



Investment strategy

July 2022

TABLE OF CONTENTS

Introduction

4 Letter to Investors - Investment climate

« Big picture »

5-6 Key Convictions

Economic scenario by region

8-10 Global Outlook
11-15 United States
16-19 Switzerland
20-24 Eurozone
25-28 United Kingdom
29-31 Japan
32-33 China
34-35 United Arab Emirates
36-38 Emerging market

Prospects and strategies by asset class

41-43 Currencies
44-46 International Bonds
47-48 Swiss Bonds
49-51 International Real Estate
52 Swiss Real Estate
53-55 International Equities - Regions
56 International Equities - Sectors
57 Swiss Equities
58 Swiss Equities - Sectors
59-60 Commodities
61 Alternative Investments - Hedge Funds & Private Equity

Global strategy - Asset allocation

63 CHF Portfolio
64 EUR Portfolio
65 USD Portfolio

Investment theme - Focus

67-69 The war in Ukraine, a catalyst for renewable energy ?

TRADE WITH THE SWISS LEADER.

The Swiss leader in online banking is the one-stop shop for all your trading needs. Enjoy 3 million investment products, Tier 1 market research and the security of a tightly regulated bank. Open your free demo account now.

[swissquote.com](https://www.swissquote.com)

 **Swissquote Bank**

INTRODUCTION

Letter to investors - Investment Climate

- Geopolitics continues to influence the markets
- Inflationary slippage turned all expectations upside down
- Recession fears take over at the end of the quarter
- More restrictive monetary conditions are already having a noticeable impact
- A particularly volatile end to the quarter for financial assets
- After a dramatic first half of the year, can we expect a lull soon?

The second quarter was largely influenced by the effects of the geopolitical crisis that erupted in February and whose impact on the global economy has been gradually materializing. Beyond the humanitarian, military and economic aspects of the conflict, the tug-of-war between Russia and the Western world, which has sanctioned in various ways the Russian intervention will certainly have lasting consequences on the global geopolitical balance that prevailed before the invasion of Ukraine. The return of a form of cold war between the two East-West blocs has recreated the conditions for a new bloc of "non-aligned" countries that do not condemn the Russian invasion without openly defending it either to appear. The balances that have prevailed during the last decades of globalization of the world economy are being called into question on both the political and economic levels.

The world economy, which had just emerged from a major health crisis and had already damaged trade networks and production chains, with notable effects on inflation, was quickly confronted with a new problem of a completely different nature, but with potentially greater effects, as it clearly threatens the energy independence and the proper functioning of the economy of many countries, and of Europe in particular. However, the sharp rise in energy and commodity prices does not sufficiently reflect the real risks of upcoming shortages. The financial markets, already worried about rising inflation, reacted logically to the sudden and rapid increase in tensions. During the last quarter, all asset classes recorded very clear negative performances, bringing the performance of the first half of the year to the top of the worst start of the year statistics in history. Geopolitics keeps the pressure on the future availability of gas, oil and other commodities, including agricultural products, under Russia's control by destabilizing global supply networks and pushing up prices. As early as 2021, we predicted that the year 2022 would be hit by the risk of inflationary slippage.

While this forecast largely materialized in the first half of the year in most economies, it should be noted that the effects on financial markets were also particularly severe. In June, the publication of a +8.6% year-on-year increase in inflation in the United States, instead of the +8.3% forecast, caused a new panic in the markets, which were more anxious than ever about the perception that the Federal Reserve, and central banks in general, were unable to meet their obligations. A relatively small surprise or prediction error, however, led to a 50 basis point increase in 10-year US Treasury rates in three days, which was widely followed by most other markets, and a drop of about 10% in bonds, stocks, listed real estate and other asset classes. At the end of the quarter, weaker economic data contributed to reinforce the risks of an economic slowdown that may be more severe than expected. Recessionary risks took precedence over inflationary fears, particularly with the publication of the Atlanta Fed's GDP Now (-2%), which suggested the possibility of a recession already present in the United States at the end of June. The Fed had already had to react vigorously a few days after the CPI shock of +8.6% to demonstrate its unwavering commitment to fighting inflation by raising its key rates aggressively by 0.75% on June 15. This decision and the announcements of possible similar hikes in July and September were

unsuccessful in calming the general public, and further spooked investors who were worried that the risks of recession for financial assets would be reinforced by an overly restrictive monetary policy of the Fed.

The bond markets probably took more account of the fall in energy and agricultural prices in June as a positive factor for the upcoming inflation figures. At the end of the quarter, the yield curves quickly corrected the excesses of the three days following the June 10 shock. Ten-year rates fell from 3.49% to 2.8% at the end of the month, about 20 bps below the previous equilibrium level. Volatility was therefore extreme on the financial markets in June, which first suffered a global shock of 50 basis points by touching 3.5% (ten-year rate) before quickly falling back below 2.8%. The correlation proved to be total, affecting the European and Swiss markets in a similar way. In Switzerland, the surprise 0.5% increase in the SNB's key interest rates following the Fed's decision was accompanied by extreme volatility in the Swiss government's long-term interest rates, which followed a similar upward movement from 1% to 1.5% before falling back to 0.9% at the end of the month. Volatility in risky assets was also high, but less profitable as they ended the month very weak in contrast to the bond gains recorded. The decline in PE ratios (price earnings) was notable, but it seemed to be mainly due to the fall in equity prices and not the fall in earnings as well.

Fears of a future earnings recession have kept investors' enthusiasm for the moment, despite the already significant adjustments in interest rates and valuations that could have already supported a return of their interest. Monetary conditions had already tightened significantly with the rise in the yield curve even before the Fed's key rate hike. Coupled with a decline in household purchasing power, this situation has already been weighing on the pace of economic activity for some time, even if it is still too early to see the full effects. The U.S. economy is certainly already slowing down significantly, and the monetary authorities are no doubt not insensitive to this situation. The drop in energy prices may have enough of an impact on CPI in June and July to allow the Fed to temper its interpretation of the situation and moderate its policy. The risks of a recession are present, but while expectations for key rates are already pointing to a downward shift in the first quarter of 2023, the risks of various types of recession are not. The hopes of a lull in the near future are certainly justified.



Alain Freymond
Associate & CEO
BBGI Group

BIG PICTURE

Main convictions

- Recession risks are undoubtedly intensifying
- Inflation persists but will decline in the second half
- Central banks are forced to tread carefully in raising interest rates
- The worst may be over in the capital markets

Recession risks are undoubtedly intensifying

The risks of recession are undoubtedly intensifying, mainly due to the loss of confidence of households and their growing difficulties in maintaining their level of consumption in the particularly penalizing context of the rise in energy, transport and food prices in recent months. The purchasing power of American and European households has already been severely impacted by the explosion in the costs of several important items of their consumption. In the United States, the rise in nominal wages is notable, but it only very partially offsets inflation and households no longer have savings reserves that have been largely used since 2020 to cope with it. The expected decline in household consumption is likely and will also have consequences for investment and production.

Leading indicators have already been weakening for several months in both the industrial and service sectors, logically reflecting this likely development. The rise in financing costs, which is less related to the rise in key rates than to the sudden adjustment of the yield curves, is having a negative impact on all economic agents.

The major adjustment of mortgage rates (30 years) from 2.8% to 5%, now at the highest level of the decade, will not be without effect on the capacity of households to acquire real estate, especially as the level of prices is still close to its highest levels.

The Federal Reserve is reassuring that the US economy is sufficiently dynamic to withstand the rate hikes that the institution is preparing to implement to fight inflation. The US economy, like others, is already reacting to rising inflationary shocks from external factors by adjusting consumption and production without waiting for central banks to act to try to prevent future price slippages.

The markets are therefore already aware of this new paradigm and are adjusting quickly. Therefore, the real question is again whether the Fed's restrictive action is justified. It could be excessive and reinforce the adjustment mechanisms already at work at the risk of greatly increasing the likelihood of recession.

Inflation persists but will decline in the second half

Our pessimistic outlook for inflation developments was largely realised in the last quarter. Expected increases in consumer price indices exceeded +10% in some countries, while producer prices often showed even more dramatic developments. We were already anticipating a surge in inflation as a result of the post-Covid global economic recovery linked to the reorganisation of commodity and raw material supply sources. The invasion of Ukraine only reinforced existing tensions by further destabilising supply networks and causing a major shock in the energy market.

The first effects of these destabilisations were felt in the prices of gas, oil and most raw materials, causing the inflationary shock that has shaken the whole world ever since. A form of political and economic realism has accompanied the much firmer discourse of Western governments ready to sanction Russia and support Ukraine, without pushing the political cursor to the point of deciding to do without Russian gas immediately. It is clear that replacing Russian energy with other suppliers and other means of producing electricity will obviously be difficult to implement, but this reorganisation of energy supply is certainly unavoidable and will above all have a lasting cost.

The world economy will have to adjust to a rise in commodity prices, which will be supported by increased competition between states and companies to secure essential sources of supply. OPEC's role now seems essential, but still insufficient, to allow a normalisation of the energy market.

In the short term, however, we believe that the trend in energy and commodity prices could temporarily ease and stabilise at the low levels of recent months. A drop in oil and gas prices would thus have a favourable impact on production costs and favour consumption. The decline already observed in the prices of certain agricultural products should also help to reduce inflationary pressures.

Inflation figures could therefore benefit from both a fall in prices in the coming months and a favourable base effect which would finally allow the expected deceleration in price indices to be recorded. Inflation expectations have indeed been falling for several weeks now, suggesting that the inflation peak has probably already been reached.

Central banks are forced to tread carefully in raising interest rates

Central bankers had lost their credibility even before the geopolitical crisis broke out in February. Already considered late in the fight against inflation, its persistence at the global level confirmed their lack of realism and anticipation. They belatedly realised that the friction in supply chains caused by the post-pandemic recovery of the global economy would not be temporary.

At the time, we already mentioned that the major new challenge facing them in 2022 would be to try to normalise their monetary policies, after injecting several trillion dollars of liquidity, without risking derailing ongoing growth.

They were late in committing to the monetary tightening process, when inflation seemed to be totally out of control. The last episode of panic materialized on June 15 when the Fed felt compelled by the financial markets to raise its key rates by 0.75% while the CPI was still advancing at +8.6%.

We mentioned a few months ago that the new post-Covid dilemma, in a new world order disrupted by the reshuffling of the energy cards, will be for central banks to try to avoid appearing powerless by trying to control inflation without pushing the global economy into recession.

Leading indicators have come close to the growth threshold, remaining above the 50 mark, but the new orders component of the ISM slipped in June to 49.2. Today, it seems that by moving from one posture to the other, central banks risk provoking a "hard landing" which they may then have difficulty in reviving.

They seek to regain credibility by acting in the only way they can, but in doing so they risk having no impact on the factor that is pushing up inflation and instead run the risk of pushing the economy into recession. They are in fact forced to proceed very carefully, trying to reassure the markets that they are actually managing risks in a fine-tuned way. It is by no means certain that the Fed will be able to avoid a "hard landing" if it persists in the idea of having to tighten monetary conditions without taking into account the current state of the economy, which is probably weaker than it seems to see. However, it may have the opportunity to adjust its strategy if inflation finally shows signs of weakening soon.

In the US, the Fed's current rhetoric does not seem to take into account the likely ongoing slowdown in the economy. Having just tightened its monetary policy by activating all three policy vectors and announcing that the economy was strong enough to withstand the tightening, the

Federal Reserve is faced with a completely opposite forecast from the Atlanta Fed, which suggests that the economy may already be in recession by the end of June.

They seek to regain credibility by acting in the only way they can, but in doing so they risk having no impact on the factor that is pushing up inflation and instead run the risk of pushing the economy into recession. They are in fact forced to proceed very carefully, trying to reassure the markets that they are actually managing risks in a fine-tuned way. It is by no means certain that the Fed will be able to avoid a "hard landing" if it persists in the idea of having to tighten monetary conditions without taking into account the current state of the economy, which is probably weaker than it seems to see. However, it may have the opportunity to adjust its strategy if inflation finally shows signs of weakening soon.

The worst may be over in the capital markets

For several quarters we had been predicting that a major paradigm shift would take place in the financial markets when central banks finally decided to normalise their monetary policies. This prediction came true even beyond our expectations in Q2, following on from the adjustment already seen in Q1 (-3%), which saw bond markets fall further by almost -3%. The renewed upward trend in US interest rates in Q1 had already developed with the rise in inflation before 15 February and was subsequently confirmed when the consequences of the invasion of Ukraine on oil and gas prices raised fears of a further surge in inflation. The surge in energy prices had thus quickly set financial markets and yield curves in virtually all currencies on fire.

After an initial yield adjustment shock of about 50 bps on the yield curves, March logically saw a further adjustment to take into account the evolution of prices and the upcoming effects on the various national inflation measures. Q2 remained very uncertain in the capital markets, influenced mainly by inflation statistics and oil prices. A relative lull in April, with crude oil prices stabilising at around \$105 after peaking at \$130 in mid-March, did not yet allow yields to ease. The push remained strong until May when the 3% level was finally reached on 10-year US Treasury rates. The flattening of the yield curves also suggested the risks of a future inversion of the curves, potentially heralding a future recession. These adjustments in most markets caught economists and central banks off guard. The reaction of investors to rising inflation, the demand for real yield protection and the perceived loss of control by central banks was initially logically a rapid adjustment of nominal yields. Now in the process of reducing their balance sheets, central banks no longer contribute in the same way to the equilibrium of bond markets, which adjust freely and without bias. In this context of much more vulnerable and volatile markets, the surprise of inflation for the month of May rising by +8.6% was the new trigger for a panic that provoked a new almost immediate rise of 50 basis points in the US yield curve and various other currencies.

However, this historic adjustment in terms of its magnitude and speed was soon corrected. Yields fell more heavily and as fast as they had risen as the threat of recession came back to the forefront and became the primary source of concern. With the correction of nearly -8% in crude oil prices, -33% in US gas and a general -11% drop in agricultural commodities, the inflation outlook for the next few weeks looks less scary.

The economic slowdown that has emerged in recent weeks should also ease demand pressures. A slowdown in demand should also relieve some of the pressure on the supply side and reduce tensions in value chains. Capital markets have reacted largely to the risks of inflation slippage, and are now adjusting to the diminishing risks of inflation slippage and the increasing risk of an economic slowdown or even recession.

We believe that a transitional period of relative calm could set in before the autumn for the bond markets. A relative but certainly temporary easing could thus take shape during the summer, favouring a reduction in risk premiums in the investment grade and high yield segments, and offering short-term repositioning opportunities.

A window of opportunity ready to open in the financial markets

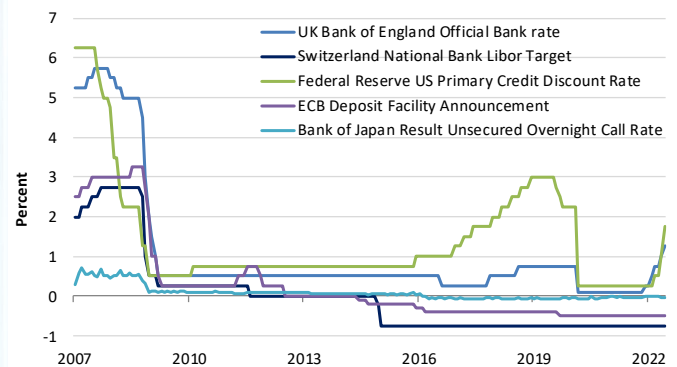
Fears of uncontrolled inflation were by no means unfounded in Q2. They pushed the fixed income markets into a phase of readjusting expectations and yield requirements in line with the serious risks posed by the ongoing inflationary trend. However, economic statistics are increasingly pointing to a significant slowdown in activity, which will help to limit somewhat the

inflationary pressures feared until now. The risks of recession have taken over, but the fear of inflation remains tenacious and will have to be dismissed by statistics pointing clearly to a stabilisation and deceleration of inflation.

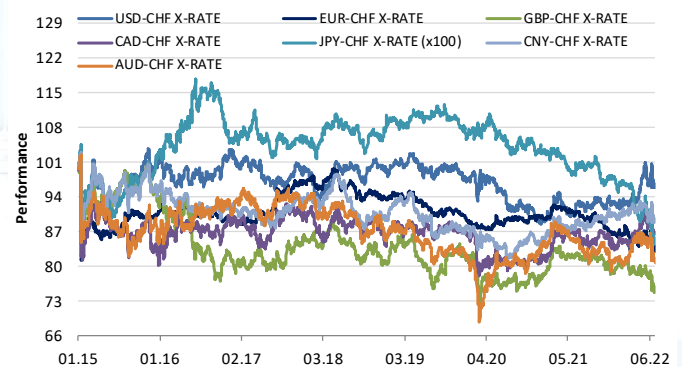
We believe that the next few months should see just such a reduction in inflationary pressures. Consequently, a first window of opportunity should open up in the bond markets, which will benefit from the correction of inflationary expectations. An overall decrease in tensions on the interest rate markets should also be positive for other asset classes and for those particularly linked to the level of interest rates. A window of opportunity thus seems ready to open in the financial markets after one of the worst first half-years in history, which saw virtually all asset classes and sectors record significant losses.

A stock market rally in Q3 therefore seems likely if the decline in inflation is confirmed without worrying signs of recession.

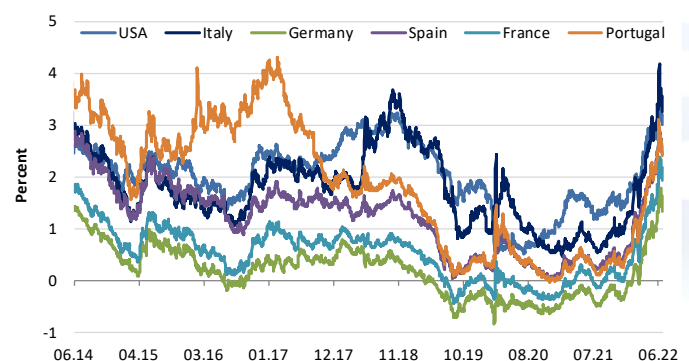
Key rates (EUR, CHF, GBP, USD, JPY)



7 main currencies against CHF (base 100)



10-year government rates



MACROECONOMIC SCENARIO



MACROECONOMIC SCENARIO

Global Outlook

- Sharp downward revision of global growth
- Risks of recession increase in the United States
- Europe is going through a severe turbulence zone
- Switzerland seems to be better able to withstand headwinds
- Slow recovery of activity in Asia after the confinements in China



Sharp downward revision of global growth

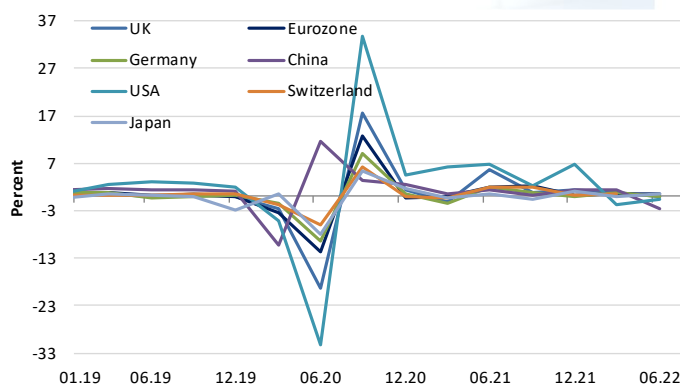
The IMF has revised for the third time this year its growth forecast for the world economy in 2022 down to only +3.6%. The institution now expects US GDP growth to fall to +2.9% from a previous estimate of +3.7% due to the Federal Reserve's decidedly tougher monetary policy. The IMF refers to the increasing risks of recession for 2023 and admits that its forecasts contain a high degree of uncertainty. The reason for this is the global surge in inflation following the post-Covid recovery and, above all, the rise in commodity prices as an immediate consequence of the war in Ukraine. The expected tightening of monetary policies around the world in response to the slippage in inflation could have a greater impact on the economy than expected. The recent increase in key interest rates in the United States, the highest in 27 years, is already threatening growth of the world's largest economy. The publication of the Atlanta Fed's GDPNow even suggests that the US economy is already in recession with a -2% decline in GDP. These fears are not shared by the Federal Reserve for the time being, but in Europe the ECB is concerned about the situation while maintaining a relatively optimistic while maintaining a relatively optimistic GDP growth forecast of +2.8% in 2022. In Asia, the slowdown in growth has a very different basis. China is facing a new wave of Covid and its economy is currently suffering more from containment measures than from the inflationary effects of the geopolitical crisis in Ukraine, as Chinese inflation is low by international standards.

The second half of the year could be particularly difficult if inflation does not fall significantly and if central banks adopt overly restrictive postures. However, the economic slowdown should be more significant than forecasters expect in the coming months. A "hard landing" of the global economy cannot be ruled out, while the stagflation scenario that we have been predicting for several quarters is now developing more and more clearly.

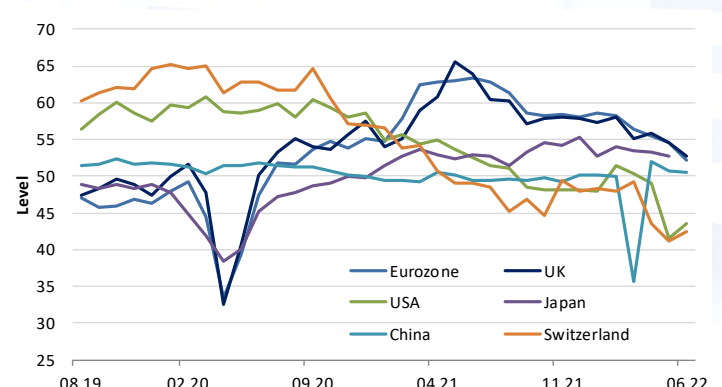
Recession risks are increasing in the US

The U.S. has already experienced negative Q1 growth and could indeed surprise with a difficult Q2 that would plunge the economy already into recession by the end of June. This is the scenario announced by the Atlanta Fed, which published its estimate for US GDP growth down by -2%, suggesting that the US economy may already be in recession. This pessimistic scenario is not widely shared to date, notably by the Conference Board, which estimates real growth in Q2 at close to +1.9% (annualized), although it admits that the risk of a slight recession at the end of the year cannot be ruled out. With a forecast of +2% for the year and a slowdown to +0.6% in 2023, their expectations seem relatively positive. The U.S. economy does indeed still seem to be growing, supported by a still very robust job market and significant wage increases, despite the negative effects of rate hikes and persistent inflation. It still seems a little too early to see a dramatic change in consumer behavior and household spending, but the decline in purchasing power is now a fact and is beginning to bite on confidence and retail sales. A peak in inflation in Q2 and a gradual decline thereafter over the next few months seems possible, however, if the decline in commodity prices that began in June continues and if the economic recovery in China also allows for a reduction in tensions on certain supply chains. This preferred scenario for inflation can therefore support the prospect of continued positive growth in the second half. Nevertheless, we believe that GDP growth in Q2 has clearly slowed down, but should remain positive at around +1%, thus removing the immediate risk of a recession. Companies are facing a growing problem of shrinking margins due to rising raw material prices and production costs, but they could take a more proactive approach in the currently tight labor market by being reluctant to make rapid layoffs. The labor market should remain strong and provide a sufficient base to support consumption.

Quarterly GDP



Manufacturing PMI



Graph sources: Bloomberg/BearBull Group/S&P Global

At the same time, the risks of recession are indeed increasing with the rise in inflation uncertainty and mainly due to the decidedly more aggressive monetary policy outlined by the Federal Reserve Chairman for the time being. After having been unrealistic and short-sighted in its assessment of the inflation trend in 2021 and early 2022, the Fed will again face its responsibilities by adopting the right monetary policy for the situation. However, its recent stance seems to be in line with the likely context of the current economic slowdown and the possible decline in inflation that is already too dogmatic and threatening to growth. A "hard landing" could thus be provoked by inappropriate rate hikes in the coming months.

Europe is going through a severe turbulence zone

The European economy is the most severely affected of the developed economies by the effects of the Ukrainian crisis for several months now. Still logically growing in the first quarter after the Covid crisis, the European economy has been facing an unprecedented crisis for several months now threatening its borders, its political cohesion, its economic development strategy and its energy independence. On the economic front, the war in Ukraine has placed Europe in a complicated situation, forced to intervene by adopting sanctions against Russia on the one hand, and forced on the other hand to look for alternatives to its energy dependence under the worst possible emergency conditions of urgency. The result of this delicate exercise will certainly be a pronounced slowdown in its economic activity, undermined by the fall in the purchasing power of European households and by the rise in the operating costs of certain industries. Domestic demand is becoming increasingly weakened in the specific context of rising energy prices and electricity bills, which are having an ever greater impact on the purchasing power of European households. The fall in real incomes is not without effect on consumer morale and if the European economy avoided recession in the first half of the year, the outlook for the second half of the year is bleaker. Germany, Europe's largest economy, is suffering seriously from rising gas prices and could see negative European growth in the second quarter. Fiscal support and more moderate ECB action could, however, contribute to the resilience of the Eurozone and allow for annualized growth of +1% at year-end, if inflation also peaks in Q2 in the eurozone.

Switzerland seems to be better able to withstand headwinds

The Swiss economy ended the first quarter on a relatively strong growth path and seems to be able to demonstrate its resilience in the second quarter as well. Inflation also affected Switzerland (+3.4%), which recorded its highest level in recent decades while remaining reasonably controlled compared to the slippage observed in other developed economies. The SNB surprised by raising its key interest rates by 0.5% in June, showing that inflation was once again its main concern. Swiss GDP growth is also expected to decline under the impetus of the same international factors, but forecasts remain relatively solid for the time being, pointing to an increase of +2.6% in 2022. Domestic consumption continues to be the main driver of the Swiss economy, supported by a high savings rate and positive wage growth in a strong labor market.

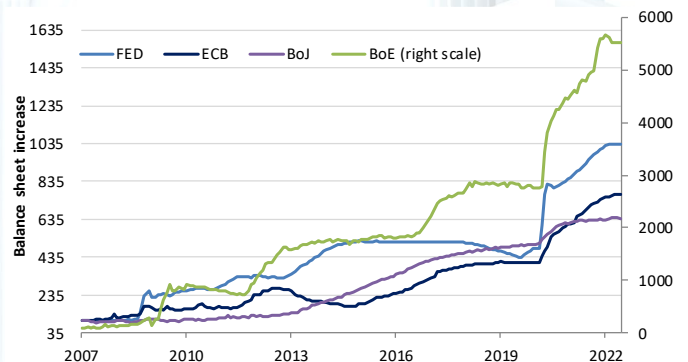
Negative growth in the UK

The UK economy has stalled for several months and may well end the quarter with a slightly negative result. British households are also largely suffering from galloping inflation, the highest in Europe (+9.1%) and the highest in 40 years, which is eroding their purchasing power. June may well prove to be another weak month with negative GDP growth. Domestic demand is not expected to be able to withstand the rise in prices and the risks of a deterioration in the labor market are now real despite an unemployment rate barely rising to 3.8%. Food spending fell by -1.6% in volume in May, a sign that consumers are adjusting their consumption. Against this backdrop, the BoE announced its fifth rate hike of 0.25%, bringing its intervention rate to the level that prevailed in 2009 to fight inflation, which it estimates could reach +11% by the fall of 2022.

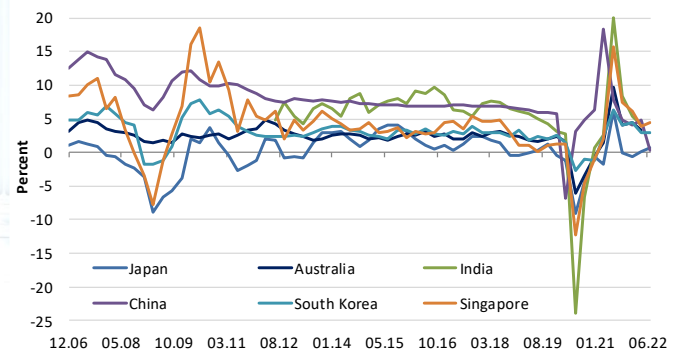
Real growth of the world economy



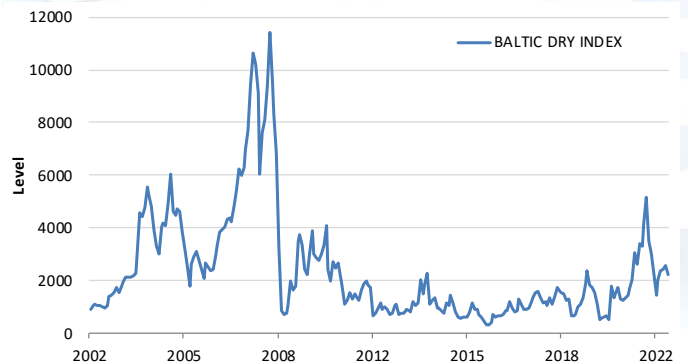
Global liquidity



Growth rates of Asian economies (GDP)



Baltic Dry Index



Slow recovery of activity in Asia after the confinements in China

The "zero Covid" policy in China was extended in the second quarter, plunging the country into an economic slowdown that is certainly significant. China's growth could fall to +4% in 2022 after the confinements that have affected several dozen major Chinese cities and Shanghai in particular. China's uncompromising health policy has put a major brake on the economic dynamic by also paralysing the production chains. The second quarter is expected to show a sharp slowdown, which will not be offset by an expected recovery in the second half of the year. The Chinese economy is therefore unlikely to reach the government's target of a 5.5% increase in GDP. The current quarter should barely be up by 1% compared to the same quarter in 2021. On a quarterly basis quarterly, China's GDP actually contracted by -1.4%.

A certain normalization is taking shape in June, so the Chinese economy should perform better during the summer and gradually regain confidence. The psychological shock of the recent confinements will probably not allow a quick return to normal in consumption and investment. The Chinese economy is also suffering from the impact of rising commodity prices and the disruption of supply and distribution networks. The recovery in the second half of the year will therefore be less vigorous than after the first confinements in 2020.

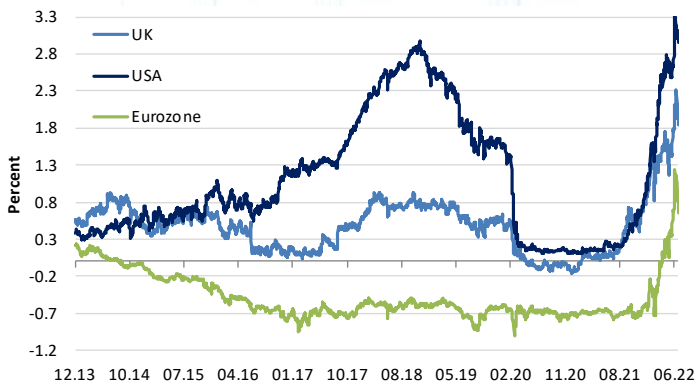
Growth for the year is expected to be driven more by infrastructure investment than by a rapid recovery in private consumption, which will no doubt require further government stimulus to restore confidence and support domestic demand and vehicle sales. The "zero Covid" policy certainly poses a lasting threat to China's economic recovery, affecting both the outlook for household consumption and business investment.

Growing risks of Japanese GDP contraction

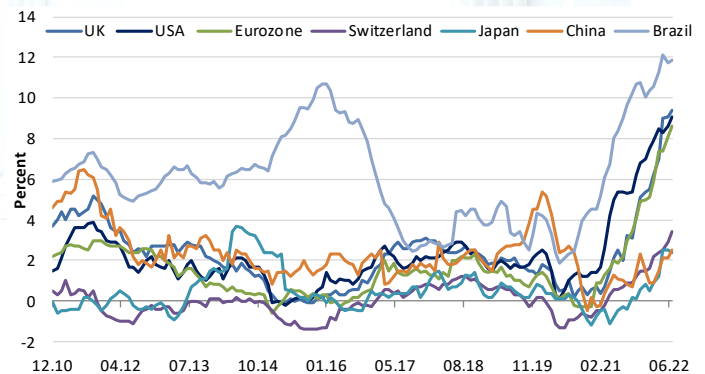
Japan's GDP contracted by -0.5% in the first quarter and still does not seem ready to take off despite the numerous fiscal and budgetary stimulus provided by the Japanese government. The economy is still below its pre-pandemic level and is struggling with the rise in imported raw materials on which it is particularly dependent. The economic slowdown in China and the lockdowns in more than 40 major cities has also had a strong impact on the Japanese industrial and manufacturing sector. Consumption, which had already stagnated in the first quarter, does not seem to have changed and remains weak. Companies worried about the return of containment risks have not really invested and have adjusted to the risks of deteriorating international conditions. The rise in oil and gas prices, but more broadly in commodity prices, has penalized the Japanese trade balance and contributed to the significant depreciation of the yen. The Japanese currency is now at its lowest level in 20 years against the US dollar. Japanese manufacturing companies are also suffering from problems in sourcing parts from China as a result of Beijing's "zero-covid" policy. The component shortages are affecting many sectors, including the automotive sector. Toyota, the world's largest car manufacturer, has had to close many factories due to the lack of parts normally coming from Shanghai.

However, the Prime Minister Fumio Kishida has approved a 2,700 billion yen budget increase financed by debt to support a new 6,000 million yen economic recovery plan. The Japanese GDP should not grow more than +1.4% in 2022, while inflation should increase to +2.4%, slightly above the BoJ's target.

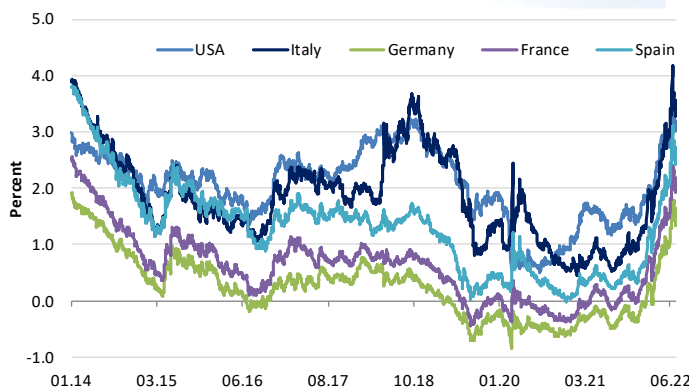
2-year government rates



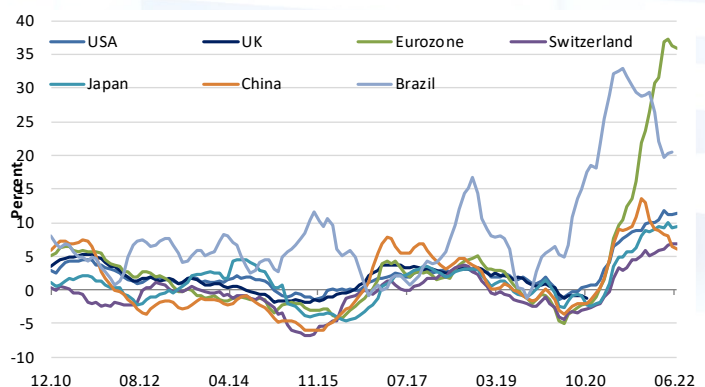
Inflation - CPI Indices



10-year government rates



Inflation - PPI Indices



Graph sources: Bloomberg/BearBull Group/S&P Global

MACROECONOMIC SCENARIO

United States

- US economy contracts in Q2 for the 2nd consecutive quarter and enters recession
- Exit from recession already possible in Q3
- The Federal Reserve does not believe in a recession
- Inflation has finally started to decelerate
- Fixed income markets also anticipate a decline in inflation

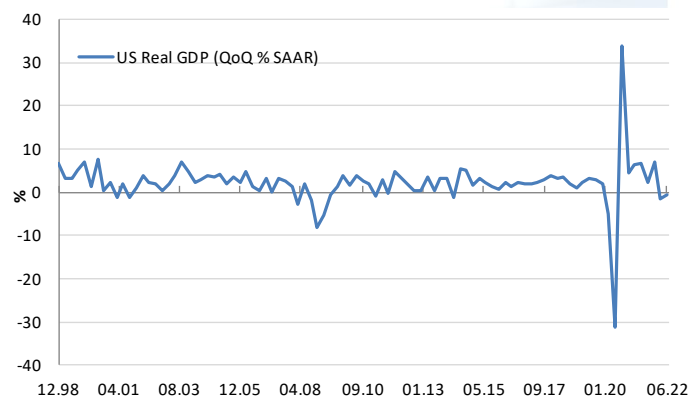
The US economy shrinks in Q2 for the 2nd consecutive quarter and enters recession

The US GDP contracted by -0.9% in the second quarter against all expectations, while investors were expecting positive growth of +0.4%. This result comes after the economic dynamic had already stalled in the first quarter, plunging by -1.6%. This is the second consecutive quarter that growth has declined, technically suggesting a recession in the US economy. Formally, the official determination of a positive or negative business cycle in the US has to be estimated and approved by a panel of experts from the National Bureau of Economic Research, which allows the Federal Reserve to not yet consider that the economy has actually entered a recession. The GDP Now index published by the Atlanta Fed at the end of June, a few weeks before the GDP announcement at the end of July, already suggested that the economy was in recession with an estimate of -2.1%.

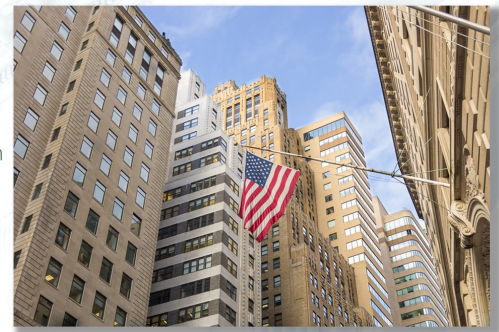
The sharp reduction in household purchasing power in a period of historically high inflation is one of the main reasons for the economic downturn. The economy quickly lost momentum as financing conditions tightened with rising bond yields and monetary policy decisions taken in March. Personal consumption was still rather resilient (+0.7%), while residential and non-residential investment (-2.73%), inventories (-2.01%) and government spending (-0.33%) made significant negative contributions. Spending on services increased quite significantly (+4.1%), but was offset by a decline in consumption of durable goods (-2.6%) and non-durable goods (-5.5%).

The US Federal Reserve has belatedly embarked on a fight against inflation by repeatedly raising its key interest rates. It now hopes that the rapid monetary tightening policy will ensure that the economy is resilient enough to withstand the rate hikes imposed and that it will not plunge into a deeper recession than the one already underway. The US administration also remains convinced that the strength of the labour market and a low unemployment rate provide strong support for the thesis that the economy is still growing.

Quarterly GDP growth - United States



Graph sources: Bloomberg/BearBull Group/S&P Global



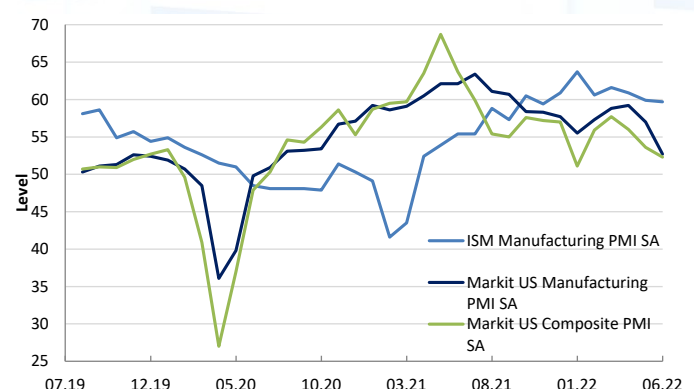
The rise in key interest rates has already had a major indirect impact on credit card usage costs, car leasing rates and mortgage rates, which have almost doubled in a few weeks. It therefore seems difficult to rule out all the risks of a further weakening of the US economy in the coming months in such an uncertain environment.

However, we believe that the next few months could be a little better on the inflation front, which could have a positive impact on household behaviour if inflation starts to show the expected signs of decline over the summer. A decline in inflationary pressures would then be accompanied by a period of easing in bond yields which would be likely to improve consumer confidence and behaviour. A revival in consumption as well as a recovery in industrial production and a phase of inventory rebuilding could together support GDP growth by making positive contributions in Q3.

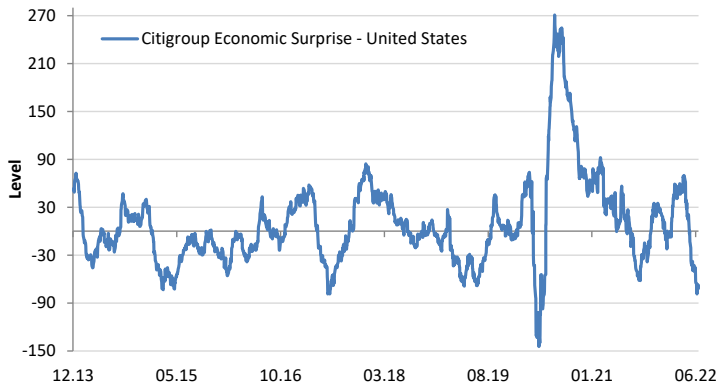
Exit from recession already possible in Q3

After a Q1 and Q2 contraction of -1.6% and then -0.9%, the US economy virtually entered a technical recession on 30 June to the relative surprise of all observers who were expecting positive real GDP growth instead. The recession scenario is now widely shared and taken into account by investors, who have also adjusted their expectations for bond yields downwards. However, recent economic statistics are not so clear-cut regarding the development of the economy in the current third quarter. In particular, industrial production rose in July by +0.6% after two months of decline. Improved delivery conditions for semiconductors seem to be behind the recovery in vehicle production (+6.6%). Capacity utilisation also increased from 80% to 80.3%, returning to its highest level in a decade. In contrast to this momentum, the Empire State manufacturing survey for August showed a more worrying picture for the industrial sector with a sharp drop in sentiment and order development.

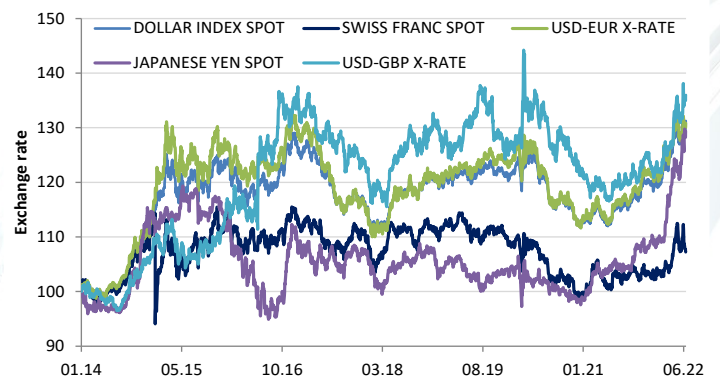
Leading Indicators PMI



Citigroup economic surprise index USA



Dollar trade-weighted index and currencies



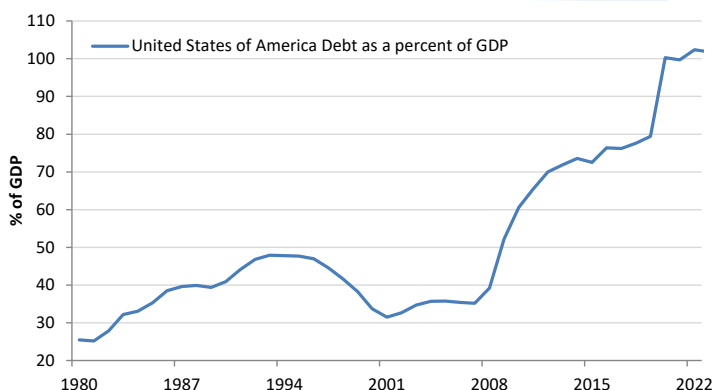
However, the contraction of the economy in Q2 logically paved the way for an expectation of continued economic weakness in Q3. The tense inflationary context reducing household purchasing power and threatening consumption, the main component of US GDP, and the rise in interest rates at the end of the quarter were negative factors. While the economy is in a slowdown phase and is expected to remain fragile in the second half of the year, the economic data do not yet resemble those seen in a sustained recession. A soft landing for the economy is still possible, especially if the labour market remains buoyant in the coming months. The forthcoming development of inflation will be an important factor in supporting the scenario of a slowdown, but positive GDP growth for the whole year.

With inflation easing and long rates stabilising below 3%, we believe that the US economy could well record further positive GDP growth in Q3 of +1.5% and +1.4% in Q4. The Atlanta Fed's GDPNow leading indicator, which had pointed to a recession in Q2 before the official figure was released, is now back in positive territory, suggesting Q3 GDP growth of +1.8%.

