



Investment Strategy

Q3 2024





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INTRODUCTION

Letter to Investors - Investment Climate

- Macroeconomic uncertainties and surprises mark the quarter
- Slowdown scenario replaces recession risks
- Further easing of inflation and interest rates likely
- Temporary decoupling of monetary policies
- A more favourable half-year for equities
- Positive outlook for financial assets

The 2nd quarter was marked by major uncertainties and surprises on the macroeconomic front, which shook up the financial markets quite considerably in April, before offering a little more serenity thereafter. The turnaround in investor sentiment and stock market sentiment at the start of the period was due to overly robust US economic statistics, which pushed back the date of the Fed's monetary policy pivot to December and thus dashed all hopes of rapid rate cuts in the 1st half of the year. The interruption of the downward trend in inflation and the resilience of the labour market completely altered expectations of rate cuts, despite disappointing GDP growth in Q1 (+1.3%), well below consensus expectations (+2.5%). The end of the quarter will finally be more positive, thanks in particular to new economic surprises showing a probable slowdown in activity in the USA and in the labour market. In Europe, the risks of recession were gradually dismissed in both the eurozone and the UK, giving way to a scenario of moderate slowdown followed by a probable recovery in the 2nd half of the year. But it was above all the inflation figures that offered the relief investors had been hoping for, revealing a further weakening in most industrialized countries. In the USA and Europe in particular, renewed hopes of future declines were finally supported by a more favourable trend in the services segment. Long seen as a brake on further inflationary decline, statistics over the past few months have finally suggested a reduction in price pressures in this important segment.

The last day of the quarter ended on a positive note for US inflation, which should once again increase the likelihood of key rate cuts in the medium term. Indeed, the Fed's preferred measure of core inflation (excluding housing and energy) slowed to just +0.08%/month and +2.6%/year, recording its slowest advance since 2020 and moving a little closer to the central bank's target of +2%. The end of the month thus suggests that the economy is moving in the right direction, with moderate growth, declining inflation and a more « normal » labour market. These elements tend to reinforce the sentiment that developed during the month, and which had enabled 10-year US Treasury yields to continue the easing phase initiated at the end of April. Expectations of the Fed's future monetary policy were not really affected in June, however, as future Fed funds have remained stable for the past two months at 5.25% (September) and 5% (December). In this environment, however, fixed-income markets still appear to be in a holding pattern, despite the slight easing observed in all regions over the past few weeks. The Federal Reserve's still intractable stance certainly has a lot to do with this, and is keeping investors from taking long positions in the bond markets.

The US central bank still seems reluctant to adjust its monetary policy, despite the growing flow of statistical data pointing to an economic slowdown. After having feared, probably excessively, that the US economy would not respond to rate hikes and tighter monetary

conditions, when employment and inflation statistics stabilized in April, the Fed now seems still trapped by its wait-and-see stance. And yet, having often stressed that its monetary policy would evolve according to published statistics (data-dependent policy), it now seems that it is still positioned on a « neutral » bias, even though signs of a slowdown are materializing more and more clearly. While economic data is surprising on the downside, and signs of weakening inflation are mounting, the Fed still doesn't seem ready for action.

The announced decoupling of monetary policies has now been consummated by this inaction and that of the BoE, while the SNB has already cut its key rates for the second time, and the ECB and BoC also made a change to a more accommodating policy in June, cutting their rates by 0.25%. The flow of statistics is already sufficient to note the slowdown underway, particularly if we consider that the lagging or sticky elements, which were holding back a further fall in inflation, are now slipping and contributing positively to the decline in inflation measures. The Fed and BoE should reassess their positions to adjust their policies, without waiting for a further deterioration, which could otherwise occur.

Against this backdrop, bond markets were further influenced by the absence of any clear statements from central bankers, who carefully avoided announcing any future looser monetary policies. With little conviction, fixed-income markets posted negative performances over the quarter (-1.1%) and sank into the red over six months (-3.16%). Securitized real estate followed the same trend, amplified by the risks posed by a possible recession, losing -2.34% over the same period and -3.83% since the start of the year. Equity markets remain the big winners of the quarter (+2.63%) and half-year (+11.75%), while commodities are consolidating (+0.65%) their six-month gains (+11.08%).

In terms of currencies, the predicted weakness of the franc mainly materialized in the 1st quarter, and was followed by volatility with no major effect on the level of the franc at the end of the period against the dollar (+6.82%), euro (+3.65%) and other major currencies during the half-year. We believe that the economic scenario of moderate slowdown and recovery in the second half of the year should continue to be accompanied by a downward cycle in key rates and interest rates, which will be favourable to financial assets in the second half of 2024.



Alain Freymond
Chairman
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BIG PICTURE

Main Convictions

- Inflation moves closer to central bank targets
- Convergence of new monetary policy easing cycles
- Economic resilience and moderate growth
- Still a favourable environment for financial markets

Inflation moves closer to central bank targets

During the first half of the year, inflation once again played a key role in determining the risk profile of financial markets. When consumer price indexes, particularly in the US, lost some of their downward momentum in the first quarter, sentiment in bond markets in particular rapidly deteriorated, with the rapid impact of a new upward trend in yields. The beginning of the year was marked by a return of uncertainty about the future prospects for inflation, calling into question the likelihood of inflation falling towards the Fed's targets. This pause in the decline of inflation also materialized in other regions, notably Europe and the UK, pushing yield curves upwards. More recently, inflation measures in the developed countries have once again shown some encouraging improvements, particularly in the service sectors, which had been expected to show signs of slowing, but which are finally beginning to materialize. Monthly inflation in the US in May proved better than expected, rising by just +0.006%. This is the 3rd consecutive monthly fall in the level of inflation, which is now clearly below the data that had worried the markets in February (+0.4%). The May figure thus sees inflation at its lowest monthly level since May 2020 (-0.1%). The services component, which was still making a negative contribution to the CPI in January with an increase of +0.4%, has steadily declined over the last four months, contributing just +0.134% in May. In this environment of observable cyclical slowdown, the Federal Reserve's preferred indicator, the PCE core index, continued to decline in May, falling to +2.56% year-on-year, while the overall PCE index also fell to +2.56%, both of which came closer to the central bank's +2% target.

In the eurozone, inflation stabilized between May and June, with small rises of only +0.2%. These positive developments are reassuring observers, who had been concerned by increases in excess of +0.5% in February, March and April. As a result, the consumer price index in the eurozone rose by +2.5% year-on-year in June, clearly suggesting a very clear stabilization of inflation since November 2023.

For more than two quarters now, overall inflation in the eurozone has been close to the ECB's +2% target. We expect inflation in the eurozone to ease further over the coming months, but at current levels, it is already in line with the ECB's inflation forecast for the year as a whole, which is now +2.5%. In the UK, inflation peaked at +11.1% in October 2022, one of the worst price trends in the industrialized world, but has since plummeted to the BoE's 2% target. Price deceleration is therefore back on track, supported by more positive developments in the services sector.

In our view, these new trends, which can be observed in most countries, should continue in the 2nd half of the year, bringing the various price indices a little closer to the targets set by central bankers. The slowdown in the services sector is becoming one of the main variables now underpinning the further decline in price indices.

Convergence of new monetary easing cycles

One of the main surprises of recent months has been the composition of the leading trio of central banks that had already set their monetary policies on the path to easing by June 30. In fact, the main players are not the ones we might have expected at the start of the year. At the time, the Federal Reserve was seen as the very first central bank to adjust its rate policy. It was even expected to make six key rate cuts by 2024, clearly leading the global movement in developed countries. It was then to be followed by the Bank of England and the ECB. Instead, a few months later, the situation is obviously very different. In fact, the SNB was the first central bank to adopt a more accommodating policy, cutting rates by -0.25% in March, followed by the ECB and BoC in June. The Fed's pivot has been progressively postponed by at least six months to December 2024, while the BoE's is no longer expected before the end of Q3. While most developed countries were at risk of recession at the start of the year, the outlook has now shifted towards more heterogeneous GDP and inflation growth trajectories. However, recent inflation trends in particular show a similar path in these countries, although still relatively different in terms of the closeness of observed inflation rates to central bank targets. Nevertheless, we should see a further convergence of price indices in the coming months.

The 2nd quarter was thus characterized by divergent policies, even though inflationary trends were pointing increasingly in the same direction. In Switzerland, the SNB observed the decline in price indices and their stabilization around +1% in order to implement its change of strategy. Over the next few months, despite the weakening franc and the potential risks of low imported inflation, the SNB is likely to remain well below its +2% target. It will therefore probably lower its key rates again in September by -0.25%. In the eurozone, the ECB President still seems intent on giving a cautious message, noting that after the first cut of -0.25% in June, the ECB will take time to assess the economic data and the opportunities for further key rate cuts in the months ahead, while reminding us that the next decline towards the +2% target could take time and not be reached until 2025. No ECB rate cut likely in July in our view, but this remains open for the September 12 session. In the UK, CPI slipped to just +2% in May, but inflation excluding food and energy continues to lag, still rising above +3.5%. The services component is falling, but still remains high (+5.7%). The current level of key rates in relation to CPI could still justify BoE action as early as August, but more likely during the September 19th session. Finally, the slightly more positive news from the US on the inflation front in the highly-observed services sector is undoubtedly one of the main factors supporting inflation figures over the coming months. In this case, we expect the Fed to begin its interest-rate normalization cycle by cutting rates in September, barring a positive surprise on July 31.

Economic resilience and moderate growth

The US economy is gradually slowing down after a first quarter that fell well short of expectations, and the second quarter should also see a reduced pace of +1.5% annualized, well below its historical average growth rate. In Europe, both the eurozone and the UK appear to have avoided a recession and have already returned to positive growth, albeit at a very modest pace. For the time being, the start of the 2nd half of the year also seems to be marked by still very uncertain leading indicators in most regions. Consumers are finally reacting to the pressure of high interest rates and adjusting their consumption levels in a climate of declining confidence, altered in particular by the fall in their real purchasing power. The trend in inflation expected in the 2nd half of the year, together with more constructive monetary policies, should eventually encourage a recovery in household demand, which is such an important component of GDP. Falling financing costs will also boost business investment and real estate in the US, as in other industrialized countries. In Europe and the UK, these same factors will enable a gradual recovery in economic momentum. The 2nd half of the year should therefore be slightly stronger than the previous one. Business cycles in the developed countries are likely to align better in the second half of the year, and will also support an expected recovery in China, Japan and, more broadly, the emerging countries. After too long fearing a recession in 2023 and early 2024, the cycle's trough has probably already been reached in the last few months, and positive but moderate growth seems once again to be the basic scenario for the 2nd half of the year.

Downward adjustment of yield curves

The current inversion of yield curves in both the United States and Europe is essentially due today to the high level of key rates, and consequently of the short end of the yield curves, totally linked to central banks' anti-inflation policies. The current success of these policies seems undeniable, but they have not yet fully achieved the desired objective, since inflation measures are sometimes close to, but not exactly above, the set target. However, most central banks will decide to ease their policies even before inflation falls to +2%, in a context characterized by the normalization of monetary policies from June 2024 at least in the eurozone, Canada and Switzerland. It should already be possible to lower the short end of the yield curves by around 25 bps in Switzerland and 50 bps in the eurozone and Canada over the next six months. The short end of the yield curves in the USA and the UK are still relatively high, and could therefore benefit from potentially higher declines in the short term, and perhaps more sustainable declines in 2025. But without a surprise return of inflation, the path seems clear.

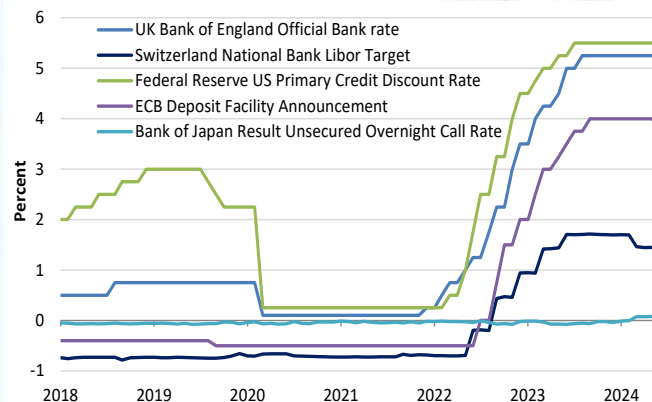
Assuming a single, arbitrary hypothesis of inflation rates finally approaching the central banks' targets in the more or less near future, and also simplifying and arbitrarily considering that key rates could then adjust in the same way in all the countries concerned, slightly above these inflation levels, i.e. to 2.5% for example, we would see a downward trend for US rates of 300 bps, 275 bps for UK rates, 225 bps for Canadian rates and 175 bps for European rates.

A similar theoretical and arbitrary normalization of yield curves from inverted to slightly positive slopes of around 50 bps between short rates and 10-year maturities would suggest significant declines for government bonds over the coming quarters, synonymous with substantial capital gains in many cases. Ten-year US Treasury yields could thus slip from 4.4% today to 3% (-140 bps), while the decline would be from 4.15% to 3% or -115 bps for UK rates, while we would even see a rise from 2.5% to 3% in rates in the Eurozone, with a negative impact in value terms. In the medium term, however, we believe that even the eurozone will benefit from the general easing of interest rates, temporarily returning to ten-year yields close to 2%.

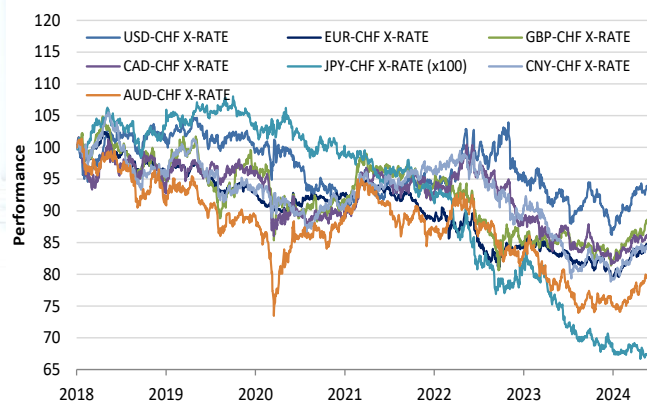
Still a favourable environment for financial markets

The economic scenario of a slowdown followed by moderate growth in the 2nd half of the year will be accompanied by positive statistics on the inflation front over the coming months. The expected policy normalization will have a positive impact on yield curves and financing costs. But above all, this context will have a positive impact on the valuation levels of financial assets, offering investors greater visibility in terms of the economic, stock market and financial outlook. This overall less uncertain context should sustain investor interest, particularly from those seeking opportunities to reinvest cash left over from short-term investment in the expectation of improved investment conditions. Capital markets will benefit from the downward trend in yields and the influx of new capital seeking capital gains opportunities, while securitized real estate should be one of the big winners in this phase of readjustment of prospects and risks, with equity markets also buoyed by improved earnings prospects. The environment for financial assets therefore seems to us to be improving for all asset classes, including commodities favoured by the expected economic recovery.

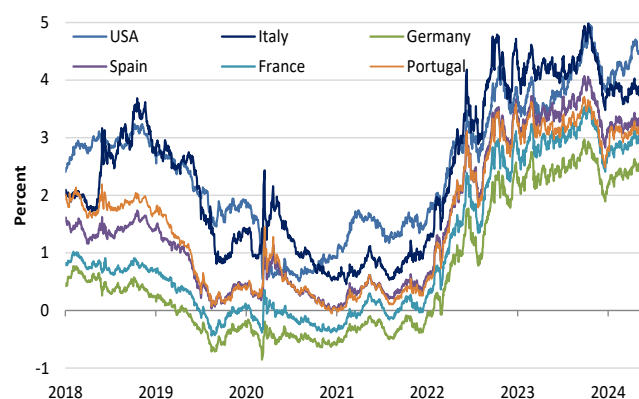
Key rates (EUR, CHF, GBP, USD, JPY)



7 main currencies against CHF (base 100)



10-year government rates





BUCHERER
FINE JEWELLERY

Designed with the modern woman in mind and handmade by masters of their craft in the brand's atelier in Switzerland, Bucherer Fine Jewellery has created Rock Diamonds. Not only is this new collection of jewellery testament to the brand's

savoir-faire in gem-setting, but even more so an ode to all the bold and fearless women out there. At the centre of each piece lies the collection's key distinguishing feature, the trapezoid cut diamond, bursting with self-confidence and strength.



MACROECONOMIC SCENARIO



MACROECONOMIC SCENARIO

Global Outlook

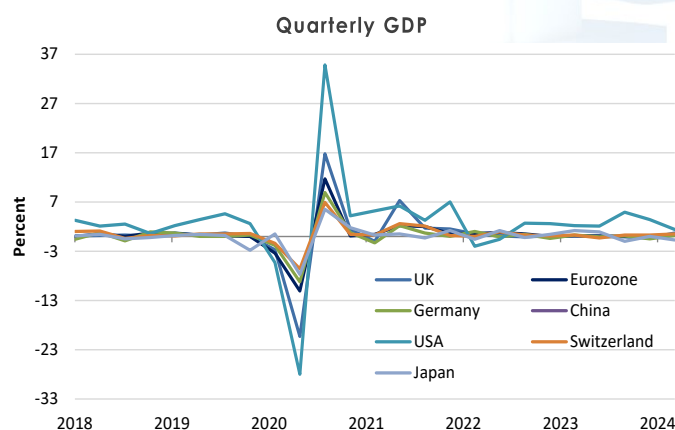
- Global growth revised slightly upwards
- US GDP slowing to between +1.5% and +2%
- Growth returns but at a slower pace in the euro zone
- Weak franc could boost Swiss economy
- United Kingdom returns to moderate positive growth
- Japanese economy may improve in Q3

Global growth revised slightly upwards

The 1st quarter of 2024 closed with higher-than-expected global GDP growth, significantly up on the year-end figure. The +3.6% growth in global value added at the end of March is indeed higher than the +3% result obtained at the end of 2023. Over the past few months, the resilience of the eurozone, the rebound in the UK, sustained but moderate growth in the USA, but above all exceptional momentum in India (+8.2%) and China (+5.3%), as well as in all emerging countries (+4.5%), have all contributed to this result.

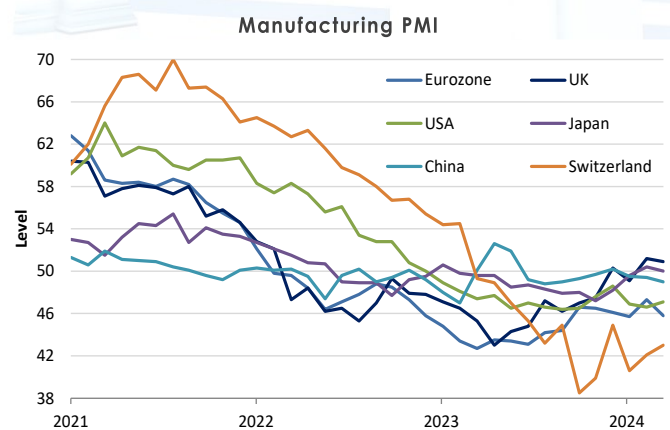
It now appears that the risks and expectations of a potential recession in the USA, as in various European countries, were overestimated at the end of 2023. The more encouraging inflation trends of recent months in most industrialized countries should help to improve consumer sentiment and real disposable income. Improved confidence may also be underpinned by the prospect of lower financing costs linked to the change in monetary policies already underway in Q2 in some countries, and which should also be implemented in Q3 in the UK and the USA.

In developed countries, however, leading indicators point to a slowdown in activity and a moderate level of growth, below the historical average. The contribution of India, China and emerging economies to global growth will therefore be more decisive. Weakness over the summer will undoubtedly be followed by a recovery at the end of the year. Global growth will remain slightly above +3% in 2024, before a new convergence of regional economic cycles allows for a greater joint recovery in 2025.



US GDP slowing to between +1.5% and +2%

At the start of the year, our central scenario favoured a gradual slowdown in the US economy, which is now well and truly materializing. After two years of increasingly restrictive monetary policy, the economy is finally showing signs of weakness. Twelve months of key interest rates frozen at 5.5%, and rising financing costs that have pushed mortgage rates to 7% and credit card rates to 24.8%, consumption and investment are finally slowing down. Recurrent jobless registrations reached their highest level since the end of 2021, capital goods orders were down in May, while the trade deficit reached \$100 billion. If indeed US monetary policy were to remain restrictive with rates unchanged for another six months, the risk of a sharper and potentially deeper economic slowdown would clearly be higher. Economic surprises have tended to be negative in recent months, partly due to weakness in the housing market suggesting that growth expectations may be too optimistic. As for the ISM indicators, the latest statistics for the services sector turned negative, with the ISM Services index dropping from 53.8 to 48.8. The already negative ISM employment indicator slipped further from 47.1 to 46.1 in June. The decline is fairly widespread, which clearly suggests that economic momentum is indeed slowing. Both current activity and the new orders component, down from 54.1 to 47.3 in a single month, are now contracting for the first time since 2020 and 2022. However, the PMI indices do not yet confirm this potential halt to US growth, and still show a relatively serene picture of upcoming activity. In fact, the overall PMI rose from 54.6 to 54.8, driven by the still high services PMI (55.3), despite a slightly lower manufacturing PMI at 51.6. The consumer confidence index slipped again in June, from 102 to 100.4, also suggesting a forthcoming slowdown in consumption. Growth forecasts for 2024 now range from +1.5% to +2% in the US, while the Federal Reserve expects a +2.1% rise for the year.



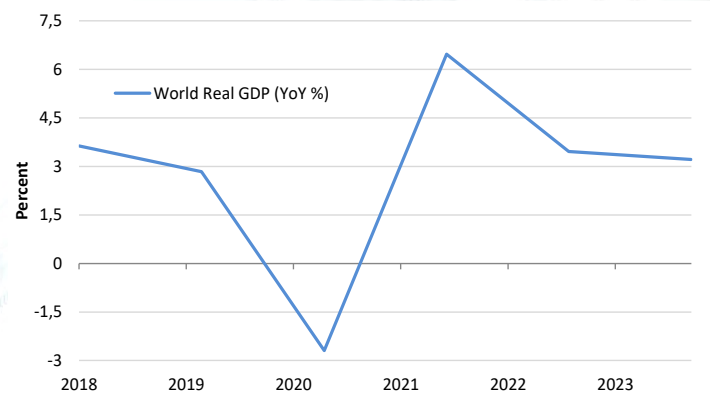
Growth returns but at a slower pace in the euro zone

The ECB's forecast for GDP growth in 2024 has been raised from +0.6% to +0.9%, which would rather imply a drop in momentum in the coming quarters compared with the result already recorded in Q1 2024. In our view, however, the European economy should benefit from a more rapid adjustment in inflation than expected by the consensus, and should also be supported by the introduction of a more accommodating monetary policy from June onwards. Lower inflation will continue to reduce pressure on households' real incomes, directly boosting their capacity to consume. Lower interest rates will also have an additional impact on household and business confidence, stimulating demand. Over the next few months, domestic demand should therefore strengthen through a recovery in private consumption and a revival in investment. Our central scenario for the second half of the year now favours an increase in consumption momentum, underpinning GDP growth of +0.3% per quarter until the end of the year. Over the year as a whole, real GDP in the eurozone could therefore stand at +1.1%. However, the start of Q2 already seems to have been a little weaker than expected in terms of industrial production, which slipped slightly by -0.1% and -3% year-on-year. That said, our recovery outlook is rather supported by a better performance in the services and consumer sectors, which should be sufficient to sustain the expected growth in the 2nd half of the year. The latest releases of PMI leading indicators for the month of June still point to economic weakness, still linked to difficult conditions in the manufacturing sector, whose PMI fell back to 45.8 in June, after recovering to 47.3 in May. The latter remains well below its growth threshold of 50, which it left in June 2022. Conditions are still rather different for the services sector, which is still above 50 and suggests a likely upturn in activity. The composite indicator stabilized in June at 50.9, suggesting that the eurozone economy is certainly in a phase of moderate, services-led economic recovery, but that the upturn remains fragile. Leading indicators in Germany show a relatively positive picture, with a composite index buoyed by the services sector and still dragged down by a still-delicate situation on the manufacturing side. Overall, the latest positive developments on the inflation and interest rate fronts will have a positive impact on household confidence, demand and leading indicators over the coming months.

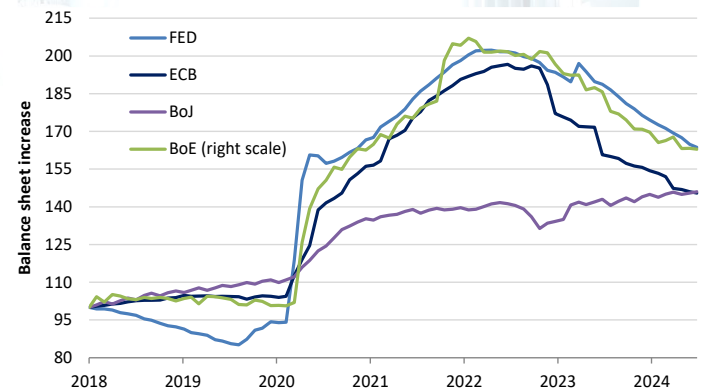
Weak franc could boost Swiss economy

Swiss GDP growth once again demonstrates the resilience of our national economy in a still very hesitant international environment. At the beginning of the year, the Swiss economy once again grew by around +0.6%/year, demonstrating the surprising regularity of the country's dynamic. At the end of the year, three-month growth had already reached +0.3%, so the slowdown in the United States and virtual stagnation in Europe did not really penalize our economy's performance at the start of the year. The GDP growth announced by SECO is in line with a below-average growth trend, but has been on the order of +0.3%/quarter for the past two years, with the exception of the temporary halt in June 2023, when it fell by -0.3%. At the start of the year, we felt that the Swiss economy was extremely weakened by the strength of the Swiss franc and the growing risk of a downturn in exports. Now, with the weakening seen in the 1st quarter, this variable should become more neutral. While the consensus forecast is for GDP growth of +1.2% in 2024, our forecasts are only slightly more optimistic (+1.3%), and depend in part on continued weakness in the Swiss franc and an international economic recovery in the second half of the year. However, the last few weeks have not confirmed these two elements, which for the time being point rather to a recovery in the Swiss franc and weakness in the global economy.

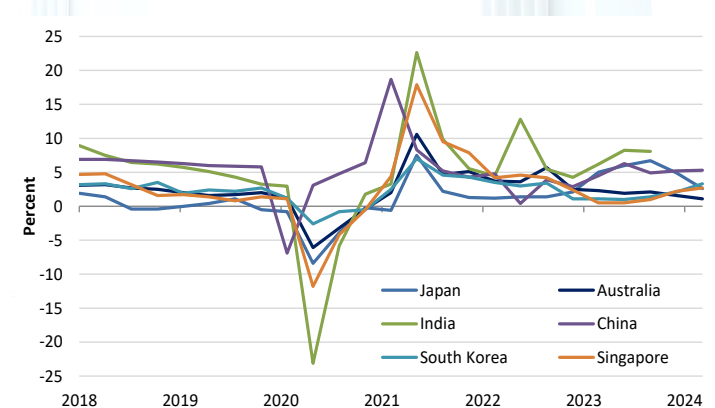
Real growth in the world economy



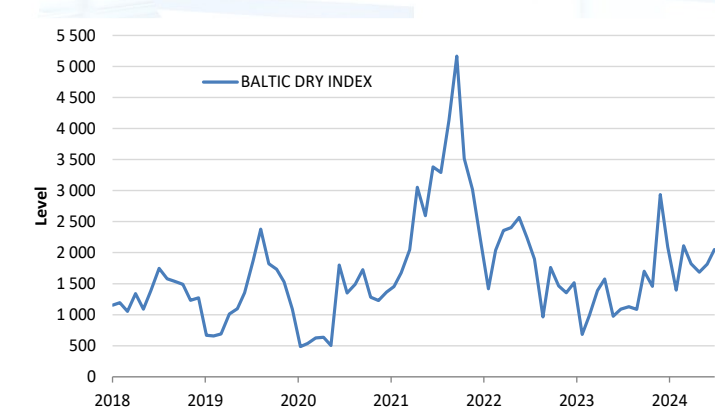
Global Liquidity



Growth rates of Asian economies (GDP)



Baltic Dry Index



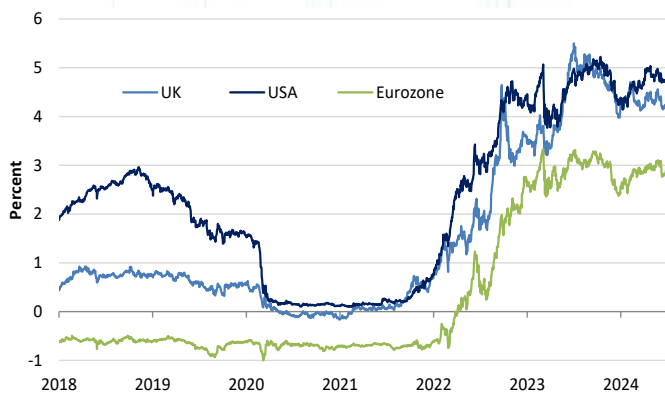
United Kingdom returns to moderate positive growth

Stronger-than-expected GDP growth in Q1 certainly marks the start of an economic recovery in the UK. This should be supported over the coming months by a slightly more favourable combination of factors, including a likely change in monetary policy by the BoE. That said, after such an upturn, economic momentum is likely to ease slightly in Q2, as already suggested in part by the stagnation of monthly GDP in April (0%), following a +0.4% rise in March. The production and construction segments recorded negative contributions, offset by the positive trend in services. The -1.4% fall in the manufacturing segment, as well as the negative trend in consumption, are partly due to exceptional weather conditions. The 2nd quarter will undoubtedly see growth, but the still high level of interest rates should continue to hold back any acceleration in economic activity before the summer. The recovery will undoubtedly be gradual and fragile, but it should be helped by encouraging developments on the inflation front. The CPI index fell below the BoE's 2% target in May, surprising many forecasters. Beyond Q2, the prospect of an interest rate cut by the BoE seems real to us, supported by the fall in consumer and producer price indices. We believe that the Monetary Policy Committee could already lower its key rates at its next meeting in August. The cycle of falling inflation may yet develop, bringing the CPI below +2% despite the BoE's forecast of an overall rise of +2.5% in 2024. For the year 2024, GDP growth is finally expected to be somewhat higher than our previous forecasts, reaching +0.8%. If inflation continues its downward trend, and if the BoE decides to change its monetary policy early enough, the 2nd half of the year should contribute to a further increase in today's estimated growth rate. In our view, the UK economy should grow by +0.4% this quarter, and record two further increases of +0.3% over the next two quarters.

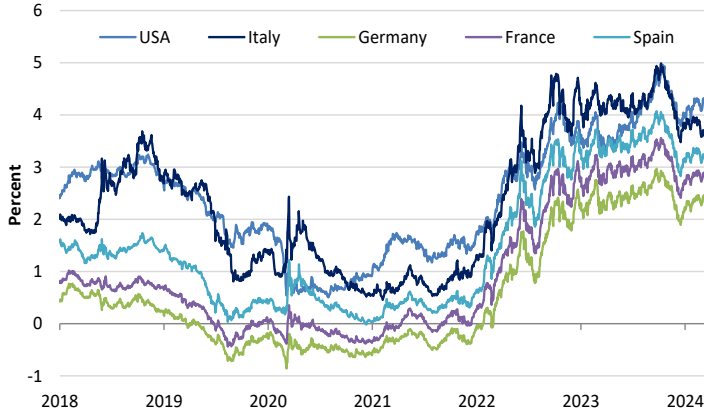
Japanese economy may improve in Q3

Japan's GDP remains more dependent than ever on international demand, while domestic consumption continues to struggle. The economy is undermined by sluggish household consumption and exports that are totally dependent on international trends. Household consumption remains negatively affected by resilient inflation, which is unlikely to fall rapidly in the current climate. The fall in the yen increases the risk of imported inflation, posing a problem for the central bank, which cannot effectively combat rising inflation by tightening its monetary policy, at the risk of plunging the economy further into recession. The decline in consumer purchasing power, resulting from the steady decline in disposable income and ongoing inflation, can therefore only be stabilized very gradually. Consumption is thus at half-mast and cannot be easily stimulated. Households have been using an increasing proportion of their income to maintain their consumption levels since the Covid crisis, as already suggested by the collapse of the quarterly savings ratio from 20% during Covid to -0.3% at the end of 2023. By 2024, on average, Japanese households are no longer in a position to save. This extreme situation has only occurred once before during the 2013-2014 period, underlining the extreme gravity of the situation facing Japanese households. The same applies to the situation of companies, which are very reluctant to make new investments. More than ever, Japan seems to need an upturn in global demand, and in particular an economic revival in China, to counter the downturn in domestic demand. This change in the Chinese dynamic is struggling to materialize, despite the economic support measures taken by the Chinese government. Global demand is slowing, while some European countries are struggling to avoid falling into recession. We do not foresee a strong potential recovery in international demand and domestic consumption in the short term. Growth in Q2 is therefore likely to remain weak, but could still turn out to be very slightly positive.

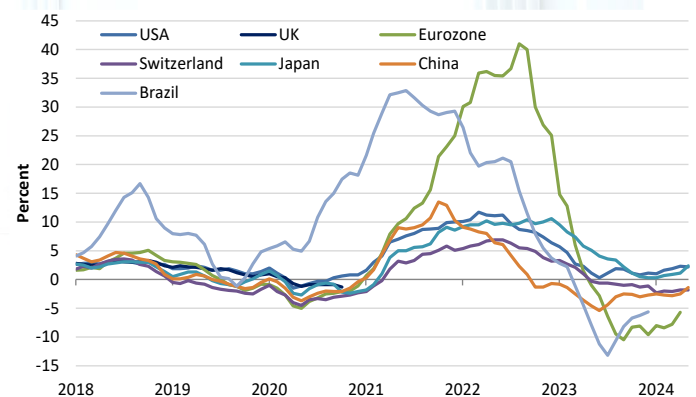
2-year government rates



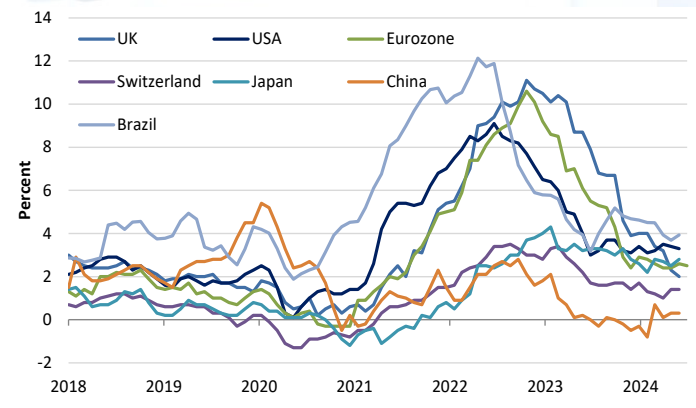
10-year government rates



Inflation - CPI Indices



Inflation - PPI Indices



MACROECONOMIC SCENARIO

United States

- US economy loses momentum
- Economic slowdown takes shape in Q2
- ISM leading indicators turn downward
- Falling tensions in the job market
- Is the Federal Reserve behind the curve again?

US economy loses momentum

GDP The 1st publication at the end of April of economic growth for the 1st quarter of 2024 was a major disappointment, coming in at +1.6%, well below the +2.5% expected by forecasters. Momentum in the final quarter of 2023 was unable to sustain itself, falling sharply from the +3.4% recorded at the time. The end-of-May growth revision even showed a weaker evolution of just +1.3%/year. The exceptionally intense monetary tightening cycle, the general acceleration in interest rate rises and the rise in financing costs for all economic agents, finally seem to have had an impact at the start of the year on the resilience of the US economy. Fixed investment, up +0.9%, made the strongest contribution to growth in the quarter, closely followed by household consumption (+0.98%) and government spending (+0.31%). Net exports pulled GDP down by -0.65%, while inventories fell by -0.42%. Two of the five segments therefore contributed negatively to GDP for the first time since September 2022.

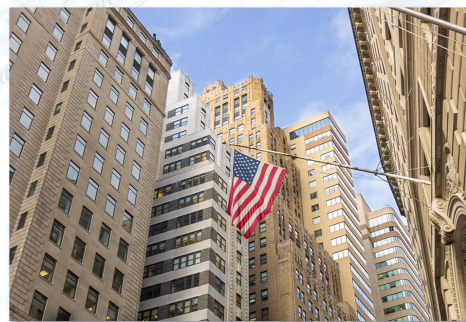
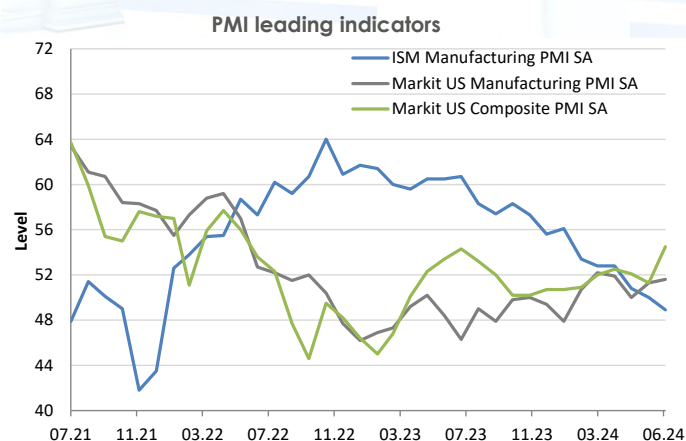
The US economy thus started the year on a less solid note than expected, and in an inflationary environment that was a little more marked than hoped. In a way, however, April crystallized expectations of sustained growth strong enough to prevent inflation from declining, even at the risk of seeing a revival in price rises that would prompt the Federal Reserve to raise its key rates once again. A few weeks later, this scenario seems to have been ruled out by the numerous economic data, which increasingly suggest a slowdown in US growth in Q2. The downward revision of personal spending and retail sales, a labour market that is finally a little weaker, and a less dynamic situation in the real estate segment, all point to the economy operating at a slower pace. The first half of the year will therefore certainly be much weaker than the previous one. After two years of progressively more restrictive monetary policy, the economy is finally showing signs of weakness.



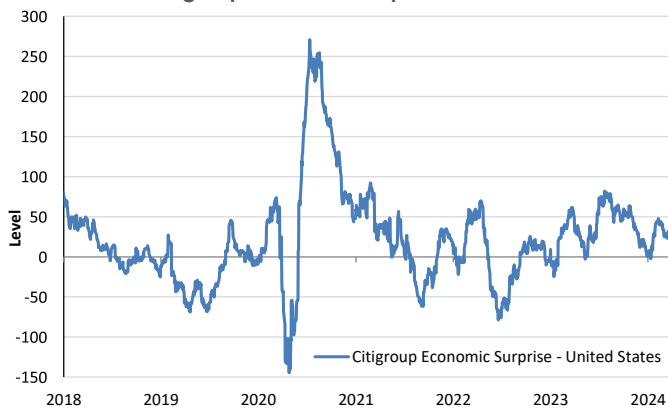
Twelve months of key rates frozen at 5.5%, and a rise in financing costs that has taken mortgage rates to 7% and credit card rates to 24.8%, consumption and investment are finally slowing down. Recurrent jobless registrations reached their highest level since the end of 2021, capital goods orders were down in May, while the trade deficit reached \$100 billion.

Economic slowdown takes shape in Q2

At the start of the year, our central scenario was for a gradual slowdown in the US economy, which is now well underway. While the ECB and SNB have already made their first rate cuts, the consensus forecasters still believe that the US will not make its first rate cut until December. If indeed US monetary policy were to remain restrictive with rates unchanged for another six months, the risk of a sharper and potentially deeper economic slowdown would clearly be higher. After nine months of stabilization at around 1,800,000 continuous jobless claims, the last two months have seen a jump of +3%. Household consumption also reacted logically by halving its monthly growth level between March (+0.6672%) and May (0.248%), despite a +0.5% rise in personal income. As far as consumer confidence is concerned, the continuing high cost of financing in a context of high household indebtedness is certainly weighing on their morale. Since 2022, growth in consumer credit has been on a downward trend, with no sign of a turnaround. After rising by 42 billion in June 2022, the two-year contraction has been extraordinary. Credit growth in April now represents only around 15% of this amount (6.4 billion). American households initially resisted the rise in interest rates and inflation by resorting to savings to maintain their purchasing power and consumption, before resorting more extensively to credit, until it became unbearable.



Citigroup economic surprise index USA



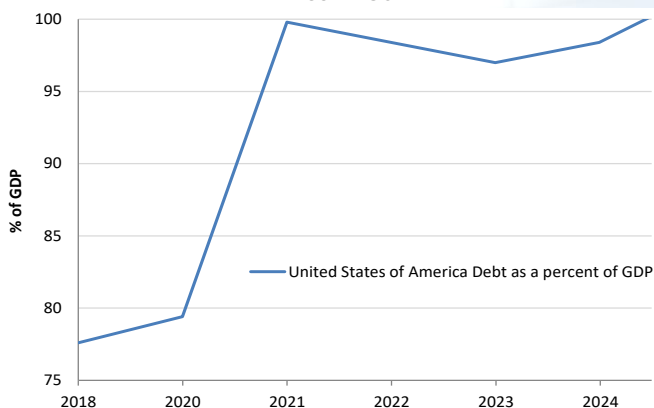
Credit card balances fell for the first time in three years, reflecting the fact that households are now obliged to control their credit card balances because of high interest rates. In addition, payment defaults have normalized after reaching historically low levels, suggesting a possible return to above-average default ratios. We believe that this phenomenon could last and intensify, at the risk of penalizing household consumption over the coming months.

ISM leading indicators turn downward

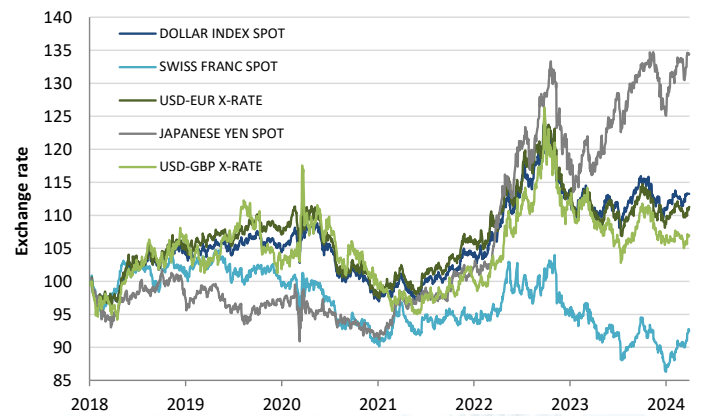
Economic surprises have tended to be negative in recent months, partly due to weakness in the housing market, suggesting that growth expectations may be too optimistic. In terms of ISM indicators, the latest statistics for the services sector turned negative, with the ISM Services index dropping from 53.8 to 48.8. The already negative ISM employment indicator slipped further from 47.1 to 46.1 in June.

The decline is fairly widespread across the segments, despite the start of the summer season, clearly suggesting that economic momentum is indeed slowing. The overall index is in contraction, which is a relatively rare occurrence in the history of this indicator. Both current economic activity and the new orders component, down from 54.1 to 47.3 in a single month, are now in contraction for the first time since 2020 and 2022. However, the PMI indices do not yet confirm this potential halt to US growth, and still show a relatively serene picture of upcoming activity. The overall PMI even rose from 54.6 to 54.8, driven by the still high services PMI (55.3), despite a slightly lower manufacturing PMI at 51.6. The consumer confidence index has been falling since February, and slipped again in June from 102 to 100.4, also suggesting an imminent slowdown in pessimistic consumption.

