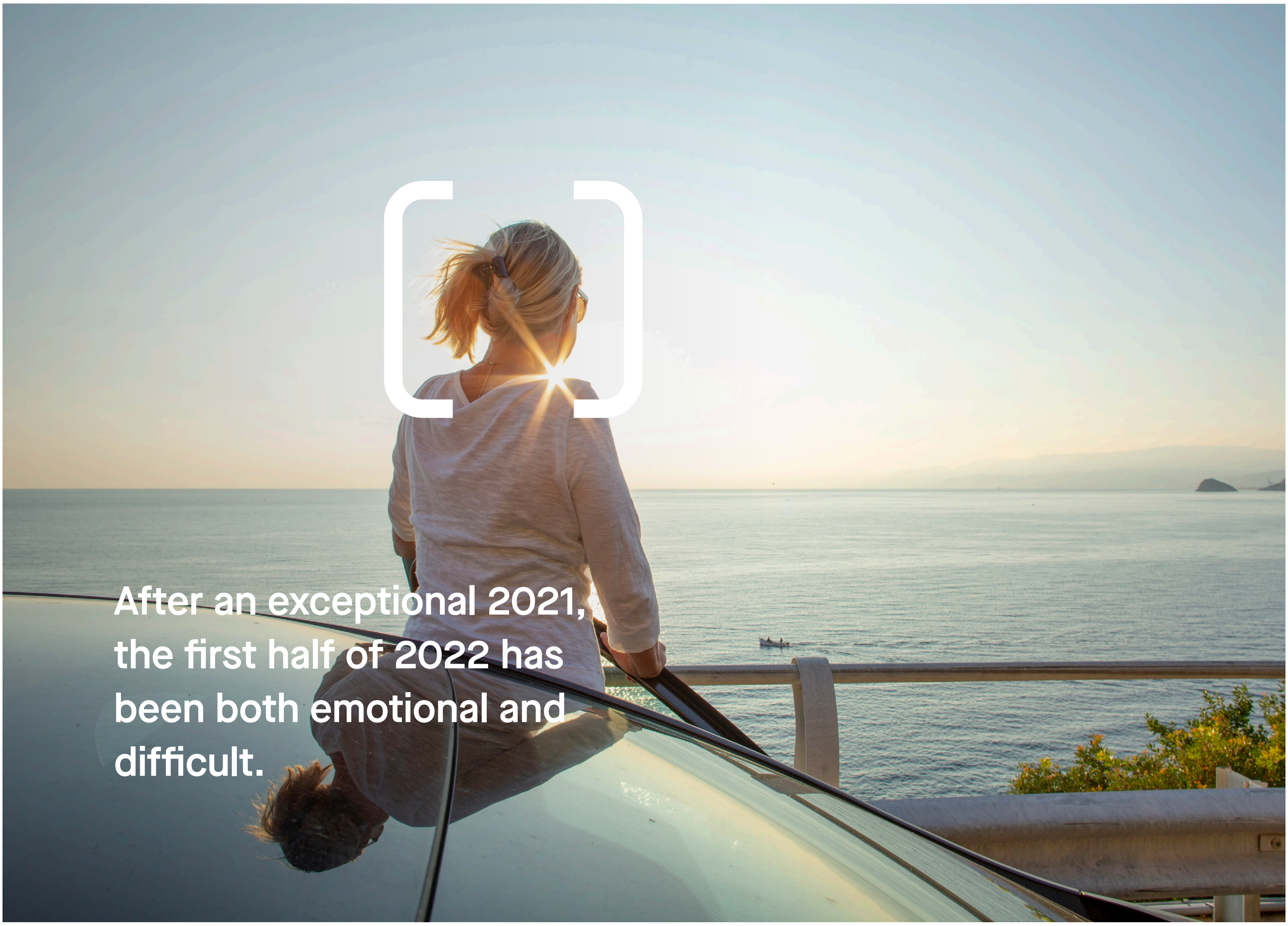
Market Outlook

H2/2022

Economic growth is likely to remain positive during the second half of the year, supported by the reopening of the Chinese economy.

Syz PRIVATE BANKING


After an exceptional 2021, the first half of 2022 has been both emotional and difficult.

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INTRODUCTION

Investing in a "VUCA" world

There is an abbreviation that was thought up in the 1980s by the US Army to describe the strategic environment in the years following the Cold War: VUCA which stands for 'Volatility, Uncertainty, Complexity and Ambiguity.'

Investors live in a VUCA world. In a matter of a few years, we have faced a series of extraordinary events: a pandemic that pushed the global economy into a deep freeze for months, the Russian invasion of Ukraine that put the planet on the brink of a world war and now the risk of an inflation-led recession.

Donald Rumsfeld once said: "There are known knowns (...) and there are known unknowns (...) But there are also unknown unknowns." VUCA illustrates what we as investors are facing as it focuses on the idea that there are two dimensions to our tactical asset allocation choices: how much we know about the current situation, and how well we can predict the possible outcome of our decisions.

Volatility is indeed on the rise. Not just because of macro and geopolitical events but also because there is no 'Fed put' anymore. In the face of surging inflation, global central banks are removing liquidity and are not there to 'save the market' anymore as they did for more than a decade.

But rising volatility is only one part of the issue and does not give a full picture of the current investment environment that we are navigating.

While volatility is an objective measure of risk, **uncertainty** is much more subjective. It can involve 'black swan' events that cannot be captured by a standard deviation of current market returns. How long and how far will the Russia-Ukraine war go? Can Europe enable a swift transition to a new energy policy? Will we see another Covid outbreak this winter?

Complexity tells us that no single factor will explain expected returns. While financial markets have been hurt by a 'rates fear' in the first half of the year, a 'recession fear' is now top of investors' minds. Indeed, central banks have finally decided to move into a tightening mode to fight inflation, but this could come at a heavy cost for the world economy. So while our monetary policy indicators lead us to anticipate months of a hawkish stance from the Fed, we also need to take into account the probability of a recession and the effects on the long end of the yield curve.

Ambiguity tells us there are different models or data which can explain the facts, but they cannot all be right. Corporate earnings have been resilient so far, which implies that companies have been able to pass on higher input costs to consumers. Meanwhile, sentiment surveys show that consumers are depressed by rising prices – but keep spending. So how should we interpret the record-high levels of corporate margins? Is this one of the few tailwinds remaining for the stock market, or the next complication?

Unfortunately, we think that volatility, uncertainty, complexity, and ambiguity in the financial markets will continue for some time. So how should we manage our client portfolios in a VUCA world?

We believe that the key to success will be in maintaining our investment philosophy and principles, namely:

- Encourage our clients to stick to their financial goals and risk profile
- Follow our investment process thoroughly
- Favor a dynamic and agile dynamic asset allocation managed with precise quantifiable criteria
- Invest asymmetrically to avoid major equity and market drawdowns
- Be selective in our stock and credit picking
- Think out of the box to identify contrarian, less-favoured investment opportunities.

We believe that a combination of these principles is vital to managing our clients' money through the current VUCA environment.

While our forecasts and views are always subject to change, our commitment to serving clients is not. We remain at your full disposal for any issues you would like to discuss, so please do not hesitate to contact us.

We hope you enjoy this semi-annual outlook.

Charles-Henry Monchau
Chief Investment Officer

Being an entrepreneurial, founder-led boutique business means we're always looking for better ways to deliver great performance and service. Innovation is key to us, but we're always mindful of risks and focused on protecting as well as growing our clients' wealth.

H1/2022
Market review

After an exceptional 2021, the first half of 2022 has been both emotional and difficult. Russia's invasion of Ukraine, surging inflation and the start of the Fed's rate-hiking cycle weighed on both equities and bonds performance, while commodities thrived. Here are ten stories to remember from an eventful first half of the year.