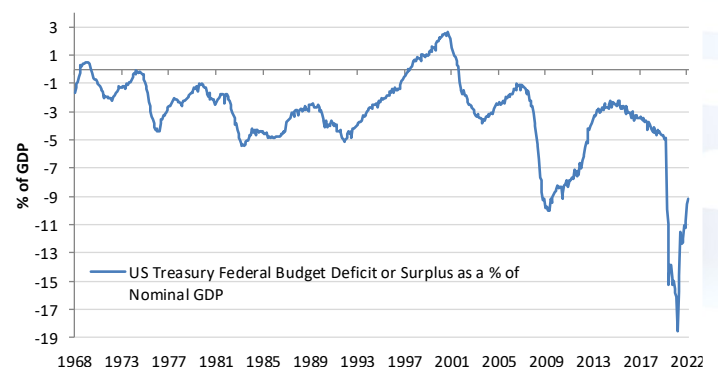
Leading indicators rather well oriented

The leading PMI indicators still remain below the growth threshold in June. Despite an improvement in the services index from 47 to 47.3 and a stabilisation at 52.2 in the manufacturing PMI, the composite PMI only rose from 47.5 to 47.7. The ISM manufacturing index for June remains relatively strong at 52.8 (June 53), but it is in the ISM services index that the recovery appears stronger. The jump from 55.3 to 56.7 in July, well above expectations (53.5), reinforces the scenario of an ongoing recovery in a number of segments. Activity has risen sharply with the increase in demand for services at the beginning of the summer. The « New Orders » component rose by 4.3 points to 59.9, while the improvement in the Employment sector remains below 50 in the contraction zone. The labour market is still tight and while some companies have reduced or frozen jobs, they are not ready to lay off workers.

Debt USA



US Treasury Deficit/Surplus



Credit increase to compensate for loss of purchasing power

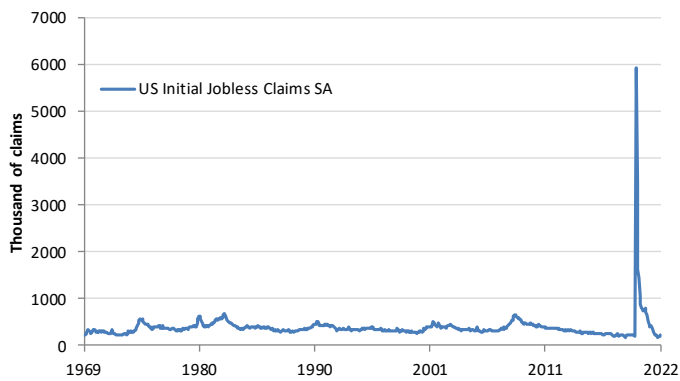
Household confidence is not at its best, but we note that sentiment measured by the University of Michigan is improving, driven in particular by upper-middle class households, which are the most affected by the rise in inflation. The labour market remains particularly buoyant, with an impressive 528,000 new jobs created in July, nearly 11 million job offers and the unemployment rate falling further to 3.5%, returning to its pre-Covid crisis level in February 2020. The average wage still increased in July by 0.5%, thus recording a +5.2% increase over one year. Despite this increase, household purchasing power has contracted sharply due to an 8.5% rise in inflation over the same period. In this difficult environment, consumers often had no choice but to increase their debt levels significantly. In June, it reached a monthly historical level corresponding to 40 billion new loans in dollars.

Households have thus made greater use of credit cards, but also of consumer loans for durable goods (vehicles) and school loans. Consumers have thus compensated for the decline in their purchasing power caused by rising prices by taking on debt. The annualised growth in debt of +8.7% has thus enabled consumption to prove relatively resilient so far, rising by +1.1% in July. However, the positive labour market situation does not allow households to look to the future with confidence due to the decline in purchasing power resulting from the faster rise in prices. Household confidence is thus at its lowest level since February 2021.

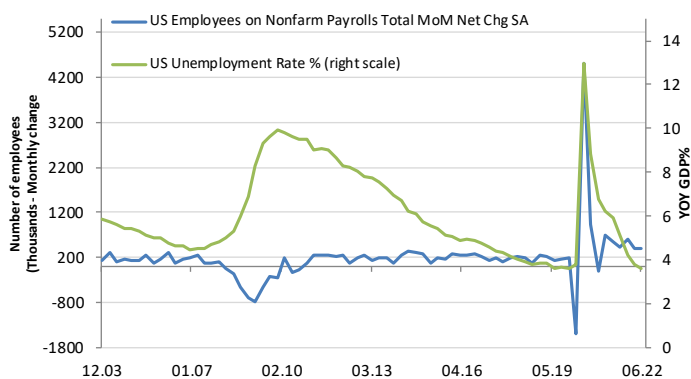
The Federal Reserve does not believe in a recession

The Federal Reserve lowered its forecast for real economic growth to +1.7% for 2022 and 2023. It also adjusted its new inflation forecast to 4.3% and 2.7% respectively. The Fed Chairman has indicated that he wants to eventually bring inflation down to its target level of 2%, which seems complicated to achieve in a reasonable timeframe without raising policy rates significantly and quickly at the risk of causing a more intense and lasting recession. Having long been convinced of the temporary nature of inflation, the Fed may now be just as blinded

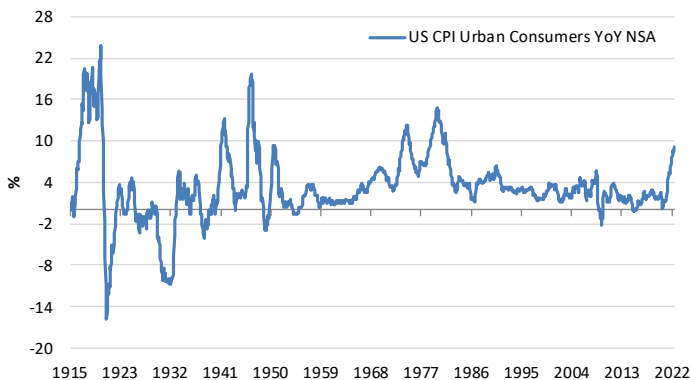
Unemployment benefits in thousands of claims



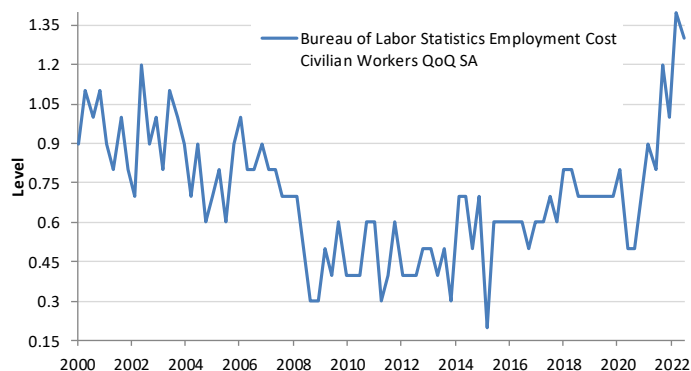
Job creation outside the agricultural sector (net monthly var.)



Annual inflation rate USA 1914-2021



Employment cost index



by the conviction that it must act aggressively to stop price rises, whatever the cost. In July, the Fed raised its key rates for the fourth time, bringing the Fed funds rate to 2.5%. Between now and the end of the year, the central bank is expected to raise rates further to between 3.25% and 3.5%, with a peak probably expected in March at 3.75%-4%.

The Fed's tightening cycle seems relatively predictable and will certainly not be affected by any good news on the inflation front in the coming months. Interest rates will continue to rise at the pace mentioned, as the Fed does not consider the US economy to be in recession.

Despite the technical recession measured by two consecutive quarters of negative growth, it believes that the economy is resilient and that it is based on a particularly robust labour market, which is causing labour costs to continue to rise solidly (+10.8%). The increase of 528,000 new jobs in July suggests that the economy remains strong, which will support the Fed in implementing its policy in a straightforward manner.

The deceleration of inflation is finally underway

The summer is proving to be a hot one on the inflation forecast and actual results front. June was a month of disappointment and financial market backlash, as the CPI figure for May (+8.6%) was barely three tenths higher than the expectations (+8.3%) of forecasters who were already hoping for a reversal of the trend, which therefore failed to materialise. July saw inflation rise again to +9.1%, again three tenths above estimates (+8.8%), but this time without this negative surprise having any noticeable effect.

The publication of the CPI for the month of July (0% over one month) was finally the one that allowed us to hope for the long-awaited reversal of the trend, thanks to a result that was down sharply to +8.5% over one year, slightly below the expectations of +8.7%. Inflation may have finally reached its zenith in June, thanks to the significant impact of lower energy and services prices, opening up the prospect of a further deceleration in prices in August due to lower petrol prices in particular. On the wage front, the increase is maintained without being able to compensate for the evolution of prices. Households' purchasing power thus continued to contract. The inflationary dynamic has also been reversed in producer prices, which have recorded their first month-on-month fall of -0.5% since April 2020. If this trend continues, it will reduce pressure on consumer prices.

Our forecasts for the evolution of inflation supported a decrease in pressure and a deceleration that was to take place during the summer. The start of the moderation in prices is therefore in line with our estimates. A continuation of the trend that has begun seems likely over the next few months. Base effects will now be favourable to a gradual decline in prices.

However, even if the environment improves, we believe that the ongoing reorganisation of commodity production and supply networks linked to the Russian invasion of Ukraine and the sanctions against Russia is likely to develop inflationary effects for a long time to come and extend beyond 2023. These inflationary pressures will reinforce trends related to post-Covid business cycle synchronisation and persistent disruptions in global production chains. Inflation may have already reached a momentum peak, but it is likely to remain elevated in the coming quarters.

Fixed income markets also expect inflation to decline

The publication of the Atlanta Fed's GDPNow indicator came as a surprise, indicating a sharp drop in a few days in US GDP estimates for the second quarter from +0.72% on 28 June to -2.07% on 1 July. The US economy was thus well into recession, despite employment figures that still seemed to be a decisive factor in the Federal Reserve's assessment of the country's economic health. In this environment, the interest rate markets already seemed to be more concerned about fears of recession than about inflationary risks, which only a few days ago were considered the main threat. The publication of the CPI YOY of +8.6% on 10 June had in fact caused an exceptional rise in 10-year US Treasury rates from 2.98% to 3.49% in three days and pushed the Federal Reserve to raise its key rates by 0.75%. The publication in July of an even higher inflation figure for June (+9.1%) had no negative impact, while the belief was growing that this figure would certainly mark the peak of inflation in 2022. The inflation published in August confirmed this assessment.

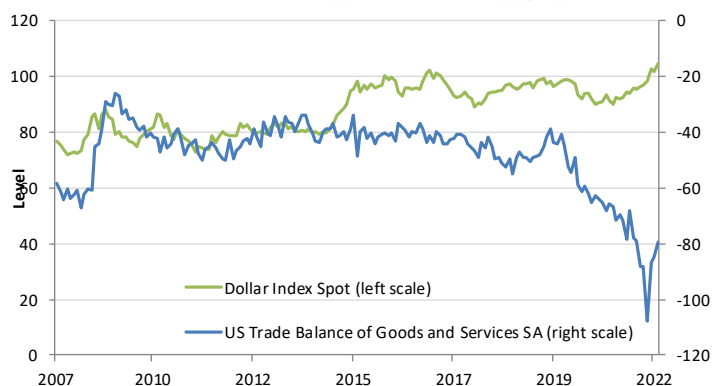
Today, the return of 10-year rates to below 3% is a sign that inflation is no longer as much on the agenda in the likely context of an already sharply declining global economy. The 5-year breakeven inflation rate (US) continued to fall, while energy prices also appeared to be adjusting to the weaker economic conditions, suggesting that inflationary pressures will ease soon.

Rates are finally adjusting to a clearly weaker economic reality with declining inflationary risks. Yield curves could move a little lower again, especially beyond five years. Internationally, US bonds still offer a significant comparative advantage. European, Japanese and Swiss investors can now look at fixed dollar investments with more interest and confidence.

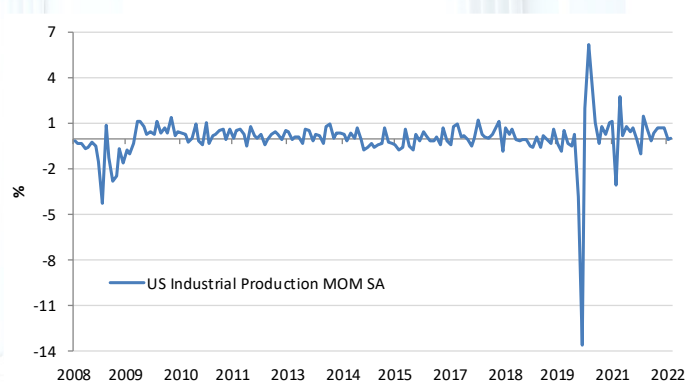
Equities also benefit from falling yields

« Bearish » investor sentiment was still very negative, as suggested by net short positions in the S&P500, which were at their highest level in ten years in early July. This already extremely cautious positioning on the index was similar to that observed in March 2020 and was corroborated by massive short positions on individual stocks. The widely accepted "bearish" scenario was not immediately adjusted following the interest rate cut, which was more of an opportunity to reposition after a historical price consolidation. The fall in bond yields came as corporate earnings proved rather resilient in Q2, at a time of economic contraction. We then considered that a window of opportunity had opened in June, which for the time being remains favourable to equities. The July rebound should continue as inflation and yields are likely to decline. Equities are benefiting from this new risk on situation, especially technology and innovation stocks with far out profitability profiles or stretched valuations. We maintain our positive view on equities, recommending an overweight exposure to US companies.

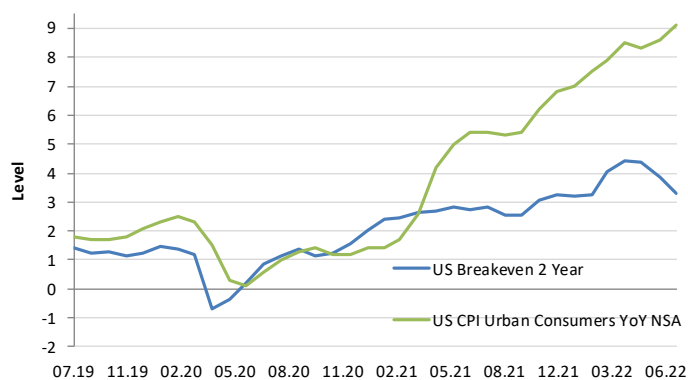
Trade-weighted US



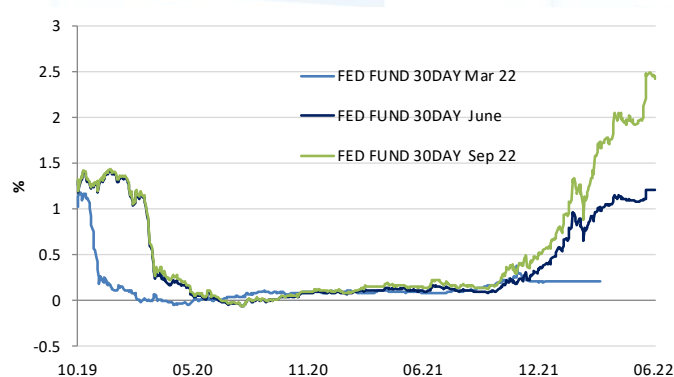
Industrial production - USA



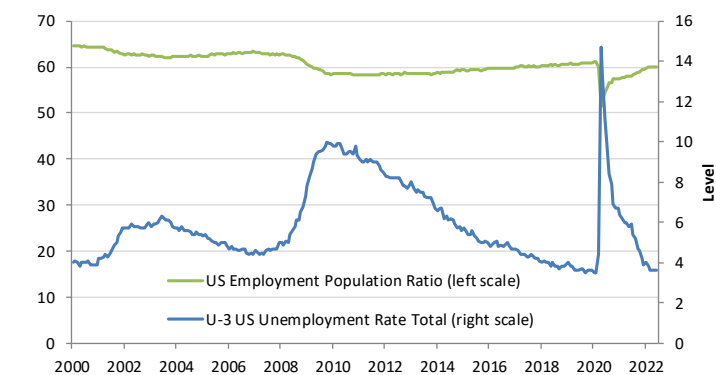
Expected inflation and CPI - USA



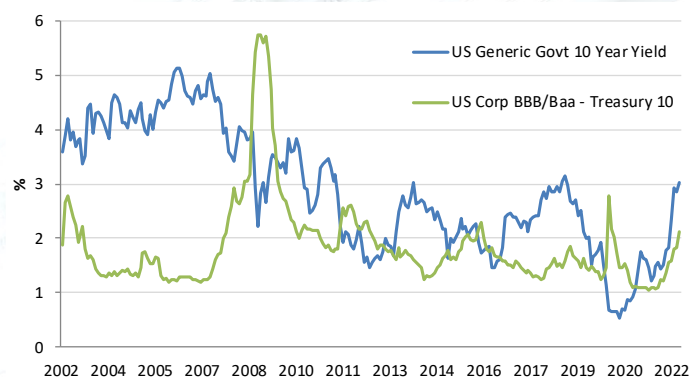
Fed Funds Futures



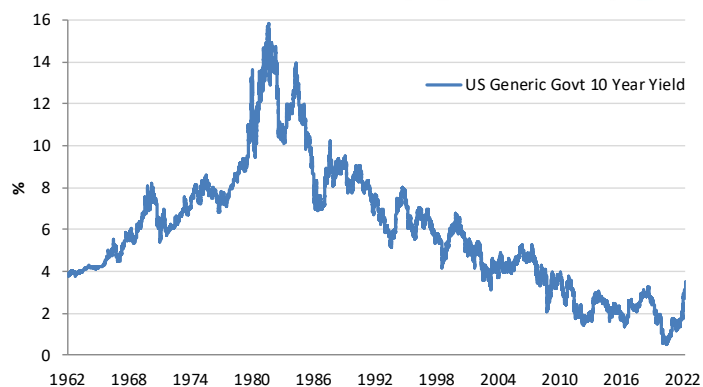
Unemployment rate and occupation rate of the population



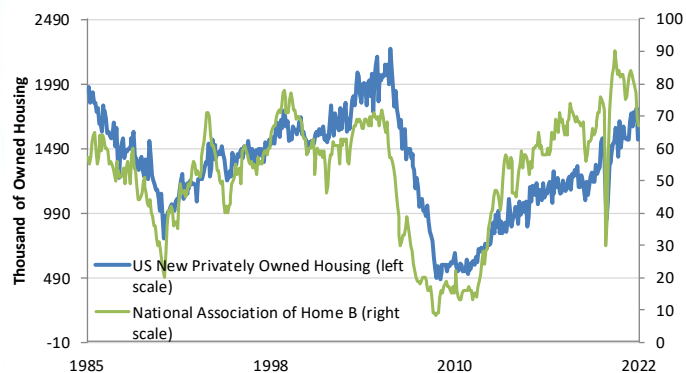
US Treasury yields and BBB bonds (Spread)



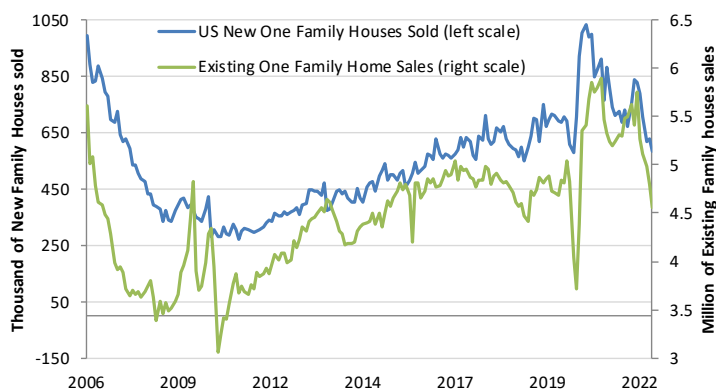
10-year US Treasury bond rate



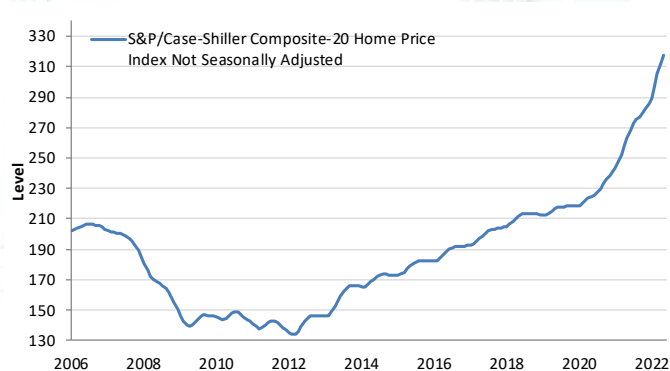
New Housing and NAHB USA



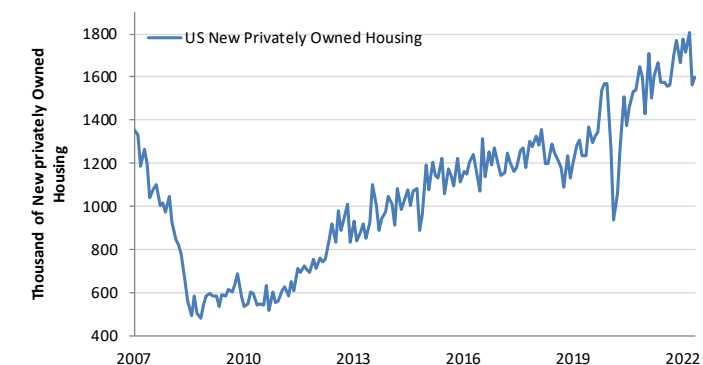
Sales of new and existing homes



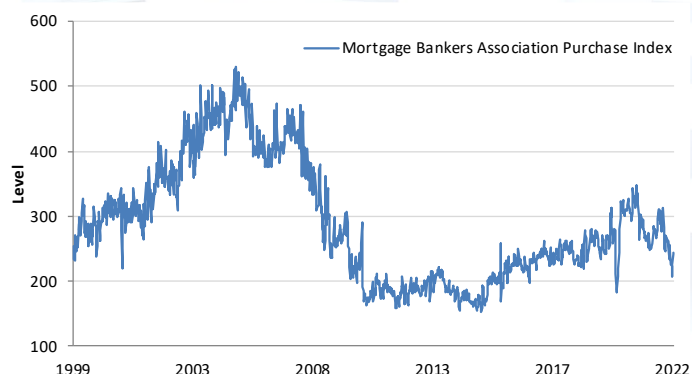
S&P Case-Shiller real estate prices



Construction of new housing



New applications for MBA funding



MACROECONOMIC SCENARIO

Switzerland

- Swiss economy resists headwinds
- Public and private consumption are the main drivers of the Swiss economy
- Swiss inflation at 30-year high
- Surprise and radical change in SNB policy



Swiss economy resists headwinds

The Swiss economy had already shown a rather solid resistance in the first quarter by recording a GDP growth of +0.5% in real terms, significantly higher than expected (+0.3%) and than the result of the previous quarter (+0.2%). This dynamic should continue in the quarter ending June 30. It brought its performance to +4.4% in year-on-year comparison. Swiss GDP was in line with the European trend of a rather strong first quarter after a revised +0.5% growth for the euro zone. In our country, this result was also particularly favorable in the difficult context of the first quarter marked by the outbreak of war in Ukraine and the strong increase in uncertainties resulting from this conflict in Europe. We will see below what were the main components that supported this growth and what the detailed outlook is for the coming quarters. With only a few weeks to go before the publication of the second quarter's performance, growth expectations seem to indicate a likely continuation of the resilience already observed at the beginning of the year in Switzerland. The Swiss economy is expected to have added +0.4% in real terms, in an increasingly difficult environment, characterized by a weakening international economy, rising inflation, a stronger Swiss franc and higher interest rates.

Strong comeback of domestic demand

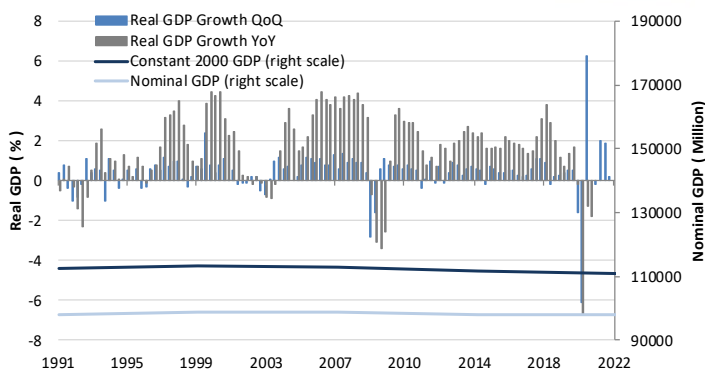
The Swiss economy is also facing undeniable contradictory forces. In particular, the crisis in Ukraine and the difficulties in obtaining raw materials and other products essential to Swiss industrial production are still having an impact on prices and supply levels. The end of the restrictions linked to Covid constitutes a more positive environment supporting the economic dynamic and the evolution of services in particular, but its positive effects come up against the increase in uncertainties directly linked to the war in Ukraine and which do not show any signs of easing to date

The geopolitical context is likely to persist and remain tense for probably longer than most observers initially expected. The rise in energy and commodity prices in general is also affecting household purchasing power in Switzerland and potentially the level of consumption. However, we believe that Swiss consumers will be able to get through this period of inflationary pressure with only marginal changes in their consumption. We believe that for the year as a whole, Swiss GDP should not undergo a major revision and should grow by 2.5%.

Public and private consumption remain the main drivers of Swiss growth

The industrial sector made significant progress at the beginning of the year (+1.7%), while growth stalled in the chemical and pharmaceutical industries. Exports of goods improved (+1.4%), outperforming the historical average. Imports of goods rose by +6.1% and were supported by demand from the chemical and pharmaceutical industries. Retail trade remained relatively stable (-0.1%) despite the removal of health restrictions. The hotel and restaurant industry remained depressed (-2.2%) and failed to record an increase in turnover. Private consumption supported the GDP with a +0.4% increase due to the good performance of the food sector. Once again, public spending, which recovered by 1.4%, supported GDP in connection with spending to combat the pandemic. On the capital goods investment side, the trend weakened (-3.1%) after a strong last quarter of 2021. A decline was also observed in construction (-0.7%) due to supply difficulties and raw material costs.

Nominal GDP - Nominal and Real GDP Growth rate

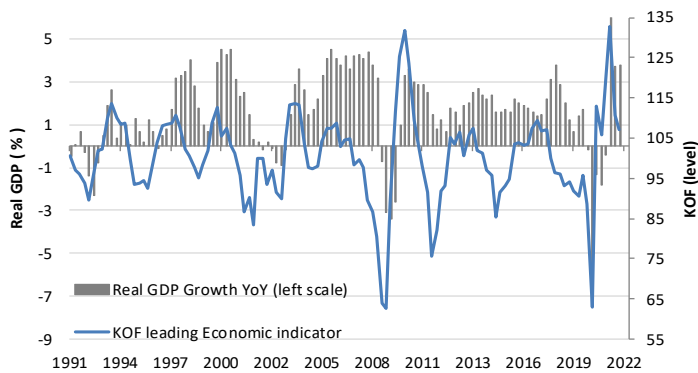


Graph sources: Bloomberg/BearBull Group/S&P Global

Swiss Purchasing Manager Index (PMI)



Real GDP Growth YoY - KOF leading economic indicator



Government spending had thus already risen significantly at the beginning of the year, and we estimate that it was still strong in the second quarter. The initial pandemic-related spending was certainly replaced later by spendings related to the war in Ukraine. The refugee movement that has started is expected to last and impact the second half of 2022 as well.

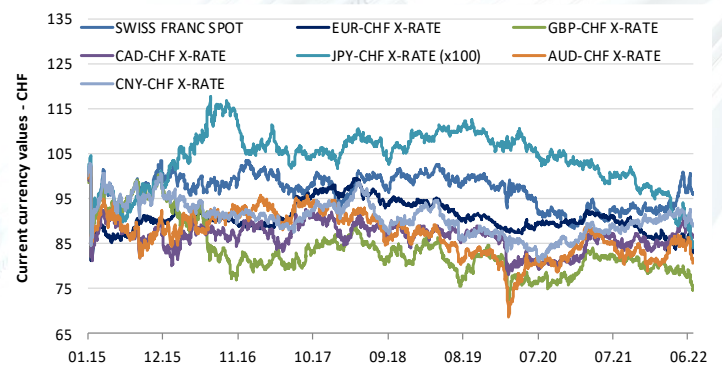
Construction investment is expected to show a fifth consecutive quarterly decline and will continue to suffer in the coming months from difficulties in the supply of intermediate goods. In Switzerland, too, labor shortages are affecting the construction sector, which is likely to continue to suffer from high capacity utilization. However, demand remains solid in the construction sector, pushing up prices in the face of a supply level that is struggling to adjust. We believe that conditions remain favorable for the sector despite the rise in mortgage rates because of financing conditions that remain favorable overall by historical standards.

Investment in capital goods should be able to pick up again under the more sustained impetus of investment in the electrical and IT services segments. Foreign trade made a slightly negative contribution due to higher import costs, as exports had already risen by +2.1% to 16% above the pre-pandemic level.

The collapse of the leading indicators continues

In July, the KOF Economic Barometer (-5.1 points) continued the long decline that began in the spring of 2021 and surprised observers by registering a more significant decline than expected. The decline of the KOF leading indicator has accelerated, suggesting that the situation is not yet improving despite the good results recorded in the first quarter of 2022. By slipping to 90.1 points, the index is now well below the 100 level and suggests that the Swiss economy is likely to weaken during the fall. Manufacturing is expected to suffer from the global economic downturn and supply difficulties, but the outlook is equally mixed for financial services, restaurants and hotels. Consumption seems to be holding up better, but production is largely affected, with order books in the machinery and pharmaceutical sectors showing more worrying trends. The manufacturing PMI also

CHF Exchange rate (Normalized at 100)



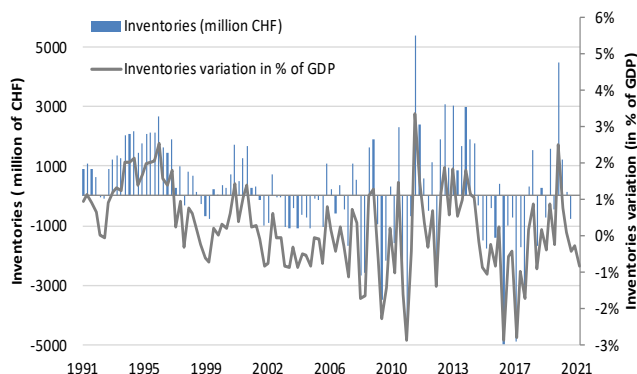
shows a similar downturn, with the latest publication for June dropping from 60 to 59.1. The indicator has been slipping since July and is now at its lowest level in a year. Overall, the leading indicators continue to point to a weakening of the economy in our country in the wake of that seen in most developed countries.

Swiss industrial production is also being impacted by rising material costs and supply difficulties. Import and producer prices rose sharply in Switzerland in June (+0.6% and +0.2%), and the strength of the Swiss franc has certainly helped to slow down the strong upward movement in costs for the Swiss economy, despite the fact that it has been widely observed among our direct economic partners. In the euro zone, import prices and producer prices have indeed jumped by around 36% over the past year.

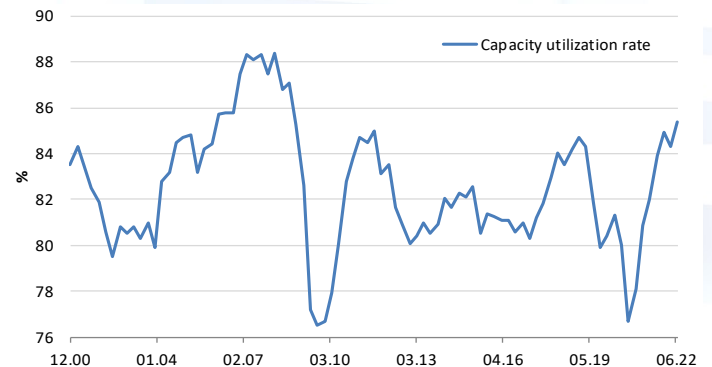
Swiss inflation at a 30-year high

The strength of the Swiss franc has certainly been a favorable factor in containing price developments in our country and slowing down the developments observed in most industrialized countries. Nevertheless, price indices have risen sharply in recent months. The CPI index rose by a further +0.5% in June, bringing its year-on-year increase to +3.4%, the highest level of inflation achieved in Switzerland in the last 30 years. While this result remains worrying in historical analysis for our country, in historical comparison, Swiss inflation remains well below the European figure of +8.6%. Excluding food and energy (+1.9%), Swiss inflation remains below the SNB target of 2%. The international tensions observed on the production chains have not eased and therefore represent a very important risk factor for Switzerland, which could support a further rise in prices. Rising transport costs, logistical problems and persistent tensions in the labor market remain serious. With the unemployment rate now at a decade-low of 2%, the Swiss economy may also have to adjust to the risks of wage increases. However, the upward momentum of energy and commodity costs is likely to slow significantly in the coming weeks and contribute to the loss of inflation momentum in Switzerland. On the other hand, the strength of the Swiss franc, which has strengthened in recent weeks, will also contribute to a likely improvement in inflation in the near future. The global economic downturn that has taken hold should also have an overall impact on prices by supporting an upcoming easing.

Inventories - variation in % of GDP

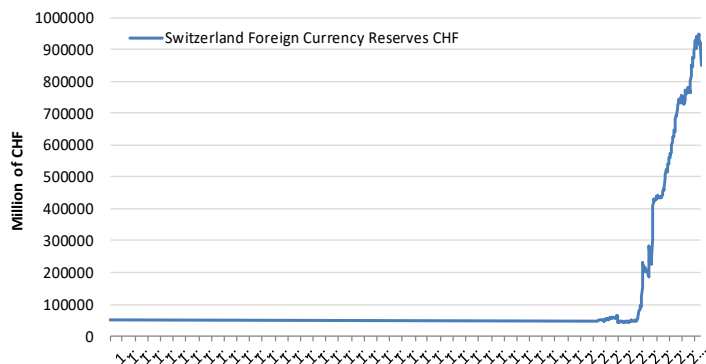


Capacity utilization rate

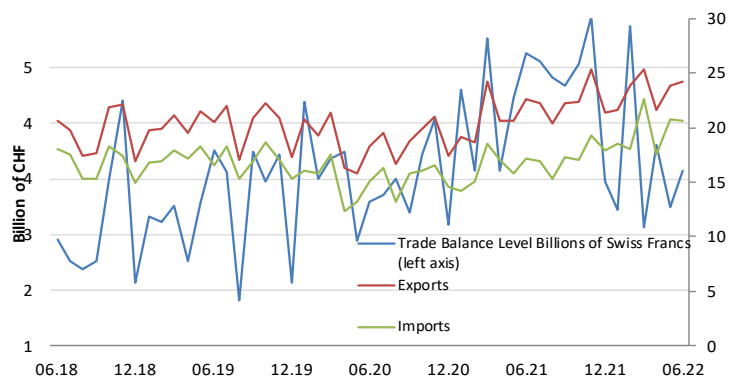


Graph sources: Bloomberg/BearBull Group/S&P Global

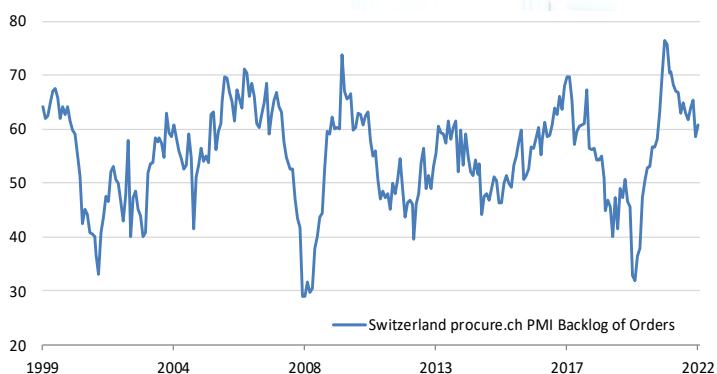
SNB Foreign Currency Reserves



Trade Balance level



Backlog of Orders



Surprise and radical change of policy by the SNB

The SNB surprised all observers by raising its key interest rates by 0.5% on June 15, the day after the Federal Reserve raised rates and well before the ECB could adjust its own policy. While all observers expected a status quo in June and probably a measured policy decision some time after the ECB's first rate hike, the action of our national bank was clearly not anticipated. The SNB therefore considered that the Swiss economy was no longer as likely to be penalized by a strong franc and that it would ultimately benefit more from a stronger franc in the global inflationary context. The strength of the franc against the euro was clearly seen as a positive factor in containing imported inflation in our country and as a monetary policy tool by the central bank, which is now more concerned about rising prices than about economic risks. The return of the risk of inflation slippage has thus pushed the SNB to refocus its policy on its assigned objective of controlling inflation. The SNB decided to act in June to avoid the risk of being perceived as lax if it waited until its next monetary policy committee meeting in September. This first significant step in policy normalization may be premature if Swiss inflation starts to fall during the summer.

Franc benefits from SNB monetary tightening

The SNB had changed its stance on the value of the franc by changing

its assessment of its relative overvaluation in recent months. The widening inflation differential between the Swiss and foreign CPI and PPI indices, particularly in Europe and the US, led the SNB to conclude that the franc was no longer overvalued in the current context. The evolution of the euro/franc exchange rate towards parity materialized in an environment of stable key rates before central banks decided to adopt monetary policies adapted to the acceleration of global inflationary dynamics. The franc's rapid rise towards parity was then to be contained by a probable more rapid action by the ECB, which was to reinforce the yield differential in favor of the European currency. It was in this anticipation that the exchange rate was able to stabilize and rebound by +4% above parity. The SNB's surprise decision on June 16 totally contradicted this outlook and allowed the Swiss franc to appreciate rapidly against the euro by nearly 6%, reviving investor interest in the Swiss currency. The ECB's subsequent decision to raise its key interest rates by only 0.25% was therefore not enough to change the trend. The war in Ukraine and its geopolitical, economic and social consequences have not finished affecting Europe and Switzerland. Uncertainty remains high and also favors the short-term appeal of the franc as a safe haven currency. However, it should be remembered that the euro/CHF yield curve differentials have moved in favor of the euro on most maturities in recent weeks to the point of returning to levels similar to those of 2015, which allowed the European currency to rise. In this context, a stabilization of exchange rates seems more likely in the coming months.

Extreme volatility in the Swiss capital market

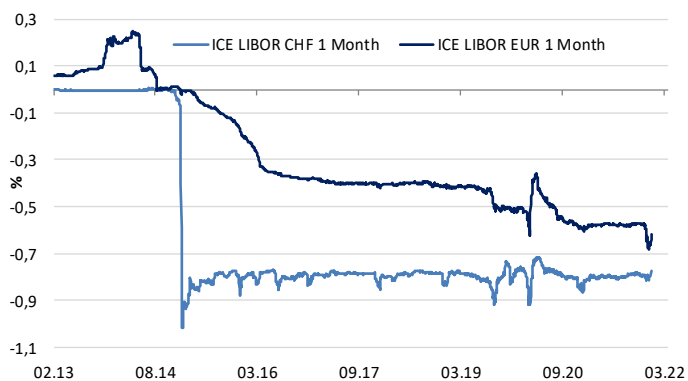
The Swiss economy may well record near-zero growth in the second quarter, but it may show greater resilience due to lower inflation than its main economic partners and more resilient domestic demand. The international context will remain a key factor for its exports, which will certainly weaken with the decline in global dynamics. The risks of stagflation are thus still high in our country as well. However, the end of the quarter proved to be a very tense one for the capital market, which was unable to escape the global trend, which was largely affected by rising inflationary risks. Yields in Swiss francs were affected by the same fears and therefore suffered the same fluctuations as those observed on markets that were more affected by the slippage of inflation. The month of June will therefore be remembered for the extreme adjustment of long-term rates to the +8.6% inflation figure published in the United States, which did not fail to push the Swiss Confederation's 10-year rates above 1.54% despite much lower inflation. This movement observed in Switzerland already seemed to us to be clearly an exaggeration driven by an extreme and unjustified rise in uncertainties. This sudden rise in the Swiss yield curve in June thus appeared to have no real justification in the context of the probable economic slowdown also expected in our country. Confederation and investment grade bond yields therefore offered unique repositioning opportunities in our view, almost similar to those observed in March 2020, which were quickly followed by a downward adjustment in yields. We anticipated a rapid reversal of the trend, which would then be reinforced by a loss of inflation momentum. In a few weeks, the capital market did indeed adjust very sharply, lowering 10-year yields by more than 100 basis points. With a yield of 0.44%, they seem to us to be correctly priced to take into account the current context of slowing growth.

A window of opportunity opens for Swiss equities

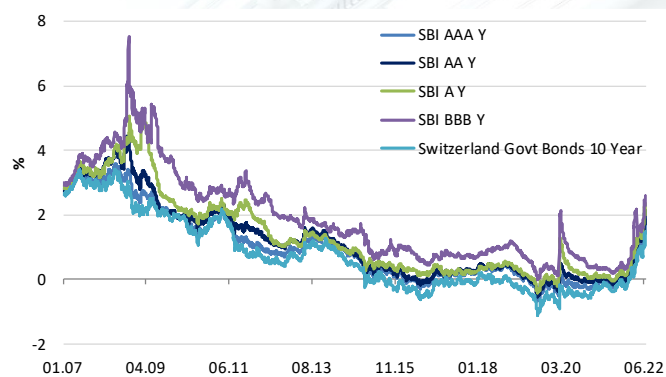
After several months of believing that the risks of a consolidation in Swiss equity prices were significant and suggesting an underweight exposure to equities, the developments of the last few weeks now seem to us to point to a stabilization and a likely recovery of the markets. The main risk factor for Swiss equities at the time was that of a significant adjustment in interest rates and a contraction in price/earnings ratios, which has since largely materialized with the rise in ten-year rates above 1.5% and a drop in the market PE to around 15x. The change in risk perception that developed in June caused investors to re-evaluate their equity exposure, which did not fail to have the same effect on Swiss listed companies. The almost instantaneous -10% price correction in June in Switzerland brought the year-to-date price adjustment to -20% and therefore offered new repositioning opportunities in our view. Swiss equities should benefit in the coming months from lower inflationary expectations and the subsequent decline in yields. A sustained recession should be avoided and major corporate earnings revisions should be averted. We now recommend a neutral to overweight allocation to Swiss stocks.

