ODDO BHF
ASSET MANAGEMENT

MONTHLY *investment* BRIEF

The "60/40" strategy is back

A new era

The 2022/2023 period has marked a turning point for interest rates. The era of cheap money that prevailed from 2009 to 2021 is behind us. Neither a prolonged zero interest rate policy nor the sustained use of quantitative easing as a monetary policy tool are likely to be reinstated in the next recession. Interest rates are likely to be much higher on average over the next decade than they were during the last.

Good news or bad news?

The full impact of tighter financial conditions on the economy has yet to be felt. In a worst-case scenario, which we do not favour, rising interest rates could have three consequences:

1. A debt crisis in the real estate sector. Rising borrowing costs could destabilise the sector at a time when property values and debt ratios are excessively high.
2. A sovereign debt crisis in the US or Europe if GDP growth falls below debt servicing costs.
3. Structural stagnation or significant currency depreciation in regions where the private sector is highly indebted, along with a permanent decline in the valuation of risky assets.

However, there is also positive news following this period of "annuitant/rentier euthanasia". Finally, it is possible to build diversified portfolios with return prospects that could range between 4% and 10% in 2024 by leveraging simple asset classes such as equities and bonds.

The renowned "60/40" (60% equities / 40% bonds) strategy is back, as this type of portfolio will once again provide stability in all market conditions.

The 60/40 strategy in different market scenarios

Recession scenario

Assessing the extent of the slowdown in both the US and Europe remains challenging. While a recession in the US and the eurozone has been delayed this year, it may not be altogether avoided. Developed markets will not be able to benefit from a strong fiscal stimulus this time around unless monetary policy eases significantly. In a more pronounced economic slowdown, the risk/return ratio would be less favourable for equities. On the other hand, bonds could yield capital gains through the carry trade and lower interest rates, which could more than offset the poor performance of equities. This is not our preferred scenario.

No landing scenario

Conversely, a "no landing" scenario would be favourable for equity indices but could force central banks to hold back. In such a scenario, bond performance could disappoint, but this would be offset by a re-rating of equities, which are currently trading below historical averages. This is not our preferred scenario.

Soft landing scenario

This is our preferred scenario. A slowdown without a marked recession would allow central banks to cut rates without the economy suffering a major setback.

Both bonds and equities could benefit from such a scenario, delivering double-digit returns.

Source: ODDO BHF AM, comments as of 13./12/2023

Which positioning to adopt?

Equities: Favour the sector-based approach, be selective about cyclical stocks

Regardless of the region or the economic cycle, the aim is to identify sectors and, within those sectors, companies capable of creating long-term value. However, given the less favourable macroeconomic environment, we favor sectors whose cash flows are less sensitive to cycles.

We favour the healthcare and consumer sectors. We are reducing our exposure to cyclical stocks after their strong outperformance over the past year. These are currently trading at a premium of around 10% to defensive stocks, which is higher than their historical average, while earnings are expected to ease. We are taking profits on semiconductors but continue to overweight AI-driven stocks. In that respect, Microsoft and Google could continue to outperform thanks to their overwhelming lead and investment capacity compared to competitors.

Industries such as chemicals, steel, and pulp/paper are among the sectors most sensitive to economic cycles. As mentioned above, taking positions in these sectors may not be advisable at this time. Yet, counter-intuitively, recent quarterly publications have shown that many of these companies expect their sales to stabilise.

Today, some cyclical companies are showing valuations that already incorporate a severe macroeconomic scenario, similar to those observed in latest phases of economic contraction. The basic materials sector serves as a notable example, and it is starting to re-enter our portfolios. Finally, we are strongly reweighting luxury goods equities following the recent fall in stock prices. Organic growth is outstripping nominal growth and valuations look affordable, in a context where barriers to entry have never been so high. This leads us to consider luxury stocks as a core holding.

Bonds: increase duration, favour high-yield credit

As of November 2022, we overweighted high-yield bonds, believing that the potential returns largely outweighed the associated risks. We are maintaining this conviction while refocusing on maturities of 2 to 5 years. We remain exposed to German and US government bonds, as they should benefit strongly from central bank rate cuts in the second half of the year. But rather than choosing short maturities to capture carry, which was the prevailing strategy in 2023, we are opting for longer maturities with a view to maximising potential capital gains if rates fall.

Currencies: exposure to the yen

We had exposed portfolios to the Japanese yen (JPY) in September 2023. A little early, admittedly, but it is always difficult to predict the exact moment when the Bank of Japan (BOJ) will change its monetary policy. However, such a shift is closer than ever, and it is one of our strong recommendations for 2024. This exposure also allows us to diversify risk in the event of an exogenous crisis.

I look forward to seeing you in January 2024 when we set out our investment strategy. We will be exploring segments such as artificial intelligence, obesity, healthcare and clean tech.

Meanwhile, I wish you a very happy festive season. It's time to celebrate this wonderful year on the stock market. Tomorrow is another day...

LAURENT DENIZE
Global Co-CIO, ODDO BHF

Source: ODDO BHF AM, comments as of 13./12/2023

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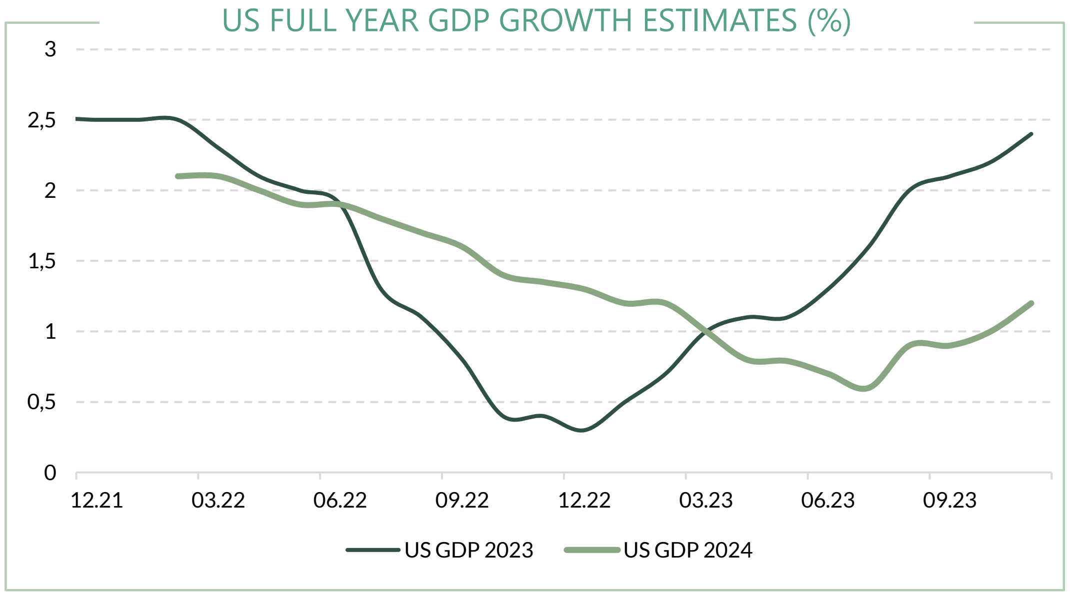
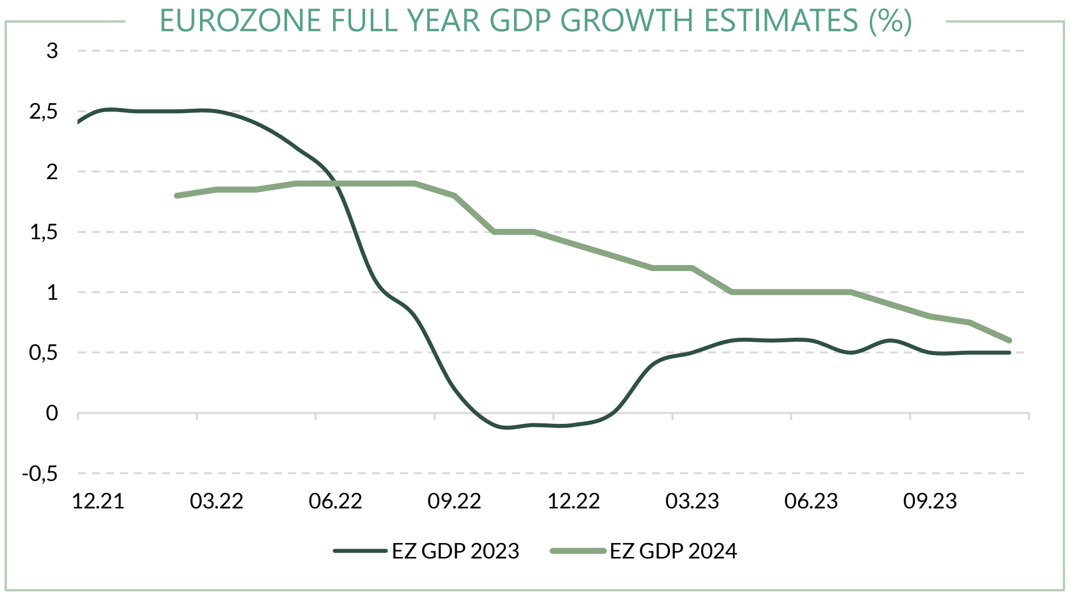
01

MACROECONOMIC *outlook*

Growth outlook

US REVISIONS STILL ON THE UPSIDE

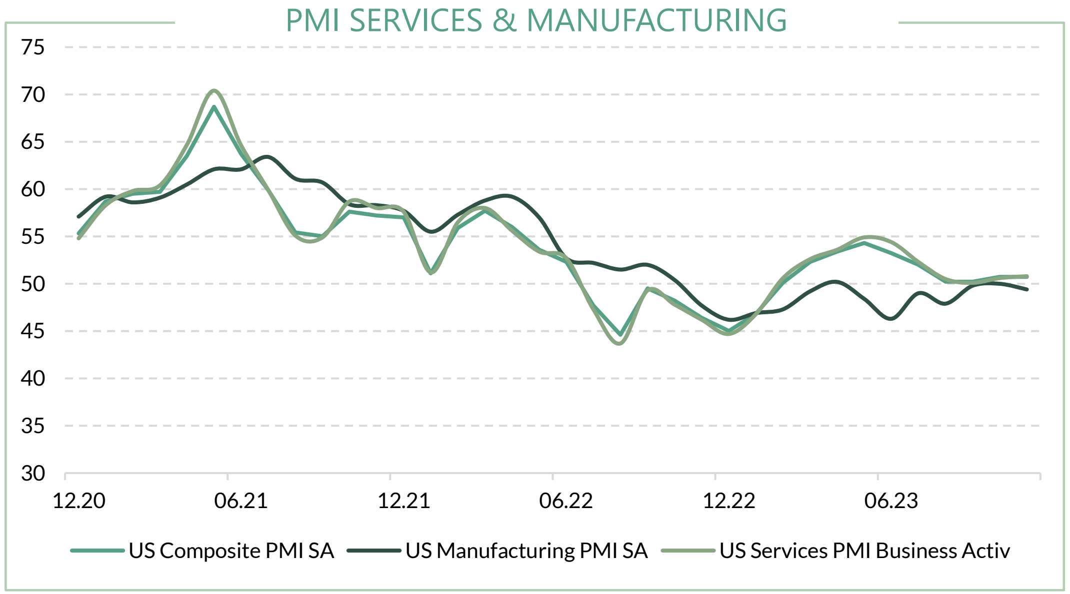


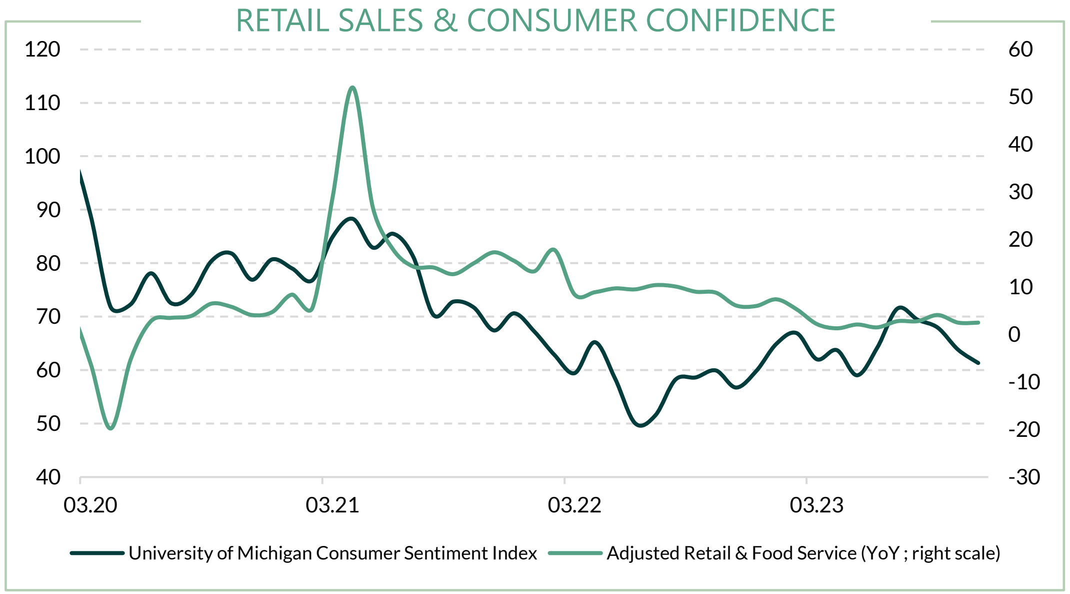


- In the wake of the strong Q3 GDP results , consensus growth expectations have been trending up to 2,4% for 2023 and even more remarkably to 1,2% for 2024 after a low of 0,6% in August
- Recession fears have now completely subsided with a “soft landing” scenario in the US the central assumption
- While the US has improved, momentum in the Eurozone and China has either stalled or faded further
- Eurozone growth forecasts have eased to 0,5% and 0,6% for this year and 2024, respectively

