ODDO BHF
ASSET MANAGEMENT

MONTHLY *investment* BRIEF

A complex equation

Investors are faced with a dilemma: lower the level of risk again in line with the deterioration of the global economy in a market that has already corrected by nearly 15% or rebalance equities by favouring the results of companies that are currently solid but potentially at risk.

Let's cut to the chase: current earnings estimates in Europe for 2022 are overly optimistic considering China's economic slowdown, the deteriorating global economy and the energy supply shock.

First, corporate profits in Europe are as sensitive to Chinese economic fluctuations as they are to European economic activity, which is suffering from the strong German slowdown. Even if Chinese credit supply is set to rebound, the lagged effect of the previous slowdown in credit flows will continue to hurt European growth in the short-term. Beijing's political response to the latest COVID outbreak only adds to this headwind.

Second, the slowdown in global growth outside China is also threatening European earnings. The decline in the ratio of new orders to inventories in the US ISM index is a leading indicator of slowing earnings growth in the eurozone. Global export growth has collapsed to 5.5% from over 20% a year earlier and is expected to deteriorate further.

Third, the pass-through of higher energy prices is not strong enough to protect corporate profit margins. The second-round effects (price/wage spiral) already present in the US could take hold in Germany. Historically, this has resulted in a contraction of operating profit margins.

We therefore need to focus our investments on companies whose earnings are growing faster than long-term inflation, which we simplistically estimate at 3%. For example, 10% earnings growth allows a company to pay out 16x its earnings so that it can offset inflation over 10 years, but only 12x if inflation is at 5%. The S&P is now trading at 19x earnings, the STOXX600 at 13x but with historically lower earnings expectations.

The equation to solve is a complex one. Building a robust portfolio will require combining discounted companies and profitable growth stocks. Indeed, a recession would indicate a further underperformance of cyclical sectors, even though they are low valued. Conversely, an even more pronounced rise in inflation would significantly hurt growth stocks.

In this context, let's try to find investment opportunities.

First idea: the US software industry

Since the start of 2022, the software industry in the US has entered a phase of successive buyouts from private equity funds. Private equity funds have historically focused a large part of their investments on the software industry, given its unique characteristics: 1) addressable markets with strong growth and high visibility (the waves of investment linked to digitalisation, public cloud or cyber security are only in their infancy); 2) business models increasingly based on recurring sales (given the sector's migration from a licence/maintenance model to a subscription model also known as Software as a Service); 3) free cash flow generation much higher than that of the market as a result of high operating margins and relatively low investments.

Furthermore, it should be noted that valuations are currently more attractive. The US software sector is worth around 9.6x sales (compared to a 9.5x sales average over the past 5 years and 17.2x sales at the sector peak in 2021, according to Morgan Stanley).

Finally, with the expected slowdown in growth, the largest software companies will boost their future growth by buying other companies that will provide them with entry points to one or more high-growth markets, or even access to certain technologies. The most attractive segments are expected to remain Cyber Security, Devops, Analytics, Observability, ITSM (IT Service Management), ITOM (IT Operations Management), and Collaboration Software.

Source: ODDO BHF AM, comments as of 05/05/2022

Second idea: US biotech companies, especially those equipped with innovative, digital development platforms

The average development time of a drug over all its cycles is 8 years. The pharmaceutical industry has therefore always been structured around long cycles and returns on capital employed limited by low success rates in the development phases. As we have seen during the Covid crisis and the extremely rapid developments in mRNA vaccines, recent advances in Artificial Intelligence (AI) and Machine Learning (ML) will take this industry to the next level.

Three types of benefits of AI/ML can already be identified:

1. identification of innovative therapies;
2. reduction in drug development time;
3. higher probability of success for molecules in clinical trials.

For example, Machine Learning algorithms will bring major benefits in defining the right dosage of a tested molecule to reach the optimum "efficacy vs. toxicity" ratio and in the constitution of patient cohorts that meet the desired characteristics (phenotypes and genotypes) for clinical trials. These innovative therapeutic approaches open up prospects for a cure that were unthinkable a few years ago. At current prices, some valuations have been divided by 3 or more and offer attractive entry points.

To wrap things up, we are maintaining a cautious equity allocation, remaining short duration and further reducing our active weight against the benchmark. As you can see, the next earnings cycle is likely to be less favourable... for some sectors or themes, but not for all.

LAURENT DENIZE
Global CIO,
ODDO BHF AM

BRICE PRUNAS
Portfolio manager, Artificial Intelligence
ODDO BHF AM

Source: ODDO BHF AM, comments as of 05/05/2022

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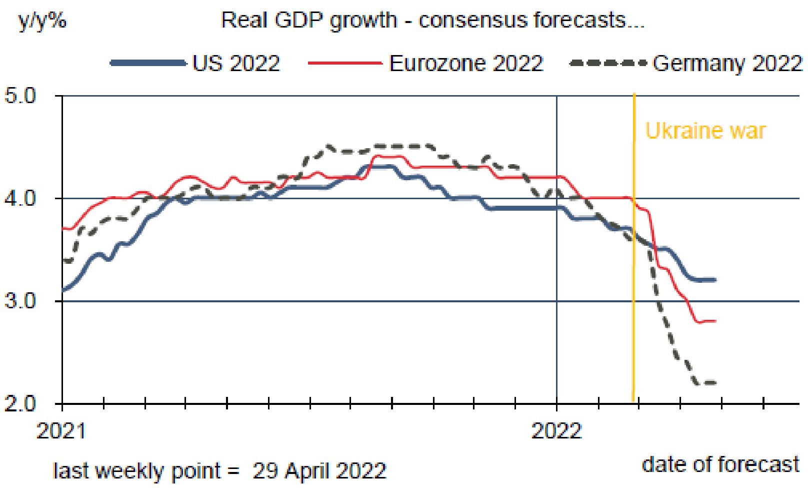
01

MACROECONOMIC *outlook*

Growth outlook

NO CONSENSUS YET ON A POTENTIAL RECESSION

GDP GROWTH FORECASTS



EUROZONE REVISIONS

EUROZONE	Pre-war Forecasts		March 2022 forecasts		April 2022 forecasts			
annual change %	GDP 2022	CPI 2022	GDP 2022*	CPI 2022	GDP 2022*	GDP 2023	CPI 2022*	CPI 2023
ECB	4.2	3.2	3.7 (adverse: 2.5)	5.1 (adverse: 5.9)	-	-	-	-
IMF	3.9	-	-	-	2.8	2.3	5.3	2.3
Consensus	3.9	3.9	3.2	5.7	2.8	2.3	6.5	2.4
Oddo BHF	4.3	3.9	2.8	5.3	2.5	2.1	6.6	2.1

* o/w "GDP growth carry-over" in Q1 2022 = 2.1 points

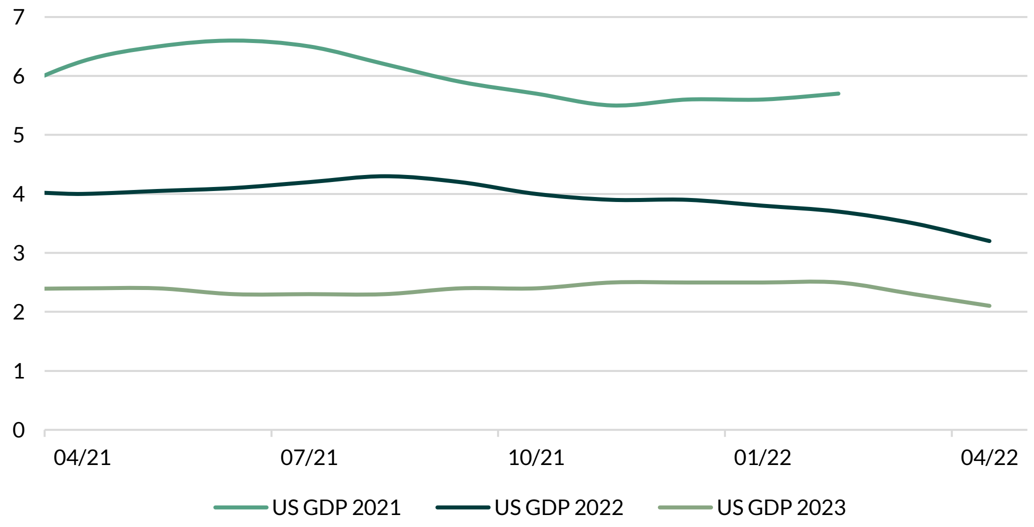
** o/w "inflation carry-over" in March 2022 = 5.8 points

- GDP revisions especially strong in the Eurozone
- Consensus cut growth expectations by 1.4 points to 2,8% GDP for 2022, while the US saw a 0,7 point decline to still 3.2%
- Risk is still for more downside revisions

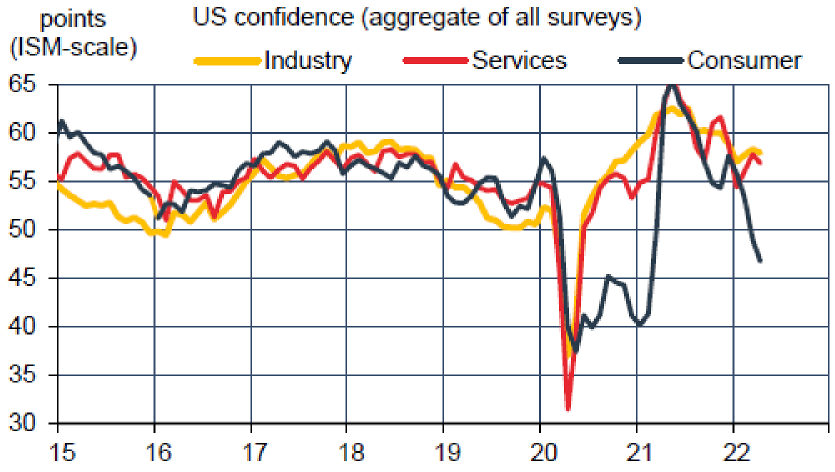
Sources: ODDO BHF AM SAS, ODDO BHF Securities, Thomson Reuters

USA: business climate still in positive territory
CONSUMER CONFIDENCE IS FALLING

GDP GROWTH ESTIMATES FOR THE YEAR IN THE US (%)



CONSUMER CONFIDENCE



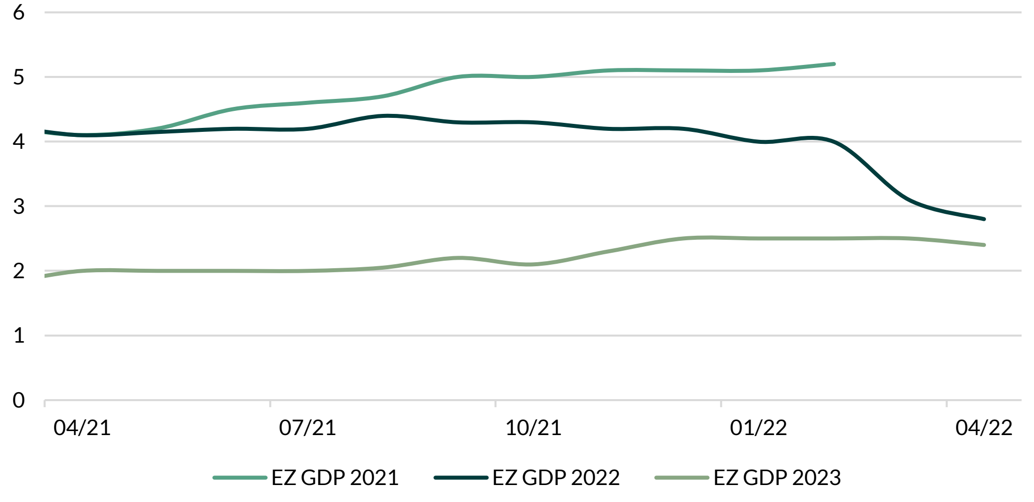
- Cyclical downswing so far at a moderate pace as reflected by slightly softer ISM readings
- Q1 GDP came in much lower than expected at minus 1.4%, but has been distorted by a jump in imports and an inventory quirk
- Property and labor markets are still in overheating mode
- Consumers demand shift from durable goods to service should ease some of the price pressures

Sources: ODDO BHF AM SAS, ODDO BHF Securities, Thomson Reuters, Bloomberg | Data as of 04/30/2022

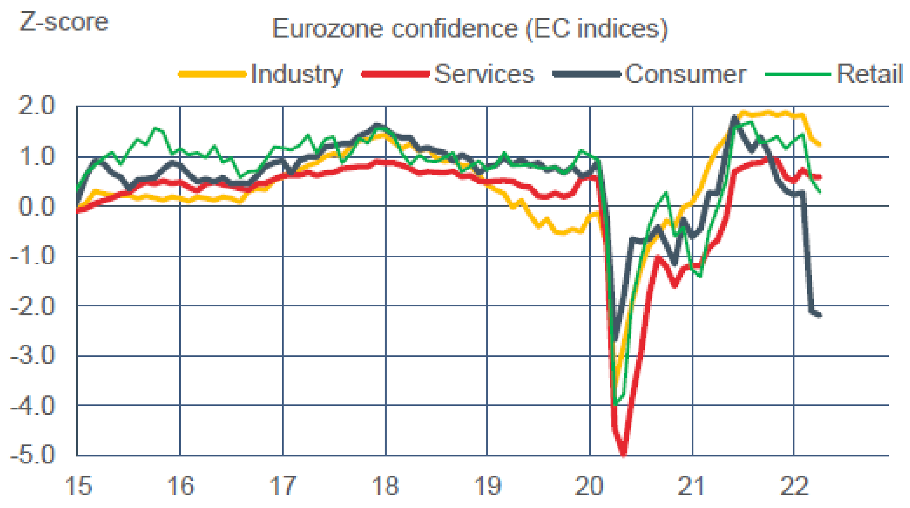
Europe: In the grip of stagflation

GROWTH PROSPECTS AND CONFIDENCE DOWN

GDP GROWTH ESTIMATES FOR THE YEAR IN THE EURO AREA (%)



CONSUMER CONFIDENCE



- Q1 GDP posted a slightly positive showing of 0.2% qoq after edging up 0.3% in Q4
- Almost no growth since November, while inflation is spiking reflects a stagflationary environment
- Consumer sentiment indicators and business surveys have collapsed since the Ukraine invasion and first hard data like industrial production for March has been on the weak side
- Healthy consumer balances, increased fiscal responses and omicron relief may buffer some of the downside risk but recession risk is still elevated

Sources: ODDO BHF AM SAS, ODDO BHF Securities, Thomson Reuters, Bloomberg | Data as of 04/30/2022

China

ZERO-COVID OR GROWTH – ONE HAS TO GIVE

PMI CAIXIN

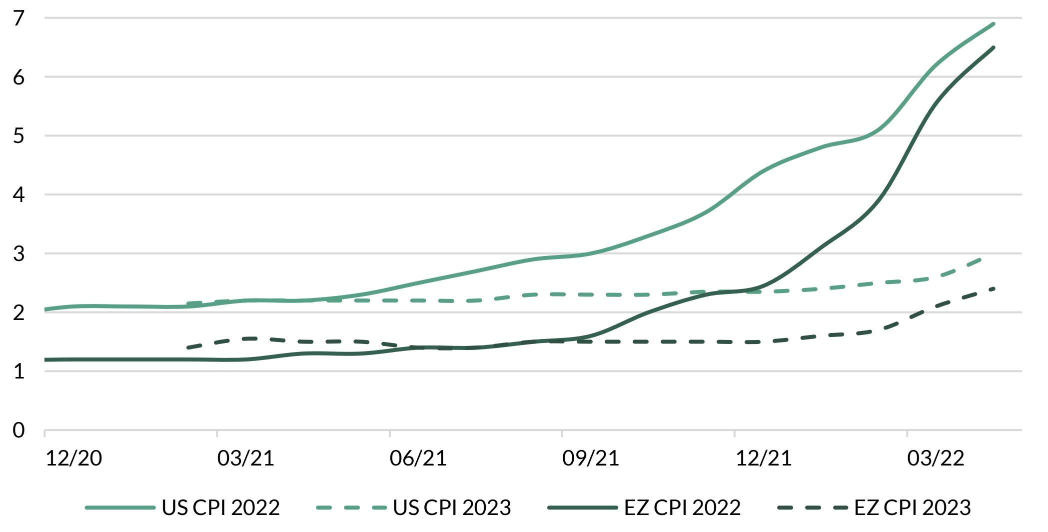
ACTIVITY INDICATORS

- Composite Caixin PMI slides to lowest level (37.2) since the covid outbreak on the back of a slump in the service component
- Zero covid strategy and property market woes have increased downside risk to GDP massively
- Consensus forecasts for a 4.9% growth in 2022 appear to be out-of-reach
- Pivot towards more expansionary policy a positive support, but magnitude probably limited