USA Debt



Dollar trade-weighted index and currencies



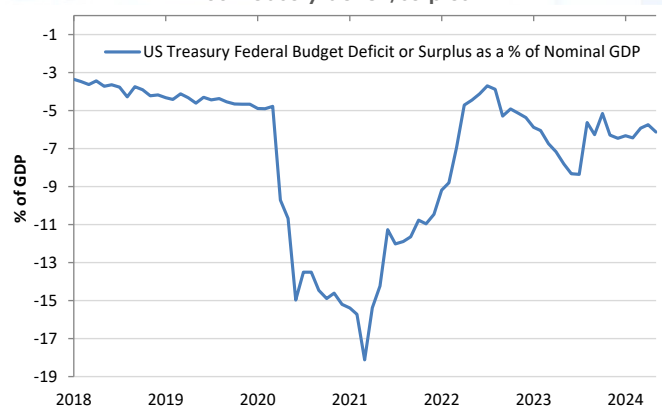
Falling tensions in the job market

After several months of lower jobless claims around the 200,000 mark, June once again saw higher claims, closer to 235,000 per week. This trend can also be observed in the job creation statistics (ADP), which have once again taken a downward path over the last four months, gradually slipping from around 200,000 new jobs to just 150,000 in June. Forthcoming Department of Labour releases should also show a decline in non-agricultural hiring from 272,000 in May to around 180,000 in June. Year-on-year redundancy announcements also rose by +19.8% in June, certainly indicating a easing of tensions in the labour market. JOLTS job vacancies are well below their recent average, at 8.14 million, still on a downward trend. Wage growth is expected to decline slightly to below +4% in June. Overall, the job market, which has long been a source of concern for the Federal Reserve, should gradually reassure members of the Monetary Policy Committee and support a forthcoming policy pivot.

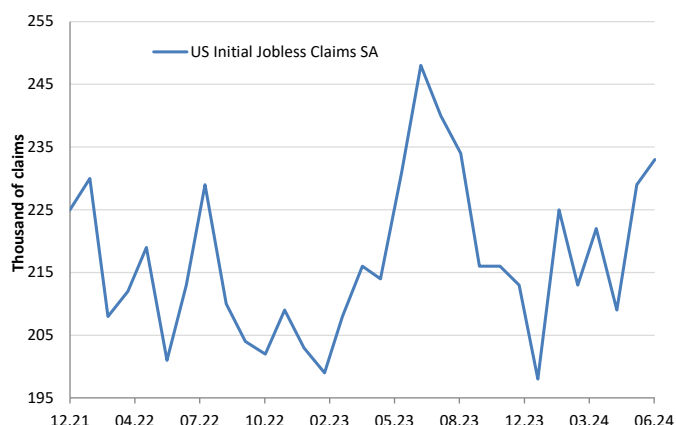
Is the Federal Reserve behind the curve again?

The US central bank still seems reluctant to adjust its monetary policy, despite the growing flow of statistical data pointing to an economic slowdown. After having feared, probably excessively, that the US economy would not respond to rate hikes and tighter monetary conditions, when employment and inflation statistics stabilized in April, the Fed now seems still trapped by its wait-and-see stance. And yet, having often stressed that its monetary policy would evolve in line with published statistics (data dependent policy), it now seems that it is still positioned on a "neutral" bias, even though signs of a slowdown are materializing ever more clearly.

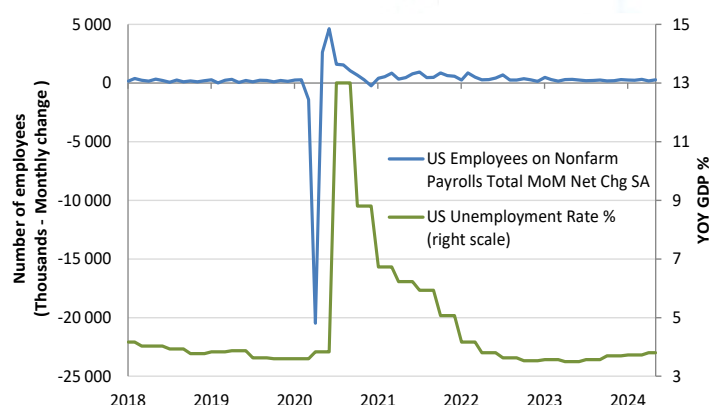
US Treasury deficit/surplus



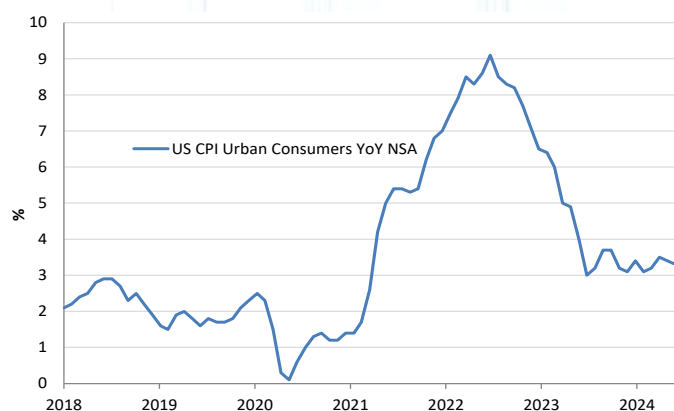
Unemployment benefits in thousands of claims



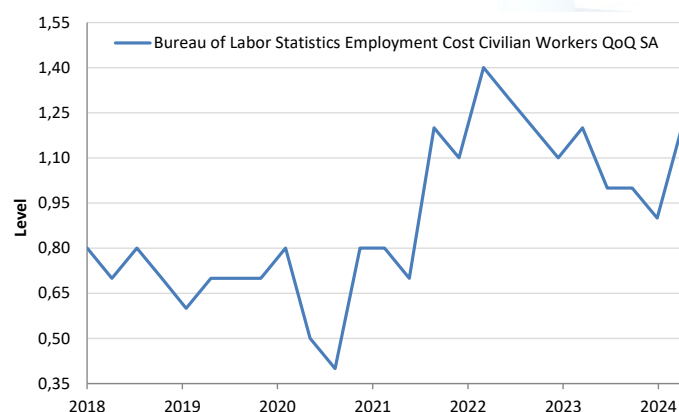
Job creation outside the agricultural sector (net mens. var.)



Annual inflation rate USA 2018-2024



Employment cost index



Even though economic data is surprisingly on the downside, and inflation is showing increasing signs of weakening, the Fed does not seem ready to act. According to the forecasts of the members of the Monetary Policy Committee, the implicit target fed funds rate for the end of 2024 is still 5.125% and 4% for the end of 2025. Today's market rate for December 2024 is slightly below 4.96%. It is still 5.24% for September fed funds. Today's effective fed funds rate is 5.33%. Based on the June dot plots, we can therefore assume that Federal Reserve policy-makers are planning just one rate cut between now and the end of the year. This is likely to come late in December.

Inflation nears Fed target

Monthly inflation for May proved better than expected, rising by just +0.006%. This is now the 3rd consecutive monthly decline in the level of inflation, which is now clearly below the data that had worried the markets in February (+0.4%). The May figure thus sees inflation at its lowest monthly level since May 2020 (-0.1%). Year-on-year CPI thus fell to +3.3%, or +3.4% for the index excluding food and energy. The services component, which was still making a negative contribution to the CPI in January with an increase of +0.4%, has steadily declined over the last four months, contributing just +0.134% in May. In this environment of observable cyclical slowdown, the Federal Reserve's preferred indicator, the PCE core index, continued to decline in May, falling to +2.56% year-on-year, while the overall PCE index also fell to +2.56%, both of which came closer to the central bank's +2% target.

Favourable environment for USD bonds

The ongoing economic slowdown in the USA and the positive trend in inflation are now creating the positive conditions for the Federal Reserve to intervene sooner than the consensus would have us believe. In the end, bond markets have only recently begun to take slightly more notice of the growing risks of a downturn in economic activity. At the end of April, general sentiment still favoured the prospect of uncontrolled inflation, which could even, if it persisted, provoke a further tightening of monetary policy. Uncertainty on this front and the Federal Reserve's extremely cautious comments had combined to maintain a climate of uncertainty in the capital markets. From the extreme optimism seen in December, when six rate cuts were expected by 2024, the consensus has now shifted to what we believe is an extremely pessimistic stance. The rebound in ten-year yields from 3.8% at the end of December pushed US Treasury yields to 4.7% in April and 4.61% again at the end of May. It seems that investors remain particularly indecisive despite the stream of negative economic surprises, since at the end of June, ten-year yields were still at 4.4%. The US central bank will have to adjust its stance and, in our view, will not wait until December to lower its key rates for the first time. The summer should bring a little more clarity on the health of the economy and consumers, but also on the likely date of the Fed's next pivot.

We believe that, in a weaker economic context and with inflation heading towards +2%, long rates could once again touch the 3.8% threshold, already reached in December. As a result, current interest rate levels present opportunities in both the investment-grade corporate segment and the high-yield sector.

Investors will continue to favour USD assets

The trade-weighted dollar's correlation with the trend in long rates should be a negative factor for the greenback in the context of the expected economic slowdown and rate cuts. The Fed's next pivot could be seen as an element weakening the dollar, but the rate-cutting cycles initiated by other central banks should in fact have similar effects on the rates of other currencies, with the result that yield differentials will be maintained. The convergence of monetary policy changes in Europe and the USA, and a simultaneous decline in inflation, will therefore probably reduce exchange rate volatility in the 2nd half of the year. Yield differentials are likely to remain relatively stable between the main currencies, while inflation differentials are more likely to contract.

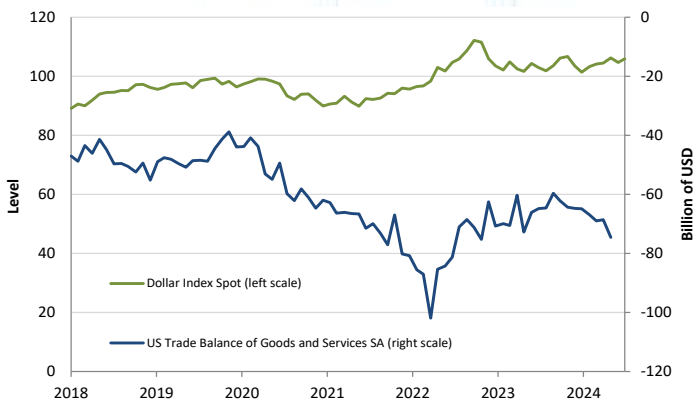
Against this backdrop, the growth differential could be enough to boost investor interest in US investment opportunities and assets, but it will certainly be the prospects of capital gains in US bonds and equities that will sustain strong demand for dollars. A general appreciation of the dollar therefore still seems likely, particularly against the Swiss franc, which has been partly released by the Swiss National Bank in its new phase of monetary policy.

Overall positive environment for equities

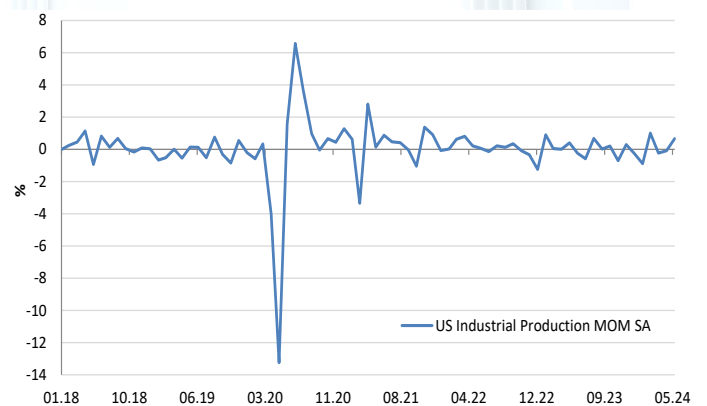
Since the peak of long rates at 5%, the S&P500 index had risen by +28% before the April correction, and then resumed a positive trajectory, rising by almost +35% by the end of June. Despite volatility in the bond segment and significant rebounds in interest rates, US equities performed exceptionally well, strongly influenced by the seven major Nasdaq stocks.

Our positive expectations for equities at the start of the year have thus come true, as have those concerning the superior prospects of growth stocks (+26.7%), which actually outperformed the S&P value index (+5.5%) during the 1st half of the year. As a result, US equity valuations for 2024 and 2025 are now at historically high levels, with PEs of 22x and 20x. We believe that the upside potential of US equities is still significant, but valuation levels still call for a degree of caution.

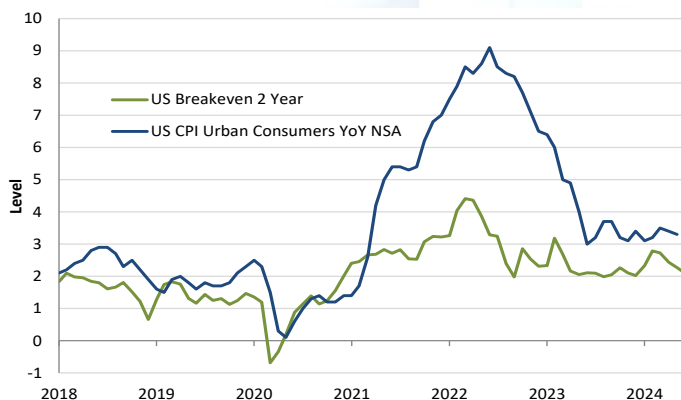
Trade Balance - Trade-weighted US



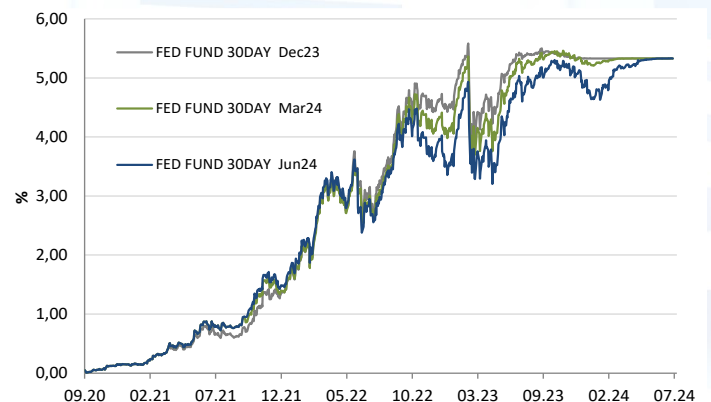
Industrial production - USA



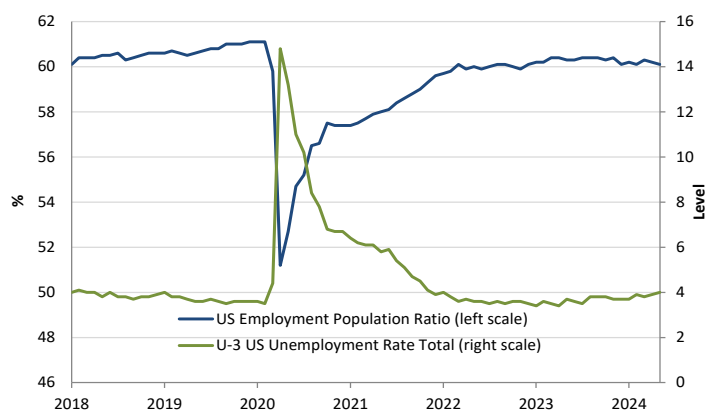
Expected inflation and CPI - USA



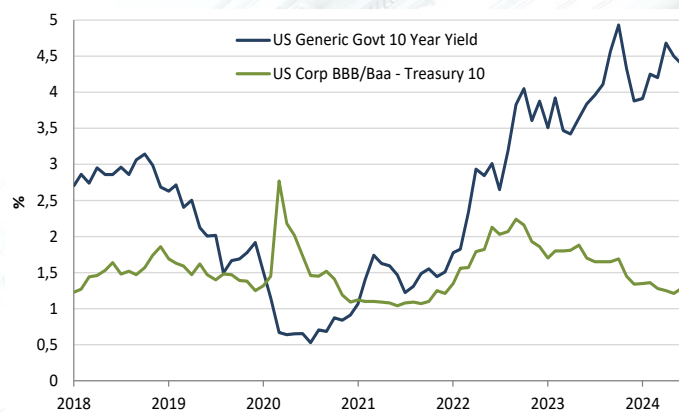
Fed Funds Futures



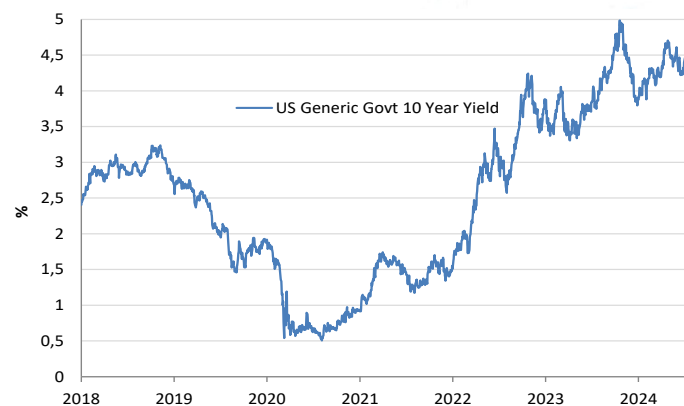
Unemployment and employment rates



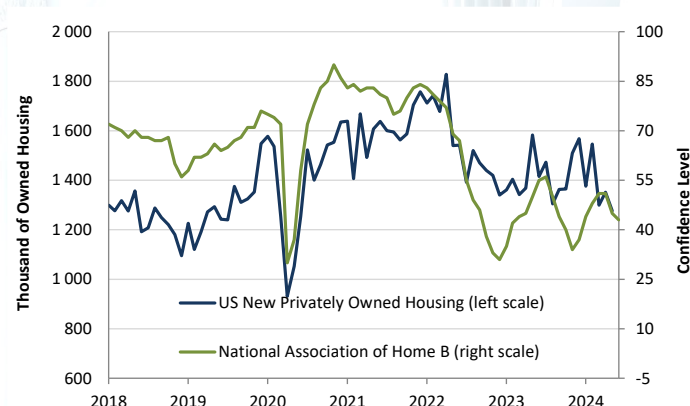
US Treasury-BBB 10-year yield spread



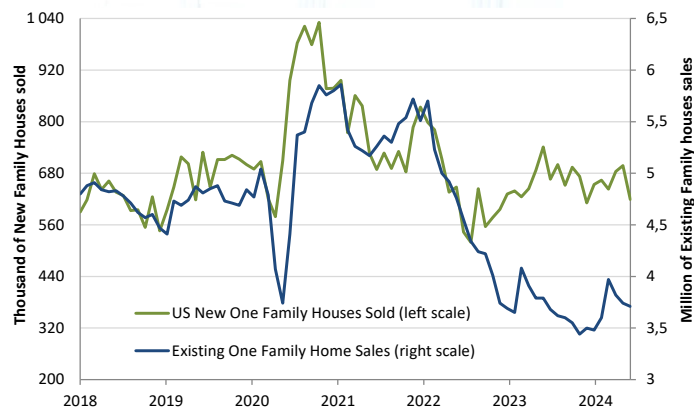
Interest rates on 10-year US Treasury bonds



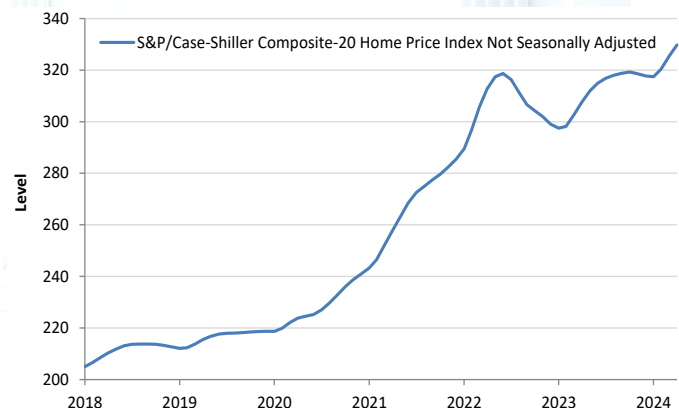
New homes and NAHB USA



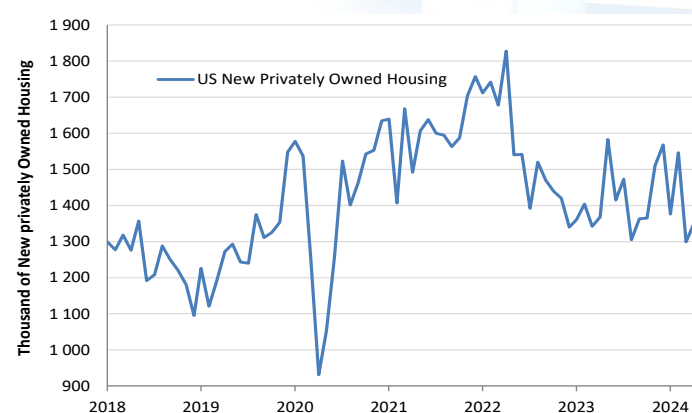
Sales of new and existing homes



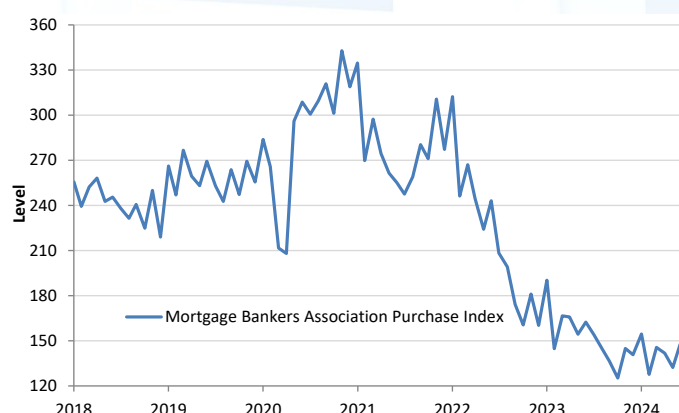
Property prices S&P Case-Shiller index



New housing starts



New MBA funding applications



MACROECONOMIC SCENARIO

Switzerland

- Swiss economy stalls
- Swiss exports plunge
- More worrying leading indicators
- Inflation stumbles over the +1% threshold for the time being

Swiss economy stalls

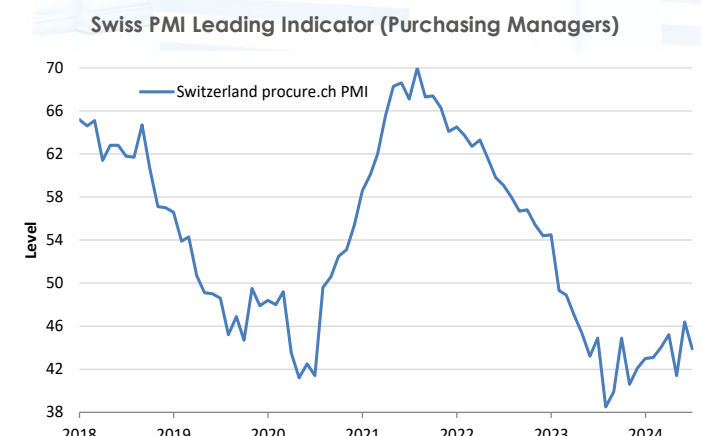
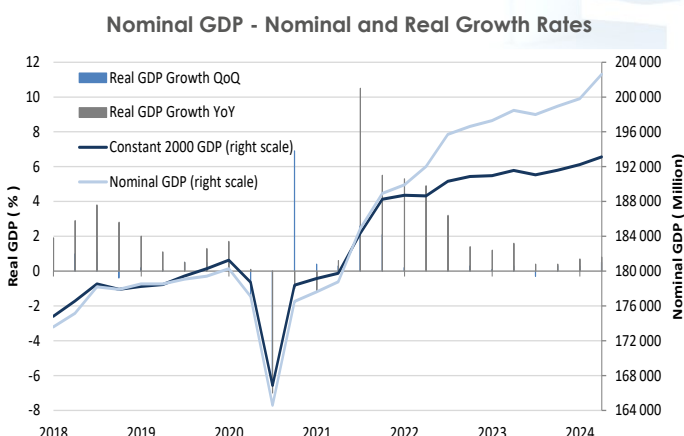
Swiss GDP growth figures for the 1st quarter have just been published, showing once again the resilience of our national economy in a still very hesitant international environment. At the start of the year, the Swiss economy once again grew by around +0.6%/year, demonstrating the astonishing regularity of the country's dynamic. At the end of the year, three-month growth had already reached +0.3%, so the slowdown in the USA and virtual stagnation in Europe did not really penalize our economy's performance at the start of the year. It's true that the GDP growth announced by SECO is in line with a below-average growth trend, but it has been on the order of +0.3%/quarter for the past two years, with the exception of the temporary halt in June 2023, when it fell by -0.3%. The Swiss economy has thus been able to maintain its pace of growth, even though the manufacturing sector seemed to be suffering logically from the strength of the franc. The restrictive monetary policy pursued by the SNB had largely benefited the franc at the end of 2023, certainly making it more difficult for certain sectors to adapt to this factor, even as domestic and international demand seemed to be slowing. Swiss GDP grew by +1.3% in 2023, but the results for the 1st quarter suggest that 2024 will undoubtedly be more difficult. Since the 2nd quarter of 2020, at the height of the Covid crisis, Switzerland has remained on an upward trend, recording only one quarter of decline in June 2023. That said, Swiss momentum remains penalized by declining global demand and an excessively strong Swiss franc until early 2024.

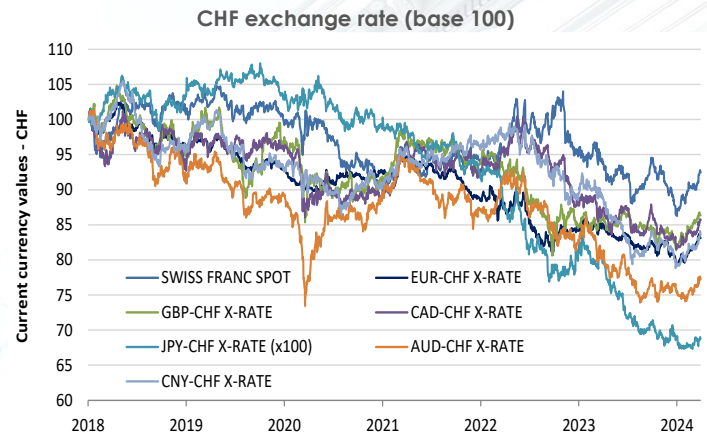
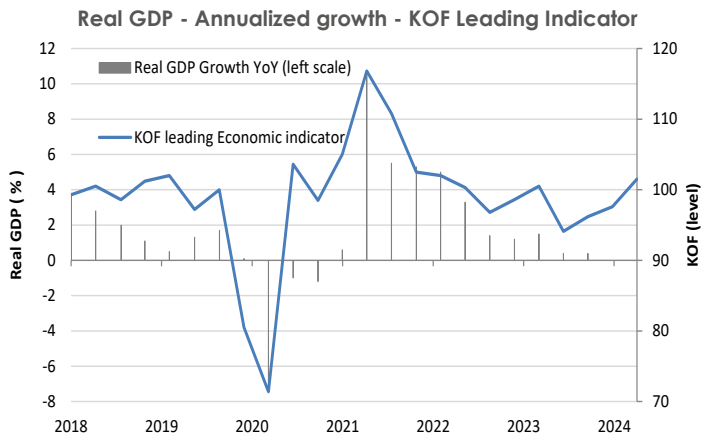
The manufacturing sector is still heavily affected, but recently seems to be recovering a little and benefiting from Q1 developments on the exchange rate and interest rate fronts. The service sector seems to be doing better from a relative point of view, as is household consumption. In the manufacturing segment, value creation fell slightly in the 1st quarter (-0.2%), mainly under pressure from the chemicals and

pharmaceuticals sector (-0.9%), which continued the slight downturn already seen in recent quarters. In the other industrial sectors, value added remained broadly stable. The construction sector recorded a slight improvement (+0.3%), thanks to higher sales in the building and civil engineering sector; the trend in construction investment was slightly less favourable (-0.2%). The energy sector (+2.1%) was the only industrial branch to record solid growth; energy exports also increased.

Overall, value creation stagnated in the industrial sector, and the outlook for the 2nd quarter does not appear to show any reversal of this trend. The service sector, on the other hand, fared better and strongly supported GDP growth in the 1st quarter, albeit with some heterogeneity between branches. Financial services (-0.2%) showed a slight decline, which was also observed in business services (-0.3%). The transport and communications sector remained unchanged, while freight transport in particular grew moderately due to the sluggish momentum of industry.

Value creation was close to its historical average in the hotel and catering (+1.3%), health and social (+0.8%) and public administration (+0.2%) sectors. Meanwhile it was above average in retail (+1.4%), contributing to the positive trend in trade as a whole (+1.3%). Echoing the growth in retail trade, private consumption showed robust growth (+0.4%), driven in particular by spending on food and non-food products, as well as on housing and health. Government consumption expenditure also rose slightly (+0.2%). Finally, final domestic demand (+0.4%) benefited from the positive impetus provided by capital goods investment (+0.8%), which returned to growth after three negative quarters. Investment was particularly strong in vehicles, IT and R&D. Growth in domestic demand also led to a significant rise in imports (+2.0%) of goods and services in the 1st quarter. Exports of goods (-3.3%), on the other hand, declined, mainly due to the negative trend

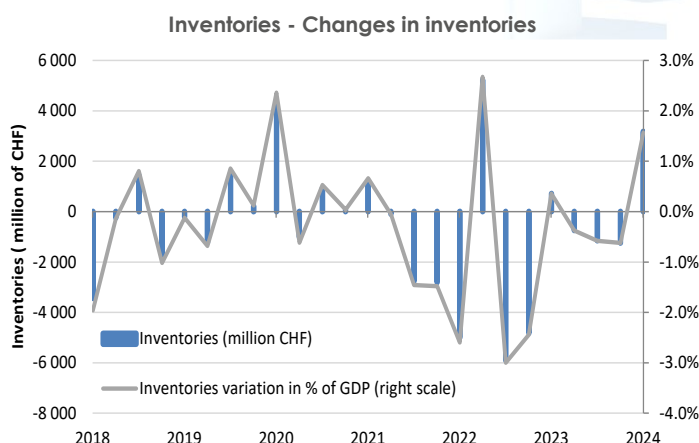




Overall, foreign trade made a negative contribution to GDP growth. This was hardly surprising, given the particularly strong 4th quarter for the Swiss franc, up +8.07% against the US dollar and +4% against the euro. Against this particularly difficult backdrop for Swiss exporters, the economy performed well. At the start of the year, we felt that the Swiss economy was extremely weakened by the strength of the franc and the growing risk of a downturn in exports. Now, with the weakening seen in the 1st quarter, this variable should become more neutral. While the consensus forecast is for GDP growth of +1.2% in 2024, our forecasts are scarcely more optimistic (+1.3%), and depend in part on a continuation of the franc's weakness and on an international economic recovery in the second half of the year. However, recent weeks have failed to confirm these two factors, which for the time being point to a recovery in the Swiss franc and weakness in the global economy.

Swiss exports plunge

The franc had, fortunately, weakened in Q1 2024 after a particularly strong end to the year for the Swiss currency. In 2023, the trade-weighted Swiss franc had appreciated by +7.2% for the sixth year running, with the correction of around +8% against the dollar and +4% against the euro in Q1 restoring some balance. In recent weeks, despite the SNB's 1st rate cut, the franc has recovered slightly and will end Q2 with a modest rise. For the time being, these developments are insufficient to improve the competitiveness of Swiss industry. The foreign trade situation is feeling the pinch, with Swiss exports falling back in May by -3.5%, after having risen by +7% in April following the fall in the franc. The export sector is therefore struggling, as shown by international watch sales, which again fell by -2.2% in May. At the same time, imports recorded their sharpest contraction (-4.3%) since December 2020. The sharper fall in imports augurs well for the balance of trade result at the start of the year.

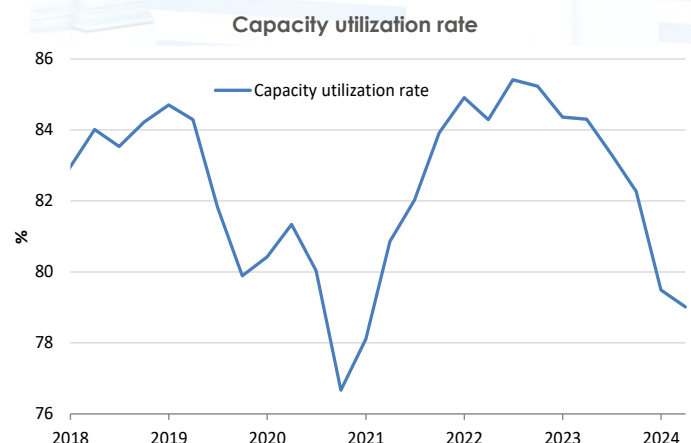


More worrying leading indicators

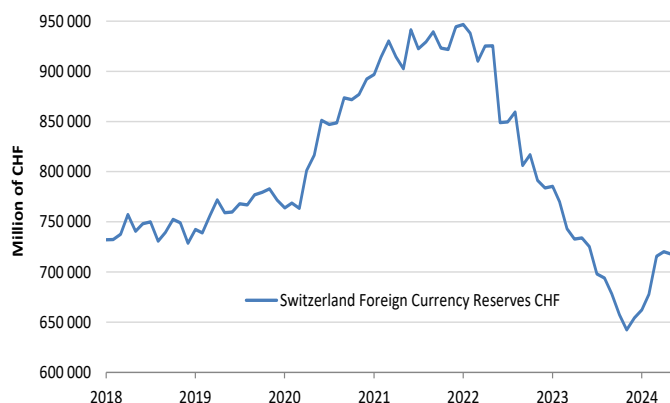
The leading indicators published for June show a further worrying deterioration in the services sector, while the manufacturing sector, which has already been struggling for some time, appears to be stabilizing slightly. Although this indicator is still not in a position to rise above the growth threshold of 50. The situation in industry remains problematic, but the deterioration in conditions in services is worrying and partly confirmed by a very low consumer confidence indicator. Finally, industrial production plunged back into negative territory at the start of the year, posting its worst quarterly performance (-3.5%) since Q3 2020. And yet, against this rather gloomy backdrop, retail sales advanced by +2.7%, posting their best increase since February 2022.

Inflation stumbles over the +1% threshold for the time being

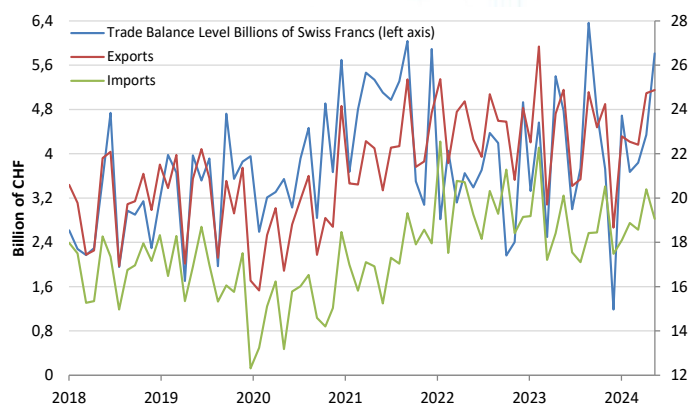
Swiss inflation rebounded slightly in April (+1.4%) from its lowest annual rise in March (+1%). In our opinion, the trend has not changed, but has stagnated at this level for the past two months, with another small monthly rise of +0.3% in April, while core inflation remains well under control at +1.2%/year. These latest developments do not call into question the trend announced for July 2022 of a new, much more moderate inflation regime, which should rapidly bring inflation down to a reasonable level in our country. At the time, we were suggesting that a new regime would be put in place as early as the 2nd half of 2022, which would be significantly lower than the one that had prevailed over the first six months. We also suggested that price rises could be limited to +2.2%/year by June 2023, if our expectations of an average decline of around +0.2%/month were maintained for long enough. Since June 2023, and thus for almost four quarters, inflation has been below the SNB's 2% target. Inflation in Switzerland is following a favourable path, thanks in particular to the franc's resilience. Indeed, we see a correlation between a stronger franc and lower imported inflation.



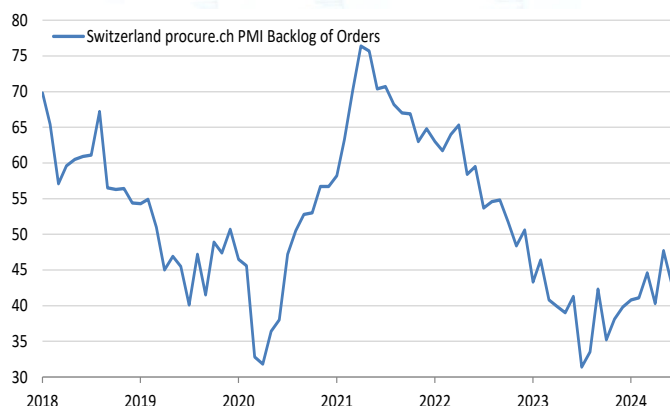
SNB foreign exchange reserves



Balance of trade



Order book



below the SNB's 2% target. Inflation in Switzerland is following a favourable path, thanks in particular to the franc's resilience. Indeed, we see a correlation between a stronger franc and lower imported inflation.

The SNB lowered its key interest rates for the 2nd time in June, and remains the most active of the major central banks in managing inflation and growth risks. The SNB is no longer seeking to control prices through a strong franc, so it accepts a weak franc at the start of 2024, but does not want our currency to depreciate too quickly either.

SNB cuts rates on schedule

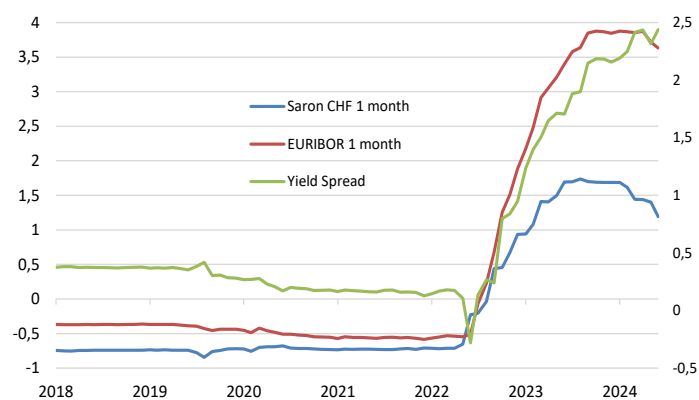
We expected the SNB to be the first central bank to change monetary policy in 2024, cutting its key rates for the first time in March. This is indeed what it decided to do, at a time when CPI was hitting its lowest point of the year at 1%. After observing the sharpest fall in inflation among industrialized countries, the SNB finally acted and began a phase of normalizing its monetary policy. Up to now, the Swiss economy had weathered the SNB's rate hike and the strength of the franc rather well, although the industrial sector was increasingly under threat. Leading indicators in the manufacturing sector had already been pointing to the risk of a slump in activity for many months, but more recently, it was the weakness seen in other sectors of the economy and services that was a growing source of concern. The SNB was not indifferent to these risks to the Swiss economy. It has therefore lowered its key rates twice, by 0.25% each time, while at the same time relaxing its policy of supporting the Swiss franc. The policy of reducing the size of its balance sheet by cutting foreign exchange reserves, which had reached CHF 946 billion in January 2022 and had been drastically reduced by -32% in twenty-two months to CHF 641 billion, through sales of CHF 10 to 20 billion, had largely contributed to limiting inflation in our country. Today, however, the level of foreign exchange reserves has risen by +12.2% in just six months, reflecting further partial sales of Swiss francs, particularly at the end of the 1st quarter. In June, the SNB acted by cutting its key rates for the second time to 1.25%. In so doing, it is keeping pace with the adjustments we had planned and our timetable.

We will now have to wait until September 26 to find out whether the SNB intends to lower rates again. Over the next three months, we believe that the evolution of inflation in our country should enable the Bank to confirm its opinion on the merits of the change in policy implemented over the last few months. In our view, however, a revival of the downward trend in inflation is a prerequisite for action by the SNB in September. However, a fall in the core CPI index, like the overall index, seems more difficult to achieve during the summer period, which should not easily allow the SNB to base its action on this prospect. The fact remains that the Swiss economic dynamic is not very solid, and that the risks of a slowdown in growth could become the next determining factor in the SNB's decision-making process. We believe that a further 0.25% cut remains likely at the September 26, 2024 meeting.

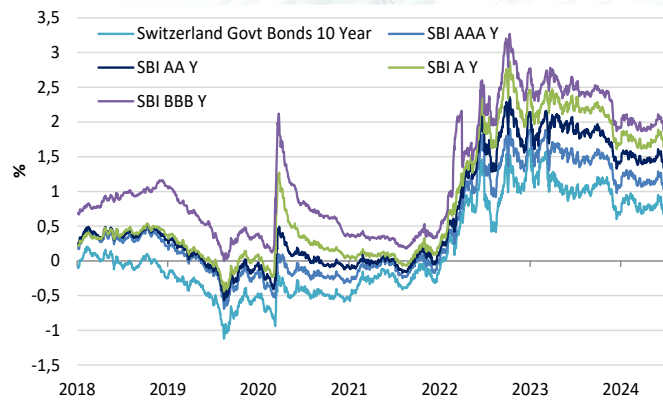
Don't bet on a weak franc

The franc's strength certainly peaked in late December 2023, and the expected phase of weakness materialized as the SNB announced its change of policy. However, it is also likely that the Swiss rate cut will now follow a slower pace in international comparison, and in particular with the expected trend in key ECB and Fed rates. While Swiss rates could still be cut by 50 bps in the second half of the year, we believe that US rates could easily be cut by 100 bps by the Fed. Against this backdrop, it seems likely that the franc will remain weak, but we no longer anticipate a decline as significant as that envisaged at the start of the year. Nevertheless, the franc should weaken by 5 to 7% against the dollar and the euro.