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/12/2023

USA
AS GOOD AS IT CAN GET

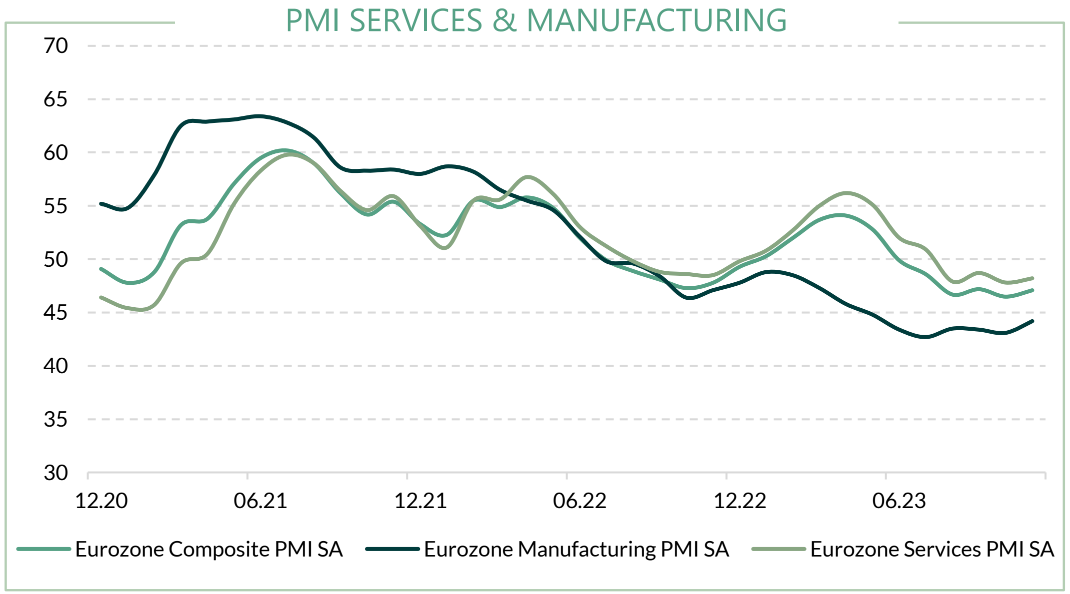


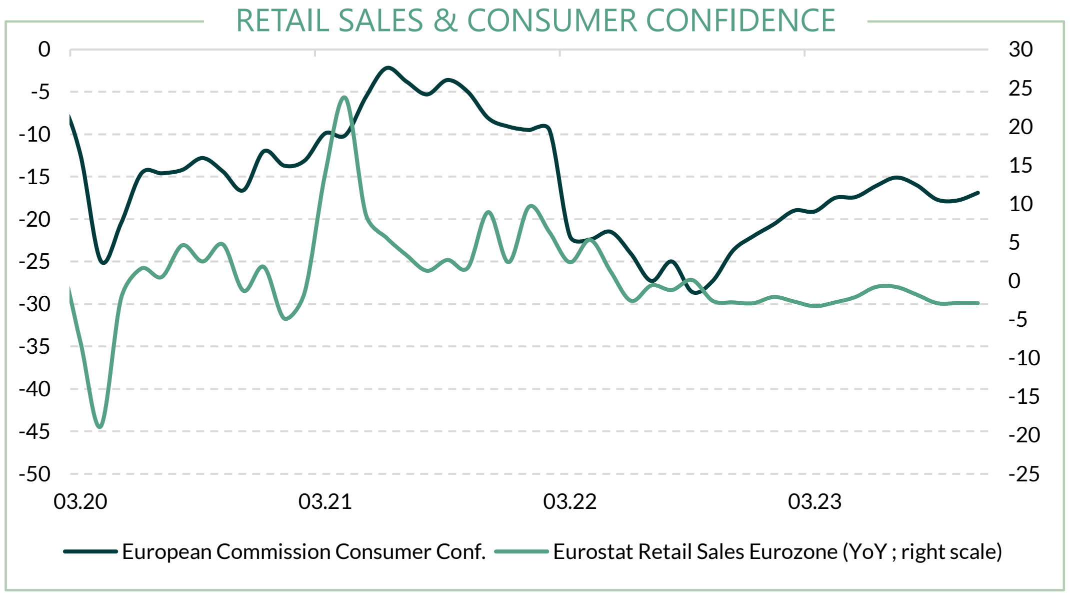


- Activity data has softened slightly but remains remarkably solid with forecasts for Q4 GDP at around 1.2%
- However, some of the special contributors that have propped up the economy are slowly fading as the aggressive tightening cycle works itself through the system:
  - The housing sector, although supported by a supply shortage, again shows signs of weakness
  - Manufacturing remains depressed and the service sector continues to slow successively
  - Excess savings are fading
  - The labor market is showing tentative supply normalization
  - Companies pricing power and margins are being squeezed

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/12/2023

Europe
DEAD CAT BOUNCE?



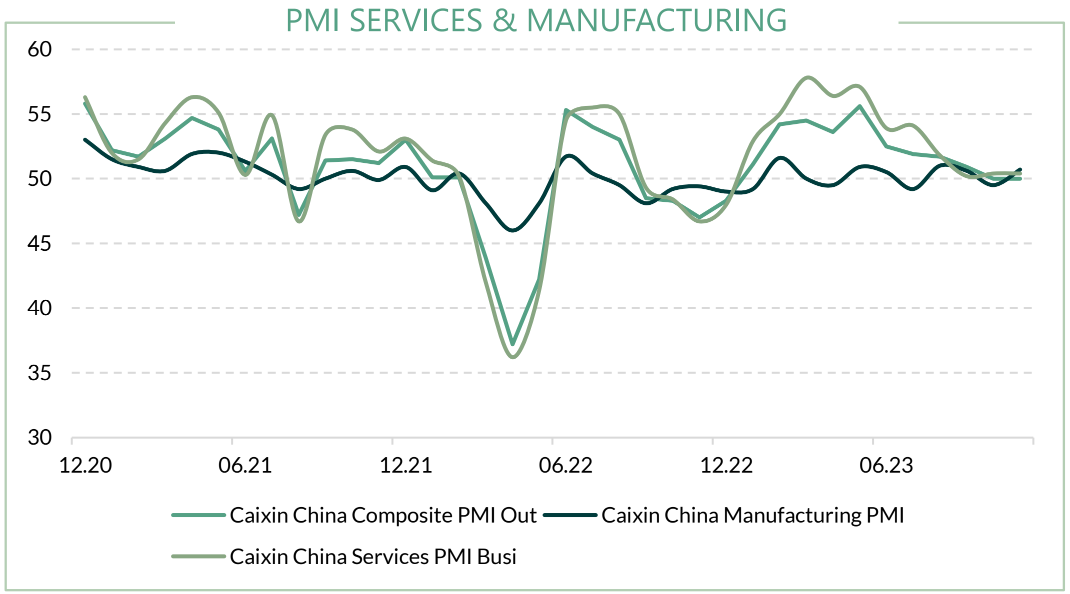


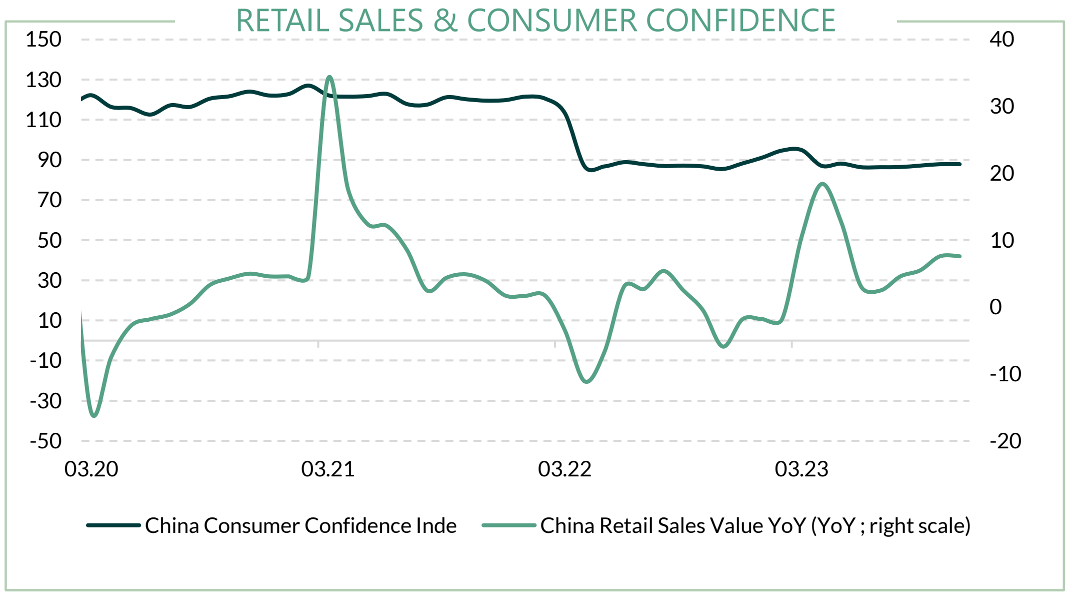
- The Eurozone PMI composite for November bounced slightly from the October low but remained well below the expansionary level of 50. Both, manufacturing and services components improved slightly. At the country level France appears still to be the weakest link
- Hard data remains weak suggesting a slight contraction in Q4
- Consumer spending is still holding up supported by tight labor markets, wage increases, saving reserves and improving real consumer incomes as inflation recedes
- We still see the risk for the economy tilted to the downside as the ECB hiking cycle works itself increasingly through the system

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/12/2023

China

DEFLATION SHOWS DOMESTIC DEMAND WEAKNESS



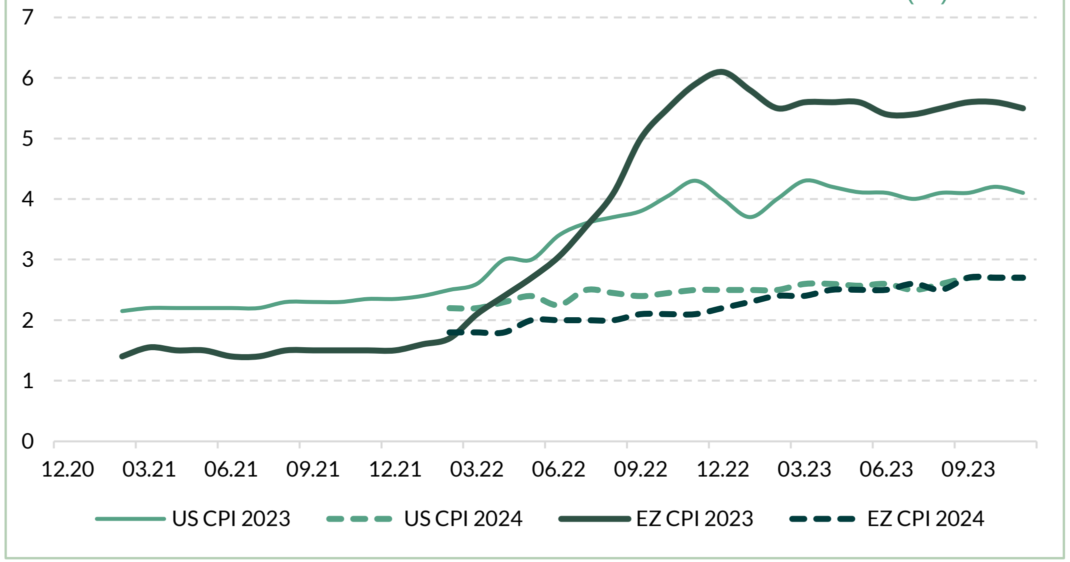


- PMI have continued to stabilize with the Caixin measure improving more convincingly to 51.6 after 50
- A source of concern remains the fall into outright deflation as CPI slid -0.5% yoy and PPI declined by 3% against the previous year. This clearly reflects the sluggish domestic demand and a strong propensity to save
- The property market still shows signs of deflating despite some mitigating measures by the government to help ailing developers
- While the government has announced to increase infrastructure measures and monetary stimulus, these are rather reactive and more aimed to put a floor under the economy instead of lifting it materially

