



ODDO BHF AM – Investment strategy

September 2019 – What lies ahead?

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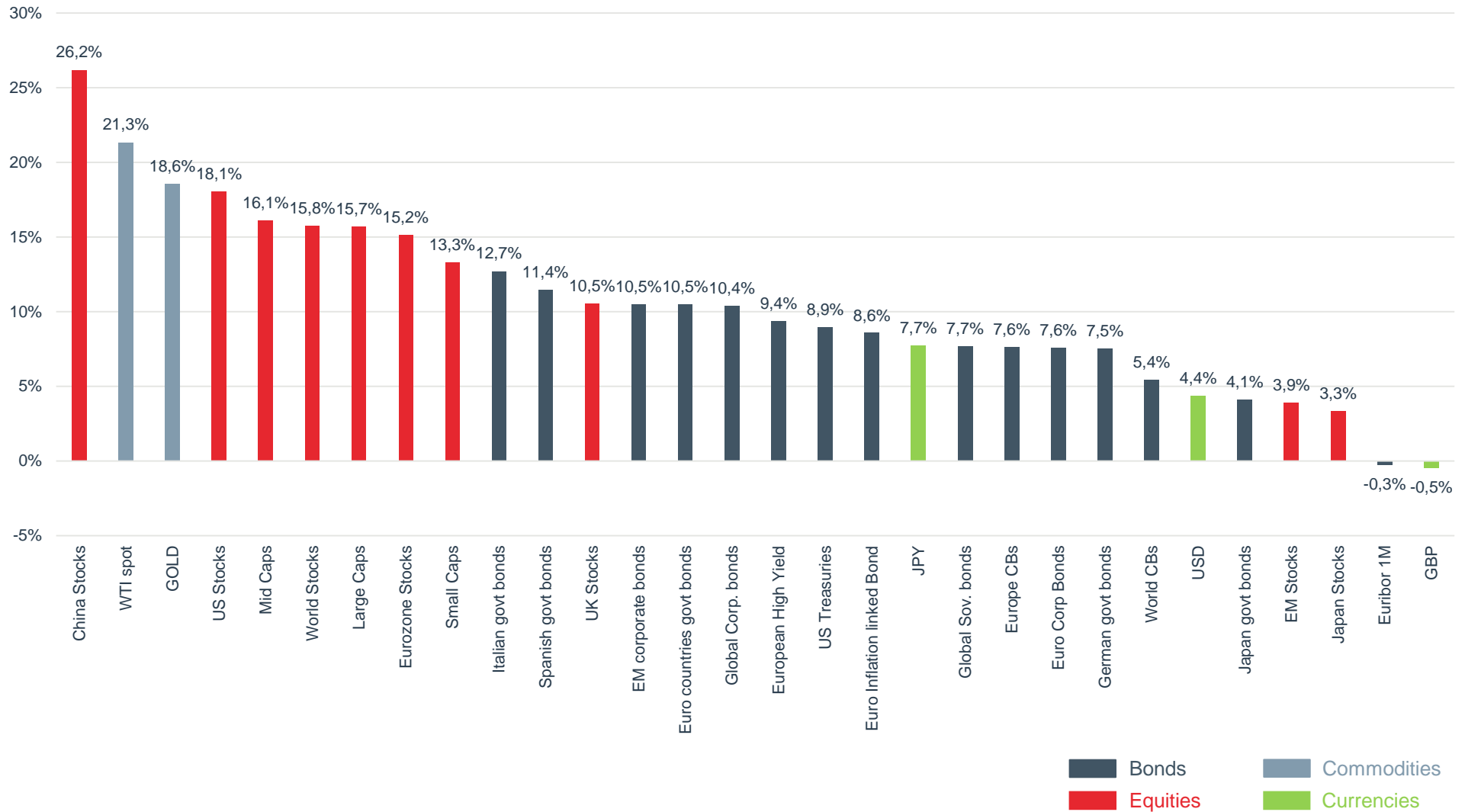
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- 01** Macroeconomic environment
- 02** Valuations
- 03** A closer look at some long-term trends
- 04** Our positioning

All asset classes are performing well, despite growing concerns about the economy



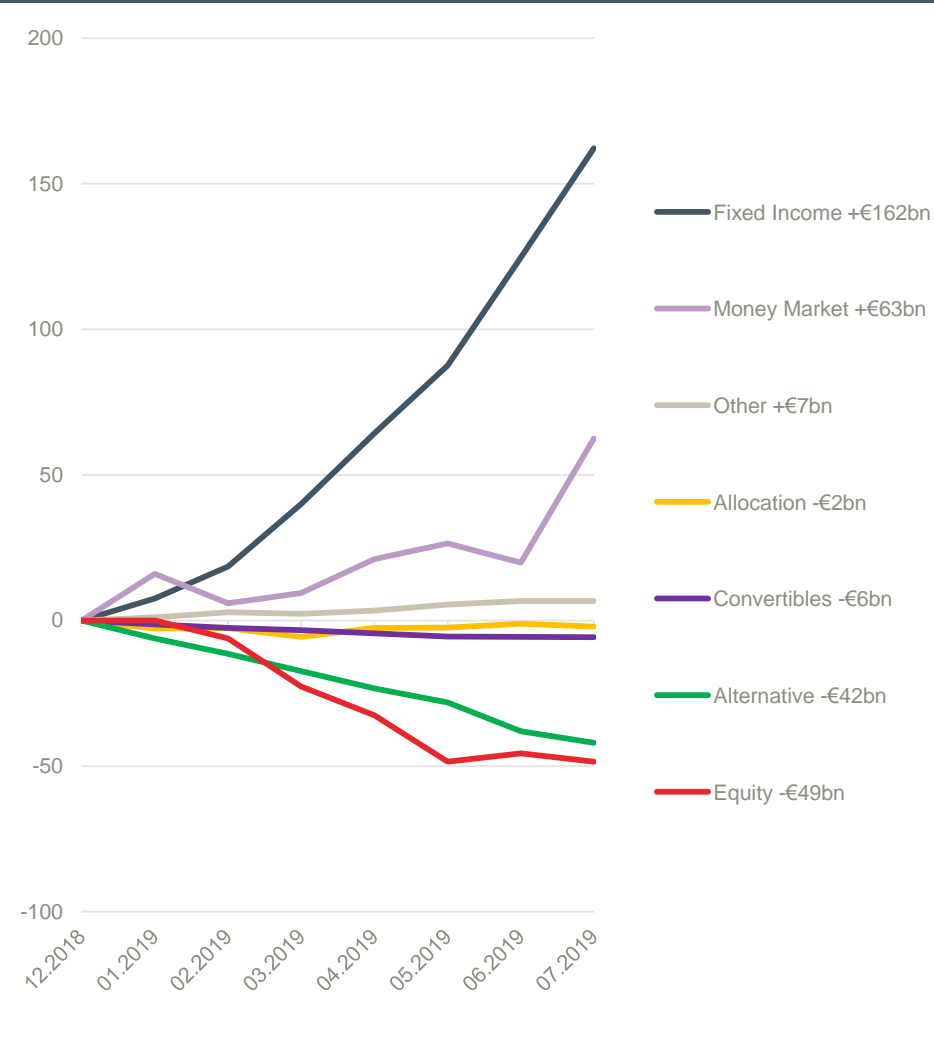
Past performances are not a reliable indicator of future performances and are not constant over time.

Sources: Bloomberg and BoA ML as of 31 August 2019 ; performances expressed in local currencies

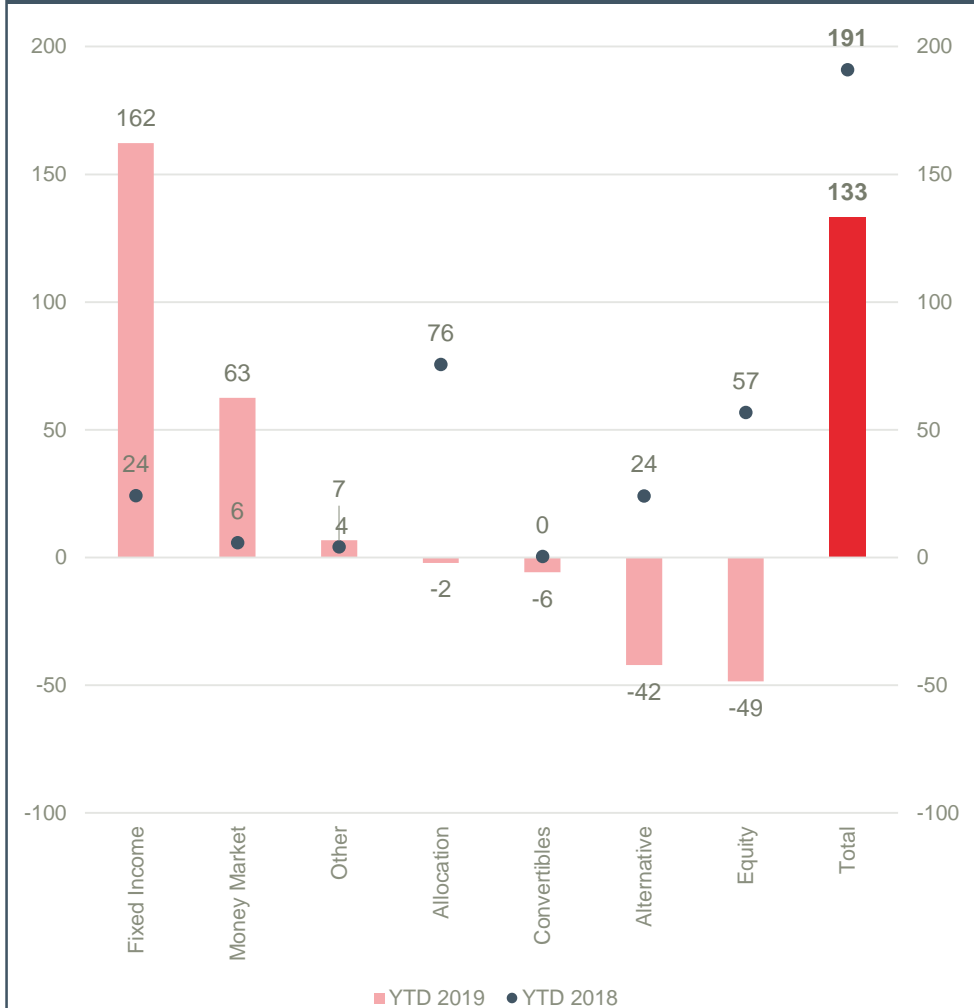
Year to date, investors have favoured low-risk assets



Mutual funds flows YTD 2019 (excl. ETFs): +€133bn in total



YTD 2018 flows +€191bn vs YTD 2019 +€133bn



Sources: ODDO BHF AM SAS, Morningstar. Figures as of 31 July 2019

MACROECONOMIC ENVIRONMENT

Governance crisis and economic risk

Bruno Cavalier, Chief Economist ODDO BHF

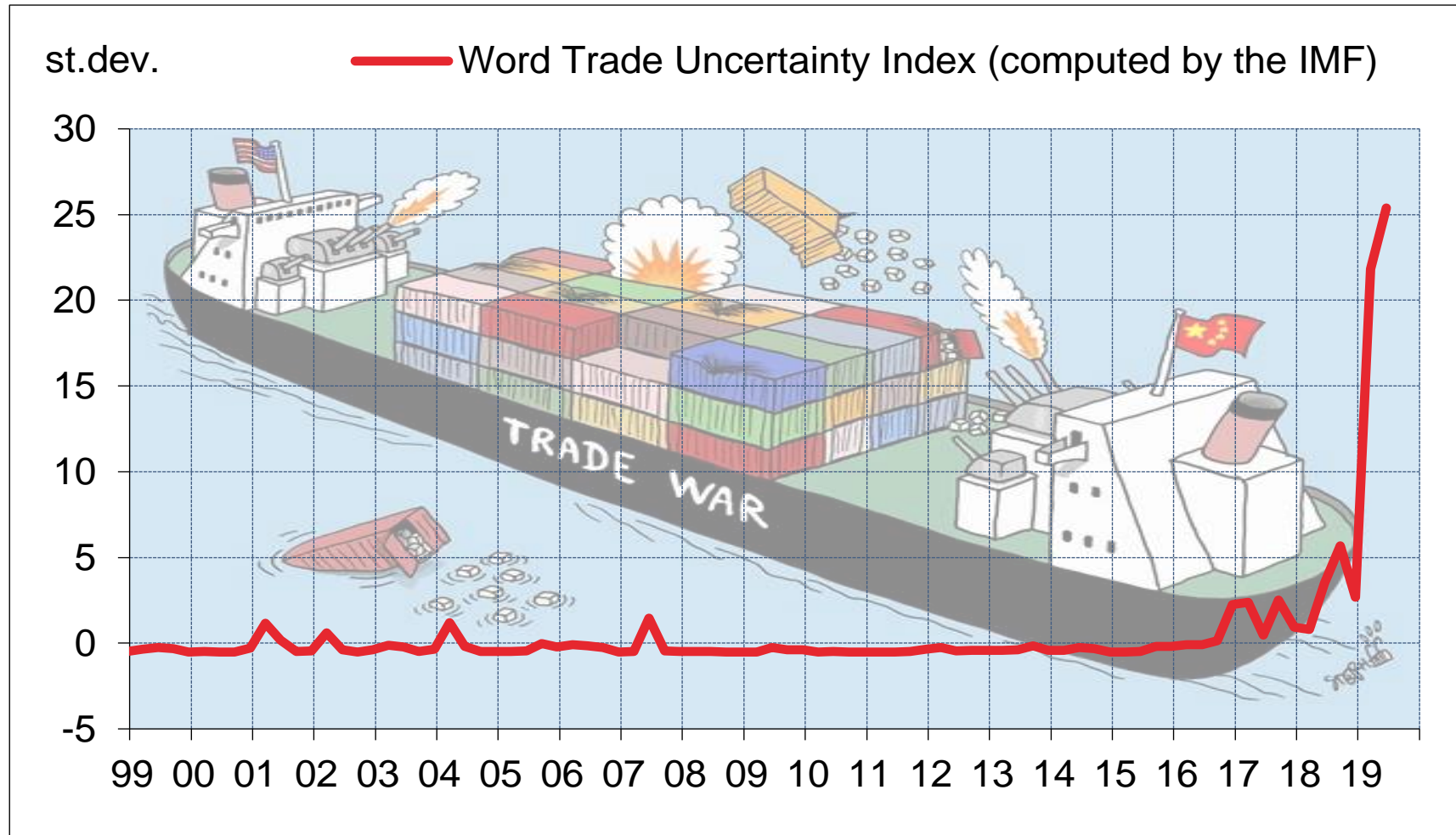
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Who is our biggest enemy?

(Trump, Xi, Powell – three man in a boat...)

Global trade – paradigm shift

For the first time in several decades, the rules of global trade (customs tariffs, the organisation of supply chains, and free-trade agreements) have seen a shake-up to such an extent that the resulting uncertainty has become a key factor in macroeconomic conditions.



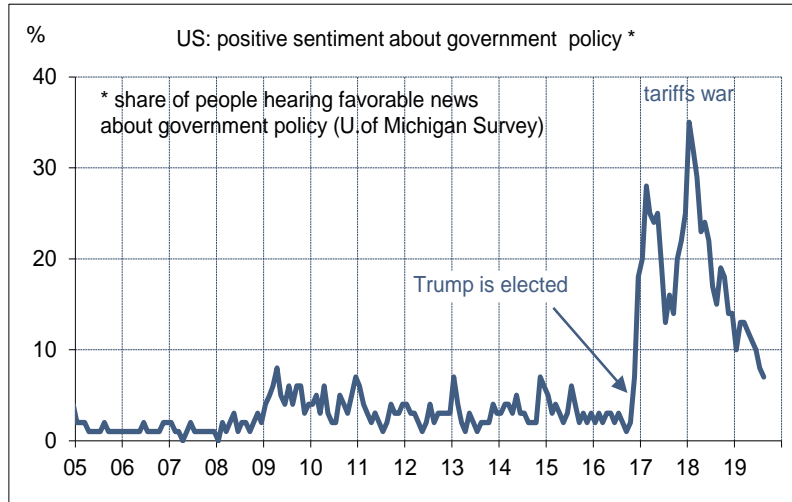
Source: IMF, ODDO BHF

Trump and the economy – an explosive mixture

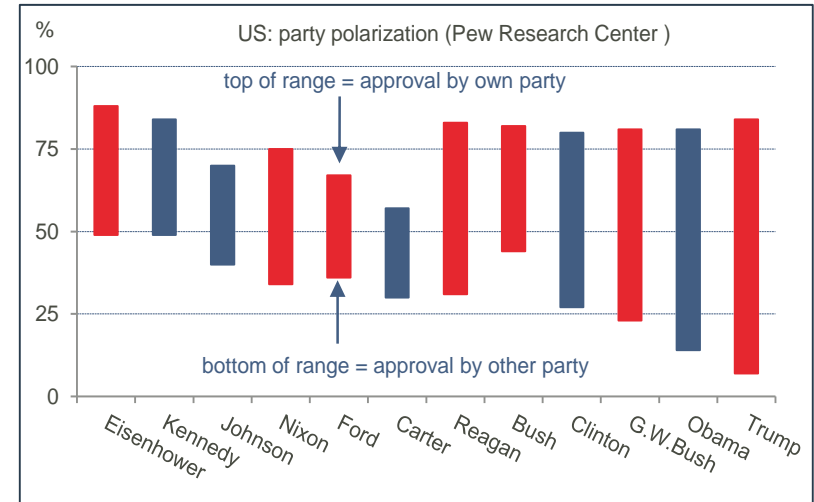


Trump's election created a feel-good factor, with his tax cuts ①. The trade war and the government shutdown had the opposite effect ②. Prior to Trump, no president has had such a binary impact ③. However, his anti-China policy enjoys broad support, well beyond his own political camp ④.

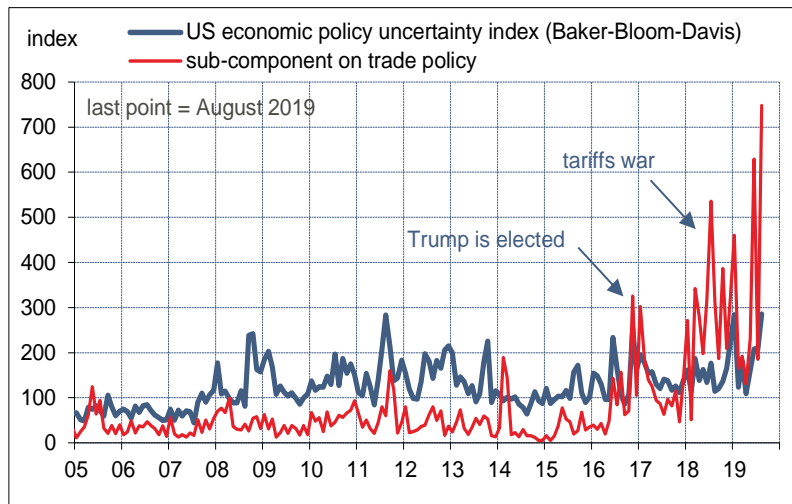
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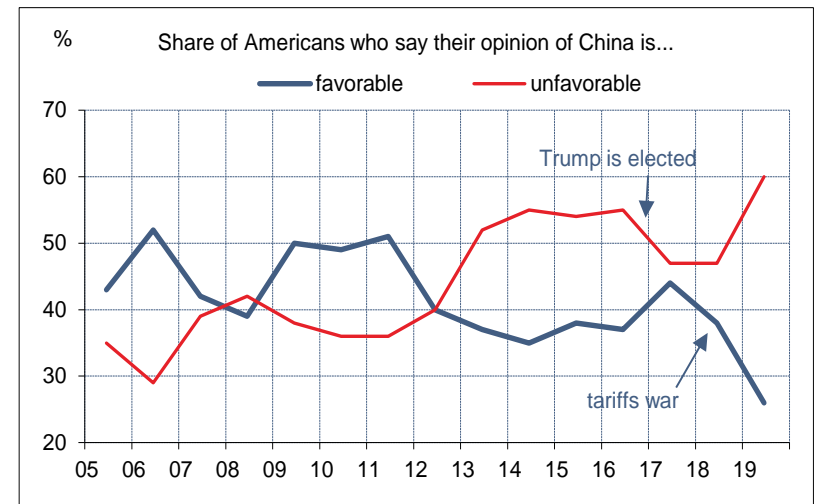
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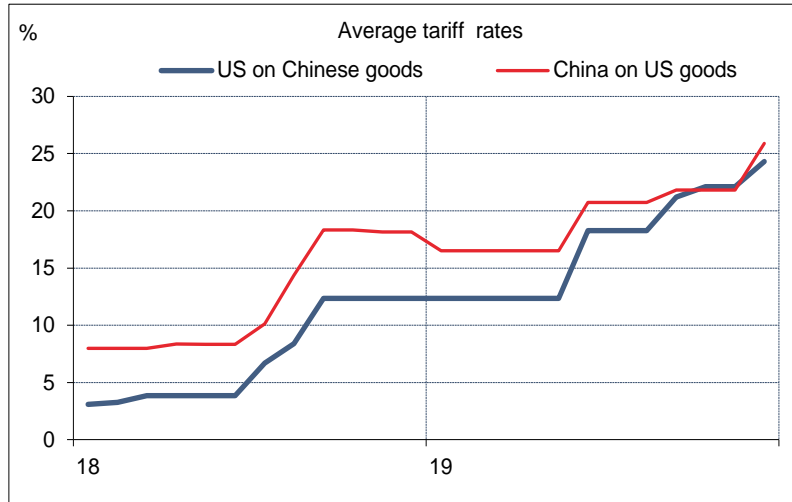


The Sino-US customs war – At the point of no return



Customs tariffs are higher and higher ① and are being imposed on a growing proportion of imports from China ②. This has reduced trade volumes ③, which makes sense. But they have not shrunk the US's trade deficits with the rest of the world, and not even with China ④.

