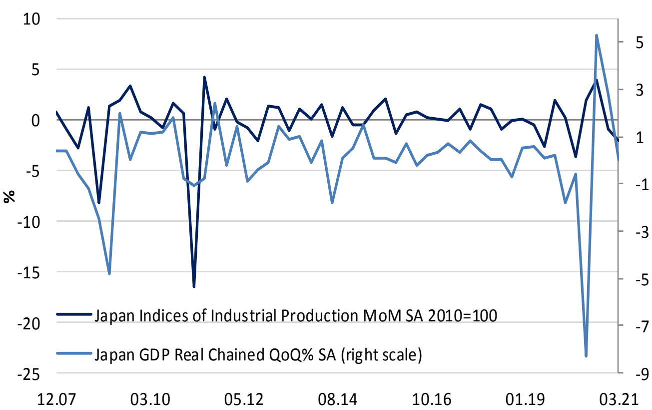
The main supporting factors were again both domestic and exogenous. Household consumption and export growth fuelled and supported the economic recovery in Q4. Corporate investment also recovered (+4.5%) after six months of decline. Consumer spending (+2.2%) nevertheless remains below trend given the health restrictions. However, households retain the capacity to resume consumption once the crisis is under control, undoubtedly a clear positive sign for Q2 2021. On the export side, Chinese demand was accompanied by recovery in the US, which together drove Japanese exports up by +10.5% in Q4. This acceleration compared with the +7.5% rise in Q3 is also a very favourable sign in terms of recovery in 2021. Government spending (+2.0%) weakened compared to the previous quarter but remains an important supporting factor.

Better outlook in Q2

Japan's economy is expected to weaken again in Q1 due to the state of emergency and new health measures taken by the government. Household spending fell by -6.1% in January year-on-year, and the consumer confidence index fell from 31.8 to 29.6. The rebound in this indicator in February to 33.8 suggests that a recovery may be possible as early as the end of the quarter. The unemployment rate improved slightly in January and is now below 3% thanks to the creation of around 110,000 new jobs. Vehicle sales, which have grown significantly, namely by more than +6% in recent months, slowed by -2.2% in February. Retail sales in department stores are still not taking off despite a small increase of +0.5% in January. While consumption still seemed to be affected by the health measures at the beginning of the quarter, industrial production recorded satisfactory growth of +11.4% in January in the products and capital goods sector. The manufacturing and mining sector grew by +4.2% as well, also pointing to a likely strengthening of the upward trend for the first time in three months. The production of memory chips and semiconductor and battery equipment surged in response to the shortage in recent months, which also weighed on the automotive sector. Exports to China recorded one of their strongest increases (+15.1%).

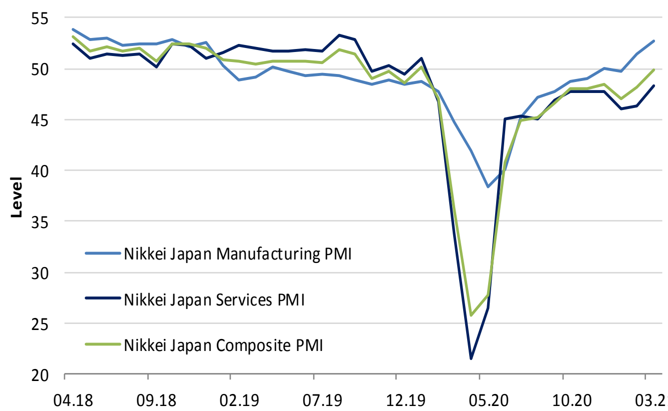
These elements reinforce our conviction that the economic recovery is, for the time being, driven primarily by exports and external demand. However, it will also need to rely on consumption in order to strengthen in Q2. Indeed, it is unlikely that we will see a recovery in consumption as early as March, as the government will maintain its health measures to ensure that its commitment to maintain the Olympic Games can be met.

GDP and Industrial Production

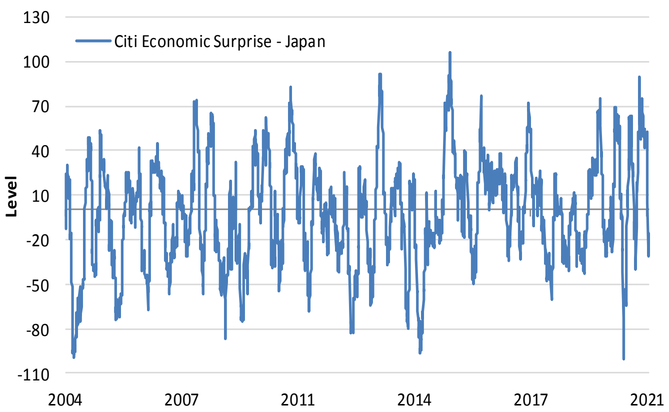


Graph sources: Bloomberg / BearBull Global Investments

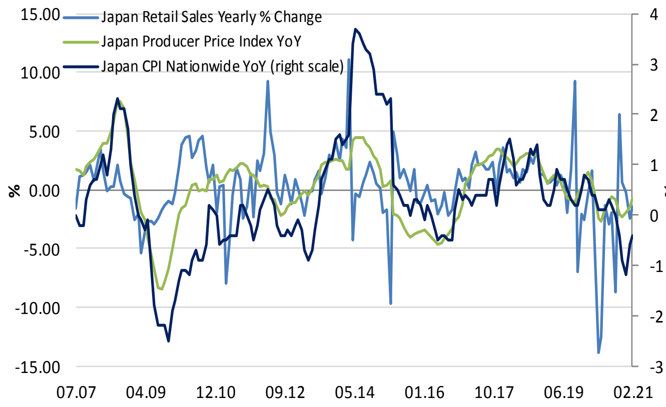
Composite, manufacturing and Services PMI - Japan



Economic Surprise Index



Inflation (CPI and PPI) and retail sales



Composite leading indicators still uncertain

PMI indices in Japan were up slightly in February. However, it is primarily the industrial segment that has strengthened above the growth threshold of 50, while the services PMI remains uncertain. The manufacturing sector saw its PMI rise from 50.6 to 51.4 in February, recording its strongest increase since December 2018. The services PMI remains below the 50 threshold despite a small increase from 45.8 to 46.3 in February, highlighting that demand remains fragile, while the effects of the pandemic remain significant. The composite PMI indicator is also still below 50 despite a small increase from 47.6 to 48.2. A certain sense of optimism can however be envisaged upon analysing the segments of the indicator that help predict future market trends.

Consumer confidence improving with the prospect of an end to health restrictions

Nevertheless, consumer confidence is at its highest level since Q1 2020 thanks to a clear increase in February from 30 to 33.8. The prospect of the health restrictions coming to an end soon is beginning to boost consumer morale, although household spending does not yet reflect this improvement. The -6.1% drop in consumer spending in January was thus much larger than the consensus forecast. We must thus remain patient, as a noticeable and lasting recovery in this segment is only likely to take place from Q2 onwards

Japan's economic surplus reaches 6 billion (USD)

Japan's economy continues on trend, with a positive current account balance once again in January. Despite a -2.3% decline compared to the previous year, Japan still recorded its 67th monthly surplus. The trade balance, however, is in sharp decline and shows a deficit of 1.2 billion dollars. Exports grew by +2.7% year-on-year to USD 51.67 billion, while imports fell by -10.9% to USD 53.51 billion. The situation is also negative for the services balance, with a loss of 4.4 billion dollars. It is thanks to a balance of payments, income (USD 12.9 billion) and transfers of USD 1.9 billion that Japan's current account remains positive.

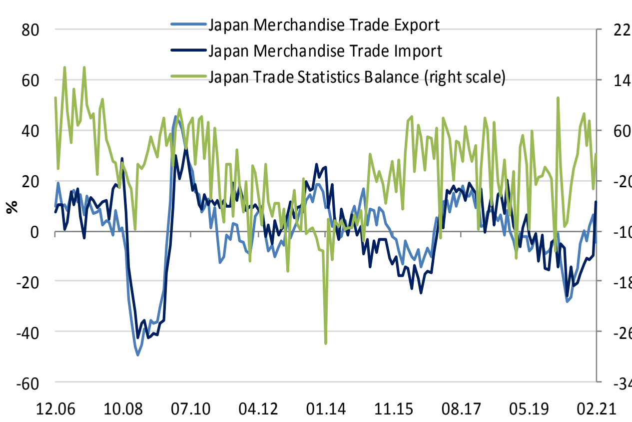
Japan can't seem to get rid of deflation

Deflation has returned in Japan, and Japan's hesitant economic momentum presently seems unable to counter it. However, February's figures are proving to be slightly better than expected, with core inflation in Tokyo falling by -0.3% in February over one year, a little less than the -0.5% drop observed in January. The CPI index also dropped by -0.3% in February. The rise in energy prices and the fall of the yen against the dollar in recent weeks together will likely push price indices into positive territory in March. Producer prices fell again by -0.6% in January after several months of slight increases. Year-on-year producer prices are down -0.5%. These events are not expected to influence the BOJ's monetary policy.

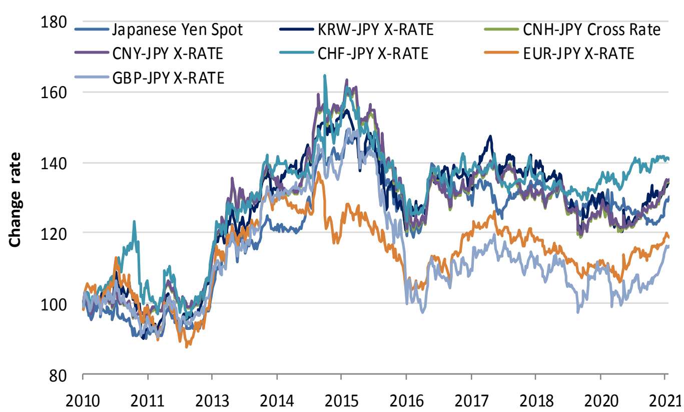
BOJ needs a new strategy

The BOJ still seems helpless in the face of an inflation situation that does not seem to be improving. The central bank is staying the course and maintaining an inflation target of 2% but is unable to implement a credible policy to support this target. Rates are negative, and a further drop seems unlikely and, above all, unwanted by the banking sector, which is already in difficulty because of the low rates. The Bank of Japan will likely remain inactive, reassured by the resumption of international economic exchanges and by the results of Japanese foreign trade. It does not seem ready to modify its monetary policy in the current context and will therefore leave its key rates unchanged at -0.1%. The BOJ has nevertheless revised its growth forecast for 2021 downwards, with growth now forecast to come in at +3.9%. The BOJ will probably continue its policy of "unlimited" share purchases, stressing that the trend in Japanese economic activity is likely to continue to improve even if the pace of growth is expected to remain moderate. The policy of keeping key rates close to zero will therefore be maintained in Japan at least until 2023.

Trade Balance (Billion of yen)



Exchange rate (Normalized at 100)



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

China

- China's economy will also benefit from global demand
- PBOC to cut liquidity marginally
- Chinese bonds still attractive
- The recent price correction is again favouring Chinese equity investments
- The yuan is no longer the only currency supported by GDP growth

China's economy will also benefit from global demand

China had set a GDP growth target of +6% for 2021. In previous months, we had already mentioned that this target would certainly be exceeded and predicted growth of close to +8%. Chinese exports were expected to benefit from the strengthening of world trade and make a significant contribution to GDP growth. This has already materialised in Q1 2021 with a +60.6% increase in exports in January and February, while imports grew by only +22.2%. Exports to the US and Europe exploded by +87% and +63%, respectively, during the same period. Beyond a positive base effect over one year, Chinese exports are still expected to grow by nearly +20% over the year as a whole. In 2020, China was able to count on relatively solid domestic consumption, and in 2021 it will also be able to rely on a further recovery in domestic consumption. The combination of these two factors supporting growth should also motivate new investment in capital goods, while infrastructure spending could slow down.

China's GDP growth is also likely to benefit from a stronger than expected US recovery thanks to the effects of the Biden plan and could reach +9% by year-end.

The latest PMIs published already support the analysis of a notable acceleration of China's economy, with the services index in particular rising sharply from 51.5 to 54.3 for the month of March.

Strengthening Asian trade

Chinese exporters shifted their business model during the pandemic by seeking to compensate for the decline in Western demand with new demand closer to home. Chinese exporters rapidly diversified their exports to more accessible Asian countries such as the ASEAN countries, Japan and Korea. The implementation of the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (PATPP) economic cooperation projects will support regional development and Chinese exports, thus contributing to an increase in expected growth.

PBOC to cut liquidity marginally

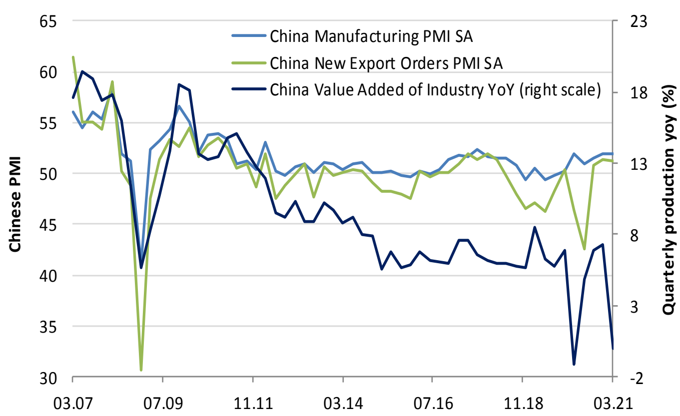
In the rather solid context of economic growth in the first months of the year and the strong recovery in exports, the People's Bank of China may already be tempted to modify its monetary policy very gradually. The acceleration of economic growth is underway and is expected to continue, certainly suggesting to the PBOC the opportunity to reduce the intensity of its money creation through a marginal decrease in liquidity, even if for the time being the risks of a rise in inflation seem limited. While the CPI index remained in negative territory (-0.3%) in February, the rise in producer price indices of +1.7% reversed the deflationary trend that had been prevailing, without however being worrying for the moment.

Nevertheless, the PBOC already seems to be moving in this direction by asking banks to stabilise the granting of new loans for the next nine months, as the M2 money supply grew by +10.1% year-on-year.

In terms of interest rates, however, the central bank seems satisfied with the current situation. The one-year prime lending rate has remained unchanged since April 2020 at 3.85%, and the reserve ratio is likely to remain stable at 12.5% in the coming months. It is unlikely that there will be any significant change in these factors in the near future, as the central bank considers them to be appropriate and low enough to support the ongoing economic recovery though not so low as to risk causing harmful distortions in the financial system.

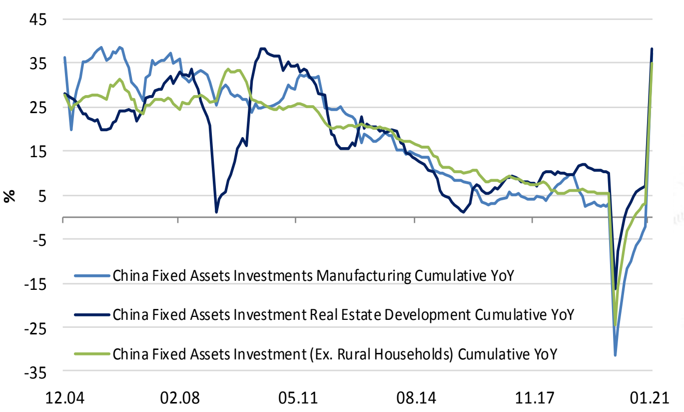
YoY GDP Growth

PMI and Industrial Production



Graph sources: Bloomberg / BearBull Global Investments

Real Estate, Infrastructure and Industrial Investments (YoY)



Exports and Imports (YoY)

Chinese bonds still attractive

The Chinese bond market has become the world's second largest bond market and is gradually gaining recognition among international investors. Particularly sought after during the pandemic because of its high yield by international comparison and the attractiveness of the yuan, it could however temporarily lose some of its competitive advantages. Indeed, the rise in dollar rates has reduced the yield differential from 2.5% to only 1.6% in four months, and the likelihood of a weakening of the yuan over the next few months has reduced its expected net yield. The 3.25% yield on government bonds remains attractive and the lack of correlation between this market and other developed bond markets is still an interesting feature. In this environment we maintain our interest and recommendation to diversify into Chinese yuan bonds.

The yuan is no longer the only currency supported by GDP growth

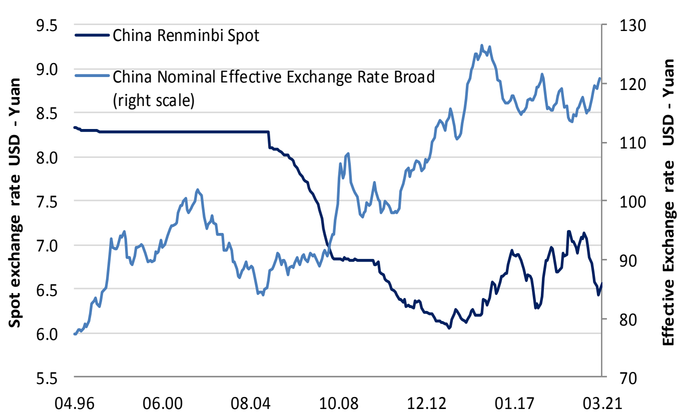
The Chinese currency appreciated by +10% over the previous nine months before likely starting a new phase of weakness in March. During this period, the yuan enjoyed a very substantial yield differential against all major currencies including the dollar and also benefited from leading the growth recovery. Now, both of these factors are being challenged, at least in terms of the dollar. US growth prospects in 2021 have been boosted by the Biden plan, and the rise in dollar yields significantly reduces the yield differential with yuan yields. This also applies at least in part to the Canadian and Australian dollars. Moreover, the latest comments from the Chinese authorities suggest that at the current level they do not fear fund outflows from the yuan.

The recent price correction is again favouring Chinese equity investments

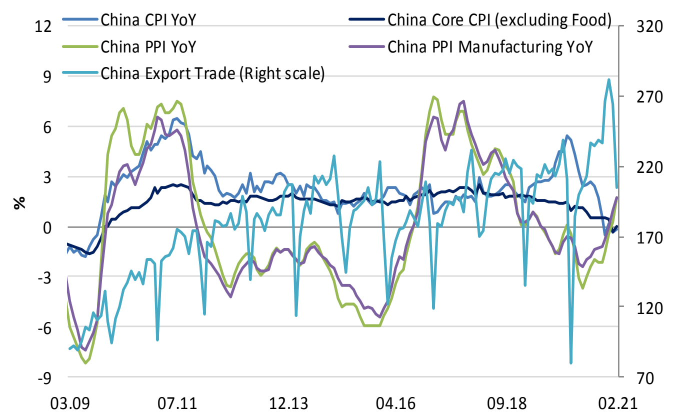
The profits of Chinese industrial companies largely surprised observers by rising in January and February by +179% year-on-year. This increase reflects the +35.1% jump in industrial production growth over the same period. It goes without saying that the base effect due to the -38.8% drop in profits during the pandemic in 2020 contributed to this performance. Rising commodity prices also had a positive impact on the results of mining companies (+83%), while manufacturing companies saw their profits grow even faster (+219.5%).

Chinese stocks have recently suffered from the return of political and trade tensions between China and the US with regards to the new technology war. But Chinese stocks have also been affected by the increased risks posed by rising US long-term rates, affecting the high valuations of Chinese tech companies as well. Investor concerns turned to high multiples and caused significant price adjustments. The recent correction in the Chinese market could thus be an initial reaction to the growing risks of rising interest rates and tighter monetary policies, especially since China is ahead of the global business cycle and fears of an end to an accommodative monetary policy may logically be higher in China now. However, at current levels, we believe Chinese stocks offer attractive prospects by international comparison. The Chinese market has also become more liquid and is attracting an increasing number of investors because of its high growth prospects, reasonable valuations and the lack of correlation with developed markets.

Effective Exchange rate and USD/Yuan



Inflation CPI - Core CPI



Graph sources: Bloomberg / BearBull Global Investments

MACROECONOMIC SCENARIO

United Arab Emirates

- The UAE has administered more than 8.6 million Covid-19 Vaccines
- Dubai and Abu Dhabi real estate markets — the contrarian call
- Launch of Dubai 2040 Urban Master Plan
- UAE economic recovery picks up pace in March, with PMI at 20-month High

The UAE has managed to provide more than 8.6 million Covid-19 Vaccines for a population of 9.77 million people

Over a year since the start of the Covid-19, the UAE continues to successfully implement one of the most ambitious, efficient, and professionally managed national vaccination campaigns by international comparison. In fact, the UAE's vaccination program is now second only to Israel's in terms of number of doses administered compared to population. Meanwhile, the country continues screening to check the spread of the pandemic by performing in average between 200,000 to 260,000 daily tests for a population of 9.771 million, with a total number of tests exceeding 39 million according to the National Emergency Crisis and Disaster Management Authority (NCEMA).

The UAE had administered 87.55 doses of the Covid-19 vaccine per 100 people as of 7th of April 2021, to reach, 8,659,503 as a total number of doses according to the UAE's Supreme Council for National Security. In our opinion, the UAE is moving steadily towards containing the coronavirus pandemic and on to the recovery planning phase since the vaccine constitutes the safest way towards a full and sustainable recovery for a country that saw the main pillars of its economy deeply impacted by the pandemic and its economic fallout. Despite the real challenges posed by the global pandemic, the UAE has so far followed a unique model by successfully striking a balance between the health of the society and continued economic activity in the key sectors safely. According to local authorities, the rate of infection to total tests conducted remains one of the lowest both regionally and globally, thanks to the effectiveness of the ongoing vaccination campaign and social distancing measures that have been implemented.

UAE on track to be among the first nations to emerge from the Covid-19 Pandemic benefiting the real estate and tourism sectors

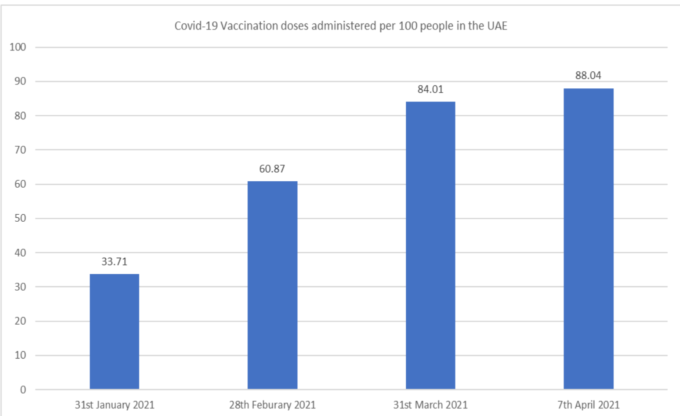
With the world's second highest immunization rate, the UAE is well placed to recover from the global pandemic. In fact, it is estimated that the UAE has reached an immunization rate at 55 percent to 60 percent of its population. We therefore expect the UAE's tourism and real estate sectors to receive a strong boost from the fast pace at which the country is deploying its vaccination program. It shall also be noted that normalization of ties with Qatar and Israel and gradual return of tourism would also provide a strong momentum to foreign direct investments in the country.

Another strong factor underpinning future demand for real estate, is the current level of prices for prime real estate in the UAE when compared globally. In fact, after years of decline, Dubai's real estate market is currently at or near its bottom price with average prime property prices averaging USD 5,990 per square meter which, as shown in the exhibit below, places it amongst the cheapest prime property values globally. In Dubai, both rental rates and sales prices of apartments have fallen by more than 46% since their peak in Q2 20214. A similar trend has been witnessed in Abu Dhabi where apartments sale prices have fallen by more than 28% and 34% for rental rates .

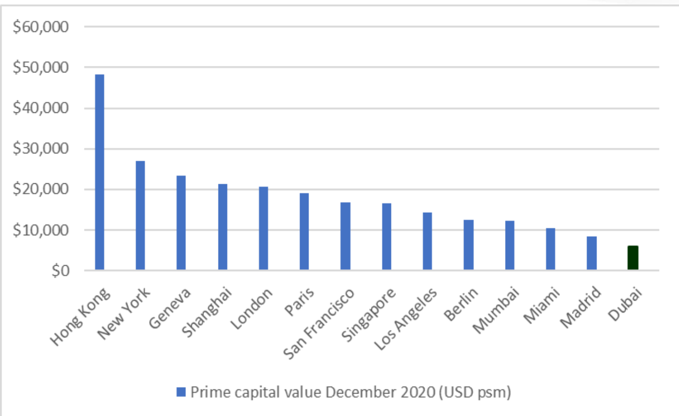
Dubai and Abu Dhabi Real Estate Markets — The Contrarian Call

GCC equities valuation do not rank cheap among their global peers while regional bond markets in our view show clear signs of overheating. In a context of raising long-term rates and increasing inflationary pressures, the best relative asset valuations in our view are to be found in the UAE's real estate sector. The UAE's property sector has witnessed a steady decline in both capital and rental values since 2014 and the market was heading towards a soft landing towards the end of 2019. However, the emergence of the global pandemic provided a strong catalyst for a hard landing of property values in 2020. Consulting firm ValuStrat recently reported that Dubai's residential property prices fell 12.3% in 2020 and have stabilized in the first quarter of 2021 with increased prices mostly concentrated in luxury villas that are ready for buyers to move into. The rate of decline in prices have slowed drastically towards the end of 2020 and, in our opinion, the UAE's real estate market is well placed to reap the benefits of the country's efforts in keeping its economy functioning while gearing for herd immunity.

UAE Covid-19 Vaccination Doses Administered per 100 people



World Cities - Prime Capital Values



Graph sources: Bloomberg / BearBull Global Investments/ The Supreme Council for National Security, Savills

Therefore, we believe it is now a great time for sophisticated investors to take advantage of prevailing attractive valuations to buy prime real estate assets in Dubai and Abu Dhabi. In fact, based on our research resale units in secondary market could cost 20 to sometimes 30% less than a new development at this point. We remain very positive on UAE property in the medium and long term since the measures to curb supply will also provide tangible results and increased population and investment demand will sustain property valuations in the medium to long-term.

Launch of Dubai 2040 Urban Master Plan with its population set to jump to 5.7 million by 2040 from just 3.3 million in 2020

On 13th of March 2021, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice president and Prime Minister of the UAE and ruler of Dubai launched the Dubai 2040 Urban Master Plan that maps out a comprehensive framework for sustainable urban development in the city. This ambitious plan aims at increasing Dubai's population to 5.8 million by 2040 from just 3.3 million in 2020 by developing a master plan that focuses on using available spaces within the limits of the current city and concentrating development in existing urban areas.