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/12/2023

Inflation expectations RECEDING

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



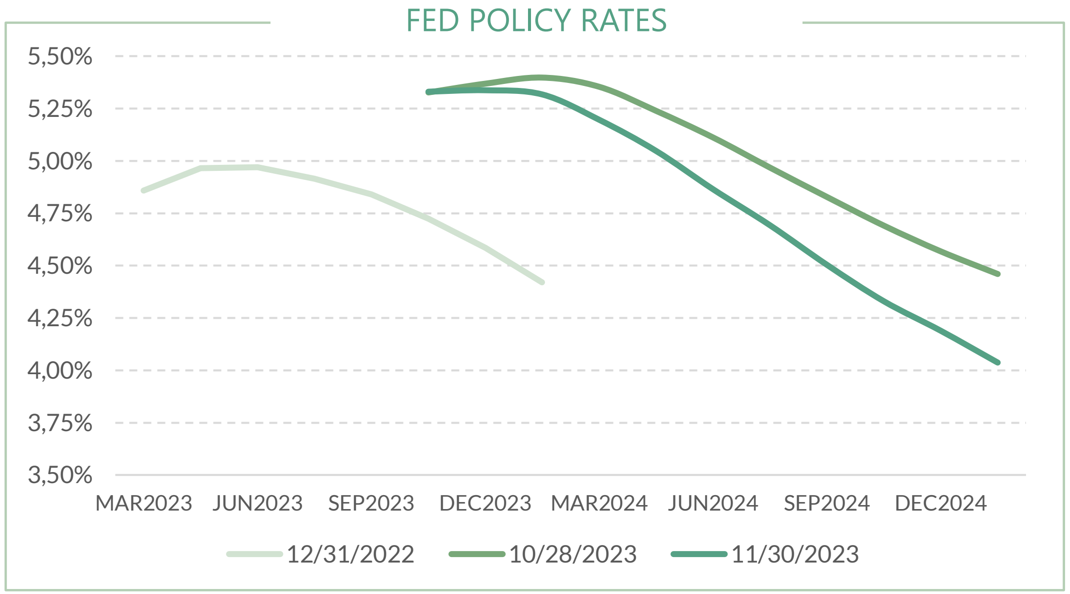
YOY CPI ESTIMATES

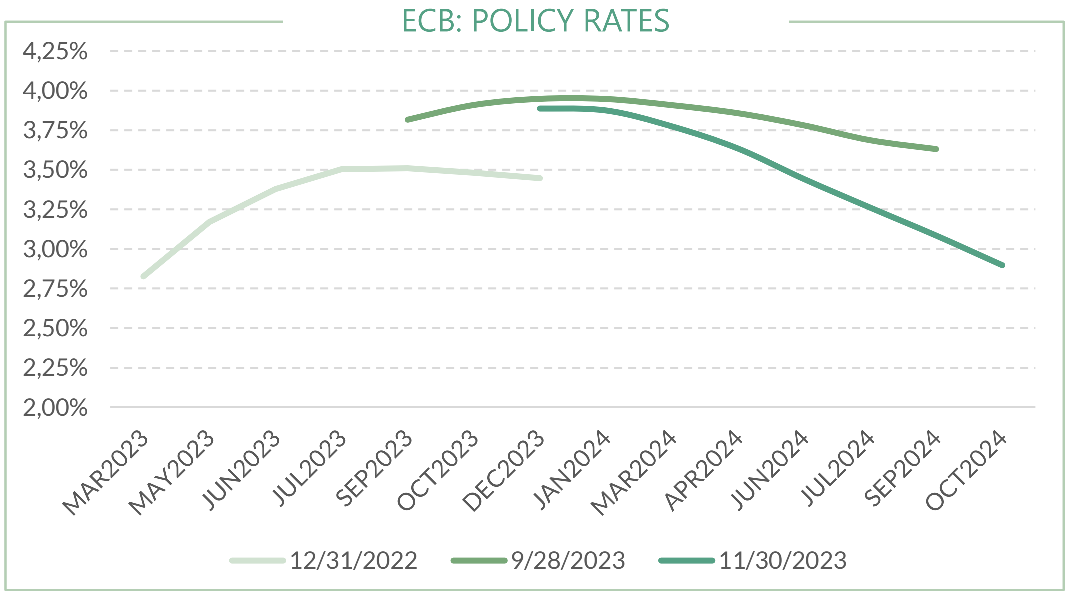
		12/4/2023 CPI YoY	Nov-23	Oct-23	1Y trend	5Y average	20Y average
Canada	CACPIYOY Index	Canada		3.1		3.4	2.8
U.S.	CPI YOY Index	U.S.		3.2		2.0	3.2
Brazil	BZPIIPCY Index	Brazil		4.8		2.8	7.9
Mexico	MXCPYOY Index	Mexico		4.3		2.6	6.4
Chile	CNPINSYO Index	Chile		5.0		2.9	
Eurozone	ECCPEMUY Index	Eurozone	2.4	2.9		1.8	2.7
Germany	GRCP20YY Index	Germany	3.2	3.8		1.7	2.4
France	FRCPIYOY Index	France	3.4	4.0		1.3	2.1
Italy	ITCPNICY Index	Italy	0.8	1.7		1.6	2.6
Poland	POCPIYOY Index	Poland	6.5	6.6		3.5	
Sweden	SWCPYOY Index	Sweden		6.5		2.1	2.3
Switzerland	SZCPIYOY Index	Switzerland	1.4	1.7		0.5	0.8
U.K.	UKRPCJYR Index	U.K.		4.6		2.2	3.1
India	INFUTOTY Index	India		4.9		2.8	7.5
Indonesia	IDCPIY Index	Indonesia	2.9	2.6		1.4	7.4
Malaysia	MACPIYOY Index	Malaysia		1.8		0.8	
Japan	JNCPIYOY Index	Japan		3.3		0.7	0.4
South Korea	KOCPIYOY Index	South Korea		3.8		1.3	3.1
China	CNCPIYOY Index	China		-0.2		0.8	2.4
Hong Kong	HKCPIY Index	Hong Kong		2.7		0.9	1.7

- Surveys of long run inflation expectations remain fairly muted and are even showing signs of falling back
- Inflation break even rates in the Eurozone have recently collapsed to 2.00%, the lowest level since January 2023, in line with 10-year TIPS which are at the lower end of the 2.25% -2.5% range

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 04/12/2023

FED & ECB policies
WHO BLINKS FIRST?



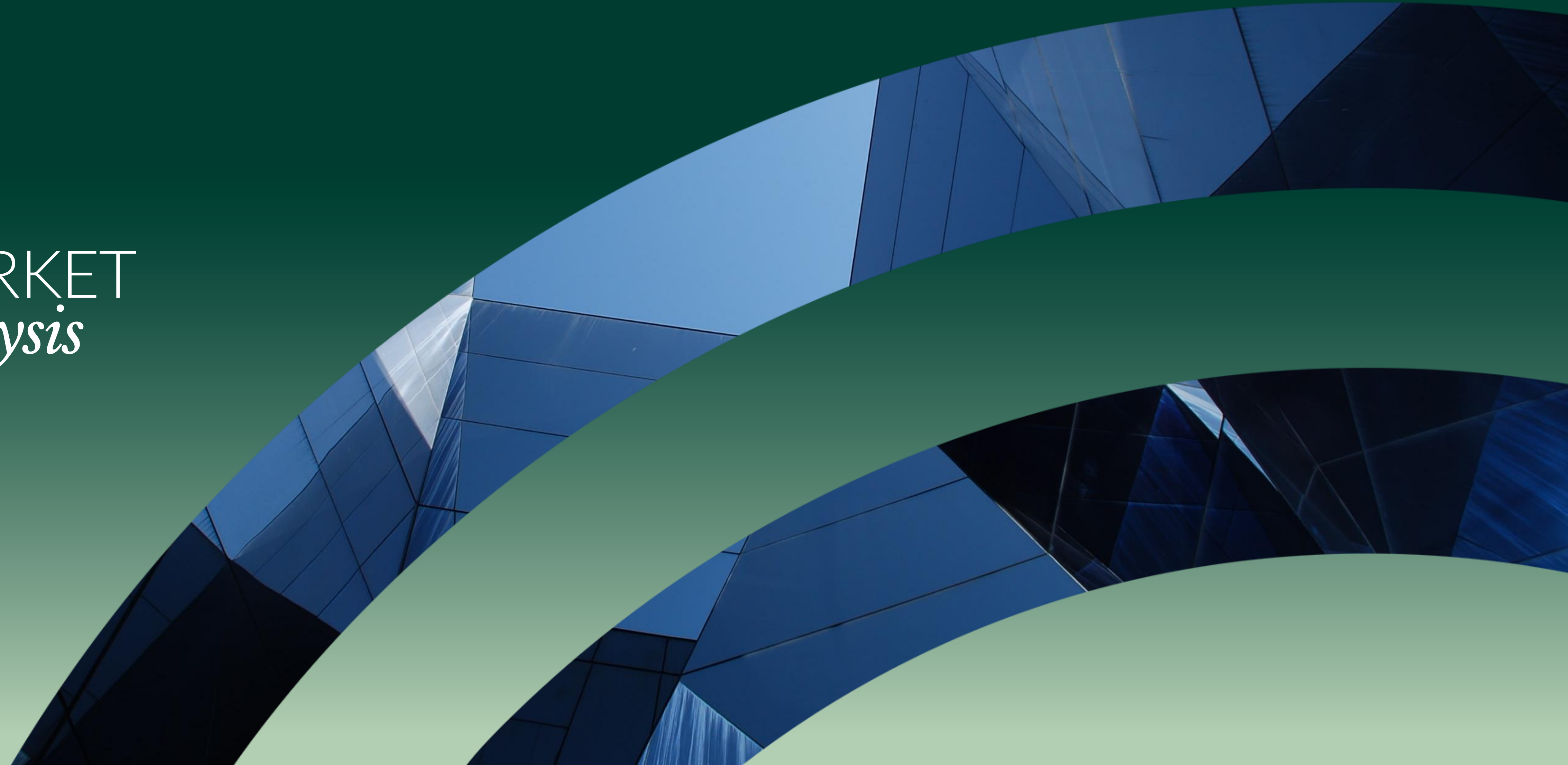


- Markets have laid the dominant “high for long mantra” of the recent months to rest after inflation keeps falling fast
- Money markets now price more than 100bp cuts in the US and 120bp for the Eurozone in 2024 with an early March start for the ECB. Nevertheless, total rate cut expectations in the US only amount to roughly 175bp which would be in accordance with a soft-landing scenario but not with a recession
- The ECB has already started to tweak its tone to more dovish, but a first cut in March before the Fed appears unlikely
- PEPP unwinding has been not on the agenda so far but should be something to address in spring 2024
- Central Banks seem to put too much emphasis on current core inflation readings and might therefore already be in overtightening territory
- This is a risk especially for the ECB as Germany appears already to be in a recession and the Eurozone as a whole at best in stagnation