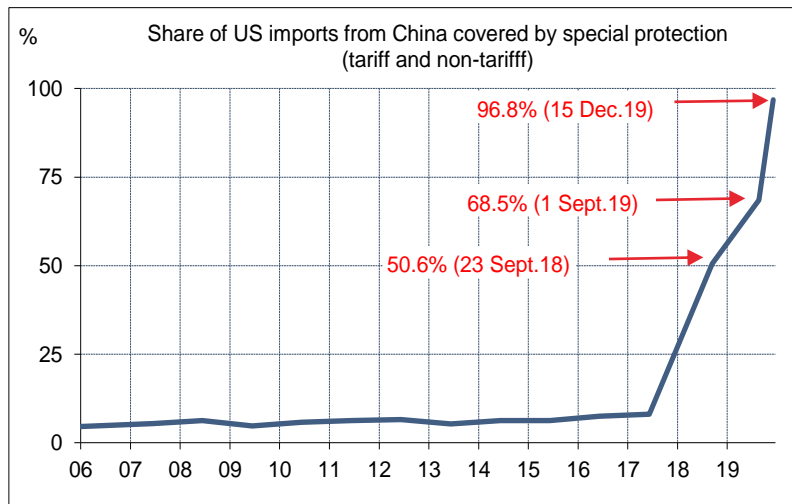
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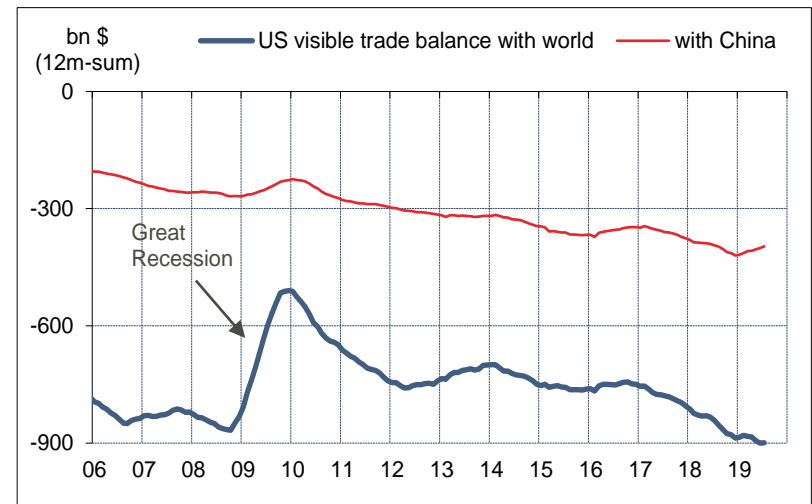
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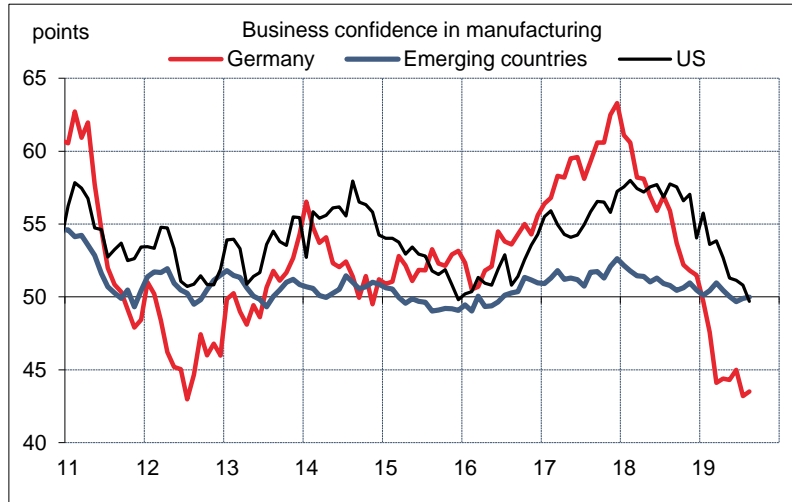
Source: Thomson Reuters, PIIE, ODDO BHF

Economic impact – In manufacturing

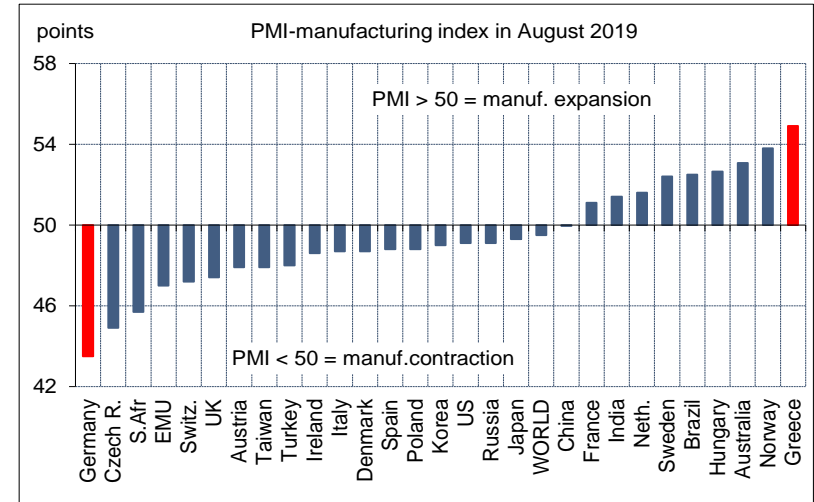


Manufacturing confidence continued to fall during the summer, in particular in the US ①. In the vast majority of countries, manufacturers say they are in a recession ②, and to an alarming degree in Germany ③. This is a big concern, given the weight of manufacturing in German GDP ④.

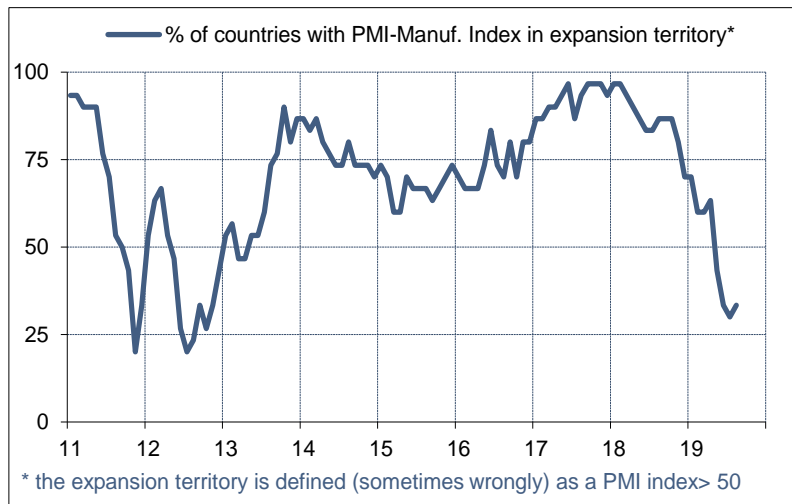
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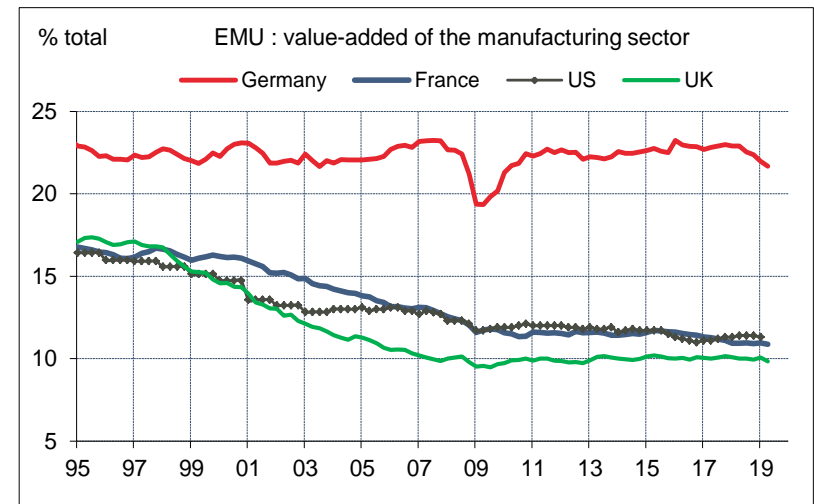
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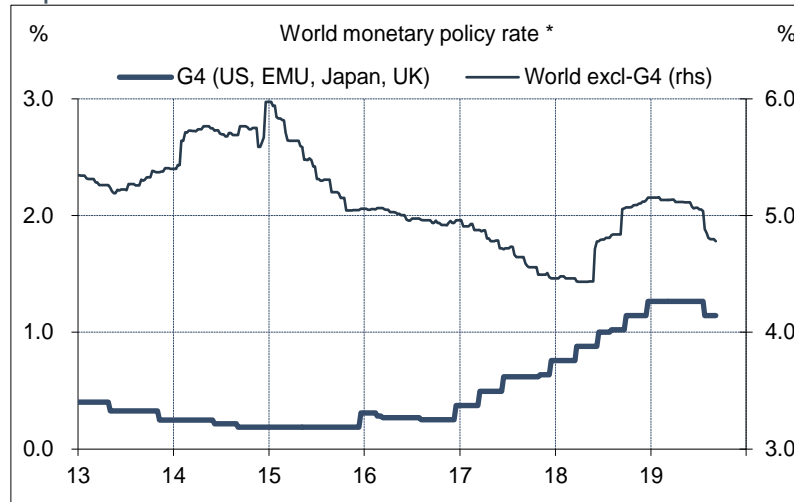


Financial impact – Central banks to the rescue



In reaction to this shock of uncertainty, central banks have eased their monetary policies or plan to do so ①. But the markets expect a lot more, which is sending long bond yields downward ②. Low interest rates “protect” valuations but with greater volatility ③. The dollar is expensive... - much to the annoyance of Trump ④.

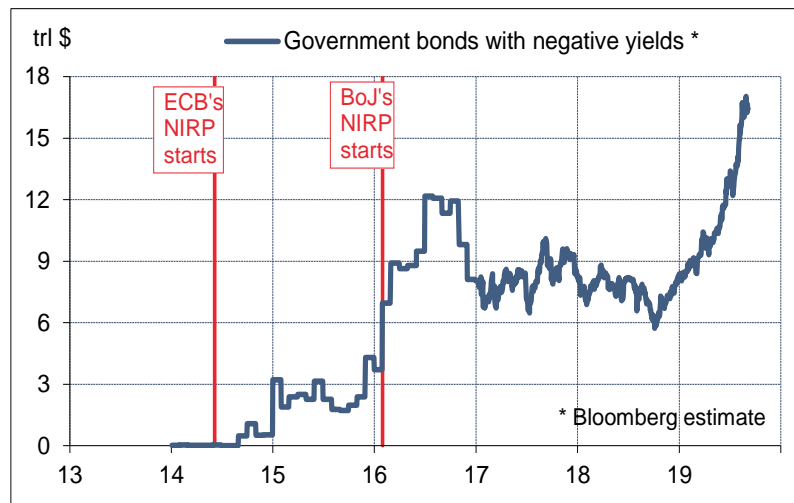
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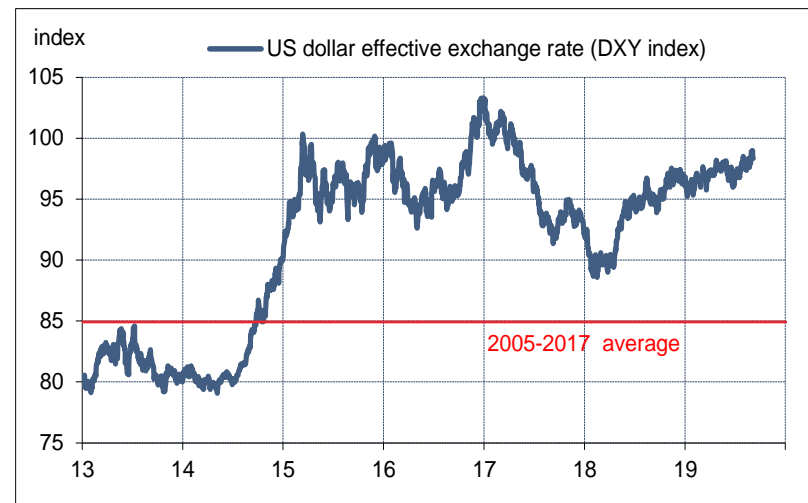
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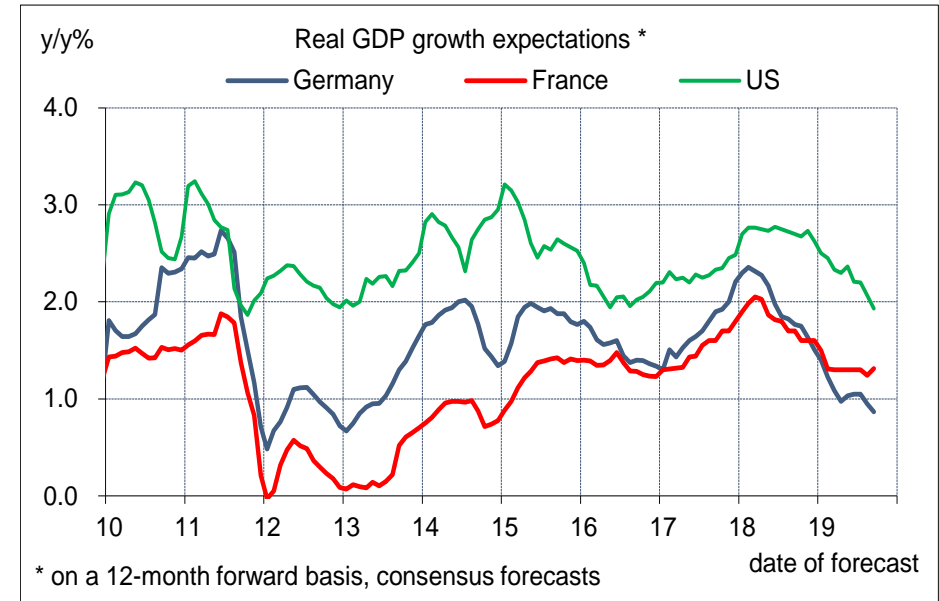
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Global macro situation

(recession & recession fears)

Global growth has levelled off at 3% annually, but with downside risks

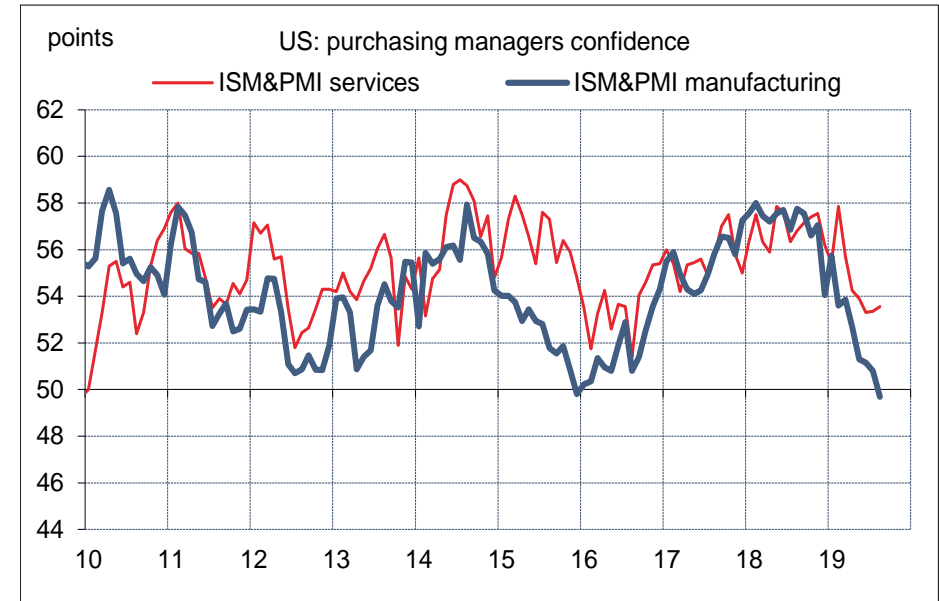
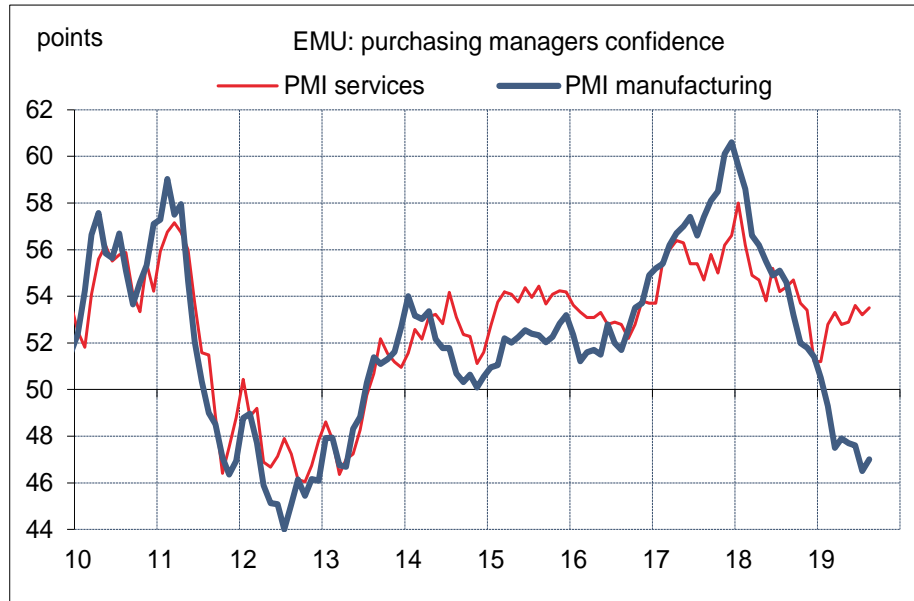


Global growth was stable in Q2 vs Q1, at +3.2% q/q annualised (vs. +4% in Q1 18 and +2.8% in Q4 2018)

GDP has shrunk in the UK (-0.2% q/q, Brexit), in Germany (-0.1% q/q, manufacturing recession) and HK (-0.4% q/q, political crisis)

Revisions in growth forecasts are once again on the downside.

