

MONTHLY NEWSLETTER

May 2021

KEY ECONOMIC DATA PUBLISHED IN APRIL

- China's Caixin PMI Manufacturing rose to 51.9 in April, above market expectations of 51.2.
- China's March exports jumped by 30.6% (YoY) below forecasts of 39%; imports rose by 38.1%, more than expectations of + 24.5%.
- Economic sentiment in the Euro-zone dropped in April (ZEW survey at + 66.3 vs. + 74 in March). The PMI Composite number rose from 53.2 to 53.8 (forecast of 53).
- In Germany, economic sentiment (ZEW survey) declined in April (+ 70.7 vs. + 76.6 in March). The IFO Business Climate Index rose to 96.8, below expectations of 97.8.
- US consumer confidence jumped to 121.7 in April, well above forecasts.
- The Markit US Manufacturing PMI Index rose in April to 60.6, above forecasts. The Services PMI was higher than expectations, at 63.1.
- US payrolls in the private sector rose by 780K in March compared to forecasts of + 525K, with February numbers upgraded from + 465K to + 558K.

1Q EARNINGS HAVE BEEN WELL ABOVE ESTIMATES

+ 8%

A STRONG MONTH FOR THE CRB COMMODITY INDEX

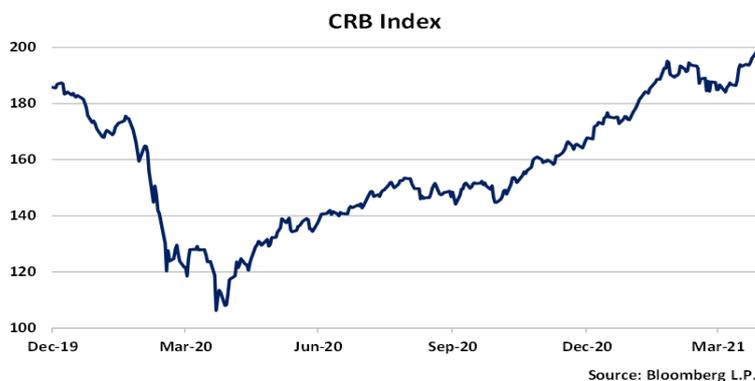
INVESTMENT PERSPECTIVE

Equity markets posted strong performances in April as long-term Treasury yields retreated and first-quarter earnings largely beat analysts' estimates, on both sides of the Atlantic. US stocks outperformed, whereas Japanese equities ended the month lower. In a reversal of the trends observed in March, long-term US Treasury yields declined while those of Bunds moved higher; 10-year Treasury yields dropped by 11bps to end April at 1.63% while same-maturity Bunds saw their yields rise by 9bps to - 0.20%. This tighter yield spread was one of the drivers for the strong appreciation of the euro against the US dollar, with a monthly gain of 2.5%. The best performing assets, by a wide margin, were commodities, including a rebound of gold prices.

With 85% of the S&P 500's market cap having reported, 86% of the companies have beaten earnings' estimates and 74% revenue estimates. These beat numbers are well above historical averages and also reflect a higher-than-expected year-on-year rebound. This trend is well entrenched and analysts have continued to upgrade their estimates for the next quarter and for the whole of 2021. At a time when valuations are stretched, it was comforting for markets that results did not disappoint as a lot of positive news has already been discounted. The numbers announced by the mega-cap companies were also very noticeable as they spectacularly surpassed expectations. Alphabet, Amazon, Facebook and Apple were some of the stockmarket's giants which outperformed during the month, on the back of these publications.

As expected, the meetings of the ECB and the Federal Reserve did not result in any negative surprises for the markets. The ECB has effectively increased the pace of its asset purchases and it also refrained from discussing a possible phasing out of its stimulus during its April meeting. On its side, the Federal Reserve reaffirmed its ongoing commitment to a very accommodative policy and indicated that it was too soon to consider curbing its assets' purchases.

COMMODITY PRICES CONTINUE TO RALLY



The chart shows that commodity prices rallied in April following the small dip observed the previous month. The commodity asset class has performed well in 2021 (+ 19% for the CRB Index), thanks to strong contributions from energy, metals, lumber and several soft commodities. This rally has been wide-ranging and driven by the economic recovery, massive government infrastructure spending plans as well as the transition towards cleaner energy.



INVESTMENT STRATEGY

We did not change the composition of our model portfolios in April, which enabled them to benefit from the extension of the equity rally as well as from tighter credit spreads. The positive trend for risky assets continues to be supported by strong earnings' growth and economic data which has been increasingly pointing towards a more synchronized economic rebound in the months ahead. In the current environment, we continue to believe that cyclicals, small caps and value stocks should perform well. Even if year-to-date returns of most equity markets have been strong, and valuations have remained expensive, this should not preclude further gains as the market continues to present pockets of value.

We consider that it is premature to adjust our fixed-income allocation as we continue to favour emerging market debt, high yield credit and convertible bonds. Our investment grade exposure remains very underweight and we will wait until long-term yields have become more attractive before considering an increase of this market segment.

PORTFOLIO ACTIVITY/NEWS

April was a strong month for the portfolios, mainly thanks to the equity asset class; other positive contributions were produced by gold, alternatives, convertible bonds, credit and emerging market corporate debt. The best contributions were provided by small caps in the US and in Europe, US growth equities, UK equities, a Medtech fund as well as the mining equities' fund into which we recently invested.

The number of detractors was very limited; they included two bond funds with a long duration as well as Japanese equities. The weaker US dollar was also a detractor for non-USD portfolios, but our underweight exposure helped to limit the negative impact of its depreciation during April.

EQUITY MARKETS STILL PRESENT POCKETS OF VALUE

	End 2020	March 2021	April 2021	MTD	2021
Equities					
S&P 500	3756.1	3972.9	4181.2	+ 5.2%	+ 11.3%
Euro Stoxx 50	3552.6	3919.2	3974.7	+ 1.4%	+ 11.9%
MSCI EM	1291.3	1316.4	1347.6	+ 2.4%	+ 4.4%
Yields					
UST 10-year	0.92%	1.74%	1.63%	- 11bps	+ 71bps
Bund 10-year	- 0.57%	- 0.29%	- 0.20%	+ 9bps	+ 37bps
BBB EU	0.44%	0.68%	0.72%	+ 4bps	+ 28bps
Currencies					
EUR/USD	1.222	1.173	1.202	+ 2.5%	- 1.6%
USD/CHF	0.885	0.944	0.913	+ 3.3%	+ 3.2%
EUR/CHF	1.081	1.107	1.098	- 0.8%	+ 1.6%
GBP/USD	1.367	1.378	1.382	+ 0.3%	+ 1.1%
Commodities					
CRB Index	167.8	185.0	199.8	+ 8.0%	+ 19.1%
Oil (WTI)	USD 48.5	USD 59.2	USD 63.6	+ 7.4%	+ 31.1%
Gold	USD 1898	USD 1708	USD 1769	+ 3.6%	- 6.8%

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