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 30/11/2023

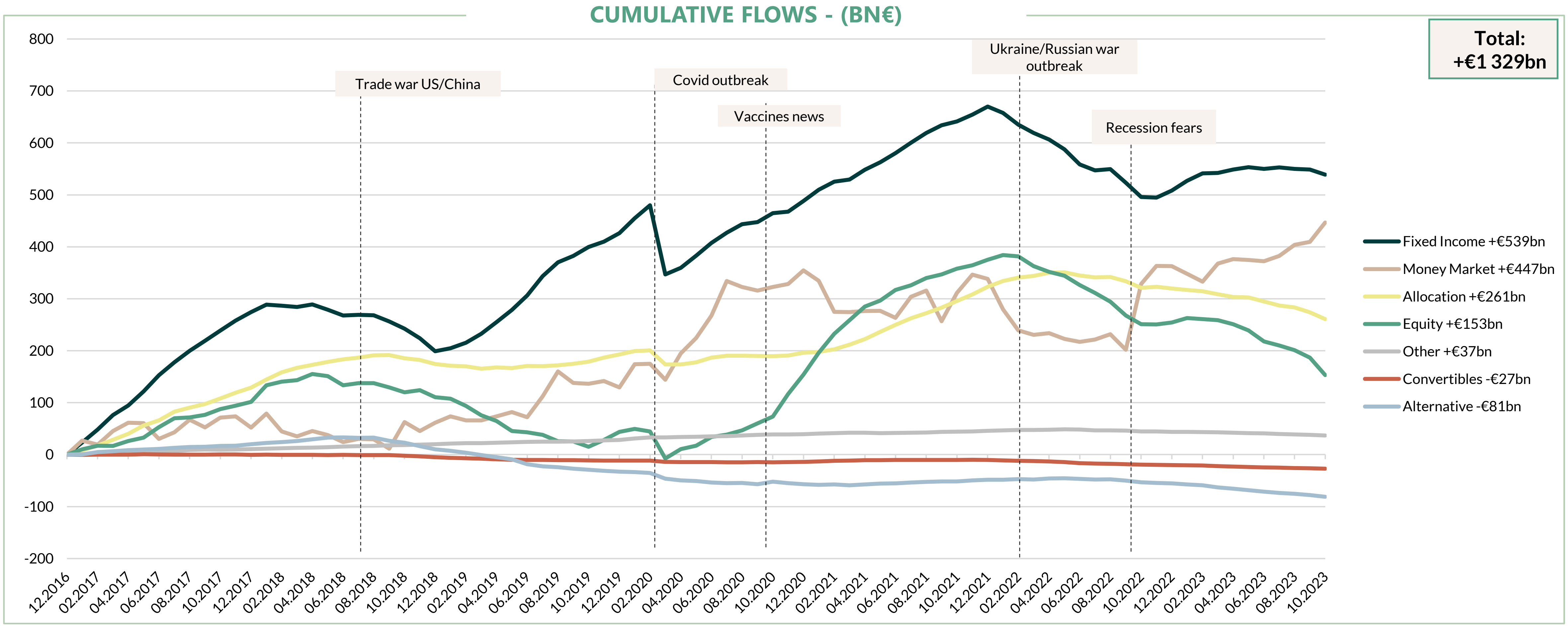
02

MARKET *analysis*



Cumulative mutual fund flows (€bn) since 2017

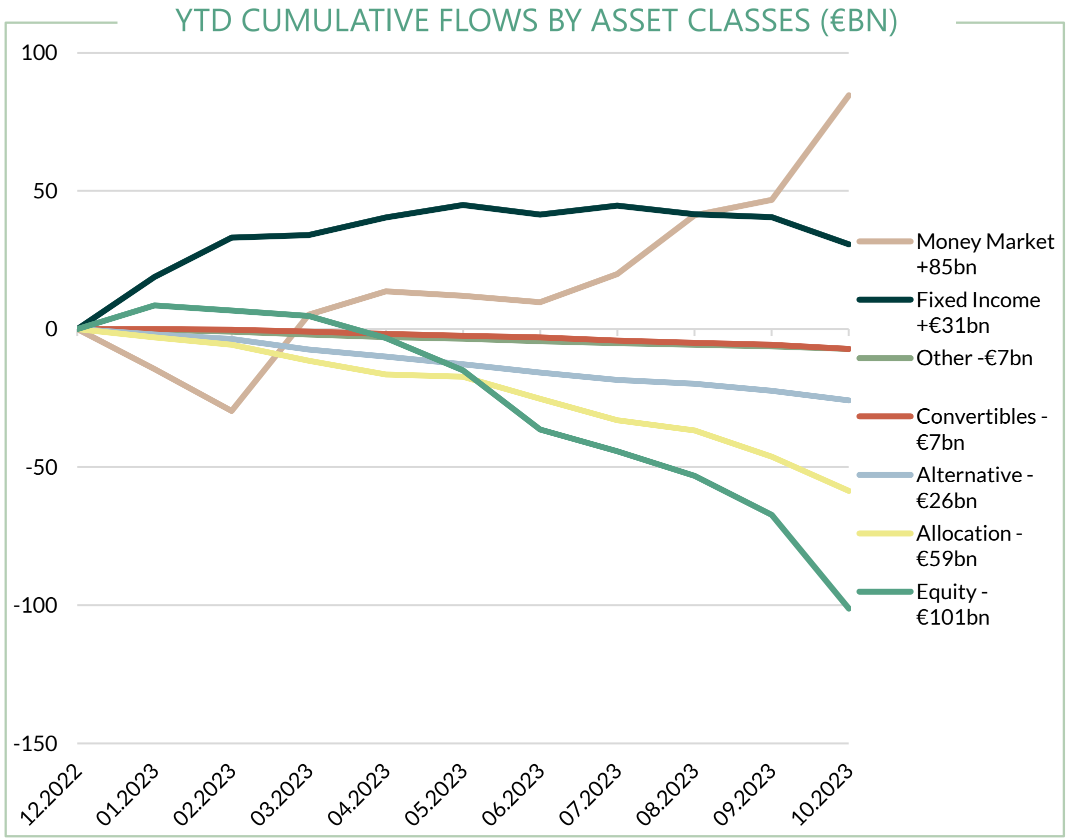
CASH HOARDING

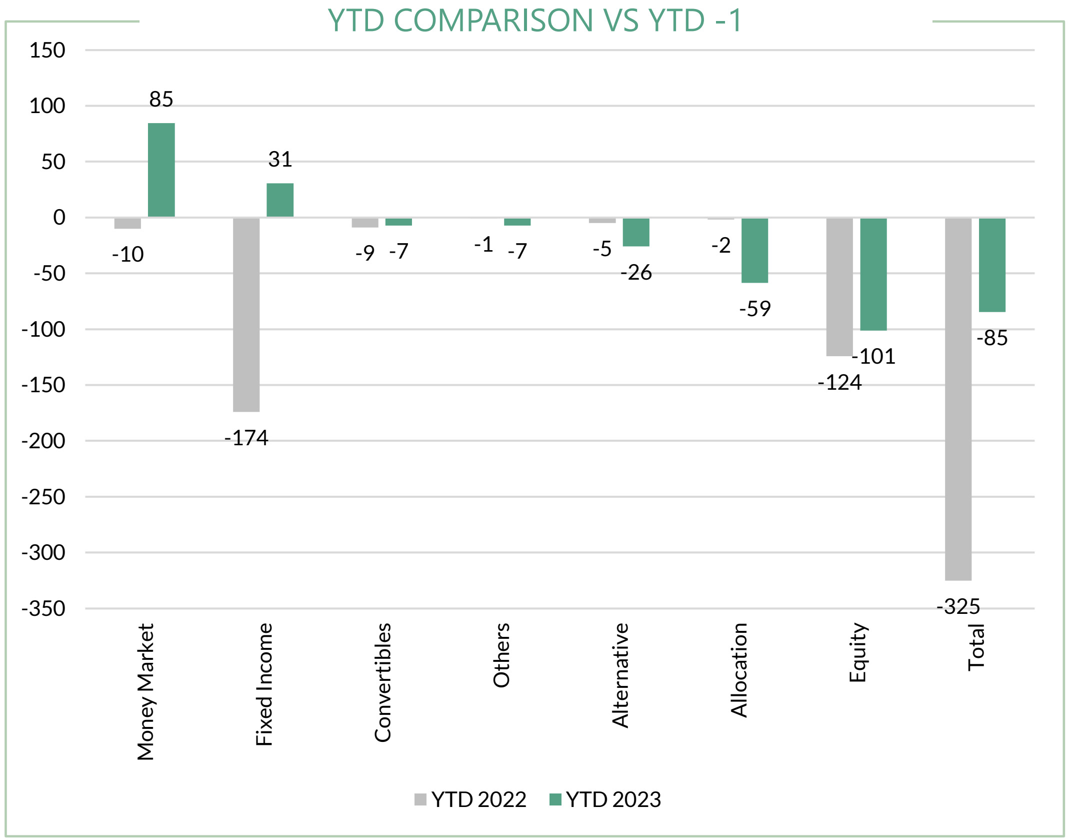


Source: Morningstar. Data as of 31/10/2023 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

YTD European mutual fund flows

EQUITIES KEPT BEING SOLD-OFF

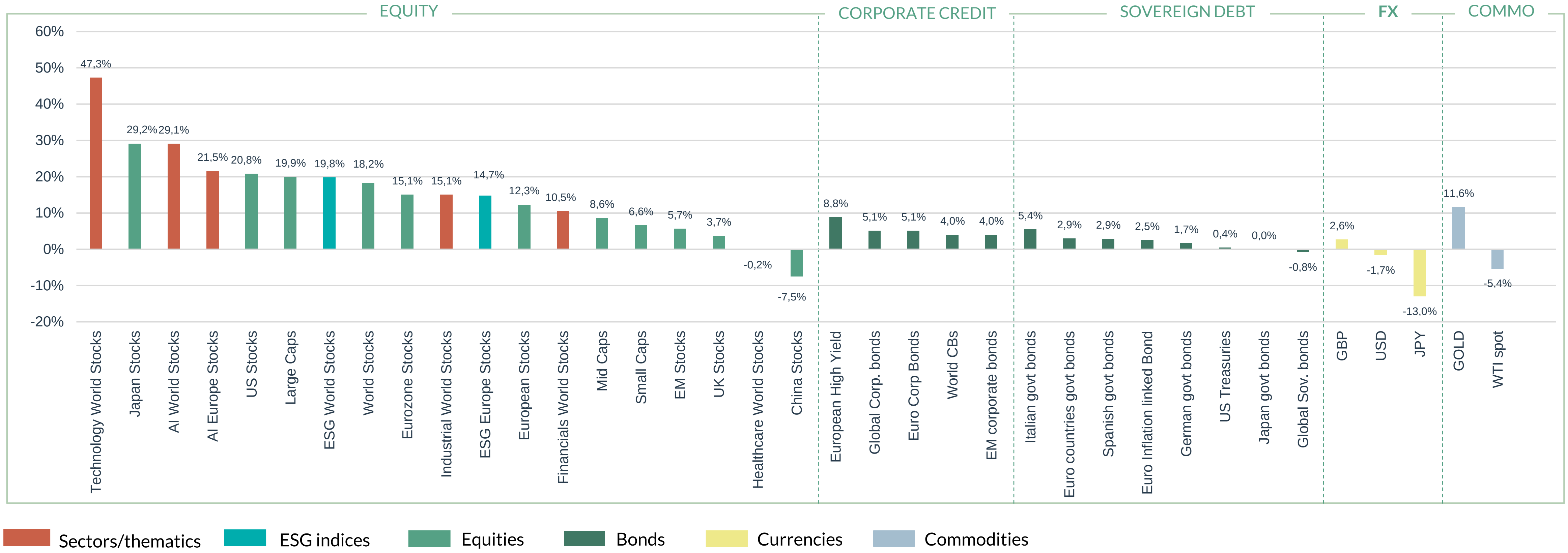




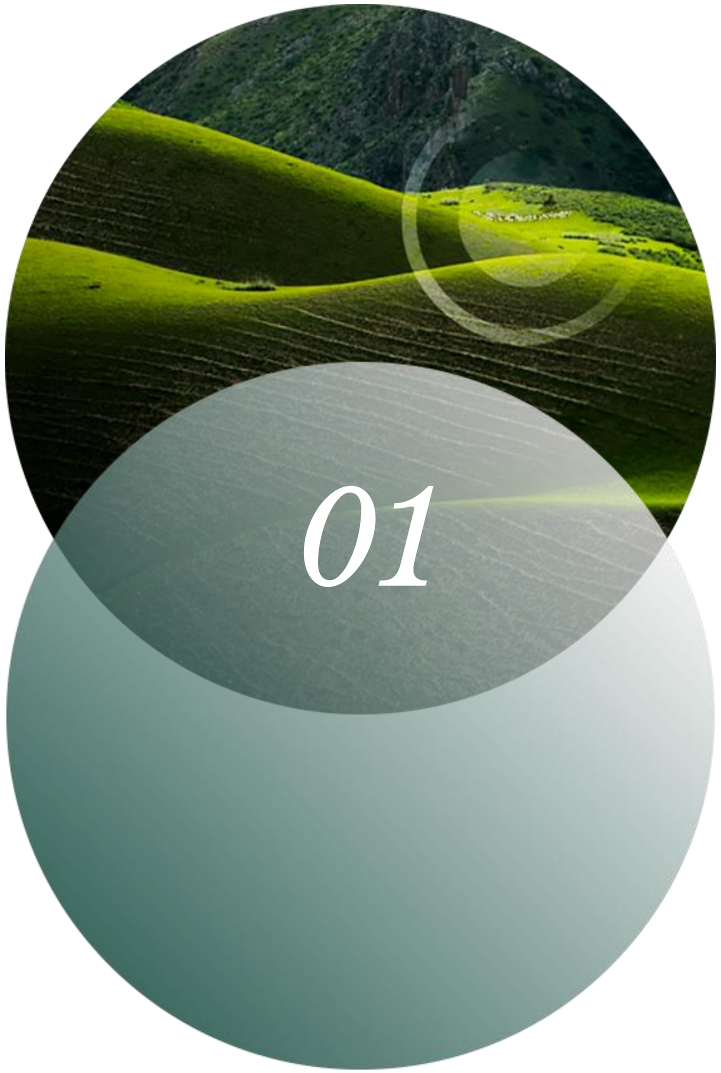
Source : Morningstar. Data as of 31/10/2023 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

