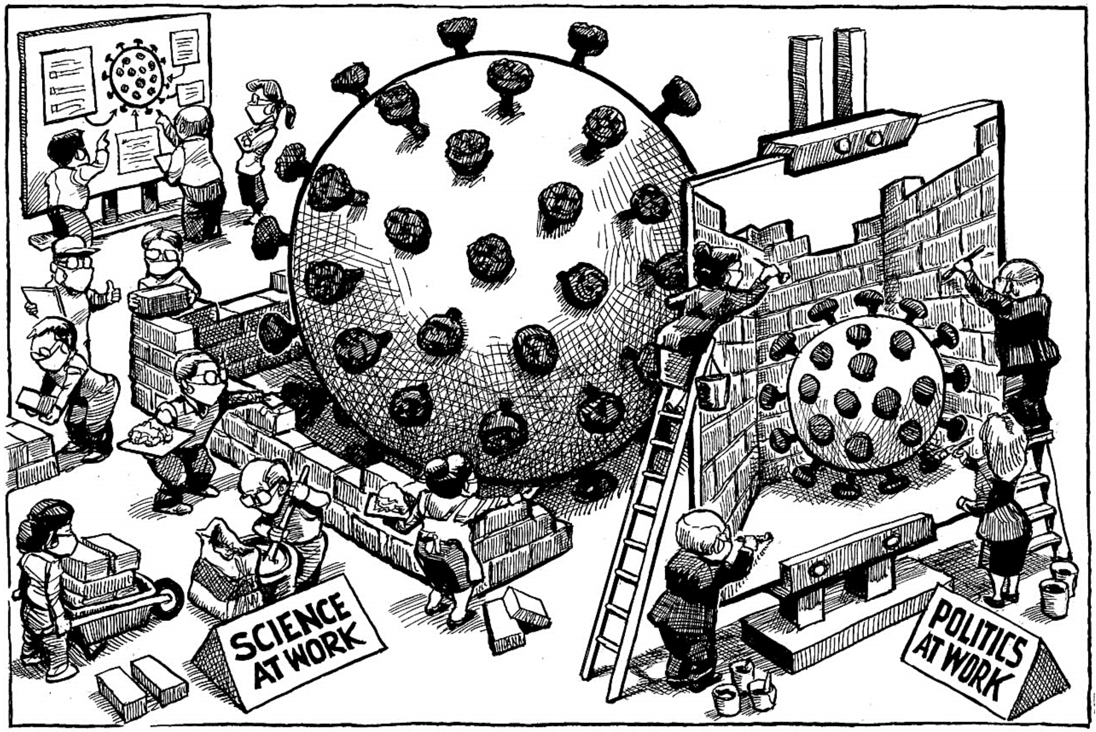

WEISSHORN
ASSET MANAGEMENT SA

Investment Committee June 2020



Economist.com Kal

1. Macro views
2. Market review
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1.1. Market highlights

- Markets have rebounded drastically off their March lows, despite the looming recession, the flood of corporate profit warnings and the deep slump in economic indicators. Optimism among investors has been fueled by the unprecedented interventions from central bankers and hope of the rapid development of a vaccine. Growth stocks continued to outperformed value stocks, despite some signs of rotation at the end of the month. Commodities showed strong performance. Global government bond markets were flat, while high yield and emerging bonds continued to recover.

- The global economic activity seems still close to its low. A number of early monthly indicators improved slightly from their April level. The return to economic normality will be a slow and bumpy process. The ongoing social distancing measures and high unemployment rates will likely weight on consumer spending and we expect companies to be cautious on their capital spending.

- After two years of negotiation between US and China for a trade deal, the two superpowers are edging again towards a new cold war. The subjects of dispute are multiples. We expect continued tension, with nationalist sentiment and looming recession forcing both countries to stick to hardline positions.

- Popular unrest surrounding George Floyd protests have led to mass gatherings which could lead to a resurgence of COVID-19 cases in the US and pressured consumer confidence. Police is struggling to maintain control and President Donald Trump threatens to send the army to end unrest. The situation could complicate the reopening of the US economy and by the same occasion jeopardize the reelection of Trump, which has centered his campaign on a thriving stock market and low unemployment.

1.1. Market highlights

- Finally, the European Commission proposed an EUR 1.1 trillion joint European budget for 2021-27 that would include EUR 500 billion in grants and EUR 250 billion in loans to members states for the coronavirus recovery. The budget may include funding from a digital tax, financial transactions tax, plastic tax and a levy on goods imported into the EU from countries that have lower CO2 emissions standards than the EU. Austria, Sweden, Denmark, and the Netherlands stated their opposition against the issuance of a grant and it is unclear if they will approve the plan. European high yield performed well this month.

- According to the International Energy Agency (IEA), investment in the U.S. shale sector will drop by half this year, predicting a period of pain for producers and oil-producing countries.

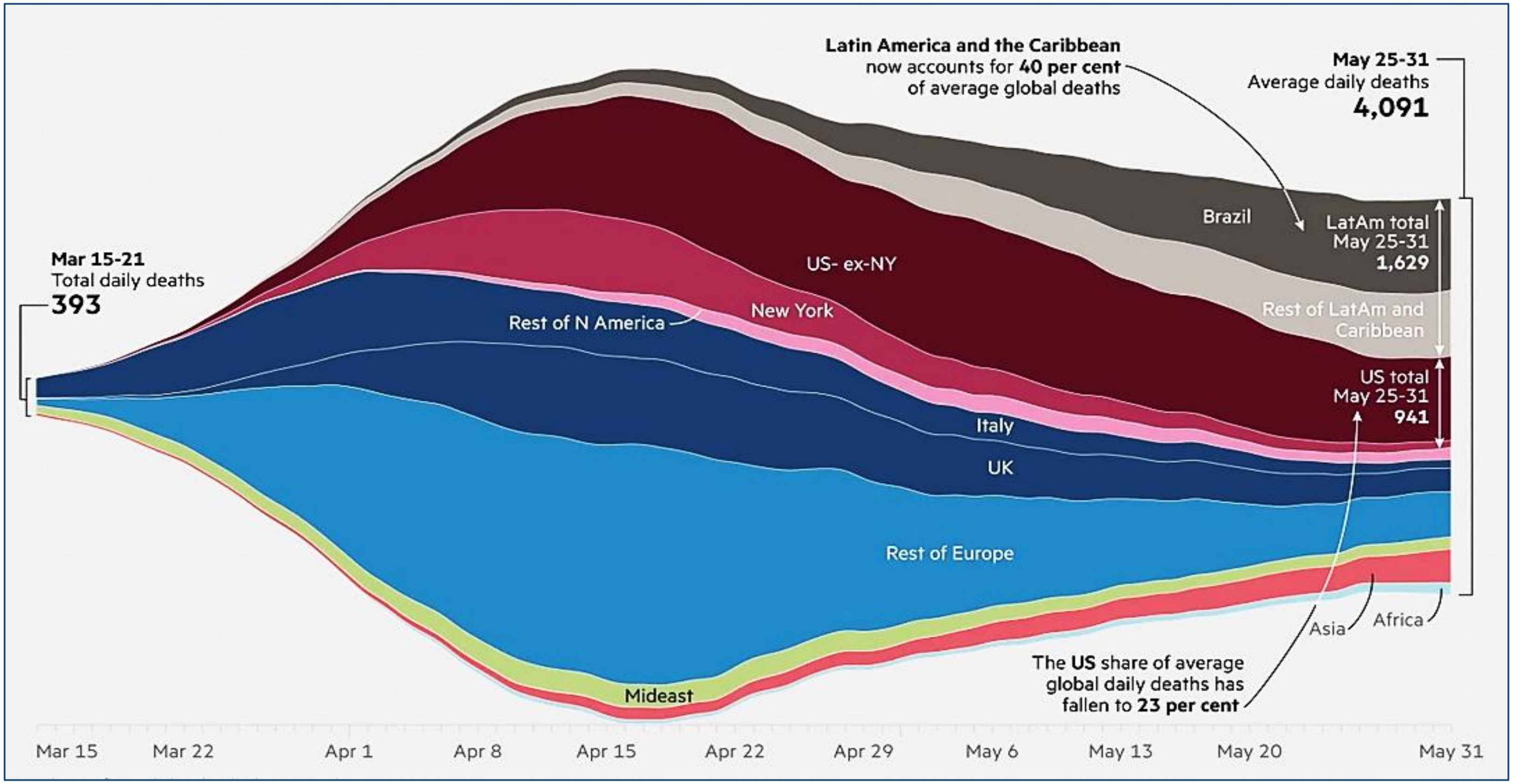
- June is the make or break month in the UK's post-Brexit negotiations with the European Union. The pandemic hasn't helped negotiations so far as policy makers were unable to meet physically. Boris Johnson, UK's Prime Minister, seems willing to exit European trade arrangements without first agreeing a new deal. No deal is almost universally accepted as the worst possible outcome. This scenario will likely bring volatility to the European stock markets.

- Although economies have been emerging from varying degrees of lockdown, the path to recovery will follow a much longer road. Lately, newsflows have been mixed and given the inherent uncertainty, we remain cautious in current markets. We believe investors should be constructive on market pullbacks.

1.1. Covid-19: the latest figures

- After months of lockdown restricting work and movement, many countries have begun to lift the drastic measures they put in place in order to slow the spread of coronavirus.
- Latin America and the Caribbean have recently seen their share increase to more than a third of new deaths, fueled by a surge in Covid-19 fatalities in Brazil.

Daily deaths with Covid-19

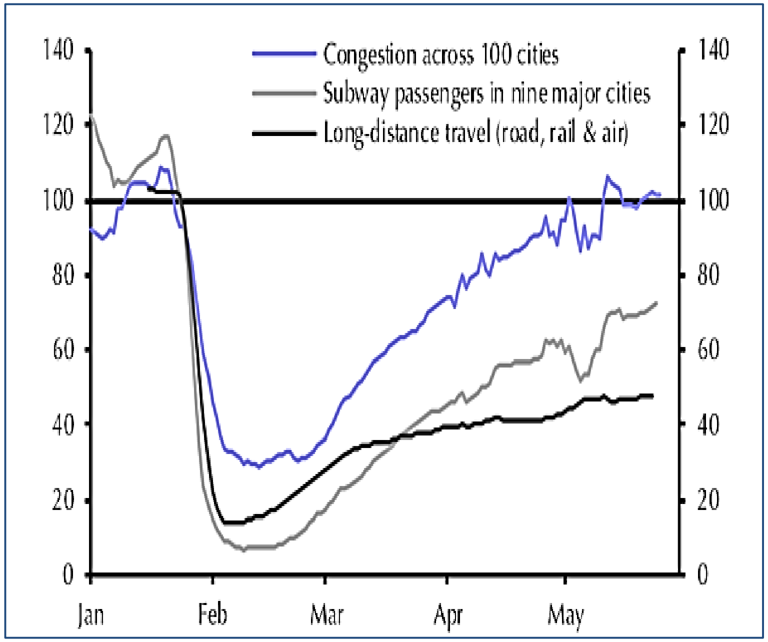


Source: FT analysis of Johns Hopkins University, CSSE, Worldometers.

1.1. Economic impact of Covid-19: China

- Investors are watching China closely for clues about when a recovery from the economic slump may begin.
- Some high-frequency indicators of activity such as passenger flows or coal consumption at power plants can be very valuable in assessing the actual economic conditions.
- Pollution levels are gradually increasing, although they are still lower than before the lockdown.

Passenger traffic (% of 2019 level, 7d ave.)