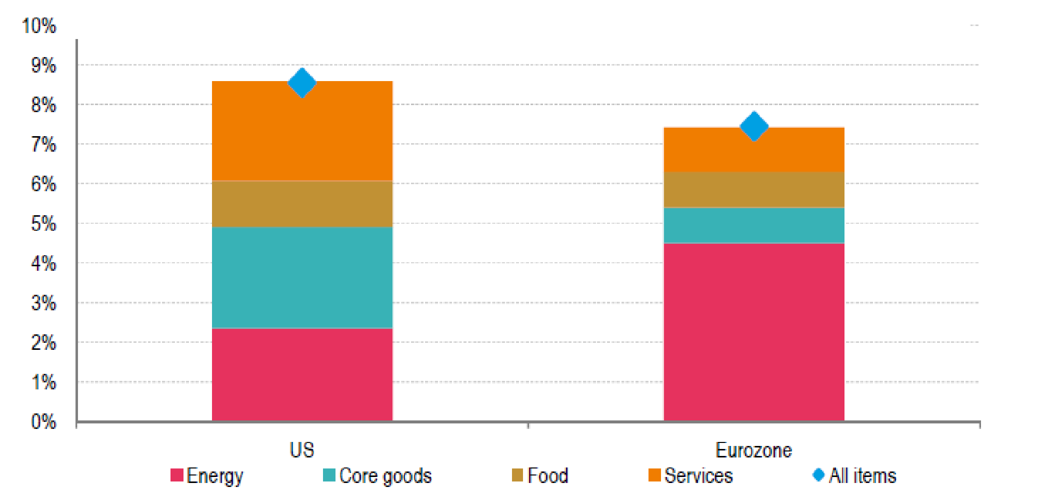
Sources: ODDO BHF AM SAS, ODDO BHF Securities Bloomberg | Data as of 04/30/2022

Inflation expectations
REACHING A PLATEAU ON A VERY HIGH LEVEL

US & EUROZONE: FULL YEAR CPI GROWTH ESTIMATES (%)



INFLATION: FUNDAMENTAL DIFFERENCES BETWEEN THE US AND THE EUROZONE



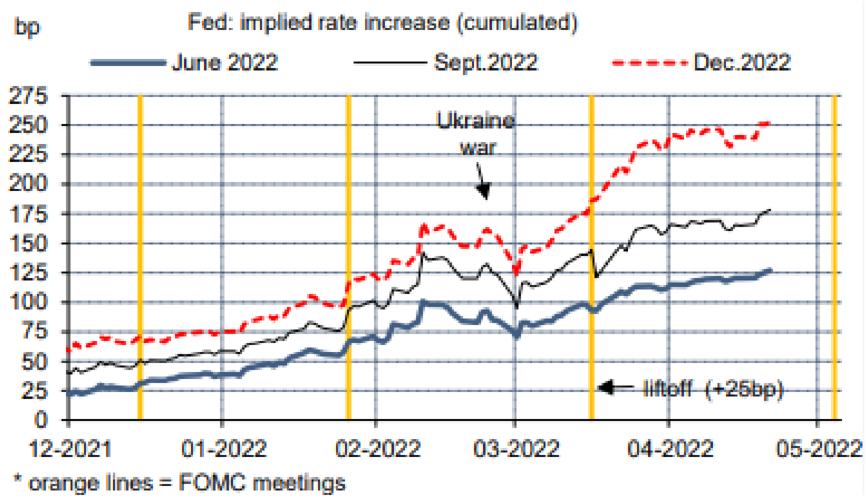
- Near term inflation expectations keep on surging with spiking energy and food prices
- Inflation path in the Eurozone does not look promising: even higher from here and more persistent
- In the US a peak might be close but is not a given as persistent bottlenecks add to input price pressures

Sources: ODDO BHF AM SAS, Datastream, Amundi Institute, Bloomberg | Data as of 04/30/2022

FED policy

SOFT LANDING TRACK RECORD IS OFTEN POOR

FED IMPLIED POLICY RATES



ASSESSMENT OF SOFT LANDINGS

U.S. Tightening Window	Change in Risk Free Rate (bps)	NBER First Recession Month	Real GDP Drop	Nominal 10-Year Treasury Return*	Real Estate Price Change
Sep 1965 - Nov 1966	175	-	None	-1.3%	2.4%
Jul 1967 - Aug 1969	540	Jan 1970	-0.6%	0.5%	10.1%
Feb 1972 - Jul 1974	960	Dec 1973	-2.7%	1.3%	12.1%
Jan 1977 - Apr 1980	1300	Feb 1980	-2.2%	5.3%	46.1%
Jul 1980 - Jan 1981	1000	Aug 1981	-2.1%	-14.5%	0.9%
Feb 1983 - Aug 1984	315	-	None	3.7%	6.5%
Mar 1988 - Apr 1989	325	Aug 1990	-1.4%	3.8%	6.5%
Dec 1993 - Apr 1995	310	-	None	-1.2%	2.9%
Jan 1999 - Jul 2000	190	Apr 2001	-0.1%	-1.4%	14.0%
Jun 2004 - Jun 2006	425	Jan 2008	-3.8%	3.4%	22.6%
Oct 2015 - Jan 2019	225	Mar 2020	-10.1%	3.1%	21.1%

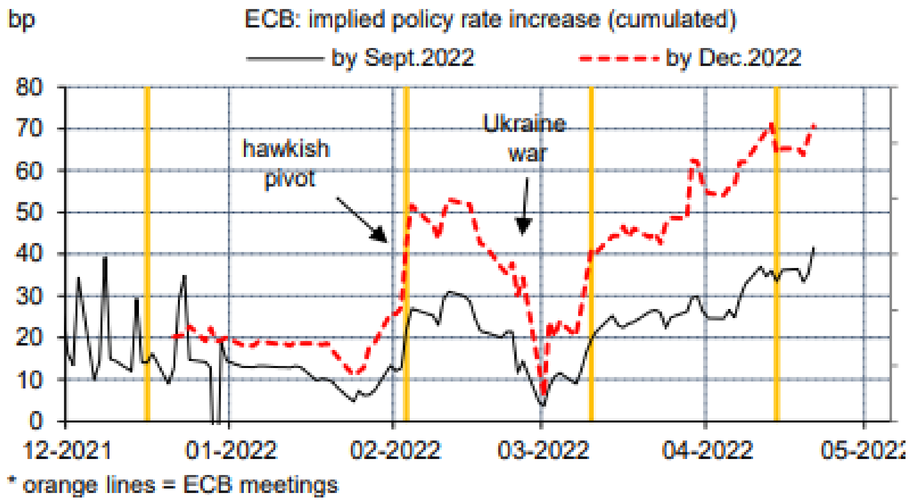
- The Fed signals aggressive hikes into a cooling economy and gives a bit of clarity as to QT (47bn a month from June, then doubled to 95bn from September on)
- Market expectations are for a 2.75% Fed Fund rate at the end of 2022 and see it peaking at around 3.4% in Q3 2023
- As the Fed has most likely to enter restrictive territory to suffocate demand, space for a soft landing appear pretty narrow
- History of soft landings do not look promising

Sources: ODDO BHF AM SAS, Bloomberg, ODDO BHF Securities, Thomson Reuters, FED

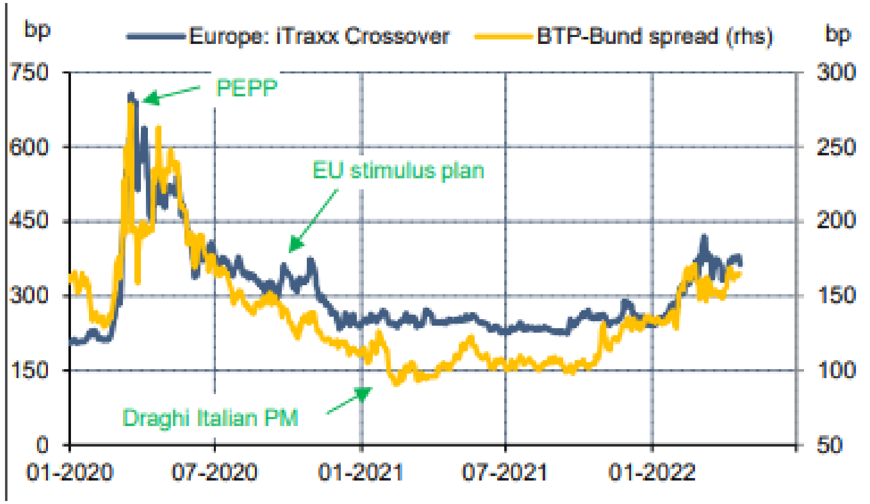
ECB policy

A 'HAWKISH' POSITION THAT IS DIFFICULT TO MAINTAIN

ECB IMPLIED POLICY RATES



CREDIT SPREADS

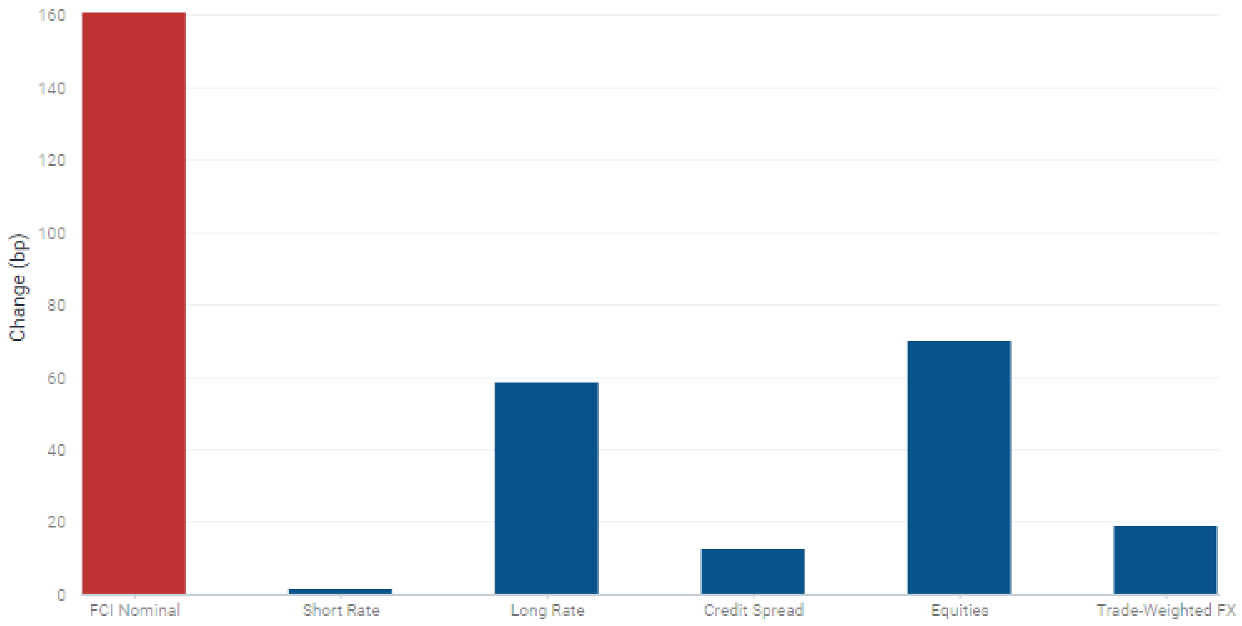


- Money markets price 80bp hikes until year-end with a lift off in July
- ECB is strongly focused on dampening inflation, while growth downside risks and segmentation (e.g. Italian bond spreads) are secondary factors on their agenda for the time being

Sources: ODDO BHF AM SAS, Bloomberg, ODDO BHF Securities, Thomson Reuters, BCE

Financial conditions in the United States
A STRONG TIGHTENING UNDERWAY

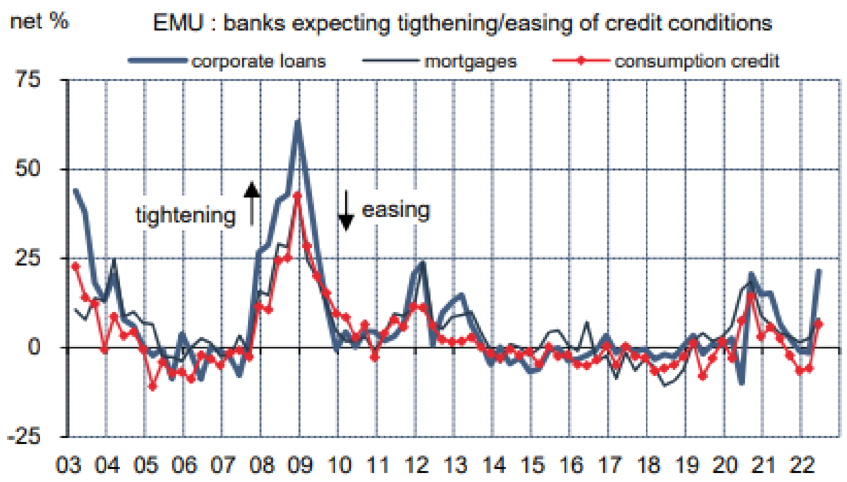
US FCI CONTRIBUTIONS CHANGE (IN BPS) FROM 01 JAN 2022 TO 05 MAY 2022



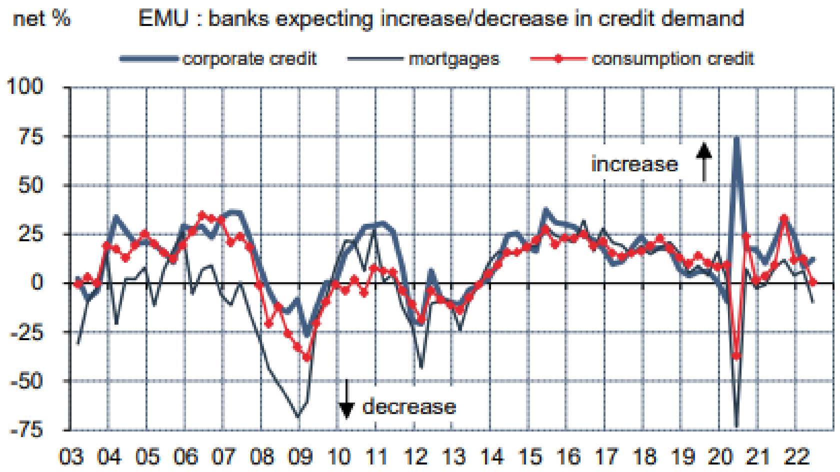
Sources: ODDO BHF AM SAS. Goldman Sachs Investment Research