Year-to-date performances of asset classes

HOPES OF FED DOVISH TURN LIFT MOST ASSET CLASSES IN NOVEMBER



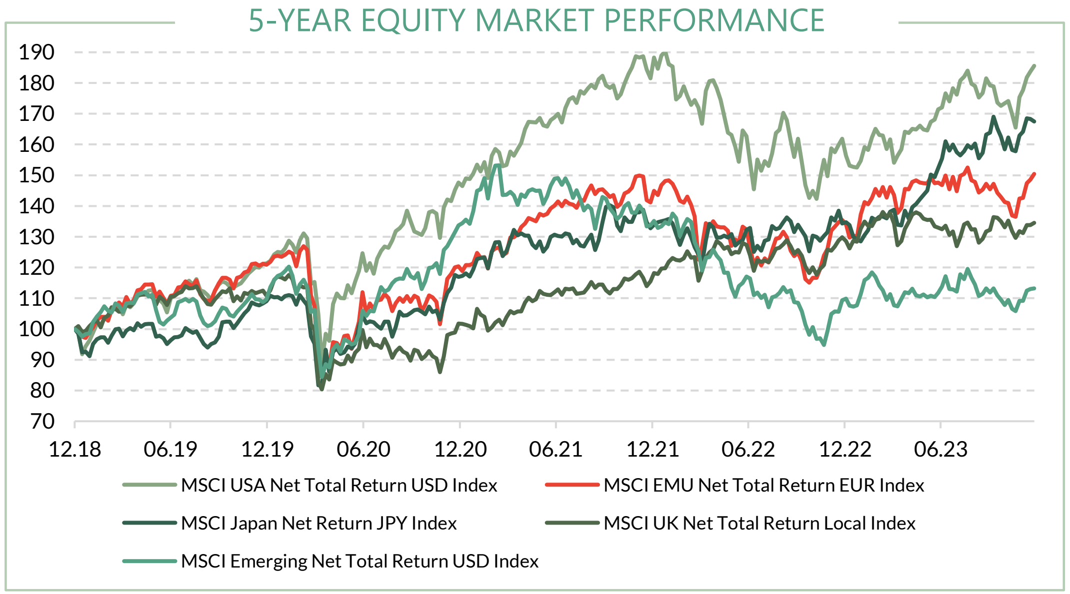
Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 30/11/2023; performances expressed in local currencies

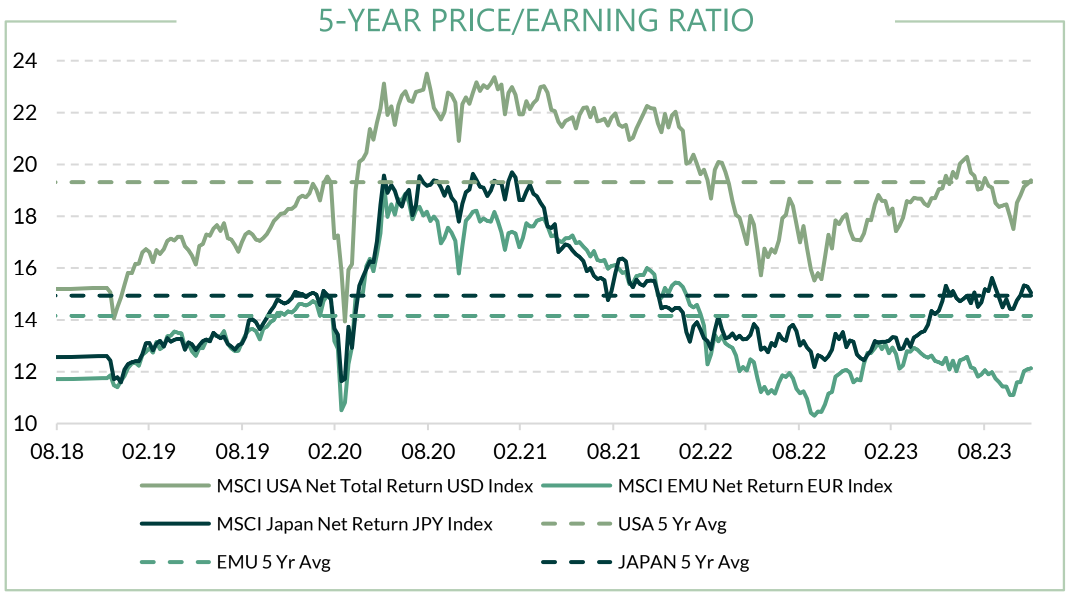


EQUITIES

Equities

BACK TO YEARLY HIGHS



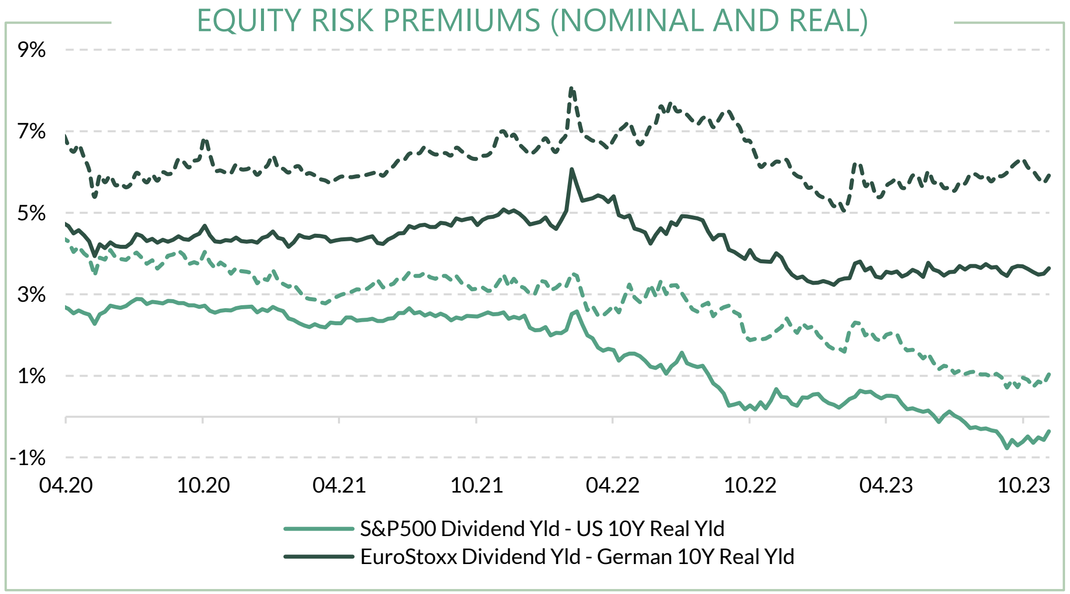


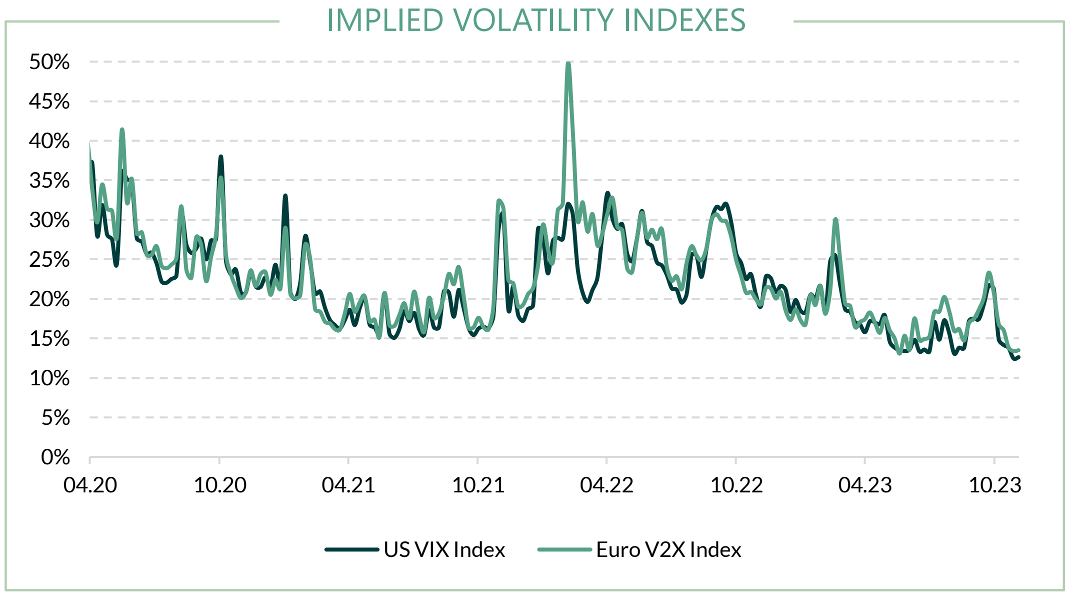
- The overwhelming majority of equity indices posted sharp rebounds.
- With USD losing some grounds vs most peers, the US equity market led the pack, with S&P500 appreciating by 9%, while EuroStoxx gained 8%. Topix and FTSE100 posted more tepid performances, with 5% and 2% gains respectively.
- Within the US stock market, the downward move in bond yields benefited tech stocks, with Nasdaq jumping 11%.
- Global EM indices appreciated 8% (in USD), with Chinese stock markets being the major underperformers (-0% for Hong-Kong HSCEI and -2% for the domestic CSI300).

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 04/12/2023

Risk premiums & volatility

EQUITY REBOUNDING COHERENT WITH THE DROP IN BOND YIELDS





- The sharp upward move in equities was largely explained by the move down in bond yields.
- Earnings expectations remained quite still, and the move up in equity valuations left risk premium over bonds barely changed.
- The upside move of equity indexes put some extra-pressure on implied volatilities, which fell back to multi-year lows in Europe and the US.

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 04/12/2023

European equities – sectors overview

REAL ESTATE AND TECH BOTH BENEFITING FROM LOWER YIELDS

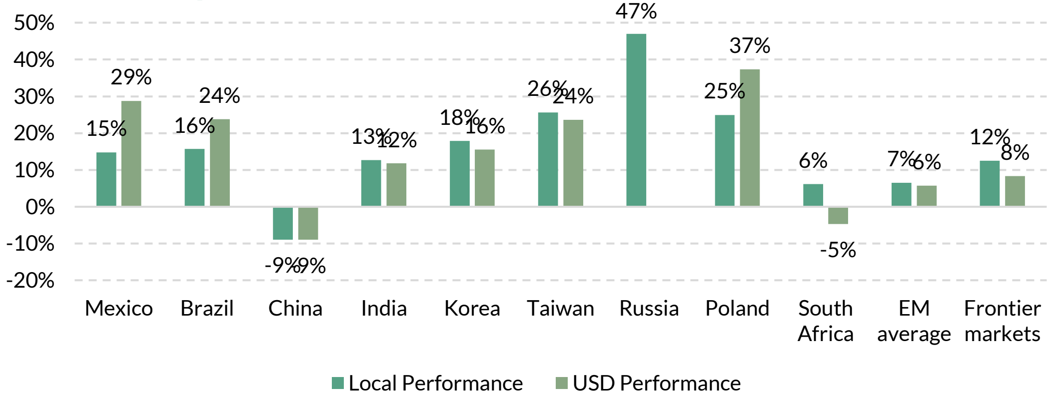
EUROPEAN SECTOR	WEIGHT	PRICE PERFORMANCE		EPS GROWTH		Valuation				
						P/E 12m	Div Yield	FCF Yield	EV/EBITDA	Price/Book
		1m %	YTD %	2023	2024	12m	12m	12m	12m	12m
STOXX Europe 600		6.8%	10%	-1%	6%	12.3 x	3.7%	5.9%	8.5 x	1.7 x
Commodities										
Energy	4.6%	0.3%	4%	-33%	6%	7.7 x	4.9%	11.4%	3.7 x	1.2 x
Basic Resources	2.7%	9.0%	-7%	-45%	1%	10.8 x	4.4%	6.4%	5.4 x	1.2 x
Cyclicals										
Automobiles & Parts	2.7%	9.5%	15%	3%	-4%	5.6 x	5.6%	11.2%	5.1 x	0.7 x
Chemicals	2.7%	6.4%	7%	-40%	20%	17.7 x	3.2%	4.1%	9.3 x	1.8 x
Construction & Materials	4.1%	11.9%	21%	1%	7%	13.6 x	3.2%	7.0%	8.0 x	1.8 x
Industrial Goods & Services	14.1%	12.5%	13%	-4%	6%	16.2 x	2.7%	5.7%	9.6 x	2.6 x
Media	1.9%	6.6%	18%	6%	10%	16.6 x	2.8%	6.0%	10.9 x	3.0 x
Technology	8.1%	14.5%	28%	44%	13%	22.7 x	1.2%	3.2%	15.3 x	3.9 x
Travel & Leisure	1.4%	6.4%	14%	111%	15%	12.3 x	2.2%	7.2%	6.7 x	2.2 x
Consumer Products and Services	6.2%	6.5%	11%	5%	13%	21.7 x	2.2%	4.5%	12.4 x	3.8 x
Financials										
Banks	8.9%	7.6%	17%	32%	1%	6.3 x	7.9%	-		0.7 x
Insurance	5.3%	3.7%	8%	31%	13%	9.6 x	5.8%	6.4%	29.0 x	1.5 x
Financial Services	4.2%	12.1%	16%	3%	10%	12.5 x	3.2%	6.2%	7.5 x	1.4 x
Real Estate	1.9%	15.4%	5%	-13%	4%	14.7 x	4.4%	4.6%	21.8 x	0.8 x
Defensives										
Health Care	15.2%	2.4%	4%	2%	10%	16.4 x	2.6%	5.3%	11.7 x	3.2 x
Food Beverage and Tobacco	5.8%	0.6%	-7%	1%	7%	14.4 x	3.8%	6.3%	10.7 x	2.2 x
Personal Care Drug and Grocery Stores	2.1%	0.9%	2%	2%	9%	14.7 x	3.6%	6.3%	8.2 x	2.5 x
Retail	1.2%	13.9%	28%	8%	16%	15.6 x	3.6%	6.1%	7.5 x	2.6 x
Telecommunications	2.7%	6.0%	5%	-15%	32%	12.8 x	5.2%	11.2%	6.1 x	1.1 x
Utilities	4.1%	7.5%	7%	0%	1%	12.4 x	4.9%	-0.6%	7.7 x	1.5 x

