



ODDO BHF
ASSET MANAGEMENT

Investment strategy
MAKE 2022 AN OPPORTUNITY

January 2022

BRUNO CAVALIER – CHIEF ECONOMIST, ODDO BHF

LAURENT DENIZE – GLOBAL CIO, ODDO BHF AM



ODDO BHF AM is the asset management division of the ODDO BHF Group. It is the common brand of four legally separate asset management companies: ODDO BHF AM SAS (France), ODDO BHF PRIVATE EQUITY (France), ODDO BHF AM GmbH (Germany) and ODDO BHF AM Lux (Luxembourg).

This document has been drawn up by ODDO BHF ASSET MANAGEMENT SAS, for market communication. Its communication to any investor is the exclusive responsibility of each distributor or advisor.

Potential investors should consult an investment advisor before subscribing to the fund. The investor is informed that the fund presents a risk of capital loss, but also many risks linked to the financial instruments/strategies in the portfolio. In case of subscription, investors must consult the Key Investor Information Document (KIID) and the fund's prospectus in order to acquaint themselves with the detailed nature of any risks incurred. The value of the investment may vary both upwards and downwards and may not be returned in full. The investment must be made in accordance with investors' investment objectives, their investment horizon and their capacity to deal with the risk arising from the transaction. ODDO BHF ASSET MANAGEMENT SAS cannot be held responsible for any direct or indirect damages resulting from the use of this document or the information contained in it. This information is provided for indicative purposes and may be modified at any moment without prior notice.

Any opinions presented in this document result from our market forecasts on the publication

date. They are subject to change according to market conditions and ODDO BHF ASSET MANAGEMENT SAS shall not in any case be held contractually liable for them. The net asset values presented in this document are provided for indicative purposes only. Only the net asset value marked on the transaction statement and the securities account statement is authoritative. Subscriptions and redemptions of mutual funds are processed at an unknown asset value.

A summary of investor rights is available free of charge in electronic form in English language on the website at :

https://am.oddo-bhf.com/FRANCE/en/non_professional_investor/infos_reglementaire

The fund may have been authorized for distribution in different EU member states. Investors are advised to the fact that the management company may decide to withdraw with the arrangements it has made for the distribution of the units of the fund in accordance with Article 93a of Directive 2009/65/EC and Article 32a of Directive 2011/61/EU.

The KIID and prospectus are available free of charge from ODDO BHF ASSET MANAGEMENT SAS or at am.oddo-bhf.com as well as from authorised distributors. The annual and interim reports are available free of charge from ODDO BHF ASSET MANAGEMENT SAS or on its internet site am.oddo-bhf.com



