ODDO BHF
ASSET MANAGEMENT

Investment strategy
MAKE 2022 AN OPPORTUNITY

January 2022

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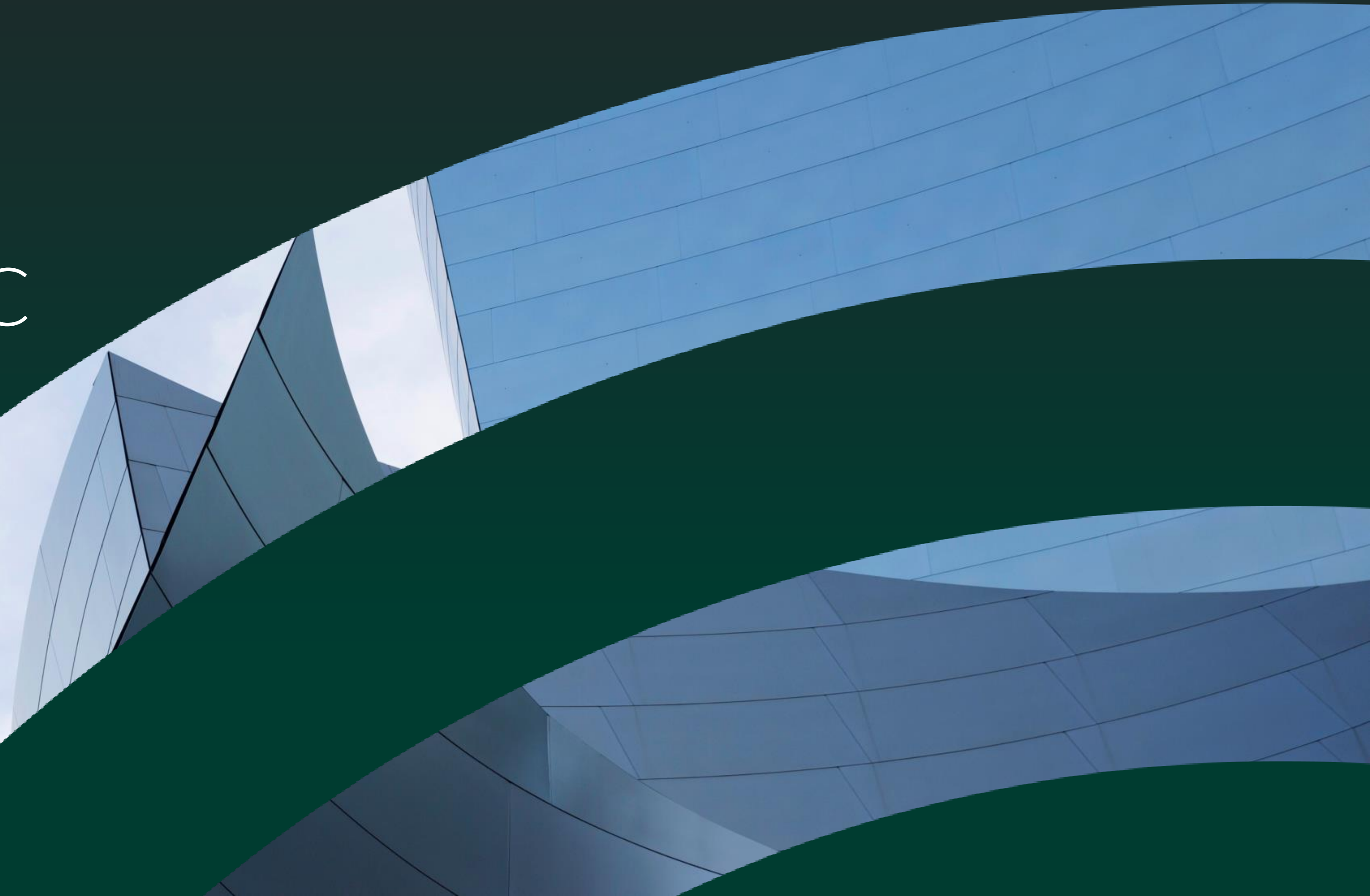
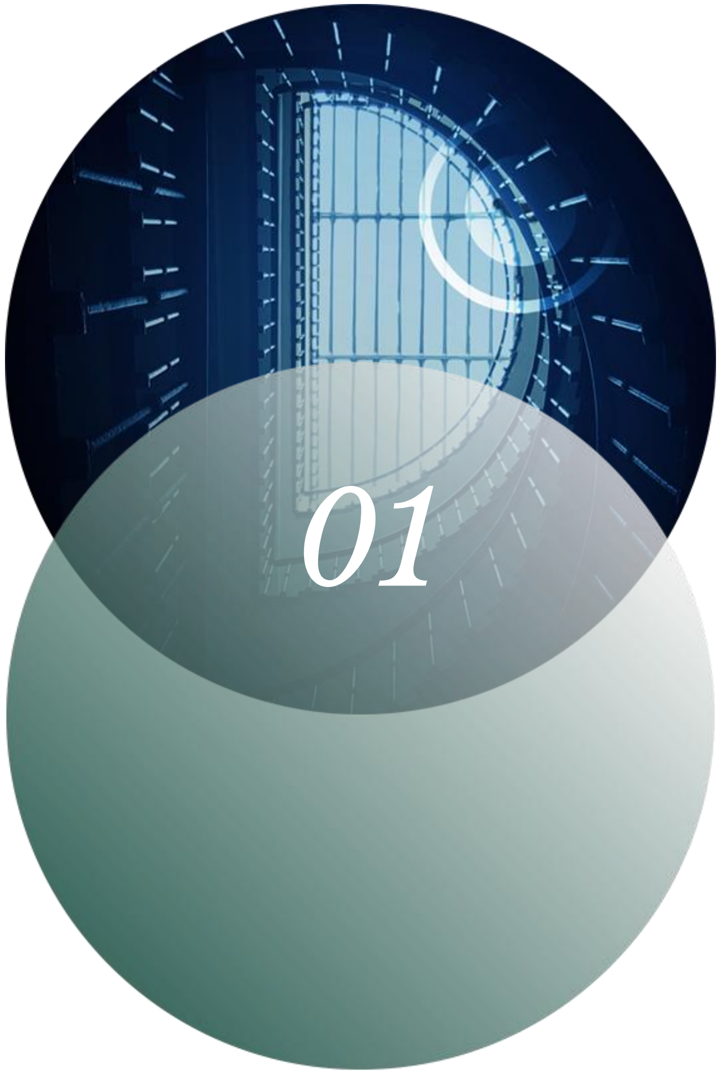
01 MACROECONOMIC OUTLOOK

02 MARKET ANALYSIS & POSITIONING

01

MACROECONOMIC *outlook*

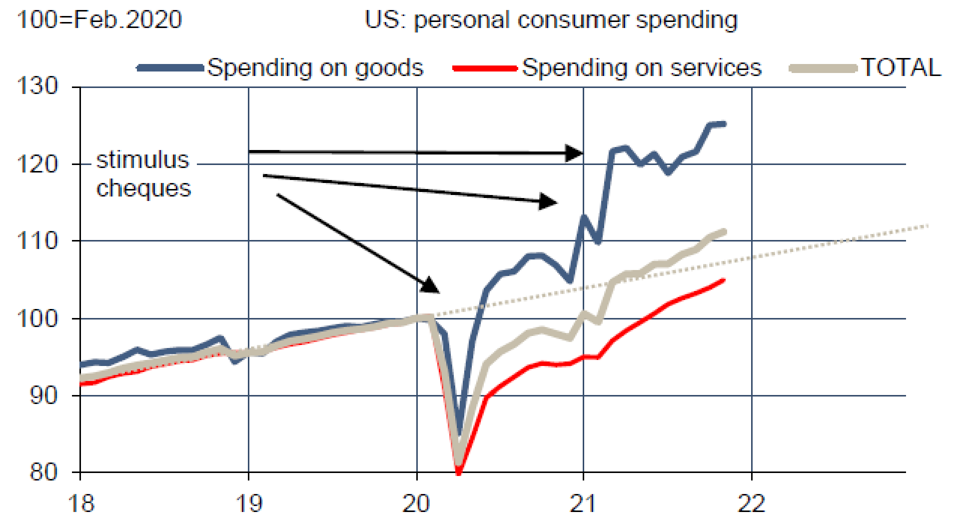




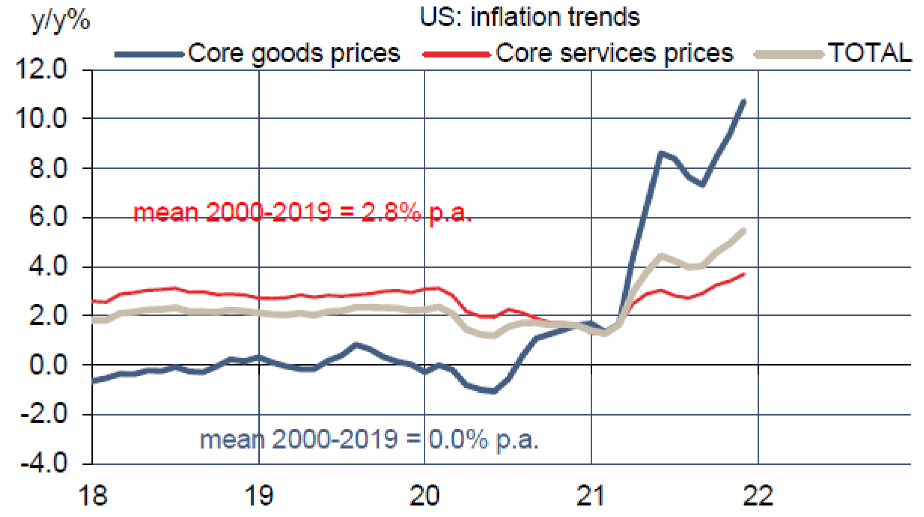
2022 DIAGNOSIS

Is there a GLOBAL DEMAND SURPLUS?

US: PERSONAL CONSUMER SPENDING



US : INFLATION TRENDS



Deformation of the consumer spending structure, especially in the US

- Standard factors: changes in disposable income (employment, wages), precautionary savings, wealth effect
- Atypical factors: health constraints, emergency measures (income transfers, credit moratoria)

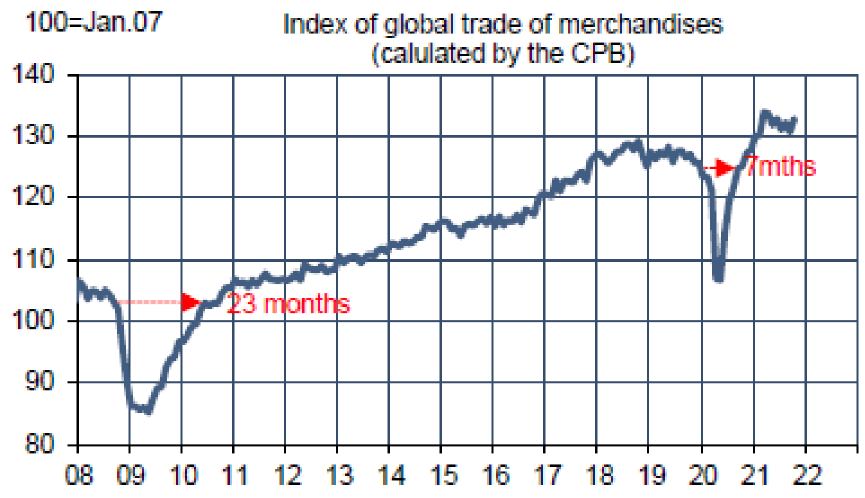
Deformation of the relative price structure

- The optical effect of the inflation shock is amplified because of its concentration on goods markets

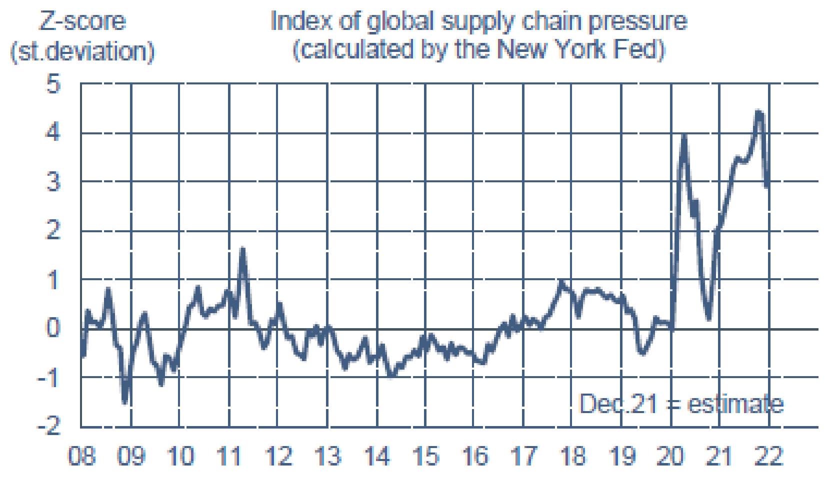
Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

Is there a OF GLOBAL SUPPLY SHORTAGE?