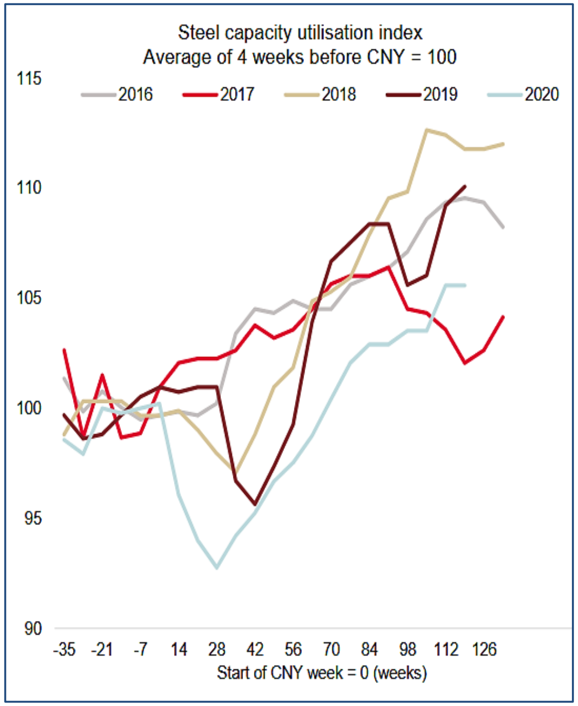


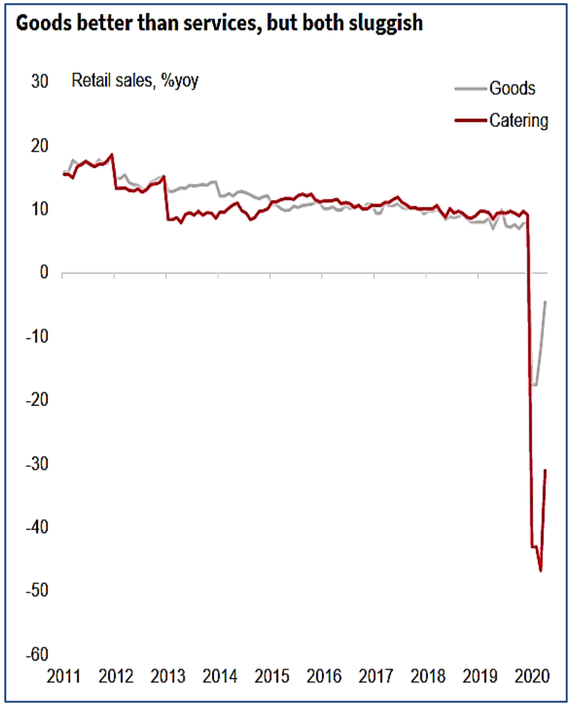
Coal consumption at power plants in China (% of 2019)

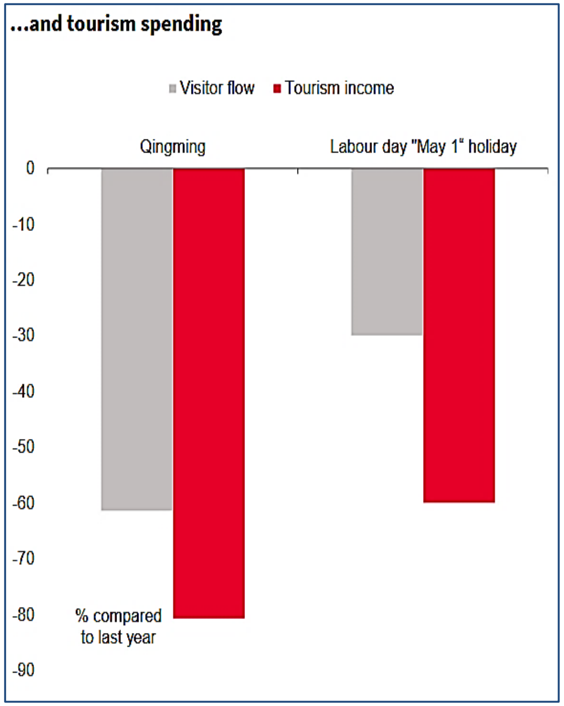
Source: Capital Economics, Financial Times.

1.1. Economic impact of Covid-19: China

- Since China began to reopen, production has (almost) normalized… but consumption recovery is lagging.
- Caixin Manufacturing PMI for May came in at 50.7.
- Looking at the way the country is using steel, its manufacturers appear to be back to normal.
- Retail sales are still running below their equivalent period of the year before, particularly in the catering sector.







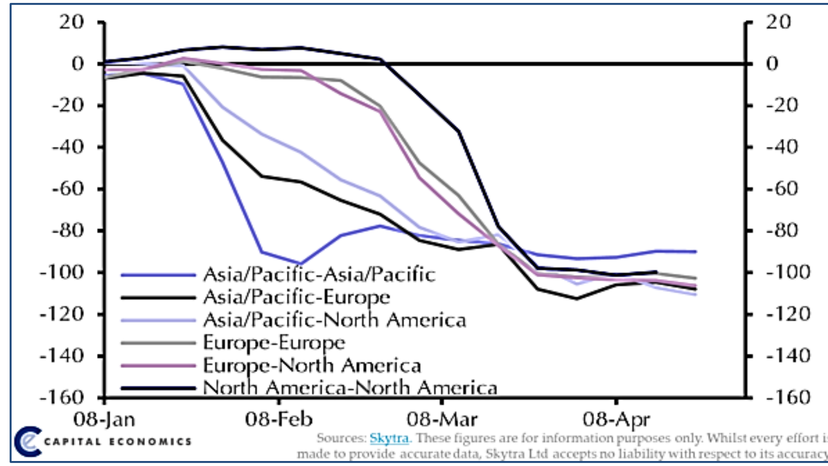
Source: Wind, SG Cross Asset Research/Economics.

1.1. Economic impact of Covid-19: rest of the world

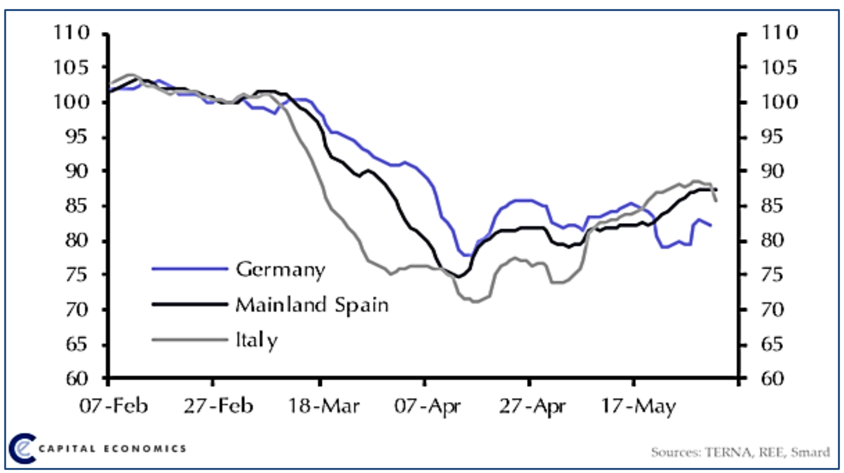
- Business activity across the world has begun to improve as more and more countries are easing lockdown measures and gradually reopening their economies.

- German businesses are becoming more confident about their outlook, according to the German Ifo survey.

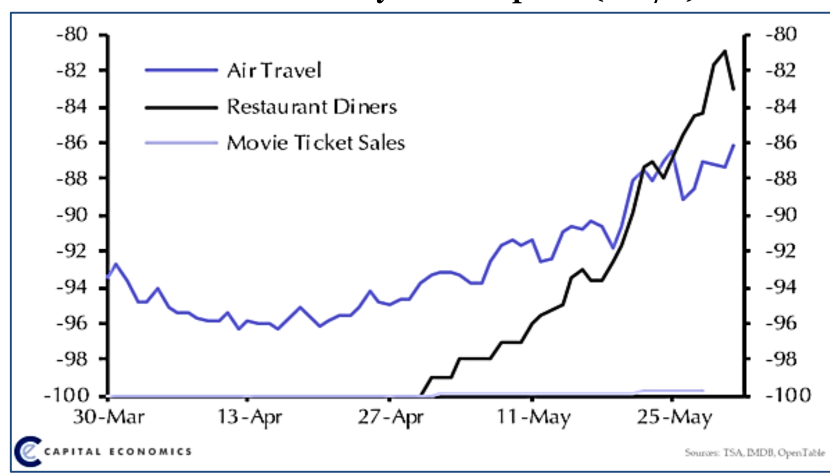
Weekly Flight Ticket Sales (% Y/Y)



Germany, Spain and Italy Electricity Consumption (1st march 2020 = 100)



US Discretionary Consumption (% Y/Y)

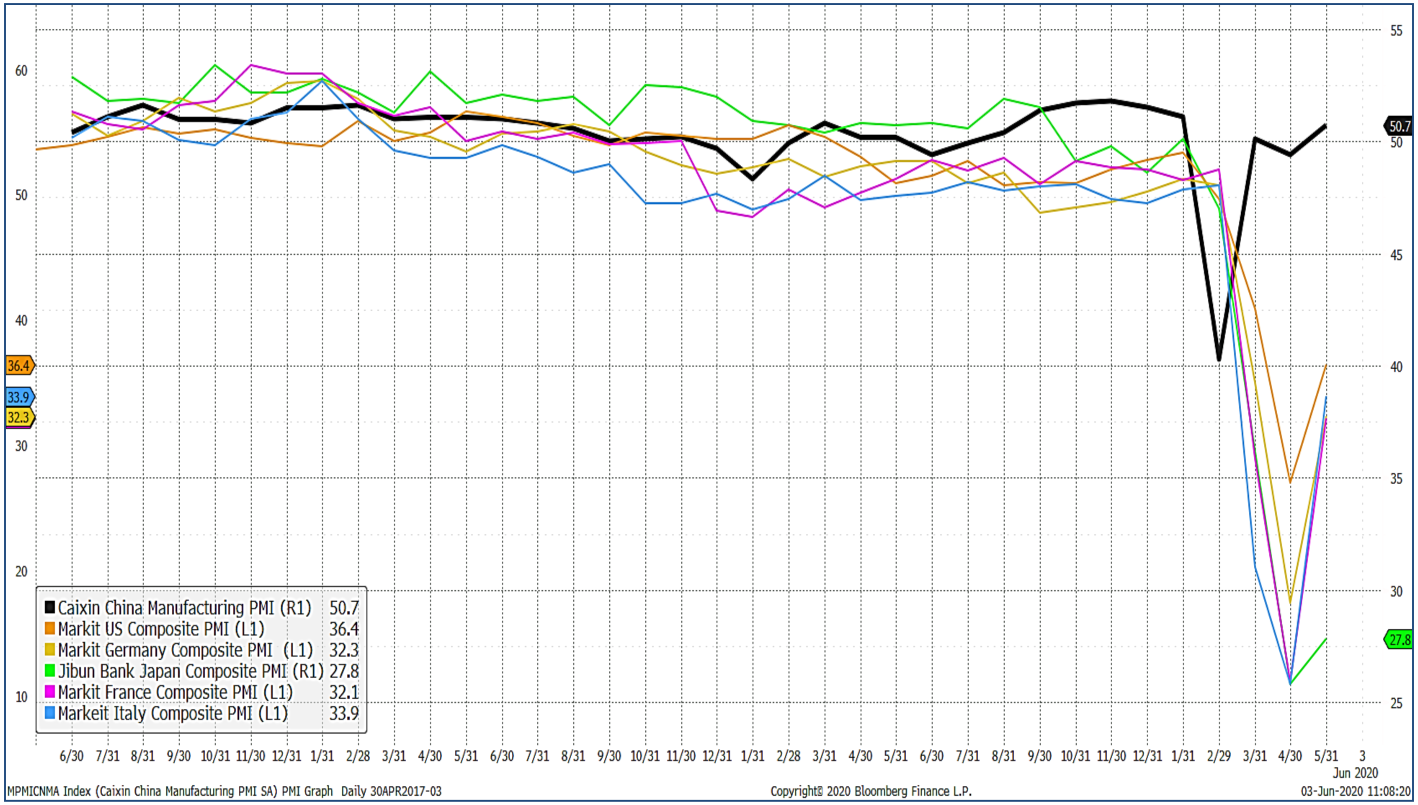


Source: Capital Economics.

1.1. Economic impact of Covid-19: rest of the world

- Should we expect a "V-Shaped" recovery"?
- Post-COVID-19 PMIs are still below 2019 level.

PMIs rebound as coronavirus outbreak eases.