01

MACROECONOMIC OUTLOOK

02

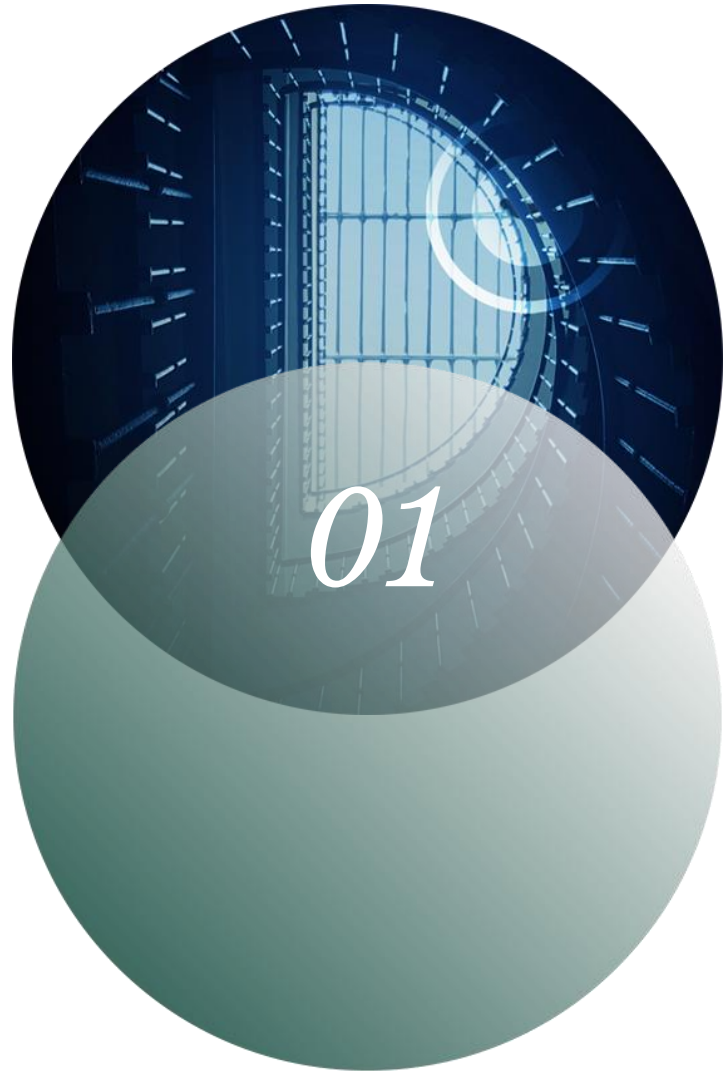
MARKET ANALYSIS & POSITIONING





01

MACROECONOMIC
outlook



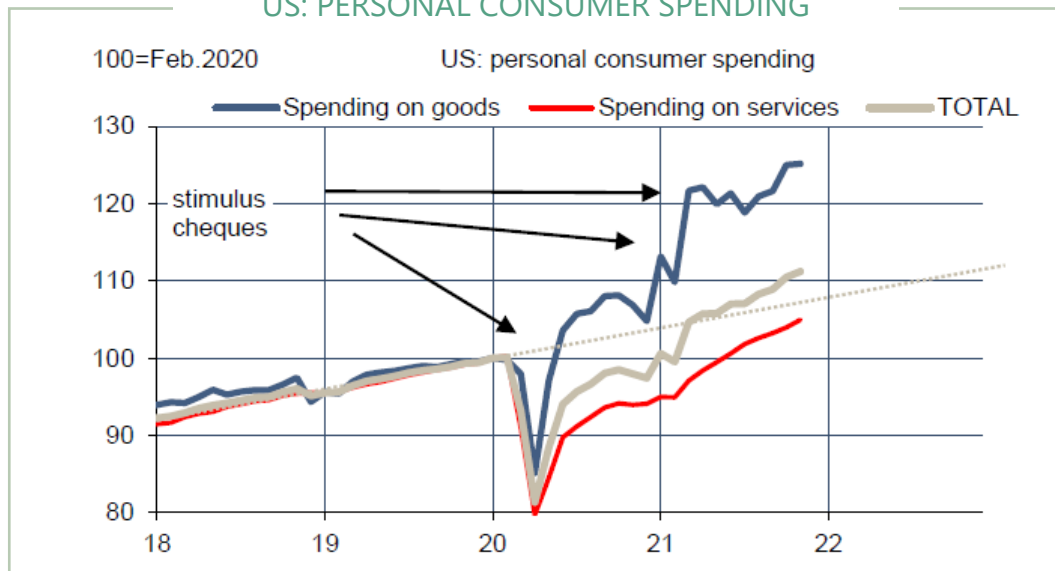
01

2022 DIAGNOSIS

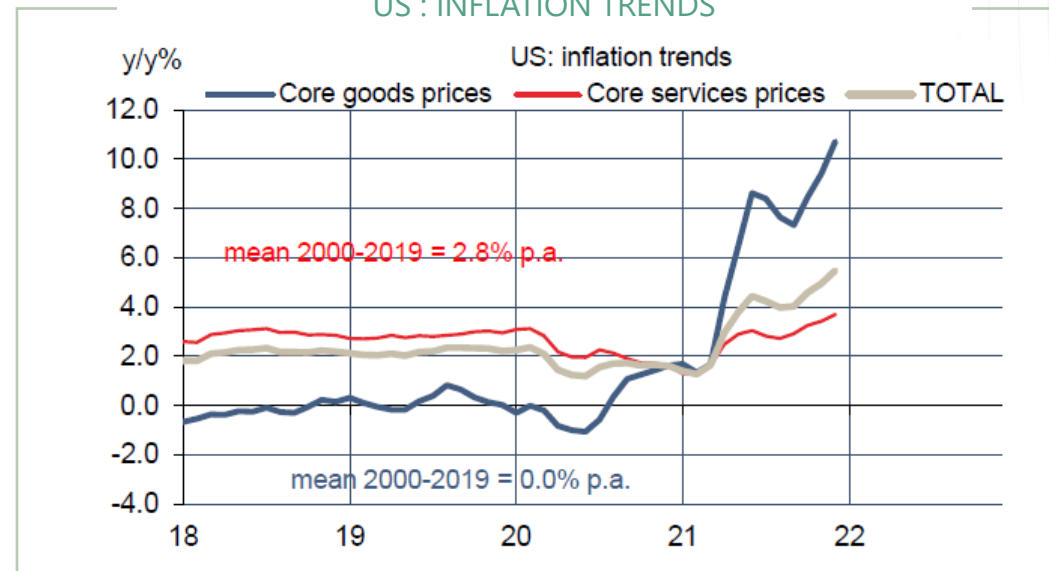


Is there a GLOBAL DEMAND SURPLUS?

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

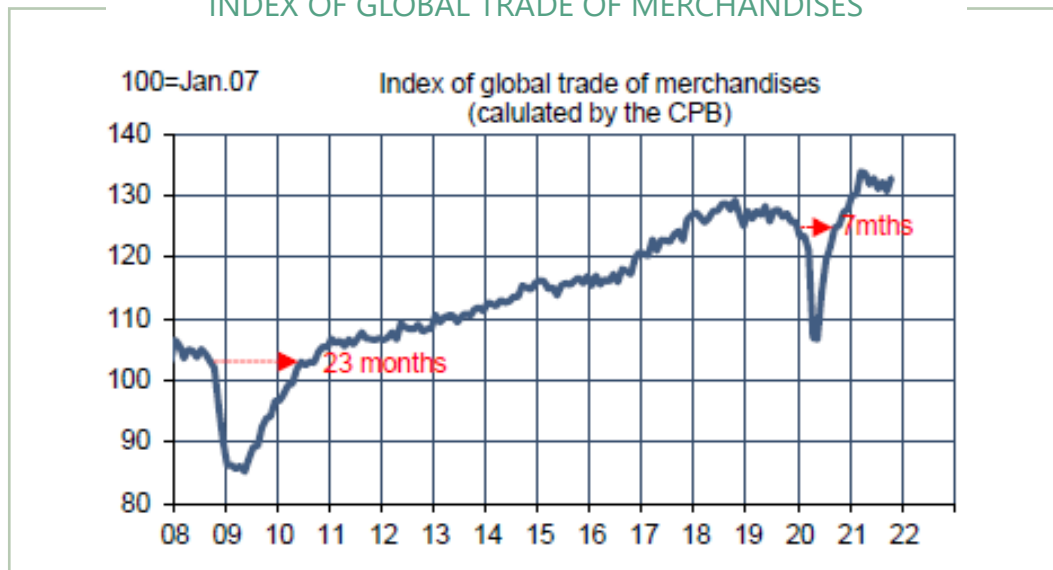
- The optical effect of the inflation shock is amplified because of its concentration on goods markets

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

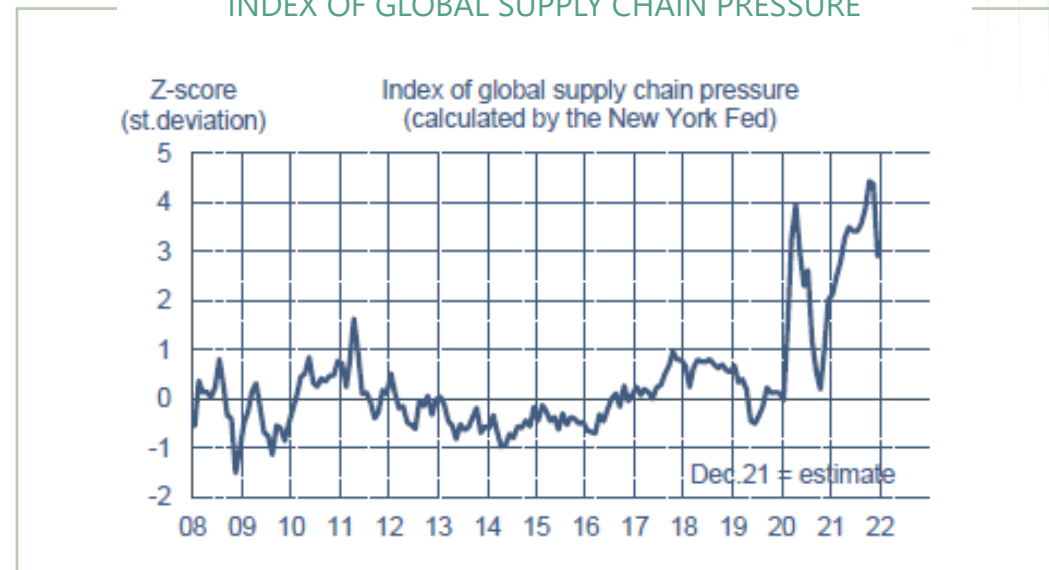


Is there a OF GLOBAL SUPPLY SHORTAGE?

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)