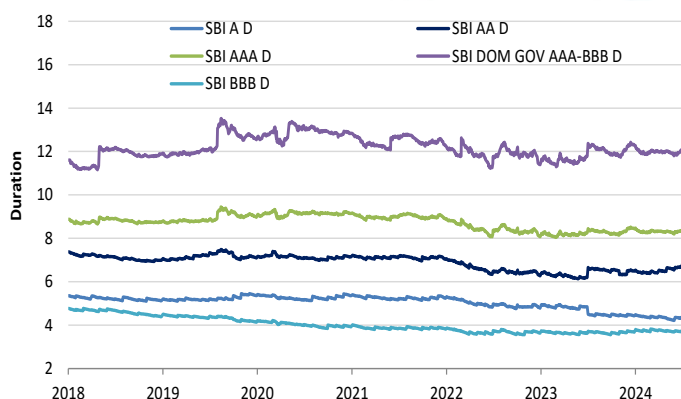
Saron/Euribor 1-month rate differential



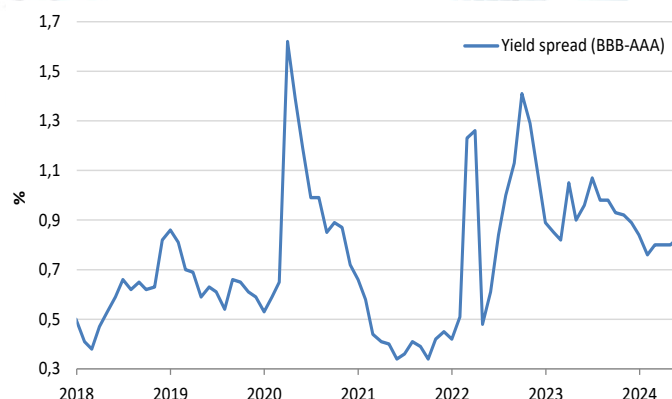
Interest rates (Confederation, AAA, AA, A, BBB)



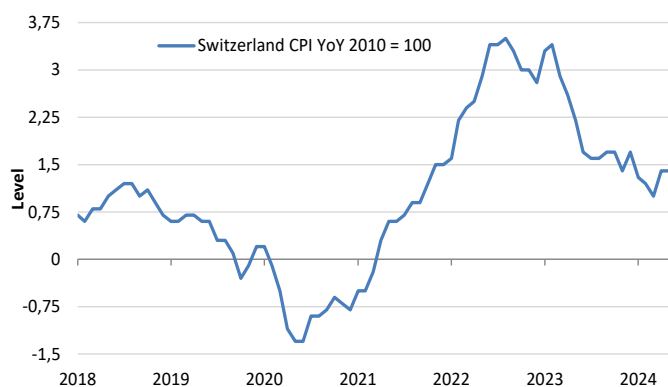
Duration of Swiss bonds



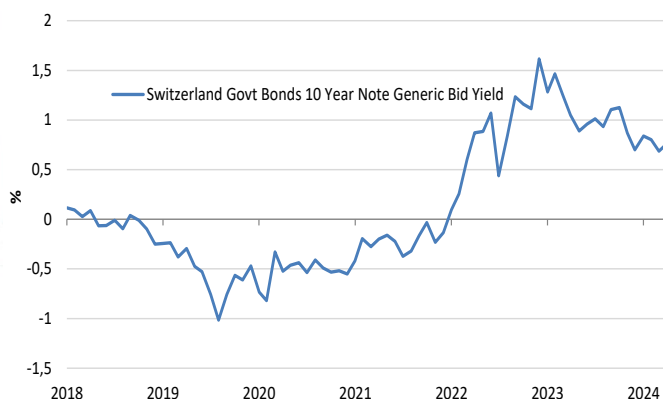
Yield spread



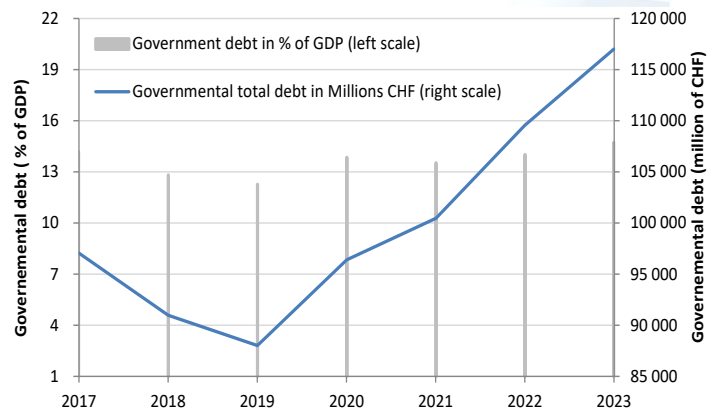
CPI Inflation



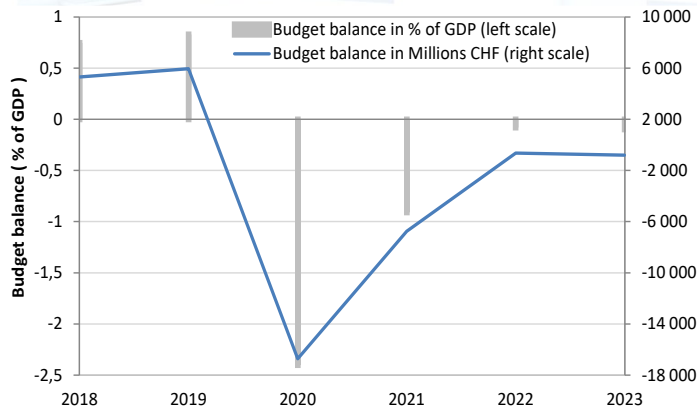
Confederation long rates since 2018



Total federal debt



Confederation budget balance



MACROECONOMIC SCENARIO

Eurozone

- 1st quarter rebound to continue into 2024
- Growth returns at a slower pace
- Leading indicators remain uncertain
- Household confidence and sentiment stabilize

1st quarter rebound to continue into 2024

The European economy had once again narrowly thwarted predictions of a recession in the 2nd half of 2023, thanks to stagnating GDP (0%) at the end of the year. The growth figure announced for Q1 2024 (+0.3%) finally shows a European economy in better shape, returning to growth with its best quarterly result since September 2022. Thanks to this upturn, GDP in the Eurozone is now up +0.4% year-on-year. The upturn at the start of the year was underpinned by strong consumer spending and exports. It was above all the positive trend in foreign trade that contributed most to this economic recovery, adding +0.9% to the overall result, while the positive contribution of consumption was limited to +0.1%. Inventories and investments, on the other hand, pulled down the overall result for all countries.

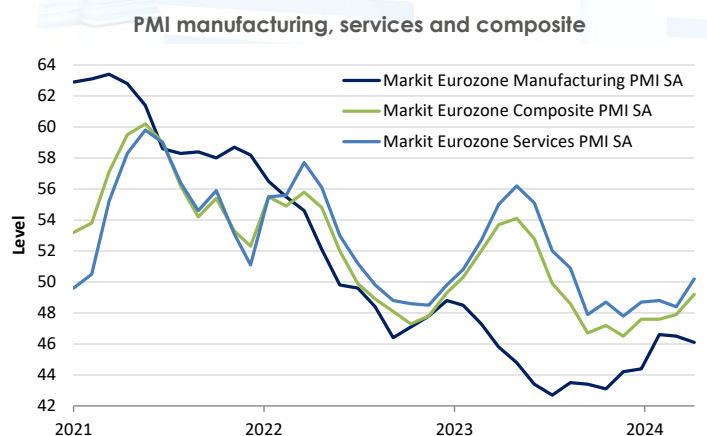
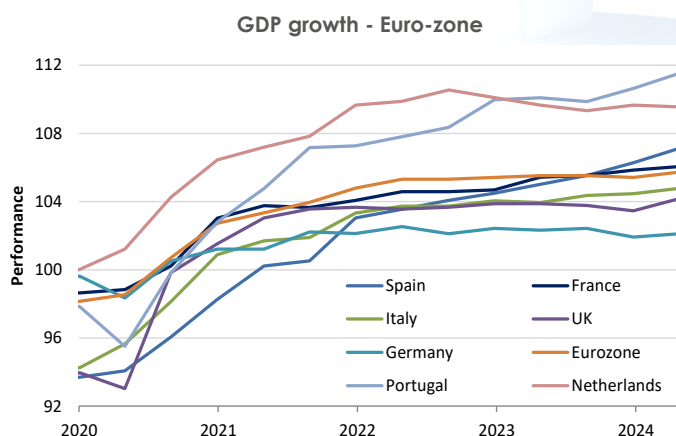
In terms of regional contributions, the vast majority of countries recorded positive growth rates, with only three exceptions: Denmark (-1.8%), Estonia (-0.5%) and the Netherlands (-0.1%). Among the major eurozone countries, Germany (+0.2%), France (+0.2%) and Italy (+0.3%) experienced rather limited positive growth, while Spain (+0.8%), Portugal (+0.8%) and Italy (+0.7%) seemed to benefit from better economic conditions. The eurozone thus avoided recession thanks to higher-than-expected growth in all four major economies. Germany's recovery, albeit fragile, was welcome after the previous quarter's fall of -0.5%, and contributed to the overall result of +0.3%. The European economy has thus certainly passed the nadir of its growth cycle, as witnessed by the reversal of the trend in Germany, and can now draw on a number of more positive factors and developments to envisage a strengthening of activity over the coming months. Weak domestic demand has been one of the causes of the lack of GDP growth, due to the decline in household purchasing power in an inflationary environment that is still present, and to the rate hikes of recent quarters. Even so, we are seeing a clear drop in inflation indicators, with or without energy and food, which should continue

and bring us closer to the ECB's target of +2%. A new cycle of monetary easing will quickly have repercussions on yield curves and on financing costs for households, businesses and public authorities.

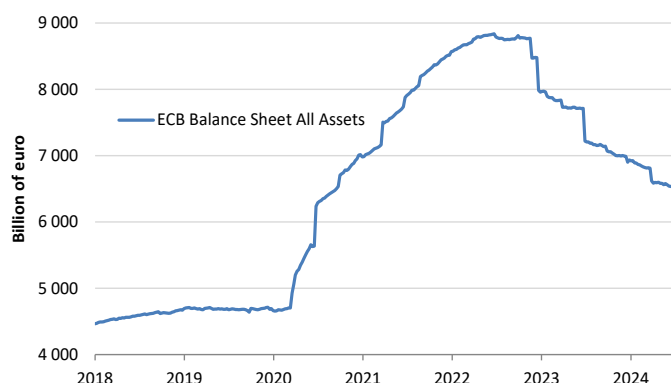
Growth returns at a slower pace

The European Central Bank's forecast for GDP growth in 2024 has been raised from +0.6% to +0.9% (European Commission forecast +0.8%), which would rather imply a drop in momentum in the coming quarters compared with the result already recorded in Q1 2024.

In our view, however, the European economy should benefit from a more rapid adjustment in inflation than expected by the consensus, and should also be supported by the announcement of a new, more accommodating monetary policy. Lower inflation will continue to reduce the pressure on households' real incomes, directly strengthening their capacity to consume. Lower interest rates will also have an additional impact on household and business confidence, stimulating demand. Over the coming months, domestic demand should therefore strengthen through a recovery in private consumption and a revival in investment. Our central scenario for the second half of the year therefore now favours an increase in consumption momentum, underpinning GDP growth of +0.3% per quarter until the end of the year. On a year-on-year basis, real GDP in the Eurozone could therefore stand at +1.1%. The start of Q2, however, already appears to have been a little weaker than expected, with industrial production slipping slightly by -0.1% and -3% on a year-on-year basis. This result casts a shadow over the positive trend estimated for overall GDP in Q2, but our prospects for economic recovery are rather supported by a better performance in the services and consumer sectors, which should be sufficient to sustain the expected growth.



ECB balance sheet



Leading indicators remain uncertain

The latest PMI leading indicator figures for June continue to point to a weak economic situation, still linked to difficult conditions in the manufacturing sector. The manufacturing PMI indicator fell back to 45.8 in June, after recovering to 47.3 in May. The manufacturing PMI remains well below its growth threshold of 50, which it left in June 2022, two years ago. Conditions are still rather different for the services sector, which is still above 50 and suggests a likely recovery in activity, despite a decline in June from 53.2 to 52.8. The composite indicator stabilized in June at 50.9, remaining above the growth threshold. The evolution of the PMIs suggests that the eurozone economy is certainly in a phase of moderate cyclical recovery, supported by services, but that the recovery remains fragile and moderate. Leading indicators in Germany show a relatively positive picture, with a composite index of 50.3 underpinned by developments in the services sector and still dragged down by a still delicate situation on the manufacturing side. The slightly declining services PMI of 53.1 remains very positive, while the manufacturing PMI (43.5) still suggests a contraction in industrial production. It should be noted, however, that he is not predicting a downturn, but rather a stabilization of production at low levels. In France, the same phenomenon can be observed, suggesting further difficulties in the manufacturing sector, offset by a better performance in services. Prospects look better in Italy (composite PMI 51.3) and Spain (55.8).

That said, the latest positive developments on the inflation and interest-rate front will have a positive impact on household confidence, demand and leading indicators over the coming months.

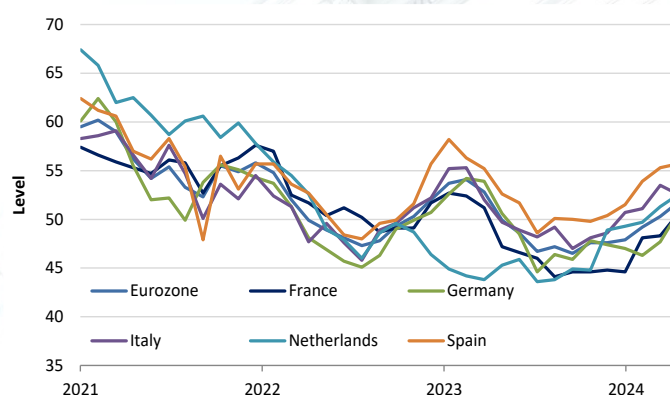
Household confidence and sentiment stabilize

Despite the ECB's first rate cut, household confidence still does not seem to be strengthening. It is mainly due to the higher level of

Citigroup Economic Surprise Indicator - Eurozone



PMI Composite - Country



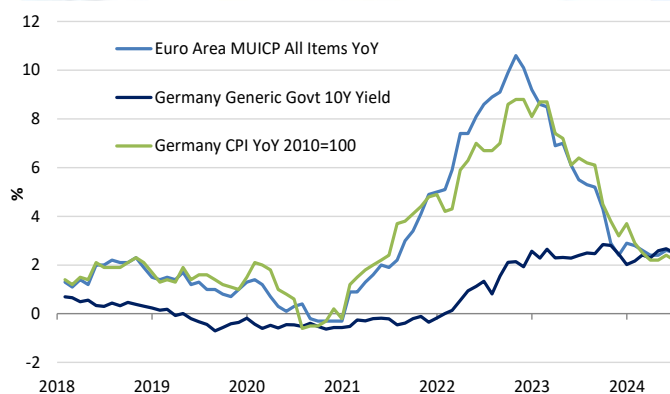
uncertainty in Germany that overall confidence slipped a little further in Q2. In terms of sectors, there was an improvement mainly in services and consumption, offset by a deterioration in manufacturing and construction. However, confidence in March stabilized at its highest level since February 2022, perhaps suggesting a better assessment of the situation. But in historical comparison, confidence as measured by the European Commission is still well below its pre-health crisis and long-term average.

Inflation may yet decline

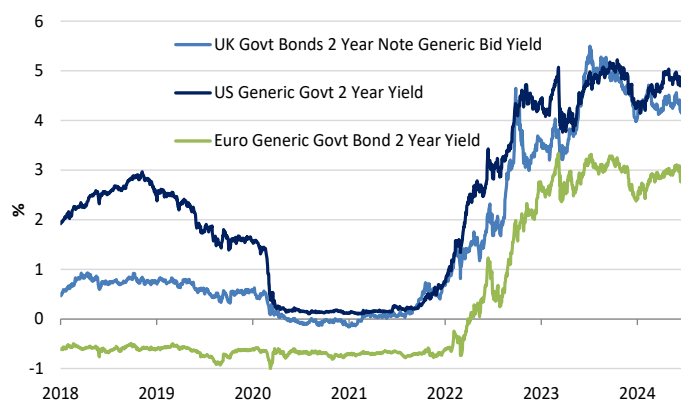
Inflation in the eurozone stabilized between May and June, with small rises of +0.2%. These positive developments are reassuring observers, who had been concerned by increases in excess of +0.5% in February, March and April. As a result, the consumer price index for the eurozone rose by +2.5% year-on-year in June, clearly suggesting that inflation has stabilized since November 2023. For more than two quarters now, overall inflation in the eurozone has been close to the ECB's +2% target. The statistics for the last two months, showing a limited rise of +0.2% in CPI, have been enough to reassure the European Central Bank that price levels in the eurozone are stabilizing for the long term. Core inflation is still lagging slightly behind the overall trend, with a growth rate of +2.9%. On the producer price front, however, the situation has accelerated and improved significantly. After peaking at +43% in August 2022, deflation is now clearly in place. Indices have already recorded more than four quarters of year-on-year price contraction, which fell by a further -4.2% in May, now recording six consecutive monthly price declines. This development should give companies some flexibility to adjust their sales prices downwards.

The sharp decline in producer prices should also continue to have a positive impact on consumer price indices. We expect inflation to ease further over the coming months, but at current levels it is already in line with the ECB's full-year forecast of +2.5%.

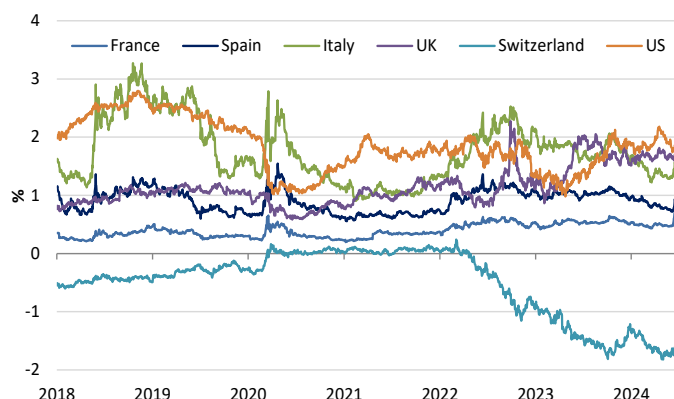
10-year interest rate - CPI



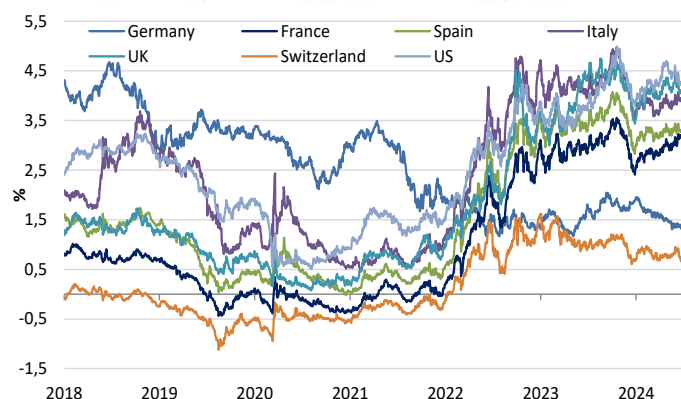
2-year government rates (US, Euro, UK)



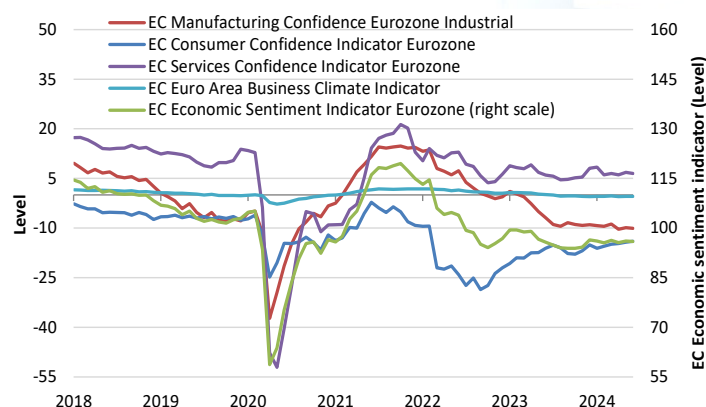
Government vs. Bund risk premium



10-year government bond yields



Confidence in Europe (Economic Confidence Index)



The ECB began its rate-cutting cycle in June

After a stabilization phase for ECB rates and an intermediate observation period, we considered that the ECB could finally begin a policy normalization program in June 2024, involving a gradual reduction in its key rates. Its decision to cut its key rates by 0.25% at its June meeting therefore indicates that the peak of the rate hike cycle was indeed reached in September 2023. The question now on the ECB's mind is whether the moderation in inflation will be sufficient in the coming months to justify a further cut in its key rates. Logically, the ECB President felt that it was still too early to say, given the continuing uncertainties. European monetary authorities will want to give themselves time to reflect over the summer, in order to obtain additional economic data before the meeting scheduled for September to assess the appropriateness of further rate cuts. In our view, inflation in the services sector must continue to decline for the ECB to consider a cut in September. Wage stabilization is also an important condition, which may be more difficult to achieve. The current level of ECB rates on main refinancing operations is 4.25%, after the cut on June 6. Compared with annual inflation of +2.5%, the 1.75% rate differential is still very wide in our view. The ECB was able to take advantage of a faster-than-expected collapse in inflation, but we believe it will have to ease rates more quickly to get closer to the 2.5 to 3% level if inflation falls again as we expect. The ECB should make two or three cuts of -0.25% before the end of 2024.

Positive outlook for bond markets

While the ECB's key rates are still well above the level of inflation in the eurozone, this is no longer the case for the longer end of the yield curve, and for 10-year bonds in particular. Yields on German government bonds slipped below 2.4% in mid-June, and now stand at around the level of annual inflation. The economic situation and inflation trends have changed quite significantly since the end of Q3 2023, which saw euro yields jump to 3%. The forecasts of recession that had pushed long rates rapidly below 2% at the end of the year have since been replaced by a new conviction that the eurozone will avoid a downturn. It is now considered that the nadir of growth has been passed and that the eurozone economy is on the road to recovery. In this context, the rebound in long rates to 2.7% could be considered appropriate. However, we believe that economic momentum will remain weak in 2024 as long as monetary policy does not more decisively ease its pressure on financing costs. Against a backdrop of inflation approaching the ECB's target and monetary policy in a phase of downward adjustment, the outlook for the bond markets seems moderately positive to us. This adjustment in long-term yields, which has also occurred in many other market segments, seems to us once again to offer repositioning opportunities for investors in search of yield and potential capital gains. However, these capital gains are likely to be limited. Bund yields could slide by a further 30-40 bps, if inflation declines by the same amount, and lead the decline in yields on most government issues in the major eurozone countries. Yields in the Netherlands, Italy or Spain could benefit from a fall of around 40-50 bps, corresponding to an average capital gain of around +5%. Against this backdrop, European bond markets are once again attractive.

Average yield and price/net asset ratio still attractive

Following the substantial rebound in securitized real estate in Europe at the end of 2023 (+30%), the first half of 2024 was characterized by a horizontal consolidation in the share prices of listed companies. As the fall in rates and financing costs at the end of the year gave way to a rise in interest rates during the half-year, real estate stocks

that had hastily discounted a change in monetary policy ultimately suffered short-term profit-taking. After six months of stabilization, securitized real estate investments are awaiting a more significant change in monetary policy to resume their upward trend. At current levels, we believe that European securitized real estate will continue to benefit from the ECB's forthcoming monetary easing.

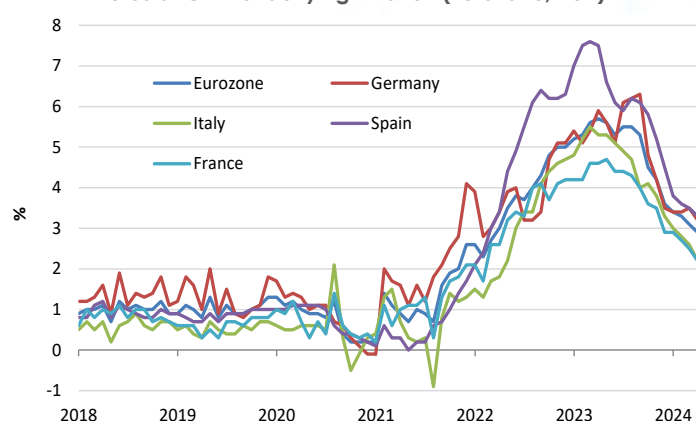
We believe that the European real estate market offers attractive opportunities in terms of yield and valuation. With a yield of 5.3%, the EPRA Nareit index for the eurozone is among the top picks in the international universe, but it also still offers an attractive valuation thanks to a price/net asset ratio of just 80% and a discount of around 200% on book value. European securitized real estate is therefore still in a favourable situation, which should enable it to record a very positive stock market performance in the second half of 2024. We recommend an overweight allocation to this segment, which could advance by +20% in the 2nd half of the year.

Inflation and interest-rate spreads in favour of the euro

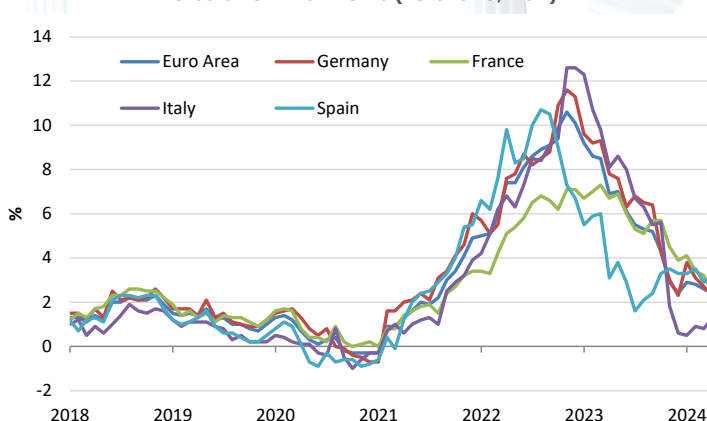
Inflation trends in the eurozone over the last six months are reshuffling the deck and changing the outlook for exchange rates. The collapse in inflation in the eurozone was more rapid towards the end of 2023, allowing inflation differentials to contract more sharply. Against the Swiss franc, the inflation differential is now barely 1%, as low as it was before 2022, after having reached 7%. Yields have not fallen as sharply, which means that the relative yield differential is now above the inflation differential.

We believe that the euro, which had been particularly penalized in 2022 and 2023 by the opposite evolution of these parameters, can now rely on this new paradigm to appreciate against the Swiss franc above parity.

Eurostat CPI - underlying inflation (Eurozone, YoY)



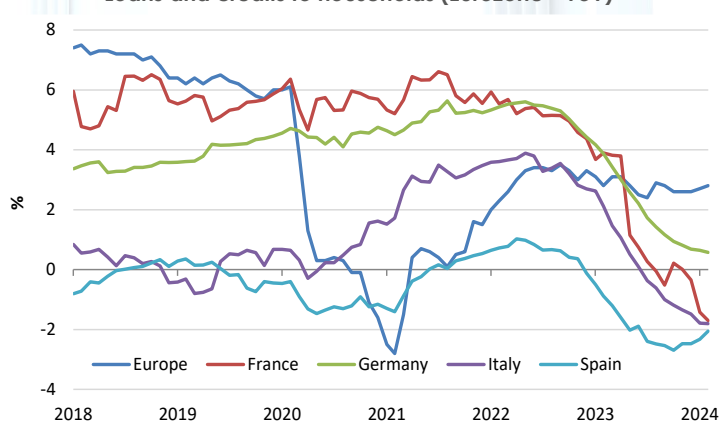
Eurostat CPI - all items (Eurozone, YoY)



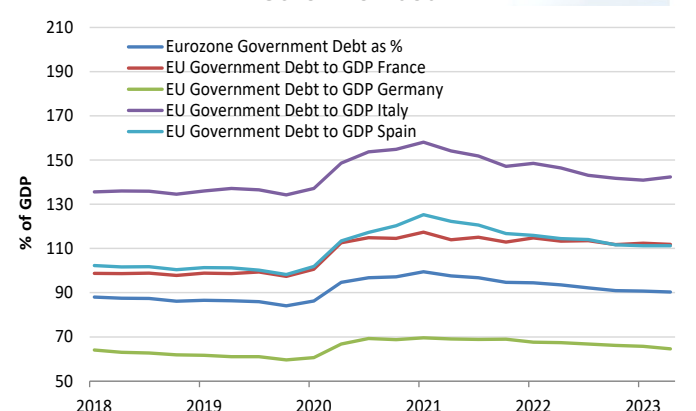
Consumer confidence - Eurozone



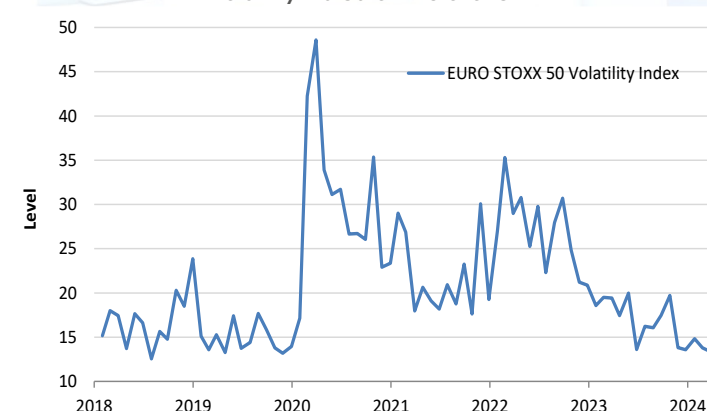
Loans and credits to households (Eurozone - YoY)



Government debt



Volatility indicator - Eurozone



MACROECONOMIC SCENARIO

United Kingdom

- The expected economic rebound is underway
- 2nd quarter probably weaker
- Leading indicators continue to improve
- Tensions in the labour market easing
- Household confidence continues to rise



The expected economic rebound is underway

After two quarters of moderate decline in UK GDP, we were expecting more positive developments and an upturn in activity at the start of 2024, based in particular on positive real wage growth and a more favourable trend in household purchasing power. Reported GDP growth for the 1st quarter was indeed more encouraging, coming in at +0.6%, well above consensus expectations of a slight +0.4% rise. Year-on-year, GDP thus went from negative growth of -0.2% in December 2023 to an increase of +0.2% at the end of March 2024. The UK is thus rapidly emerging from an extremely modest recession, as we expected immediately after entering it. If the upturn at the start of the year continues, the high expectations of key rate cuts in the context of a UK recession will adjust and probably be postponed a little, depending on inflation trends. The United Kingdom surprised once again at the start of the year with a quarterly rebound that was also the strongest quarter since the end of the health crisis, when the British government relaxed Covid-related containment restrictions.

2nd quarter probably weaker

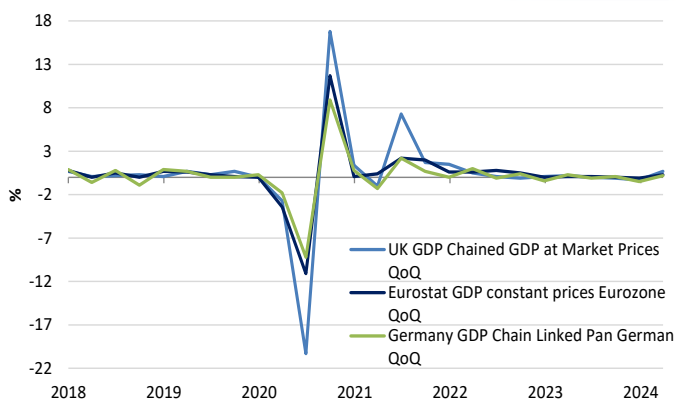
This stronger-than-expected Q1 GDP growth certainly marks the start of an economic recovery in the UK. This should be supported over the coming months by a slightly more favourable combination of factors, including a likely change in monetary policy by the BoE. That said, after such an upturn, economic momentum is likely to ease slightly in Q2, as already suggested in part by the stagnation of monthly GDP in April (0%), following a +0.4% rise in March. The production and construction segments recorded negative contributions, offset by the positive trend in services. The -1.4% fall in the manufacturing segment, as well as the negative trend in consumption, are partly due to exceptional weather

conditions. The 2nd quarter will undoubtedly see growth, but still-high interest rates should continue to hold back any acceleration in economic activity before the summer. Recovery will undoubtedly be gradual and fragile, but should be helped by encouraging developments on the inflation front. In May, the CPI index fell below the BoE's 2% target, surprising many forecasters. Beyond Q2, the prospect of interest rate cuts by the BoE seems real to us, supported by the fall in consumer and producer price indices. For the year 2024, GDP growth should finally be somewhat higher than our previous forecasts, reaching +0.8%. If inflation continues its downward trend, and if the BoE decides to change its monetary policy early enough, the 2nd half of the year should contribute to raising today's estimated growth rate even further. In our view, the UK economy should grow by +0.4% this quarter and record two further increases of +0.3% over the next two quarters.

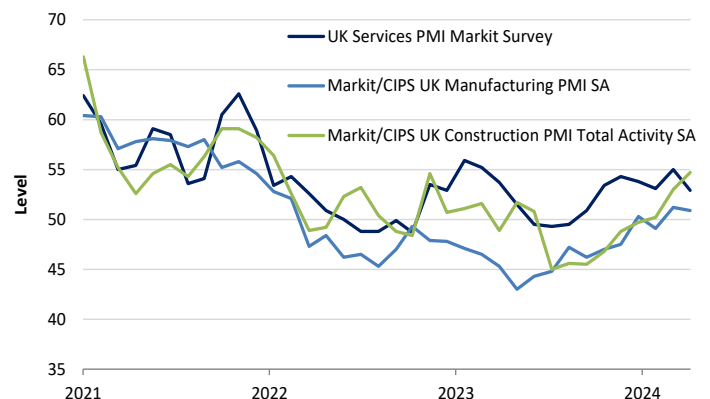
Leading indicators continue to improve

As we approach the end of June, the leading indicators published confirm expectations of a gradual recovery in economic activity. The manufacturing PMI, although still the most lagging of the PMI indicators, had already been improving significantly for almost a year, although it remained below the 50 growth threshold until recently. The publication of a figure of 51.4 for June suggests a slightly better short-term future for the industrial sector. As for the services PMI, the picture is somewhat different: the last two months have indeed been weaker, but the indicator's level of 51.2 still points to a positive evolution in a more fragile dynamic. The improvement in the construction PMI, once again well above 50 (54.7), is now at its highest level since May 2022, after a long period in contraction. As the PMI measures do not include the public sector, we believe that the higher public spending

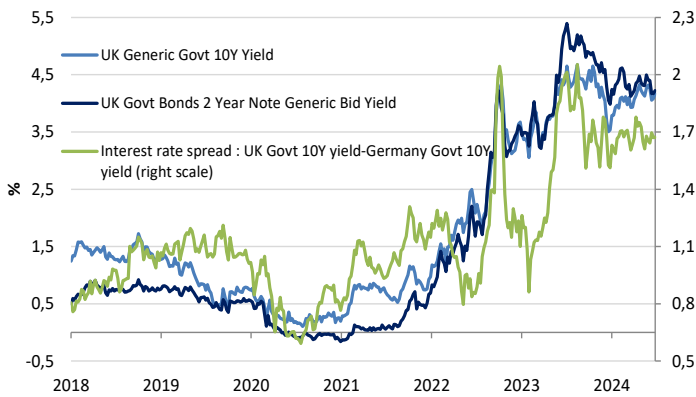
Quarterly GDP growth - UK



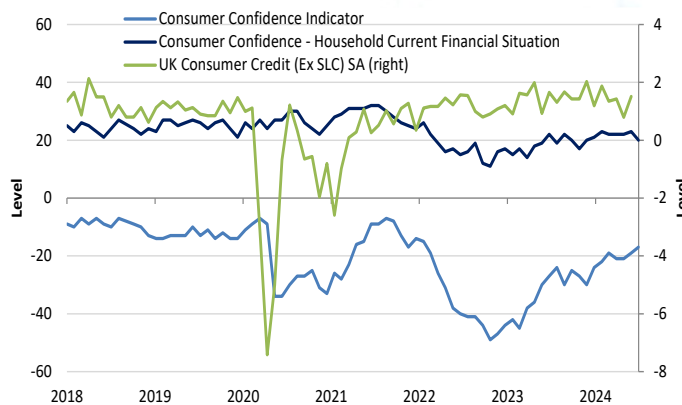
PMI manufacturing, services and construction - UK



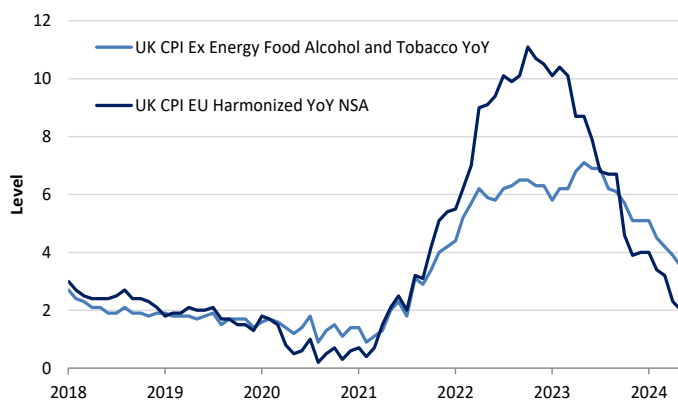
UK 2-year and 10-year government rates



Consumer confidence



CPI Inflation



Advanced indicator



expected in 2024 will reinforce the more positive trends expected for the private sector.

Tensions in the labour market easing

The labour market is showing new signs of weakness in various areas, which have already had a rather striking impact on the trend in the unemployment rate, which has rebounded significantly in the space of a few months from 4.4% to a thirty-month high. Average weekly earnings are still up +5.8% year-on-year, but official data seem to point fairly broadly to a reduction in wage pressures and, consequently, a lower risk of transmission to prices and inflation. The labour market is likely to ease slightly further over the coming months. Job creation has now been negative for several months, with a three-month decline of 139,000 jobs in April. Jobless claims are up +4.3%, while 50,400 new jobless people have joined the ranks of unemployment benefit recipients. The potential risks of wage inflation picking up are thus diminishing significantly, but the +6.1% (3m/GA) rise in weekly earnings excluding bonuses is still very substantial and outstrips inflation. Overall, we believe that this development should be seen by the BoE as a favourable factor enabling it to consider a key rate cut during the summer.

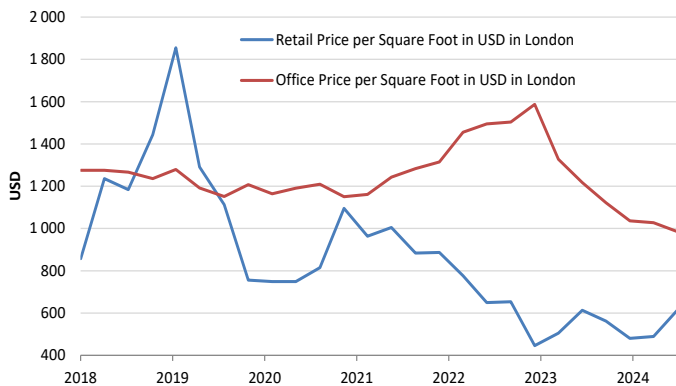
Household confidence continues to rise

Household living standards continue to improve, thanks to real wage growth driven by the sharp drop in inflation in recent months, and nominal wage growth holding steady at +6%. The fall in the consumer price index has now lowered inflation from +11.1% in October 2022 to just +2% year-on-year in May 2024. Households see these developments as rather favourable, and this is now quite clearly reflected in the positive trend in their confidence levels. Indeed, the household confidence indicator, although negative (-14) for the month of June (GfK), has been evolving positively since the 4th quarter of 2022, and is approaching the level that prevailed before the health crisis (-8). Confidence is undeniably improving with the fall in inflation. That said, the recent rise in the unemployment rate and the fall in job creation could contribute to a deterioration in consumer sentiment and resilience, but the prospect of sharply declining inflation and further rate cuts should help to reinforce the current positive trend.

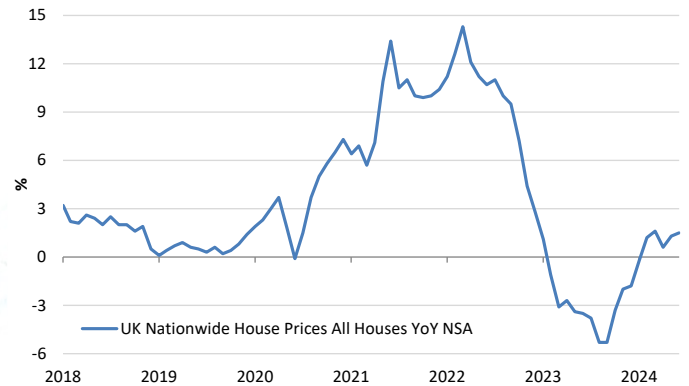
Inflation nears BoE target

Inflation peaked at +11.1% in October 2022 in the UK, one of the worst price trends in the industrialized world. Despite swift action by the BoE and an intense rate hike, UK inflation suddenly plummeted and reached the BoE's 2% target. This is not yet the case for the index excluding food and energy, which is still up +3.5% year-on-year, but we can see that all components of the overall index are adjusting downwards. And yet, the housing, water, electricity, gas and other fuels" segment has made a negative contribution for eight consecutive months. Finally, the services index remains the slowest to adjust, and remains relatively high compared with the other segments. Against this slightly more optimistic backdrop, producer prices have been rebounding slightly in recent months, after having fallen from the extreme level of +20% in June 2022 to just +1.7% in May 2024. In our view, it is now becoming increasingly possible for the BoE to regard these factors as sufficiently positive to consider a forthcoming change in monetary policy, despite persistently high inflation in the services segment.

Property prices per m2



Real estate price growth



BoE soon in a position to cut rates

The technical recession in the 2nd half of 2023 was widely expected by the BoE to reduce inflationary pressures in the country. In fact, during this period, inflation fell from +8.3% to +4%, while monetary policy remained unchanged. In fact, since August 2023, key rates have remained stable at 5.25% in anticipation of the hoped-for economic downturn. After fourteen consecutive rate hikes and one of the earliest restrictive monetary policies to be implemented by December 2021, the BoE is now in a slightly more comfortable position. We believe that the MPC could already lower its key rates at its next meeting in August. The cycle of falling inflation may yet develop, bringing the CPI index below +2% despite the BoE's forecast of +2.5% overall growth in 2024. the evolution of the job market.

Attractive yields and prospects of capital gains for sterling bonds

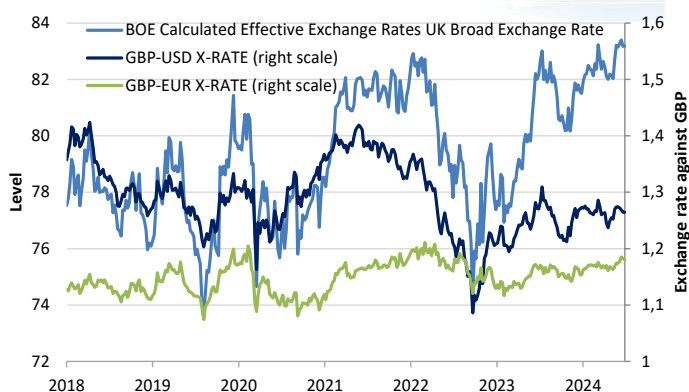
The slowdown in the economy and the more pronounced easing of inflation now give reason to hope that interest rates will evolve somewhat differently than was envisaged just a few months ago. In October, ten-year UK government yields had once again reached the 4.7% threshold, already touched in September 2022, July and August 2023. Since the downward acceleration in inflation in recent months and a string of more favourable economic statistics, including the technical recession in the 2nd half of the year, have led to a complete change in the outlook for potential interest rates, the outlook for sterling bond markets has improved. After an initial reaction to the fall in long rates from 4.7% to just 3.4% at the end of December, the rebound in the first two months of the year to 4.2% put long rates back above annual inflation. In view of the above-mentioned developments in inflation and monetary policy, we expect the BoE to

start lowering its key rates in August, and to pursue this policy to reduce rates from 5.25% to 4% by the end of 2024. The yield curve, currently inverted by almost 100 bps, is also set to fall on the longest maturities, whose yields could slip back towards 3%, if expectations of falling global inflation prove correct. The outlook is normalizing for sterling bonds, which can now look forward to significant capital gains against the backdrop of a 120 bp decline in ten-year yields.