Under the Dubai 2040 Urban Master Plan the land area uses for hotels and tourist activities are expected to increase by 134 percent, while the land used for commercial activities will increase to 168 square kilometers. The plan also aims at reinforcing Dubai's position as a global hub for innovative start-ups, international corporations, and strategic investments and increase the land area allocated to education and health facilities by 25 percent, while the length of public beaches will significantly increase by as much as 400 percent in 2040.

The new Master Plan is the seventh such plan developed by the emirate since 1960. Between 1960 and 2020, the population of Dubai has multiplied 80 times from 40,000 in 1960 to 3.3 million by end of 2020 and increased cultural diversity to include people from over 200 nationalities. The urban and built area of the emirate increase 170-fold from 3.2 square kilometers in the same period.

By drawing inspiration from global best practices and adaption to local needs and requirements, with the new plan, Dubai aims at creating a development model that offers the best possible quality of life and creates the conditions for a sustainable prosperity where green and recreational spaces and areas dedicated to public parks will double in size to serve the growing number of residents and visitors. Natural reserves and rural natural areas will constitute 60 percent of the emirate's total area. Several green corridors will be established to link the services areas, residential areas and workplaces via sustainable mobility means across the city in coordination between master developers and government departments. In our opinion, the new Master Plan constitutes a great opportunity in Dubai, and in a context of growing reginal rivalries, further strengthen Dubai's resilience to global challenges.

UAE economic recovery picks up pace in March, with PMI at 20-month High

The UAE's non-oil business activity grew at the quickest rate since July 2019 in March, helped by a renewed increase in new business inflows and a sharp pick-up in the construction sector according to the latest figures released by the IHS Markit UAE Purchasing Managers' Index. The seasonality adjusted PMI rose by two points from 50.6 in February to 52.6 in March, indicating a solid upturn in business conditions in the GCC's second-largest economy.

The March PMI reading also extend the current run of expansion to four months, the longest ever seen since the end of 2019. The large-scale Covid-19 vaccine roll-out in the UAE seems indeed to have boosted business confidence and spending. With increasing number of vaccine inoculations, hopes that Covid-19 related restrictions will be eased in the coming months contributed to a further improvement in business expectations. Employment also edged into positive territory for the first time in over a year, demonstrating that firms are gaining more confidence to expand their operating capacity.

UAE economy to grow 2.5% in 2021 after shrinking 5.8% last year

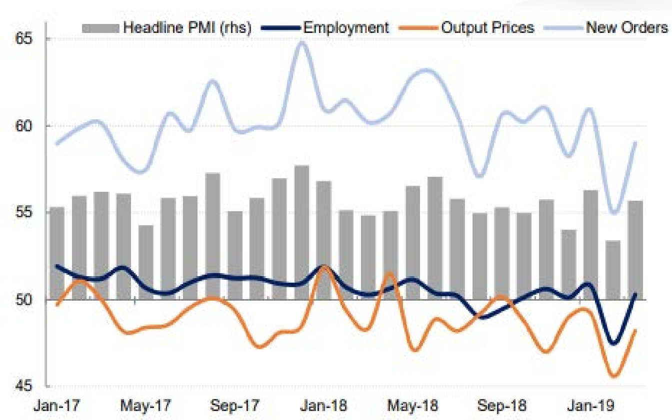
Economic activity in the UAE continued its recovery path in the in the fourth quarter of 2020, however, the UAE's economy contracted 5.8% on the back of the coronavirus crisis which hit hard last year, both via shock to low oil prices and the significant toll it took on vital non-oil economic sectors such as tourism, aviation and logistics. Real non-hydrocarbon gross domestic product declined by 5.7% last year according the central bank estimates.

Looking forward, the UAE's economy is expected to bounce back in 2021 with a growth rate of 2.5% with non-oil GDP likely to grow at a faster pace of 3.6% this year. Real non-oil GDP growth is expected to be driven by increasing fiscal spending, pick up in credit and employment alongside relative stabilization of the real estate market, boosted by recovery in confidence and the Dubai Expo in 2021. The hydrocarbon GDP is meanwhile expected to remain flat as direct result of production cuts agreed by the UAE and its OPEC allies.

The UAE central bank expects full recovery to be achieved in 2022 with overall real GDP increasing to 3.5%. This will be the result of the continued fiscal spending growth, healthy banks' credit growth, strong improvement in employment and recovered business sentiment with part of the Dubai Expo 2021 taking place in 2022. In addition, the UAE central bank expects the UAE to benefit form Qatar's FIFA 2022 World Cup as the UAE still remains a major tourism, transit and trade hub in the Middle East region. The UAE central bank also highlighted a significant reduction in the rate of decline of residential prices in the fourth quarter of 2020, with prices in both Dubai and Abu Dhabi registering monthly gains in the first quarter of 2021.

Plan Urban — Dubai 2040

HIS Markit UAE Purchasing Managers' Index (PMI)



Graph sources: Bloomberg / BearBull Global Investments/ Government of Dubai Media Office / IHS Markit, Emirates NBD Research

MACROECONOMIC SCENARIO

Emerging Markets

- The return of less accommodative policies?
- Inflation higher than expected in most emerging countries

In terms of global outlook, a number of factors, including further fiscal stimulus in some developed countries, progress on Covid-19 vaccination programmes and indications from central banks in major economies that monetary stimulus measures are here to stay, are expected to support a more robust economic recovery throughout the year. However, growing inflation risks in these economies, including the Fed's likely temporary tolerance of 3% inflation in the US, and the resulting repricing of financial assets, could mean a more challenging environment for emerging economies.

Brazil — Copom members deemed that, despite the partial reduction in government emergency transfer programmes, the economic recovery has been better than expected. However, they noted that the latest available data do not yet take into account the possible effects of the recent sharp increase in the number of Covid-19 cases and that there is considerable uncertainty about the pace of economic growth in the first and second quarters of the year. For the coming months, the Committee considered that any slowdown in economic growth caused by a worsening of the pandemic would be less extreme than that seen last year and would likely be followed by another rapid recovery. In the Committee's view, H2 could see a robust recovery as the effects of vaccinations are felt more widely.

The inflation forecasts for 2021, 2022 and 2023 collected by the Focus survey are 4.6%, 3.5% and 3.25% respectively. The continued rise in commodity prices, measured in local currency, is affecting current inflation and has triggered further increases in inflation forecasts for the coming months, particularly through its effects on fuel prices. Despite short-term inflationary pressures that are stronger and more persistent than expected, the Committee maintains its position that the current shocks are likely to be temporary.

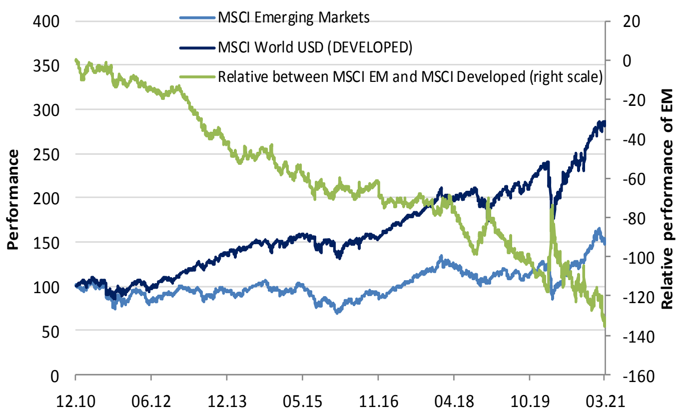
In addition to the strong pace of growth in recent months, inflation expectations have reversed. These expectations have moved to the upper end of the tolerance interval for the inflation target for 2021, and around the target for 2022, the two years within the relevant policy horizon. As a result, Copom members concluded that the current scenario no longer required an extraordinary degree of stimulus and the Copom should initiate a process of partial policy rate normalisation. The central bank therefore took the decision to increase the Selic rate from +0.75% to 2.75%.

Russia — The pace of economic recovery at the beginning of the year was higher than expected. According to the Bank of Russia, more and more companies are reporting that their production rate has returned to pre-pandemic levels. The recovery of retail and services is supported by the gradual lifting of restrictions. However, in some sectors, the capacity to expand production is lagging behind growing demand. Consumer sentiment continued to improve in January-February, while market surveys show that business expectations remain positive. In the coming months, Russian economic growth will be supported by an improving global economic outlook and the roll-out of new fiscal support measures in a number of countries, which is likely to accelerate growth in demand for Russian exports. Economic growth in the medium term will be strongly influenced by the pace of vaccinations in Russia and globally, the effectiveness of vaccines against new virus strains, the nature of the recovery in private demand, as well as the trajectory of fiscal consolidation.

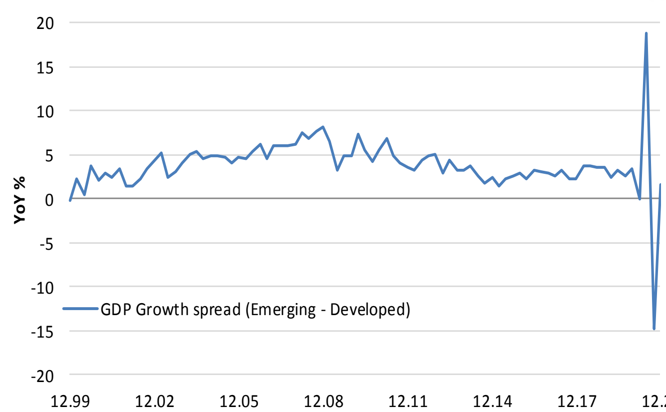
Inflation is running above the Bank of Russia's forecast. In February, the annual consumer price growth rate reached 5.7%, up from 5.2% in January, and according to the 15 March estimates, it is now 5.8%, well above its target of 4%. This largely reflects the steady recovery in domestic demand. Its influence on price growth is reinforced by restrictions on foreign travel. The sums that households have not been able to spend for this purpose have been partly redistributed in favour of domestic consumption of goods and services. Additional pressure on price growth is exerted by supply-side factors that are limiting the production of certain goods.

The rapid recovery of demand and strong inflationary pressures call for a return to a neutral monetary policy. The Russian central bank therefore decided to increase the key rate by 0.25% to 4.50%. Annual inflation is expected to peak in March before returning to the Bank of Russia's target of close to 4% in H1 2022 and remaining at that level thereafter.

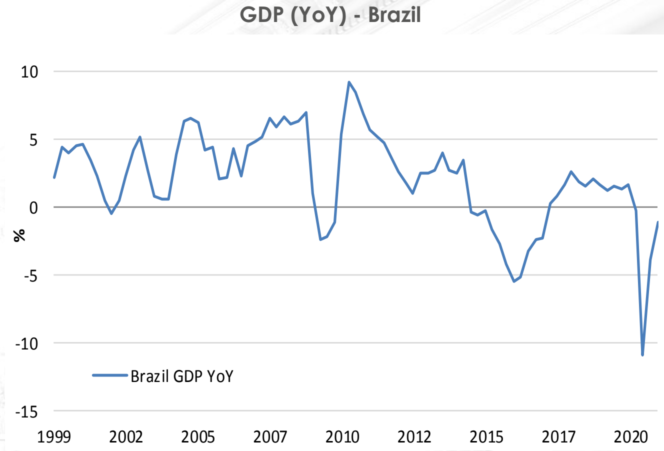
Emerging and Developed Markets - Performance



GDP Growth spread



Graph sources: Bloomberg / BearBull Global Investments



India — In terms of growth prospects, rural demand is expected to remain resilient thanks to the positive outlook for agriculture. Urban demand and the demand for services are expected to strengthen with the substantial decline in COVID-19 cases and the spread of vaccinations. Consumer confidence is recovering, and business expectations in the industrial, services and infrastructure sectors remain optimistic. The government's fiscal stimulus is expected to accelerate public investment, although private investment remains sluggish amid low capacity utilisation. The 2021-2022 budget, with its emphasis on sectors such as health and wellness, infrastructure, innovation and research, among others, is expected to help accelerate growth momentum. Taking these factors into account, real GDP growth is expected to reach +10.5% in 2021, peaking at around +25% in the first half of the year before returning to levels closer to +6-7% by the end of the year.

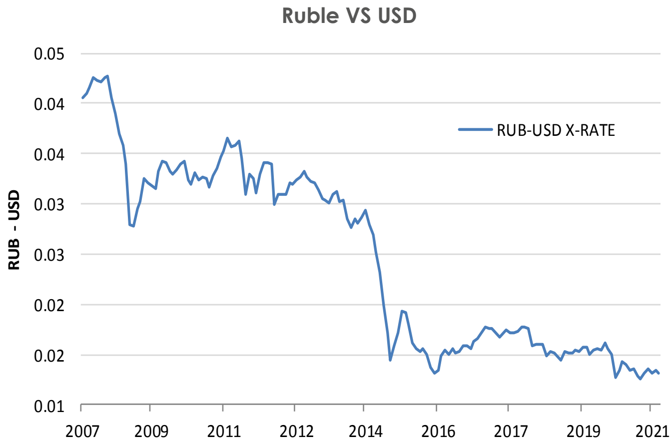
The higher-than-expected deflation in vegetable prices in December brought headline inflation closer to its target. On the other hand, price pressures could persist for legumes, edible oils, spices and soft drinks. The outlook for core inflation is likely to be influenced by further easing in supply chains. However, a general escalation of cost pressures in services and manufacturing prices, due to higher industrial raw material prices, could add upward pressure. In addition, the pass-through to producer prices could increase as demand normalises, as indicated by the Indian central bank's surveys. Taking all these factors into account, the inflation forecast has been revised to 5.2% for Q1 2021 and 4.3% for Q4 2021.

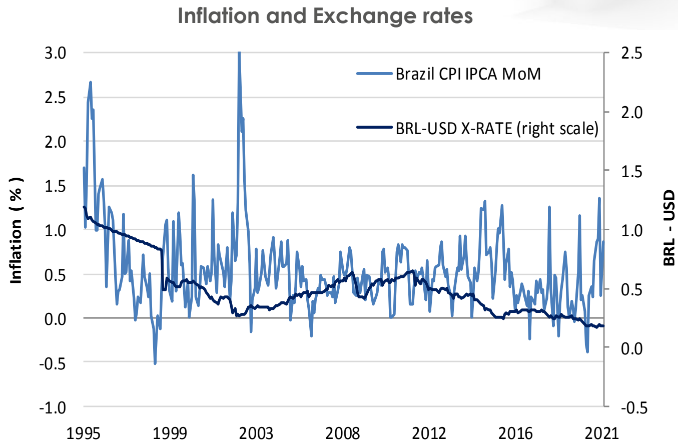
Despite the expected rebound in growth and overall high inflation, continued monetary policy support remains crucial at this stage. The central bank therefore decided to maintain an accommodative monetary policy stance until the prospects for a lasting recovery are secure, while closely monitoring the inflation outlook.

South Africa — South Africa's economy grew by +6.3% in Q4 2020, compared with a contraction of -7% for the year as a whole. The South African central bank's forecast for Q1 2021 GDP is -0.2%, down from 1.0% at the time of the January policy committee meeting. With stronger quarterly results for the rest of the year, the domestic economy is expected to grow by around +3.8% in 2021. Returning to pre-pandemic output levels will take time. While recent lockdown measures have proved less restrictive for economic activity, consumption slowed after December. Higher oil prices have added to the country's total import bill, offsetting some of the gains from improvements in certain trade sectors. The sharp decline in public and private investment last year and continued weakness in 2021 are expected to weigh on the growth outlook. GDP is then expected to grow by +2.4% in 2022 and +2.5% in 2023.

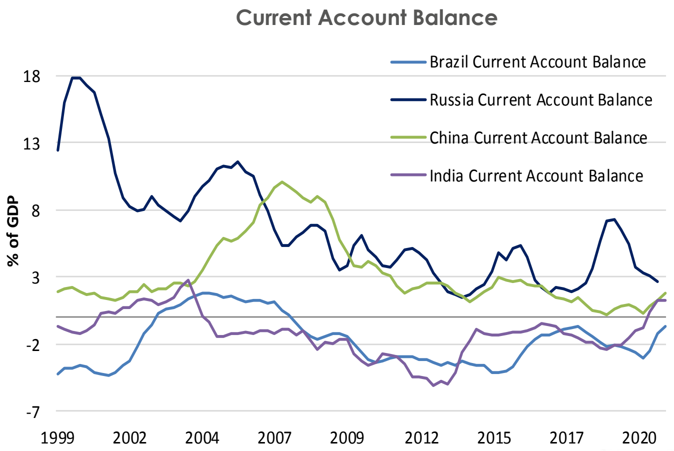
While consumer price inflation reached 3.3% in 2020, forecasts for 2021 (4.3%), 2022 (4.4%) and 2023 (4.5%) are all above 4%. The appreciation of the nominal exchange rate in recent months is likely to continue to moderate inflationary pressures. The Committee also noted the significant, but probably temporary, reduction in medical insurance price inflation. Oil prices have risen sharply this year and are expected to remain at these levels over the relevant forecast horizon, while electricity prices pose upside risks to the inflation trajectory. While there are no obvious demand pressures at present, higher growth in 2021 is likely to mean a narrowing of the output gap over the forecast period. Unless the risks described above materialise, inflation is expected to remain contained in 2021, before rising towards the middle of the target range in 2022 and 2023.

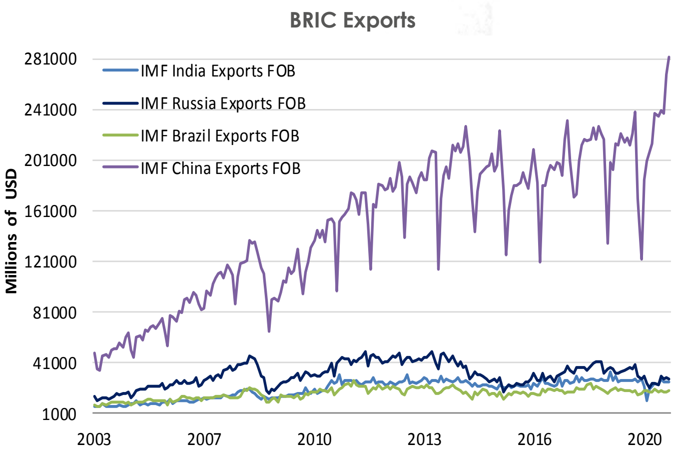
With the policy rate unchanged at 3.50%, monetary policy continues to be accommodative, maintaining favourable financial conditions for credit demand as the economy recovers from the pandemic and the various lockdowns.

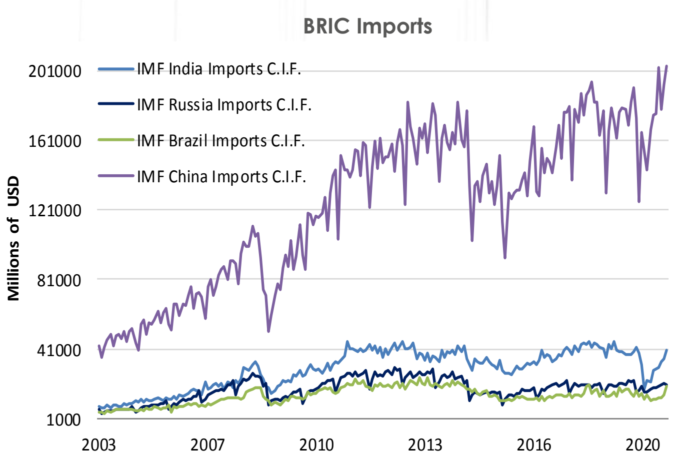




Graph sources: Bloomberg / BearBull Global Investments







Mexico — Mexico's central bank kept its benchmark interest rate unchanged at 4%, after cutting it by 25 basis points at its February meeting. Annual inflation rose to 4.12% in March from 3.54% in January. Inflation forecasts also rose during the period but are still expected to converge towards 3% in Q2 2022. The bank expects economic growth to be +4.6% for 2021 and +2.70% thereafter.

Indonesia — Bank Indonesia left its benchmark repo rate unchanged at 3.5%, in line with market expectations and after a 25 basis point reduction at the previous meeting. Policymakers said the decision was in line with efforts to support the economic recovery and the need to keep the rupiah exchange rate stable amid low inflation (1.37%). Governor Warjiyo said the central bank would seek to stabilise the currency by conducting a three-pronged intervention in the financial markets, namely the foreign exchange market, the domestic futures market and the bond market. The central bank maintained its growth forecast for 2021 between +4.3% and +5.3%.

Turkey — The Central Bank of Turkey raised its benchmark rate by +2% to 19%, pushing borrowing costs to their highest level since August 2019, given the upside risks to inflation. Indeed, inflation rose from 14.97% in January to 15.61% in February, the highest level since July 2019. The tight monetary policy stance will be maintained until strong indicators point to a permanent decline in inflation and to price stability. Growth is expected to be +5.10% at the end of the year and around +4% for the following years.

Taiwan — The Central Bank of the Republic of Taiwan kept its key interest rate at a record low (1.125%), thus continuing its accommodative monetary policy. It raised its inflation forecast to 1.07% (from 0.92%) for 2021 and its GDP growth forecast to 4.53% (from 3.68%) for 2021.

Thailand — In line with expectations, Thailand's central bank maintained its key interest rate at 0.5%. Although the Thai economy continues to grow, downside risks and uncertainties surrounding the economic outlook remain high. Therefore, the bank is maintaining a low policy rate and stands ready to use additional monetary policy tools if necessary. The Bank of Thailand lowered its growth forecast to +3% in 2021 from +3.2%. On the other hand, current negative inflation is expected to be close to 2% at the end of the year.

Colombia — Colombia's central bank voted unanimously to keep its benchmark interest rate at 1.75% in March. Annual inflation eased to a three-month low of 1.56% in February, below the central bank's long-term target of 3%. On the other hand, the Committee raised its GDP growth forecast to +5.20% this year after GDP contracted by -6.8% in 2020.

Romania, Czech Republic, Poland, Hungary

The National Bank of Romania maintained its benchmark interest rate at 1.25%, after cutting it by 25 basis points at the previous meeting to support the economy in the context of the coronavirus crisis. Inflation has risen back above 3%, and growth forecasts stand at +4.70% for 2021, +4.60% for 2022 and +5% for 2023.

The Czech National Bank kept its key rate unchanged at 0.25% after inflation fell to a 16-month low in February (2.10%). In 2020, the central bank cut the policy rate by -2% to support the economy affected by the coronavirus epidemic. The bank now expects the economy to grow by +5% in 2021, after an upwards revision of the contraction to -5.8% in 2020.

The National Bank of Poland kept its benchmark rate at a historically low level of 0.1% against the backdrop of an economic recession and rising inflationary pressures. The annual inflation rate reached 3.2% in March, its highest level since last September, above the central bank's medium-term target of 2.5%. Growth is expected to be between +3% and +4% in 2021.

The National Bank of Hungary kept its key interest rate unchanged at 0.6% after the annual inflation rate rose to 3.1% in February. Inflation is expected to reach 5% in Q2 2021, due to higher fuel prices and tax changes, before normalising again. Economic growth is expected to rebound to +5.90% in 2021 and then fall back below +4%.

Graph sources: Bloomberg / BearBull Global Investments


Personal Service...
PERFECTED
Orchestrating complex itineraries is our job
Experience exceptional customer service from the moment you place your call to the time you reach your destination. Going above and beyond is what defines the level of service you'll enjoy from your own personal flight crew. Orchestrating complex itineraries is our job – enjoying the trip is yours. Jet Aviation Charter Services... Personalized to Perfection.
One Jet Aviation. Many Advantages.
Maintenance, Refurbishment, Completions, FBO, Aircraft Management, Flight Support, Charter, Staffing.
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PROSPECTS AND STRATEGIES

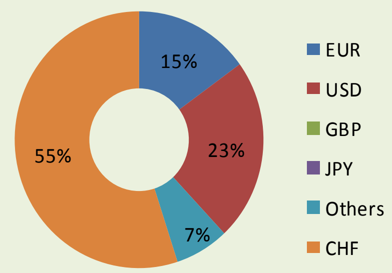
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

Currencies

- The euro is logically suffering from an unfavourable growth differential
- Yield differential and US momentum support the dollar
- Sterling reacts to the end of the lockdown
- Weak yen remains the only option
- The yuan is no longer the only currency supported by GDP growth

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

The euro is logically suffering from an unfavourable growth differential

The beginning of the year clearly marked an inflection point for the euro, which is logically losing steam as the economic outlook weakens. The growth differential is widening in favour of the US in particular, while the Eurozone is sinking into a third wave of the pandemic and its prospects for economic recovery are steadily weakening. The beginning of 2021 is therefore unfavourable for the Eurozone in economic terms but also in terms of interest rate differentials. The dollar had been penalised by the fall in bond yields and short-term rates, although it is now once again benefiting from a very favourable long-term yield differential. The ten-year yield spread between the Treasury and German Bund rates has increased by 90 basis points in a few months. While US long-term rates rose from 0.5% to 1.67% between July 2020 and March 2021 (+117 basis points), German rates only rebounded from -0.63% at their low point in November 2020 to -0.35% in March 2021 (+28 basis points). This yield differential is likely to widen further in the coming months and penalise the exchange rate. The euro could thus weaken further against the dollar and reach the 1.15 threshold again.

Global economic recovery will support Swiss franc depreciation

The Swiss franc took advantage of the anxious stock market climate of 2020 at the start of the pandemic by first appreciating against most currencies. A few months later, as early as June, the prospects of a global economic recovery had already begun to reduce the franc's attractiveness as a safe haven. In recent weeks, the weakness of the franc seems to have intensified with the growing hopes for a global economic recovery. The month of February was marked in particular by a generalised and expected depreciation of the franc against the euro and other currencies such as the US, Canadian and Australian dollars and the pound sterling. The rise in long-term rates in the US to 1.5% probably marks a change in investors' perceptions, who now clearly see yield spreads widening in favour of other currencies. Expectations of a resumption of inflation are supporting long-term yield increases and flows of funds away from the franc, contrary to what happened in the spring of 2020. Swiss investors are expected to continue to invest in foreign currencies, thereby enabling the SNB to reduce its interventions on the foreign exchange markets. The SNB has been patient and consistent in its actions and is likely to be even more amply rewarded in 2021 for its policy of stabilising the franc. We still believe that a return to global growth in 2021 is likely to have a negative impact on the demand for Swiss francs. Overall, investors' appetite for risk will increase in 2021 and will be unfavourable to the Swiss franc, whose short-term yield is still the lowest in the world. The SNB still considers the Swiss franc to be overvalued, and its tolerance for an appreciation of the franc remains low. Our currency is expected to weaken in 2021 against most major currencies. In terms of purchasing power parity (PPP), the franc is still overvalued by 10% to 15% against the euro. A rise of the euro beyond 1.15 is therefore possible in 2021.