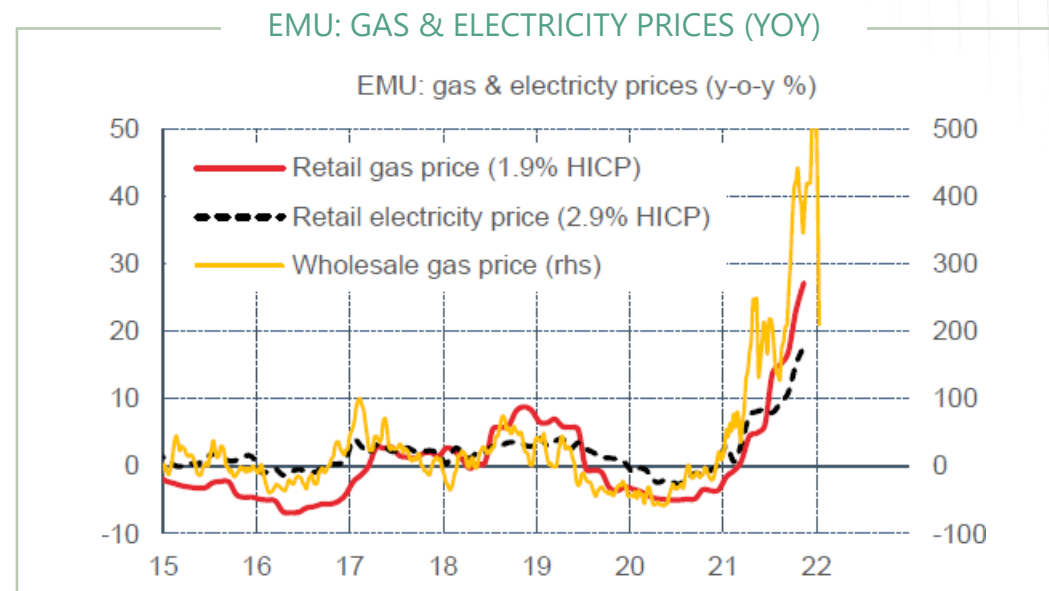
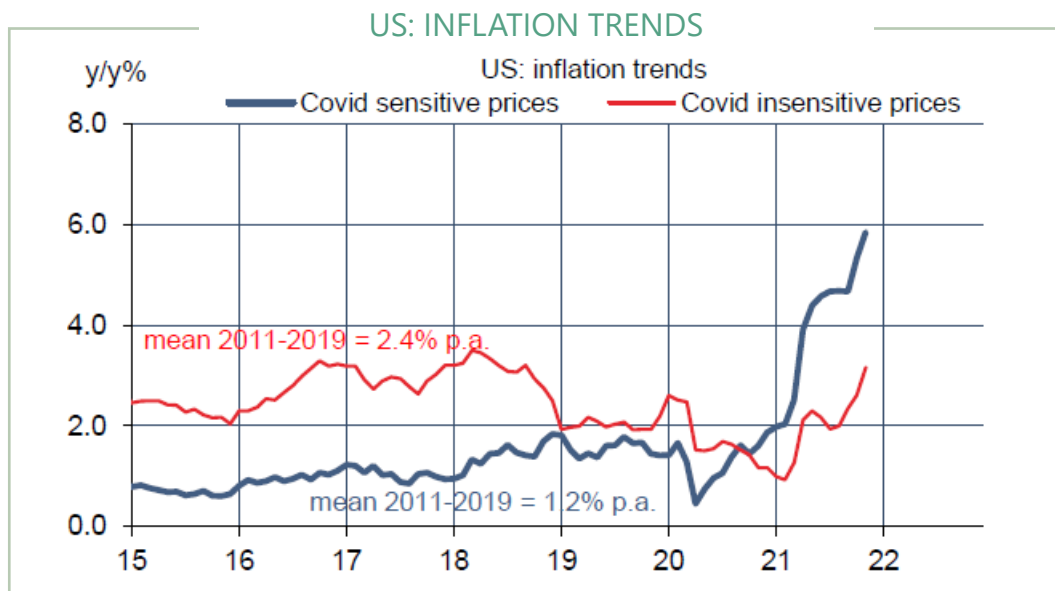
A few signs of a levelling-off or easing of supply-chain strains at the end of 2021

- 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?



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

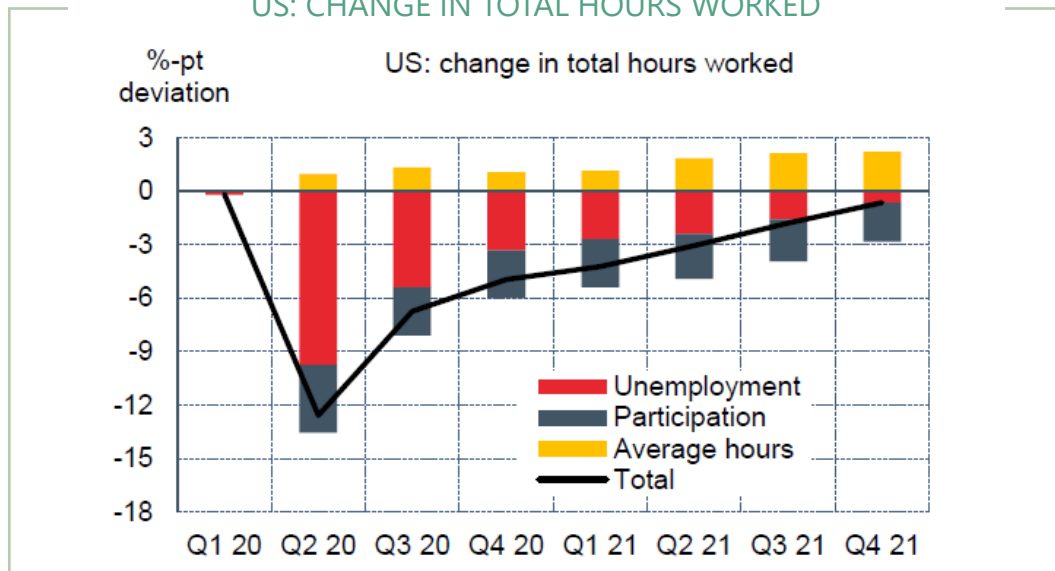
- Energy transition, serious risk
- "Deglobalization, minimal risk

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

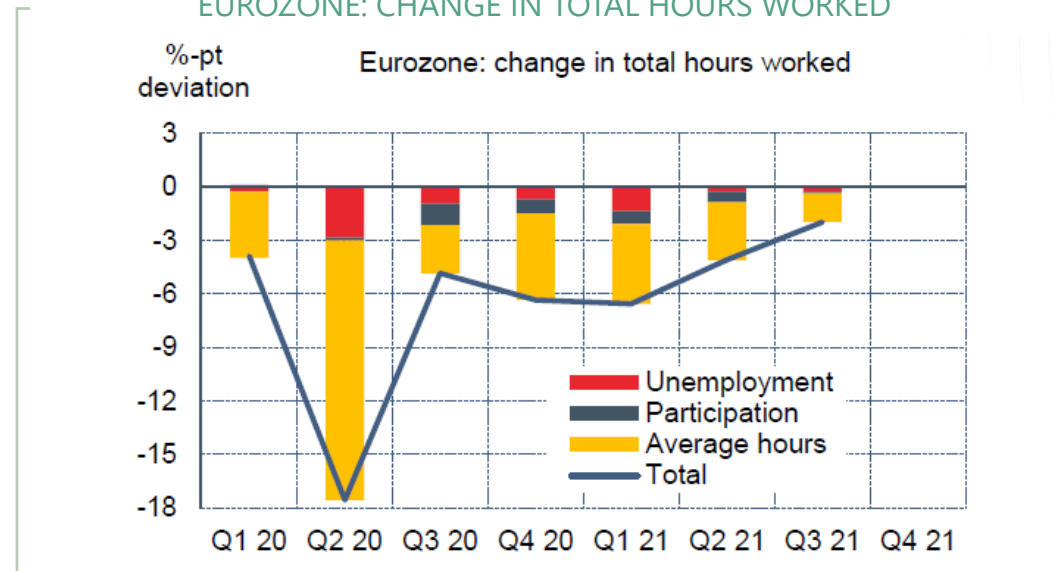


Are we still a long way FROM FULL EMPLOYMENT?