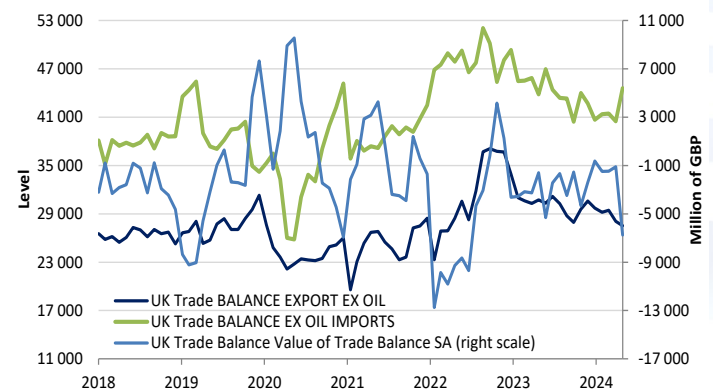
Limited prospects for pound appreciation

Over the past two years, the pound's exchange rate against the dollar has remained relatively stable, fluctuating by $\pm 3\%$ around a central value of 1.25. If anything, recent developments in monetary policy and interest rates have highlighted a fairly clear correlation in the strategies of the US and UK central banks, which is likely to continue. Indeed, the restrictive policies pursued by both institutions pushed short rates to similar levels before pausing in the summer of 2023, a pause which has been maintained to this day. Inflation had been more rapidly favourable in the US, but the recent acceleration in the downward trend of UK prices has now created positive conditions for a change in the BoE's monetary policy. From a relative point of view, we feel that the British situation already justifies a cut in key rates. This could take place in August, while the US situation could, on the contrary, postpone a possible Fed decision until September. Rate differentials between the dollar and the pound could remain similar, as their respective central banks implement more flexible policies at around the same time, cutting rates by similar increments. The GBP/USD exchange rate is unlikely to break out of its current stabilization zone between 1.25 and 1.30.

Effective pound sterling exchange rates



Trade balance - Exports - Imports



MACROECONOMIC SCENARIO

Japan

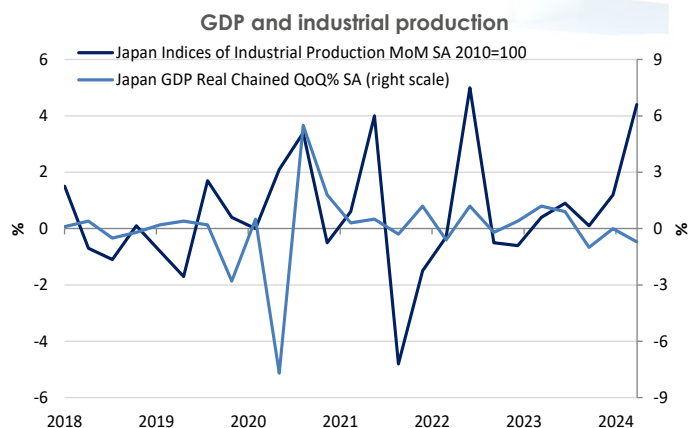
- Further contraction in the Japanese economy
- Improvement possible in Q3
- Further hesitation in leading indicators
- Household consumption remains subdued

Further contraction in the Japanese economy

Our forecast for negative GDP growth in Japan has now become clearer in the light of the Q1 2024 GDP results and recent developments in Q2. Looking at the figures for Q1 2024, the economy shrank by -0.5%. We were expecting the negative trend to continue due to persistently weak international demand and sluggish domestic consumption. The published figure of -0.5% implies an annualized contraction of -1.8%. This result is well below consensus expectations, which were for a contraction of -1.2%. Private consumption was again very disappointing (-0.7%) and weighed on the overall performance, recording a 4th consecutive quarter of decline. Businesses also reduced their spending (-0.4%). The slight increase in inventories (+0.3%) made a positive contribution to GDP, while net exports (-0.4%) were more of a drag on growth. Weak consumption remains one of Japan's glaring problems and a real source of concern. The economic dynamic now depends to a large extent on public spending. Japan still seems to have been in serious difficulty since the summer of 2023, and has been unable to emerge from this slowdown phase, which is now becoming increasingly clear, to the point of finally plunging the country's economy into recession. Japan's underperformance in recent quarters has also had a damaging impact on its position among the world economies. As a result of the fall in GDP, the country has been relegated to fourth place, supplanted by the German economy, which has now overtaken that of Japan. The fall in the yen/USD exchange rate of -6% in Q2 takes its devaluation to around -14% by 2024. This depreciation of the yen has had no major effect on Japan's exports, suggesting that global demand is still particularly anemic and is therefore logically not being stimulated by the fall in the yen.

Improvement possible in Q3

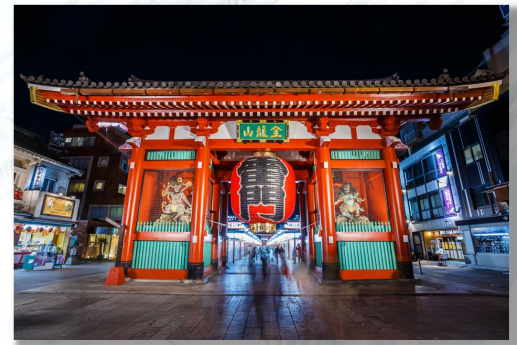
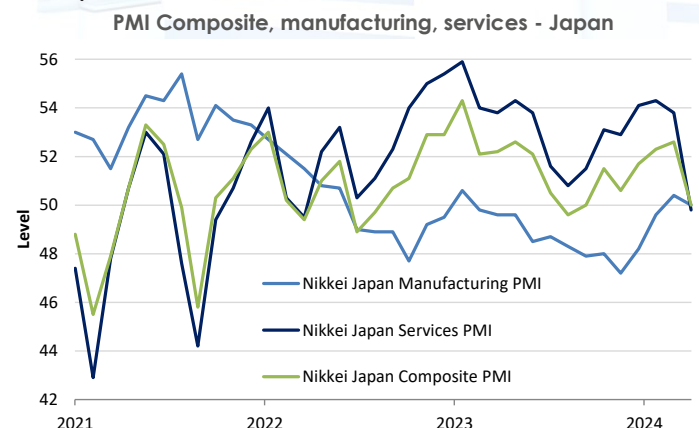
Japan's GDP remains more dependent than ever on international demand, while domestic consumption is still struggling to recover. The economy is weakened by sluggish household consumption and exports that are totally dependent on the international economy. Household consumption continues to be adversely affected by resilient inflation, which is unlikely to fall rapidly in the current climate.



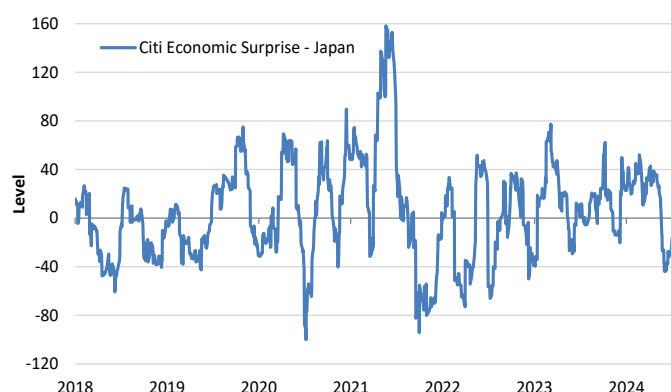
The fall in the yen is increasing the risk of imported inflation, posing a problem for the central bank, which cannot effectively combat its rise by tightening its monetary policy, at the risk of plunging the economy further into recession. The fall in consumer purchasing power, following the steady decline in disposable income and the ever-present inflation, can therefore only be stabilized very gradually. Consumption is therefore at half-mast and cannot easily be stimulated. Consumers have been using an increasing proportion of their income to maintain their consumption levels since the Covid crisis, as already suggested by the collapse in the quarterly savings ratio from 20% during Covid to -0.3% at the end of 2023. By 2024, on average, Japanese households will no longer be able to save. This extreme situation has only occurred once before during the period 2013-2014, underlining the extreme seriousness of the situation. The same applies to businesses, which are very reluctant to make new investments. More than ever, Japan seems to need a recovery in global demand, and in particular an economic revival in China, to counter the downturn in domestic demand. This change in the Chinese dynamic is struggling to materialize, despite the economic support measures taken by the Chinese government. Global demand is slowing, while some European countries are struggling to avoid slipping into recession. We do not foresee a strong potential recovery in international demand and domestic consumption in the short term. Growth in the 2nd quarter is therefore likely to remain weak, but could still turn out to be very slightly positive.

Further hesitation in leading indicators

The leading indicators for manufacturing had returned to positive territory in May, after a fine recovery in the spring that took it from 47.2 to 50.4, once again above the growth threshold. The June figure shows a further weakening in the outlook and a return of uncertainty, with the indicator just above the growth threshold at 50.1. The services indicator shows a much more worrying trend, since after having long been the main source of hope for recovery in 2023 and up until May, it fell sharply in June from 53.8 to 49.8, dropping below the 50 level and returning to its lowest level since July 2022. The outlook for the composite indicator has therefore darkened considerably, falling from 52.6 to just 50.



Economic Surprise Index



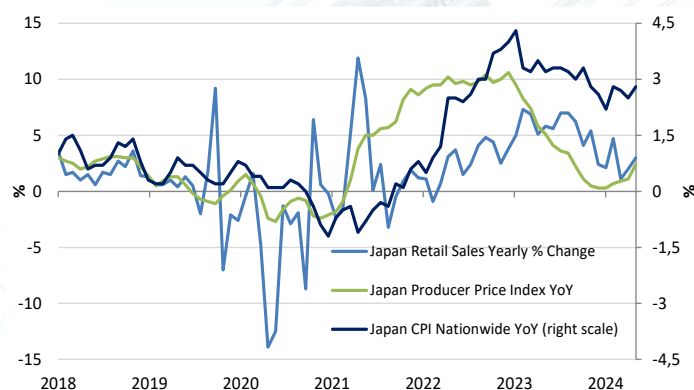
Household consumption remains subdued

Weak household spending had again weighed on GDP growth in the 1st quarter, but it seems to have picked up slightly in April (+0.5%), putting an end, perhaps temporarily, to the sequence of fourteen months of contractions. Wage growth has improved slightly in nominal terms, but is still insufficient to offset inflation, and has therefore remained negative in real terms for the past two years. Household consumption could nevertheless strengthen as a result of another factor that could influence consumer confidence. Government tax rebates can help to improve disposable household income and support consumption. That said, the confidence index, which could already have reflected this possibility, has instead turned sharply downwards over the past two months in response to the expected trend in inflation and prices. Nor does it seem to be being positively influenced by the still solid job market. In our view, the absence of any real fall in inflation is still weighing heavily on consumer sentiment, and the yen's 14% depreciation at the start of the year will not help the expected decline in prices.

Falling yen boosts imported inflation

The national price index rebounded from +2.2% to +2.8%, while the fall in the CPI index for Tokyo over one year from +2.4% to just +1.6% in January gave way to a significant rebound to +2.2% in May. While the overall indexes recorded further tensions, we note that the index excluding food and energy continued to decline and even fell from +2.9% in March to +2.1% in May. The rebound in inflation is therefore essentially due to external factors, such as energy and food prices, which largely explain these differences. The fall in the yen, which has depreciated from 115 to 150 yen/USD in just over a year, has made a major contribution to the return of inflation in Japan, already triggered by the uptrend in commodity prices. The consumer price index (CPI Tokyo) jumped from +0.8% to +3.9% in one year, peaking in January 2023 at +4.4%. The decline since then has been partly supported by the fall in crude oil prices in 2023. The outlook for inflation in Japan is still heavily influenced by exchange rate movements. Given the persistent

Inflation (CPI and PPI) and Retail Sales

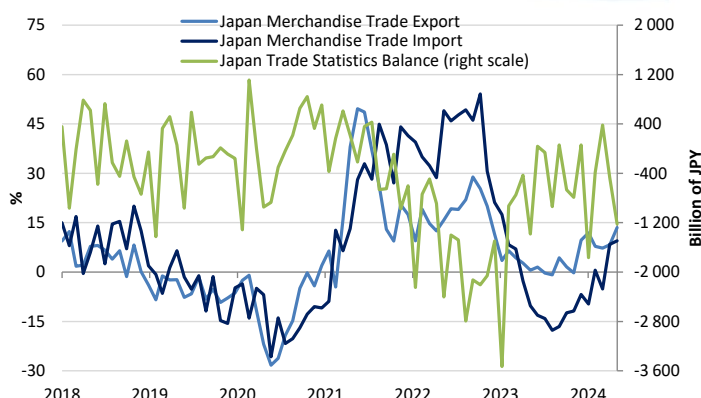


weakness of the Japanese currency and the limited room for manoeuvre available to the BoJ, it seems reasonable to us not to envisage any change in the trend for Japanese prices in the current context.

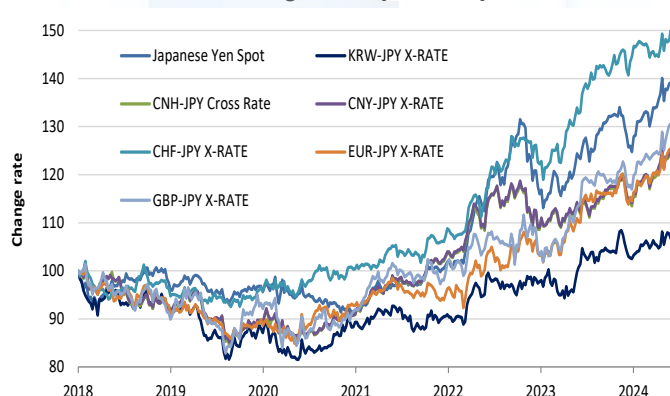
BoJ prepares to raise rates to defend the yen

The deceleration in price rises was temporarily below the +2% target, but is now back above that level. The monetary authorities are being increasingly pushed into action by the financial markets, which have put pressure on the yen until it reached its lowest level since 1986 against the dollar. In the current situation, pressure on the yen is likely to remain intense until the Japanese central bank announces a change of policy in favour of quantitative tightening. In recent weeks, it is estimated that the BoJ will have intervened to support the currency to the tune of around \$62 billion, significantly outstripping in a short space of time the amounts earmarked for its defence in 2022. Given the current state of the Japanese economy, which has fallen into recession, a potential normalization of monetary policy seems complicated. Nevertheless, the fall in the yen is a major concern and should probably prompt the BoJ to raise key rates at its next meeting on 30-31 July. However, the adjustment of Japanese monetary policy should remain extremely gradual in order to avoid the risk of further economic slippage, which would push the country deeper into recession. Logically, it will remain the most flexible policy among the major central banks and, in our view, should remain so for a relatively long time to come. We believe that this policy is reasonable in the context of weak domestic demand in Japan. We will have to wait and see how a new stage in the reversal of the monetary cycle in July manifests itself in order to assess the BoJ's chances of success in its attempt to halt the negative spiral that is pushing the yen ever lower. The BoJ's room for manoeuvre remains extremely narrow, so we do not envisage any massive action on rates and believe that Japanese monetary policy will not undergo any radical change. However, the steepening of the yield curve, which has taken hold in recent quarters, seems insufficient to halt the yen's fall. A flattening of the curve therefore seems essential, and will necessarily involve a rise in the BoJ's key rates.

Trade Balance in JPY Billion



Exchange Rates (base 100)



MACROECONOMIC SCENARIO

China

- Chinese growth held back by sluggish domestic demand
- China's rate cut depends on the Fed's pivot
- CPI close to zero and persistent deflation in producer prices
- Evolution of interest rate differentials in favour of the yuan



Chinese growth held back by sluggish domestic demand

China's leading indicators remained on an uncertain trend in June. The release of the manufacturing and services PMIs continues to point to a still fragile economic recovery in China.

The slight rise in the Caixin manufacturing PMI from 51.7 to 51.8 for June suggests only a very slight potential strengthening in industrial activity. This is probably not enough to allay the concerns that have emerged about weak demand, the effects of which are already being felt on production. However, the Caixin sub-index of production has moved back into growth territory, which is good news, but the new orders component remains particularly hesitant. The Chinese domestic market still seems to be struggling. Household confidence remains low and is failing to support consumption. Retail sales rose by 4.1% in May, but the trend remains downwards. This is the lowest level of growth since March 2023, and a clear decline since the +9.3% annual growth recorded in May 2023. For its part, the Caixin services PMI contracted more sharply, falling from 54 to just 51.2, underlining weak domestic momentum.

The construction sector also seems to be marking time, suggesting that government support measures may be losing their importance. Against the backdrop of slowing international demand, the risks for the Chinese economy are increasing, if indeed this were to translate into a fall in exports. However, it also appears that exports are set to underpin growth in Q2. Yuan-denominated exports jumped from +5.1% in April to +11.2% in May on an annualized basis, while imports followed the opposite trend and saw their growth slow from +12.2% to +5.2%.

In this fairly positive environment, China's trade balance improved sharply from 513 billion yuan to 586 billion yuan. However, industrial production rose by 5.6% year-on-year, below the forecast of a 6.2% increase.

Despite the impression that growth was below the targets announced, employment rose and the unemployment rate fell from 5.2% to 5% in April.

China's rate cut depends on the Fed's pivot

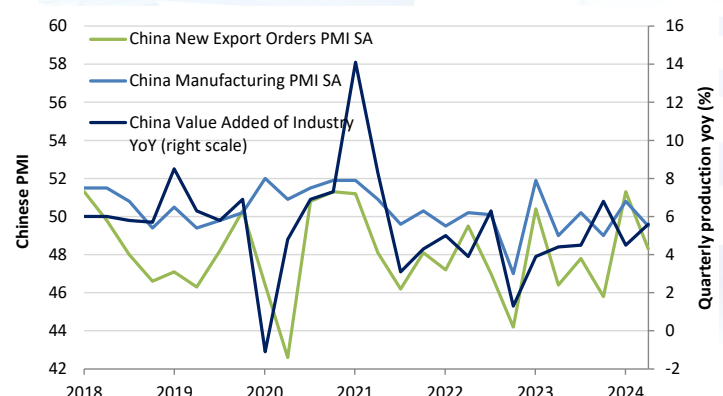
China's recovery is slowing, particularly in the investment sector, which is still affected by a contraction in property. Policy support from the People's Bank of China appears to be limited by the desire to stabilize the exchange rate after a prolonged phase of weakness, which means that Chinese interest rates will only come down once the Fed's monetary policy has embarked on a path of greater flexibility.

In the meantime, economic support remains very focused on recent policies aimed at helping the property market and stimulating public spending on major investments. The plan to buy back unsold homes should give the economy a boost in the short term and establish itself as the main government measure. Financial institutions are committed to absorbing inventories thanks to the PBoC's low-cost financing of these operations.

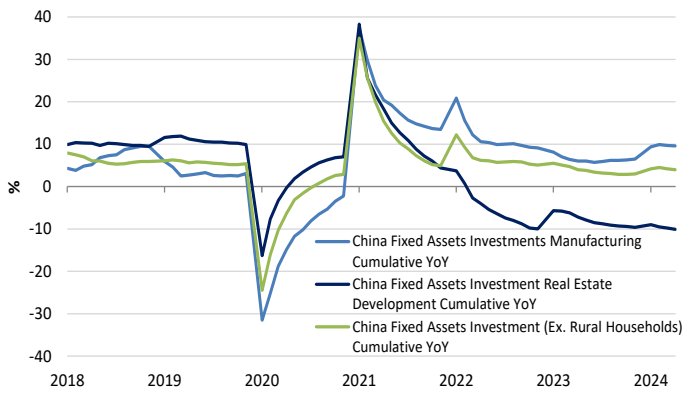
YoY GDP Growth



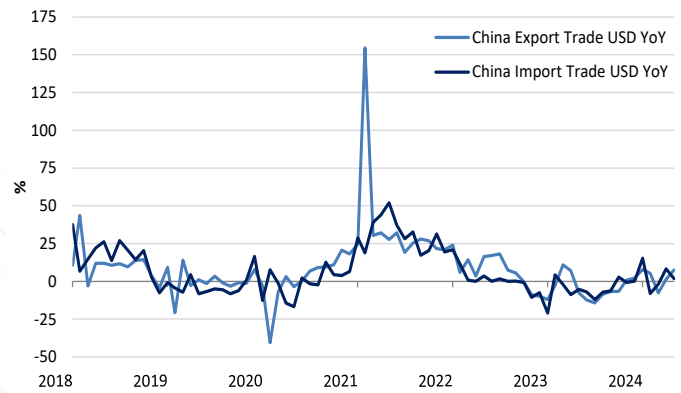
PMI and Industrial Production



Real Estate Investment, Infrastructure and Industry (YoY)



Exports-Imports (YoY)



CPI close to zero and persistent deflation in producer prices

Inflation in China turned out to be lower than estimated in June. It declined again in June, after rising by 0.4% in May. The year-on-year rise of +0.2% still points to weakness in consumption and domestic demand. Real interest rates are certainly too high, which is weighing on consumption and investment. Money supply growth is also on a downward trend, indicating that monetary conditions are still insufficiently flexible. The People's Bank of China is expected to further lower the interest rate on medium-term loans and its reserve requirement ratio (RRR) for banks. Monetary policy should therefore continue to be clearly more flexible and also support an increase in liquidity and money supply. The PBoC will have all the more room to manoeuvre in implementing this more accommodative policy, given that the other central banks are already in the process of easing conditions and that the Fed is certainly on the verge of implementing a policy of rate cuts of its own. The producer price indices also show a similar picture, with the one-year PPI still in negative territory at -0.8%, underlining that deflation in producer prices is now a persistent feature that has already been observed since the 4th quarter of 2022.

Evolution of interest rate differentials in favour of the yuan

The Fed's next pivot will allow the PBoC to implement a clearer policy of supporting growth through interest rates, but it will also allow a stabilization or even a tightening of interest rate differentials, which will be favourable to the Chinese currency. The accumulated tensions on the yuan had weakened the yuan, which reached its lowest level

against the dollar at 7.3 yuan to the US dollar. The end of a restrictive US monetary policy will mark the start of the yuan's recovery. This will be moderate and limited by the fact that Chinese interest rates will also be lowered by the central bank. The easing of monetary conditions envisaged over the coming months will have an initial positive effect on exchange rates. The steady depreciation of the Chinese currency is coming to an end, and we now envisage a phase of moderate appreciation pushing the exchange rate back towards 6.8 yuan.

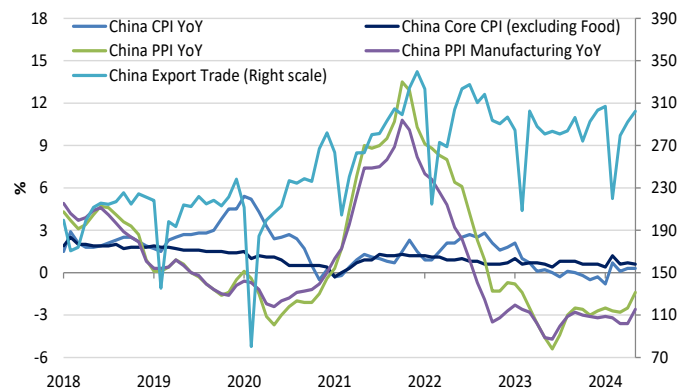
China's capital market remains attractive

Despite a high rate of GDP growth by international standards, the Chinese economy entered deflation in 2023, in a cycle that runs counter to the general trend seen in industrialized countries. Inflation measured by consumer prices in China has been on a clear downward trend since its peak in September 2022 (+2.8%), and is now touching the threshold of +0.2%/year. In producer prices, the trend was earlier and more intense, as the deflation that began in September of the previous year has continued to this day. Against this backdrop, ten-year government yields fell from 2.8% at the start of 2023 to 2.2% at the end of June. In theory, current real yields are still attractive. Given the expansionary policy that will have to be tightened in the 2nd half of the year, the low point in yields has probably not yet been reached in the capital market. Prospects for capital gains therefore remain, and may even be accompanied by currency gains. That said, we do not favour an allocation to Chinese bonds in an international context that favours capital gains in other regions.

Effective Exchange Rate and USD/Yuan



Inflation CPI - Core CPI



MACROECONOMIC SCENARIO

United Arab Emirates

- Real GDP expanded by 4.3% in Q1 2024 and is anticipated to accelerate to 6.2% in 2025
- The UAE PMI slowed to 54.6 in June but remained above the 50 neutral mark, indicating robust expansion
- UAE inflation forecast lowered for 2024 to 2.3%
- Dubai residential market sees accelerating price growth in 2024
- UAE financial markets end Q2 2024 with gains, breaking decline streaks

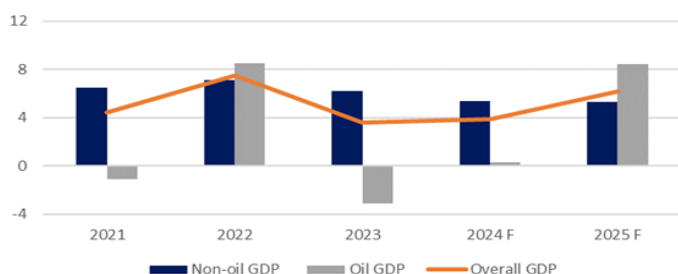
Real GDP expanded by 4.3% in Q1 2024 and is anticipated to accelerate to 6.2% in 2025

In the fourth quarter of 2023, according to latest report of The Central Bank of the UAE (CBUAE) the UAE economy grew by 4.3% year-on-year, surpassing the 2.5% growth seen in the third quarter of 2023. This quarterly increase was driven by accelerated growth in the non-hydrocarbon sector, which accounts for approximately 75% of GDP, and an improved performance in the hydrocarbon sector. The Central Bank of the UAE (CBUAE) projects GDP growth for 2024 at 3.9%, primarily reflecting the robust performance of the non-oil sector. Key sectors driving this growth include tourism, transportation, financial and insurance services, construction and real estate, and communications.

Non-hydrocarbon GDP growth accelerated to 6.7% year-on-year in Q4 2023, up from 5.8% year-on-year in the previous quarter. This increase was driven by strong performance in financial and insurance services, real estate activities, construction, and manufacturing. Non-hydrocarbon GDP growth is projected to remain robust at 5.4% in 2024 and 5.3% in 2025, mainly due to base effects and stabilizing migration inflows. In the first four months of 2024, oil production averaged 2.9 million barrels per day, marking a 4% decline compared to the same period a year ago and is expected to remain at this level until the end of 2024 according to The Central Bank of the UAE (CBUAE). However, gas production increased by 14.3% year-on-year in Q1 2024, offsetting the decline in oil production. Based on historical performance year-to-date in 2024 and the OPEC+ meeting decision on production in June 2024, the hydrocarbon sector is set to grow by 0.3% in 2024, followed by further expansion of 8.4% in 2025.

Looking ahead to 2025, GDP growth is expected to rise to 6.2%, driven by continued strength in the non-hydrocarbon sector and a significant increase in oil and gas production. Nonetheless, these projections for 2024 and 2025 are surrounded by considerable uncertainties. Downside risks include escalating geopolitical tensions, such as disturbances in the Red Sea, the conflict in Gaza, and the Russia-Ukraine conflict, a global economic slowdown caused by prolonged high interest rates, and potential further oil production cuts by OPEC+. Conversely, growth could be positively impacted by reductions in interest rates in advanced economies, which could boost external demand and encourage capital inflows into emerging markets.

Real GDP Growth in the UAE (%)



Source: Emirates NBD Research, S&P Global, BearBull Global Investment Group

The UAE PMI slowed to 54.6 in June but remained above the 50 neutral mark, indicating robust expansion.

In mid-2024, growth in the UAE's non-oil private sector continued to decelerate, according to the latest S&P Global PMI survey. Despite a solid improvement in the sector's performance, ongoing competitive pressures, weaker job creation, and a subsequent slowdown in output growth led to the softest upturn recorded since February 2023. The lingering effects of April's floods and supply chain disruptions due to the Red Sea crisis persisted in June, causing a notable increase in outstanding work. Additionally, firms experienced a sharp rise in input prices, resulting in the fastest increase in average prices since April 2018.

The seasonally adjusted PMI dropped to 54.6 in June from 55.3 in May. Although the index remained well above the 50.0 neutral mark, indicating robust expansion, it was at its lowest point in 16 months. The slowing PMI trend broadly reflected a softening of output growth across the non-oil private sector. Meanwhile, companies reported a steep rise in new work during June, with the upturn reaching its strongest level since March. Improved demand and the acquisition of new clients were commonly noted. Additionally, firms saw the sharpest increase in export volumes since October last year.

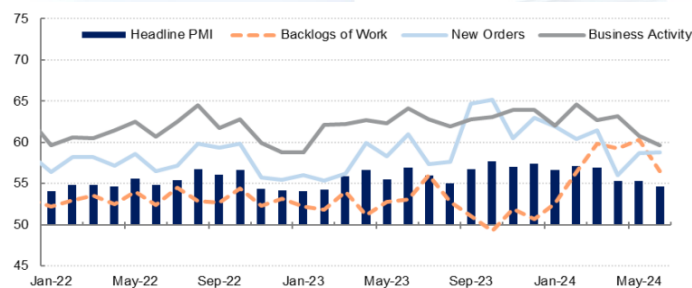
Looking ahead, UAE non-oil companies remained optimistic about future activity levels in June. Although the degree of optimism slightly declined, it was still among the highest observed in the past four years. With strong demand prospects, businesses sharply increased their input buying volumes, leading to a faster expansion in inventory levels. Employment numbers also rose in June, though at the slowest rate in five months. Respondents indicated that efforts to expand capacity were partly constrained by the need to manage cost burdens.

UAE inflation forecast lowered for 2024 to 2.3%

The CBUAE has revised its inflation forecast for the UAE in 2024 downward from 2.5% to 2.3%. This adjustment reflects expectations that commodity prices, wages, and rents will rise at a slower pace than previously anticipated, partly due to the appreciation of the Dirham following the USD's rise.

For 2025, inflation is also projected to average 2.3%, primarily driven by the non-tradeable component of the basket amid rising domestic demand.

UAE PMI & subcomponents



Source: Emirates NBD Research, S&P Global, BearBull Global Investment Group

Dubai residential market sees accelerating price growth in 2024

According to the latest CBRE report, Price growth continued to accelerate in Dubai's residential market in the first quarter of 2024, with average prices increasing by 20.7% year-over-year to March 2024. During this period, average apartment prices rose by 20.4%, while average villa prices climbed by 22.1%. As of March 2024, average apartment prices were AED 1,486 per square foot, and average villa prices were AED 1,776 per square foot. Although overall average sales rates remain just 0.1% below the 2014 highs, several key residential neighborhoods have long surpassed their 2014 figures, with average villa sales rates exceeding the 2014 baseline by 22.9%.

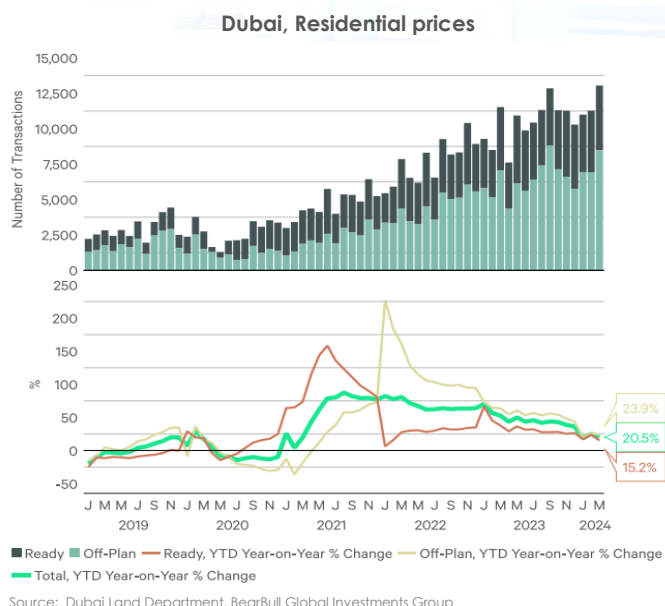
Rental growth rates also accelerated in 2024, following a moderation in 2023. In March 2024, average residential rents in Dubai increased by 21.2% year-over-year. Over this period, average apartment rental rates grew by 22.1%, while villa rental rates increased by 14.5%. As of March 2024, average annual apartment and villa rents stood at AED 123,429 and AED 344,658, respectively.

Data from the Dubai Land Department revealed a total of 159,941 rental registrations in the year to March 2024, marking a 5.8% increase from the previous year. This growth was driven by a 12.3% rise in renewed rental registrations, while new contract registrations declined by 4.1%. The current market conditions have led to a higher prevalence of tenants renewing existing leases, as many are unwilling or unable to pay higher rates for new leases, and there is a distinct lack of available stock, particularly in prime and core residential areas.

In the first quarter of 2024, the total number of sales transactions above AED 5 million and AED 10 million rose by 27.2% and 42.5%, reaching 2,817 and 1,010, respectively. These increases were largely driven by significant levels of off-plan sales. However, this trend was not reflected in traditional prime and super-prime locations.

In Q1 2024, the prime market segment saw 458 transactions, a 2.1% decline compared to the previous year. Super-prime transactions also fell, with a 16.5% year-on-year decrease to a total of 227. These declines were primarily due to significant drops in off-plan sales, stemming from high demand and limited upcoming supply. Despite the drop in transaction numbers, average prices in both segments saw substantial increases. In Q1 2024, average prime prices rose by 16.0% year-on-year to AED 4,661 per square foot, while average super-prime prices grew by 14.8% to AED 4,978 per square foot.

Looking ahead, Dubai's residential sales market is expected to maintain its upward trajectory. Prices in both the apartment and villa segments are anticipated to continue growing, albeit at a slower pace. On the rental front, residential rents are also forecasted to increase, though the rate of growth is likely to moderate.



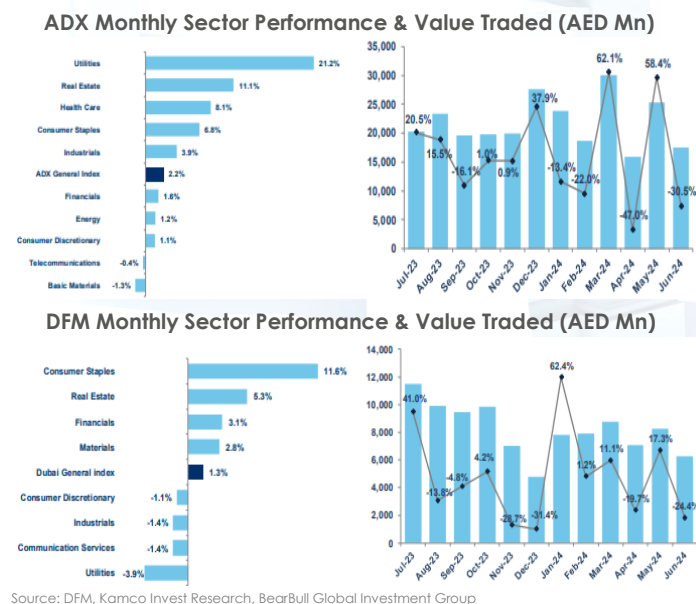
Financial UAE financial markets end Q2 2024 with gains, breaking decline streaks

In June 2024, the DFM General Index grew by 1.3%, breaking a streak of three consecutive monthly declines, which had followed four straight months of gains. The benchmark closed the month above the 4,000 points mark at 4,030.0 points. Sector performance was balanced, with four out of eight sectors recording gains and the other four dipping into the red. The Financial Sector, the largest weighted sector in the exchange, rose by 3.1%, helping lift the overall index. Notable contributors to this sector's performance included the Commercial Bank of Dubai, up 3.2%, and Dubai Islamic Bank, up 4.0%. The Consumer Staples index saw the largest monthly increase, surging 11.6% to close at 93.8 points. The Real Estate Index also posted a significant gain of 5.3%, finishing at 7,781.2 points.

Trading activity on the exchange was mixed in June 2024. The total volume of shares traded increased by 2.5% to 4.2 billion shares, compared to 4.1 billion in May 2024. However, the total value of shares traded decreased by 24.4%, dropping to AED 6.3 billion from AED 8.3 billion in the previous month. Drake & Scull International led the monthly trading volume chart with 2.3 billion shares changing hands, followed by Union Properties with 322.9 million shares and Emaar Properties with 194.1 million shares. In terms of trading value, Emaar Properties topped the list with AED 1.5 billion worth of shares traded, followed by Emirates NBD with AED 862.2 million and Drake & Scull International with AED 803.01 million.

In June 2024, the FTSE ADX index gained 2.2%, marking its first monthly gain of the year and closing at 9,060.73 points. This increase reduced the index's year-to-date decline from -7.5% in May 2024 to -5.4% in June 2024. Out of the ten sector indices on the exchange, eight recorded gains while two saw declines. The Utilities Index led the gains with a 21.2% increase, closing at 12,515.0 points, driven by a 21.2% rise in shares of Abu Dhabi National Energy Company (Taqa). The Real Estate Index posted the second-largest gain, up 11.1% to 9,285.5 points, primarily due to a 13.8% increase in Al Dar Properties' share price. Conversely, the Basic Materials Index and the Telecoms Index experienced declines of 1.3% and 0.4%, respectively.

Trading activity on the exchange declined in June 2024, following a broad increase in May 2024. The total volume of shares traded dropped by 36.2% to 4.6 billion shares, down from 7.1 billion in the previous month. Similarly, the total value of shares traded decreased by 30.5% to AED 17.5 billion, compared to AED 25.2 billion in May 2024. Eshraq Investments was the most active stock, with 681.6 million shares traded, followed by Multiply Group with 456.2 million shares and Pure Health Holding Company with 228.8 million shares. In terms of value traded, IHC topped the list with AED 3.8 billion worth of shares changing hands, followed by Alpha Dhabi Holding Company at AED 1.4 billion and Al Dar Properties at AED 1.1 billion.



MACROECONOMIC SCENARIO

Emerging Market

- Status quo on key rates
- Emerging economies remain resilient
- Disinflation pauses

The global economic environment remains complicated, due to uncertainty regarding the interest rate reduction cycle in the United States and the persistence of the disinflation process in the major economies. Some developed countries have postponed their easing cycle, while others have opted for a cautious start to the monetary easing process.

Brazil - In recent quarters, data on economic activity have surprised with higher growth rates for various components of demand. The resilience of domestic activity and the fact that consumption has remained stable over time contradict the scenario of gradual deceleration initially forecast. The country's economy grew by 0.8% in the first quarter of the year. In addition, it is currently difficult to estimate the economic impact of the floods in Rio Grande do Sul. Concerns remain as to the extent of the decline in activity and its subsequent recovery. Overall, however, economic activity should prove stronger than previously expected, with the output gap approaching zero.

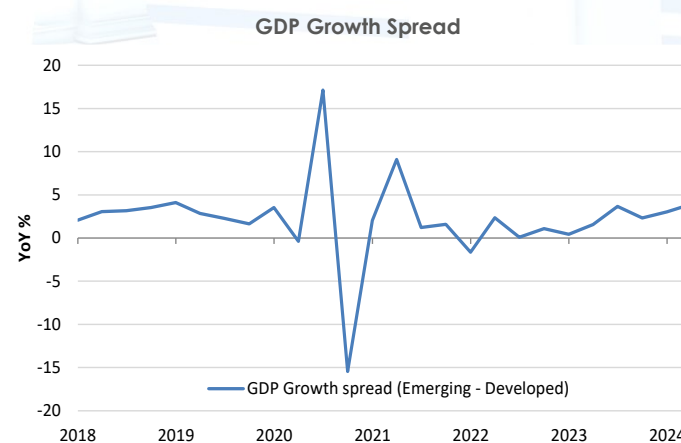
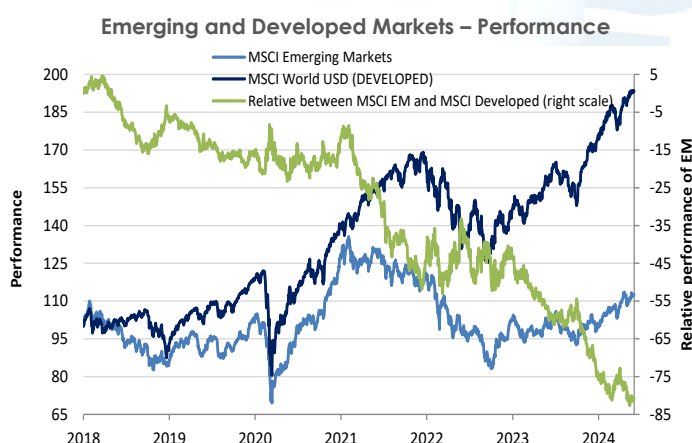
Although overall inflation has followed a downward trajectory over the recent period, various measures of core inflation remain above target. Food inflation is impacted in the short term by the effect of flooding in Rio Grande do Sul, but also by price revisions in other regions. While the prices of industrial goods and household foodstuffs are temporarily no longer contributing to disinflation, the more inertial prices of services are playing a major role in the current disinflationary dynamic. Inflation forecasts for 2024 and 2025 are around 4.0% and 3.8% respectively.

The Board unanimously decided to maintain the Selic rate at 10.50%. The labour market and economic activity, particularly household consumption, were surprisingly different from the expected slowdown scenario. In addition, inflation projections for 2024 and 2025 have risen further. In addition, the external outlook remains unfavourable, reflecting the market's view that interest rates in developed countries are likely to remain high for a longer period.

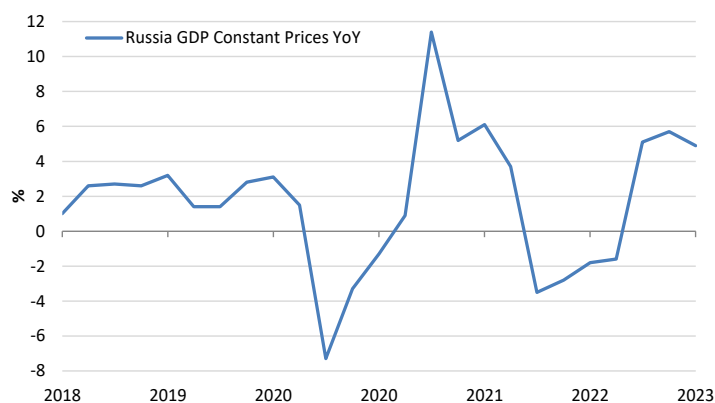
Russia — Annual growth data for the first quarter (+5.4%) and high-frequency indicators for the second quarter show that the Russian economy continues to grow at a sustained pace. Consumer activity remains high against a backdrop of significant increases in household incomes and positive consumer sentiment. Business investment demand remains high. As a result, the Russian economy is deviating significantly upwards from a balanced growth trajectory. Labour shortages are the main obstacle to expanding the production of goods and services. Tensions on the labour market continue to mount, with unemployment at an all-time low.