INDEX OF GLOBAL TRADE OF MERCHANDISES



INDEX OF GLOBAL SUPPLY CHAIN PRESSURE



Global trade was soon back up and running, followed by cascading disruptions

- No destruction of physical capital (difference between the Covid crisis and a natural disaster)
- No credit rationing (difference between the Covid crisis and the 2008 financial crisis)
- Supply chain stress (equivalent to liquidity stress in financial markets)

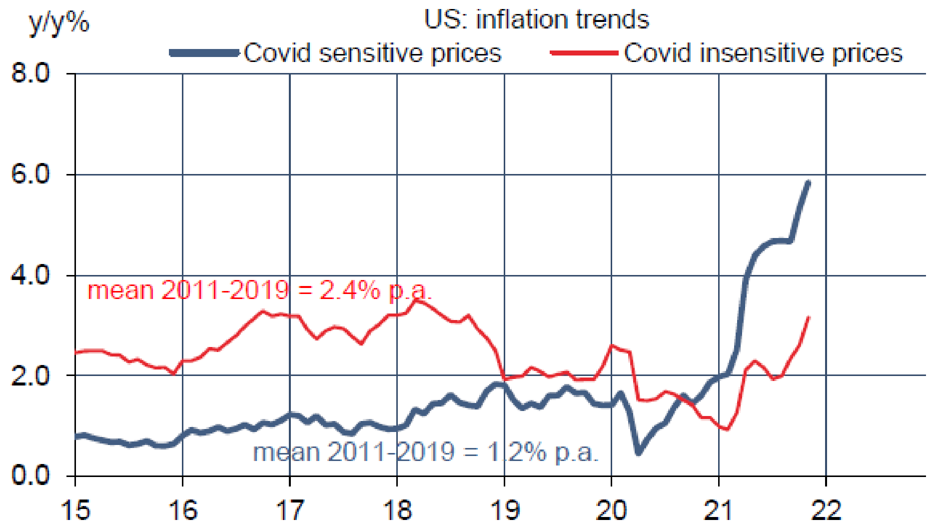
A few signs of a levelling-off or easing of supply-chain strains at the end of 2021

- Normalization of the demand for goods, less stringent health constraints, (slow) extension of capacities

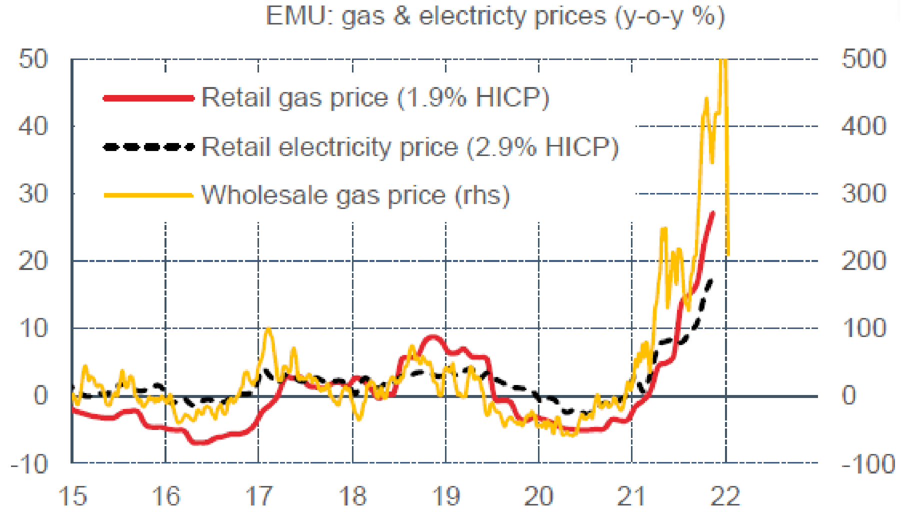
Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

What is transitory, what is structural IN THE INFLATION SHOCK?

US: INFLATION TRENDS



EMU: GAS & ELECTRICITY PRICES (YOY)



Cyclical factors of inflation

- Health restrictions, effect on consumption structure
- Shortages of intermediate goods, effect on delivery times and inventories
- Policy mix, effect on the level of end demand

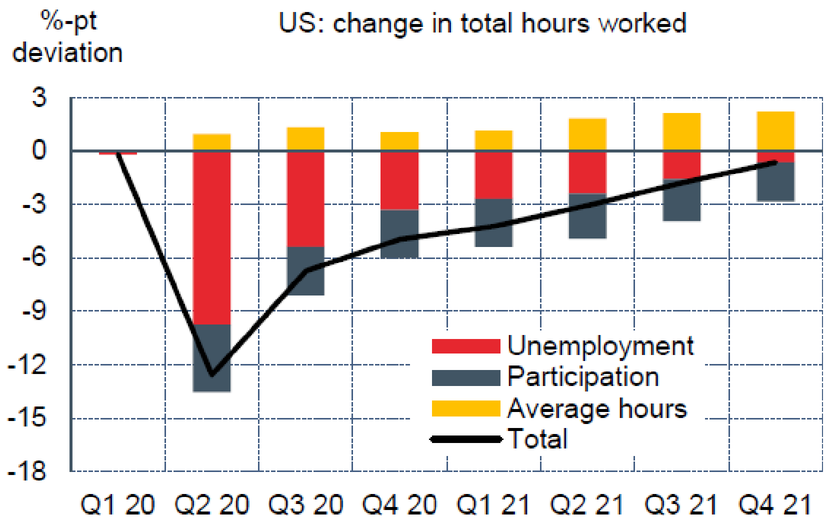
Structural factors of inflation

- Energy transition, serious risk
- "Deglobalization, minimal risk

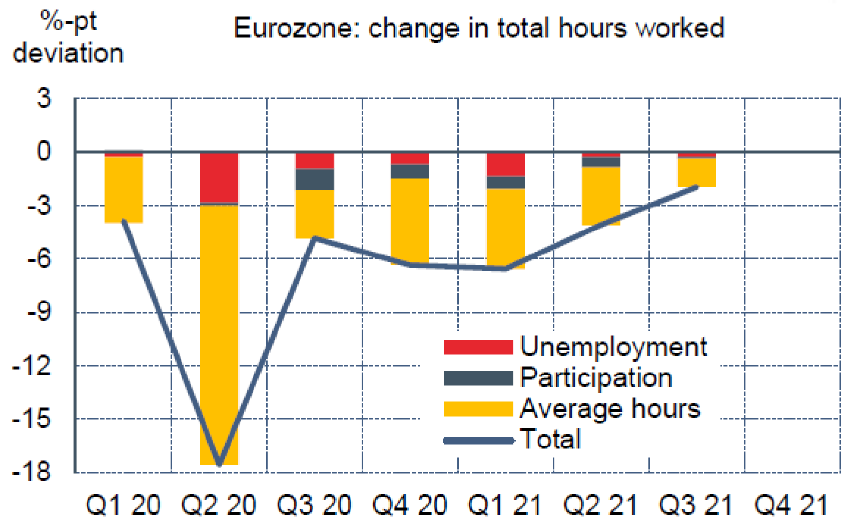
Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

Are we still a long way FROM FULL EMPLOYMENT?

US: CHANGE IN TOTAL HOURS WORKED



EUROZONE: CHANGE IN TOTAL HOURS WORKED



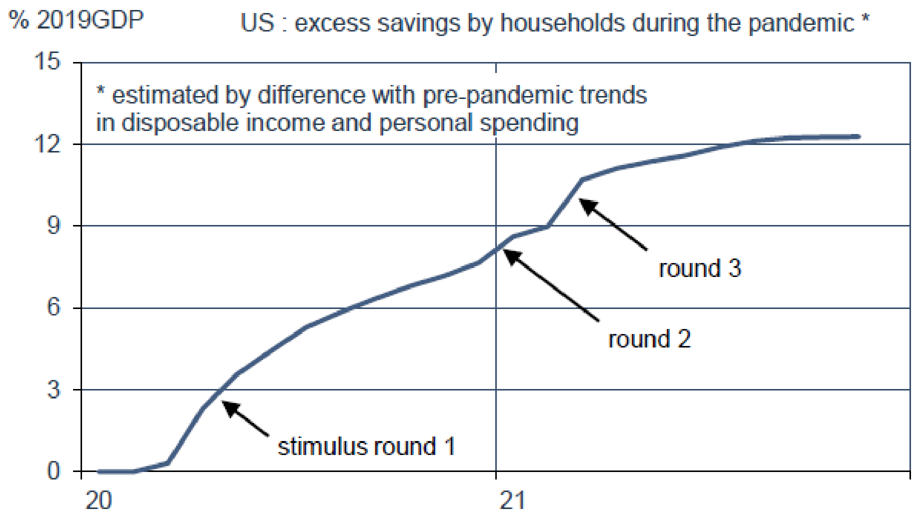
Two types of response to the labor market shock
- The US model: protecting household income in the face of rising unemployment
- The European model: protecting employment through the adjustment of actual hours worked

Different repercussions on the availability and mobility of labour
- Acceleration of retirements in the United States
- Surge in resignation rates in the United States
- Net inflows of migrants stopped due to travel restrictions (a "deficit" of 2 million people in the United States)

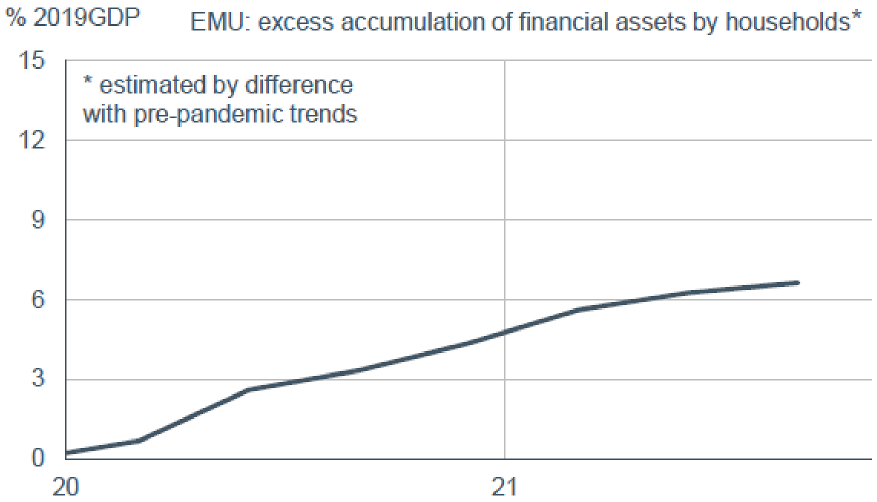
Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

What will households do WITH THEIR EXCESS SAVINGS?

US: EXCESS SAVINGS BY HOUSELHOLDES DURING THE PLANDEMIC



EMU: EXCESS OF ACCUMULATION OF FINANCIALS ASSETS



Large amounts of excess/forced savings

- Because of the pandemic, the savings rate of disposable income has risen, leading to an accumulation of "excess" savings
- Cumulative amount equivalent to 12% of pre-pandemic GDP in the US, 6% in the Eurozone
- By the end of 2021, the savings rate has returned to its pre-crisis level in the US (7.5%) and was close to it in the Eurozone

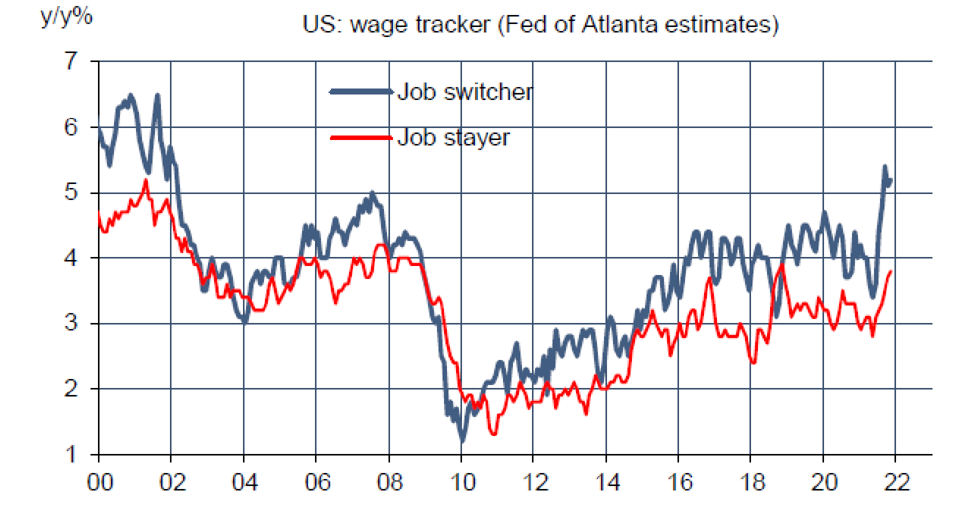
An income effect or a wealth effect?