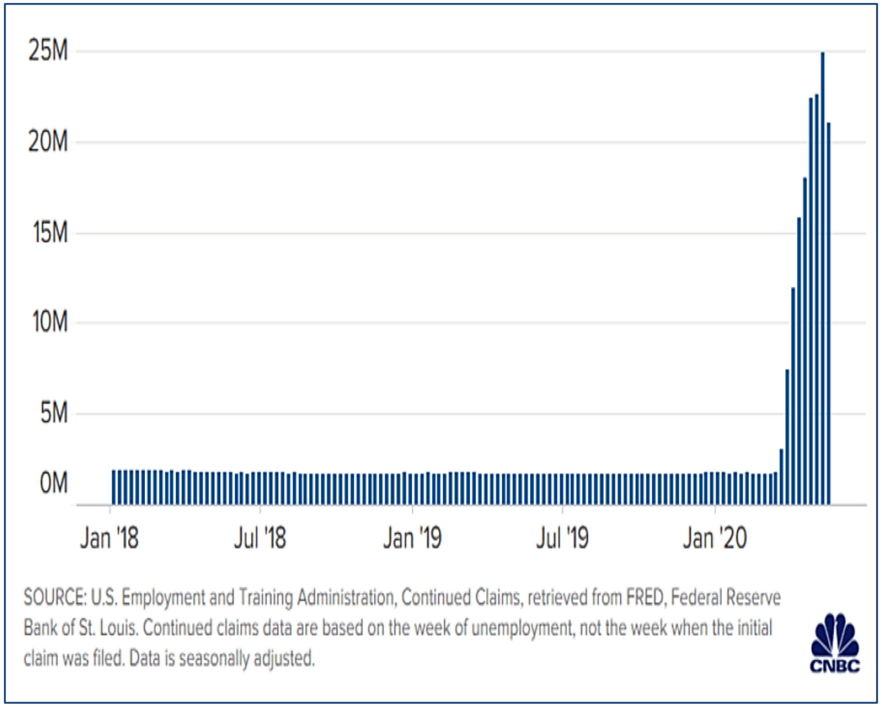


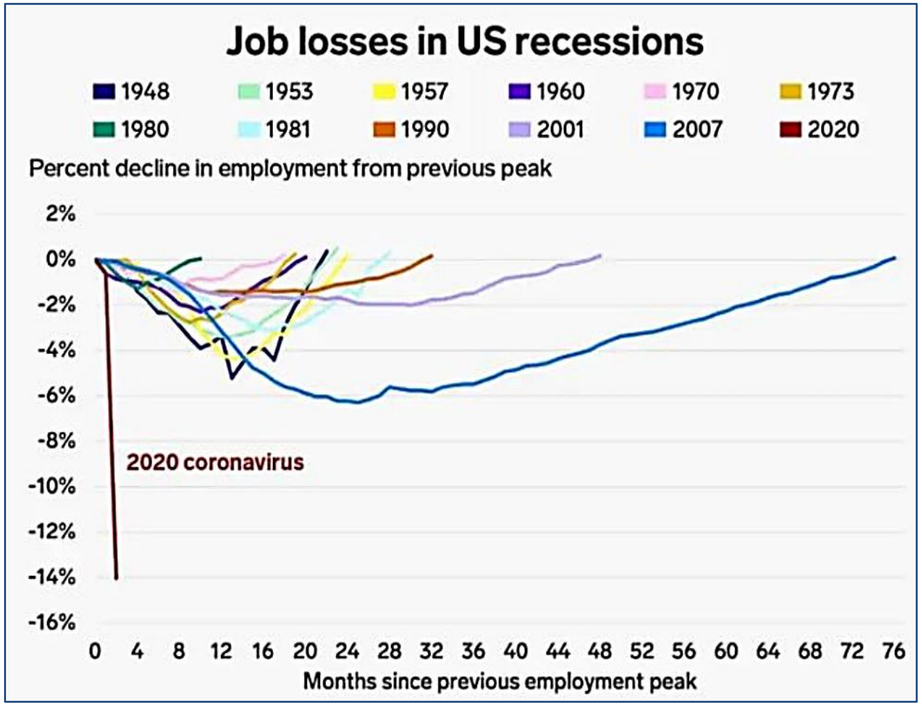
Source: Bloomberg.

1.1. Economic impact of Covid-19: job losses

- The speed and scale of the job losses is without precedent.
- 40.8 million people have filed for US unemployment benefits over the last ten weeks as part of the worst employment crisis in the US.

US initial claims, weekly (thousands)



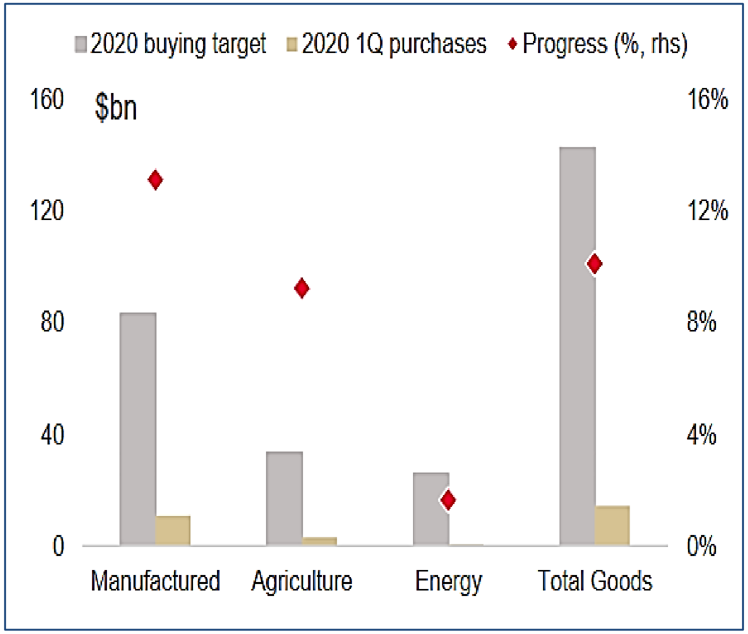


Source: CNBC, Department of Labor. Business Insider.

1.1. US-China Cold War ?

- Tensions have continued to escalate since Donald Trump said he would revoke Hong Kong's favored trade status with the US.
- China has asked state-run companies to suspend purchases of american farm products like soybeans and pork. Under the phase one trade deal signed by the US and China on January, China had pledged to buy an additional $32 billion of US agriculture products relative to the 2017 level over the next two years. These agricultural purchases are being closely watched by Donald Trump as he is campaigning for re-election.

Target	China's exports	US exports to China's tech companies	Chinese companies listed in US	US investment in Chinese equities
US tools	Phase 1 deal, after a two-year tariff war	Export Control Act of 2018, Entity List	Legislation	Presidential executive orders
Latest actions /threats	China has reiterated its promises to deliver on targets. US officials confirm that agriculture progress is on track **(20-25 May)**	The Department of Commerce tighten further export control measures on Huawei by restricting products designed and produced using US technologies **(15 May)**	Senate approved legislation that would ban companies from US exchanges if they can't show that they are not under such control of a foreign government or the PCAOB isn't able to audit them for 3 consecutive years. **(20 May)**	The FRTIB halts its plan to buy China stocks following a letter from the US Department of Labor **(13 May)**

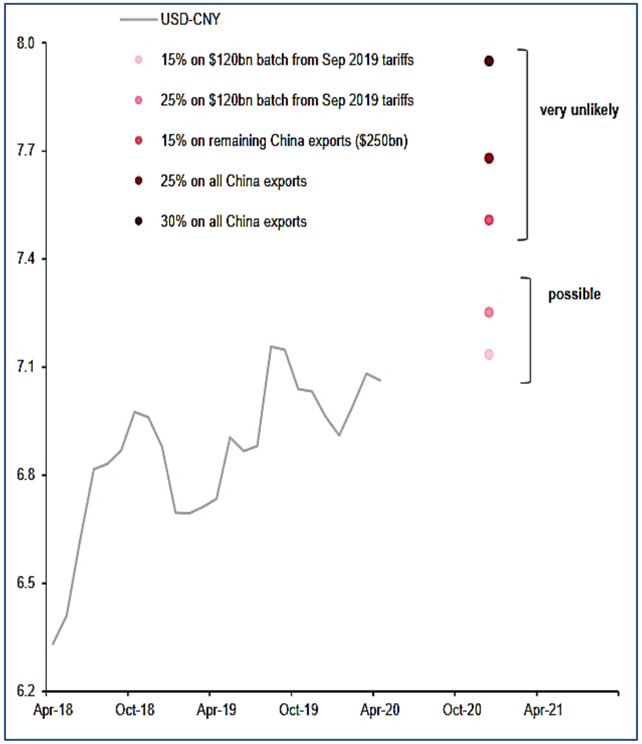


Source: Financial Times, Bloomberg, WTO, SG Cross Asset Research.

1.1. US-China Cold War ?

- Since 2015, the trend for China has been toward letting its currency weaken, particularly when the country wanted to send a message - as it did after the US announced new tariffs in August 2019 -.
- CNY could be under depreciation pressures if tariff were to rise further.

USD-CNY under different tariff scenarios.



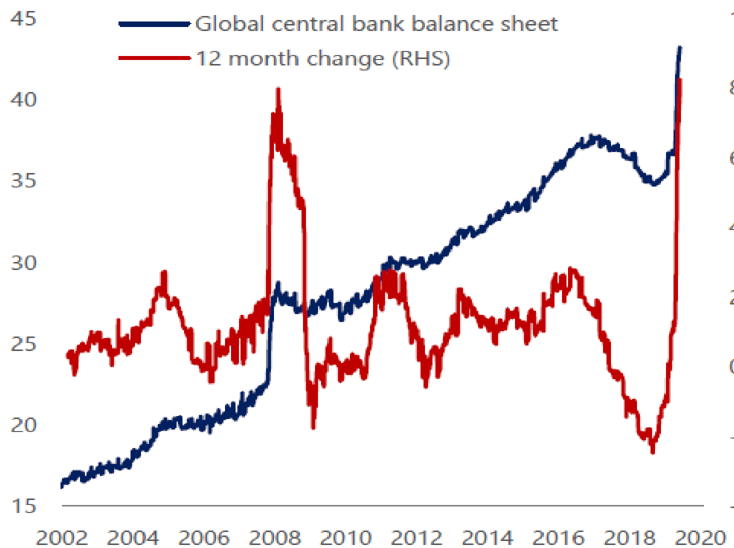
Source: Financial Times, Bloomberg Business.

1.1. Deeper deficits

- The pandemic and the associated lockdown led to increases in debt and deficits beyond those recorded in the global financial crisis.
- As the pandemic abates and the economy recovers in 2021, public debt ratios are expected to stabilize at new higher levels. Is this really a gift we are leaving to the next generation?

Global Central Bank Balance Sheet 1/

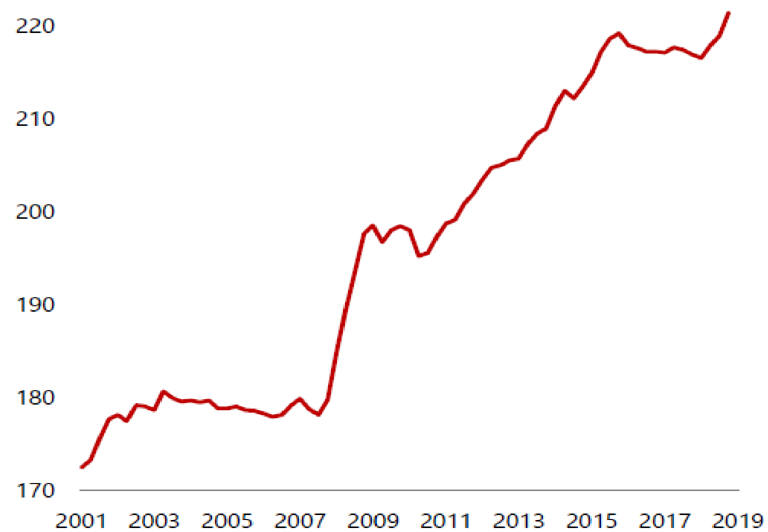
% GDP; Source: Haver and Bloomberg



1/ Total assets of the Federal Reserve Bank, European Central Bank, Bank of Japan, Bank of England, Swiss National Bank, Reserve Bank of Australia, Bank of Canada and the People's Bank of China scaled by the aggregate GDP of these countries in current dollars.

Global debt of nonfinancial sector

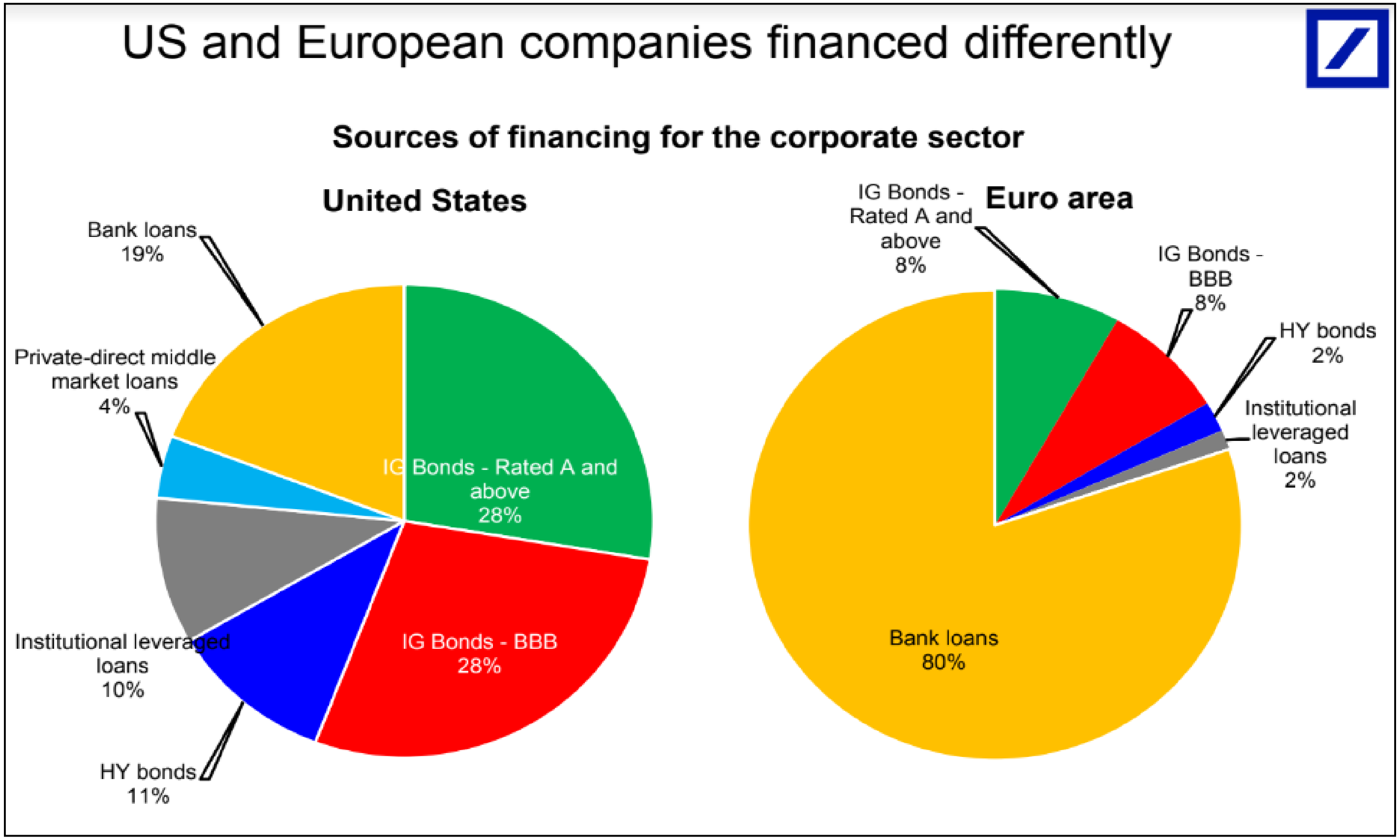
Credit to corporates, households and governments from all sectors
% GDP at PPP exchange rates; Source: BIS



Source: Oxford Economics/CBO. Bruegel, Statista.