Yield differential and US momentum support the dollar

In the bond markets, higher nominal rates and a widening yield differential in favour of dollar bonds will play a significant role in financing the increase in US government debt. The year 2021 is likely to see an increase in international capital flows from euro, yen and other low-yielding currencies into dollar bonds. A reallocation of funds held in international bond portfolios will logically move into US Treasuries and corporate bonds after the rate adjustments that have taken place over the past nine months. Dollar bonds now offer a substantial yield differential to investors seeking a positive return in a stable currency. In addition, the strong US economy will also boost international investor interest in other dollar assets such as equities and real estate. Finally, a new commodities boom supported by the upcoming convergence of regional economic cycles will also increase the demand for dollars. Overall, we believe that the dollar will benefit in the coming months from these flows of funds and increased demand for the greenback.

Sterling reacts to the end of the lockdown

Boosted by hopes that the lockdown in the UK will be lifted more quickly than in the Eurozone in particular, the pound has appreciated quite significantly against the euro and the dollar in recent weeks. The economic outlook has certainly appeared more favourable to investors in the recent context of a clear divergence in the management of the health crisis between the UK and Eurozone countries.

Graph sources: Bloomberg / BearBull Global Investments

The new lockdown in Italy and the likelihood of a new lockdown in the Ile de France region, for example, are pushing back the prospect of a Eurozone recovery and allowing the exchange rate to approach the level of 0.85 pound to the euro, a support level that has been tested several times over the last five years. However, Brexit will pose significant challenges to the UK's economy that are unlikely to be easily overcome in the coming months and will not simply be eclipsed by a recovery that is likely to come sooner in the UK than in the EU. In this context, the pound sterling is still likely to remain within the 0.85-0.925 band established since the June 2016 vote. The potential for appreciation is therefore limited, also taking into account the fact that the British currency would be a likely adjustment variable in the event of a sustained post-Brexit economic shock in line with the GDP figures already published for January (-2.9%).

Weak yen remains the only option

Despite the gradual reduction in uncertainties in terms of health, economic and financial conditions, the yen was still perceived as a safe haven at the end of 2020. The disappearance of the yield differential between the dollar and the yen has certainly contributed to the appreciation of the yen, but the Japanese economy still needs a weaker yen to hope to emerge from the current deflation.

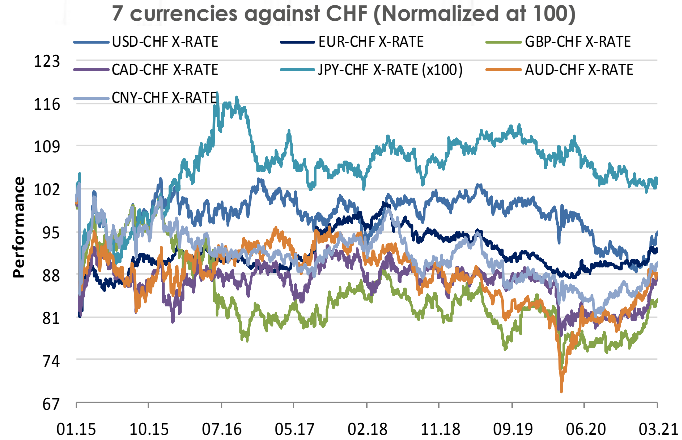
The strength of Japan's currency against the US dollar during the pandemic phase has finally been called into question in recent weeks, as we had been suggesting for the past few months, with the prospect of a global economic recovery in 2021. The yen thus depreciated by -6.3% at the beginning of the year against the dollar, whose exchange rate rose from 102.7 to 109.2 in a few weeks and returned to its level of the end of December 2019.

The BOJ's monetary policy, although particularly expansive, has nevertheless not grown the money supply at the same rate as the Fed or the ECB's policies. The BOJ might consider a new policy aimed at weakening the yen more markedly through a faster expansion of the monetary base from now on. The reduction in leverage by Japanese companies in recent years, which led to a decrease in leverage from 290% to 220% between 1995 and 2020, had curbed the BOJ's expansionary policy. The aim now would be to allow higher overall growth of the Japanese money supply, sufficient in international comparison to enable the Japanese currency to depreciate.

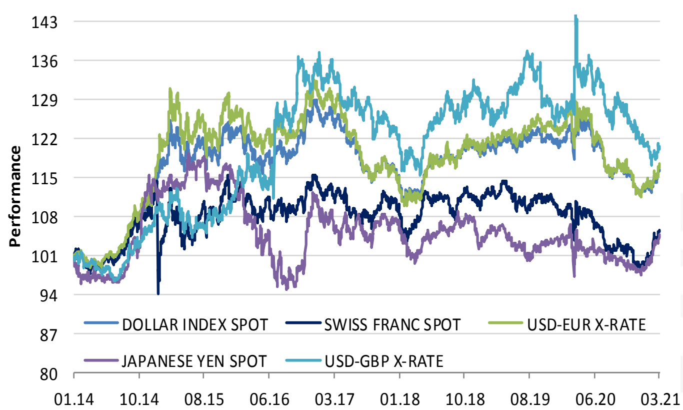
The yuan is no longer the only currency supported by GDP growth

The Chinese currency appreciated by +10% over the previous nine months before likely starting a new phase of weakness in March. During this period, the yuan enjoyed a very substantial yield differential against all major currencies including the dollar and also benefited from leading the growth recovery. Now, both of these factors are being challenged at least in terms of the dollar. US growth prospects in 2021 have been boosted by the Biden plan, and the rise in dollar yields significantly reduces the yield differential with yuan yields. This also applies at least in part to the Canadian and Australian dollars. Moreover, the latest comments from the Chinese authorities suggest that at the current level they do not fear any fund outflows from the yuan.

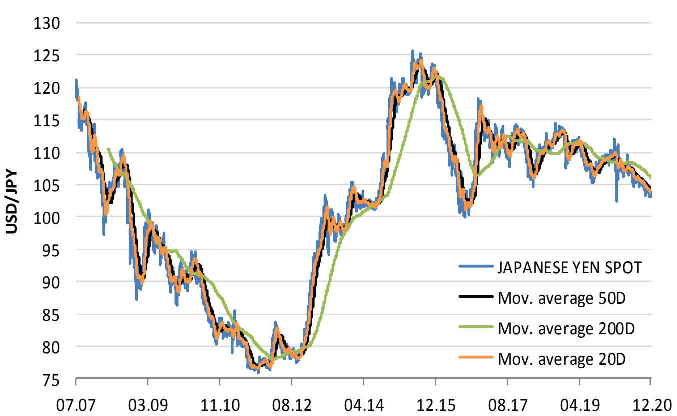
7 currencies against CHF (Normalized at 100)



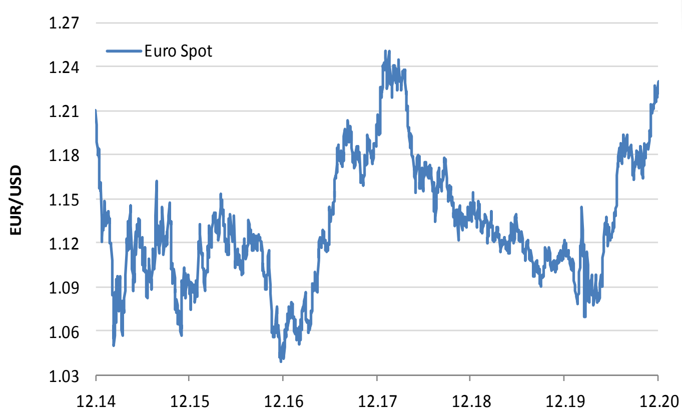
Dollar Trade-weighted index & cross rates (Normalized at 100)



JPY/USD



EUR/USD

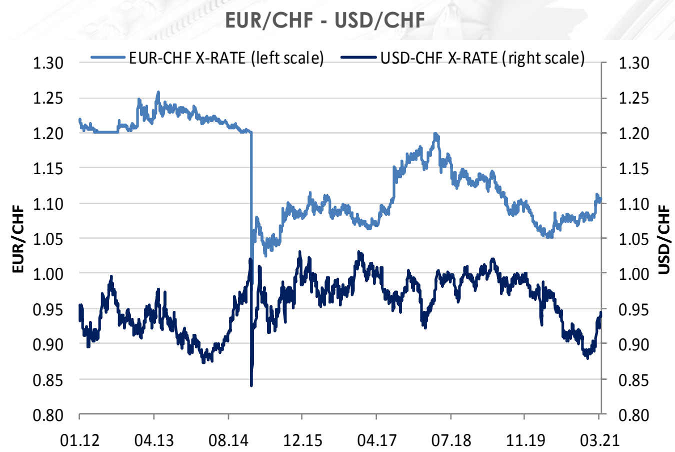


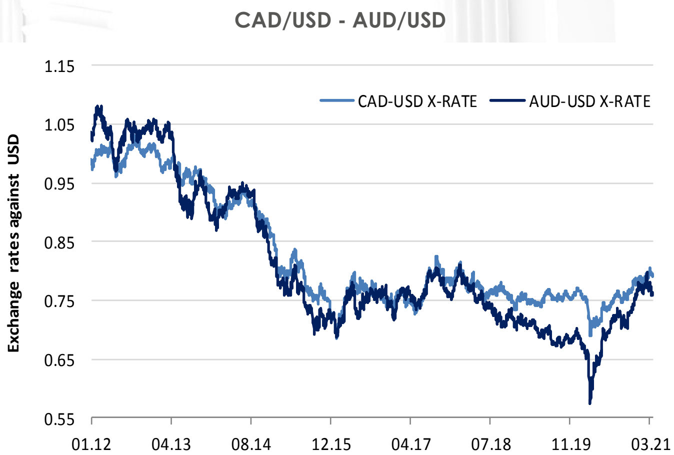
Graph sources: Bloomberg / BearBull Global Investments

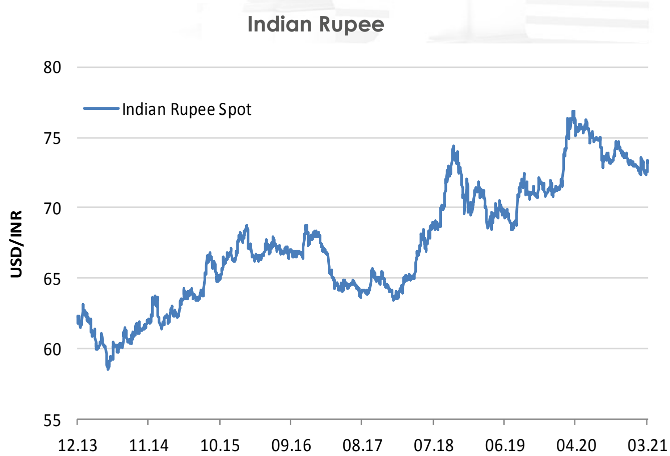
CURRENCIES

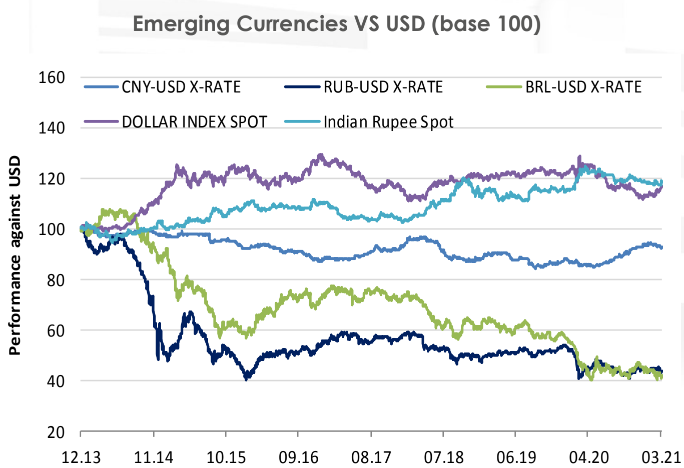
31.03.2021

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
AGAINST DOLLAR						
EUR-USD X-RATE	1.2	-0.7	-2.6	-4.6	0.1	-4.0
CHF-USD X-RATE	1.1	-0.9	-3.1	-6.6	-2.4	-6.2
GBP-USD X-RATE	1.4	0.7	-1.0	1.2	6.7	0.8
JPY-USD X-RATE	0.0	-1.8	-3.6	-6.8	-4.8	-6.7
CAD-USD X-RATE	0.8	0.2	0.7	1.5	6.0	1.4
AUD-USD X-RATE	0.8	0.2	-2.2	-1.1	6.1	-1.2
RUB-USD X-RATE	0.0	1.2	-1.9	-1.7	2.6	-2.1
CNY-USD X-RATE	0.2	-0.4	-1.3	-0.5	3.6	-0.4
INR-USD X-RATE	0.0	-0.9	0.8	0.1	0.8	-0.2
BRL-USD X-RATE	0.2	-0.2	0.2	-7.8	-0.4	-7.8
AGAINST SWISS FRANC						
USD-CHF X-RATE	0.9	0.9	3.1	7.1	2.5	6.6
EUR-CHF X-RATE	1.1	0.2	0.4	2.1	2.6	2.4
GBP-CHF X-RATE	1.3	1.6	2.1	8.3	9.3	7.5
JPY-CHF X-RATE (x100)	0.9	-0.9	-0.5	-0.2	-2.4	-0.5
CAD-CHF X-RATE	0.8	1.0	3.8	8.7	8.6	8.1
AUD-CHF X-RATE	0.7	1.1	0.8	5.9	8.7	5.3
RUB-CHF X-RATE	0.0	2.0	1.2	5.2	5.1	4.4
CNY-CHF X-RATE	0.1	0.4	1.8	6.6	6.2	6.2
INR-CHF X-RATE	0.0	0.0	4.0	7.5	3.2	6.6
BRL-CHF X-RATE	0.2	0.6	3.1	-1.8	1.8	-1.8









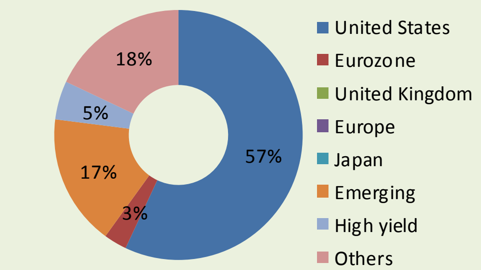
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

International Bonds

- Long-term interest rates will gradually rise across the board
- Renewed attractiveness of dollar bonds
- Investment strategy focused on USD, CAD, and AUD markets

International Bonds allocation



Tactical Allocation

- Marginalize allocation to the eurozone
- Overweight US, CAD & AUD bonds
- Reduce exposure on segments no « investiment grade »

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

Long-term interest rates will gradually rise across the board

At the beginning of the year, we noted that the risks of an unexpected and uncontrolled rise in long-term yields seemed growing and increasingly likely. Q1 fully confirmed our predictions with the rise in long-term dollar yields leading this new trend. Even the downward adjustment of the economic outlook for Q1 in the euro zone countries due to further lockdowns did not prevent European bond markets from participating in the shift in investor expectations. The correlation among bond markets thus proved once again to be high, with practically all markets experiencing the same trend, albeit with varying degrees of amplitude.

The prospect of a strong global economic recovery in 2021 has thus been the main factor influencing bond markets in recent months and will certainly remain one of the determining factors going forward. The competition among governments to attract the capital needed to finance their growing budget deficits will require adjustments and the reconstitution of risk premia that disappeared during the down cycle. It was already clear in March 2020 that the additional financing needs resulting from global budget deficits incurred to meet the direct and indirect costs of managing the Covid-19 crisis should logically have an impact on market interest rates. However, in 2020, central bank interventions had made it possible to postpone this impact. However, with the economic recovery expected in the coming quarters, central banks will no longer face the same problem. It was indeed easier for them to keep long-term rates low through their various asset purchase programmes in a context of recession or health crisis than in a phase of general economic recovery. They will therefore probably no longer be able to contain the new yield requirements of investors, who may also be increasingly worried about rising inflation affecting the real returns on their bonds. This factor will certainly be one of the key elements in the changing outlook for bond markets in H2. While inflation remains below central bank targets everywhere, expected inflation is already above 3% for the year, especially in the US. We had already mentioned these likely developments for 2021 a few months ago, stressing that these risks seemed to us to be largely underestimated. We mentioned the fact that these elements would undoubtedly trigger an upward trend in rates in 2021. Today we reiterate our negative outlook for the bond markets.

Renewed attractiveness of dollar bonds

As we have been saying for several months, we felt that a rise in long-term rates in 2021 was inevitable in the context of a very clear improvement in the US economic outlook. The 50-basis-point rise in 10-year Treasury rates in H2 2020 merely heralded a trend reversal that was expected to strengthen and become more pronounced in 2021. Indeed, Q4 saw long-term rates rise a little further and approach the 2% threshold. The rise in Treasury yields from 0.9% on 31 December 2020 to almost 1.75% is significant and constitutes an important changing outlook factor in terms of financial risk assessment. It is also important to note that this adjustment in long-term yields on US government debt has not yet significantly affected risk premiums on non-government bonds, which remain historically low. Within the dollar bond market, the current 10-year Treasury yield may already be providing an incentive for some investors to reallocate positions, as they decide to reduce their exposure to risky yield pick-up strategies. Internationally, US bonds now also offer a safe haven with the prospect of an attractive yield spread. European, Japanese and Swiss investors may now be more interested in dollar-denominated fixed income investments, as the yield spread has narrowed considerably. As we approach the 2% threshold, we believe that this yield differential is likely to stabilise under the influence of new inflows of funds. The dollar is expected to benefit further from this factor.

BOND INDICES (local currency)

31.03.2021 — Total Return Performance

	Name	Last price	Curr.	7 d%	1 m %	3 m %	6 m %	YTD %
SWISS BONDS	SBI AAA-BBB	140.2	CHF	-0.2	0.0	-1.2	-0.7	-1.2
UE BONDS	Barclays EuroAgg	270.1	EUR	-0.3	-0.4	-1.9	-0.7	-1.9
UE BONDS - SHORT DURATION	ISHARES EURO GOV BND 1-3	143.7	EUR	-0.1	0.0	-0.3	-0.2	-0.3
US BONDS	Barclays US Agg Total Return Value Unhedged USD	2311.4	USD	-0.4	-1.1	-3.3	-2.7	-3.4
US BONDS - SHORT DURATION	BGF-USD ST DURATN BOND-USDA1	8.7	USD	0.0	-0.1	0.3	1.1	0.2
EMERGING BONDS	JPMorgan Emerging Markets Bond	608.6	USD	-0.6	-1.5	-5.2	0.5	-5.3
INTERNATIONAL BONDS (DIVERSIFIED) - USD	Global Aggregate	533.8	USD	-0.7	-1.9	-4.5	-1.3	-4.5
INTERNATIONAL BONDS (DIVERSIFIED) - EUR	Euro Aggregate	270.1	EUR	-0.3	-0.4	-1.9	-0.7	-1.9
INTERNATIONAL BONDS (DIVERSIFIED) - CHF	Barclays Global Agg Corporate	159.0	CHF	0.3	1.3	2.1	2.3	2.0
CONVERTIBLE BONDS (UE)	Exane Europe Convertible Bond	8595.4	EUR	0.6	0.3	-0.2	4.1	-0.1
HIGH YIELD BONDS	Markit iBxx Gbl Dev Lq HY USD	166.9	USD	0.0	-0.9	-0.7	7.2	-0.5
HIGH YIELD BONDS - SHORT DURATION	AB SHORT DURATION HI YD-AT	15.1	USD	-0.4	0.1	0.9	5.6	0.9

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

Graph sources: Bloomberg / BearBull Global Investments

New upward trend in interest rates temporarily curbed by ECB action

Euro area inflation rose slightly in February to +0.9% year-on-year, its highest level in a year. Inflation excluding food and energy rose even more sharply by +1.1% during the same period. Price indices are expected to rise faster in the coming months, driven by energy prices. Inflation could thus exceed the ECB's forecast at the end of the year, especially if the economic recovery in the second half of the year ultimately proves to be stronger.

In the current international context, which is more favourable to an overall acceleration of economic momentum, the ongoing adjustment of interest rates not driven by central banks will continue and will also affect euro rates. This investment climate favouring a gradual rise in long-term rates cannot be stopped by the ECB, despite its readiness to intervene.

It is clear that the ECB will not be able to do more than slow down the rise in long-term rates that finally materialised in 2021. For a while, the PEPP may give the ECB more leverage to influence the trend, but the low point of the cycle has likely already been reached.

With regard to risk premiums between governments, we believe that current yield spreads leave no room for any further relative price increases for Italian and Spanish debt in particular.

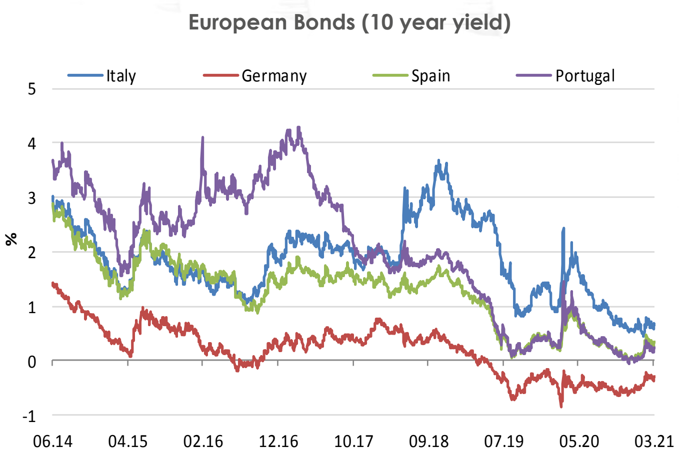
Euro bond markets may still benefit from a short period of respite offered by the ECB's reinforced action. But beyond a few months, the improved economic outlook is expected to finally reignite the upward trend and allow yields to adjust logically to the new macroeconomic situation. German yields could well be above zero again before the end of the year.

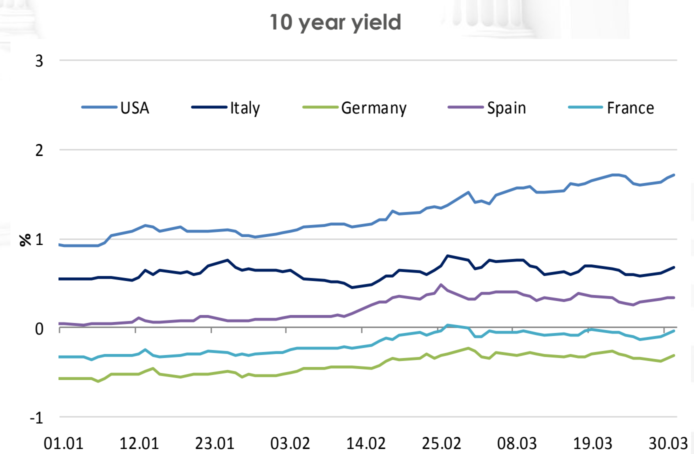
Trend reversal in interest rate markets

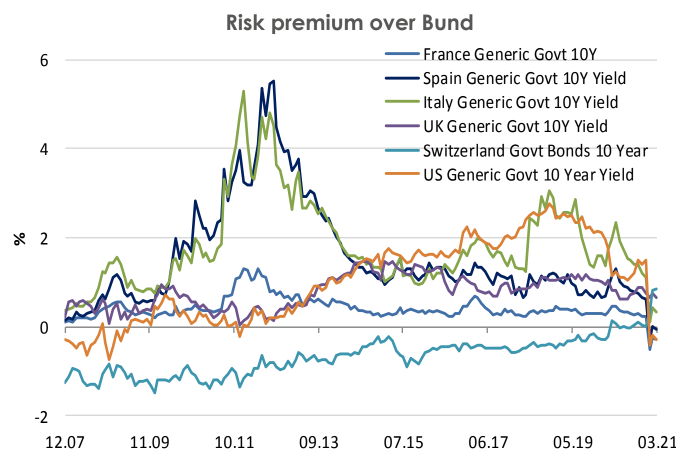
Long-term sterling rates have also risen in recent months in a general trend that has affected most international bond markets. In the UK, hopes of an imminent economic recovery also supported a very significant adjustment in bond yields. Indeed, they adjusted very quickly back to the level they were at before the health crisis broke out. Ten-year UK government yields jumped from 0.2% to 0.8%, while inflation was negative in January (-0.2%) and remained under 1% yoy at the beginning of the year. Despite the likely weakness in Q1 GDP, expectations are now focusing on the year as a whole, while the favourable economic outlook also supports revised inflation expectations.

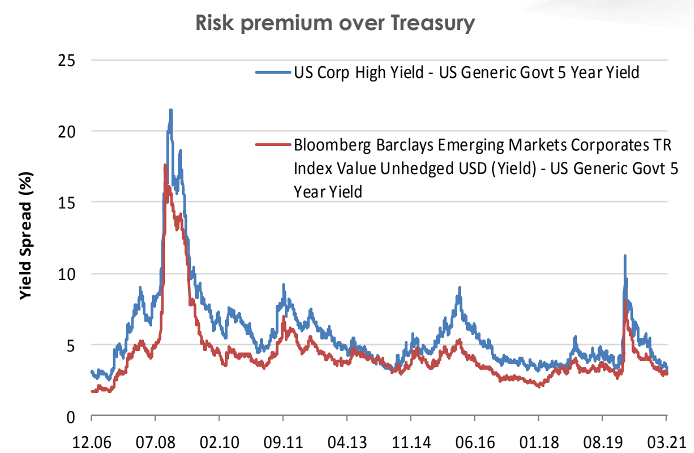
The rise in ten-year UK government yields, which we had estimated as likely in Q1 2021 in our previous analyses, essentially manifested itself at the beginning of the year with an increase from 0.2% on 31 December 2020 to 0.8% in mid-March. This rise in 10-year sterling yields has caused spreads over European yields to widen sharply due to the more modest rise of around 0.2% in German Bund yields in euros. The increase in the risk premium from +0.4% to +1.2% was therefore logically a factor supporting investor interest in pound investments offering such a positive yield differential. On the other hand, the likelihood of an end to the lockdown may also push back the threat of a decision by the BOE to adopt negative policy rates.

We had expected a reversal in the early months of the year that would mark the likely turning point for UK rates, and the recent shift confirms this. The increase in positive sterling bond yields places the UK bond market among those offering attractive relative returns compared to the European, Japanese and Swiss markets. The reconstitution of the risk premium is a favourable factor, but the attractiveness of holding sterling bonds still seems insufficient to us.









Graph sources: Bloomberg / BearBull Global Investments

Japanese long-term rates are following the general trend without conviction

Meanwhile, Japanese 10-year long-term rates have also been affected by the upward trend in US Treasury rates and the overall adjustment observed in most bond markets. Even though the inflationary outlook is radically different in the US and Japan, Japanese 10-year government bond yields "tightened" in the first two months of the year.

While the trend in long-term rates was similar, the amplitude of change was logically much more modest. Indeed, long-term rates only increased by 15 basis points, a small but sufficient movement to reach a new high point for the last four years.