The current environment consists of more pro-inflationary risks, mainly linked to changing trade conditions, persistently high inflationary expectations and an upward deviation of the Russian economy from the balanced growth trajectory. On the other hand, disinflation risks are mainly linked to a more rapid slowdown in domestic demand than anticipated in the baseline scenario. Planned changes in fiscal policy mean that higher budget spending in coming years will be financed by higher consolidated revenues. These decisions are in line with the previously approved timetable for the normalization of fiscal policy from 2025 onwards. The combination of tax changes and a simultaneous increase in spending should be neutral for inflation. Inflation has risen from the lows of 2023 to 8.6% in June. It should return to its target of 4% during 2025 and then stabilize.

The Bank of Russia has decided to maintain the key rate at 16.00% p.a. Inflation returned to high levels in 2024, while growth in domestic demand continues to outstrip the capacity to expand the supply of goods and services. It should be noted that the Bank of Russia does not rule out raising its key rate if inflation returns to target.



GDP Russia (YoY)



GDP Brazil (YoY)



India — High-frequency indicators of Indian economic activity show resilience in 2024. The southwest monsoon should be above normal, boding well for agriculture and rural demand. Combined with sustained momentum in manufacturing and services, this should lead to a recovery in private consumption. Improved prospects for world trade could bolster external demand. However, geopolitical tensions, volatile commodity prices and geo-economic fragmentation pose risks to the economic outlook. Taking all these factors into account, GDP growth should reach 7.2% in 2024.

Inflation (5.08% in June) has evolved horizontally over the course of 2024, within a narrow range of around 5%. On the other hand, food inflation remains high, due to persistent price pressures on vegetables, cereals and spices in particular. Fuel price deflation accelerated in March-April, reflecting the fall in liquefied petroleum gas prices. Looking ahead, the shocks generated by the growing incidence of adverse climatic phenomena are creating considerable uncertainty about the trajectory of food inflation. The arrival on the market of the main rabi crops needs to be closely monitored, given the recent sharp rise in prices. However, a normal monsoon could ease food inflationary pressures over the course of the year. Consumer price inflation is forecast at 4.5% for the year as a whole.

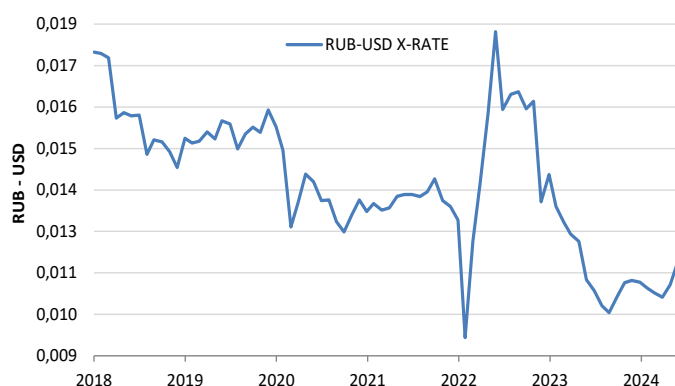
The Monetary Policy Committee remains determined to bring inflation into line with the 4% target in the long term. Accordingly, the Monetary Policy Committee has decided to keep the key rate unchanged at 6.50%.

South Africa — In South Africa, economic activity for the first quarter (-0.1%) was weaker than expected, despite the reduction in power cuts, but should return to positive figures over the next few quarters for GDP growth of +1.2% over the full year 2024. The recent improvement in electricity supply, with no power cuts since March 26, is a positive development and should continue to have a positive impact on growth forecasts.

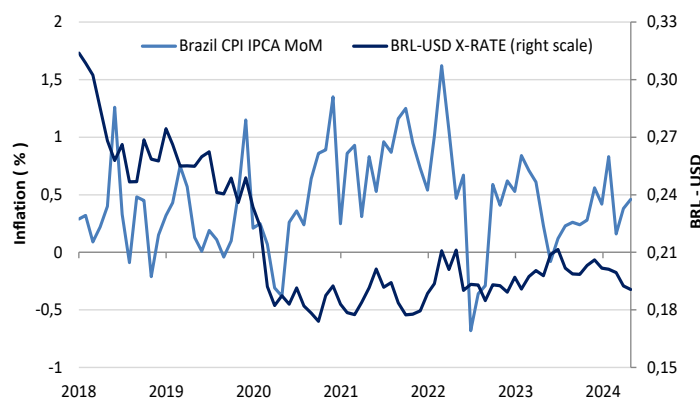
Currently slightly above 5%, inflation should stabilize close to the 4.5% target in the early months of next year, a slightly more optimistic view than at the start of this year, when a return to the target was expected more towards the end of 2025. Recent better-than-expected inflation data, particularly for food, means that inflation projections can be revised downwards. Surveys of companies and trade unions, on the other hand, reveal a less optimistic view of the situation, with more persistent inflation likely to return to its target no sooner than two years from now. Although the risks associated with the forecasts appear to be broadly balanced at present, high inflation expectations should push the central bank to seek to achieve the target as quickly as possible in order to rancher expectations.

Overall, forecasts point to a slight acceleration in growth over the next few years and a gradual stabilization of inflation towards its target. However, with uncertainty exceptionally high, the Monetary Policy Committee unanimously decided to keep the key rate unchanged at 8.25%. Nevertheless, forecasts continue to point to a normalization of monetary policy, with rates falling towards more neutral territory by next year.

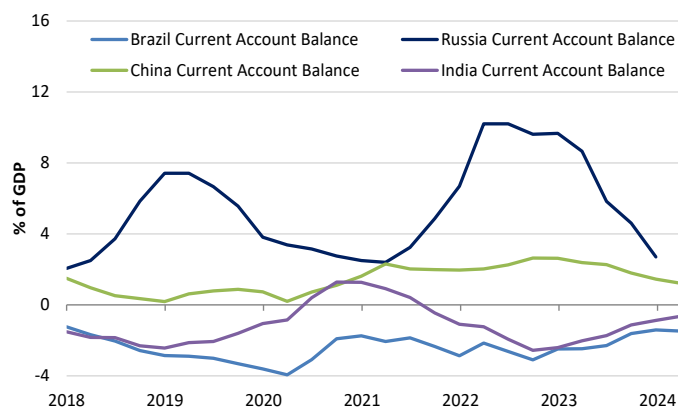
Rouble VS USD



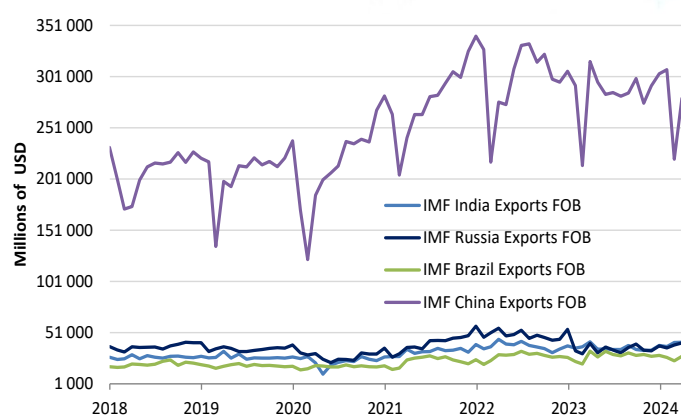
Inflation and Exchange Rates



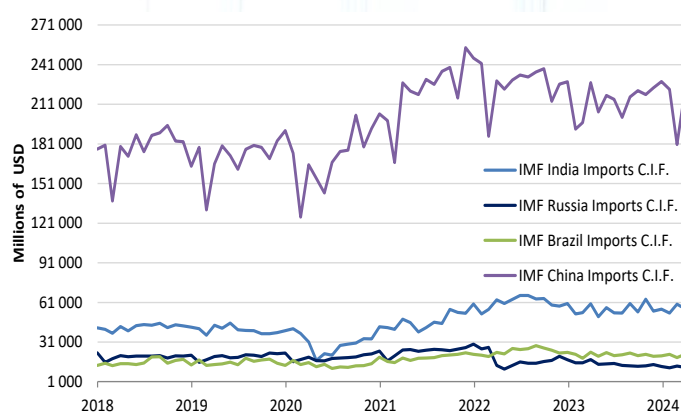
Current balance



BRIC Exports



BRIC Imports



South Korea — The Bank of Korea maintained its key interest rate at 3.5% for the twelfth consecutive time, citing the need for more time to assess a slowdown in inflation and observe the impacts of volatile currency markets, property prices in and around Seoul and persistently high household indebtedness. Inflation hit an 11-month low of 2.4% in June, allowing the central bank to consider the possibility of a rate cut. In terms of GDP, the economy is expected to grow by around 2.5% in 2024, in line with earlier forecasts, supported by a gradual recovery in consumption, a favourable labour market and higher export growth.

Indonesia — Bank Indonesia has kept its interest rate unchanged at 6.25%, keeping borrowing costs at their highest level since the benchmark was introduced in 2016. This decision aims to keep inflation within the target range of 1.5-3.5% for 2024 and 2025, while enhancing the effectiveness of rupiah stabilization and attracting foreign capital. The Indonesian currency appreciated, reflecting the central bank's commitment to currency stability and the strength of the country's economic fundamentals. The Indonesian economy proved resilient, achieving a growth rate of 5.11% in the first quarter of 2024, mainly thanks to strong domestic demand despite high uncertainties on global financial markets. In addition, headline inflation slowed to 2.51% in June from 2.84% the previous month, marking the lowest reading since September 2023.

Turkey — The Turkish Central Bank left its key rate unchanged at 50% for the third consecutive decision, keeping it at the highest level since 2002, and indicated that it would consider tightening monetary conditions further if inflation expectations deteriorated further. On the other hand, domestic demand continued to slow due to the abrupt tightening of credit conditions, but the rigidity of services inflation and the impact of geopolitical risks on energy and food prices maintained inflationary pressures. Nevertheless, the central bank expects disinflation to accelerate in the second half of the year.

Poland — The National Bank of Poland kept its benchmark rate unchanged for the ninth consecutive meeting at 5.75%, in line with market expectations. The country's inflation rate edged up to 2.6% in June from a low of 2% in March. Although this rate remains within the central bank's target range of 1.5% to 3.5%, the central bank expects price growth to accelerate in the second half of the year, driven by a particularly robust labour market. Consequently, Governor Adam Glapinski ruled out the possibility of a rate cut this year.

Argentina — The Argentine Central Bank reduced its key rate from 50% to 40%, marking the sixth adjustment since December due to a slowdown in the rate of inflation, taking rates to their lowest level since June 2022. Monthly inflation slowed to 4.6% in June, from 25% in December 2023, following a sharp devaluation of the local currency. President Javier Milei has prioritized rigorous spending cuts since December to combat inflation. Monthly inflation is now expected at 3.8% for September, but on an annual basis remains at an impressive 271.5% at the end of June.

Mexico — The Bank of Mexico maintained its benchmark interest rate at 11.00% in June 2024 for the second time in succession. Markets in Mexico were highly volatile, with government bond yields rising and the peso depreciating. Economic activity remained weak (+1.6% annualized in the first quarter), continuing a trend that began at the end of last year. Annual inflation fell from 4.40% in February to 4.98% in June, but the disinflation process is set to resume, with inflation expected to converge towards the 3% target by the end of 2025.



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PROSPECTS AND STRATEGIES



PROSPECTS AND STRATEGIES

Currencies

- Another period of relative exchange rate stability
- Investors will continue to favour USD-denominated assets and the greenback
- Don't bet on a weak franc
- Limited prospects for pound appreciation
- 38-year low for the yen against USD

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

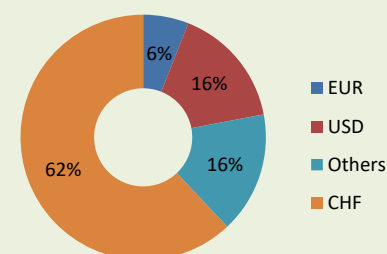
Another period of relative exchange rate stability

As we announced in March, the second quarter was marked by a relative stabilization of exchange rates in the main developed markets. This low volatility contrasted sharply with the extremely marked weakness of the Japanese currency, which plunged by 6.3% against the dollar after already losing 7.31% in the previous quarter. While the yen fell to historic lows against the dollar and most other currencies, the USD/euro (+0.71%), USD/GBP (+0.17%), euro/GBP (+0.89%) and USD/CHF (-0.29%) exchange rates ultimately moved only within narrow limits, particularly in comparison with previous quarterly movements in recent years. We believe that exchange rates should continue to show little volatility over the next few months, mainly as a result of the convergence of monetary policies that is set to take place in the industrialized countries. Yield differentials should not be disrupted in this context, which will be characterized by more flexible monetary policies and similar, simultaneous cuts in key rates. On the inflation front, this factor will also become less important as price indices converge closer and closer to central bank targets, resulting in smaller and smaller differences between countries. Finally, GDP growth differentials could still influence demand for certain currencies such as the dollar, but these differentials are also set to narrow. The coming months will undoubtedly see a reduction in exchange rate volatility and fluctuations.

Investors will continue to favour USD-denominated assets and the greenback

The trade-weighted dollar's correlation with long-term interest rates is likely to be a negative factor for the greenback in the context of the expected economic slowdown and rate cuts. The Fed's next pivot could be seen as weakening the dollar, but the rate-cutting cycles set in motion by the other central banks should in fact have similar effects on the rates of other currencies, resulting in yield differentials being maintained. The convergence of monetary policy changes in Europe and the United States, and a simultaneous decline in inflation, will therefore probably reduce exchange rate volatility in the 2nd half of the year. Yield differentials are likely to remain relatively stable between the main currencies, while inflation differentials are more likely

Currency allocation - CHF portfolio



Tactical allocation

- Underweight the Swiss franc
- Favour USD, AUD and CAD
- Slightly Overweight the euro
- Avoid the yen

to contract. Against this backdrop, the growth differential could be enough to boost investor interest in investment opportunities and US assets, but it will certainly be the prospects of capital gains on US bonds and equities that will sustain strong demand for dollars. A general appreciation of the dollar therefore still seems likely, particularly against the Swiss franc, which has been partly released by the SNB in its new monetary policy phase.

Don't bet on a weak franc

The strength of the franc certainly peaked at the end of December 2023, and the expected phase of weakness materialized as the SNB announced its change of policy. However, it is also likely that the pace of interest-rate cuts in Switzerland will now be slower than in the rest of the world, particularly in view of the expected trend in ECB and Fed rates. While Swiss rates could still fall by 50 bps in the second half of the year, we believe that US rates could easily be cut by 100 bps by the Fed. Against this backdrop, it seems likely that the franc will remain weak, but we no longer anticipate a decline as significant as that envisaged at the start of the year. Nevertheless, the franc is likely to weaken by 5-7% against the dollar and the euro.

Inflation and interest rate spreads favourable to the euro

The trend in inflation in the eurozone over the last six months is reshuffling the deck and changing the outlook for the exchange rate. The collapse in inflation was more rapid in the eurozone at the end of 2023, allowing inflation differentials to contract more sharply. Against the Swiss franc, the inflation differential is now just 1%, as low as it was before 2022, having reached a delta of 7%. At the same time, yields have not fallen as sharply, which means that the relative yield spread is now above the inflation spread. We believe that the euro, which was particularly penalized in 2022 and 2023 by the opposite trend in these parameters, can now use this new paradigm to enter a phase of appreciation against the Swiss franc. This environment should support an appreciation of the euro against the franc above parity.

Limited prospects for appreciation of the pound

Over the last two years, the pound's exchange rate against the dollar has remained relatively stable, fluctuating by $\pm 3\%$ around a central value of 1.25. If anything, recent developments in monetary policy and interest rates have highlighted a fairly clear correlation in the strategies of the US and UK central banks, which is likely to continue over the coming months. The restrictive monetary policies pursued by the two institutions pushed short-term rates to similar levels before pausing in the summer of 2023, and this has continued to the present day. Inflation had been more favourable in the United States, but the recent acceleration in the fall in prices in the United Kingdom has now created positive conditions for a change in the BoE's monetary policy. From a relative point of view, we believe that the UK situation already justifies a cut in key rates. This could take place in August, while the situation in the United States could, on the contrary, postpone any decision by the Fed until September. Rate differentials between the dollar and the pound could remain similar, while their respective central banks are implementing more flexible policies at around the same time, cutting their rates in similar increments. The GBP/USD exchange rate is unlikely to break out of its current stabilization zone of between 1.25 and 1.30. The situation is a little different for the pound/Swiss franc exchange rate, due in particular to the significant differential that is likely to persist even as UK and Swiss rates fall. The weakness of the franc will also be felt against sterling, which is likely to appreciate. The stabilization of the exchange rate in a fluctuation band of between 1.10 and 1.15 since November 2022 could therefore be tested by a rise above 1.15-1.17.

38-year low for the yen against the US dollar

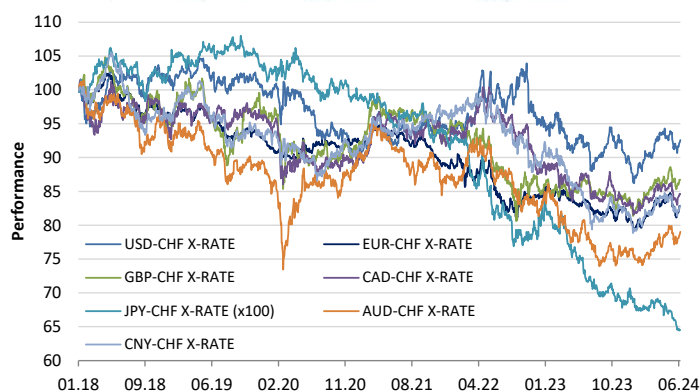
The yen continues its descent into hell, reaching its lowest level since 1986. In a powerful downtrend, the yen's rebound phases against the dollar were only very short-lived and were quickly followed by further

downturns. In the short term, the yen seems to be increasingly affected by the absence of any decisive action on the BoJ's key interest rates and, consequently, by the interest rate differential that remains unfavourable to the Japanese currency against all the major currencies. For months, we have been pointing out that any appreciation in the yen would certainly be short-lived, given that yield spreads on various maturities are high enough to sustain Japanese investors' interest in holding dollars. We believe that the yield differential will be the main factor determining the level of the exchange rate, and in the absence of a more restrictive policy, now somewhat more likely, from the BoJ, our outlook still favours weakness in the yen against the US dollar. That said, the decline in the Japanese currency is now an increasingly important concern for the BoJ, and we believe that the odds are now increasing in favour of a clearer shift in its attitude towards defending the yen. We believe that this will require a rise in interest rates and a change in speculators' perceptions. With a time horizon of twelve months, we consider that the prospects for a modest appreciation of the yen are high.

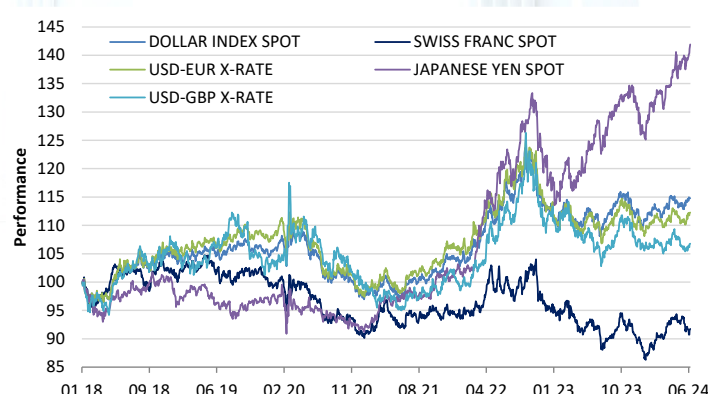
Spreads in favour of the yuan

The Fed's next pivot will allow the PBoC to implement a clearer policy of supporting growth through interest rates, but it will also allow a stabilization or even a tightening of interest rate differentials, which will be favourable to the Chinese currency. The accumulated tensions on the yuan had weakened the yuan, which reached its lowest level against the dollar at 7.3 yuan to the US dollar. The end of a restrictive US monetary policy will mark the start of the yuan's recovery. This will be moderate and limited by the fact that Chinese interest rates will also be lowered by the central bank. The easing of monetary conditions envisaged over the coming months will have an initial positive effect on exchange rates. The steady depreciation of the Chinese currency is coming to an end, and we now envisage a phase of moderate appreciation pushing the exchange rate back towards 6.8 yuan.

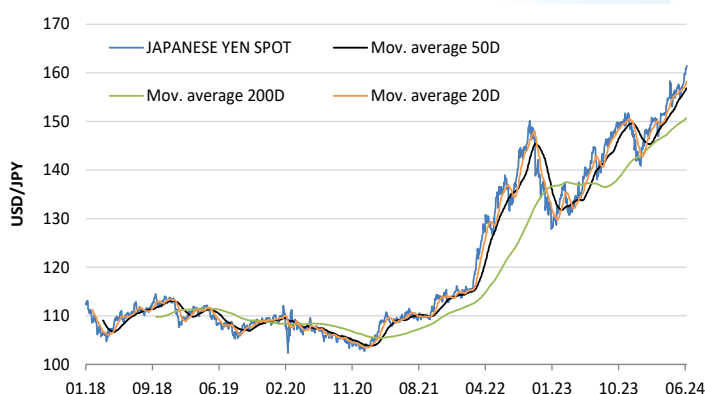
Evolution of the 7 Main Currencies against CHF (base 100)



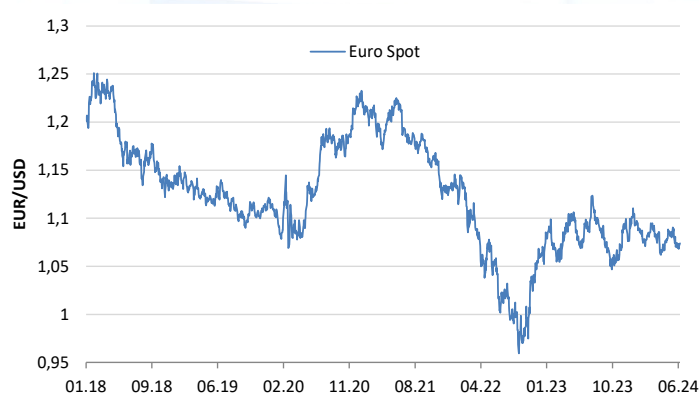
Dollar Trade-Weighted Index & Cross Rates (base 100)



Exchange Rate JPY/USD



Exchange Rate EUR/USD

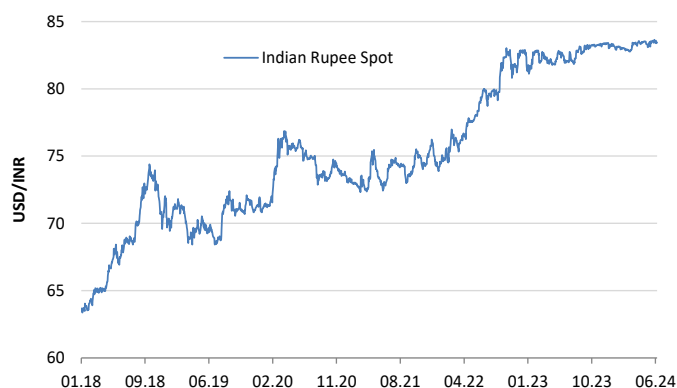


CURRENCIES

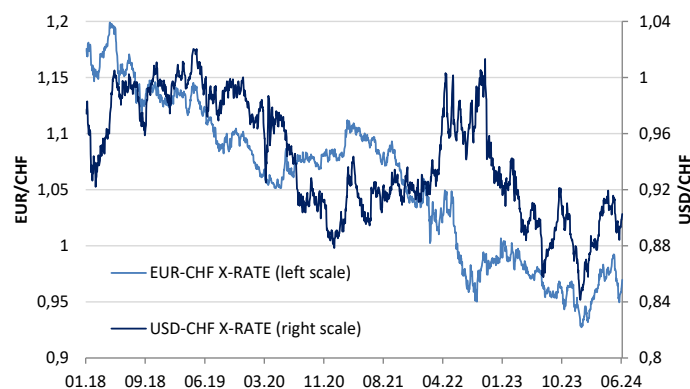
30.06.2024

Name	Last price	7 d %	1 m %	3 m %
AGAINST DOLLAR				
EUR-USD X-RATE	1,07	0,19	-1,24	-0,71
CHF-USD X-RATE	1,11	-0,54	0,40	0,30
GBP-USD X-RATE	1,26	0,00	-0,76	0,17
JPY-USD X-RATE	0,01	-0,67	-2,22	-5,92
CAD-USD X-RATE	0,73	0,10	-0,38	-1,03
AUD-USD X-RATE	0,67	0,44	0,26	2,28
RUB-USD X-RATE	0,01	3,83	5,42	7,76
CNY-USD X-RATE	0,14	-0,09	-0,35	-0,62
INR-USD X-RATE	0,01	0,18	0,09	0,02
BRL-USD X-RATE	0,18	-2,88	-6,19	-10,33
AGAINST SWISS FRANC				
USD-CHF X-RATE	0,90	0,55	-0,39	-0,29
EUR-CHF X-RATE	0,96	0,70	-1,64	-1,05
GBP-CHF X-RATE	1,14	0,50	-1,23	-0,09

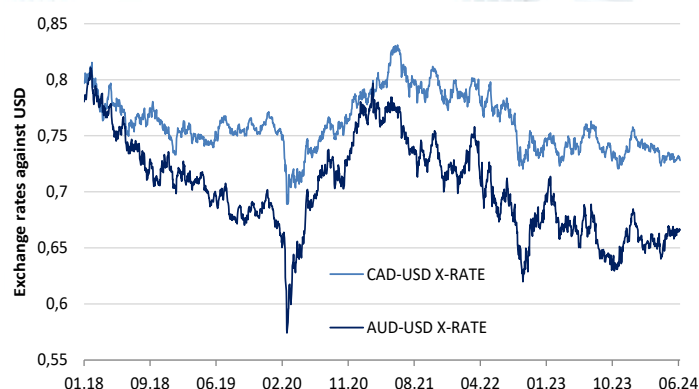
Indian Rupee



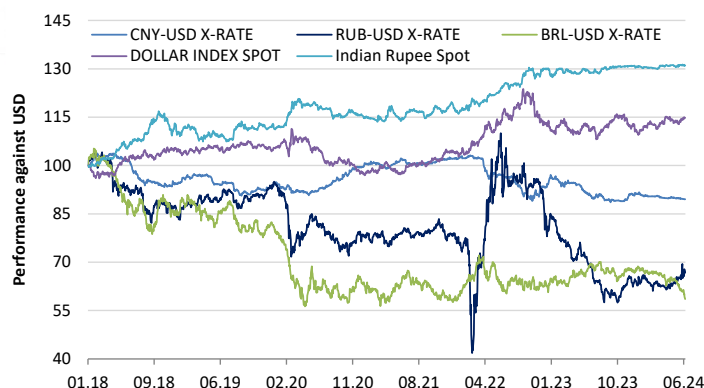
Exchange Rate EUR/CHF - USD/CHF



Exchange Rate CAD/USD - AUD/USD



Emerging Currencies VS USD (base 100)

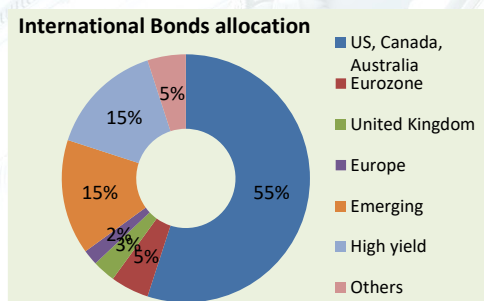


PROSPECTS AND STRATEGIES

International Bonds

- Another difficult first half for capital markets
- Yield curves likely to fall
- Favourable environment for USD bonds
- Focus on long maturities, high yield and emerging markets

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...)	↗	↗							



Tactical allocation

- Underweight the euro zone
- Overweight USD, CAD, AUD bonds
- Overweight corporate and high-yield bonds
- Increase exposure to emerging markets
- Extend average durations

Another difficult first half for capital markets

International bonds once again recorded a second quarter of generally negative performance, ending the half-year with an overall decline of -3.2%. Despite economic conditions that were likely to trigger a decline in interest rates, bond markets remained negatively affected by the loss of momentum of falling inflation and by the perception that central banks would potentially postpone the pivot date of their monetary policies by several months, or even several quarters in the case of the United States. At the end of the quarter, inflation and economic growth data tended to support expectations of policy changes as early as June in the eurozone, and probably by the end of summer in the US. Against this backdrop, most markets tended to experience upward interest rate readjustments at the start of the quarter, before benefiting from a brighter outlook in June.

Yield curves likely to fall

The current inversion of yield curves in both the United States and Europe is essentially due to the high level of key rates, and consequently of the short end of the yield curves, totally linked to the central banks' anti-inflation policies. The current success of these policies seems undeniable, but they have not yet fully achieved the desired objective, since inflation measures are sometimes close to, but not exactly above, the set target. However, most central banks will decide to ease their policies even before inflation drops to +2%. In a context characterized by the normalization of monetary policies from June 2024 onwards, at least in the eurozone, Canada and Switzerland. It should already be possible to lower the short end of the yield curves by around 25 bps in Switzerland and 50 bps in the eurozone and Canada over the next six months. The short end of the yield curves in the USA and the UK are still relatively high, and could therefore benefit from potentially higher declines in the short term, and perhaps more sustainable declines in 2025. But without a surprise return of inflation, the path seems clear.

Assuming a single, arbitrary hypothesis of inflation rates finally approaching the central banks' targets in the more or less near future, and also simplifying and arbitrarily considering that key rates could then adjust in the same way in all the countries concerned, slightly

above these inflation levels, i.e. to 2.5% for example, we would see a downward trend for US rates of 300 bps, 275 bps for UK rates, 225 bps for Canadian rates and 175 bps for European rates. A similar theoretical and arbitrary normalization of yield curves from inverted to slightly positive slopes of around 50 bps between short rates and 10-year maturities would suggest significant declines for government bonds over the coming quarters, synonymous with substantial capital gains in many cases. Ten-year US Treasury yields could slide from 4.4% today to 3% (-140 bps), while the decline would be from 4.15% to 3% (-115 bps) for UK yields, while we could even see a rise from 2.5% to 3% in eurozone yields, with a negative impact in value terms. In the medium term, however, we believe that even the eurozone will benefit from the general easing of interest rates to temporarily return to ten-year yields close to 2%.

Favourable environment for USD bonds

The ongoing economic slowdown in the USA and the positive trend in inflation are now creating the positive conditions for the Federal Reserve to intervene sooner than the consensus would have us believe. In the end, bond markets have only recently begun to take slightly more notice of the growing risks of a downturn in economic activity. At the end of April, sentiment still favoured the prospect of uncontrolled inflation which, if it persisted, could even trigger a further tightening monetary policy.

BOND INDICES (local currency)									
30.06.2024		Total Return Performance							
Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %		
SWISS BONDS									
SBI AAA-BBB	133,8	CHF	0,6	2,4	1,3	1,7	1,7		
UE BONDS									
Barclays EuroAgg	234,6	EUR	-0,4	0,3	-0,9	-1,2	-1,2		
UE BONDS - SHORT DURATION									
ISHARES EURO GOV BND 1-3	140,6	EUR	0,0	0,4	0,4	0,4	0,4		
US BONDS									
Barclays US Agg Total Return Value Unhedged USD	2146,6	USD	-0,6	0,9	0,1	-0,7	-0,7		
US BONDS - SHORT DURATION									
BGF-USD ST DURATN BOND-USD A1	8,1	USD	0,4	0,7	1,1	1,7	1,7		
EMERGING BONDS									
JPMorgan Emerging Markets Bond	581,4	USD	-0,4	0,7	0,3	2,1	2,1		
INTERNATIONAL BONDS (DIVERSIFIED) - USD									
Global Aggregate	456,5	USD	-0,4	0,1	-1,1	-3,2	-3,2		
INTERNATIONAL BONDS (DIVERSIFIED) - EUR									
Euro-Aggregate	234,6	EUR	-0,4	0,3	-0,9	-1,2	-1,2		
INTERNATIONAL BONDS (DIVERSIFIED) - CHF									
Barclays Global Agg Corporate	139,2	CHF	0,2	-0,1	-0,4	5,8	5,8		
HIGH YIELD BONDS									
Markit iBoxx Gbl Dev Lq HY USD	169,7	USD	0,2	-0,1	0,8	0,4	0,4		
HIGH YIELD BONDS - SHORT DURATION									
AB SHORT DURATION HI YD-AT	13,4	USD	0,1	0,7	1,0	2,4	2,4		

of monetary policy. Uncertainty on this front and the Federal Reserve's extremely cautious comments had combined to maintain a climate of uncertainty in the capital markets. From the extreme optimism seen in December, when six rate cuts were expected by 2024, the consensus has now shifted to what we believe is an extremely pessimistic stance. The rebound in ten-year yields from 3.8% at the end of December pushed US Treasury yields to 4.7% in April and 4.61% again at the end of May. It seems that investors remain particularly indecisive despite the stream of negative economic surprises, since at the end of June, ten-year yields were still at 4.4%. The US central bank will have to adjust its stance and, in our view, will not wait until December to lower its key rates for the first time. The summer should bring a little more clarity on the health of the economy and consumers, but also on the likely date of the Fed's next pivot. We believe that, in a weaker economic context and with inflation heading towards +2%, long rates could once again touch the 3.8% threshold already reached in December. As a result, current interest rate levels present opportunities in both the investment-grade corporate segment and the high-yield sector.

Positive outlook for European bond markets

While the ECB's key rates are still well above the level of inflation in the eurozone, this is no longer quite the case for the longer end of the yield curve, and for 10-year bonds in particular. The yield on German government bonds slipped below 2.4% in mid-June, and is now roughly at the level of annual inflation. The economic situation and inflation trends have changed quite significantly since the end of Q3 2023, which saw euro yields jump to 3%. The forecasts of recession that had pushed long rates rapidly below 2% at the end of the year have since been replaced by a new conviction that the eurozone will avoid a downturn. It is now considered that the nadir of growth has been passed and that the eurozone economy is on the road to recovery. In this context, the rebound in long rates to 2.7% could be considered

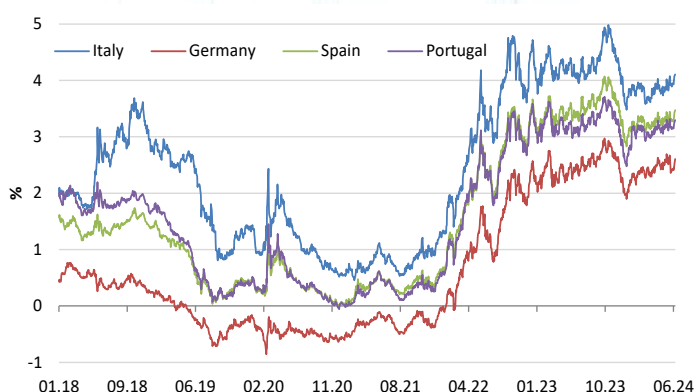
appropriate. However, we believe that economic momentum will remain weak in 2024 as long as monetary policy does not more decisively ease its pressure on financing costs. Against a backdrop of inflation approaching the ECB's target and monetary policy in a phase of downward adjustment, the outlook for the bond markets seems moderately positive to us. The latter should, however, be limited. Bund yields could still slide by 30-40 bps, if inflation declines by the same amount, and lead the decline in yields on most government issues in the major eurozone countries. Yields in the Netherlands, Italy or Spain could benefit from a fall of around 40-50 bps, corresponding to an average capital gain of around +5%. Against this backdrop, European bond markets are once again attractive.

Attractive yields and capital gains prospects for sterling bonds

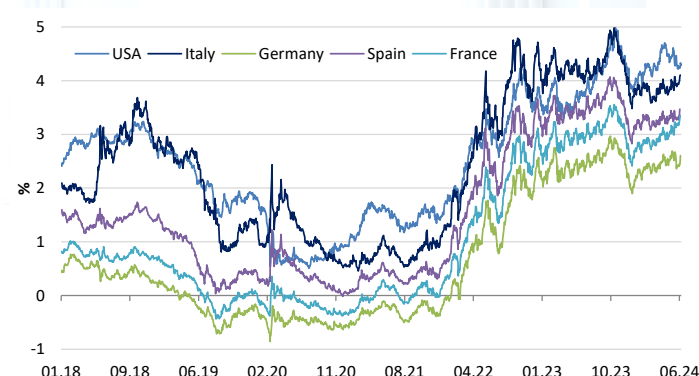
The economic slowdown and the more pronounced easing of inflation mean that we can now expect interest rates to evolve in a slightly different direction from that envisaged just a few months ago. In October, ten-year UK government yields had once again reached the 4.7% threshold, already touched in September 2022, July and August 2023. Since the downward acceleration in inflation in recent months and a string of more favourable economic statistics, including the technical recession in the 2nd half of the year, have completely changed the outlook for potential interest rates, the outlook for sterling bond markets has improved. After an initial reaction to the fall in long rates from 4.7% to just 3.4% at the end of December, the rebound in the first two months of the year to 4.2% put long rates back above annual inflation.

In view of the above-mentioned developments in inflation and monetary policy, we expect the BoE to begin lowering its key rates in August, and to pursue this policy to reduce rates from 5.25% to 4% by the end of 2024.

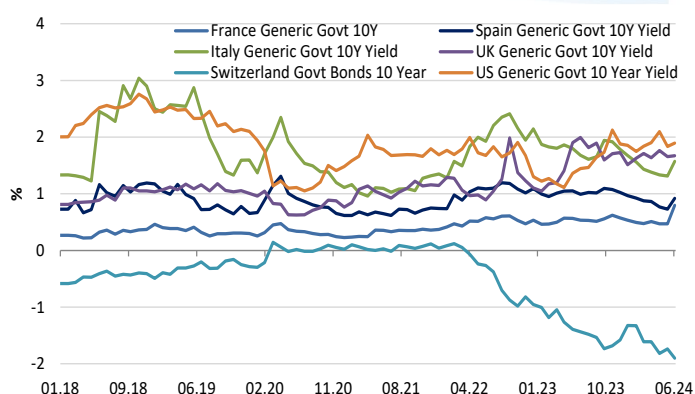
10 year Rate - Gvt Europe



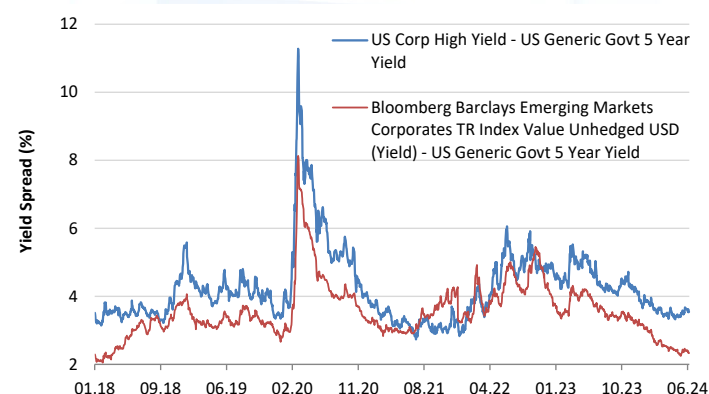
10 year Rate - Gvt



Risk Premium vs German Government



Risk Premium vs US Treasury



The yield curve, currently inverted by almost 100 bps, is also set to fall on the longest maturities, whose yields could slip back towards 3%, if expectations of falling global inflation prove correct. The outlook is normalizing for sterling bonds, which can now look forward to significant capital gains against a backdrop of falling ten-year yields of 120 bps.

Bond market still unattractive

Ten-year Japanese government bond yields have not really reacted in recent weeks to the negative trend in Japanese GDP and the economy's entry into recession. Nevertheless, ten-year yields have risen significantly since the start of the year, from just 0.6%/year to 1.1% at the end of May. The correlation between yen-denominated long rates and the exchange rate has remained very high over the past six months, confirming the close link already observed in 2023. Unsurprisingly, the fall from 140 to 160 yen to 1 dollar was accompanied by a rise in long rates, from 0.6% to 1.1% over the same period. The slope of the yield curve has risen with the increase in long rates, but remains fixed at 0% in the short term.

The prospects of capital gains for yen-denominated bond investments are highly uncertain and limited to an extremely short time horizon in the event of a downward revival in inflation, which no longer seems very likely to us. Beyond the short term, the likelihood of rate normalization is high, which will create an increasingly negative environment for the yen bond market.

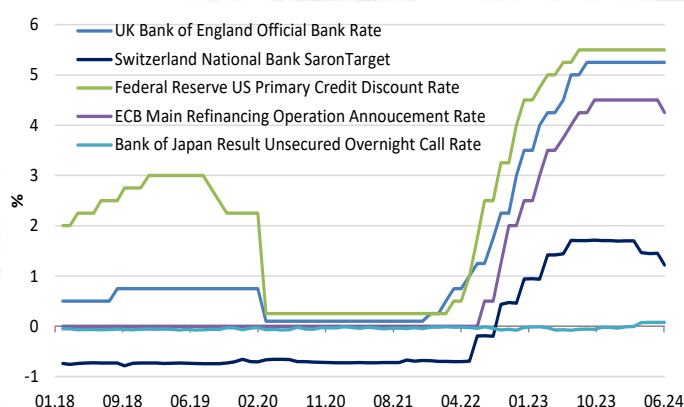
Against this backdrop, holding yen-denominated bond positions remains unattractive when compared with the yields offered in other currencies. Japanese bonds therefore offer no attractive prospects in the face of the growing risk of interest-rate tension in the current environment of more attractive international alternatives.

Focus on dollar-linked markets and long maturities

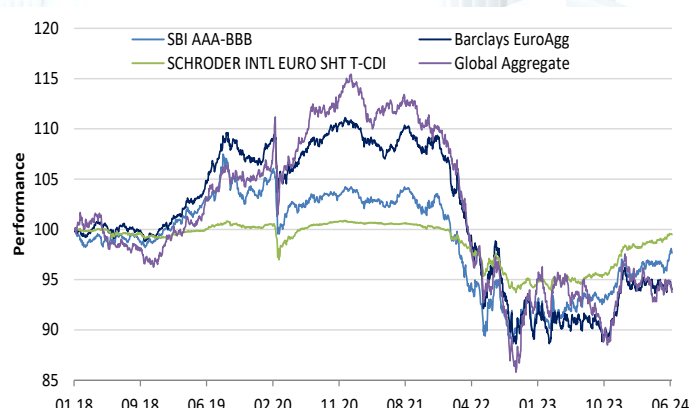
After a 1st quarter characterized by a return of uncertainties regarding inflation and monetary policy pivots, the 2nd quarter brought new signs confirming, in our view, that the underlying trend in inflation remains clearly downward, even if further declines will prove slower towards central bank targets. The bulk of the fall in price indices is probably behind us, but this newly positive environment may well be accompanied by gradual changes in monetary policy that will help flatten yield curves. The US market remains one of the most attractive, with high yields and potential capital gains superior to many other markets.

We favour bonds in US dollars, Canadian dollars and Australian dollars, maintaining long maturities and overweighting corporate bonds. This global context should also be favourable to emerging dollar bonds, which also offer interesting opportunities for capital appreciation and attractive yields. The same applies to high yield, which deserves a place in a diversified allocation.