- Pandemic-related uncertainty justifies higher precautionary savings
- In the United States, the use of stimulus checks has evolved significantly (round 1: ¾ spent, rounds 2 and 3: ¼ spent)
- Income transfers have improved the financial situation of households (debt repayment)

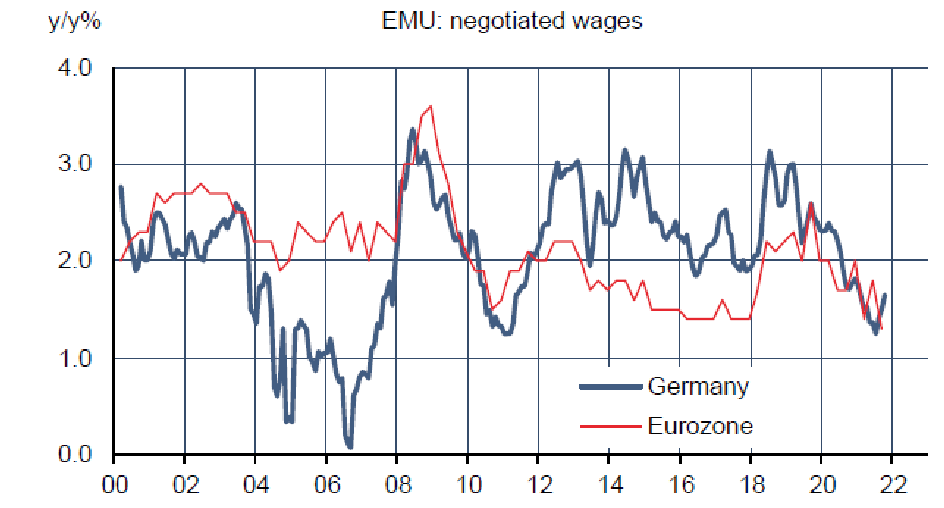
Source: ODDO BHF AM, ODDO BHF Securities, Thomson Reuters

Is there a risk of OVERHEATING IN WAGES?

US: WAGE TRACKER



EMU: NEGOTIATED WAGES



US: robust and increasingly broad-based wage gains

- Unqualified employees (in sectors with the biggest labour shortages) have greater bargaining power
- The acceleration in wages is strong but not excessive in view of productivity gains

Euro zone: little or no shift wages from pre-pandemic trend

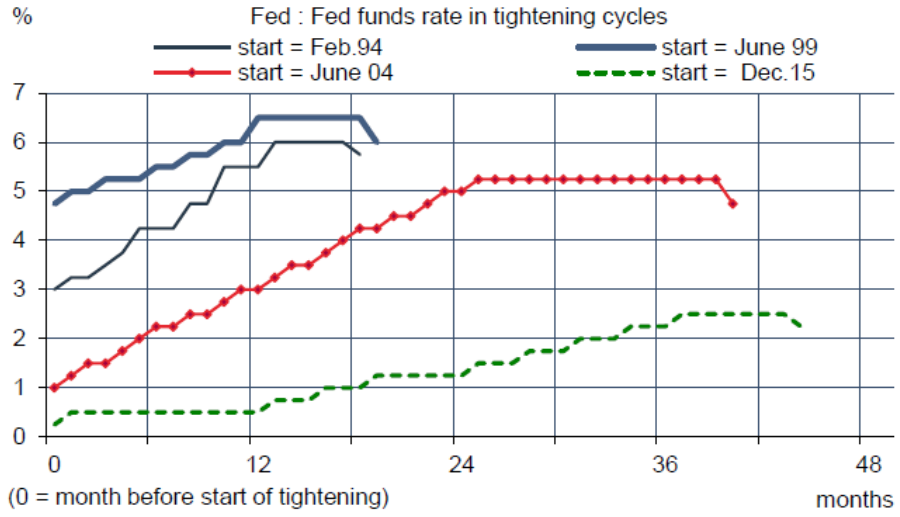
- To monitor: adjustments to the minimum wage (+25% in Germany)

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

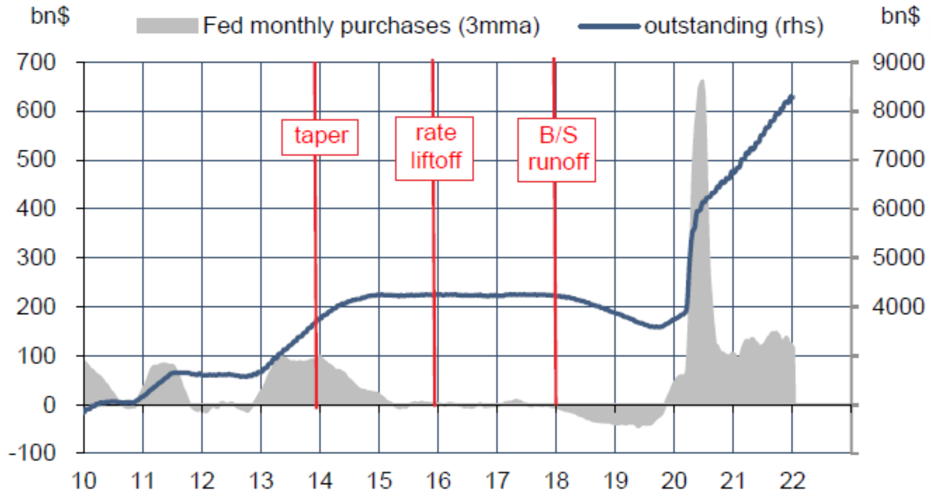
NEW PRESCRIPTION

FED :
IN A HURRY

FED FUNDS RATE IN TIGHTENING CYCLES



FED MONTHLY ASSET PURCHASES



Normalization cycle: a scenario revised significantly in recent months

- Strong political/media pressure over spiralling inflation
- The job market/real economy are solid enough to withstand a less accommodative policy
- The invariants of the scenario: the sequence (end of QE / interest-rate rises / balance-sheet adjustment) and the end point of short-term rates
- The new parts of the scenario: an early exit from the ZIRP and an accelerated reduction in the asset portfolio

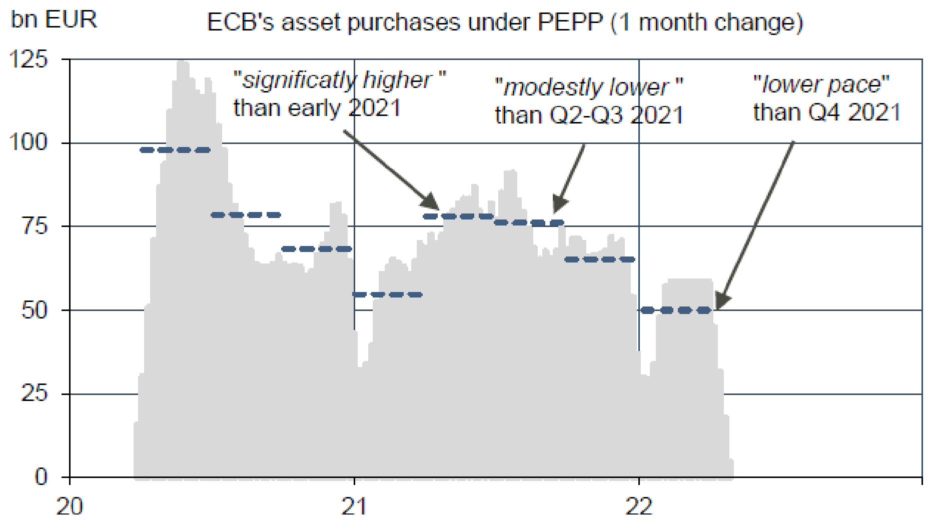
Can a balance be found between the pace of balance-sheet reduction (more rapid) and the pace of rate hikes (slower)?

- The effects of QE, or conversely of QT (quantitative tightening), on the term premium are fairly uncertain

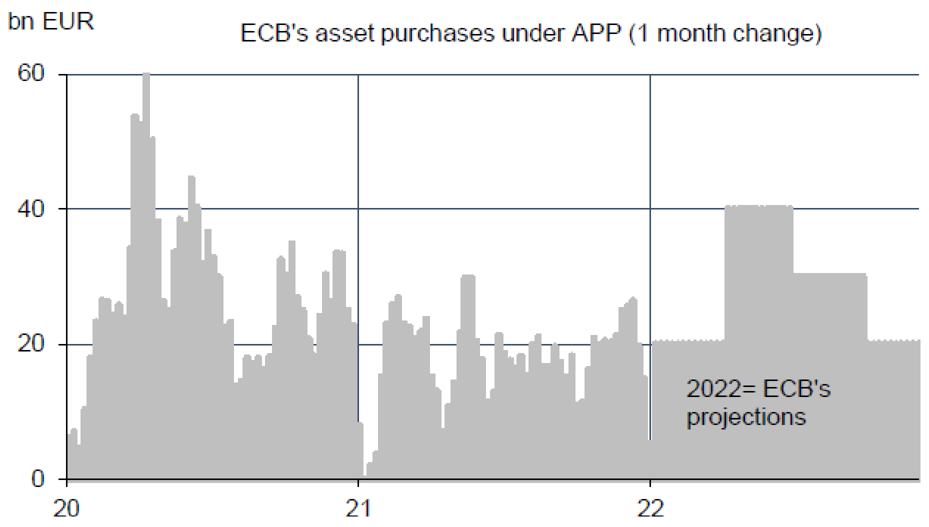
Source: ODDO BHF AM, ODDO BHF Securities, FED

ECB: PATIENT

ECB: ASSET PURCHASES UNDER PEPP



BCE: ASSET PURCHASES UNDER APP



ECB's patience depends on the absence of second round effects on inflation

- Continued asset purchases at a slower pace (PEPP-APP transition) throughout 2022, if not longer
- No policy rate hike over the horizon
- Marked divergence from the Fed's monetary policy

A warning about the risk of "green-flation

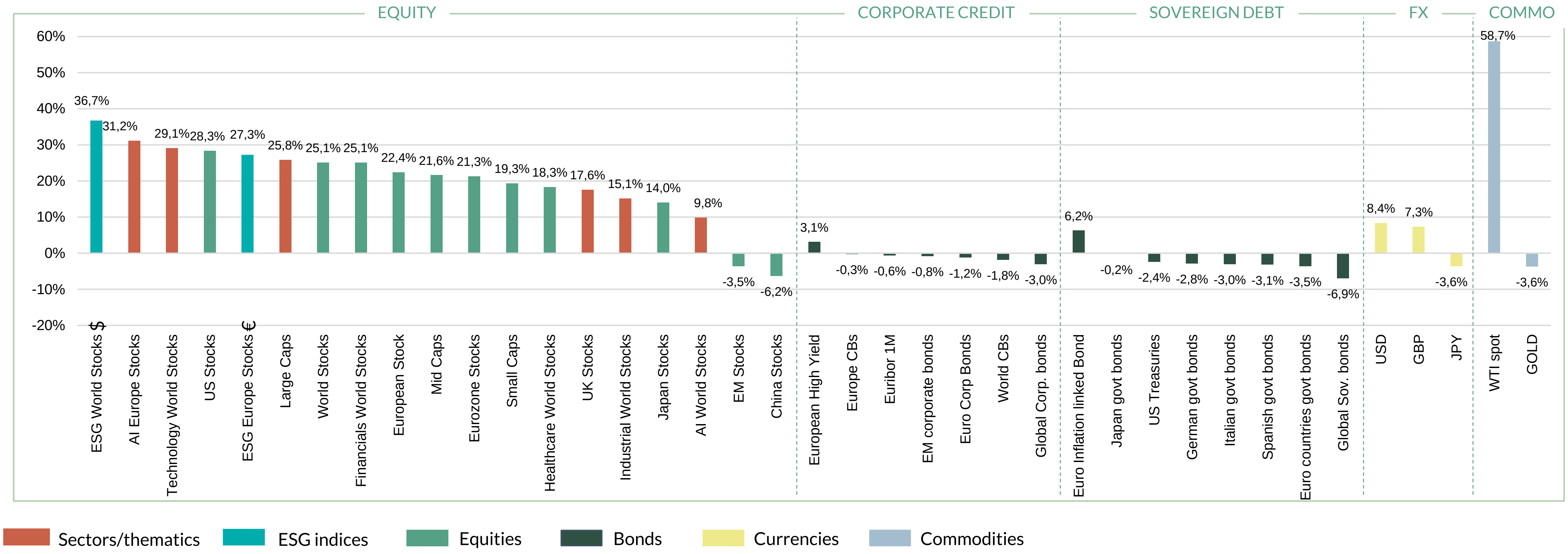
- The transition to a decarbonized economy is making the analysis of inflation more difficult (higher volatility, upside risk)

Source: ODDO BHF AM, ODDO BHF Securities, BCE

02

MARKET ANALYSIS
& positioning

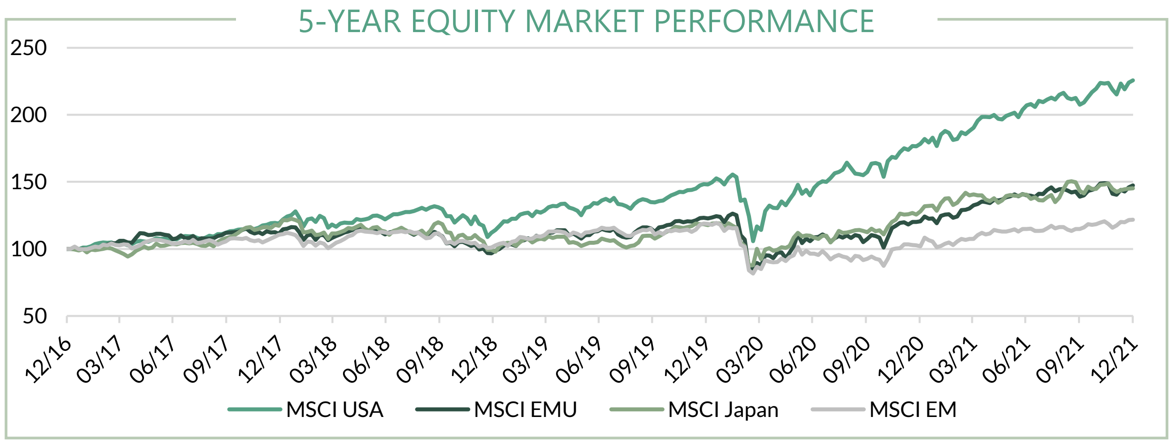
Performance of asset classes in 2021
NO ALTERNATIVE TO EQUITIES