STORY 1 —

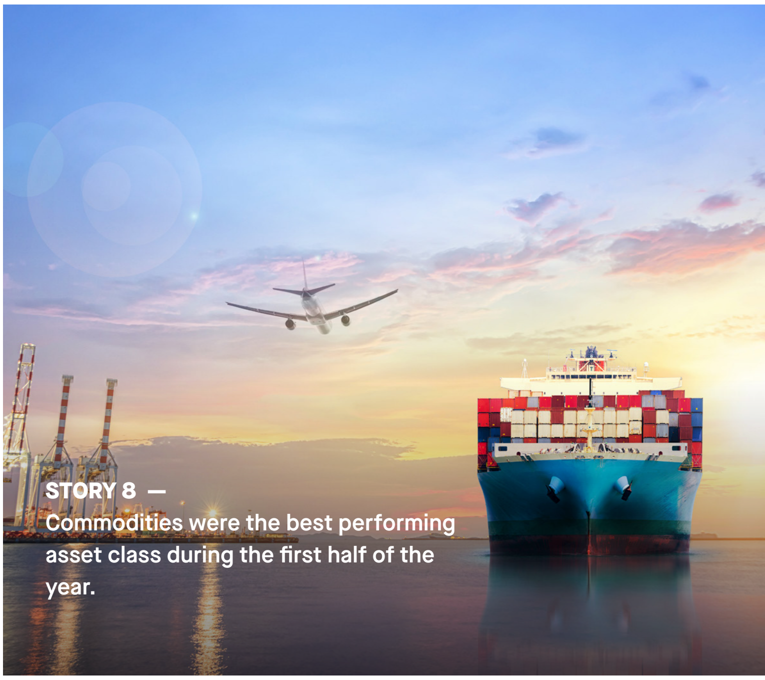
Invasion of Ukraine

This is, without doubt, the most dramatic and important development of the first half of 2022. Although a Russian incursion into Ukraine appeared plausible at the beginning of the year, Russian President Vladimir Putin's decision to carry out a full-scale war beyond the separatist region of Donbas stunned the world. Beyond the conflict's human tragedy, sanctions imposed by the West have far-reaching consequences for the global economy and monetary order. This episode of history comes at a time when the supply of raw materials is already insufficient to meet demand. Meanwhile, Russia produces and exports a vast majority of them: oil, natural gas, industrial metals, precious metals, and agricultural commodities. The global economy, therefore, faces a commodity supply shock, with consequences for both growth (downside risk) and inflation (upside risk). At the time of writing, a rapid end to the war, and therefore to the application of sanctions, seems unlikely. Even if an agreement is reached, the normalization of relations between Russia and the West may take years, for as long as President Putin remains in power.

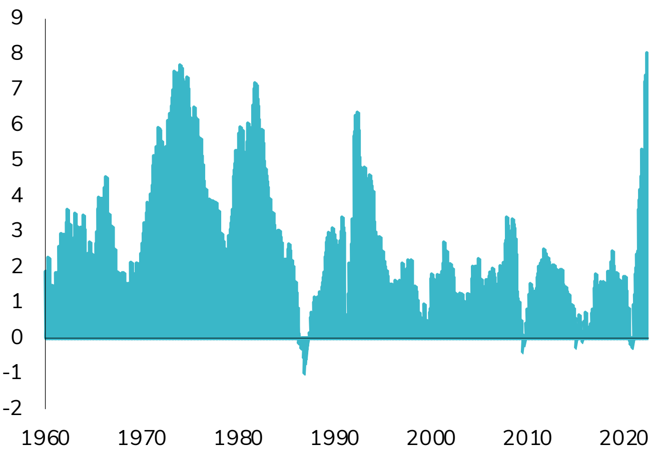
STORY 2 —

The surge in inflation

Inflation keeps surprising on the upside, hitting multi-decade highs across the globe. US consumer prices jumped 8.5% from a year earlier in April to a fresh 40-year high on rising petrol, food and housing costs. The US continues to face strong rents and wage inflation. In Europe, Germany's inflation accelerated in May to 7.9% year-on-year, its highest level since the monthly statistic was first calculated in 1963. While the conflict's immediate impact on the world economy is expected to be limited (Russia's economy accounts for less than 2% of global GDP), rising commodity prices may fuel greater, or at least more persistent, inflation. Sanctions and Covid-related lockdowns in China could both lead to additional supply chain bottlenecks.



Inflation in Germany (YoY %)



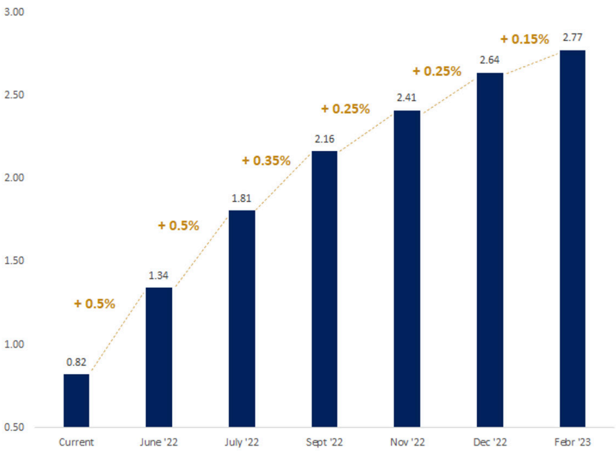
Source: Bloomberg

STORY 3 —

The end of easy money

On 16 March, the Fed's FOMC tightened interest rates for the first time since December 2018. While Chairman Jerome Powell initially called post-vaccine inflationary pressures 'transitory', Fed officials have moved away from that stance. Through the first half of the year, they signaled their intention to implement multiple rate hikes and also to reduce the size of the Fed's balance sheet. As expected, the Fed hiked by another 50 basis points (bps) in May and the market expects an additional 50 bps hikes at each of the next two FOMC meetings in June and July. Meanwhile, investors have been adjusting their expectations accordingly, pricing in a fast and brutal rate hiking cycle in the short-term, with potentially negative consequences on growth and thus rates later on. The European Central Bank (ECB) will probably have no choice but to normalize monetary policy as well. The market is currently pricing more than 100 bps in rate hikes before the year-end.

Market expectations for the Fed policy rate



Source: Bloomberg

STORY 4 —

From rates fears to recession fears

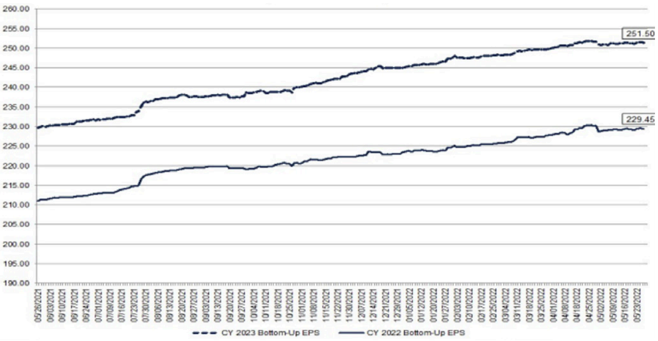
From a macroeconomic standpoint, global GDP continues to rise above trend, but forecasts for 2022 have been revised downward aggressively. This has led the market to move from rate fears (or bond yields weighing on equity valuations) to recession fears indeed, rising food and energy costs are likely to dampen consumer spending while companies may be forced to reduce hiring and expenses if rising wages and energy costs weigh on profitability. Economic indicators point to a sharp slowdown in US growth. In Europe, groups representing German employers and labour unions have jointly opposed an immediate ban on natural gas imports from Russia, saying such a move would lead to factory shutdowns and job losses.

STORY 5 —

Resilient corporates and consumers

Despite all these negative headlines around war and inflation, there are some bright spots including two areas of relative US economic strength. First, the US consumer remains healthy, unemployment fell to 3.6% – a post-pandemic low – and average hourly earnings are increasing at a solid pace of +5.5% year-on-year. US households entered the year with over USD 2.5 trillion more in savings than before the pandemic, offering some cushion in the face of rising borrowing costs. On the corporate side, balance sheets and earnings growth have been resilient and we continue to see earnings revisions for 2022 edging higher. Typically, analysts would revise earnings growth expectations downward for the year faced with the events of 2022's first quarter. But we have not seen this yet. Expectations for S&P 500 earnings growth are now at 10%, up from 7.0% at the end of 2021.

S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1 year



Source: FactSet

STORY 6 —

One of the worst starts to a year for US stocks since 2008

As of the end of May, most major equity market returns are in negative territory. Developed markets' stocks are down -12.8% while the MSCI Emerging Markets index has fallen by -11.7%. The UK FTSE All-Share was the only major index ending the period in positive territory (+1.5% in local currency). Japan's Topix (which declined -2.8% in local terms) was second. The S&P 500 is down about -12.8% on a year-to-date basis. This is the second-worst start to a year for stocks since 2008; only the Covid crash was worse. In terms of style, global value (-3.3% year-to-date) is outperforming global growth (-22.1%) by a huge margin.

STORY 7 —

No diversification benefits from bond markets

Diversified multi-asset portfolios have suffered in terms of performance since the beginning of the year for obvious reasons. While bonds and equities tend to be weakly or even negatively correlated, the context has been very different in recent months. Not only are the majority of equity markets now down 10-15% since the beginning of the year, but bonds are also posting double-digit negative returns in 2022. The result is one of the worst starts to a year on record for balanced equity/bond portfolios. Indeed, the global bond market just suffered its greatest drawdown on record. The Bloomberg Global Aggregate Bond index is down -11.1% since the start of the year. US Treasuries have dropped -8.3%. Since the US Civil War, 10-year US Treasuries have only seen a worse total return quarter twice: 1) in the early 1980s, and 2) in the fourth quarter of 1931 after the peak of the Depression-based rally. From a sub-sector point of view, US high yield (-7.7%) and EUR high yield (-8.7%) outperformed the aggregate index. Euro government bonds fell -10.6% while emerging markets debt dropped -14.1%.