Graph sources: Bloomberg/BearBull Group/S&P Global

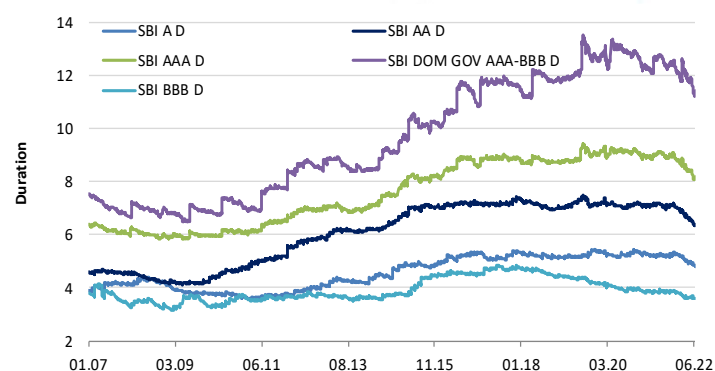
Libor spread rates 1 month



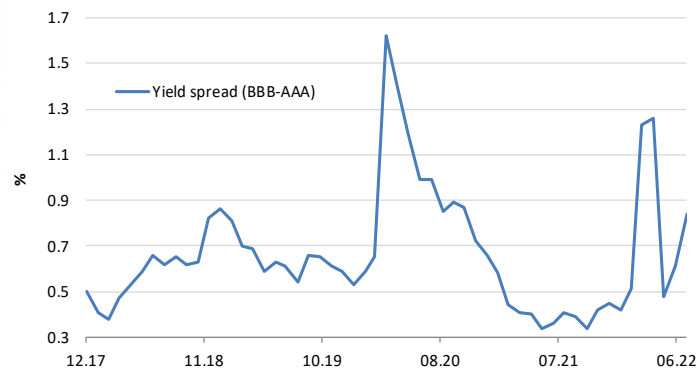
Yield (Government, AAA, AA, A, BBB)



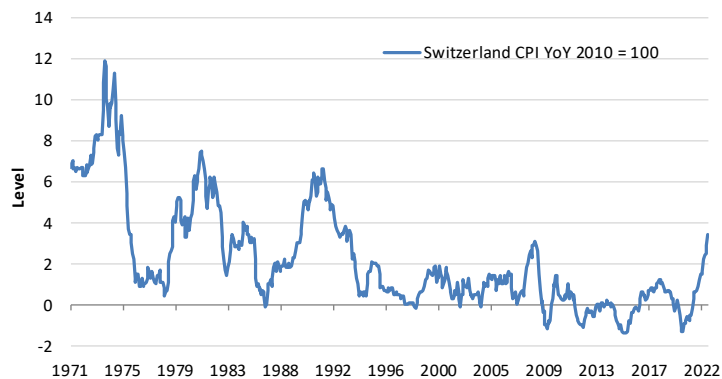
Duration of Swiss bonds



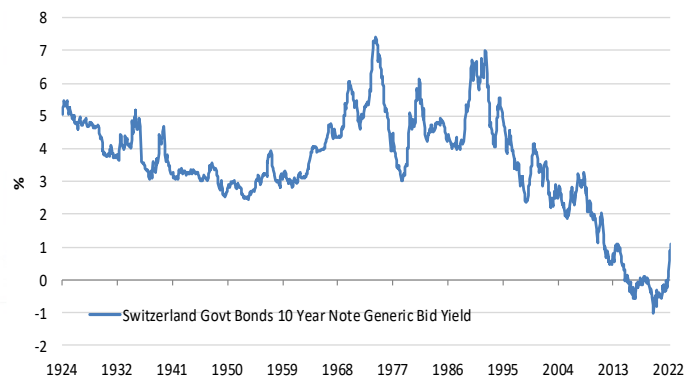
Yield spread



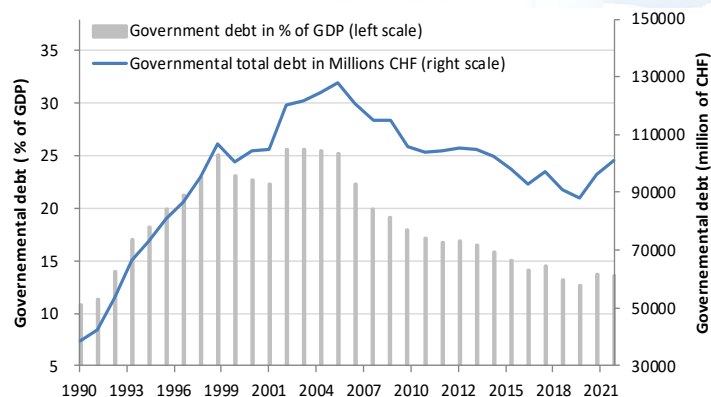
Inflation CPI



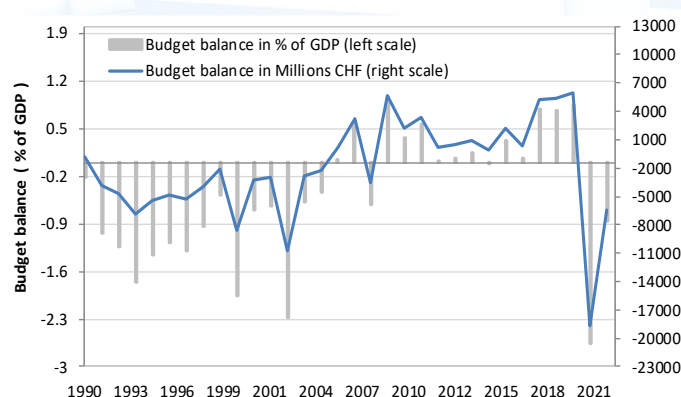
Government Bonds 10 year yield since 1924



Switzerland Government total debt



Switzerland Budget Balance



MACROECONOMIC SCENARIO

Eurozone

- European economic growth contrasts with US recession
- Household confidence at historic low
- The ECB is belatedly tightening its tone
- Is a rise of the euro possible ?



European economic growth contrasts with US recession

The European economy had already ended the first quarter with growth of +0.5%, significantly higher than expected, even though the geopolitical crisis was already having its first inflationary effects in the second half of the quarter. The resilience of the European economy at the beginning of the year allowed European GDP to grow almost as much as we had expected before the invasion of Ukraine (+0.6%). Europe, although logically more directly affected by the strong increase in uncertainty than the United States and also heavily penalized by inflation, had already clearly surprised observers by recording positive growth, which contrasted with the -1.4% drop in US GDP.

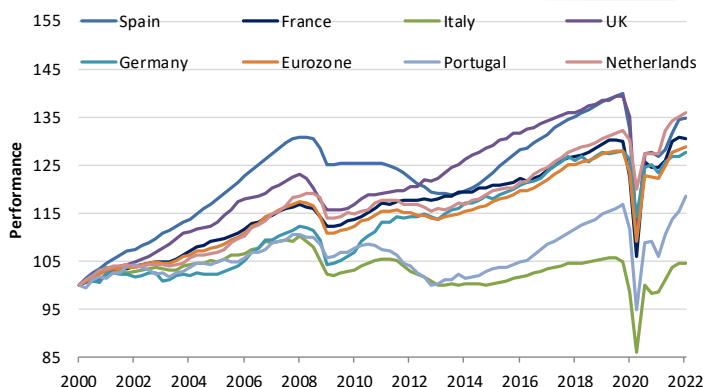
Without the uncertainties having really diminished and in a particularly tense context in terms of oil and gas supply and its effects on inflation, the European economy has still managed to once again outperformed the US economy in the second quarter. While the US saw its GDP fall for the second consecutive quarter by -0.9%, the European economy grew by +0.7% at the end of June. The European economy is surprisingly resilient in the first half of the year, even though it is facing domestic and international headwinds. Domestic demand is affected by the decline in household and business confidence, while external demand is weakening with the US recession and the anaemic growth in China. The European economic slowdown remains, however, widely perceived as inevitable in the second half of the year.

The +0.7% growth of European GDP in Q2 is surprising despite Germany's weakness

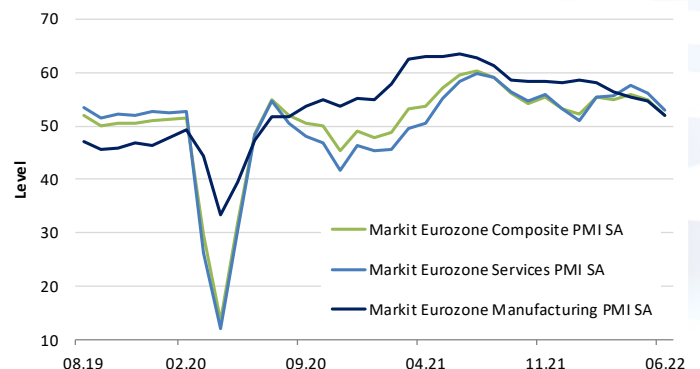
The growth was indeed a big surprise, exceeding economists' estimates (+0.2%) while Russian threats to cut off gas supplies were already causing record inflation (+8.9%) and rapidly rising uncertainty. Over a year, European GDP is thus up by +4% and therefore exceeds expectations of a +3.4% increase. Italy (+1%) and Spain (+1.1%) recorded higher increases in their respective gross domestic products thanks to the return of tourists after the previous downturns. In France, the dynamic was again positive (+0.5%), while Germany lost momentum (0%) after a particularly strong first quarter (+0.8%).

The reopening of European economies and fiscal support seem to be offsetting the effects of the energy crisis for the time being, but the European economy has probably not yet faced the full impact of the reorganization of energy sources. The outlook for the second half of the year is still very uncertain. The current quarter should still allow the southern European countries to benefit from a very promising return of tourists. But the pressure on household purchasing power from rising inflation should remain sufficiently worrying to affect consumption and investment. Germany and its industry remain particularly sensitive to the risks of an interruption in Russian gas deliveries, which have already been significantly reduced. The risks of a significant slowdown in the European economy are growing, with Germany possibly already experiencing negative growth in the third quarter. European GDP should still avoid a decline in the third quarter despite the difficulties encountered by the German economy. Sustained growth in the southern countries and France should result in a small increase of +0.3 to +0.5% in the third quarter.

GDP Growth - Eurozone

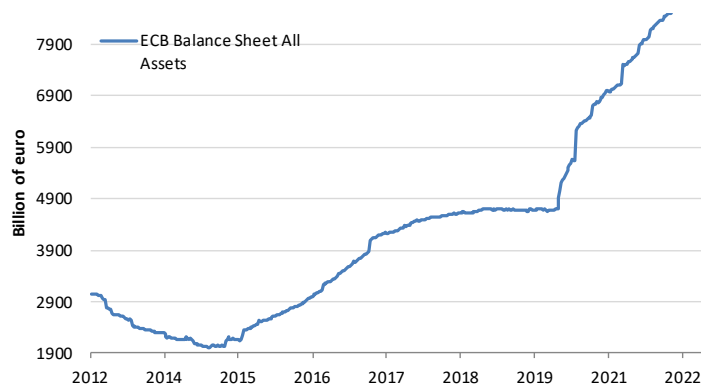


PMI (Manufacturing, Services and Retail) - Eurozone



Graph sources: Bloomberg/BearBull Group/S&P Global

ECB Balance Sheet



Leading indicators increasingly uncertain

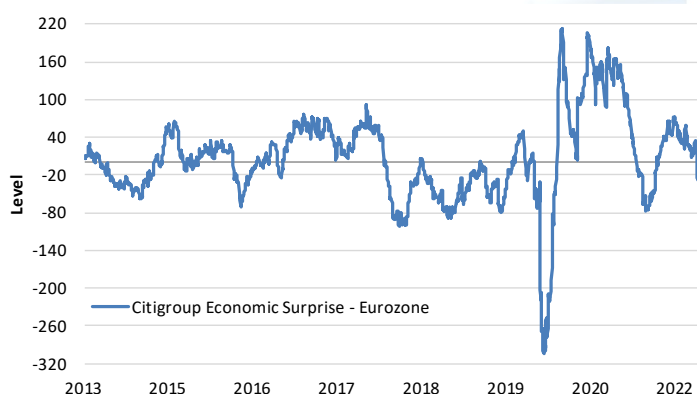
The manufacturing PMI for the eurozone (49.8) continued the decline that began in July 2021 and fell below the growth threshold for the first time since July 2020. The trend is also gloomy in the services sector, with the PMI slipping again from 53 to 51.2, still suggesting less favorable conditions ahead. Rising energy prices are a concern and weigh on the indicators.

The composite PMI logically declined to 49.9. Overall, the PMI indices point to a clear risk of economic slowdown in the second half. Fears of a slowdown in Germany are confirmed by a manufacturing index at 49.3 and a services index at 49.7. The construction index plunged more sharply into negative territory and fell to 43.7. The French manufacturing PMI also slips to 49.5, but the recovering services PMI at 53.2 should support a positive growth development. The clear rebound in industrial production in June in France (+1.4%) and the timid recovery in Germany (+0.4%) could be short-lived.

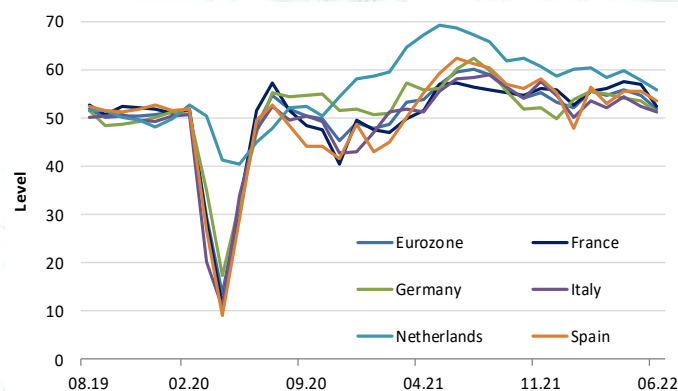
Household confidence at an all-time low

Household confidence collapsed further in the second quarter and is now at its lowest level measured by the European Commission, below the level of March 2020 when the pandemic broke out in Europe. While the invasion of Ukraine initially aroused the concerns of the European population, which is observing the appearance of a major armed conflict on Europe's doorstep, this fear has now taken a back seat. Rather, it is the already very visible effects on energy prices and, more globally, on consumer price indices that are worrying European households. Households are understandably increasingly worried about these growing developments, which have seen inflation rise from 7.5% in March to +8.9% in June over one year. Purchasing power has become a central concern for European consumers, who are also worried about the evolution of prices during the coming winter. Some European governments are trying to provide temporary solutions by controlling the rise in fuel prices, but these government aids appear to be increasingly costly and cannot be maintained for long. Beyond consumers, these concerns are shared by manufacturers, whose

Citigroup Economic Surprise Index - Eurozone



Composite PMI



confidence also fell from 7.4 to 3.5 in July, as well as in the services segment, where it slipped from 14.8 to 10.7.

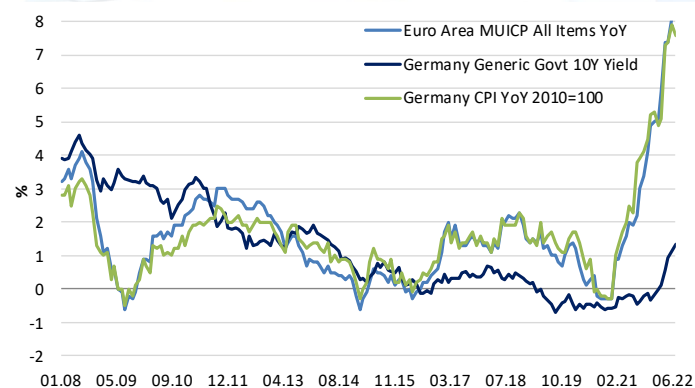
This drop in confidence will certainly influence the economic performance of the third quarter, as it is already affecting consumption. Retail trade fell by -1.2% in June, recording a year-on-year decline of -3.7%. The relatively quiet summer period on the social front could well become heated in the autumn when wage negotiations become the order of the day. However, the unemployment rate in Europe fell further to 6.6% at the end of June in this context. The emerging tensions in the labor market are naturally accompanied by increases in average wages in some countries, notably Germany, which are not expected to be sufficient to alter the downward trend in household consumption.

Stabilization of inflation close to +8% in Q3

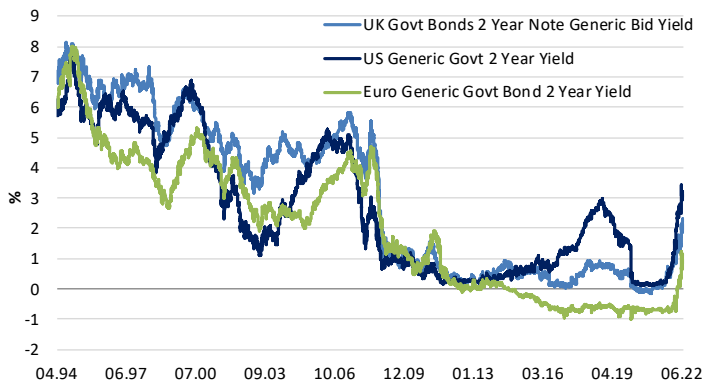
Headline inflation in the euro zone stabilized in July (+0.1%) and recorded an increase of +8.9% year-on-year. This is the strongest historical increase since the creation of the euro. More than half of this price increase is due to the dramatic rise in energy and food prices, as the core CPI excluding these two components is up +4% year-on-year, which is significantly lower. Core inflation has thus already been well above the ECB's target of +2% for several months, and the ECB is starting to worry about this while hesitating to implement an aggressive policy that could push the fragile European economy into recession.

Indeed, the ECB has so far only proceeded with a timid first increase of 0.50% in its key rates, while the BoE has already raised its own rates five times in 2022. The recent decline in commodity prices, and oil prices in particular, could allow for a reduction in upward pressure on inflation. But the manufacturing sector, which still faces significant supply difficulties, must also take into account other factors such as rising labor costs. In services, inflation still rose by +3.7% in July, underlining the breadth of sectors affected by the upward price momentum. Base effects should start to play in favor of an upcoming deceleration of inflation, which we believe should remain close to +8% in the coming months.

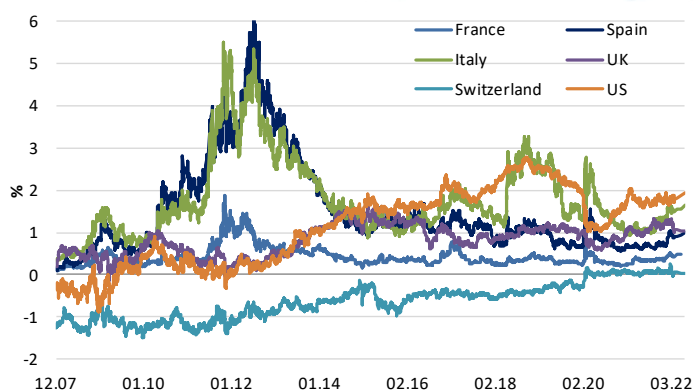
10 year Government Bond yield - CPI



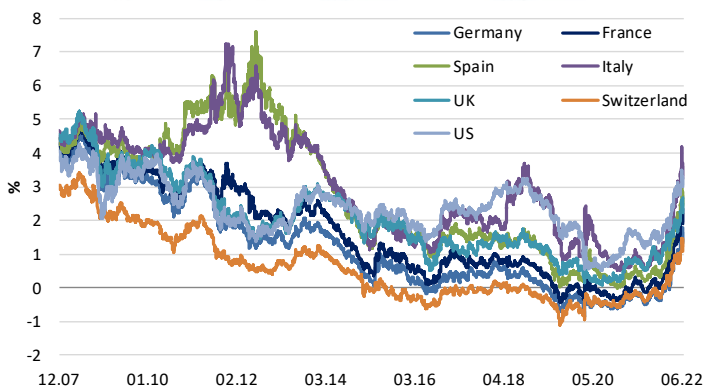
2-year Government Bond yield (US, Euro, UK)



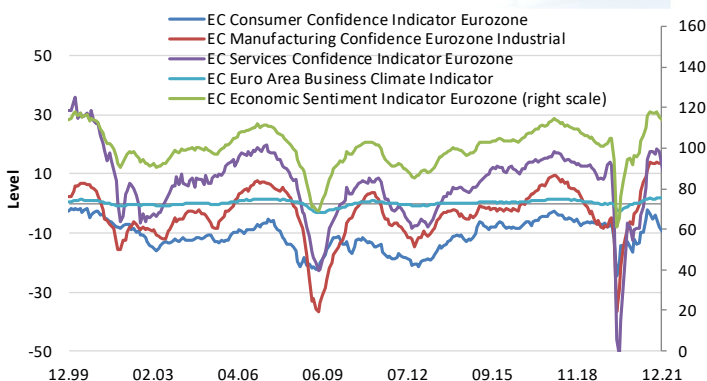
Risk premium - Government vs. Bund



10-year Government Bond yield



Economic Confidence Index



The ECB is slow to get tough

The ECB has been slow to realize that the inflationary pressures that existed before the Russian invasion of Ukraine would be durably exacerbated by rising energy costs. At the end of March, the ECB was still not concerned about the acceleration of inflation, which it still considered to be linked to temporary factors related to the health crisis. Perhaps both monetary and political authorities did not foresee that the war in Ukraine would last and develop the effects visible so far for several quarters.

In this environment, the ECB's monetary policy did not change significantly until July. Unlike the UK and US authorities who quickly decided to undertake a major shift in monetary policy, the ECB chose a different approach. The ECB finally proceeded with a 0.5% increase in its key rates and now places its action in a likely sequence of several further 0.5% increases in September, followed by smaller 0.25% increases in the following months (October, December, February and March). It should certainly then stabilize with a policy rate of 1.5%.

The ECB has also changed its expectations and now expects inflation to reach 6.8% in 2022. It therefore expects the core CPI to decline by about 2% over the next four months. The very gradual approach followed by the ECB, which now seems to be behind in normalizing its monetary policy, may finally prove to be appropriate for the evolution of household confidence and an economic slowdown. Indeed, it seems increasingly likely that rising energy prices will lead to a decline in purchasing power and a decrease in household consumption. Therefore, the ECB's relative wait-and-see attitude towards the BoE or the Fed during the acceleration of inflation may prove to be appropriate when the inevitable economic slowdown materializes in the coming months and energy and commodity price-driven inflation shows its first signs of abating.

Is a rise of the euro possible?

Since mid-June, the government yield spread between US Treasuries and the German Bund has risen sharply by about 80 bps (basis points) in favor of the dollar on the short end (2-year) and by 40 bps on the long end (10-year). The dollar thus benefited from the increase in a substantial yield differential across the various maturities of the yield curve, which supported the latest increase in the exchange rate of around +5%, bringing the appreciation of the dollar against the European currency to +19% since January 2021. For its part, the euro/franc exchange rate can finally rely on a significant change in the yield differential observed on the long end of the yield curve, which began in May. The yield differential, which was still very slightly in favor of Swiss government bonds (+20 bps) in February, has gradually narrowed to -45 bps, thus offering a significant spread in favor of the euro. On the short end of the yield spectrum, the movement has been similar, with the spread between Swiss and German 2-year yields moving from +20 bps in February to -45 bps today. Despite the actions of the ECB and the SNB, euro yield curves are rising faster. Against both the franc and the dollar, the euro could now benefit from a change in perception about the upcoming evolution of interest rate differentials, which are now probably more inclined to adjust to the faster and more dramatic evolution of inflation in Europe over the next few months than in the US and Switzerland. The euro could thus regain favor with investors tempted to reposition to one of the major international reserve currencies after a notable weakening in recent quarters. The euro could therefore appreciate by around +5% against both the dollar and the franc.

Temporary lull in European interest rates

Our expectations of a trend change in European financial markets have materialized over the last two quarters. The expected rise in 10-year German Bund yields to a target of 0.6% in the pre-invasion context of Ukraine could then appear ambitious, while the ECB had not yet considered a shift in monetary policy.

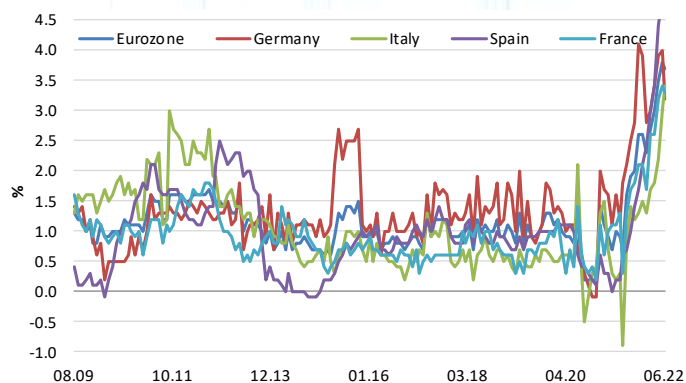
During the month of June, European yields also reacted to the change in risk perception that followed the June 10 release of higher than expected US inflation. German 10-year Bund yields had already adjusted to the changing risks and inflationary pressures in Europe by rising from -0.17% in early January to 1% at the end of May. In just a few days, European yields also jumped by 50 bps, pushing Bund yields to 1.92%. The "inflation" factor was then also peaking in Europe as the main element influencing interest rates. On the contrary, after this last upward movement, we felt that it was excessive and did not take into account another important factor. The risks of an economic slowdown in the United States were indeed greater and Europe, faced with an unprecedented energy crisis, was far from immune to this risk. Furthermore, our expectations regarding the evolution of commodity prices and energy in particular were less pessimistic in the short term and therefore favorable to a scenario of reduced inflationary pressure during the summer and a significant decline in yield curves during the summer. The expected decline in yields in Europe has since materialized.

The recession scenario is currently the main factor supporting the decline in yields, however, while European inflation may indeed also begin to stabilize, current levels of real yields remain very unsatisfactory. A further surge in yields is likely to come at a later date when the risks of recession are fully priced in. Ten-year rates have eased below 1%. Our outlook for the next quarter is again negative for European bond markets. We are maintaining our policy of prudence both in terms of overall exposure to European bonds and in terms of maturity. Short maturities are to be preferred.

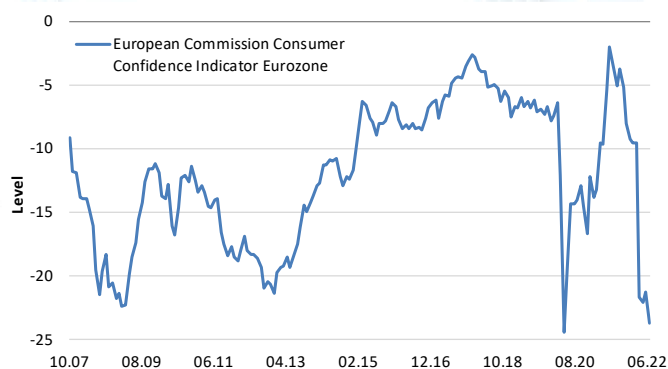
European equity risk premium reaches 35%.

The energy crisis in Europe poses significant challenges for European companies that are dependent on energy prices and a steady supply of gas or electricity. Since the emergence of the crisis, not all European countries are affected in the same way. Germany is clearly more concerned than France, Portugal, or Spain by the risks of gas supply interruptions and shortages or by possible restrictions on the use of electricity. The last quarter was not particularly impacted by this risk, which is however starting to materialize with the recent decisions by Russia to reduce its gas deliveries and to reduce its pipeline capacities. On the supply side, the persistent difficulties in the supply of parts, raw materials and other electronic components continue to weigh on production capacity. Margins in industry in particular should be under pressure. On the demand side, rising energy prices and global inflation (+8.9%) do not offer a positive outlook. The corresponding loss of household purchasing power is significant and affects confidence as well as consumption. In an international context, European companies are more affected and should see their profits penalized more strongly. In terms of relative valuations, they are trading at around 11x 2023 earnings, a much more reasonable level (-35%) than the US multiple of 17x. From this point of view, they deserve to be favored, but we fear that they will suffer from unfavorable reduced visibility favoring the U.S. market less affected by European geopolitics. We believe that European stocks should not be favored in this context.

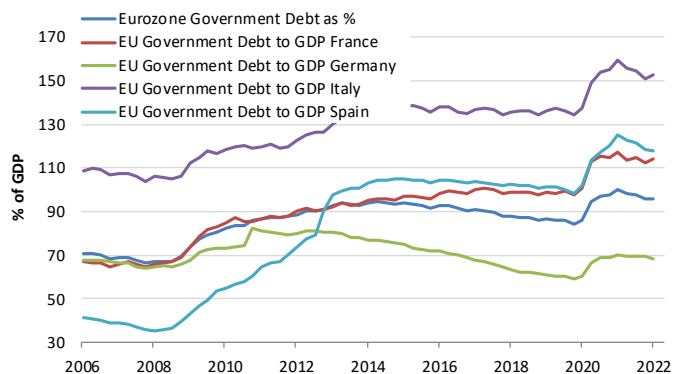
Eurostat CPI - underlying inflation (Eurozone, YoY)



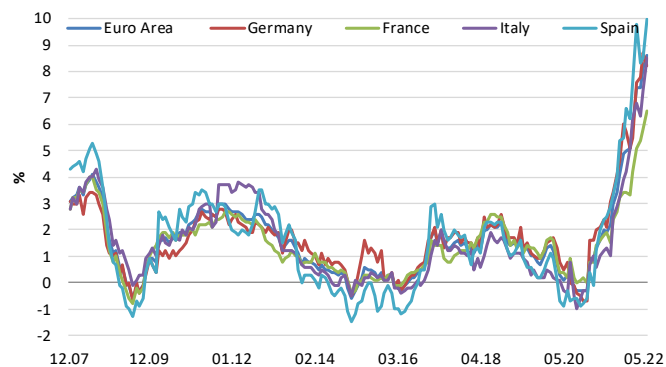
Consumer confidence - Eurozone



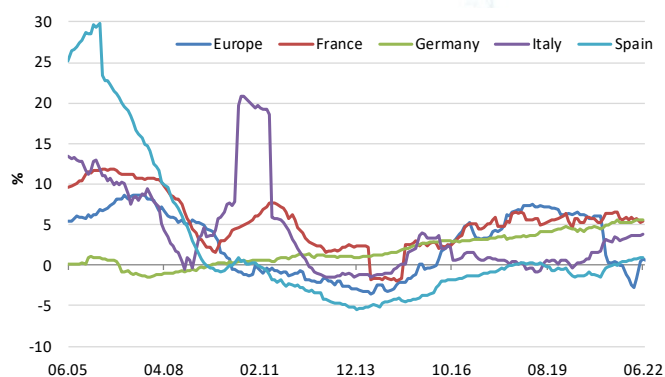
Government debt



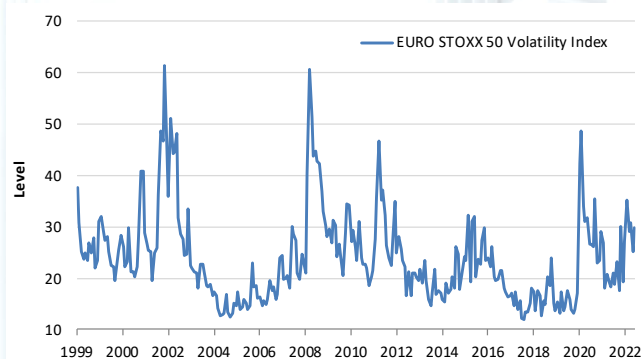
Eurostat CPI —all items (Eurozone, YoY)



Loans and credits to households (Eurozone—YoY)



Volatility indicator—Eurozone



MACROECONOMIC SCENARIO

UNITED KINGDOM

- UK GDP advanced by +0.8% in Q1 but the 2nd quarter could be down by -0.2
- Surprising resilience of leading indicators in Q2
- Loss of household confidence threatens consumption
- The BoE is gradually adjusting its monetary policy



The British economy finally recorded a +0.8% GDP growth in Q1

British growth proved to be more resilient at the beginning of the year according to the Office for National Statistics than many expected. With an increase of +0.8%, the United Kingdom achieved a good performance in the first quarter in a context that was already clearly deteriorating on the international level. This positive result, following a +1.3% rise at the end of the year, contradicted expectations of a clear continuation of the deceleration in the pace of growth and brought the year-on-year increase to +8.7%. The household consumption proved rather resilient, with an increase of 0.6% during the quarter. It is one of the main contributors to the positive results despite a degree of consumer confidence that had already fallen significantly. Investment in capital goods also rose. Government spending, on the other hand, made a negative contribution, contracting by -1.1%. Foreign trade subtracted -4.9% to the GDP due to a -4.4% decline in exports and a +10.4% increase in imports. The UK economy ended the first quarter on a rather positive note, but the monthly results for the first months of the second quarter were less optimistic for GDP growth.

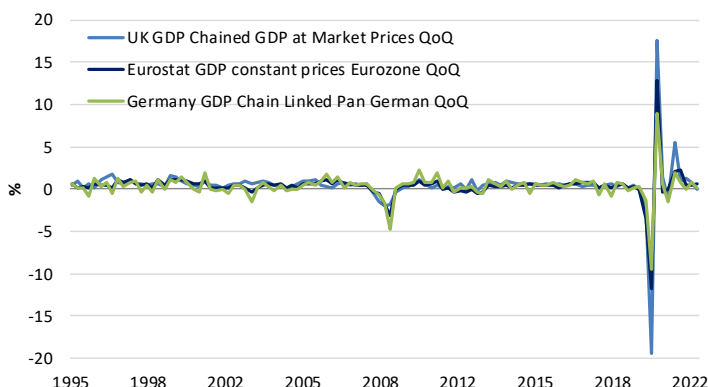
Industrial production recorded a negative month (-0.1%) in April, followed by a fairly clear recovery of +0.9%. The consumption also seemed to be affected by the decline in purchasing power in connection with the historic price increase, which is still not slowing down.

The 2nd quarter could be down by -0.2%

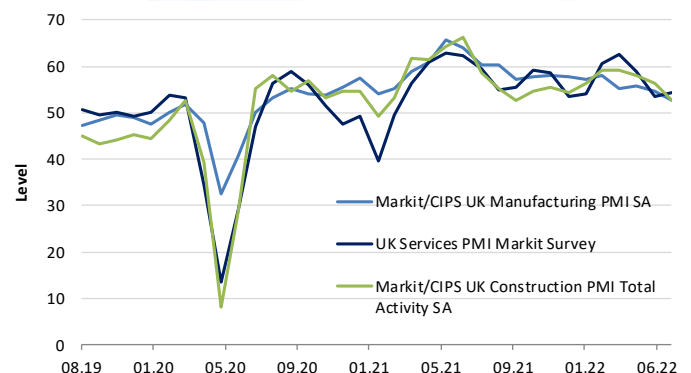
Consumer confidence is still down sharply at the end of June (-41) and is well below the low reached when the Covid crisis broke out in March 2020 (-34). Since July 2021, consumer confidence has deteriorated and has not yet shown any signs of stabilizing. It is now at its lowest level in 40 years. However, consumption is unlikely to fall dramatically in the second quarter and should not penalize GDP growth too strongly. Retail sales have logically been affected by the morose sentiment of households. After an upward trend in the first month, the month of May was significantly negative (-0.8), while in June the decline was reduced (-0.1%). The food segment recorded an increase, while the other sectors stalled under the pressure of generalized price increase.

Economic statistics have been more negative in recent weeks and clearly suggest an ongoing economic slowdown in the UK as well. However, May's GDP increase of +0.5%, supported by positive behavior in a large number of sectors, may be enough to compensate for the -0.3% decline in April and the likely June drop in growth. The outlook for the second quarter should be revised downwards and a negative growth of -0.2% seems likely. The UK could still avoid a technical recession in 2022, if the third quarter proves to be better due to a possible drop in inflation and a stabilization of consumer purchasing power.

Quarterly GDP growth—uk

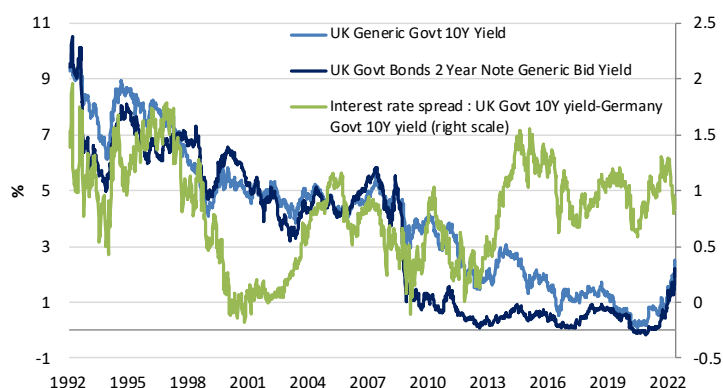


PMI indicators (Manufacturing, services, construction)

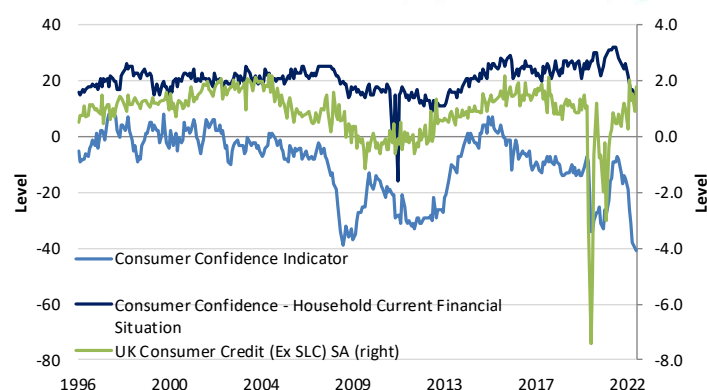


Graph sources: Bloomberg/BearBull Group/S&P Global

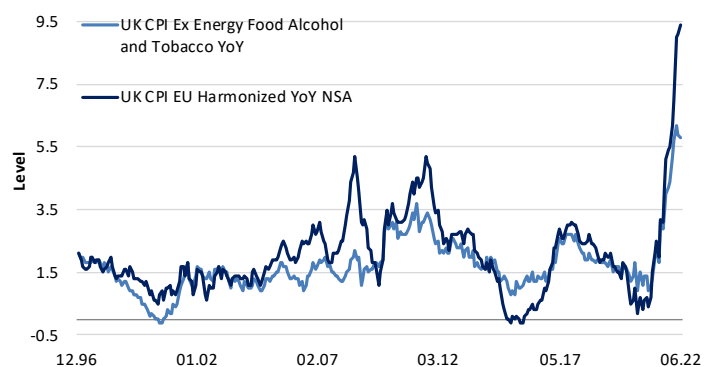
Government rates (2yr-10yr)



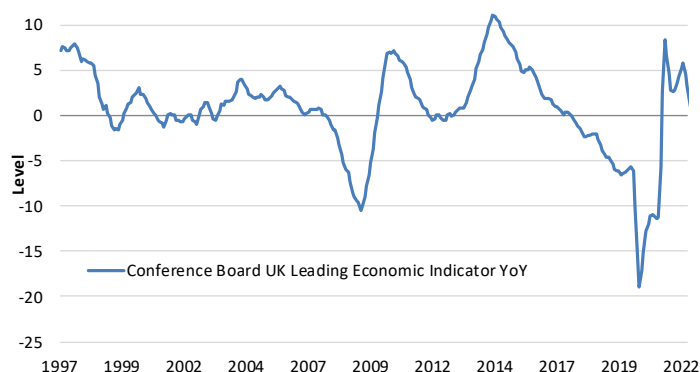
Household confidence



Inflation CPI



Advanced indicator



Surprising resilience of leading indicators in Q2

The leading manufacturing PMI indicators continued the decline started in May 2021, sliding from 55.2 to 52.1 this quarter. After 13 months of decline, however, they remain rather above the growth threshold of 50 and still point to a positive environment for the sector. The decline in the services PMI is more recent and less pronounced (52.6), but it also remains above the growth band at a similar level. The construction sector seems to be struggling more with a drop from 52.6 to 48.9 in one month. The composite PMI therefore logically slips to 52.1, which suggests a surprising resilience of the leading indicators, which are less pessimistic than the negative growth forecasts that are in place before the next official GDP release on August 12.

The leading indicators of business sentiment have deteriorated further in recent weeks. Companies are more concerned about rising prices, declining purchasing power and difficulties in passing on production cost increases to consumers. The context is not favorable to investment and commitments. Uncertainty has therefore increased further, which should also weigh on the prospects for recovery in Q3.

Unemployment rate nears historic low

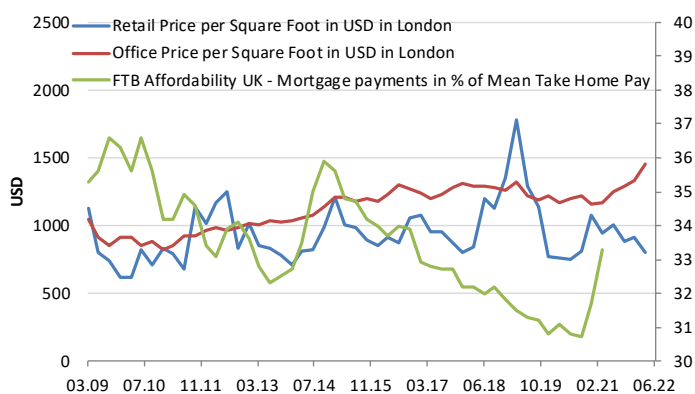
The British economy created 31,000 jobs in May and June, confirming the momentum that had been built up by the creation of around 296,000 jobs between March and May. The British economy now appears to have surpassed its pre-pandemic peak by more than 561,000 jobs. The labor market thus remains very tight, which does not confirm the concerns of policymakers and consumers. Job vacancies remain extremely high at 1.29 million.

Momentum remains very strong despite the geopolitical crisis, which is certainly a key consideration for the BoE's monetary policy. The potential risks of wage inflation picking up are significant and add to the other inflationary factors. The labor market suggests an overheating phase in the UK. The unemployment rate has fallen further to 3.7% and is below the pre-pandemic low of 3.8%. In this environment, wage growth has logically continued and stood at +4.3% in May. The risks of indirect transmission of wage growth on inflation indices are to be considered and are in particular taken very seriously by the British central bank (BoE). While wage growth appears to be significant in nominal terms, in real terms, wages have actually contracted by around -4%, which is the largest decline since 2014. Persistent high inflation is already significantly affecting household purchasing power despite the rise in nominal wages. Rising taxes and energy costs are part of a general upward movement in prices that could push price indices much higher still. A possible economic slowdown at a time when companies are also experiencing higher operating costs should slow wage growth.

Loss of household confidence threatens consumption. With the exception of the above-mentioned positive trends in the labor market and wage developments, the current environment is obviously no longer conducive to an improvement in household confidence. The confidence index is at a low point and the deterioration in sentiment concerns both the economic outlook for the next twelve months and the state of household finances, with households taking a more negative view of the conditions for making major expenditures. Geopolitical uncertainty persists and energy prices are proving to be a lasting concern for households. The contraction in household purchasing power, which is strongly impacted by inflation that is still up by +0.8% over one month in June and +9.4% over one year, cannot be without effect on the upcoming evolution of confidence and consumption.

British households have nevertheless maintained their level of consumption by resorting to their savings but also to short-term credit. While during the pandemic period, the one-year growth of private credit over 12 months sank into negative territory to around -10%, in recent months there has been a clear recovery in household debt. Credit growth was +6.8% in June. This trend could continue in the short term, but it should gradually weaken and no longer support consumption.

Real estate price per m2



The outlook remains bullish for the various inflation measures in the coming months. The CPI could reach +12% in December according to the BoE without a firm commitment to price containment and corresponding action to raise policy rates.

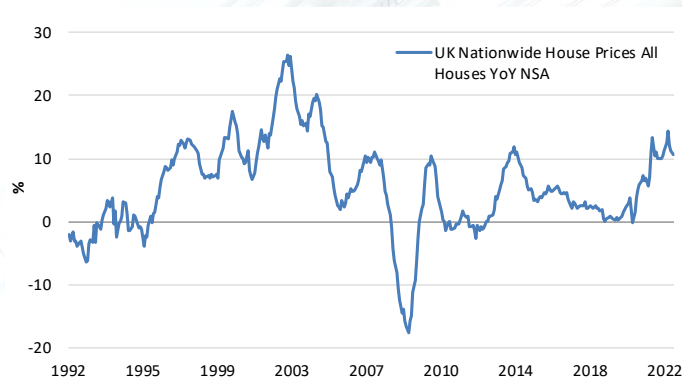
The decline in June and July in commodity prices and oil prices in particular could be positive factors for the evolution of inflation in the UK in the coming months. The statistics published for June do not yet show a positive impact, but we believe that price inertia should finally show a decline in inflation in July and August. The economic slowdown in the UK and more broadly in Europe and the US should provide a positive environment for an initial decline in inflation. For the time being, the rise in wages is partially accompanying the rise in prices, limiting the adjustment of households for a while yet.

Potential new opportunities in sterling bond markets

The capital market in the United Kingdom has evolved in a similar way to that in the United States over the past few months. The economic situation in both countries seemed in some respects quite similar to the outbreak of the geopolitical crisis in Ukraine. We can observe a solidly based economic growth, supported by a dynamic consumption and a booming labor market heading towards full employment. Monetary policies are virtually aligned and about to normalize their actions with rate hikes and new strategies to reduce their balance sheets. Rising inflation had already motivated the BoE to act prior to Russia's intervention in Ukraine in this direction, finally pushing yields across the sterling yield curve higher. Ten-year gilt yields, which had slipped to 0.6%/year, then logically rose again to 1.6% in just eight weeks at the end of March. During the last quarter, this trend continued with the rise of various inflation measures and the risks of disruption in the supply of raw materials and energy. More concerned than ever by inflation than by the risks of an economic slowdown, the bond markets recorded significant losses in connection with the readjustment of market rates, which pushed 10-year Treasury yields from 1.6% to 2.6% at the June high.

At that time, we felt in mid-June that the inflationary risks were already largely taken into account in the short term by these yield increases and changed our expectations for sterling bonds. This rise in nominal

Growth in real estate prices



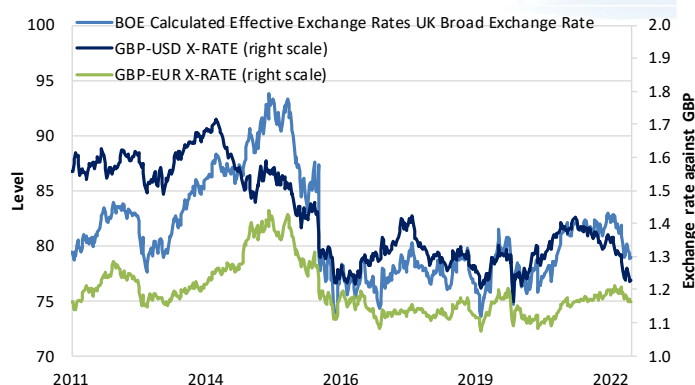
yields now places the UK bond market in the group of capital markets offering attractive relative returns compared to the European, Japanese and Swiss markets.

We now see sterling bonds as a source of diversification for bond portfolios.

