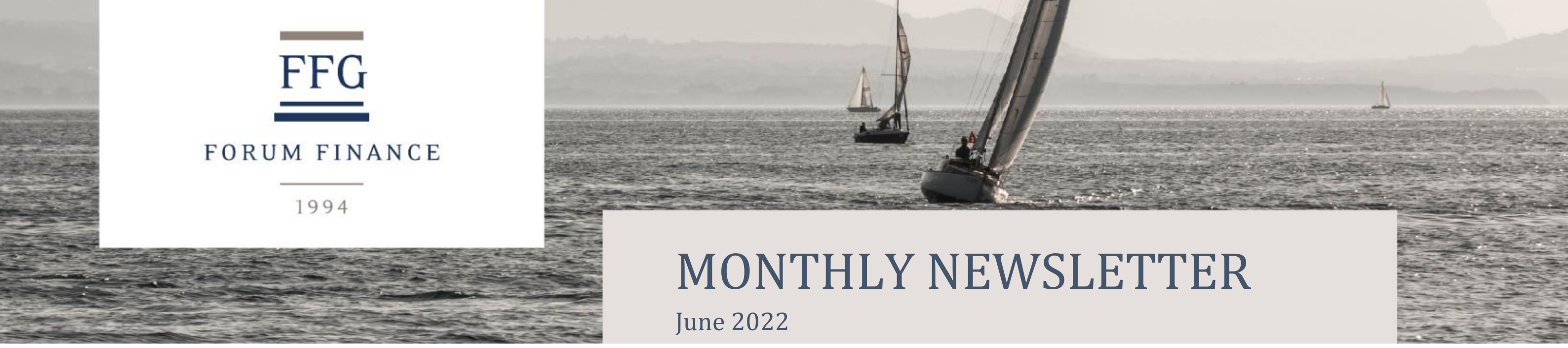

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MONTHLY NEWSLETTER

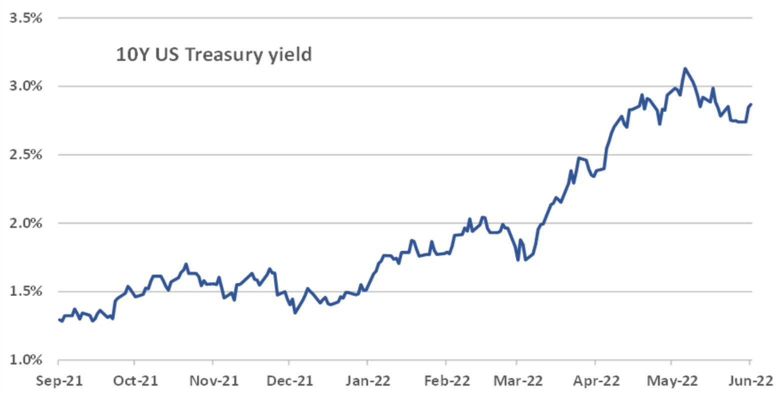
June 2022

INVESTMENT PERSPECTIVE

May was an archetypal month of two halves for most asset classes. Global equities extended their early-year decline initially before staging a spectacular rebound. This helped the main indices to record flat monthly performances, even if growth and small cap indices were not able to make up all of their early-month losses. The yields of US Treasuries continued to rise fast until May 6 when they began to climb down from a peak level of 3.2% to end the month at 2.84%. It took longer for credit spreads to start contracting but, then again, the movement was swift, for US high yield bonds in particular. The US dollar ended May on a much weaker note after reaching a multi-year high. The trend that continued to be persistent was the appreciation of the prices of most commodities. With the EU's agreement of new sanctions against Russia in the form of a partial oil embargo, oil prices climbed by close to 10% in May; low expectations for any further increase of OPEC production and the anticipation of a recovery in demand in China also contributed to this rise.

The high level of uncertainty on many issues continues to weigh on markets and on market sentiment. This has led certain well-followed indicators such as the Fear & Greed Index and the AAII Bull/Bear Index to drop to extremely negative readings. From a contrarian viewpoint, such depressed levels often precede equity rebounds and this proved to effectively be the case in May. Amidst all the doom and gloom hovering over the markets, the corporate sector appears to be a brighter spot. This has been reflected by the significant insider buying of shares by companies' directors as well as an increase of equity buybacks from record levels observed the previous years. US business sentiment remains optimistic regarding demand even if supply chain and pricing issues remain the biggest concerns.

SOME SIGNS OF A STABILISATION OF US TREASURY YIELDS



Source: Bloomberg L.P.

The chart shows that 10-year US Treasury yields have declined from their early-May peak when they reached an intra-day high of 3.2%. This fall of yields has mirrored lower expectations for the end-2022 level for the Fed's benchmark rate. This move has also contributed to the recent rebound of equity markets which had been badly impacted by the steep rise of yields since early-March. From a starting level of 1.7%, 10-year Treasury yields rose by 1.5% in just over two months, a staggering move reflecting the dramatic shift in the Fed's monetary policy as it attempts to counter inflation pressures.