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Goldman Sachs, 06/12/2023

Emerging markets

CHINESE EQUITIES STUCK IN NEGATIVE TERRITORIES

YTD EQUITY PERFORMANCE ON MAJOR EMERGING MARKETS

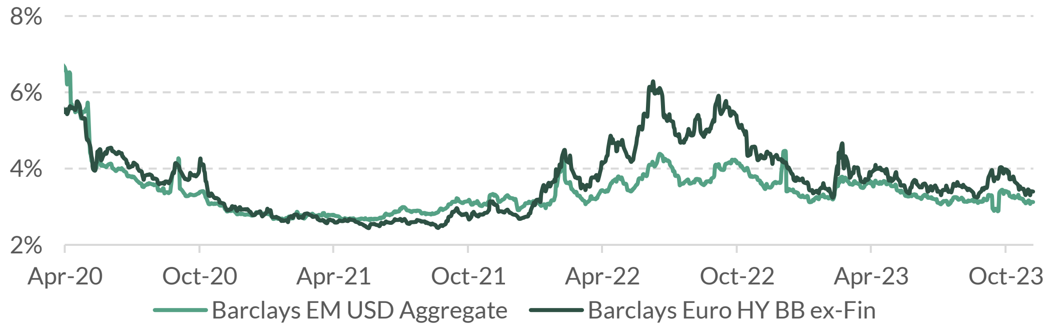


EPS (INCLUDING LOSSES) GROWTH & PE (LOCAL CURRENCY)

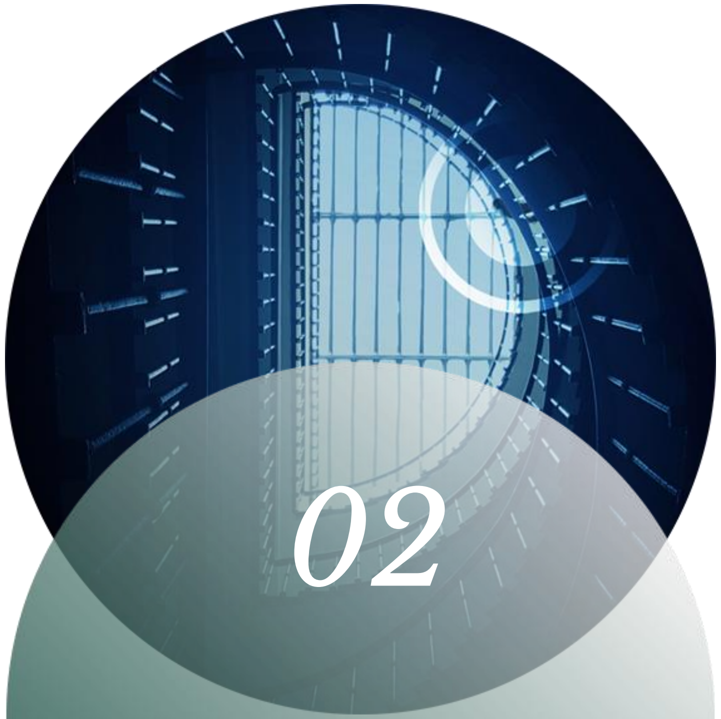
Emerging	PE 12mth fwd	Current Fiscal Year est EPS Growth	Next Fiscal Year est EPS Growth	YtD Var of 2021 est EPS	Mtd Var of 2021 est EPS	Dividend Yield (trailing 12m)
MSCI EM	13.5	-9%	19%	37%	3%	2.9%
MSCI CHINA	10.5	6%	16%	6%	0%	2.6%
MSCI KOREA	17.1	-41%	63%	68%	3%	2.0%
MSCI INDIA	24.4	17%	17%	34%	-2%	1.3%
MSCI INDONESIA	14.7	-5%	10%	25%	-2%	4.4%
MSCI PHILIPPINES	12.5	16%	11%	24%	-10%	2.5%
MSCI MALAYSIA	15.5	1%	14%	35%	2%	4.5%
MOEX Russia Index	*2.8*	*20%*	*-9%*	*43%*	*2%*	*5.4%*
WSE WIG INDEX	8.5	-14%	-1%	46%	6%	2.7%
MSCI TURKEY	5.4	39%	18%	29%	-8%	2.6%
MSCI SOUTH AFRICA	13.5	-15%	47%	2%	-1%	4.0%
MSCI BRAZIL	8.4	-24%	8%	108%	12%	5.4%
MSCI COLOMBIA	5.0	-12%	-2%	138%	1%	10.9%
MSCI MEXICO	12.8	6%	5%	55%	5%	3.4%

- Latin-American indices appreciated vigorously (Mexico +10%, Brazilian Bovespa +12%).
- Taiwanese and Korean markets also got some tailwinds due to their tech biases (TWSE +9%, Kospi +11%), while Chinese indices lost some more ground.
- Emerging currencies also appreciated against USD (Polish Zloty +5%, Korean Won +5%, and Mexican Peso added +4% and is by far the best YtD performer with a 14% gain against USD).

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



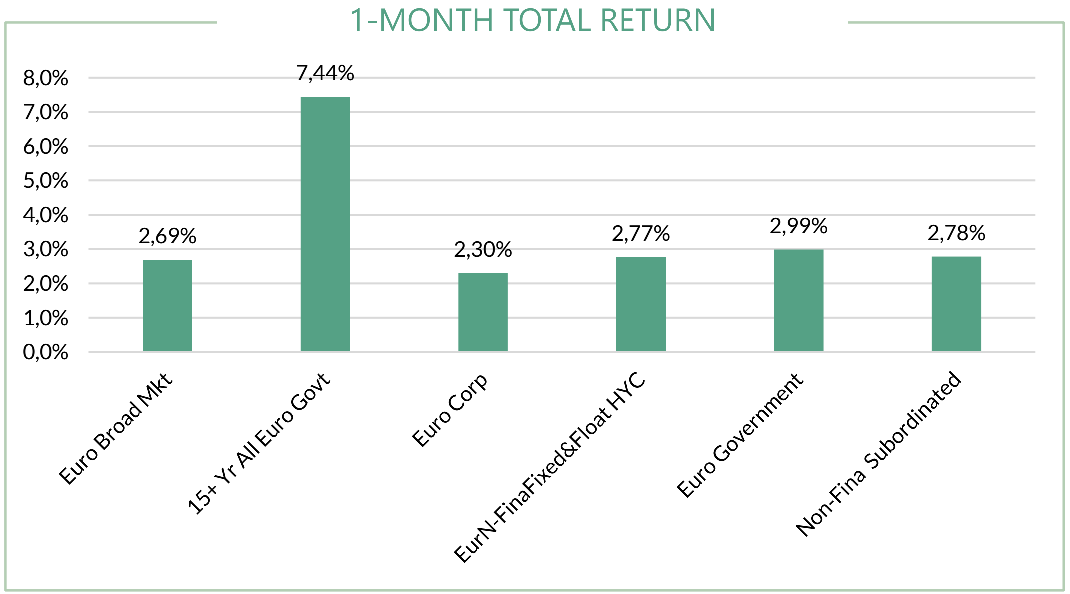
Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 30/11/2023

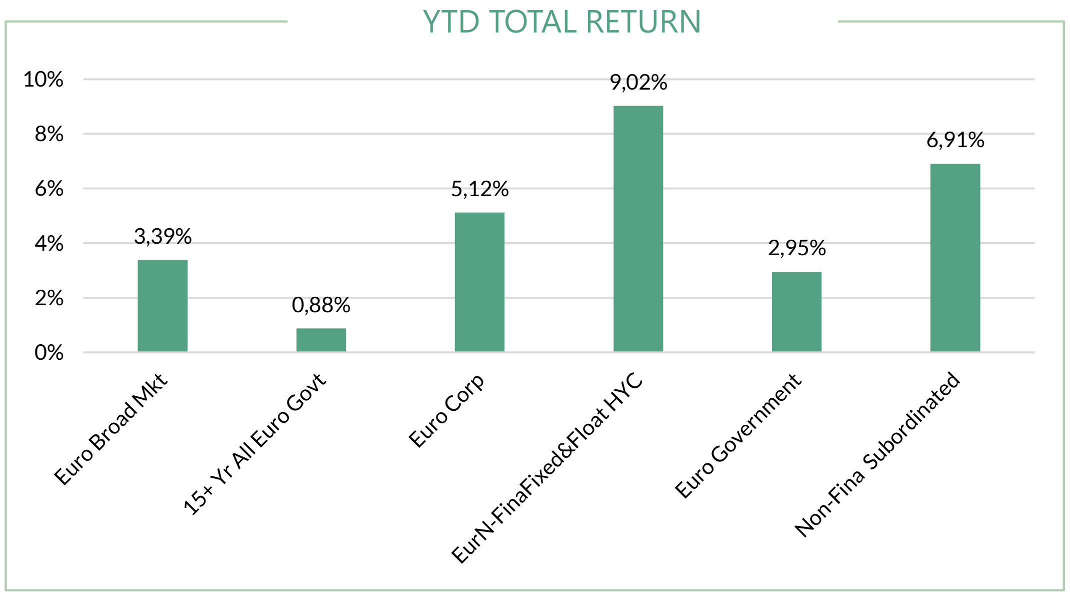


02 FIXED INCOME

Performance fixed income segment

NOVEMBER RALLY TURNS 2023 INTO A VERY DECENT YEAR



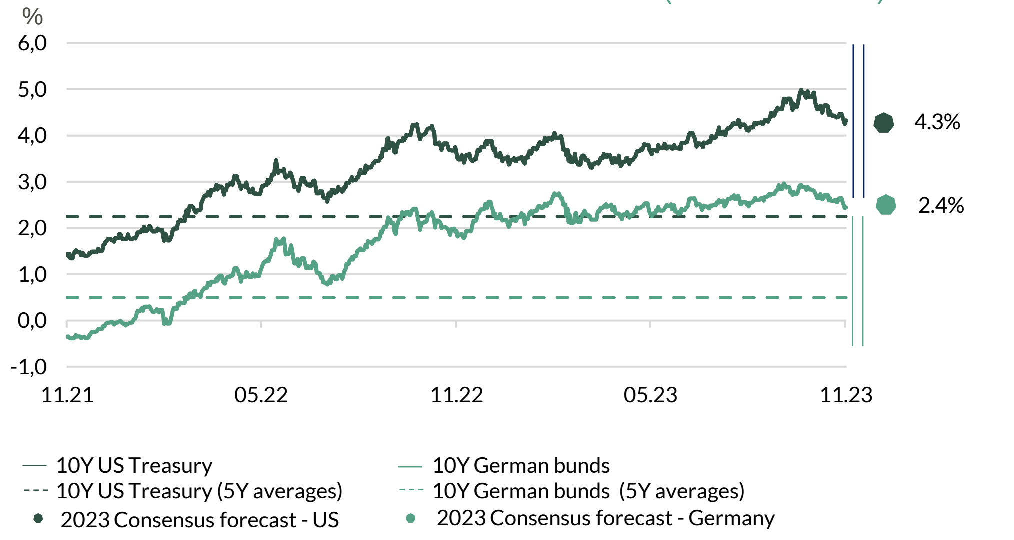


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM, Bloomberg, data as of 30/11/2023