Business climate – Little spillover from the manufacturing slump

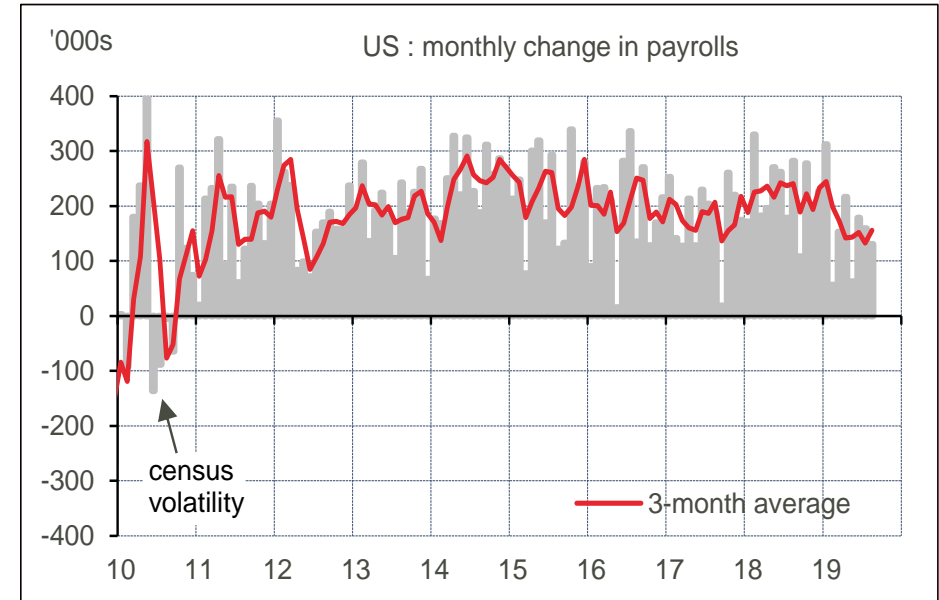
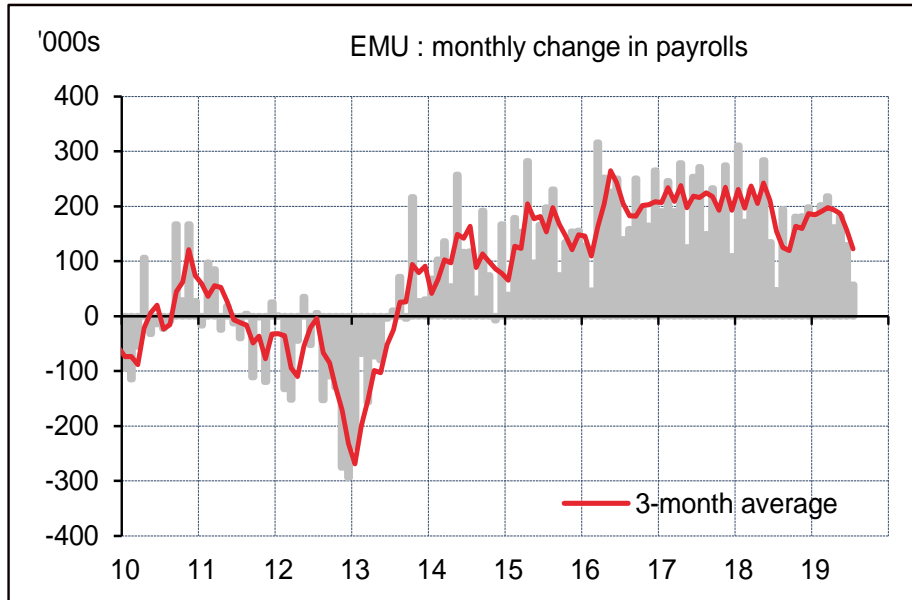


A dual economy (manufacturing / non-manufacturing) reflecting the divergence in demand components (foreign / domestic)

On the whole, non-manufacturing sectors are holding up well and are in expansion territory.

Contagion depends on the weight of manufacturing in GDP and on how strong domestic demand (the job market) is.

Job market – A slowdown in job creations



Employment continues to expand (in Europe and the US). The pace of expansion has become more moderate or normal, driven by a revised growth outlook (demand) or hiring difficulties (supply).

There has been no wave of job destructions in the economy as a whole, but there have been adjustments in the most heavily exposed sectors, such as temp work in manufacturing.



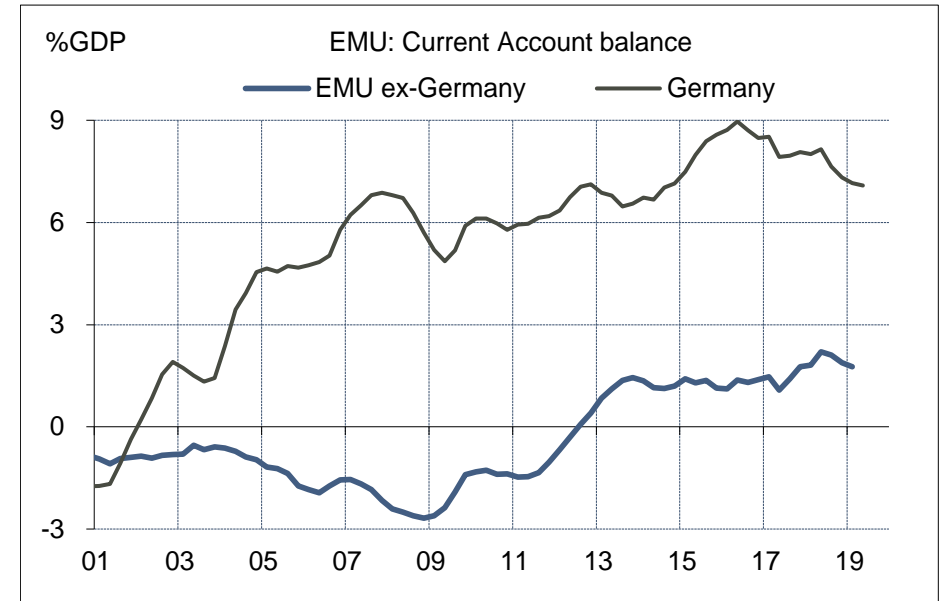
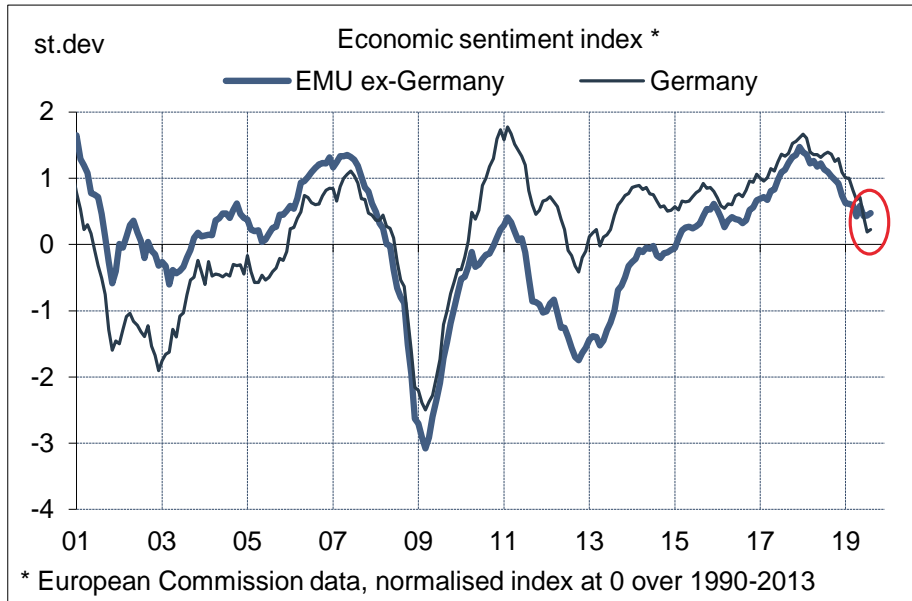
	US recession probability							
	2001 recession (average)	2008 recession	mid- 2015	mid- 2016	mid- 2017	mid- 2018	mid- 2019	mid- 2020
Coincident models								
- unemployment rate	65	80	0	0	0	0	0	-
- jobless claims	44	58	1	3	3	2	2	-
- stock market	39	51	7	3	4	15	2	-
- building permits	0	83	0	0	0	0	1	-
Average	37	68	2	2	2	4	1	-
Forward models								
- yield curve	42	28	0	1	2	3	6	59
- diffusion index	15	53	7	7	16	5	4	37
- bond premium	61	28	9	19	25	12	11	14
- oil price	38	34	18	4	3	3	20	12
- corporate profits	68	34	9	14	27	20	17	15
Average	45	35	9	9	14	9	11	27
Benchmark								
- business cycle duration	36	27	16	20	26	30	37	40

The inversion of the yield curve (the 10Y-3M has been negative since May) triggered recession fears. Other “recession models” are far less alarming or not alarming at all.

Does the yield curve describe the same symptoms as in the past? (inversion + lower interest rates ≠ inversions + higher interest rates, the role of monetary policy, etc.)

The risk is that economic agents will stay on the sidelines (postponing their expenditures). Hence, the risk of recession becomes a self-fulfilling prophecy.

Germany – A weakened economy and an apathetic government



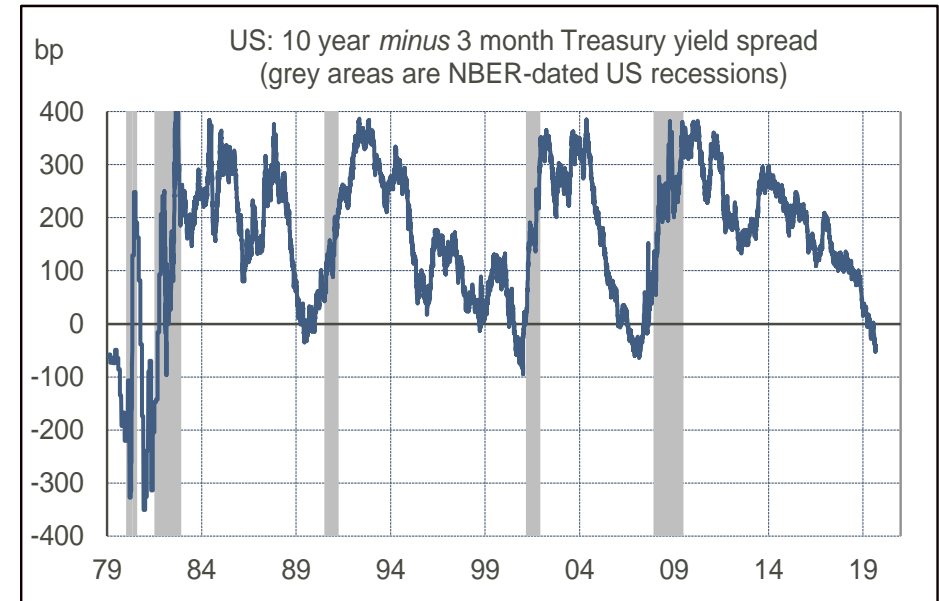
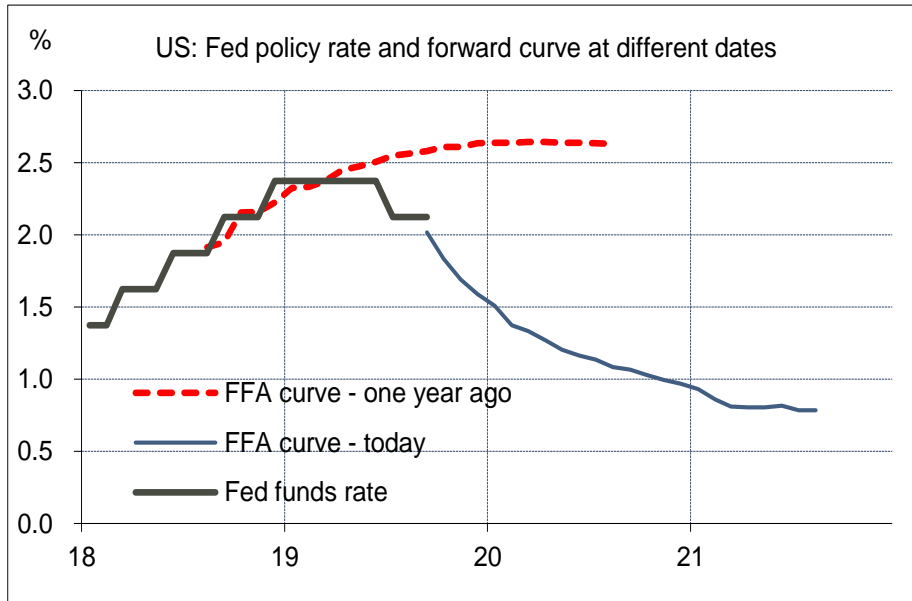
For the first time in more than 10 years, Germany has a weaker economy than its neighbors from a cyclical point of view.

The auto sector crisis (with its many causes) has spilled over throughout manufacturing, a sector that is exposed to all imaginable external risks (Brexit, Chinese growth, and customs tariffs).

Construction is holding up well at this point, but there are signs of a downturn in services and on the job market.

Central banks and politics

The Fed can ignore pressure from Trump but not from the markets

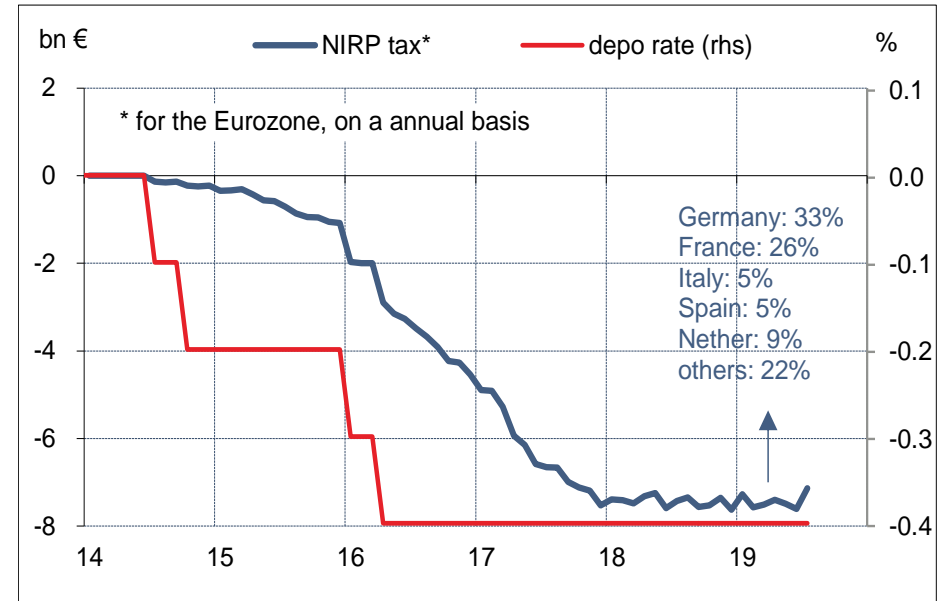
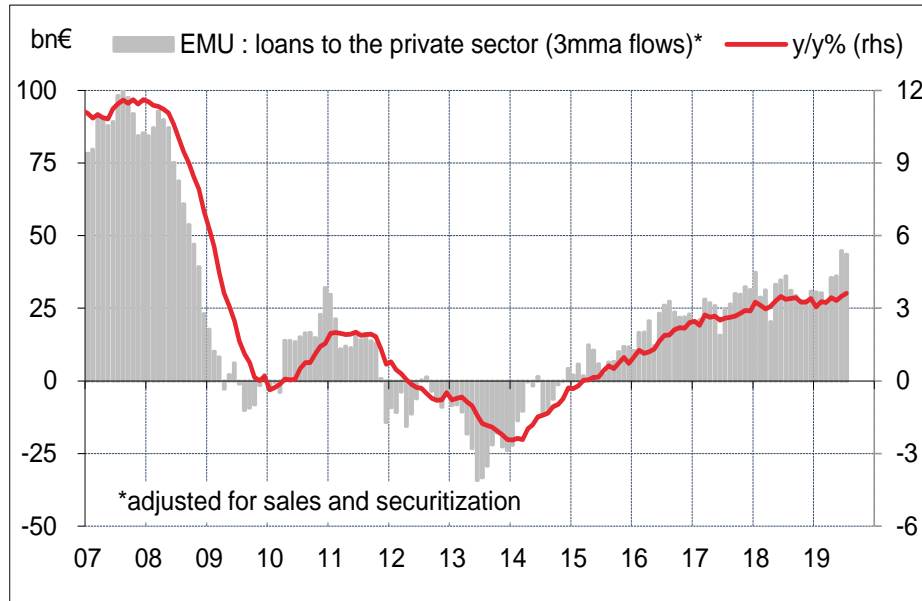


The high degree of risk (due to the shock of uncertainty) may justify a “mid-cycle adjustment” (-50-75bp), as in 1995 or 1998

As things now stand (in unemployment and inflation and on the markets), a greater easing is unnecessary.

The Fed acknowledges (cf. Powell at Jackson Hole in 2019) that it is in uncharted waters in taking action to address the disruption in global terms of trade. This is creating a risk of groping in the dark and mixed messages.

ECB – The grand finale and a seamless transition



A marked and sustained easing cycle is warranted by: 1) the ECB's mandate, 2) current economic conditions, 3) the external environment, and 4) the overall easing trend.

The ECB appears willing to address the negative fallout from its policies on banks.

Italy – The second Italian Renaissance



Debt-stabilizing primary budget balance	Nominal GDP growth (%)										
	-1.5	-1	-0.5	0	0.5	1	1.5	2	2.5	3	3.5
	minus: 1% trend inflation										
	equals: Real GDP growth (%)										
Funding cost (%)	-2.5	-2	-1.5	-1	-0.5	0	0.5	1	1.5	2	2.5
1	3.3	2.7	2.0	1.3	0.7	0.0	-0.7	-1.3	-2.0	-2.7	-3.3
1.5	4.0	3.3	2.7	2.0	1.3	0.7	0.0	-0.7	-1.3	-2.0	-2.7
2	4.7	4.0	3.3	2.7	2.0	1.3	0.7	0.0	-0.7	-1.3	-2.0
2.5	5.3	4.7	4.0	3.3	2.7	2.0	1.3	0.7	0.0	-0.7	-1.3
3	6.0	5.3	4.7	4.0	3.3	2.7	2.0	1.3	0.7	0.0	-0.7
3.5	6.7	6.0	5.3	4.7	4.0	3.3	2.7	2.0	1.3	0.7	0.0
4	7.4	6.7	6.0	5.3	4.7	4.0	3.3	2.7	2.0	1.3	0.7
4.5	8.0	7.4	6.7	6.0	5.3	4.7	4.0	3.3	2.7	2.0	1.3
5	8.7	8.0	7.4	6.7	6.0	5.3	4.7	4.0	3.3	2.7	2.0
5.5	9.4	8.7	8.0	7.4	6.7	6.0	5.3	4.7	4.0	3.3	2.7
6	10.0	9.4	8.7	8.0	7.4	6.7	6.0	5.3	4.7	4.0	3.3

Given the primary surplus (1.2% 2019e), points above the red line are consistent with a stable debt ratio

The M5S-Lega governing coalition has given way to a M5S-DP coalition – an only slightly less surprising alliance, but far less hostile to the EU (incidentally, the next commissioner for economic affairs in Van der Leyen's EC will be an Italian!)

The reduction in political and fiscal risk is welcome but does not resolve underlying problems of economic growth.

Falling bond yields places Italy outside the danger zone where solvency would become a real issue.