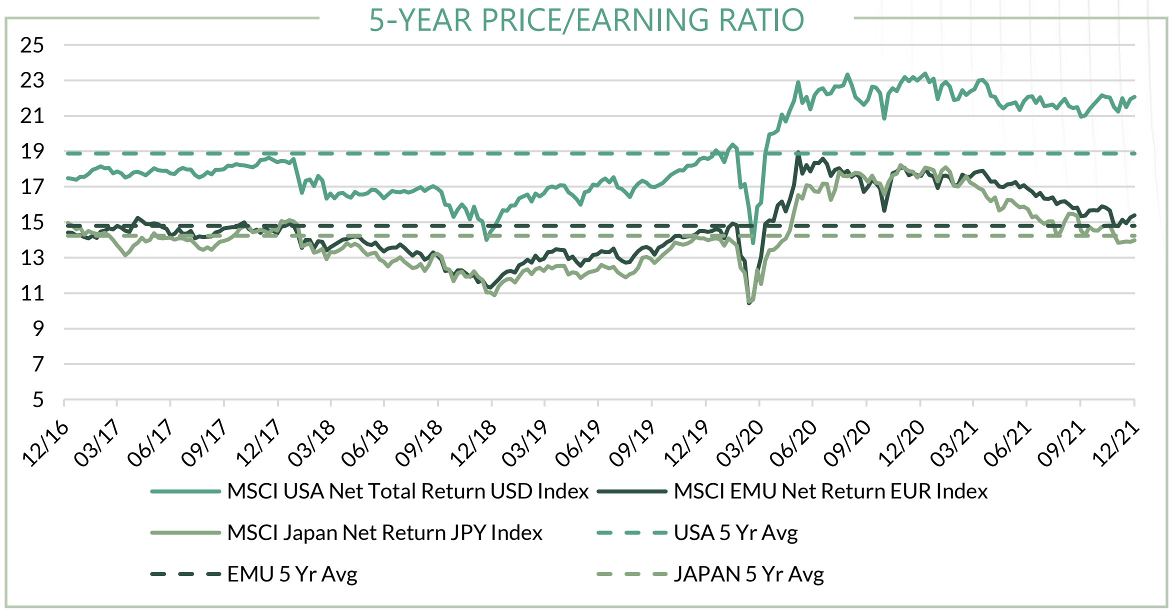


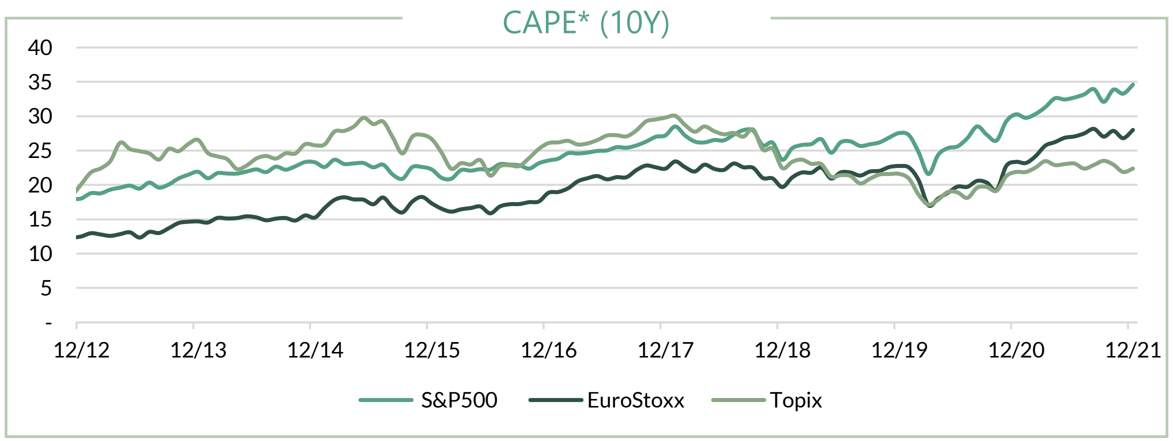
Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 12/31/2021; performances expressed in local currencies

Equities

ALL METRICS ABOVE HISTORICAL STANDARDS



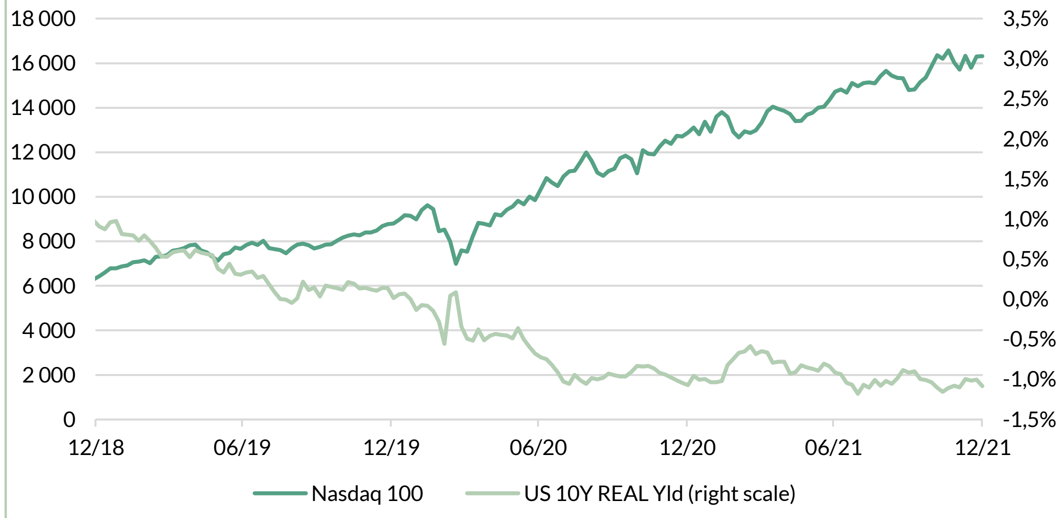




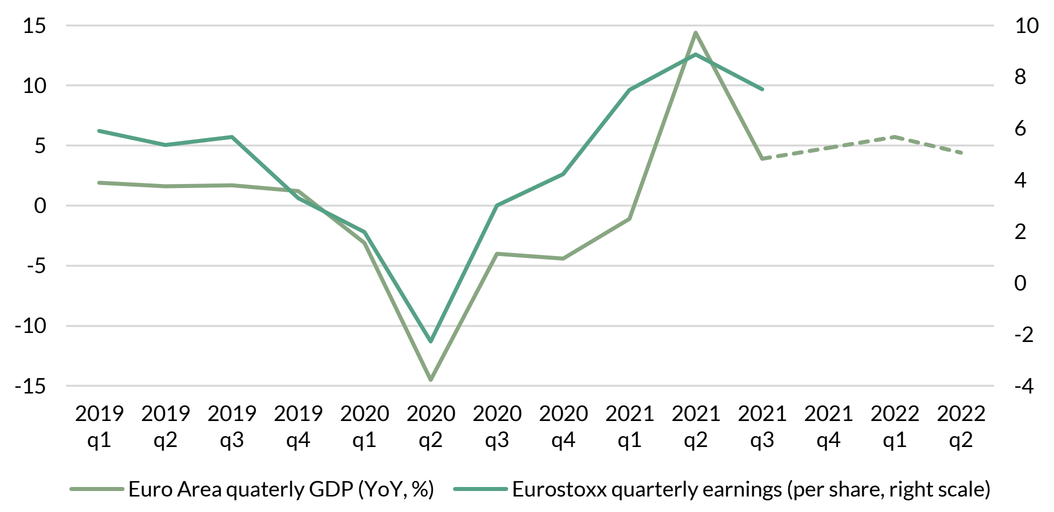
Past performances are not a reliable indicator of future performances and are not constant over time | *CAPE: Cyclically adjusted price-to-earnings ratio or Shiller PE
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 12/31/2021

Equities
REAL YIELD & GROWTH MATTER

NASDAQ VS US 10Y REAL YIELD



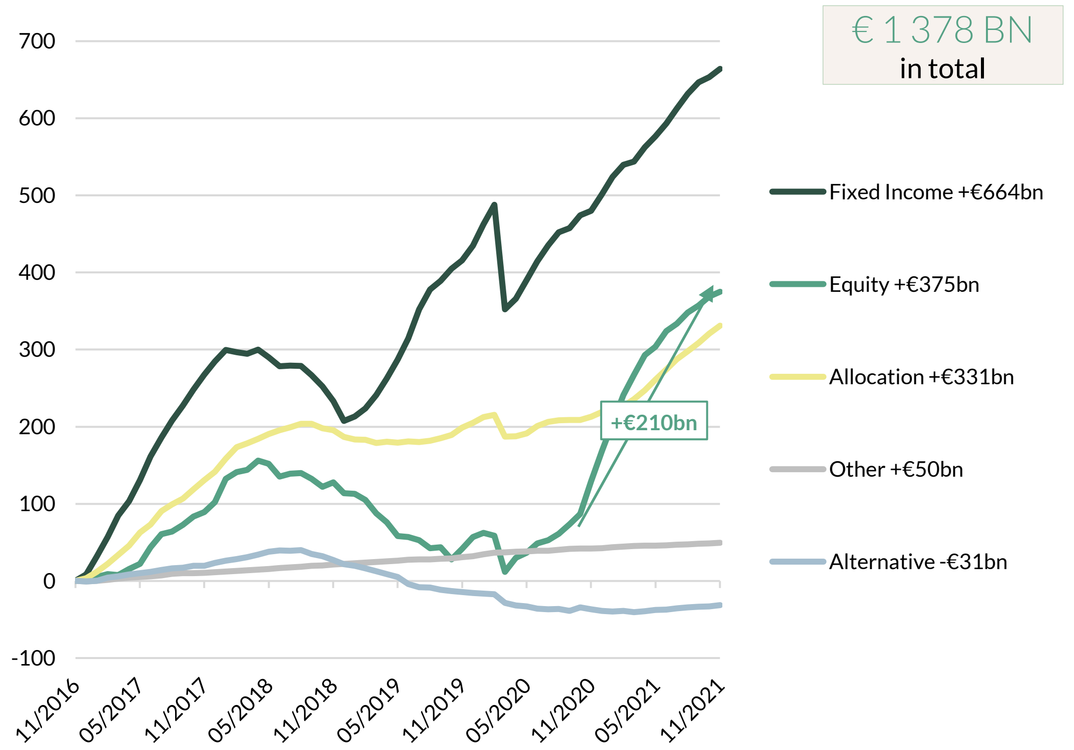
EUROZONE GDP & QUARTERLY EARNINGS (PER SHARE)



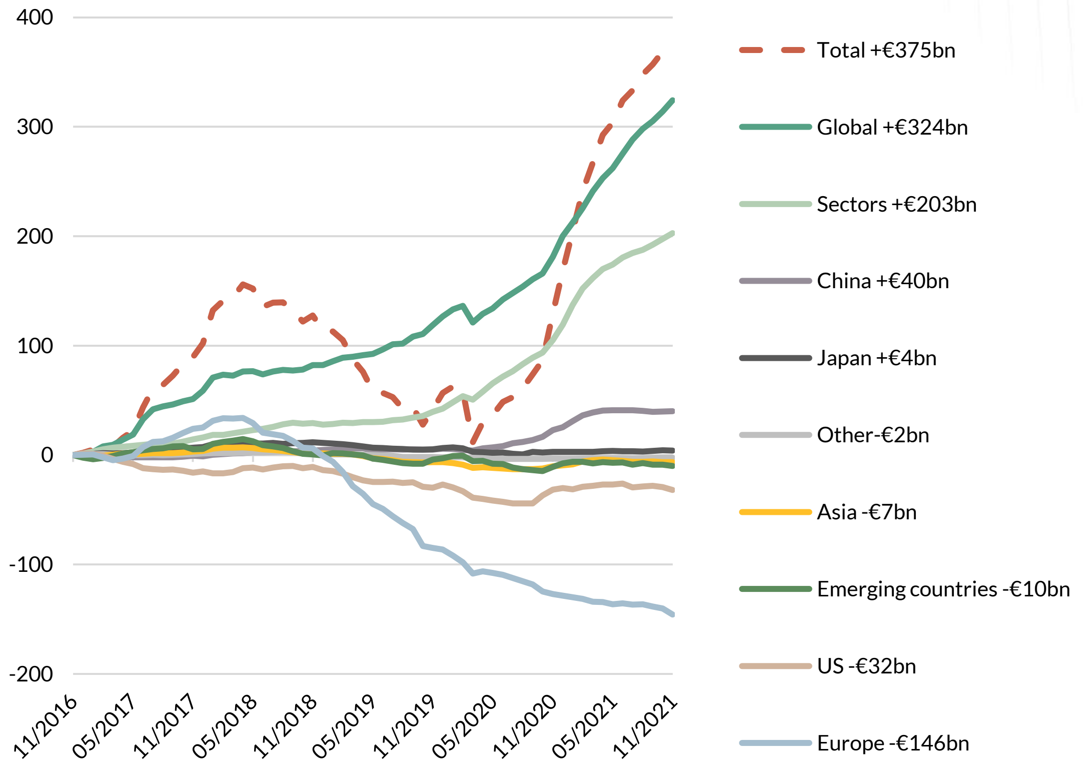
Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 12/31/2021