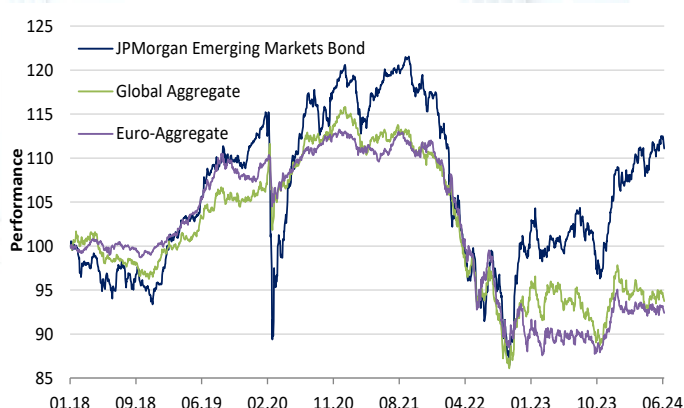
Key Rates (EUR, CHF, GBP, USD, JPY)



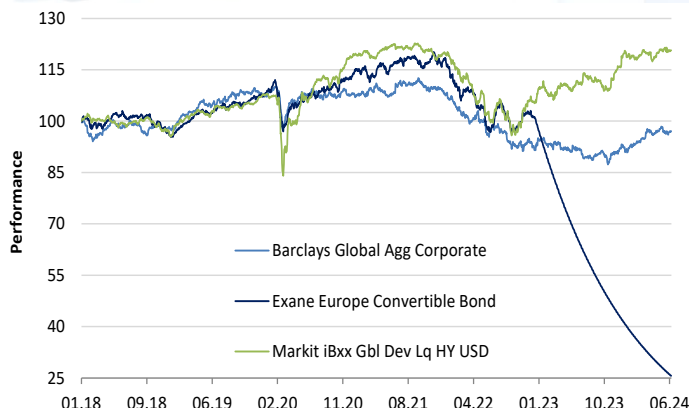
YTD Performance of 1- 5 year Bond Indices (base 100)



Emerging Bonds - Performance (base 100)



Eastern Europe Bonds - Performance (base 100)



PROSPECTS AND STRATEGIES

Swiss Bonds

- Another quarter of decorrelation for Swiss bonds
- Yields have already reacted well to SNB pivot
- Target reached for Swiss government long rates

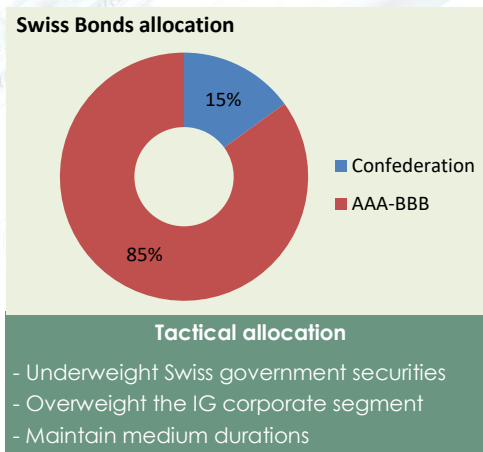
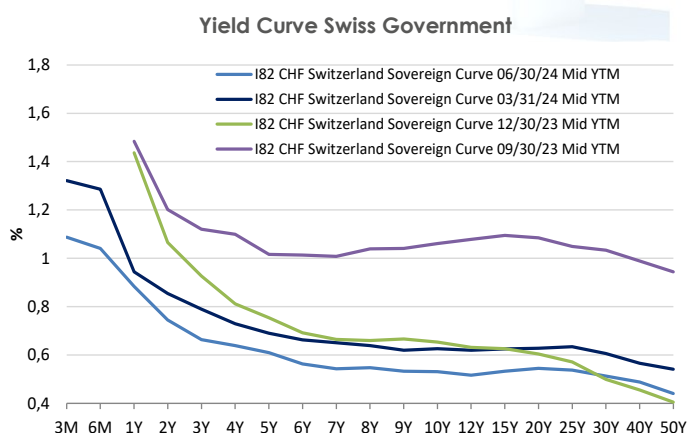
BONDS Type of Debtor	Expected Return		ALLOCATION (CHF Portfolio)						
			underweight			neutral		overweight	
	3months	1year	---	--	-	=	+	++	+++
Gouvernement	↗	↗							
Corporate (IG)	↗	↗↗							
Others	↗	↗							

Another quarter of decorrelation for Swiss bonds

The Swiss bond market once again did particularly well in Q2, posting a positive performance of +1.26%, while most traditional developed markets sank into the red, with the global government index slipping -1.1%. It was also the only developed market to post a positive six-month performance (+1.74%), in sharp contrast to the six-month decline of the global index, which fell by -3.16% in local currencies. The yield on ten-year Swiss government bonds fluctuated significantly over the period, rising from 0.7% at the end of March to almost 0.95% at the end of May, before slipping back to 0.6% at the end of June in the wake of the 2nd key rate cut announced by the SNB. This volatility and ultimately downward trend were also observed in shorter maturities, as in the case of 2-year Swiss government yields, which slipped from 1.2% at their January peak and in May to 0.8% at the end of June. Swiss bonds thus made a positive contribution at the start of the year.

Yields have already reacted well to SNB pivot

The SNB did not initially react to the rise in inflation following the Covid crisis, which strengthened in 2021 and 2022 to peak in August at +3.2% (CPI all items). Inflation had already started to trend downwards, as the SNB raised rates for the first time from -0.75% to -0.25%. It is also interesting to note that the Confederation's long rates had already peaked at this time (June 2022) at 1.6%. A year later, key rates ended their ascent at 1.75%, and the SNB adopted a wait-and-see policy. After nine months of observation, the SNB finally embarked on a new,

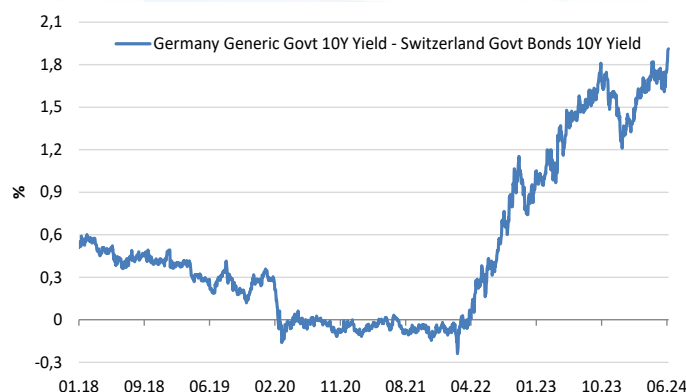


less restrictive monetary policy cycle, easing rates by -0.25% in March, as we had announced, and then by a further -0.25% in June. For two years now, inflation in Switzerland has been deflating, and will be just under 1.15%/year in May 2024. Our forecasts for the easing of monetary conditions in Switzerland still favour a further rate cut of -0.25% in September if nothing changes in the current inflation trend. This environment remains very positive for the Swiss capital market, but it seems to us that most of the yield adjustment has already been achieved.

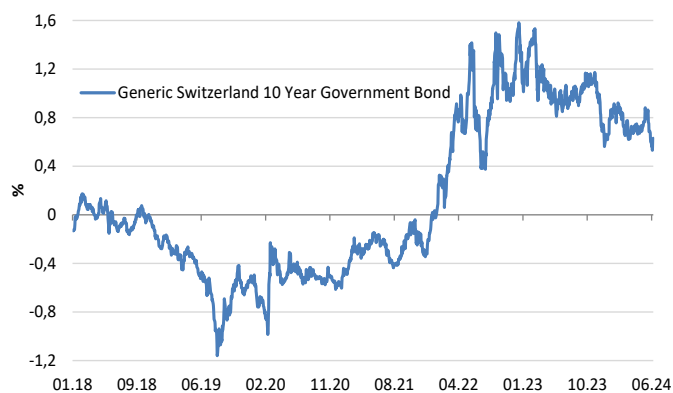
Target reached for Swiss government long rates

The downward trend predicted by BBGI for Swiss government long-term interest rates has thus largely materialized over the past fifteen months, reaching a new low below 0.6% today. Our forecasts for a decline in inflation and a change in monetary policy have also materialized, with the same expected time lag for SNB action. Our current expectations for long rates are still 0.4% for the next low point in the current cycle, provided that Swiss inflation declines again and also approaches 0.5%/year in the coming months. That said, the recent movement has been very close to our forecast, probably already incorporating the 0.5%/year inflation outlook to a greater extent. The prospects of capital gains on Swiss franc bonds are therefore increasingly limited. The recent trend in Swiss yields is no longer of much interest, except to foreign investors still hoping to make foreign exchange gains.

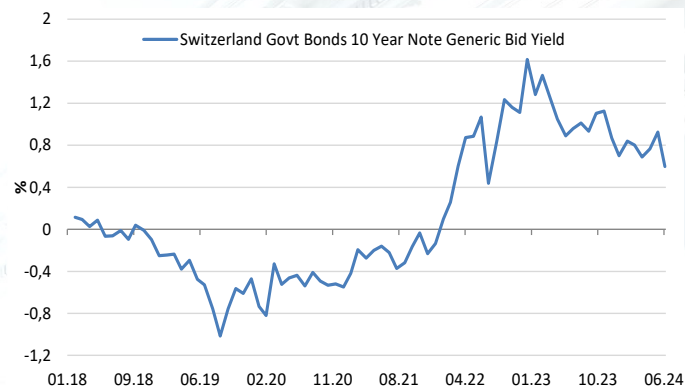
Long-term Interest Rate Differential (German Bund - Swiss Gov)



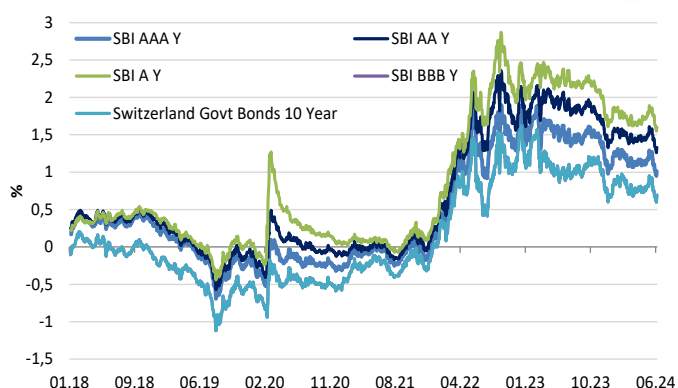
Swiss Government Bonds - 10 year Rate



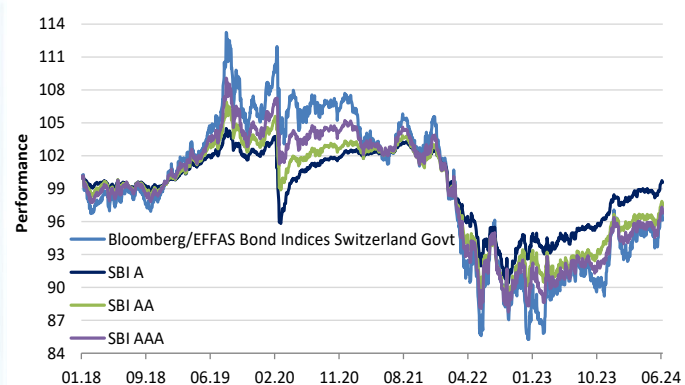
Swiss Government Long Rates since 2018



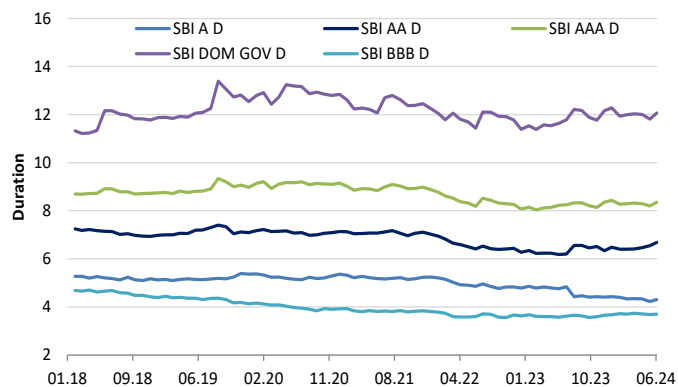
Yield (in %) by Type of Debtor



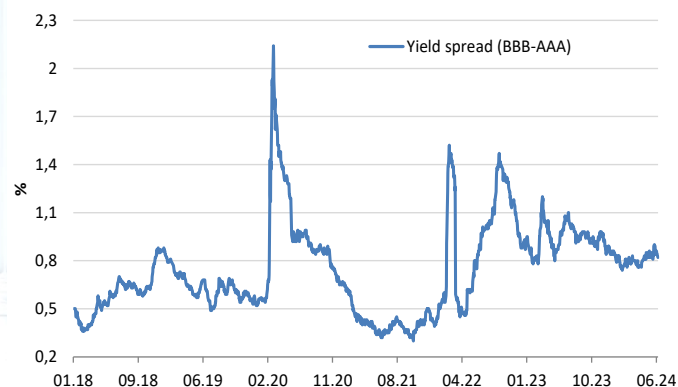
Performance of Swiss Bonds (base 100)



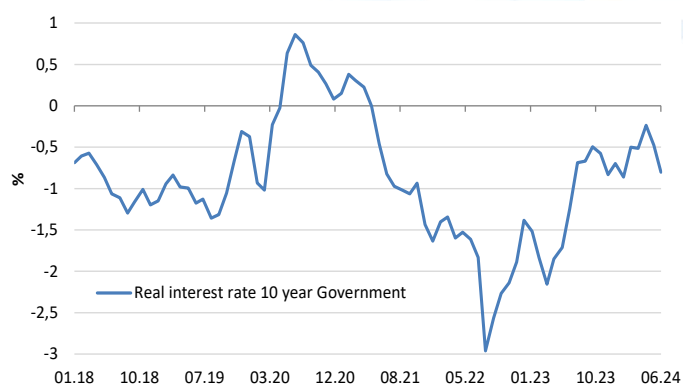
Duration of Swiss Bond Indices



Yield Spread



Real Interest Rates



SWISS BOND INDICES (CHF)

	Last price	Curr.	Total Return Performance				
			7 d %	1 m %	3 m %	6 m %	YTD %
Bloomberg Barclays Series-E Switzerland Govt All > 1 Yr Bond Index	253,5	CHF	0,9	3,5	1,4	1,1	1,1
SBI A-BBB	136,3	CHF	0,4	1,5	0,8	1,5	1,5
SBI AA-BBB	133,3	CHF	0,4	1,8	1,1	1,7	1,7
SBI AAA-AA	132,6	CHF	0,6	2,6	1,4	1,8	1,8
SBI BBB	148,6	CHF	0,3	1,3	0,8	1,4	1,4
SBI AAA-BBB	133,8	CHF	0,6	2,4	1,3	1,7	1,7
SBI DOM GOV AAA-BBB 1-3P	58,9	CHF	0,0	0,4	0,0	0,1	0,1
SBI DOM GOV AAA-BBB 3-7P	74,7	CHF	0,4	1,5	0,1	-0,1	-0,1
SBI DOM GOV AAA-BBB 7+ P	115,9	CHF	1,2	4,4	1,5	0,6	0,6

PROSPECTS AND STRATEGIES

International Real Estate

- Uncertainty continues to dominate securitized real estate markets
- Better second half of 2024
- Bullish recovery for US securitized real estate
- Attractive discounts in Europe and the UK

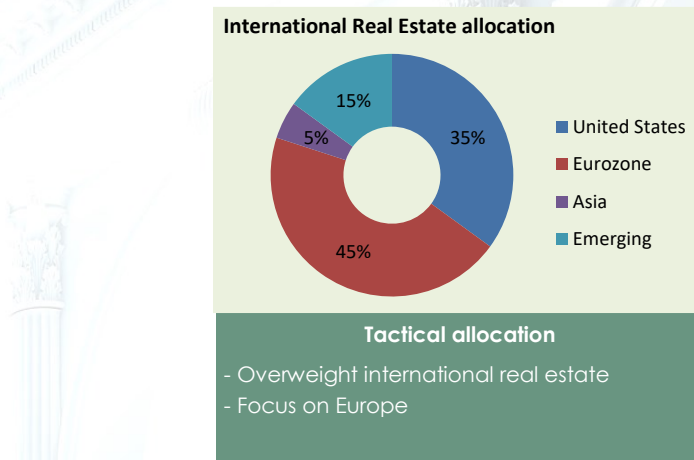
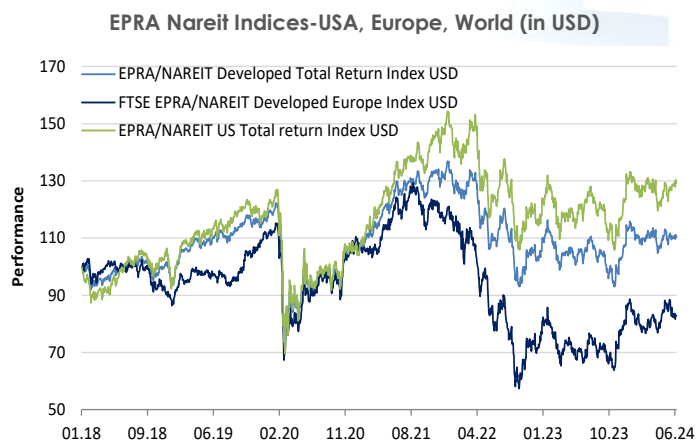
REAL ESTATE Areas	Expected Return		ALLOCATION (CHF Portfolio)						
	3months	1year	underweight		neutral		overweight		
			---	--	-	=	+	++	+++
Switzerland	↗	↗							
United States	↗	↗↗							
Eurozone	↗	↗↗							
United Kingdom	↗	↗							
Asia	↗	↗							
Emergents	↗	↗↗							
Liquidity									

Uncertainty continues to dominate securitized real estate markets

Another difficult quarter for international real estate, which is still strongly correlated with bond markets. As bond yields began to rise again, often peaking in April, securitized real estate markets were unable to ignore rising financing costs and less favourable rental discount rates.

After a very fine end to the year in the bond markets, which saw long rates in US dollars, euros and pounds sterling fall together by around 100 basis points, the start of 2024 began on the contrary with a reversal of this trend and very substantial rebounds in interest rates. The postponement of key rate cuts and, in particular, of the date of the Fed's monetary policy pivot to December, clearly created a more uncertain investment climate once again. Patience was in short supply, and the impact on securitized real estate was not long in coming. In fact, it slipped along with the evolution of capital markets.

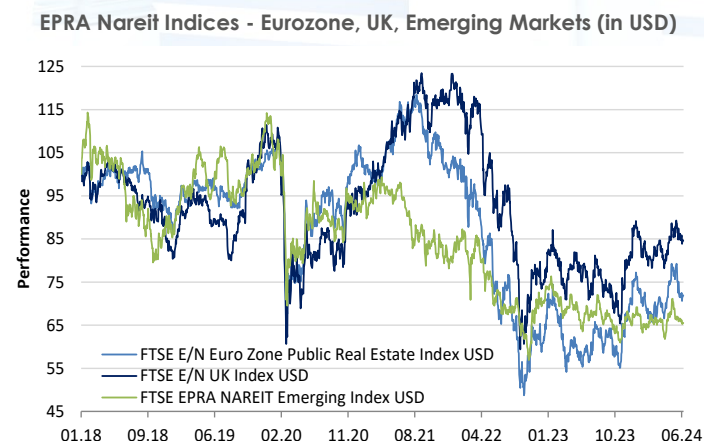
Finally, better inflation figures restored a little optimism to the fixed-income markets at the end of the quarter, triggering the beginning of a downward adjustment in yield curves, but without yet having the expected influence on securitized real estate markets, which were still down -2.34% over the quarter. Securitized real estate was relatively volatile during the quarter, but this overall performance



of -2.34% is in fact not so negative on a more detailed analysis of the performances of its regional components. Indeed, European real estate is actually up slightly by +0.71%, while UK (+0.05%), US (-0.21%) and emerging (-0.28%) investments are also flirting with stable performance. The negative overall performance was therefore in fact dragged down by the -8.02% fall in Asian real estate.

Better second half of 2024

The outlook for international securitized real estate looks very attractive to us over the next few quarters. With inflationary trends once again on the downside, monetary policies have begun their easing cycles in Europe and Canada. The UK is likely to be the next area to lower rates, before the US also embarks on monetary easing. Like the capital markets, the real estate markets are reluctant to upgrade real estate prospects and values. Nevertheless, we anticipate around three key rate cuts corresponding to at least around 75 basis points of adjustment in short rates in the 2nd half of the year. During this period, yield curves will fall significantly, providing a favourable environment for listed real estate stocks.



The global economic scenario, which favours somewhat better growth in the 2nd half of the year, is once again more positive for the assessment of real estate opportunities and risks. We believe that the underperformance of securitized real estate in the 1st half, like that of the fixed-income markets, represents a new opportunity for repositioning in the medium term. The outlook for listed real estate stocks is bright. We recommend an overweight in this sector, particularly with greater exposure to Europe.

US direct property prices up +7.2

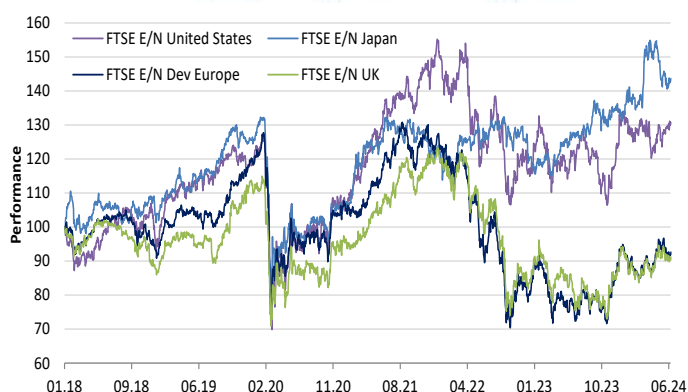
Direct property prices in the United States have resumed their upward trend since stagnating in the 2nd quarter of 2023. Year-on-year price growth has in fact strengthened once again, showing an evolution of +7.2%, according to data published monthly by S&P Case-Shiller at the end of April. Such year-on-year growth had not been seen since the 3rd quarter of 2022. Nationwide, mortgage applications rose by +0.8% in June, while average financing costs again exceeded 7% (7.08%). The current level is still at the lower end of the range of rates observed between 2023 and today (min 6.7%-max 7.9%). Sales of new homes, however, fell over the month to 619,000 units, while the trend is less clear-cut for existing properties, where sales (4.1 million units) are still up from December's low point (3.8 million units). Overall, however, given the still relatively high level of demand, we are seeing a reduction in new permit applications and construction due to the still high level of inventories. The construction sector is therefore likely to be rather weak over the next few months, making a negative contribution to GDP growth.

Bullish recovery for US securitized real estate

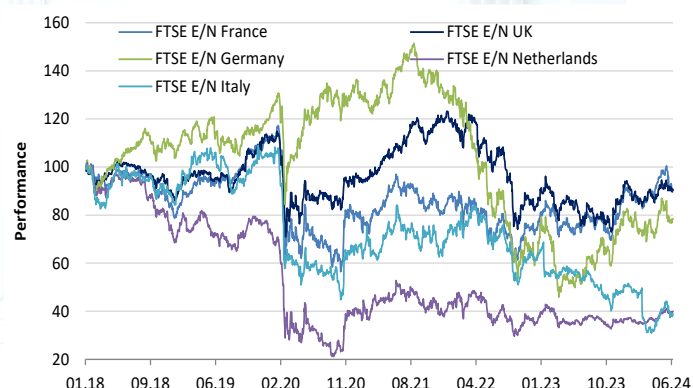
In the case of US securitized real estate, the fall in interest rates after the October 2023 peak was clearly seen as a positive factor, causing the EPRA Nareit USA index to rebound by +15.9% in the last three months of 2023. Since the beginning of the year, US securitized real estate seems to have entered a phase of horizontal consolidation with little volatility, pending clearer signs from both the physical markets and monetary policy. The first quarter was virtually unchanged, with a performance of just -0.61% for the overall index. And the second quarter was no more dynamic. The three-month correction of -0.21% at the end of June brings the performance for the half-year as a whole to -0.82%. Even so, this result is particularly encouraging given the rise in financing costs during the period. It should be remembered that ten-year US Treasury yields rebounded from 3.8% to 4.7, or almost 100 bps in the space of a few months, without any particular negative impact on the USD securitized real estate segment.

For the coming months, we believe that the outlook for inflation, interest rates and US monetary policy suggests a continuation of the REIT revaluation process and the current uptrend in securitized real estate. The EPRA Nareit US index has an average yield of 4.34%, a total debt/total assets ratio of 45% and a price/net assets ratio of 2.16. Against a positive backdrop for US real estate, the EPRA USA indices should take advantage of these supportive factors to grow by +15% before the end of the year. In relative terms, however, this market appears less attractive than the eurozone and UK markets. We recommend under-exposure to the US segment in favour of the eurozone in particular.

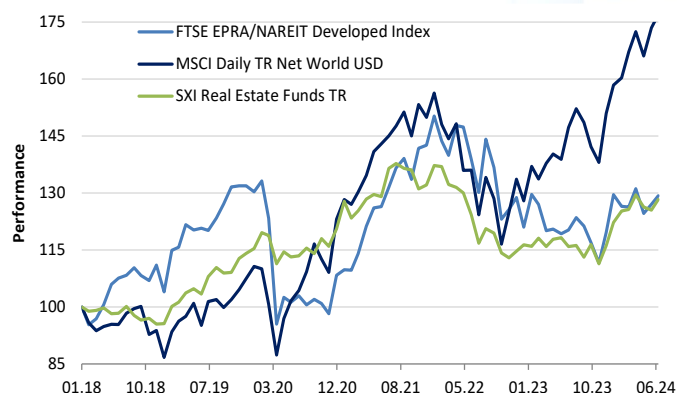
Real Estate Markets in Local Currencies



European Property Markets in Local Currencies



Long-term Performance ; International Real Estate, Swiss Real Estate (CHF) and International Equities (base 100)



INTERNATIONAL REAL ESTATE INDICES (local currency)

		Total Return Performance						
		Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	FTSE EPRA/NAREIT GIB TR	2843,5	USD	0,8	0,4	-2,1	-3,3	-3,3
DEVELOPED	EPRA/NAREIT Dev TR USD	5538,3	USD	0,9	0,5	-2,1	-3,2	-3,2
DEVELOPED EUROPE	FTSE E/N Dev Europe	1621,8	EUR	0,0	-3,4	0,3	-2,4	-2,4
EUROZONE	FTSE E/N Euro Zone	1583,6	EUR	-0,2	-6,9	0,7	-3,1	-3,1
USA	FTSE E/N United States	2983,2	USD	1,3	2,7	-0,2	-0,8	-0,8
DEVELOPED ASIA	FTSE E/N Dev Asia	1166,8	EUR	-0,7	-1,1	-7,2	-5,1	-5,1

Average yield and price/net asset ratio still attractive for real estate in the eurozone

Following the substantial rebound in securitized real estate in Europe at the end of 2023 (+30%), the first half of 2024 was characterized by a horizontal consolidation in the share prices of listed companies. As the fall in rates and financing costs at the end of the year gave way to a rise in interest rates during the half-year, real estate stocks that had hastily discounted a change in monetary policy ultimately suffered short-term profit-taking. After six months of stabilization, securitized real estate investments are awaiting a more significant change in monetary policy to resume their upward trend. Securitised real estate in Europe has yet to benefit from falling inflation and the ECB's potential change in monetary policy. Since the collapse of real estate values in 2022, which saw the Epra Nareit Dev Europe index lose 50%, prices have stabilized over the last six quarters. The sector's horizontal consolidation has been accompanied by high volatility of around 15%. The EPRA Nareit Eurozone index is slightly less volatile, but in both cases, securitized real estate is looking for a catalyst to boost its prospects. The current quasi-recessionary environment is still perceived as a penalizing factor, while we wait for a trigger to support a change in trend. The forthcoming trend in interest rates should finally support a recovery in the price of securitized real estate. At current levels, listed European real estate already seems to offer attractive investment opportunities. After suffering a 12% fall in interest rates in the first quarter of 2024, the EPRA Nareit Eurozone index has regained some colour since mid-March (+17%), enabling it to record a 3.3% rise over the current year, while European bonds remain in the red. The average yield of 5.4% for 2024 (5.7% for 2025) is well above euro-denominated rates, for a total debt/total assets ratio of 44%. The valuation measured by the price/net asset ratio of 0.73 for 2024 is historically attractive, having fluctuated between 0.49 and 1.27 between 2016 and 2023. The current discount is therefore attractive. At current levels, we believe that eurozone securitized real estate has not yet taken into account the prospect of falling rates and financing costs, and remains a buy.

At current levels, we believe that European securitized real estate will continue to benefit from the ECB's forthcoming monetary easing. We believe that the European real estate market offers attractive opportunities in terms of yield and valuation. With a yield of 5.3%, the EPRA Nareit index for the eurozone is one of the top choices in the international universe. It is also attractively valued, with a price/net asset ratio of just 80% and a discount of around 200% on book value. European securitized real estate is therefore still in a favourable situation, which should enable it to enjoy a very positive stock market performance in the second half of 2024. We recommend an overweight asset allocation to this segment, which could advance by +20% in the 2nd half of the year.

It's always a good time to bet on British securitized real estate

Annual house price trends continue to slow. After exceeding +10% year-on-year in July 2022, the year-on-year evolution of house prices had contracted for around six months before resuming a slightly upward trend since March. According to UK Rightmove data, in June 2024, the year-on-year trend was again slightly positive at +0.6%. According to figures published by Nationwide Building Society, the average house price was also up +1.3% year-on-year at the end of May. Most indicators for the UK property market now seem to be pointing back towards stabilization. A more favourable outlook for future borrowing costs is helping to revive demand. At the same time, mortgage approvals have risen significantly over the past nine months.

We believe that the property market will remain in a consolidation and stabilization phase in 2024, with no major opportunities for price rises in the short term.

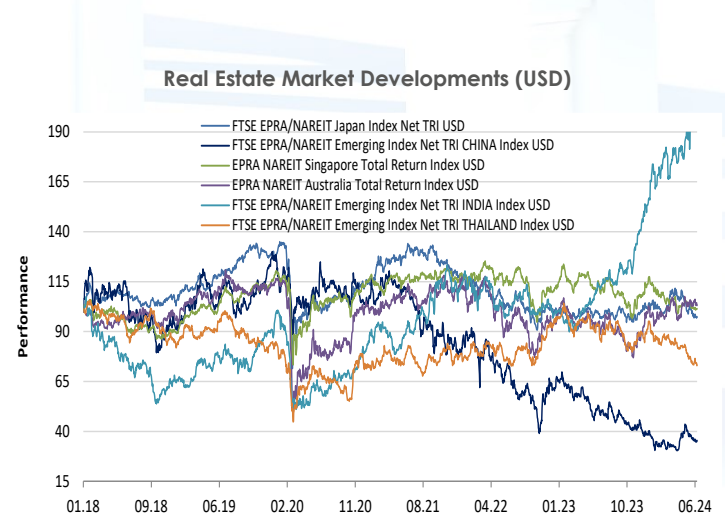
As for securitized real estate, its short-term evolution remains more correlated with inflation and interest rates than with the physical market. After a rout of -34% in 2022 and -17% in 2023 due to negative expectations linked to the prospect of higher financing costs, bringing the overall price correction of listed securities to almost -50%, UK securitized real estate once again looks particularly attractive. After a long period of consolidation lasting over 20 months, securitized real estate seems to be waiting for the change in monetary policy to trigger a new, more decisive trend. The 2024 performance of the EPRA Nareit UK index remained volatile and hesitant, still marked by the negative effects of a potential recession on prices and rental income. The price/net asset ratio of 80% is not particularly attractive, although it is lower than in the USA, but the 5% yield could soon become very attractive as interest rates decline. We believe that the next phase of key rate adjustments will take place over the next few months and will lower financing costs for REITs by 100 bps. In this more positive context for securitized real estate, attractive yields and prospects of capital gains should sustain investor interest.

Attractive discounts in Europe and the UK

The new inflationary regime that seems to be taking shape can now positively influence monetary policy in the USA, Europe and the UK. This new paradigm for interest rates that is beginning to take shape represents a more favourable environment for real estate investments. A new assessment of the risks and opportunities for securitized real estate assets should support a continuation of recent upward trends, but this remains highly dependent on the very real evolution of bond yields.

Valuations, expressed in terms of stock price to book value ratios, are particularly attractive in Europe. The returns offered by these investments are also increasingly attractive compared to those offered in the capital markets. Risk premiums have been reinforced by the decline in bond market yields. What's more, we still find that this asset class is generally under-represented in the diversified asset allocations of private and institutional investors.

In view of the positive outlook, we recommend an overweight tactical allocation, favouring in particular investments in the eurozone and, to a lesser extent, UK stocks.



PROSPECTS AND STRATEGIES

Swiss Real Estate

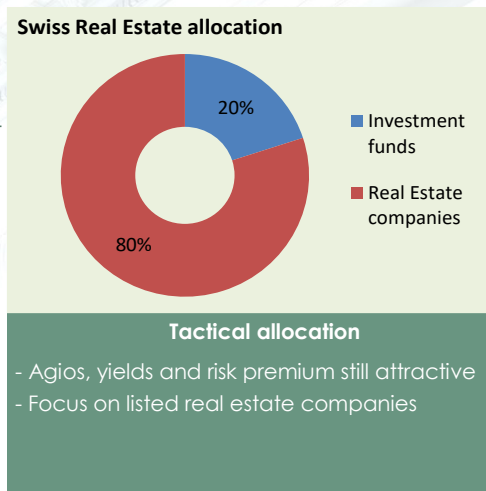
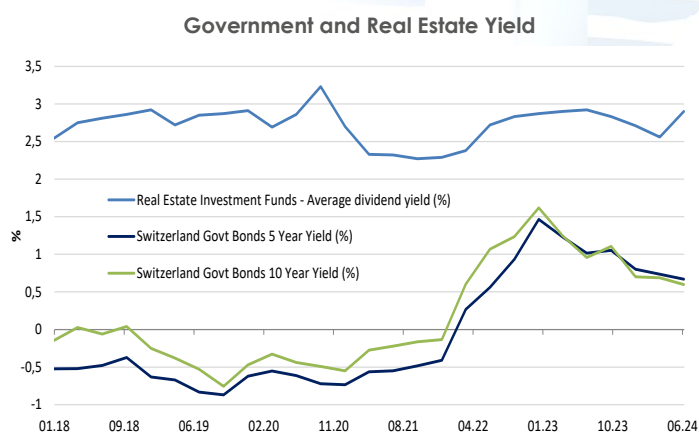
- Swiss securitized real estate benefits moderately from lower interest rates
- Absolute and relative yields still attractive
- Real estate companies expected to outperform

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

Swiss securitized real estate benefits moderately from lower interest rates

Swiss real estate investment funds recorded an excellent 1st quarter, up +5.93%, following five months of positive performance and the already impressive months of November (+4.26%) and December (+5.26%) 2023. The hesitations and uncertainties observed in the global markets in April and May also had an impact on the Swiss real estate market, which slipped by almost -5% in mid-May. The SNB's 2nd key rate cut, together with lower interest rates and financing costs, were sufficiently positive to revive investor interest in returns and the positive outlook for investment funds. By the end of the month, however, the rebound was insufficient to allow another positive result (-0.94%). Real estate companies performed more slowly, but have posted steady growth for five consecutive quarters. Growth in 2024 remains very limited, however, with two quarterly increases of +0.5% and +0.53%. Inflation and interest rate trends were the main factors behind investors' renewed interest in listed real estate. The announced downward trend in interest rates should have favoured securitized real estate investments. This has now proved to be the case once again, with the Swiss government's long-term interest rates having fallen to just 0.6% at the end of the quarter.

Today, the average agio on real estate funds has risen back above its historical average (20%) to 20.6%. While not at the extreme level of 40% that will be reached in 2022, it is starting to move a little higher up the spectrum of historical valuation measures for this asset class. As far as real estate companies are concerned, the current situation still shows a very slight agio of 0.8%. Given recent developments on the



interest-rate markets, financing conditions in Switzerland have not deteriorated as much as in other countries, and will therefore not have a significant impact on the valuation of securitized real estate, in our view. On the other hand, we believe that interest rates in Switzerland are unlikely to resume a rapid upward trend in the short term, as inflation collapses. What's more, with average indebtedness of less than 25% of funds, refinancing risk is also highly overestimated. Our outlook is positive for both segments.

Absolute and relative yields still attractive

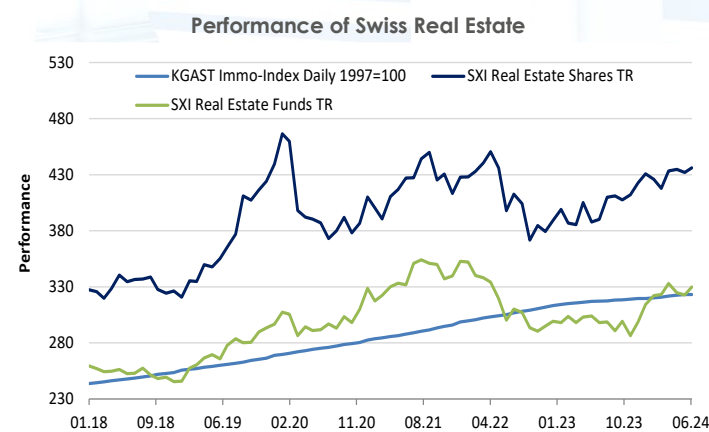
Given recent trends, the yield on real estate funds is still 2.6%, while that on real estate companies is significantly higher at 3.6%. In both cases, these yields remain well above those of bond investments, and in particular ten-year Swiss government yields, which ended the quarter at 0.6%. The returns on listed real estate investments appear to us to be very attractive in both absolute and relative terms. The risk premium for funds is 200 bps, whereas it is still 300 bps, which represents attractive premiums in the current environment. Our development prospects now favour real estate companies over investment funds.

SWISS REAL ESTATE

SWISS REAL ESTATE

30.06.2024	Total Return Performance						
Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %	
SXI Real Estate Funds TR	485,0	1,4	2,2	-0,9	4,9	4,9	
SXI Real Estate Idx TR	3248,7	1,3	1,0	0,6	1,2	1,2	
KGAST Immo-Index*	361,3	0,0	0,0	0,5	1,2	1,2	

* subject to one-month lag



PROSPECTS AND STRATEGIES

International Equities - Regions

- International equities hesitate but start to rise again
- Bullish trend to continue in the 2nd half of the year
- Overweight US and emerging markets

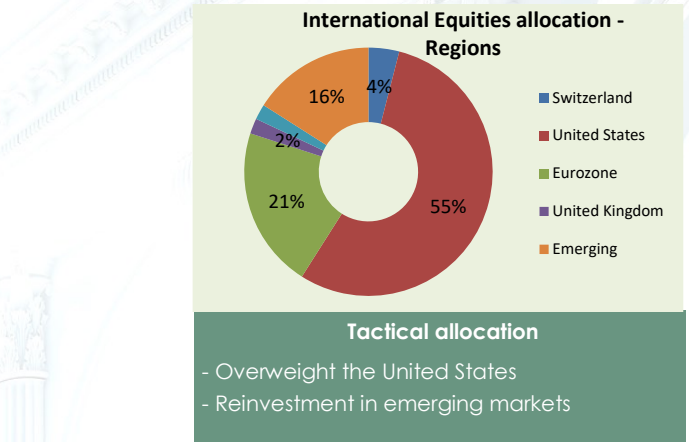
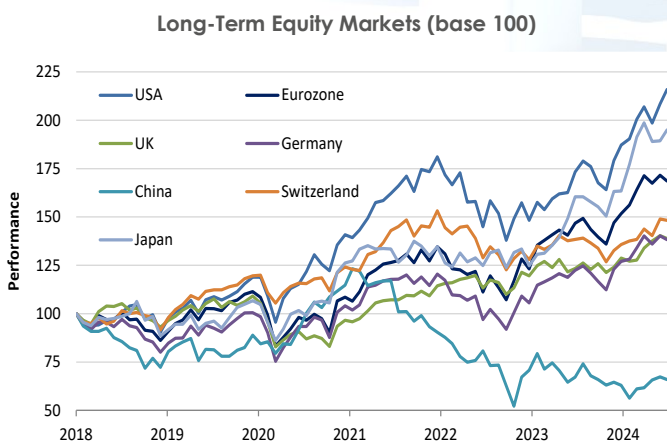
EQUITIES REGIONS	Expected Return		ALLOCATION (CHF Portfolio)							
	3months	1year	underweight		neutral		overweight			
			---	--	-	=	+	++	+++	
Switzerland	↗	↗								
United States	↗	↗↗								
Eurozone	↗	↗↗								
United Kingdom	↗	↗								
Japan	↗	↗								
Emerging	↗	↗↗								
Liquidity										

International equities hesitate but start to rise again

The start of the 2nd quarter was influenced by economic statistics calling into question the downward trend in inflation, as well as by the postponement of the US monetary policy pivot date. These factors worried the fixed-income markets and, in the short term, undermined the confidence of equity investors. After a month of price consolidation in April, however, optimism returned with a vengeance, driving equity markets to new highs. The US market was one of the biggest gainers over the quarter (+4.28%), along with emerging markets (+5.03%). Overall, the world index advanced by +2.63%. The MSCI World index was up +1.75%, driven primarily by US equities, which gained +15.29%. It's also worth noting that both Europe (-1.58%) and Japan (-1.86%) had more difficult quarters. From a tactical regional allocation point of view, it was therefore still necessary to focus on the United States, while avoiding excessive exposure to Europe and Japan, in order to achieve a good overall performance.

Continued upward trend in 2nd half

The risks of recession have been averted in the USA, Europe and the UK, boosting the prospects for corporate profit growth. The slowdown that is taking hold will be accompanied by a probable further decline in inflation and interest rates. Overall, this context is favourable for equity markets, which will benefit from the readjustment associated with the lower discount factor on future earnings. While the



interest-rate environment is indeed buoyant, we must not forget the sometimes high valuation levels of the markets, which are already a new source of concern. In the USA in particular, the PE of the S&P500 is already 22.6x 2024 earnings, a figure more or less identical to that of the Nikkei (23.9x). On the contrary, too much of the rise is due solely to the excellent performance of the Magnificent Seven. Future gains will have to be based on broader participation.

US equities continue to perform well overall

Since the peak of long rates at 5%, the S&P500 index had risen by +28% before the April correction, and then resumed a positive trajectory, increasing to almost +35% by the end of June. Despite volatility in the bond segment and significant rebounds in interest rates, US equities have performed exceptionally well, strongly influenced by the seven major Nasdaq stocks. Our positive expectations for equities at the start of the year have thus come true, as have those concerning the superior prospects of growth stocks (+26.7%), which actually outperformed the S&P value index (+5.5%) during the 1st half of the year. As a result, US equity valuations for 2024 and 2025 are now at historically high levels, with PEs of 22x and 20x. We believe that the upside potential of US equities is still significant, but valuation levels still call for caution.