STORY 8 —

Best start to a year for commodities

Commodities were the best performing asset class during the first half of the year. At the end of May, Bloomberg's Commodity Spot Index was up 32.7%, its best-ever start to a year. Oil was the standout for many, with Brent crude up almost 60% - oil's best start to a year since 1999. Natural gas soared as well following the Ukrainian invasion. Indeed, Russia is a major commodity exporter, accounting for 13% of global crude oil production and 17% of total natural gas production. Russia accounts for nearly a fifth of the world's wheat exports, together with Ukraine. As a result, an interruption to supplies of energy and other agricultural goods creates a significant upside risk for commodities.

However, performance was not positive across all commodities segments. After a decent first quarter, industrial metals ended the period in negative territory as Covid lockdowns in China weighed on industrial activity and threatened to dampen metals imports. Precious metals - gold and silver - posted performance was flat to slightly negative. Meanwhile, food prices are surging to record highs. We note that food inflation was the source of much social unrest and political regime change in the past. The current spike in food prices may lead to major protests during the next few months.

UN Food & Agriculture Organization Food Price Index (Real Terms, 2014-2016-100)

Source: UN Food & Agriculture Organization, as of April 2022

STORY 9 —

The big rotation

The Nasdaq strongly outperformed other major US equity indices over the past decade, with an annualised return of 18% per year between 2010 and 2019. Over the same period, the energy sector has been one of the worst performers, rising just 3.3% per year between 2010 and 2019, compared with a 13.4% annual return for the S&P 500.

Since the start of 2021, the balance has completely shifted. An energy ETF ($XLE) is up 130% versus a -2% decline for the QQQ (Nasdaq 100 ETF). As the chart below shows, the relative over- and under-performance trends are part of long-term trends. For example, technology stocks outperformed energy stocks between 1990 and 2000. Then between 2000 and 2008, it was energy's turn to dominate. The trend shifted again between 2008 and 2020 with the strong relative outperformance of technology stocks compared with the energy sector. Is energy's outperformance since 2021 part of a long-term trend that could continue into the current decade?

Source: Thomson, Reuters

STORY 10 —

Strong dollar and a volatile quarter for cryptos

The dollar performed strongly in the first half of the year. Expectations for faster monetary tightening in the US contributed to a rally in the currency, which had gained 6.5% at the end of May. Surprisingly, the Russian ruble is one of the best-performing currencies of 2022, up 17% year-to-date. The Turkish lira is the worst performing with a fall of almost -30%. Brazil's real (+14%) and the South African rand (+3%) appreciated on the back of strong commodity markets.

Cryptocurrencies had a very tough first half. The general move to asset liquidation, in place since November 2021, is affecting the most speculative segments of the market even more. Cryptocurrencies had already suffered a dramatic decline, which then accelerated with the fall of the TerraUSD (UST) 'stablecoin.' Stablecoins play an important role in the cryptocurrency ecosystem. In principle, they allow cryptocurrency investors to 'park' their assets in digital assets that replicate the evolution of 'fiat' currencies such as the dollar or euro. These are therefore supposed to be stable because they are backed by 'traditional' currencies. The sudden de-anchoring of the TerraUSD in mid-May sent shockwaves through the crypto markets. The de-pegging of the TerraUSD threw all stablecoins into turmoil, including Tether, which accounts for almost half of the capitalisation of this segment. For now, Tether's peg seems to be holding. In fact, it is the stablecoins based on algorithms (such as TerraUSD) that have crashed while those based on physical reserves (Tether, USDC, etc.) are holding up - for now. These spectacular dips have nevertheless cast a cloud over the whole crypto universe. Bitcoin is now down over 60% from its all-time high of October 2021. The market capitalisation of all cryptos has suffered a decline of $1.7 trillion since then.

Valérie Noël
Head of Trading

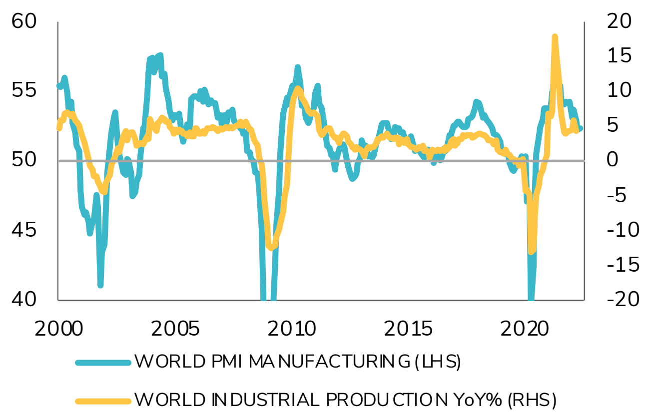
MACRO VIEW

No recession in 2022, risks increase for 2023

The global economy entered 2022 with positive-but-slowing momentum after the burst of unsustainable growth recorded in 2021. The surge in energy and commodity prices triggered by the invasion of Ukraine and sanctions on Russia has been a negative shock for consumers, especially in Europe. Economic activity slowed in recent months, but remains positive, supported by rising employment on both sides of the Atlantic. In parallel, central banks have accelerated the normalization of their monetary policies, ending asset purchases and looking to raise short-term rates faster than expected. These tightening financial conditions, when growth is already slowing, create significant downside risks for the future.

Slowing but still growing

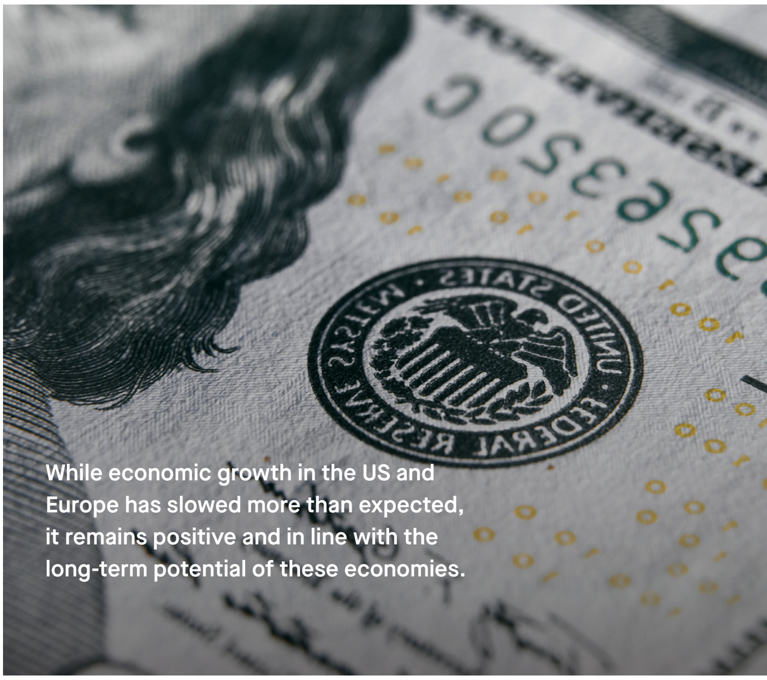
Our central scenario is that given the growth momentum from 2021 and support from tight labour markets, developed economies will be able to absorb and withstand some headwinds from rising prices and higher interest rates. Economic growth is likely to remain positive during the second half of the year, supported by the reopening of the Chinese economy after lockdowns that severely affected the world's second-largest economy.



Source: Banque Syz, FactSet

While economic growth in the US and Europe has slowed more than expected, it remains positive and in line with the long-term potential of these economies. As long as unemployment rates remain low and fuelling wage increases, the negative impact of inflation on consumption may be contained.

Emerging economies are impacted in different ways by this environment. After strict lockdowns, the Chinese economy will rebound in the second half of the year, helped by targeted monetary and fiscal support. But growth is unlikely to accelerate much above the government's 'around 5.5%' target as authorities have made clear that they favour sustainable growth rather than strong expansion. Commodity producers benefit from the rise in raw material prices but face an unfavourable combination of slowing global growth, tighter liquidity conditions and a strong US dollar.



While economic growth in the US and Europe has slowed more than expected, it remains positive and in line with the long-term potential of these economies.