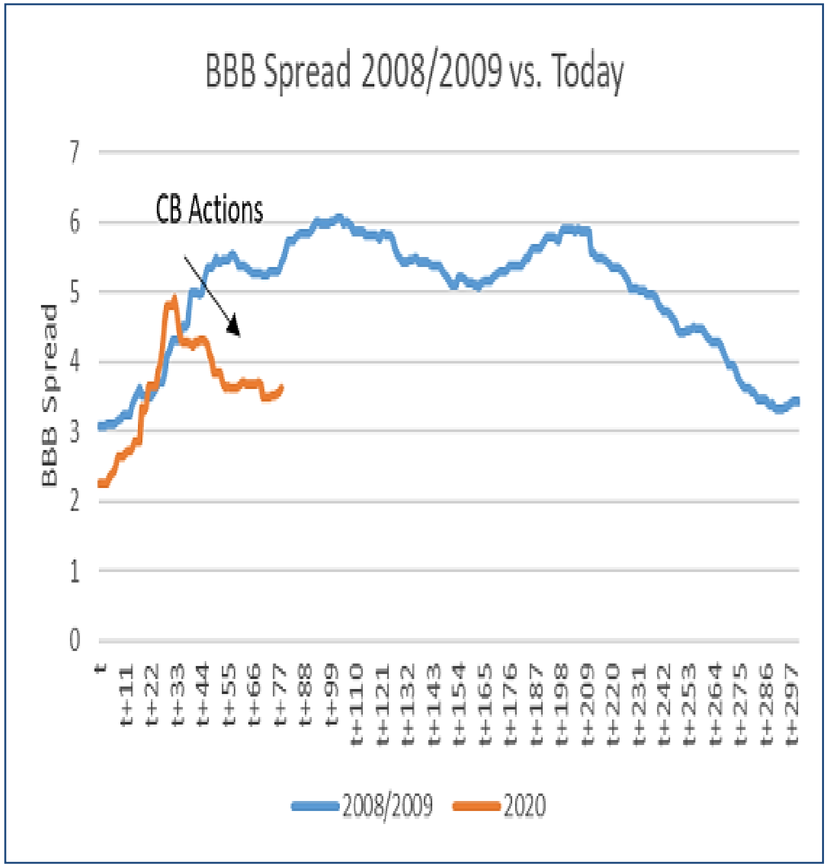
1.1. Deeper deficits

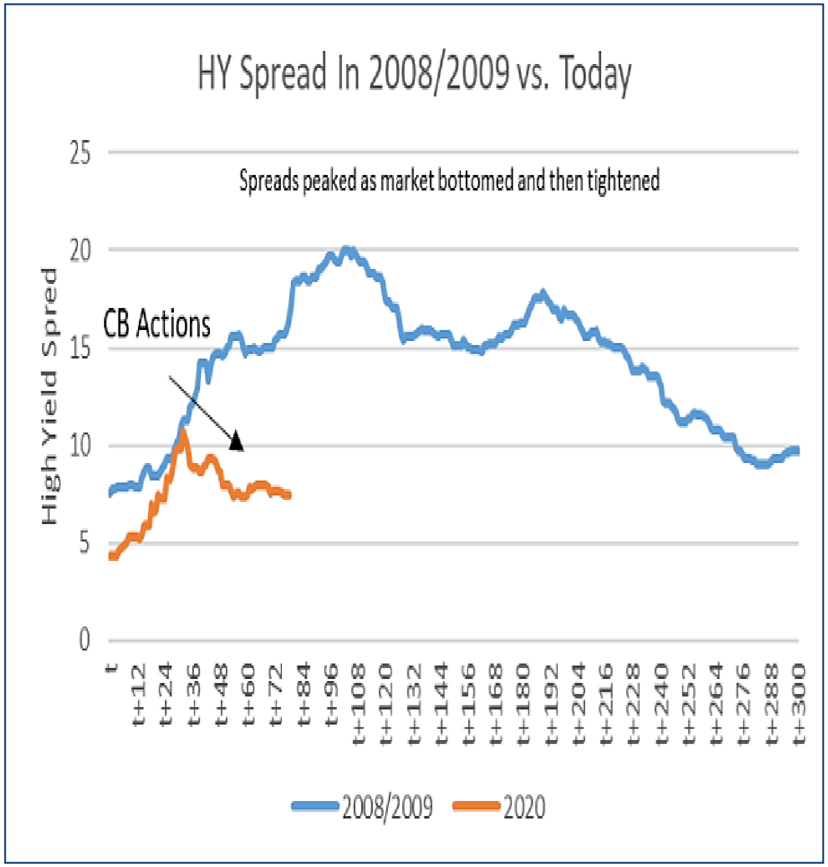
➢ Europe also has to contend with its weak banking system. Banks play a far more prominent role in Europe than in the United States.



Source: Bloomberg Finance LP, IMF, DB Global Research.

1.1. Spreads

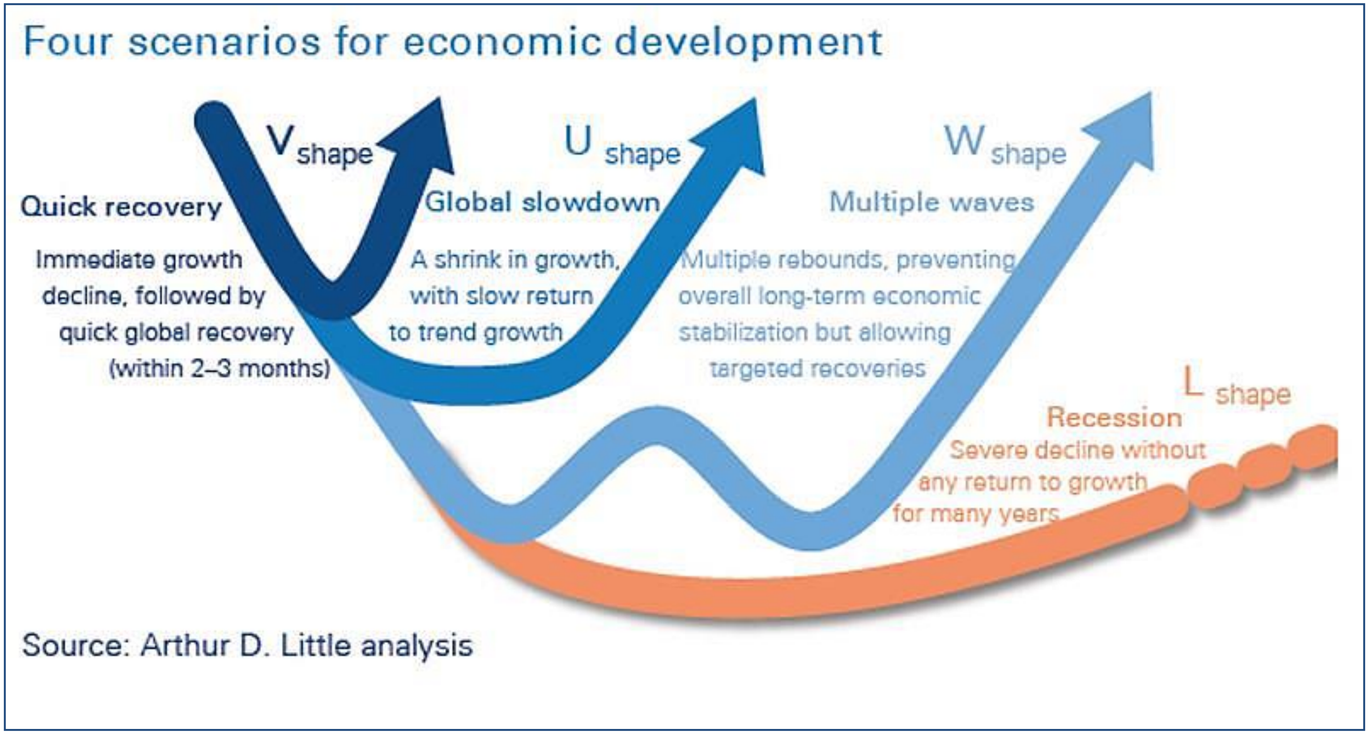




Source: .

1.1. From collapse to recovery

- Despite awful economic data, stocks have recovered in the past month as governments develop plans to ease the shutdown impact. Equity markets are now anticipating a V-shaped recovery.
- Economists embrace the idea of a quick third-quarter recovery after a sharp contraction in the second quarter.



Source: Arthur D. Little analysis.

1.2. Long term views

- The current economic environment has nothing in common with past recessions. Thanks to fiscal and monetary support measures, there has been almost no destruction of demand.
- The world economy can be at 100% of its potential with sanitary measures.
- Covid-19 reinforces the trend toward deglobalization or less globalization. Shorter circuits of production, robotization, AI and data management, these themes have many years to go.
- High national debt will be accommodated with money printing. Central banks will try to keep rates low or negative longer than economic conditions require.
- The crisis will force governments to subsidize its poorest citizens and part of the middle class over the long term, aggravating deficits.
- Will Europe make its first step toward a fiscal union? This would be a major step towards the sustainability of the European project.
- Bonds of good quality corporations offer good value, especially with the central banks backstop (3-5 years maturity max).

Source: Premyss.

2.1. Equity Performance Review

- Markets extended their rebounds in May. China and Hong Kong were the only exceptions.
- The VIX continued to fall over the month.

Equity Indices	% YTD in USD	% YTD in EURO	% 1M in USD	% 1M in EURO
MSCI WORLD	-8.9%	-8.1%	4.6%	3.3%
S&P 500	-5.8%	-4.9%	4.5%	3.2%
NASDAQ	5.8%	6.6%	6.8%	5.4%
BRAZIL	-57.1%	-56.0%	11.3%	9.9%
Euro Stoxx 50	-19.4%	-18.6%	5.5%	4.2%
Stoxx Europe 600	-16.6%	-15.7%	4.4%	3.0%
FTSE 100	-25.3%	-24.8%	1.0%	-0.4%
CAC 40	-22.3%	-21.5%	4.0%	2.7%
DAX	-13.4%	-12.5%	8.0%	6.7%
IBEX	-26.6%	-25.7%	3.8%	2.5%
MIB	-23.5%	-22.6%	4.2%	2.9%
SMI	-6.6%	-5.7%	2.5%	1.2%
NIKKEI 225	-6.6%	-5.7%	7.7%	6.3%
HANG SENG	-18.1%	-17.2%	-6.8%	-8.2%
SHANGHAI	-8.7%	-7.9%	-1.3%	-3.0%
RUSSIA RTS	-21.3%	-20.4%	8.4%	7.1%
VIX	99.6%	100.5%	-19.4%	-20.8%

Source: Bloomberg 31/05/20.

2.2. Sector Performance Review

- Technology extended its rebound, but Cyclicals (Industrials, Materials, Consumer Discretionary) are taking over.
- Financials and Energy are still lagging.