Attractive valuations for European equities

European equities, up almost +10%, benefited from hopes of an ECB rate cut and a faster-than-expected fall in inflation. While the ECB was making its first rate cut, the announcement of the dissolution of the French parliament rekindled uncertainty and prevented European indices from continuing to rise. From a relative point of view, European equities remain attractive in terms of historical valuation and in relation to their peers. They still offer a significant discount to US stocks. The valuation of 13.8x earnings for 2024 is lower than the S&P500's PE of 22.5x. They also look attractive relative to Japanese (23x) and Swiss (13x) equities, and are barely more expensive than Chinese stocks (11.3x). The average dividend yield in Europe (3.17%) is also attractive, and far exceeds that of the USA (1.32%) and Japan (1.61%). There is still plenty of room for them in a diversified international allocation in 2024. Inflation in the eurozone is no longer falling and is stabilizing slightly above 2%, as indicated by the latest eurozone CPI published today. Services, housing and energy have returned to reasonable levels, and no longer seem to represent an immediate risk of slippage. As a result, the ECB was able to adjust its policy in June, and Bund long rates slid from 2.66% to 2.38% in the process. This ten-year rate cut by the German government will certainly mark the start of the expected phase of downward adjustment of yield curves in some eurozone countries, while the French political crisis is pushing Treasury yields in the opposite direction from 3.13% to 3.2%. The yield spread between the two main eurozone countries has thus tightened in recent days (+30pdb) from 48pdb to 78pdb, and is back to its highest level reached in 2017. The French crisis also had a significant impact on equity markets, which reacted rather negatively to the sudden return of uncertainty. The economic programs of the various parties are getting out of hand, and are worrying investors with their expensive, investment-unfriendly nature. On the currency markets, however, the euro's fall against the dollar is not a sign of a significant resurgence of risk for the European currency. Against this backdrop, we believe that the attractive valuations of European companies by international comparison, coupled with a further downward trend in interest rates, should provide a further positive environment for equity markets.

The current consolidation creates medium-term opportunities, with the probable downside risk limited to -5%.

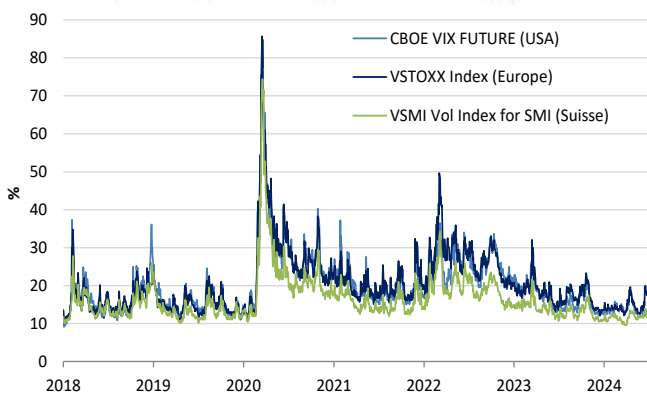
Nikkei to break the 40,000 barrier again

A few months ago, we reported that the Nikkei, now above its all-time high, could certainly still take advantage of the current craze to test the 40,000-point level, before probably suffering some profit-taking. After temporarily climbing to 41,087 points, the volatility seen on all equity markets in April did not spare the Japanese market, which also experienced some profit-taking. The decline of around -10% was short-lived, as apparently solid corporate profits rekindled the interest of foreign investors attracted by the prospect of earnings growth and shareholder-friendly reforms, after a long period of more uncertain business development. That said, Japanese stocks are now trading at a valuation of 22.6x 2024 earnings, which again seems high by international comparison. However, current momentum remains positive.

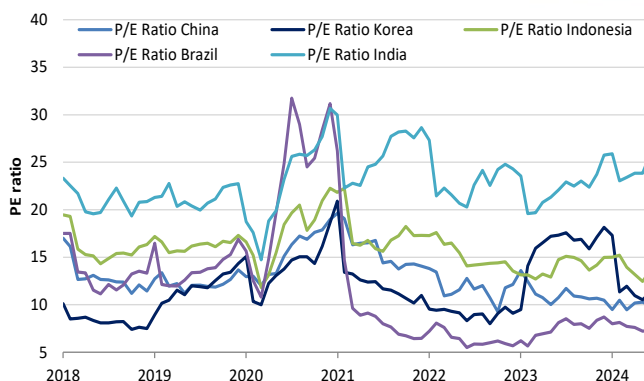
Weak earnings growth expected for the FTSE100

For several quarters now, the FTSE100 index has significantly underperformed other European and international indices. It is still suffering from negative expectations linked to a sluggish economic dynamic, persistently high inflation and competition from the domestic bond market. The FTSE100 is currently barely above its February 2022 peak. The index's low exposure to growth and technology stocks explains its underperformance in 2023 and the first half of 2024. The current level of the equity market offers a number of opportunities, thanks to valuation measures that are attractive in both absolute and relative terms. All FTSE100 companies continue to enjoy a relative advantage thanks to an average PE (11.7x) well below that of the US S&P500 (22.3x), Europe's SX5E (13.8x) and the SMI (18x). With FTSE 100 earnings growth expected to reach +5% in 2024, the UK market is not particularly attractive, but it should nevertheless be supported by the rate cuts expected in 2024.

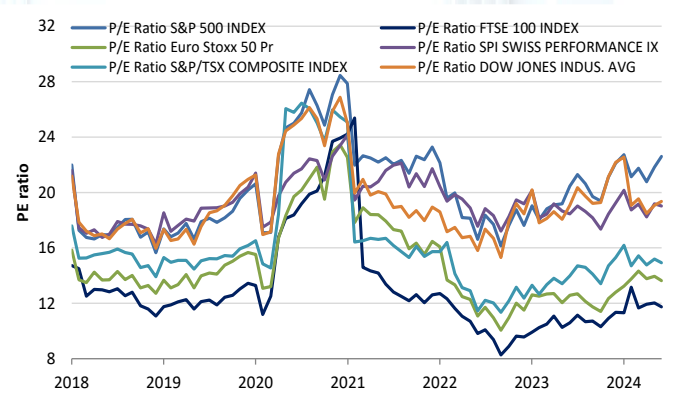
Volatility Indicators (USA, Europe, Switzerland)



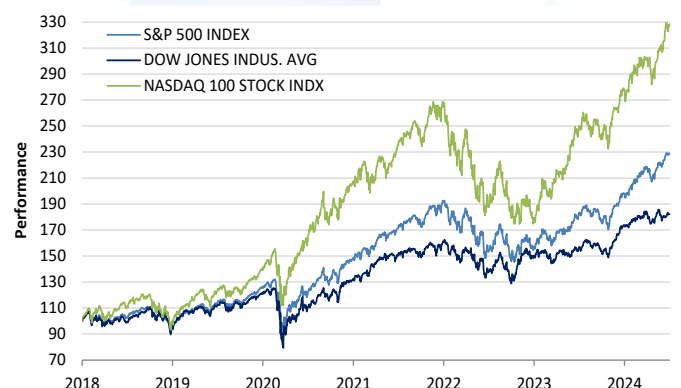
Emergent Markets PE



Developed Markets PE



US Equity Markets (base 100)

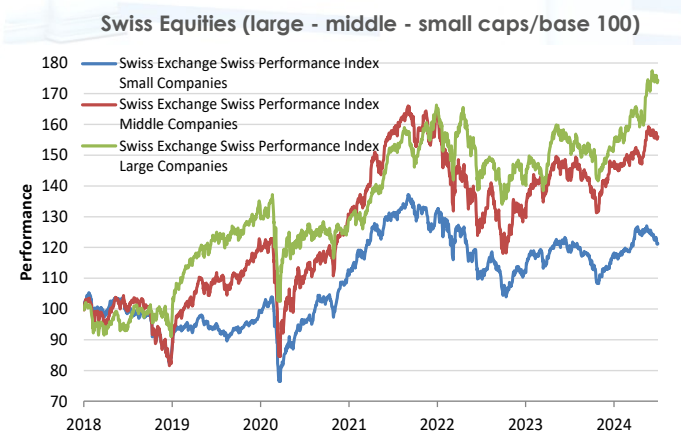
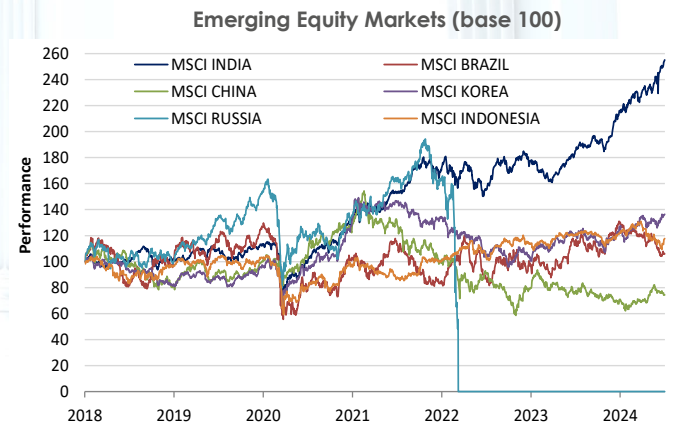
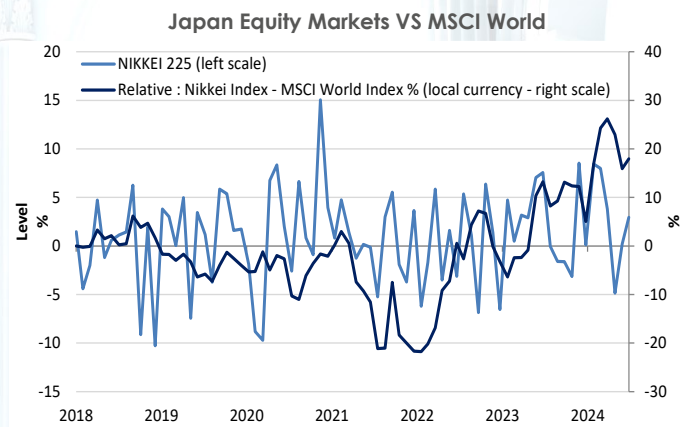
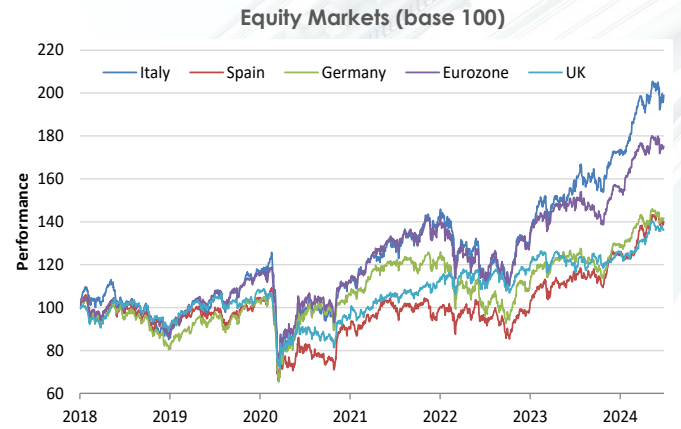


Emerging markets' underperformance comes to an end

Emerging markets again largely underperformed developed markets at the start of 2024, posting a small rise of +1.9%. This was mainly due to China's underperformance, which largely influenced the overall result with a modest +1.37% rise. The Chinese index is hesitating, held back by the uncertainties surrounding the economy's growth prospects, despite the aid and support provided by the government. This lack of enthusiasm is understandable as we await clearer signs of recovery, and contrasts with the positive USD trends in Taiwan (+8.21%), Korea (+13.56%) and emerging markets such as India (+9.58%) and Vietnam (+11.25%), while Brazil rose by +18.73%. The Chinese government's forthcoming economic stimulus measures should encourage international investors to return to Chinese stocks, with their attractive average to new PEs. In addition, emerging economies which had suffered from the rise in US interest rates and the depreciation of their currencies against the US dollar should benefit from an improvement in conditions for both these factors. Better global economic growth in 2024 will also be a more favourable environment for a return to emerging market outperformance, if China finally benefits from a new uptrend supported by better corporate results, as the +10.2% year-on-year rise in Chinese corporate profits may already suggest.

Overweight US and emerging markets

The start of more accommodative monetary policies has been delayed, but in just a few weeks' time, most central banks will begin their process of correlated rate cuts. This environment should benefit US stocks, which are also likely to achieve superior financial results in a better economic climate than in Europe. We recommend an overweight tactical allocation to the US, to the detriment of Europe and Japan. In addition, less restrictive monetary conditions and better global economic conditions will also support renewed interest in emerging markets. In the case of China, the equity market continues to lag far behind other markets, despite the government's economic support policies. These should be stepped up to boost domestic demand and improve the outlook for Chinese companies. We also suggest gradually increasing the allocation to emerging markets, including China.



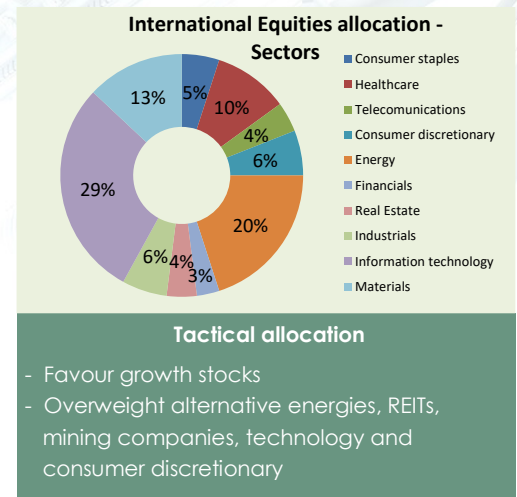
EQUITIES - BY REGION (local currency)

		Total Return Performance						
30.06.2024	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
SWITZERLAND	SPI Swiss Performance Index	15919,3	CHF	-0,3	-0,5	3,1	9,3	9,3
SWITZERLAND SMALL-MID CAPS	SPI Extra Total Return	5185,4	CHF	-0,8	-1,8	-0,1	4,5	4,5
EUROPE	STXE 600 € Pr	511,4	EUR	-0,7	-1,1	1,6	9,5	9,5
EUROPE SMALL-MID CAPS	MSCI Europe Small Cap Net TR E	553,2	EUR	-1,1	-3,3	1,5	5,0	5,0
UK	FTSE All-Share Index	4451,9	GBP	-0,8	-1,1	3,7	7,4	7,4
USA	S&P 500 Index	5460,5	USD	-0,1	3,6	4,3	15,3	15,3
USA SMALL-MID CAPS	RUSSELL 2500	880,1	USD	0,4	-1,5	-4,3	2,3	2,3
JAPAN	NIKKEI 225	39583,1	JPY	2,7	2,9	-1,9	19,3	19,3
JAPAN SMALL-MID CAPS	Russell/Nomura Mid-Small Cap I	1459,1	JPY	2,5	1,0	0,4	14,4	14,4
ASIA EX-JAPAN	MSCI AC Asia Pac Ex Japan	566,8	USD	-0,1	3,9	6,3	8,7	8,7
ASIA EX-JAPAN SMALL-MID CAPS	MSCI AC Asia Pacific Ex Japan Small Cap	1278,7	USD	-0,1	2,3	5,3	5,5	5,5
EMERGING	MSCI EM	1086,3	USD	0,0	4,0	5,0	7,6	7,6
INTERNATIONAL EQUITIES - DIVERSIFIED USD	MSCI Daily TR Net World	11046,6	USD	0,1	2,0	2,6	11,7	11,7

PROSPECTS AND STRATEGIES

International Equities - Sectors

- Growth-friendly monetary policies
- Focus on sectors favoured by declining interest rates
- Overweight technology, biotechnology, base metals and alternative energies
- Overweight small and mid caps



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	↗	↗↗							

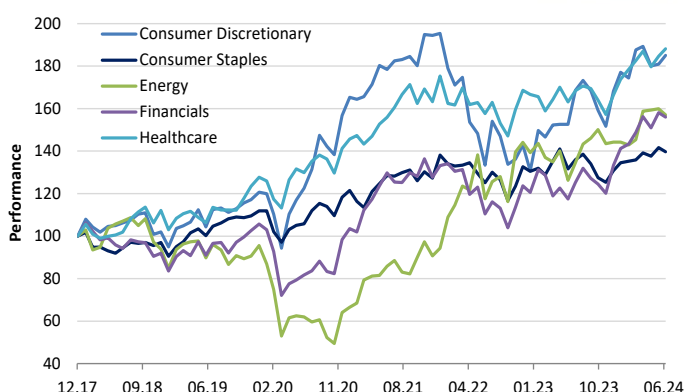
The next few quarters should finally see the long-awaited change in monetary policy by the US Federal Reserve, which will finally begin its new cycle of rate cuts in the very near future. This rate-cutting environment will support the soft landing scenario and the resumption of growth in an environment that is now calmer in terms of inflationary risks. In this environment, we recommend an investment policy geared towards growth stocks benefiting from the interest rate adjustment. Indices such as the Nasdaq have already partially taken into account the most favourable interest-rate scenario, but we still feel that participation in the upside is far from sufficient. Some stocks have now taken full advantage of these positive factors, performing exceptionally well on the stock market (Microsoft, Nvidia, Amazon, Google, Apple), but we now expect other stocks to participate more broadly in the rise of the indices. In the United States, we do not anticipate any change in the current trend in favour of growth stocks. The performance of the S&P Value Index (+5.79%), already well behind that of the S&P Growth (+23.56%), is likely to lag behind in the months ahead.

However, we expect other stocks in the Russell 2000 index, for example, to participate much more widely in the upswing. In terms of sectors, stocks that are highly dependent on interest rates should benefit. We suggest maintaining a strategy favouring growth stocks and Nasdaq companies. After suffering the negative effects of rising interest rates and falling crude oil prices until the end of 2023, alternative energies will benefit from the forthcoming easing and recovery in crude oil prices. The traditional energy sector can also count on an imbalance between supply and demand that will intensify in 2024. In the financials segment, we prefer insurance to banking stocks, which will remain under-represented in our sector policy. We also favour the natural resources sector, which will benefit from the tangible upturn in China's economic momentum and the more positive global economic scenario. In the consumer sector, our preference is for the consumption of non-essential goods and services.

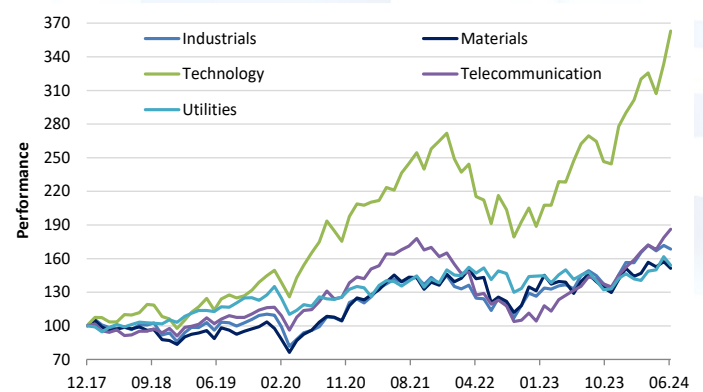
EQUITIES - BY SECTOR

		Total Return Performance						
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
CONSUMER DISCRETIONARY	MSCI WORLD/CONS DIS	403,1	USD	0,5	2,3	-2,2	4,5	4,5
CONSUMER STAPLES	MSCI WORLD/CON STPL	276,0	USD	-1,1	-1,4	0,3	3,8	3,8
ENERGY	MSCI WORLD/ENERGY	260,4	USD	2,4	-1,9	-1,1	8,8	8,8
FINANCIALS	MSCI WORLD/FINANCE	160,6	USD	0,4	-1,3	-0,2	10,5	10,5
HEALTHCARE	MSCI WORLD/HLTH CARE	378,7	USD	0,0	1,9	0,6	8,3	8,3
INDUSTRIALS	MSCI WORLD/INDUSTR	385,8	USD	-0,3	-1,9	-2,1	7,5	7,5
MATERIALS	MSCI WORLD/MATERIAL	342,2	USD	-0,4	-3,8	-3,4	0,0	0,0
REAL ESTATE	MSCI WORLD/REAL ESTATE	1939,1	USD	0,6	1,4	-1,5	-3,0	-3,0
TECHNOLOGY	MSCI WORLD/INF TECH	747,3	USD	-0,1	8,8	11,4	25,2	25,2
TELECOMMUNICATION	MSCI WORLD/TEL SVC	116,6	USD	1,2	4,1	8,1	22,2	22,2
UTILITIES	MSCI WORLD/UTILITY	153,1	USD	-1,0	-4,8	3,5	5,1	5,1

Sectors - MSCI World (base at 100)



Sector Performance - MSCI World (base at 100)



PROSPECTS AND STRATEGIES

Swiss Equities

- The weak franc has not yet had its full impact
- Swiss stocks will also benefit from lower financing costs and an upturn in the global economy.

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

The weak franc has not yet had its full impact

Swiss equities rose sharply in 2024, but despite an increase of +9.2%, they still lagged behind the performance of US stocks, for example (S&P500 +15.3% in local currency), but were virtually on a par with European companies (also +11.1% in local currency). In international comparison, it should be noted that, with the exception of Japanese stocks (+19.3%) buoyed by a collapse in the Japanese currency and US indices largely supported by the magnificent 7, the SMI's performance was similar to that of the eurozone, but significantly better than that of other developed countries such as Canada (+6%), Australia (+4.8%), the UK (+7.8%) and the global emerging markets index (+7.6%).

The weakness of the Swiss franc in the first half of the year certainly played a part in the Swiss stock market's good performance, but in our opinion, it was not a decisive factor. In our view, this factor has not yet had the full impact that might be expected. As a result, the Swiss market is still underperforming international equities in 2024 in local currencies, but to a lesser extent than before. In the second half of the year, the Swiss equity market should gradually be supported by the more perceptible and lasting impact of the franc's decline on Swiss companies' earnings. The decline in Swiss exports still reflects the difficulties posed by the relative strength of the franc for Swiss companies, particularly in the chemical-pharmaceutical and industrial sectors, but this could well change in the second half of 2024. The strength of the Swiss franc had weighed heavily on profit estimates expressed in Swiss francs, but the situation now looks less negative, thanks to recent developments in SNB policy and the prospect of further monetary easing, which began in March.

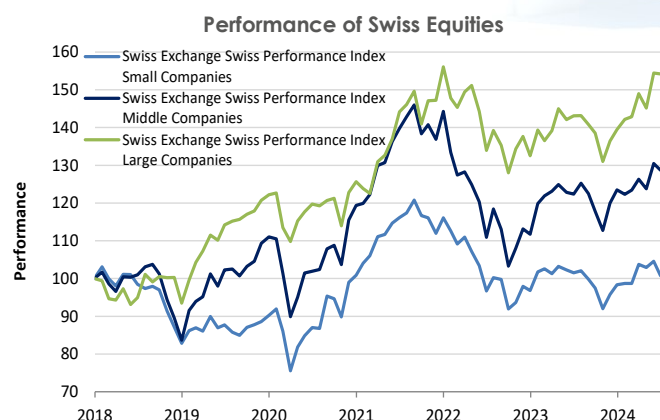
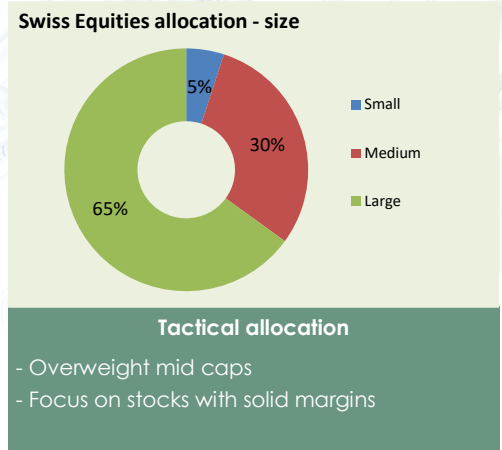
Swiss stocks will also benefit from lower financing costs and an upturn in the global economy.

The forthcoming cuts in key interest rates and the end of Swiss franc purchases by the SNB will therefore help to weaken the franc. They will also have an additional positive effect on corporate balance sheets and financing capacities. Indeed, even if financing conditions for the development of corporate business in Switzerland have not suffered the same negative shocks as in other more affected regions, notably the USA, the easing of monetary conditions by the SNB will have a favourable impact on Swiss companies. It will also bring down interest rates on corporate financing, thereby facilitating access to credit and its cost.

Furthermore, our outlook for global economic growth suggests an upturn in economic activity in the second half of the year, and a further improvement in world trade and commerce in 2025. Swiss stock market indices are largely made up of export-oriented Swiss companies, which will take advantage of this support factor to anticipate increased external demand and sales growth.

These two factors should gradually support a reassessment of Swiss companies' earnings prospects and reinforce the current uptrend.

We therefore believe that conditions are improving for Swiss equities to return to the forefront of performance over the coming quarters. The outlook for the Swiss market remains positive for 2024 and 2025, especially for secondary stocks (mid caps and smaller), whose performance should outperform that of the blue chips.



SWISS EQUITIES - Capitalization

Name	Last price	Total Return Performance				
		7 d %	1 m %	3 m %	6 m %	YTD %
SPI SWISS PERFORMANCE INDX	15919,3	-0,3	-0,5	3,1	9,3	9,3
SPI SMALL COMPANIES INDX	27901,7	-1,5	-3,6	-2,9	2,5	2,5
SPI MIDDLE COMPANIES INDX	21314,4	-0,6	-1,4	1,9	4,2	4,2
SPI LARGE COMPANIES INDX	15404,5	-0,2	-0,2	3,5	10,6	10,6

PROSPECTS AND STRATEGIES

Swiss Equities - Sectors

SWISS EQUITIES Sectors	Expected Return		ALLOCATION (CHF Portfolio)						
	3months	1year	underweight		neutral	overweight			
Consumer staples	↗	↗							
Healthcare	↗	↗							
IT & T	↗	↗							
Consumer discretionary	↗	↗							
Financials	→	→							
Real Estate	↗	↗							
Industrials	↗	↗							
Materials	↗	↗							

Time to favour small and mid caps

Following the SNB's second rate cut, and given that inflation is well below its 2% target, we expect the SNB to cut rates by a further 0.25% in September, reducing the key rate from 1.25% to 1%. The SNB is aiming for a neutral, non-expansionary monetary policy, which should be characterized by real interest rates of 0%. It no longer wishes the franc to be strong, and will implement a policy of gradual and limited weakening. As far as Swiss equities are concerned, lower rates and a new phase of franc weakness should be positive elements enabling them to emerge from their period of underperformance in local currency against the main developed markets. The Swiss market has interesting relative qualities, although its exposure to current growth themes such as AI is limited. But the majority of Swiss companies' revenues are generated abroad, and in the absence of hedging, a fall in the franc will enable them to record higher profits in Swiss francs. In the equity market, the small- and mid-cap segment had particularly underperformed the blue chips during the period under review. In the equity market, the small and medium-sized companies segment had particularly underperformed the blue chips during the period of franc strength and uncertainty about global economic dynamics.

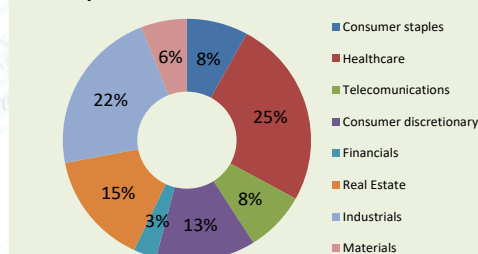
The SPI Small & Mid cap was barely up by +4% on June 30, and clearly underperformed the SMI index, which has risen by +11% since the start of the year. A second half-year characterized by a potential upturn in global growth, a weak franc and lower financing rates should therefore be favourable for Swiss stocks in general, and these more cyclical stocks in particular. Now is the time to favour small and mid-cap Swiss stocks.

Now is probably the time to favour Swiss stocks in this segment, with their solid balance sheets and superior earnings growth rates, in order to participate in their expected outperformance in the second half of the year.

SWISS EQUITIES - BY SECTOR

30.06.2024 Total Return Performance							
Name	Last price	7 d %	1 m %	3 m %	6 m %	YTD %	
MSCI SWITZ/CONS DIS	429,1	0,5	-1,9	0,6	15,9	15,9	
MSCI SWITZ/CON STPL	308,4	-2,3	-2,6	-1,0	-2,3	-2,3	
MSCI SWITZ/FINANCE	69,9	-1,1	-1,8	0,5	10,1	10,1	
MSCI SWITZ/HLTH CARE	185,1	0,8	5,3	6,8	13,3	13,3	
MSCI SWITZ/INDUSTRIL	272,4	-0,3	-0,3	9,9	18,4	18,4	
MSCI SWITZ/MATERIAL	462,1	0,3	-2,4	-0,7	10,3	10,3	
MSCI SWITZ/REAL ESTATE	991,7	1,7	1,6	0,2	-3,3	-3,3	
MSCI SWITZ/TEL SVC	95,5	1,1	3,1	-4,5	4,0	4,0	

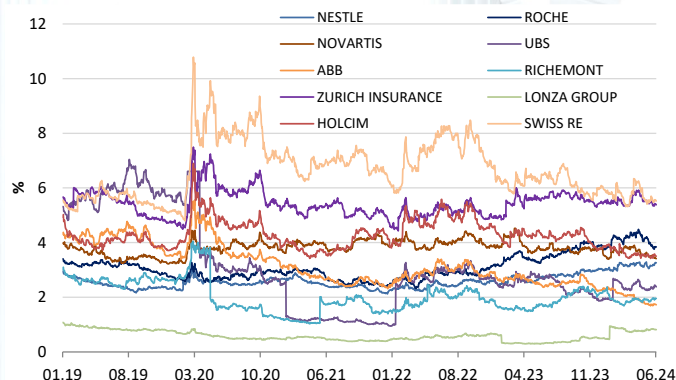
Swiss Equities allocation - sectors



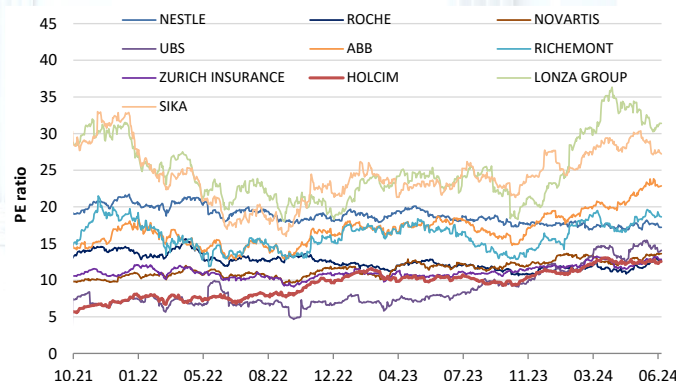
Tactical allocation

- Beware of excessive valuations
- Underweight blue chips
- Underweight financials

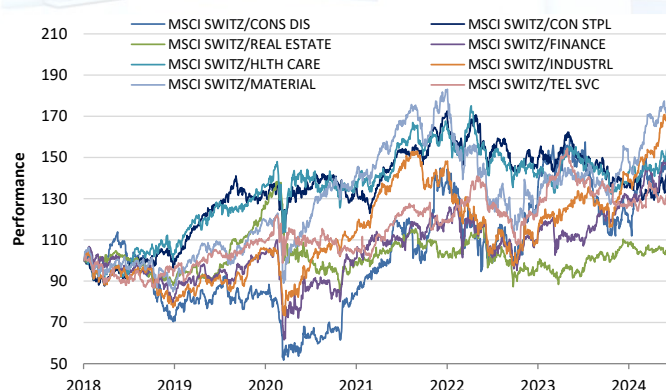
Dividend Yield - Top 10



PE ratio - Top 10



Sector Performance - Swiss Equities



PROSPECTS AND STRATEGIES

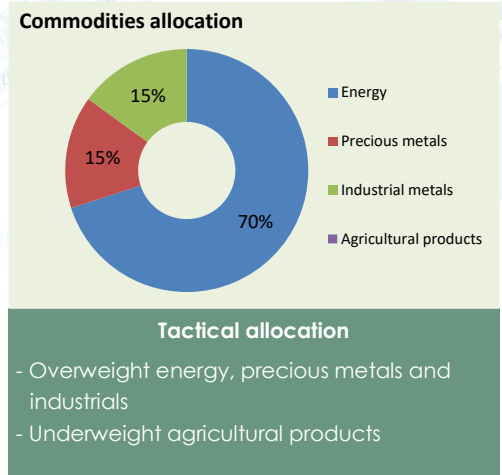
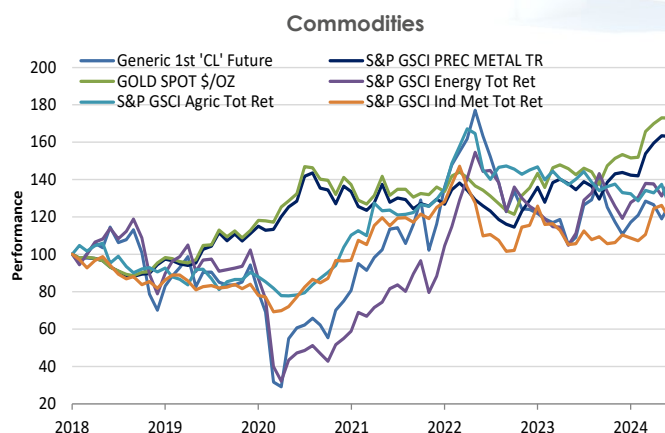
Commodities

- Up 11% over six months despite a quiet quarter
- Favourable conditions for an upward recovery in PM
- Crude oil prices could rise by +10% to +15%.

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

Up 11% over six months despite a quiet quarter

Commodities seem to have taken a break from their upward trend in Q2, posting only a slight rise of +0.65%, which didn't add much to the sustained performance of Q1, although it was enough to propel the asset class to 2nd place among the best markets in 2024, just behind international equities. This relative stability of the overall index masks a heterogeneous performance by sector. Precious metals (+6%) and industrials (+8.2%) made strong gains over the quarter, in stark contrast to the stability of the energy sector (+0.66%) and the decline in agricultural products (-5.59%). After six months, the energy sector, the main contributor to the indices, posted an increase of +16.47%, outperforming precious metals (+13.48%) and industrial metals (+8.51%). A variety of factors underpinned these gains, particularly in the case of precious metals. Usually positively affected by a fall in rates and the dollar, gold has risen sharply in six months without these two conditions occurring - quite the contrary. In fact, it was increased demand from Asia and the central banks of the enlarged BRICS that underpinned the rise in prices in the absence of traditional investment demand in developed countries. This trend should persist, developing positive effects in conjunction with the forthcoming impact of lower rates. As far as industrial metals and energy are concerned, the recovery in China and the emerging countries already seems to have had a positive impact, which we expect to strengthen in the coming quarters, in line with our outlook for economic recovery in the 2nd half of the year and in 2025. Asia, and China in particular, will benefit from improved economic conditions in the industrialized countries, and should therefore see their external demand strengthen. The economic recovery in China is showing some encouraging signs of strength, with industrial production up +6.2% since the start of the year.



Favourable conditions for an upward recovery in PM

Over the next few months, commodities will be favourably impacted by a return of Chinese demand and better-than-expected global growth, supported by a more favourable monetary policy and interest rate environment, which will be one of the main factors putting pressure on crude oil and industrial metals prices in particular.

Crude oil prices could rise by +10% to +15%.

Volatility remained very much in evidence in the energy segment during the quarter, which initially saw crude fall by around -15%, before a recovery in June totally erased this decline, to end the quarter up +0.66% on a note of relative stability. Oil prices have thus recovered recently. Inventories in the United States have fallen, already reflecting strong summer demand, partly linked to the positive trend in demand from the air transport sector in the United States and China. The recent decline in inventories of 3.4 million barrels echoes OPEC's upward revision of its growth forecasts for the global economy. On the supply side, OPEC's policy, under the leadership of Saudi Arabia, remains unchanged. Oil production remains tightly bound and constrained by the main OPEC producer countries, which have decided to maintain their reduced production levels until further notice. Saudi Arabia, which is certainly seeking to get crude prices back towards the \$100/barrel level, is certainly frustrated by the lack of support from some producers, such as Russia, who continue to produce crude in excess of their quotas and do not appear to be willing to make further compensatory cuts, as they had pledged to do. Russia nevertheless appears to have lowered its production by 114,000 b/d to 9.139 mb/d last month, but is still producing 161,000 b/d more than its quota. Iraq is

COMMODITIES (USD)

		Total Return Performance						
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
GLOBAL	S&P GSCI Tot Return Indx	3717,4 USD	0,0	1,4	0,7	11,1	11,1	
WTI CRUDE	Generic 1st 'CL' Future	81,5 USD	1,0	5,9	-2,0	13,8	13,8	
BRENT OIL	Generic 1st 'CO' Future	86,4 USD	1,4	5,9	-1,2	12,2	12,2	
NATURAL GAS	Generic 1st 'NG' Future	2,6 USD	-3,8	0,5	47,5	3,5	3,5	
GOLD	GOLD SPOT \$/OZ	2326,8 USD	0,2	0,0	4,3	12,8	12,8	
SILVER	Silver Spot \$/Oz	29,1 USD	-1,4	-4,2	16,7	22,5	22,5	
AGRICULTURE	S&P GSCI Agric Indx Spot	362,3 USD	-2,6	-8,2	-6,1	-6,3	-6,3	
INDUSTRIAL METALS	S&P GSCI Ind Metal Spot	459,8 USD	0,0	-4,9	8,6	8,8	8,8	

following a similar path, but is still producing 189,000 b/d too much. On the supply side, US production has been relatively stable since the start of the year, at 13,197 mb/d. Overall, growth expectations for the world economy in 2024 are certainly still cautious and do not sufficiently reflect the potential that could develop in the 2nd half of the year, in an environment characterized by resolutely accommodating monetary policies and a downward adjustment of yield curves. We believe that growth in developed countries is currently underestimated, as is that of China in our assessment of global crude oil demand. Our outlook for WTI and Brent prices is therefore based on demand slightly outstripping supply, which will support a continuation of current price rises. WTI prices could therefore rise towards \$100 a barrel, while Brent prices could approach \$105 a barrel over the next few months.

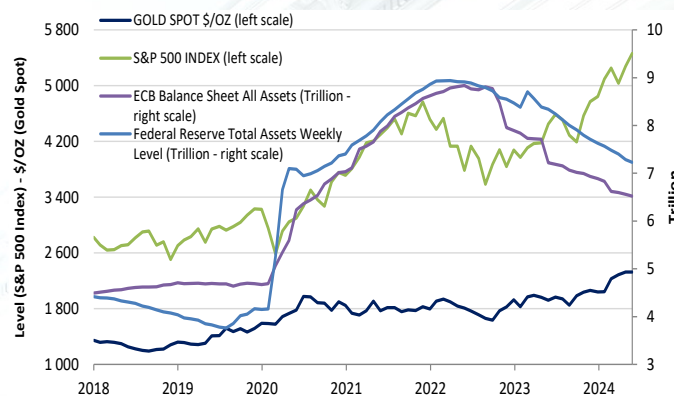
Precious metals pause before rising again

Since February 21, when we suggested a probable rise in silver towards \$30 an ounce, prices have risen by +40%, outperforming gold (+20%) over the same period. The predicted catch-up thus occurred, adjusting the silver/gold price ratio from 91.5 to 76. This 17% decline in the ratio puts it back close to its ten-year average and reduces its distance from its longer-term historical average of \$60-65. It is interesting to note that geologists estimate the silver/gold reserve ratio to be less than 20. On a fundamental level, industrial and jewellery demand is expected to grow strongly over the next ten years. Demand for silver in the solar sector is booming, as is that linked to the production of electric vehicles. These sectors will strongly influence global demand and industry requirements, which could turn out to exceed current production and reserves. The imbalance in the physical market has been a reality for the last three years, which has finally, as we expected, led to the sharp rise in prices over the last few months. Conditions seem different for gold, which is more influenced by the outlook for interest rates and Asian demand for monetary reserves. Despite strong rises in both metals, traditional investment demand, as measured by the volume of ETFs in physical gold and silver, has yet to increase. We believe, however, that it should strengthen as a result of the expected change in monetary policy, the decline in interest rates and the weakening of the dollar. Although gold and silver prices have partly anticipated these trends, we believe further increases are likely after a period of price stabilization, which we believe is already underway.

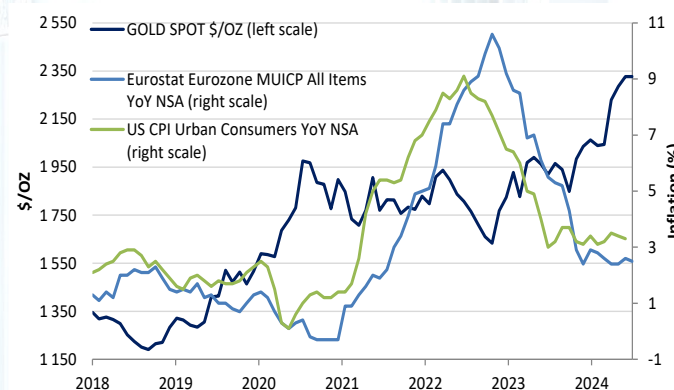
China's manufacturing recovery supports industrial metals

Since our change to a more favourable outlook for the industrial metals segment at the end of March, the Bloomberg Industrial Metals index has jumped +25%. Today, as China appears to be stepping up its efforts to support its real estate market, investor sentiment is improving and contributing to the rise in industrial metals. There have recently been some concrete signs of support for the physical real estate market in China, such as the lowering of personal financing rates for home purchases and more concrete action by Chinese cities, which are beginning to participate in the process of stimulating and supporting the sector. Weakening growth expectations in Europe and the USA do not seem to be weighing on the stock market climate for metals, which are generally rather affected by the level of Chinese demand. The fall in capex in recent years continues to weigh on supply levels, thereby limiting the risk of a rise in inventories, which are still relatively low. Inventories will not be an adjustment variable in the face of a revival in demand. The expected upward trend reversal materialized more clearly for copper (+27%), zinc (+24%) and aluminum (+19%). A temporary consolidation is certainly likely after such a short-term advance. But this should be seen as a new opportunity for bullish positioning over the coming months. The revival of China's industrial sector (+6.7% year-on-year) and an acceleration in the manufacturing sector (+7.5% year-on-year) since the start of the year are important factors pointing to continued growth in demand for metals and further price rises in the third quarter of 2024.

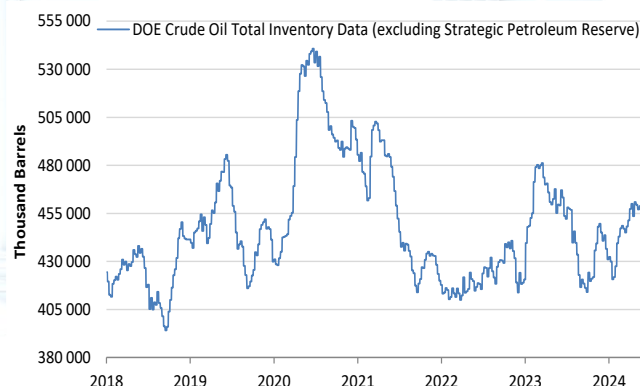
High correlation between Gold and Global Liquidity



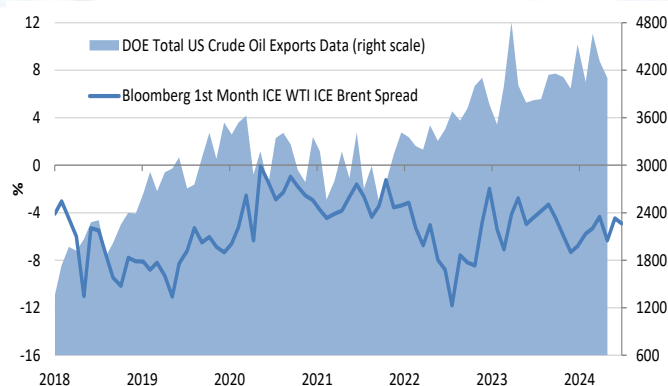
High correlation between Gold and Inflation



Oil Inventories (United States)



Price differential between WTI and Brent Oil



PROSPECTS AND STRATEGIES

Hedge Funds

- Second-half slowdown

The various alternative strategies posted contrasting performances in June as electoral and political risks increased in Asia, Europe and the USA; during the second quarter, European and Asian central banks cut interest rates despite persistent inflationary pressures, while US large-cap technology stocks hit all-time highs. With declines in uncorrelated Macro strategies offsetting gains in fixed-income-based Relative Value Arbitrage and equity-hedging strategies, the HFRX Global Hedge fund index moved horizontally in June (+0.3%). Nevertheless, we believe that the main factors influencing the investment climate will remain macroeconomic. Indeed, investors continue to speculate on potential US interest rate cuts in the second half of the year, and the turmoil created by the polarization of the electorate towards the extremes has already greatly destabilized the financial markets, as was the case in France. The funds that manage to take advantage of these uncertainties will certainly be those that create the most value and attract the attention of investors seeking protection from financial market turbulence.