Ten-year bond yields thus temporarily hit 0.18% at the end of February and are currently stabilising at around 0.15%.

Chinese bonds still attractive

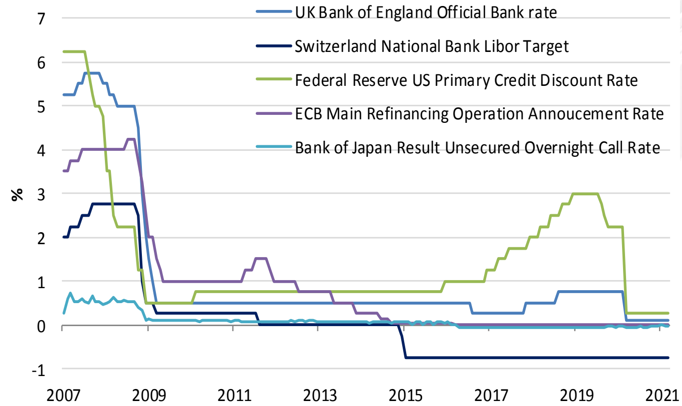
The Chinese bond market has become the world's second largest bond market and is gradually gaining recognition among international investors. Particularly sought after during the pandemic because of its high yield by international comparison and the attractiveness of the yuan, it could however temporarily lose some of its competitive advantages. Indeed, the rise in dollar rates reduced the yield differential from 2.5% to only 1.6% in four months, and the likelihood of a weakening of the yuan over the next few months reduces its expected net yield. The 3.25% yield on government bonds remains attractive and the lack of correlation between this market and other developed bond markets is still an interesting feature. In this environment we maintain our interest and recommendation to diversify into Chinese yuan bonds.

Investment policy focused on USD, CAD, and AUD markets

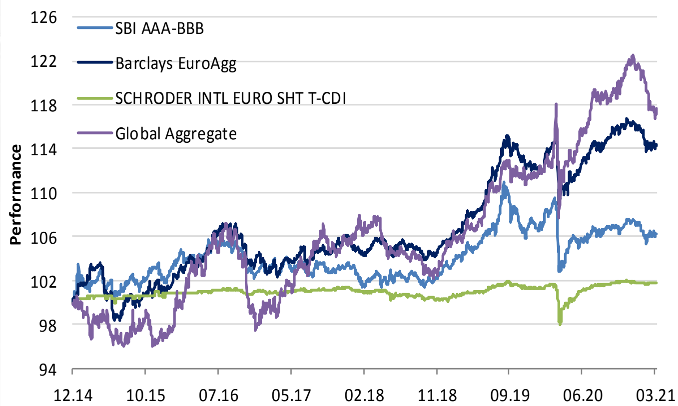
The recent rise in bond yields has significantly altered the risk parameters and opportunities across bond markets. 2020 was largely characterised by historically low and near-zero rates in most developed economies. This environment left little leeway for bond investment strategies. Yield pick-up strategies became the only alternative to achieve positive returns. They helped push risk premia to historically low and often insane levels. The recent shift in the economic outlook and its consequences on bond markets have changed the situation by offering new opportunities. Several bond markets are now once again offering investment opportunities at yields close to and above 2% over ten years. Long-term yields in US, Australian and Canadian dollars are becoming more attractive again. This is also the case for Chinese bonds, which are already yielding above 3.2%. In emerging markets, too, rising yields are creating new opportunities.

Our bond strategy today focuses on diversification in the investment grade segment in developed markets and in high-quality government debt in emerging markets. Slightly shorter maturities can be considered again after this first phase of rising interest rates. Floating rate notes (FRNs) and inflation-linked securities (ILSs) are also particularly suitable in this phase of rising inflation and yields. Yield pick-up strategies, often favoured by investors in search of positive returns, are now particularly risky as yield levels are adjusting. In 2020, risk premiums reached historically low levels and likely reached their limits in an economic climate that is now less affected by the health crisis.

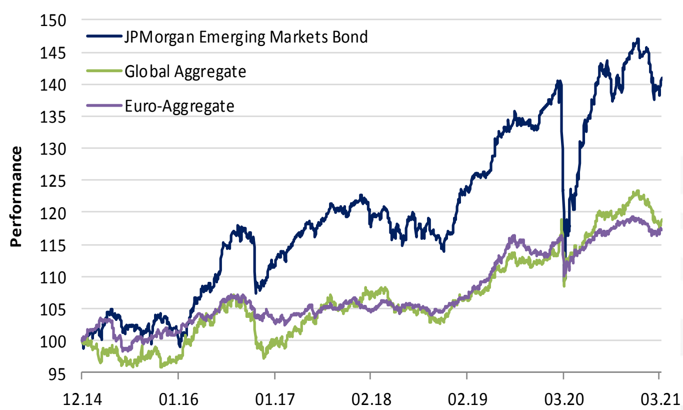
Central Bank rates (EUR, CHF, GBP, USD, JPY)



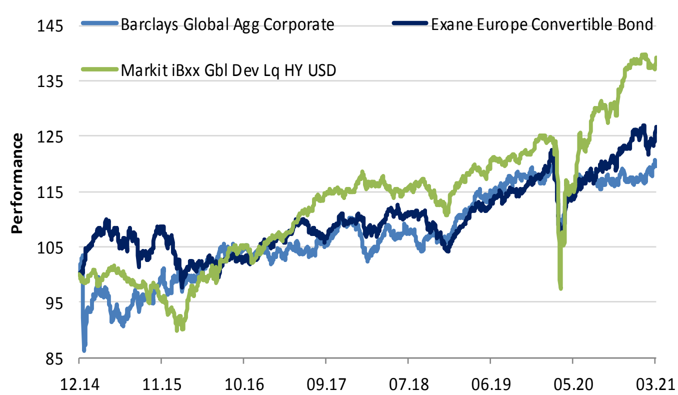
YTD Performance of Bond Indices 1- 5 years (Normalized at 100)



Emerging Bonds - Performance (Normalized at 100)



Eastern Europe Bonds - Performance (Normalized at 100)



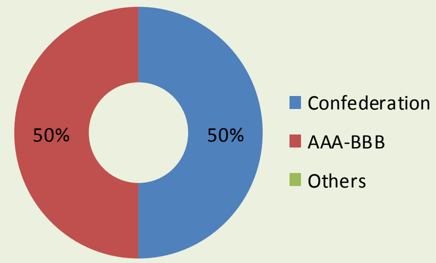
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Bonds

- The horizon is getting darker for Swiss franc bond markets
- Beware of the risk of risk premiums building up again
- The SNB will not impede the adjustment in long-term 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	↘	↘							

The horizon for Swiss franc bond markets is getting a little darker

International bond markets remained highly correlated at the beginning of the year and followed US market trends. As 10-year US Treasury yields jumped from 1% to 1.5% in just a few weeks, Swiss franc interest rates did not remain unaffected by the evolution of inflation expectations and underwent similar adjustments. Despite a totally different context in our country, with inflation at barely 0.2% in February and -0.5% over one year, Swiss government yields nevertheless rose by 40 basis points between January and February, pushing them to their highest level in 24 months.

The government yield curve in Switzerland has therefore steepened significantly as rates moved to adjust to new expectations of accelerating economic growth. Recall that the SNB anticipates real GDP growth of +3.2% in Switzerland in 2021 for inflation of only 0.1%. Real yields are declining significantly but still remain negative, which continues to be a positive factor for Swiss growth. With nominal yields on government bonds still below zero, yield pick-up strategies have not lost their appeal for some investors. The need for positive yield is still pushing some investors to take significant risks at the beginning of Q2 2021. This trend is supporting the flow of funds into BBB bonds, for example, whose yields slipped further in March to their lowest level ever. The average yield on BBB debt is now only 0.3%, compared to 2% in March 2020.

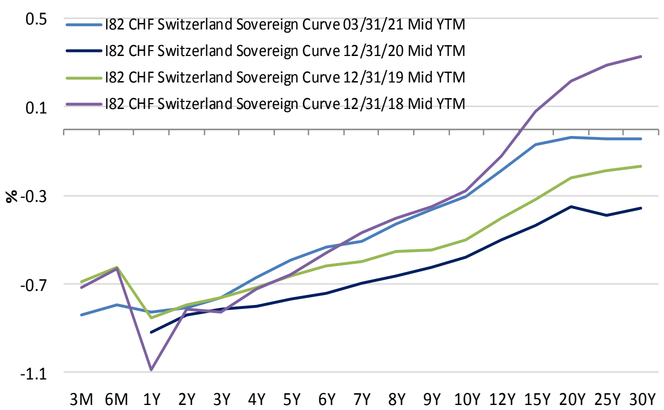
Beware of risks of risk premiums building up again

The expected trend reversal in interest rates has thus materialised in the investment grade market, but the risk premium between BBB bonds and 10-year federal government bonds still decreased over the same period. BBB bond yields are now at an all-time low of 0.3%, suggesting a sharp decline in the attractiveness of yield pick-up strategies, which are becoming increasingly risky. The spread between BBB and ten-year US Treasury yields is only 1.1%, while in Switzerland, the spread between BBB yields (0.34%) and the 10-year Swiss government bond (-0.27%) has stabilised at 0.61% (2.46% in March 2020). We recommend a sharp reduction in maturities and a reallocation of debt risks to investment grade securities that are less exposed to a future rebuilding of risk premiums.

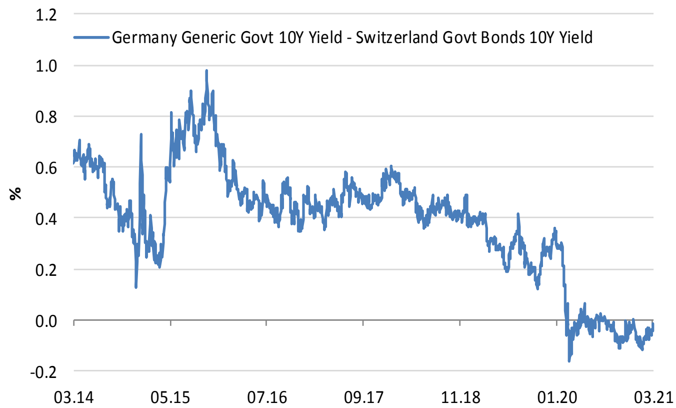
The SNB will not impede the adjustment in long-term rates

Ten-year federal government rates reached a higher level in February than in March 2020, returning to levels reached in December 2018. The Swiss bond market is being affected by international influences without benefiting from central bank action to slow the ongoing adjustment to more positive economic growth expectations. The SNB, unlike the Fed or the ECB, has not set up a government debt purchase programme and will therefore not be able to act in 2021 on the long end of the yield curve like other more interventionist central banks. The Swiss bond market seems to us to be more fragile from this point of view and would only be protected, as the case may be, by an increase in the demand for Swiss francs preferring to invest in bonds rather than to remain in cash, which does not seem to us to be very likely in the current context.

Switzerland Sovereign Yield Curve

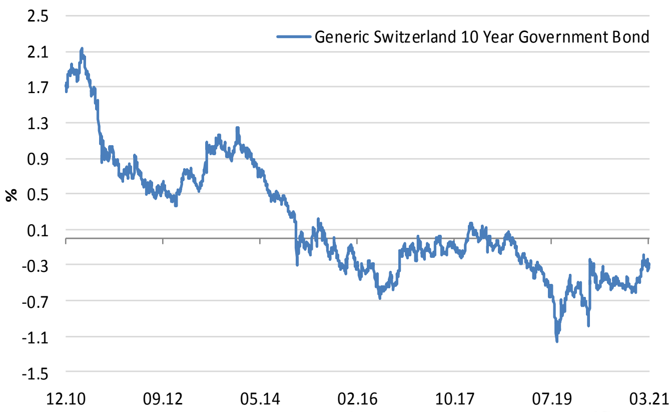


Long rates Yield Spread (German Bund - Swiss Confederation)

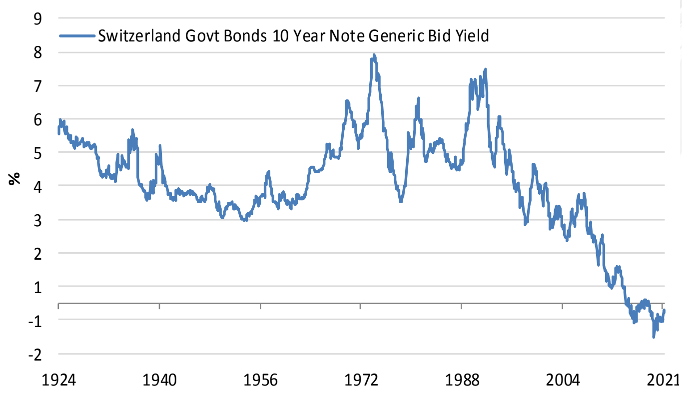


Graph sources: Bloomberg / BearBull Global Investments

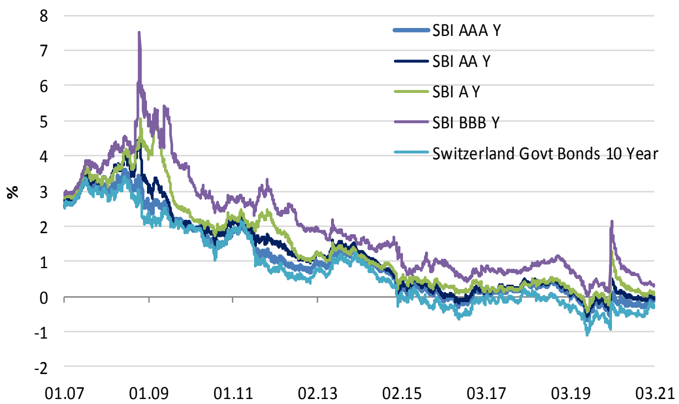
Switzerland Government Bond yield (10 year)



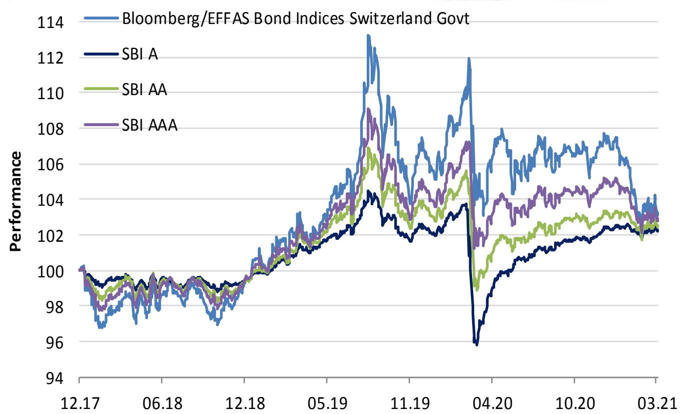
Switzerland Government Bond yield (10 year) since 1924



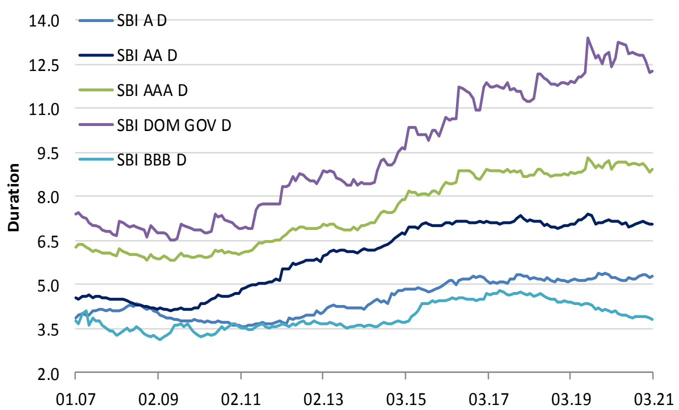
Yield by debtor type



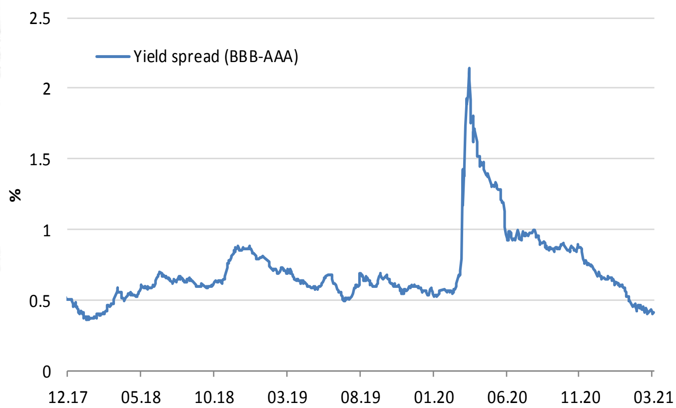
Performance of Swiss Bonds (Normalized at 100)



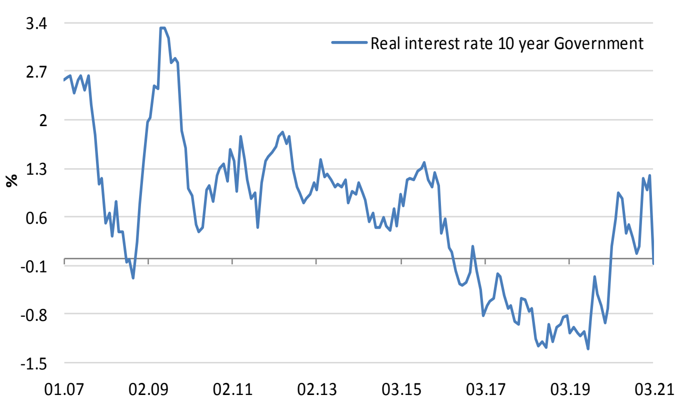
Duration of Bond Indices



Yield spread



Real Interest Rates



SWISS BOND INDICES (CHF)

31.03.2021		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	0.2	0.0	1.0	0.0
SBI AA-BBB	138.4	CHF	-0.1	0.2	-0.3	0.3	-0.3
SBI AAA-AA	139.8	CHF	-0.2	0.0	-1.6	-1.2	-1.6
SBI BBB	153.4	CHF	-0.1	0.2	0.2	1.5	0.2
SBI AAA-BBB	140.2	CHF	-0.2	0.0	-1.2	-0.7	-1.2
SBI DOM GOV AAA-BBB 1-3P	64.0	CHF	-0.1	-0.3	-0.9	-1.9	-0.9
SBI DOM GOV AAA-BBB 3-7P	83.3	CHF	-0.2	-0.1	-1.1	-1.6	-1.1
SBI DOM GOV AAA-BBB 7+ P	130.1	CHF	-0.7	-0.4	-5.3	-5.1	-5.3

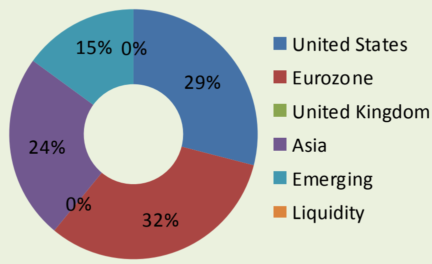
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

International Real Estate

- International real estate goes toe to toe with equities
- Vaccination campaigns offer new perspectives
- Economic stimulus packages also benefit real estate

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									

International real estate goes toe to toe with equities

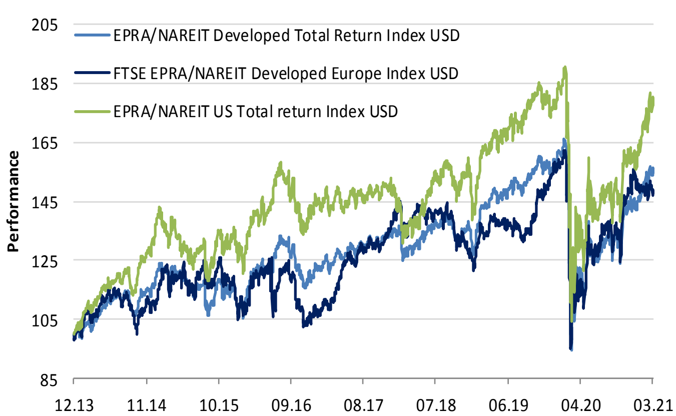
At the beginning of the year, international real estate still seemed to us to clearly be one of the best asset classes in terms of risk/return ratios, especially when compared to the risk/return profiles of equities and bonds. We felt that arbitrage and repositioning opportunities in the medium term were still particularly attractive for international securitised real estate, which had not yet benefited, like equity markets, from the more positive macroeconomic outlook for 2021. In the vast majority of countries, securitised real estate was still suffering from negative sentiment among investors still concerned about the medium-term risks that the pandemic posed to the stability of rental payments and therefore also to the expected returns on real estate investments.

The past quarter proved to be very favourable for international real estate investments, which could finally benefit from the improved economic outlook. The EPRA Nareit International Property Index rose by +5.6%, outperforming international equities (+4.9%). The US (+9.6%) and emerging markets (+9%) benefited more than other markets from renewed investor interest. In the UK, the trend remained positive (+3.1%) in spite of the country's withdrawal from the EU. Europe, on the other hand, saw REIT prices temporarily weaken by -3%.

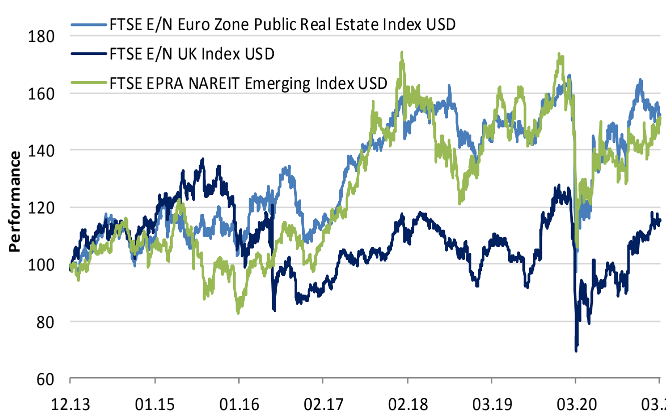
Vaccination campaigns offer new perspectives

International securitised real estate is therefore finally benefiting from a certain normalisation of the outlook and of the risks initially likely excessively associated with the pandemic. Investors are gradually reassessing these risks, which are now perceived in a less negative light. The success of the vaccination campaigns is clearly a key short-term factor in this ongoing process. The two Western countries that have shown an effective start to their vaccination campaigns are indeed those whose real estate markets have exhibited the strongest growth. The lead taken by the US and the UK in this respect has therefore largely contributed to the outperformance of their securitised real estate markets during the quarter. In contrast, Europe clearly lags behind both in terms of economic activity and vaccinations. The slow pace of vaccination campaigns in Europe is not helping the European real estate market, whose prospects for recovery are being delayed by this factor.

EPRA Nareit - USA, Europe, Global (USD)



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



Graph sources: Bloomberg / BearBull Global Investments

In emerging markets, and particularly in China, this is less of a factor, probably because of how the health crisis was dealt with there. The vaccination campaign in China was not carried out in the same systematic way as in the US and the UK because of the level of control over the pandemic achieved thanks to the government's health measures. The renewed interest in emerging real estate is more directly related to the economic recovery that has already taken place and to the normalisation of activity since April 2020. In the case of China in particular, the economic recovery is concrete and is also partly based on a recovery in real estate. Demand for construction remains solid, and demand for housing and commercial space also remains strong.

The long-term effects of the pandemic on international real estate markets should be kept in perspective

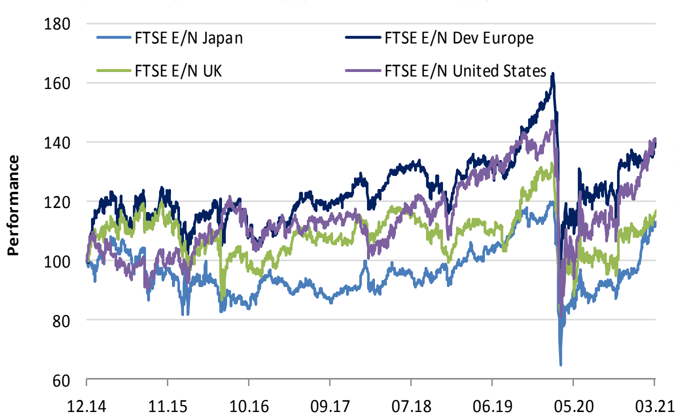
The pandemic will not have as large and lasting an impact on real estate markets as is sometimes imagined in relation to the growth in teleworking, which intensified in 2020. Certainly we expect a lasting impact on businesses from the forced teleworking experience that marked the fight against the pandemic. Many companies were undoubtedly seduced by this new form of collaboration and work organisation, and a very large number of employees appreciated the freedom in their personal organisation brought about by this new form of work. It is therefore likely that employee workspaces will be viewed differently by companies in the future. The development needs for commercial and office space will certainly be affected, probably lowering the prospects for new construction in the coming years.

In terms of residential property, this trend is likely to have a more positive impact on the layout of private dwellings. The need for an extra room, for example, will certainly be essential for the sustainability of teleworking in a comfortable setting. Without this, it is also likely that employees themselves will prefer the comfort of their professional workspace to the constraints of trying to organise a permanent workspace within their private living space. The development of telework will not be so simple and will affect a much smaller proportion of employees than was the case during the forced periods of lockdown. Therefore, while it is likely that demand for office space will weaken, we believe that the outlook for international real estate will not be impacted in 2021 as dramatically as the March 2020 share prices suggested.

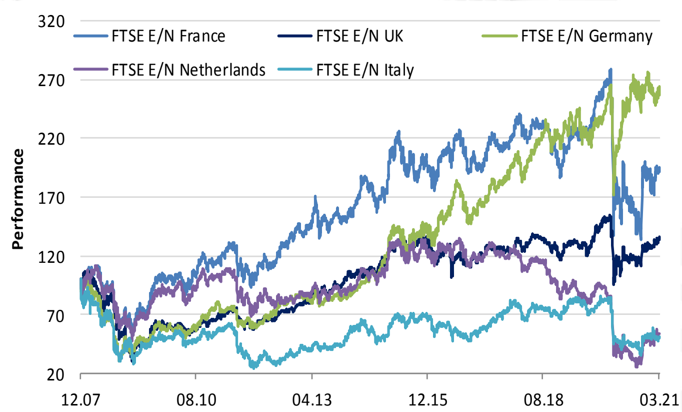
Economic stimulus packages also benefit real estate

Global growth is expected to exceed +6% in 2021. The economic stimulus packages that will support this extraordinary growth include specific components dedicated to the energy transition and infrastructure development, but overall they will also have a favourable impact on construction and on the various real estate markets. An increase in demand is expected to accompany this new growth and mitigate the risks of a reduction in rented space in the office sector linked to the development of teleworking. A solid economic recovery will also have a positive impact on expectations regarding the sustainability of revenues and rents to be collected by landlords. Current fears of vacancies or non-payment of rents are probably exaggerated in this new context. Furthermore, in physical property markets, we have already noticed an increase in concrete demand, which has led to price increases. In the US in particular, the government support measures implemented to counter the negative effects of the pandemic have already had positive effects that will affect the physical property market in the long term. Increased demand for real estate, positive wealth effects for households, low interest rates, reinvestment of savings and improved job security are already supporting real estate. Securitised real estate remains unfairly penalised by overly pessimistic expectations that do not yet take into account the positive impact of these factors.