Institution / Think-tank	Date	Long-term impact on UK GDP (%)*
- Economists for Brexit	2016	4.0
- Bertelsmann	2015	-2.3
- Open Europe	2015	-2.8
- Center for Eco.Performance/ LSE	2016	-2.9
- IFO	2015	-2.9
- CEPII	2018	-2.9
- PwC/CBI	2016	-3.5
- Central Planning Bureau	2016	-4.1
- CEPR	2017	-4.5
- NIESR	2018	-5.5
- IMF	2016	-5.6
- BoE	2018	-6.3
- HM Treasury	2018	-7.7
- OECD	2016	-7.7
- HM Treasury (zero migration)	2018	-9.3
AVERAGE (no-deal Brexit)		-4.9

* No-deal Brexit relative to Remain scenario. If range of estimates, average value

To prevent (1) a "no-deal" on 31 October, the UK must (2) cancel Brexit, or (3) postpone it, or (4) make a deal.

The government has rejected (2), (3), and (4). A majority in Parliament has rejected (1), (2), and (4). But what exactly do the people want?

Because of the degree of polarisation and the first-past-the-post electoral system, it is impossible to say what majority will emerge from the next elections (which are now almost inevitable in the short term), or even whether there will be a majority.

VALUATIONS

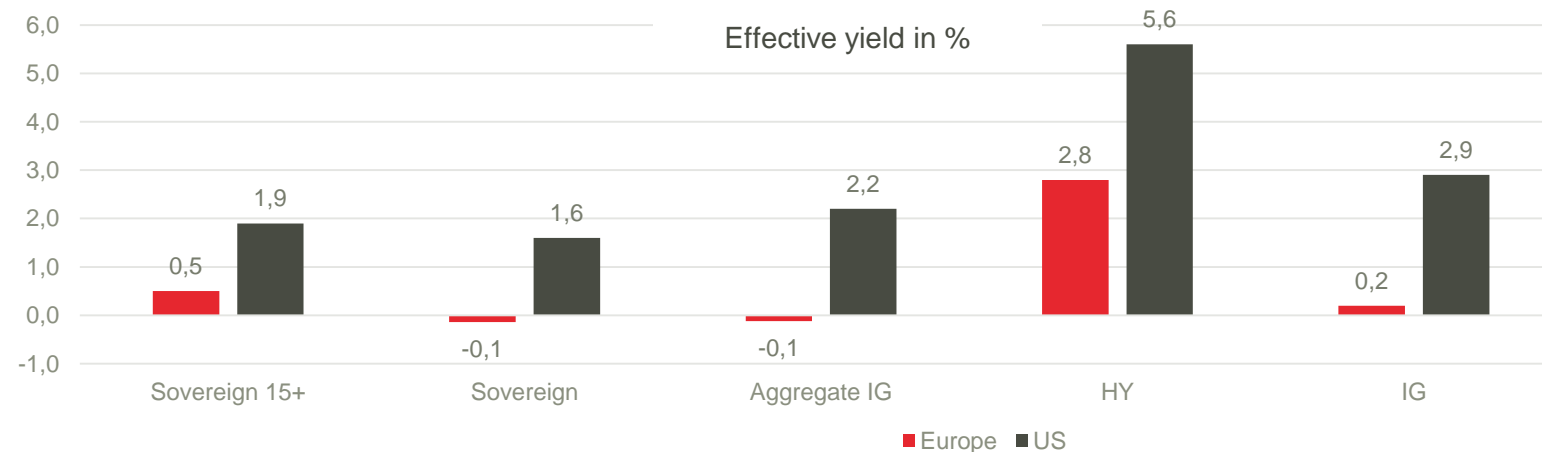
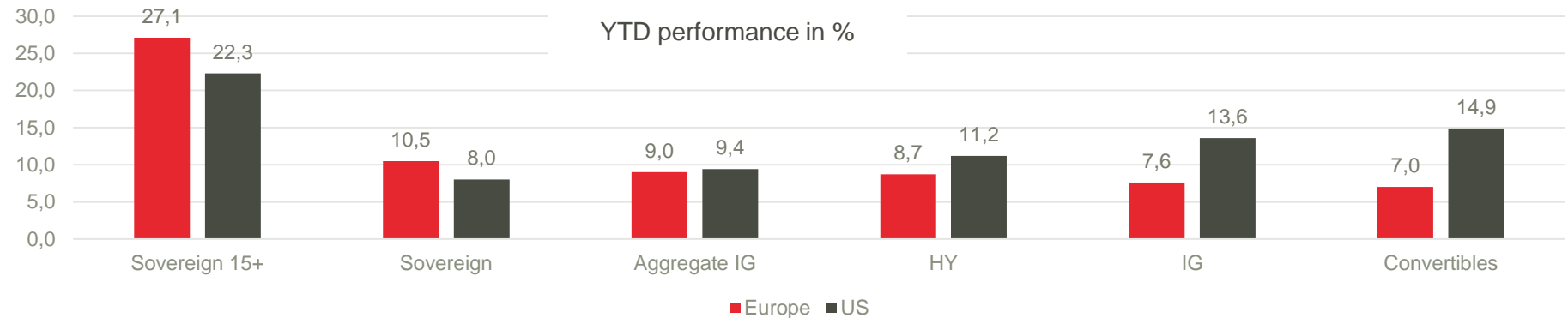
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FIXED INCOME

A search for yield at all costs that propels bond returns to 2014 highs



YTD performances by fixed income segments

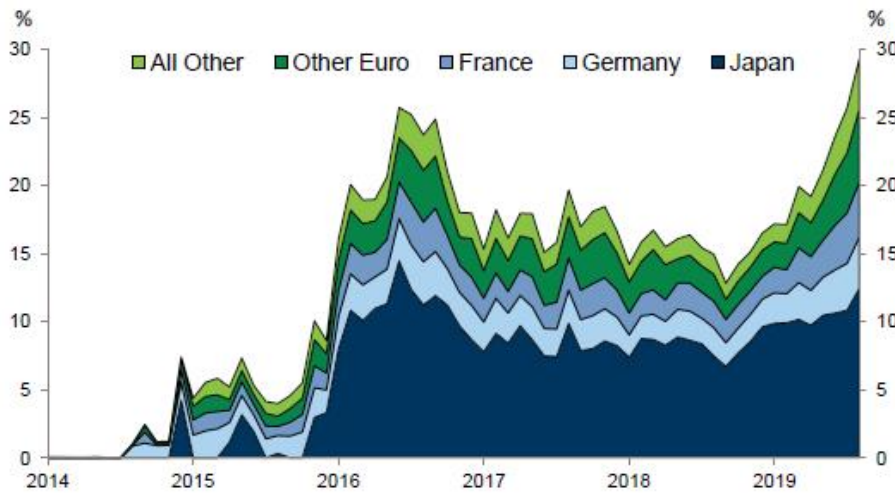


Sources: ODDO BHF GmbH, Bloomberg, Figures as of 31 July 2019

Uncommonly low interest rates



% of global bonds trading at negative yields, by country: \$17tn



Real 10-year government bond yields



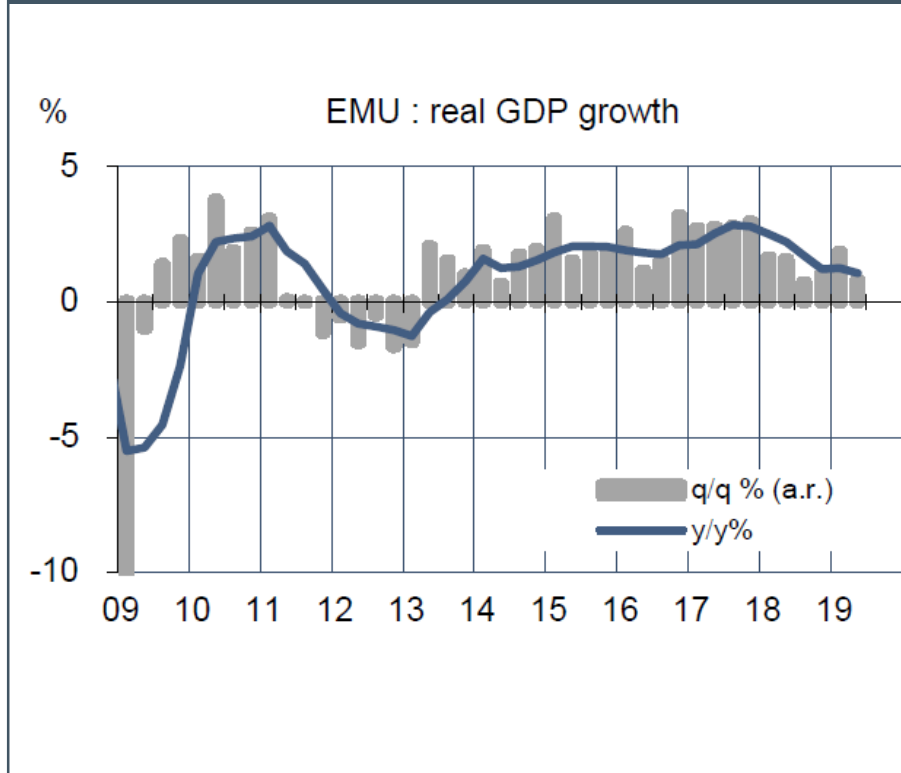
NIRP: Negative Interest Rate Policy

Sources: Bloomberg, ODDO BHF AM SAS, Goldman Sachs Investment Research | Gavekal data / macrobond

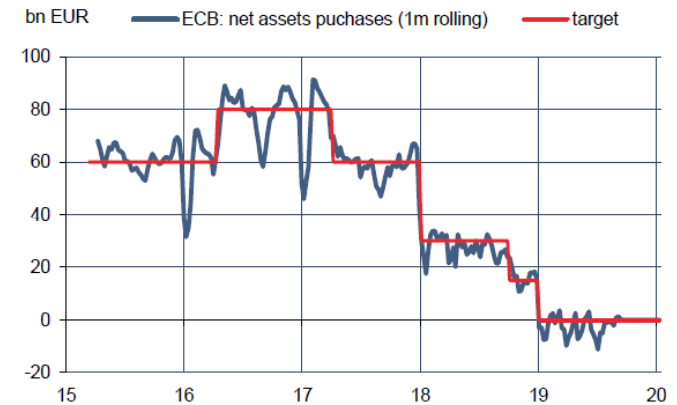
Rates that are unlikely to rise any time soon in Europe



Growth being squeezed



A new ECB asset purchase programme



Deposit rate cut: 10 basis points to -0,5%

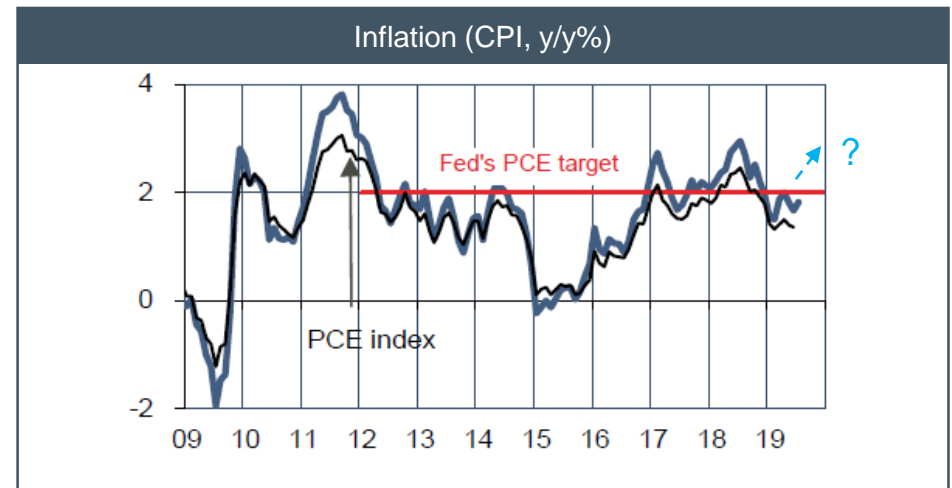
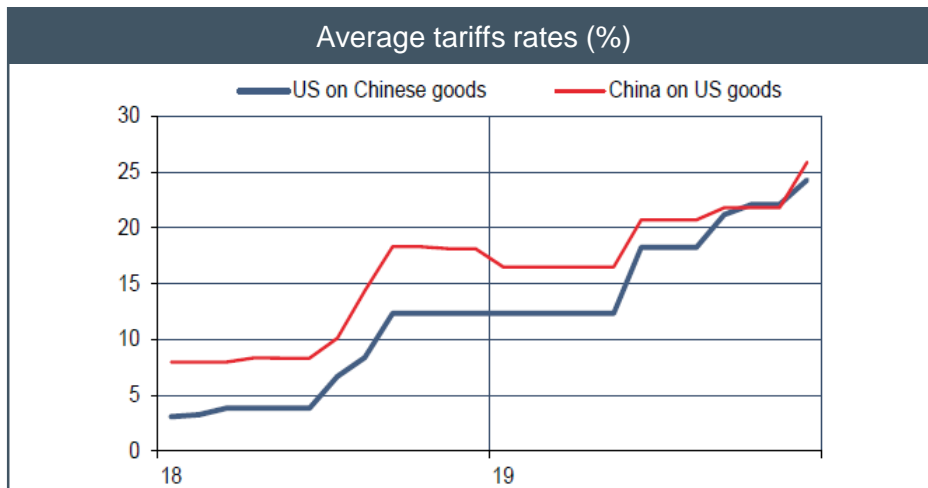
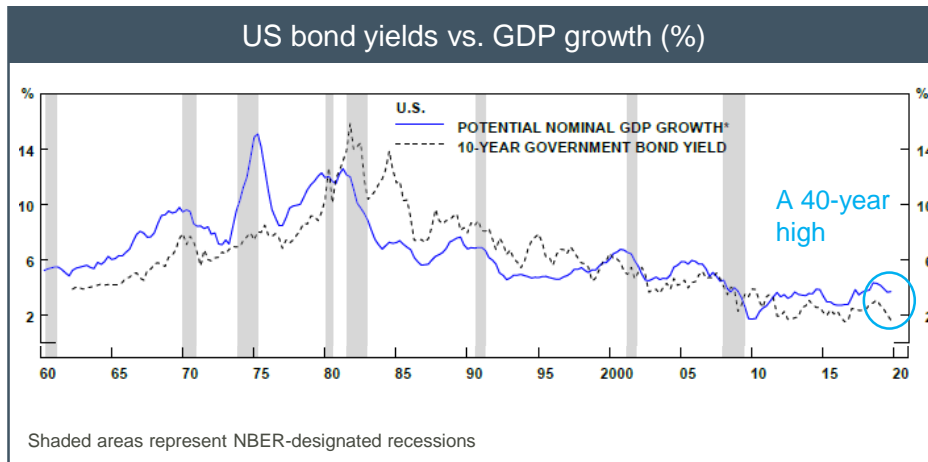
Tiering system implemented: exempt tier reserves equal 6 times minimum reserves

QE: € 20 bn per month, open ended and distribution in line with previous asset purchase program

Changes to TLTRO: removal of 10 bp over main refinancing operation and maturity extension to 3 years

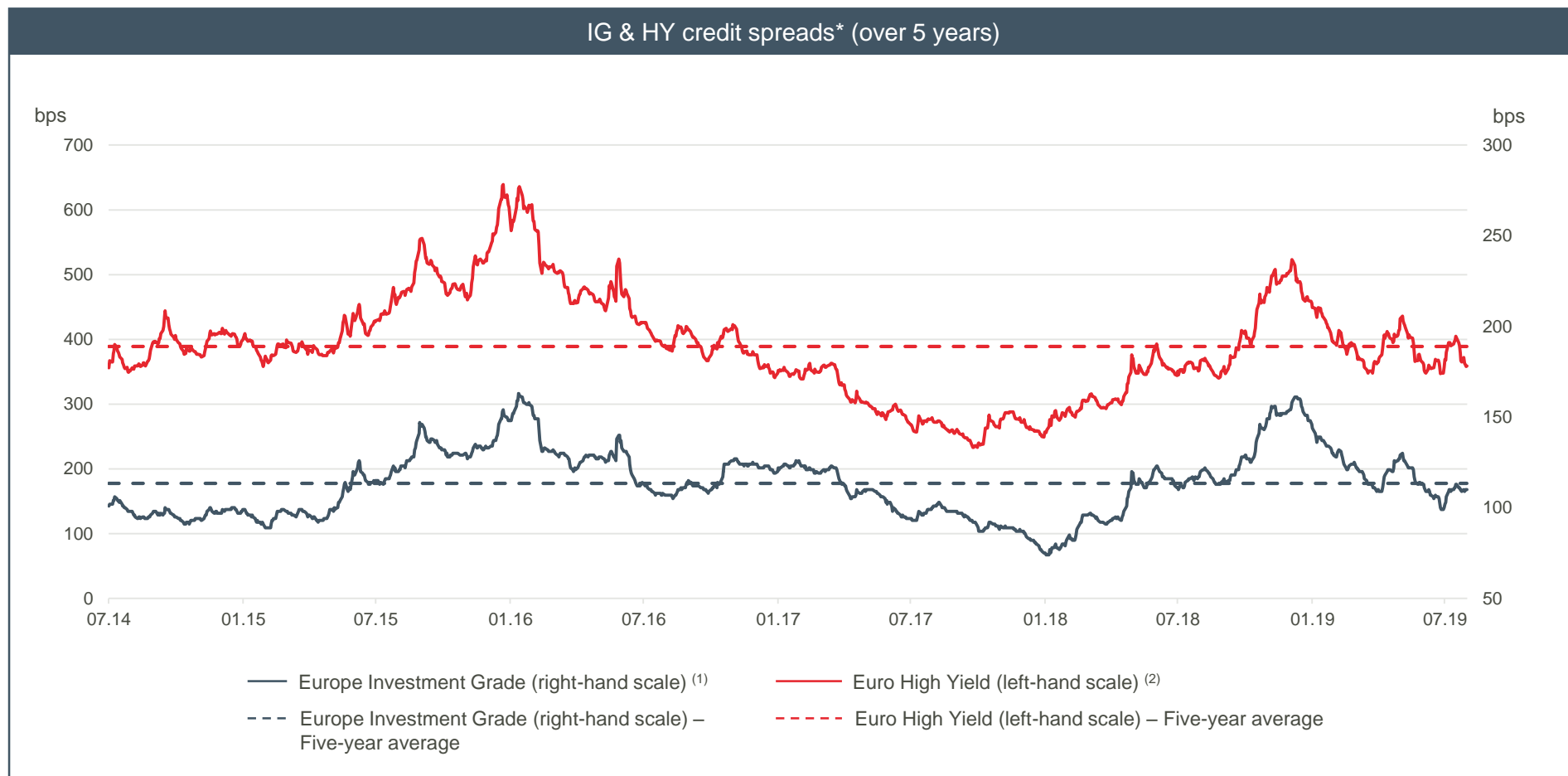
Change in forward guidance: QE to continue until inflation substantially converges to ECB target

Some factors to keep an eye on in the US scenario that could spill over into European interest rates



Sources: Thomson Reuter, ODDO BHF Securities | Congressional budget office CBO, BCA research Inc.; figures as of August 2019