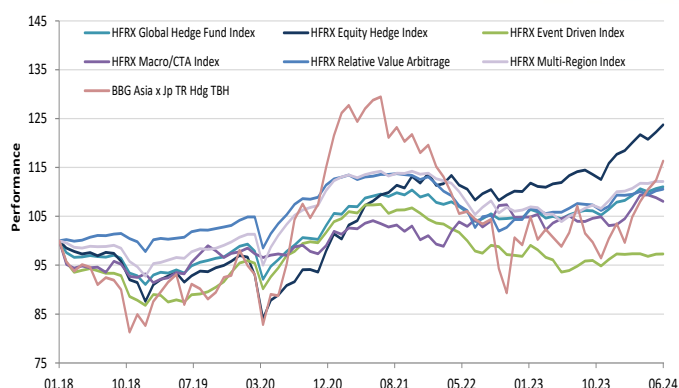
Equity Hedge (EH) funds, which invest long and short in specialized sub-strategies, performed well in June, with gains driven by exposure to the technology sector and quantitative directional strategies. The HFRX Equity Hedge index jumped +1.2% over the month, bringing the second-quarter gain to +1.7%. Event-driven (ED) strategies, which often focus on value stock exposure and M&A speculation, also moved horizontally in June (0.0%), posting a very slight loss in Q2 (-0.1%).

HEDGE FUNDS (USD)

		30.06.2024					
	Name	Curr.	1 m %	3 m %	6 m %	YTD %	
GLOBAL	HFRX Global Hedge Fund Index	USD	0,3%	0,4%	2,9%	2,9%	
EQUITY HEDGE	HFRX Equity Hedge Index	USD	1,2%	1,7%	5,1%	5,1%	
EVENT DRIVEN	HFRX Event Driven Index	USD	0,0%	-0,1%	1,2%	1,2%	
MACRO/CTA	HFRX Macro/CTA Index	USD	-0,7%	-1,2%	4,6%	4,6%	
RELATIVE VALUE ARBITRAGE	HFRX Relative Value Arbitrage	USD	0,3%	0,4%	1,1%	1,1%	
MULTI-REGION	HFRX Multi-Region Index	USD	0,4%	0,7%	2,2%	2,2%	

* Subject to one-month lag

Hedge Fund Indices



Private Equity

- A turning point for private markets at last?

At the end of the second quarter, private markets appear to have bottomed out, and a rebound seems within sight. Based on the most recent data available, we observe that the precipitous fall in transaction numbers over the past two years has stabilized in early 2024, and buyout funds worldwide are now on track to end the year with total transactions essentially unchanged from 2023. Although exits also appear to have halted their freefall, activity remains at a very low level. While limited partnerships (LPs) are expecting distributions to pick up, most funds are still struggling to raise new capital.

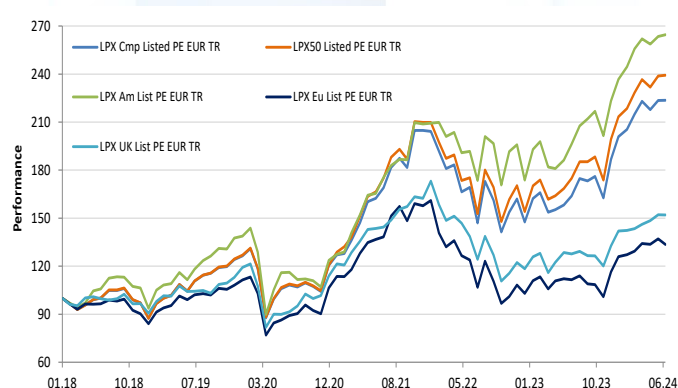
The current macroeconomic environment, characterized by apparent tranquility but precarious stability, represents a major obstacle to deal-making. Despite the interest rate stability maintained by the Federal Reserve for almost a year, rates have not fallen as anticipated in 2024. Meanwhile, the US economy is showing unexpected resilience, but the yield curve remains inverted, indicating an uncertain economic outlook. High prices due to inflation persist, and ongoing geopolitical uncertainties in the Middle East and Ukraine keep markets nervous. Moreover, the imminent presidential election in the United States further accentuates this climate of economic uncertainty.

In the second quarter, the overall number of transactions was -4% below 2023 levels, despite a general increase in the value of these transactions. The best performing region is North America, with a +67% increase in the value of these transactions, against a +4% rise in the number. In Europe and Asia, we are witnessing a sharp slowdown, due to the sluggishness of the economies in these regions.

PRIVATE EQUITY INDICES (EUR)

		30.06.2024						
	Name	Last price	Curr.	7 d %	1 m %	3 m %	6 m %	YTD %
COMPOSITE	LPX Cmp Listed PE EUR TR	538,6	EUR	-1,0	0,1	0,3	11,3	11,3
MAJOR COMPANIES	LPX50 Listed PE EUR TR	5411,0	EUR	-1,0	0,2	1,1	12,2	12,2
USA	LPX Am List PE EUR TR	853,3	EUR	0,1	0,4	0,9	11,8	11,8
EUROPE	LPX Eu List PE EUR TR	1281,7	EUR	-2,3	-2,6	-0,5	6,0	6,0
UK	LPX UK List PE EUR TR	448,1	EUR	-1,6	0,0	4,0	7,1	7,1

Private Equity Indices





MONTRES PRESTIGE

GENEVA



A UNIQUE PLACE
FOR UNIQUE WATCHES

LAURENT FERRIER
GENEVE

AUDEMARS PIGUET
Le Brassus

RESSENCE
BEYOND HANDS

A. Favre & fils

RICHARD MILLE

J&co
JACOB & CO

AKRIVIA
GENEVE

SHAMBALLA JEWELS

HYT

GLOBAL STRATEGY & ASSET ALLOCATION



GLOBAL STRATEGIES | ASSET ALLOCATION

Multi-asset portfolio CHF

- More favourable interest rate environment and monetary policy
- Positive outlook for bond and equity markets
- New opportunities in securitized real estate
- Favourable commodity supercycle

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

Asset allocation

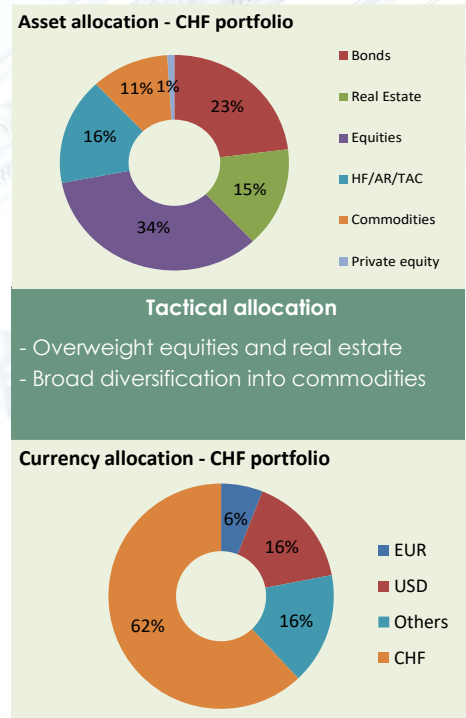
The core of our investment strategy is composed of traditional liquid assets (cash, bonds, equities and real estate), complemented by other diversified and tradable assets (commodities, hedge funds, private equity, etc.). Today, the tactical allocation is broadly diversified across asset classes. Equity exposure remains constructive, with a modified allocation following the sharp fall in share prices in 2022. The rate hikes observed in 2023 as a result of the restrictive monetary policies pursued by central banks still offer new opportunities in the bond markets, both in the investment-grade and high-yield segments. Real estate is, more than ever, an attractive source of diversification, offering attractive yields and significant upside potential. Precious metals and commodities are also favoured in an uncertain environment, requiring optimal diversification between asset classes.

Bonds

The 2nd quarter saw the first changes to more flexible and accommodating monetary policies in Switzerland, the eurozone and Canada. Inflation trends will now enable the US Federal Reserve and the BoE to ease monetary conditions as well. The rebound in bond yields of the 1st quarter seems to us to be over. This will give way to a phase of yield easing, which is also synonymous with likely capital market gains. Most capital markets will benefit from this. The prospect of joint key rate cuts in the 2nd half of the year will support a new phase of falling yields. Our bond strategy, which is geared in this direction, still offers attractive opportunities, particularly in markets already offering high yields that can be supplemented by capital gains over the coming months.

Actions

Equity markets have also clearly benefited over the past eight months from the global change in scenario and sentiment. We believe that the scenario of controlled inflation will have an increasingly positive impact on interest rates and investor sentiment. The expected downward adjustment of yields in certain countries, and the end of restrictive monetary policies, will continue to benefit equity markets. Earnings downside risks are diminishing in a new environment of resilient economic growth, but profit expectations that have already been lowered by analysts for several quarters will have to be revised upwards



over the coming months, reinforcing the prospects of rising equity markets.

Commodities

Commodities remain the best guarantee of risk diversification, as they were again in 2022 for multi-asset portfolios. Supply and demand parameters are favourable to a continuation of the positive cycle for commodities, particularly in the energy and metals segments.

Real estate

Real estate will also benefit from falling interest rates, and remains a prime alternative to bond markets. The current valuations of securitized real estate are still very attractive, and their yield levels are often significantly higher than those of bond markets, offering interesting opportunities.

Currencies

The franc is likely to suffer from yield differentials that are largely unfavourable to the Swiss currency against both the dollar and the euro. We recommend exposure to other currencies offering higher yields and appreciation potential, given the SNB's decision to ease monetary policy.

Market performances - Q2 2024

	Q2 2024		YTD			Q2 2024		YTD				
	local	CHF	local	CHF		local	CHF	local	CHF			
Exchange rates												
USD/CHF		0.1%		7.3%	Interest rates (3 months)	(level)						
EUR/CHF		-0.4%		4.4%		CHF		1.20%				
GBP/CHF		0.4%		6.6%		EUR		3.71%				
JPY/CHF		-6.2%		-6.3%		USD		5.58%				
					JPY		0.15%					
Equity markets												
World	MSCI World USD	2.9%	3.0%	12.0%	20.2%	Bonds markets	World	Cit Gr Global Govt USD	-2.1%	-1.9%	-4.4%	2.5%
Europe	DJ Stoxx 600	1.5%	1.1%	9.2%	14.0%		Europe	Euro Ser-E Gov > 1	-1.7%	-2.1%	-2.4%	1.9%
Eurozone	DJ Eurostoxx 50	-3.0%	-3.4%	9.0%	13.8%		United Kingdom	UK Ser-E Gov > 1	-1.9%	-1.5%	-3.7%	2.6%
	MSCI Europe S.C.	0.3%	-0.1%	3.4%	7.9%		Switzerland	SBI Général AAA-BBB	0.8%	0.8%	1.3%	1.3%
Germany	Dax 30	-1.1%	-1.4%	9.2%	14.0%			SBI Govt.	0.6%	0.6%	0.2%	0.2%
France	Cac 40	-7.9%	-8.2%	0.2%	4.6%		USA	US Ser-E Gov > 1	-0.5%	-0.3%	-1.4%	5.8%
United Kingdom	FTSE 100	2.7%	3.1%	5.6%	12.5%		Japan	Japan Ser-E Gov > 1	-2.8%	-8.8%	-3.3%	-9.4%
Switzerland	SPI	3.5%	3.5%	9.7%	9.7%		Emerging	J.P. Morgan EMBI Global	-0.3%	-0.1%	1.1%	8.5%
	SMI	2.7%	2.7%	8.2%	8.2%							
	MSCI Swiss S.C.	-2.4%	-2.4%	-4.4%	-4.4%							
North America	SP500	4.2%	4.4%	14.8%	23.1%	Miscellaneous	LPP 25 Index	1.2%	1.2%	5.1%	5.1%	
	Nasdaq	9.2%	9.3%	19.1%	27.8%		LPP 40 Index	1.6%	1.6%	7.4%	7.4%	
	Tse 300	-1.3%	-2.6%	4.4%	8.3%		LPP 60 Index	2.2%	2.2%	10.6%	10.6%	
	SP600 Small C.	-4.4%	-4.2%	-2.5%	4.7%		Real Estate CH	DB RB Swiss Real Est Fd	-0.4%	-0.4%	6.2%	6.2%
Japan	Nikkei 225	-1.8%	-7.9%	18.4%	11.0%		Hedge Funds	Hedge Fund Research USD	5.3%	5.5%	2.2%	9.6%
Emerging	MSCI EMF USD	4.2%	4.4%	6.2%	14.0%		Commodities	GS Commodity USD	1.8%	1.9%	12.3%	20.5%

GLOBAL STRATEGIES | ASSET ALLOCATION

Multi-asset portfolio EUR

- More favourable interest rate environment and monetary policy in 2024
- Positive outlook for bond and equity markets
- New opportunities in securitized real estate
- Favourable commodity supercycle

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

Asset allocation

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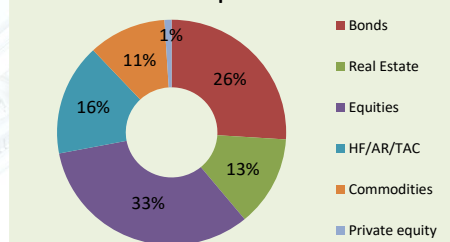
Bonds

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Actions

Equity markets have also clearly benefited over the past eight months from the global change in scenario and sentiment. We believe that the scenario of controlled inflation will have an increasingly positive impact on interest rates and investor sentiment. The expected downward adjustment of yields in certain countries, and the end of restrictive monetary policies, will continue to benefit equity markets. Earnings downside risks are diminishing in a new environment of resilient economic growth, but profit expectations that have already been

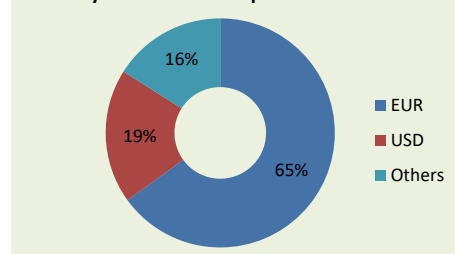
Asset allocation - EUR portfolio



Tactical allocation

- Overweight equities and real estate
- Broad diversification into commodities

Currency allocation - EUR portfolio



lowered by analysts for several quarters will have to be revised upwards over the coming months, reinforcing the prospects of rising equity markets.

Commodities

Commodities remain the best guarantee of risk diversification, as they were again in 2022 for multi-asset portfolios. Supply and demand parameters are favourable to a continuation of the positive cycle for commodities, particularly in the energy and metals segments.

Real estate

Real estate will also benefit from falling interest rates, and remains a prime alternative to bond markets. Current valuations of securitized real estate are still very attractive, and their yield levels are often significantly higher than those of bond markets, offering interesting opportunities.

Currencies

We continue to recommend significant exposure to euros, while adopting a policy of diversifying opportunities outside the European currency, particularly in dollars.

Market performances - Q2 2024

	Q2 2024		YTD			Q2 2024		YTD			
	local	EUR	local	EUR		local	EUR	local	EUR		
Exchange rates											
USD/EUR		0.5%		2.8%	CHF		1.20%				
CHF/EUR		0.4%		-4.2%	EUR		3.71%				
GBP/EUR		0.7%		2.1%	USD		5.58%				
JPY/EUR		-5.8%		-10.2%	JPY		0.15%				
Equity markets											
World	MSCI World USD	2.9%	3.4%	12.0%	15.1%	World	C&I Gr Global Govt USD	-2.1%	-1.7%	-4.4%	-8.4%
Europe	DJ Stoxx 600	1.5%	1.5%	9.2%	9.2%	Europe	Euro Ser-E Gov > 1	-1.7%	-1.7%	-2.4%	-2.4%
Eurozone	DJ Eurostoxx 50	-3.0%	-3.0%	9.0%	9.0%	United Kingdom	UK Ser-E Gov > 1	-1.9%	-1.2%	-3.7%	-1.7%
	MSCI Europe S.C.	0.3%	0.3%	3.4%	3.4%	Switzerland	SBI Général AAA-BBB	0.8%	1.2%	1.3%	-3.0%
Germany	Dax 30	-1.1%	-1.1%	9.2%	9.2%		SBI Govt	0.6%	0.9%	0.2%	-4.0%
France	Cac 40	-7.9%	-7.9%	0.2%	0.2%	USA	US Ser-E Gov > 1	-0.5%	0.0%	-1.4%	1.3%
United Kingdom	FTSE 100	2.7%	3.4%	5.6%	7.8%	Japan	Japan Ser-E Gov > 1	-2.8%	-8.4%	-3.3%	-13.2%
Switzerland	SPI	3.5%	3.9%	9.7%	5.1%	Emerging	J.P. Morgan EMBI Global	-0.3%	0.2%	1.1%	3.9%
	SMI	2.7%	3.1%	8.2%	3.7%						
	MSCI Swiss S.C.	-2.4%	-2.0%	-4.4%	-1.8%						
North America	SP500	4.2%	4.7%	14.8%	18.0%						
	Nasdaq	9.2%	9.7%	19.1%	22.4%						
	Tse 300	-1.3%	-2.2%	4.4%	3.5%						
	SP600 Small C.	-4.4%	-3.9%	-2.5%	0.3%						
Japan	Nikkei 225	-1.8%	-7.6%	18.4%	6.3%						
Emerging	MSCI EMF USD	4.2%	4.7%	6.2%	9.2%						
Bonds markets											

GLOBAL STRATEGIES | ASSET ALLOCATION

Multi-asset portfolio USD

- More favourable interest rate environment and monetary policy in 2024
- Positive outlook for bond and equity markets
- New opportunities in securitized real estate
- Favourable commodity supercycle

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, etc.). Today, the tactical allocation is broadly diversified across asset classes. Equity exposure remains constructive, with a modified allocation following the sharp fall in share prices in 2022. The rate hikes observed in 2023 as a result of the restrictive monetary policies pursued by central banks still offer new opportunities in the bond markets, both in the investment-grade and high-yield segments. Real estate is, more than ever, an attractive source of diversification, offering attractive yields and significant upside potential. Precious metals and commodities are also favoured in an uncertain environment, requiring optimal diversification between asset classes.

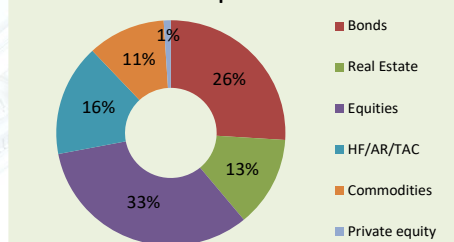
Bonds

The 2nd quarter saw the first changes to more flexible and accommodating monetary policies in Switzerland, the eurozone and Canada. Inflation trends will now enable the US Federal Reserve and the BoE to ease monetary conditions as well. The rebound in bond yields of the 1st quarter seems to us to be over. This will give way to a phase of yield easing, which is also synonymous with likely capital market gains. Most capital markets will benefit from this. The prospect of joint key rate cuts in the 2nd half of the year will support a new phase of falling yields. Our bond strategy, which is geared in this direction, still offers attractive opportunities, particularly in markets already offering high yields that can be supplemented by capital gains over the coming months.

Actions

Equity markets have also clearly benefited over the past eight months from the global change in scenario and sentiment. We believe that the scenario of controlled inflation will have an increasingly positive impact on interest rates and investor sentiment. The expected downward adjustment of yields in certain countries, and the end of restrictive monetary policies, will continue to benefit equity markets. Earnings downside risks are diminishing in a new environment of resilient economic growth, but earnings expectations, which have already been lowered by analysts for several quarters, will have to be revised

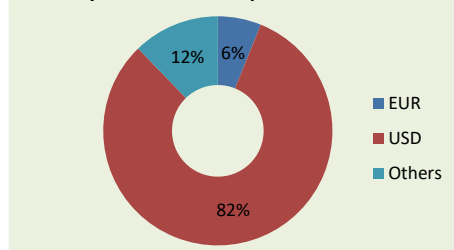
Asset allocation - USD portfolio



Tactical allocation

- Overweight equities and real estate
- Broad diversification into commodities

Currency allocation - USD portfolio



upwards over the coming months, reinforcing the prospects of rising equity markets.

Commodities

Commodities remain the best guarantee of risk diversification, as they were again in 2022 for multi-asset portfolios. Supply and demand parameters are favourable to a continuation of the positive cycle for commodities, particularly in the energy and metals segments.

Real estate

Real estate will also benefit from falling interest rates, and remains a prime alternative to bond markets. Current valuations of securitized real estate are still very attractive, and their yield levels are often significantly higher than those of bond markets, offering interesting opportunities.

Currencies

We continue to recommend significant exposure to dollars, while adopting a policy of diversifying opportunities away from the greenback and also favouring Canadian and Australian dollars.

Market performances - Q2 2024

	Q2 2024		YTD			Q2 2024		YTD			
	local	USD	local	USD		local	USD	local	USD		
Exchange rates											
CHF/USD		-0.1%		-6.8%	CHF	1.20%					
EUR/USD		-0.5%		-2.7%	EUR	3.71%					
GBP/USD		0.2%		-0.6%	USD	5.58%					
JPY/USD		-6.3%		-12.7%	JPY	0.15%					
Equity markets					Bonds markets						
World	MSCI World USD	2.9%	2.9%	12.0%	12.0%	World	Cit Gr Global Govt USD	-2.1%	-2.2%	-4.4%	-10.9%
Europe	DJ Stoxx 600	1.5%	1.0%	9.2%	6.3%	Europe	Euro Ser-E Gov > 1	-1.7%	-2.2%	-2.4%	-5.0%
Eurozone	DJ Eurostoxx 50	-3.0%	-3.5%	9.0%	6.1%	United Kingdom	UK Ser-E Gov > 1	-1.9%	-1.7%	-3.7%	-4.3%
	MSCI Europe S.C.	0.3%	-0.2%	3.4%	0.6%	Switzerland	SBI Général AAA-BBB	0.8%	0.7%	1.3%	-5.6%
Germany	Dax 30	-1.1%	-1.5%	9.2%	6.2%		SBI Govt	0.6%	0.4%	0.2%	-6.5%
France	Cac 40	-7.9%	-8.3%	0.2%	-2.5%	USA	US Ser-E Gov > 1	-0.5%	-0.5%	-1.4%	-1.4%
United Kingdom	FTSE 100	2.7%	2.9%	5.6%	4.9%	Japan	Japan Ser-E Gov > 1	-2.8%	-8.8%	-3.3%	-15.6%
Switzerland	SPI	3.5%	3.4%	9.7%	2.3%	Emerging	J.P. Morgan EMBI Global	-0.3%	-0.3%	1.1%	1.1%
	SMI	2.7%	2.6%	8.2%	0.9%						
	MSCI Swiss S.C.	-2.4%	-2.4%	-4.4%	-4.4%	Miscellaneous					
North America	SP500	4.2%	4.2%	14.8%	14.8%	LPP 25 Index	1.2%	-5.6%	5.1%	-2.0%	
	Nasdaq	9.2%	9.2%	19.1%	19.1%	LPP 40 Index	1.6%	-5.3%	7.4%	0.1%	
	Tse 300	-1.3%	-2.7%	4.4%	0.7%	LPP 60 Index	2.2%	-4.7%	10.6%	3.1%	
	SP600 Small C.	-4.4%	-4.4%	-2.5%	-2.5%	Real Estate CH	DB RB Swiss Real Est Fd	-0.4%	-0.4%	6.2%	-1.0%
Japan	Nikkei 225	-1.8%	-8.0%	18.4%	3.4%	Hedge Funds	Hedge Fund Research USI	5.3%	5.3%	2.2%	2.2%
Emerging	MSCI EMF USD	4.2%	4.2%	6.2%	6.2%	Commodities	GS Commodity USD	1.8%	1.8%	12.3%	12.3%



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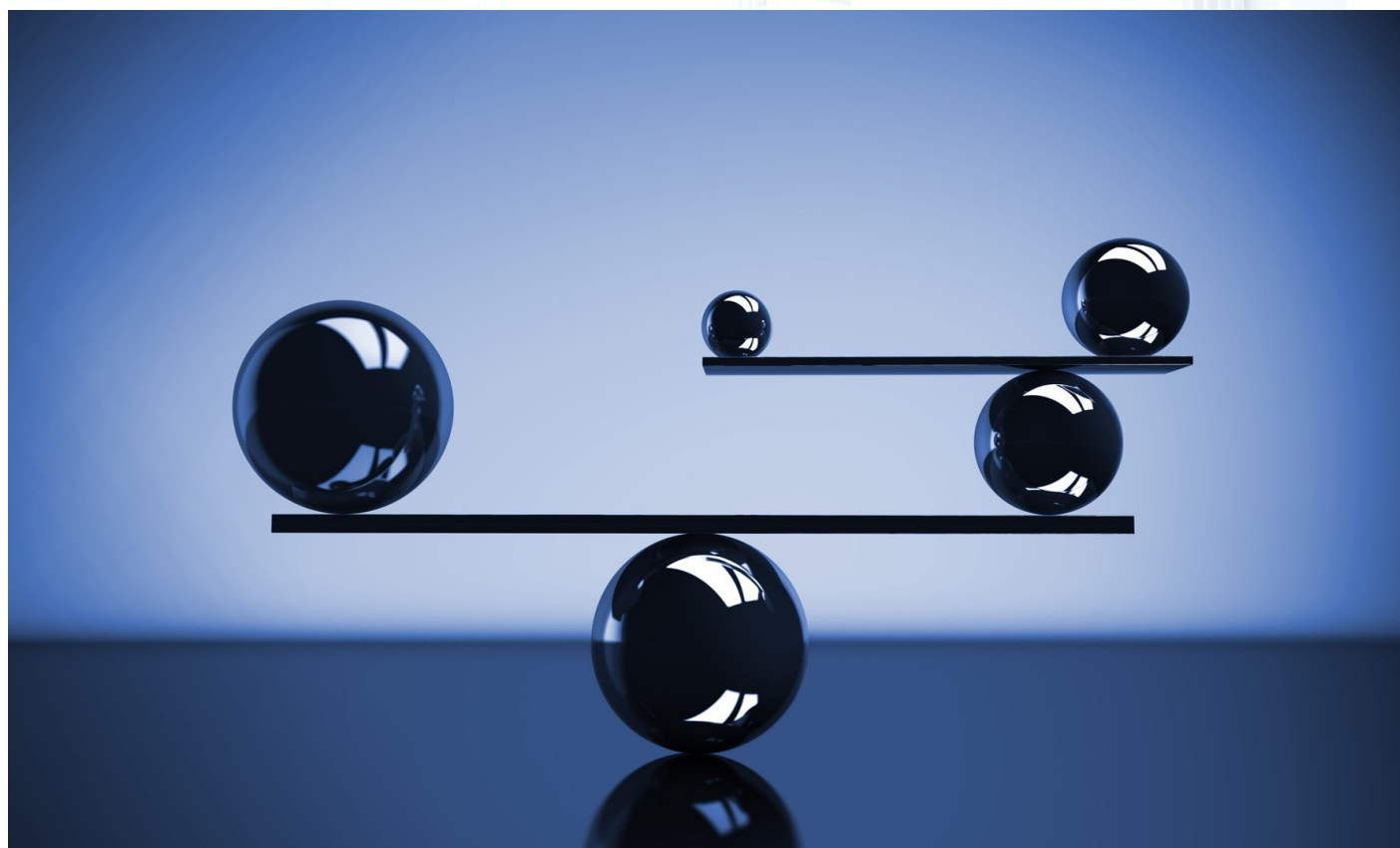
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INVESTMENT THEME FOCUS



INVESTMENT THEME

Lower interest rates will boost alternative energies

- Energy transition is an unavoidable theme, penalized in the short term by rising interest rates
- Attractive but volatile investment opportunities
- Inflation breaks positive momentum in 2021
- S&P Clean Energy outperforms Global Energy
- Main reasons for sudden price collapse
- Investor fatigue creates opportunities
- 1st rate cut will boost alternative energies

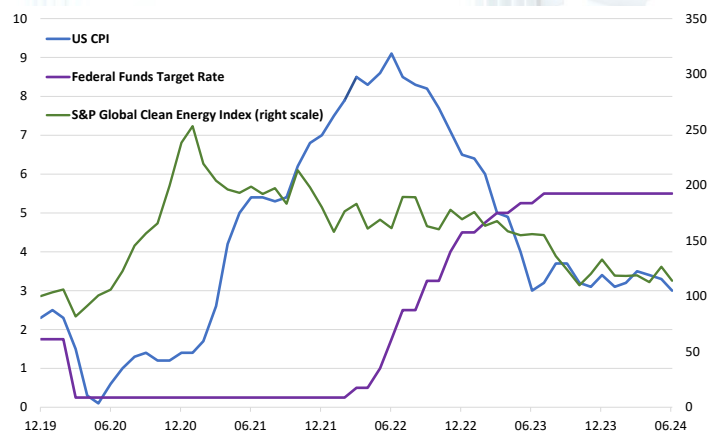
Energy transition is an unavoidable theme, penalized in the short term by rising interest rates

The theme of energy transition was particularly popular with investors in 2019-2020, when the S&P Clean Energy Index was up +41.5% and +138.2%, and governments' determination to set concrete targets was supported by announcements of exceptional budgetary support. Recently, inflationary trends and rising financing costs have had a negative impact on the investment climate and on the sector's stock market performance until 2023. Over a long period since 1999, the sector's annualized growth rate has been +9.9% (S&P500 +7.4%), underlining the value of participating in the development of green infrastructure. In recent years, extreme meteorological phenomena with catastrophic effects of various kinds have once again borne witness to the disastrous effects of global warming, which is becoming increasingly obvious to all. Increasing climatic upheavals, such as extreme droughts and devastating floods, provide further support for the determination of governments and the global CO2 emissions reduction target adopted by most developed countries.

Without being called into question, the targets set in both Europe and the USA are nonetheless suffering from the damaging trend in inflation and the highly penalizing rise in interest rates and financing costs, affecting both demand and supply. The energy transition to clean, renewable energies is therefore still firmly underway, with no major risk of being called into question, but it is temporarily threatened by financial and economic parameters that have been evolving negatively since 2021, and which now seem likely to have finally reached their climax with the peak in US interest rates in October 2023.

These regulations will have a lasting effect on value chains, which will also be strongly impacted by the competition induced by the various support measures adopted by governments. These measures will support the emergence of new technologies and the targeted development of alternatives of various kinds. But they may also lead to the relocation of activities, or to the introduction of tariff barriers to protect exports from China to Europe and the USA, for example. The energy transition is unlikely to be linear and smooth. It is likely that certain obstacles or changes in direction and strategies will temporarily disrupt a trend that nevertheless seems clearly unstoppable. In fact, we're already seeing a few reactions here and there from political decision-makers, who are sometimes backtracking on certain objectives or on the means to achieve them.

US CPI, Fed Funds, S&P Clean Energy Index



Attractive but volatile investment opportunities

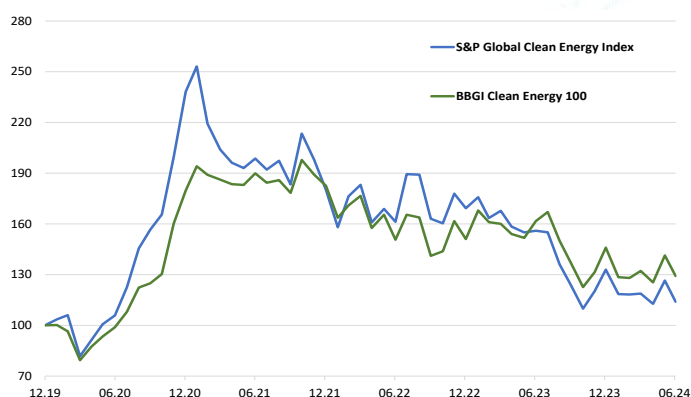
More than ever, the energy transition remains one of the greatest structural challenges facing the global economy, which must rapidly and comprehensively rethink its energy ecosystem, from production to consumption, including the storage and distribution of new forms of energy. The sums involved in implementing this transition are considerable, running into tens of trillions of dollars per decade if we are to achieve our climate objectives. Against this backdrop, it goes without saying that investment opportunities are colossal in many sectors linked to the implementation of this energy transition, and of course for all the current and future players who will play an active part in it.

On the stock market front, the global alternative energies sector - including listed companies active in the wind, solar, biofuels and energy efficiency segments - has experienced extreme volatility over the past three years. Years of strong rises have been followed by periods of strong consolidations, creating performance volatility that is sometimes difficult to sustain for many medium-term-oriented investors. In recent decades, this volatility has been expressed in extreme double-digit increases and consolidations. Over the last twenty years, only three periods have recorded fluctuations of less than $\pm 10\%$, while fourteen years have achieved performances of $\pm 15\%$, seven of which were $\pm 45\%$. The opportunities are there, but they also appear to be highly volatile and linked to changes in financing costs.

Inflation breaks positive momentum in 2021

After a decade of average annual inflation of between +1% and +2%, the year 2021 was rapidly emerging as a transition to a regime of much higher-than-average inflation, necessitating an adjustment of monetary policies. The prospect of rate hikes to combat galloping inflation, already in excess of +5% in May 2021, led to a major upgrading of the outlook when long rates rose back above 1%, triggering massive profit-taking. The -40% fall in indices was followed by a period of stabilization in 2022, during which alternative energies (-6%) even outperformed the MSCI World index, down -18%.

S&P500 Global Clean Energy & BBGI Clean Energy 100 (2019– 2024)



Following the fall of 2021, the implementation of restrictive US monetary policy from March 2022 did not add any further uncertainty. Investors remained convinced of the power of the global phenomenon in progress, represented by energy transition projects worldwide, and by the level of correction already experienced, making the valuation levels of companies in the sector very attractive. During almost eighteen months of horizontal consolidation and a degree of volatility, investors remained patient and confident in the prospects of wind, solar and transition-related companies, waiting for the moment of recovery. In the end, the 2nd half of 2023 proved to be the end of their enthusiasm. The S&P500 Global Clean Energy Index, the leading index of energy transition stocks, fell by 30% to its October low, hurt by the effects of rising interest rates and project financing costs, and the resulting drop in demand on company earnings.

Since July 2023, despite falling US inflation, the Federal Reserve's monetary policy has remained stable, which has been enough to stabilize prices (well below the 2020 top), without however bringing relief and enabling a rebound in the sector. Between December 31, 2019, before the outbreak of the pandemic, and today, the S&P Global Clean Energy Index (+35%) and our BBGI Clean Energy 100 Index (+41%) have nonetheless gained +7.2% and +8.1% respectively per year.

S&P Clean Energy outperforms Global Energy

As a result, companies active in the wind and solar sectors have suffered greatly from rising financing costs. After massively outperforming traditional energy stocks in 2020, the S&P Clean Energy (-43%) massively underperformed the S&P Global Energy (+182%) during four years of rising inflation and interest rates. The fact that oil prices have remained above \$70 a barrel has enabled oil companies to make substantial profits and generate a healthy return on equity, but above all it has enabled them to cope easily with their rising financing costs, which has not been possible for energy transition companies in the midst of a massive investment phase, whose

revenues often remain insufficient in the short term. This dynamic is about to change in favour of alternative energies.

S&P500 Global Clean Energy & MSCI Energy TR (2019– 2024)



Main reasons for sudden price collapse

Monetary policy and rising financing costs are the main factors behind the price collapse. Rising interest rates affect the present value of future profits. In the case of alternative energies, short-term results are often low compared with long-term expectations.

As a result, the discounted value of these growing profits is lowered, weighing on share prices.

On the other hand, some alternative energy stocks, such as utilities distributing green electricity, are also often seen as attractive income investments. As a result, a rise in bond yields such as that seen in 2023 has not failed to draw capital away from this sector to take advantage of higher, lower-risk yields in the bond markets.

What's more, the major investments that most companies in the sector need to make to develop their offering and expand their presence in this fast-growing ecosystem are being undermined by rising financing costs and increasingly difficult access to credit. On the demand side, too, we are now seeing the short-term effects of rising interest rates. Demand from private customers for photovoltaic systems is also subject to this uncertainty, which makes it more difficult in times of rising financing costs to proceed with investments that are sometimes already heavy, and whose overall cost is affected by increasingly unbearable financing rates. In this context, it's hardly surprising that some investments are temporarily postponed or simply called into question.

Finally, rising raw materials and production costs also weighed on margins before stabilizing.

As already mentioned, the renewable energies sector has been particularly vulnerable to rising interest rates. This is particularly the case because many companies enter into long-term contracts, fixing the price at which they will sell the energy, before developing their projects. Rising costs due to inflation, coupled with the opposite trend in financing costs, have clearly affected margins. The solar and wind power sectors were hardest hit by rising operating costs. As the negative impact of rising interest rates seems to have wiped out the positive expectations generated by the inflation programs announced, they may need to provide additional fiscal support to companies in the sector. These companies, hard hit by inflation and rising interest rates, will need further assistance to resist the damaging effects of these factors. For some, an upward renegotiation of electricity sales prices to the public sector could prove indispensable.

Investor fatigue creates opportunities

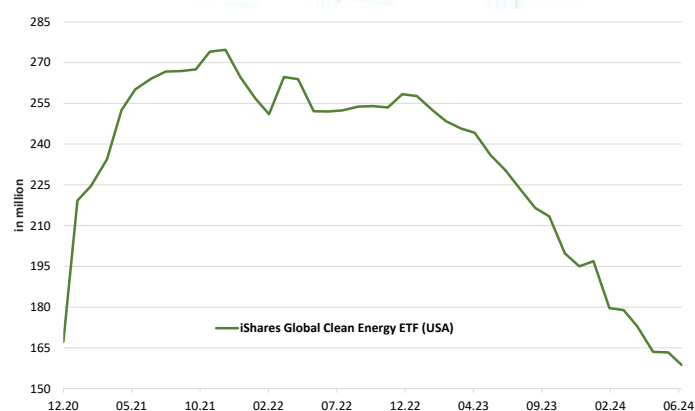
The extreme caution of the Federal Reserve, which has kept its key interest rates at a very high level of 5.5% for over twelve months despite falling inflation, has undoubtedly been one of the factors leading to investor fatigue and disengagement from this extremely buoyant investment theme. Companies active in alternative energies are often still making little profit, and need to invest to gain volume and become more profitable. During this development phase, the level of financing costs is a key factor. The Fed's persistently high rates in 2024 did not allow for any improvement in their valuation levels. Yet, initially, investors remained convinced of the long-term benefits of participating in the energy transition. Since 1999, the sector, as measured by the BBGI Clean Energy 100 index or the S&P Global Clean Energy index, has outperformed the S&P500 index.

In fact, fund flows into Clean Energy ETFs were very strong until 2021, and remained relatively stable until the 2nd quarter of 2023.

In the end, it was not so much the rise in key rates to 5.5%, but rather their maintenance at this high level during a period of falling inflation, that caused investor fatigue. Investors have grown weary of waiting for a recovery over the past eighteen months. Indeed, the number of units outstanding in the leading iShares Global Clean Energy ETF was reduced by -40%, underlining investors' disengagement at arguably the worst possible time, when the conditions for a comeback in the sector now seem to be taking shape.

The need for alternative energy solutions remains pressing, and continues to benefit from ambitious government plans.

Flow of funds into the iShares Global Clean Energy ETF



1st rate cut will boost alternative energies

While the cycle of negative monetary conditions for alternative energies has already reached its inflection point in the Eurozone, it is now very close to reversing in the USA. A cycle of key rate cuts will be synonymous with declining financing costs and lower capitalization rates. In June, the consumer price index recorded its first month-on-month contraction of -0.1% since the price collapse of May 2020, opening the door wider for the Federal Reserve to begin a cycle of monetary policy adjustment. Having raised its key rates eleven times since 2022, the Fed is about to make its first cut. We estimate that the cut could take place in September and be higher than -0.25%.

For the alternative energies sector, which is highly sensitive to interest rates, the start of a downward cycle is an extremely favourable factor and a game changer. After several years of penalizing conditions, the horizon seems to be clearing for the sector.

Especially since, at current valuations, companies in the sector are clearly not overvalued. In our view, current levels can be an extremely attractive entry point for those who recognize that the fundamentals of the sector's listed stocks will benefit from this change in 2025.

Particularly attractive valuations

The bear market in the global index and energy transition stocks has sharply adjusted price levels to the current realities of rising rates and financing costs, while perhaps now underestimating the long-term prospects of these same companies.

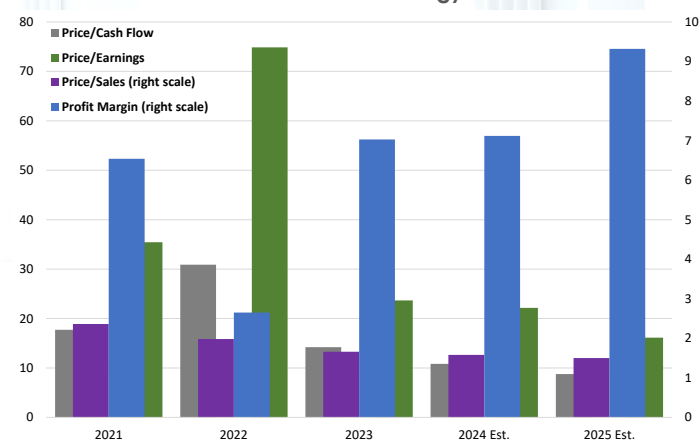
In terms of the valuation of listed companies, we now believe that the extreme pessimism that has driven down the prices of solar, wind and hydrogen stocks has led to a sometimes massive underestimation of the long-term profit outlook for these companies, which will most certainly be the main winners in the ongoing and irreversible energy transition process.

The overall valuation of the S&P Global Clean Energy index has fallen from a particularly high PE of 74x for 2022 to just 22x for the current year and 16x for 2025. Compared with broad indices such as the S&P500 (20.4x) or the Nasdaq (27x), the alternative energy sector now offers a discount of -22% to -40% to these major indices.

Between the estimates for 2022 and those for 2025, the sector's fundamentals have improved. Gross margins have risen from 27% to 33%, operating margins from 6.6% to 14.8%, profit margins from 2.6% to 9.3% and ROE from 2.9% to 9%.

In terms of outlook, profit growth for 2024 is already expected to rise by +26.6%, but could increase by a further +23% in 2025. Compared with the S&P500 index, the momentum of alternative energies is well ahead of the overall growth rates of +12.7% for 2024 and +8.1% for 2025.

S&P Global Clean Energy







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