After the surge of the past months, we expect inflation to peak mid-year as base effects materialize and supply chain constraints ease. However, inflation risks remain high if commodity prices keep increasing, wage pressures intensify or we see fiscal intervention. A further deterioration in purchasing power and the rise in interest rates would then likely lead to a more pronounced slowdown, raising the prospect of a recession. In that sense, inflation's trajectory in the months ahead will be key for global economic growth.

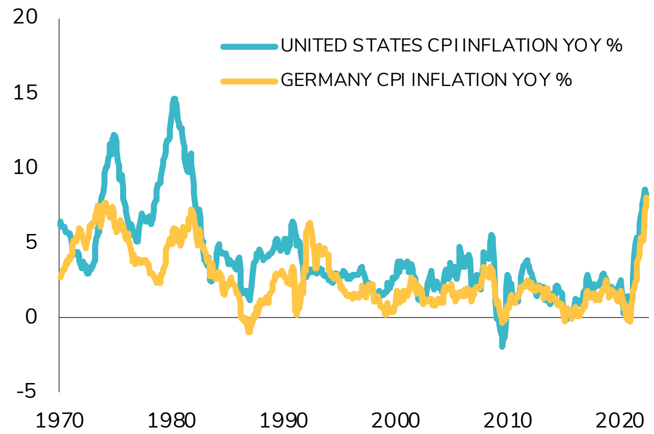
Inflation will also be key for central banks' monetary policies. A gradual slowdown in inflation would ease the pressure on the US Federal Reserve, the European Central Bank and other policymakers to tighten their policy. They would be able to balance the upside risks on prices with greater downside risks to growth, and so perhaps not hike rates as fast as currently expected. However, the opposite is also true. If inflation remains high without significantly slowing, central banks may have no choice but to aggressively tighten monetary policies, even at the expense of hurting economic growth.

Uncertainty around global growth prospects for the second half of 2022 is therefore high, but the most likely path appears to be a continuation of the expansion, although at a slower pace. The risk of a recession will likely increase in 2023 after central banks' rate hikes impact already-slowing economies. History has shown that monetary policy cycles generally were followed by recessions.

Inflation - A game-changer

For the first time in decades, inflation is topping economic risks and policymakers' concerns. A series of consecutive shocks for the global economy, from Covid-related lockdowns and re-openings, the war in Ukraine and sanctions on Russia, have all combined with the structural trends of slowing labour force growth, and protectionism's push against globalization. Global price pressures, once thought only part of economic history, have been revived.

Inflation at multi-decade highs in the US and Europe



Source: Banque Syz, Factset

The resurgence of inflation has already deep implications for households, businesses, policymakers and investors. Many behaviours, beliefs and implied relationships deeply entrenched by thirty years of ever-low inflation have suddenly been questioned, and wrong-footed. The scenario of a 'post-Covid' gradual normalization in 2022 that was expected by many (including us) at the end of 2021, has been smashed by the continuing rise in prices, fuelled by the war in Ukraine. On top of this, labour shortages across many sectors have pushed wages higher and created the conditions for inflation to remain sustainably elevated. The 'transitory inflation' thesis, based on a combination of easing supply chain disruptions, stabilizing commodity prices and wage growth slowdown, is gone.

Inflation has become a key variable of the economic environment for the second half of 2022 and the risks that it remains a defining feature in 2023 and beyond can no longer be neglected. By itself and given all the implications that it has for the economy, this higher inflation is raising the level of uncertainty surrounding the economic outlook, and adding a significant amount of complexity for governments and central banks, businesses and households and financial investors.

Dealing with inflation

Central banks are on the front line in 2022 once again, as they have been many times since the 2008 crisis. The difference is that, in developed economies, they currently face an environment that is different from any that central bankers have seen in the past 25 years.

Since the mid-1990s, inflation never significantly exceeded central banks' targets, excluding the impact of energy and commodity prices. Any potential slowdown in economic growth always threatened to rapidly drag inflation below their targets, thus warranting a rapid monetary policy easing to prevent deflation risks. This time, central banks are facing a complex combination of slowing growth and rising inflation rates, significantly above their targets. In line with their mandates, the Fed, the Bank of England or the ECB must react and tighten monetary conditions to cool inflationary pressures. And slowing growth will not halt these policies; in fact, it may be necessary to dampen price pressures, possibly until the risk of a sharp recession appears.

QUESTION FROM US SENATOR SHELBY TO FED CHAIR POWELL ON 3 MARCH 2022:

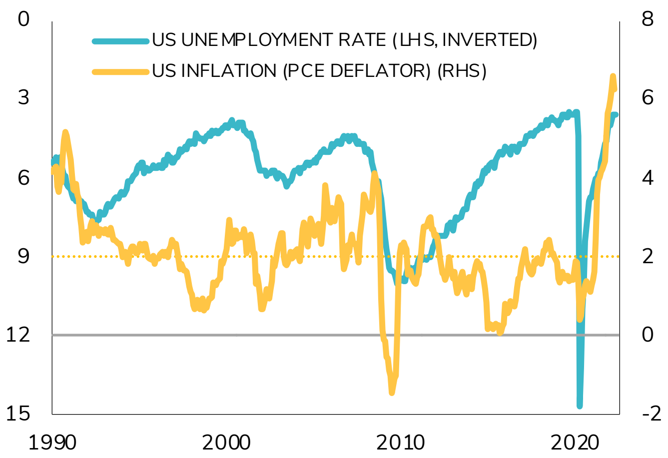
Volcker put the economy in a recession to get inflation under control. Are you prepared to do what it takes to get inflation under control and protect price stability?

JEROME POWELL'S RESPONSE:

I hope history will record that the answer to your question is yes.

The Fed is on course to raise US short-term rates towards 3% by year-end. The ECB eyes an end to negative rates by the end of the third quarter and would likely be followed by the Swiss National Bank. Dealing with a resurgence of inflation demands much more reactiveness from central banks in tightening financial conditions than they have been used to. Their credibility is at stake, and they cannot afford to make a misstep, otherwise economic or market conditions may deteriorate sharply.

The Fed needs to hike rates to meet its dual mandate: maximum employment is already achieved with a sub-4% unemployment rate. But inflation is way above its 2% target.



Source: Banque Syz, FactSet

Businesses and households must also adjust to an environment where prices of goods and services, raw materials, energy, and commodities are recording sustained rises. Those movements increase substantially the uncertainty and volatility surrounding the outlook, as inflation expectations become a key driver of consumption, savings and investment decisions. The recent drop in consumer sentiment is an illustration of the stress that rapidly rising prices can create for households. However, the negative impact of inflation is only effectively felt when real purchasing power is reduced, or when business margins are squeezed. If household incomes rise along with consumer prices, and selling prices rise in parallel with higher cost prices, the impact of inflation on aggregate real activity can remain contained. Inflation then becomes more of a redistributive process eroding the value of financial instruments (money, debt, future cash flows) while real, tangible assets, can be stores of value.

Inflation also impacts fiscal policy and can encourage governments to use spending and debt to fuel economic growth. Indeed, if an increase in fiscal spending helps to support the growth of nominal gross domestic product through higher consumer spending and business investment, it may not have an immediate impact on government debt ratios.

Governments in Europe have already announced measures to reduce the burden of high energy prices for households and compensate for the rise in prices. By doing so, governments limit the negative impact of inflation on consumption. As long as nominal economic growth (real activity growth plus inflation) remains positive and high, it mechanically erodes the value of existing government debt. Fiscal profligacy can be sustained in an environment of high nominal growth. The trouble may come once growth slows. Still, in the short run, an inflationary environment can create incentives for governments to turn to fiscal spending to support economic growth.

The current rise in inflation is a game-changer for developed economies. It is too early to tell whether inflation will become a lasting feature of the economic environment, or if it will gradually decline towards its pre-Covid levels. In either case, inflation's path in the second half of the year will define monetary and fiscal policy for the coming months, and therefore the evolution of economic growth.

Adrien Pichoud
Chief Economist

Like all family owned and managed businesses we can take a genuinely long-term view. We're never hostage to the need to deliver short-term quarterly returns.

PORTFOLIO CONSTRUCTION

Asset allocation

For the second half of 2022, we believe that our investments need to be tactical while keeping exposure to our structural convictions.

In line with our macro outlook, we remain cautious on equities in our asset allocation, as markets continue to face many challenges. In particular, we are closely monitoring the evolution of earnings' growth momentum. Equity markets entered 2022 with high single-digit earnings growth expectations that may prove difficult to achieve in the current environment. Since January, we have significantly reduced our equity exposure, in line with our disciplined investment process.

Our risk-based portfolio construction led us to progressively reduce equity positions to stay within the appropriate risk band. We then adjusted the style factor of our equity allocation by reducing our growth exposure in favour of 'value' investments. This reduction was implemented by decreasing our allocation to European and emerging market equities.