Euro zone:
DETERIORATING CREDIT CONDITIONS

EXPECTATIONS OF TIGHTENING/EASING CREDIT CONDITIONS



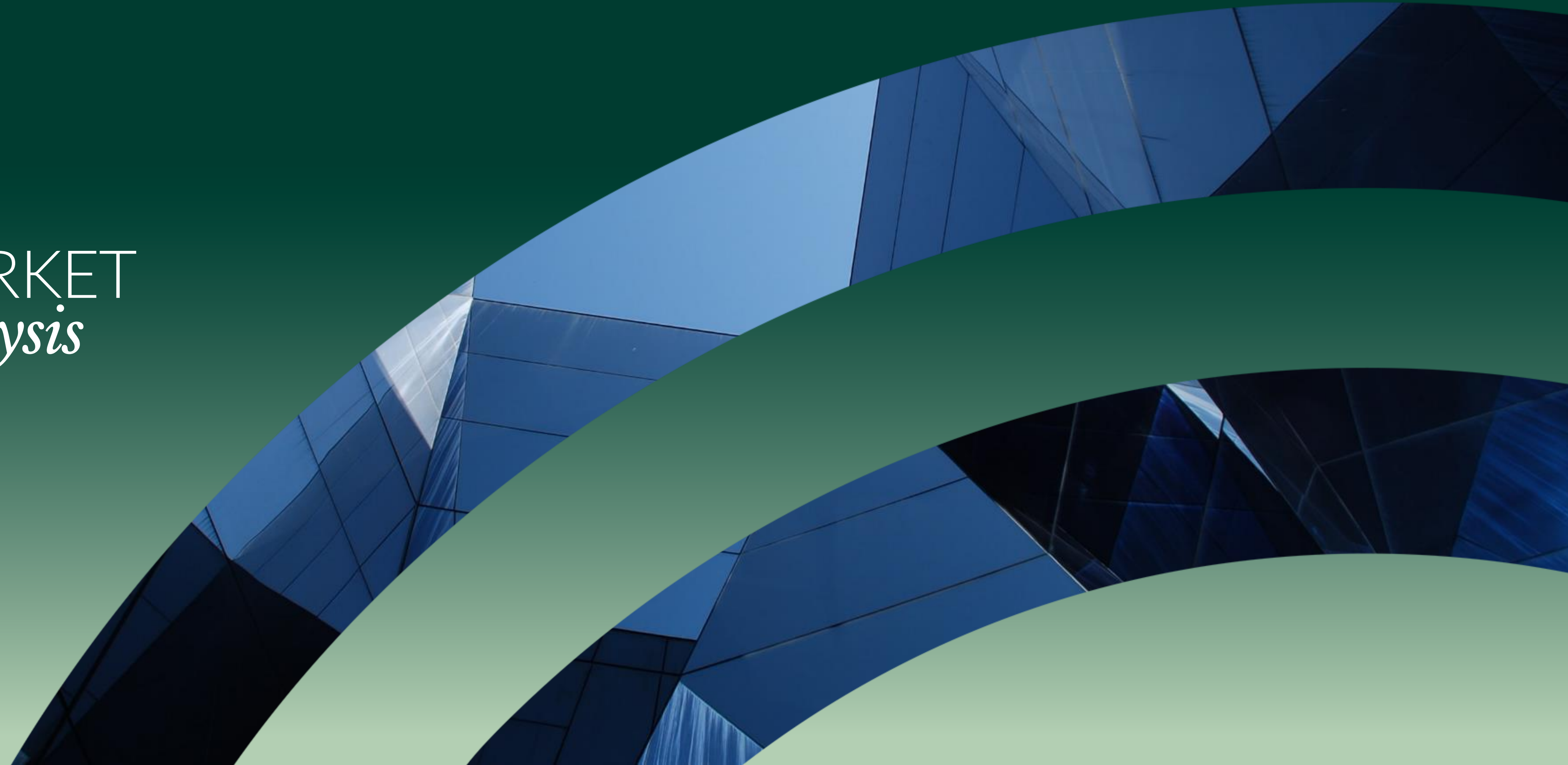
CREDIT DEMAND FORECASTS



Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

02

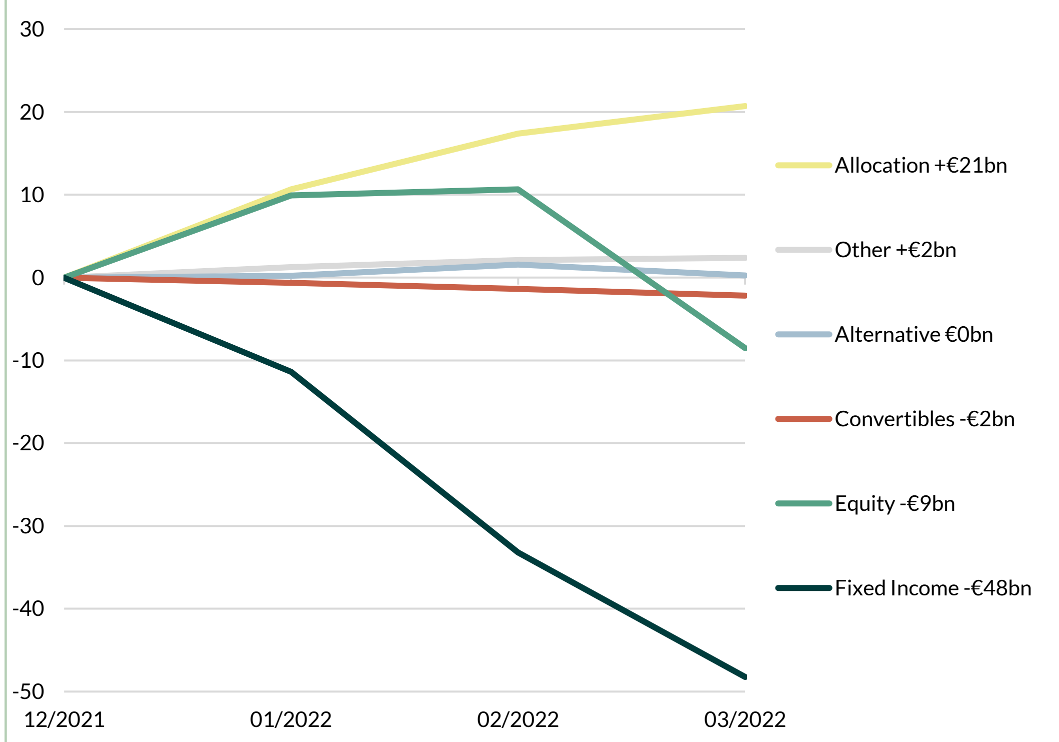
MARKET *analysis*



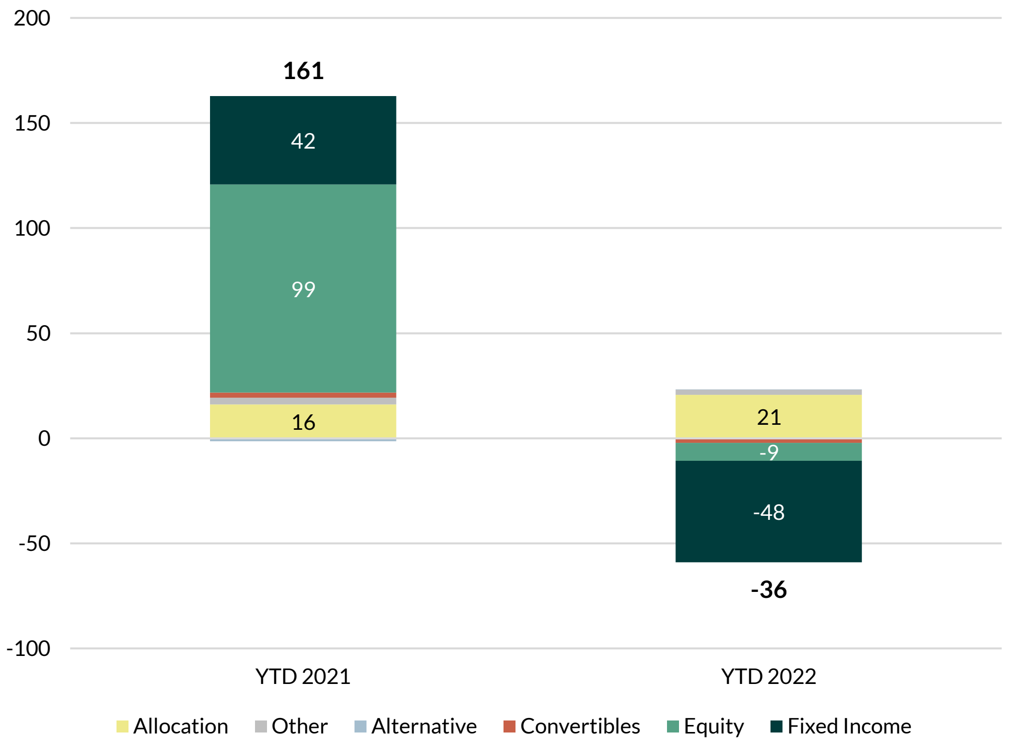
YTD European mutual fund flows

STRONG OUTFLOWS IN EQUITIES AND FIXED INCOME

YTD CUMULATIVE FLOWS BY ASSET CLASSES (€BN)



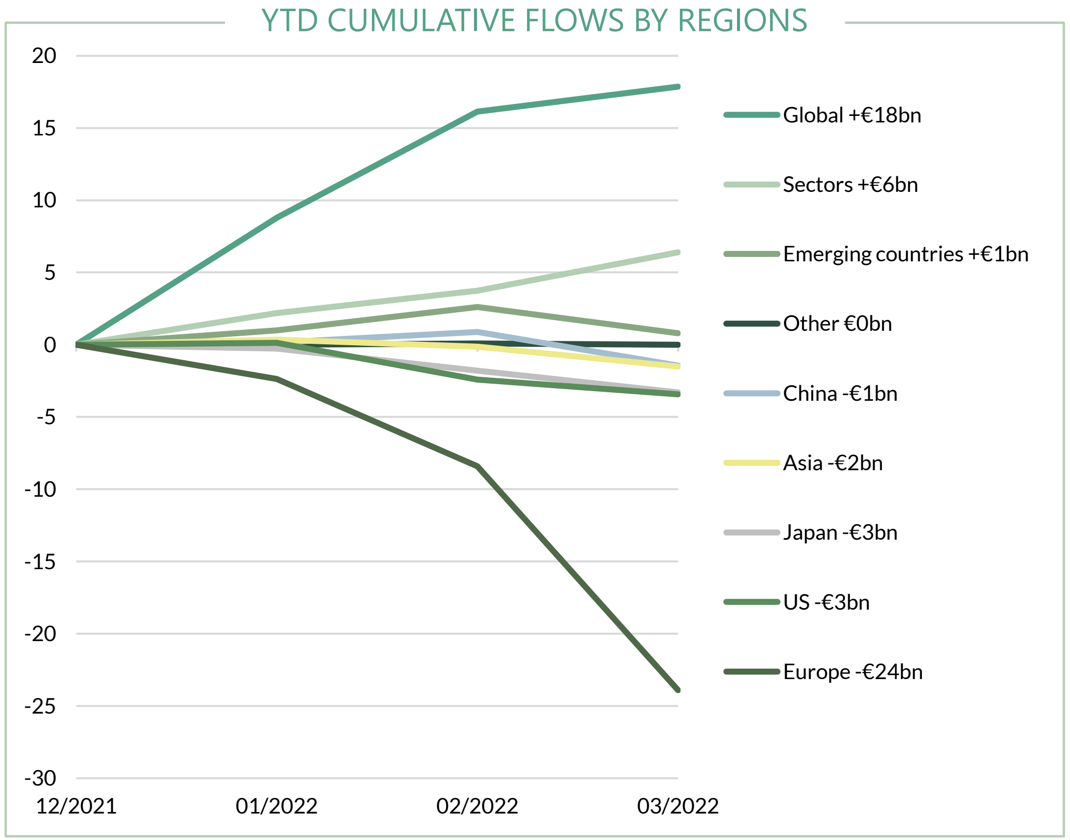
YTD COMPARISON VS YTD -1

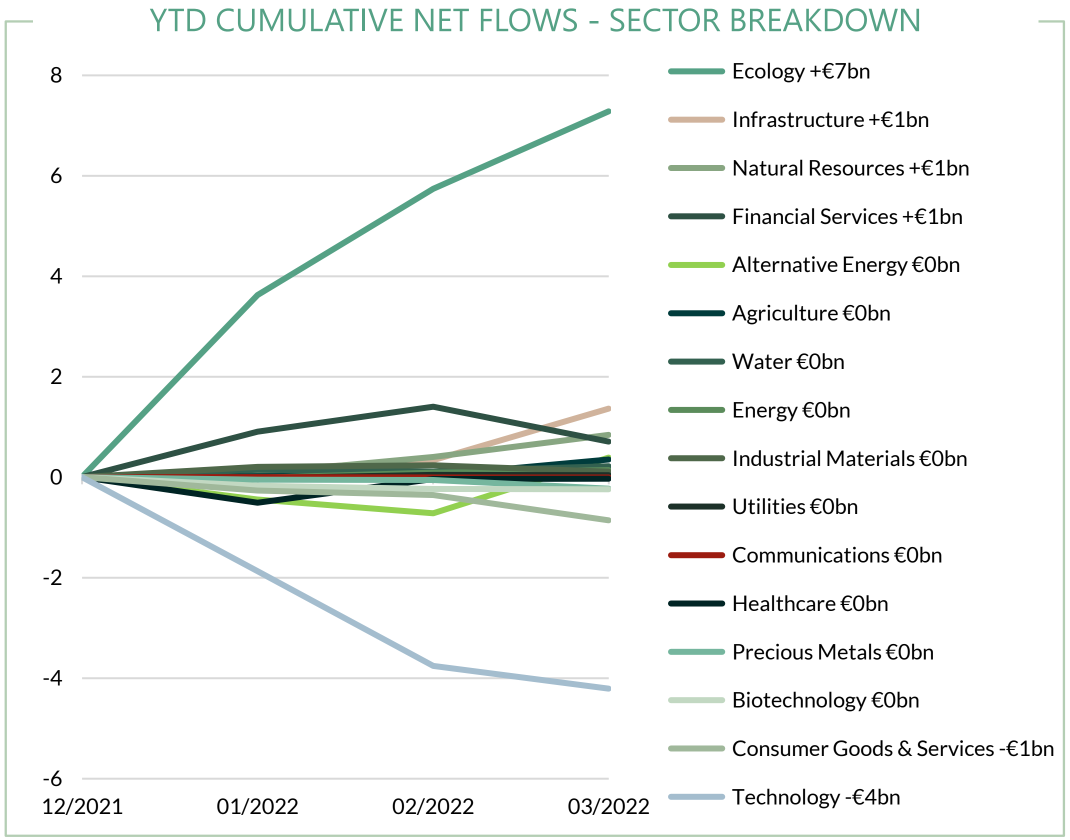


Source : Morningstar. Data as of 31.03.2022 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr.)