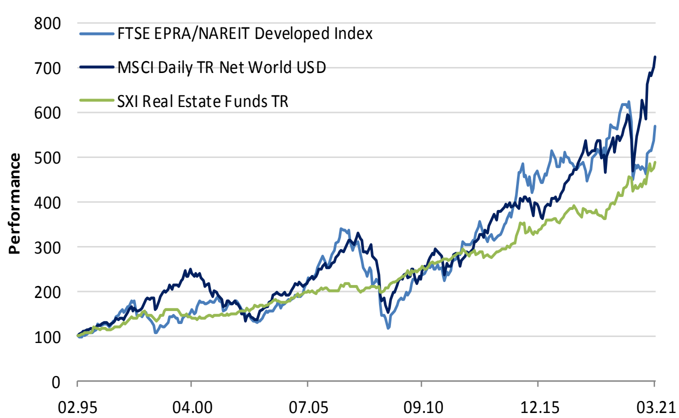
Real estate markets (local currency)



European real estate markets (local currency)



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



Graph sources: Bloomberg / BearBull Global Investments

INTERNATIONAL REAL ESTATE INDICES (local currency)

31.03.2021 — Total Return Performance

	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	FTSE EPRA/NAREIT Glb TR	3019.8	USD	0.8	2.2	6.3	19.6	6.0
DEVELOPED	EPRA/NAREIT Dev TR USD	5693.4	USD	0.8	2.4	6.4	20.4	6.1
DEVELOPED EUROPE	FTSE E/N Dev Europe	2140.9	EUR	-0.4	1.7	-0.4	11.6	-0.4
EUROZONE	FTSE E/N Euro Zone	2355.4	EUR	-0.8	1.3	-3.2	8.4	-3.0
USA	FTSE E/N United States	3057.3	USD	1.2	3.9	10.6	24.0	9.6
DEVELOPED ASIA	FTSE E/N Dev Asia	1531.1	EUR	1.8	3.8	10.7	18.0	10.7

Attractive returns in the Eurozone and emerging markets

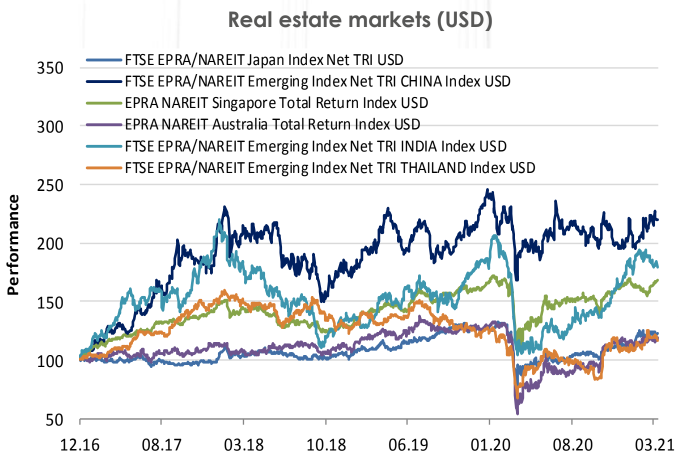
In terms of asset allocation, international securitised real estate has historically outperformed bonds and the dividend yield of equities. Today, this yield differential is particularly positive and in favour of real estate in both cases. The overall yield for international securitised real estate is estimated at 3.59% for 2021 and 3.84% for 2022.

However, the dividend yield on securitised real estate investments varies greatly among different investment segments. The lowest yielding market among developed markets is currently the UK's. The average yield in the UK is just over 3% in 2021 and could reach 3.45% in 2022. By European comparison, the average yield for 2021 would be 4.56% and 4.89% for 2022 in the euro zone. US securitised real estate, after its strong rise in Q1, now only offers an expected average yield for 2021 of 3.35%, though it is still at 3.53% for 2022.

In the developed Asian markets, the expected yield is 3.69% for 2021 and 3.95% for 2022, significantly higher than in Japan where real estate yields are +2.6% and 2.8%, respectively.

Thus, the euro zone clearly has the best returns among developed markets.

Outside of developed markets, emerging market REITs offer significantly higher yields. They approach 5.1% for 2021 and 5.79% for 2022. China leads the way in emerging market opportunities with strong fundamentals and a yield of 6.29% for 2021 and 7.1% for 2022.



International securitised real estate therefore still offers particularly attractive returns at the beginning of Q2 and is well worth considering. Diversification into listed real estate investments still seems particularly appropriate in the current environment.

Asset reallocation and flow of funds to securitised real estate

International securitised real estate was clearly a victim of the asset reallocation process in H2 2020 towards risky investments such as equities, for which the earnings outlook in the economic recovery phase seemed more constructive and predictable. This asset class was also not yet benefitting from inflows of funds from the bond markets at a time when the trend in interest rates remained negative.

The rise in equity markets now puts them in a relatively uncomfortable position in terms of risk/return ratios due to particularly high PEs. The rise in long-term rates also raises new questions about the sometimes extreme valuations of growth stocks. In the bond markets, the new upward trend in dollar and pound sterling rates weakens the outlook and suggests some sell-off.

In this unfavourable environment for both asset classes, securitised real estate investments are likely to look particularly attractive from a relative perspective. We believe that the flow of funds into securitised real estate should increase to capture higher yield opportunities and real prospects for capital gains.

Real estate strategy favouring the euro zone and emerging markets

At current price levels, we maintain our positive outlook for international securitised real estate and suggest maintaining an overweight investment policy and tactical allocation.

Real estate investment returns will not be as affected by the Covid-19 crisis, and the global economic recovery is making the asset class more attractive. An improved investment climate and reduced uncertainty will support the shift of funds out of bonds and into securitised real estate.

In terms of tactical positioning, we favour a diversified regional allocation, overweight the euro zone, Asia, emerging markets and China.

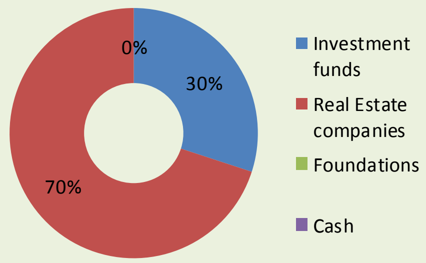
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Real Estate

- Investment funds still enjoy the benefit of the doubt
- Beware of investment fund premiums
- Real estate companies undoubtedly undervalued

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									

Investment funds still enjoy the benefit of the doubt

The first quarter of the year ended on a low note for real estate investment funds, which barely managed an increase of +0.43%. After a strong +6.06% increase in December, the economic environment at the beginning of the year, characterised in particular by a rise in long-term interest rates, initially caused confusion before being relegated to the background. However, the fall in January was quickly seen as an opportunity to reposition. Investors quickly became convinced that higher yields on real estate than on bonds, as well as the reduced risk of rental losses at the end of the pandemic, justified an asset allocation still favouring securitised real estate. It is true that the anticipation of a forthcoming resolution of the health crisis, thanks to the implementation of vaccination campaigns, made it possible to envisage a reduction in the pressure stemming from requests for rent reductions and in the risks of lower profitability in the real estate market. The emergence of teleworking had initially weighed on expected returns, but the imminence of vaccination campaigns mitigated these fears. Real estate investment trusts are benefiting from these factors and are not yet experiencing the pressures that could and certainly will arise in relation to particularly high fund valuations. Indeed, the premiums of all investment funds now exceed 40% following the massive share price rise seen in 2020. But this asset class still enjoys the benefit of the doubt, even though it is certainly at its most overvalued, at least temporarily and by any historical measure of comparison. Despite a still attractive yield of 2.8%, we believe that the risks of a short -term value correction are significant and recommend a temporary reduction in exposure to real estate investment trusts, which are already trading +3.3% above their February 2021 level.

Real estate companies undoubtedly undervalued

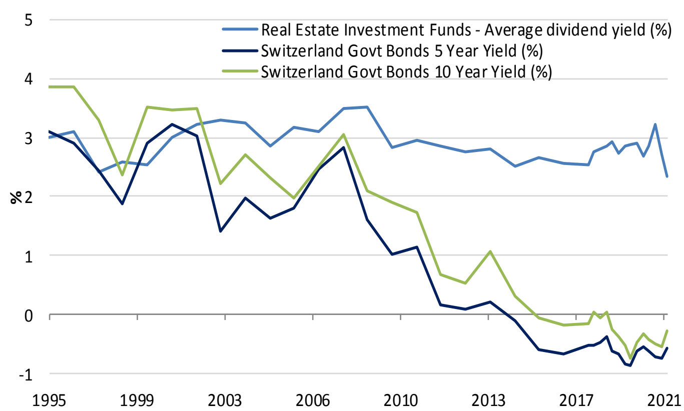
At the same time, listed real estate companies have not yet regained the favour of investors. Overall, they are still far below the levels reached in February 2020 before the health crisis. They have not yet benefited from fund inflows and are still trading at levels close to those prevailing at the end of March 2020, i.e. around -17% lower than their February level (SXI Real Estate Shares Index). Yet their average yield of 3.4% is higher than that of real estate funds, while their average premium of 19.5% is almost half that of real estate funds. Real estate companies are probably suffering from being part of the Swiss equity market for the time being. Institutional investors, in particular, who often believe that the real estate asset class is represented primarily by investment funds and real estate foundations, have certainly not yet sufficiently considered real estate companies as an investment vehicle. We believe that the latter are currently being unfairly penalised in part by expectations that are probably too pessimistic in the medium term. We believe that a readjustment of allocations between real estate investment funds and real estate companies is appropriate in this context.

SWISS REAL ESTATE

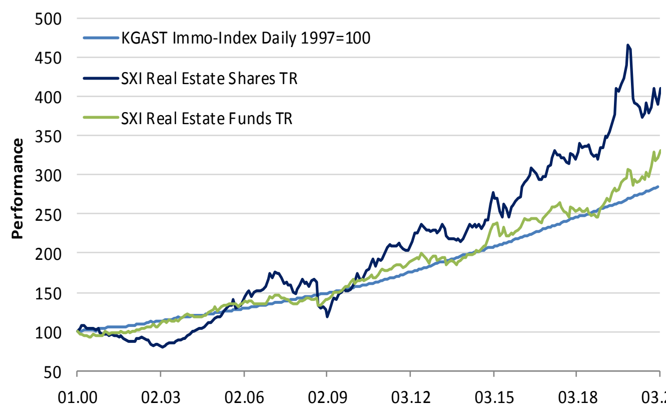
31.03.2021 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SXI Real Estate Funds TR	485.5	3.3	1.9	0.4	8.8	0.4
SXI Real Estate Idx TR	3057.8	-1.3	4.2	0.1	4.7	0.1
KGAST Immo-Index	319.4				2.6	1.1

Government and Real Estate Yield



Performance of Swiss Real Estate



Graph sources: Bloomberg / BearBull Global Investments

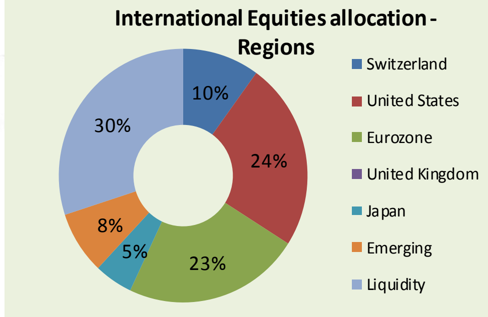
BearBull Global Investments Group

PROSPECTS AND STRATEGIES

International Equities - Regions

- Equity markets threatened by rate normalisation
- Trend reversal in the growth vs value contest
- Complicated outlook for US equities
- European equities are already approaching their 2021 targets

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



Tactical Allocation

- Reduce risk and equity allocation
- Increase Liquidity

Equity markets threatened by rate normalisation

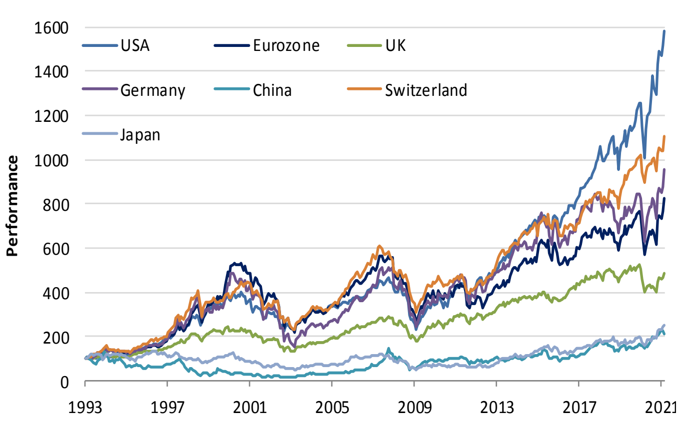
The acceleration of global economic growth is clearly a favourable factor for the outlook for corporate sales and revenue growth. However, the rise in long-term interest rates that could become widespread in the second half of the year could pose a valuation problem for equities and private equity in particular. The investment climate remains optimistic for the time being due to the stronger economic outlook and is still only slightly influenced by high valuation issues. In this rather constructive and positive stock market environment, it should be noted, however, that many risky assets are already quite generously valued and are often already trading at high valuation multiples that could trigger value corrections. A rational analysis of valuations already suggests risks of overvaluation of assets that benefited from a euphoric stock market climate at the end of the year. The economic situation is likely to be favourable for listed companies and other cyclical assets in particular. However, given current valuation levels, we believe that caution is once again called for as we await better short-term reinvestment opportunities. Over the year as a whole, economic conditions and the likely increasing flow of funds into remunerative assets is likely to contribute to a positive performance of risky assets.

Trend reversal in the growth vs value contest

For the past three months, technology stocks and, more broadly, growth stocks and sectors previously favoured by falling interest rates have not benefited as much from the influx of investor funds. The upward trend is running out of steam, with the Nasdaq index ending the quarter on a very slight gain due entirely to the +1.46% increase recorded on the last day of March. The doubling of ten-year US rates from 0.9% in December 2020 to nearly 1.8% at the end of March 2021 has effectively weighed on these stocks, many of which are extremely highly valued. During the same period, the Dow Jones index advanced by +7.7%. The stocks in the S&P500 value index (+10.14%) benefited from new investment flows and clearly outperformed the S&P500 growth index (+1.9%). A pause in the rise in interest rates could provide some support for growth stocks, but a further rise above 2% could instead trigger more profit taking. The first round of 2021 thus seems to finally be favouring value stocks after a long period of underperformance. Q2 is likely to be a little more mixed, at least initially. Growth stocks, which are most often the source of economic development and new modes of consumption or production, will continue to be the main drivers of value creation and profits and will remain sought after by a whole generation of investors. In the short term, value stocks may still outperform growth stocks by benefiting from the accelerating economic outlook and attractive valuations.

But a continuation of the current outperformance seems to us difficult to sustain, if at the same time it causes the valuations of value stocks to rise and if the adjustment of long-term rates stabilises. A limited rise in long-term rates is unlikely to have a major impact on growth stocks, as a real trend reversal will likely require more tension, which we do not think will arise immediately. The second round of the game could therefore still be won by growth stocks in Q2.

Long-term Performance (Normalized at 100)



Chinese Equities - A and B (Normalized at 100)

Graph sources: Bloomberg / BearBull Global Investments

Complicated short-term outlook for US equities

Equity markets have benefitted from abundant liquidity despite high valuations. The US market continues to rise without worrying for the moment about rising interest rates and high valuations. For several months now, we have been witnessing the sector rotation that we predicted, which now favours value stocks to the detriment of growth stocks, but optimism remains fairly widespread. The price corrections in the tech sector, and especially on the stocks of companies that are still far from presenting convincing profitability, did materialise, but they did not really affect investor sentiment. The current stock market climate, which is more favourable to value and cyclical stocks, is now benefiting the financial, energy, materials and industrial sectors, which have outperformed since the beginning of the year. Surprisingly, the increase in the price/earnings factor has not yet had a significant effect on the overall market. However, December 2021 price growth expectations for S&P500 stocks have already almost been reached, leaving little room for further price gains, unless we can count on significant revisions to corporate earnings for the year as a whole. 2021 looks positive for most companies, but at 23x 2021 earnings, we must now already look ahead to 2022 to expect further gains. We again recommend a temporarily more cautious exposure.

European equities are already approaching their year-end price increase targets

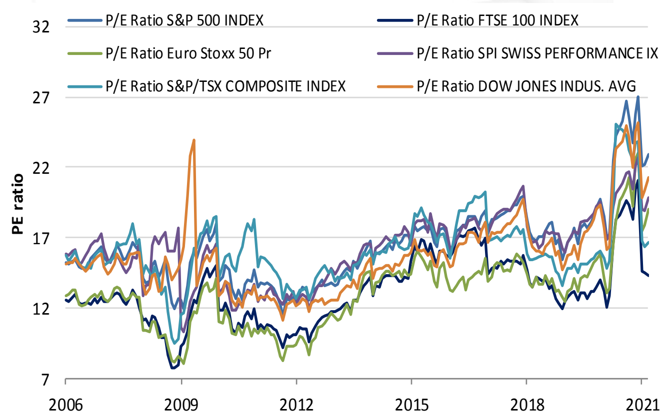
The European market, which has little exposure to growth stocks compared to the US market, seems better positioned to take advantage of the change in investor perceptions now favouring cyclical stocks over technology stocks. The current stock market climate, which is more favourable to value and cyclical stocks, is indeed benefiting the European indices. However, 2021 price growth expectations for stocks in the Stoxx 600 and Stoxx 50 have already almost been reached, leaving little room for further price gains unless we can count on significant revisions to corporate earnings for the year as a whole. Ultimately, 2021 looks positive for most European companies, and valuations of 18x earnings still offer a significant discount compared to the 23x 2021 earnings valuations expected for S&P500 companies. However, we again recommend a temporarily more cautious exposure to European equities until a real recovery in activity and earnings growth takes hold in 2021.

Recent price correction encourages new investment in Chinese equities

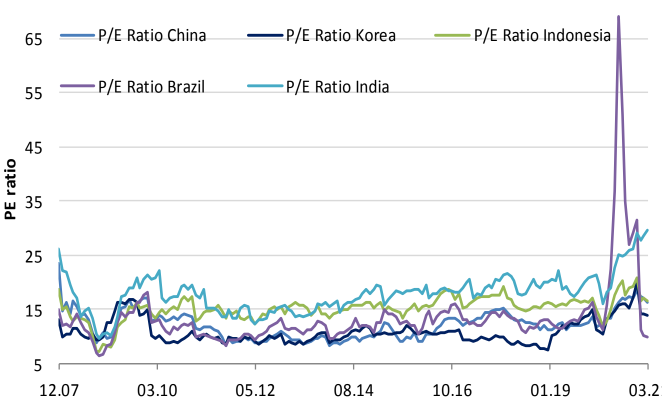
The profits of China's industrial companies largely surprised observers by rising by +179% year-on-year in January and February. This increase reflects the +35.1% jump in industrial production over the same period. It goes without saying that the base effect due to the -38.8% drop in profits during the pandemic in 2020 contributed to this performance. Rising commodity prices also had a positive impact on mining companies' earnings (+83%), while manufacturing companies saw their profits grow even faster (+219.5%). Chinese stocks have recently suffered from the return of political and trade tensions between China and the US with regards to the new technology war. But Chinese stocks have also been affected by the increased risks posed by rising US long-term rates, affecting the high valuations of Chinese technology companies as well. Investor concerns have turned to high multiples and have caused significant price adjustments. The recent correction in the Chinese market could thus be an initial reaction to the growing risks of rising interest rates and tighter monetary policies, especially as China is ahead of the global business cycle and fears of an end to an accommodative monetary policy may logically be higher in China now. However, at current levels, we believe Chinese stocks offer attractive prospects by international comparison. The Chinese market has also become more liquid and is attracting an increasing number of investors because of its high growth prospects, reasonable valuations and lack of correlation with developed markets.

Volatility (USA, Europe, Switzerland)

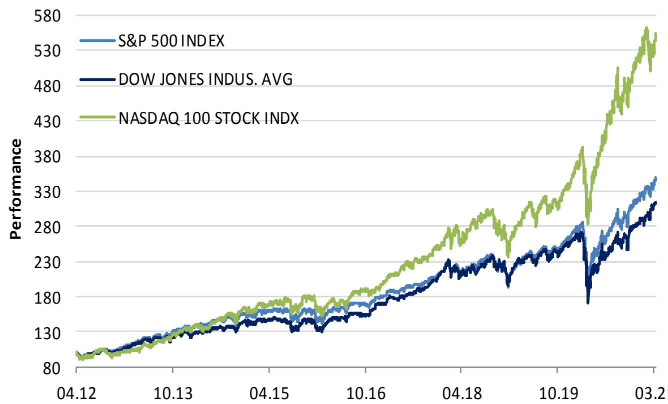
Price/Earnings Developed markets



Price/Earnings Emerging markets



US Equities (Normalized at 100)



Graph sources: Bloomberg / BearBull Global Investments

Japanese equities to benefit from profit revision cycle

Japanese GDP growth is already particularly export-driven, with an acceleration in 2021 expected to be largely favourable to exporters, who will benefit from the global cyclical recovery driven by Asia and more broadly by the convergence of regional economic cycles. Profits of Japanese companies in cyclical sectors are expected to rebound sharply and benefit from this convergence as well as a return of demand for capital goods in particular. The Nikkei index is now trading above 28,000 points for the first time since 1991, a rise which has however certainly not greatly benefited foreign investors, who have been largely absent from this market in recent months. However, upward earnings revisions could reach +30% and have a positive impact in the coming months on the international demand for Japanese shares.

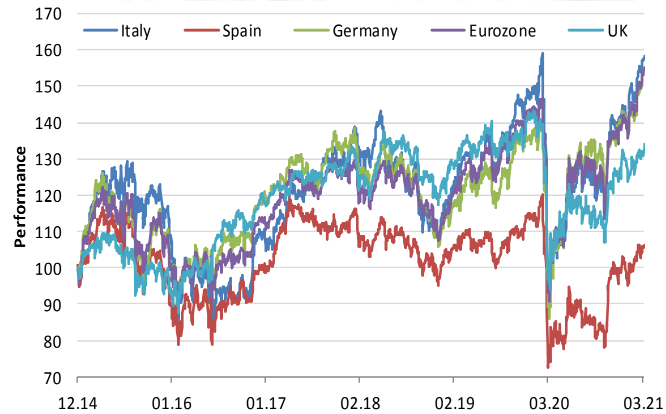
Despite these favourable developments for 2021, in the short term, we believe that a loss of momentum seems likely due to the already high valuation levels of Japanese stocks, about 20% higher than that of European equities for comparison.

UK equities enjoy a 20% risk premium

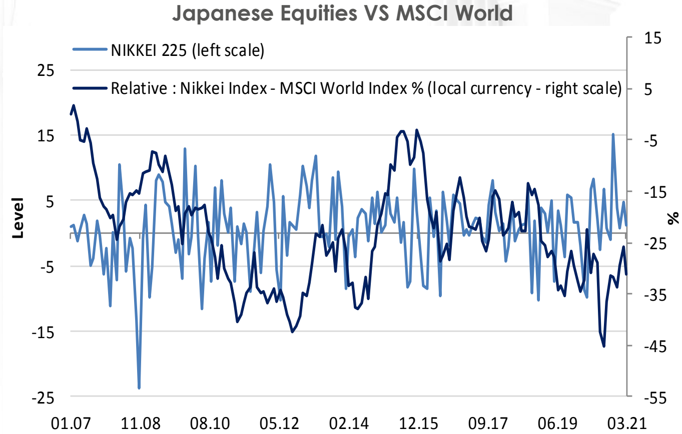
The UK equity market has still not benefitted from positive momentum and continues to lag most other European markets in 2021 as it did throughout 2020.
The FTSE 100 index's rise of around +5% in local currency in the first few weeks is well below that of European equities (+8%) in euros. UK stocks are still suffering from Brexit-related uncertainty. The FTSE 100 index is still trading at just over 14x expected earnings for 2021 and thus benefits from a favourable risk premium of around 20% compared to the Eurostoxx 50 (18x).

This valuation gap is likely to be favourable, but the composition of the UK stock market likely still acts as a brake to the adjustment of UK stock prices and valuations.