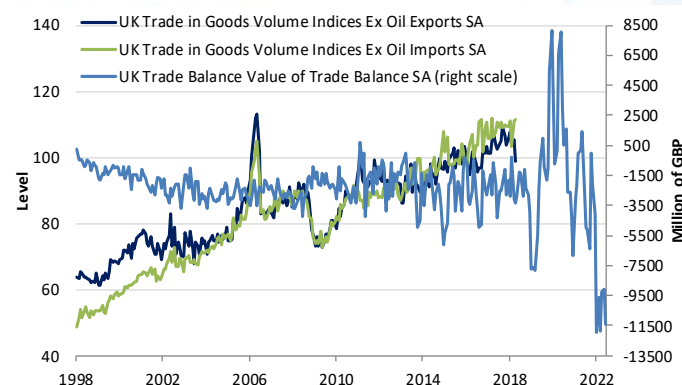
The BoE gradually adjusts its monetary policy

The U.K. central bank surprised observers by raising its key interest rate earlier than expected from 0.1% to 0.25% at its last meeting of the year in December 2021. It was then the first central bank to make a change in monetary policy and raise its key rates. Since then, it has been joined by the Fed and is being criticized for being less determined than the Fed to raise its policy rates, which are indeed more aggressive. The BoE's policy rate has been raised four times by 0.25% in 2022 and once by 0.5% bringing it from 0.25% to 1.75% in seven months. The BoE is facing strong criticism for this gradual approach, but it is unlikely to change course given the current inflationary pressures, the high risks of increased price pressures and a looming global economic slowdown. The prospect of inflation rising to +12% supports its policy, although the risks of a slowdown in growth also appear to be growing in the UK. It is therefore likely that the BoE will not give in to the injunctions of those who would like to see it more aggressive in its rate normalization policy and will maintain its strategy. The British central bank is comparing the effects of its progressive policy on the British economy, which has not yet experienced a collapse in activity as has been the case in the United States, which is now in technical recession. It could congratulate itself for not having provoked a shock in its real estate market, contrary to the difficulties that appeared in the United States. Money supply is declining, labor markets remain relatively calm, yields have eased, commodities are showing significant declines, growth remains positive so far, so the BoE will certainly judge that its monetary policy is working, while markets estimate that its rates will be raised by 115 basis points to 2.9% by the end of the year.

Effective Pound Exchange Rates



Trade balance - Exports - Imports



Graph sources: Bloomberg/BearBull Group/S&P Global

Diminishing risks for the British pound

Despite regular rate hikes and a rising yield curve for sterling bonds, the British currency has continued to erode against the US dollar, as we expected, falling 10% in recent months to 1.20 and approaching historical lows as the yield differential widened further in favor of the dollar. The U.S. Federal Reserve intends to raise policy rates to 3.4% by the end of the year, 0.5% higher than the BoE. The USD/GBP exchange rate could further erode by -2 to -3% in the coming months. The British pound has stabilized against the euro at around 0.85 pounds to the euro without being able to take advantage of its significant yield differential. The ECB seems to be on a much more gradual and measured path to raising interest rates, which should help widen the yield differential in favor of the pound. Fears of an upcoming UK recession and higher inflation are currently negative factors for the pound. The risk of a significant depreciation of the pound now seems very limited, especially against the euro and the Swiss franc.

Direct real estate shows signs of weakness

The real estate boom is showing signs of weakness despite a +0.3% increase in June and +9.4% year-on-year. A timid slowdown is emerging as the cost of financing rises and households have less disposable income to purchase real estate. The BoE's normalization of monetary policy and the resumption of the upward trend in interest rates are beginning to have an effect on prices, but financing conditions remain sufficiently attractive to support continued strong demand. The number of mortgages originated also fell from 66,200 to 63,700 in June. Net financing levels fell from \$7.4 billion to \$5.3 billion. The direct real estate market remains well oriented despite everything and is little affected by the rise in interest rates, which is still insufficient to significantly affect financing conditions. However, price growth has been significantly higher than wage growth, reducing the ability of households to purchase real estate, which should reduce the level of demand and the pace of price growth. UK securitized real estate, which is more influenced by financial market developments, has experienced a significant correction phase of over -20% in the recent stock market turmoil. We believe that current prices offer interesting repositioning and diversification opportunities for multi-asset portfolios.

UK stocks (PE 9.7x) are still trading at a 14% discount to European stocks (PE 11.2x) and 43% to US stocks (PE 16.9x). This valuation gap should continue to be favorable, especially if energy and basic materials stocks benefit a little more from the commodity trend in the coming quarters.

Risk premiums still attractive for UK equities

The first quarter of 2022 was quite clearly beneficial for UK equities, as we noted at the beginning of the year that its risk premium was particularly attractive. The second quarter was also favorable for UK equities, as we expected, due in particular to the significant weighting of the materials and energy sectors in the index. The FTSE 100 index was still valued -20% lower than the major US and European indices, mainly due to this composition and the very low weighting of technology and digital stocks threatened by rising interest rates. British equities have thus largely outperformed most regional indices with a +0.75% increase since the beginning of the year, while European (-13%) and American (-13.3%) indices are still recording very negative performances, even after the significant rebound in prices observed in July. 9.7 11.2 16.9

UK stocks (PE 9.7x) are still trading at a 14% discount to European stocks (PE 11.2x) and 43% to US stocks (PE 16.9x). This valuation gap should continue to be favorable, especially if energy and basic materials stocks benefit a little more from the commodity trend in the coming quarters.

MACROECONOMIC SCENARIO

Japan

- Leading indicators point to further limited growth in Q3
- Japanese inflation remains limited despite high commodity prices
- The BoJ is not ready to change its policy



Is a new contraction of GDP in Q2 possible ?

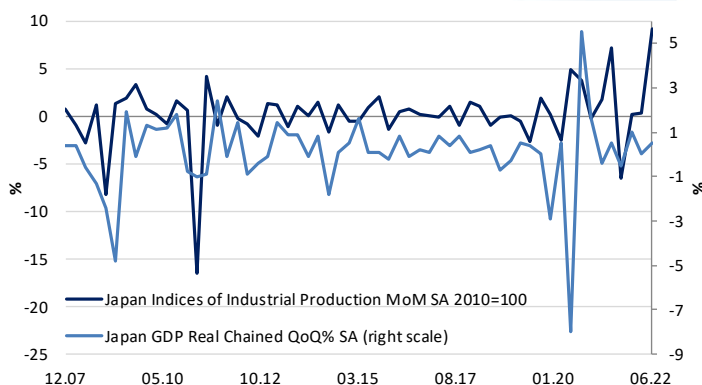
The Japanese economy was already following a similar trajectory to that of the US economy in the first quarter, with a contraction in real GDP of -0.1% and -0.5% annualized. The recovery at the end of the quarter seemed a bit more dynamic, but over the quarter the main contributor to curbing the fall in GDP turned out to be the "inventories" component, a sign suggesting that weakness was probably more important. Inventory rebuilding contributed +0.5% to GDP growth over the period, which is unlikely to be repeated in Q2. Spending on capital goods was down -0.7%, while private consumption (+0.1%) failed to show a real recovery due to constraints related to the fight against Covid. Exports also slipped by -0.4% in a context of slightly weaker international demand. The weakness of domestic demand in the first quarter logically raises concerns about the future evolution of household consumption. Japanese inflation is certainly below the average for industrialized countries, but it is also certainly reducing the purchasing power of households and their real income. The fall of the yen at the end of the quarter could not have had an impact on imported inflation and the competitiveness of Japanese exports. However, this factor then played a more important role in the 2nd quarter as the USD/yen exchange rate continued to weaken from 121.7 to 135.72 at the end of June, its highest level in 20 years. The inventory development in the first quarter should certainly have a negative impact on the level of industrial production in the second quarter. Companies that had to stockpile their production to the tune of +0.5% of GDP should then logically try to sell off their inventories before restarting production, thereby limiting the capacity for a rebound in growth. Government spending has contributed less than expected, but is expected to be higher in the quarter under review. At the end of the quarter, the outlook for the consumer sector was somewhat better due to an expected higher propensity of households to resume their activities at a normal pace without the health restrictions. However, the second quarter is not expected to see household confidence strengthen significantly to allow for a clear recovery in consumption. The latter should only have a limited positive

contribution. The zero-covid policy in China is expected to have had a negative impact on GDP through the significant drop in Chinese demand and its impact on the level of Japanese exports to China. A further contraction of GDP is therefore conceivable in Q2 but unlikely.

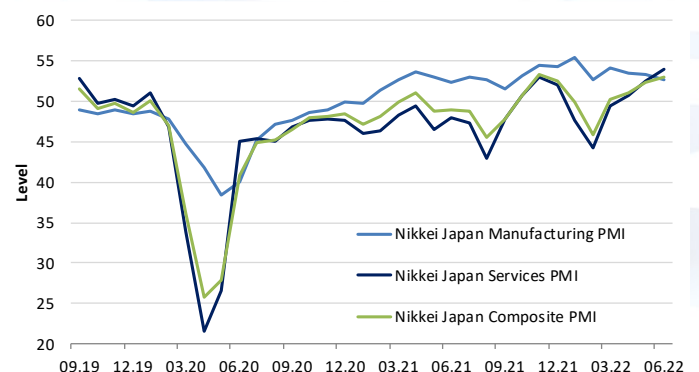
Growth outlook revised downward

The Japanese economy should still be able to count on the fiscal stimulus recently passed by the parliament which is expected to inject nearly \$500 billion more into the economy in 2022 representing nearly 10% of its GDP. This new tax package includes a cash amount of nearly \$900 for about 10% of Japanese households with at least one child. But growth is still expected to be weak in Q2 and Q3, partly due to the global economic downturn of the past few months. Japanese GDP is likely to have entered a moderate recovery phase since the easing of Covid restrictions in China, which is reflected in the sharp rise in industrial production in June and July. The recovery of activity in China will certainly also reduce supply delays in Japanese production lines. The Chinese recovery will de facto be one of the main factors influencing economic activity in Japan in the coming months. Consumption should remain a positive factor, although it is still affected by the persistence of inflation, which rose by +2.2% in July.

GDP and Industrial Production

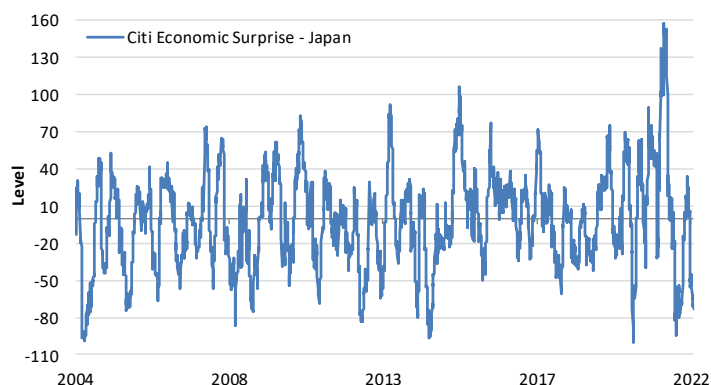


Composite, manufacturing and Services PMI—Japan



Graph sources: Bloomberg/BearBull Group/S&P Global

Economic Surprise Index



Leading indicators point to further limited growth in Q3

For several months, the leading indicator of manufacturing PMI has been hovering around a positive level of 52-53 points. It ended July slightly down at 52.1. The services PMI remained just in positive territory (50.3) in July, but declined by 0.9 points compared to June. Overall, the composite PMI is thus at the limit of the growth threshold for the Japanese economy, which seems consistent with a risk of slowdown caused by both weak domestic demand and declining exports. Vehicle sales are suffering from this weak domestic demand and are down -13.4% year-on-year at the end of July.

Industrial production compensated in June (+8.9%) for the falls in April (-1.5%) and May (-7.5%), and is still down by -3.1% over one year. However, industrial production could benefit in the third quarter from a revival of Chinese demand after the containment period.

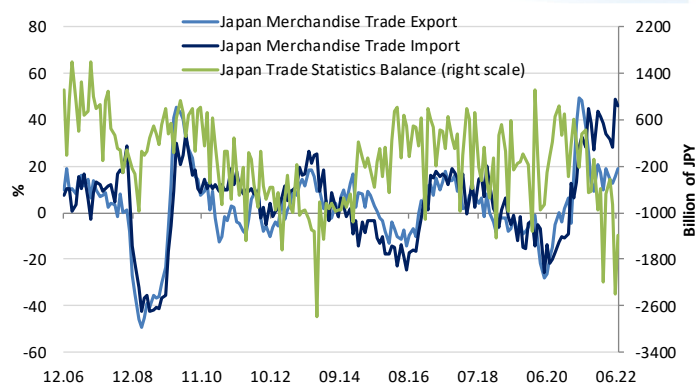
Households remain cautious

Household consumption is facing a gradual rise in inflation and a weakening of wage growth. A still low unemployment rate of 2.6% and a ratio of job offers to applicants of 1.27 should be elements favoring an improvement in household confidence, but these factors now seem to have taken a back seat. Despite the tight labor market conditions, companies do not seem to be able to increase wage levels sufficiently. The year-on-year increase in wages is still too low compared to inflation to compensate for this and avoid a decline in purchasing power. A possible acceleration of wages in June in connection with the bonus season will certainly remain insufficient to counter the likely acceleration of Japanese inflation, partly due to the weakness of the yen. Falling real household income will not support consumption growth in Q2. The consumer confidence index (-30.2) therefore continues its decline in July and suggests moderate momentum.

The trade deficit will be reduced in the short term

The last quarter was particularly difficult for Japanese foreign trade. Marked by several unfavorable factors, it ended with a new deficit. In June, the trade balance recorded an eleventh consecutive month of trade deficit in an environment characterized by a massive fall in the yen and a record rise in energy costs. The monthly deficit still narrowed from 2.39 trillion yen to 1.38 trillion yen in June. Imports increased by

Trade Balance (Billion of yen)



Graph sources: Bloomberg/BearBull Group/S&P Global

Inflation (CPI and PPI) and retail sales



+46.1% from June 2021, mainly due to higher oil, gas and coal prices. Exports grew by only +19.4% due to lower global demand and reduced trade with China. The trade surpluses recorded in the same period of the previous year were thus replaced by deficits. Clearly, the increase in imports was not due to an increase in demand, but was the result of the sharp rise in the dollar value of raw materials exacerbated by the fall in the Japanese currency. Japan's dependence on imports of raw materials, especially energy and food, is penalizing the performance of its economy, which has been indirectly affected by the war in Ukraine. If the current trend does not change on these parameters, trade deficits are likely to continue.

However, the recent decline in commodities and a gradual recovery in exports and trade with China will contribute to a reduction in the momentum of rising import prices and a weak trade balance. As a result, the monthly trade deficit should narrow in the coming months.

Japanese inflation remains limited despite high commodity prices

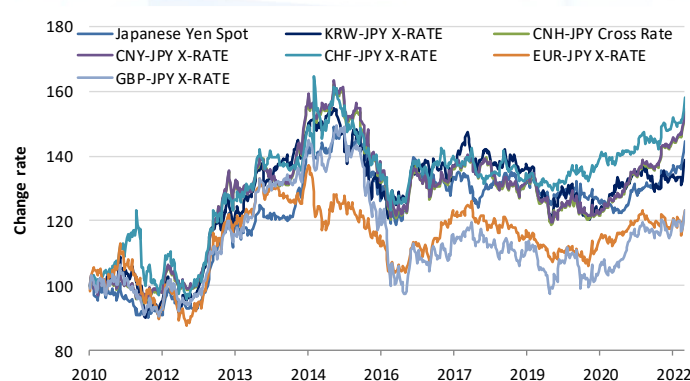
At the end of June, the Consumer Price Index (CPI) rose by +2.4% year-on-year. This is the highest inflation recorded since 2014, when inflation rose very quickly and temporarily above 3.5%.

Japan has not escaped the global trend of rising inflation, but despite Japan's heavy reliance on imported raw materials, price developments are still relatively moderate. The pass-through of the rise in imported prices, and then producer prices, to consumption has been relatively limited in Japan, especially by international comparison.

Producer prices, up +9.2% year-on-year at the end of June, have not been fully reflected in the consumer price index. Instead, prices in Japan have been stabilizing for the past three months at a rate of around +9%, which would be more likely to herald a forthcoming drop in momentum.

For companies, this means that they are still strongly affected by the difficulty of passing on their increased production costs to consumers. A decline in margins therefore logically seems to be underway in the manufacturing sectors, with a clearly negative impact on corporate profits and margins.

Exchange rate (Normalized at 100)



The energy & commodities factor will remain a determining factor in the evolution of inflation over the next few months.

Japanese inflation thus seems to be relatively contained despite the weakness of the yen and the rise in commodity prices. It is also likely that a reduction in tensions will materialize following the recent decline in commodity prices.

The weakness of the yen could also soon become less intense and contribute to a stabilization of inflation.

We believe that Japanese inflation should not spiral out of control and instead expect it to stabilize between 2% and 2.5% in the coming months. The BoJ should not be particularly alarmed by such developments if they occur.

The BoJ is not ready to change its policy

We still believe that the BoJ should not react to the rise in producer price indices without seeing indirect effects on overall consumer price measures. Indeed, it will wait to see the effects of the increases in import price indices and producer prices on CPI indices before considering a change in policy, which so far does not seem to be an ongoing development. In our view, the BoJ is still a long way from initiating a process of normalization of its monetary policy, contrary to what is now being done in the United States, the United Kingdom and Europe in particular.

Despite a readjustment of its inflation forecast for the year from +1.9% to +2.3%, the BoJ is taking into consideration the government's fiscal support measures, which aim to curb the effects of rising fuel prices and indirectly "control" price indices. The central bank is certainly also reassured by the decline in bond yields. The BoJ's monetary policy will remain resolutely accommodative and out of step with those of other central banks in the major industrialized countries. The BoJ is maintaining its monetary policy, keeping policy rates at -0.1% and its target for ten-year government rates at 0%. It is not concerned about the weakness of the yen and certainly believes that the yen should not fall significantly any further. The BoJ governor certainly does not consider it feasible to steer the exchange rate in favor of the yen in the context of such a large yield differential against the dollar in particular.

Reduced fluctuation in yen capital markets

While Japanese ten-year long rates were also affected by the generalized rebound in yields observed in most financial markets during the first five months of the year, the magnitude of the fluctuations remained very limited. Ten-year government bond yields rose rapidly from 0.05% to 0.26% without being much affected by the generalized panic that pushed long rates up sharply after the release of US inflation figures on June 10. The subsequent easing was also evident in Japan, where yields barely slipped from 0.26% to 0.17%.

The current period of yen weakness is not helping to increase the attractiveness of Japanese bonds, which should remain largely underweight in an internationally diversified bond strategy.

Indeed, holding bond positions in yen is not attractive compared to yields offered in other currencies. An allocation to yen bonds could potentially be justified by the expectation of a currency gain, which has so far been unlikely to materialize. Japanese bonds do not offer any attractive prospects in the current context of more attractive international alternatives.

Yen is still in a sluggish trend

It has been particularly difficult for the Japanese currency to resist for several months the combined evolution of a few unfavorable factors pushing the yen's depreciation. The evolution of yield spreads against the yen has been largely to its disadvantage and will probably remain so for some time as long as the BoJ maintains a yield target close to zero in the international context of rising rates. Since the beginning of

the year, the Japanese currency has fallen by -20% against the dollar, -13% against the Swiss franc and -10% against the euro. The Japanese currency has thus crossed new thresholds and is at its lowest level in two decades.

We still believe that the interest rate differential should remain the main factor determining the value of the yen and especially the exchange rate against the US dollar. The rise in US dollar yields in recent months has widened the interest rate differential and US monetary policy will maintain conditions that will also contribute to strengthening the differential on the short end of the yield curve, which is bad news for the Japanese currency that cannot yet count on new positive factors.

The Nikkei index remains on an upward trend

Japanese equities resisted rather well to the negative environment that surrounded the equity markets in the first half of the year. Since the beginning of the year, Nikkei stocks have only declined by -2% in local currency compared to larger declines for European stocks (-13%) and Nasdaq technology stocks (-18%).

In relative terms, the Nikkei still looks attractive today with a valuation of 14.7x 2023 earnings, versus a PE of 17x for the S&P500. The Nikkei is trading at a 20% discount to the S&P500.

The rise in the risk premium for Japanese securities, coupled with the fall in the yen and the massive economic support plans, still offer reasons to be interested in the Japanese market. The recovery of the Chinese economy after a long phase of sharp slowdown will also allow trade with Japan to resume. The manufacturing sector will now be able to count on fewer supply difficulties on the one hand and on increased competitiveness for its exports thanks to the weak yen.

The government's new strategy to promote innovation, the development of Japan's digital skills, alternative energies and economic security in various key areas of technology is also expected to provide superior development opportunities for Japanese companies operating in these specific sectors.

In the medium term, Japanese equities offer interesting investment and diversification opportunities and remain well oriented on an upward trend.

MACROECONOMIC SCENARIO

China

- Net slowdown in Q2 before a recovery in Q3
- The PBoC in a phase of monetary easing
- The fall of the yuan remains an option for the Chinese authorities
- The real estate market is still risky



Net slowdown in Q2 before a recovery in Q3

China's GDP disappointed in the second quarter, growing by a mere +0.4% year-on-year against a consensus estimate of +1.4%. Since the beginning of the year, economic activity has grown by +2.5%, significantly less than the forecast of +2.9%. The growth is now the weakest since the growth is now the weakest since the 2020 shock.

Economic activity in China suffered a further setback in July after enjoying a significant recovery in June when Covid restrictions were eased. The slowdown was felt in production and retail sales, but also in a sharp decline in investment that may suggest a greater impact of the difficulties. The slowdown was felt in production and retail sales, but also in a sharp decline in investment that may suggest a greater impact from the difficulties in the real estate sector. Further support for infrastructure investment should probably be considered by the authorities. These slowdowns in July surprised observers who were expecting a continuation of the positive trend in June. Infrastructure investment also disappointed with a +5.7% increase, below expectations (6.2%). Infrastructure spending should pick up and strengthen in the coming months to reach a target of +6.4% growth.

The real estate sector is clearly a source of concern, with real estate investments in real estate have fallen by 6.4% over the past year. The drop is greater than expected (-5.7%) and is unfortunately accompanied by a drop in prices and a collapse in sales. This situation does not favor consumption and domestic demand.

Chinese demand is also in trouble, as evidenced by the decline observed in the evolution of credit in July.

The year's target of +5.5% will not be achieved, a reduction to +3.3% seems appropriate in the current context. However, a rebound is expected in the third quarter that could reach +4%.

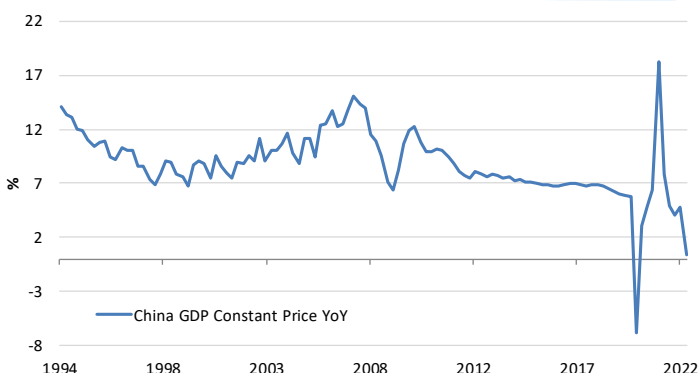
The PBoC in a phase of monetary easing

The unexpected 0.10% cut in Chinese one-year rates announced by the PBoC on Monday, seven months after its previous cut, underscores the Chinese authorities' concern about the economy. By international comparison, inflation in China appears to be contained with the consumer price index rising in July to +2.7% and producer prices lower than expected (+4.2%). It is not a major threat for the moment, so the PBoC is logically more concerned about the weakness of retail sales (+2.7%), industrial production (+3.8%) and the collapse of residential property sales (-31.4%) recorded in July. Although the Chinese economy started to revive its exports (+23.9%) in July, it still lacks domestic momentum, while developed economies are slowing down or in recession.

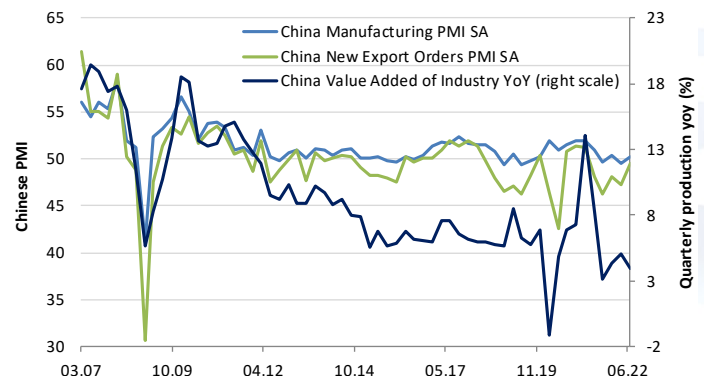
The PBoC is expected to announce soon a cut in the banks' reserve ratio (RRR) to facilitate a desired acceleration of credit after new loans fell from 2,810 to 679 billion yuan in July. The real estate sector remains the main risk to the Chinese economy and to the banking sector exposed to mortgage lending. An acceleration of credit would therefore be a supportive factor for the real estate sector in particular.

A depreciation of the yuan towards 6.90 for 1USD is likely in this context but temporary. Chinese growth should indeed benefit from an increase in precautionary demand despite the slowdown in developed countries. Indeed, purchasing managers will certainly be ready to increase imports from China to reduce the current friction in the value chains and improve the visibility of their production capacities by also replenishing their inventories. The next few months could therefore offer positive surprises on the Chinese recovery, driven by a recuperation in exports and domestic demand, thus offering an opportunity for a gradual repositioning in a particularly depressed equity market.

YoY GDP Growth

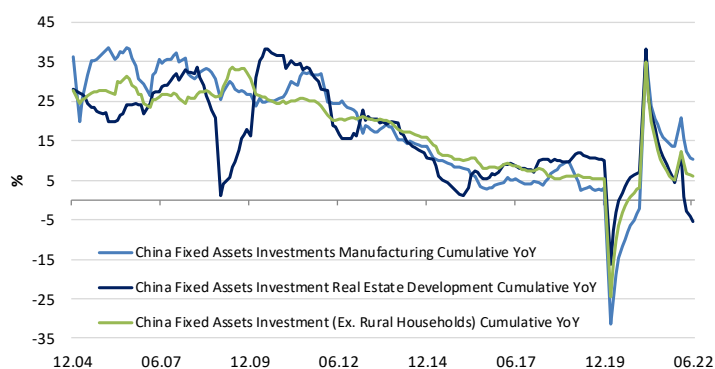


PMI and Industrial Production



Graph sources: Bloomberg/BearBull Group/S&P Global

Real Estate, Infrastructure and Industrial investments (YoY)



The fall of the yuan remains an option for the Chinese authorities

China's monetary policy is in increasing contrast to that of the US and other industrialized countries. While the latter are facing a sustained increase in inflation and are fighting against its development with increasingly restrictive monetary policies, China is facing other difficulties, while its inflation seems to be much better controlled. With inflation not as worrisome, Chinese monetary policy can support its economy by easing monetary policy and lowering interest rates. The decline of the yuan against the dollar accelerated in the second quarter as the yield spread contracted. The PBoC can now count on a drop in commodity prices to have a positive impact on imported inflation and accept further weakness in its currency.

In the coming months, the government's policy will continue to focus on supporting growth and its ciling real estate sector, while relegating the objective of controlling inflation to the background.

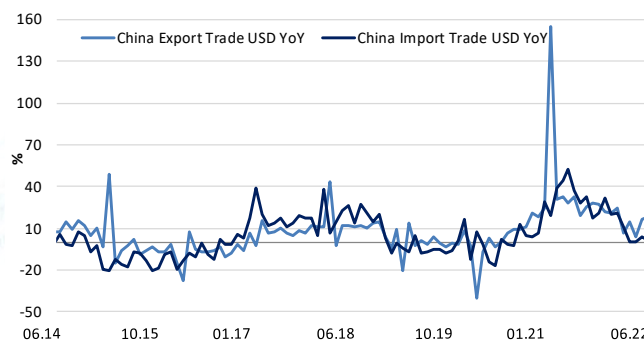
A further depreciation of the yuan therefore remains likely, which could see the yuan slide back towards the 7 yuan to 1 dollar level.

Significant decrease in foreign currency reserves

China's foreign exchange reserves have contracted significantly over the past six months. Estimated at \$3.25 trillion as of December 31, 2021, they had fallen to less than \$3.1 trillion by June 2022. This amount is more or less the same as that observed in March 2020 and is almost at the lowest level recorded in ten years. In relative terms, current reserves are about 75% of their peak level in 2014. This decline occurred as the yuan depreciated, suggesting possible action to support the Chinese currency through currency sales.

At the same time, there has been a sharp fall in the stock of US Treasury bonds held. Estimated at US\$1.068 trillion at the end of December 2021, China's bond holdings at the end of June have in fact been reduced to US\$967 billion. This is a significant reduction in six months and puts the

Exports and Imports (YoY)



US bond "risk" for the Chinese authorities at 73% of the 2013 threshold when China held 1,316 billion US Treasury bonds.

China is certainly diversifying its foreign exchange reserves away from the dollar, but it is also reducing the overall amount of reserves.

The real estate market is still risky

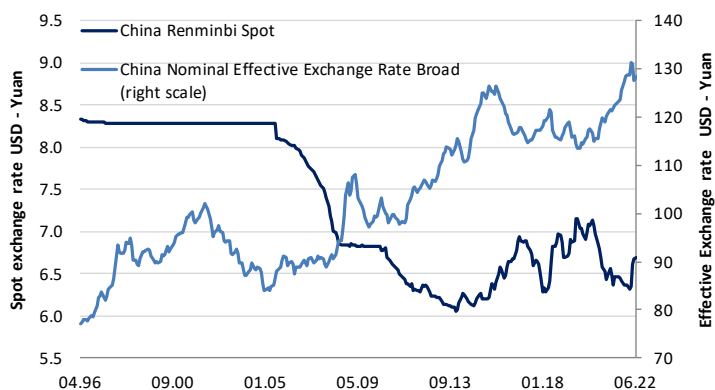
The Chinese real estate market remains particularly bad. Real estate sales have fallen by another 31.4% and are threatening the Chinese economy in various ways. Chinese developers are still in great difficulty and the sector is suffering from very low visibility, particularly due to regulatory changes aimed at reducing the level of developer debt.

The weight of the sector in the GDP of 25% threatens the whole economic dynamics. The estimated 1.6 trillion yuan of subprime mortgages for Chinese banks represents about 0.7% of total bank loans and 1.4% of GDP.

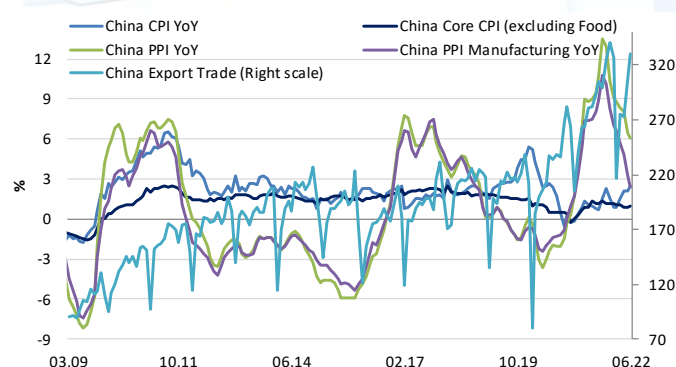
The Chinese real estate industry remains in great difficulty and must be able to count on financing that is always present, both to allow developers to continue their activity and provide projects that have already been sold to buyers and to allow the latter to finalize their investments. However, it would appear that a systemic crisis is not envisaged for the moment, but the exit from this crisis will be difficult and lengthy and could well weigh on China's economic growth.

Chinese real estate remains particularly risky in the current context, and we recommend avoiding any exposure to this sector.

Effective Exchange rate and USD/Yuan



Inflation CPI - Core CPI



Graph sources: Bloomberg/BearBull Group/S&P Global

MACROECONOMIC SCENARIO

UNITED ARAB EMIRATES

- UAE Economy set for strongest expansion in 11 years
- Inflation forecasts have been revised up to 5.6% for the year
- The UAE's PMI rose to 55.4 in July from 54.8 in June



UAE Economy set for strongest expansion in 11 years

The United Arab Emirates' economy is set to post its strongest annual expansion since 2011 after it grew by 8.2% in the first three months to the current year, buoyed by higher oil production, according to the UAE Central Bank (CBUAE).

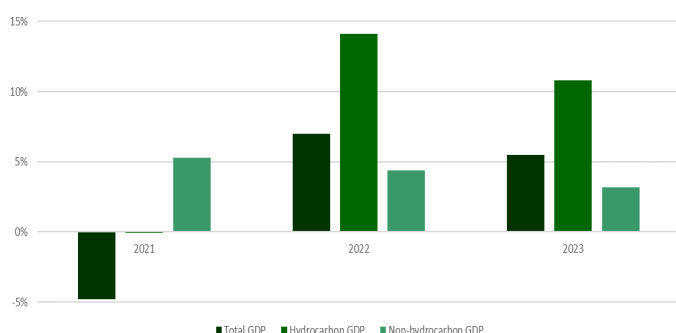
Growth in the first quarter was driven mainly by a sharp increase in oil production, as well as noticeable improvement in the real non-oil gross domestic product. Real domestic product (GDP) is expected to grow 5.4% this year and 4.2% next year according to the CBUAE. Hydrocarbon GDP climbed an estimated 13% in the first quarter, when oil production averaged 2.95 million barrels per day. Oxford Economics on its part expect the UAE's GDP to grow by as much as 7.0% in 2022. An expansion of 7.0% would be the highest since 2021, when the economy grew by 6.9%.

The UAE's non-oil sector also exhibited a strong recovery in the first quarter of this year by expanding by more than 6%, largely due to successful containment of Covid-19, the ease of pandemic-related restrictions, the expo 2020 Dubai and the strong recovery in the tourism industry. For 2022 and 2023 as a whole, the Central Bank expects non-oil GDP to expand by 4.3% and 3.9% respectively.

According to tourism figures for Q1 2022, the country's hotel establishments attracted nearly 6 million visitors who spent 25 million hotel nights, reflecting a growth of 10% compared to the same period in 2019. Moreover, the occupancy rate of hotel establishments in the country during this period achieved 80% growth, which is one of the highest globally. As result, hotel establishments generated at total revenue of USD 3 billion with a 20% growth compared to the same period in 2019 and resumed operations in full capacity of approximately 200,000 hotel rooms.

Going forward, and despite global economic headwinds intensifying against the backdrop of weaker global growth, a strong USD dollar, rising interest rates and higher inflation, we expect the current prevailing strong momentum to support overall sentiment going into the next half of 2022. In fact, a number of support factors such as pent-up demand from international travelers and the hosting of the FIFA World Cup by Qatar constitute important support factors that could benefit further the UAE's growing economy.

UAE GDP (2019-2022)



Inflation forecasts have been revised up to 5.6% for the year

In line with the global inflation figures, the UAE Consumer Price Index (CPI) increased by 3.4% during the first quarter of 2022, compared with 0.6% and 2.3% in the third and fourth quarters of 2021, respectively. Inflation is projected to accelerate further to reach 5.6% in 2022 according to the latest estimate by the CBUAE.

Despite the fact that the impact of imported inflation is somehow mitigated by UAE dirham being pegged to the USD dollar, increased costs of transportation, accommodation and food prices continue to contribute to rising inflation figures in the country.

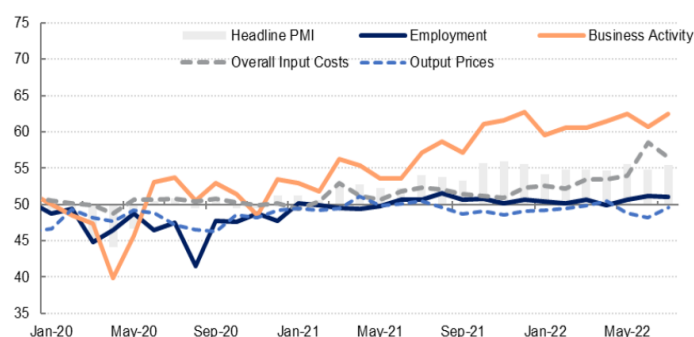
According to the latest data compiled by Emirates NBD, Dubai's CPI for instance rose by 7.1% y/y in July, up from 5.8% y/y in June and the fastest annual price growth in more than a decade. Transport costs rose 8.0% m/m and 38.6% y/y as petrol prices rose once again in July. Food prices rose 0.7% m/m and 8.8% y/y last month, while housing costs rose 0.9% y/y. There was also strong growth in the cost of recreation and culture services, which likely includes entertainment and some tourism services. This component of the CPI is up 44% y/y, with a gain of 7.2% m/m in July alone, although its weighting in the CPI basket is relatively small at just over 2%. Restaurant and hotel prices were up 1.7% m/m and 5.6% y/y.

The UAE's PMI rose to 55.4 in July from 54.8 in June

The UAE's PMI rose to 55.4 in July from 54.8 in June, indicating an improvement in business conditions in the non-oil sector at the start of the third quarter. Business activity and new work increased at a faster rate than in June, while firms added more workers in response to strong demand. Nevertheless, backlogs of work increased at the fastest rate in more than two years in July, indicating that many firms may be hitting capacity constraints.

On the inflation front, input costs rose again in July but at a slightly slower rate than in June, with 12% of firms noting higher prices for raw materials, fuel and shipping. Firms appeared to absorb most of these higher charges, with selling prices fractionally lower on average than in June. Those businesses that offered discounts did so to remain competitive or to attract more customers. Meanwhile, The Dubai PMI rose to 56.4 in July from 56.1 in June, the highest reading since mid-2019.

PMI WATER and its key components



Sources: CBUAE, S&P Global, Oxford Economics, BearBull Global Investments Group

Strong performance in the UAE's real estate sector continues into second quarter

The UAE's real estate outlook for 2022 is positive as it remains on a strong recovery trajectory. In fact, the UAE real estate market continues to witness an impressive rebound in the first half of 2022 with both major Emirates of Abu Dhabi and Dubai posting strong growth rates both in terms of capital and rental values.

The UAE residential market continues to benefit from renewed interest on part of both local and international investors. According to the latest UAE Real Estate Market review Q2 2022 by CBRE, average residential property prices in Abu Dhabi increased by 2.2% in the 12 months to June 2022, over the same period rents increased by 0.1%. Sales transactions data from Abu Dhabi Department of Municipalities and Transport shows that in the year to Q2 2022, off-plan and ready sales transaction volumes increased by 36.5% and 30.5% respectively.

In Dubai, average residential prices increased by 10.1% in the year to June 2022. Over this period, average apartment prices increased by 8.7% and average villa prices increased by a whopping 19.3%. Average rental rates increased by 21.7% in the year to June 2022, the highest rate of growth since July 2014. Dubai total residential volumes in the year to June 2022 according to CBRE reached 39,269, which is the highest total ever recorded since 2009, over the same period.

The UAE office market on its part has witnessed a slight decline of 6.9% and 1.1% in the average Prime and Grade A rents respectively. Meanwhile, according to CBRE, the Grade B segment of the market saw average rents increasing by 4.5%. During the second quarter of 2022, data from the Dubai Land Department (DLD) shows that a total of 9,556 new commercial office lease agreements were registered, up 41.3% from a year earlier. According to CBRE, for the first time since Q1 2021, average rents in all segments of Dubai's office market have recorded rental growth. In the year to Q2 2022, Prime, Grade A, Grade B and Grade C rents increased by 7.0%, 7.2%, 3.9% and 3.0% respectively.

As highlighted earlier, 2022 has been so far a robust year of strong recovery for the UAE's hospitality sector. According to CBRE, year-on-year in the year to date to June 2022, the average occupancy rate increased by 10.3%. Over the same period, the Average Daily Rates (ADR) increased by 41.3%, which has a result led to an average Revenue Per Available Room (RevPar) increase of 65.0%.

The retail and industrial sectors are also benefiting from strong growth momentum in the UAE. According to CBRE, in Abu Dhabi, average retail rents were flat in the year to Q2 2022. Meanwhile, average retail rents in Dubai increased by 22.0%.

Abu Dhabi and Dubai benchmarks turn positive in July

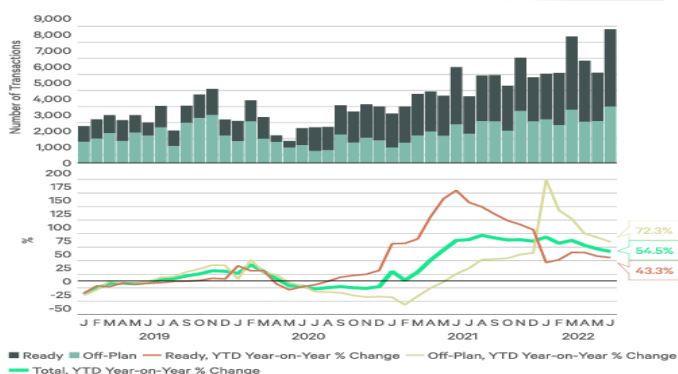
The Dubai Financial Market (DFM) General Index posted a positive performance of +3.6% in the month of July after witnessing significant declines of -10.0% and -3.7% in the months of May and June respectively. In the month of July, the benchmark growth was led by a rise in six out of nine sectoral indices including large-cap sectors such as real estate, financial and telecommunication sectors. Emirates Integrated Telecom (DU) posted a gain of 7.4% on the back of strong Q2-2022 net profit growth. The real estate sector was mainly driven by the share price growth of Deyaar Development (8.0%) and Union Properties (7.8%).

Trading activity on DFM declined for the third consecutive month in July as compared to previous month. According to Kamko invest Research, Total volume of shares traded decreased by 39.3% to reach 1.4 Bn shares in July 2022 as compared to 2.3 Bn shares during the month of June. Meanwhile, according to data compiled by Kamko and DFM exchange, total value traded on the exchange also dropped by 42.9% to reach USD 0.98 Bn in July as compared to USD 1.71 Bn during the previous month. Emaar properties topped the monthly volumes traded chart with 207.7 million in traded shares followed by Dubai Financial Market and Union Properties at 145.5 million and 143.4 million traded shares respectively. In terms of new listings, UNION COOP became the second stock listed on Dubai Financial Market during July-2022. The company became the first UAE retail co-operative to list its shares on the DFM. The listing comes after the UAE announced that it would permit the listing of co-operative societies earlier in the year. Union Coop is one of the largest retailers in the UAE with 21 branches

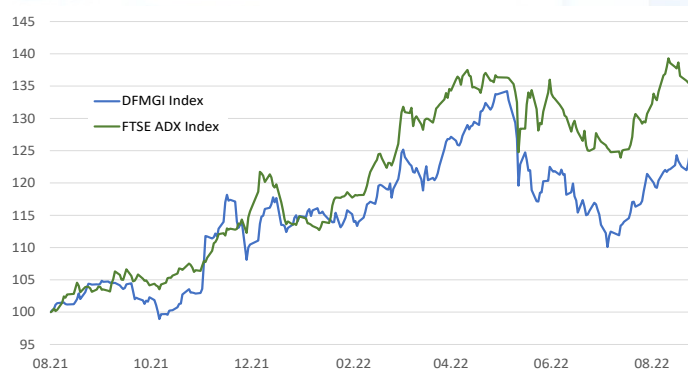
In Abu Dhabi, the FTSE ADX index also returned to growth (3.1%) during the month of July after witnessing declines of -0.3% and 6.8% in the months of May and June, respectively. In terms of sector performance, according to Kamko Invest research, the real estate index recorded the biggest monthly gain (+9.7) led by double digit gains by RAK Properties (+11.6%) and Al Dar Properties (10.1%). In the banking sector, Abu Dhabi Islamic Bank topped the monthly gainers chart after its share price jumped by 21.2% whilst Aram Group Co witnessed a monthly gain of 11.6%.

Trading activity on FTSE ADX fell for the third consecutive month during July 2022. According to Kamko research invest, total volume of shares traded reached 2.7 Bn shares in the month of July as compared to 4.0 Bn shares traded during the month of June, registering a decrease of 30.7%. Meanwhile, monthly value traded declined by 26.8% to USD 5.6 Bn in the month of July as compared with USD 7.66 Bn in June 2022. Multiply Group topped the list in terms of monthly volumes for the second month running with 718.4 Mn traded shares followed by ADNOC Distribution and First Abu Dhabi Bank which traded 248.9 Mn shares and 213.3 Mn traded shares, respectively. In terms of value traded, International Holdings Company topped the table for the third month running with USD 1.71 Bn worth of shares changing hands during the month followed by First Abu Dhabi Bank and Alpha Dhabi Holding Co at USD 1.1 Bn and USD 0.57 Bn, respectively.