Strong equity inflows likely to continue
EUROPE ABOUT TO CATCH UP

EUROPEAN MUTUAL FUNDS: 5 YEARS CUMULATIVE FUND FLOWS (€BN)



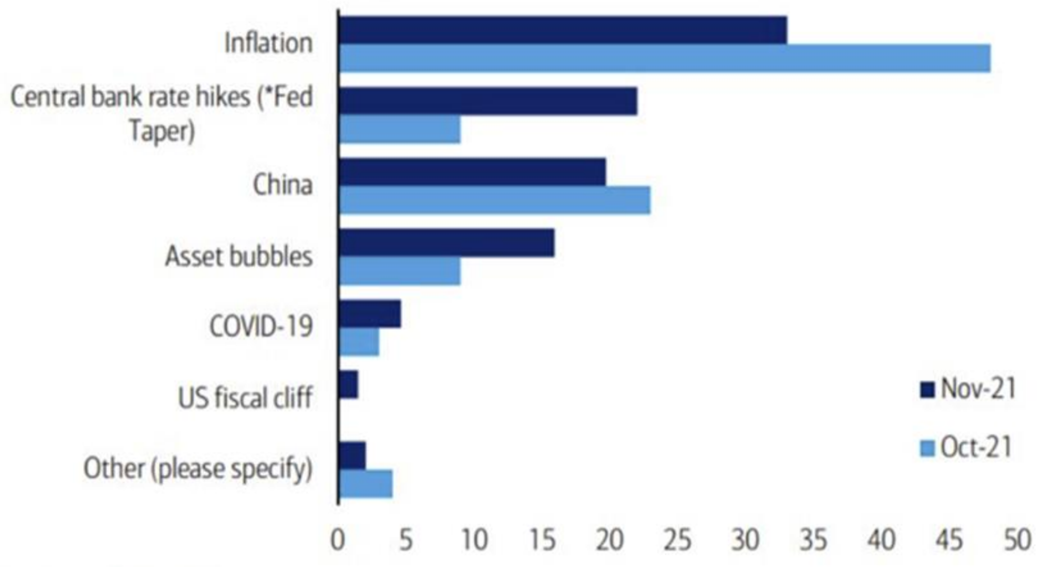
EQUITY - BREAKDOWN BY CATEGORIES (CUMULATIVE BN€)



Source : Morningstar. Data as of 30.11.2021 (Europe ex ETF ex MM ex FoF ex Feeder (domiciled))

Biggest tail risk for 2022:
INADEQUATE CENTRAL BANKS RESPONSES TO INFLATION

"WHAT DO YOU CONSIDER THE BIGGEST TAIL RISK?"



Sources: ODDO BHF AM, BofA Global Fund Manager Survey November 2021

Our view on 2022 outlook

INFLATION

CPI maintain above 5% in the US and above 3% in Europe during H1 2022

GROWTH

Growth still above its potential

US average 2022:	EMU average 2022:
Consensus: 4.0%	Consensus: 4.2%
ODDO BHF: 3.9%	ODDO BHF: 4.5%

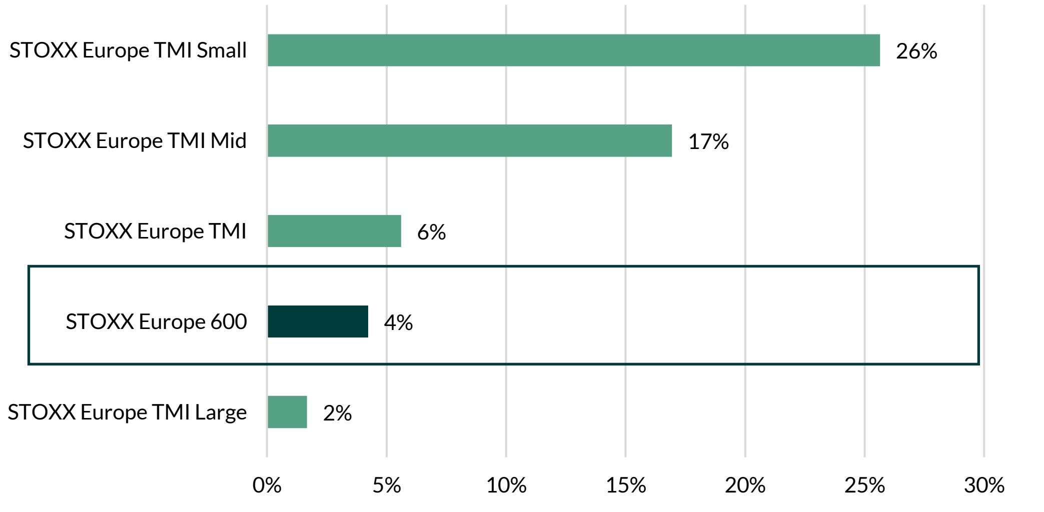
SANITARY SITUATION

Herd immunity allowing a normalization

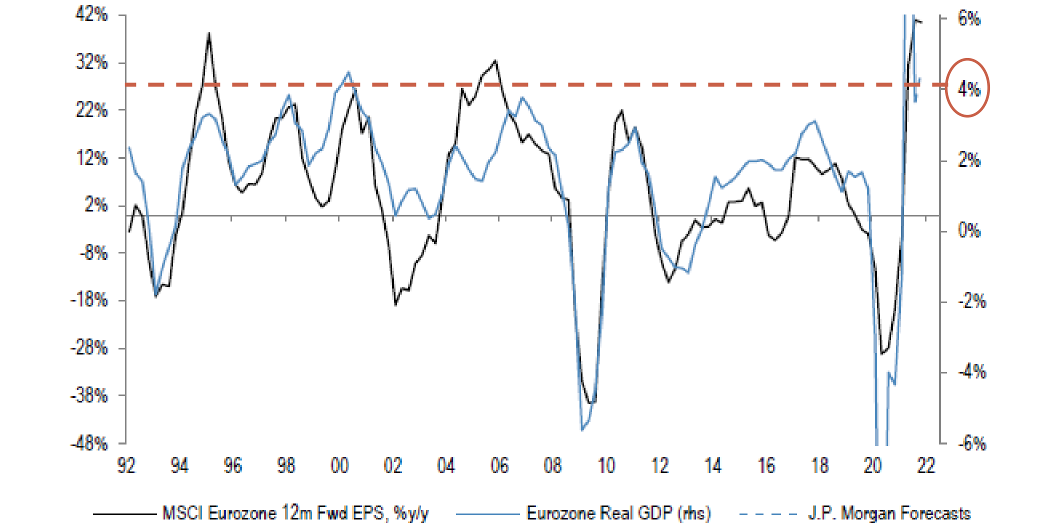
Source: ODDO BHF AM, ODDO BHF Securities

EPS growth underestimated by the market, ESPECIALLY IN EUROPE

EXPECTED EPS GROWTH 2022 BY THE CONSENSUS



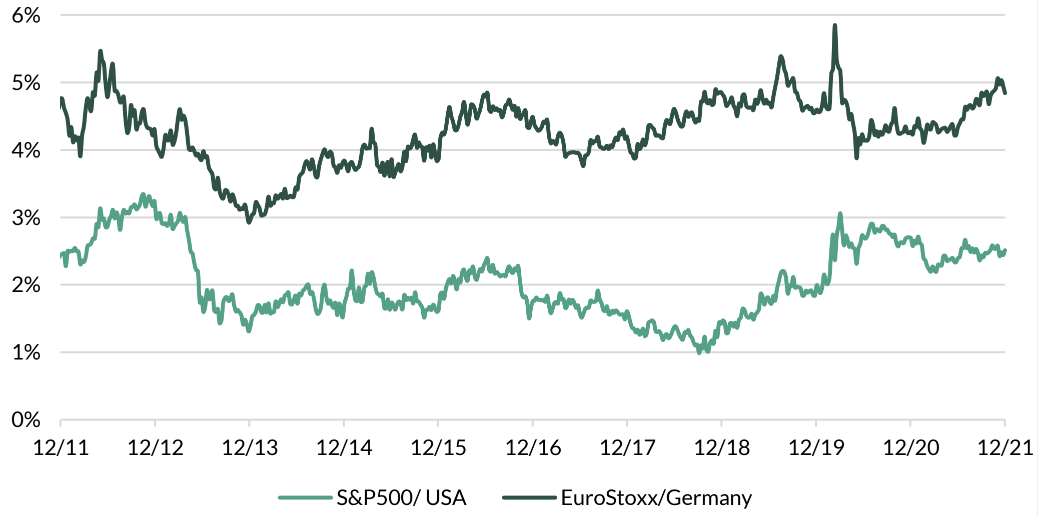
EUROZONE EPS GROWTH & GDP GROWTH



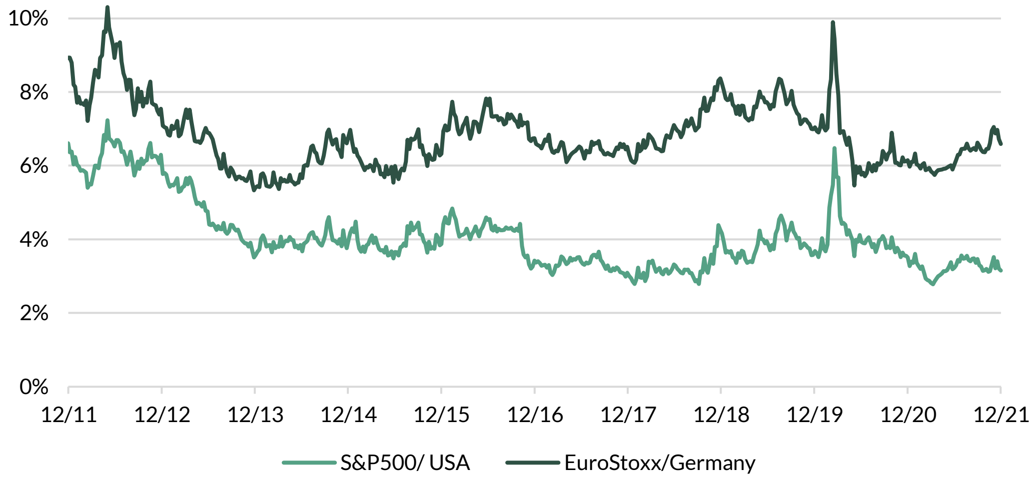
Sources: ODDO BHF AM SAS, IBES, J.P. Morgan, December 2021

We maintain a pro-equity stance
AS LONG AS GROWTH IS ABOVE POTENTIAL

DIVIDEND YIELD (12M FWD) – SOVEREIGN REAL YIELD (10Y)



RETURN ON SHARES (1/PE) – SOVEREIGN NOMINAL YIELD (10Y)

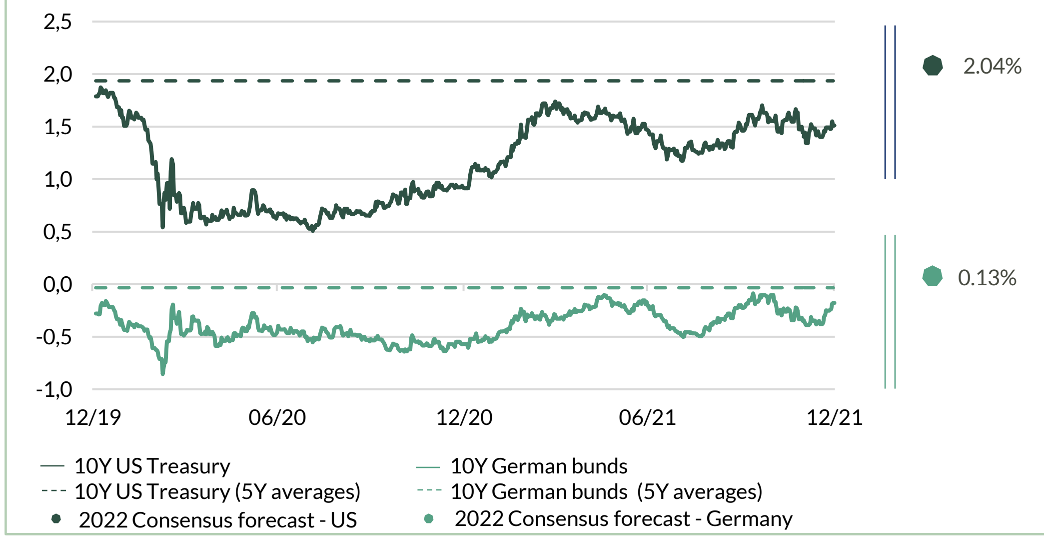


Past performances are not a reliable indicator of future performances and are not constant over time.