For the bond allocation, we began 2022 with a cautious stance on both rates and spread risks. However, the downturn in the bond market was so intense and unprecedented that our fixed income allocation suffered nevertheless. In this context, we found some pockets of value, such as the short end of the US curve, where we were able to find yields above 3% for two-year high quality bonds.

We expect the second half of 2022 to remain extremely challenging for all fixed income market segments. We therefore recommend keeping a diversified bond exposure, with a moderate portion of investment-grade bonds, some emerging market exposure, and a focus on attractive segments such as subordinated debt, while maintaining an overall short duration.

In terms of decorrelated positions, our large exposure to real assets such as gold and commodities has proven fruitful as they are among the few asset classes to have delivered positive performance since the start of the year.

We expect the second half of 2022 to remain extremely challenging for all fixed income market segments.

Finally, we expect the main risks for the second half of 2022 will remain inflation, monetary policy normalisation and geopolitical uncertainties. This warrants some caution and selectivity in the size and composition of equity allocations. We expect the coming months to be at least as volatile as the beginning of the year and therefore recommend a tactical and active approach. In particular this means using options strategies to partially hedge portfolios. Such optionality will help us in generating the asymmetric returns that we seek.

Luc Filip

Head of Discretionary Portfolio Management

We believe that by taking a longer view, these companies should outperform thanks to robust earnings growth. They currently trade at a discount.

Not out of the woods

The first semester did not unfold as most market participants, including us, anticipated. The equity selloff was caused by several factors but three main shocks stand out and may persist in the second half of the year.

First, higher inflation and higher rates have compressed valuations across the board. The higher discount rates have de-rated valuations of shares, in particular for high-multiple stocks (often growth names). This re-rating has helped value stocks to recover some of the ground lost over the last decade compared with growth equities. In the US, defensive sectors such as telecom services, food and beverage and tobacco, utilities and insurance all performed well. The energy sector was the best performer because of higher demand, due to recovering post-Covid activity, and the subsequent shock of the war in Ukraine.

The conflict has fuelled an already inflationary environment by increasing the prices of oil and gas as well as other commodities, particularly agricultural goods.

The last shock was the return of lockdowns due to Covid in China, in particular Shanghai. This had a major impact on manufacturing, as the city is central to global manufacturing networks. It comes at a time when global supply chains have been stressed by pandemic shutdowns and the Ukraine war. This has led to greater competition for goods and higher prices.

As mentioned earlier, we see these three shocks persisting and weighing on equity markets for the coming months. There will be no easy fix to any of the shocks, and even if resolved their effects will linger.

Despite the sell-off, equities are not cheap but have returned to their average historical valuations. The bad news is that current valuations only discount the new interest rate regimes. They have not discounted a potential downgrade in earnings. As such, earnings expectations have not been adjusted to the new challenging environment: higher input prices and higher labour costs. In addition, consumers worldwide are feeling the squeeze on their purchasing power from inflation. This should lead to a decrease in spending that could in turn become a recession. Lately, we have seen the impact on retailers such as Walmart in the US.

We are cautious on equities but see pockets of opportunities. Quality growth companies have been hurt in the turmoil of the tech/growth decline. We believe that by taking a longer view, these companies should outperform thanks to robust earnings growth. They currently trade at a discount.

The other opportunity is in energy and commodity companies. The long-term supply/demand dynamics caused by resource scarcity, coupled with the clean energy transition, suggest higher prices for natural resources. Commodity prices soared in the first half of the year in reaction to the supply disruption created by Russia's invasion of Ukraine. Russia has an outsized importance in commodity production, but not only in oil, as well as in other commodities such as nickel, palladium and aluminium. Even before the war, oil and industrial metals were already in tight supply due to a combination of long-term rising demand and years of under-investments in production.

The oil and gas market is particularly suffering from major underinvestment as large oil companies have focused for the past couple of years on the transition to renewable energy. The lack of investment in long-term projects has caused supply to decline.

Demand for metals is supported by the growing needs in the energy transition and demand from China. The world's largest commodity consumer should remain a major driver of growth especially if the Chinese authorities continue to add monetary stimulus to boost their slowing economy.

Uncertainties over inflation, economic growth, and geopolitical tensions are all proving positive for gold and will continue to reinforce its safe-haven attributes.

H1 2022 **Results**	H2 2022 **Forecast**
Emerging markets outperformed developed markets	Developed markets to outperform emerging markets
Value outperformed growth sectors	Renewed outperformance of value vs growth sectors

Saïd Tazi
Head of Equities

Nevine Pollini
Senior Equity Analyst

On balance, investing in short-term HY bonds now looks attractive. We continue to favour subordinated debt.

Time for a summer fling?

The war in Ukraine added to global inflationary pressures in 2022, accelerating central banks' rate hiking cycles. The synchronized tightening of monetary policies around the world, with some exceptions such as China and Japan, has strongly affected the entire fixed income segment, triggering historically low performance in the first half of the year. This revaluation was necessary and will probably continue, as deposit rates in Europe, for example, are still negative. However, it is clear that in one year, the attractiveness of the fixed income segment has changed dramatically. The yield on five-year US Treasuries, for example, is now close to 3.50% compared with 0.7% a year ago. The yield-to-maturity on US high yield bonds is now superior to 8.0%, compared with less than 3.0% in June 2021. Even in real terms, Treasuries now offer positive real rates over 10 years for the first time since 2019. With this repricing in place, how can investors benefit in the second half of 2022?

We are **cautiously positive on fixed income**, with a strong preference for the short end of the bond curve in all segments, except local emerging market debt. While three-month Treasuries were the best-performing asset class after oil in the first half of the year, the repricing of the yield curve and the widening of credit spreads now offer a more favourable outlook. We do not believe in a V-shaped recovery in fixed income unless a deep global recession materialises. We **favour a buy-and-hold strategy over capital appreciation.**

We are positive on the front end of the government bond yield curve, especially in the US, and believe that this has sufficiently priced the Fed's future action; the market still implies a Fed funds rate of 3.00% by the end of the year and a terminal rate at 3.75%. The risk of a further sharp rise in short-term rates is now limited.

Conversely, the long end of the Treasury yield curve remains at risk, as it differs from the short end by only a few basis points. We do not expect an aggressive decline in the entire Treasury yield curve, as inflation will remain well above the Fed's target until at least the end of the year.

We remain **underweight European rates** as the European Central Bank (ECB) still lags others' monetary tightening, and we expect it to be more aggressive in the coming months. In addition, Europe still faces high inflation and the direct negative effects (through oil and gas import dependence on Russia) of the war in Ukraine. This will continue to push the ECB to act. We have also **downgraded our positive view on peripherals**. Despite more attractive valuations, volatility is likely to persist in these European economies, as long as the ECB remains on a tightening path.

On the credit side, **we favour short-dated investment-grade corporate bonds**, as the credit yield curve is also very flat. Short-term risk is limited and deploying a buy-and-hold strategy may be the best option to navigate this uncertain environment. Investing in short-dated corporate bonds allows investors to clip some yield, and if inflation remains above central banks' targets, investors will have the opportunity to reinvest at higher yields. While we were very negative on high yield (HY), at the end of last year, we now take into account the recent attractiveness of the asset class. With HY credit spreads averaging 500 basis points, we believe that the risk/reward ratio is now decent. However, we focus on HY bonds with a maximum maturity of three years to avoid exposure to refinancing risk, which we expect to emerge in 2025/2026.

In addition to attractive valuations, our **preference for short-term high yield** is also driven by fundamental and technical factors. High yield companies have significant cash reserves, equal to 30% of outstanding debt, the highest ratio in post-2008 history. Sentiment is also at an all-time low, as shown by investors' extreme underweighting, not seen since the early 2000s and 2008. The asset class has also experienced significant outflows, negating nearly all of its post-Covid inflows of USD 65 billion. On balance, investing in **short-term HY bonds now looks attractive**.

We continue to **favour subordinated debt**. This segment has been affected by the global sell-off. However, we believe that banks' fundamentals will benefit more from rising interest rates in Europe than from any slowdown in growth. In addition, this asset class is now mature, supported by a decent-sized market and stabilizing regulation.

In emerging markets, we separate investments in hard currencies, mainly US dollars, and in local currencies. **We remain cautiously positive on emerging market hard currencies.** The asset class has suffered from the global sell-off in high-beta assets, triggered by the surge in US Treasury yields and the liquidity reductions to the Fed's balance sheet. However, the segment's valuation is approaching attractive territory. The average emerging market credit spread is well above its historical average, while the average yield is now above 7%, compared with a historical average of 6.4% and 3.7% a year ago. In addition, there is now a large portion of distressed pricing in this segment. Although the asset class is correlated to US Treasury yields, the pressure to raise interest rates may ease in the coming months.