Dubai Residential Transactions



Historical performance of DFM and FTSE ADX



MACROECONOMIC SCENARIO

Emerging market

- Downward revisions to growth prospects
- More restrictive monetary policies overall
- Positive growth for most economies in 2022

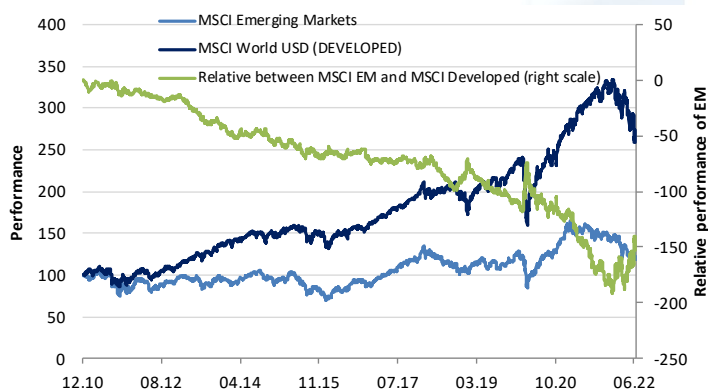
The global environment has deteriorated further, marked by downward revisions to the global growth outlook amid strong and persistent inflationary pressures. These pressures have intensified due to rising commodity prices in 2022 and, more recently, the new wave of Covid in China, further extending the process of normalizing industrial input supply. The reorganization of global production chains, already fueled by the war in Ukraine, is expected to intensify as more regional diversification of supply. These developments could have long-term consequences and lead to more persistent inflationary pressures on global goods production.

Brazil — All the Brazilian economic indicators published since the last meeting suggest growth above recent expectations. The labour market continues to recover, the first quarter GDP release highlighted higher than expected activity and household consumption continues to contribute positively. The Committee believes that the recent data on domestic activity, which has led to a positive revision to 2022 growth, still largely reflects the post-pandemic normalisation process of the economy, both in the increase in consumption of services and the use of excess savings, as well as in the transitional fiscal stimulus measures taken in the first half of the year. As a result, activity is expected to slow down in the coming quarters as the lagged effects of monetary policy become more pronounced. Consumer price inflation remains high, with increases observed in almost all components, and continues to be more persistent than expected. Inflation in services and industrial goods also remains high, and recent shocks continue to cause strong increases in the food and fuel components. The various measures of core inflation have accelerated to above the range consistent with the achievement of the inflation target. Inflation expectations for 2022, 2023 and 2024 collected by the Focus survey are around 8.5%, 4.7% and 3.25% respectively. The Monetary Policy Committee unanimously decided to raise the Selic rate by +50 basis points to 13.25%. The Committee considers it appropriate to continue to the monetary tightening process in a significantly towards even more restrictive territory. The Committee stresses that it will continue to pursue its strategy until the process of disinflation and the anchoring of expectations around its objectives have disinflation and the anchoring of expectations around its objectives consolidate. For its next meeting, the Committee expects a further adjustment of a similar magnitude.

Russia — The downturn in Russian economic activity is due to changes in both demand and supply. Survey data show that companies are still struggling to address production and logistics issues - despite the emerging diversification of suppliers of finished goods, raw materials and components. Consumption activity in real terms is declining due to the high propensity of households to save and declining real incomes. The external environment of the Russian economy remains difficult and is a significant drag on economic activity. The contraction of imports due to the introduction of external trade and financial restrictions considerably outweighs the decline in exports. Overall, the actual decline in economic activity in the second quarter of 2022 is less pronounced than the Bank of Russia had forecast in its April baseline scenario. In view of the above, the Bank of Russia believes that the decline in GDP in 2022 could be lower than forecast in April. Current inflation is significantly lower than the Bank of Russia's April forecast. As of 3 June, annual inflation has come down to 17% (from 17.8% in April). According to the latest data, consumer price inflation was low in May and June. The fall in headline inflation is largely due to a correction in the prices of a small group of goods and services, after their sharp rise in March. This correction is the result of movements in the rouble exchange rate and the attenuation of the surge in consumer demand in the context of a marked decline in household and business inflation expectations. Price growth rates for most of the consumer basket, although declining, remain well above 4% on an annual basis. According to the Bank of Russia's baseline scenario, inflation is expected to be between 14% and 17% by the end of 2022, then to fall to 5-7% in 2023 and return to 4% in 2024. On 10 June 2022, the Board of Directors of the Bank of Russia decided to reduce the policy rate by 150 basis points to 9.5%. The external environment of the Russian economy remains difficult and is significantly constraining economic activity. At the same time, inflation is slowing faster and the decline in economic activity is less severe than the Bank of Russia expected in April. The Bank of Russia's decisions in April-June to cut the policy rate should stimulate the availability of credit in the economy and limit the extent of the economic decline. At the same time, the monetary policy stance will maintain its disinflationary impact necessary to bring inflation back to its target in 2024. The Bank of Russia expects the policy rate to average 10.8-11.4% in 2022, 7.0-9.0% in 2023 and 6.0-7.0% in 2024.

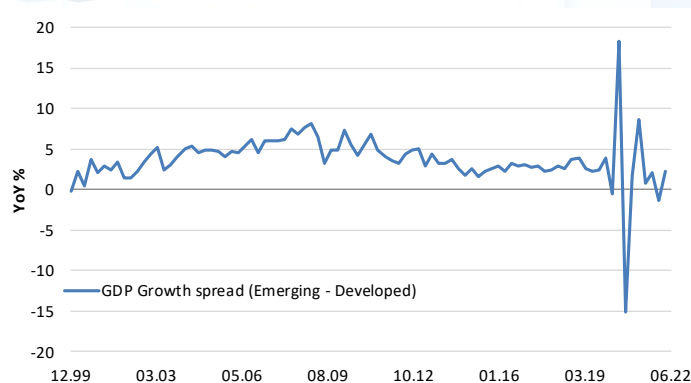


Emerging and Developed Markets—Performance



Graph sources: Bloomberg/BearBull Group/S&P Global

GDP Growth spread



GDP (YoY) - Russia



India — Rural consumption should benefit from the likely normal southwest monsoon and the expected improvement in the agricultural outlook, while a rebound in contact-intensive services should support urban consumption going forward. Investment activity is expected to be supported by improved capacity utilisation, the government's investment policy and the strengthening of bank credit. Growth in exports of goods and services is expected to maintain the recent momentum. However, the fallout from prolonged geopolitical tensions, high commodity prices, persistent supply bottlenecks and tighter global financial conditions weigh on the outlook. Taking all these factors into account, the GDP growth projection for 2022 is maintained at 7.2%, with quarterly growth of 16.2%, 6.2%, 4.1% and 4.0% respectively. The tense global geopolitical situation and rising commodity prices pose considerable uncertainty for domestic inflation prospects. Restrictions on wheat exports are expected to improve domestic supply, but the shortfall in rabi production due to the heat wave could pose a risk. The forecast of a normal southwest monsoon bodes well for kharif crop production and food price prospects. Edible oil prices remain under pressure due to unfavourable global supply conditions, despite the lifting of a major supplier's export ban. Following the recent reduction in excise duties, prices of domestic oil products have fallen. However, international crude oil prices remain high, with risks of further pass-through to pump prices, while there are also risks of upward revision of electricity prices. Given these factors, assuming a normal monsoon in 2022 and an average crude oil price of USD 105 per barrel, inflation is now projected at 6.7% in 2022 with a return below the 6% tolerance level in the fourth quarter (5.8%). Considerable uncertainty surrounds the inflation trajectory due to global growth risks and geopolitical tensions. Supply-side measures taken by the government would help alleviate some cost pressures. At the same time, however, persistent shocks to food inflation could maintain pressures on headline inflation. It is therefore necessary to take monetary policy measures calibrated to maintain the anchoring of inflation expectations and limit the widening of price pressures. Accordingly, the central bank decided to raise the policy rate by 50 basis points to 4.9%.

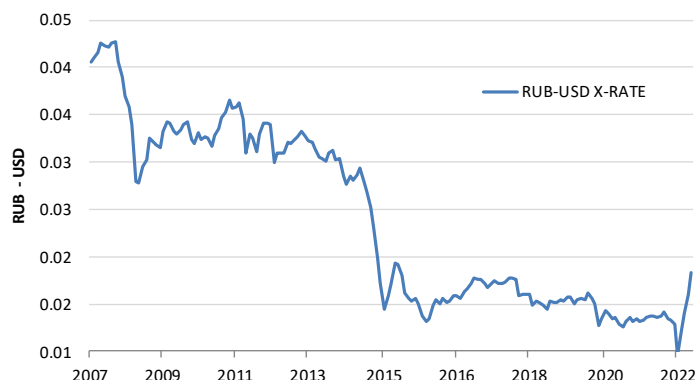
GDP (YoY) - Brazil



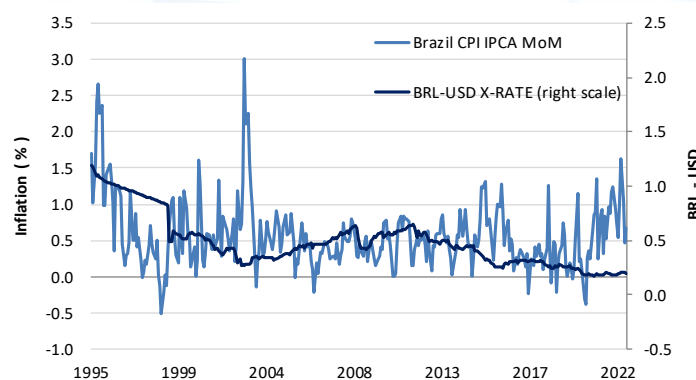
South Africa — The economy is expected to grow by 1.7% in 2022, down from the 2% forecast at the March meeting and below the previous year's figure of 4.9%. This is due to a combination of short-term factors, including flooding in Kwa Zulu Natal and continuing constraints on electricity supply. Output growth is expected to be 3.6%, higher than the 3.2% forecast at the March meeting. The economy is then expected to grow by 1.9% in 2023 and 2024. Public sector investment has weakened considerably in recent years and investment by state-owned enterprises is expected to be very modest. Household spending remains strong, due to good growth in disposable income, rising asset prices and low interest rates. Private investment has also proved more resilient than expected. Tourism, hotels and construction are expected to recover more strongly during the year. Inflation is expected to be 5.9% for this year 2022, revised slightly upwards mainly due to higher food and fuel prices.

Mexico — Mexico's central bank raised its key rate by 75bps to 7.75% in June, the ninth increase since the start of the normalisation process in June 2021, the highest since October 2019. Given the stronger than expected pressure on inflation, the inflation forecast has been revised upwards while the convergence to the 3% target in the first quarter of 2024 is maintained. Economic activity is expected to continue its gradual recovery over the course of the year.

Rouble VS USD

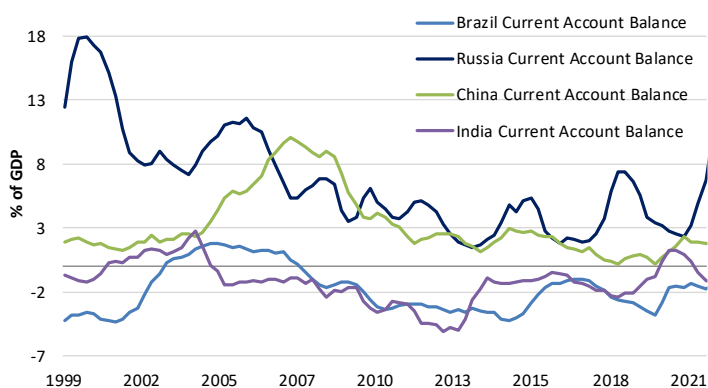


Inflation and Exchange rates

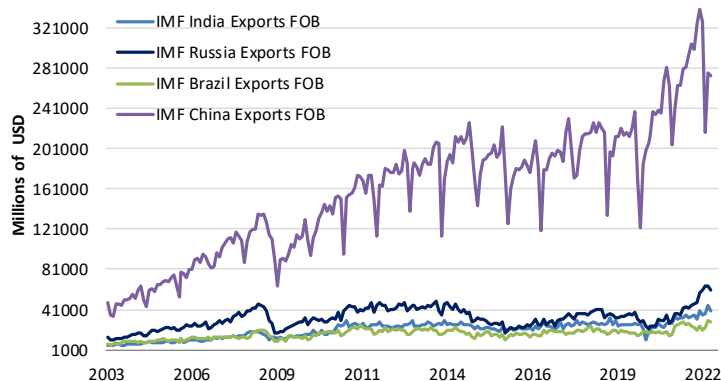


Graph sources: Bloomberg/BearBull Group/S&P Global

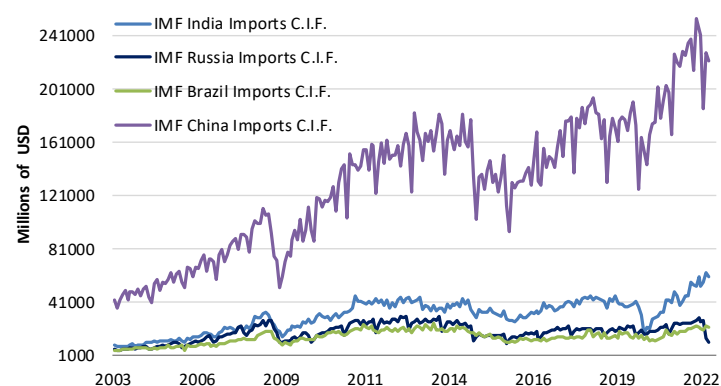
Current Account Balance



BRIC Exports



BRIC Imports



Indonesia — Bank Indonesia kept its key interest rate at an all-time low of 3.5%, indicating that it was still monitoring rising inflation risks and would adjust monetary policy accordingly if necessary. The Governor mentioned that inflation could be slightly above its target this year and reach 4.2% in six months, adding that the authorities had already taken measures to contain imported inflationary pressures.

Turkey — The Central Bank of Turkey left its key interest rate unchanged at 14% since the beginning of the year, saying that in the rising energy costs caused by geopolitical developments, strong negative supply shocks caused by increases in global energy, food and agricultural prices and agricultural commodities continue to have an influence. The inflation rate in Turkey jumped to 73.5% in May, the highest level since 1998. It expects the disinflationary process to begin with the restoration of a global peace environment and the elimination of base effects, as well as the measures implemented to strengthen sustainable price stability and financial stability.

Taiwan — The Taiwanese central bank raised its key interest rate by 12.5 basis points to 1.5% in June, marking the second consecutive increase this year and bringing borrowing costs to their highest level since 2016.

Thailand — The Bank of Thailand kept its key interest rate at a record low of 0.5% while indicating that inflation is likely to rise and remain high for longer than expected. Thailand's annual inflation rate jumped to 7.10% in May from 4.65% the previous month, the highest level since July 2008. Inflation is expected to reach 6.2% in 2022 and 2.5% in 2023. Meanwhile, the Thai economy is expected to grow by 3.3% and 4.2% in 2022 and 2023, respectively, due to a stronger-than-expected recovery in private consumption, especially in the services sector.

Colombia — The Colombian central bank decided to raise its benchmark interest rate by 150 basis points to 7.50%, the seventh rate increase since the start of the incremental tightening of monetary conditions in September 2021, bringing borrowing costs to their highest level since December 2016. The central bank is determined to keep inflation expectations in check, after the inflation rate remained above 9% in May, well above the 3% target. The central bank also noted that the economy performed better than expected in the first quarter, thanks to robust domestic demand, and revised growth forecasts for the year as a whole to 6.3%, from an initial projection of 5.0%.

Romania — Czech Republic, Poland, Hungary — Romania's central bank raised its key interest rate by 100 basis points to 4.75%, exceeding analysts' expectations and bringing borrowing costs to their highest level since July 2013. This is the sixth consecutive rate hike since the central bank began its monetary policy normalisation process last October, and the largest one-off measure since the 2008 financial crisis. In May, inflation reached 14.49%, its highest level in nearly 19 years. The central bank expects double-digit inflation at least until the second quarter of next year.

In June, the Czech National Bank raised its benchmark rate by 125 basis points to 7%, exceeding the 100 basis points expected by the market and bringing the cost of borrowing to its highest level since 1999. The increase follows a 75 basis point hike in May as policymakers seek to control price pressures. The annual inflation rate reached 16% in May, the highest level since 1993.

The National Bank of Poland raised its benchmark rate by 75 basis points to 6%, following a similar decision at the previous meeting. This is the ninth consecutive increase in the rate, which reached its highest level since November 2008. Poland's annual inflation rate climbed to 13.9% in May, the highest level since 1997.

The National Bank of Hungary raised its key interest rate by 185 basis points to 7.75%, well above market expectations for a 60 basis point increase. This is the largest of 12 consecutive rate hikes by the national bank in its prolonged attempt to stem the surge in inflationary pressure and support the forint after it weakened to a record low in mid-June. The latest inflation figures show an annual increase of 10.7% in May, the highest in 21 years, driven by soaring energy and food prices.



PROSPECTS AND STRATEGIES



PROSPECTS AND STRATEGIES

Currencies

- Franc benefits from SNB monetary tightening
- Is a rise in the euro possible ?
- Yield differentials favorable to the dollar but declining
- The fall of the yuan remains an option for the Chinese authorities
- Yen is still in a sluggish trend

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

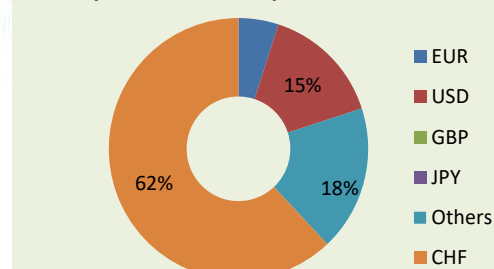
Franc benefits from SNB monetary tightening

The SNB had changed its stance on the value of the franc by changing its assessment of its relative overvaluation in recent months. The widening inflation differential between the Swiss and foreign CPI and PPI indices, particularly in Europe and the US, led the SNB to conclude that the franc was no longer overvalued in the current context. The evolution of the euro/franc exchange rate towards parity materialized in an environment of stable key rates before central banks decided to adopt monetary policies adapted to the acceleration of global inflationary dynamics. The franc's rapid rise towards parity was then to be contained by a probable more rapid action by the ECB, which was to reinforce the yield differential in favor of the European currency. It was in this anticipation that the exchange rate was able to stabilize and rebound by +4% above parity. The SNB's surprise decision on June 16 totally contradicted this outlook and allowed the Swiss franc to appreciate rapidly against the euro by nearly 6%, reviving investor interest in the Swiss currency. The ECB's subsequent decision to raise its key interest rates by only 0.25% was therefore not enough to change the trend. The war in Ukraine and its geopolitical, economic and social consequences have not finished affecting Europe and Switzerland. Uncertainty remains high and also favors the short-term appeal of the franc as a safe haven currency. However, it should be remembered that the euro/CHF yield curve differentials have moved in favor of the euro on most maturities in recent weeks to the point of returning to levels similar to those of 2015, which allowed the European currency to rise. In this context, a stabilization of exchange rates seems more likely in the coming months.

Is a rise of the euro possible?

Since mid-June, the government yield spread between US Treasuries and the German Bund has risen sharply by about 80 bps (basis points) in favor of the dollar on the short end (2-year) and by 40 bps on the long end (10-year). The dollar thus benefited from the increase in a substantial yield differential across the various maturities of the yield curve, which supported the latest increase in the exchange rate of around +5%, bringing the appreciation of the dollar against the European currency to +19% since January 2021. For its part, the euro/franc exchange rate can finally rely on a significant change in the yield differential observed on the long end of the yield curve, which

Currency allocation - CHF portfolio



Tactical Allocation

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

began in May. The yield differential, which was still very slightly in favor of Swiss government bonds (+20 bps) in February, has gradually narrowed to -45 bps, thus offering a significant spread in favor of the euro. On the short end of the yield spectrum, the movement has been similar, with the spread between Swiss and German 2-year yields moving from +20 bps in February to -45 bps today. Despite the actions of the ECB and the SNB, euro yield curves are rising faster. Against both the franc and the dollar, the euro could now benefit from a change in perception about the upcoming evolution of interest rate differentials, which are now probably more inclined to adjust to the faster and more dramatic evolution of inflation in Europe over the next few months than in the US and Switzerland. The euro could thus regain favor with investors tempted to reposition to one of the major international reserve currencies after a notable weakening in recent quarters. The euro could therefore appreciate by around +5% against both the dollar and the franc.

A weaker yuan remains an option for the Chinese authorities

China's monetary policy is in increasing contrast to that of the US and other industrialised countries. While the latter are facing a sustained increase in inflation and are fighting against its development with increasingly restrictive monetary policies, China is facing other difficulties while its inflation seems to be much better controlled. With inflation not as much of a concern, Chinese monetary policy can support its economy by easing monetary policy and lowering interest rates. The decline of the yuan against the dollar accelerated in the second quarter as the yield spread contracted. The PBoC can now count on lower commodity prices to have a positive impact on imported inflation and accept further currency weakness. In the coming months, government policy will continue to focus on supporting growth and its ailing real estate sector, while relegating the objective of inflation control. A further depreciation of the yuan therefore remains depreciation remains likely, which could see the yuan slide back towards the 7 yuan to the dollar level.

Yield differentials favorable to the dollar but declining

Our expectation of a firmer monetary policy shift in the US and consequently a faster and more intense rise in policy rates than in most other industrialized and emerging countries has largely materialized over the past two quarters. The Federal Reserve's determination to try to combat inflationary trends has been stronger than that of the ECB in particular. It has also been firmer than the BoE, which has logically led to a change in yield spreads in favor of the US dollar. This has logically led to a shift in yield differentials in favor of the US dollar.

The dollar yield curves were the first to move up and were then followed by the other yield curves in most other markets. However, the recessionary risks of the last few weeks finally outweighed inflationary fears and caused long rates to accelerate downward by about 50 bps. Ten-year yields have thus corrected by almost 100 bps in dollars, euros, pounds sterling and Swiss francs. Yield spreads between government bonds have thus stabilized, providing no additional positive elements to those already supporting the interest of dollar investments.

In the coming months, U.S. monetary policy is likely to be even more restrictive than those of other major central banks. The key dollar rates should therefore rise even faster and support the interest for the US dollar. The U.S. currency remains the preferred currency in our strategy.

Diminishing risks for the British pound

Despite regular rate hikes and a rising yield curve for sterling bonds, the British currency has continued to erode against the US dollar, as we expected, falling 10% in recent months to 1.20 and approaching historical lows as the yield differential widened further in favor of the dollar. The U.S. Federal Reserve intends to raise policy rates to 3.4% by the end of the year, 0.5% higher than the BoE. The USD/GBP exchange rate could further erode by -2 to -3% in the coming months. The British pound has stabilized against the euro at around 0.85 pounds to the euro without being able to take advantage of its significant yield

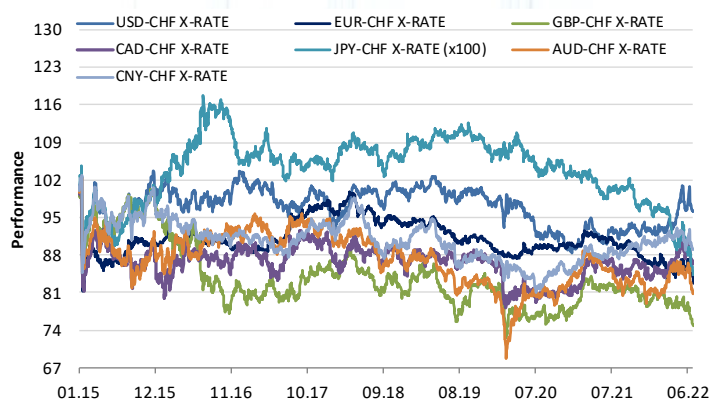
differential. The ECB seems to be on a much more gradual and measured path to raising interest rates, which should help widen the yield differential in favor of the pound. Fears of an upcoming UK recession and higher inflation are currently negative factors for the pound. The risk of a significant depreciation of the pound now seems very limited, especially against the euro and the Swiss franc.

Yen is still in a sluggish trend

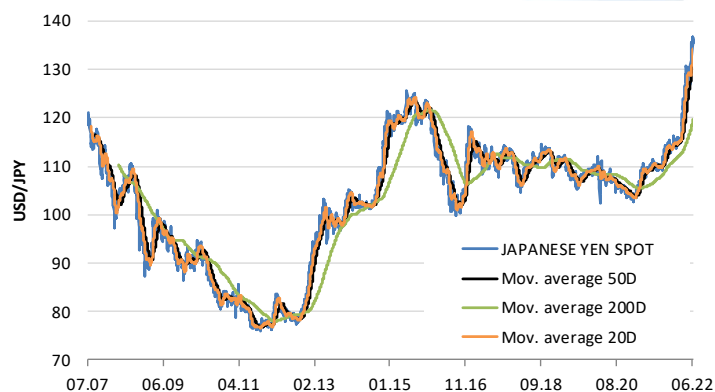
It has been particularly difficult for the Japanese currency to resist for several months the combined evolution of a few unfavorable factors pushing the yen's depreciation. The evolution of yield spreads against the yen has been largely to its disadvantage and will probably remain so for some time as long as the BoJ maintains a yield target close to zero in the international context of rising rates. Since the beginning of the year, the Japanese currency has fallen by -20% against the dollar, -13% against the Swiss franc and -10% against the euro. The Japanese currency has thus crossed new thresholds and is at its lowest level in two decades.

We still believe that the interest rate differential should remain the main factor determining the value of the yen and especially the exchange rate against the US dollar. The rise in US dollar yields in recent months has widened the interest rate differential and US monetary policy will maintain conditions that will also contribute to strengthening the differential on the short end of the yield curve, which is bad news for the Japanese currency that cannot yet count on new positive factors.

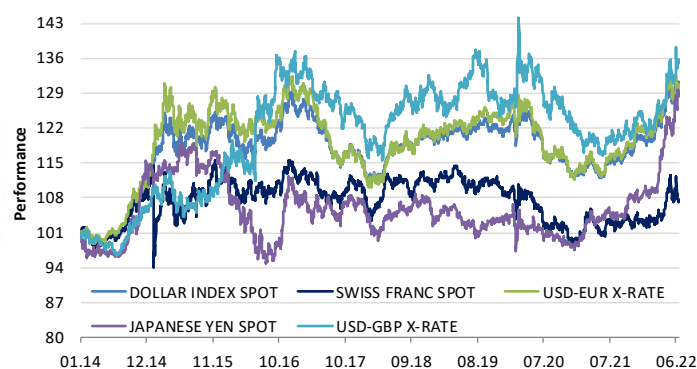
7 currencies against CHF (Normalized at 100)



JPY/USD



Dollar Trade-weighted index & cross rates (base 100)



EUR/USD



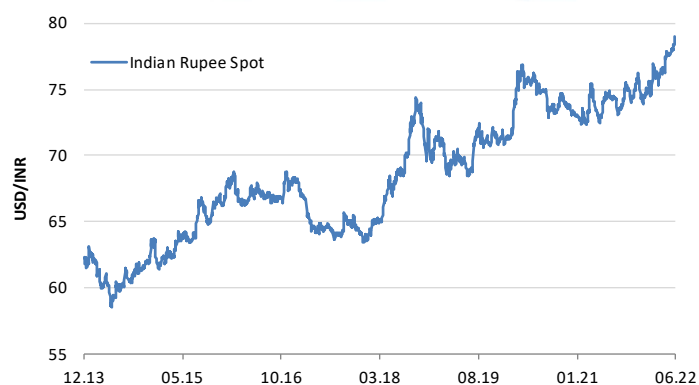
Graph sources: Bloomberg/BearBull Group/S&P Global

CURRENCIES

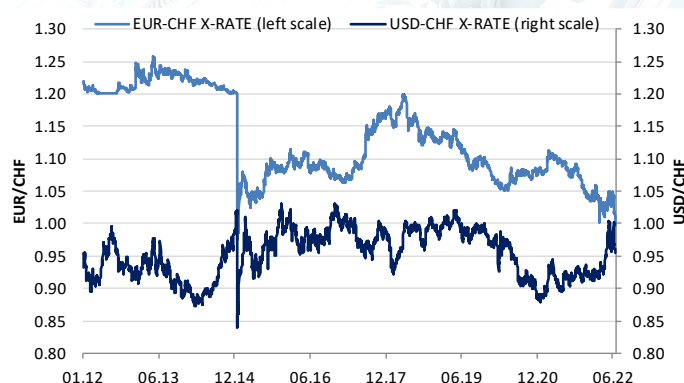
30.06.2022

Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %
AGAINST DOLLAR						
EUR-USD X-RATE	1.05	-0.37	-2.33	-5.27	-7.43	-11.59
CHF-USD X-RATE	1.05	0.68	0.49	-3.39	-4.31	-3.13
GBP-USD X-RATE	1.22	-0.67	-3.36	-7.31	-9.79	-11.95
JPY-USD X-RATE	0.01	-0.57	-5.19	-10.34	-15.23	-18.14
CAD-USD X-RATE	0.78	0.95	-1.75	-2.84	-1.04	-3.69
AUD-USD X-RATE	0.69	0.09	-3.82	-7.74	-4.86	-7.94
RUB-USD X-RATE	0.02	0.55	14.88	49.19	37.16	34.46
CNY-USD X-RATE	0.15	-0.01	-0.41	-5.36	-4.87	-3.62
INR-USD X-RATE	0.01	-1.03	-1.69	-3.82	-5.72	-5.83
BRL-USD X-RATE	0.19	-0.31	-9.94	-9.77	5.96	-5.51
AGAINST SWISS FRANC						
USD-CHF X-RATE	0.96	-0.60	-0.46	3.53	4.54	3.25
EUR-CHF X-RATE	1.00	-1.02	-2.77	-1.97	-3.24	-8.73
GBP-CHF X-RATE	1.16	-1.35	-3.81	-4.08	-5.73	-9.11
JPY-CHF X-RATE (x100)	0.70	-1.25	-5.67	-7.23	-11.40	-15.54
CAD-CHF X-RATE	0.74	0.34	-2.23	0.57	3.42	-0.58
AUD-CHF X-RATE	0.66	-0.50	-4.24	-4.44	-0.51	-4.95
RUB-CHF X-RATE	0.02	-0.23	14.77	55.15	44.12	39.45
CNY-CHF X-RATE	0.14	-0.77	-0.90	-2.13	-0.63	-0.56
INR-CHF X-RATE	0.01	-1.22	-1.99	-0.08	-1.20	-2.52
BRL-CHF X-RATE	0.18	-1.09	-10.34	-6.67	10.98	-2.15

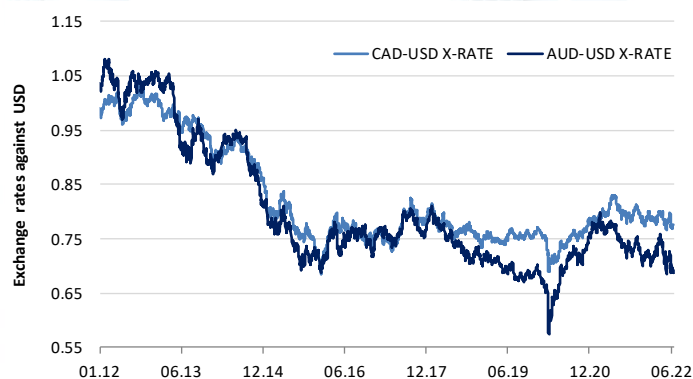
Indian Rupee



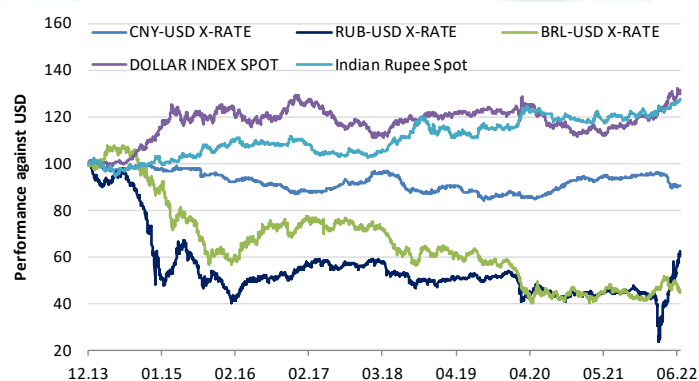
EUR/CHF - USD/CHF



CAD/USD - AUD/USD



Emerging Currencies VS USD (Normalized base at 100)



PROSPECTS AND STRATEGIES

International Bonds

- The worst may be over in the financial markets
- US interest rate markets also anticipate a decline in inflation
- Temporary lull on European rates
- New opportunities to capture higher returns

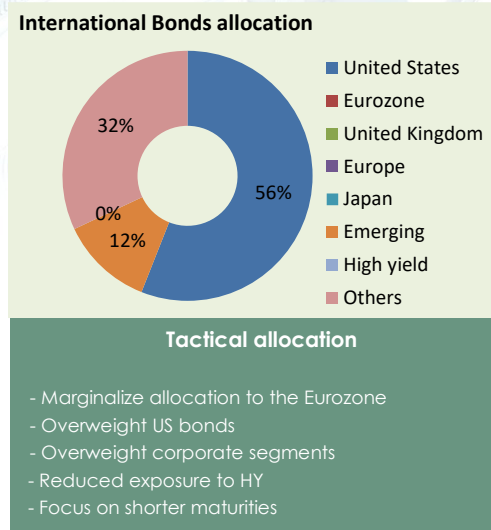
BONDS (Areas/currency)	Expected Return		ALLOCATION (CHF Portfolio)						
	3months	1year	underweight			neutral overweight			
			---	--	-	=	+	++	+++
Switzerland	↘	↘							
United States	↘	↘							
Eurozone	↘	↘							
UK	↘	↘							
Europe	↘	↘							
Japan	↘	↘							
Emerging	↘	↘							
Other (AUD, CAD,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

The worst may be over in the capital markets

For several quarters we had been predicting that a major paradigm shift would take place in the financial markets when central banks finally decided to normalise their monetary policies. This prediction came true even beyond our expectations in Q2, following on from the adjustment already seen in Q1 (-3%), which saw bond markets fall further by almost -3%. The renewed upward trend in US interest rates in Q1 had already developed with the rise in inflation before 15 February and was subsequently confirmed when the consequences of the invasion of Ukraine on oil and gas prices raised fears of a further surge in inflation. The surge in energy prices had thus quickly set financial markets and yield curves in virtually all currencies on fire.

After an initial yield adjustment shock of about 50 bps on the yield curves, March logically saw a further adjustment to take into account the evolution of prices and the upcoming effects on the various national inflation measures. Q2 remained very uncertain in the capital markets, influenced mainly by inflation statistics and oil prices. A relative lull in April, with crude oil prices stabilising at around \$105 after peaking at \$130 in mid-March, did not yet allow yields to ease. The push remained strong until May when the 3% level was finally reached on 10-year US Treasury rates. The flattening of the yield curves also suggested the risks of a future inversion of the curves, potentially heralding a future recession. These adjustments in most markets caught economists and central banks off guard. The reaction of investors to rising inflation, the demand for real yield protection and the perceived loss of control by central banks was initially logically a rapid adjustment of nominal yields. Now in the process of reducing their balance sheets, central banks no longer contribute in the same way to the equilibrium of bond markets, which adjust freely and without bias. In this context of much more vulnerable and volatile markets, the surprise of inflation for the month of May rising by +8.6% was the new trigger for a panic that provoked a new almost immediate rise of 50 basis points in the US yield curve and various other currencies.

However, this historic adjustment in terms of its magnitude and speed was soon corrected. Yields fell more heavily and as fast as they had risen as the threat of recession came back to the forefront and became the primary source of concern. With the correction of nearly -8% in crude oil prices, -33% in US gas and a general -11% drop in agricultural commodities, the inflation outlook for the next few weeks looks less scary. The economic slowdown that has emerged in recent weeks should also ease demand pressures. A slowdown in demand should also relieve some of the pressure on the supply side and reduce tensions in value chains. Capital markets have reacted largely to the risks of inflation slippage, and are now adjusting to the diminishing risks of inflation slippage and the increasing risk of an economic slowdown or even recession. We believe that a transitional period of relative calm



could set in before the autumn for the bond markets. A relative but certainly temporary easing could thus take shape during the summer, favouring a reduction in risk premiums in the investment grade and high yield segments, and offering short-term repositioning opportunities.

US interest rate markets also anticipate a decline in inflation

The publication of the Atlanta Fed's GDPNow indicator came as a surprise, indicating a sharp drop in a few days in US GDP estimates for the second quarter from +0.72% on 28 June to -2.07% on 1 July. The US economy was thus well into recession, despite employment figures that still seemed to be a decisive factor in the Federal Reserve's assessment of the country's economic health. In this environment, the interest rate markets already seemed to be more concerned about fears of recession than about inflationary risks, which only a few days ago were considered the main threat. The publication of the CPI YOY of +8.6% on 10 June had in fact caused an exceptional rise in 10-year US Treasury rates from 2.98% to 3.49% in three days and pushed the Federal Reserve to raise its key rates by 0.75%. The publication in July of an even higher inflation figure for June (+9.1%) had no negative impact, while the belief was growing that this figure would certainly mark the peak of inflation in 2022. The inflation published in August confirmed this assessment.

Today, the return of 10-year rates to below 3% is a sign that inflation is no longer as much on the agenda in the likely context of an already

BOND INDICES (local currency)									
30.06.2022									
				Total Return Performance					
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %	
SWISS BONDS									
	SBI AAA-BBB	125.1	CHF	1.0	-1.9	-4.4	-10.2	-10.7	
UE BONDS									
	Barclays EuroAgg	235.1	EUR	0.1	-2.3	-7.1	-12.1	-12.6	
UE BONDS - SHORT DURATION									
	ISHARES EURO GOV BND 1-3	139.8	EUR	0.2	-0.3	-1.2	-2.1	-2.6	
US BONDS									
	Barclays US Agg Total Return Value Unhedged USD	2111.4	USD	0.4	-1.6	-4.7	-10.2	-10.3	
US BONDS - SHORT DURATION									
	BGF-USD ST DURATN BOND-USA1	8.1	USD	0.1	-1.3	-1.9	-4.8	-5.8	
EMERGING BONDS									
	JPMorgan Emerging Markets Bond	498.3	USD	-1.6	-6.6	-12.1	-20.8	-21.6	
INTERNATIONAL BONDS (DIVERSIFIED) - USD									
	Global Aggregate	458.3	USD	-0.1	-3.2	-8.3	-13.7	-15.2	
INTERNATIONAL BONDS (DIVERSIFIED) - EUR									
	Euro Aggregate	235.1	EUR	0.1	-2.3	-7.1	-12.1	-12.6	
INTERNATIONAL BONDS (DIVERSIFIED) - CHF									
	Barclays Global Agg Corporate	138.5	CHF	-0.3	-3.8	-5.0	-11.2	-13.6	
CONVERTIBLE BONDS (UE)									
	Exane Europe Convertible Bond	7225.0	EUR	-0.6	-7.0	-11.4	-18.3	-17.5	
HIGH YIELD BONDS									
	Markit iBoxx Gbl Dev Lq HY USD	141.2	USD	-1.8	-7.5	-11.9	-16.3	-17.4	
HIGH YIELD BONDS - SHORT DURATION									
	AB SHORT DURATION HI YD-A1	13.2	USD	-1.0	-5.8	-8.1	-11.2	-10.6	

sharply declining global economy. The 5-year breakeven inflation rate (US) continued to fall, while energy prices also appeared to be adjusting to the weaker economic conditions, suggesting that inflationary pressures will ease soon.

Rates are finally adjusting to a clearly weaker economic reality with declining inflationary risks. Yield curves could move a little lower again, especially beyond five years. Internationally, US bonds still offer a significant comparative advantage. European, Japanese and Swiss investors can now look at fixed dollar investments with more interest and confidence.

Temporary lull on european interest rates

Our expectations of a trend change in European financial markets have materialized over the last two quarters. The expected rise in 10-year German Bund yields to a target of 0.6% in the pre-invasion context of Ukraine could then appear ambitious, while the ECB had not yet considered a shift in monetary policy.

During the month of June, European yields also reacted to the change in risk perception that followed the June 10 release of higher than expected US inflation. German 10-year Bund yields had already adjusted to the changing risks and inflationary pressures in Europe by rising from -0.17% in early January to 1% at the end of May. In just a few days, European yields also jumped by 50 bps, pushing Bund yields to 1.92%. The "inflation" factor was then also peaking in Europe as the main element influencing interest rates. On the contrary, after this last upward movement, we felt that it was excessive and did not take into account another important factor. The risks of an economic slowdown in the United States were indeed greater and Europe, faced with an unprecedented energy crisis, was far from immune to this risk. Furthermore, our expectations regarding the evolution of commodity prices and energy in particular were less pessimistic in the short term and therefore favorable to a scenario of reduced inflationary pressure during the summer and a significant decline in yield curves during the summer. The expected decline in yields in Europe has since materialized.

The recession scenario is currently the main factor supporting the decline in yields, however, while European inflation may indeed also

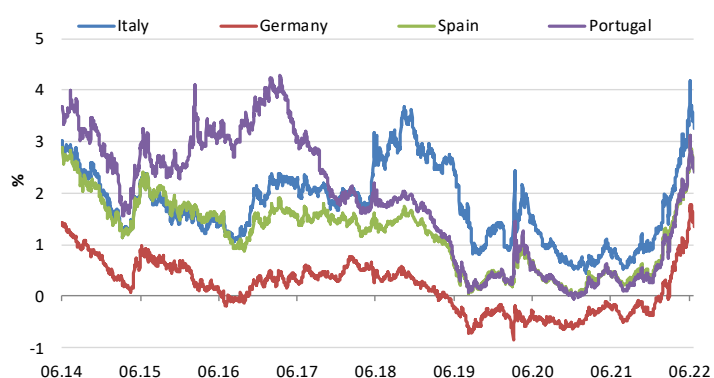
begin to stabilize, current levels of real yields remain very unsatisfactory. A further surge in yields is likely to come at a later date when the risks of recession are fully priced in. Ten-year rates have eased below 1%. Our outlook for the next quarter is again negative for European bond markets. We are maintaining our policy of prudence both in terms of overall exposure to European bonds and in terms of maturity. Short maturities are to be preferred.

Potential new opportunities in sterling bond markets

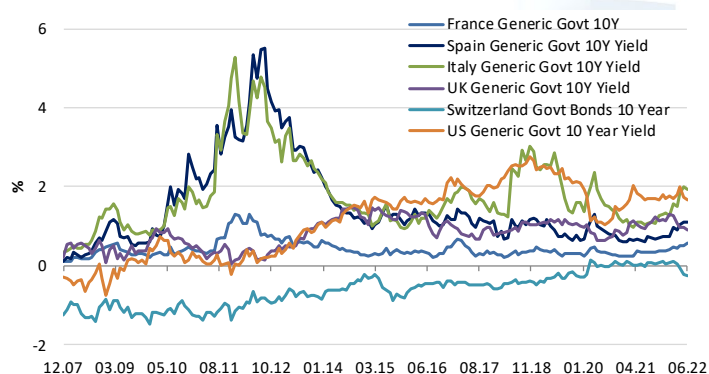
The capital market in the United Kingdom has evolved in a similar way to that in the United States over the past few months. The economic situation in both countries seemed in some respects quite similar to the outbreak of the geopolitical crisis in Ukraine. We can observe a solidly based economic growth, supported by a dynamic consumption and a booming labor market heading towards full employment. Monetary policies are virtually aligned and about to normalize their actions with rate hikes and new strategies to reduce their balance sheets. Rising inflation had already motivated the BoE to act prior to Russia's intervention in Ukraine in this direction, finally pushing yields across the sterling yield curve higher. Ten-year gilt yields, which had slipped to 0.6%/year, then logically rose again to 1.6% in just eight weeks at the end of March. During the last quarter, this trend continued with the rise of various inflation measures and the risks of disruption in the supply of raw materials and energy. More concerned than ever by inflation than by the risks of an economic slowdown, the bond markets recorded significant losses in connection with the readjustment of market rates, which pushed 10-year Treasury yields from 1.6% to 2.6% at the June high.

At that time, we felt in mid-June that the inflationary risks were already largely taken into account in the short term by these yield increases and changed our expectations for sterling bonds. This rise in nominal yields now places the UK bond market in the group of capital markets offering attractive relative returns compared to the European, Japanese and Swiss markets. We now see sterling bonds as a source of diversification for bond portfolios.