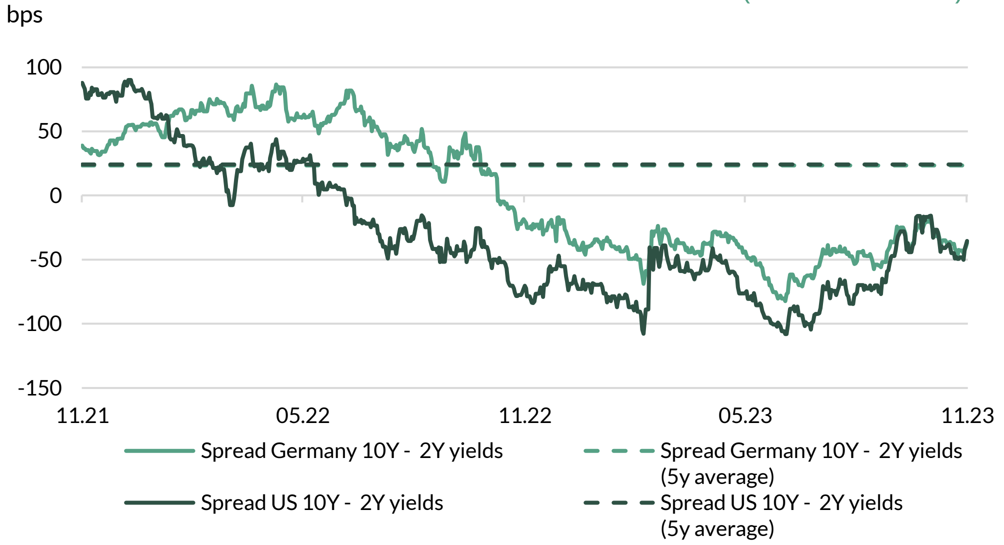
Rates

RALLY TOO FAST TOO FAR?

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



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

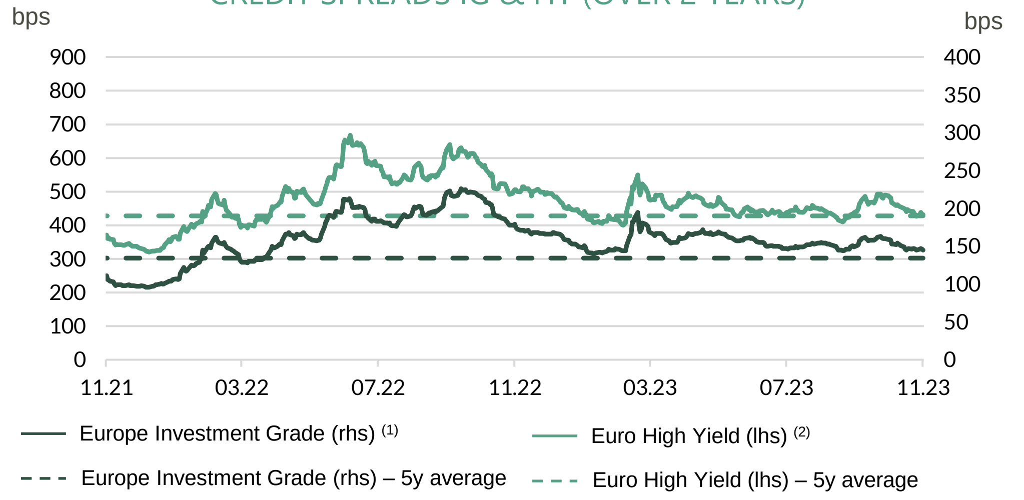


- With disinflation progressing much faster than by many pundits expected and a slight dovish tweak in Central Bank speak, bond markets rallied strongly to the lowest yields since March 2023
- Curves are swinging wildly between bearish steepening and recent bullish flattening with the 10-2 Bund spread now sitting at roughly -50bp, 30bp tighter than the highs of this year
- Given the high recession risk in the Eurozone, continued cyclical disinflation and prospects for an early start of a cutting cycle yields have potential for further declines. However, given the strong move, crowded long positions and now well priced early cuts for the ECB, we might be in for a consolidation phase before weak activity data especially in the US may kick-start a second leg down in rates
- We continue to actively underweight the 30-year sector vs 10-years, and looking for steepening entry points on the 10-2 year spread

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 11/30/2023; RHS: Data as of 11/30/2023

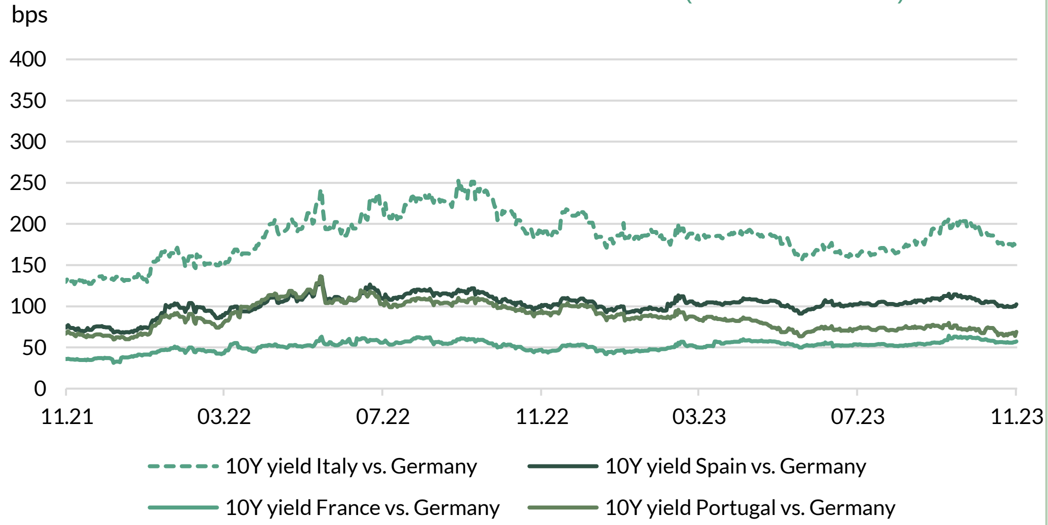
Credit Spreads
RANGEBOUND

CREDIT SPREADS IG & HY (OVER 2 YEARS)



(1) BofA Merrill Lynch Euro Corporate Index (ER00)
(2) BofA Merrill Lynch Euro High Yield Non-Fin. Constr. (HE00)

MAIN EUROZONE COUNTRY SPREADS (OVER 2 YEARS)

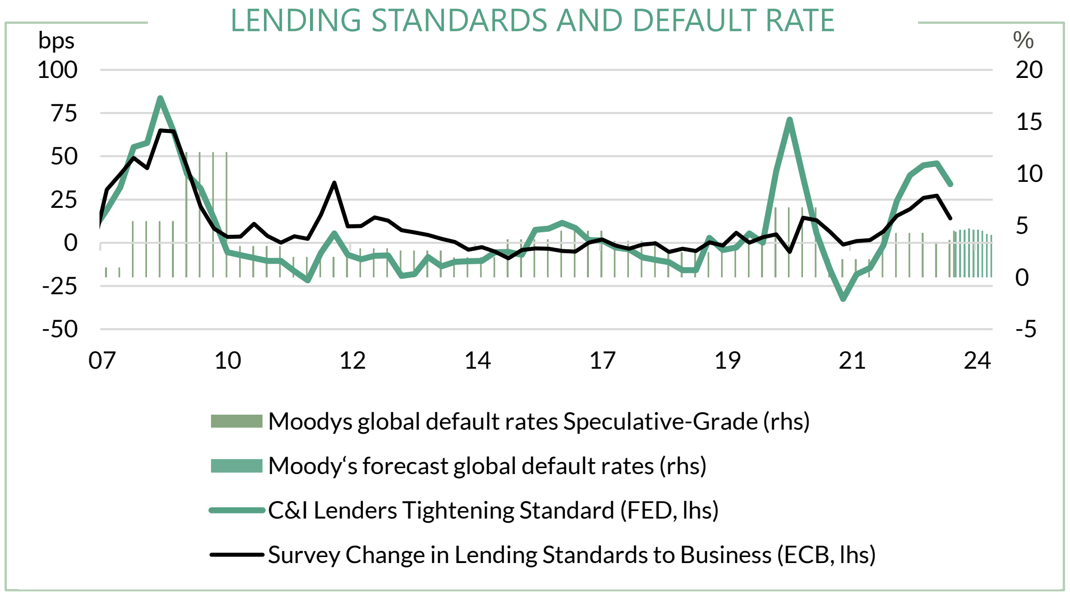


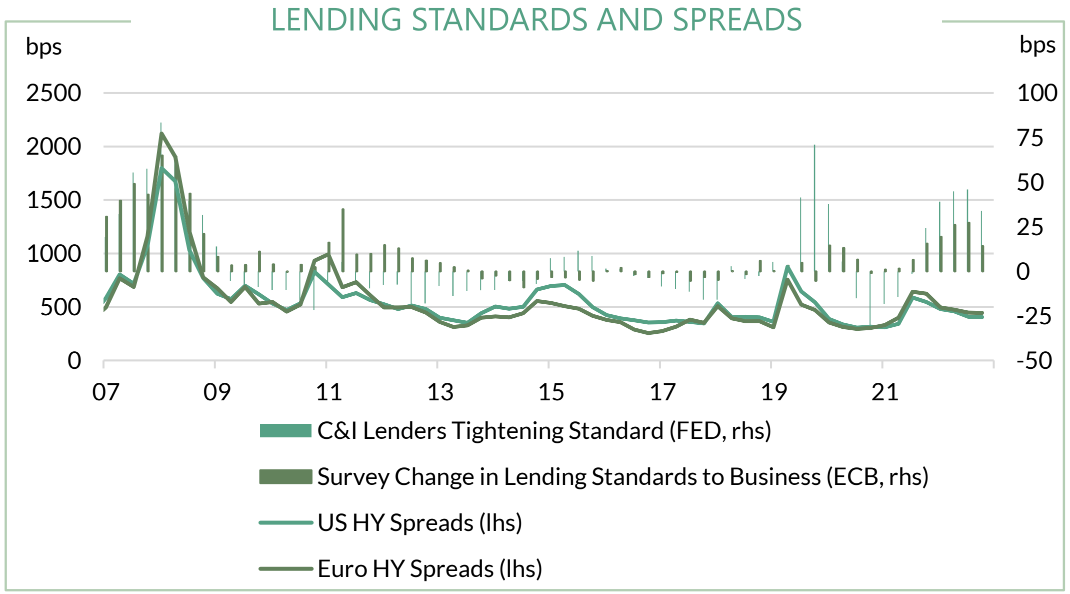
- Credit is currently influenced by the crosscurrents of deteriorating macro data, but on average mostly sufficient company results and a still healthy demand
- The recent risk prone sentiment helped spreads to tighten to 143bp amid a backdrop of heavy supply
- Euro investment grade bonds should have carry and slight tightening potential as long as the Eurozone is just stagnating and not falling off the cliff
- We remain defensive on BTP spreads as the mix of a ballooning deficit, weakening economic data and the discussions on PEPP are a negative backdrop
- Moreover, domestic accounts have heavily bought into BTPs over the last months so that supply may not so easily be digested in 2024

Past performance is not a reliable indicator of future performance and is not constant over time.
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 11/30/2023

Financial conditions

MARKETS HAVE DONE SOME OF THE EASING ALREADY





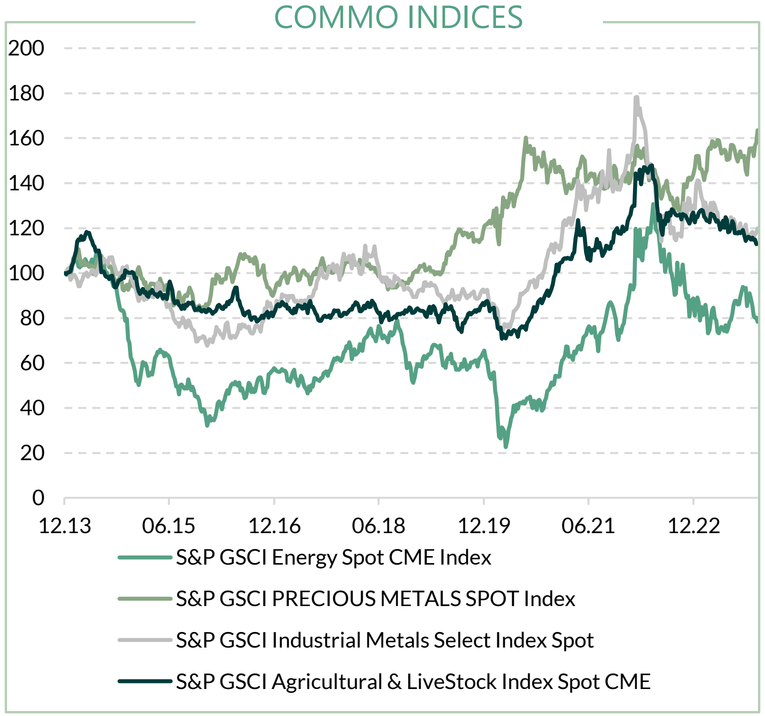
- Market based financial conditions have eased significantly especially in the US where they are back into the average range of 2023
- Survey based credit conditions remain in tightness mode and reflect subdued credit and loan demand, although there was a bit of improvement for the ECB survey as well as for the Fed`s senior loan officer data