As for the local currency of emerging countries, we remain negative. Three headwinds are still in place: emerging markets' central banks keep aggressively tightening monetary policy, as emerging markets' consumer price indexes (CPI) continue to surprise positively. The shock from falling Chinese demand may affect emerging market economies more than expected and the asset class continues to suffer from significant capital outflows. On the positive side, as the dollar has reached its highest REER (Real Effective Exchange Rate) level since 2003, we assume that we are close to the dollar's peak. The carry available on emerging market currencies versus the US dollar has increased significantly over the past two years, offering more protection.

Finally, we are becoming **cautious about leveraged loans**. While the asset class has benefited from strong capital inflows and low rate sensitivity, the outlook is less bright. Leveraged loans' high credit beta component should suffer going forward, with most of the asset class remaining B-rated, and lower liquidity, especially in a slower-growing global economy. Its relative attractiveness is lower compared with two-year and three-year maturities after the sharp repricing of rate hikes.

Overall, despite the still-challenging environment for fixed income investments, we believe that the asset class is regaining its attractiveness and that it is time to take advantage by focusing first on the short-term maturity.

H1 2022 **Results**	H2 2022 **Forecast**
US T-Bill one of the few positive performers	Short-term HY and EM bonds are projected to offer mid-single-digit ann. returns in H2
Resilience of Financial subordinated debt	Financial subordinated debt should outperform

Gaël Fichan
Portfolio Manager & Fixed Income Lead

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Deputy Head of Discretionary Portfolio Management

PRIVATE MARKETS

The way forward

Private markets have the benefit, by definition, of not being marked-to-market, and therefore are less impacted by stress, volatility, panic or a liquidity crisis. So far, we have seen no capitulation and very few distressed assets changing hands. We have not experienced any major price discovery for now, but this may change soon.

The main reason for this apparent stability, we think, is that it is simply too early. Valuations of private companies typically only get reset around a corporate event, being capital raise, M&A or secondaries. However, if public markets continue to face headwinds due to slower growth expectations, or inflationary threats, private companies cannot avoid the inevitable re-rating.

We are already seeing prominent venture capital firms and serial start-up investors warning of darker days ahead as they encourage companies to cut costs and focus on lowering their cash burn to manage balance sheet risks. In previous crises, there is normally a three-to-six month lag between a public market correction and a reset in private market valuations.

This time, the sharpest correction was in high-growth technology names such as biotech or SaaS (Software as a Service). We, therefore, expect lower valuations in these sectors going forward, as they need to reflect the less attractive valuation outlook for exits, mainly through IPOs (Initial Public Offerings).

Convergence between public and private markets will happen, but private markets have the benefit of rarely overshooting on the downside as market participants rarely trade in a low-volume panic mode. On the contrary, some strategic investors (such as corporates) are becoming an obvious M&A buyer of the most punished publicly-listed firms. One thinks of biotech, where some listed stocks with strong intellectual property portfolios have become attractive targets, offering the opportunity for large healthcare companies to buy a cheap pipeline.

Private equity continues to be well supported, especially in those sectors with strong fundamentals, leading market positions, and solid unit economics. Leverage may become an issue for the most indebted companies, especially as leveraged loans are typically signed on a floating basis and therefore become an expensive source of financing in a rising rate environment. The good news for market-leading companies with pricing power is that they can increase their prices faster, and eventually widen their margins. Some sectors are also benefitting from long-term secular trends and did not re-rate down, rather the opposite, such as cybersecurity where we just completed an investment.

On the operational level and in line with their publicly listed peers, some private companies were impacted by the Russia-Ukraine conflict at various levels: some have lost an end-market, some lost production capacity and others saw supply chains deeply affected. Good management teams will find solutions, others will not.

Generally, the private equity industry remains confident and is looking forward to continuing to invest the large amounts of dry powder raised in recent years. Such strong technicals may keep valuations at relatively high levels for the coming months, but sentiment will also turn in private markets. We would therefore not be surprised to see slower growth, along with fewer and more expensive financing options, affect the number of transactions in 2023, as well as their valuations. Investors with diversifying strategies in their portfolio, uncorrelated to capital markets, will shield capital during difficult market conditions. They will then be able to deploy it later at more attractive entry points. Those who are highly disciplined on valuations will be deeply rewarded. After years of seeing many investors chasing growth at any cost, we could easily believe that value investing has just become fashionable again.

Let's not forget that private markets are broad and deep and that some strategies offer some very compelling, or even more attractive returns than before. Select private debt strategies, secondary strategies, and nimble defensive private equity strategies are well-positioned to take advantage of the current market environment. If anything, we see as many, if not more attractive buy-and-build opportunities driven by succession issues. As always with this asset class, it is almost impossible to time the market, so a professional allocator should keep allocating across vintages, especially as the best returns have often been generated by investing in crisis years.

H1 2022 **Results**	H2 2022 **Forecast**
Overall resilience of private equity despite market turmoil.	Gap between public and private companies' valuation to narrow, especially in the technology sector.
Pressure on high growth but unprofitable companies valuations.	Companies with pricing power to outperform. Higher rates will impact cost of funding, reduce leverage levels, and in-fine M&A volumes.

Olivier Maurice
Managing Partner, Syz Capital

LIQUID ALTERNATIVES

Time to shine

Alternative strategies grab their chance to deliver value

- After the pandemic, economies are adapting to the changing cost of capital
- Investors need a more selective and active approach to investing
- As interest rates rise, hedge funds are providing positive returns
- Alternative strategies are benefiting from lower liquidity and higher interest rates.

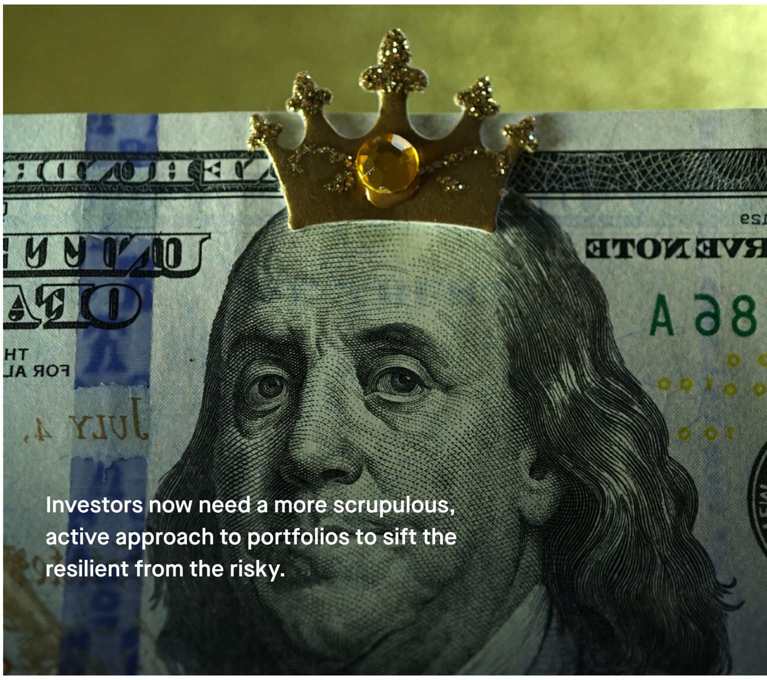
It would be tough to exaggerate the shift in the investment environment compared with a few months ago. Post-pandemic inflation has swept away the 14-year era of zero-to-negative interest rates, low volatility, and central bank support for markets that followed the Great Financial Crisis.

For the first time since then, central banks are not bailing out falling markets. Rather quite the opposite. The developed world's fastest inflation in decades was mistaken by monetary policymakers for a transitory effect. In reaction, central bankers are choosing to fight consumer prices at the expense of economic growth, increasing interest rates just as quickly as they can withdraw quantitative easing support for assets. In that battle, there is no monetary ammunition to support asset prices. For investors in 2022, the net result has been simultaneous downturns in both equity and bond returns.

We believe that this environment is with us for the foreseeable future. As a result, post-Covid economies are making a fundamental shift to a change in the cost of capital.

Investors therefore now need a more scrupulous, active approach to portfolios to sift the resilient from the risky. They must also understand which businesses may struggle as borrowing costs rise. Companies valued according to the recent paradigm of cheap and plentiful liquidity, will not survive. This may include some IPOs (Initial Public Offerings), which are less closely followed by sell-side equity analysts. Some companies have also become less transparent, and that may continue as cost pressures increase. In an environment of ready liquidity, investors, many of them retail investors, were less demanding. Hedge fund managers are digging out accounting issues and bringing poor practices to light.