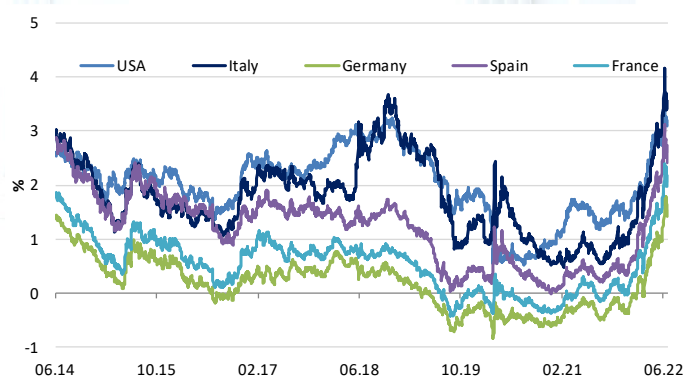
European Bonds (10 year yield)



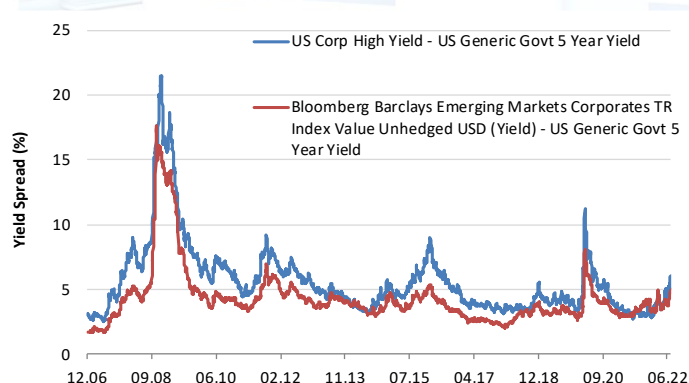
Risk premium over Bund



10 year yield



Risk premium over Treasury



Reduced fluctuation in yen capital markets

While Japanese ten-year long rates were also affected by the generalized rebound in yields observed in most financial markets during the first five months of the year, the magnitude of the fluctuations remained very limited. Ten-year government bond yields rose rapidly from 0.05% to 0.26% without being much affected by the generalized panic that pushed long rates up sharply after the release of US inflation figures on June 10. The subsequent easing was also evident in Japan, where yields barely slipped from 0.26% to 0.17%.

The current period of yen weakness is not helping to increase the attractiveness of Japanese bonds, which should remain largely underweight in an internationally diversified bond strategy.

Indeed, holding bond positions in yen is not attractive compared to yields offered in other currencies. An allocation to yen bonds could potentially be justified by the expectation of a currency gain, which has so far been unlikely to materialize. Japanese bonds do not offer any attractive prospects in the current context of more attractive international alternatives.

Yield curve adjustments offer opportunities to capture higher yields

After six months of adjusting bond yields to new inflation conditions, June offered a unique medium-term opportunity to reposition in markets offering the best yields attainable in several years. The sharp rise in yields seen in the first five months and the obvious exaggeration that occurred in the panic phase of mid-June indeed offered a unique opportunity to reposition in the bond markets with the new outlook.

After a long period of extremely cautious bond investment, June's rise in yields seems excessive in the current context, which is now characterized by a return of recession risks. We believe that the rise in yields in June was excessive in the current environment, which is now characterized by the return of recessionary risks, pushing inflationary fears into the background.

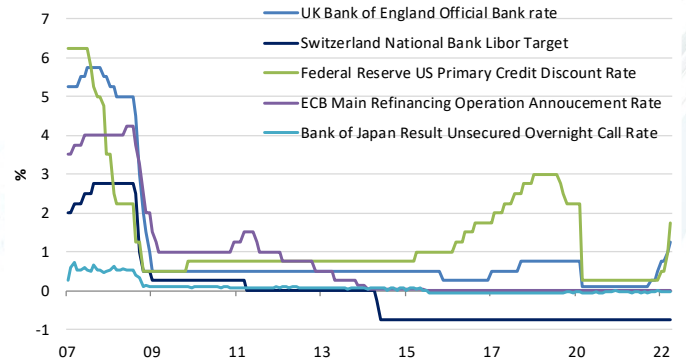
We now believe that the rise in US Treasury yields to 3.5% is the marker of a top for long yields, changing our analysis of the risks and opportunities in the fixed income markets.

We now expect an easing in US yields that will be accompanied by similar trends in other markets, which will also benefit from the changing economic outlook.

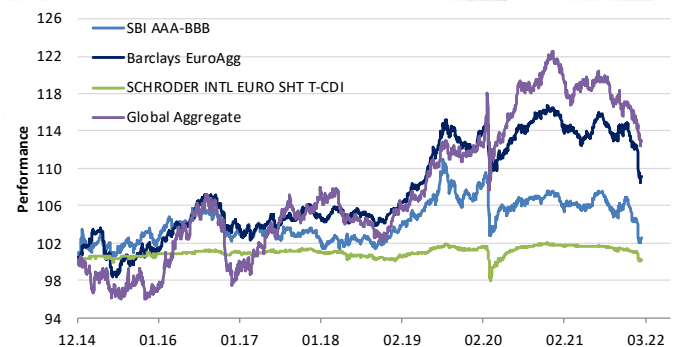
In terms of geographical allocation, we favor US, Canadian and Australian dollar bonds, which already offer very attractive 4-5 year yields and opportunities for capital gains in the coming months. Bonds in British pounds may round out this trio of allocations.

We believe that despite the recession scenario, it will not have a very long-lasting effect on the capital markets and will certainly be temporary. The decline in yields will therefore be more of a short-term correction in an uptrend. Despite the recession scenario, we do not believe that it will have a very long-lasting effect on the capital markets and will certainly be temporary. The decline in yields will therefore be more of a short-term correction in an uptrend that we believe will continue into the end of the year.

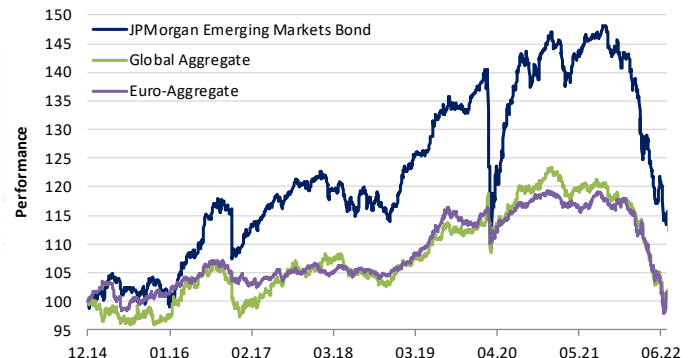
Central Bank rates (EUR, CHF, GBP, USD, JPY)



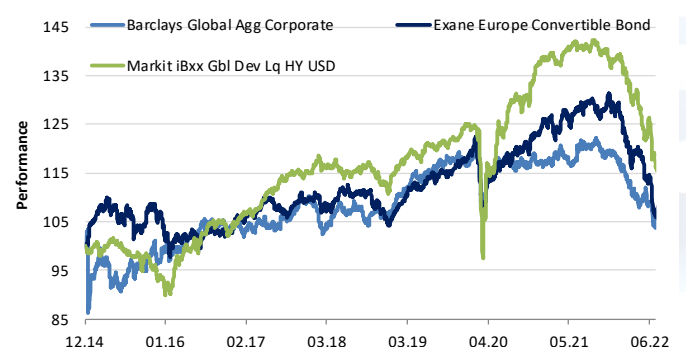
YTD Performance of Bond Indices 1- 5 years (Normalized at 100)



Emerging Bonds—Performance (Normalized at 100)



Eastern Europe Bonds—Performance (Normalized at 100)



PROSPECTS AND STRATEGIES

Swiss Bonds

- Extreme volatility in the Swiss capital market
- Surprise and radical change in SNB policy
- Maintain intermediate and short durations

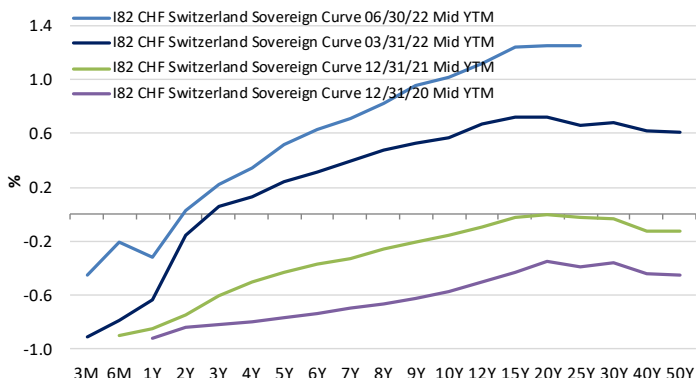
BONDS Type of Debtor	Expected Return		ALLOCATION (CHF Portfolio)						
	3months	1year	underweight	neutral	overweight				
Gouvernement	↓	↓							
Corporate (IG)	↓	↓							
Others	↓	↓							

Extreme volatility in the Swiss capital market

The Swiss economy may well record near-zero growth in the second quarter, but it may show greater resilience due to lower inflation than its main economic partners and more resilient domestic demand. The international context will remain a key factor for its exports, which will certainly weaken with the decline in global dynamics. The risks of stagflation are thus still high in our country as well. However, the end of the quarter proved to be a very tense one for the capital market, which was unable to escape the global trend, which was largely affected by rising inflationary risks. Yields in Swiss francs were affected by the same fears and therefore suffered the same fluctuations as those observed on markets that were more affected by the slippage of inflation. The month of June will therefore be remembered for the extreme adjustment of long-term rates to the +8.6% inflation figure published in the United States, which did not fail to push the Swiss Confederation's 10-year rates above 1.54% despite much lower inflation. This movement observed in Switzerland already seemed to us to be clearly an exaggeration driven by an extreme and unjustified rise in uncertainties. This sudden rise in the Swiss yield curve in June thus appeared to have no real justification in the context of the probable economic slowdown also expected in our country.

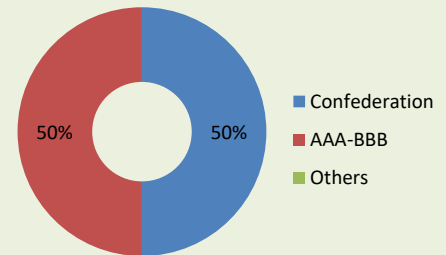
Confederation and investment grade bond yields therefore offered unique repositioning opportunities in our view, almost similar to those observed in March 2020, which were quickly followed by a downward adjustment in yields. We anticipated a rapid reversal of the trend, which would then be reinforced by a loss of inflation momentum. In a few weeks, the capital market did indeed adjust very sharply, lowering 10-year yields by more than 100 basis points. With a yield of 0.44%, they seem to us to be correctly priced to take into account the current context of slowing growth.

Confederation rate curve



Graph sources: Bloomberg/BearBull Group/S&P Global

Swiss Bonds allocation



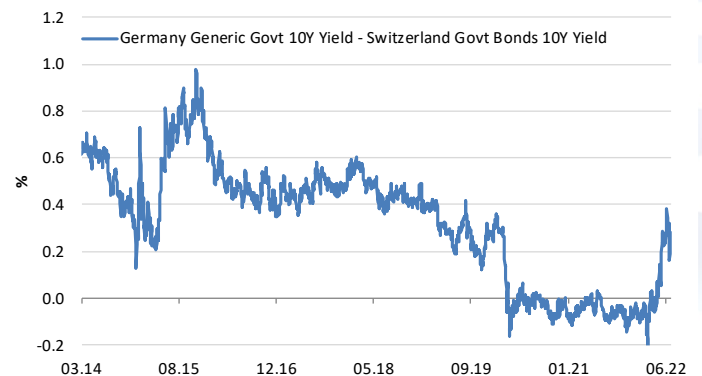
Tactical allocation

- Underweight Swiss government securities
- Overweight the "IG" corporate segment
- Keep short duration

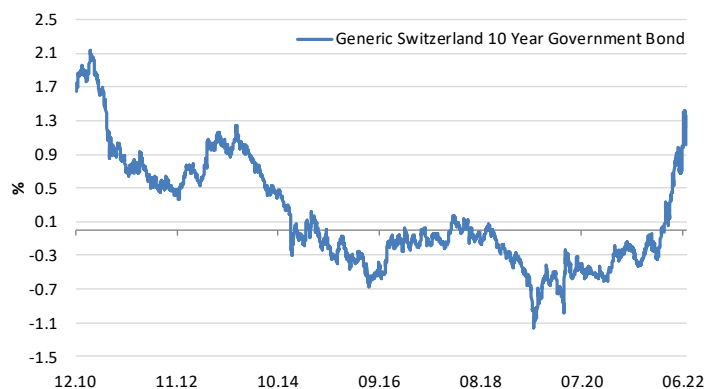
Surprise and radical change of policy by the SNB

The SNB surprised all observers by raising its key interest rates by 0.5% on June 15, the day after the Federal Reserve raised rates and well before the ECB could adjust its own policy. While all observers expected a status quo in June and probably a measured policy decision some time after the ECB's first rate hike, the action of our national bank was clearly not anticipated. The SNB therefore considered that the Swiss economy was no longer as likely to be penalized by a strong franc and that it would ultimately benefit more from a stronger franc in the global inflationary context. The strength of the franc against the euro was clearly seen as a positive factor in containing imported inflation in our country and as a monetary policy tool by the central bank, which is now more concerned about rising prices than about economic risks. The return of the risk of inflation slippage has thus pushed the SNB to refocus its policy on its assigned objective of controlling inflation. The SNB decided to act in June to avoid the risk of being perceived as lax if it waited until its next monetary policy committee meeting in September. This first significant step in policy normalization may be premature if Swiss inflation starts to fall during the summer.

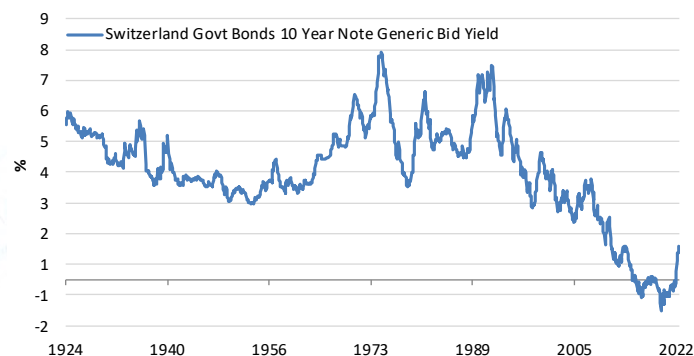
Long-term interest rate differential (German Bund - Confederation)



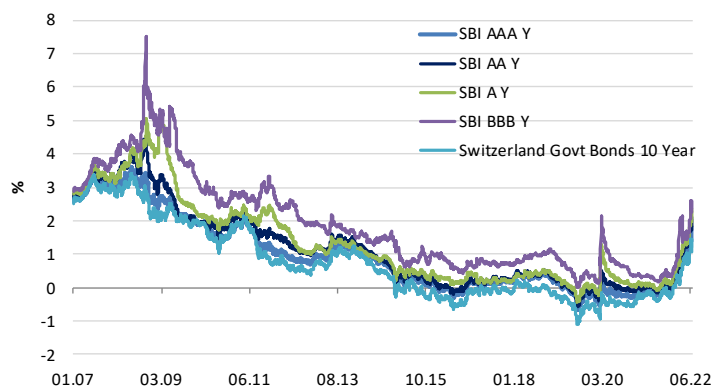
Switzerland Government Bond yields (10 year)



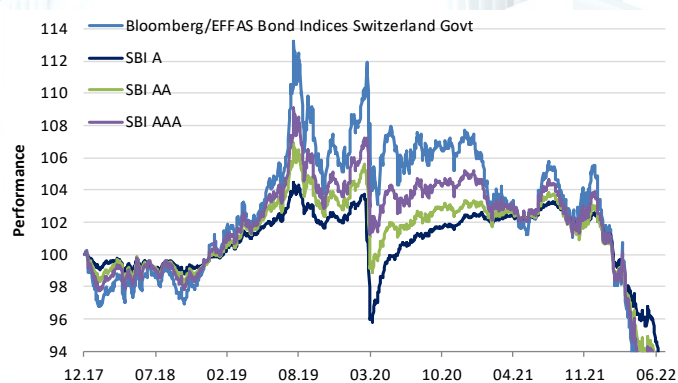
Switzerland Government Bond yield (10 year) since 1924



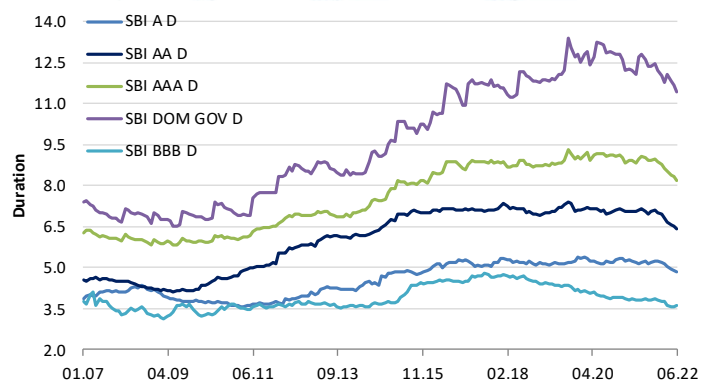
Yield by debtor type



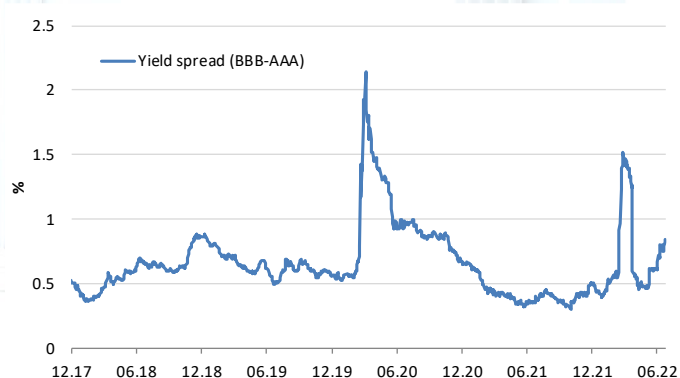
Performance of Swiss Bonds (Normalized at 100)



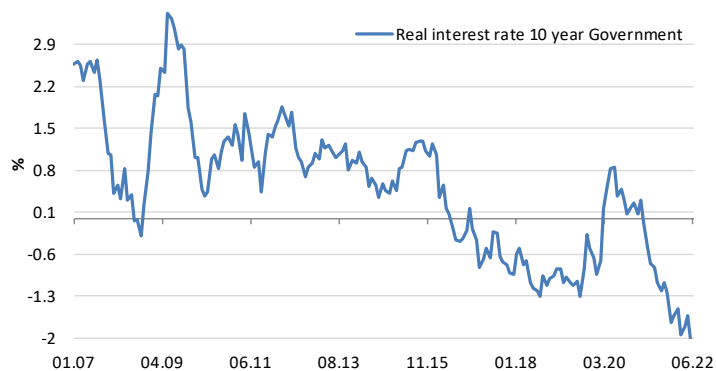
Duration of Bond indices



Yield spread



Yield spread



SWISS BOND INDICES (CHF)

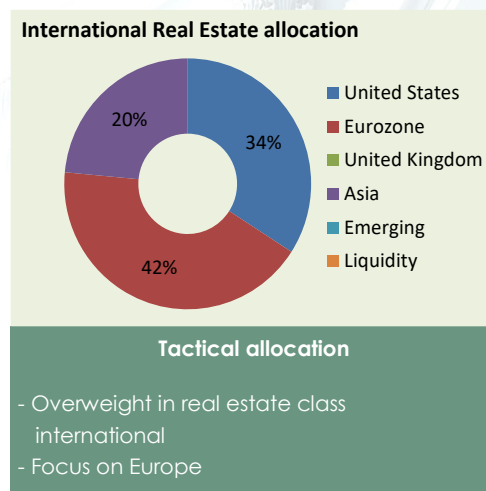
30.06.2022	Total Return Performance						
	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
Bloomberg Barclays Series-E Switzerland Govt All > 1 Yr Bond Index	233.0	CHF	1.9	-2.3	-5.5	-13.2	-13.2
SBI A-BBB	128.0	CHF	0.5	-1.7	-3.3	-8.6	-8.9
SBI AA-BBB	125.1	CHF	0.7	-1.8	-3.9	-9.2	-9.7
SBI AAA-AA	123.9	CHF	1.1	-1.9	-4.8	-10.7	-11.3
SBI BBB	139.4	CHF	0.4	-1.6	-2.6	-9.2	-9.4
SBI AAA-BBB	125.1	CHF	1.0	-1.9	-4.4	-10.2	-10.7
SBI DOM GOV AAA-BBB 1-3P	60.8	CHF	0.4	-0.1	-0.6	-2.2	-4.1
SBI DOM GOV AAA-BBB 3-7P	76.9	CHF	0.8	-0.7	-1.8	-5.1	-7.0
SBI DOM GOV AAA-BBB 7+ P	105.5	CHF	2.5	-3.3	-7.8	-18.0	-18.0

PROSPECTS AND STRATEGIES

International Real Estate

- Q2 rate hike temporarily affects real estate
- An asset class to be favored during inflation
- European rates do not yet threaten direct real estate
- Broadly diversified strategy with an overweight in the euro zone

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



Q2 rate hike temporarily affects real estate

The upward acceleration in bond yields and the subsequent flattening of the yield curve in Q2 finally affected the securitized real estate markets which suffered significant price corrections in a few weeks, albeit only temporarily. After a relatively stable Q1 (-3.5%) in a very volatile context for most financial markets, Q2 proved to be particularly severe for listed real estate assets. The concentrated fall in prices in June of -8.5% dragged the quarter's performance down (-17.01%) for a negative six-month result of nearly -20%. It is therefore essentially exaggerated inflationary fears in mid-June and the fear of a new surge in interest rates that caused the fall in listed real estate.

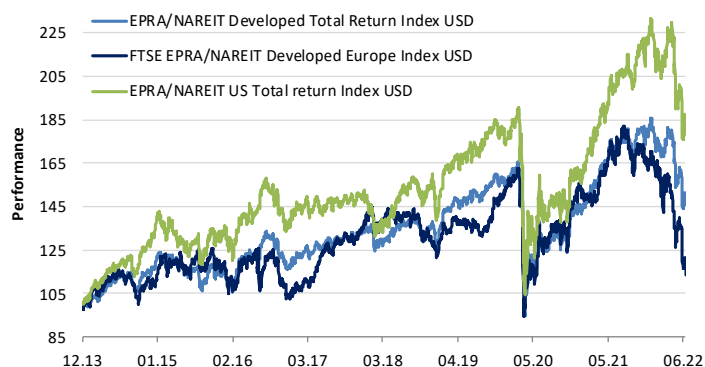
The US real estate market plunged again in June (-7.4%) to end the quarter with a net decline of -17.1% and -20.5% since the beginning of the year. The situation in Europe was even more worrying for investors, who suddenly pulled out of real estate assets in June, causing an excessive fall of -16.2%. In only six months, while the rise in interest rates in Europe remained much lower than in the United States, securitized real estate lost more than 25% of its value. Asia is benefiting from lower pressure on the interest rate markets and is therefore more easily able to resist the international "risk off" context affecting most financial markets, recording a reduced decline of only -10.3%.

An asset class to be favored in periods of inflation

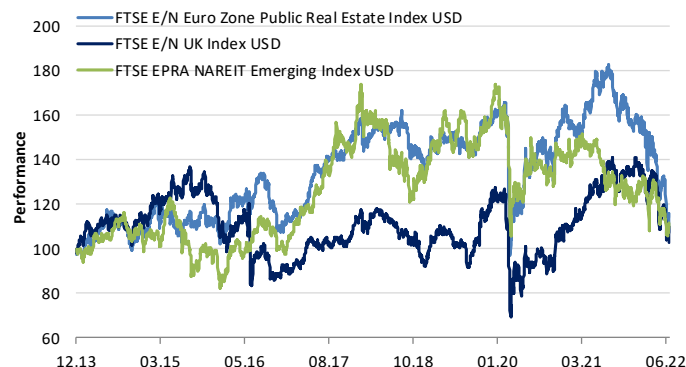
The year 2022 is marked by a rapid return to the forefront of inflation at historically high levels. Real estate indexes had been able to demonstrate their statistically proven superior resilience during periods of inflation by clearly outperforming bonds and equities in Q1. Q2 proved to be less successful, as securitized real estate also ended up being the victim of investors panicking about rising interest rates. However, securitized real estate is one of the best assets to hold in a portfolio after commodities in a phase of rising inflation. Its resilience is historically proven and makes it a particularly interesting diversification asset in the current context.

In our view, the underperformance of Q2 should prove to be short-lived, and we believe that this asset class should quickly recover in the coming months. The recent correction in real estate provides a new opportunity to reposition in this asset class. European real estate has been particularly hard hit and now offers more attractive opportunities in our view. Expected returns on real estate investments remain attractive from a relative perspective, even though the rise in bond yields has narrowed the yield differential. Yield curves in Europe remain well below those in dollars, thus protecting the financing capacity of buyers.

EPRA Nareit—USA, Europe, Global (USD)



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



Graph sources: Bloomberg/BearBull Group/S&P Global

US Direct Real Estate Sales Decline

The decline in construction activity and the weakening of the upward trend in U.S. real estate prices that we had expected set in during the second quarter and seems to have continued since. The boom seen during the pandemic has now been altered by the sharp rise in mortgage rates, rising construction costs and increasing economic uncertainty. New construction of single-family homes are now down sharply after peaking in April 2022. New home sales fell by -12.6% for the sixth consecutive month, falling to their lowest level since 2016 at an annualized rate of approximately 511,000 units.

Developers are now faced with rising inventories and buyers who are a little more cautious and less inclined to follow through on their desire to purchase a property. It is estimated that contract cancellations are at 15%. The growing number of transaction cancellations in recent months seems to confirm this forecast. Developer sentiment is also logically declining for the seventh consecutive month in this more difficult context, which represents the longest phase of uncertainty since 2007. The new building permit applications have also very logically slipped in this more morose environment.

The very strong increase in mortgage rates, the high level of prices and the presence of growing inventories suggest further price decreases for future transactions. The average value of new homes, still up by 8.2% year-on-year, stands at USD 439,000.

On the stock market, securitized real estate has already fallen by -20.5% in the first six months in anticipation of the aforementioned downturn and presents a repositioning opportunity in the medium term in our view.

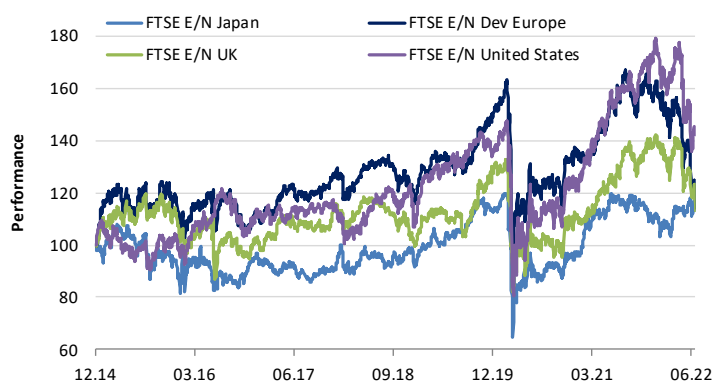
European rates do not yet threaten direct real estate

Inflationary pressures in Europe remain high but are expected to peak in the second half of the year. The expected decline will probably materialize with a delay compared to the United States. The risk of a rise in key interest rates in Europe and more generally the risk of higher financing costs is a potential threat to direct real estate investments. However, in the first half of the year, in an already inflationary environment and with bond yields rising sharply, mortgage financing at floating rates for one to five years only rose from 1.8% to 2.8% in Germany, for example. The level of average mortgage rates in the Eurozone has only slightly increased and is still well below the cost of financing costs in the US. Historically, current yields and mortgage rate levels in Europe remain very low. The recent rise does not, in our view, threaten the current favorable trend for European direct real estate.

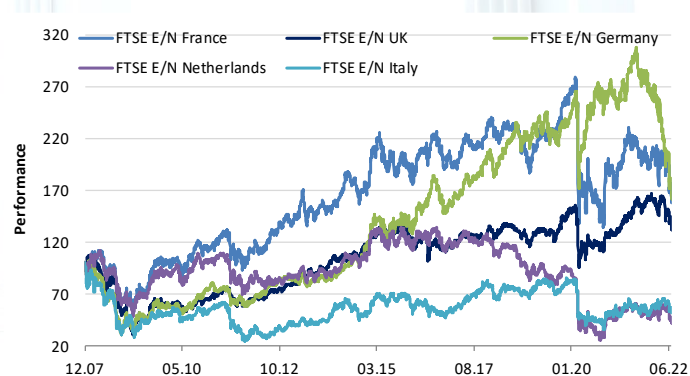
Imbalances between supply and excess demand should also persist and will not be abruptly curbed by the foreseeable evolution of the cost of financing acquisitions. The European real estate markets should thus benefit for longer from the positive context in terms of interest rates and the cost of financing real estate. Finally, real estate in Europe is benefiting from the rise in inflation and the adjustment of rents without being overly penalized by the rise in financing costs or asset valuation.

We believe that the sharp decline in European securitized real estate (-26.3%) in the first six months of the year already takes into account this higher level of uncertainty and risk. European securitized real estate should therefore be favored in an internationally diversified strategy.

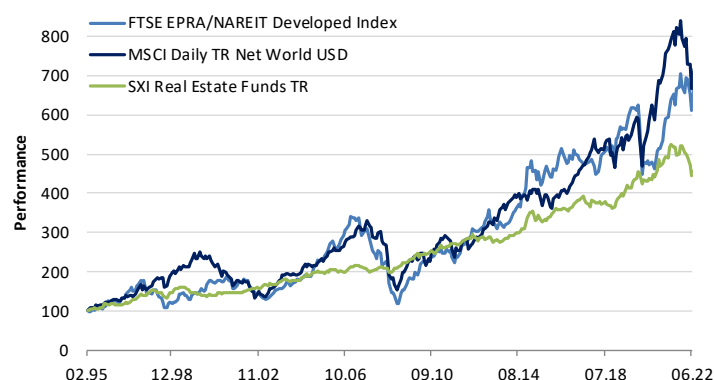
Realestate markets (local currency)



European real estate markets (local currency)



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



INTERNATIONAL REAL ESTATE INDICES (local currency)

		Total Return Performance						
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	FTSE EPRA/NAREIT GIB TR	2819.0	USD	0.0	-8.3	-16.8	-19.5	-13.5
DEVELOPED	EPRA/NAREIT Dev TR USD	5436.6	USD	-0.2	-8.6	-17.2	-20.2	-12.7
DEVELOPED EUROPE	FTSE E/N Dev Europe	1755.3	EUR	-2.9	-15.9	-23.8	-27.7	-21.8
EUROZONE	FTSE E/N Euro Zone	1740.7	EUR	-3.8	-16.3	-22.7	-26.3	-28.1
USA	FTSE E/N United States	3047.0	USD	0.2	-7.4	-17.1	-20.4	-6.9
DEVELOPED ASIA	FTSE E/N Dev Asia	1445.8	EUR	1.3	-2.9	-3.5	-2.8	-3.3

Direct real estate shows signs of weakness

The real estate boom is showing signs of weakness despite a +0.3% increase in June and +9.4% year-on-year. A timid slowdown is emerging as the cost of financing rises and households have less disposable income to purchase real estate. The BoE's normalization of monetary policy and the resumption of the upward trend in interest rates are beginning to have an effect on prices, but financing conditions remain sufficiently attractive to support continued strong demand. The number of mortgages originated also fell from 66,200 to 63,700 in June. Net financing levels fell from \$7.4 billion to \$5.3 billion. The direct real estate market remains well oriented despite everything and is little affected by the rise in interest rates, which is still insufficient to significantly affect financing conditions. However, price growth over a year has been significantly higher than wage growth, reducing the ability of households to purchase real estate, which should reduce the level of demand and the pace of price growth. UK securitized real estate, which is more influenced by financial market developments, has experienced a significant correction phase of over -20% in the recent stock market turmoil. We believe that current prices offer interesting repositioning and diversification opportunities for multi-asset portfolios.

The UK property market is now facing a very significant rise in interest rates from their historically low levels of previous quarters. The UK market is being supported by greater discipline than in the past by banks to avoid excessive leverage and overly accommodating lending to less creditworthy borrowers. Borrowers' capacity to absorb rate increases appears to be higher in the current housing cycle, making waves of forced sales due to borrowers' inability to cope with rising mortgage rates less likely for the time being. According to the BoE, the average rate for two-year fixed-rate mortgages covering 90% LTV debt was less than 2.5%, significantly lower than the 3.75% rate seen at the end of December 2020. In addition, a large proportion of the mortgage financing has been on a fixed rate basis in the UK and homeowners have an average equity deposit of 33% according to the BoE.

We believe that, initially, the rise in interest rates is not enough to significantly affect these financing conditions and the ability of households to pay their mortgage liabilities. However, price growth has clearly outpaced wage growth, lowering the ability of households to purchase real estate, which should reduce the level of demand and the pace of price growth.

China's property market is still risky

China's real estate market remains particularly weak. Property sales have fallen by a further -31.4% and are threatening the Chinese economy in various ways. Chinese developers are still in great difficulty and the sector suffers from very low visibility, particularly due to regulatory changes aimed at reducing the level of developer debt. The weight of the sector in the GDP of 25% threatens the whole Chinese economic dynamics. It is estimated that Chinese banks have 1.6 trillion yuan in subprime mortgages, which represents about 0.7% of total bank loans and 1.4% of overall GDP.

The Chinese real estate industry remains in great difficulty and must be able to count on financing that is always present, both to allow developers to continue their activity and provide projects that have already been sold to buyers, and to allow these buyers to finalize their investments. However, it would appear that a systemic crisis is not

envisaged for the moment, but the exit from this crisis will be difficult and long and could well weigh on China's economic growth.

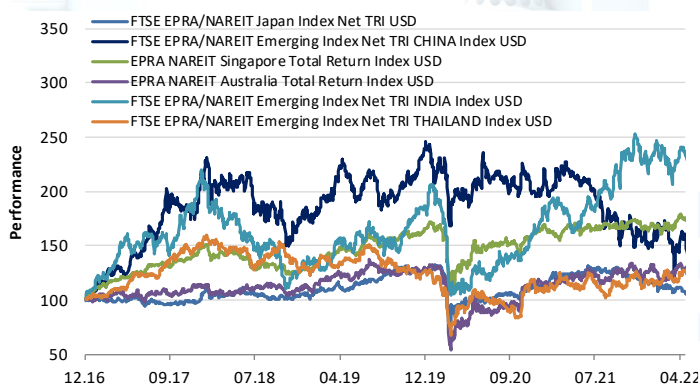
Chinese real estate therefore remains particularly risky in the current context. We recommend avoiding any exposure to this sector.

Broadly diversified strategy with an overweight in the Eurozone

The current financial cycle is favorable for real estate investments. From a stock market perspective, international securitized real estate has historically held up better than equities or bonds during periods of economic growth and inflation. The second half of the year should first of all be marked by a certain recovery in economic activity in the United States and Asia, which will no doubt be accompanied by a gradual reduction in inflationary pressures. This context will be favorable to listed real estate investments, which constitute an essential diversification in multi-asset strategies. We still believe that this asset class remains underrepresented and that it should benefit from investors' willingness to build more balanced portfolios with a greater weighting to real assets that offer attractive return prospects, protection against inflationary risks and the opportunity to realize capital gains in certain regions that are still undervalued.

After the fall in securitized real estate assets in June, the outlook for international securitized real estate is particularly attractive. We therefore suggest adopting an overweight investment policy and tactical allocation. In terms of regional positioning our allocation is diversified in the current context, but favors a revaluation of investments in the eurozone.

Real estate markets (USD)



PROSPECTS AND STRATEGIES

Swiss Real Estate

- Decline in real estate and investment funds
- The economic context is still positive
- Positive but limited outlook for 2022

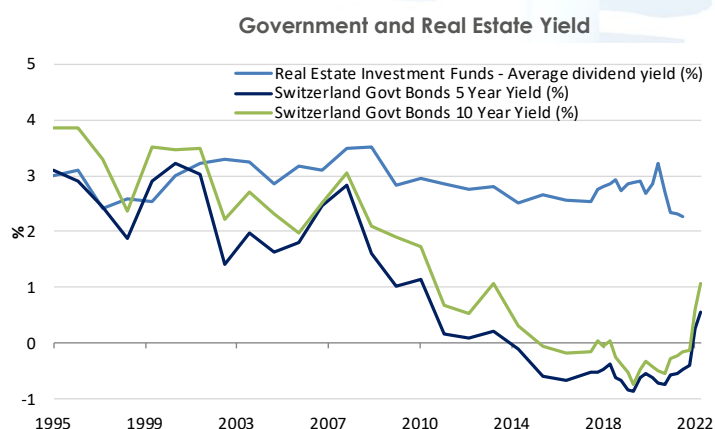
REAL ESTATE Switzerland	Expected Return		ALLOCATION (CHF Portfolio)						
	3months	1year	underweight		neutral		overweight		
Investment funds	↗	↗	---	--	-	=	+	++	+++
Real Estate companies	↗	↗							
Foundations	↗	↗							
Cash									

Real estate companies and investment funds fall

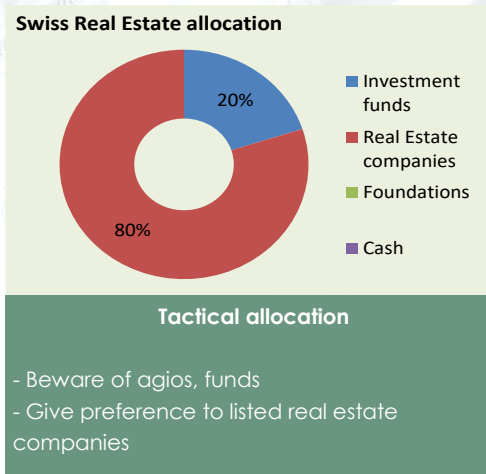
The first quarter of 2022 had already ended with a mixed performance in contrast with the Swiss securitized real estate assets. Investment funds fell by -4.2%, while real estate companies managed to record an increase of companies managed to record an increase of +2.9%. The second quarter was clearly negative for both types of securitized real estate investments, with funds falling by -11.18% and real estate companies by -9.63%. Real estate investments often more resistant to uncertainty than equity markets in times of turmoil, did not withstand the rising anxiety. In the end, they were also affected to a greater extent than most financial assets in Switzerland during the first half of 2022. Rising interest rates proved to be the main objective factor pushing real estate values down. The average premium of more than 40% that at the beginning of the first quarter was clearly excessive in the context of a reversal of the interest rate trend. By June 30, the average fee for investment funds had dropped to 17.3%, closer to and even below its historical average of around 20%, offering a new opportunity for long-term positioning in a normal context. On the real estate side, the situation is even more favorable as agios have dropped from 20% to 6.3% in a few months.

The economic context is still positive

The Swiss economic context remains favorable to direct and indirect real estate. The vacancy rate is extremely low and residential property prices in Switzerland rose by +2.7% in the second quarter of 2022, i.e. +2% for single-family homes and +4.4% for owner-occupied apartments. Over one year, the price increase is +7.5%, which is only +0.2% higher than in the previous quarter. Interest rates did rise during the quarter from 1.46% to 2.05% for two-year fixed rates, while variable



Graph sources: Bloomberg/BearBull Group/S&P Global



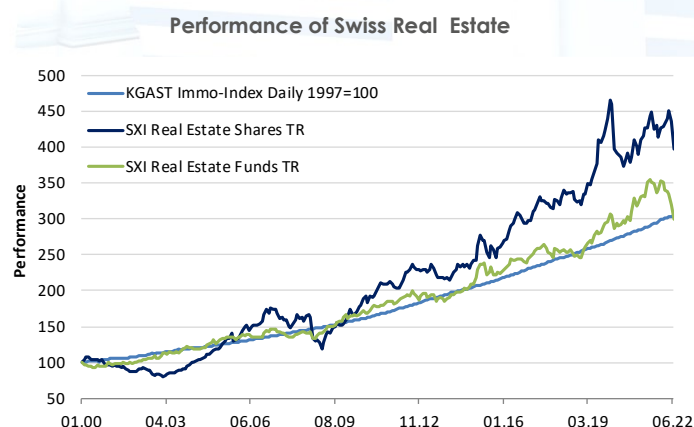
rates rose from 2.63% to 2.65% only. They remain historically very attractive and support demand. We still believe that this adjustment movement is insufficient to change the positive trends that are currently affecting direct Swiss real estate, particularly given the downturn that has already occurred in July. As far as indirect investments are concerned, the yield spread remains 3.4% for real estate companies and 2.6% for funds, while the yield on government bonds is only 0.5%. Confederation bonds are only offering 0.6% after the fall in interest rates in recent weeks.

Positive but limited outlook for 2022

Real estate as a real asset is doing rather better than other assets in a phase of recovering inflation. With real estate fund agios fallen sharply in recent months, indirectly improving the level of returns, we believe that Swiss securitized real estate investments once again offer interesting repositioning opportunities. We are therefore overweighting them in a diversified allocation.

SWISS REAL ESTATE

Name	Last price	Total Return Performance				
		7 d %	1 m %	3 m %	6 m %	YTD %
SXI Real Estate Funds TR	441.6	3.2	-6.0	-11.2	-14.9	-14.4
SXI Real Estate Idx TR	2964.9	1.3	-8.7	-9.6	-7.0	-6.9
KGAST Immo-Index	344.5	1.3	1.3	1.9	4.2	6.6

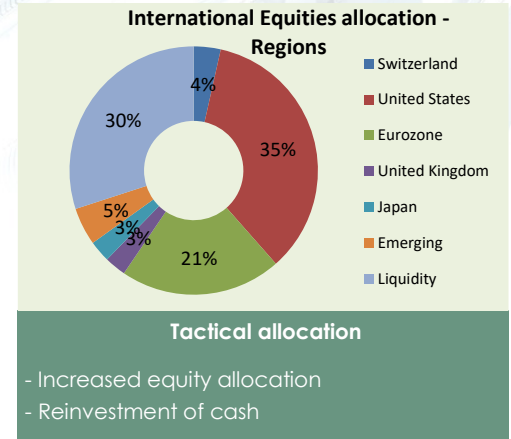


PROSPECTS AND STRATEGIES

International Equities - Regions

- A window of opportunity ready to open in the financial markets
- Trend reversal likely during the summer
- Equities also benefit from falling bond yields
- European equity risk premium reaches 35%.

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



A window of opportunity ready to open in the financial markets

Fears of uncontrolled inflation were by no means unfounded in Q2. They pushed the fixed income markets into a phase of readjusting expectations and yield requirements in line with the serious risks posed by the ongoing inflationary trend. However, economic statistics are increasingly pointing to a significant slowdown in activity, which will help to limit somewhat the inflationary pressures feared until now. The risks of recession have taken over, but the fear of inflation remains tenacious and will have to be dismissed by statistics pointing clearly to a stabilisation and deceleration of inflation. We believe that the next few months should see just such a reduction in pressures.

Consequently, a first window of opportunity should open up in the bond markets, which will benefit from the correction of inflationary expectations. An overall decrease in tensions on the interest rate markets should also be positive for other asset classes and for those particularly linked to the level of interest rates. A window of opportunity thus seems ready to open in the financial markets after one of the worst first half-years in history.

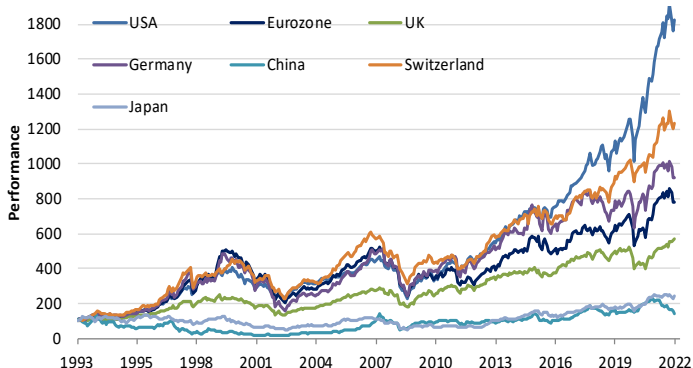
Trend reversal likely during the summer

Equity markets ended the 2nd quarter with very negative performances in an environment marked by inflation fears. The June panic in the fixed income markets that pushed 10-year US Treasury yields to 3.5% almost immediately triggered a drop of around -10% in

equity markets. But the latest negative surprise in the US on the inflation front, which exceeded expectations in June with an increase of +9.1% (consensus +8.8%), did not provoke a reaction from the financial markets.

Instead, they have started a recovery phase, consolidated by positive retail sales in June, a drop in imported prices (-0.4%) over the month and a drop in expected inflation from 3.1% to 2.8%. The inversion of the U.S. yield curve thus remained unchanged, with the spread between 2 and 10 year rates remaining at 21 bps. For the past two months, equity indices have been particularly febrile and volatile, in a rather horizontal trend, despite a strong fluctuation in interest rates, which are currently stable compared to their levels at the end of April, May and June at around 3% on 10-year US Treasury bonds. However, bearish investor sentiment is still very negative, as suggested by the net short positions on the S&P500, which are at their highest level in the last ten years. This already extremely cautious positioning on the index is similar to that observed in March 2020 and is corroborated by massive short positions on individual stocks. The "bearish" scenario is therefore largely consensual and widely reflected in the markets. A rise in the equity markets is certainly on the horizon, but still lacks a catalyst. Corporate share buybacks estimated at \$300 billion for the quarter could be important for a reversal of the bearish sentiment that is needed to trigger a reinvestment of the cash generated in the previous months. Better than expected corporate results would also provide additional support to an expected recovery.