In this context, no other alternative than credit to find positive yields



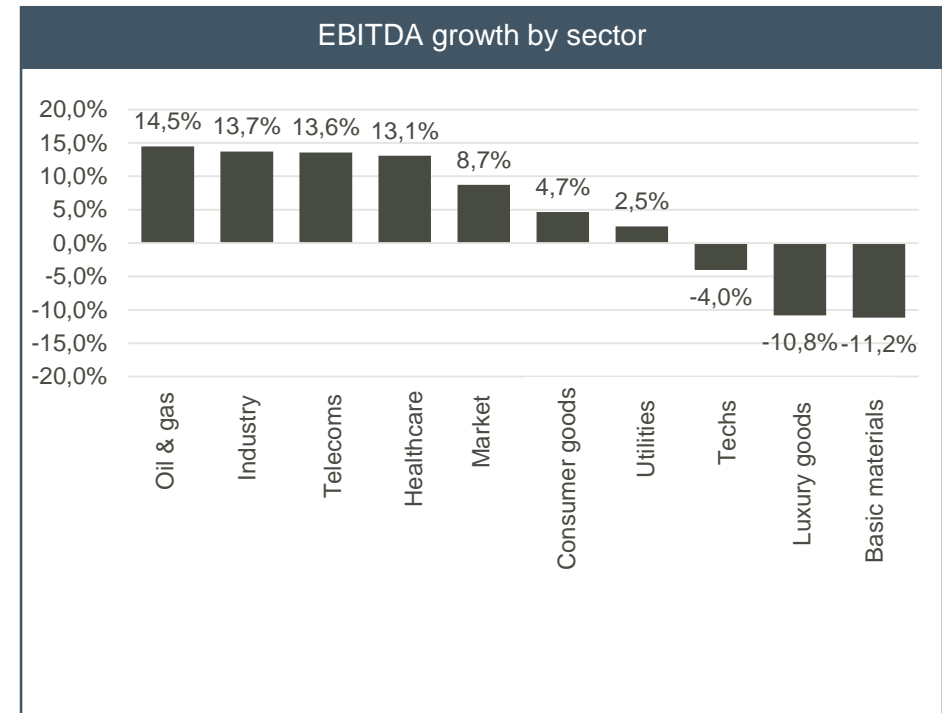
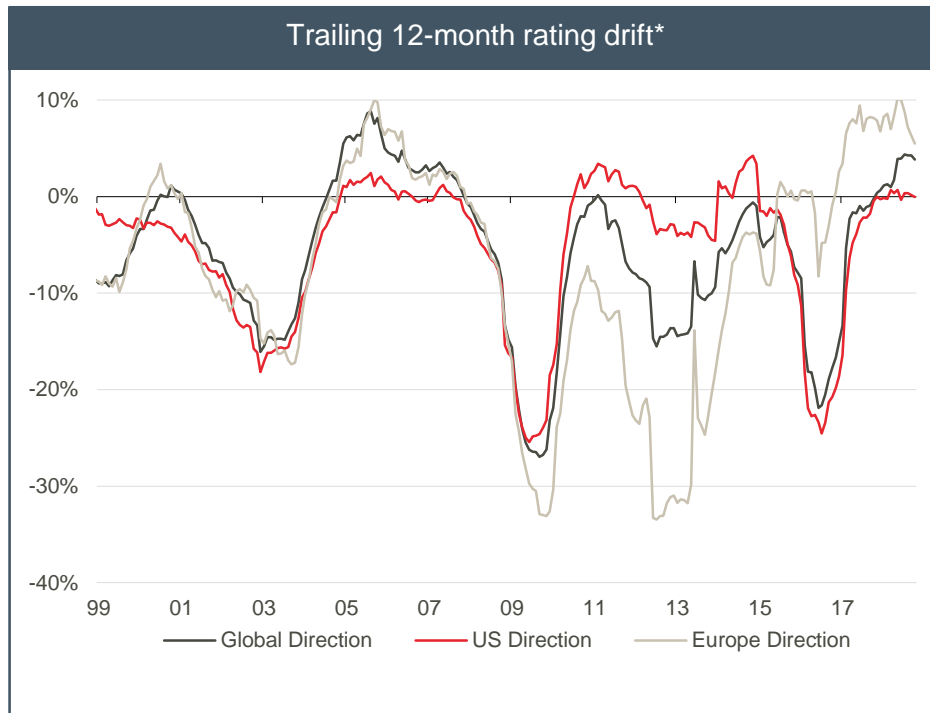
(1) BofA Merrill Lynch Euro Corporate Index (ER00)

(2) BofA Merrill Lynch European Currency High Yield Index (HP00)

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

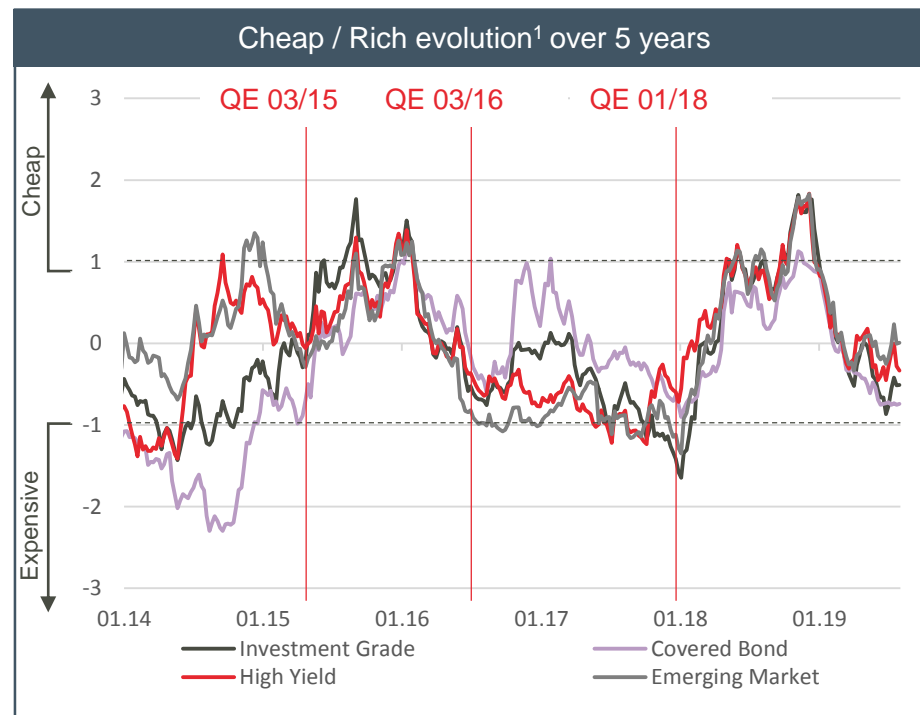
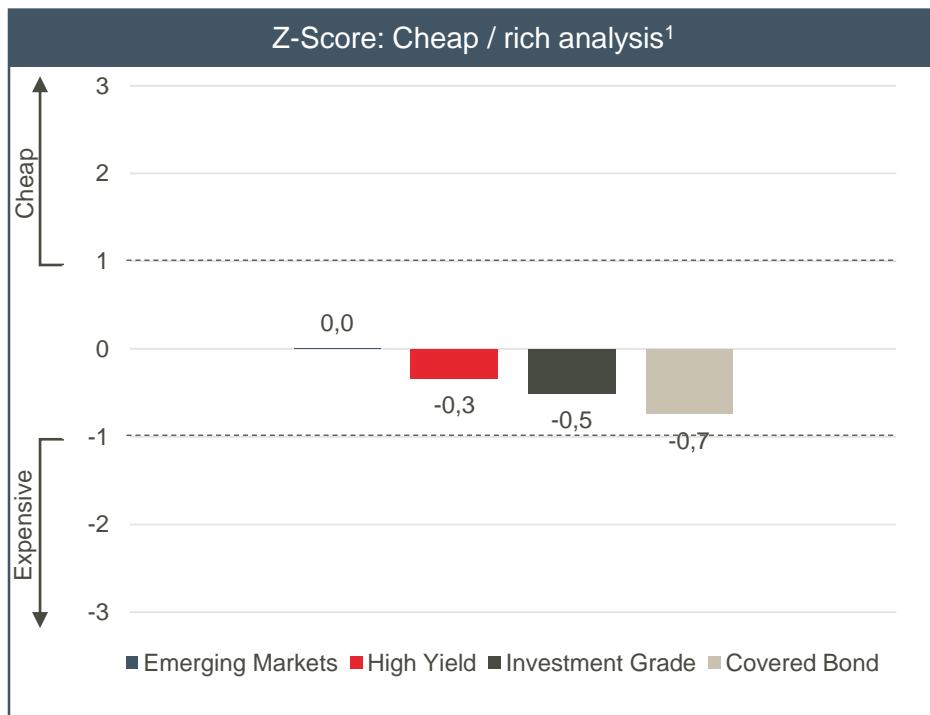
Sources: ODDO BHF AM SAS, Bloomberg | Figures as of 31 August 2019

In Europe, although credit fundamentals are still resilient, keep an eye on divergence between sectors



*(Issuer upgrades – issuer downgrades) / Rated issuers. Sources: J.P. Morgan (left); Société Générale, Moody's (right) | Figures as of 31 March 2019

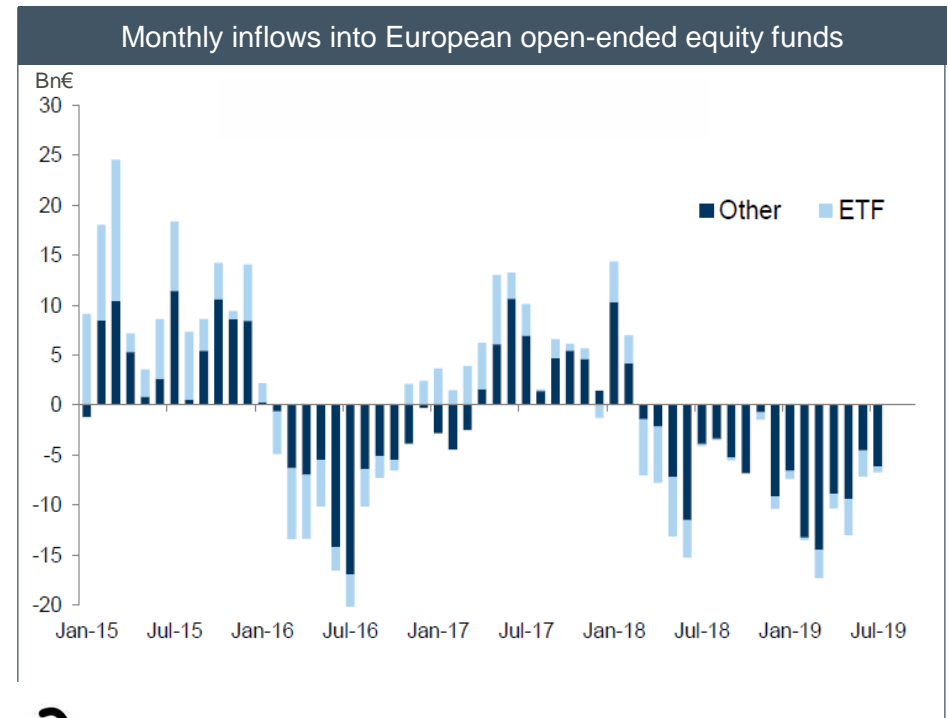
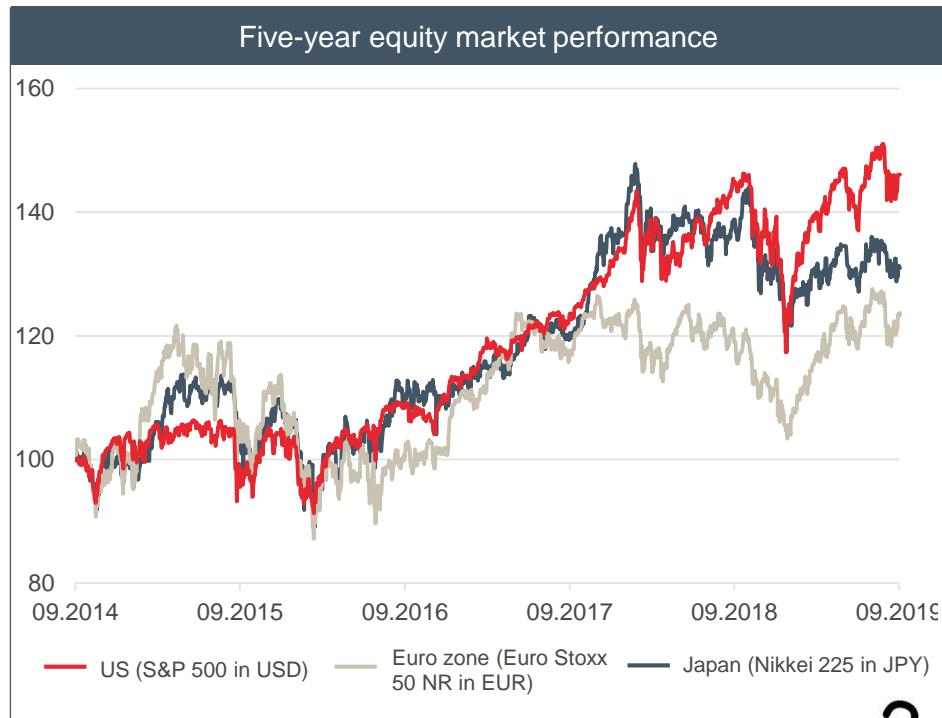
Spreads are expensive in absolute terms but far from extremes



¹ BofA Merrill Lynch Currency High Yield (HP00) index, BofA Merrill Lynch Euro Emerging Markets Corporate Plus (EMEB), BofA Merrill Lynch Euro Corporate (ER00), BofA Merrill Lynch Euro Covered Bonds (ECV0) index. Z-score : Spread minus the 52-week average spread divided by spread volatility.
Sources: BofA Merrill Lynch; ODDO BHF AM SAS & ODDO BHF AM GmbH | Figures as of 31 August 2019

EQUITIES

A market rally without natural buyers

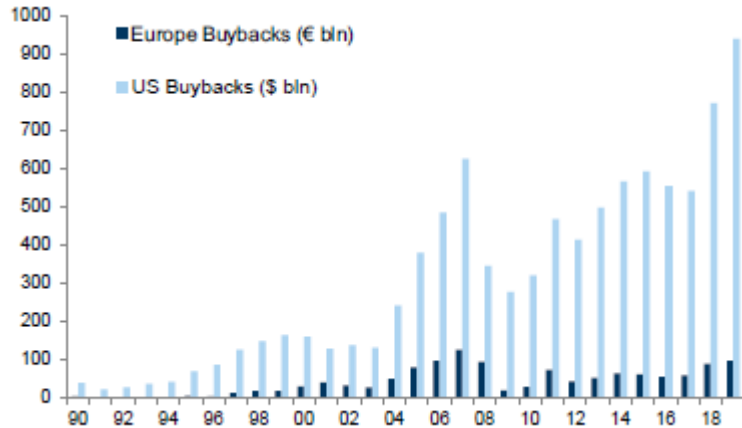


Sources: | ODDO BHF AM SAS, Datastream, Goldman Sachs Global Investment research | Figures as of 30 August 2019

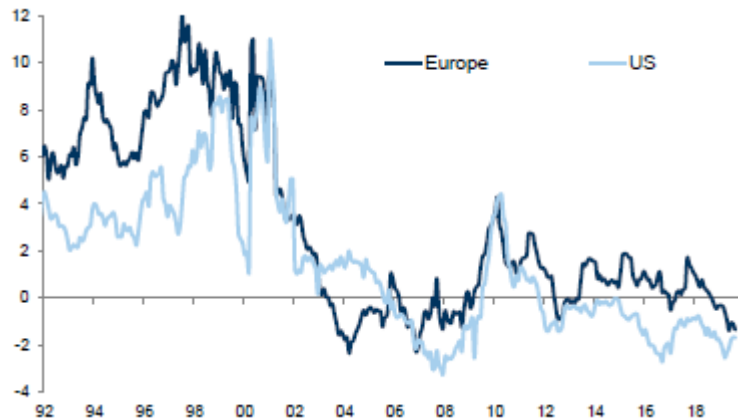
A rally driven by share buybacks, fewer listed companies, and multi-asset funds shifting into equities



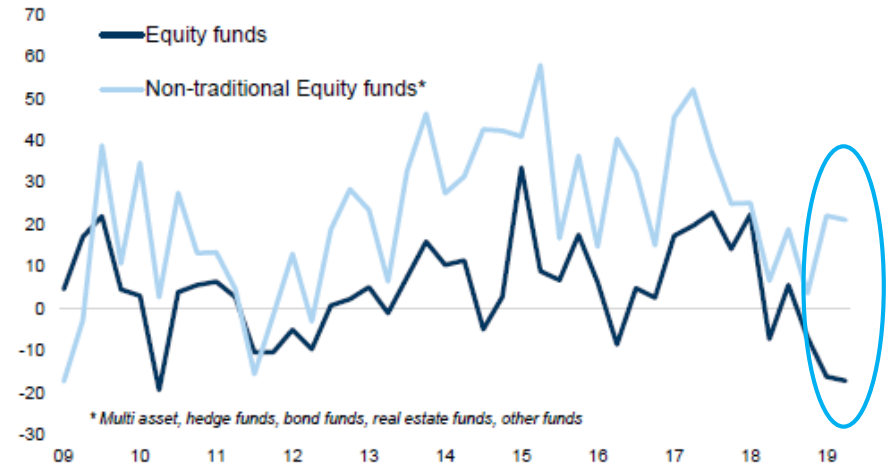
Estimated buybacks, 2019



Net supply of equity securities (%)

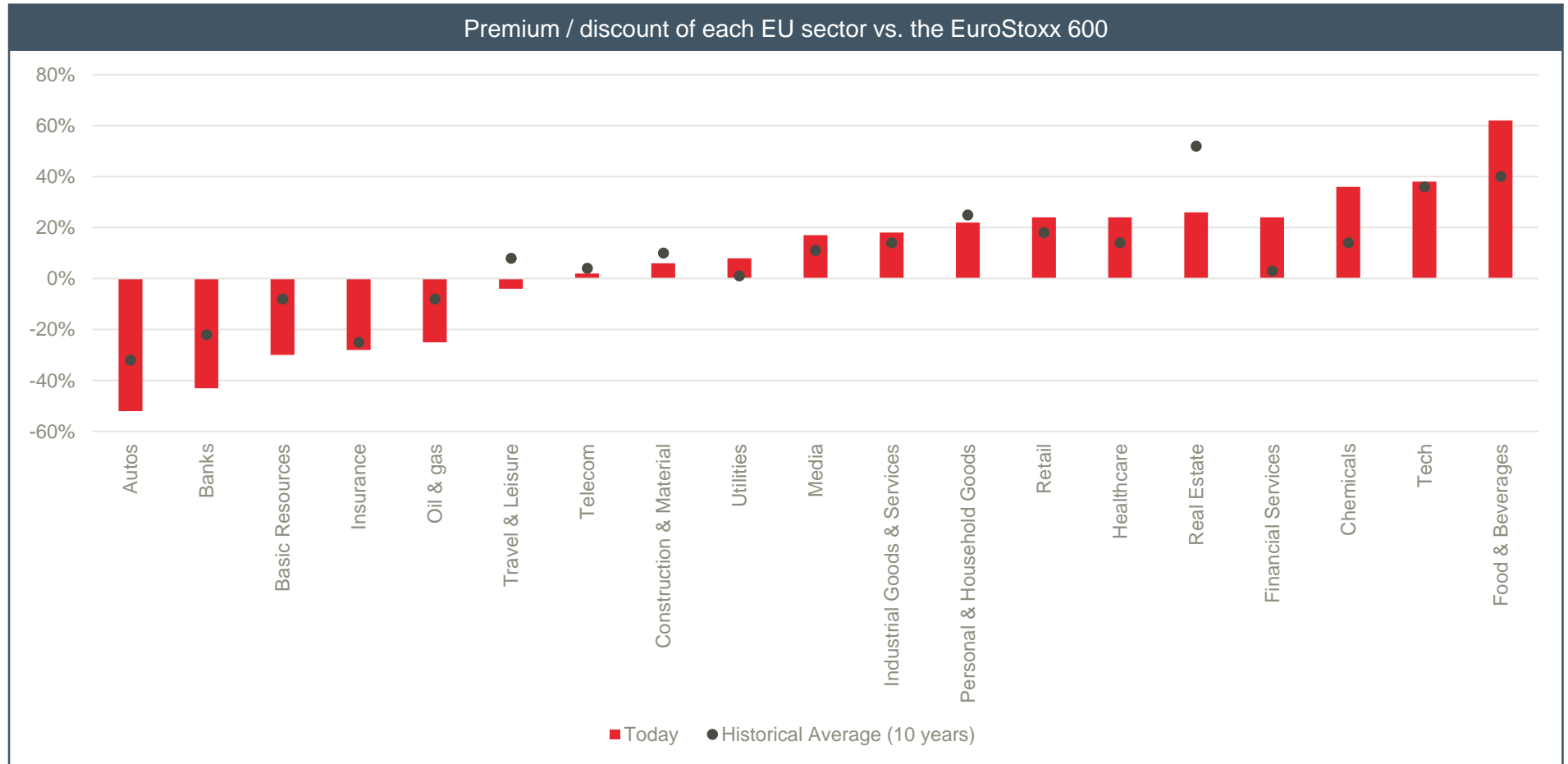


Inflows into euro zone equities (€ bn)