In contrast, some firms will enjoy pricing power, and so quickly pass on higher costs to their customers without damaging demand, all the while holding cash in reserve. Such firms may offer the investment opportunities sought by alternative managers who take long positions based on attractive valuations.



Equity low beta and equity market neutral strategies are well suited to spotting the winners and losers in this market. By applying a relative value approach, these strategies can also gain in declining public markets as quality companies perform relatively better.

Our preference is for equity managers with a trading-oriented approach, or those looking for short-term catalysts including earnings or spin-offs. These managers should be better placed to successfully navigate the current volatility and changing environment. In market-neutral strategies, we focus on a specific sector, or less crowded economies, to avoid more frequent factor rotation.

Alternative investments including equity market neutral, volatility arbitrage and macro offer a means of building value and resilience into portfolios. In anticipation of a rising rates environment which would result in higher dispersion, volatility, and divergence across monetary policies worldwide, we have added these strategies to our portfolios.

Now that rising rates are a reality, these strategies have all enjoyed positive returns to date in 2022, in contrast with publicly traded equity indexes. Recognizing this, investors have been deploying cash into macro and Commodity Trading Advisor (CTA) funds, for example, that can benefit from a rising interest rate environment and these market dislocations. CTA exposure to bonds turned short in February (and long commodities) which was the right timing.

Some caution is needed, however. With greater asset price volatility comes a broader range of performance and at the time of writing, it is not yet clear that public markets have reached the bottom of the current downturn.

As traditional asset positions disappoint, this tightening credit environment is creating opportunities for alternative investment strategies to demonstrate their abilities to generate value for clients. That leverages alternative investment skills that have been in lower demand in the recent era of loose monetary policy that supported assets of all sorts.

The days of passive investments, including buy-and-hold approaches dependent on ready liquidity, are behind us. Globally, investors will need a disciplined investment approach to identify the right targets for their asset allocations.

H1 2022 **Results**	H2 2022 **Forecast**
While the merger arbitrage and convertible arbitrage strategies have been resilient, they were negative due to an unwinding during the first two months of Q2.	Positive on equity hedge with low net exposure and a trading approach.
The majority of the low net managers were positive.	Positive on macro and CTA.

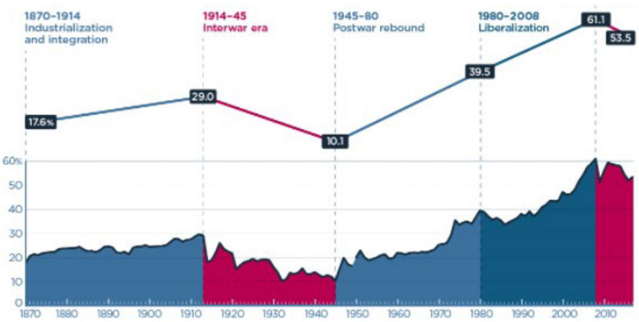
Cédric Vuignier
Head of Managed Funds, Syz Capital

On the way to “slowbalisation”?

“Slowbalisation”, which began even before the start of Covid-19, is a counter-trend to globalization. The pandemic and the invasion of Ukraine by Russia could further accentuate this phenomenon.

Over the last few decades, advances in communication and transportation systems have led to the phenomenon of globalization, with a progressive increase in world trade as a percentage of world GDP.

Index of world trade openness 1870-2017 calculated on the basis of world trade as a percentage of GDP



Source: PIIE, www.piie.com

The globalization of trade has led to a more efficient use of labour and resources. However, this evolution is not linear over time. As mentioned in a research by Lyn Alden, the world has also experienced occasional periods of de-globalization. For example, the period between the two world wars was characterized by tariff and trade wars. While the post-war period saw a strong increase in world trade, globalization came to a clear stop in the 1980s. Fed Chairman Volker raised interest rates sharply to protect the dollar during the high inflation of the 1970s. This led to financial crises in Latin America and a slowdown in trade.

But it was at the end of the last century and the beginning of the 2000s that globalization experienced its golden age. The Chinese economy became more open to the world in the 1980s under Deng Xiaoping. In 1991, the Soviet Union dissolved, leaving Eastern Europe and Central Asia open to the rest of the world. From then on, along with U.S. trade policies that attempted to exploit these new markets, the rise of information technology further facilitated trade. China’s entry into the WTO in 2001 gave yet another boost to the globalization process, before the financial crisis of 2008 brought the globalization movement to a stop. Since then, the share of world trade in GDP has been declining. This has led to talk of “slowbalisation”, a neologism developed by the Dutch writer Adjiedj Bakas. It defines a trend that runs counter to globalization. It is growing as globalization slows down, affected by, among other things, rising customs costs, climate and environmental discussions.

The governments of developed countries - and first and foremost the American administration - have become aware of their vulnerability to the risks associated with globalization and the relocation of supply chains.

Before the start of Covid, the risks to supply chains were already on the rise. The United States and China had begun their trade war. In the U.S., the trade protectionism that the Trump administration had put forward was not supposed to go away. During his election campaign, Joe Biden emphasized the slogan “Made in America”, and there was already strong political pressure to address the trade deficit and the concentration of wealth, both of which were much more apparent in the United States than in other developed countries, even though protectionist policies were also in place elsewhere, (“Brexit” in the United Kingdom, state capitalism in China, etc.).

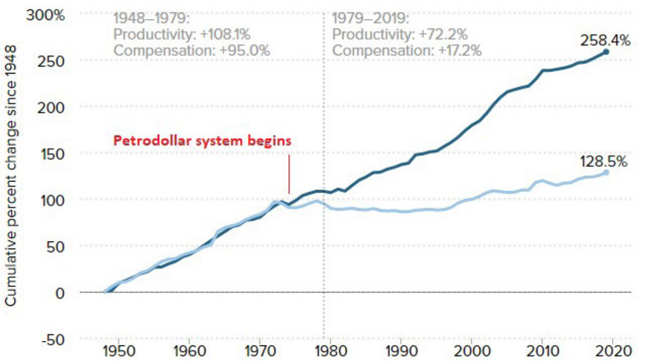
The effects of globalization on the American economy

Globalization has had both positive and negative consequences for different regions of the world. Many emerging countries have benefited from the trade boom and the offshoring of activities by most developed countries. What about the U.S. economy?

The gap between productivity and wage growth has widened

From the 1970s to now, U.S. labor productivity and wages have not followed the same trajectory. This dichotomy has consequences for the inflation rate, since the U.S. economy has experienced several cycles of disinflation and even deflation. It has also benefited corporate margins and profits, as the share of profits accruing to capital has risen to historically high levels at the expense of the share accruing to labour.

Productivity growth (dark blue line) versus hourly wage growth (light blue line) between 1948 and 2019



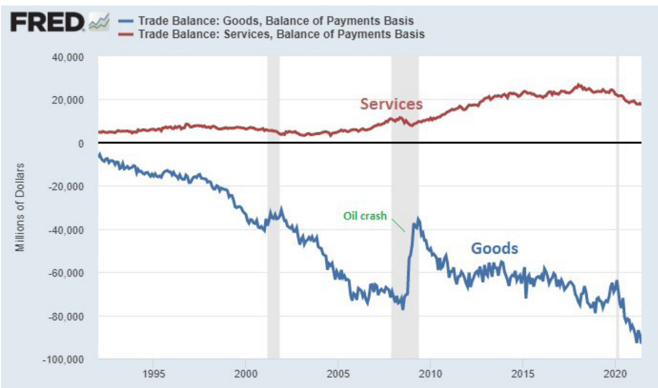
Source: EPI

The widening of deficits

Since the early 1990s, the United States has been running structural trade deficits with the rest of the world. Undeniably this deficit in the U.S. goods and services balance also reflects a more dynamic U.S. economy.

But a closer look at the deficit highlights the vulnerabilities of the system. The United States is a net exporter of services but a very large importer of goods.

Trade balance - services and consumer goods



Source: FRED

The covid-19 crisis has further accelerated this trend. With lockdowns in place and fiscal stimulus measures, the United States and other developed countries experienced an explosive difference between consumption of goods and services. Consumers stayed at home and therefore reduced their consumption of services (travel, restaurant, entertainment, etc.) while having consumer goods delivered to their residences.

The accelerating phase of globalization that began in the 1990s has led to deindustrialization and the outsourcing of supply chains of physical goods from developed countries to the rest of the world. This trend is even more pronounced in the United States than in the other G7 countries, and therefore makes Uncle Sam particularly vulnerable to any disruption of supply chains.