Long-term Performance (Normalized at 100)



Chinese Equities — A and B (Normalized at 100)



Graph sources: Bloomberg/BearBull Group/S&P Global

Equities also benefit from falling bond yields

« Bearish » investor sentiment was still very negative, as suggested by net short positions in the S&P500, which were at their highest level in ten years in early July. In early July. This already extremely cautious positioning on the index was similar to that observed in March 2020 and was corroborated by massive short positions on individual stocks. The widely accepted "bearish" scenario was not immediately adjusted following the interest rate cut, which was more of an opportunity to reposition after a historical price consolidation. The fall in bond yields came as corporate earnings proved rather resilient in Q2, at a time of economic contraction. We then considered that a window of opportunity had opened in June, which for the time being remains favourable to equities. The July rebound should continue as inflation and yields are likely to decline. Equities are benefiting from this new risk on situation, especially technology and innovation stocks with far out profitability profiles or stretched valuations. We maintain our positive view on equities, recommending an overweight exposure.

European equity risk premium reaches 35%.

The energy crisis in Europe poses significant challenges for European companies that are dependent on energy prices and a steady supply of gas or electricity. Since the emergence of the crisis, not all European countries are affected in the same way. Germany is clearly more concerned than France, Portugal, or Spain by the risks of gas supply interruptions and shortages or by possible restrictions on the use of electricity. The last quarter was not particularly impacted by this risk, which is however starting to materialize with the recent decisions by Russia to reduce its gas deliveries and to reduce its pipeline capacities. On the supply side, the persistent difficulties in the supply of parts, raw materials and other electronic components continue to weigh on production capacity. Margins in industry in particular should be under pressure. On the demand side, rising energy prices and global inflation (+8.9%) do not offer a positive outlook. The corresponding loss of household purchasing power is significant and affects confidence as well as consumption. In an international context, European companies are more affected and should see their profits penalized more strongly. In terms of relative valuations, they are trading at around 11x 2023

earnings, a much more reasonable level (-35%) than the US multiple of 17x. From this point of view, they deserve to be favored, but we fear that they will suffer from unfavorable reduced visibility favoring the U.S. market less affected by European geopolitics. We believe that European stocks should not be favored in this context.

The Nikkei index remains on an upward trend

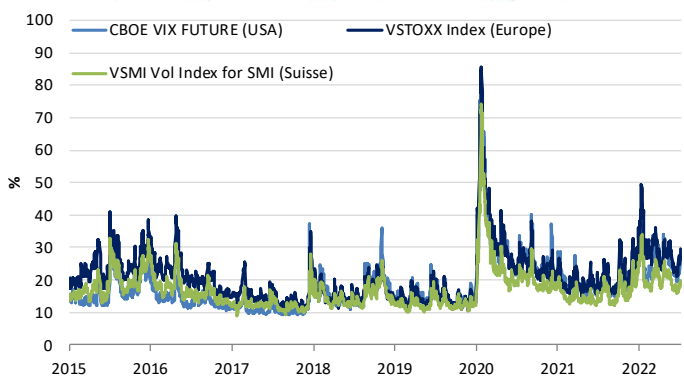
Japanese equities resisted rather well to the negative environment that surrounded the equity markets in the first half of the year. Since the beginning of the year, Nikkei stocks have only declined by -2% in local currency compared to larger declines for European stocks (-13%) and Nasdaq technology stocks (-18%). In relative terms, the Nikkei still looks attractive today with a valuation of 14.7x 2023 earnings, versus a PE of 17x for the S&P500. The Nikkei is trading at a 20% discount to the S&P500.

The rise in the risk premium for Japanese securities, coupled with the fall in the yen and the massive economic support plans, still offer reasons to be interested in the Japanese market. The recovery of the Chinese economy after a long phase of sharp slowdown will also allow trade with Japan to resume. The manufacturing sector will now be able to count on fewer supply difficulties on the one hand and on increased competitiveness for its exports thanks to the weak yen.

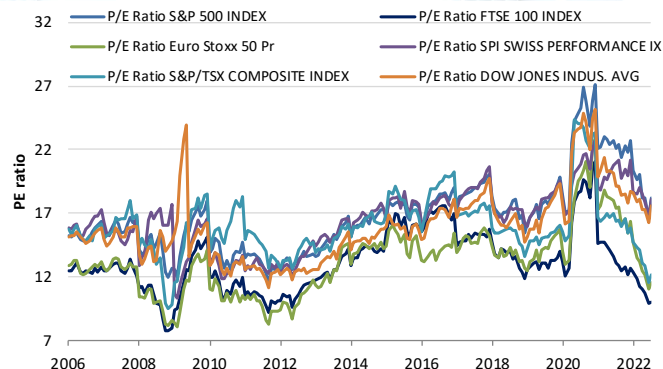
The government's new strategy to promote innovation, the development of Japan's digital skills, alternative energies and economic security in various key areas of technology is also expected to provide superior development opportunities for Japanese companies operating in these specific sectors.

In the medium term, Japanese equities offer interesting investment and diversification opportunities and remain well oriented on an upward trend.

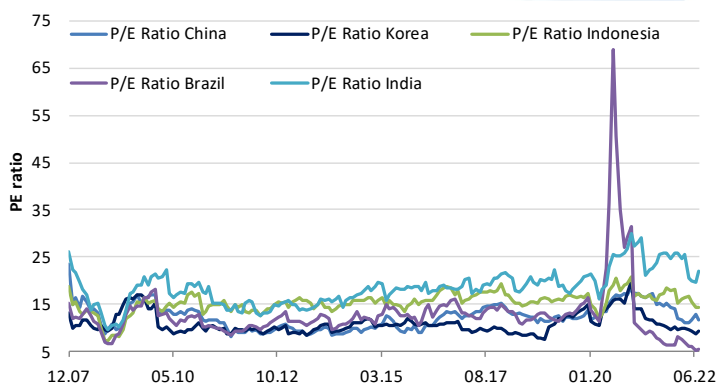
Volatility (USA, Europe, Switzerland)



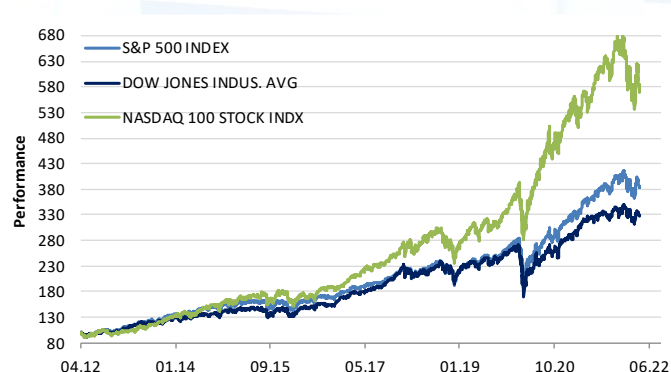
Price/Earnings Developed markets



Price/Earnings Emerging markets



US Equities (Normalized at 100)



Graph sources: Bloomberg/BearBull Group/S&P Global

Risk premiums still attractive for UK equities

The first quarter of 2022 was quite clearly beneficial for UK equities, as we noted at the beginning of the year that its risk premium was particularly attractive. The second quarter was also favorable for UK equities, as we expected, due in particular to the significant weighting of the materials and energy sectors in the index. The FTSE 100 index was still valued -20% lower than the major US and European indices, mainly due to this composition and the very low weighting of technology and digital stocks threatened by rising interest rates. British equities have thus largely outperformed most regional indices with a +0.75% increase since the beginning of the year, while European (-13%) and American (-13.3%) indices are still recording very negative performances, even after the significant rebound in prices observed in July. 9.7 11.2 16.9.

UK stocks (PE 9.7x) are still trading at a 14% discount to European stocks (PE 11.2x) and 43% to US stocks (PE 16.9x). This valuation gap should continue to be favorable, especially if energy and basic materials stocks benefit a little more from the commodity trend in the coming quarters.

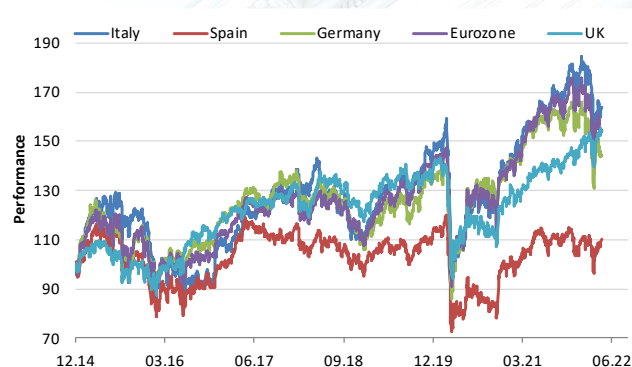
Still a difficult environment for emerging markets

While commodity-producing and exporting emerging economies may fare well in the emerging macroeconomic environment, others may suffer from rising costs and limited growth prospects.

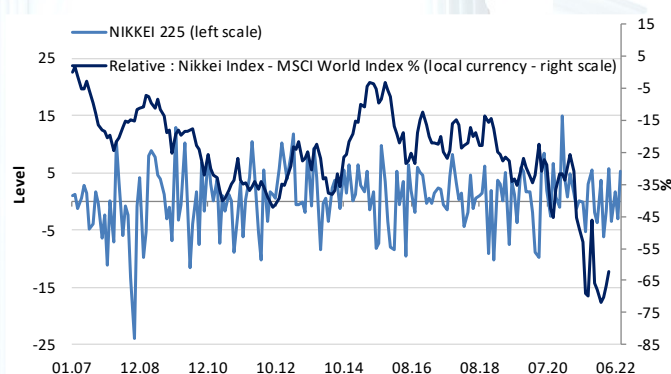
China remains penalised by the domestic slowdown, the drop in external demand and the difficulties of its property market.

A very selective strategy is required.

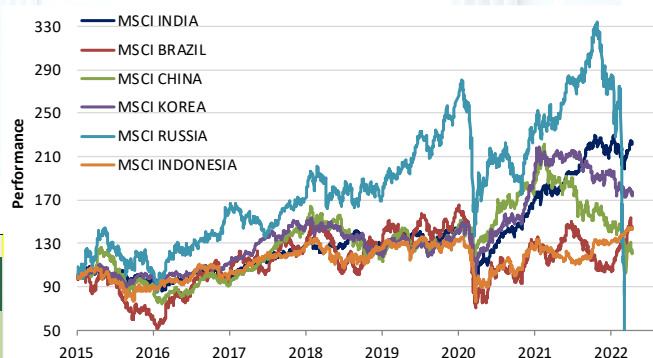
Performance of Stock markets (Normalized at 100)



Japanese Equities VS MSCI World



Emerging Markets (Normalized at 100)

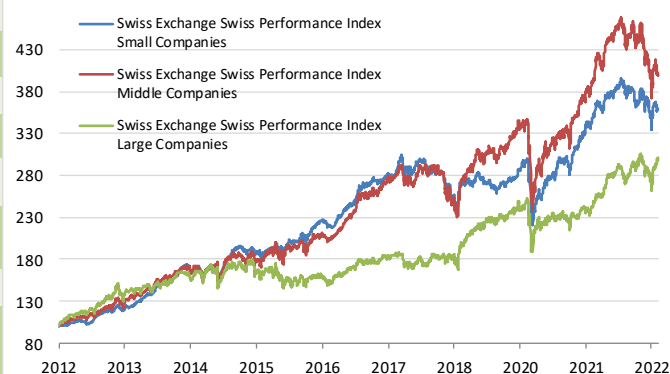


EQUITIES - BY REGION (local currency)

30.06.2022	Total Return Performance								
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %	
SWITZERLAND	SPI Swiss Performance Index	13834.3	CHF	2.5	-7.3	-11.0	-15.9	-9.9	
SWITZERLAND SMALL-MID CAPS	SPI Extra Total Return	4711.7	CHF	1.6	-7.8	-14.4	-23.1	-20.4	
EUROPE	STXE 600 € Pr	407.2	EUR	1.2	-8.0	-9.1	-14.6	-7.0	
EUROPE SMALL-MID CAPS	MSCI Europe Small Cap Net TR E	462.8	EUR	-0.7	-11.8	-14.9	-23.4	-17.7	
UK	FTSE All-Share Index	3940.9	GBP	1.7	-6.0	-5.1	-4.8	1.6	
USA	S&P 500 Index	3785.4	USD	-0.2	-8.3	-16.1	-20.2	-10.6	
USA SMALL-MID CAPS	RUSSELL 2500	724.0	USD	-0.4	-9.6	-17.0	-21.9	-21.0	
JAPAN	NIKKEI 225	26393.0	JPY	1.0	-3.1	-5.0	-7.3	-6.5	
JAPAN SMALL-MID CAPS	Russell/Nomura Mid-Small Cap I	986.9	JPY	1.9	-0.4	-1.8	-3.1	-2.4	
ASIA EX-JAPAN	MSCI AC Asia Pac Ex Japan	524.2	USD	1.0	-5.7	-10.5	-15.0	-23.0	
ASIA EX-JAPAN SMALL-MID CAPS	MSCI AC Asia Pacific Ex Japan Small Cap	1043.0	USD	0.9	-10.9	-18.0	-22.3	-22.0	
EMERGING	MSCI EM	1000.7	USD	0.8	-6.6	-11.4	-16.9	-25.0	
INTERNATIONAL EQUITIES - DIVERSIFIED USD	MSCI Daily TR Net World	7755.2	USD	-0.1	-8.7	-16.2	-20.6	-14.3	

Graph sources: Bloomberg/BearBull Group/S&P Global

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



PROSPECTS AND STRATEGIES

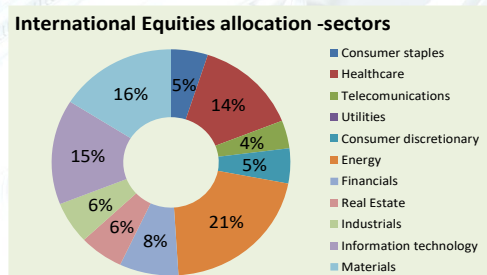
International Equities - Sectors

- After six months of decline, the markets could finally rebound
- Falling interest rates, inflation and less aggressive monetary policies are supporting a recovery in equities
- Technology stocks are the main beneficiaries, along with alternative energies, of the current recovery

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

EQUITIES - BY SECTOR

		Total Return Performance							
		Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
CONSUMER DISCRETIONARY	MSCI WORLD/CONS DIS	298.9	USD	-2.3	-10.1	-23.7	-31.9	-26.9	
CONSUMER STAPLES	MSCI WORLD/CON SPL	261.8	USD	1.0	-3.3	-6.2	-9.1	-2.4	
ENERGY	MSCI WORLD/ENERGY	212.6	USD	2.4	-15.0	-4.9	25.1	32.7	
FINANCIALS	MSCI WORLD/FINANCE	121.5	USD	0.6	-10.3	-15.9	-17.1	-11.9	
HEALTHCARE	MSCI WORLD/HLTH CARE	328.9	USD	1.2	-3.1	-7.1	-10.3	-1.8	
INDUSTRIALS	MSCI WORLD/INDUSTRL	271.2	USD	1.3	-8.5	-16.5	-21.4	-18.4	
MATERIALS	MSCI WORLD/MATERIAL	291.6	USD	-0.3	-15.6	-19.6	-16.9	-13.2	
REAL ESTATE	MSCI WORLD/REAL ESTATE	213.6	USD	-0.4	-7.4	-14.6	-19.3	-10.9	
TECHNOLOGY	MSCI WORLD/INF TECH	400.9	USD	-1.5	-9.9	-21.7	-30.0	-19.1	
TELECOMMUNICATION	MSCI WORLD/TEL SVC	76.7	USD	-1.3	-7.6	-19.3	-28.5	-29.0	
UTILITIES	MSCI WORLD/UTILITY	151.9	USD	2.0	-6.9	-7.2	-5.5	4.2	



Tactical allocation

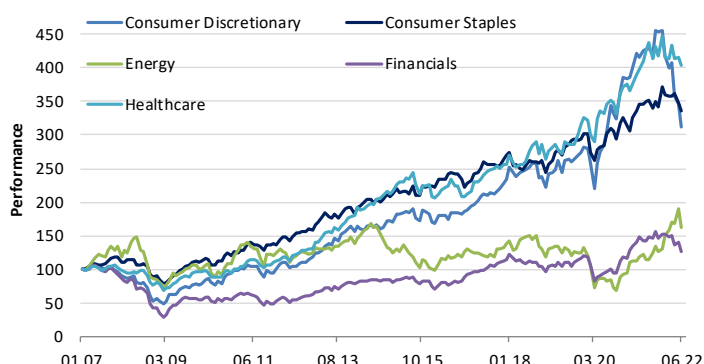
- Tactical repositioning on technology stocks
- Overweight energy, REITs and mining companies

After six months of doubts, uncertainties and worries about economic growth, inflation, monetary economic growth, inflation, monetary policies, interest rates and geopolitical risks, the financial markets have begun to question the chances of a stock market recovery that could be supported by a new change in expectations regarding growth and monetary policies.

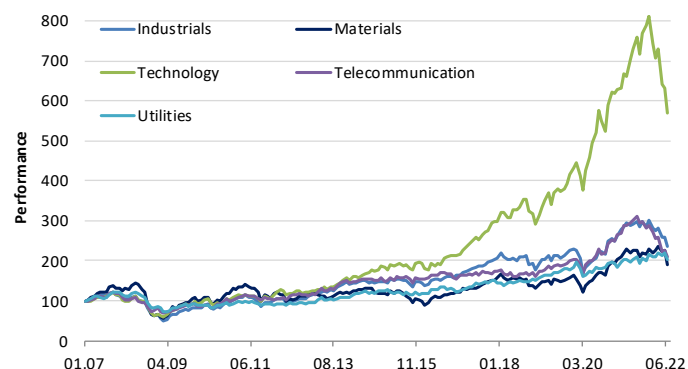
The likelihood of a stabilization and a return to a more stable economic environment has been raised. That and the decline in inflation was reinforced by the increased risks of a slowdown and recession at the end of the semester. An easing in the implementation of the Fed's monetary tightening policy began to be considered in July with an increasing probability of a rate cut as early as the 1st quarter 2023. This was enough to trigger a stock market rally that is still underway, driven by diminishing fears about the pace of monetary tightening. The first sectors to be affected by a possible change in perceptions should be those that were penalized by the acceleration in the rise in interest rates in the first half of the year. Technology and digital stocks, but especially innovative companies whose expected profits are unlikely to materialize in the near future and whose value is largely linked to and dependent on the level of interest rates, will certainly benefit the most from an improvement in investor sentiment. A window of opportunity undoubtedly opened up at the beginning of the summer to offer the possibility of a stock market recovery supported by the anticipation of an increase in interest rates.

It is probably too early to say whether the market will be able to recover in the near future, but it is possible that it might not. It is probably too early to determine whether this recovery will be a bear market rally, but it will probably be one of the few opportunities for capital gains in 2022. The stock market recovery should therefore be viewed with great caution particularly if hopes for a less extreme implementation of monetary policies are disappointed. In such a context, we are once again favoring stocks in the technology, alternative energy, telecommunication and digital sectors, while maintaining exposure to the traditional energy sector in particular.

Sectors—MSCI World (Normalized at 100)



Sectors—MSCI World (Normalized at 100)



Graph sources: Bloomberg/BearBull Group/S&P Global

PROSPECTS AND STRATEGIES

Swiss Equities

- A window of opportunity opens for Swiss equities
- Slightly more attractive valuations for 2023
- Swiss franc weighs on corporate earnings

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

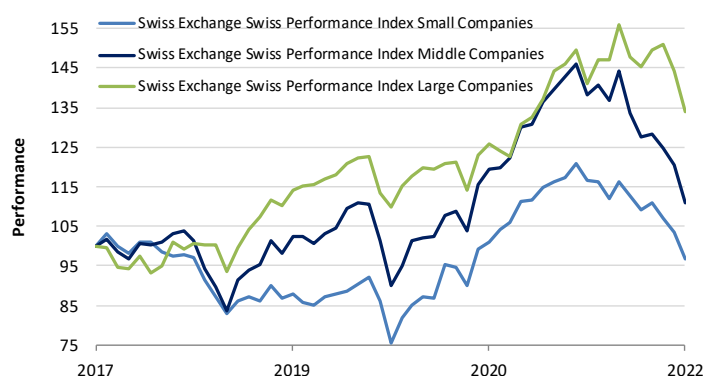
A window of opportunity opens for Swiss equities

After several months of believing that the risks of a consolidation in Swiss equity prices were significant and suggesting an underweight exposure to equities, the developments of the last few weeks now seem to us to point to a stabilization and a likely recovery of the markets. The main risk factor for Swiss equities at the time was that of a significant adjustment in interest rates and a contraction in price/earnings ratios, which has since largely materialized with the rise in ten-year rates above 1.5% and a drop in the market PE to around 15x. The change in risk perception that developed in June caused investors to re-evaluate their equity exposure, which did not fail to have the same effect on Swiss listed companies. The almost instantaneous -10% price correction in June in Switzerland brought the year-to-date price adjustment to -20% and therefore offered new repositioning opportunities in our view. Swiss equities should benefit in the coming months from lower inflationary expectations and the subsequent decline in yields. A sustained recession should be avoided and major corporate earnings revisions should be averted. We now recommend a neutral to overweight allocation to Swiss stocks.

Slightly more attractive valuations for 2023

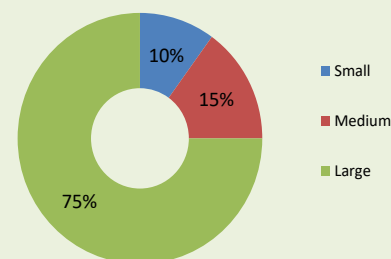
The price correction now positions Swiss equities on a basis of about 14x corporate earnings for the year 2023. This is significantly lower than the level of nearly 20x the 2022 earnings that prevailed before the financial market downturn in the first half of the year. However, in relative comparison to valuations in other European developed markets such as Germany (10x), France (10x), the UK (9x), Spain (10x), the Netherlands (12x) or Italy (7x), Switzerland does not offer a particularly attractive PE 2023. Only the United States (16x) and Japan (14x) have such a rich valuation today.

Performance of Swiss equities



Graph sources: Bloomberg/BearBull Group/S&P Global

Swiss Equities allocation - size



Tactical allocation

- Cautious allocation to sectors exposed to the strong Swiss franc
- Focus on stocks with strong margins

The upward adjustment of the yield curves in Switzerland has proven to be as strong as in other countries during the first half of the year. Ten-year federal government yields also rose rapidly, before easing at the end of June, in particular as a result of the emergence supported by the increasing risks of recession.

The rapid rise in ten-year rates from 0.68% at the end of March to 1.5% in mid-June was quickly corrected, falling back below this threshold and then stabilized at around 0.5%. This volatility in the level of interest rates does not fundamentally alter the paradigm shift that also materialized in Switzerland during the first months of 2022. The certainly lasting reversal for a new upward trend in interest rates also implies that the discount factor for corporate profits in Switzerland will no longer be close to zero as it has been for the past seven years. It will now adjust to market conditions more freely and probably with a new, sustainable gradual development that will be supported by the development of inflation, which is also at a historical level in our country.

This new interest rate regime will not be without effect on the valuation measures of Swiss equities and in particular on the adequate price/earnings ratio. It is likely that multiples will continue to shrink in the future in this new environment. Therefore, if the current valuation of 14x earnings seems attractive, the level of 17x or 18x will certainly constitute a new threshold that will be difficult to surpass without risk for Swiss equities.

SWISS EQUITIES - Capitalization

Name	Last price	Total Return Performance				
		7 d %	1 m %	3 m %	6 m %	YTD %
SPI SWISS PERFORMANCE IX	13834.3	2.5	-7.3	-11.0	-15.9	-9.9
SPI SMALL COMPANIES INDX	26770.6	0.7	-6.5	-12.9	-16.7	-16.7
SPI MIDDLE COMPANIES INDX	18361.9	1.8	-7.8	-13.5	-23.1	-20.7
SPI LARGE COMPANIES INDX	13380.1	2.7	-7.2	-10.4	-14.2	-7.1

Swiss Equities—Sectors

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

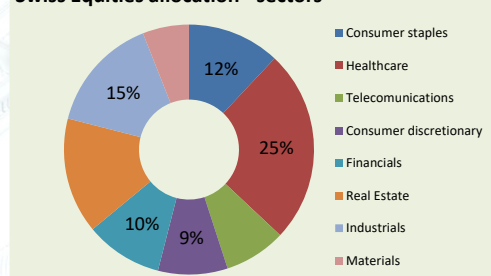
Swiss franc weighs on corporate results

The rise of the Swiss franc against the euro was also a particularly difficult for Swiss stocks during the first half of the year. The exchange rate continued to fall below parity against the euro in the first few weeks of the third quarter, dealing a significant blow to the Swiss franc earnings of exporting multinationals.

Particularly stable until June 16, the CHF/EURO exchange rate rapidly fell by -4% in the days following the SNB's key rate hike. The SNB's action to assert a new priority in the fight against inflation at the expense of exchange rate stability is not inconsistent in the current context, but it opens the door to an undoubtedly logical and legitimate appreciation of the franc in view of the relative fundamentals of the Swiss economy compared to the European economy. For Swiss companies, the 50 bp increase in key rates in June sounded the death knell for exchange rate stability and a certain visibility and predictability of their business, especially since the ECB has so far not done any better by raising its own key rates by 50 bps also in the following weeks.

However, it cannot be ruled out that at the end of the year the yield differential will again move in favor of the euro if the Swiss National Bank raises its rates at a lower pace than the European Central Bank.

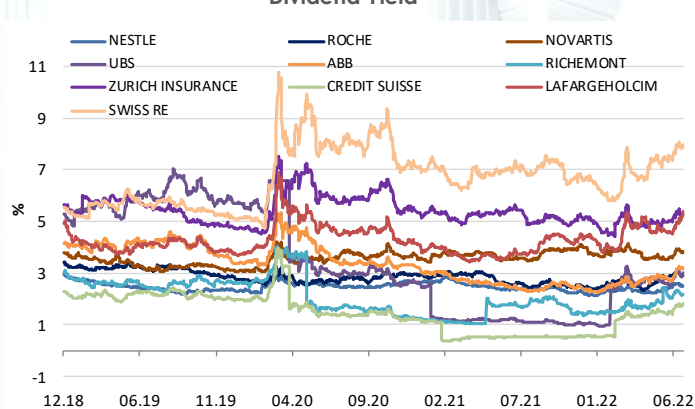
Swiss Equities allocation - sectors



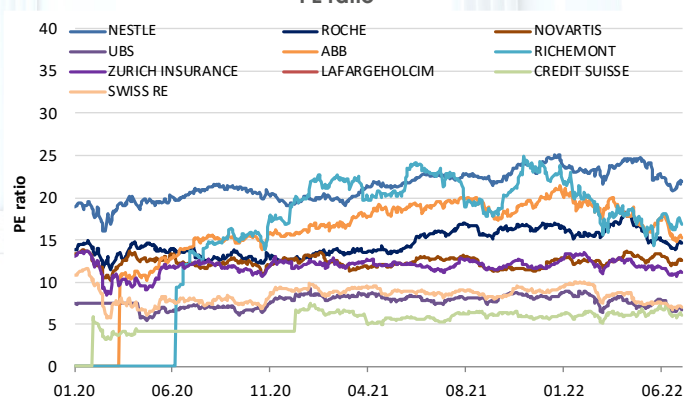
Tactical allocation

- Focus on stocks that are able to maintain their profit margins in times of inflation

Dividend Yield



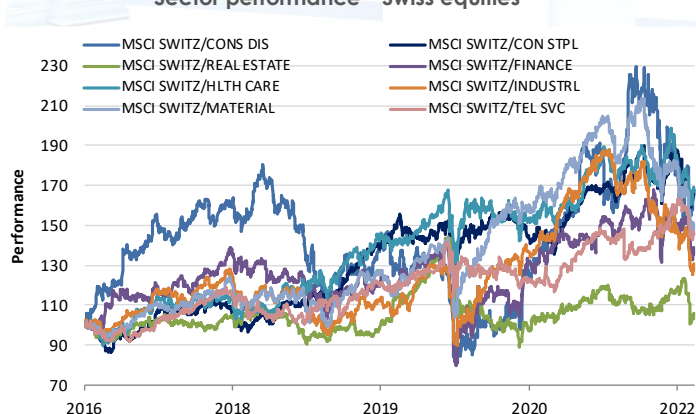
PE ratio



SWISS EQUITIES - BY SECTOR

Name	Last price	Total Return Performance				
		7 d %	1 m %	3 m %	6 m %	YTD %
MSCI SWITZ/CONS DIS	331.1	3.5	-5.0	-13.7	-24.7	-10.9
MSCI SWITZ/CON STPL	369.5	2.7	-4.3	-5.5	-11.1	-0.7
MSCI SWITZ/FINANCE	54.6	2.0	-11.1	-13.0	-12.3	-5.0
MSCI SWITZ/HLTH CARE	185.7	3.7	-5.3	-10.3	-11.3	-5.5
MSCI SWITZ/INDUSTR	178.5	1.8	-12.5	-16.7	-29.1	-27.8
MSCI SWITZ/MATERIAL	351.3	1.0	-11.8	-17.5	-30.3	-23.5
MSCI SWITZ/REAL ESTATE	974.8	0.2	-13.2	-8.2	-4.9	-7.1
MSCI SWITZ/TEL SVC	99.7	2.6	-7.0	-1.1	6.7	3.9

Sector performance—Swiss equities



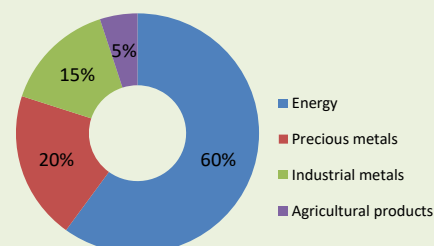
PROSPECTS AND STRATEGIES

Commodities

- Falling Chinese demand does not alter the supercycle
- Deglobalization and decarbonization support demand
- The 30% drop in crude oil prices already seems excessive

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

Commodities allocation



Tactical allocation

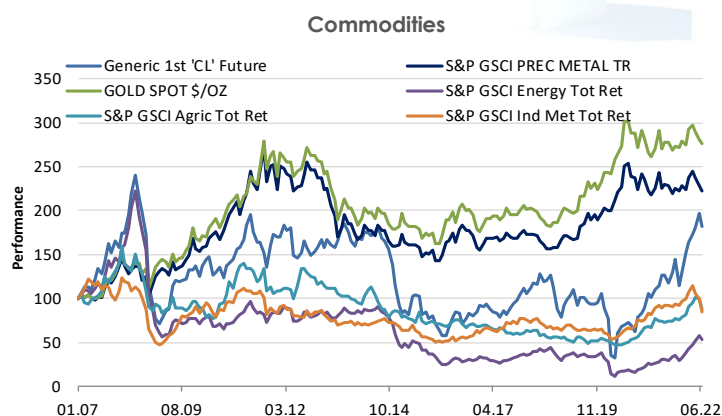
- Overweight precious metals and industrial metals
- Large exposure in the energy segment

Falling Chinese demand does not alter the ongoing supercycle

Two years ago we announced the emergence of a new supercycle for commodities, which remains fully intact today despite the temporary decline in Chinese demand and the decline of some commodities in the 2nd quarter. Over the past six months, Chinese demand has been particularly weak due to the confinements of the authorities' zero-covid policy. However, the market has absorbed a shock in demand for oil and industrial metals in an environment characterized by particularly low inventories. This is particularly the case in Shanghai, where industrial metal inventories are very low. We believe that the Chinese slowdown and the weakness in demand for raw materials can only be temporary. China's economic recovery will be accompanied by a certain return in demand for raw materials, including agricultural products, for which China is now a leader and in structural deficit.

Global supply still limited by the fall in Capex

The decline in investment of around -40% in recent years in the oil sector and in the various commodity-producing sectors has created a structural imbalance that will have a lasting impact on price increases over the next few years. In 2022 and 2023, imbalances between supply and demand are expected to continue, while inventory levels are often already at their lowest levels. Oil and mining companies do not seem to want to take the risk of reacting to higher prices by deciding to launch new exploration or production programs. The lack of a real reaction in terms of Capex will have an impact on the likely lengthening of the current supercycle by limiting the level of production. In addition, the ESG's approach to investment and financing also seems to affect the willingness of companies to make new very long-term investments (15-20 years) in a more uncertain environment.



Deglobalization and decarbonization support demand

Political decisions taken to find solutions to energy dependence on Russian gas have established a new dynamic with dual effects, characterized by a partial reorganization of supply and production chains of Western governments in particular to accelerate the energy transition process and to promote the development of renewable energies will be a solution to the current crisis. However their implementation is bound to provoke a new boom in the demand for industrial metals to meet the historical stakes.

Commodities remain an effective hedge against inflation

After a decade of ultra-accommodating monetary policies that led to an explosion of central banks' balance sheets and massive government aid to combat the effects of a pandemic with similar effects, inflation has made a comeback. The Russian invasion has logically reinforced existing pressures by causing new bottlenecks and an acceleration of the already developing phenomenon. As an asset class, commodities had already outperformed the equity markets quite significantly (+21.82%) in 2021, but they are also doing good this year with a +35.7% increase as the essential real asset for an efficient diversification within multi-asset portfolios at a time when bonds and equities are down by -12.08% and -14.39%.

COMMODITIES (USD)

		Total Return Performance						
		30.06.2022						
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
	MSCI Daily TR Net World USD	7755.25	USD	-0.08	-8.66	-16.19	-20.63	-14.34
GLOBAL	S&P GSCI Tot Return Indx	3768.0	USD	-2.1	-7.6	2.0	34.2	45.0
WTI CRUDE	Generic 1st 'CL' Future	105.8	USD	1.4	-7.8	5.5	37.4	43.9
BRENT OIL	Generic 1st 'CO' Future	114.8	USD	4.3	-6.5	6.4	44.7	52.8
NATURAL GAS	Generic 1st 'NG' Future	5.4	USD	-13.1	-33.4	-3.9	52.3	48.6
OR	GOLD SPOT \$/OZ	1807.3	USD	-0.9	-1.6	-6.7	-0.4	2.1
ARGENT	Silver Spot \$/Oz	20.3	USD	-3.2	-5.9	-18.2	-12.0	-22.4
AGRICULTURE	S&P GSCI Agric Indx Spot	474.5	USD	-3.3	-15.7	-12.5	5.9	13.9
INDUSTRIAL METALS	S&P GSCI Ind Metal Spot	437.9	USD	-2.9	-13.8	-25.3	-12.3	-4.9

Graph sources: Bloomberg/BearBull Group/S&P Global

The -30% fall in crude oil prices already seems excessive

The recession scenario has spread quite widely in the financial markets for several months, pushing commodity prices down significantly. Oil prices have thus fallen by almost -30% since their double top in March and June above \$120/b. The US WTI price (\$87.8/bbl) is now close to its October 2021 level again and is trading almost -8% below its 200-day average.

The differences between « future » prices and the actual prices traded in the physical market are significant and reflect the positioning of investors in the financial markets over the past few months, who have significantly reduced their speculative positions. Net non-commercial long positions have indeed been reduced during this period, even though physical oil inventories are at a very low level. Moreover, demand for refined products does not seem to have been strongly impacted by the price increase for the time being.

This fall in prices should benefit consumers and should help to reduce inflationary pressures.

However, the fundamentals remain characterised by excess demand relative to current supply. The latest communication from OPEC suggests that an increase in production should not be expected in the coming months.

If Chinese growth picks up and the recession scenario turns out to be too extreme, demand will not collapse as current prices suggest. Therefore, a rebound in crude oil prices becomes very likely, as geopolitics has not finished affecting the supply level in Europe, reinforcing the risks of further price rises after a phase of stabilisation of prices between \$85-90/b.

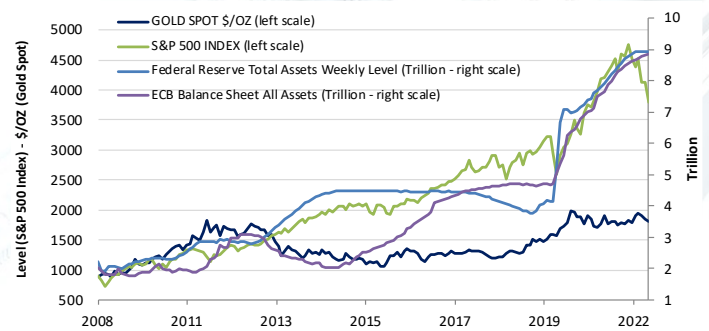
Increased physical demand for precious metals

The increase in physical demand is a positive phenomenon for the price of the yellow metal, as noted by the World Gold Council (WGC) in its latest bulletin. It had risen to 1,124 tonnes by the end of 2021 and increased further in the first quarter of 2022, mainly due to an increase in demand for ETFs, which compensated for the weakness of jewelry in India. Central banks are increasing their gold holdings to diversify their reserve assets away from major currencies and other asset classes (bonds or equities) to protect against risks of a possible global financial crisis. The temporary decline in gold prices in Q2 was due to the approximately -7% decline in ETF investments, as well as the surge in interest rates and the rise of the dollar. Gold retains its characteristic as a protection against inflation and the risk of loss of value in other competing assets or currencies. We believe that precious metals continue to offer an excellent opportunity for diversification and value preservation in the current more uncertain environment for risky assets. Palladium and platinum, which are particularly useful in the automotive sector, should also benefit from a recovery in industrial activity in China.

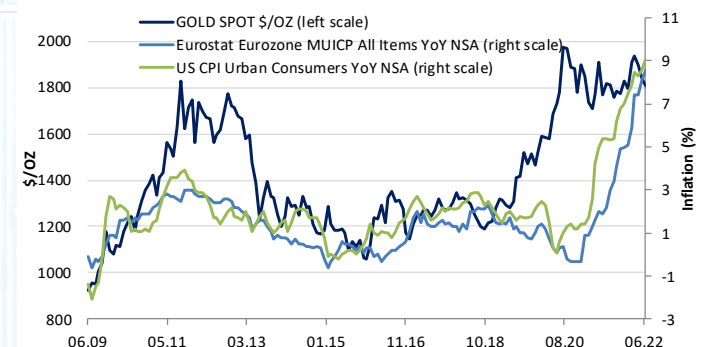
Low inventories for industrial metals

Industrial metal prices were largely affected by the fall in Chinese demand during the first half of the year following the sharp decline in industrial activity. The Chinese slowdown will only be temporary and a recovery in activity will lead to a return in demand for industrial metals. This element has lowered the tensions that were materializing with the introduction of sanctions against Russian exports, but a Chinese economic recovery in the current context of particularly high inventories in Shanghai warehouses will necessarily have a further impact on prices. A reversal of the upward trend for aluminum, copper, cobalt and nickel in particular seems very likely. In addition to this factor, the reorganization of industrial metal supply sources as global demand rises will also have an effect on prices. The new needs for industrial metals that are essential for the implementation of the energy transition desired by the main G20 governments is also an extremely important factor in the evolution of world demand. While demand is clearly on the rise, the fall in capex in recent years continues to weigh on supply levels. The current low inventories also suggest that prices will be under pressure in the near future. We maintain our positive outlook for all industrial metals, which should benefit from this increased demand for infrastructure, wind projects, rail and the growing electric car sector.

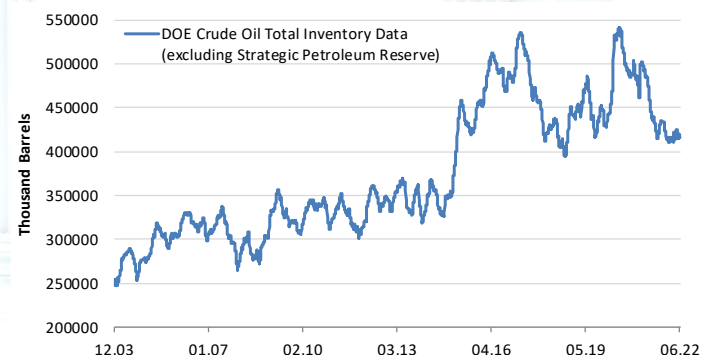
Gold and Global liquidity



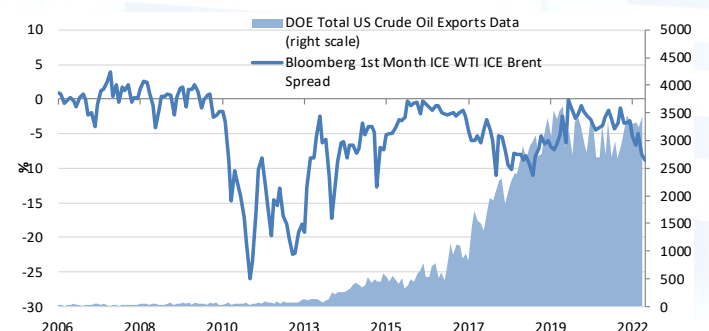
Gold and inflation



Crude Oil Inventory (USA)



WTI—Brent Price Spread



PERSPECTIVES ET STRATÉGIES

Hedge Funds

- Hedge funds benefit from their decorrelation with other asset classes

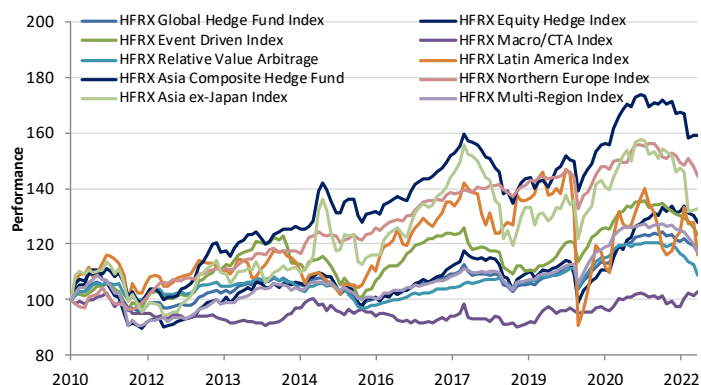
After having already resisted better than all asset classes, except commodities, during the first quarter (-1.4%), the global hedge fund index once again benefited from its decorrelation with other markets between March and June (-3.7%) and thus closed one of the worst first half-years in the history of diversified management in a much more resilient way -5.0% than equities (-20.51%), bonds (-13.91%) and real estate (-19.94%).

As in the first three months of the year, the "macro/CTA" strategy was once again the only one to end the quarter in positive territory (+2.4%), unlike the "equity hedge" (-4.4%), the "event driven" (-4.4%) and "relative value arbitrage" (-6.0%) which continue their downward trend. Thus, since the beginning of the year, the "macro/CTA" approach has climbed by +3.3% for corrections of -4.7%, -6.2% and -9.2% respectively for the other three strategies.

HEDGE FUND INDICES (USD)

		Total Return Performance						
		Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	HFRX Global Hedge Fund Index	1358.7	USD	-0.1	-1.8	-3.7	-5.1	-5.1
EQUITY HEDGE	HFRX Equity Hedge Index	1424.3	USD	0.4	-2.0	-4.4	-4.8	-0.9
EVENT DRIVEN	HFRX Event Driven Index	1659.7	USD	0.3	-2.1	-4.4	-6.2	-8.9
MACRO/CTA	HFRX Macro/CTA Index	1261.1	USD	-0.7	1.4	2.4	3.2	0.8
RELATIVE VALUE ARBITRAGE	HFRX Relative Value Arbitrage	1230.4	USD	-0.5	-3.3	-6.0	-9.2	-9.6
LATIN AMERICA*	HFRX Latin America Index	1890.8	USD	-	-9.4	-12.9	-0.4	-17.3
ASIA COMPOSITE*	HFRX Asia Composite Hedge Fund Index	2568.4	USD	-	0.0	-4.7	-6.6	-8.2
NORTHERN EUROPE*	HFRX Northern Europe Index	2087.0	USD	-	-2.4	-2.6	-4.2	-6.9
ASIA EX-JAPAN*	HFRX Asia ex-Japan Index	2510.1	USD	-	0.5	-9.1	-13.2	-15.6
MULTI-REGION	HFRX Multi-Region Index	1459.6	USD	0.2	-2.2	-5.8	-7.5	-7.8

Hedge funds



Private Equity

- Nearly 30% drop after six months

During a complicated first half of the year for all risky asset classes due to growing fears of uncontrolled inflation, monetary policy tightening by central banks and the economic slowdown which could even push some economies into recession, starting with the world's leading economy, private equity is in clear negative territory (-28.0%). Due to a particularly unfavorable month of June, private equity has experienced a second quarterly decline in 2022 (-19.8%).