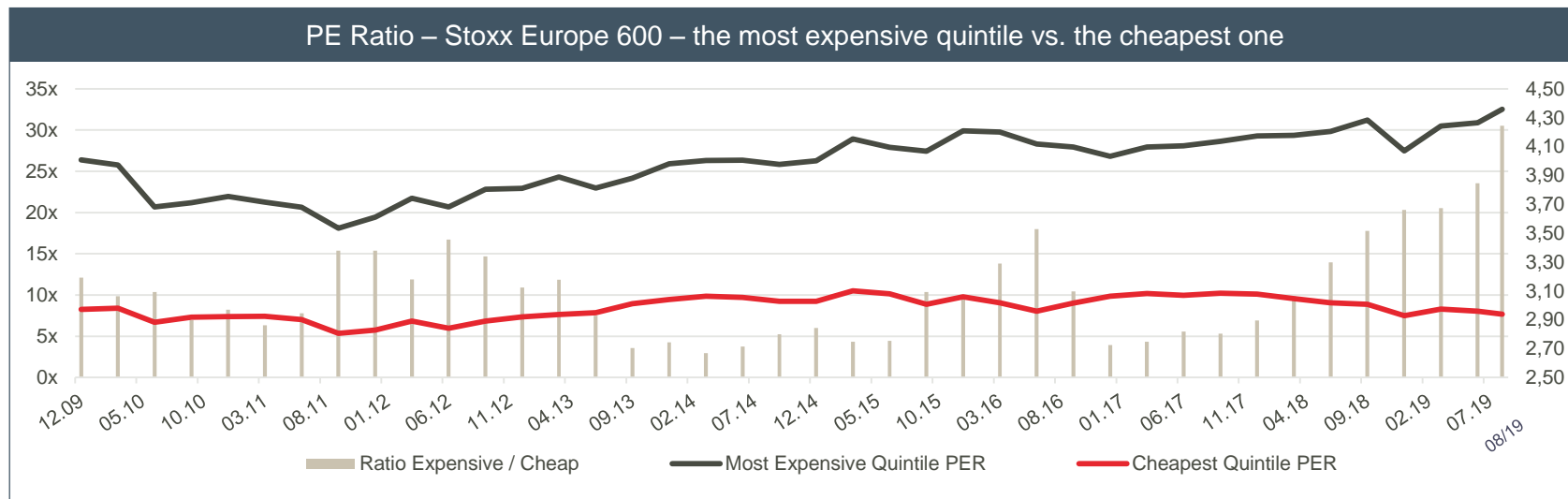
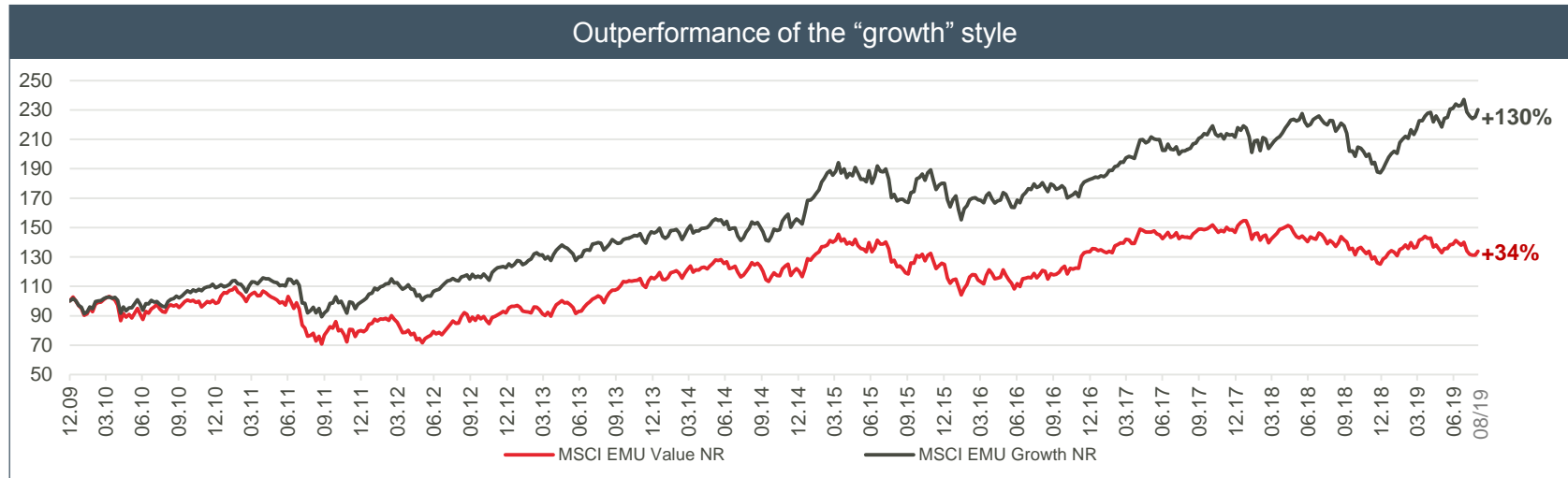
An example: despite having \$200bn in cash, Apple has issued \$7bn in bonds on the markets to address various needs, including share buybacks.

Since the beginning of the year, wide disparities between sectors in Europe



Source: ODDO BHF AM SAS, Exane; September 2019

What is the price of quality? The style performance gap has widened further in 2019



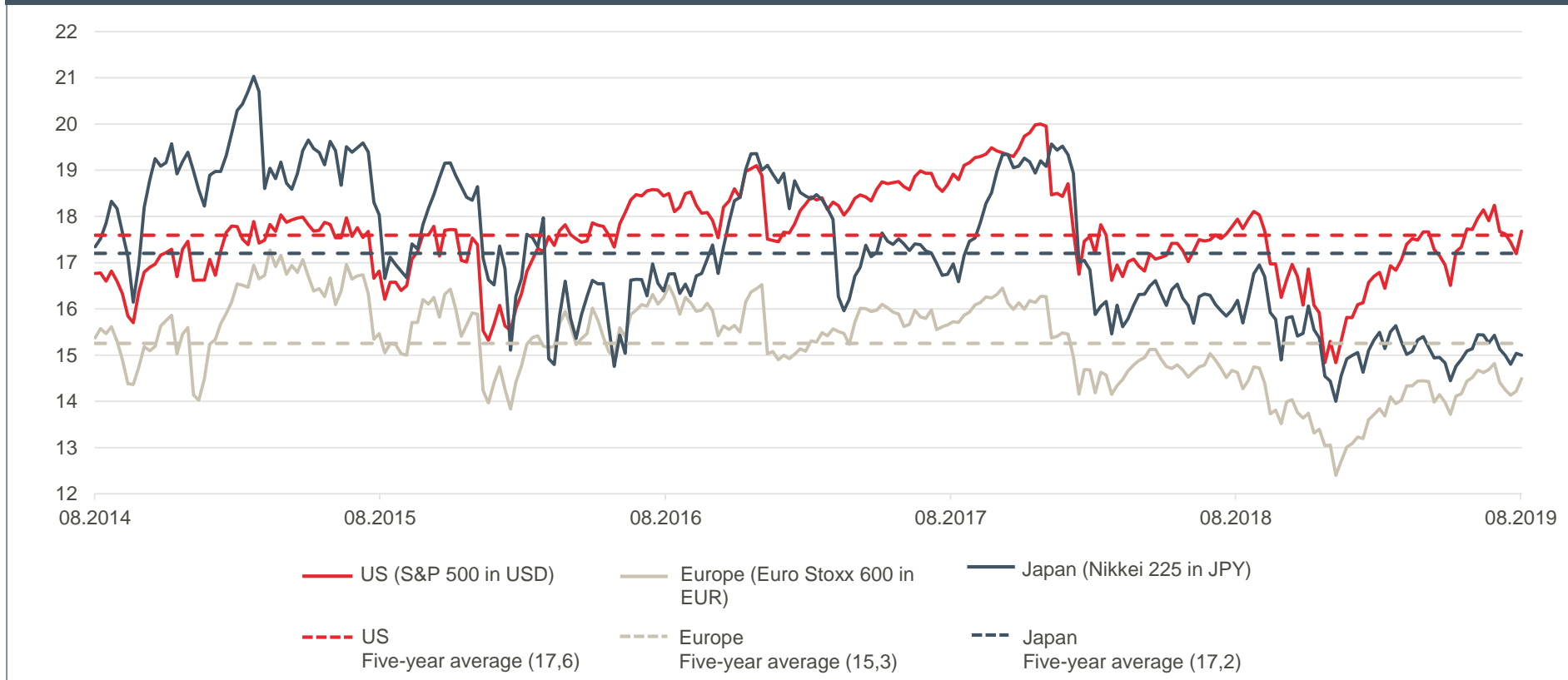
Past performances are not a reliable indicator of future performances and are not constant over time.

Sources: ODDO BHF AM, FactSet, Figures as of 30 August 2019

What lies ahead? Equities are not expensive in relative terms, we are far from a bubble

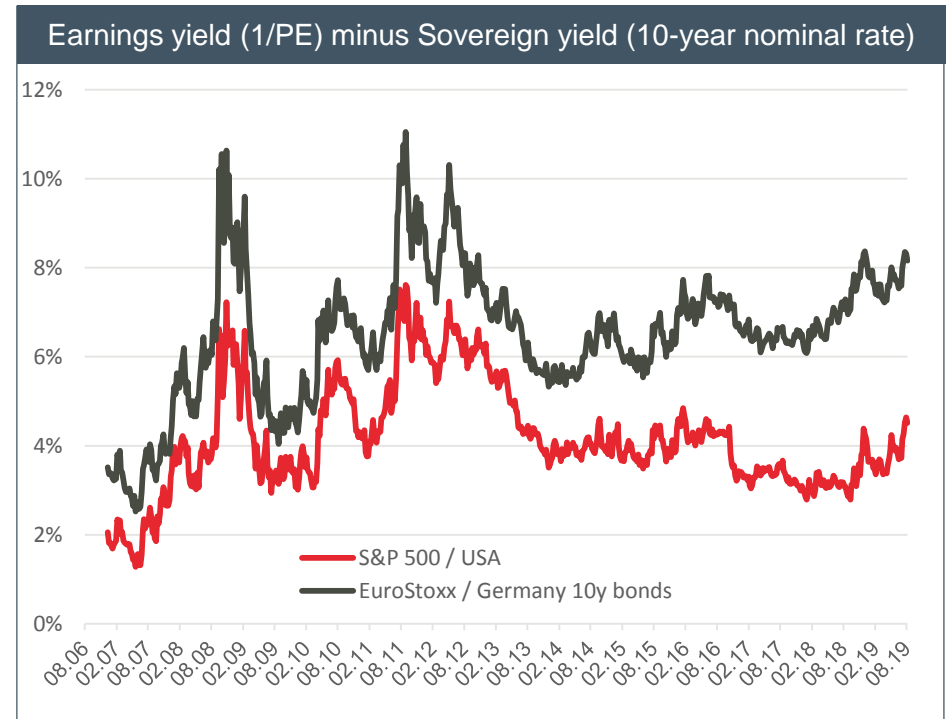
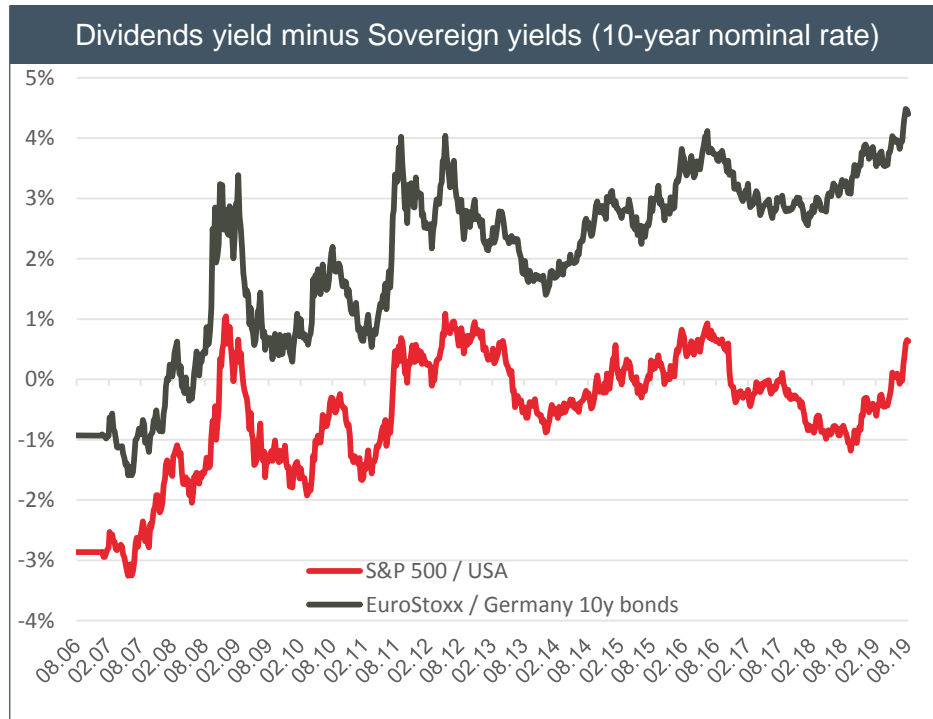


Five-year price/earnings ratio



Sources: Bloomberg, ODDO BHF AM SAS | Figures as of 30 August 2019

Risk premiums are once again at their highs

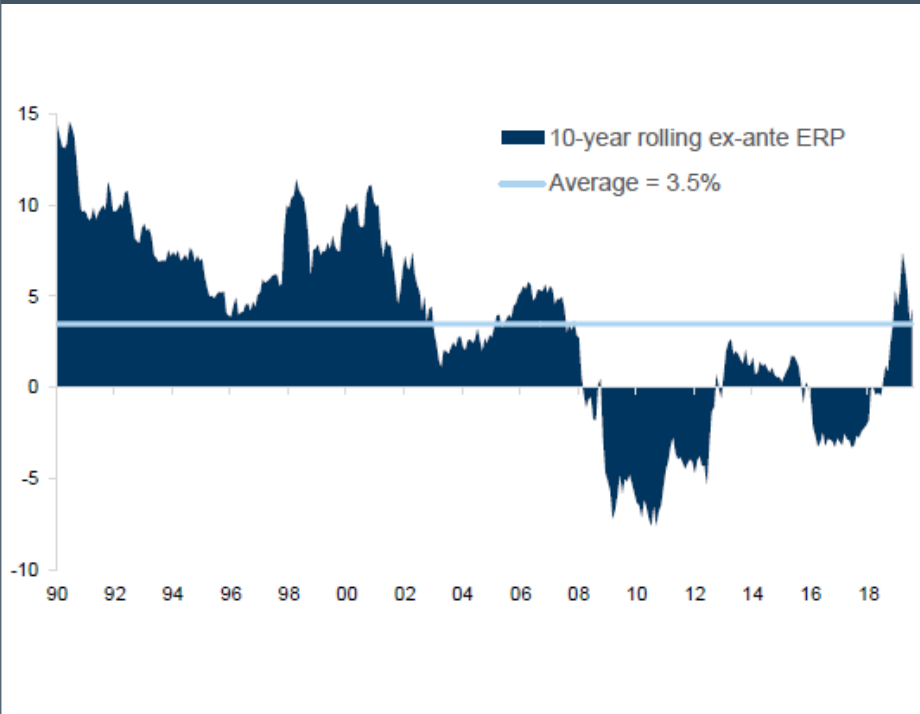


Sources: Thomson Reuters, Datastream ODDO BHF Securities | Figures as of 31 August 2019

Does it make sense to use such high risk premiums to discount cash flows?



Annualised dividend yields vs. bonds



The example of L'Oréal (cosmetics)

Valuation
€221.12

Discount rate
 $\Delta -1\%$
(from 7% to 6%)

Valuation
272.35€ **+23%**

Operating margin
 $\Delta +2\%$

Valuation
231.36€ **+5%**

Example of Aperam (very cyclical value – steel industry)

Valuation
29.56€

Discount rate
 $\Delta -1\%$
(from 10% to 9%)

Valuation
34.13€ **+15%**

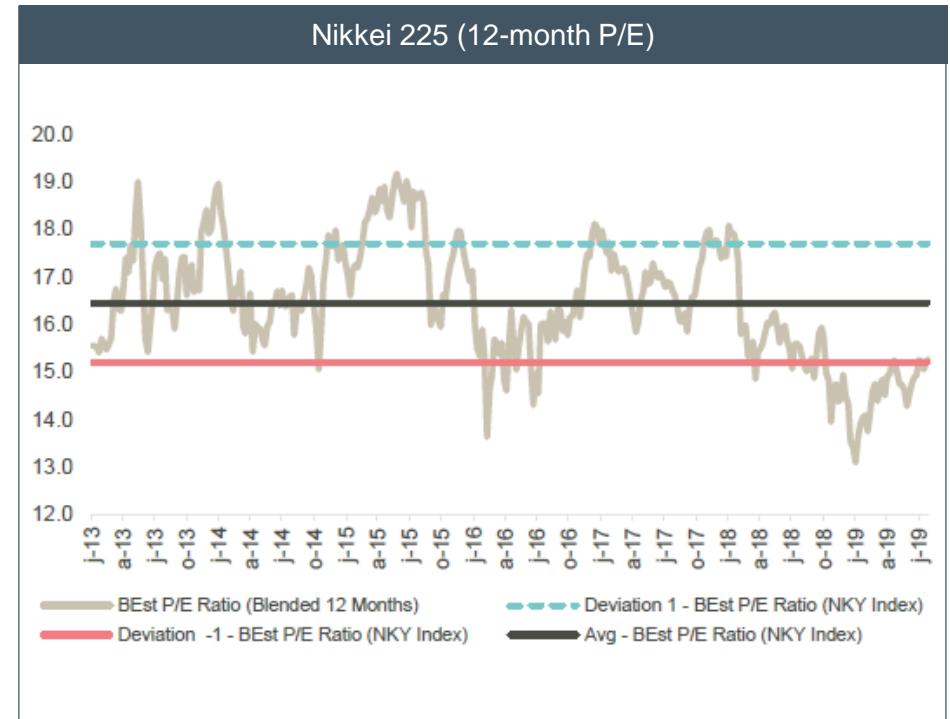
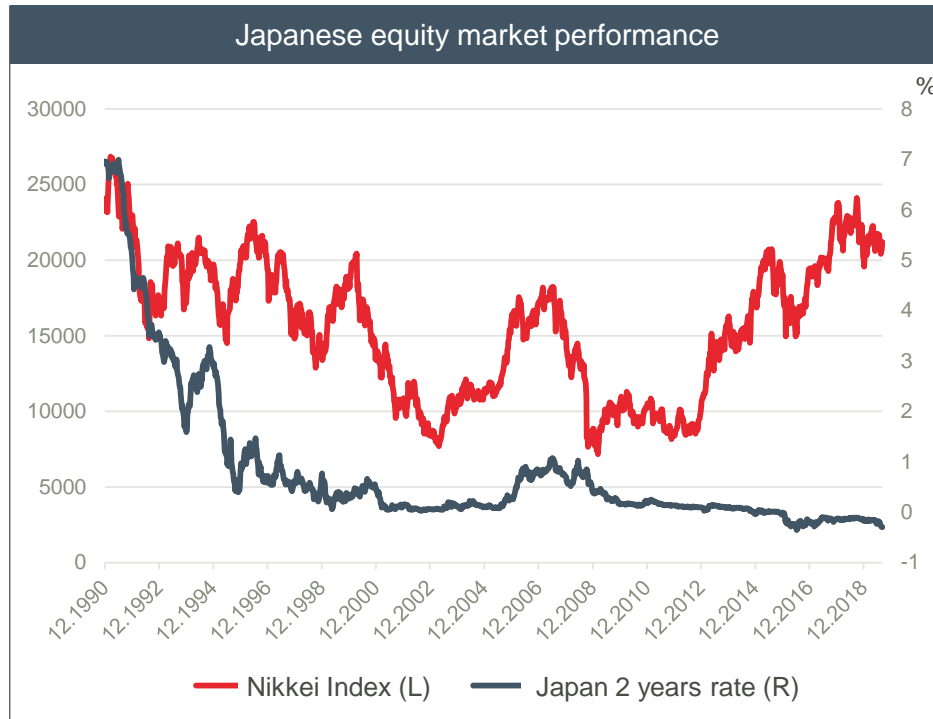
Operating margin
 $\Delta +1\%$