European mutual fund flows – YTD equity flows

EUROPE SUFFERS THE MOST

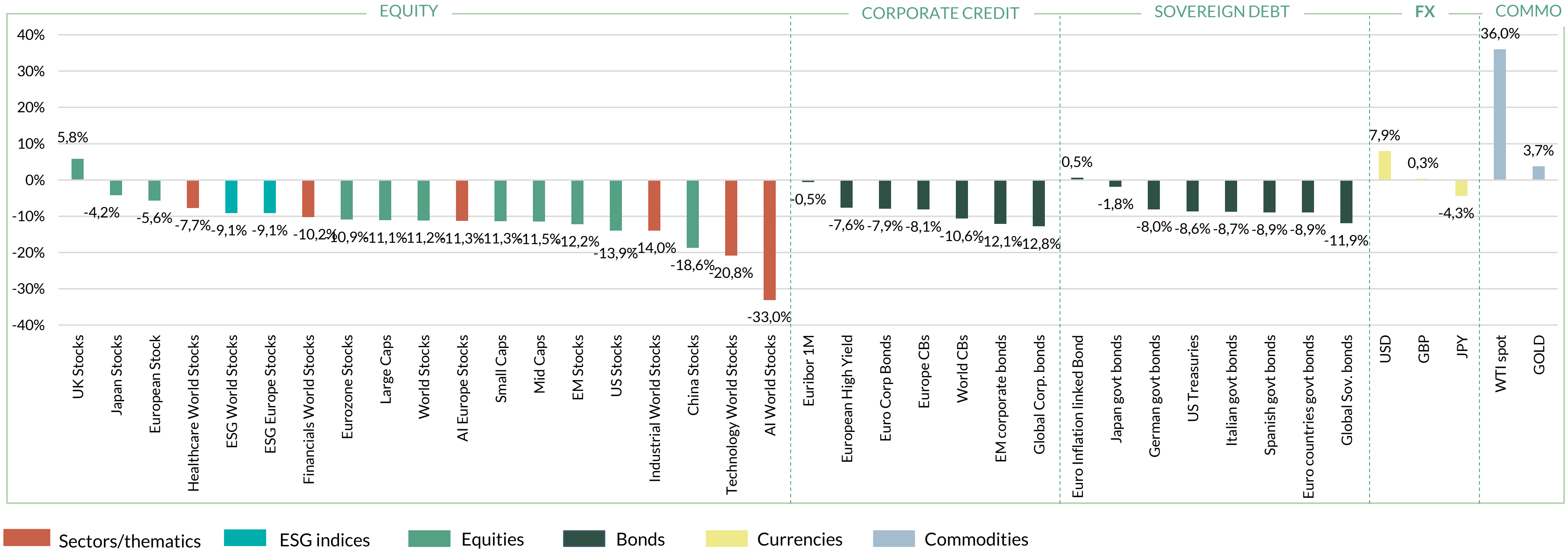




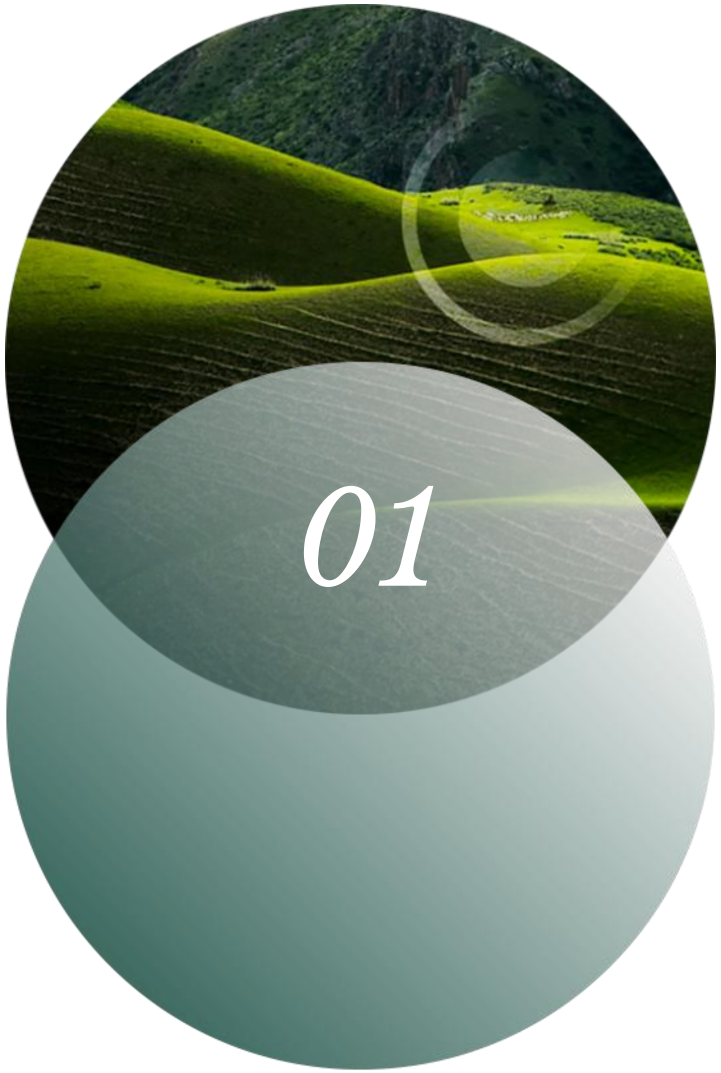
Source : Morningstar. Data as of 31.03.2022 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr.)

Year-to-date performances of asset classes

NO PLACE TO HIDE, APART FROM COMMODITIES



Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 04/30/2022; performances expressed in local currencies

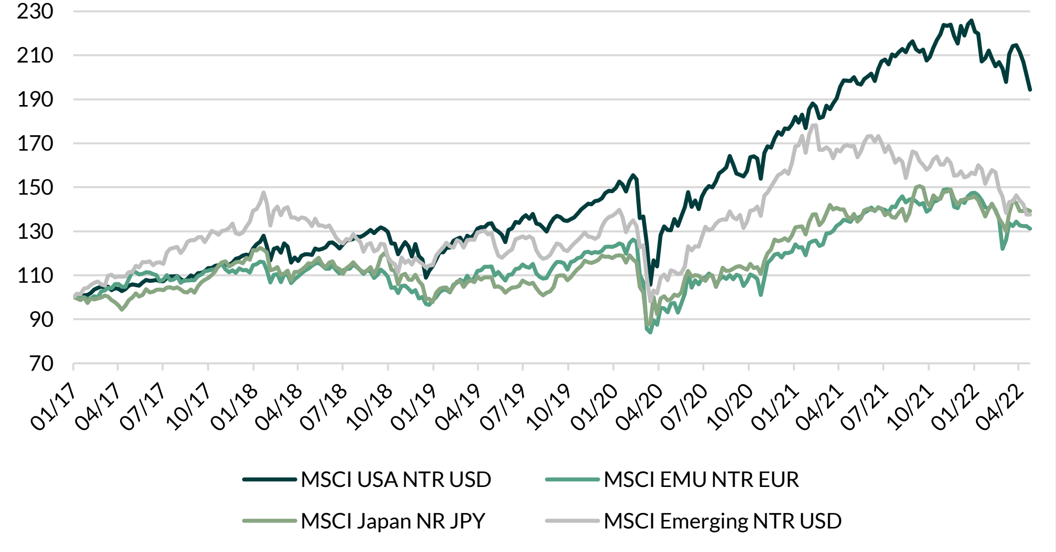


EQUITIES

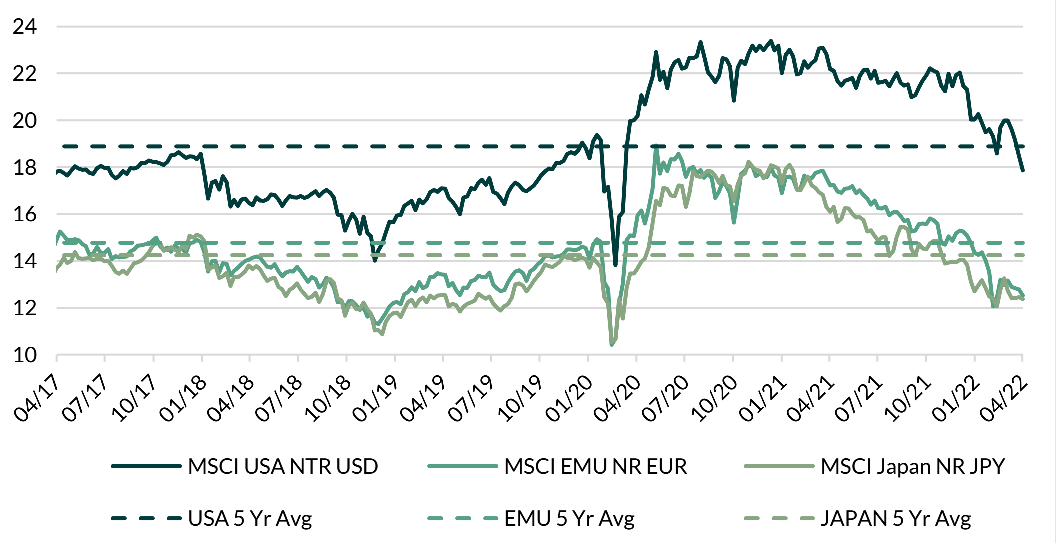
Equities

NO SUPPORT FROM HISTORICAL VALUATIONS

5-YEAR EQUITY MARKET PERFORMANCE



5-YEAR PRICE/EARNING RATIO

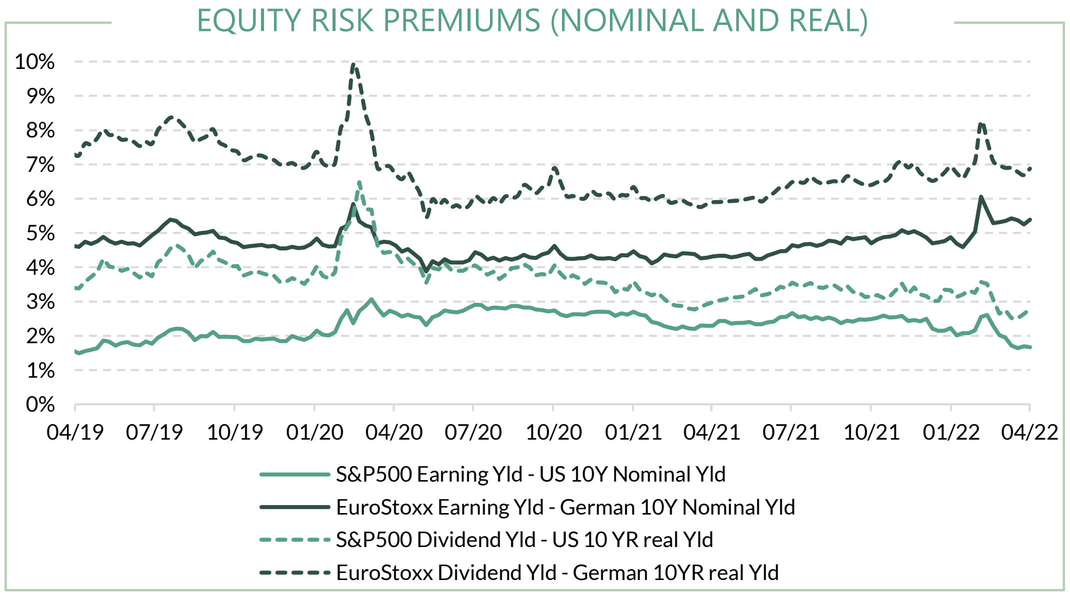


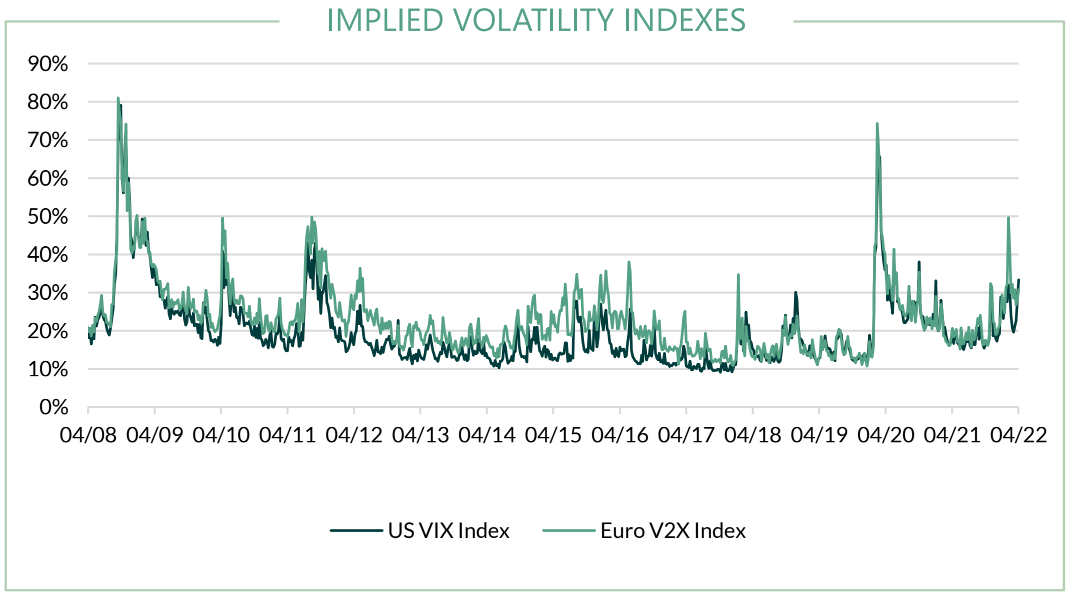
- While global equity markets have continued to decline on geopolitical and monetary policy concerns, sell-side analysts' average earnings expectations have been impressively resilient so far.
- Without revisions to expected average earnings growth, forward earnings are even continuing to rise in many markets.
- Valuation ratios are now well below historical medium-term averages, and are not far from the previous lows in European and Asian markets...

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/30/2022

Risk premiums & volatility

UNCERTAINTY KEEPS PREMIUMS HIGH



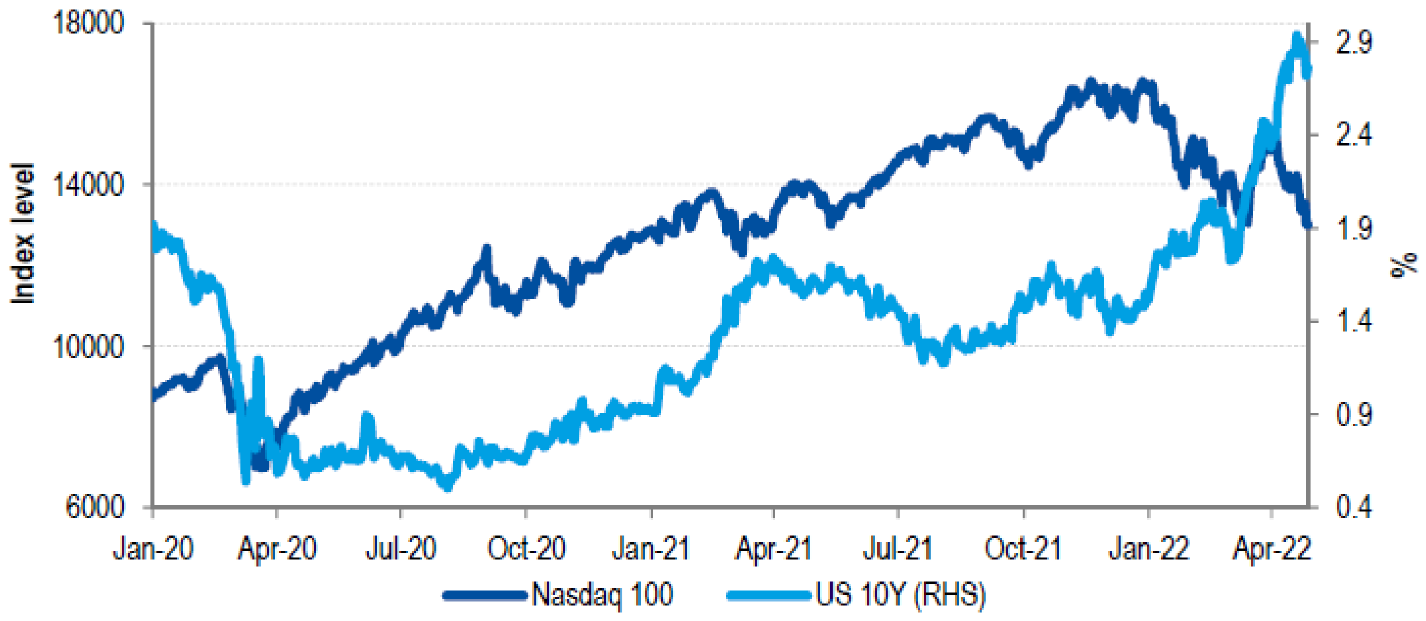


- Year to date, expected earning yields moved up faster than nominal sovereign yields in Europe, but slower in the USA. Equity risk premia now appear quite thin for most US indexes.
- While European markets had been especially stressed by the conflict in Ukraine during the previous weeks, volatility eventually rose again also in the US stock markets by late April.