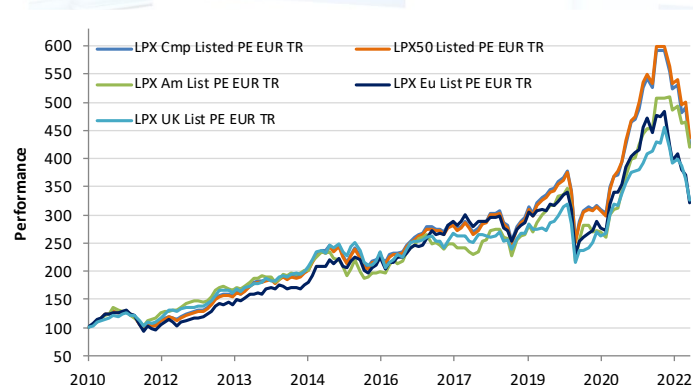
In geographical terms, the order of performance of the first quarter was repeated between March and June. Indeed, Europe once again shows the sharpest quarterly correction (-21.5%), followed by the UK (-17.8%) and the US (-14.8%).

Since the beginning of this year 2022, these three regions are thus in the red at -33.7%, -28.2% and -17.1% respectively.

PRIVATE EQUITY INDICES (EUR)

		Total Return Performance						
		Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
COMPOSITE	LPX Cmp Listed PE EUR TR	354.0	EUR	0.0	-13.2	-19.8	-28.1	-13.0
MAJOR COMPANIES	LPX50 Listed PE EUR TR	3455.6	EUR	0.2	-12.8	-19.4	-27.3	-12.7
USA	LPX Am List PE EUR TR	559.6	EUR	1.0	-9.5	-14.8	-17.1	-1.2
EUROPE	LPX Eu List PE EUR TR	1024.5	EUR	-0.2	-13.8	-21.5	-33.7	-22.8
UK	LPX UK List PE EUR TR	366.2	EUR	1.1	-10.3	-17.8	-27.9	-14.0

Private Equity



GLOBAL STRATEGY & ASSET ALLOCATION



GLOBAL STRATEGY | ASSET ALLOCATION

Multi-asset portfolio - CHF

- Opportunities in the bond markets
- Falling interest rates favour a recovery in the equity markets
- Real estate is an alternative to inflation
- Supercycle favorable to raw materials

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

Asset allocation

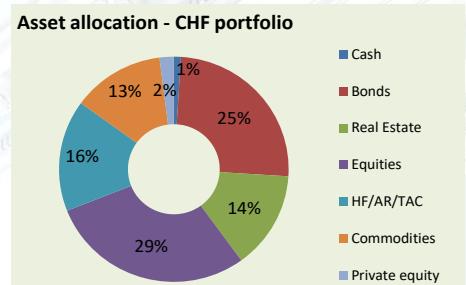
The core of our investment strategy is composed of traditional liquid assets (cash, bonds, equities and real estate), supplemented by other diversified and tradable assets (commodities, hedge funds, private equity). The tactical allocation is now very broadly diversified across asset classes. Equity exposure is again more constructive with a reinforced allocation following the sharp fall in prices. The expected rise in interest rates is creating opportunities in the bond markets centred on the investment grade segment in the short term after the exaggeration of the yield curves in mid-June. Real estate is still an attractive source of diversification with attractive yields and some protection in times of inflation. Precious metals and commodities are also favoured in this more uncertain and persistently inflationary environment.

Bonds

The end of the second quarter was marked by a panic phase in the bond markets when the US inflation figure was released on 10 June. An across-the-board increase of around 50 basis points in three days soon proved to be totally excessive in the context of an increasingly evident economic downturn. The risks of recession therefore quickly outweighed the risks of accelerating inflation. Central banks also took more active and determined approaches during the quarter in their efforts to control persistent inflationary pressures. Most bond markets have undergone similar adjustments in long rates in just a few months, providing opportunities to reposition in the fixed income markets. These new yield opportunities support our recommendation to finally adopt a more constructive bond strategy by increasing the allocation to dollar bonds with limited duration.

Equities

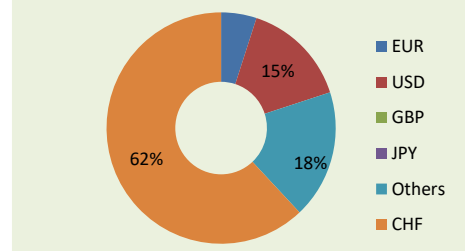
Equity markets were strongly affected by the widespread interest rate adjustment as a result of the dramatic inflation developments in the first half of the year. The fall in prices of more than -30% for the Nasdaq and around -20 to -25% for most markets offers, in our view, new opportunities for positioning as well. We had adopted a more defensive strategy in recent months in anticipation of the market decline, but we now believe that the recession scenario will have a positive impact on rates, which should benefit equity markets in the third quarter. The corporate earnings season could help support a recovery in equities, which are once again well represented in our asset allocation.



Tactical allocation

- More dynamic strategy again
- Repositioning in equities
- Short duration

Currency allocation - CHF portfolio



Commodities

Commodities could be temporarily affected by the recession scenario and by the fall in Chinese demand during the period of containment. We believe that the decline in demand will be short-lived, especially in the energy segment, which is still influenced by the reorganisation of supply networks. Commodities remain essential in multi-asset portfolios for their inflation protection characteristics.

Real estate

Real estate remains the main alternative to interest rate markets. We favour property markets in countries or regions where there is no fear of a rapid rise in interest rates and where the positioning of the business cycle is favourable.

Currencies

The franc could still benefit from the SNB's new strategy, but we believe that rate hikes in foreign currencies will offer sufficient appeal to reduce the franc's appeal. The US dollar remains the preferred currency.

Market performances - Q2 2022

	Q2 2022		YTD			Q2 2022		YTD	
	local	CHF	local	CHF		local	CHF	local	CHF
Exchange rates									
USD/CHF		3.5%		4.6%					
EUR/CHF		-2.0%		-3.5%					
GBP/CHF		-4.1%		-5.7%					
JPY/CHF		-7.2%		-11.2%					
Interest rates (3 months)									
						(level)			
CHF						-0.40%			
EUR						-0.20%			
USD						2.29%			
JPY						-0.03%			
Equity markets									
World	MSCI World USD	-16.2%	-13.2%	-20.5%	-16.8%				
Europe	DJ Stoxx 600	-9.5%	-11.3%	-15.0%	-18.0%				
Eurozone	DJ Eurostoxx 50	-11.5%	-13.2%	-19.6%	-22.4%				
	MSCI Europe S.C.	-16.1%	-17.8%	-24.5%	-27.2%				
Germany	Dax 30	-11.3%	-13.1%	-19.5%	-22.3%				
France	Cac 40	-11.1%	-12.8%	-17.2%	-20.1%				
United Kingdom	FTSE 100	-4.6%	-8.5%	-2.9%	-8.4%				
Switzerland	SPI	-11.0%	-11.0%	-15.9%	-15.9%				
	SMI	-11.7%	-11.7%	-16.6%	-16.6%				
	MSCI Swiss S.C.	-20.9%	-20.9%	-30.4%	-30.4%				
North America	SP500	-16.4%	-13.5%	-20.6%	-16.9%				
	Nasdaq	-22.4%	-19.7%	-29.5%	-26.2%				
	Tse 300	-13.8%	-13.3%	-11.1%	-8.9%				
	SP600 Small C.	-14.5%	-11.4%	-19.5%	-15.8%				
Japan	Nikkei 225	-5.1%	-12.0%	-8.3%	-18.6%				
Emerging	MSCI EMF USD	-12.4%	-9.3%	-18.8%	-15.0%				
Bonds markets									
World	Citi Gr Global Govt USD	-8.9%	-5.7%	-14.8%	-10.8%				
Europe	Euro Ser-E Gov > 1	-7.4%	-9.2%	-12.3%	-15.3%				
United Kingdom	UK Ser-E Gov > 1	-7.8%	-11.6%	-14.8%	-19.7%				
Switzerland	SBI Général AAA-BBB	-4.4%	-4.4%	-10.2%	-10.2%				
	SBI Govt	-5.5%	-5.5%	-13.2%	-13.2%				
USA	US Ser-E Gov > 1	-3.8%	-0.4%	-9.1%	-4.9%				
Japan	Japan Ser-E Gov > 1	-1.4%	-8.5%	-3.0%	-13.9%				
Emerging	J.P. Morgan EMBI Global	-10.5%	-7.4%	-18.8%	-15.1%				
Miscellaneous									
	LPP 25 Index	-6.7%	-6.7%	-12.0%	-12.0%				
	LPP 40 Index	-7.8%	-7.8%	-12.9%	-12.9%				
	LPP 60 Index	-9.3%	-9.3%	-14.0%	-14.0%				
Real Estate CH	DB RB Swiss Real Est Fd	-10.5%	-10.5%	-14.5%	-14.5%				
Hedge Funds	Hedge Fund Research USD	-4.1%	-0.7%	-5.2%	-0.9%				
Commodities	GS Commodity USD	2.0%	5.6%	35.8%	42.1%				

GLOBAL STRATEGY | ASSET ALLOCATION

Multi-asset portfolio - EUR

- Opportunities in the bond markets
- Falling interest rates favour a recovery in the equity markets
- Real estate is an alternative to inflation
- Supercycle favorable to raw materials

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

Asset allocation

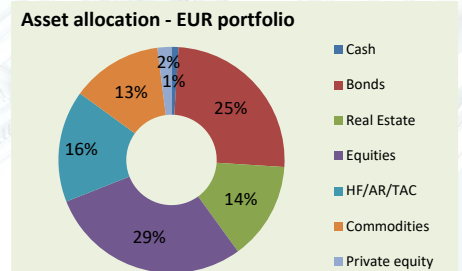
The core of our investment strategy is composed of traditional liquid assets (cash, bonds, equities and real estate), supplemented by other diversified and tradable assets (commodities, hedge funds, private equity). The tactical allocation is now largely diversified across asset classes. Equity exposure is again more constructive with a reinforced allocation following the sharp fall in prices. The expected rise in interest rates is creating opportunities in the bond markets centred on the short-term investment grade segment after the exaggeration of the yield curves in mid-June. Real estate is still an attractive source of diversification with attractive yields and some protection in times of inflation. Precious metals and commodities are also favoured in this once again more uncertain environment and marked by persistent inflation.

Bonds

The end of the second quarter was marked by a panic phase in the bond markets when the US inflation figure was released on 10 June. An across-the-board increase of around 50 basis points in three days soon proved to be totally excessive in the context of an increasingly evident economic downturn. The risks of recession therefore quickly outweighed the risks of accelerating inflation. Central banks also adopted more active and determined approaches during the quarter to control persistent inflationary pressures. Most bond markets have undergone similar adjustments in long rates in just a few months, providing opportunities to reposition in the fixed income markets. These new yield opportunities support our recommendation to finally adopt a more constructive bond strategy by increasing the allocation to dollar bonds with limited duration.

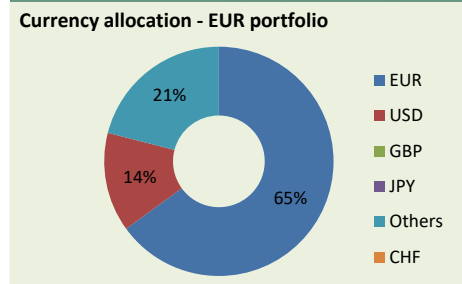
Equities

Equity markets were strongly affected by the widespread interest rate adjustment as a result of the dramatic inflation developments in the first half of the year. The fall in prices of more than -30% for the Nasdaq and around -20 to -25% for most markets offers new positioning opportunities in our view. We had adopted a more defensive strategy in recent months in anticipation of the market decline, but we now believe that the recession scenario will have a positive impact on rates, which should benefit the equity markets in the third quarter. The corporate earnings season could help support a recovery in equities, which are once again well represented in our asset allocation.



Tactical allocation

- More dynamic strategy again
- Repositioning in equities
- Short duration



Commodities

Commodities could be temporarily affected by the recession scenario and by the fall in Chinese demand in a period of containment. We believe that the decline in demand will be short-lived, especially in the energy segment, which is still influenced by the reorganisation of supply networks. Commodities remain essential in multi-asset portfolios for their inflation protection characteristics.

Real estate

Real estate remains the main alternative to interest rate markets. We favour property markets in countries or regions where there is no fear of a rapid rise in interest rates and where the positioning of the business cycle is favourable.

Currencies

The euro continues to be penalised by a narrow interest rate differential, while the US dollar retains its status as the preferred currency.

Market performances - Q2 2022

		Q2 2022		YTD				Q2 2022		YTD	
		local	EUR	local	EUR			local	EUR	local	EUR
Exchange rates						Interest rates (3 months)					
						(level)					
USD/EUR		5.6%		8.5%		CHF		-0.40%			
CHF/EUR		2.0%		3.6%		EUR		-0.20%			
GBP/EUR		-2.2%		-2.3%		USD		2.29%			
JPY/EUR		-5.4%		-8.0%		JPY		-0.03%			
Equity markets						Bonds markets					
World	MSCI World USD	-16.2%	-11.5%	-20.5%	-13.8%	World	C&I Gr Global Govt USD	-8.9%	-7.1%	-14.8%	-11.7%
Europe	DJ Stoxx 600	-9.5%	-9.5%	-15.0%	-15.0%	Europe	Euro Ser-E Gov > 1	-7.4%	-7.4%	-12.3%	-12.3%
Eurozone	DJ Eurostoxx 50	-11.5%	-11.5%	-19.6%	-19.6%	United Kingdom	UK Ser-E Gov > 1	-7.8%	-9.8%	-14.8%	-16.8%
	MSCI Europe S.C.	-16.1%	-16.1%	-24.5%	-24.5%	Switzerland	SBI Général AAA-BBB	-4.4%	-2.5%	-10.2%	-6.9%
Germany	Dax 30	-11.3%	-11.3%	-19.5%	-19.5%		SBI Govt.	-5.5%	-3.7%	-13.2%	-10.1%
France	Cac 40	-11.1%	-11.1%	-17.2%	-17.2%	USA	US Ser-E Gov > 1	-3.8%	1.6%	-9.1%	-1.4%
United Kingdom	FTSE 100	-4.6%	-6.7%	-2.9%	-5.2%	Japan	Japan Ser-E Gov > 1	-1.4%	-6.7%	-3.0%	-10.7%
Switzerland	SPI	-11.0%	-9.2%	-15.9%	-12.8%	Emerging	J.P. Morgan EMBI Global	-10.5%	-5.6%	-18.8%	-11.9%
	SMI	-11.7%	-9.9%	-16.6%	-13.6%	Miscellaneous					
	MSCI Swiss S.C.	-20.9%	-16.5%	-30.4%	-24.5%		LPP 25 Index	-6.7%	-3.3%	-12.0%	-8.9%
North America	SP500	-16.4%	-11.8%	-20.6%	-13.8%		LPP 40 Index	-7.8%	-4.5%	-12.9%	-9.7%
	Nasdaq	-22.4%	-18.1%	-29.5%	-23.5%		LPP 60 Index	-9.3%	-6.0%	-14.0%	-10.9%
	Tse 300	-13.8%	-11.6%	-11.1%	-5.3%	Real Estate CH	DB RB Swiss Real Est Fd	-10.5%	-10.5%	-14.5%	-11.4%
	SP600 Small C.	-14.5%	-9.7%	-19.5%	-12.7%	Hedge Funds	Hedge Fund Research USD	-4.1%	1.2%	-5.2%	2.8%
Japan	Nikkei 225	-5.1%	-10.2%	-8.3%	-15.7%	Commodities	GS Commodity USD	2.0%	7.7%	35.8%	47.3%
Emerging	MSCI EMF USD	-12.4%	-7.5%	-18.8%	-11.9%						

Graph sources: Bloomberg/BearBull Group/S&P Global

GLOBAL STRATEGY | ASSET ALLOCATION

Multi-asset portfolio - USD

- Opportunities in the bond markets
- Falling interest rates favour a recovery in the equity markets
- Real estate is an alternative to inflation
- Supercycle favorable to raw materials

ASSETS	Expected Return		ALLOCATION (USD Portfolio)						
	3months	1year	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), complemented by other diversified and tradable assets (commodities, hedge funds, private equity). The tactical allocation is now very broadly diversified across asset classes. Equity exposure is again more constructive with a reinforced allocation following the sharp fall in prices. The expected rise in interest rates is creating opportunities in the bond markets centred on the short-term investment grade segment after the exaggeration of the yield curves in mid-June. Real estate is still an attractive source of diversification with attractive yields and some protection in times of inflation. Precious metals and commodities are also favoured in this more uncertain and persistently inflationary environment.

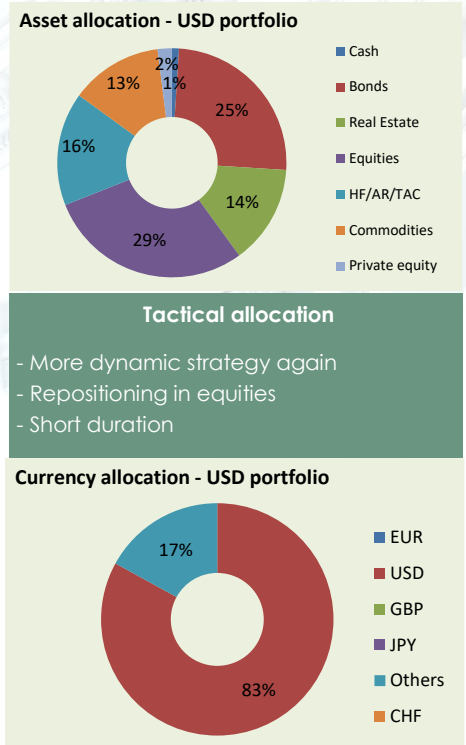
Bonds

The end of the second quarter was marked by a panic phase in the bond markets when the US inflation figure was released on 10 June. A broad-based increase of around 50 basis points in three days quickly proved to be totally excessive in the context of an increasingly clear economic slowdown. The risks of a recession therefore quickly outweighed the risks of accelerating inflation. Central banks also adopted more active and determined approaches to controlling persistent inflationary pressures during the quarter. Most bond markets have undergone similar adjustments in long rates in just a few months, providing opportunities to reposition in the fixed income markets. These new yield opportunities support our recommendation to finally adopt a more constructive bond strategy by increasing the allocation to dollar bonds with limited duration.

Equities

Equity markets were strongly affected by the widespread adjustment of interest rates following the dramatic inflationary developments in the first half of the year. The fall in prices of more than -30% for the Nasdaq and around -20 to -25% for most markets offers new positioning opportunities in our view. We had adopted a more defensive strategy in recent months in anticipation of the market decline, but we now believe that the recession scenario will have a positive impact on rates, which should benefit the equity markets in the third quarter. The corporate earnings season could help support a recovery in equities, which are once again well represented in our asset allocation.

Graph sources: Bloomberg/BearBull Group/S&P Global



Commodities

Commodities could be temporarily affected by the recession scenario and by the fall in Chinese demand in a period of containment. We believe that the decline in demand will be short-lived, especially in the energy segment, which is still influenced by the reorganisation of supply networks. Commodities remain essential in multi-asset portfolios for their inflation protection characteristics.

Real estate

Real estate remains the main alternative to interest rate markets. We favour property markets in countries or regions where there is no fear of a rapid rise in interest rates and where the positioning of the business cycle is favourable.

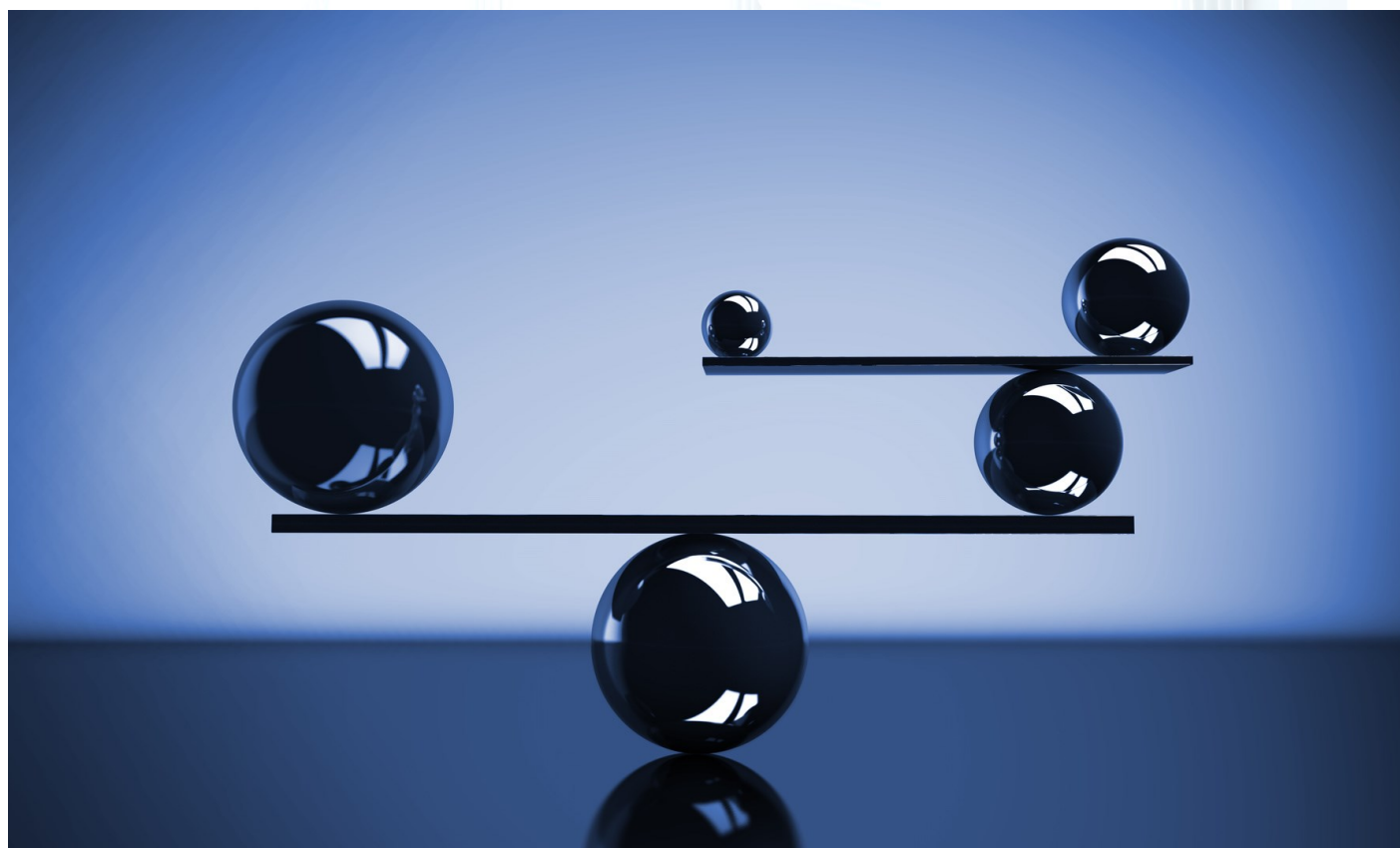
Currencies

The US dollar retains its status as the preferred currency in the current context justifying a reduced allocation to foreign currencies.

Market performances - Q2 2022

		Q2 2022		YTD				Q2 2022		YTD									
		local	USD	local	USD			local	USD	local	USD								
Exchange rates																			
CHF/USD		-3.4%		-4.5%				CHF		-0.40%									
EUR/USD		-5.3%		-7.8%				EUR		-0.20%									
GBP/USD		-7.3%		-10.0%				USD		2.29%									
JPY/USD		-10.3%		-15.2%				JPY		-0.03%									
Equity markets																			
World	MSCI World USD	-16.2%	-16.2%	-20.5%	-20.5%			World	C&I Gr Global Govt USD	-8.9%	-12.0%	-14.8%	-18.6%						
Europe	DJ Stoxx 600	-9.5%	-14.3%	-15.0%	-21.6%			Europe	Euro Ser-E Gov > 1	-7.4%	-12.2%	-12.3%	-19.1%						
Eurozone	DJ Eurostoxx 50	-11.5%	-16.1%	-19.6%	-25.9%			United Kingdom	UK Ser-E Gov > 1	-7.8%	-14.6%	-14.8%	-23.3%						
	MSCI Europe S.C.	-16.1%	-20.5%	-24.5%	-30.4%			Switzerland	SBI Général AAA-BBB	-4.4%	-7.6%	-10.2%	-14.2%						
Germany	Dax 30	-11.3%	-16.0%	-19.5%	-25.8%				SBI Govt	-5.5%	-8.7%	-13.2%	-17.1%						
France	Cac 40	-11.1%	-15.8%	-17.2%	-23.7%			USA	US Ser-E Gov > 1	-3.8%	-3.8%	-9.1%	-9.1%						
United Kingdom	FTSE 100	-4.6%	-11.6%	-2.9%	-12.6%			Japan	Japan Ser-E Gov > 1	-1.4%	-11.6%	-3.0%	-17.7%						
Switzerland	SPI	-11.0%	-14.0%	-15.9%	-19.6%			Emerging	J.P. Morgan EMBI Global	-10.5%	-10.5%	-18.8%	-18.8%						
	SMI	-11.7%	-14.7%	-16.6%	-20.3%														
	MSCI Swiss S.C.	-20.9%	-20.9%	-30.4%	-30.4%			Bonds markets											
North America	SP500	-16.4%	-16.4%	-20.6%	-20.6%														
	Nasdaq	-22.4%	-22.4%	-29.5%	-29.5%			LPP 25 Index						-6.7%	-10.9%	-12.0%	-16.0%		
	Tse 300	-13.8%	-16.3%	-11.1%	-12.7%			LPP 40 Index						-7.8%	-11.9%	-12.9%	-16.8%		
	SP600 Small C.	-14.5%	-14.5%	-19.5%	-19.5%			LPP 60 Index						-9.3%	-13.3%	-14.0%	-17.9%		
Japan	Nikkei 225	-5.1%	-14.9%	-8.3%	-22.3%			Real Estate CH	DB RB Swiss Real Est Fd	-10.5%	-10.5%	-14.5%	-18.3%						
Emerging	MSCI EMF USD	-12.4%	-12.4%	-18.8%	-18.8%			Hedge Funds	Hedge Fund Research USI	-4.1%	-4.1%	-5.2%	-5.2%						
												Commodities	GS Commodity USD	2.0%	2.0%	35.8%	35.8%		

INVESTMENT THEME FOCUS



INVESTMENT THEME

The war in Ukraine, a catalyst for renewable energy?

- An energy market under increasing tension
- In-depth reorganisation of the means of energy production
- Strong future potential for solar energy
- New opportunities across the Atlantic for hydrogen

An energy market under increasing tension

Four months after the Russian army entered Ukraine, tensions between Europe and the Russian Federation have only increased. Since March, sanctions against Russia and almost unconditional support for Ukraine have continued to increase. The fifth round of sanctions in April was one of the most significant. It decided to ban Russian ships from European ports, access to EU territory for Russian carriers and an embargo on key raw materials such as coal, wood and cement from Russia. The sixth round of sanctions marked the beginning of the energy war between the two blocs. In early May, the European Commission proposed to its members to phase out Russian oil imports and eventually move towards a total embargo on the federation's hydrocarbons.

A set of sanctions which from the outset reveals the difficulties that the Union will encounter in enforcing these measures on states whose energy situation is very different. Indeed, some of the states most dependent on Russian oil, such as Hungary and Slovakia, benefited from an exemption as they are landlocked by Russia. After long weeks of discussion, an agreement was finally reached at the end of May and the embargo on Russian oil at the end of the year was announced.

The fear of a tightening of the energy market is now being felt, and the European Union has begun a gradual transition by supplying itself increasingly with American crude oil, but is nevertheless temporarily continuing to import oil from Russia. The clock is now ticking, with economic measures to bend Russia acting as a double-edged sword for Europe, which is now in a hurry to find alternatives as the end of summer approaches. Indeed, we shall see whether this embargo will push the federation into a corner as expected and drive the country out of the energy market or whether it will only reorganise the trade routes.

For the time being, Russian flows are being redirected towards other Asian economic partners such as China (up to 1 million barrels per day)

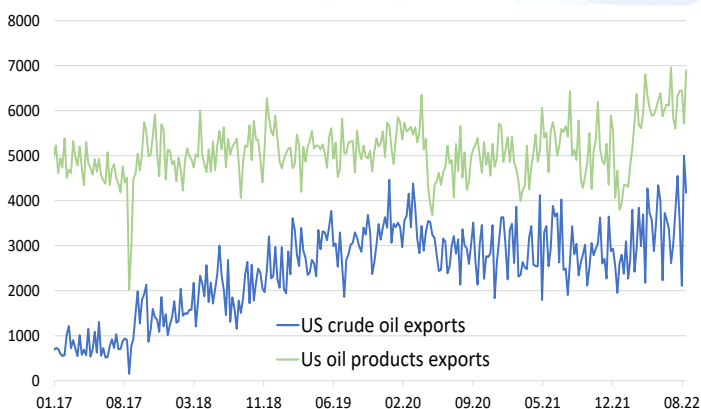
or India (800,000 barrels per day), which are also benefiting from lower prices. Since the beginning of the year, Russian revenues from energy trade have increased by 50% compared to last year, benefiting from a very strong price increase, offsetting the drop in traded volumes.

At the same time, the second most important source of energy for European industry and households is natural gas, which is also imported massively from Russia. In recent months, this available source has also diminished in this market. In response to the actions of the EU countries against it, Russia is also using the weapons at its disposal to reduce the flow of the main Nordstream pipeline that carries gas to Europe. The state-owned Gazprom started the process in June by already reducing the amount of gas flowing through the pipeline by 60%, using the argument that the turbines in Canada needed maintenance. This argument was used again more recently in the middle of July when the pipeline was completely shut down for 10 days and only 40% of the 55 million cubic metres per year that Nordstream is supposed to supply was restored.

These events are part of a wider strategy of destabilisation by Russia, which had already used the gas lever earlier in the year and interrupted deliveries to Poland and Bulgaria for refusing to pay in roubles, then successively to Finland and Denmark. The tacit aim of this strategy is to prevent EU countries from building up sufficient gas reserves before winter arrives. At the beginning of July the inventories were 70.54% full and the instruction to fill the stocks to 80% in November was implemented (95% for Germany).

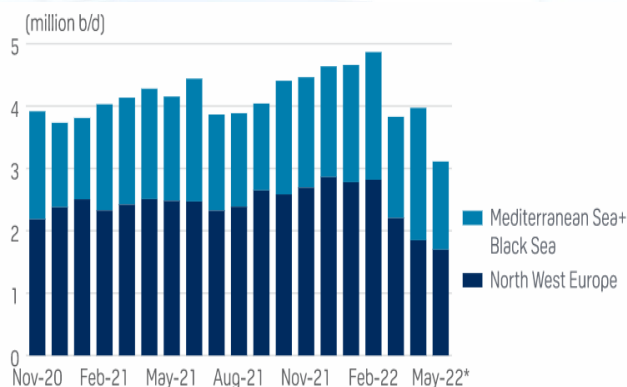
Low gas flow in the main pipeline has already made the task of building up state reserves difficult, further maintenance could further complicate the situation for Europe's members. Germany in particular is in a very difficult situation. The Federal Network Agency, which regulates the energy and electricity sectors, has made a very negative assessment, saying that if Nordstream remains at 40% capacity it will be impossible for Germany to build up sufficient stocks to get through the winter without major disruptions.

US exports of crude oil and petroleum products



Graph sources: Bloomberg/BearBull Group/S&P Global

Russian oil exports to Europe



Sources: Bloomberg, BBGI Group SA, S&P Global

In-depth reorganisation of the means of energy production

To cope with these new macroeconomic and energy paradigms, the EU countries have few alternatives. They have already agreed on a 15% drop in consumption between August 2022 and March 2023, which will directly affect households and reduce demand. They can also act on the energy supply, by increasing production. In the emergency, some countries have reactivated old means of production that they had been working hard to eliminate. Germany in particular, which is one of the most dependent countries, is ready to do anything to absorb the shock of the Russian hydrocarbon embargo and to reactivate coal-fired power stations, which are the biggest emitters of carbon into the atmosphere, as well as nuclear power stations.

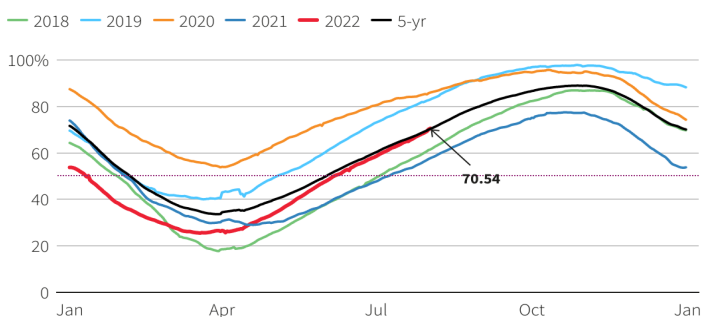
This temporary setback should not overshadow the fact that at the same time, many governments have seized the opportunity to drastically increase their investment in renewable energies, which appear to be a real alternative to American liquefied gas, as well as oil production, which is potentially peaking. Indeed, the European Commission unveiled in May the massive €210 billion investment plan, 'RePower EU', to revamp energy production in Europe and put energy independence back on the agenda. The plan will work on three levels: clean energy, clean industry and energy savings. The desire to produce clean energy is based on increasing the production capacity in the country. The Commission plans to further increase the share of renewable energy in the energy mix from 40% to 45% by 2030. This would bring a total of 1236GW of production capacity instead of the 1067GW envisaged in the previous 'fit 55' plan, which was already very ambitious and positive for the industry. This plan set a target of carbon neutrality for the European Union by 2050.

In order to increase production capacity, it is necessary to create a legal framework adapted to innovation and the rapid development of renewable projects. This is what the European Commission is planning to do by making the process of granting permits more fluid. The focus will obviously be on photovoltaic energy, which is the cheapest energy to produce and has the shortest lead times (around 6 months). The plan calls for the commissioning of more than 320 Gigawatts of photovoltaic production by 2025, which would represent more than 2x the current level and could compensate for the 9 billion cubic metres of natural gas imported each year.

Strong future potential for solar energy

Photovoltaic energy is one of the cornerstones of the European and global green transition strategy. Indeed, we note that in a very negative global context for international equities, companies active in photovoltaic energy have been more resilient, experiencing an overall decline of only -5% and significantly outperforming global stocks (-21%) over the first half of 2022. One factor that may have contributed to this resilience is that demand remains very strong despite the market conditions. We expect demand to grow by +30% over 2022 and as most industry valuations are still a long way from their 2021 highs, this could mean that there is still significant return potential for companies active in the sector.

European natural gas stocks (percentage)



Note: As of August 2
Source: Gas Infrastructure Europe
Graph sources: Bloomberg/BearBull Group/S&P Global

The number of PV installations has grown significantly over the last 10 years (+23%) and we are confident that this double-digit growth will continue in the context of the government support and energy emergency we mentioned earlier, as well as increasingly favourable economic data. The cost of installing and commissioning a new PV generation system is \$40 to \$45 per Megawatt hour, which is in line with the cost of a wind device and 50% cheaper than a gas or coal plant. The strongest revenue growth could be located in the solar inverter and PV equipment manufacturers sector. Solar Edge, for example, is expected to grow its sales by 55% by the end of the year. The weakest growth is expected to be in infrastructure developers such as NextEra, but still shows double-digit growth (+24%). If this pace is maintained, the "Net Zero Goal" objectives for 2050 will be achievable and even surpassed in the best case scenario.

The headwinds that have held back the expansion of solar power may be on the way to normalisation. Indeed, the rise in raw materials such as polysilicon during 2021 will have weighed on the profitability of projects and module prices. We are now seeing pressure on this raw material ease and a -4% decline in module prices in the first half of 2022, which could be the start of a sustainable trend to stimulate demand.

Government support does not stop at Europe's doorstep

At the same time, we saw the resurgence of a massive renewable energy investment plan, the Inflation Reduction Act. This bill was a watered down version of the previous "Build back better" initiative which had been hotly contested due to the highly inflationary situation in the US. The previous initiative aimed to invest a total of 550 billion, the amount was revised downwards and managed to reach the desk of President Biden who turned it into law.

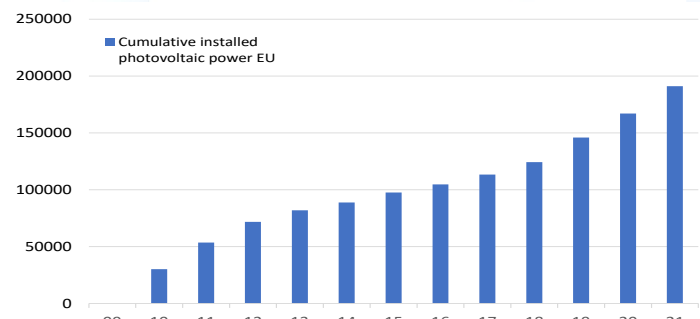
The new law is being welcomed with relief by the entire renewable energy industry. With this unprecedented level of support, the US should be able to reduce its greenhouse gas emissions by 2030 by -40% from 2005 levels, 14% more than previously announced. The Act includes direct investment in renewable energy production, tax credits for new wind, solar, bioenergy, traditional storage and hydrogen projects, and \$30 billion in loans to upgrade existing electricity infrastructure. In terms of electric vehicles, the law provides very significant tax credits ranging from \$4,000 to \$7,500 for the purchase of a new vehicle.

Evolution of solar shares / international shares



Sources: Bloomberg, BBGI Group SA

European photovoltaic installations (Megawatts)



Sources: Bloomberg, BBGI Group SA

Tax credits are still essential for the development of renewable energy. It is thanks to these tools that the sector has gradually become competitive and even cheaper than fossil fuels. A new round of tax credits should further stimulate demand and dispel any remaining doubts about the profitability of renewable infrastructure projects. The incorporation of projects into the existing grid still remains a major obstacle for the industry. Indeed, to meet its targets, the US needs to install an additional 100GW of solar and wind generation capacity per year until 2030. By comparison, they have only managed to bring 28 gigawatts online in 2021 despite strong growth. A huge number of projects are waiting and have applied for connection to the electricity grid, but most are faced with the insurmountable amount of transmission capacity upgrades required to connect to the grid.

New projects have to go through a lengthy impact assessment process to establish all the updates they need to undertake and list the equipment they will need. The amount of generation capacity locked up in this lengthy and costly process exceeds 1400 Gigawatts of which over 90% is renewable solar or wind. This is a very important aspect of project implementation that the Inflation Reduction Act can indirectly address through the Federal Energy Regulatory Commission, which should update these outdated processes to finally reduce the bottlenecks that are holding back the installation of new projects. In a context that is already favourable to renewable energies, which by the end of 2022 will account for almost 22% of the American energy mix, the development of solar installations in particular could increase from 10GW per year to almost 50GW in 2024 and reach 100GW per year by 2030.

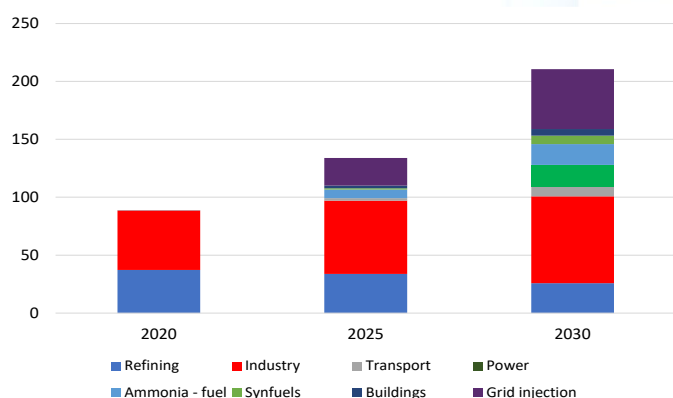
New opportunities across the Atlantic for green hydrogen

The Inflation Reduction Act discussed above also introduces the first hydrogen tax credits. These credits, which provide up to \$3 per kilo of green hydrogen produced, will make the renewable production of this gas immediately competitive with its hydrocarbon-based counterpart. Thanks to this new mechanism, we can see that hydrogen produced in the United States could be the cheapest in the world and fall below the dollar a kilo target imposed by the US Department of Energy and potentially even reach a negative cost of production. The new legislation includes two types of tax credits, production credits, which are based on the amount of hydrogen produced, and investment credits, which will be able to support a maximum of \$3, equivalent to about \$1.9, which could bring the cost of producing hydrogen down to about \$2 per kilo by next year. This dual incentive system could ultimately add about US\$13 billion in funding to the US hydrogen market in addition to the US\$9.5 billion in the latest legislative proposals passed in 2021. With this new initiative, the United States becomes the world leader in public hydrogen. Low-carbon hydrogen projects will be eligible for these credits if they start between 1st January 2023 and 31st December 2032, which leaves 10 years of operation for the fastest

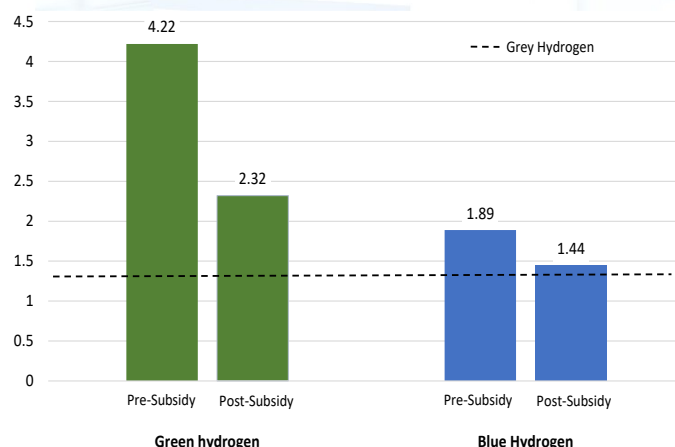
projects. The cost of producing green hydrogen is expected to fall naturally over the next decade as the technology improves and economies of scale are achieved through increased use, and this process, coupled with strong incentives, should enable the projects receiving the largest credits to reach parity by 2025.

Thanks to these very accommodating economic mechanisms, the US is taking the lead in global public funding of hydrogen. Both the Senate Finance Committee and the Congressional Budget Office have estimated that the programme will cost around \$13 billion over the decade of its operation, but the actual amount of hydrogen stimulated by these funds and the actual total cost remain variable. Indeed, the cleaner the hydrogen created, the more expensive it will be for the US government, and therefore the subsidies could be divided between a few more expensive projects. Depending on the funding, total hydrogen production could be between 1.2 and 6.4 million tonnes per year by 2031, but most projects will be aiming for the higher subsidy and so will be closer to the lower figure. A rather low level compared to the 10 million tonnes target set in Europe. At the same time, demand could eventually exceed the amount allocated by the government, with many large projects under development such as the Texas Hydrogen city which plans to produce 3 million tonnes per year on its own, which would represent a subsidy of 9 billion per year or 69% of the total budget and could eventually push up the government's bill. We will see over the next few years whether the American state, like certain European countries at the time, will suffer from the support measures for renewable energies that they have decided to promote, or whether they will firmly stay the course whatever the cost.

Hydrogen demand projection
(2020-2025-2030)



Impact of tax credits on the cost of hydrogen production
in the United States (2023)



Graph sources: Bloomberg/BearBull Group/S&P Global



Graph sources: Bloomberg/BearBull Group/S&P Global





BearBull

Global Investments Group

Information

Contact BearBull Group :

T : + 971 4 401 9161

E : info@bearbull.ae

BearBull Group
Gate Village 3, Level 1
Dubai International Financial Centre
PO. Box. 127676,
Dubai United Arab Emirates

www.bearbull.ae

BearBull Group Publication & Research Disclaimer BearBull Global Investments Group Limited ("BearBull Group") is a company registered in the Dubai International Financial Centre ("DIFC") and is regulated by the Dubai Financial Services Authority ("DFSA"). This communication is only intended for Market Counterparty or Professional Clients only and no other person should act upon it. The information and opinions contained herein have been prepared for information purposes only and do not constitute an offer to sell, or solicitation of an offer to purchase, any security, any commodity futures contract or commodity related product, any derivative product, or any trading strategy or service described herein. Opinions contained herein are subject to change without notice. This communication is not intended to represent Investments or professional advice and you should seek your own professional advice before making your Investments decision. Investors must undertake independent consultation, evaluation, and review with their own tax, legal, accounting, credit, trading, and regulatory experts and advisers as relates to their asset, liability, and risk management objectives and risk tolerance. BearBull Group and its affiliates make no guarantee, assurance, or representation whatsoever as to the expected or projected success, profitability, return, savings, performance, result, effect, consequence, or benefit (either legal, regulatory, tax, financial, accounting, or otherwise) of any security or any trading strategy or service described herein. No representation is made that any returns indicated will be achieved. Changes to the assumptions may have a material impact on any returns detailed. Reference to past performance in this communication is not a reliable indicator of future performance. All references to future figures in this communication are indicative only. Copyright BearBull Global Investments Group Limited (DIFC) © 2022