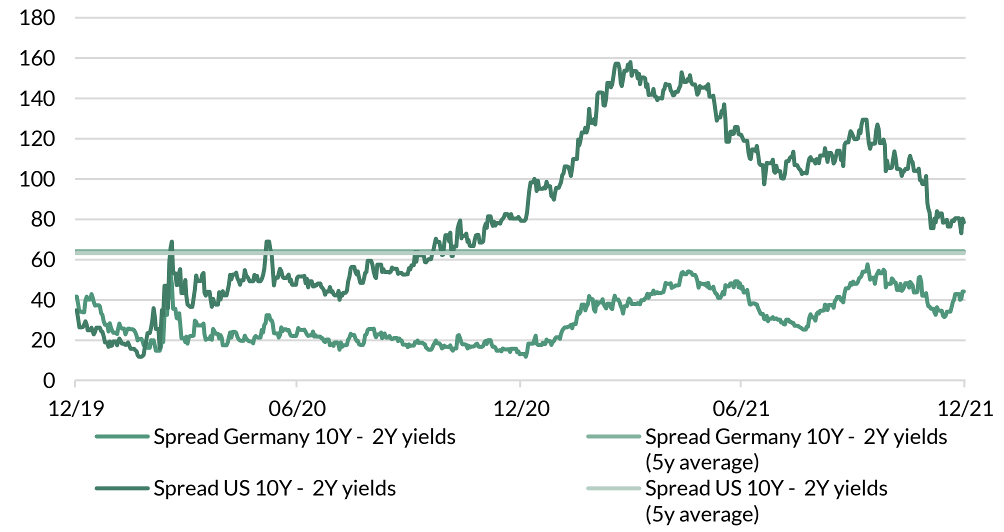
Source: Bloomberg, ODDO BHF AM SAS | Figures as of 12/31/2021

We expect a steepening OF THE YIELD CURVE

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



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

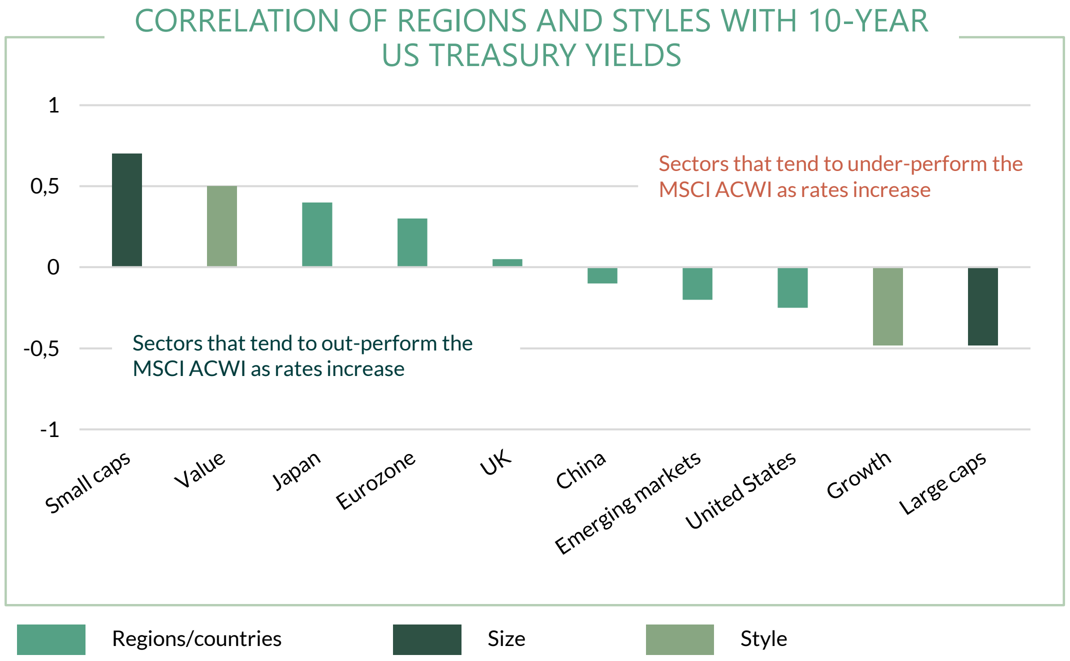


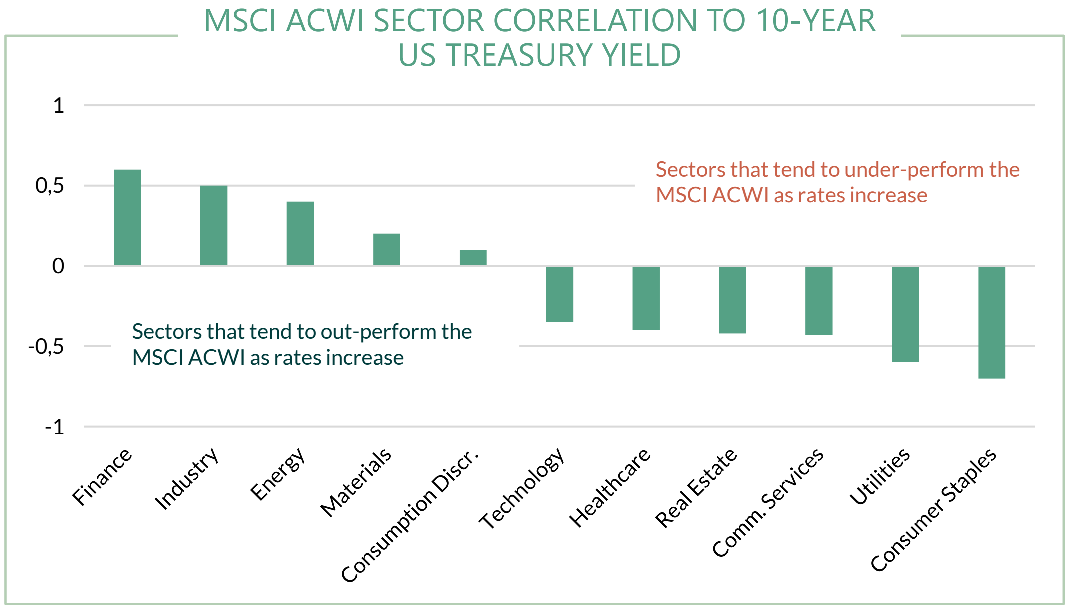
Consensus expectation for December 2022:

- German 10Y : +0.13%
- US 10Y : 2.04%

Bloomberg Economic Forecast | Sources: ODDO BHF AM SAS, Bloomberg | LHS: Data as of 12/31/2021; RHS: Data as of 12/31/2021

Sensitivity to rising rates
WILL BE THE CENTRAL FACTOR



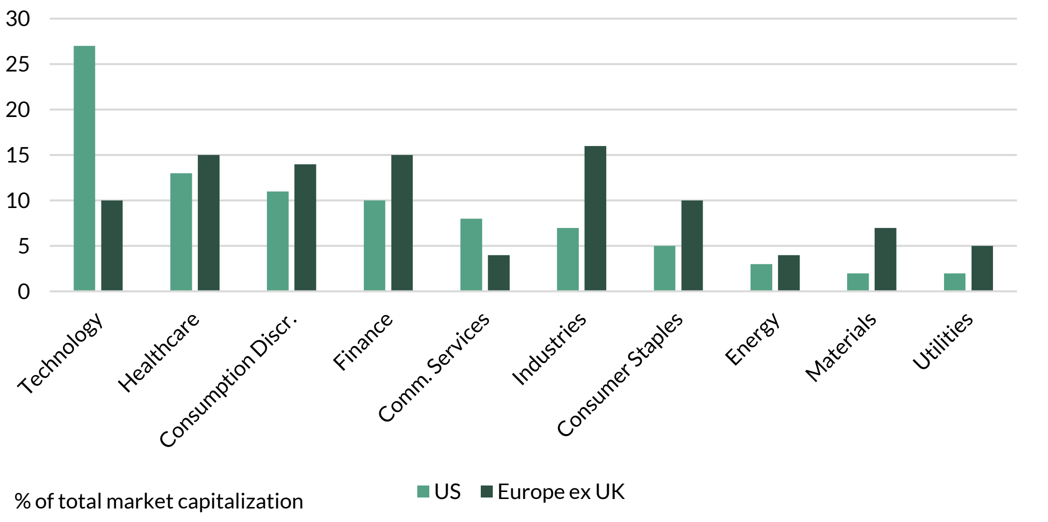


10-year correlation between relative sector performance and the 10-year US Treasury Bill yield

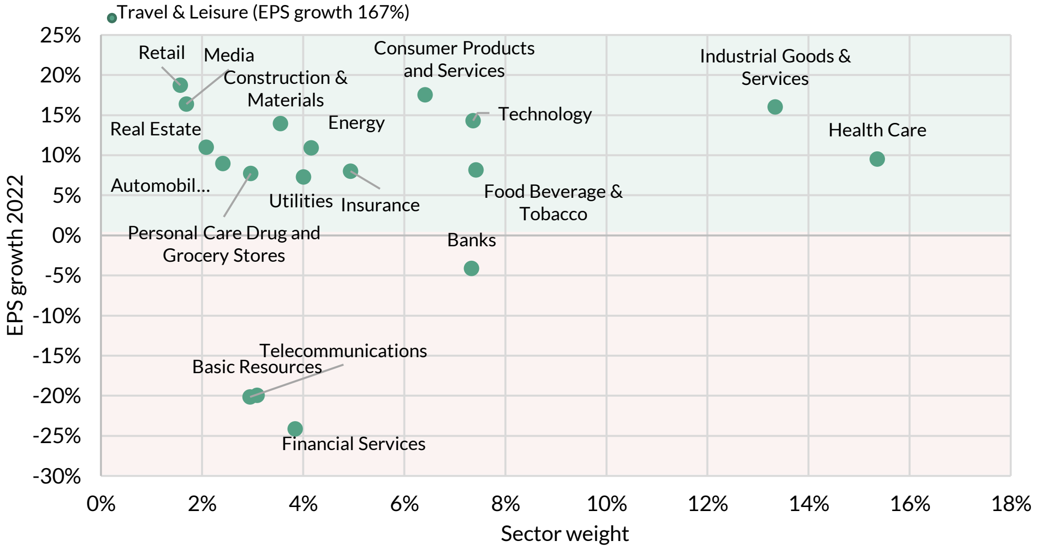
Sources: ODDO BHF AM SAS, JP Morgan AM, MSCI Refinitiv, Sector correlation is calculated between the six-month change in 10-year U.S. Treasury yields and the six-month relative performance of each sector against the MSCI All-Country World Index. Regional and style correlation is calculated as the six-month change in 10-year U.S. Treasury yields versus the six-month relative performance of each region and style versus the MSCI All-Country World Index.

Europe is better positioned
TO BENEFIT FROM CYCLICAL STOCKS

SECTOR WEIGHTING OF GLOBAL EQUITIES



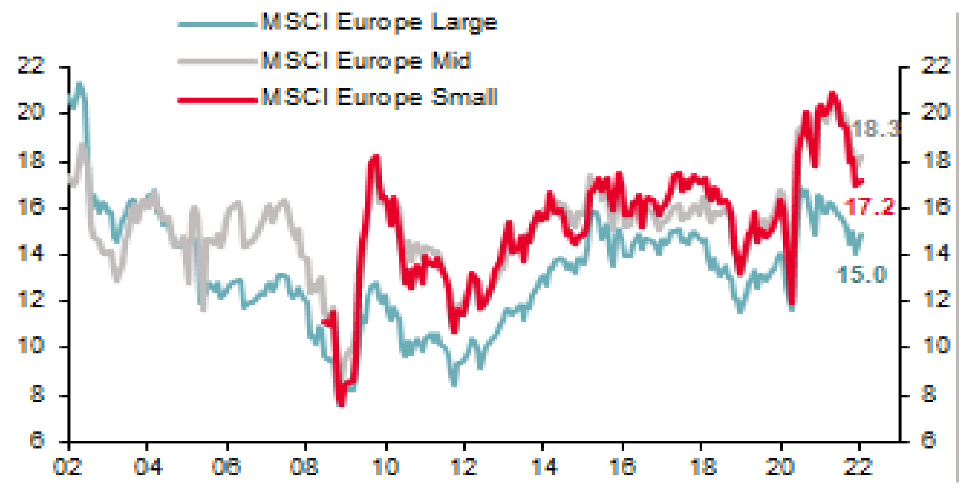
EUROPE – SECTORS & EPS GROWTH 2022



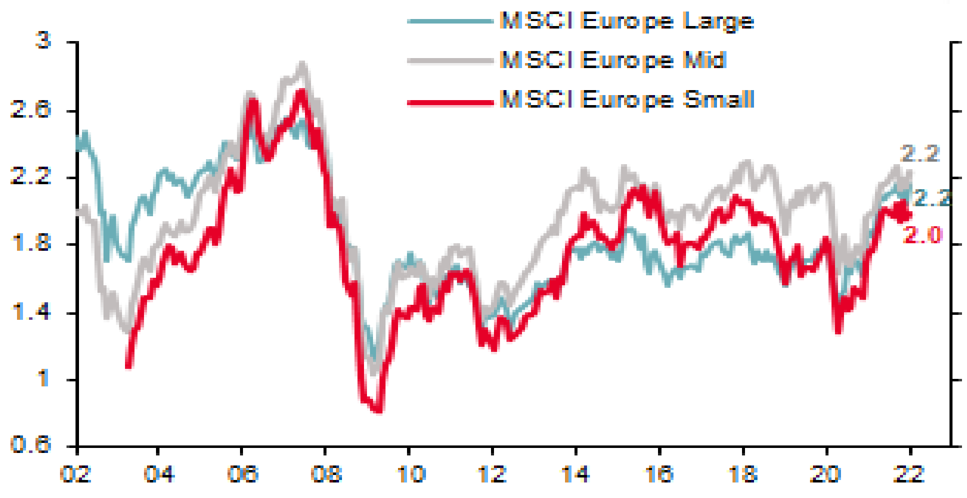
Sources: ODDO BHF AM SAS, Factset, J.P. Morgan macro research, Bloomberg, December 2021