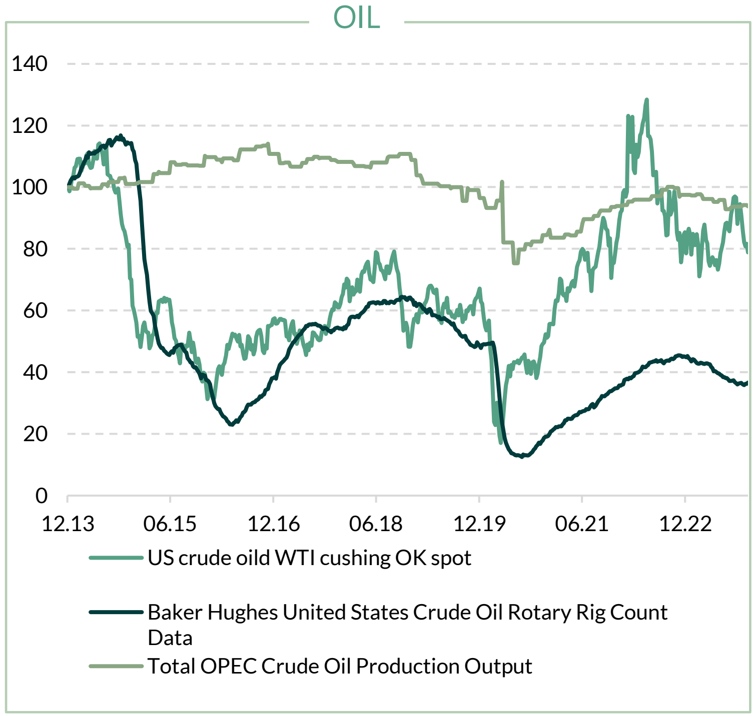
Source: Fed, ECB, Bloomberg | Moody's as of 09/30/2023, Lending Standard & Survey Change as of 09/30/2023, Spreads as of 09/30/2023

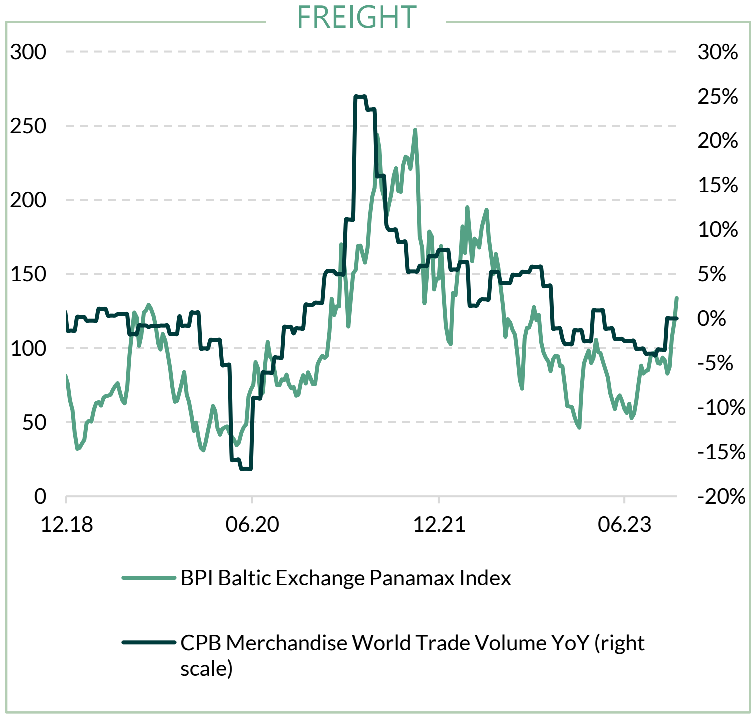
COMMODITIES & CURRENCIES

Commodities

GOLD TESTING ALL-TIME HIGHS







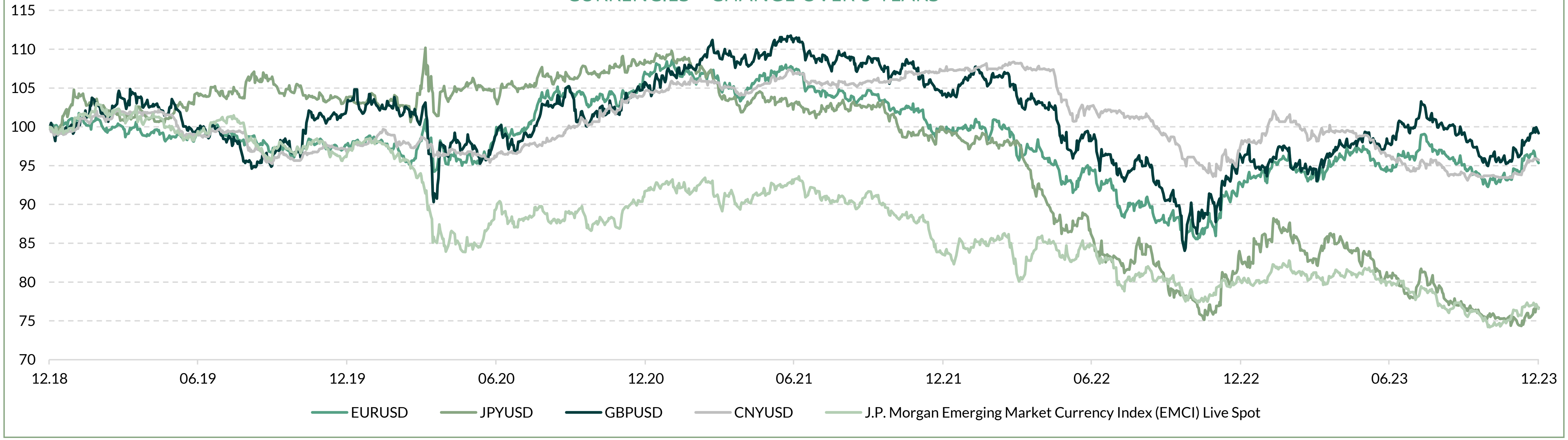
- Gold appreciated 3% vs USD (after +7% during the previous month), buoyed by the fall of USD bond yields.
- Industrial metals' prices stood still (GSCI Industrial metals +0%), despite copper rebounding. In the meantime, oil prices felt sharply (WTI ending November at 76USD/barrel, after peaking at 94USD in September).
- Some freight prices soared, with Baltic Dry moving up an extreme +101%, highest since June 2022! On the other hand, prices for containerized freight remained stable…

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 04/12/2023

Currencies

A LESS HAWKISH FED MIGHT PAVE THE WAY FOR USD DEPRECIATION

CURRENCIES - CHANGE OVER 5 YEARS



- As an increasingly mounting number of FED rate cuts were being priced in the bond market, most currencies rebounded against the greenback.
- The Japanese Yen rallied through the much-watched 150 level and might be fueled further, should market talks of BoJ eventually exiting from negative rate policy come true in the coming meetings.

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 4/12/2023

03

CURRENT *Convictions*

Scenarios
OUR 6-MONTH VIEW

01 Central scenario

Global GDP growth shows resilience so far but might slow down as PMIs are weakening, especially in the Eurozone. The rebound of China after the exit from the zero-Covid policy is less pronounced than expected but might fuel disinflation further. Central banks are close to the end of the hiking cycle while the full impact of the rate increases has to be seen. Credit supply is more restrictive and lending standards have tightened which could potentially trigger a mild recession. On the positive side, corporate earnings are solid so far with exceptions in the Chemical and Real Estate sector.

EUROPE

- Growth expectations deteriorate with weakening PMIs, especially for manufacturing
- Disinflation has accelerated and will continue also for core inflation
- ECB becomes more balanced given the progress on disinflation
- Supply chains are less disrupted

US

- So far, corporate fundamentals and the labor market remain resilient, but economic sentiment is deteriorating
- While disinflation has accelerated, the FED emphasizes its dual mandate of price stability and maximum employment.
- Massive issuance volumes of the US Treasury could absorb liquidity of bond markets.

STRATEGY

- Increased diversification
- Benefit from attractive carry of short-term High Yield Bonds and longer duration from Investment Grade

OVERWEIGHT

- Short Duration Euro High Yield
- Government Bonds and Investment Grade

UNDERWEIGHT

- Peripheral bonds
- US High Yield

75%

02 Alternative scenario #1

Upside scenario

- Sustainable resolution of the stress in the financial system and no repercussions to the real economy
- Less disrupted supply chains and higher real income support global growth, a recession is avoided
- Central banks start to cut rates as there is substantial relief from inflation figures

OVERWEIGHT

- Equities, incl. Emerging Markets
- High Yield
- Sovereigns

UNDERWEIGHT

- Alternative Strategies
- Cash

15%

03 Alternative scenario #2

Leverage crisis, sticky inflation

- A more restrictive credit supply puts pressure on highly levered companies and the overindebted Real Estate sector
- Inflation does not fall to the expected extent, stays sticky despite a weaker economic outlook and hawkish ECB
- Risk of overtightening by central banks
- Market volatility increases

OVERWEIGHT

- Alternative strategies
- Cash

UNDERWEIGHT

- Equities
- Credit

10%

Source: ODDO BHF AM, as of December 6th 2023

Our current convictions FOR EACH ASSET CLASS

Change from the last GIC meeting

Equities	OVERALL EQUITIES RECOMMENDATION			0		
	Large cap Eurozone			0		
	Mid cap Eurozone			0		
	Small cap Eurozone			0		
	UK			0		
	USA			0		
	Emerging markets			0		
	Japan			0		
	China			0		
Currencies	USD/€ (Direction of the USD)			0		
	YEN/€ (Direction of the YEN)				1	
	GBP/€ (Direction of the GBP)			0		
	CHF/€ (Direction of the CHF)			0		
Commodities	Gold		-1			
	Crude oil			0		

Source: ODDO BHF AM, as of December 6th 2023

Our current convictions FOR EACH ASSET CLASS

Change from the last GIC meeting

Government bonds	OVERALL GOVERNMENT BONDS				1	
	Core Europe				1	
	Peripheral Europe		-1			
	USA				1	
Corporate bonds	OVERALL CORPORATE BONDS			0		
	Investment grade Europe				1	
	Investment grade short duration				1	
	High yield credit short duration					2
	High yield Europe			0		
	High Yield USA		-1			
	Emerging markets			0		
Money Market	Developed markets			0		

Source: ODDO BHF AM, as of December 6th 2023

HOW PERFORMANCE IS 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

- Sept. 23 • Hovering flight or losing altitude?
- Jan. 23 • On your marks
- Sept. 22 • Carry on
- Jan. 22 • Make 2022 an opportunity
- Sept.21 • “Breathless?”

MONTHLY INVESTMENT BRIEF

- Nov 23 • Polarisation
- Oct 23 • The rise in bond yields leads to new opportunities for investors
- July 23 • Legitimate questions
- June 23 • Small is beautiful
- May 23 • Choose your side
- Apr 23 • Waiting for a clear signal

MARKET VIEWS

- 16/11/23 • The global economy: what are the risks for 2024?
- 16/11/23 • The benefits of gold in the investment portfolio
- 09/10/23 • European fiscal risks after the interest rate shock
- 13/09/23 • Economic outlook: a bittersweet cocktail (mostly bitter)
- 12/07/23 • Artificial Intelligence: Hype or Megatrend?
- 10/07/23 • Global economy: the glass is half... (it's up to you to decide)

VIDEOS

- #FocusOn • ODDO BHF China Domestic Leaders
- Podcast • Investment strategy – September 2022 – Highlights
- #LeadWith • Investment Brief H1 2022
- #FocusOn • ODDO BHF Polaris Fund Range
- #Moments • ODDO BHF Green Planet: the ecological transition, a sustainable investment opportunity
- #TalkWith • Ecological transition: challenges & opportunities

SUSTAINABLE INVESTING

- Responsible Investment Policy
- Basics of 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

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