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/30/2022

Equity performance
RISING RATES DAMPEN LONG-DURATION STOCKS

NASDAQ PERFORMANCE VS. 1O YEAR US TREASURY RATES

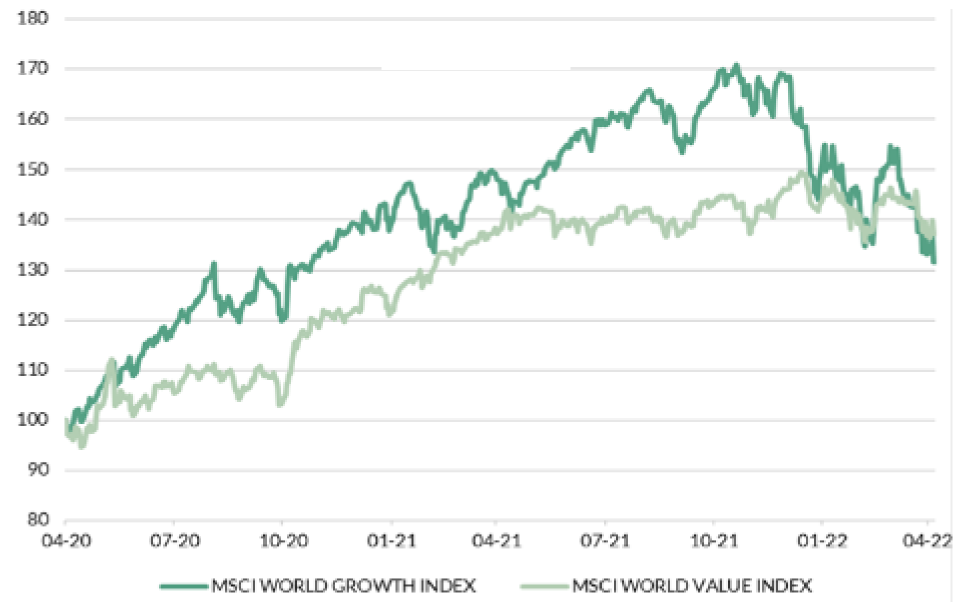


Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Amundi Institute

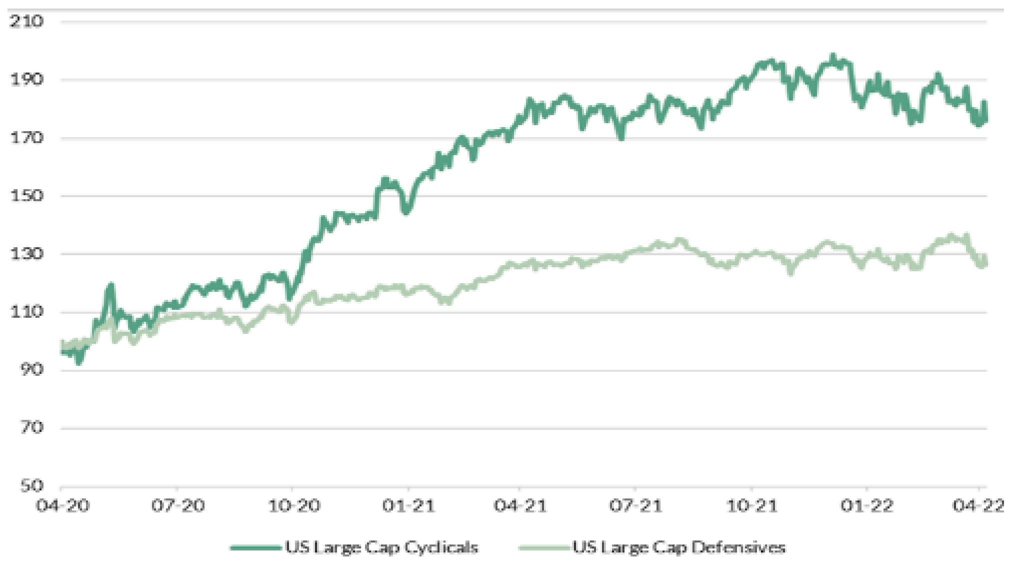
Equity performance

CAUGHT BETWEEN A ROCK (INFLATION) AND A HARD PLACE (POSSIBLE RECESSION)

GROWTH VS VALUE



CYCLICALS VS DEFENSIVES



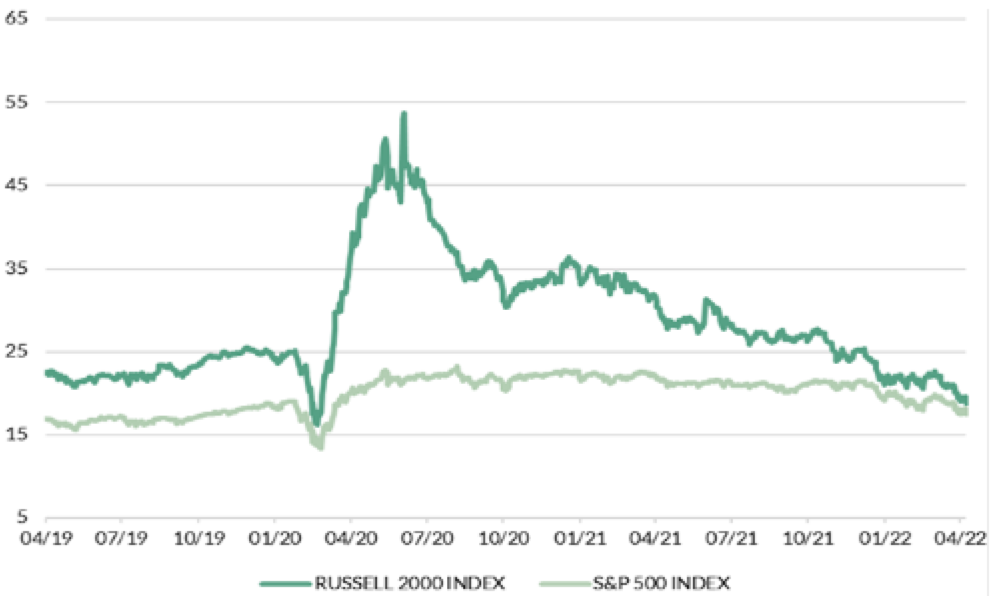
Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/30/2022

Equity performance

SMALL CAPS' PAST EXCESSES SEEM TO BE CORRECTED

PERFORMANCE SMALL VS LARGE

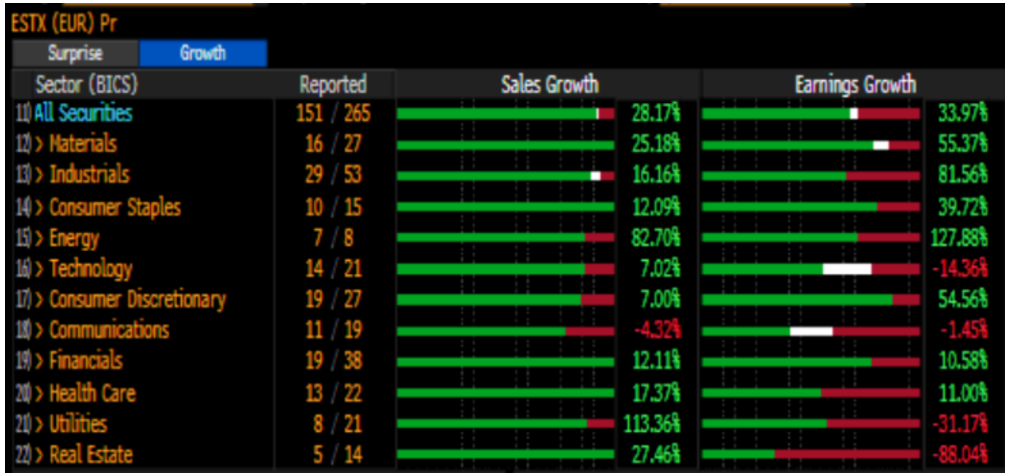
PE MTH FWD SMALL VS LARGE



Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/30/2022

European equities - margins and earnings
STRONG PROFIT MARGINS IN Q1 ...

EARNINGS GROWTH Q1 2022

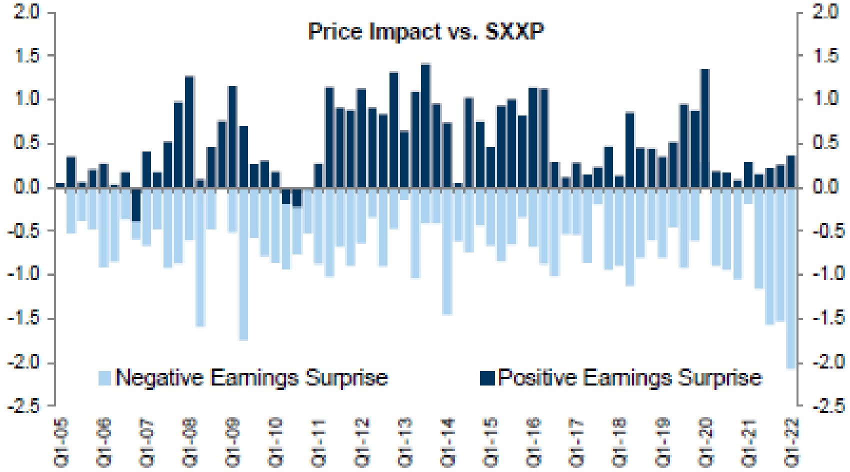


ESTX (EUR) Pr

Surprise | Growth

Sector (BICS)	Reported	Sales Growth	Earnings Growth
11) All Securities	151 / 265	28.17%	33.97%
12) > Materials	16 / 27	25.18%	55.37%
13) > Industrials	29 / 53	16.16%	81.56%
14) > Consumer Staples	10 / 15	12.09%	39.72%
15) > Energy	7 / 8	82.70%	127.88%
16) > Technology	14 / 21	7.02%	-14.36%
17) > Consumer Discretionary	19 / 27	7.00%	54.56%
18) > Communications	11 / 19	-4.32%	-1.45%
19) > Financials	19 / 38	12.11%	10.58%
20) > Health Care	13 / 22	17.37%	11.00%
21) > Utilities	8 / 21	113.36%	-31.17%
22) > Real Estate	5 / 14	27.46%	-88.04%

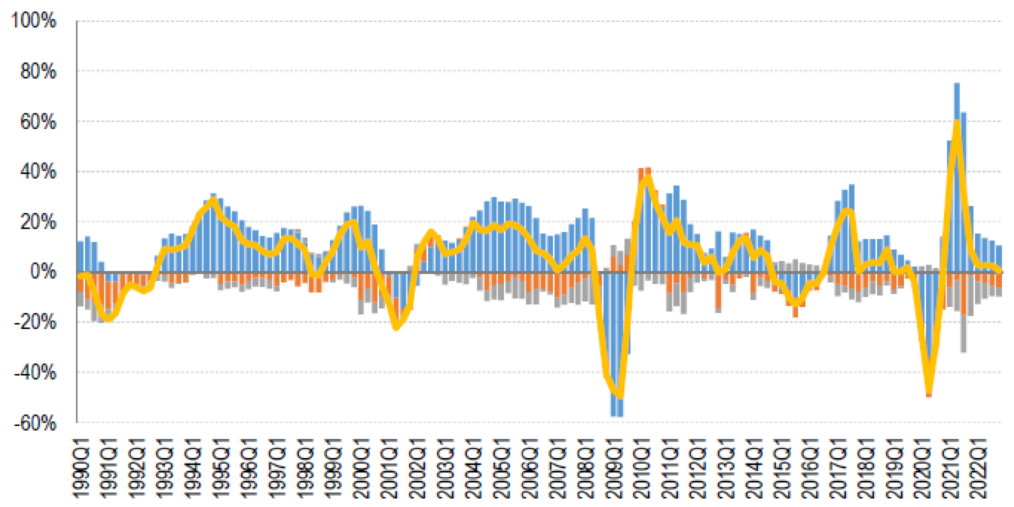
PERFORMANCE POST PUBLICATION



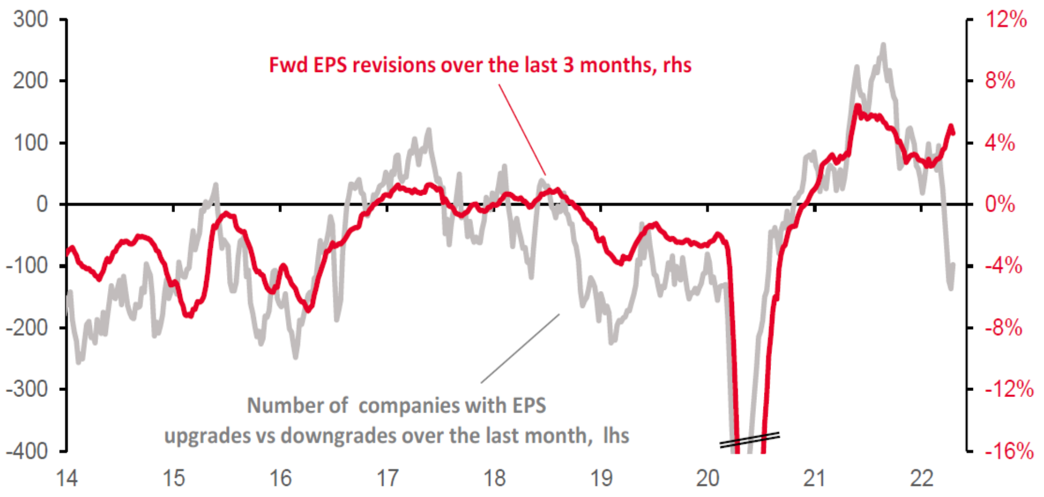
Source: ODDO BHF AM SAS, Bloomberg, Goldman Sachs Research

European equities - margins and earnings
... YET VULNERABLE

PROFITS MARGINS



STOXX 600: EPS MOMENTUM



ULC: Unit Labor Costs

Source: ODDO BHF AM SAS, Amundi Institute, SG Cross Asset Research, Datastream, IBES, MSCI

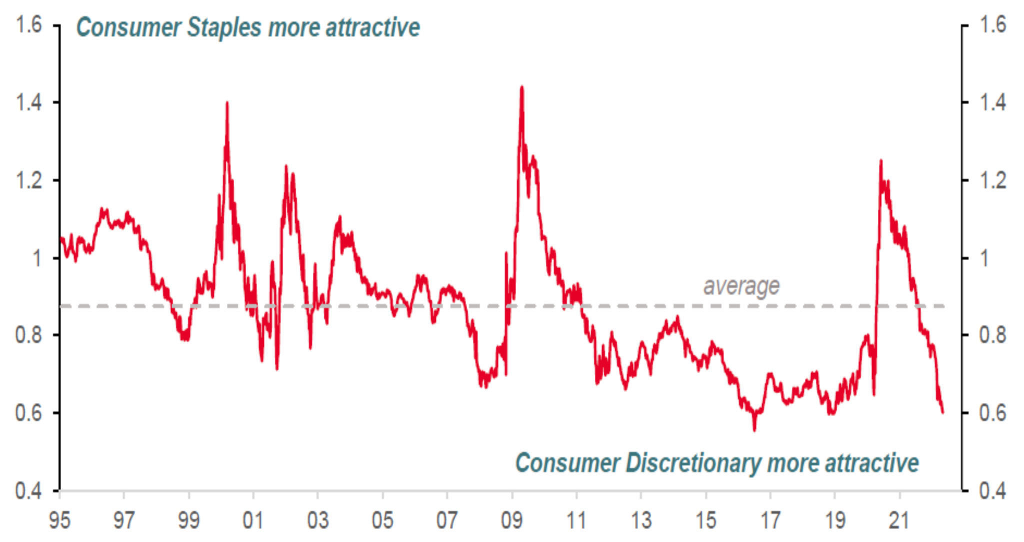
European equities – sectors overview

EXPECTED DECLINE IN CONSUMPTION PARTLY IN THE PRICES

EUROPEAN SECTORS

Ytd Perf.	European Sector	Ytd change in 2022e EPS	Ytd change in 2022e P/E	P/E on 01/01/22	P/E as of today
22%	Metals & Mining	61%	-27%	7.4	5.4
22%	Oil & Gas	56%	-23%	7.5	5.8
19%	Tobacco	1%	16%	8.0	9.3
6%	Pharma & Biotech	5%	0%	17.7	17.7
3%	Aerospace & Defence	-1%	3%	19.3	19.8
2%	Telecom	0%	1%	15.7	15.9
1%	Food Products	2%	-3%	28.2	27.2
-14%	Auto & Comp	5%	-21%	6.9	5.5
-16%	Tech. Hardware	8%	-23%	19.9	15.2
-17%	Capital Goods	2%	-19%	21.3	17.1
-19%	Durables & Apparel	10%	-27%	26.2	19.0
-20%	Health Care Eqts	-1%	-20%	26.4	21.2
-21%	Software & IT Svs	-1%	-20%	31.1	24.7
-25%	Semi-conductors	10%	-32%	36.6	24.9
-38%	Retailing (spec)	-12%	-29%	26.7	18.9

EUROPE: CONSUMER DISCRETIONARY VS. CONSUMER STAPLES, 12-MONTH P/E.