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

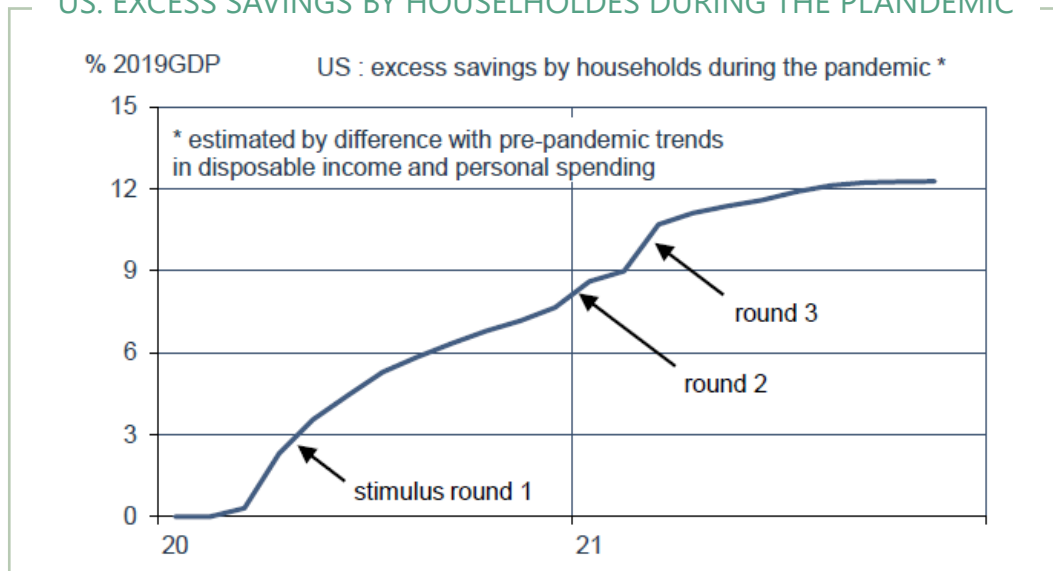
- Acceleration of retirements in the United States
- Surge in resignation rates in the United States
- Net inflows of migrants stopped due to travel restrictions (a "deficit" of 2 million people in the United States)

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

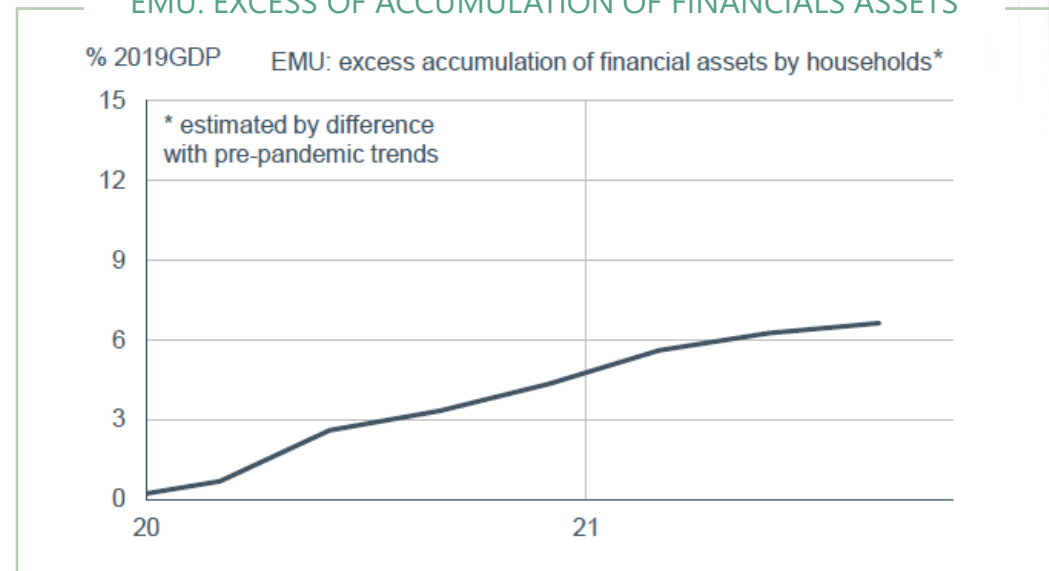


What will households do WITH THEIR EXCESS SAVINGS?

US: EXCESS SAVINGS BY HOUSEHOLDES 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

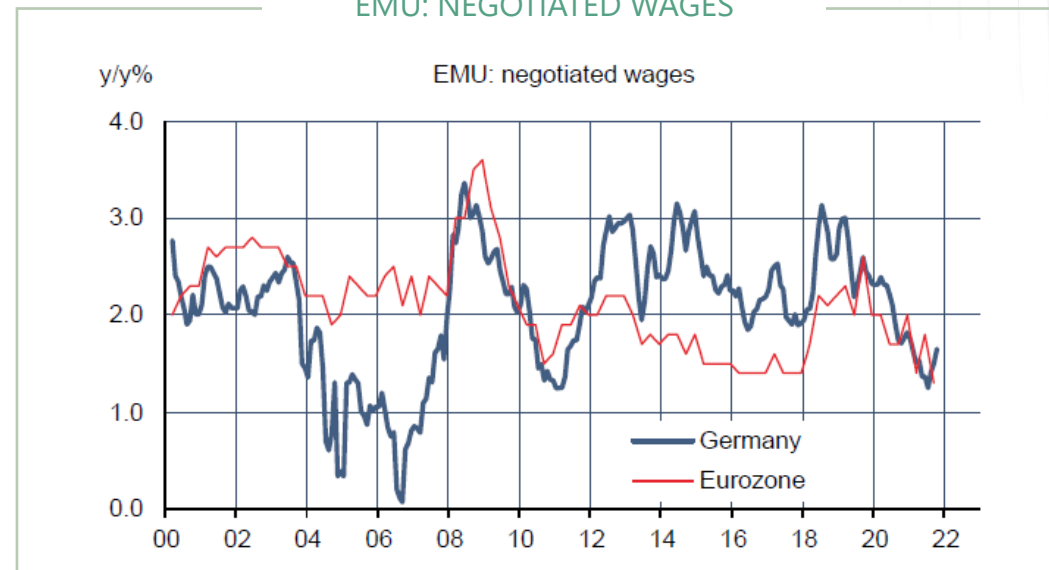


Is there a risk of OVERHEATING IN WAGES?

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)