KEY ECONOMIC DATA PUBLISHED IN MAY

- China's Caixin PMI Manufacturing improved to 48.1 in May, in-line with market expectations.
- China's April exports rose by 3.9% (YoY), above forecasts of 3.2%; imports were unchanged, above expectations of - 3.4%.
- Economic sentiment in the Euro-zone rose in May (ZEW survey at - 29.5 vs. - 43 in April). The PMI Composite number declined from 55.8 to 54.9 (forecast of 55).
- In Germany, economic sentiment (ZEW survey) rose in May (- 34.3 vs. - 41 in April). The IFO Business Climate Index rose to 93, above forecasts of 91.4.
- US consumer confidence dipped to 106.4 in May, above forecasts.
- The Markit US Manufacturing PMI Index dropped to 57 in May vs. 57.9 expected. The Services PMI was much lower than expected, at 53.5.
- US payrolls in the private sector rose by 406K in April compared to forecasts of + 390K, with March numbers being revised upwards from + 426K to + 424K.

GLOBAL EQUITIES REBOUND AMID EXTEMELY DEPRESSED MARKET SENTIMENT

$600 bn

THE EXPECTED LEVEL OF EQUITY BUYBACKS IN THE FIRST HALF OF 2022

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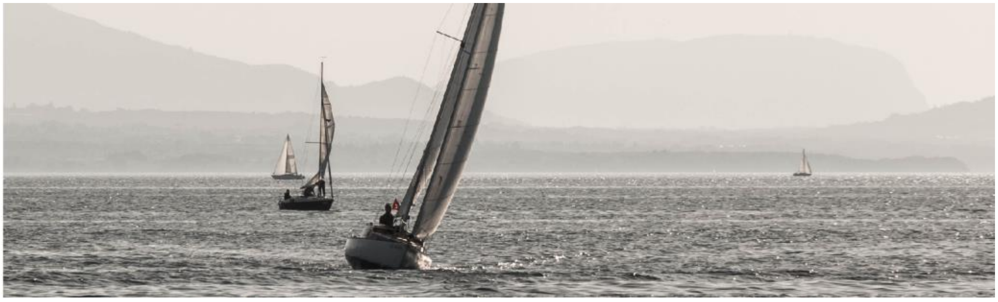

INVESTMENT STRATEGY

Some of the latest market movements could be signalling that markets have already priced in a lot of negative news and maybe become too bearish. When looking at historical average stock drawdowns for US equities, the current trough has gone beyond the average non-recession selloff, according to JPMorgan's quant team. When compared to the average selloffs during recessions, the current drawdown represents around 75% of prior recession bottoms. Were a recession to be avoided, the current market positioning might well prove to be overly defensive. This is reflected by the near record premium of US defensive sectors versus cyclicals. Rather than adopting such a lopsided defensive position, our allocation to equities continues to be well diversified across investment styles, regions, sectors, and market caps.

The past month saw a pause in the rise of US bond yields as well as a decline from peak expectations relative to the end-2022 implied Fed Fund rate. Were these expectations to be anchored around the current levels, this could provide some support for markets.

MARKETS REMAIN VOLATILE AS RECESSION RISKS AND HIGH INFLATION DOMINATE INVESTORS' MINDS

PORTFOLIO ACTIVITY/NEWS

May was a negative month for the portfolios. Even if many global equity indices recorded flat monthly performances, several of our growth-orientated strategies finished in negative territory. Japanese equities, the multi-thematic fund, US small caps and equities of frontier markets were amongst the portfolios' main detractors. Positive contributions were provided by the European and US Value funds, Chinese equities, the L/S equity strategy, as well as the global technology fund. Most of the bond positions ended with limited losses as US rates started to stabilize and credit spreads contracted towards the end of May. For non-USD denominated portfolios, the US dollar exposure was a detractor in view of the decline of the US currency from its May multi-year high.

We recently attended an event where many fund managers presented their strategies. Whereas equity managers tended to remain unsure about the next move in equity markets, bond managers proved to be more optimistic. Following extensive spread widening, the consensus was that the market now offers decent opportunities in view of much higher carry and solid fundamentals. They also highlighted the fact that refinancing needs remain very low as most companies have taken advantage of record low yields the past years to boost their balance sheets.

	End 2021	April 2022	May 2022	MTD	2022
Equities					
S&P 500	4'766.2	4131.9	4132.2	+ 0.0%	- 13.3%
Euro Stoxx 50	4'298.4	3802.9	3789.2	- 0.4%	- 11.8%
MSCI EM	1'232.0	1076.2	1077.7	+ 0.1%	- 12.5%
Yields					
UST 10-year	1.51%	2.94%	2.84%	- 10 bps	+ 133 bps
Bund 10-year	- 0.18%	0.94%	1.12%	+ 18 bps	+ 130 bps
BBB EU	0.95%	2.65%	3.02%	+ 37 bps	+ 207 bps
Currencies					
EUR/USD	1.137	1.055	1.073	+ 1.7%	- 5.6%
USD/CHF	0.913	0.972	0.960	- 1.2%	+ 5.1%
EUR/CHF	1.038	1.026	1.030	+ 0.4%	- 0.8%
GBP/USD	1.353	1.257	1.260	+ 0.2%	- 6.9%
Commodities					
CRB Index	232.4	308.3	316.5	+ 2.7%	+ 36.2%
Oil (WTI)	USD 75.2	104.7	114.7	+ 9.5%	+ 52.5%
Gold	USD 1'829	USD 1'897	USD 1'837	- 3.2%	+ 0.4%