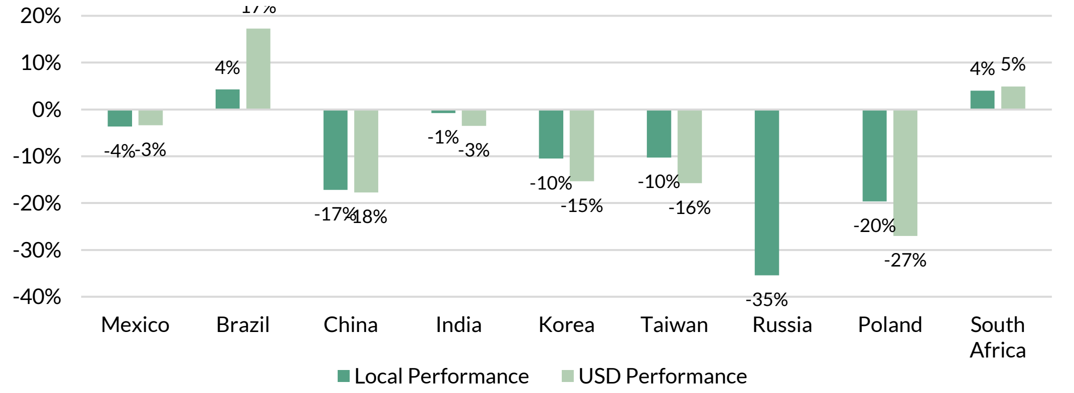


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM SAS, Goldman Sachs, SG Cross Asset Research

Emerging markets

PROFIT TAKING IN COMMODITY REGIONS

YTD EQUITY PERFORMANCE ON MAJOR EMERGING MARKETS

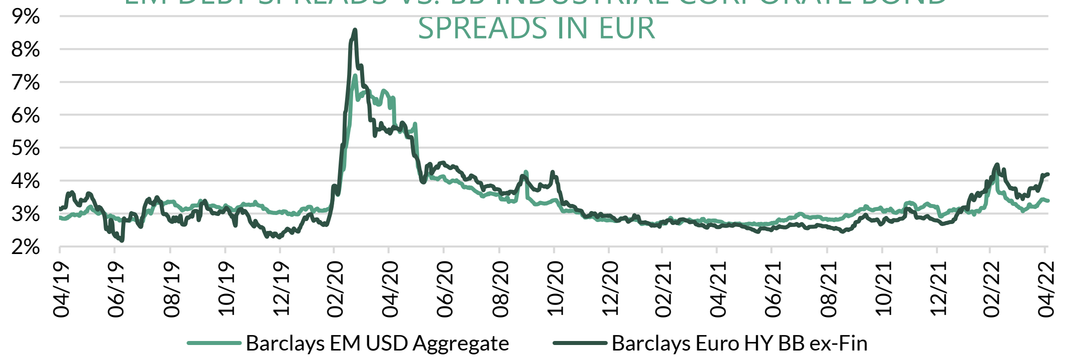


EPS (INCLUDING LOSSES) GROWTH & PE (LOCAL CURRENCY)

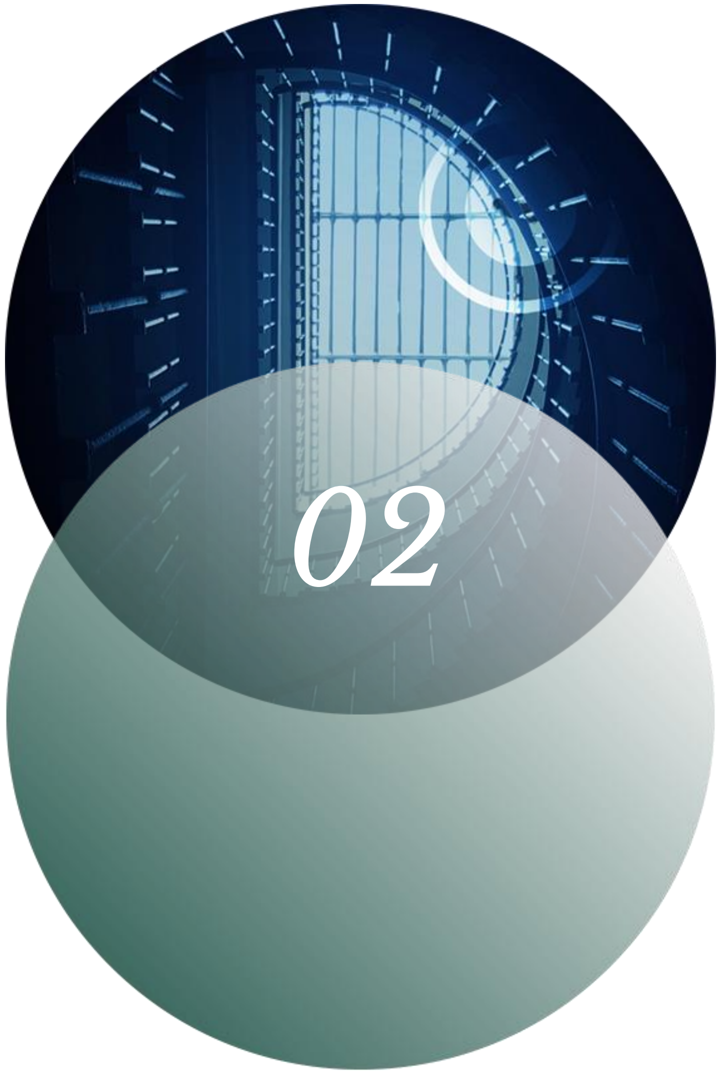
Emerging	PE 12mth fwd	2021/2020 EPS growth	2022/2021 est EPS Growth	2023/2022 est EPS Growth	Dividend Yield (trailing 12m)
MSCI EM	11,7	57%	-1%	10%	2,7%
MSCI CHINA	11,2	3%	10%	16%	2,2%
MSCI KOREA	9,6	86%	9%	11%	2,1%
MSCI INDIA	20,4	89%	24%	17%	1,2%
MSCI INDONESIA	16,5	43%	12%	9%	2,7%
MSCI PHILIPPINES	17,3	55%	23%	21%	1,8%
MSCI MALAYSIA	15,8	33%	8%	13%	4,1%
MOEX Russia Index	*3,0*	*156%*	*38%*	*-6%*	*9,3%*
WSE WIG INDEX	7,6	195%	3%	-6%	2,8%
MSCI TURKEY	4,4	133%	60%	-5%	4,2%
MSCI SOUTH AFRICA	9,5	80%	14%	12%	3,9%
MSCI BRAZIL	6,1	187%	7%	-7%	9,7%
MSCI COLOMBIA	7,9	350%	17%	11%	4,7%
MSCI MEXICO	13,1	138%	14%	10%	2,7%

- Despite rising US yields, “emerging” markets behaved quite decently on average
- Emerging debt spreads were barely affected by the spread widening occuring in developed credit or peripheral bonds markets
- The earning pictures is still less enthusiastic for emerging indexes than developed ones. But already lower valuations are supporting stock prices.
- Eventually, some profit taking in (not that cheap anymore…) LatAm indexes, while Chinese tech gets volatile on the upside!
- With RUB up another 13% this month vs USD, RUBEUR reaches the highest since 2019…

EM DEBT SPREADS VS. BB INDUSTRIAL CORPORATE BOND SPREADS IN EUR



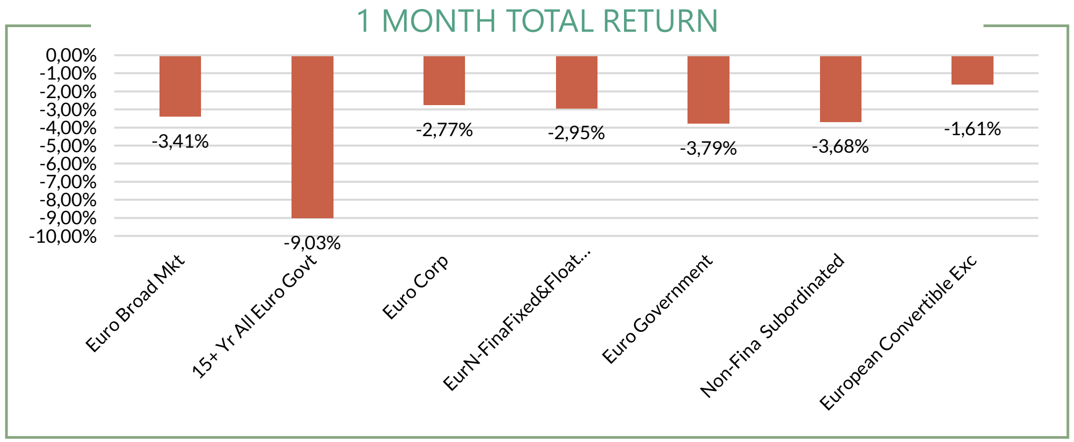
Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 04/30/2022

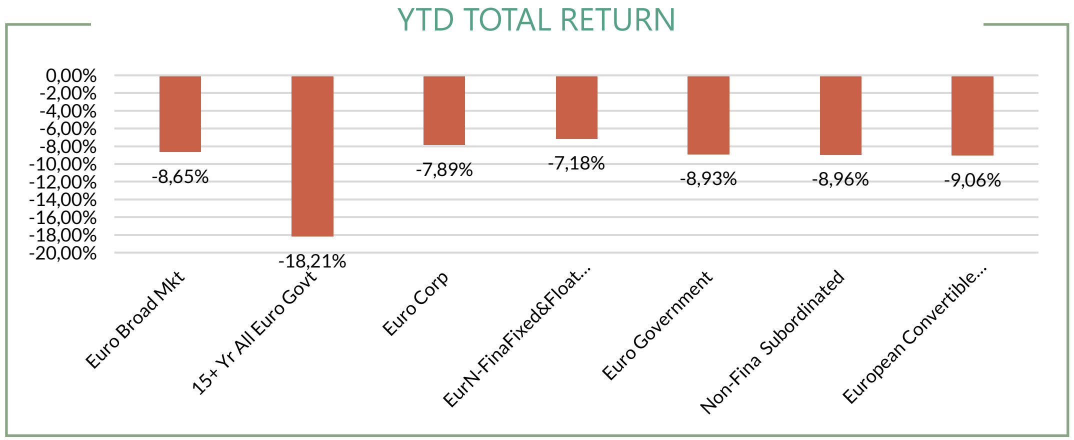


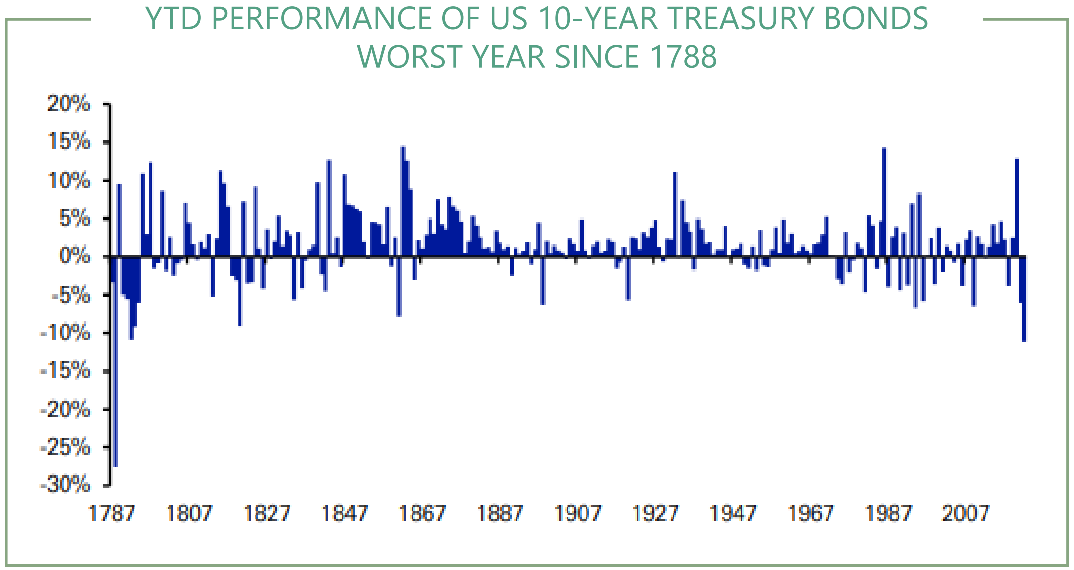
FIXED INCOME

Performance fixed income segment

LOSSES CLOSE TO THOSE OF THE EQUITY MARKETS





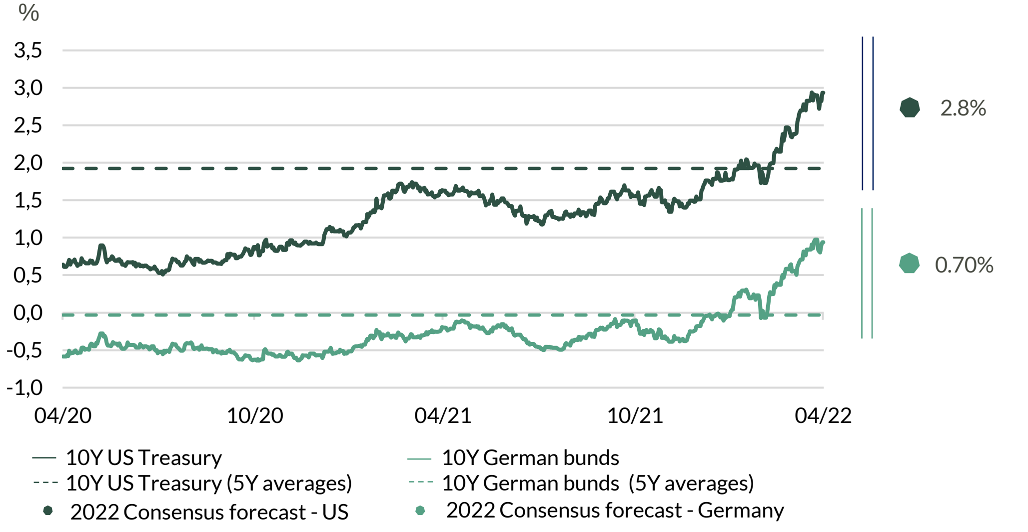


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM, Bloomberg, data as of 04/30/2022

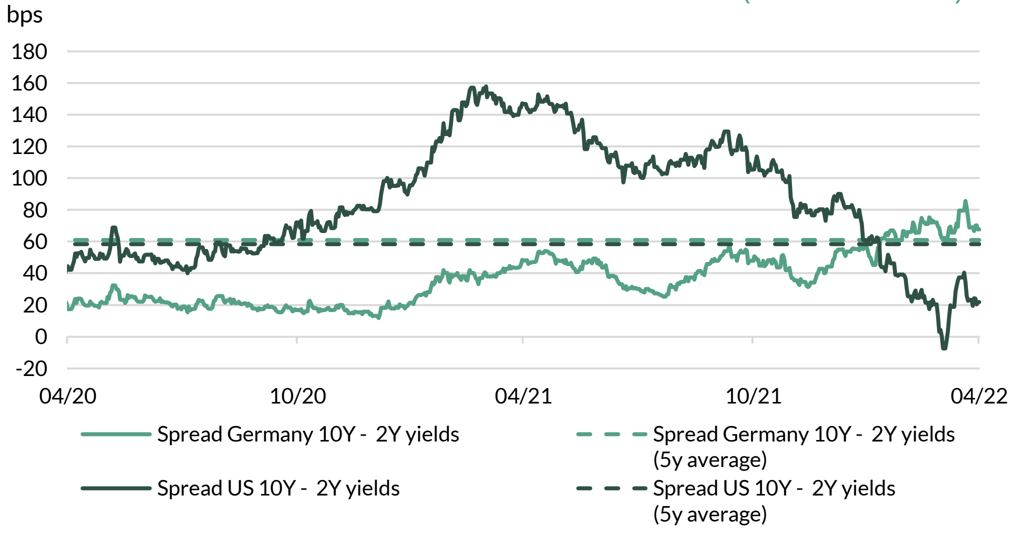
Rates

MARKET AHEAD OF ITSELF?