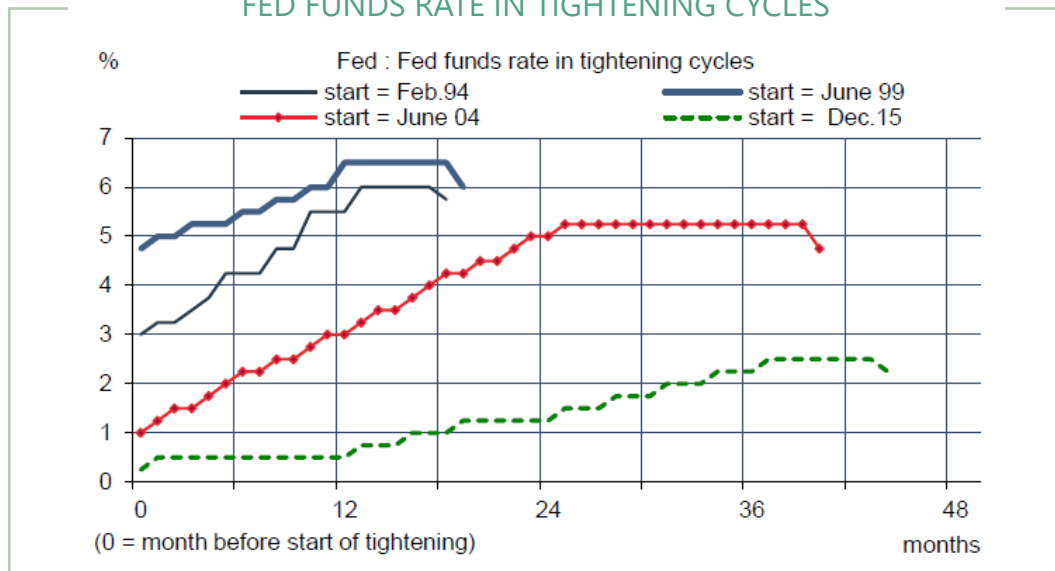


NEW PRESCRIPTION

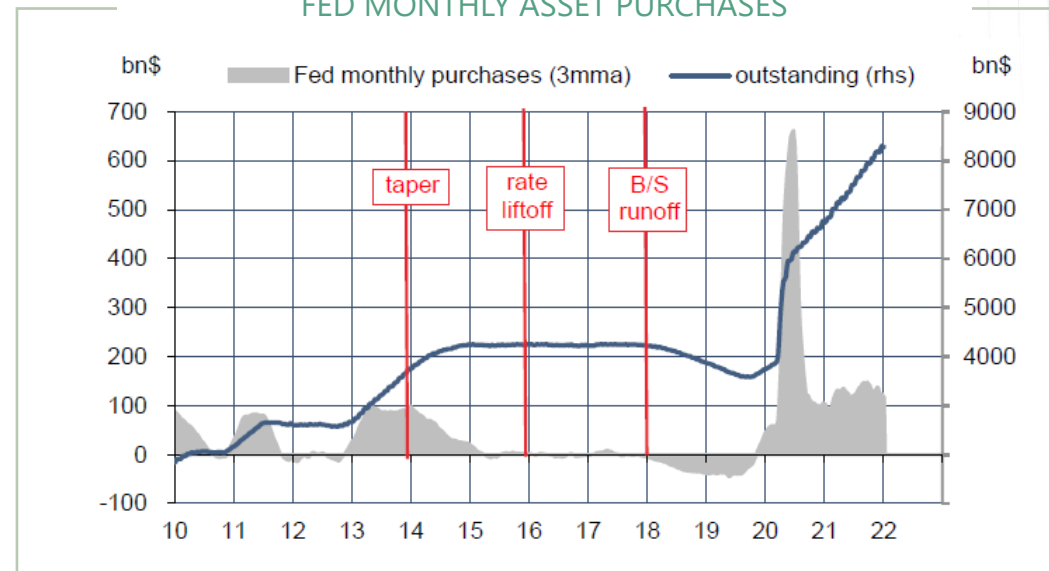


FED : IN A HURRY

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)?

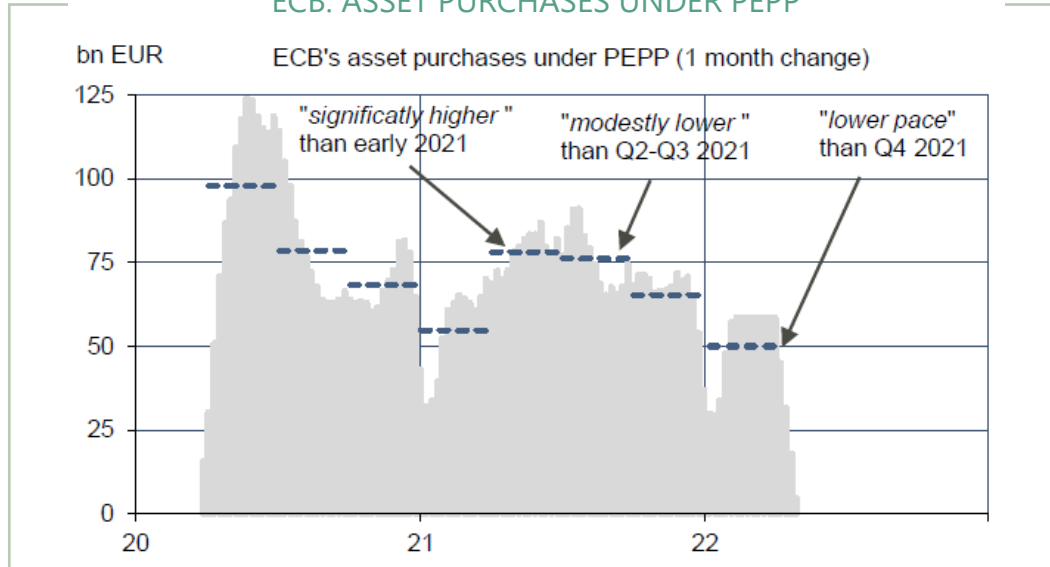
- The effects of QE, or conversely of QT (quantitative tightening), on the term premium are fairly uncertain

Source: ODDO BHF AM, ODDO BHF Securities, FED

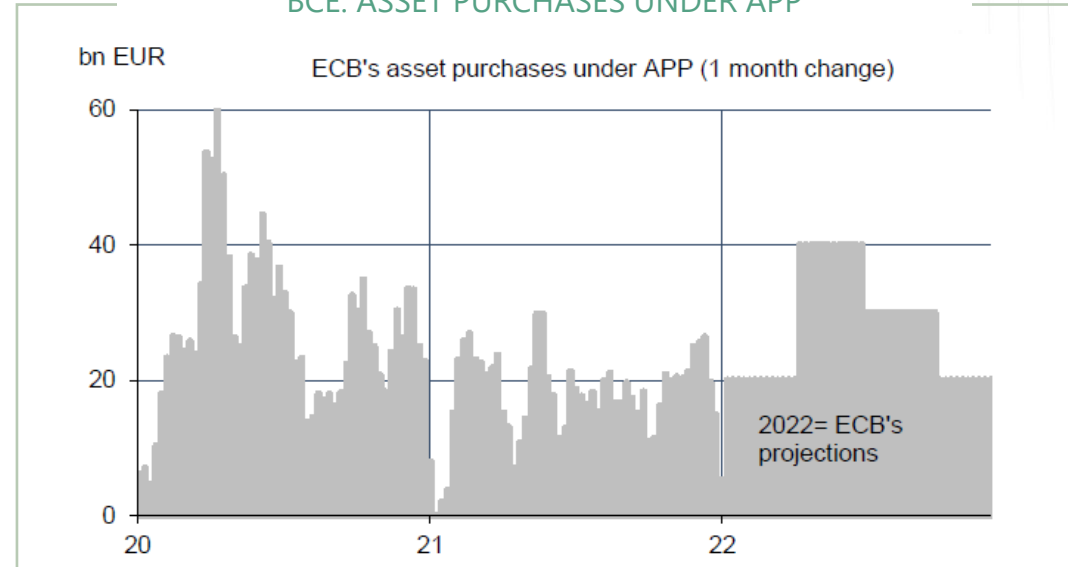


ECB: PATIENT

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)