Tactically we are positive on SMALL CAPS VS LARGE CAPS

MSCI EUROPE – FORWARD P/E



MSCI EUROPE – TRAILING P/B

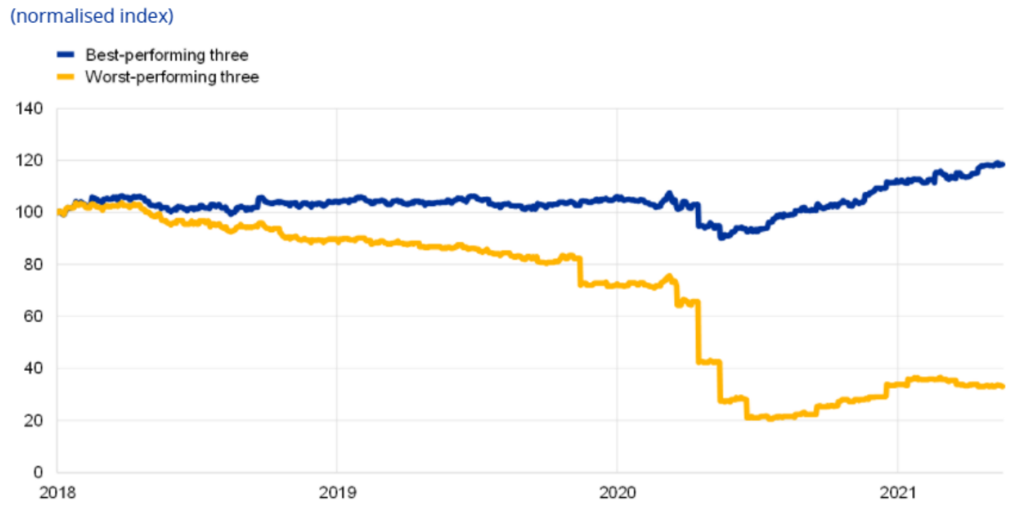


Past performances are not a reliable indicator of future performances and are not constant over time

Source: ODDO BHF AM, MSCI, Datastream, SG Cross Asset Research/Equity Strategy

Selectivity and stock picking are now more relevant than ever
ESPECIALLY IN SECTORS SELECTION

EARNINGS EXPECTATIONS FOR THE BEST & WORST PERFORMING EURO AREA SECTORS



SELECTED EUROPEAN SECTORS

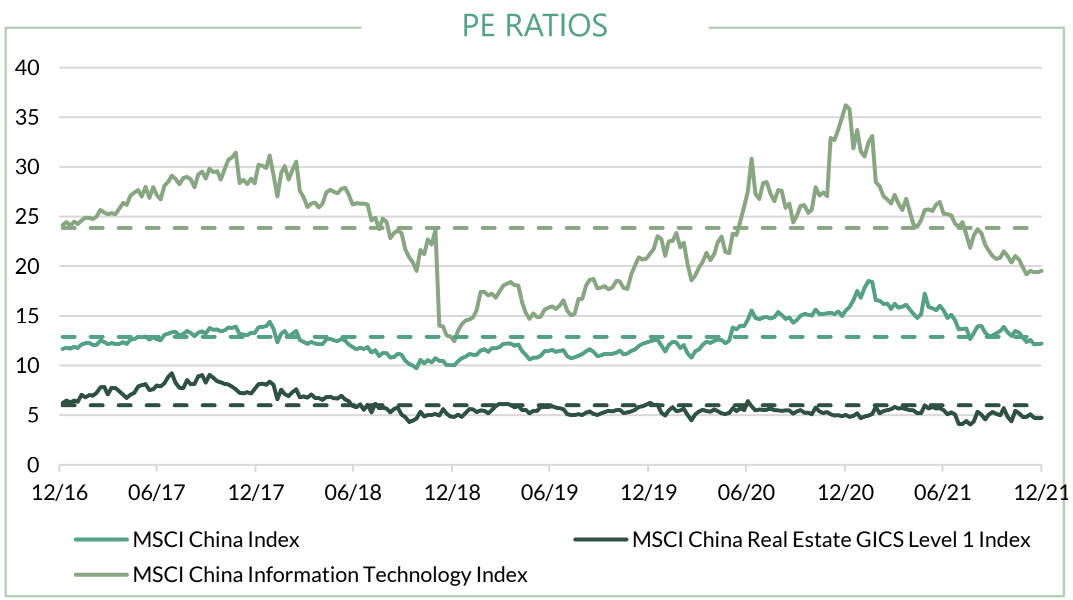
European sectors		Weight	P/E Next 12 months as of 12/2021	EPS growth 2022	Div Yield	Perf YTD
Commodities						
Basic Resources	↗	3,1%	7,4 x	-20%	6,6%	12,2%
Energy	↗	4,2%	8,7 x	11%	5,0%	12,4%
Cyclicals						
Automobiles & Parts	↗	2,4%	7,1 x	9%	4,5%	20,0%
Chemicals	↘	4,4%	19,2 x	1%	2,4%	15,8%
Construction & Materials	↗	3,6%	16,7 x	14%	2,7%	20,9%
Consumer Products and Services	↘	6,4%	28,0 x	18%	1,7%	22,1%
Industrial Goods & Services	↗	13,3%	19,0 x	16%	2,3%	18,3%
Technology	↘	7,4%	29,5 x	14%	0,9%	29,4%
Travel & Leisure	=	1,0%	22,3 x	167%	1,4%	-5,0%
Financials						
Banks	↗	7,3%	8,5 x	-4%	5,5%	27,1%
Insurance	↗	4,9%	10,0 x	8%	5,5%	9,2%
Financial Services	↗	3,8%	14,1 x	-24%	2,6%	19,9%
Real Estate	↘	2,1%	21,1 x	11%	3,1%	14,4%
Defensives						
Food Beverage & Tobacco	↘	7,4%	18,5 x	8%	3,0%	12,2%
Health Care	=	15,4%	19,1 x	10%	2,3%	16,2%
Retail	↘	1,6%	20,3 x	19%	2,4%	8,7%
Telecommunications	↘	3,0%	13,9 x	-20%	4,4%	9,1%
Utilities	↘	4,0%	15,5 x	7%	4,4%	0,9%

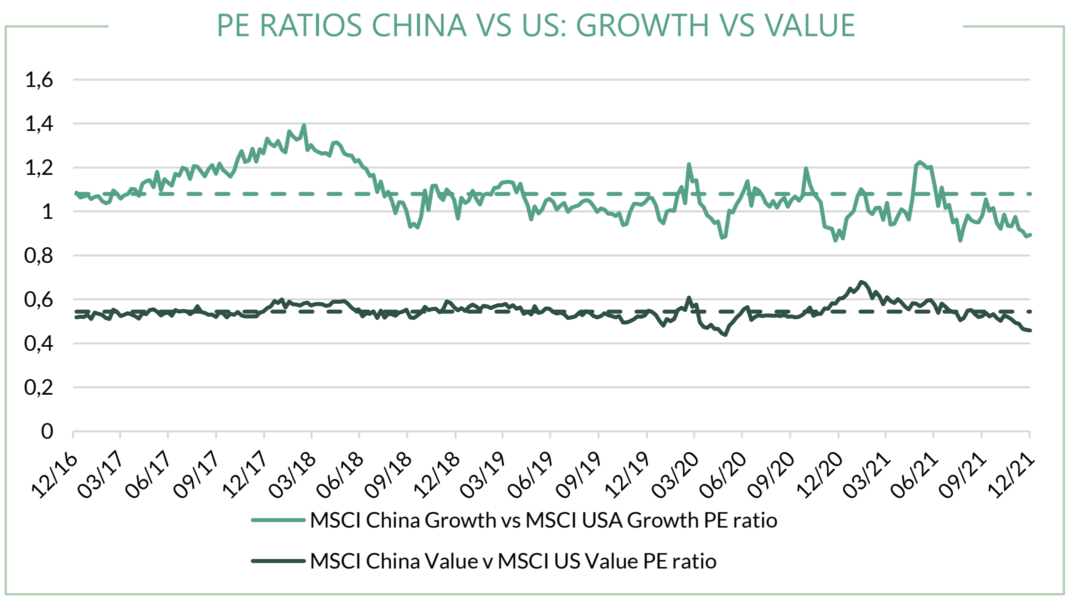
This chart shows the earnings forecasts 12 months ahead for the three best-performing and the three worst-performing sectors. Data are at daily frequency and normalised to 100 as at 1 January 2018. It measures the heterogeneity of analysts' daily 12-month ahead earnings per share (EPS) forecasts for listed firms in 20 different sectors. To capture the impact of the COVID-19 crisis on cross-sectoral dispersion in earnings expectations, the Gini coefficient is used.

Sources: ODDO BHF AM SAS, Factset, Refinitiv, IBES, ECB calculations

We are becoming carefully constructive on China

VALUATIONS GETTING ATTRACTIVE



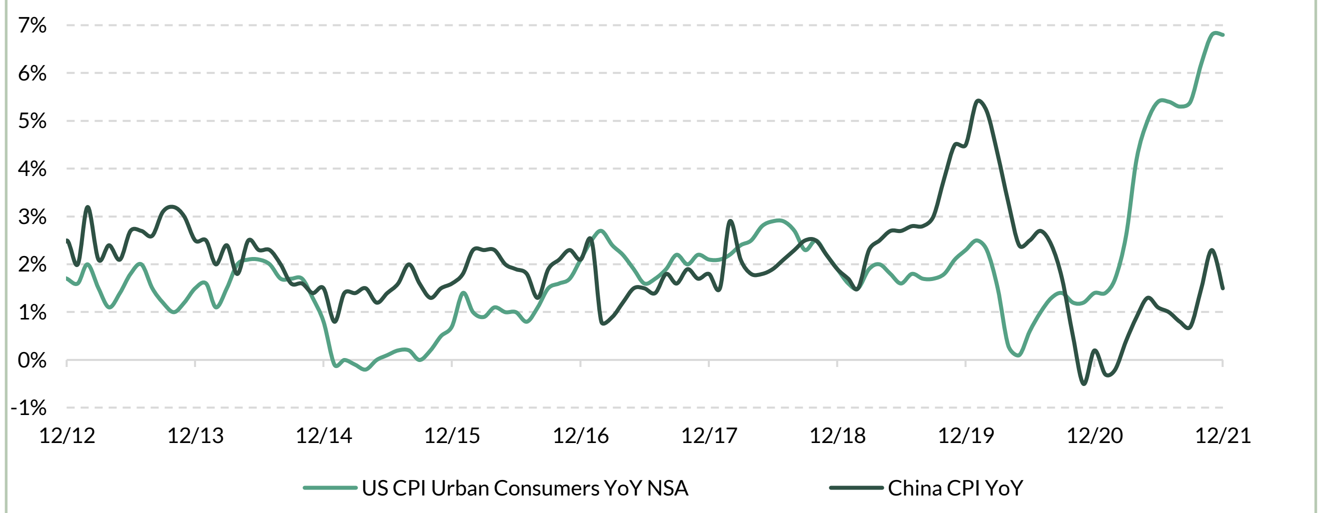


- From tech to real estate, the economic slowdown is already reflected in PE ratios
- Significant valuation discounts vs US equities

Sources: ODDO BHF AM SAS, Bloomberg, 31/12/2021

China:
TOWARDS MONETARY AND FISCAL EASING?