GERMAN & US 10-YEAR BOND YIELDS (OVER 2 YEARS)



GERMAN & US 2 YEAR – 10-YEAR YIELD CURVE (OVER 2 YEARS)



- 10-year Bunds leapt higher by 40bp within one month, almost touching 1%
- While very much tightening has been priced into the US curve, the adjustment process in the Eurozone curve seems not to be complete
- Still low real yields and inflation pressure suggests that yields have room to normalize further
- However, given the already sharp move, a deeply oversold market, some weaker economic indicators and quite progressed rate hike pricing in the US , there might be a stabilization or even rebound in the short term

Past performance is not a reliable indicator of future performance and is not constant over time.
Bloomberg Economic Forecast | Sources: ODDO BHF AM SAS, Bloomberg | LHS: Data as of 04/30/2022; RHS: Data as of 04/30/2022

Spreads: Italy worries
CREDIT FRAGMENTATION BACK IN THE SPOTLIGHT

EFFECTIVE SPREADS (VS GERMANY) IN BP

Market data - Effective Spread (vs GERMANY) in bp

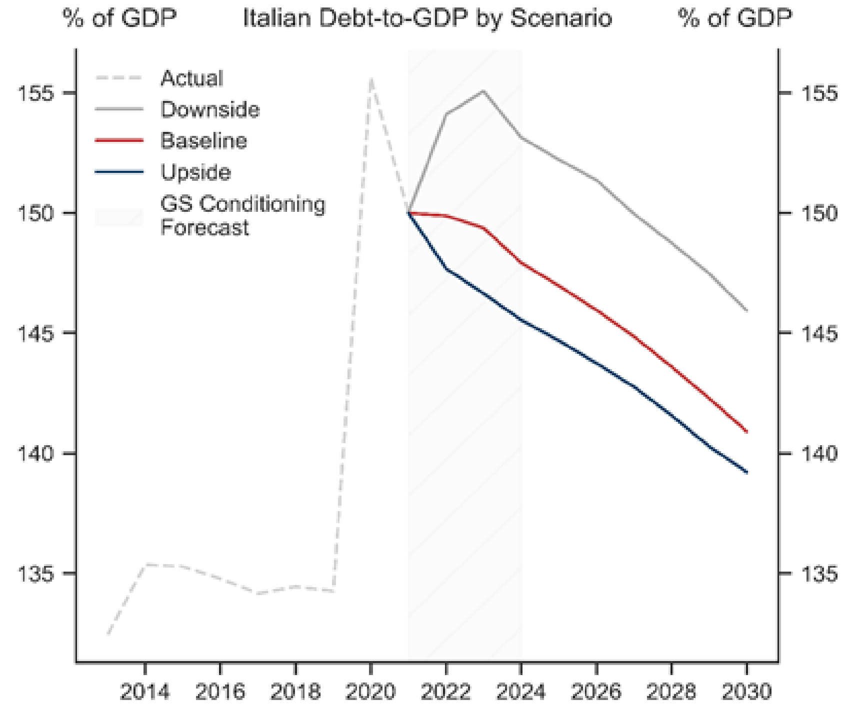
Country	2YR Index/1wΔ		5YR Index/1wΔ		10YR Index/1wΔ		30YR Index/1wΔ	
AUT	10	-5	21	3	50	3	54	5
FR	0	-1	22	1	52	6	81	5
IRLD	9	9	16	-4	67	10	84	7
ESP	31	2	63	9	104	9	140	8
ITL	47	13	128	18	184	18	213	10

EFFECTIVE YIELD GOVERNMENT INDICES

Market data - Effective Yield Govt Indices

Country	2YR Index	5YR Index	10YR Index	30YR Index
US	2,71	2,95	2,93	3,00
UK	1,59	1,67	1,91	2,04
CA	2,62	2,75	2,87	2,80
AU	2,45	2,90	3,13	3,46
JP	-0,05	0,02	0,23	0,97
SW	0,06	0,47	0,87	0,98
GE	0,26	0,68	0,94	1,09
AUT	0,37	0,89	1,43	1,64
FR	0,26	0,90	1,46	1,90
IRLD	0,35	0,84	1,61	1,93
ESP	0,57	1,31	1,97	2,49
ITL	0,73	1,96	2,77	3,22

POTENTIAL PATHS FOR THE DEBT-TO-GDP RATIO

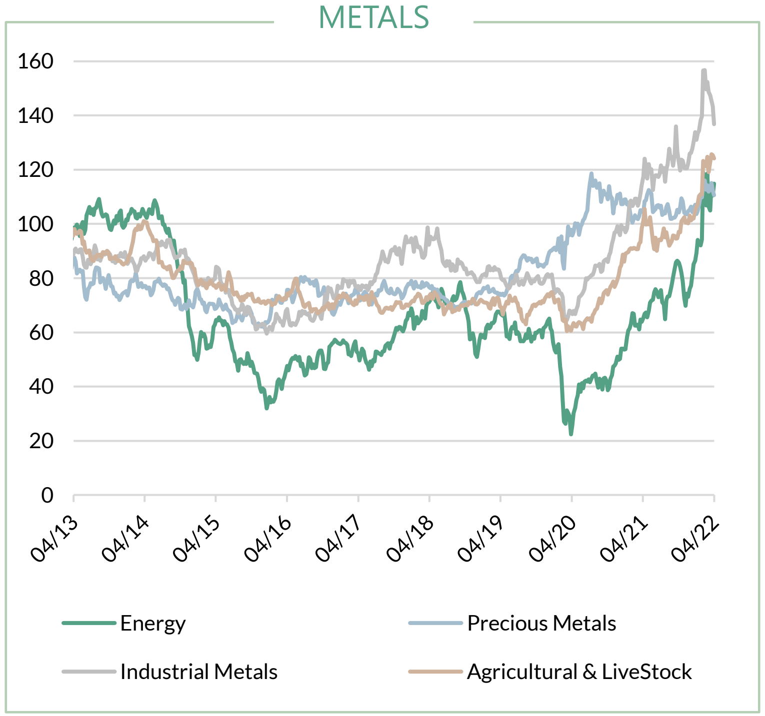


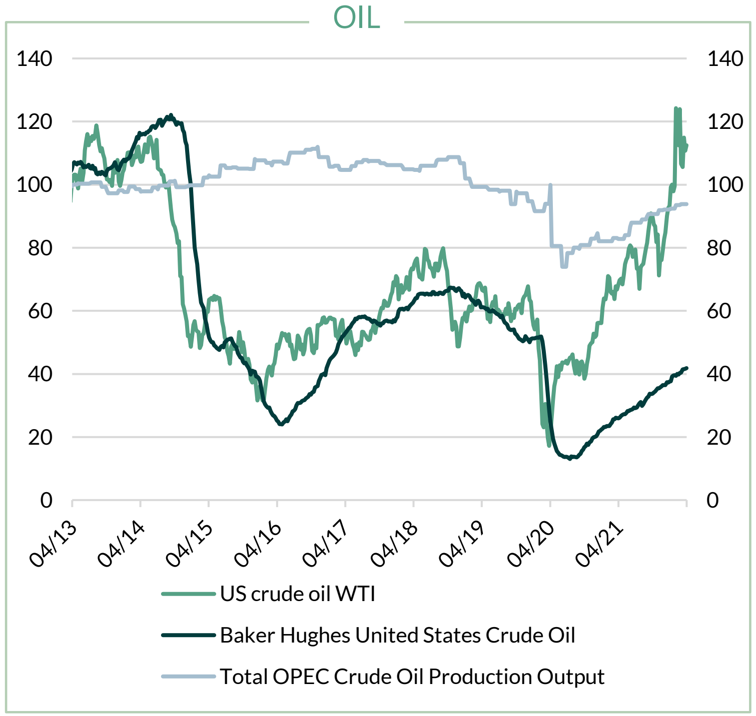
Source: ODDO BHF AM, Bloomberg, Goldman Sachs

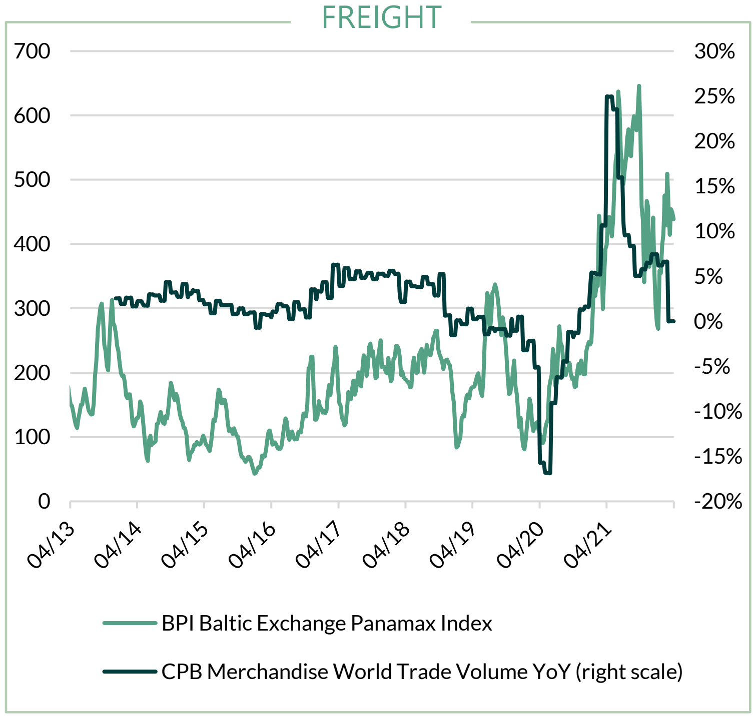
COMMODITIES & CURRENCIES

Commodities

SOME RETURN TO CALM





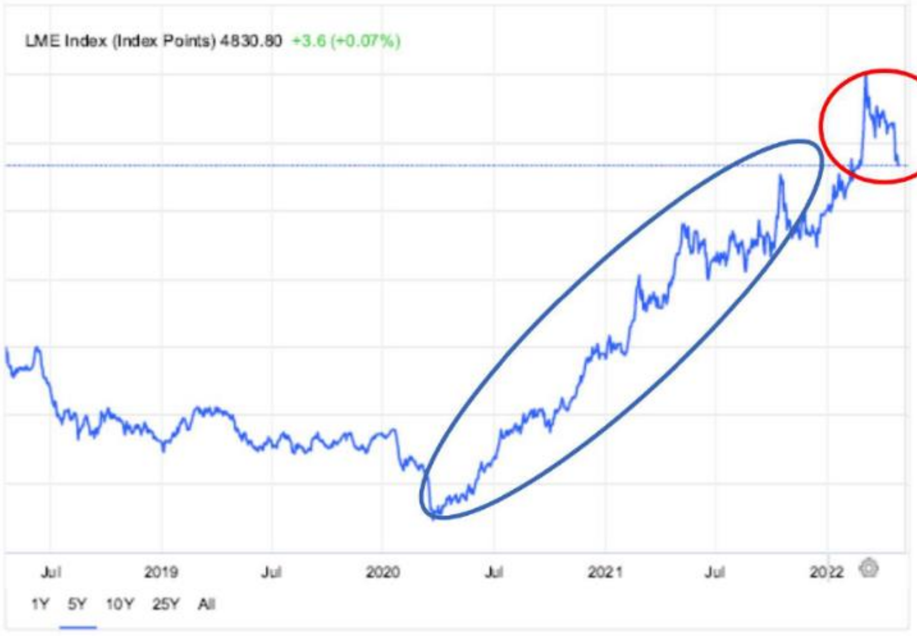


- Industrial metals have lost some ground as the growth outlook deteriorates and some producers have already largely rebuilt their inventories.
- The growing outlook for a long-term ban on Russian energy is helping to keep volatility high in oil markets.
- Agricultural prices continue to rise, slowing the decline in inflation in many economies.

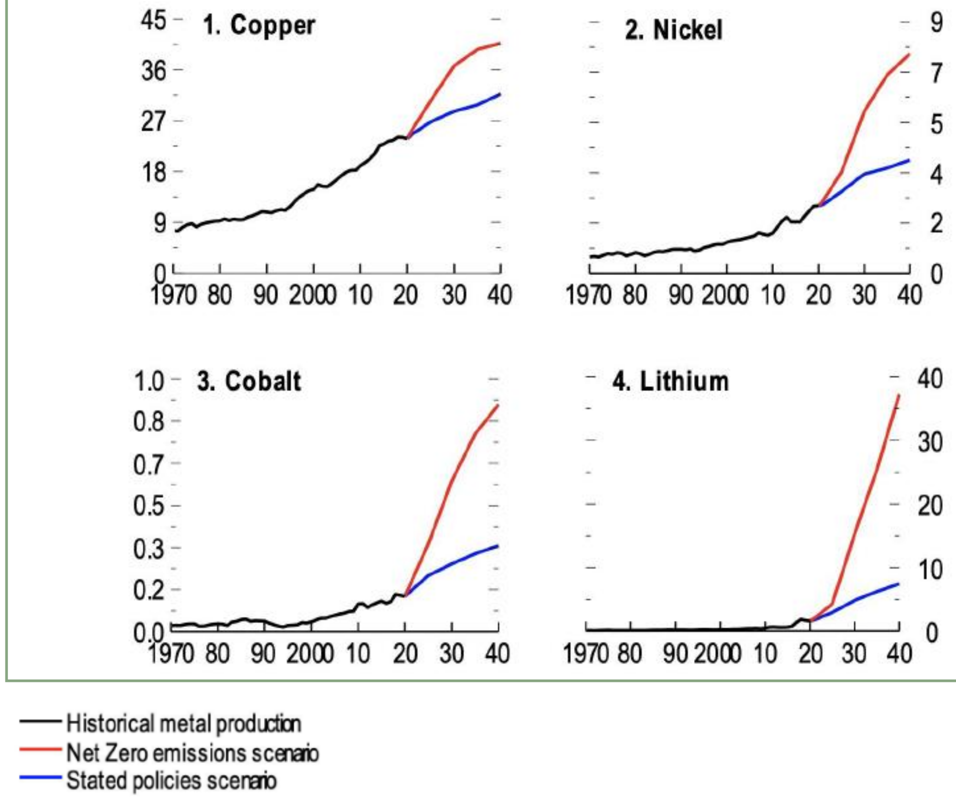
Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 04/30/2022

Metals: already very high prices,
AND UNDERESTIMATED NEEDS FOR THE ENERGY TRANSITION

ALL NON-FERROUS METALS COPPER ALUMINIUM ZINC NICKEL LEAD TIN



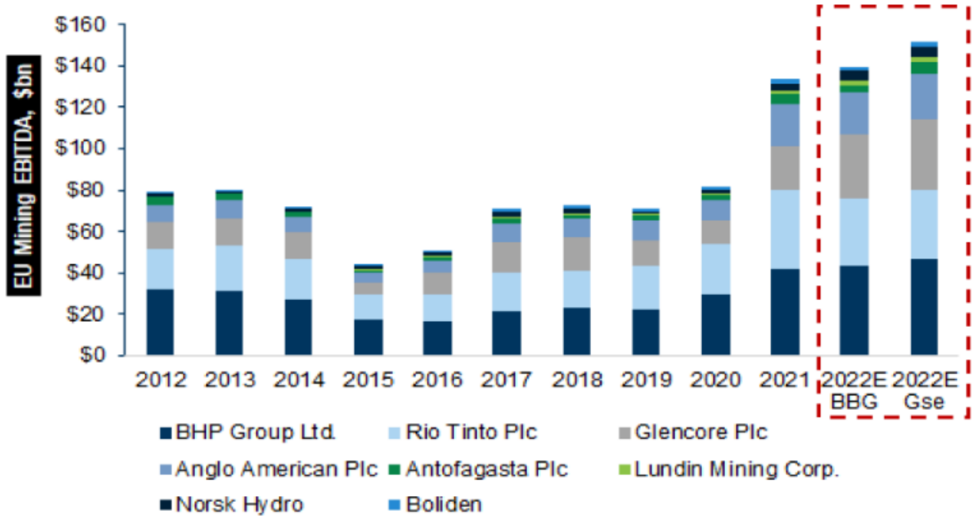
CLIMATE TRANSITION REQUIREMENTS HAVE NOT EVEN BEEN FULLY EXPRESSED



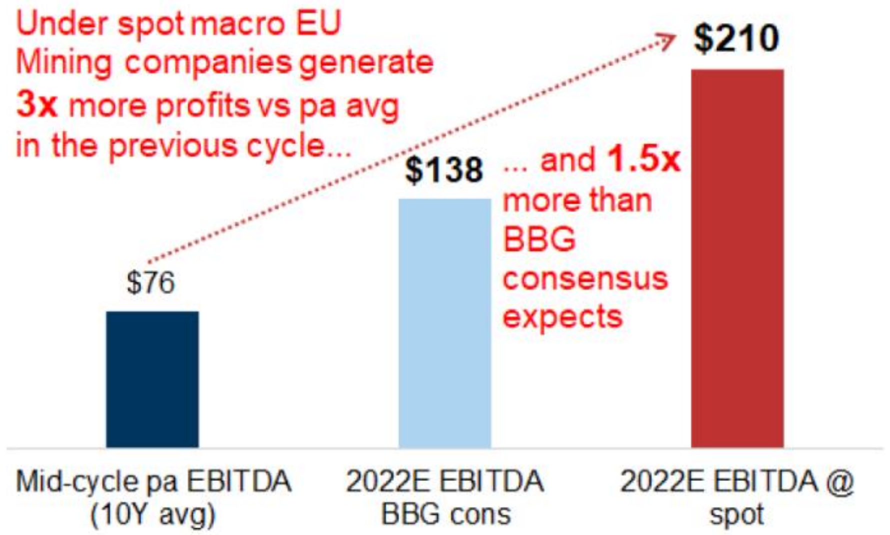
Source: ODDO BHF AM, Bloomberg, ODDO BHF Metals