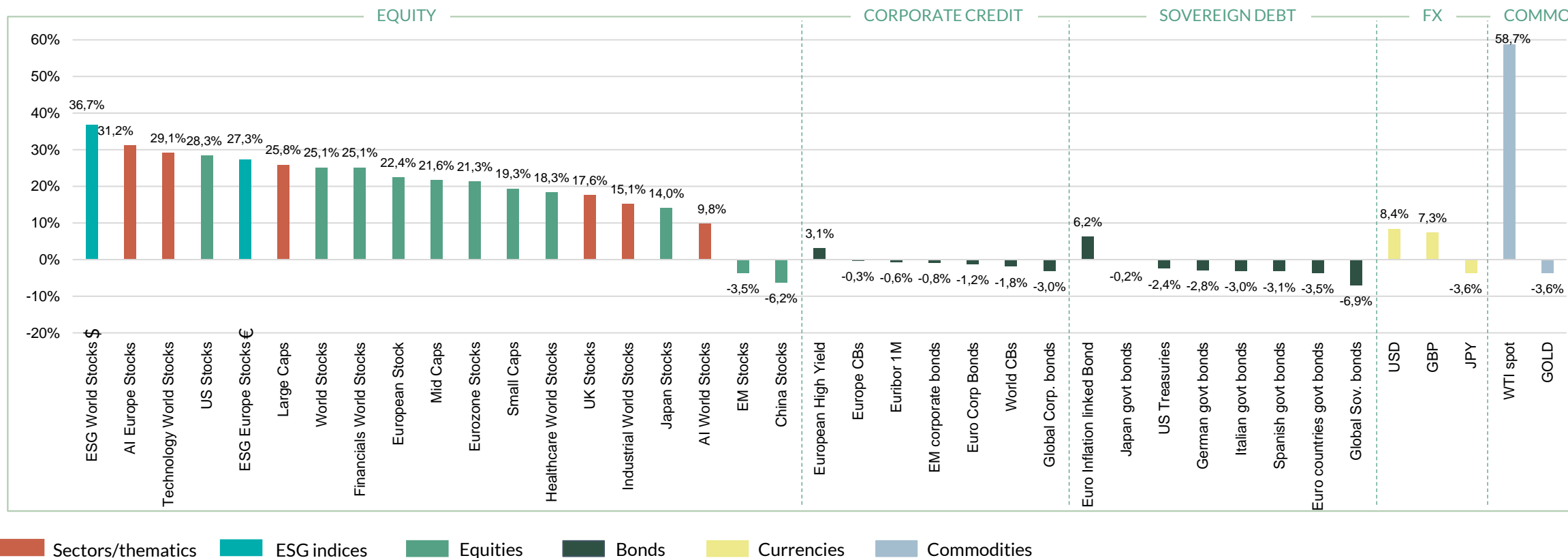
02

MARKET ANALYSIS
& *positioning*



Performance of asset classes in 2021

NO ALTERNATIVE TO EQUITIES

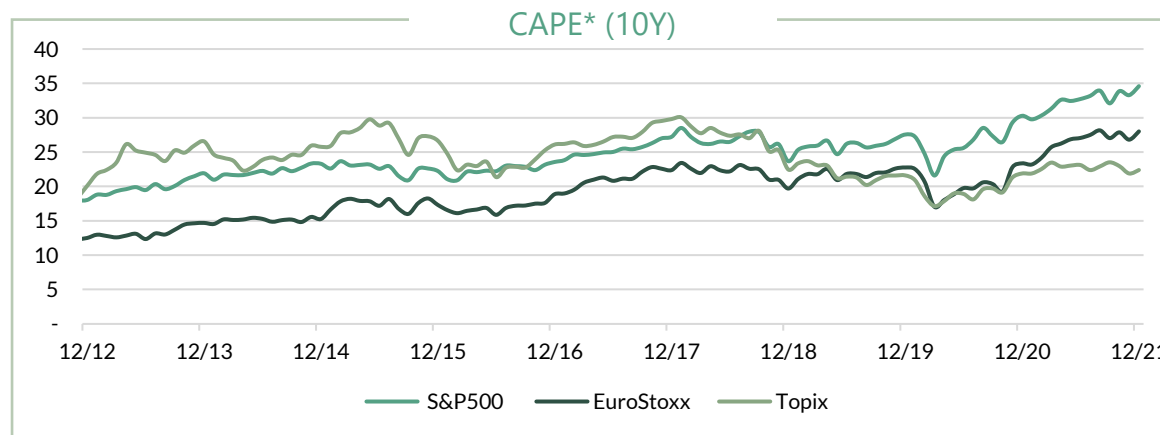
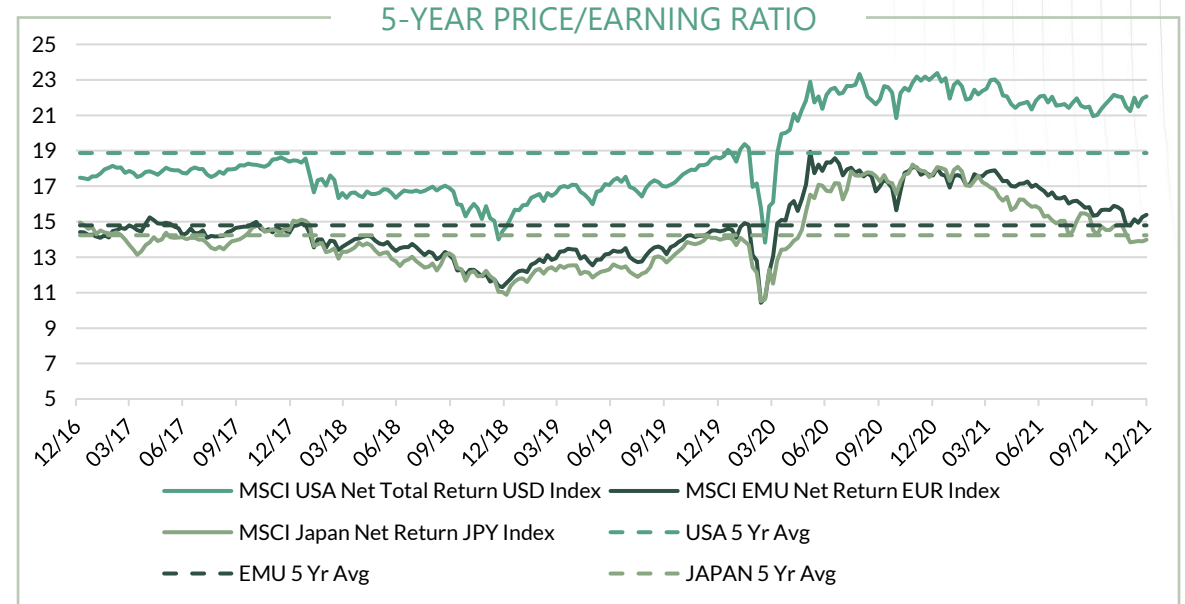
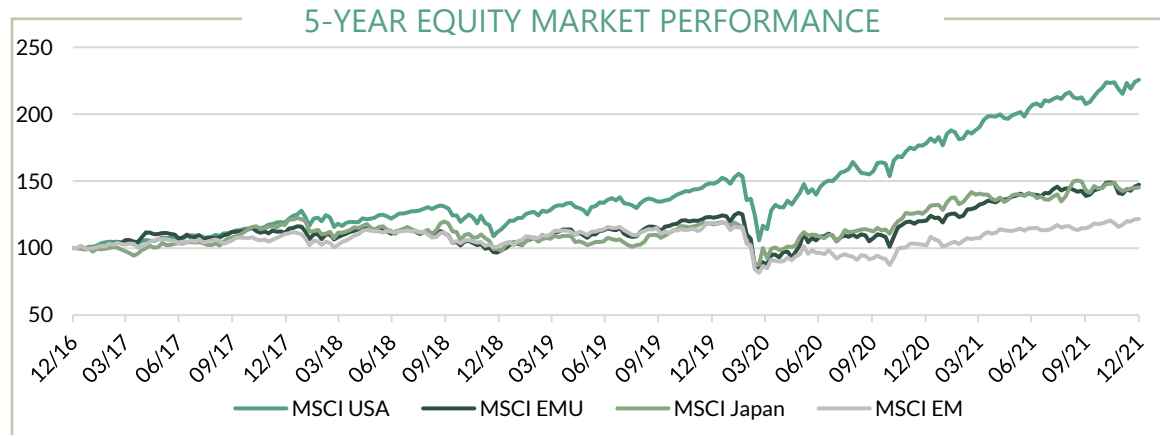


Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 12/31/2021; performances expressed in local currencies