Valuation
32.98€ **+12%**

ERP: Equity Risk Premium

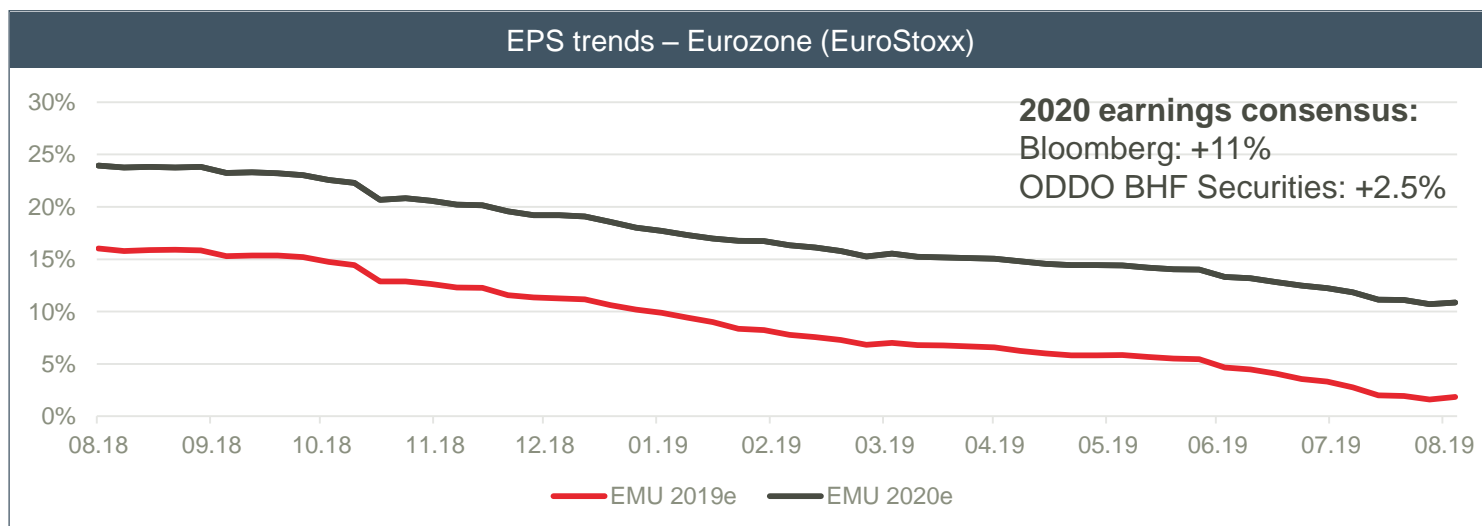
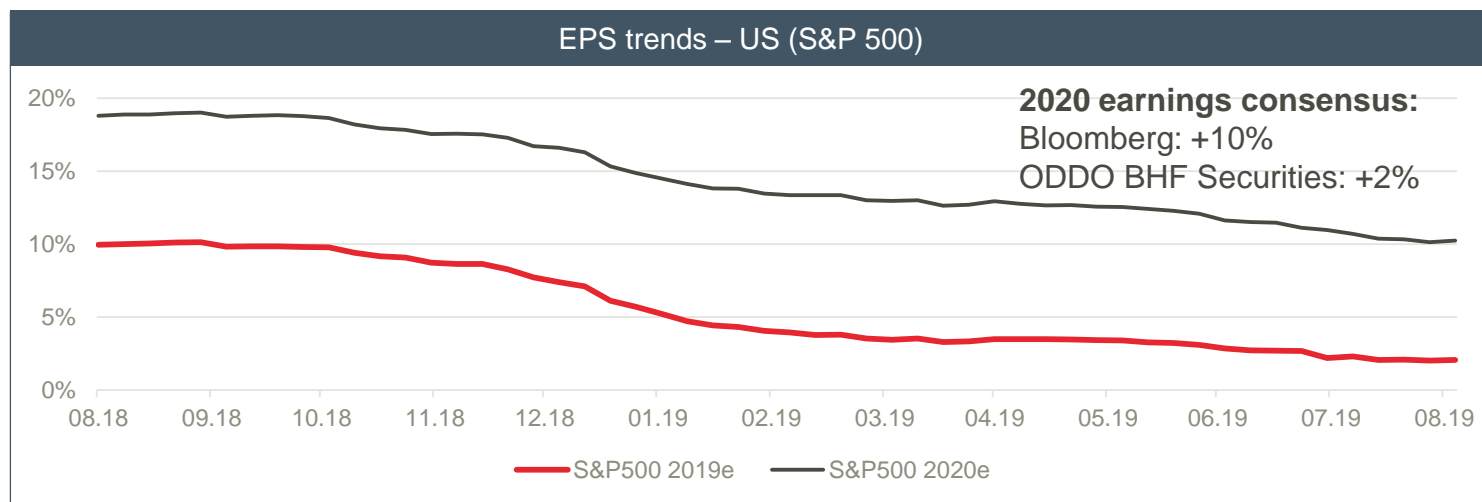
Sources: ODDO BHF AM SAS, Datastream, Goldman Sachs Investment Research | Figures as of August 2019

Lowering the discount rate is not enough; Japan is a case in point



Sources: ODDO BHF AM, ODDO BHF Securities, Bloomberg Figures as of 30 August 2019

Especially as earnings growth is sluggish

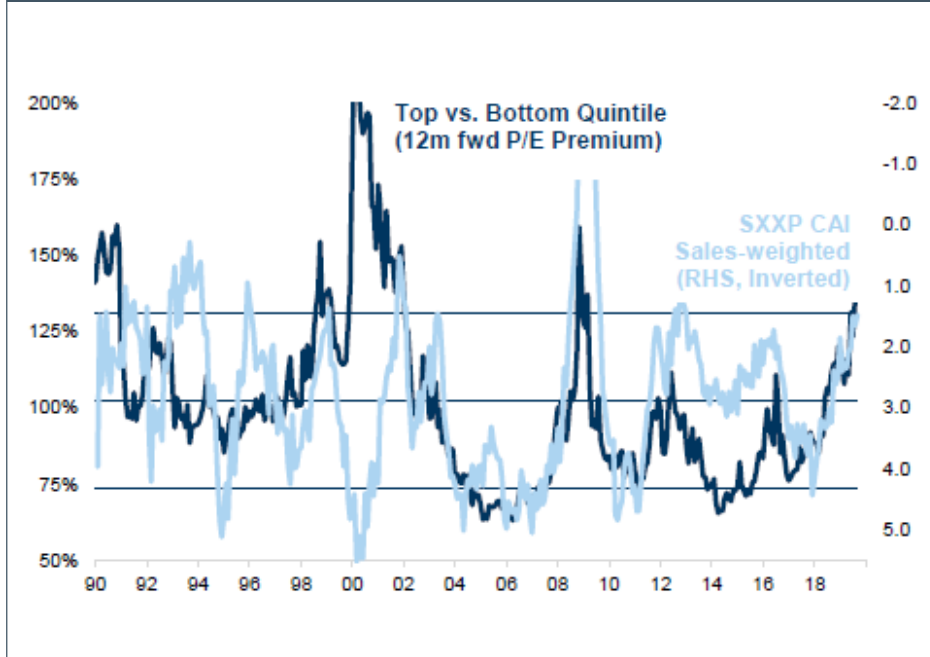


Sources: ODDO BHF AM SAS, Deutsche Bank AG/London. Figures as of 31 August 2019 | ODDO BHF Securities

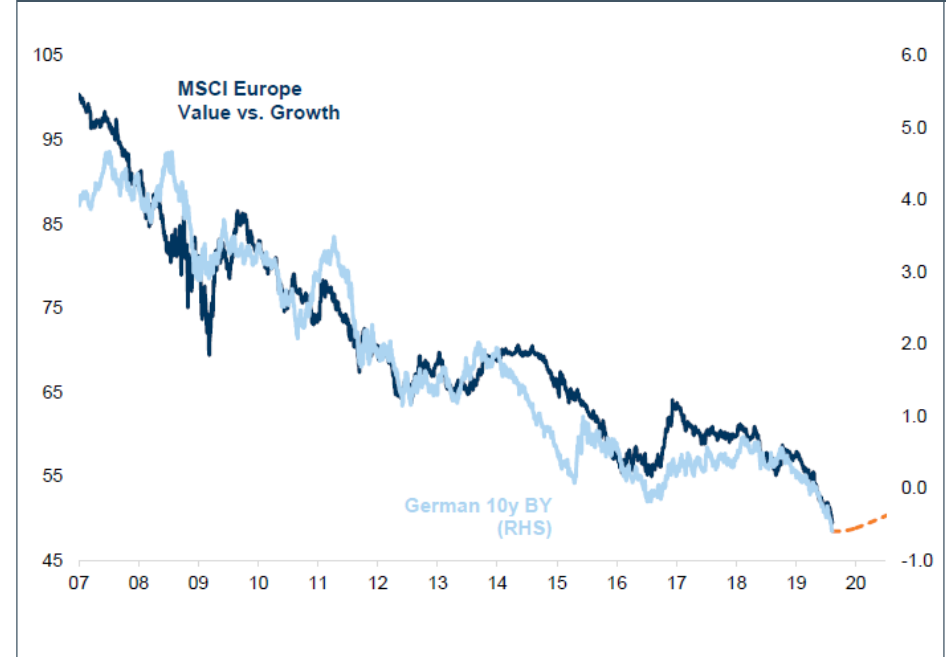
We expect no acceleration in growth, nor any big shifts in interest rates that would cause a sustained rotation into cyclicals



IPE: Indicator of current economic activity



Price performance



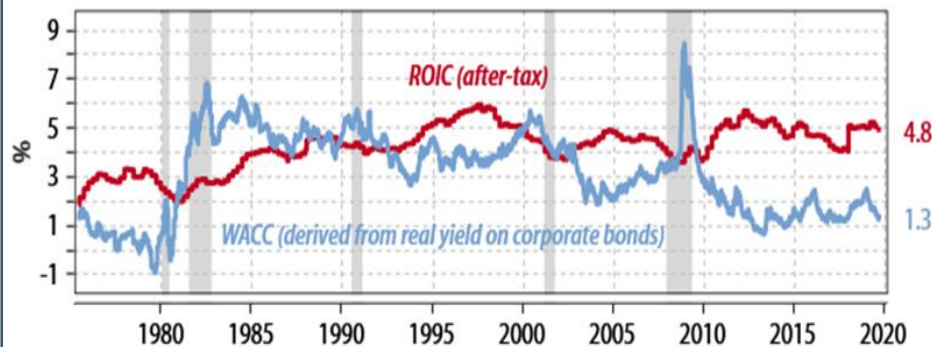
SXXP CAI: sales activity indicator

Sources: ODDO BHF AM SAS, Datastream, I/B/E/S, Goldman Sachs Investment Research | Figures as of August 2019

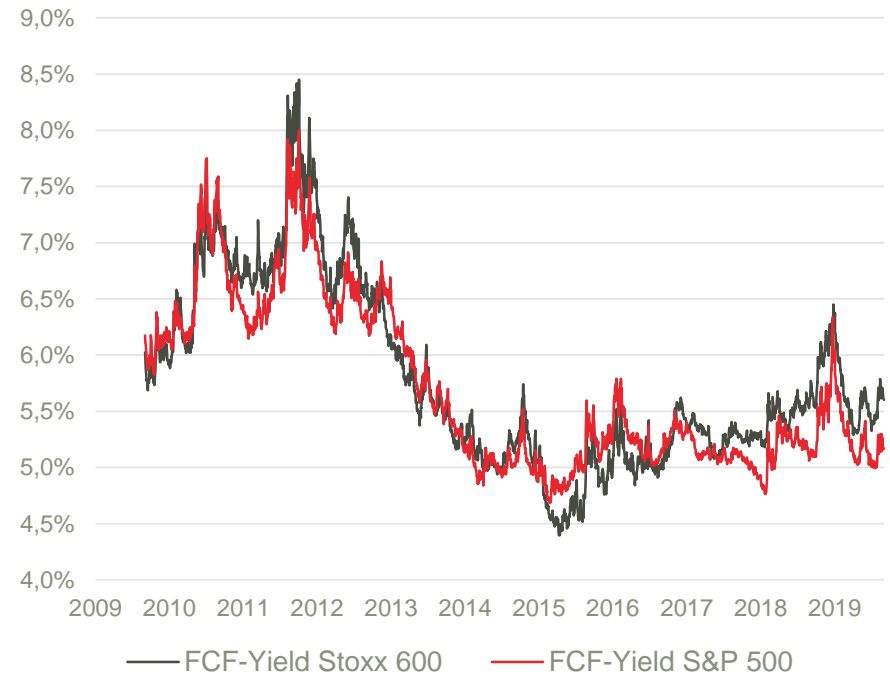
So, what should we do? A winning combination of marginal yield and free cash flow yield



Company ROCE vs. the cost of capital



12M FCF yield for Europe and the US









WACC: weighted average cost of capital
ROIC: Return on Invested Capital
FCF: Free Cash Flows

Sources: Gavekal Data / macrobond | *IC at replacement cost | ODDO BHF AM GmbH, Figures as of 31 August 2019

Some examples of stocks considered “expensive” in our portfolios



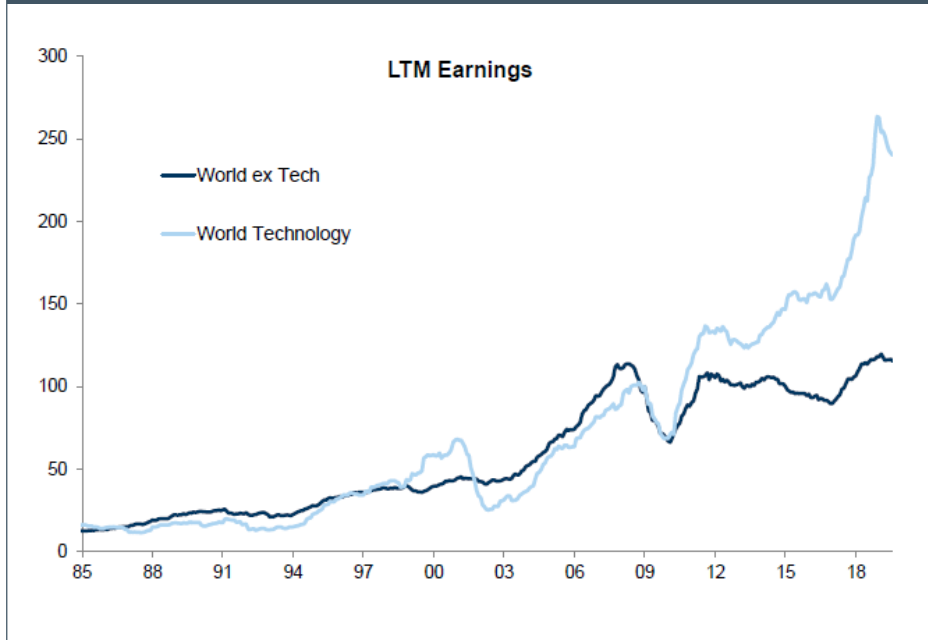
Stock	Country	Market positioning
		MTU Aero Engines is a world leader in the design and production of aerospace propulsion components. 4% increase in revenues in the first six months of 2019
		LVMH is the world's top luxury goods group. With its valuation is close to its all-time highs, it is one of Europe's top market caps.
		Yandex is Russia's leading search engine (with 56% market share), ahead of Google. It has captured a large portion of the online ad market.

These examples are not considered investment recommendations. Sources: ODDO BHF AM SAS, Bloomberg.

The global environment has changed. These changes have to be incorporated into companies' business models.



Profits are being driven by technology



Performance of the auto sector vs Stoxx 600



*YTD revisions of 2019e

Sources: ODDO BHF AM SAS, Bloomberg, Datastream, Worldscope, I/B/E/S, FactSet, Goldman Sachs Investment Research | Figures as of August 2019

Historically, today's largest market caps are not necessarily tomorrow's winners



1980		1990		2000		2010		2019 - June	
	IBM	●	NTT		Microsoft		Exxon Mobil		Microsoft (US\$1.035trn)
	AT&T	●	Bank of Tokyo-Mitsubishi*		General Electric		PetroChina		Amazon (US\$936bn)
	Exxon	●	Industrial Bank of Japan	●	NTT DoCoMo		Apple Inc.		Apple (US\$913bn)
	Standard Oil	●	Sumitomo Mitsui Banking*		Cisco Systems		BHP Billiton		Google (US\$766bn)
	Schlumberger	●	Toyota Motor		Wal-Mart		Microsoft		Facebook (US\$538bn)
	Royal Dutch	●	Fuji Bank		Intel		ICBC		Alibaba (US\$421bn)
	Mobil	●	Dai-ichi Kangyo Bank	●	NTT		Petrobras		Tencent (US\$412bn)
	Atlantic Richfield		IBM		Exxon Mobil		China Construction Bank		Johnson & Johnson (US\$371bn)
	General Electric	●	UFJ Bank*		Lucent Technologies		Royal Dutch Shell		JP Morgan Chase (US\$360bn)
	Eastman Kodak		Exxon		Deutsche Telekom		Nestlé		Exxon Mobil (US\$320bn)

* Merged entities

Peak oil
US businesses are
better run

Japan is going to
take over the world

US is the big TMT
boom winner

China is taking
over the world

Tech will deliver
growth thanks to
monopolies

A CLOSER LOOK AT SOME LONG-TERM TRENDS

03

A closer look at some future long-term trends, bringing changes that will impact business models in all sectors



Climate change

Green planet



Demographic change

Rise of Millennials



Technological change

Artificial Intelligence

Green Planet – No reset possible on climate!



12% of the globe is now exposed to extreme weather, up from 0.2% from 1951 to 1980



The global **mean temperature** in 2018 is approximately **1°C above** the pre-industrial baseline



2 billion people do not have access to **waste collection** services



Land degradation is affecting a fifth of the earth's land area and the lives of 1 billion people



By 2030, **700 million** people could be displaced by **severe water scarcity**



+41 million affected by **floods** in South Asia

Clean energy

Energy efficiency

Biodiversity

Circular economy

Sustainable mobility

Green Planet – Investing in key sectors



World Investment gap = €1,500 bn per year until 2050 to stay below 1.5°C of which €270bn in Europe



Transport

Modernizing urban transport to meet global benchmarks

Ensuring sufficient capacity in interurban transport

~€80bn

Investment gap*

Water & waste

Water security, including flood risk management

Compliance rehabilitation of water's infrastructure

Enhancing waste management/materials recovery

Additional needs for resilient and efficient urban infrastructure

~€90bn

Investment gap*

Energy

Upgrading energy networks (gas & electricity)

Energy efficiency in buildings and industry

Power generation, including renewables

~€100bn

Investment gap*

Sources: ODDO BHF AM, UE | *European investment gap (€270bn)

Millennials: a sweeping change in demographics



Globally 1.7 bn Millennials (Gen Y, 25-38 Y). This represents 23% of the 7.4 bn world population



- US Millennials are the largest living generation in US history.
- Gen Y > Gen X for the first time in 2019.
- A strong engine for US GDP growth



- Chinese Millennials (327 m) almost as important as total US population (331 m)

- 86% of Millennials live in emerging market countries

A world without boundaries & borders

Attitudes have changed radically from those of previous generations. This will favour companies able to seize new consumption habits.