Metals: decarbonisation will require MASSIVE INVESTMENTS IN NICKEL, COPPER, ALUMINIUM

METAL PLAYERS

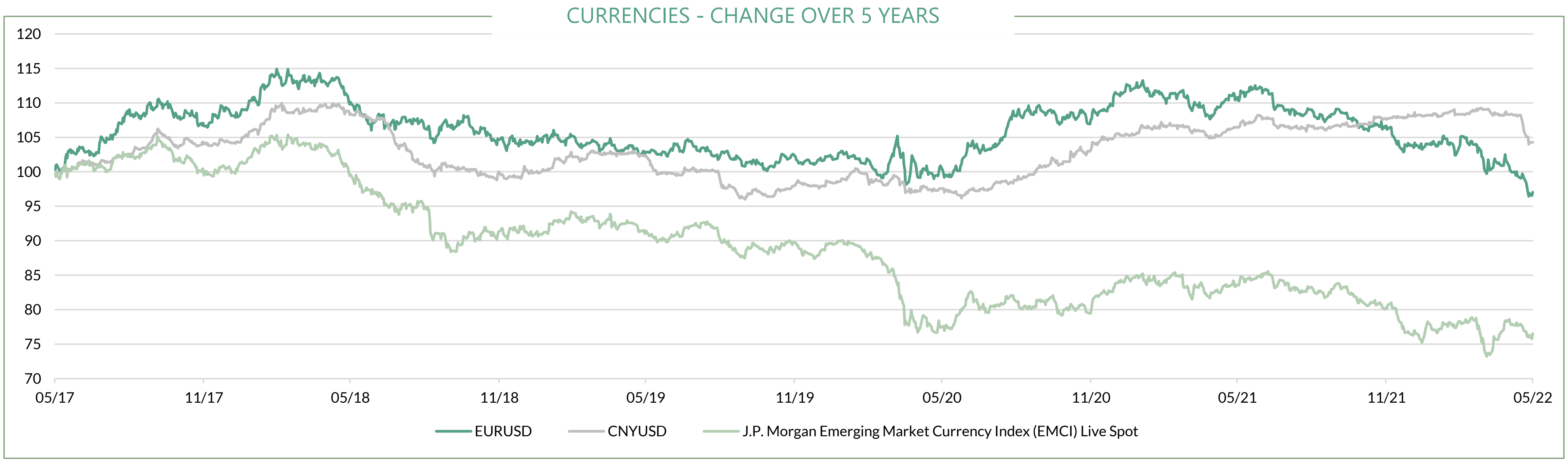


REVENUES OF COMPANIES IN METALS



Source: ODDO BHF AM, Bloomberg, ODDO BHF Metals

Currencies
USD IS KING



- The greenback appreciated against almost everything.
- The fall in the yen was particularly severe as the Bank of Japan continued to control the curve.
- Emerging Asia currencies were among the most resilient.

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 04/30/2022

03

CURRENT CONVICTIONS

Movements in the portfolios & FURTHER ADJUSTMENTS

Overall

- Risk of recession has increased, corporate earnings are expected to adjust downward in the coming quarters
- Cautious positioning, capital preservation
- Maintain underweight in equities and bonds (duration and credit)

Portfolios	Movements made	Adjustments
Equities	▪ No additional risk reduction ▪ Addition of discounted stocks with strong balance sheets ▪ Repositioning on defensive stocks ▪ Selling of the most illiquid stocks, addition of cash	▪ Selectivity in reweighting outside Europe ▪ Defensive health sector ▪ Addition China (A and H shares) ▪ Banking sector but, low weighting (increased risk cost)
Fixed Income	▪ Partial profit taking on rising rates ▪ Curve-flattening trades in the euro area excluding Italy	▪ Maximum underweight on HY
Diversified	▪ Unchanged equity exposure, underweighted ▪ Increased diversification via CHF, emerging markets, UK ▪ Decreased exposure to Europe, no US tech stocks	▪ Repositioning on emerging markets outside Latin America vs. Asia

Sources: ODDO BHF AM

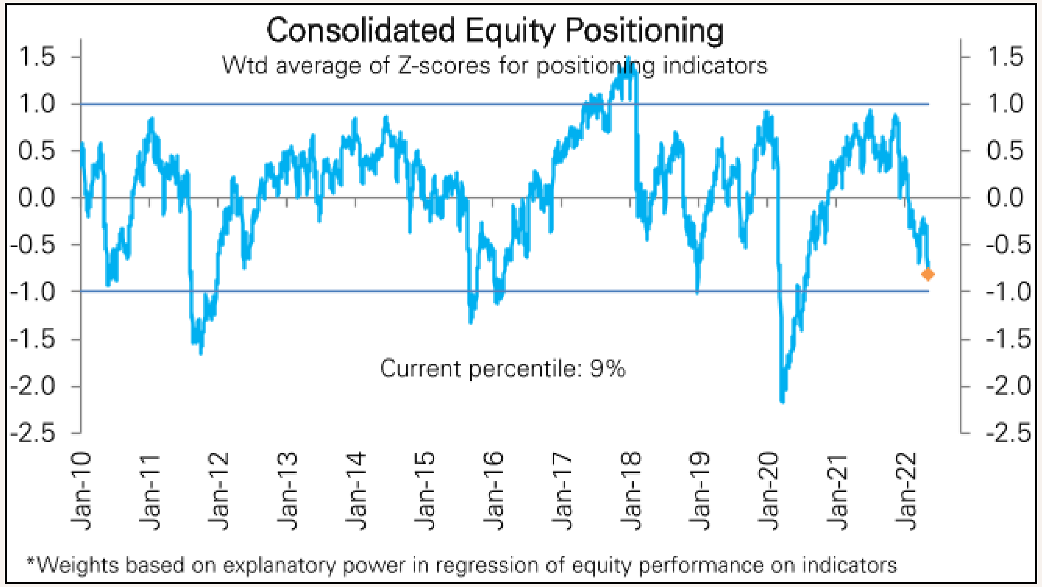
Major risks

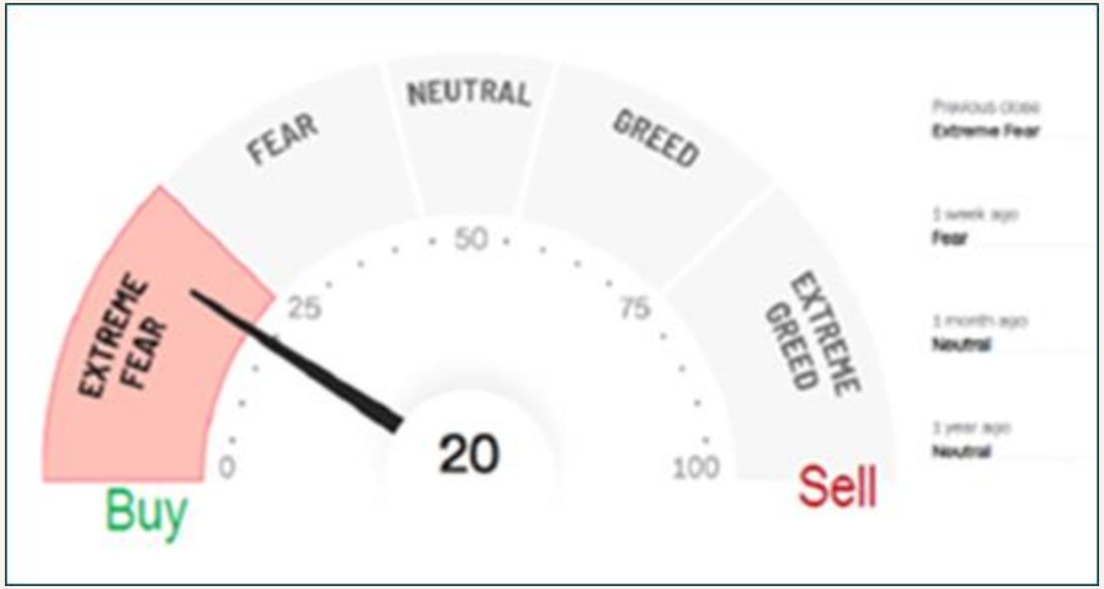
A WORSENING OF THE RISK SCALE WOULD LEAD TO MORE SUBSTANTIAL HEDGING OF THE PORTFOLIOS

Risks	*Economic*	*Financials*	*Geopolitical*
Risk factors	▪ Global recession linked to a gas embargo in Europe and a significant deterioration in sentiment ▪ New, highly contagious variants ▪ Monetary policy mistakes, loss of credibility of DM central banks ▪ Chinese hard landing	▪ Sovereign debt crisis in Europe and emerging countries ▪ Corporate solvency crisis ▪ Currency instability with the loss of the USD's reserve currency status	▪ Escalation in Ukraine ▪ Political fragmentation in Europe ▪ Hardening in the Chinese-American cold war
Positioning	▪ Cash, ▪ USD, Linkers, ▪ strong underweight in equities and credit, ▪ Gold	▪ Maximum underweight in HY, emerging and peripheral bonds ▪ Buy CHF, JPY	▪ Cash, ▪ USD, CHF, JPY, ▪ Gold

Sources: ODDO BHF AM

Why aren't we more defensive?
DOWNWARD POSITIONING IS EXTREME





Sources: ODDO BHF AM

Our current convictions
FOR EACH ASSET CLASS

Change from the previous month

Equities	Large cap Eurozone		-1			
	Mid cap Eurozone		-1			
	Small cap Eurozone	-2				
	UK			0		
	USA		-1			
	Emerging markets			0		
	Japan			0		
Convertible bonds	Europe			0		
	USA			0		
Currencies	USD/€			0		
	YEN/€				1	
	GBP/€			0		
	CHF / €				1	
Commodities	Gold			0		
	Crude oil			0		

Source: ODDO BHF AM, as of 05/04/2022

Our current convictions
FOR EACH ASSET CLASS

Change from the previous month

Government bonds	Core Europe		-1			
	Peripheral Europe	-2				
	USA		-1			
Corporate bonds	Investment grade Europe			0		
	Credit short duration			0		
	High yield Europe	-2				
	High Yield USA	-2				
	Emerging markets			0		
Money Market	Developed markets					2
Alternative assets	Private equity				1	
	Private debt				1	
	Real estate		-1			
	Hedge fund				1	

Source: ODDO BHF AM, as of 05/04/2022

Scenarios
OUR 6-MONTH VIEW

01 Central scenario

Global GDP negatively impacted by the escalation of the Russian/Ukrainian situation, mainly through the resulting energy crisis, sanctions and their impact on sentiment as well as supply chain disruptions. Corporate margins suffer from broadening and acceleration of inflation.

EUROPE

- Growth slowing vs 2021 and recession risk increasing due to geopolitical tensions. To some extent, this is offset by the improving Covid-19 situation and less health restrictions
- Inflation stays highly elevated, driven by higher energy prices, intensifying second-round effects and supply-chain disruptions
- Increasing pressure on ECB to reduce monetary support, despite elevated macroeconomic uncertainty

US

- With inflation acceleration, wage pressure and overheating of the economy, management of the monetary policy will be in the focus
- Corporate fundamentals remain strong for the moment, but are increasingly impacted by higher commodity prices and margin pressure
- Still elevated equity valuations pose risks to the market

STRATEGY

- Flexibility, increased liquidity buffers
- Hedging (options, gold…)
- Currencies for further diversification

OVERWEIGHT

- Short Duration IG
- Cash

UNDERWEIGHT

- Equities
- High Yield Credit

55%

02 Alternative scenario #1

Massive negative impact from Russian/ Ukrainian conflict resulting in a recession

- Surging commodity prices and their second-round effects, disrupted supply chains and loss of business confidence due to geopolitical tensions
- Central banks' actions slowed due to growth fears, but dilemma situation given overshooting inflation
- Increased market volatility and pressure on valuations

OVERWEIGHT

- Sovereigns
- Alternative strategies
- Cash

UNDERWEIGHT

- Equities
- Credit

30%

03 Alternative scenario #2

Upside scenario

- Easing geopolitical tensions result in improvement of the sentiment and decreasing commodity prices
- Consumption remains strong due to wage increases, lower savings and less health restrictions, positive for corporate margins
- China: Additional stimulus, change in Covid-strategy and less supply chain disruptions add to global growth
- Inflation remains high, but under control and central bank actions are perceived well

OVERWEIGHT

- Equities, incl. Emerging Markets
- High Yield

UNDERWEIGHT

- Sovereigns

15%

Source: ODDO BHF AM, as of 05/04/2022

HOW PERFORMANCE ARE CALCULATED

Cumulative fund performance is calculated based on dividends reinvested. Annualised performance is determined on an annual, 365-day actuarial basis. A fund's performance relative to its benchmark index is expressed as arithmetic difference. Static indicators are generally calculated on a weekly tick that is taken on Fridays, or failing that, on the day prior to valuation.

VOLATILITY

Volatility is a risk indicator measuring the level of fluctuations observed in a portfolio (or index) over a defined period. It is calculated as annualised standard deviation of absolute returns within a defined period of time.

CREDIT SPREAD (CREDIT PREMIUMS)

The credit spread is the risk premium or the difference between the yields of corporate bonds and that of sovereign bonds with the same characteristics.

INVESTMENT GRADE

Investment-grade bonds are bonds issued by issuers rated between AAA to BBB- by Standard & Poor's or the equivalent.

HIGH YIELD

High-yield bonds are speculative bonds rated lower than BBB- (Standard & Poor's) or the equivalent.

PE (PRICE-EARNINGS RATIO)

A stock's price-earnings ratio is equal to the stock's price divided by the issuing company's earnings per share. It is also called the "earnings multiple". It depends mainly on three factors: the company's forecast earnings growth, the risk associated with these forecasts, and the level of interest rates.

Our latest publications

INVESTMENT STRATEGIES

- Jan. 22 • Make 2022 an opportunity
- Sept.21 • "Breathless?"

MONTHLY INVESTMENT BRIEF

- Apr. 22 • Tomorrow there will still be time
- Mar. 22 • Ukraine war: which impacts?
- Feb. 22 • The virtues of uncertainty
- Dec. 21 • Long term "transitory "inflation
- Nov. 21 • All you need is prising power
- Oct.21 • Navigating a market in transition
- July 21 • Reflation in ambush

MARKET VIEWS

- 23.08.21 • Bretton Woods, 50 years on
- 05.07.21 • China: stop or again
- 21.06.21 • Bitcoin: tech innovation or pure hype
- 17.05.21 • When the chips are down

VIDEOS

- #LeadWith • Investment Brief H1 2022
- #Moments • ODDO BHF Fund Range
- #Moments • ODDO BHF Green Planet: the ecological transition, a sustainable investment opportunity
- #TalkWith Ecological transition: challenges & opportunities

SUSTAINABLE INVESTING

Sustainable investing – ODDO BHF AM's approach

The ecological transition: a sustainable investment opportunity

Human Capital – a factor of resilience & differentiation

ESG: the key to unlocking opportunities in small caps

Source: ODDO BHF AM

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ROMAIN GAUGRY
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ODDO BHF AM GmbH

ODDO BHF
ASSET MANAGEMENT

ODDO BHF Asset Management SAS (France)

A portfolio management firm certified by the French Financial Markets Authority (AMF) under n°GP 99011. Established in the form of a simplified joint-stock company with authorised capital of €21,500,000. Entered into the Paris Register of Trade and Companies under number 340 902 857.

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