WHAT IS « MISTER MARKET » TELLING US?

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This presentation is intended for qualified and professional investors only.

EXECUTIVE SUMMARY

- **Market outlook**

  TACTICAL

- **Long Term Capital Market Assumptions**

  STRATEGIC

- **Investment Solution**

  ALPHA

This presentation mainly answers the following questions

From a **short-term perspective**, should we expect a market regime **in capitulation mode** or a usual **rotation of equity sectors**? Slide 21

Since the beginning of Q2 2022, we have observed a **sustainable equity market sell-off regime**. Will this process **continue in 2023**? Slide 23

In the short term, should we expect **further turbulence in global stock markets**? Slide 26

Do we observe a **transmission of equity market risk** to other asset classes? Slide 28

Is there any **systemic risk** in the **US high yield** credit market? Slide 31

Do financial and economic **fundamentals** point to an upcoming **significant economic slowdown** (recession) in the United States? Slide 40

Does a factor analysis suggest a **decline in the market's expected inflation** and the U.S. 10-year rate in 2023? Slide 44

Have central banks **begun their balance sheet reduction programs** in a meaningful way? Slide 47

What **tactical asset allocation** could we suggest? In the long term, what are our **capital market assumptions** and **efficient portfolios**? Slides 49 & 57

RISK FACTORS FOR READING THE MARKET

Appropriate risk indicators can help us to **understand** and **anticipate** changes in financial market trends.

A structured methodology could help:

- to **identify changes in the financial market** cycle and adapt portfolios accordingly, and
- to **move quickly** from an aggressive tactical asset allocation to a conservative tactical asset allocation **at the beginning of a sustainable bear market**.

Rationale: **Reduce US** risky assets in your portfolios if there is **systemic risk**!

RISK FACTORS FOR READING THE MARKET

SYSTEMIC RISK

Overall, **systemic risk** models do not **anticipate a significant decline** in the performance of equities

RISK AVERSION

Risk aversion indicators decrease but remain **RISK OFF** in the US and Europe

SENTIMENT

US investor sentiment remains **bearish**

LEADING SIGNALS

And US leading economic indicators **point to a slowdown** in economic activity or short-term recession

Summary

TIME TO INCREASE RISK?

RISK ON - RISK OFF MAP

	RISK SIGNALS SUMMARY		As of March 24th 2023	As of March 31st 2023	As of April 14th 2023	As of April 28th 2023
Market Risk	**US Equity Momentum signal** Pair-wise model US stocks vs. US treasuries	Slide 30	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**US Treasury model** Pair-wise model US 10 years vs. US 30 years	Slide 30	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**Global Equity turbulences signal** Daily volatilites and correlation of global indices	Slide 22	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**The Absorption Ratio** PCA methodology based on S&P 500 intra-stocks	Slide 19	Decreases	RISK ON	RISK ON	RISK ON
Market Risk	**The change in Absorption Ratio** This ratio rose in advance of market turbulence	Slide 20	Decreases	RISK ON	RISK ON	RISK ON
Market Risk	**Intra-stock S&P500 correlation signal**	Slide 17	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**Cross Asset turbulence index** A measure of unusualness in financial markets	Slide 24	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**VIX model**	Slide 25	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**US High Yield** US High Yield C spread H0A3 Govt OAS	Slide 27	RISK ON	RISK ON	RISK ON	RISK ON
Market Risk	**US Equity protection signal**	Slide 25	RISK ON	RISK ON	RISK ON	RISK ON
Risk Aversion & Sentiment	**US Risk Aversion Market Index**	Slide 32	RISK OFF	RISK OFF	RISK OFF	Decreases
Risk Aversion & Sentiment	**European Risk Aversion Market Index**	Slide 32	RISK OFF	RISK OFF	RISK OFF	RISK OFF
Risk Aversion & Sentiment	**US Investor sentiment** Bullish – bearish readings	Slide 33	BEAR	BEAR	BEAR	BEAR
Political Risk	**US Economic Policy Uncertainty Index**	Slide 79	LOW	Increases	Increases	LOW
Political Risk	**European Economic Policy Uncertainty Index**	Slide 80	LOW	Increases	Increases	HIGH
Macro Leading Indicator	**US Contraction leading signal**	Slide 37	Increases	Increases	Increases	Increases
Macro Leading Indicator	**US Businness Cycle vs 5Y/5Y forward rates**	Slide 37	Decreases	Decreases	Decreases	Decreases

RISK ON

NEUTRAL

RISK OFF

MAIN INSIGHTS AT A GLANCE

TIME HORIZON: 1 WEEK TO 3 MONTHS

- The sharp rise in US interest rates and inflation forced the **equity market into negative returns** in 2022. This supports the scenario of a **gradual adjustment of the markets** in line with the new monetary policy of the FED in 2022.
- Since the beginning of the year markets are gradually **refocusing on economic fundamentals** and the expectations of a change in monetary policy **less aggressive** by the FED and ECB in 2023 due to a more **significant slowdown** in economic activity.
- In April, the **equity momentum remains positive**. Against the backdrop of a weakening banking sector and slowing economic activity, **investors are betting on a significant change** in the FED's monetary policy **in favor of risky assets**. The **VIX** index and U.S. **high yield** bond spreads remain **low**. In addition, **risk aversion** signals in the US and European markets **remain RISK OFF**, although there has recently been a **substantial decrease in risk aversion among investors in the US markets**. On the other hand, **systemic risk models do not anticipate** a significant decline in the equity market at this stage.