Sector performance	Europe % YTD	Europe % 1M	USA % YTD	USA % 1M	World % YTD	World % 1M
Consumer Discretionary	-19.0%	5.1%	1.6%	4.9%	-3.2%	6.0%
Consumer Staples	-6.8%	0.6%	-6.4%	1.4%	-6.4%	1.9%
Energy	-37.0%	-2.3%	-36.1%	0.7%	-35.0%	1.4%
Financials	-30.6%	0.2%	-24.2%	2.4%	-25.3%	2.2%
Health Care	3.3%	1.6%	0.8%	3.1%	2.8%	4.0%
Industrials	-18.1%	6.6%	-17.1%	5.1%	-15.2%	6.3%
Information Technology	-2.9%	6.5%	6.7%	6.8%	6.2%	7.7%
Materials	-13.8%	6.0%	-9.7%	6.7%	-10.7%	6.6%
Telecommunication Services	-18.6%	3.4%	-0.4%	6.0%	-2.4%	5.4%
Utilities	-5.1%	5.5%	-8.0%	3.9%	-7.3%	4.3%

Source: Bloomberg 31/05/20.

2.3. Performance Review, FX and commodities

Currencies		
	Against USD	
	YTD	1M
EURO	-0.9%	1.3%
JPY	1.0%	-0.6%
GBP	-5.9%	-2.0%
CHF	0.8%	0.4%
CNY	-2.2%	-1.0%
HKD	0.5%	0.0%
CAD	-5.4%	1.2%
AUD	-4.7%	2.4%
	Against Euro	
	YTD	1M
USD	0.9%	-1.4%
JPY	1.8%	-2.0%
GBP	-5.3%	-3.4%
CHF	1.7%	-0.9%
CNY	-1.4%	-2.7%
HKD	1.3%	-1.4%
CAD	-4.5%	-0.1%
AUD	-4.1%	0.9%
	Against CHF	
	YTD	1M
EURO	-1.7%	0.9%
USD	-0.8%	-0.4%
JPY	0.2%	-1.0%
GBP	-7.1%	-2.4%
CAD	-6.3%	0.8%
AUD	-5.8%	1.9%
HKD	-0.4%	-0.5%

- EUR strengthened.
- GBP weak due to uncertainties around Brexit.
- Oil continued its rebound, after March's historic plunge.

	% YTD in USD	% 1M in USD
WTI Crude Oil	-42.5%	88.4%
Brent Crude Oil	-48.4%	39.8%
Gasoline	-40.6%	47.0%
Natural Gas	-19.7%	-14.8%
Gold	14.2%	2.6%
Silver	-0.4%	19.3%
Platinum	-12.6%	7.8%
Palladium	1.6%	-1.6%
Aluminum (LME)	-15.3%	3.6%
Copper (LME)	-13.5%	3.6%
Corn	-16.1%	4.6%
Wheat	-6.3%	-1.7%
Soybean	-10.5%	-1.1%
Coffee	-27.1%	-8.0%
Sugar	-19.4%	5.0%
Cotton	-17.2%	-0.8%

Source: Bloomberg 31/05/20.

3.1. Long-term investment strategy

- We think diversification into long-term themes will provide real benefits to traditional sector allocation in the current investment landscape. Many sectors (such as the car market) are disrupted and challenged by technological developments.

- Short term noise may bring volatility up but we focus on secular trends: implementation of our Innovation-societal impact-environmental footprint 3-dimensional approach.

- Our equity exposure is centered around: Technology (Robots, Cybersecurity, Artificial Intelligence), Biotechnology, Societal as well as Environmental impacts.

- We view the current correction as an opportunity to look for risky assets with an investment horizon of 3 to 5 years. We recommend to be selective as market could go back and forth for months.

- In a context of low interest rates, “bond proxy” equity dividend strategies (companies with solid balance sheets) seem attractive to us. We recommend to avoid state owned enterprises, those operating in highly regulated sectors (such as Banking and Utilities) as well as sectors affected by the lockdown and supply chain disruptions (Tourism, Manufacturing or Retail) that may run out of liquidity in the coming months. They are all susceptible to cut their dividends.

3.2. Current Asset Allocation

➢ Our current allocation is 39% Risky Assets*, 30% Investment Grade Bonds in our Balanced fund.

Asset allocation	**Equity allocation:** neutral. **Bonds:** overweight. **Cash:** underweight.		
		Core allocation	**Tactical allocation**
Equities	**Regions/ sectors**	• Developed Markets (USA and Europe).	• Developed markets
	Investment style, stock selection	• Large cap non cyclical companies in Europe. • Global growth themes. • “Bond proxy” dividend selection. • Sustainable finance strategies	• Small equity hedges to reduce beta exposure. • L/S alternatives
Bonds & currencies	**Duration**	• Short duration (extremely short-term HY and medium-term IG in Europe). • Short duration in the USA.	• Duration partial hedging (Short bund futures).
	Bond segments	• Investment Grade USD and Euro, High Yield corporates EURO.	• Took profits on selective bonds.
	Currencies	• Neutral	
Commodities		• Gold in clients accounts	

* Risky Assets = Equities + (High Yield Bonds * 0.6 factor)

“L’Allemagne: pour l’Amour de l’Europe”
Le Point

Source: KBR, Le Point.

4. The Recovery Fund – Next Generation EU Plan: the game changer towards fiscal union

- EU Commission => fiscal package of EUR 750bio (circa 5,4% of EU GDP), Fund part of the EU budget & funding done through mutual debt issuance & under EU's name.
- Subject to approval by ALL 27 Governments & EU Parliament: EU budget unanimously approved by the Council, a simple majority by the EU Parliament & by National Parliaments (in order to increase the "Own Resources Ceiling of the EU Budget").
- Reluctance by 4 Frugal: Austria, Netherlands, Denmark & Sweden but will come with a counter proposal.
- Timing: not before 2021 (to follow Legislative Procedure of the EU budget) but deadline to adopt it December 2020 for implementation in January 2021.
- Out of EUR 750bio: EUR 500bio distributed via grants (not adding on to countries stock of debt) i.e.67% & EUR 250bio via concessionary loans i.e.33%: particularly positive for Italy & Spain (see next slide) as being main beneficiaries with respectively EUR 180bio & EUR 140bio.
- Financing: raised by temporarily lifting the *Own Resources Ceiling of the EU Budget to 2% (*maximum amount in a year that can be called from Member States to finance EU expenditure) but the EU Commission expected to propose new resources to fund the EU Budget such as an emissions trading scheme (carbon border Adjustment Mechanism) & new digital tax building on the work done by the OECD, budget then used as a guarantee by the EU Commission to issue bonds on behalf of the EU.
- Funds repaid between 2028 and by 2058 (although bonds issue across the 3 to 30 year segment of the curve), repayments of the loans going through increased direct tax resources (as mentioned above emissions trading schemes & digital tax).
- Coupons & Nominal amounts to repay grants to be reimbursed using a contribution key (using the country's share in EU 27 GDP).
- Loans (expected to have a long maturity) requested by individual Member States: to be repaid in full by the borrowing countries.

As a reminder: EU Commission AAA rated issuing on behalf of EU and loaning to State Members and currently operating via 4 programs:

1. EFSM (EU Financial Stabilization Mechanism).
2. Balance of payments program.
3. MFA (Macro-financial assistance).
4. SURE (to mitigate unemployment risks, recently agreed by EU.

These bonds are eligible to ECB Asset Purchase Program (APP) ☺

Cross country transfers: the EC publishing estimates of net transfers implied by the plan:
Germany: net biggest payer with EUR 133bio.
France: second net biggest one with EUR 52bio.

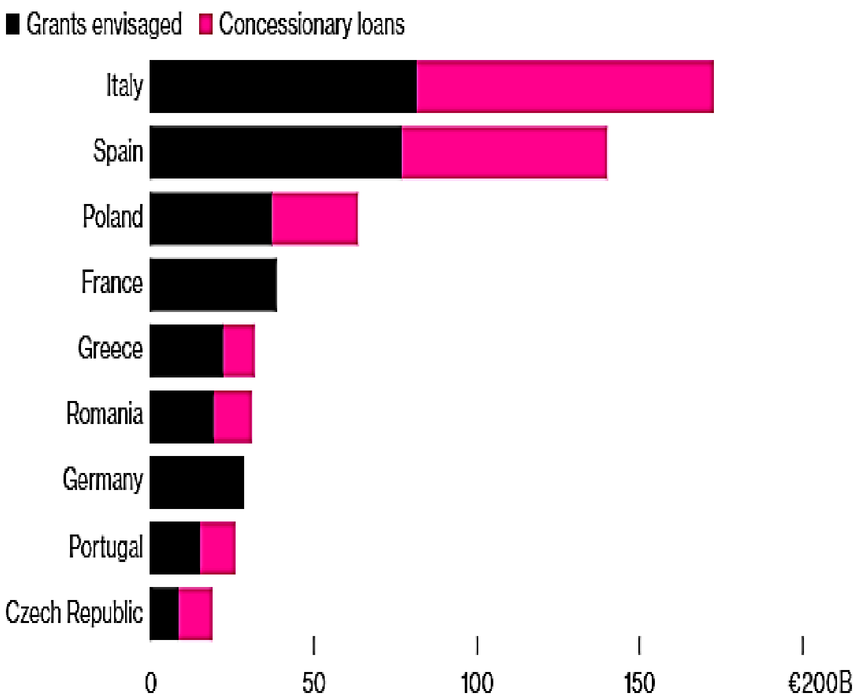
Top net beneficiary : SPAIN with EUR 82bio (because Spain receiving more funds with target programmes skewed towards youth unemployment).
And ITALY EUR 57bio.
Italy receiving 3,3% of GDP.
Spain receiving 6,6% of GDP.

Source: KBR.

4. The Recovery Fund – Next Generation EU Plan: the game changer towards fiscal union

EU Stimulus Allocation

Italy would get 81.8 billion euros in grants under the EU Commission's proposal, Spain 77.3 billion euros



	Grants (in billion euros)		Concessionary loans (in billion euros)
Italy	81.807	180 bn	90.938
Spain	77.324	140 bn	63.122
Poland	37.693		26.146
France	38.772		
Greece	22.562		9.436
Romania	19.626		11.58
Germany	28.806		
Portugal	15.526		10.835
Czech Republic	8.586		10.626
Hungary	8.101		6.968
Slovakia	7.939		4.874
Bulgaria	9.218		3.151
Croatia	7.365		2.648
Netherlands	6.751		
Lithuania	3.908		2.419
Belgium	5.48		
Slovenia	2.579		2.492
Sweden	4.691		
Latvia	2.894		1.595
Austria	4.043		
Finland	3.46		
Estonia	1.851		1.441
Cyprus	1.433		1.088
Denmark	2.156		
Ireland	1.91		
Malta	0.35		0.642
Luxembourg	0.17		

Source: European Commission estimates (2018 prices). Includes REACT EU, RRF, Just Transition Fund, Rural Development; concessionary loans are on the basis of having a GNI per capita (Spring 2020) below EU average

Source: KBR, European Commission.

4. EU: ECB Pandemic buying Programmes: Bullish for Credit

I. Asset Purchase Programme (APP): ECB regular tool including Sovereigns Public Sector Purchase Programme (PSPP), Corporate Sector Purchase Programme (CSPP), Covered bonds & Asset-backed securities (from Oct'14 till Dec' 18 & then restarted in Nov'19).

II. Pandemic Emergency Purchase Programme (PEPP): ECB's response to Covid-19 including all programmes mentioned above, started on March 26th (purchases of EUR 750bio of assets until year-end, as of now bought EUR 235bio (80% of purchases in GVT bonds) or circa EUR 85,8bio/month).

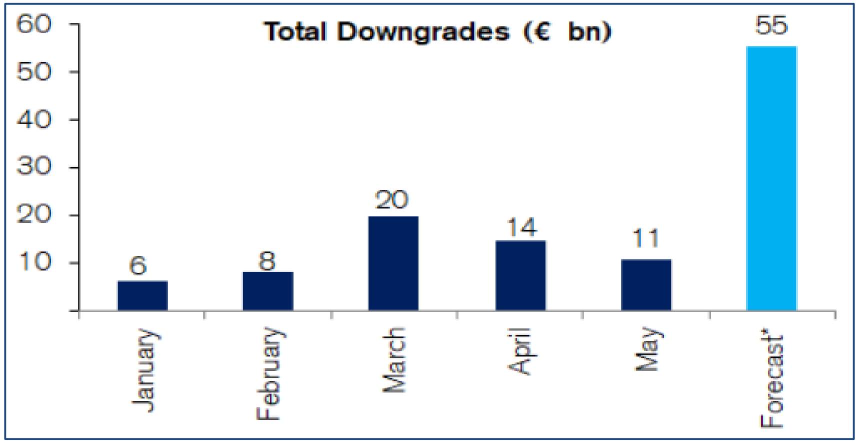
If ECB continues with current rate of purchase: it would buy EUR 5bio/month of corporate + EUR 5bio/month under current APP (if adding commercial paper ECB buying EUR 30bio/month under both programmes.

In conclusion ECB allows itself flexibility in their choice of purchases composition and should BTPs remaining resilient then ECB would have more room to buy corporate bonds.