CHINESE CPI



Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 12/31/2021

The ecological transition offers true opportunities TO CREATE VALUE OVER THE LONG TERM

4 SUBTHEMES WITH GROWTH POTENTIAL

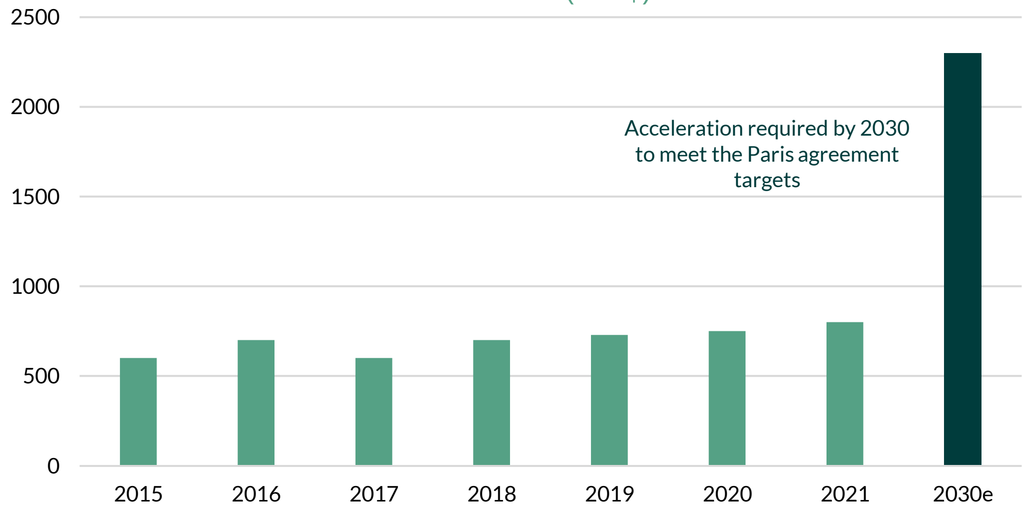
CLEAN ENERGY
+8%
CAGR* (2018 - 2025)

ENERGY EFFICIENCY
+6%
CAGR* (2018 - 2023)

SUSTAINABLE MOBILITY
+32%
CAGR* (2017 - 2025)

PRESERVATION OF NATURAL RESOURCES
+10%
CAGR* (2017 - 2025)

GLOBAL INVESTMENT IN CLEAN ENERGY AND ENERGY EFFICIENCY (BN $)

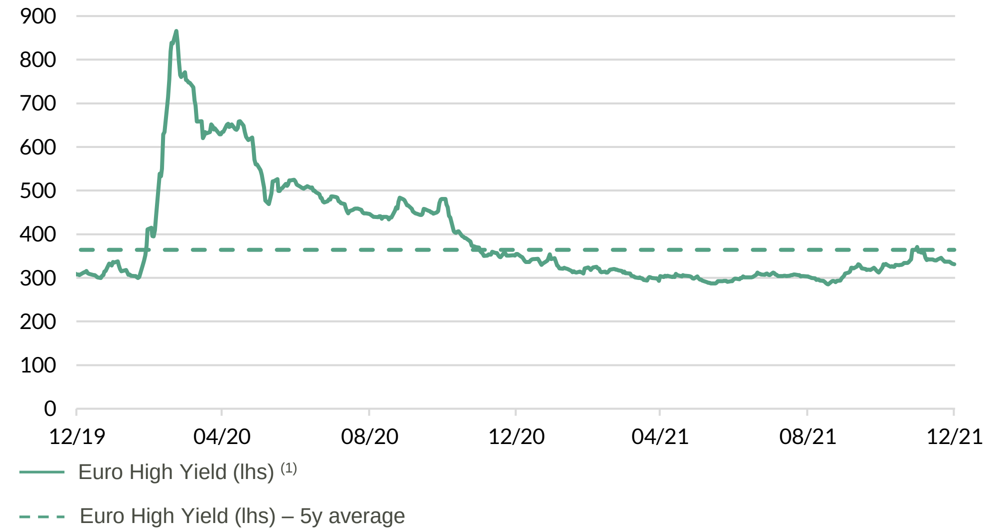


*Compound Annual Growth Rate

Sources: ODDO BHF AM SAS, JP Morgan, BofA Global Research, Data as of 2020

Stay invested in High Yield. At 4% GDP growth rates DEFAULT RATES SHOULD REMAIN LIMITED

CREDIT SPREADS HY (OVER 2 YEARS)



(1) BofA Merrill Lynch Euro High Yield Non-Fin. Constr. (HE00)

YIELD ANALYSIS

Positive performance as long as spreads don't widen more than approximately 105 bps (based on worst calculation)

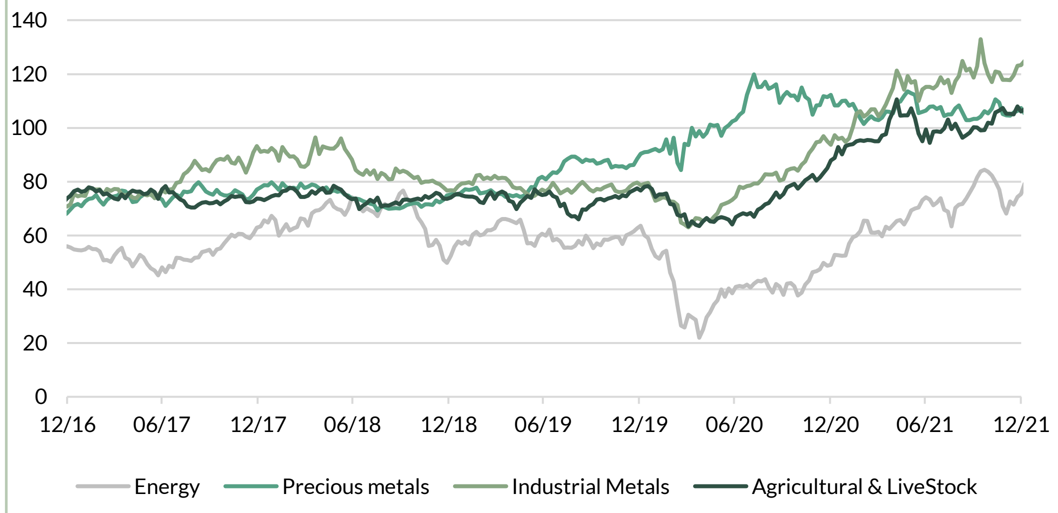
Yield graph based on BofA Merrill Lynch Euro High Yield Fixed Floating Rate Constrained Index ex Financials

Return scenario based on BofA Merrill Lynch Euro High Yield Fixed Floating Rate Constrained Index ex Financials - HEAE (main characteristics : yield to call = 2.94%, modified duration to worst =3.32%)
The shown estimates can differ from actual results. Calculations are based on yield and duration to worst. Hypothesis: yield changes are evenly distributed over 4 quarters and occur mid of each quarter. The duration stays constant over time. The estimates are not supposed to assume any returns shown as guaranteed. The Yield to Maturity (YtM) is the estimation at a certain date of the expected rate of return of a bond portfolio if the securities are held to maturity. It does by no means constitute a promised return. It can, therefore, be affected by interest rate risks, default risks, reinvestment risks and the fact that bonds may not be held until maturity. The Yield to worst (YtW) is the estimation at a certain date of the worst expected rate of return of a bond portfolio of which some of the securities would not be held until maturity but redeemed at the discretion of the issuer (call). It does by no means constitute a promised return. It can, therefore, be affected by interest rate risks, default risks, reinvestment risks and the fact that bonds may not be held until maturity. Source: ODDO BHF AM GmbH; BofA Merrill Lynch | Data as of 12/31/2021

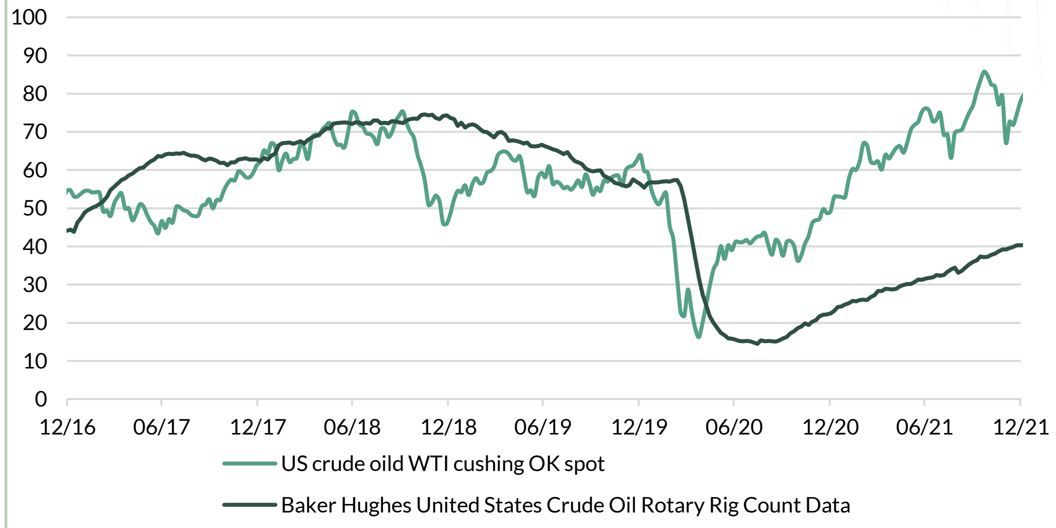
Commodities: we see upside potential for oil & metals

A SUPERCYCLE IS BUILDING UP

METALS



OIL

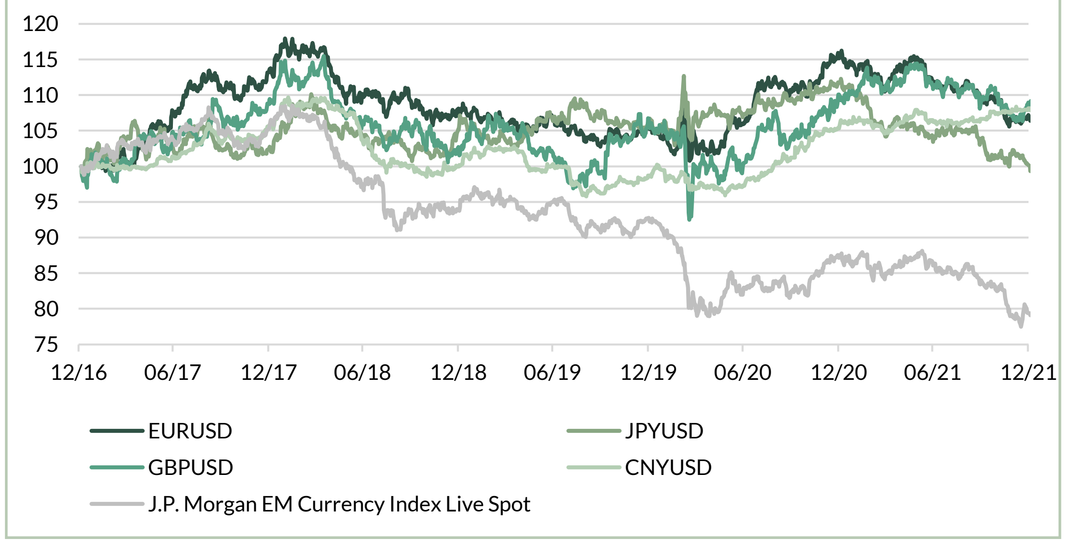


Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 12/31/2021

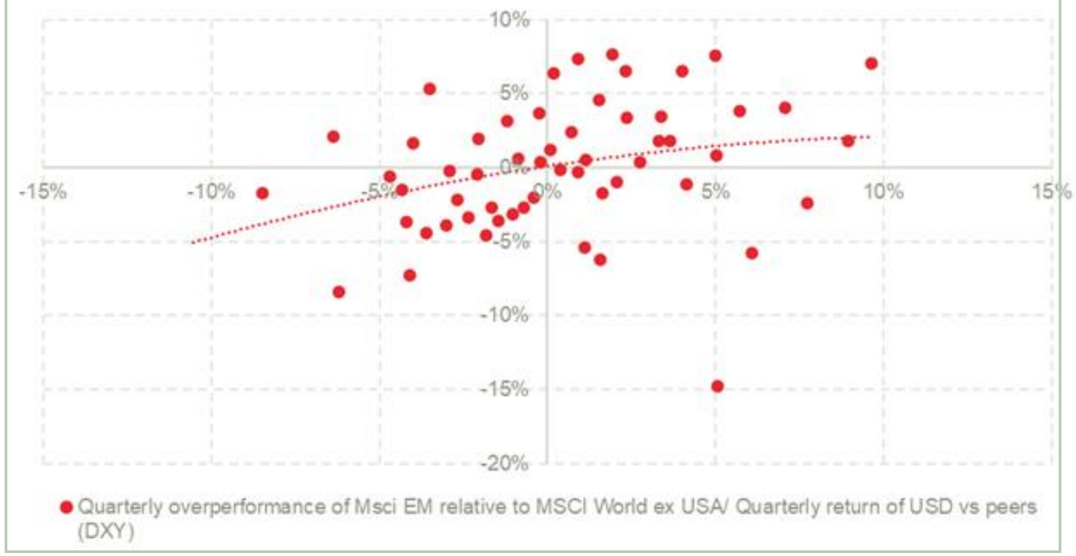
The USD's direction will be a central element

IF USD STRENGTHENS, FAVOR US ASSETS
IF USD WEAKENS, FAVOR EUROPE AND EMERGING MARKETS

CURRENCIES - CHANGE OVER 5 YEARS



CORRELATION USD VS EM PERFORMANCE



- Emerging equities are statistically no more at risk in the event of a rise in the dollar than other developed equities outside the USA (Euro, Japan, etc...)

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 12/31/2021

In a nutshell

	Overweight	Neutral	Underweight
Geographies/regions	▪ Europe ▪ China		▪ United states
Styles	▪ Cyclicals ▪ Value stocks		▪ Hyper growth companies
Size	▪ Small caps	▪ Mid caps	
Sectors	▪ Automotive ▪ Construction ▪ Banks		▪ Technology
Fixed income	▪ HY		▪ Government bonds ▪ Investment grade
Commodities	▪ Metals ▪ Oil		
Currencies		▪ Euro/USD	
Alternative	▪ Private equity ▪ Private debt	▪ Hedge funds	

Source: ODDO BHF AM

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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