Equities

ALL METRICS ABOVE HISTORICAL STANDARDS



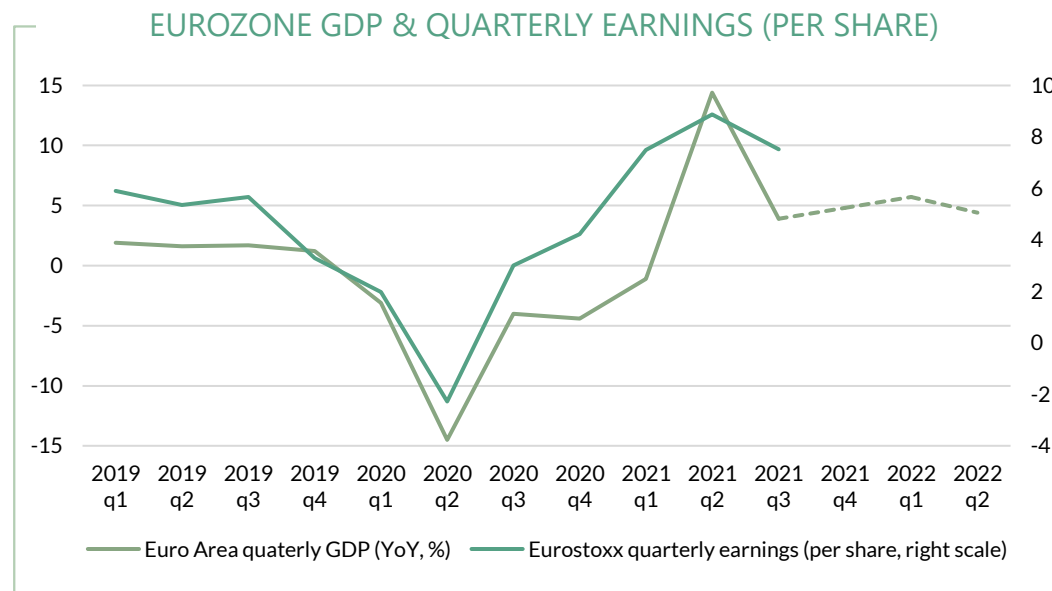
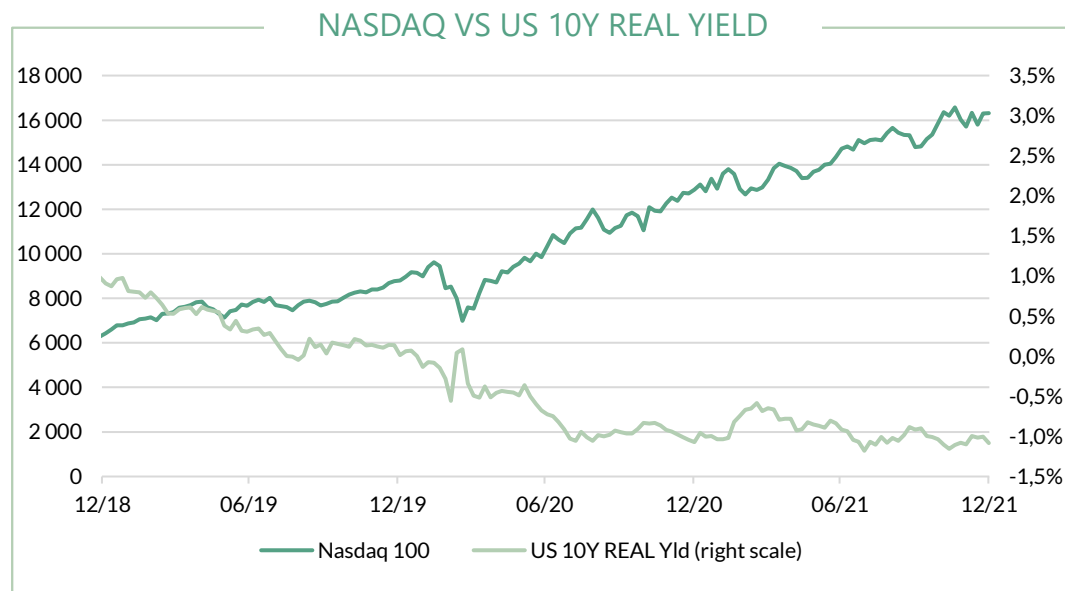
Past performances are not a reliable indicator of future performances and are not constant over time | *CAPE: Cyclically adjusted price-to-earnings ratio or Shiller PE

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 12/31/2021



Equities

REAL YIELD & GROWTH MATTER



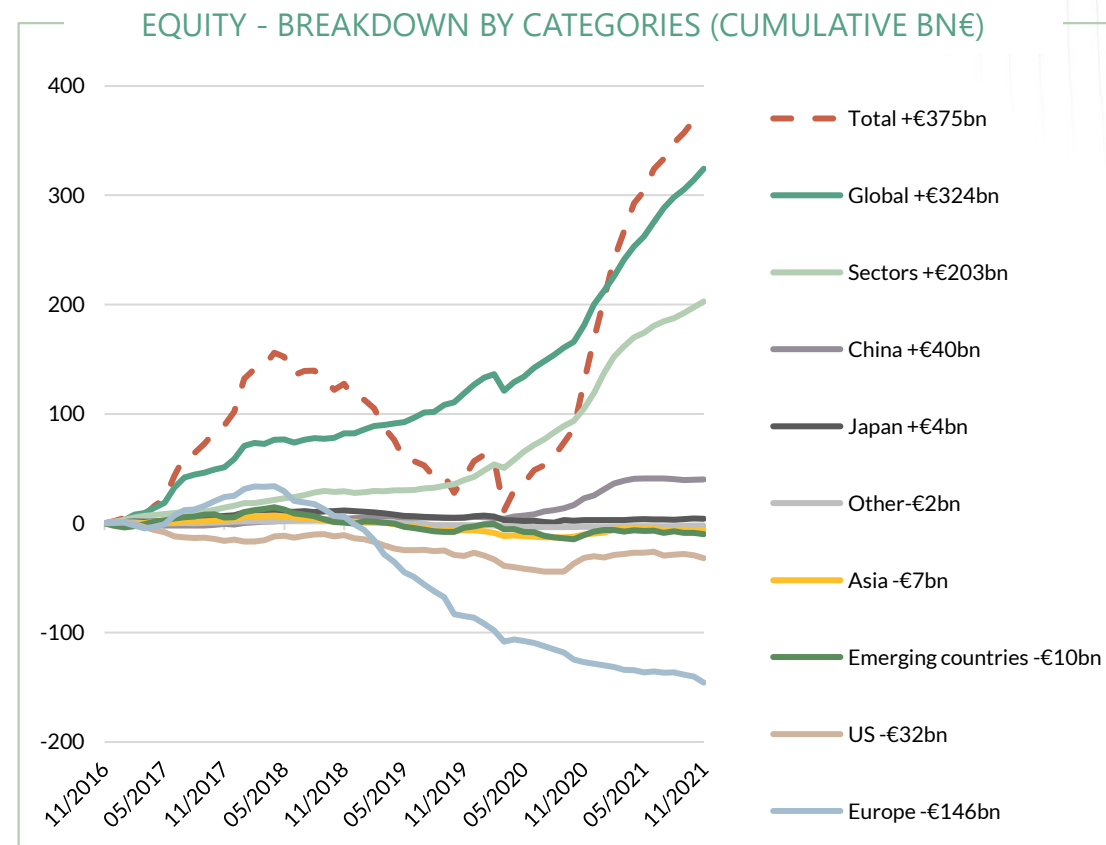
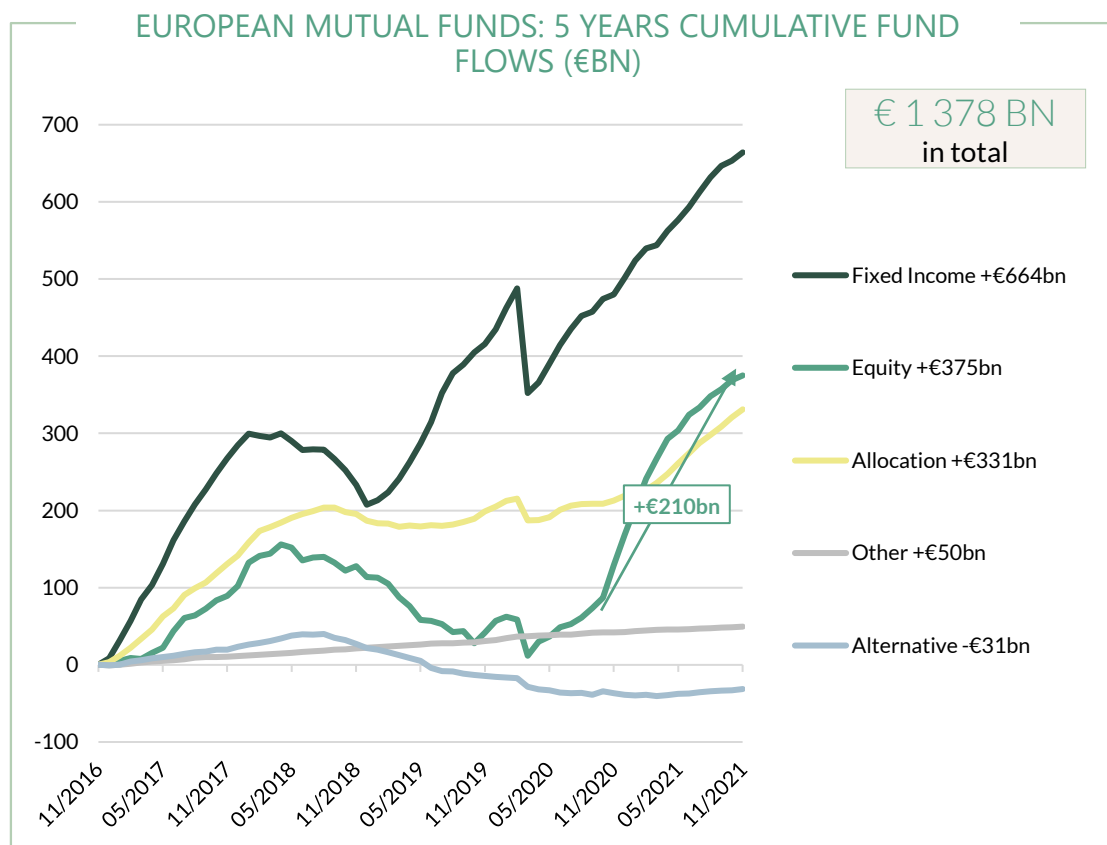
Past performances are not a reliable indicator of future performances and are not constant over time