The new purchase programme allowing more flexibility in the capital key: it determines the allocation of Sovereign purchases & is a function of the population & GDP of Eurozone countries (for Italy ECB allocating 20% of purchases to Italy versus 14% capital key) & it is the same for Italian corporate names in the CSPP.

ECB next step: including Fallen Angels to its eligibility purchase programme (most likely after Summer) and following its counterparts i.e. Fed and BOE (buying fallen angels in its commercial paper programmes).

According to CS, chart showing large volume of fallen angels this year



Source: KBR, CS.

4. Spreads, Performance

ICE BofA Euro Government Index — 12/31/2019 - 06/02/2020 — Currency: LOC

	Periodic Return
Total Return Factors	
Price Return (Local)	-0.115
Income Return (Local)	0.851
Total Return (Local)	0.736
Yield	
Effective Yield	0.19
Yield to Worst	0.20
Yield to Maturity	0.20
Spread (in Semi-Annual Terms)	
To Worst (vs Govt)	61
OAS (vs Govt)	64
Libor OAS	35
Asset Swap	39
Duration	
Effective Duration	8.43
Spread Duration	8.33

ICE BofA Euro Corporate Index — 12/31/2019 - 06/02/2020 — Currency: LOC

	Periodic Return
Total Return Factors	
Price Return (Local)	-3.128
Income Return (Local)	0.685
Total Return (Local)	-2.442
Yield	
Effective Yield	1.07
Yield to Worst	1.08
Yield to Maturity	1.13
Spread (in Semi-Annual Terms)	
To Worst (vs Govt)	161
OAS (vs Govt)	162
Libor OAS	129
Asset Swap	131
Duration	
Effective Duration	5.32
Spread Duration	5.56

ICE BofA Euro High Yield Index — 12/31/2019 - 06/02/2020 — Currency: LOC

	Periodic Return
Total Return Factors	
Price Return (Local)	-7.560
Income Return (Local)	1.550
Total Return (Local)	-6.011
Yield	
Effective Yield	4.78
Yield to Worst	4.88
Yield to Maturity	4.93
Spread (in Semi-Annual Terms)	
To Worst (vs Govt)	541
OAS (vs Govt)	536
Libor OAS	504
Asset Swap	471
Duration	
Effective Duration	3.89
Spread Duration	4.66

AU 31/12: EU CORPO IG 94BPS / AU 20/03 231BPS   AU 31/12: EU CORPO HY 308BPS / AU 20/03 837BPS

Source: KBR, Bloomberg.

4. Spreads, Performance

	ICE BofA US Treasury Index	ICE BofA US Corporate Index	ICE BofA US High Yield Index
Period	12/31/2019 - 06/02/2020	12/31/2019 - 06/02/2020	12/31/2019 - 06/02/2020
Currency	LOC	LOC	LOC
	Periodic Return	Periodic Return	Periodic Return
Total Return Factors			
Price Return (Local)	7.570	1.286	-7.172
Income Return (Local)	0.984	1.583	2.491
Total Return (Local)	8.555	2.869	-4.682
Yield			
Effective Yield	0.56	2.45	6.58
Yield to Worst	0.56	2.46	6.59
Yield to Maturity	0.56	2.49	6.92
Spread (in Semi-Annual Terms)			
To Worst (vs Govt)	-1	175	622
OAS (vs Govt)	1	181	618
Libor OAS	7	189	615
Asset Swap	9	198	550
Duration			
Effective Duration	7.42	8.07	3.89
Spread Duration	7.18	7.90	3.79

AU 31/12: US CORPO IG 101BPS / AU 20/03 402BPS   AU 31/12: US CORPO HY 360BPS / AU 20/03 1009BPS

Source: KBR, Bloomberg.

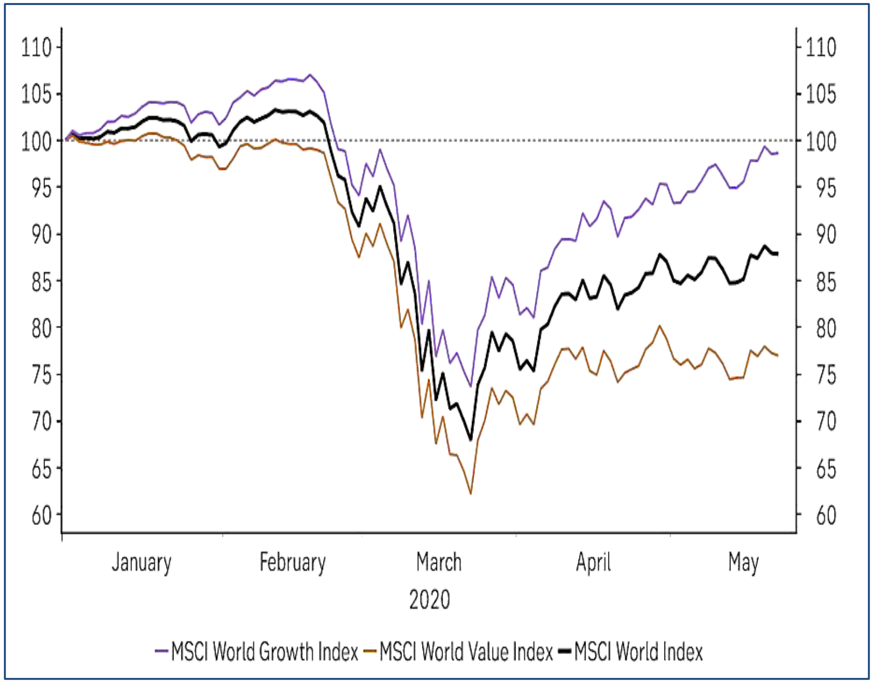
4. World bond indices performance

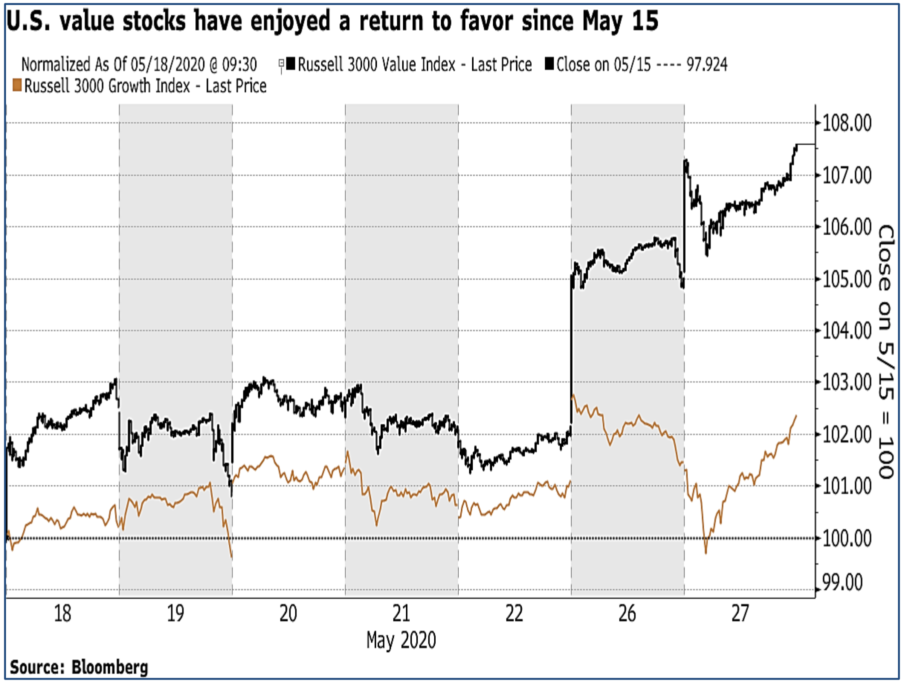
	Perf YTD End May	Perf last 3 months	Yield	Duration	Spread	3-year annualized retrun	5-year annualized retrun
Global							
Global Aggregate	2.1%	0.1%	1.0	7.4	63	3.43	3.35
Treasuries	2.7%	0.4%	0.5	8.7	16	3.36	3.45
Credit	0.7%	-1.2%	1.9	7.2	164	3.92	3.72
USA							
U.S. Universal	4.3%	0.9%	1.9	6.1	133	4.75	4.16
U.S. Aggregate	5.5%	1.6%	1.3	6.3	74	4.97	4.09
U.S. Gov/Credit	6.3%	1.7%	1.3	7.5	73	5.44	4.47
U.S. Treasury	8.6%	3.3%	0.5	7.1	0	5.33	3.99
Government-Related	3.0%	-0.7%	1.3	6.0	87	4.46	3.61
Corporate	3.0%	-0.7%	2.4	8.4	171	5.64	5.28
U.S. MBS	3.6%	1.8%	1.4	3.5	67	3.86	3.20
Pan Europe							
Pan-Euro Aggregate	0.4%	-1.9%	0.4	8.1	72	2.57	2.00
Euro-Aggregate	0.3%	-2.0%	0.3	7.4	81	2.36	2.25
Asia Pacific							
Asian-Pacific Aggregate	-1.0%	-1.4%	0.9	8.5	8	1.11	1.13
High Yield							
Global High Yield	-6.8%	-5.2%	7.3	4.4	687	1.56	3.75
US Corporate High Yield	-4.7%	-3.4%	6.9	4.0	627	3.06	4.35
Pan-European High Yield	-7.7%	-6.1%	6.6	4.0	567	0.86	2.16
Other							
Global Inflation-Linked	2.3%	0.4%					
Municipal Bond Index	1.2%	-1.8%	1.6	4.9		3.77	3.80
Emerging Markets							
EM USD Aggregate	-2.8%	-4.1%	5.0	6.6	442	3.23	4.49
Sovereign	-4.8%	-5.4%	5.6	8.4	488	2.03	4.12
Corporate	-1.7%	-3.2%	5.5	4.7	505	4.05	4.50
High Yield	-9.4%	-8.4%	9.1	5.3	858	-0.26	4.07

Source: Bloomberg 31/05/20.

5.1. Equities : Growth vs Value

- Value has been underperforming significantly compared to growth for a long time.
- On May 15, the Russell 3000 Growth index moved to its greatest ever outperformance of the equivalent value index. Since then it has underperformed value.
- Are there any reasons to believe that this is a turning point?

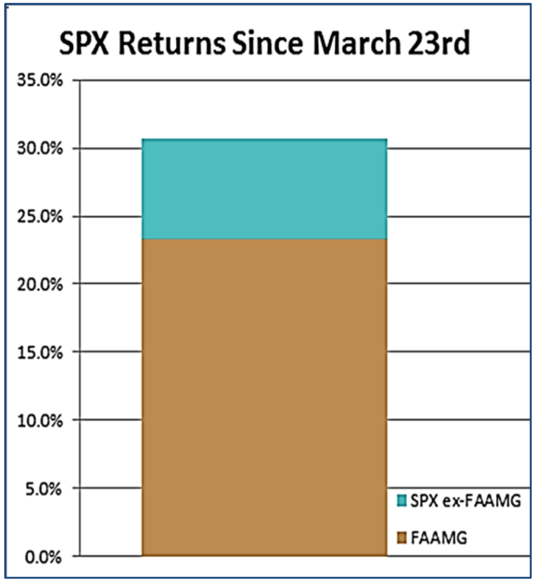


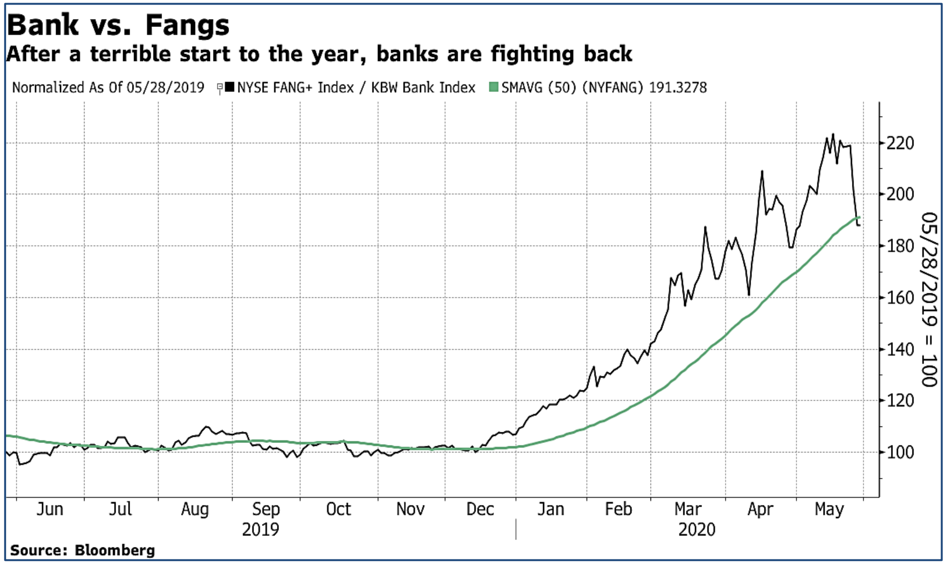


Source: Bloomberg.