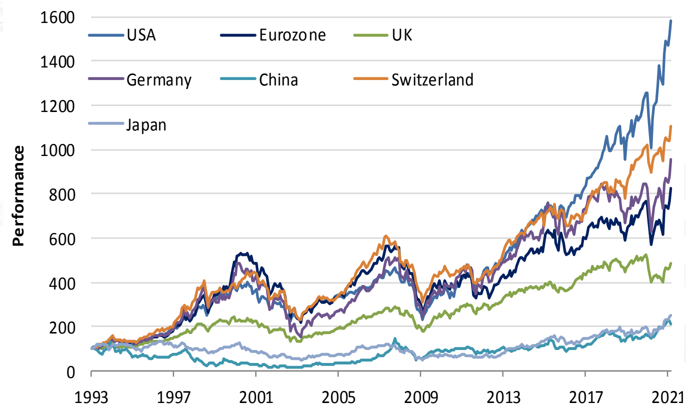
Performance of Stock markets (Normalized at 100)



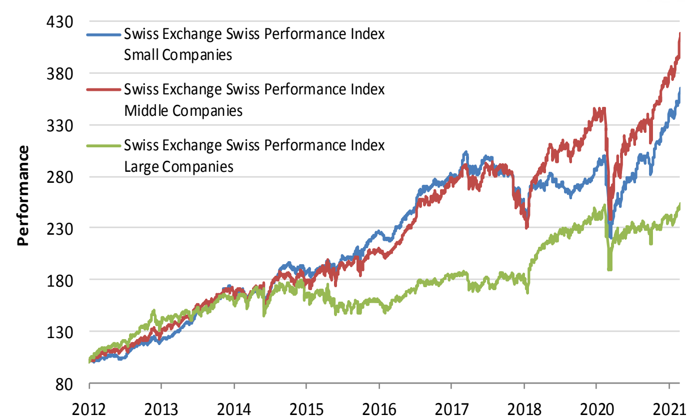
Japanese Equities VS MSCI World



Emerging Markets (Normalized at 100)



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



EQUITIES - BY REGION (local currency)

31.03.2021				Total Return Performance				
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
SWITZERLAND	SPI Swiss Performance Index	14015.0	CHF	0.3	4.9	5.2	10.1	5.2
SWITZERLAND SMALL-MID CAPS	SPI Extra Total Return	5461.6	CHF	0.6	4.6	8.9	18.5	8.9
EUROPE	STXE 600 € Pr	429.6	EUR	1.6	4.6	8.1	20.2	8.4
EUROPE SMALL-MID CAPS	MSCI Europe Small Cap Net TR E	534.0	EUR	1.4	3.1	9.6	27.9	9.7
UK	FTSE All-Share Index	3831.1	GBP	0.2	2.4	3.8	18.5	5.2
USA	S&P 500 Index	3972.9	USD	2.2	2.0	6.9	19.1	6.2
USA SMALL-MID CAPS	RUSSELL 2500	883.1	USD	3.6	-1.3	10.9	41.3	10.9
JAPAN	NIKKEI 225	29178.8	JPY	3.3	-1.1	6.9	26.7	6.9
JAPAN SMALL-MID CAPS	Russell/Nomura Mid-Small Cap I	1025.4	JPY	1.8	4.9	10.0	18.4	10.0
ASIA EX-JAPAN	MSCI AC Asia Pac Ex Japan	677.6	USD	1.0	-3.8	2.7	22.6	2.7
ASIA EX-JAPAN SMALL-MID CAPS	MSCI AC Asia Pacific Ex Japan Small Cap	1235.1	USD	1.3	-0.2	6.8	28.3	6.8
EMERGING	MSCI EM	1316.4	USD	1.4	-3.2	2.4	22.6	2.2
INTERNATIONAL EQUITIES -DIVERSIFIED USD	MSCI Daily TR Net World	8402.6	USD	1.7	1.2	5.1	19.6	4.9

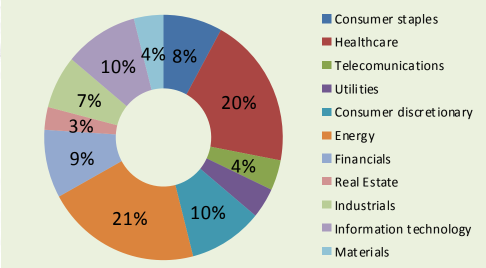
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

International Equities - Sectors

- Overweight value stocks
- Focus on financials, energy, basic materials and gold/silver mining
- Underweight growth and technology stocks

International Equities allocation -sectors



Tactical Allocation

- Underweight digital stocks and technology
- Overweight healthcare, materials, energy and gold /silver 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	↗	↗↗							

In the current context, growth stocks are weakened by the new economic environment at the beginning of 2021, characterised by an adjustment of long-term rates in light of the increasingly positive economic outlook. The steepening yield curve will certainly be more negative for growth stocks and more favourable to cyclical sectors such as banking, energy, basic materials, etc. The underperformance of the Nasdaq index and more broadly that of growth stocks during Q1 has already confirmed this forecast made at the beginning of the year. The current tensions on interest rates are likely to continue and have a similar impact in Q2 on the absolute and relative performances of these two management styles. The performance gap observed during the first few months of the year is currently of only +8% in favour of value stocks, which is still relatively modest and does not seem sufficient to cause a new and lasting style rotation. Given the still extreme relative valuations of growth stocks in the S&P500 growth index (PE 29x 2021) vs. the S&P500 value index (19.3x), we still favour the latter in our sector allocation for the time being.

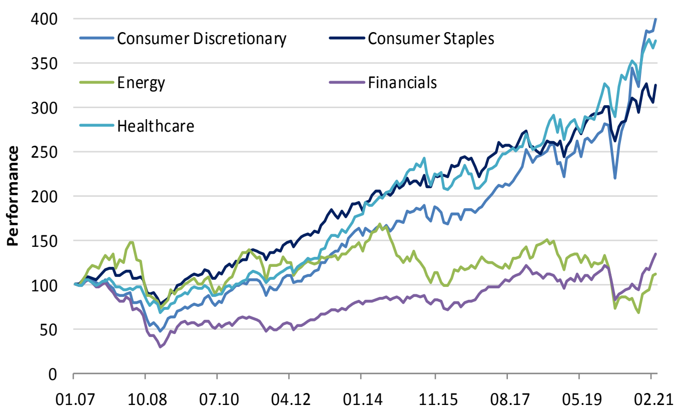
We now recommend maintaining a sector diversification more oriented towards cyclical sectors. Technology stocks are therefore still underweighted. We continue to favour energy and basic materials stocks, which will benefit from the improved growth outlook and the acceleration of growth in H2. The mining sector will also benefit and is therefore likely to be included in a diversified international allocation. Gold and silver mining will certainly also benefit from an expected further rise in precious metal prices. The healthcare and telecoms sectors offer weaker prospects in our view and have had their respective allocations reduced.

EQUITIES - BY SECTOR

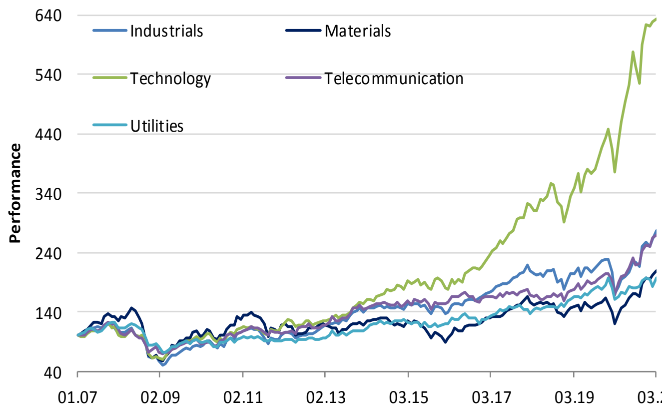
31.03.2021 — Total Return Performance

	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
CONSUMER DISCRETIONARY	MSCI WORLD/CONS DIS	389.6	USD	2.3	1.3	3.3	20.4	3.6
CONSUMER STAPLES	MSCI WORLD/CON STPL	262.0	USD	1.4	5.5	-0.4	6.1	-0.4
ENERGY	MSCI WORLD/ENERGY	155.7	USD	-0.6	0.4	21.3	55.4	22.2
FINANCIALS	MSCI WORLD/FINANCE	134.5	USD	1.1	2.3	13.8	40.7	13.4
HEALTHCARE	MSCI WORLD/HLTH CARE	313.2	USD	1.6	1.3	1.5	7.9	0.9
INDUSTRIALS	MSCI WORLD/INDUSTRL	326.8	USD	2.7	3.8	7.9	24.5	7.9
MATERIALS	MSCI WORLD/MATERIAL	333.9	USD	1.9	1.7	5.5	22.7	5.9
REAL ESTATE	MSCI WORLD/REAL ESTATE	225.7	USD	1.6	4.3	6.8	15.6	6.2
TECHNOLOGY	MSCI WORLD/INF TECH	448.9	USD	2.3	-2.2	1.5	14.6	1.4
TELECOMMUNICATION	MSCI WORLD/TEL SVC	100.3	USD	0.4	-0.4	7.6	23.7	6.9
UTILITIES	MSCI WORLD/UTILITY	153.2	USD	1.7	6.4	1.3	10.3	0.8

Sectors - MSCI World (Normalized at 100)



Sectors - MSCI World (Normalized at 100)



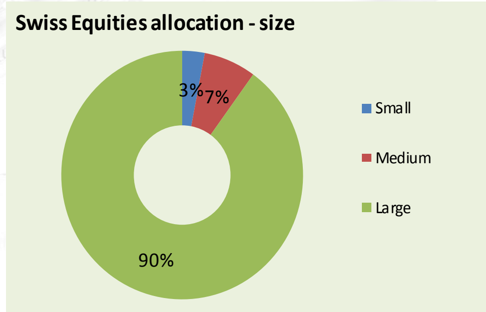
Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

Swiss Equities

- Swiss equities finally following the international trend
- Exchange rate factor back in force
- High valuations, reduced upside

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 finally following the international trend

The Swiss equity market ended February on a very limited consolidation of -1.45% after marginal declines in the two previous months. However, it was moving against the trend in other markets, which were posting increases, albeit moderate. In March it had the opportunity to catch up a little thanks to a +6.7% rise, driven in particular by renewed enthusiasm from international investors and likely by a weaker franc.

The nature of the companies listed in our country and the defensive nature of the Swiss market do not lend themselves to the same forms of speculation as those observed in the US in particular. Technology stocks are rare in the Swiss market, which therefore attracts little speculation. Stock market euphoria therefore seemed much less prevalent in our market in Q1 2021. However, hesitation seems to increase whenever 12-month PE valuation levels rise, both for SMI stocks when they reach 19x expected earnings for 2021, and for SPI stocks (20x). The early-year sell-off in the wake of these valuations brought the SMI back to 10,500 points, the level it had already reached in July 2020 when the health measures were lifted. However, the main blue chips in the SMI still seem to offer attractive growth prospects, and the stability of their business model could also benefit them in an environment that is once again more uncertain for risky assets due to the upward trend in interest rates.

Overall, Swiss equities will still benefit in 2021 from the lack of investment alternatives for investors forced to turn to volatile assets in the absence of returns and from the lack of attractiveness of the Swiss franc bond market. However, with the exception of the major blue chips, which still have a very positive outlook, most Swiss stocks have already taken into account the positive developments expected for 2021.

In the short term, we still consider the risks of price consolidation to be high and suggest a reasonable exposure to Swiss equities before the uptrend in equity markets can be expected to resume.

Exchange rate factor back in force

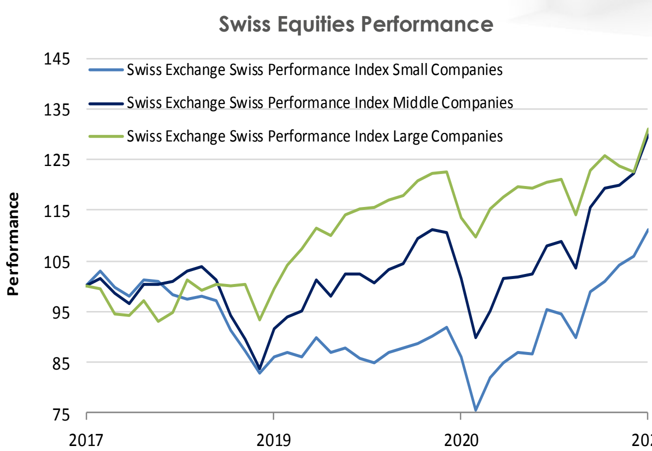
At the beginning of the year, we noted the potential importance of the exchange rate factor in the evolution of the Swiss equity market in 2021 as a trigger for new earnings growth expectations for multinational companies, particularly in the context of the expected weakening of the franc against the major currencies. In March, the rise of the dollar by almost +3.86% (from 0.9 to 0.94), following the rise of the euro by almost +3% (from 1.08 to 1.115) between the end of February and the beginning of March, certainly supported earnings growth expectations in Swiss francs. These developments confirmed our expectations that the Swiss franc would likely weaken and lose its safe haven status in a calmer economic environment. An improvement in investor sentiment and confidence against the backdrop of a strengthening global economy was expected to reduce demand for Swiss francs. The weakening of the franc will have a positive impact on the results of Swiss multinationals and will help to support their profit growth.

The exchange rate factor therefore does not seem to be unrelated to the rise in Swiss stocks. It is likely to continue to play a positive role throughout the year if our expectations of a strengthening global economy are confirmed. In the short term, however, it is expected to lose some influence during a consolidation phase that will likely materialise soon.

SWISS EQUITIES - Capitalization

31.03.2021 — Total Return Performance

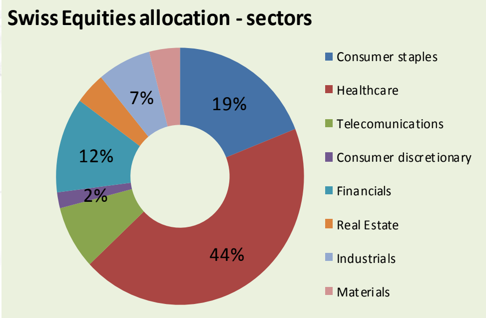
Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
SPI SWISS PERFORMANCE IX	14015.0	0.3	4.9	5.2	10.1	5.2
SPI SMALL COMPANIES INDX	30761.1	0.9	3.3	10.1	17.4	10.1
SPI MIDDLE COMPANIES IDX	21520.8	0.7	4.4	8.9	19.4	8.9
SPI LARGE COMPANIES INDX	13080.7	0.1	5.0	4.2	8.0	4.2



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	↘	↗							



Tactical Allocation

- Focusing on health

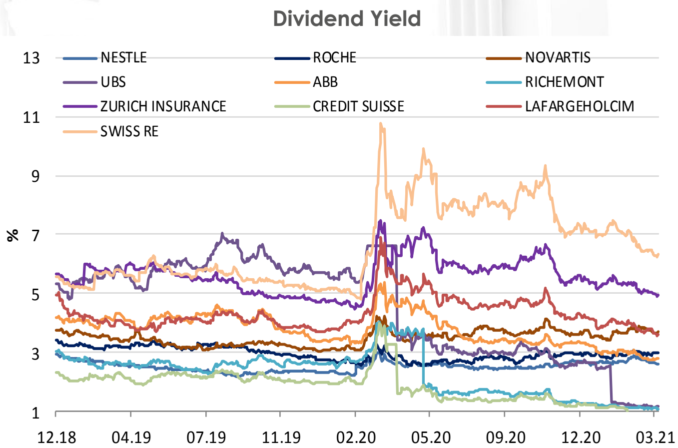
High valuations, reduced upside

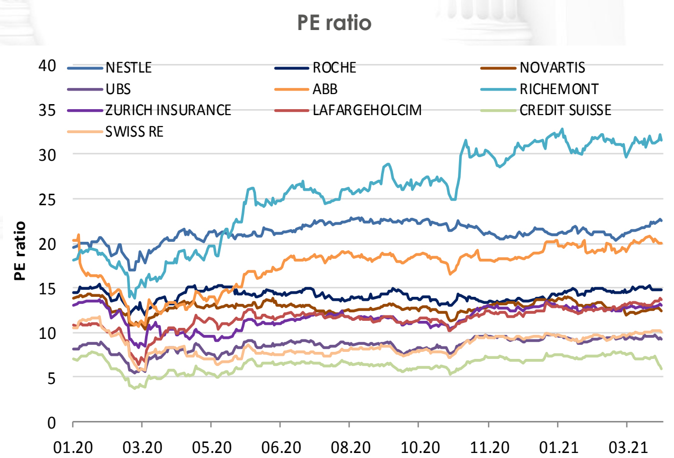
The situation remains relatively difficult in the Swiss market at the beginning of Q2 in terms of company valuations. The largest market caps in the SMI are already trading at multiples close to 18x 2021 earnings, but the most exposed to correction risks are likely the mid-caps due to their already obvious overvaluation. Their average price/earnings ratio of 28.8x expected earnings is already significantly higher. For the small caps in the SPI, the situation is even more worrying, as they too have already reached exceptional valuation levels, resulting in a PE of 41x expected 2021 earnings.

The contrast among the various market caps and sectors is therefore striking.

Of the three ultra-blue chips, Nestlé is already trading at over 24x 2021 earnings, with earnings growth already estimated at around +5%. The main stock in the consumer staples sector therefore seems overvalued and unattractive. On the other hand, the two healthcare stocks, Novartis and Roche, which have been neglected by investors, have very reasonable valuations. The PEs of Novartis (13.6x) and Roche (16.2x) are at a record low and offer a very substantial discount to the average valuations of the Swiss indices. The relative attractiveness of the two healthcare stocks is also supported in the case of Novartis by expected earnings growth of more than +10%.

Of all the stocks in the SMI, only the three ultra-blue chips offer price growth prospects of more than +10% over the next nine months. Lonza is the exception and is favoured by analysts despite a 2021 PE of 40x. Stock selection in the Swiss market is therefore particularly difficult in the current context of fairly generous valuations for the vast majority of stocks, with the exception of the market's main defensive stocks.

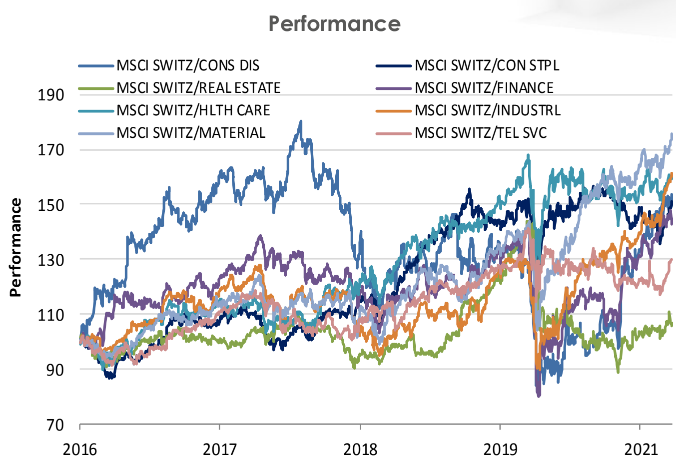




SWISS EQUITIES - BY SECTOR

31.03.2021 — Total Return Performance

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
MSCI SWITZ/CONS DIS	310.5	0.3	0.9	13.2	42.9	13.2
MSCI SWITZ/CON STPL	347.8	1.2	8.5	0.8	-3.0	0.8
MSCI SWITZ/FINANCE	61.5	-2.7	0.2	8.9	31.3	8.9
MSCI SWITZ/HLTH CARE	181.4	0.1	3.9	1.5	3.3	1.5
MSCI SWITZ/INDUSTRL	232.2	1.2	10.3	15.2	21.3	15.2
MSCI SWITZ/MATERIAL	422.3	2.6	7.2	7.0	11.1	7.0
MSCI SWITZ/REAL ESTATE	1014.4	-4.7	2.9	2.2	6.2	2.2
MSCI SWITZ/TEL SVC	95.8	0.6	9.8	6.3	3.8	6.3



Graph sources: Bloomberg / BearBull Global Investments

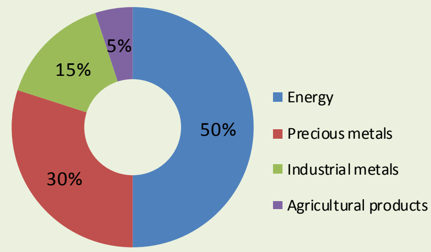
BearBull Global Investments Group

PROSPECTS AND STRATEGIES

Commodities

- New super growth cycle for commodities?
- Temporary pause in the growth of crude oil prices
- The timing is right for a rise in precious metals
- Industrial metals still benefitting from stimulus packages

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	↗	↗							

New super growth cycle for commodities?

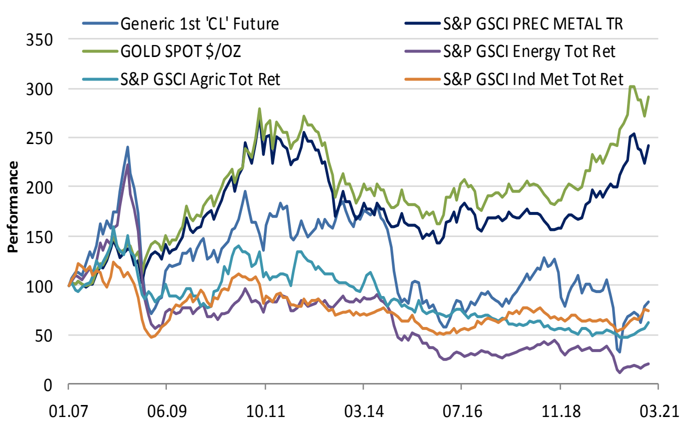
Commodities have already benefited from the return of growth in China and the improvement in global demand in recent months. The convergence of economic cycles expected in H2 will undoubtedly have an impact on the evolution of demand for commodities and in particular on market equilibrium in the oil markets and the industrial and precious metals markets. This impact could be all the more significant in 2021 due to the simultaneous improvement in demand motivated by similar recovery plans, all based on an increase in investment in infrastructure and the energy transition. During the pandemic, the demand shock was brutal, and commodity producers had to react quickly by trying to reduce oversupply. In the energy sector, the drop in crude oil prices below zero was only a symptom of the upheaval underway in the shale oil and gas segment specifically. US conventional oil production collapsed, reducing the overall supply of crude oil, and is now 20% lower than in February 2020. The reduction in inventories has already been pointing to a normalisation of the market for some time. But particularly in this segment, the massive reduction in capex over the last few years is also contributing to a return to balanced market forces. A global increase in demand for commodities in 2021 could kick-start a strong upward cycle for oil prices and industrial metals in particular. The inflationary consequences of a rise in commodity prices may also support a new upward trend for precious metals. The year 2021 will therefore certainly be marked by an acceleration of global growth and demand for raw materials. Industrial metals such as copper, zinc and aluminium are likely to benefit from the revival of industrial activity. The rebalancing of the oil market is underway, with supply still limited by the fall in unprofitable shale oil production and by the reduction in OPEC production. Precious metals will benefit in 2021 from a number of positive factors, including an increase in investment demand driven by a change in expectations for global growth and inflation. Demand for gold is expected to continue to outstrip supply. WTI oil is expected to rise above the USD 70 level, and gold could benefit from a surge in investment demand and exceed USD 2,200 per ounce. Silver and platinum will benefit from strong industrial demand. The importance of economic stimulus packages promoting the energy transition can be seen as the real trigger for a new super growth cycle for commodities.

Temporary pause in the growth of crude oil prices

In recent weeks crude oil prices have reached and exceeded our price target of USD 60 per barrel for WTI set at the beginning of the year. The improved economic outlook for 2021 has gradually been priced in by investors and traders as global demand has been readjusted upwards, particularly for H2. The IMF's revision of its growth outlook for 2021 to +6% could further support crude prices, especially as inventories still appear to be declining significantly in the US. Shale oil production, unprofitable below USD 50-60, could recover in part at current oil price levels, but the new US president's policies do not favour the industry and are likely to dampen this trend.

Shale oil production plunged in 2020 from 9.3 to 7.2 million barrels before stabilising above 8 million barrels. The number of active wells in the US as measured by Baker Hughes fell drastically in 2020 from 625 to 157 before rebounding to 276 at the end of the last quarter. Overall, despite a net decrease since June 2020, inventories are still on the high end of the five-year average.

Commodities



Graph sources: Bloomberg / BearBull Global Investments

COMMODITIES (USD)

31.03.2021 — Total Return Performance

N° ISIN	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
	MSCI Daily TR Net World USD	8402.62	USD	1.70	1.21	5.08	19.57	4.92
GLOBAL	S&P GSCI Tot Return Indx	2244.8	USD	-1.4	-1.3	14.0	30.0	13.5
WTI CRUDE	Generic 1st 'CL' Future	59.2	USD	-3.3	-2.4	22.2	47.1	21.9
BRENT OIL	Generic 1st 'CO' Future	63.5	USD	-1.4	-0.2	23.8	55.2	22.7
NATURAL GAS	Generic 1st 'NG' Future	2.6	USD	3.6	-6.1	7.7	3.2	2.7
OR	GOLD SPOT $/OZ	1707.7	USD	-1.6	-1.0	-9.9	-9.4	-10.0
ARGENT	Silver Spot $/Oz	24.4	USD	-2.7	-8.1	-8.4	5.1	-7.5
AGRICULTURE	S&P GSCI Agric Indx Spot	388.8	USD	-0.2	-1.2	6.9	27.7	5.8
INDUSTRIAL METALS	S&P GSCI Ind Metal Spot	418.1	USD	-1.7	-1.6	8.4	25.2	9.5

The decision by OPEC+ countries to cut their production by about 9 million barrels per day helped to balance the oil market and support the upward trend in prices. OPEC recently announced that it would start to normalise its production in view of a solid global economic recovery in H2 and a clear increase in demand for oil products. The increase in its production quotas of 2 million barrels per day only partially corrects for the production cuts made in 2020. Despite a brighter economic outlook for 2021 and falling inventories, OPEC's resumption of production could be enough to curb the upward trend in physical crude prices and cause a temporary period of price consolidation between USD 55 and 65 per barrel with a temporary decrease in investment demand. In the medium term, crude oil prices are eventually expected to resume trending upwards to reach USD 70-80 per barrel.

The timing is right for a rise in precious metals

The improvement in investor confidence linked to the vaccination campaigns and the prospects for economic recovery in 2021 obviously had an impact on investments. An increase in risk appetite in financial markets was also reflected in divestments from physical gold ETFs. Investment demand as measured by ETFs has fallen from 111 million ounces to 99 million ounces, a drop of 11% which is broadly similar to the decline in gold prices since the end of July 2020. However, gold prices are expected to resume trending upwards with the prospect of a gradual rise in inflation. After this period of investor retreat, we believe that investment demand will continue to grow significantly in a still positive environment in the physical market characterised by still limited production. The price of gold should return to the USD 2,000 per ounce level in 2021.

Other precious metals will benefit from a rise in physical and industrial demand, sustained by the development of stimulus packages promoting the energy transition and green technological alternatives. Silver production was down by -4% in 2020, and the outlook for 2021 suggests demand will rise by +11%, outpacing production. Demand is expected to be at its highest level in six years, supported by a strong recovery in industrial demand and an increase in physical investment demand. We expect silver prices to rise above the USD 30 level.

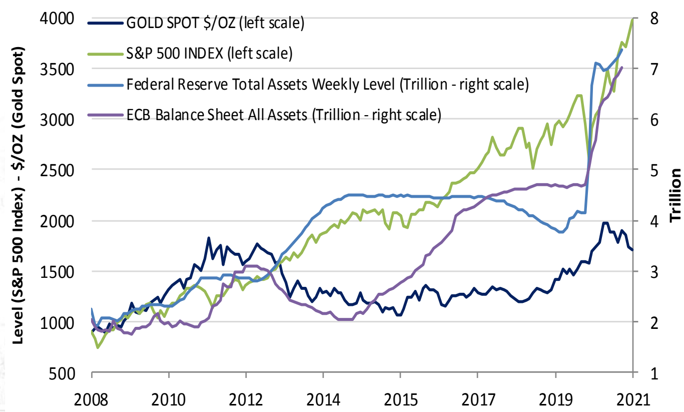
Platinum and palladium prices will also benefit from these trends and from developments in hydrogen production technologies.