TACTICAL ASSET ALLOCATION

- Overall, in May we continue to **suggest maintaining an overweight position in equities** in our portfolios.

MAIN INSIGHTS AT A GLANCE

TIME HORIZON: 3 MONTHS TO 12 MONTHS

- In 2022, equity market performance fell due to rising short and long-term rates. We expect a normalization **in 2023 <u>until the third quarter</u> , with improved US equity and government bond performance**.

This table summarizing all market views by US asset class for Q2 2023 / Q3 2023		**Current level** 24.02.2023	**Current targets** Q2 2023 / Q3 2023
S&P 500	Price	3970	4400
ICE BofA US Treasury & Agency (7-10 Y)	Yield	3.98	3.5
ICE BofA US Treasury (10+ Y)	Yield	4.05	3.6
Gold	Price	1817	1920
United States Dollar Index	Price	105	92 / 98

These tactical views are based on equilibrium models and predictions.

* Dollar hedged

Target prices established in February 2023

TACTICAL ASSET ALLOCATION

- Tactically, **increasing** the weights of US **Equities**, US **government bonds** and **gold** may be a good bet in a normalization cycle in 2023 **until the third quarter**.

TIME HORIZON: 10 YEARS PLUS

- **US** and **Swiss** equities are expected to **outperform European** equities over the next decade and longer.
- **Hedged funds**, **private equity** and **real estate** should be selected and **overweighted** in strategic model portfolios.
- **Government bonds** and **emerging market debt** remain **key assets** in efficient model portfolios.
- **Indian** stocks **improve** the **expected performance** of optimal portfolios.

STRATEGIC ASSET ALLOCATION

MAIN INSIGHTS AT A GLANCE

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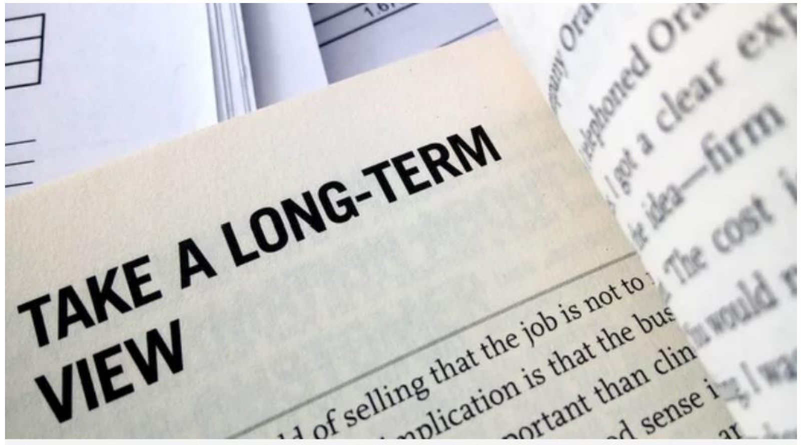
TIME HORIZON: 1 WEEK TO 3 MONTHS

TIME HORIZON: 3 MONTHS TO 12 MONTHS

TIME HORIZON: 10 YEARS PLUS



LONG TERM CAPITAL MARKET ASSUMPTIONS

TACTICAL ASSET ALLOCATION INVESTMENT

INVESTMENT SOLUTION

APPENDIX

To answer various questions often asked by investors

APPENDICES

The full presentation is available upon request through the **richfox.com** website.

This presentation contains forward-looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements. Market views insights provided comes from sources deemed reliable, but completeness or accuracy are not guaranteed.

Therefore, the forecasts suggested in this note are not guaranteed.

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Frédéric VILHES' background

Chief Investment Officer - Richfox capital since January 2023

Head of Research and founder - VFR Capital (2021 - 2022)

Head of Asset Allocation - Julius Baer (2016 - 2021)

Cross Asset Strategist - Bank Pictet (2012 - 2016)

Senior investment analyst - Merrill Lynch (2008 - 2012)

Head of trading research - BCV Lausanne (2006 - 2008)

Quantitative portfolio manager - Credit Suisse Asset Management (2004 - 2006)

Portfolio manager - Compagnie Financière Michelin (1998 - 2004)

PhD in Finance and Accounting from University of Geneva (2006)

Master of Financial Mathematics from University of Paris Dauphine (1997)