5.1. Equities : Internet Stocks

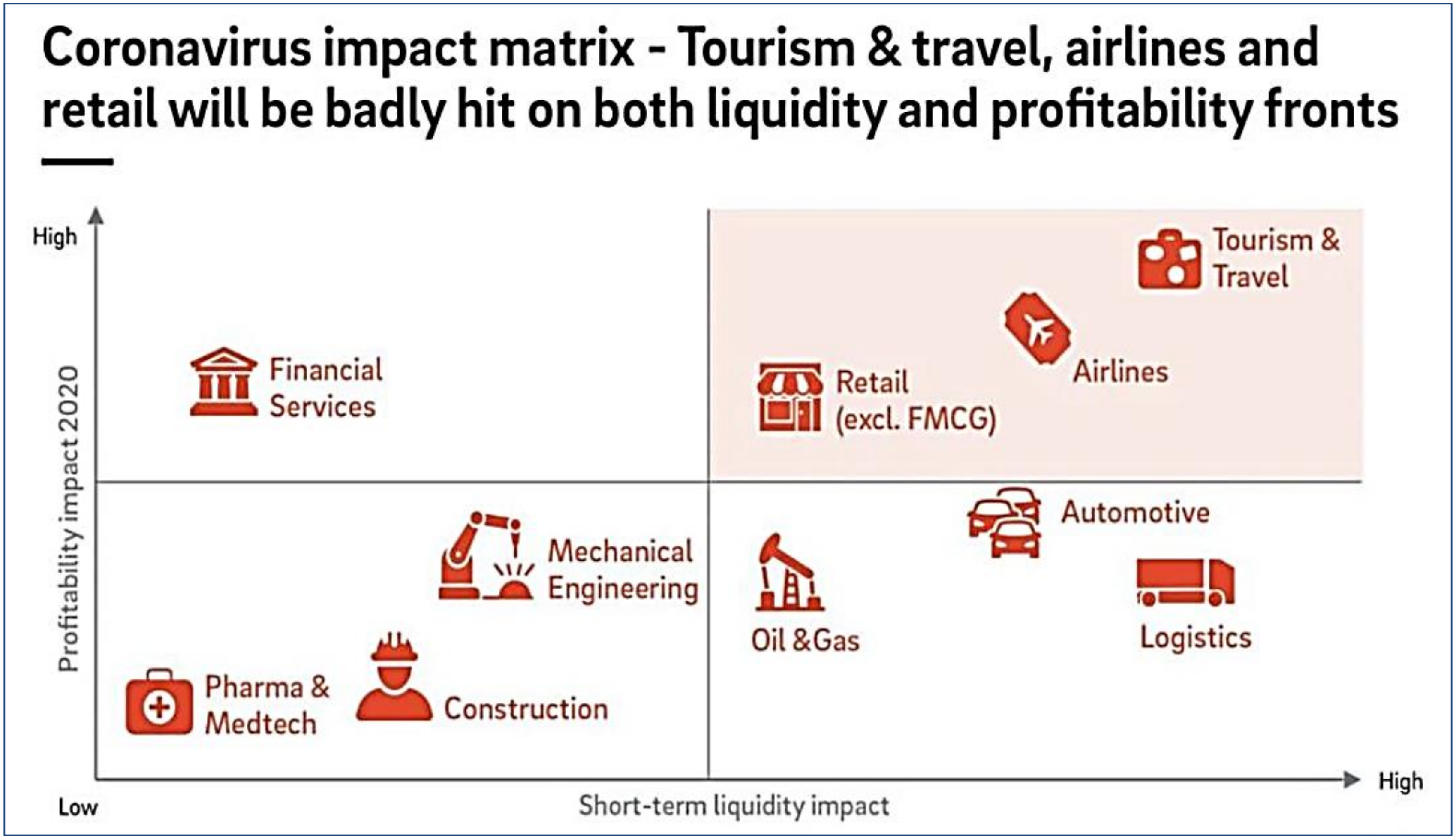
- The FAAMG internet stocks, part of the growth style, have outperformed the rest of the market to a remarkable extent. Working remotely, cloud and online shopping all benefit technology firms.
- Meanwhile, Banks, which are value stocks, have been the market's Achilles' heel on the assumption that they would be hurt by loan defaults.
- If we want to confirm that value is recovering, a rebound of the banks relative to the FAAMG would be a necessary condition.





Source: Bloomberg.

5.1. Equities : Coronavirus impact



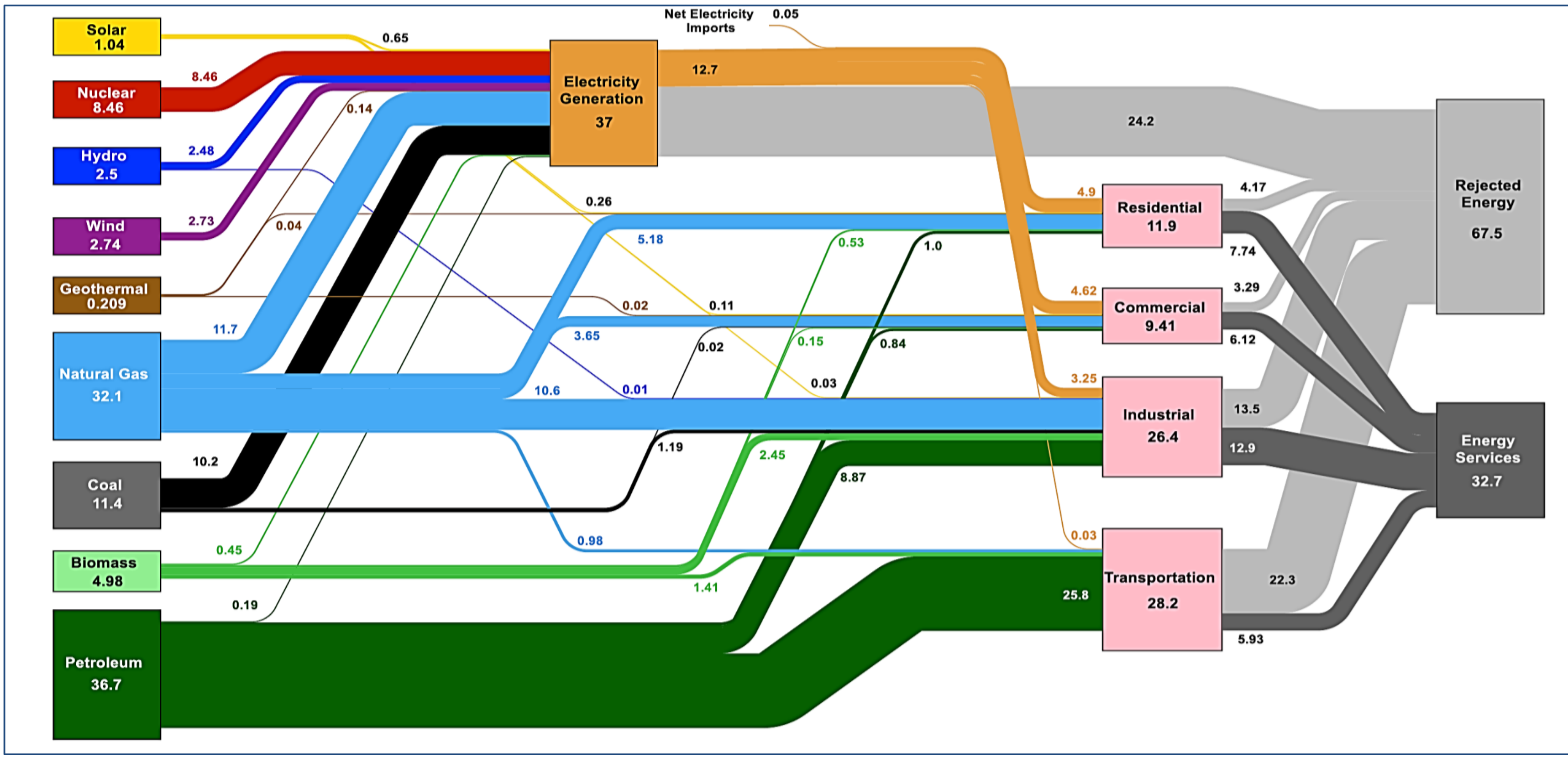
Source: Roland Berger.

5.2. ESG highlights

- Each year, the Lawrence Livermore National Laboratory releases flow charts that illustrate US consumption and use of energy. In 2019, the largest increases in energy supply came from natural gas, wind and solar energy. Coal use was down 14%.

- As LLNL explains, “All energy use and conversion results in some losses.” Last year, 67.5 quads were rejected (1 Quad = 293'071'000'000’000 kWh).

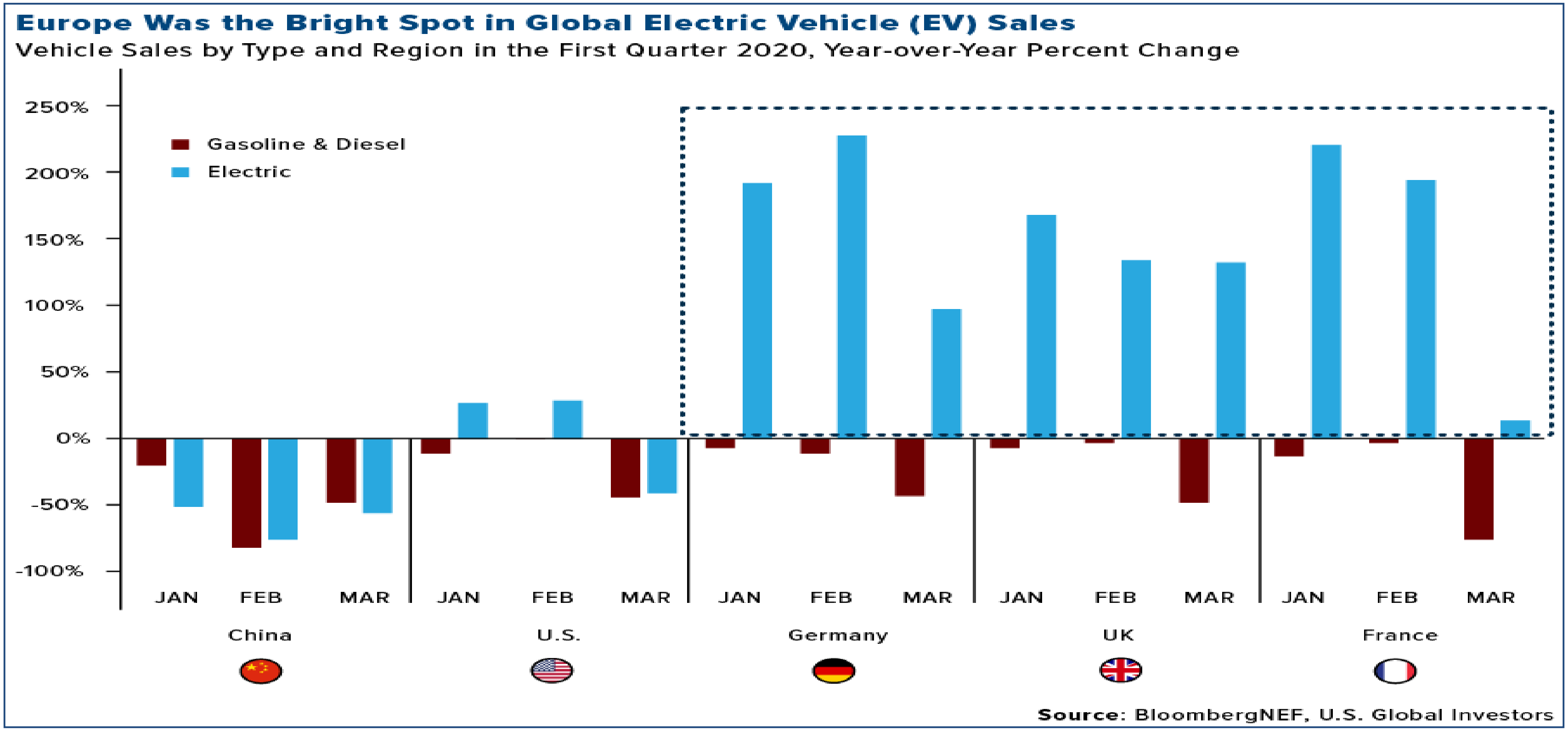
Estimated US Energy Consumption in 2019



Source: Lawrence Livermore National Laboratory.

5.2. ESG highlights

- The lockdown of global economies to combat the spread of the coronavirus has been a disaster for auto sales, whereas the bright spot in auto sales has been electric vehicles.
- French president Emmanuel Macron has announced an EUR 8 billion plan to revive the country's auto industry, which has been hampered by loss of sales and production during the lockdowns. The plan includes increased subsidies for buyers of electric or hybrid cars and support for research on hydrogen power and self-driving cars.