Industrial metals still benefitting from the convergence of economic cycles and stimulus packages

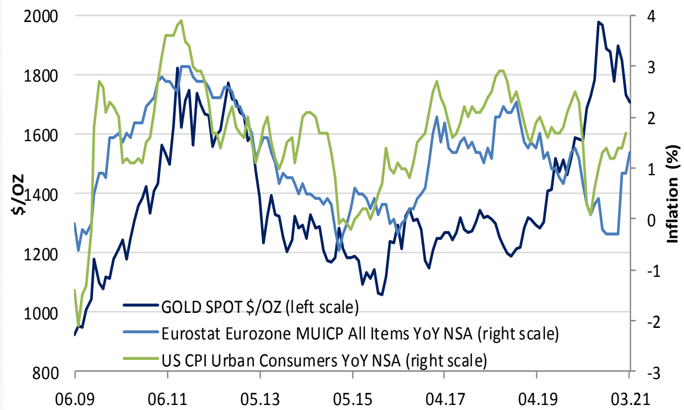
Industrial metals experienced a short period of consolidation in March, which may already be enough to create new repositioning opportunities in the context of a solid global economic recovery that seems increasingly evident in 2021. As we noted in previous months, the convergence of economic cycles will benefit industrial metals. They will certainly benefit from infrastructure stimulus programmes, which may well prove to be more massive and decisive than initially envisaged. We expect a continuation of the synchronised increase in demand for most industrial metals in 2021.

Industrial metal prices weakened in March but are soon likely to benefit from a recovery in physical demand. Copper, cobalt, rhodium and lithium are expected to continue to benefit from strong demand, driven in particular by the growing need for these materials in components and products that will benefit from the global energy transition. Zinc, nickel and aluminium prices will benefit to a lesser extent from this trend but will still benefit from increased demand linked to sustained global growth.

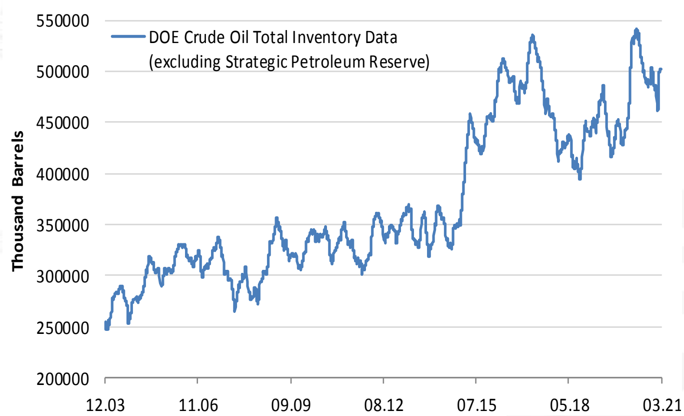
Gold and Global liquidity



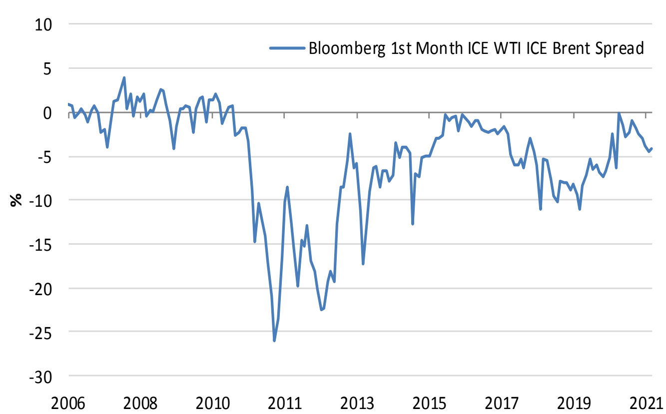
Gold and Inflation



Crude Oil Inventory (USA)



WTI - Brent Price Spread



Graph sources: Bloomberg / BearBull Global Investments

PROSPECTS AND STRATEGIES

Hedge Funds

- Positive performance (+1.3%) in 2021

Flat growth over the last three months

The overall hedge fund index has not risen significantly so far in 2021, with only a slightly positive performance (+1.3%). This positive performance nevertheless allows it to post a fourth consecutive quarterly increase.

The relative value arbitrage strategy stagnated during the first quarter of the year (-0.1%). The three other tracked strategies closed in the black. Indeed, while the macro/CTA approach gained only +0.5% compared to year-end 2020, the event-driven (+1.7%) and equity hedge (+2.7%) strategies performed somewhat better.

Private Equity

- Private equity starts the year on a high note

Another sharp rise in private equity in Q1

Private equity (+15.8%) soared to new heights after an already very favourable Q4 2020 (+16.7%), amidst a general sentiment that is once again euphoric. Optimism is still supported by the acceleration of vaccinations and a forthcoming return to normalcy in the US, as well as the very positive prospect of economic support provided by the Biden plan.

In contrast to the previous quarter, the US posted its best performance since January (+19.4%). Europe (+12.7%) and the UK (+11.6%) both recorded quarterly results above +10%.

HEDGE FUND INDICES (USD)

31.03.2021 — Total Return Performance

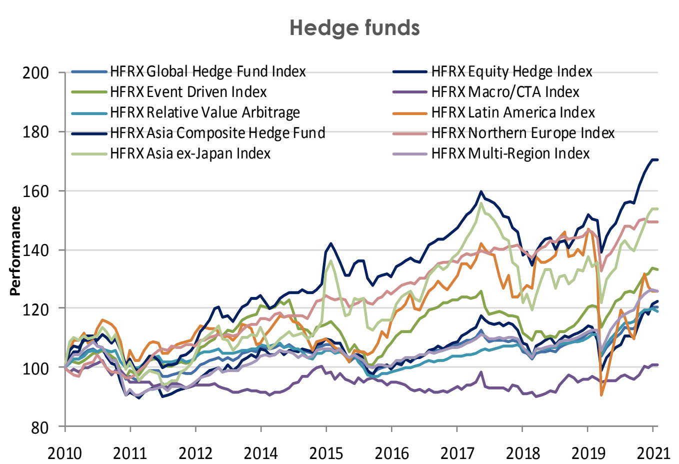
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	HFRX Global Hedge Fund Index	1398.3	USD	0.4	-0.5	1.5	6.5	1.3
EQUITY HEDGE	HFRX Equity Hedge Index	1368.4	USD	0.8	0.1	3.1	10.6	2.7
EVENT DRIVEN	HFRX Event Driven Index	1791.8	USD	0.0	-1.0	1.9	5.9	1.7
MACRO/CTA	HFRX Macro/CTA Index	1237.7	USD	1.1	-0.4	0.6	4.7	0.5
RELATIVE VALUE ARBITRAGE	HFRX Relative Value Arbitrage	1348.0	USD	0.1	-0.8	-0.1	3.7	-0.1
LATIN AMERICA*	HFRX Latin America Index	2056.1	USD	-	0.0	2.5	12.8	-4.5
ASIA COMPOSITE*	HFRX Asia Composite Hedge Fund Index	2744.3	USD	-	-0.2	5.2	8.8	2.5
NORTHERN EUROPE*	HFRX Northern Europe Index	2223.0	USD	-	2.9	2.7	4.0	2.2
ASIA EX-JAPAN*	HFRX Asia ex-Japan Index	2862.7	USD	-	-1.3	5.5	7.9	2.2
MULTI-REGION	HFRX Multi-Region Index	1564.3	USD	0.3	-0.8	0.6	5.7	0.5

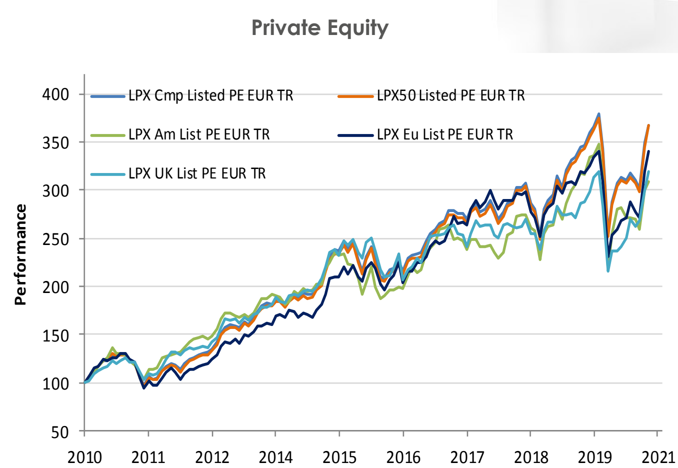
* Subject to one-month lag

PRIVATE EQUITY INDICES (EUR)

31.03.2021 — Total Return Performance

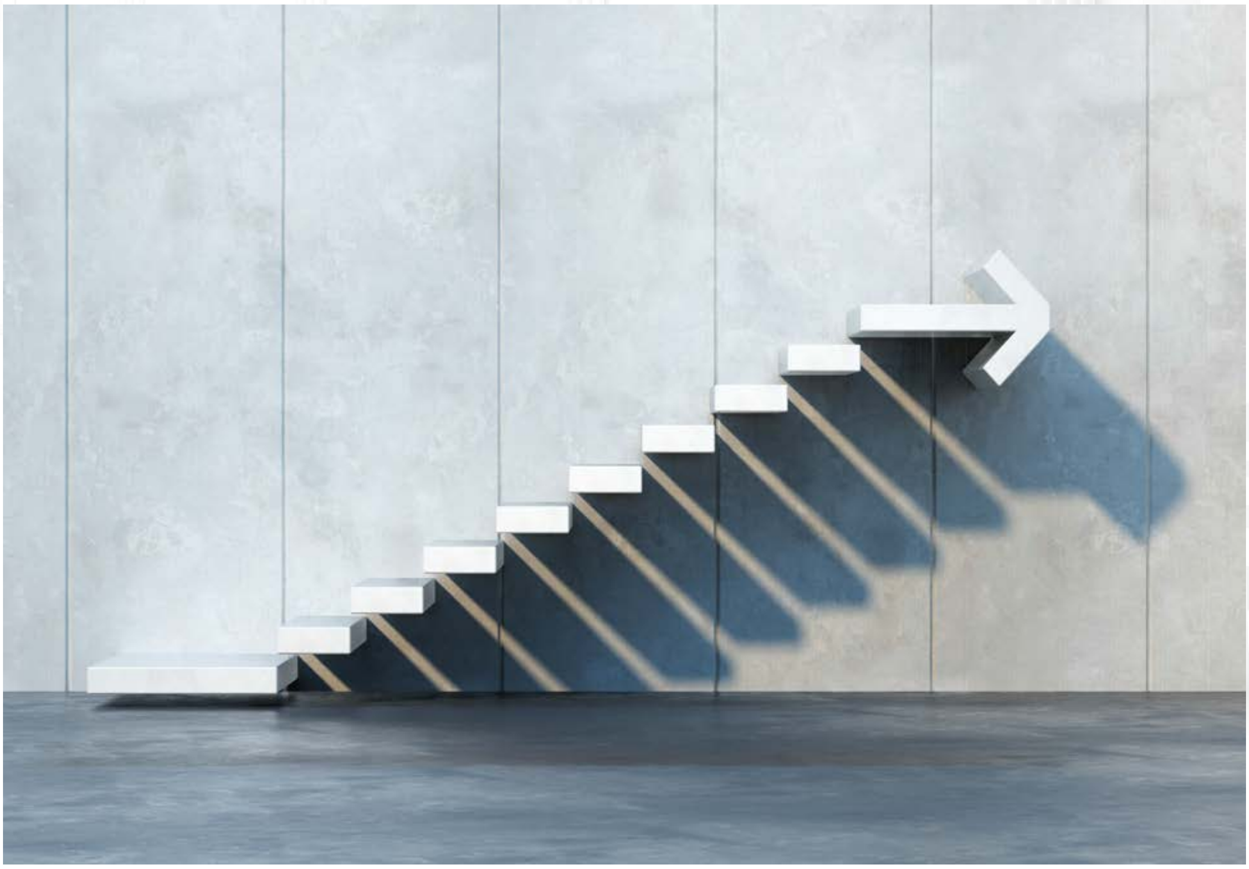
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
COMPOSITE	LPX Cmp Listed PE EUR TR	354.4	EUR	1.6	5.4	16.7	37.1	15.8
MAJOR COMPANIES	LPX50 Listed PE EUR TR	3420.6	EUR	2.1	6.5	18.3	40.3	17.4
USA	LPX Am List PE EUR TR	490.8	EUR	1.8	5.4	20.9	37.1	19.4
EUROPE	LPX Eu List PE EUR TR	1228.8	EUR	1.3	6.1	12.9	38.6	12.7
UK	LPX UK List PE EUR TR	399.6	EUR	1.7	3.1	12.4	35.9	11.6





Graph sources: Bloomberg / BearBull Global Investments

GLOBAL STRATEGY & ASSET ALLOCATION



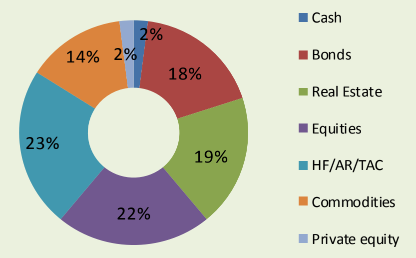
Graph sources: Bloomberg / BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - CHF

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

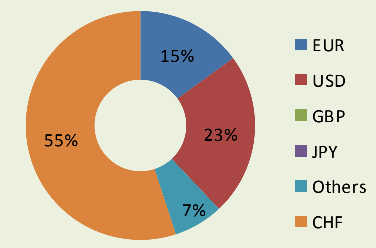
Asset allocation - CHF portfolio



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets

Currency allocation - CHF portfolio



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 is composed of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and tradable assets (commodities, hedge funds, private equity, structured products, etc.). Our tactical allocation is now largely diversified among these various asset classes. The bond segment remains unattractive and characterised by near-zero or even negative rates. The equity segment seems riskier to us and susceptible to profit taking. International real estate still offers attractive diversification potential, and we are overweight commodities.

Bonds

International bond markets have largely followed the upward trend in interest rates that began in the US. The magnitude of the upward movement in each economic zone has been different, with ECB intervention in the euro zone dampening the rise in rates, while the lack of SNB intervention in Switzerland has allowed market forces to act. Yields are still very low in these two regions, but ten-year yields in US, Canadian and Australian dollars are positive and gradually normalising. However, risk premia remain very low overall, especially in the non-investment grade segments. We recommend a cautious bond strategy and a reduced global exposure favouring dollar investments and short maturities.

Equities

The investment climate has not yet really been affected by the rise in interest rates. Equity markets are still benefiting from the improved outlook for global economic growth in 2021, even if the start of the year is proving less dynamic than expected in some regions due to persistent or re-emerging health risks. Optimism remains, but valuations are high. The level of complacency is therefore high and likely to cause a significant drop in prices in the event of disappointment. The share price increases of the last few months already incorporate to a large extent the improvement of the general economic context for 2021, and current share price levels are thus often already close to their expected targets for 2021. In this context, our exposure to equities remains constructive but with a temporarily more cautious overall allocation.

Commodities

Commodities have begun to factor in the positive demand effects of strengthening global economic momentum in 2021. The recovery in China was the primary driver for industrial metals, but the convergence of economic cycles will push the entire commodities sector higher in H2. A recovery in precious metals is also likely to materialise and offer protection in the event of further turbulence in equity markets.

Real estate

Real estate is still the main alternative to fixed income 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 higher yields than Switzerland.

Currencies

The expected trend reversal in the Swiss franc began in Q1. The change in the outlook for 2021 will gradually strengthen the attractiveness of other currencies and allow the franc to weaken further.

Market performances - Q1 2021

		Q1 2021 local	Q1 2021 CHF	YTD local	YTD CHF
Exchange rates					
USD/CHF		6.6%		6.6%	
EUR/CHF		2.4%		2.4%	
GBP/CHF		7.5%		7.5%	
JPY/CHF		-0.5%		-0.5%	
Equity markets					
World	MSCI World USD	4.9%	11.8%	4.9%	11.8%
Europe	DJ Stoxx 600	8.2%	10.8%	8.2%	10.8%
Eurozone	DJ Eurostoxx 50	10.3%	12.9%	10.3%	12.9%
	MSCI Europe S.C.	9.4%	12.0%	9.4%	12.0%
Germany	Dax 30	9.4%	12.0%	9.4%	12.0%
France	Cac 40	9.3%	11.9%	9.3%	11.9%
United Kingdom	FTSE 100	3.9%	11.7%	3.9%	11.7%
Switzerland	SPI	5.2%	5.2%	5.2%	5.2%
	SMI	3.2%	3.2%	3.2%	3.2%
	MSCI Swiss S.C.	1.7%	1.7%	1.7%	1.7%
North America	SP500	5.8%	12.8%	5.8%	12.8%
	Nasdaq	2.8%	9.6%	2.8%	9.6%
	Tse 300	7.3%	16.0%	7.3%	16.0%
	SP600 Small C.	17.9%	25.7%	17.9%	25.7%
Japan	Nikkei 225	6.3%	5.8%	6.3%	5.8%
Emerging	MSCI EMF USD	1.9%	8.7%	1.9%	8.7%

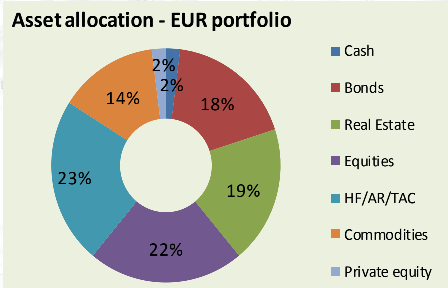
		Q1 2021 local	Q1 2021 CHF	YTD local	YTD CHF
Interest rates (3 months)		*(level)*			
CHF		-0.75%			
EUR		-0.55%			
USD		0.19%			
JPY		-0.07%			
Bonds markets					
World	Citi Gr Global Govt.USD	-5.7%	0.5%	-5.7%	0.5%
Europe	Euro Ser-E Gov > 1	-2.3%	0.0%	-2.3%	0.0%
United Kingdom	UK Ser-E Gov > 1	-7.4%	-0.5%	-7.4%	-0.5%
Switzerland	SBI Général AAA-BBB	-1.2%	-1.2%	-1.2%	-1.2%
	SBI Govt.	-3.7%	-3.7%	-3.7%	-3.7%
USA	US Ser-E Gov > 1	-4.3%	2.1%	-4.3%	2.1%
Japan	Japan Ser-E Gov > 1	-0.4%	-0.9%	-0.4%	-0.9%
Emerging	J.P. Morgan EMBI Global	-4.7%	1.5%	-4.7%	1.5%
Miscellaneaous					
	LPP 25 Index	1.6%	1.6%	1.6%	1.6%
	LPP 40 Index	3.2%	3.2%	3.2%	3.2%
	LPP 60 Index	5.4%	5.4%	5.4%	5.4%
Real Estate CH	DB RB Swiss Real Est Fd	0.6%	0.6%	0.6%	0.6%
Hedge Funds	Hedge Fund Research USD	1.6%	8.3%	1.6%	8.3%
Commodities	GS Commodity USD	13.5%	21.0%	13.5%	21.0%

Graph sources: Bloomberg / BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - EUR

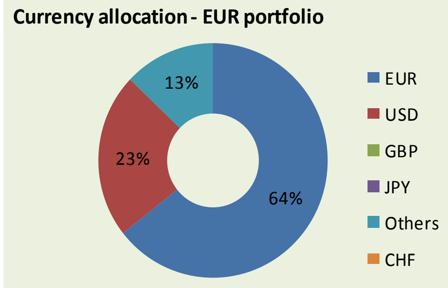
- Return of risks in the bond markets
- Rather high valuations in equity segments
- Positive outlook for international real estate and commodities
- Temporary weakness of the euro-dollar exchange rate



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets

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



Asset allocation

The core of our investment strategy is composed of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and tradable assets (commodities, hedge funds, private equity, structured products, etc.). Our tactical allocation is now largely diversified among these various asset classes. The bond segment remains unattractive and characterised by near-zero or even negative rates. The equity segment seems riskier to us and susceptible to profit taking. International real estate still offers attractive diversification potential, and we are overweight commodities.

Bonds

The international bond markets have largely followed the upward trend in interest rates that began in the US. The magnitude of the upward movement in each economic zone has been different, in the Eurozone in particular, where ECB interventions dampened the rise in rates, maintaining favourable financing conditions for a while longer. Euro yields are still very low, but ten-year yields in US, Canadian and Australian dollars are positive and gradually normalising. However, risk premia remain very low overall, especially in the non-investment grade segments. We recommend a cautious bond strategy and a reduced global exposure favouring dollar investments and short maturities.

Equities

The investment climate has not yet really been affected by the rise in interest rates. Equity markets are still benefiting from the improved outlook for global economic growth in 2021, even if the start of the year is proving less dynamic than expected in some regions due to persistent or re-emerging health risks. Optimism remains, but valuations are high. The level of complacency is therefore high and likely to cause a significant drop in prices in the event of disappointment. The share price increases of the last few months already incorporate to a large extent the improvement of the general economic context for 2021, and current share price levels are thus often already close to their expected targets for 2021. In this context, our exposure to equities remains constructive but with a temporarily more cautious overall allocation.

Commodities

Commodities have begun to factor in the positive demand effects of strengthening global economic momentum in 2021. The recovery in China was the primary driver for industrial metals, but the convergence of economic cycles will push the entire commodities sector higher in H2. A recovery in precious metals is also likely to materialise and offer protection in the event of further turbulence in equity markets.

Real estate

Real estate is still the main alternative to fixed income 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 higher yields and the prospect of capital gains.

Currencies

The change in the outlook for 2021 will gradually increase the attractiveness of the dollar and other currencies of countries ahead of the business cycle. In this context, the euro could temporarily weaken somewhat against these currencies.

Market performances - Q1 2021

		Q1 2021 local	Q1 2021 EUR	YTD local	YTD EUR
Exchange rates					
USD/EUR		4.1%		4.1%	
CHF/EUR		-2.3%		-2.3%	
GBP/EUR		5.1%		5.1%	
JPY/EUR		-2.8%		-2.8%	
Equity markets					
World	MSCI World USD	4.9%	9.3%	4.9%	9.3%
Europe	DJ Stoxx 600	8.2%	8.2%	8.2%	8.2%
Eurozone	DJ Eurostoxx 50	10.3%	10.3%	10.3%	10.3%
	MSCI Europe S.C.	9.4%	9.4%	9.4%	9.4%
Germany	Dax 30	9.4%	9.4%	9.4%	9.4%
France	Cac 40	9.3%	9.3%	9.3%	9.3%
United Kingdom	FTSE 100	3.9%	9.2%	3.9%	9.2%
Switzerland	SPI	5.2%	2.7%	5.2%	2.7%
	SMI	3.2%	0.8%	3.2%	0.8%
	MSCI Swiss S.C.	1.7%	5.9%	1.7%	5.9%
North America	SP500	5.8%	10.2%	5.8%	10.2%
	Nasdaq	2.8%	7.0%	2.8%	7.0%
	Tse 300	7.3%	13.2%	7.3%	13.2%
	SP600 Small C.	17.9%	22.8%	17.9%	22.8%
Japan	Nikkei 225	6.3%	3.3%	6.3%	3.3%
Emerging	MSCI EMF USD	1.9%	6.2%	1.9%	6.2%

		Q1 2021 local	Q1 2021 EUR	YTD local	YTD EUR
Interest rates (3 months)		*(level)*			
CHF		-0.75%			
EUR		-0.55%			
USD		0.19%			
JPY		-0.07%			
Bonds markets					
World	Citi Gr Global Govt.USD	-5.7%	-7.9%	-5.7%	-7.9%
Europe	Euro Ser-E Gov > 1	-2.3%	-2.3%	-2.3%	-2.3%
United Kingdom	UK Ser-E Gov > 1	-7.4%	-2.8%	-7.4%	-2.8%
Switzerland	SBI Général AAA-BBB	-1.2%	-3.5%	-1.2%	-3.5%
	SBI Govt.	-3.7%	-6.0%	-3.7%	-6.0%
USA	US Ser-E Gov > 1	-4.3%	-0.3%	-4.3%	-0.3%
Japan	Japan Ser-E Gov > 1	-0.4%	-3.2%	-0.4%	-3.2%
Emerging	J.P. Morgan EMBI Global	-4.7%	-0.8%	-4.7%	-0.8%
Miscellaneaous					
	LPP 25 Index	1.6%	-0.8%	1.6%	-0.8%
	LPP 40 Index	3.2%	0.7%	3.2%	0.7%
	LPP 60 Index	5.4%	2.9%	5.4%	2.9%
Real Estate CH	DB RB Swiss Real Est Fd	0.6%	0.6%	0.6%	-1.8%
Hedge Funds	Hedge Fund Research USD	1.6%	5.8%	1.6%	5.8%
Commodities	GS Commodity USD	13.5%	18.3%	13.5%	18.3%

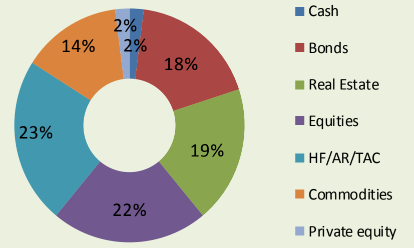
Graph sources: Bloomberg / BearBull Global Investments

GLOBAL STRATEGY I ASSET ALLOCATION

Diversified portfolio: Medium Risk - USD

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

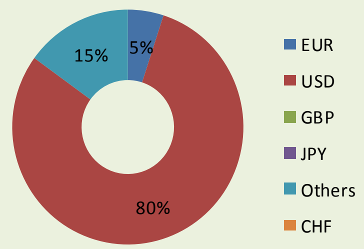
Asset allocation - USD portfolio



Tactical Allocation

- Strategy again more defensive
- Reduce risky assets

Currency allocation - USD portfolio



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

Asset allocation

The core of our investment strategy is composed of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and tradable assets (commodities, hedge funds, private equity, structured products, etc.). Our tactical allocation is now largely diversified among these various asset classes. The bond segment remains unattractive and characterised by near-zero or even negative rates. The equity segment seems riskier to us and susceptible to profit taking. International real estate still offers attractive diversification potential, and we are overweight commodities.

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The international bond markets have largely followed the upward trend in interest rates that began in the US. The magnitude of the upward movement in each economic zone has been different, in the Eurozone in particular, where ECB interventions dampened the rise in rates, maintaining favourable financing conditions for a while longer. Euro yields are still very low, but ten-year yields in US, Canadian and Australian dollars are positive and gradually normalising. However, risk premia remain very low overall, especially in the non-investment grade segments. We recommend a cautious bond strategy and a reduced global exposure favouring dollar investments and short maturities.

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The investment climate has not yet really been affected by the rise in interest rates. Equity markets are still benefiting from the improved outlook for global economic growth in 2021, even if the start of the year is proving less dynamic than expected in some regions due to persistent or re-emerging health risks. Optimism remains, but valuations are high. The level of complacency is therefore high and likely to cause a significant drop in prices in the event of disappointment. The share price increases of the last few months already incorporate to a large extent the improvement of the general economic context for 2021, and current share price levels are thus often already close to their expected targets for 2021. In this context, our exposure to equities remains constructive but with a temporarily more cautious overall allocation.