MILLENNIALS “CARE AND WANT A BETTER WORLD”

- **87%** of Millennials believe success goes beyond financials
- **93%** of Millennials consider “Impact Investing” important when investing

« TECHNOLOGY IS THE NEW NORMAL »

- All « digital natives »

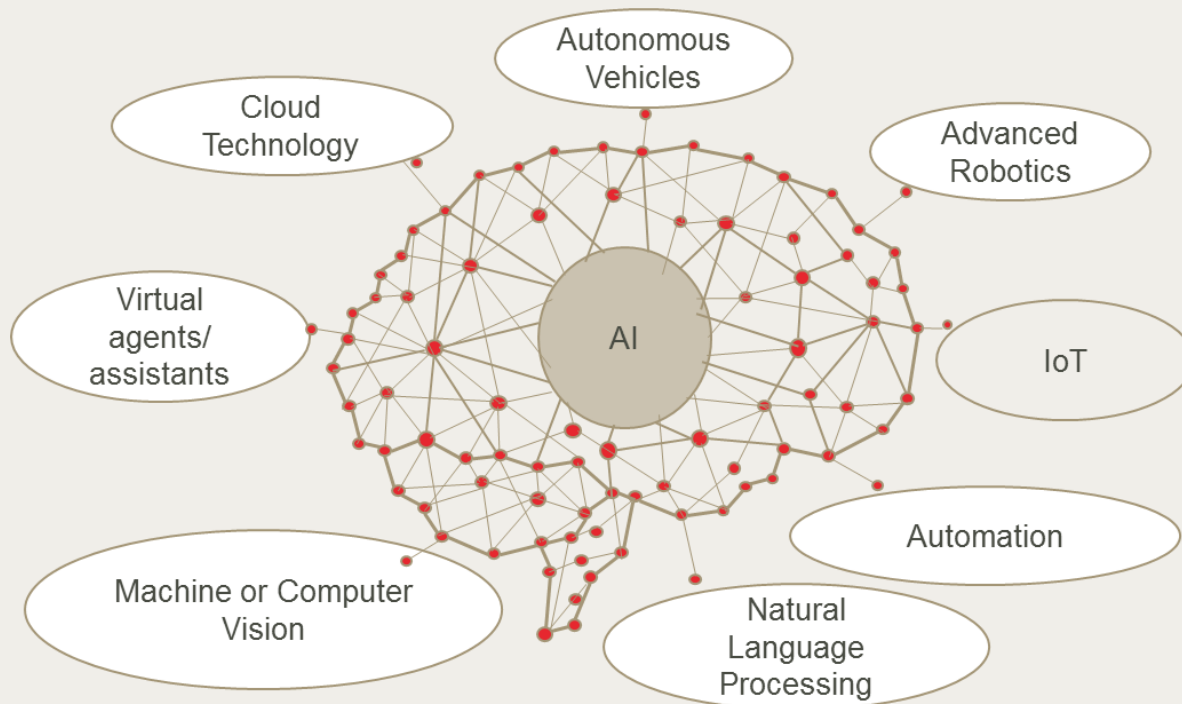
KEY MILLENNIALS THEMES

- Smarthomes –Amazon Prime
- Social Media – monetization of everything
- Apps – omnichannel experience
- Music: #1 pastime / video on demand
- E-sport video games, interactive entertainment
- #1 generation when it comes to sustainable consumption



Artificial Intelligence (AI)

AI is a silent revolution that will impact all the sectors of the economy



Definition

AI is the ability of a program or machine to think & learn like a human. Machines are now trained to see, hear, navigate and interact in real time.

Growth

Artificial Intelligence (AI) should experience an annual growth rate of 23% over 2018/2025 (according to Gartner) while global tech should grow by 10%

Some examples

Google search algorithms, Alexa, Siri; Netflix and Spotify; facial, voice & fingerprints recognition...

AI and its many applications across various sectors



Domicile



iRobot with Roomba, its automated vacuum cleaning robot.

Leisure



AMD with its Radeon graphics card.

Healthcare



Elekta has partnered up with IBM Watson Health to combine the capacities of Watson with Elekta's cancer care solutions

Conseil



Ping An with its advances in the AI field (insurance, financials, healthcare).

Automobile



General Motors with Cruise, its self-driving car company.

Industries



Fortive provides innovative equipment to help build smarter factories with AI

OUR POSITIONING

04





Central scenario: Global growth weakening. US-China trade tensions still in the spotlight

Europe

- Continuing macroeconomic divergence between robust domestic demand and ongoing weakness/recession in the industrial sector in some countries, i.e. Germany
- Political risks still present (Brexit, Iran, Hong Kong / China etc)
- Accommodative monetary policy prolonged at least until 2020

US

- Economy still solid despite some headwinds. Negative impact on consumption expected with new round of tariffs
- Fed to stay accommodative to prolong expansion but questions about independence of central bank
- Uncertainty coming from more protectionism, regulation and geopolitical risks

55%

Assets to overweight



- Equities (still neutral)
- Credit

Assets to underweight



- Sovereigns

Strategy



- Flexibility
- Hedging (options, gold,...)

Alternative scenario: Interest rate risk fueled by surprise jump in the US inflation and growing US budget deficit

- Wage acceleration
- Surging oil prices fuelled by an escalation of political tensions in Middle East
- Reduction of growth potential

5%

Assets to overweight



- Inflation-hedged bonds
- Alternative strategies
- Cash

Assets to underweight



- Equities
- Core Sovereigns
- High Yield credit

Alternative scenario: Increase in protectionism and contagion from emerging markets

- US-China trade war impacting global supply chains
- Geopolitical risks materializing (Emerging markets, Middle East...)
- China: risks of economic rebalancing
- Brexit: no deal

40%

Assets to overweight



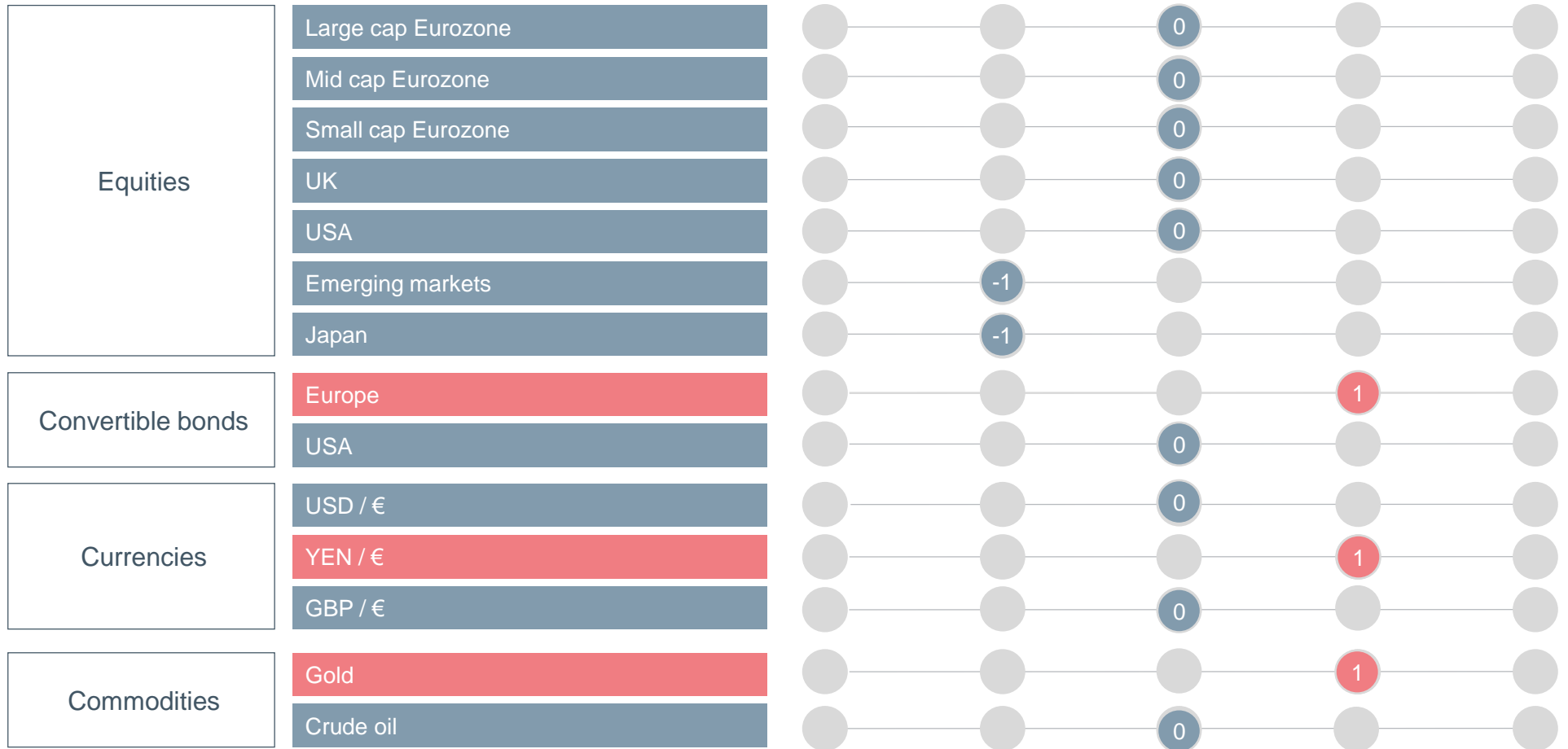
- Money Market CHF & JPY
- Volatility
- Core government bonds

Assets to underweight



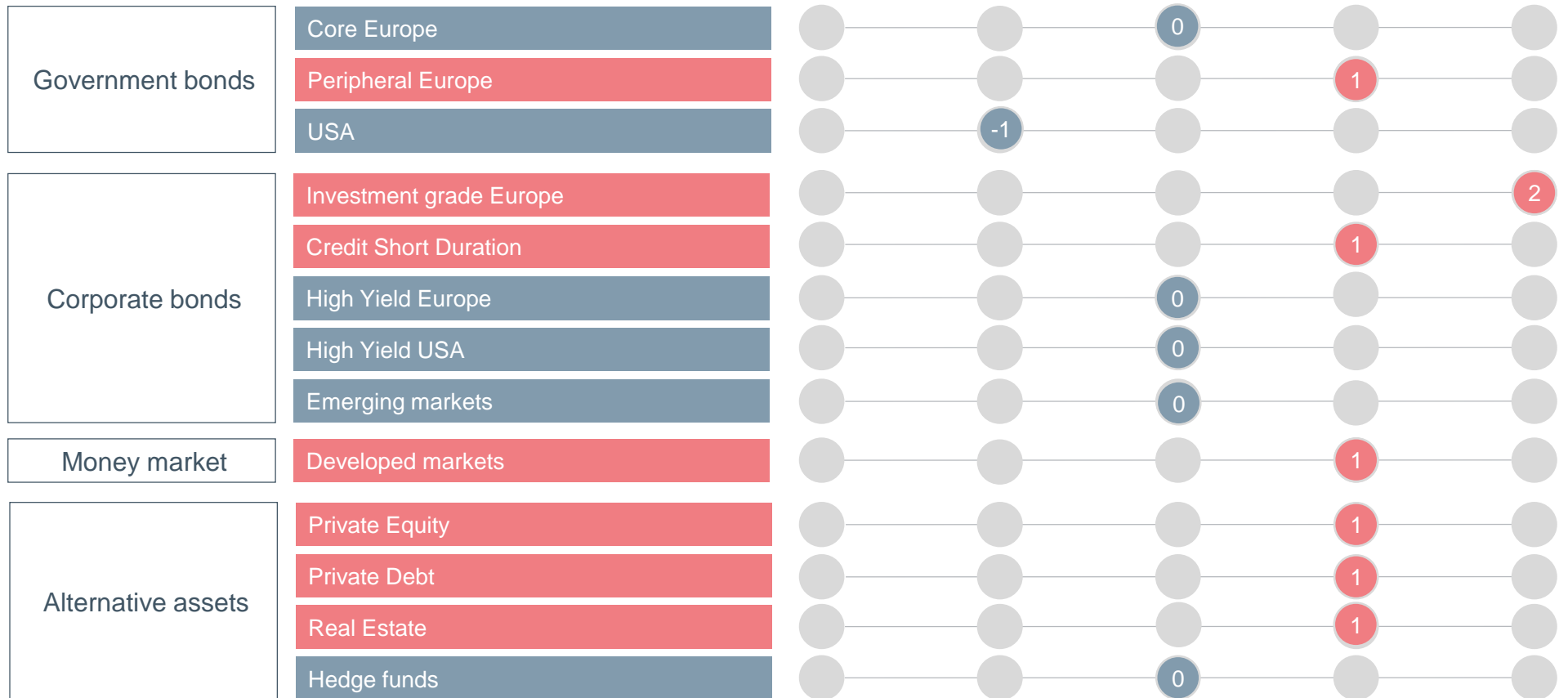
- Equities
- High Yield credit

Our convictions for the next 6-months



Figures as of 4 September 2019

Our convictions for the next 6-months



Figures as of 4 September 2019

Annexe - Tables of forecasts

Tables of forecasts (1)



FORECASTS - REAL GDP GROWTH*													
	Average			2019				2020				Consensus**	
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
World	3.7	3.1	2.9										
US	2.9	2.2	1.6	3.1	2.0	1.5	1.4	1.6	1.7	1.8	1.8	2.3	1.9
EMU	1.9	1.2	1.5	1.7	0.8	1.1	1.5	1.6	1.7	1.7	1.7	1.1	1.2
- Germany	1.5	0.6	1.1	1.5	-0.3	0.0	1.0	1.4	1.5	1.6	1.6	0.6	1.2
- France	1.7	1.4	1.7	1.2	1.3	1.5	1.8	1.8	1.8	1.8	1.8	1.3	1.2
- Italy	0.7	0.1	0.7	0.5	0.1	0.4	0.5	0.6	0.9	1.0	1.0	0.0	0.4
- Spain	2.6	2.2	2.0	2.7	1.9	1.9	2.1	2.0	2.0	2.0	2.0	2.3	1.8
UK	1.4	1.1	0.9	2.0	-0.8	0.8	0.8	0.8	1.2	1.6	1.6	1.2	1.2
Japan	0.8	0.9	0.4	2.2	1.3	0.4	-2.0	1.0	1.0	1.0	1.0	0.9	0.3
China (y/y%)	6.6	6.1	5.8	6.4	6.2	6.0	5.8	5.8	5.8	5.8	5.8	6.2	6.0

* y/y or q/q annualised rate

**12 August 2019

FORECASTS - RATES & FX											
	Actual	Target		Last 5 years*		Average					
	09/09/2019	3M	12M	High	Low	2015	2016	2017	2018	2019	2020
Policy rate											
Fed funds	2.25	1.75	1.75	2.50	0.25	0.27	0.52	1.13	1.96	2.31	1.75
ECB deposit rate	-0.40	-0.50	-0.50	-0.20	-0.40	-0.20	-0.38	-0.40	-0.40	-0.43	-0.50
10Y rate											
US T-note	1.6	1.6	1.9	3.2	1.5	2.1	1.8	2.3	2.9	2.1	1.8
German Bund	-0.6	-0.6	-0.3	0.8	-0.6	0.5	0.1	0.4	0.5	-0.3	-0.4
French OAT	-0.3	-0.3	0.0	1.3	-0.3	0.8	0.5	0.8	0.7	0.1	-0.1
Forex											
EUR/USD	1.11	-	1.16	1.27	1.05	1.11	1.11	1.13	1.18	1.12	1.15
USD/JPY	107	-	105	124	101	121	109	112	110	108	106
USD/RMB	7.13	-	7.50	7.13	6.13	6.28	6.64	6.76	6.61	6.95	7.39

*monthly average

Source: Consensus forecasts, IMF, ODDO BHF

Tables of forecasts (2)



FORECASTS - KEY MACRO DATA for US, EMU, & France *											
	Average			2019				2020			
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
United States											
Real GDP	2.9	2.2	1.6	3.1	2.0	1.5	1.4	1.6	1.7	1.8	1.8
Private Consumption	3.0	2.6	2.4	1.1	4.7	3.0	2.1	2.1	2.1	2.1	2.1
Nonresidential Investment	6.4	2.3	0.7	4.4	-0.6	-2.0	0.0	1.0	2.0	2.0	2.0
Residential Investment	-1.5	-2.2	1.9	-1.0	-2.9	1.0	2.0	2.5	2.5	2.5	2.5
Domestic Demand (contribution, %pt)	3.2	2.5	2.1	1.9	3.8	2.1	1.8	2.0	2.1	2.2	2.2
Inventories (contribution, %pt)	0.1	0.2	-0.1	0.5	-1.0	-0.2	0.0	0.0	0.0	0.0	0.0
Net Exports (contribution, %pt)	-0.4	-0.4	-0.4	0.8	-0.8	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Inflation (CPI, % yoy)	2.4	1.8	2.3	1.6	1.8	1.8	1.9	2.2	2.3	2.3	2.4
Unemployment rate (%)	3.9	3.7	3.6	3.9	3.6	3.7	3.6	3.6	3.6	3.6	3.5
Euro area											
Real GDP	1.9	1.2	1.5	1.7	0.8	1.1	1.5	1.6	1.7	1.7	1.7
Private Consumption	1.4	1.3	1.6	1.6	0.8	1.4	1.6	1.6	1.7	1.7	1.7
Investment	2.3	2.8	2.2	0.8	2.2	1.8	2.2	2.2	2.3	2.5	2.5
Domestic Demand (contribution, %pt)	1.4	1.5	1.6	1.4	1.2	1.5	1.6	1.6	1.7	1.7	1.7
Inventories (contribution, %pt)	0.0	-0.3	0.0	-0.5	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Net Exports (contribution, %pt)	0.5	0.1	-0.1	1.2	-0.4	-0.2	-0.1	0.0	0.0	0.0	0.0
Inflation (HICP, % yoy)	1.8	1.2	1.3	1.4	1.4	1.0	0.9	1.1	1.2	1.3	1.4
Unemployment rate (%)	8.2	7.6	7.1	7.8	7.6	7.5	7.4	7.3	7.2	7.1	7.0
France											
Real GDP	1.7	1.4	1.7	1.2	1.3	1.5	1.8	1.8	1.8	1.8	1.8
Private Consumption	0.9	1.2	1.7	1.3	0.9	1.6	1.8	1.8	1.8	1.8	1.8
Investment	2.8	2.8	2.2	2.0	3.6	2.2	2.2	2.1	2.0	2.0	2.0
Domestic Demand (contribution, %pt)	1.3	1.5	1.7	1.2	1.7	1.7	1.8	1.8	1.7	1.7	1.7
Inventories (contribution, %pt)	-0.2	-0.1	0.0	1.3	-0.6	0.1	0.1	0.1	0.1	0.1	0.1
Net Exports (contribution, %pt)	0.7	0.0	0.0	-1.3	0.3	-0.3	-0.1	0.0	0.0	0.0	0.0
Inflation (HICP, % yoy)	2.1	1.2	1.3	1.4	1.3	1.1	1.0	1.2	1.2	1.3	1.4
Unemployment rate (%)	8.8	8.2	7.7	8.4	8.2	8.1	8.0	7.9	7.8	7.7	7.6

* y/y or q/q annualised rate



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 €9,500,000. Entered into the Paris Register of Trade and Companies under number 340 902 857.

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