World trade reached 61% of world GDP in 2008. Perhaps this is a peak, because globalization has limits. An interconnected world becomes more efficient and productive but also less resilient. For example, the shutdown of a major port in China due to the discovery of a positive case of COVID-19 can have an impact on dozens of other countries. The fact that the production of high-tech devices consisting of thousands of parts could be delayed because a few parts are not available from a foreign supplier shows the limits of globalization.

Take the case of the computer memory card industry. Taiwan and South Korea account for much of the world's high-end semiconductor production. Nvidia, for example, is a factory-less Semiconductor Company that relies on Taiwan Semiconductor Manufacturing to produce its chips. And just three companies, Samsung, Micron and Hynix, are responsible for about 95 percent of computer memory manufacturing.

Phones and computers, essential to our work, probably contain parts from Taiwan, Japan, Germany, Switzerland, the United States and the United Kingdom, with Chinese or Taiwanese assembly. They also probably depend on hydrocarbons from the Middle East, the United States or Canada for plastic components.

Post-Covid

The governments of developed countries - and first and foremost the American administration - have become aware of their vulnerability to the risks associated with globalization and the relocation of supply chains. The covid crisis – and then the invasion of Ukraine by Russia – both highlighted the risks of delocalization and reliance on key inputs imports. Consequently, the coming years could be could be characterized by a period of accelerated "slowbalisation" (i.e. a slowdown in globalization), or even a real "de-globalization".

This could first of all lead to stronger integration at the level of "world regions" (continents or sub-continents). This is for instance what the RCEP (Regional Comprehensive Economic Partnership) trade agreement between China, Japan, Australia, South Korea and other countries in the Asia-Pacific region suggests. In a multipolar world, the various regional powers may be attracted to building a strong primary market at the regional level, which they can rely on even in times of international crisis. These initial markets should benefit from a certain degree of protection against international competition.

At the corporate level, after several decades of extreme globalization, it seems that we are entering a new long-term trend of relocation (“reshoring”) of part of the supply chains. This trend should improve the resilience of the production process, but could also have consequences for inflation.

Possible winners and losers of relocation

Company results and manufacturing purchasing managers’ surveys (PMI) have already identified some sectors that are benefiting from the trend of relocation of US production chains. One example is metal-based products (cans, pipes, fasteners, etc.). The relocation of these products is a boost for American steel companies. Automation and robotics-related companies should also benefit.

But this reshoring / de-globalization will also have negative effects on the economy. It’s worth remembering that globalization has advantages such as improving living standards in emerging economies (a positive point for world growth), the decrease in the price of manufactured goods (favorable to the purchasing power of households in developed countries) or the increase in margins and profits of industrial companies (possibility of producing where the costs are lowest and continuing to sell with high margins).

Of course, relocation and de-globalization policies may seem politically attractive in developed countries because they give voters hope that some jobs will be repatriated. But in terms of purchasing power and corporate profitability, “slowbalisation” will have a cost.

Charles-Henry Monchau
Chief Investment Officer

Understanding your financial goals, ambitions, families, businesses - we listen hard, take the time to truly understand you and only then thinking about how we can best serve you.

How we go about thematic investing

Faced with a VUCA ('Volatility, Uncertainty, Complexity and Ambiguity') environment, investors need to have their feet on the ground and look at the next secular growth trends in search of certainty. Covid and the Ukrainian war have revealed the weaknesses of globalization in supply chains, as well as energy transition. That sets the stage for secular investment themes: next era commodities, re-shoring, food-flation and the need to feed our nations through AgriTech innovations.

Next era commodities

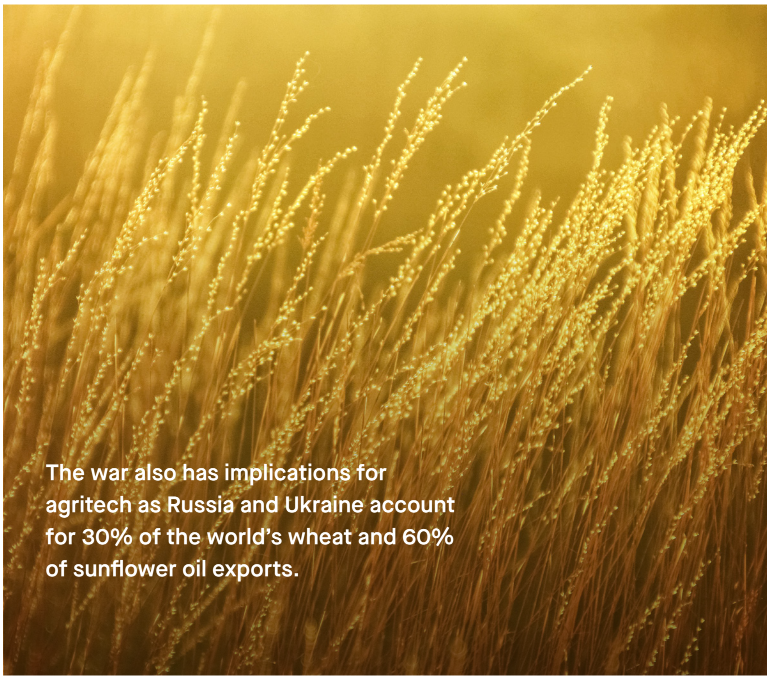
Commodity markets have soared in response to the supply disruptions caused by Russia's invasion of Ukraine. Russia has a commanding position in supplying oil and gas and various metals such as nickel, palladium and aluminium. We believe that the current supply-demand imbalance creates the conditions for a continued rebound in commodity prices.

Energy, which has significantly outperformed since the start of the war, is expected to continue moving higher as the sector suffers from major under-investments. In recent years, large oil companies have focused on the transition to renewable energy.

Demand for **base metals** should continue to benefit from higher growth in the coming decade due to the need for a clean energy transition, which will require colossal amounts of raw materials.

Gold prices are expected to remain supported by a combination of factors: inflationary pressures, the risk of economic slowdown, high equity market volatility and, of course, uncertainties around the Russia-Ukraine war. Furthermore, many central banks, particularly in developing economies, are intensifying their gold purchases in part to reallocate some of their foreign currency reserves.

The war also has implications for **agritech** as Russia and Ukraine account for 30% of the world's wheat and 60% of sunflower oil exports. Today more than ever, the question is how to meet the growing population's demand for food while available farmland continues to shrink due to urban expansion. We believe that agricultural production will need to significantly increase, and agritech is emerging as an innovation-driven solution. Agritech, or precision-farming, will play a major role in this progress as it is based on optimizing the management of inputs such as water, fertilizers, and pesticides through a new generation of machinery coupled with data technologies, drones, and satellites.



Re-shoring

The Covid pandemic, and more recently the sanctions against Russia, have created global supply chain disruptions and commodity shortages, sparking inflationary pressures which are likely to persist well beyond 2022.

Many companies in the western world are now reconsidering their dependence on the efficient but risky globalized model of the past 25 years, and are now **re-shoring** all, or part, of their production.

The current geopolitical conflict and the bottlenecks it has created are not the only reason for this reassessment: China is no longer as cheap and competitive in terms of wages. In addition, custom tariffs and freight prices have risen dramatically.

The world also seems to be waking up to all the negative externalities of this model, especially the social costs including support for autocratic nations, and the environmental impact that depends on Western consumption and cheap labour from China.

Many companies are considering moving production closer, or at least diversifying to trusted countries, in a process labelled '**allied-shoring**,' by US Treasury Secretary Janet Yellen in April. Some firms have already moved production lines to India, Vietnam, or Thailand. India in particular is becoming a great secular story thanks to its highly educated population.

European companies have also favoured moves to Turkey, Portugal, or Morocco, while in the US, companies are ‘**near shoring**.’ In 2020, the US, Mexico, and Canada reached a new trade agreement to support North American manufacturing.

Of course, the globalization model will not disappear. But it is already evolving towards a hybrid model of diversified production bases and shorter supply chains. This trend will likely expand in the years ahead. A total retreat from the globalization model is not feasible, as it would generate both higher prices and lower incomes in poor and rich countries alike.

Quality and Income are the best defence

Faced with this kind of market turmoil, risk assets may continue to suffer. In this case, we believe that the best defence is quality and income. Investors usually become more cautious and defensive, developing an appetite for high-dividend stocks that they associate with sound fundamentals.

Due to the challenge of rising rates, we believe that global economic and earnings growth momentum will moderate but continue to grow at a decent pace. Income-generating stocks are generally sound companies with consistent yields whose strategies, competitive positions, solid financial and steady cash flows can drive above-average earnings growth and share price appreciation while offering the safest dividends.

Antoine Denis
Head of Advisory

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