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Currencies

The change in the outlook for 2021 will gradually strengthen the appeal of the dollar and other currencies of countries ahead of the business cycle. The euro and the yuan could temporarily weaken somewhat against these currencies.

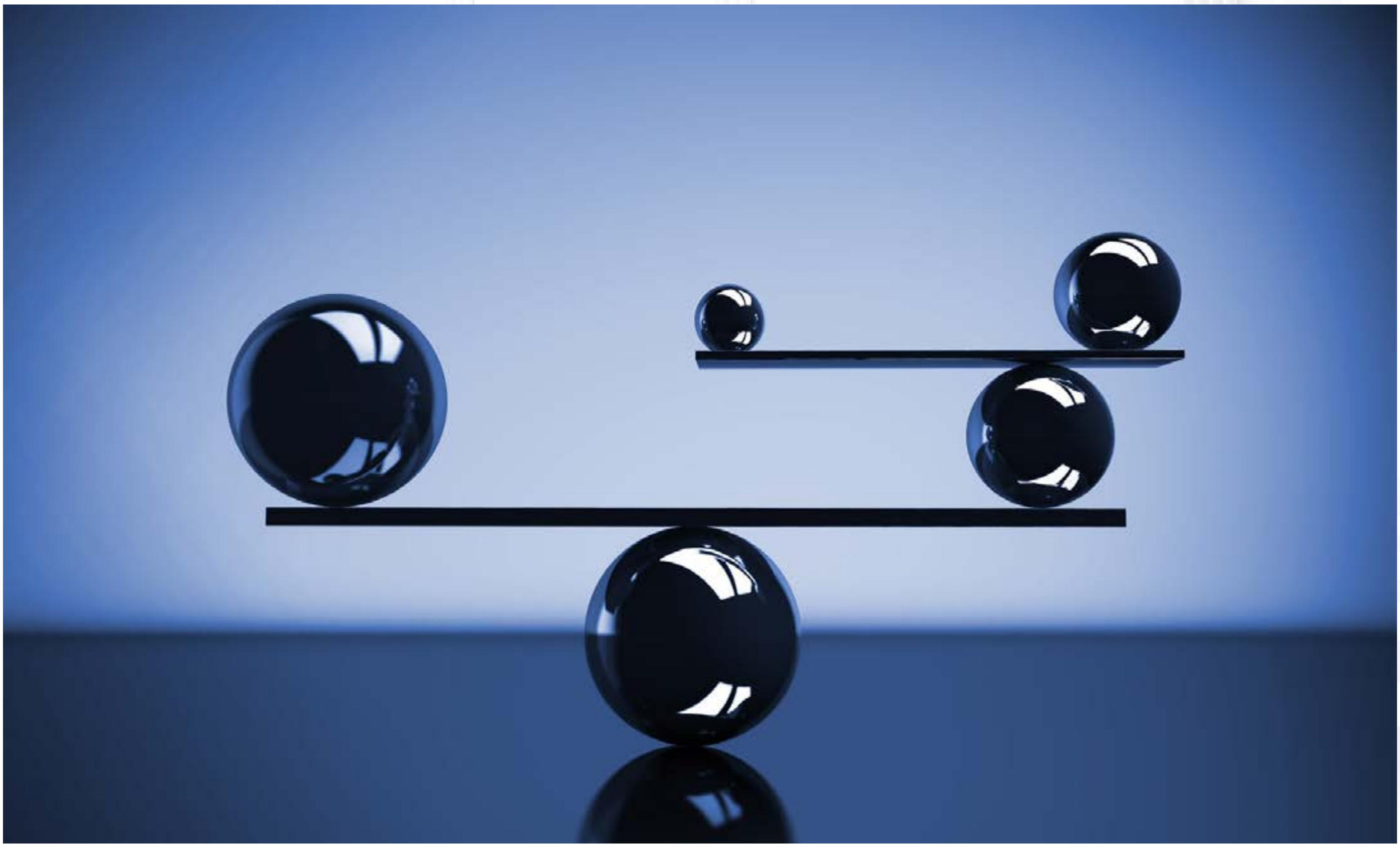
Market performances - Q1 2021

		Q1 2021 local	Q1 2021 USD	YTD local	YTD USD
Exchange rates					
CHF/USD		-6.2%		-6.2%	
EUR/USD		-4.0%		-4.0%	
GBP/USD		0.8%		0.8%	
JPY/USD		-6.7%		-6.7%	
Equity markets					
World	MSCI World USD	4.9%	4.9%	4.9%	4.9%
Europe	DJ Stoxx 600	8.2%	3.9%	8.2%	3.9%
Eurozone	DJ Eurostoxx 50	10.3%	5.9%	10.3%	5.9%
	MSCI Europe S.C.	9.4%	5.1%	9.4%	5.1%
Germany	Dax 30	9.4%	5.0%	9.4%	5.0%
France	Cac 40	9.3%	4.9%	9.3%	4.9%
United Kingdom	FTSE 100	3.9%	4.8%	3.9%	4.8%
Switzerland	SPI	5.2%	-1.4%	5.2%	-1.4%
	SMI	3.2%	-3.2%	3.2%	-3.2%
	MSCI Swiss S.C.	1.7%	1.7%	1.7%	1.7%
North America	SP500	5.8%	5.8%	5.8%	5.8%
	Nasdaq	2.8%	2.8%	2.8%	2.8%
	Tse 300	7.3%	8.7%	7.3%	8.7%
	SP600 Small C.	17.9%	17.9%	17.9%	17.9%
Japan	Nikkei 225	6.3%	-0.8%	6.3%	-0.8%
Emerging	MSCI EMF USD	1.9%	1.9%	1.9%	1.9%

		Q1 2021 local	Q1 2021 USD	YTD local	YTD USD
Interest rates (3 months)		*(level)*			
CHF		-0.75%			
EUR		-0.55%			
USD		0.19%			
JPY		-0.07%			
Bonds markets					
World	Citi Gr Global Govt.USD	-5.7%	-11.6%	-5.7%	-11.6%
Europe	Euro Ser-E Gov > 1	-2.3%	-6.2%	-2.3%	-6.2%
United Kingdom	UK Ser-E Gov > 1	-7.4%	-6.7%	-7.4%	-6.7%
Switzerland	SBI Général AAA-BBB	-1.2%	-7.4%	-1.2%	-7.4%
	SBI Govt.	-3.7%	-9.7%	-3.7%	-9.7%
USA	US Ser-E Gov > 1	-4.3%	-4.3%	-4.3%	-4.3%
Japan	Japan Ser-E Gov > 1	-0.4%	-7.1%	-0.4%	-7.1%
Emerging	J.P. Morgan EMBI Global	-4.7%	-4.7%	-4.7%	-4.7%
Miscellaneaous					
	LPP 25 Index	1.6%	-4.8%	1.6%	-4.8%
	LPP 40 Index	3.2%	-3.3%	3.2%	-3.3%
	LPP 60 Index	5.4%	-1.2%	5.4%	-1.2%
Real Estate CH	DB RB Swiss Real Est Fd	0.6%	0.6%	0.6%	-5.7%
Hedge Funds	Hedge Fund Research USI	1.6%	1.6%	1.6%	1.6%
Commodities	GS Commodity USD	13.5%	13.5%	13.5%	13.5%

Graph sources: Bloomberg / BearBull Global Investments

INVESTMENT THEME FOCUS



Graph sources: Bloomberg / BearBull Global Investments

INVESTMENT THEME

Are we heading for a new positive commodities super cycle?

- An incredible 2020 for commodities
- Focus on the last two super cycles for commodities
- Rapid inventory reduction
- Four main factors supporting increased demand
- Time to invest in commodities

An incredible 2020 for commodities

Commodities had an exceptional year in 2020. The various indices measuring the performance of commodities overall achieved impressive performances not seen for many years. The overall performance for the year was negative, but price movements were particularly erratic throughout the year. The most striking phenomenon was the shift of crude oil prices into negative territory. Although this episode was only short-lived, it greatly unsettled investors' views and their risk perception for commodities in April. The fall in commodities (-23%) in Q1 2020 was not so different from that in the equity markets (-21%) if we exclude the fall in crude oil prices (-67%). The following nine months were exceptionally positive for oil prices, which rose by 113%, as well as for commodities overall (+26.3%).

The events of 2020 need to be seen in the longer-term context of commodity price shifts to understand the significance of these price movements in 2020 and of this extreme volatility and what it may portend for the coming years. Since the 1970s, commodities have recorded a compound annual increase of +8% to +9% depending on the benchmark index and its composition. Compared to the performance of the US (+10.9%) and international (+9.1%) equity markets, commodities have experienced periods of cyclical outperformance and underperformance. The last decade was more of an underperformance cycle, stretched to the extreme until 2020 with exceptional volatility.

The performance of commodities in H2 2020 and the beginning of 2021 merits consideration as a possible reversal of the trend and as the potential emergence of a new long-term cycle favourable to commodities with a return to outperformance vis-à-vis equities in particular.

Focus on the last two commodities super cycles

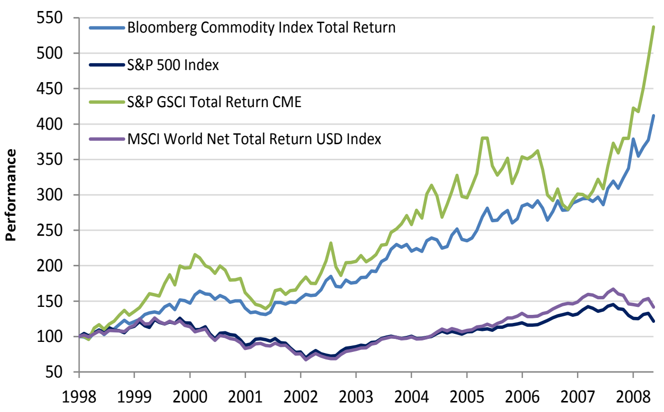
First of all, let us recall some key elements to understand what the term super cycle means for commodities. The notion of super cycle tends to apply to a period of time that exceeds a traditional economic cycle. In this logic, a super cycle must therefore be longer than a classic theoretical cycle of about five years. From the standpoint of duration, a super cycle may therefore last a decade or more. In this sense, the last super cycle for commodities dates back to the 1998-2008 period, thus spanning about 10 years of rising prices during which diversified commodity indices recorded gains of about +15% per year (Bloomberg commodity index: +16%, S&P Goldman Sachs commodity index +19%). During this period, US and international equities performed modestly at +2% per annum for the former and +3.7% per annum for the latter.

After this positive super cycle, commodities then experienced a negative super cycle of value destruction between 2008 and 2018. The above-mentioned commodity indices fell by -9.6% and -13.8%, respectively, while equity markets posted an annual increase of +8.9% for the S&P500 and +5% for the MSCI World Index.

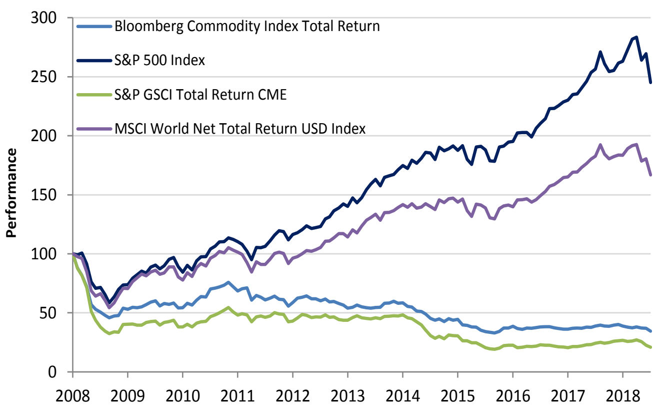
Are we heading for a new positive commodities super cycle?

The fundamental question today is indeed whether commodities are now about to start a new positive ten-year super cycle, after two positive and then negative ten-year cycles. In other words, after ten years of bear market and underperformance, are commodities about to start a new phase of long-term and widespread price appreciation?

Performance of raw materials VS US and international equities (1998-2008)



Performance of raw materials VS US and international equities (2008-2018)



Graph sources: Bloomberg / BearBull Global Investments

BearBull Global Investments Group

In order to answer this question, we must analyse the fundamental parameters of supply and demand for commodities, seeking to identify the structural aspects and the cyclical elements. Firstly, with regard to the structural aspects that prevailed before the outbreak of the Covid-19 pandemic in 2020, it appears that, in many segments, capital expenditure and research were being steadily reduced. Capex contractions were indeed numerous and logical in a global context of falling commodity prices. Oil and gas producers and mine operators had no reason to invest in increasing their production capacity in a financial environment of extreme price competition. In a phase of falling prices, supply therefore remained rigid and oriented rather downwards, with available production capacity being under-utilised. The fall in demand for oil and industrial metals during the first few months of the year put brutal pressure on prices, but hopes of economic recovery quickly triggered a new positive trend.

The prospects for economic recovery in 2021 certainly warrant a reappraisal of the opportunities and risks for all commodity markets and for oil in particular. Historically, a recovery typically takes hold in a period of recession, which marks the turnaround in the cycle. Therefore, it is likely that the sustained global economic recovery of around +6 to +7% in 2021 will quickly restore demand for commodities after a long period of declining capex and reduced production capacity. In the oil sector, a distinction must be made between the decline in capex in conventional crude oil operations and the investments made in the development of shale oil production capacity.

Rapid inventory reduction

The global pandemic has also highlighted the fragility of global production chains that are too heavily dependent on the transport of products, materials and commodities from distant regions. This is likely to quickly change the behaviour of purchasing managers who are now expected to favour more secure and stable forms of supply, but it also means the likely return of inventory build-ups to better absorb any potential future shocks of the same nature.

Commodity inventories swelled with the fall in demand during Q1 2020 and remained higher on average before being able to take advantage of the return of global and Chinese demand in particular. However, it is surprising to see a net decrease in these surpluses already now. Crude oil inventories have already declined significantly thanks to the fall in shale oil production and production cuts by OPEC countries.

A return to economic growth in H2 2021 in all major economies will have a significant impact on commodity inventories. With production remaining relatively stable, prices are primarily driven by significant movements in demand. The convergence of economic cycles and demand for commodities will allow the cycle that is beginning to unfold to clear surpluses and inventories more quickly. The absence of capex spending will constrain supply, which will not be able to adjust easily to a return of demand.

Four main factors supporting the increase in demand

The first factor is cyclical and is essentially the readjustment of supply and demand parameters in the short term. In other words, a recovery in consumption and economic activity in H2 on a pre-Covid basis will increase demand and allow for a reduction in inventories. However, we believe that this first cyclical factor will have an early impact on prices due to simultaneous regional demand, as all countries seek to secure sufficient supply as their economies recover.

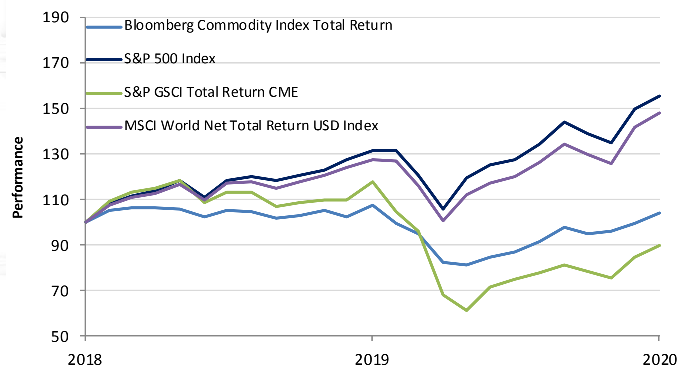
The second factor is the desire to secure this supply in the longer term by building up crisis inventories to cope with future international tensions. This additional demand for commodities will have a cumulative effect on global demand and will also support higher prices. China, the world's largest consumer of commodities, has already taken advantage of the specific conditions of 2020 to implement a policy of rebuilding strategic stocks. It is expected to continue to pursue this strategy, to be followed in turn fairly soon by the US.

The third factor is related to investment and portfolio diversification. Commodities have been gradually pushed out of diversified asset allocations during the phase of falling interest rates and inflation. The previous commodities super cycle lasted ten years, which is long enough to no longer consider this asset as a positive contributor to portfolio diversification. And yet, recall that commodities perform particularly well in times of accelerating economic growth, rising inflation and rising interest rates. If the stimulus packages deliver on their promises, there is every reason to fear that inflation will accompany growth that is well above the historical average. Commodities are therefore likely to make a gradual comeback in portfolios as a new investment, uncorrelated with traditional assets. Investment demand will strengthen the overall demand for commodities and support the upward trend in prices.

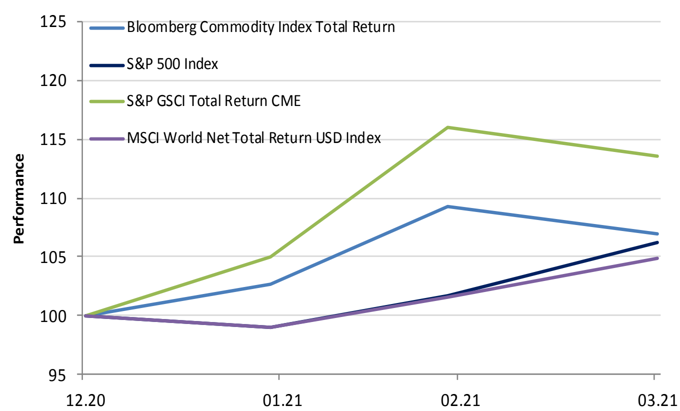
For example, the demand for ETFs investing in physical gold or silver is always correlated with price movements. This third factor can have very important consequences on the reduction of inventories and on price growth.

Finally, stimulus packages can significantly increase the level of demand for commodities, particularly industrial metals. The amounts announced by governments to support a lasting economic recovery with regard to the energy transition and infrastructure investments are exceptional. Governments are committed to implementing this energy transition, which will take time, but which will provide regular funding for many projects that generally require new commodities. This fourth factor is essential and will have a steady impact on demand by adding excess demand to the base demand. The trillions promised for this transition will support commodity prices.

Performance of raw materials VS US and international equities (2018-2020)



Performance of raw materials VS US and international equities (2020-2021)



Graph sources: Bloomberg / BearBull Global Investments

Possible emergence of a new super cycle

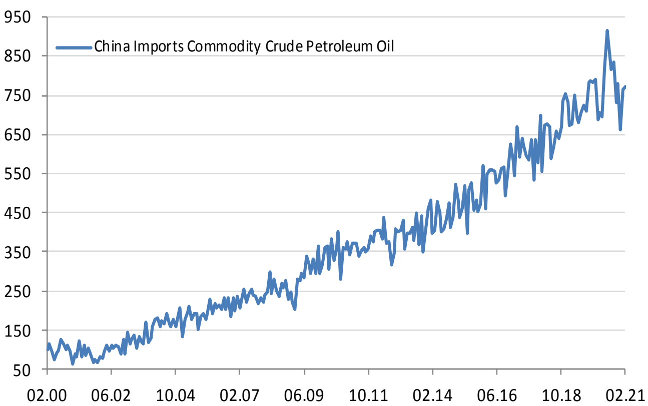
It is certainly too early to say that these main factors will be sufficient to form the basis of a new commodities super cycle. However, it already seems that a lasting period of imbalance between supply and demand for commodities has begun. Production capacity cannot be increased quickly due to the fall in capex in recent years, so the supply of commodities will only be able to adjust imperfectly to a significant increase in demand. That being said, a lasting commodities boom will have to be based on a long-term increase in demand. In our view, the four factors mentioned above should all contribute to an increase in overall demand and create the conditions for an imbalance conducive to higher prices.

The energy transition is likely to be one of the most important factors in the lasting increase in demand for commodities, but it may not be sufficient to sustain a price growth super cycle. In conclusion, we believe that many factors are already in place to drive commodity prices higher in the coming years. But it is also too early to estimate more precisely what strategies commodity producers will develop in a more favourable economic environment. A return of investment and production capacity could eventually have an impact on supply and prices, but given the current situation, this would only have an impact in several years.

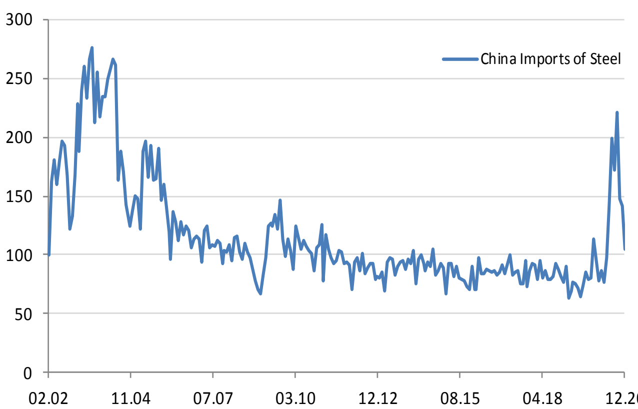
Time to invest in commodities

If the economic environment develops in line with our expectations, lasting growth above the historical average and higher inflation are positive factors and provide an ideal environment to include commodities in portfolios for asset diversification purposes.

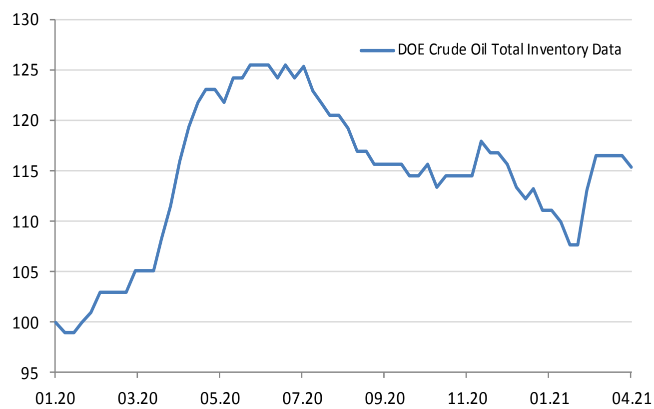
China Imports Commodity Crude Petroleum Oil



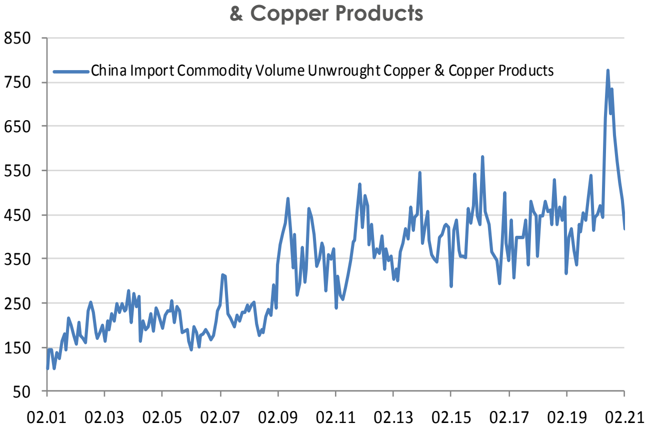
China Imports of Steel



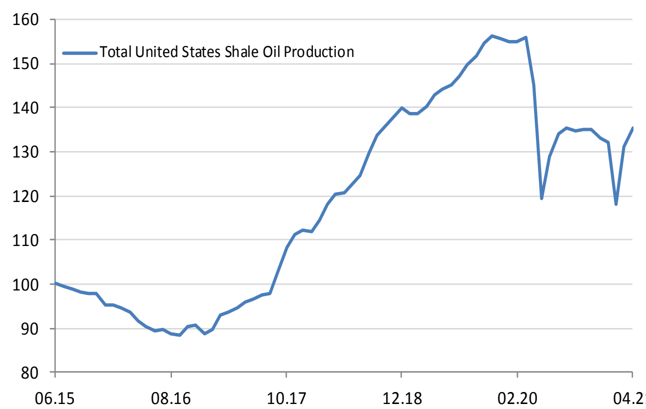
DOE Crude Oil Total Inventory Data



China Import Commodity Volume Unwrought Copper & Copper Products

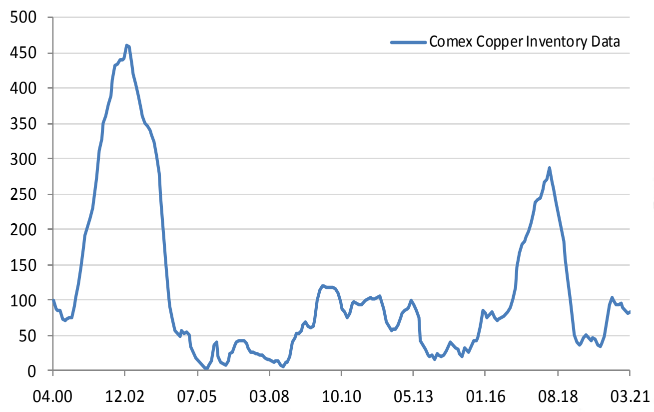


Total United States Shale Oil Production

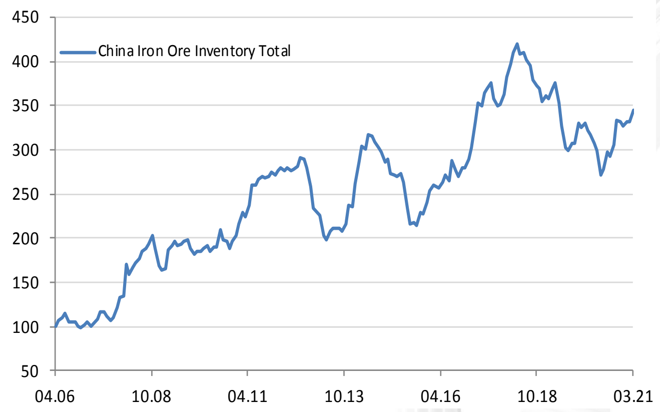


Graph sources: Bloomberg / BearBull Global Investments

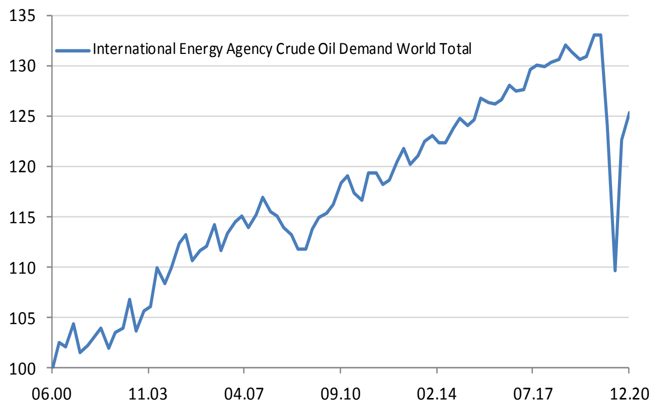
Comex Copper Inventory Data



China Iron Ore Inventory Total



International Energy Agency Crude Oil Demand World Total



Graph sources: Bloomberg / BearBull Global Investments

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