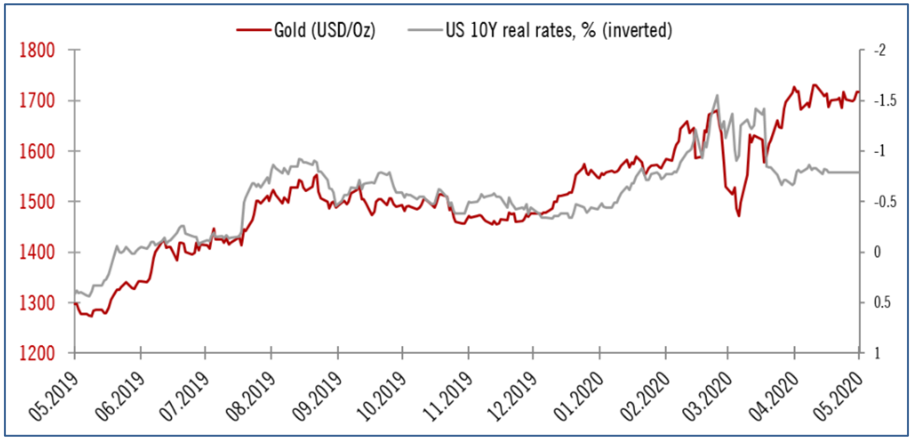


Source: Bloomberg NEF, US Global Investors, Mauldin Economics.

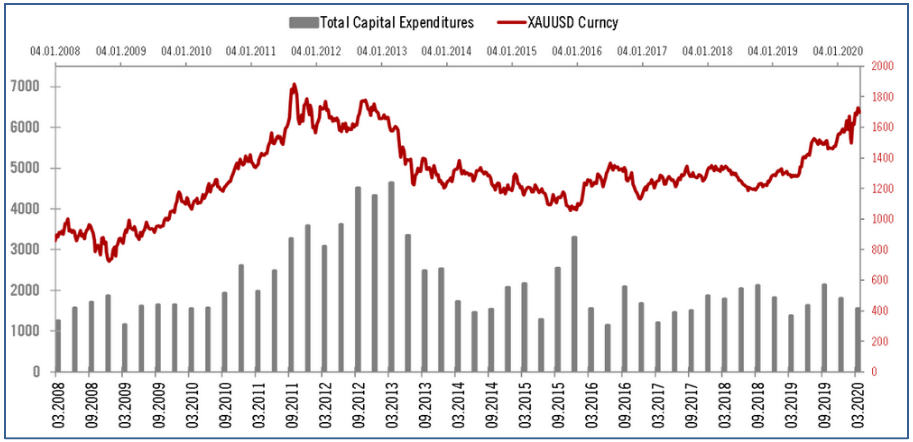
6.1. Will gold continue to shine ?

- Gold, one of the most popular safe heaven asset, is up 14% this year. In times of uncertainty, investors buy gold as an hedge against unexpected disasters.
- We believe gold price should remain sustained for the next twelves months. Aggressive stimulus packages and higher fiscal deficits could at some point create inflation for which gold is a good protection.
- While gold demand grew with the coronavirus outbreak, gold supply will need some quarters to catch up with demand. Total Q1 supply fell 4% as lockdowns impacted mine production and gold recycling. Moreover, mining companies have been developing new projects at a slower pace then its peak in 2012.

Gold price (USD/oz) and US 10-year real rates (inverted)



Gold Bullion Price and Quarterly Capital Expenditures



Source: Bloomberg Finance LP, Pictet Trading Strategy as of 27.05.2020

Conclusion

- WW new cases peak is behind us, lockdowns release started around the World…but the story is not over!
- Back to fundamentals: How deep is the pain ?
- Central Banks are your friends (more than ever) !
- Look for decorrelated assets and strategies.
- Avoid Zombie company bonds, crisis will impact default rates !
- US Elections: How Mr. Trump will turn the crisis at his advantage ? Will China be the scapegoat ? Will the protests over Floyd's death affect the 2020 presidential election ?

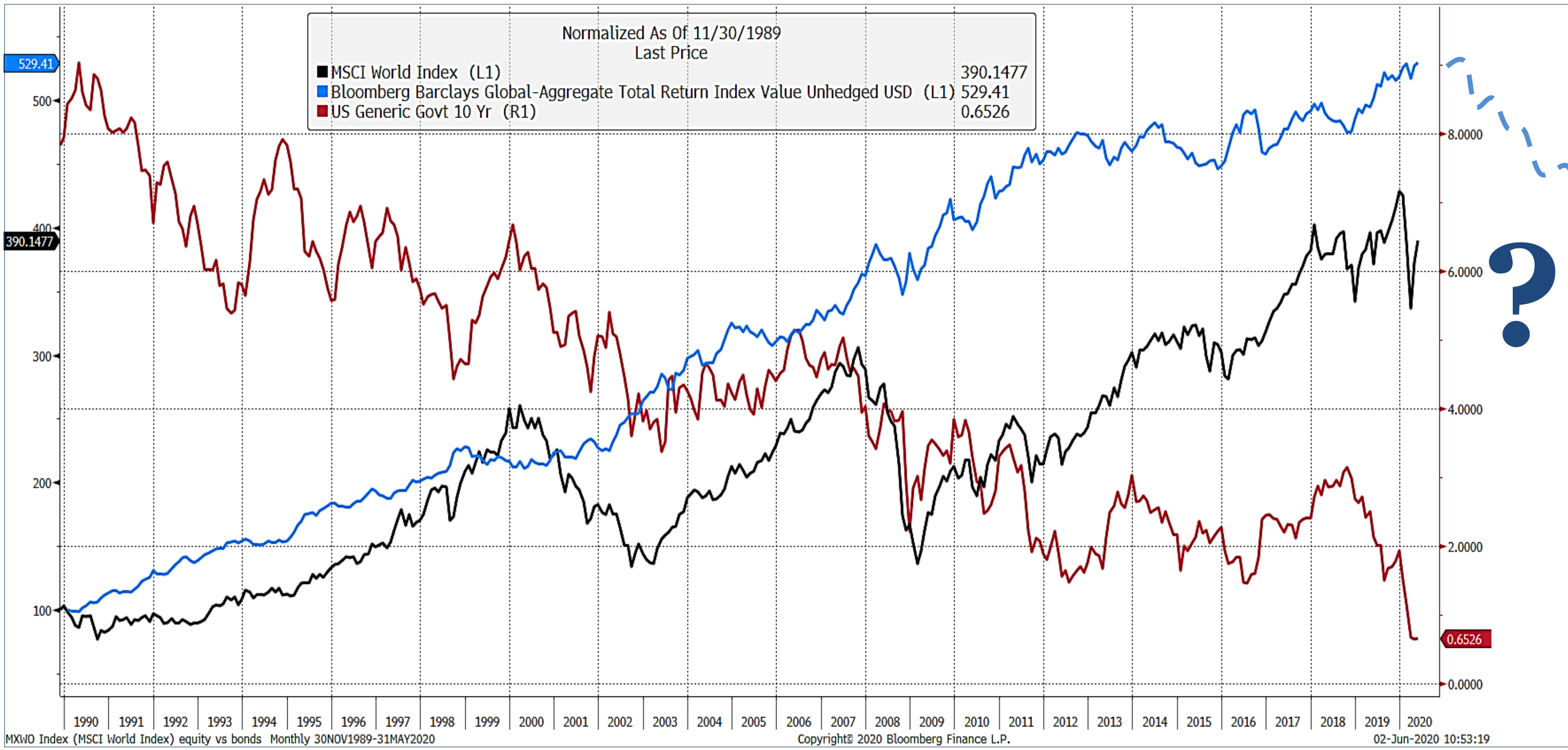
Appendix

1. Global bonds, MSCI World equities, US 10 year yield
2. Equities vs bonds?...
3. Bitcoin

Appendix 1: Global bonds, MSCI World equities, US 10 year yield

- Can interest rates go lower?

Global bonds, MSCI World equities, US 10 year yield

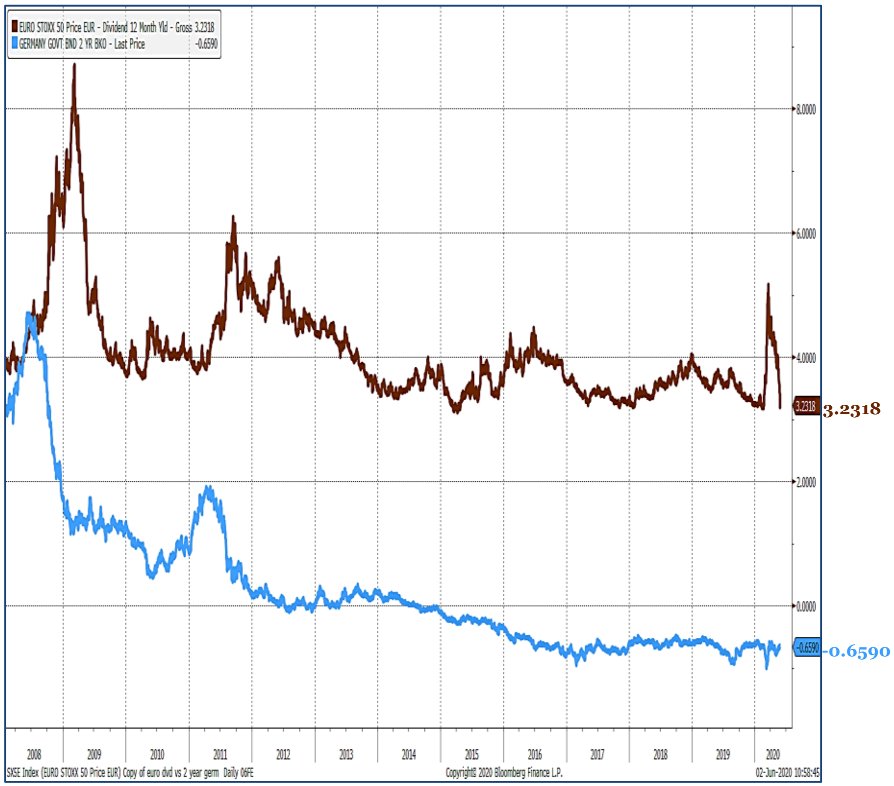


Source: Bloomberg, 31/05/20.

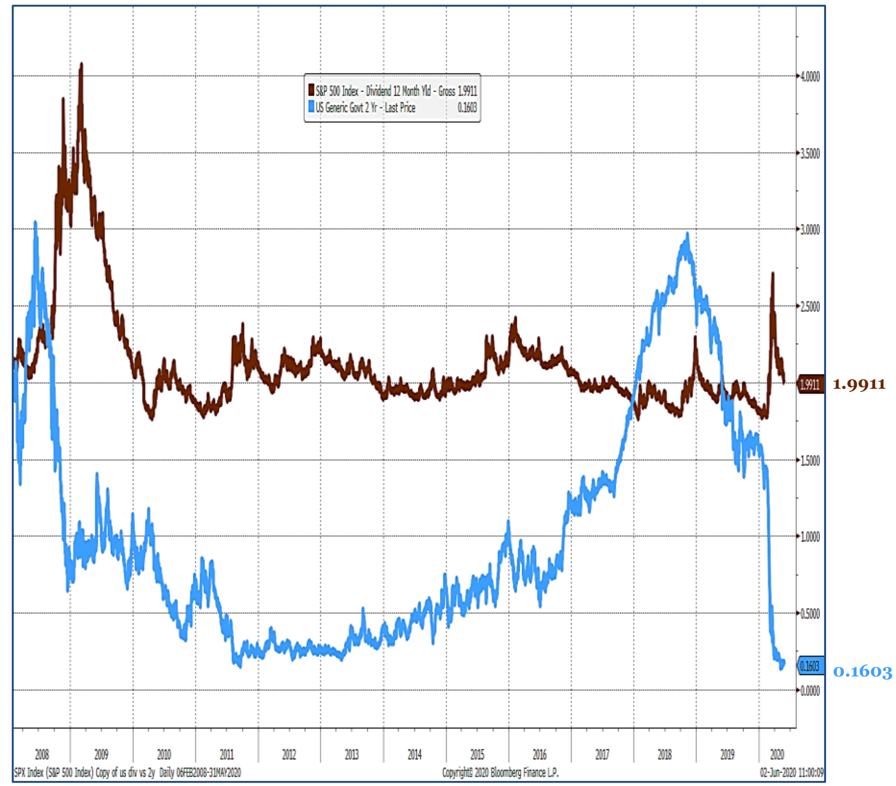
Appendix 2: Equities vs bonds?…

➢ Dividend yields are again higher then interest rates on both sides of the Atlantic.

Eurostoxx 50 dividend yield vs 2-year Bund yield (blue)



S&P 500 dividend yield vs 2-year US Treasury yield (blue)



Source: Bloomberg, 31/05/20.

Appendix 3: Bitcoin

BTC / USD

Source: Bloomberg.

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