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 12/31/2021



Strong equity inflows likely to continue

EUROPE ABOUT TO CATCH UP

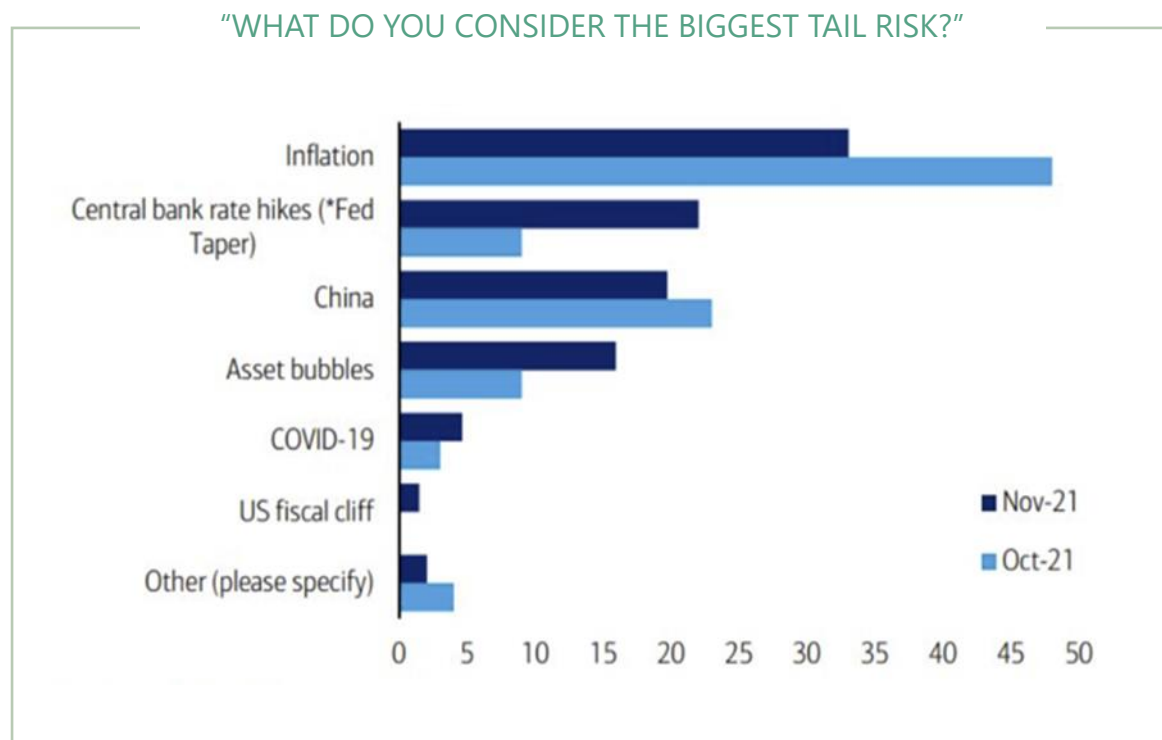


Source : Morningstar. Data as of 30.11.2021 (Europe ex ETF ex MM ex FoF ex Feeder (domiciled))



Biggest tail risk for 2022:

INADEQUATE CENTRAL BANKS RESPONSES TO INFLATION



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:

Consensus: 4.0%

ODDO BHF: 3.9%

EMU average 2022:

Consensus: 4.2%

ODDO BHF: 4.5%



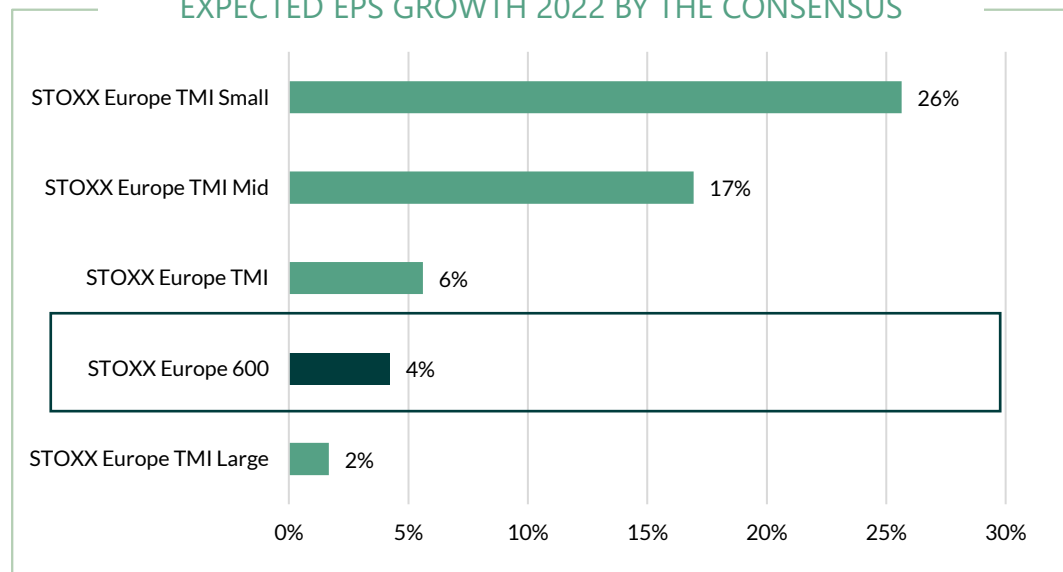
SANITARY SITUATION

Herd immunity allowing a normalization

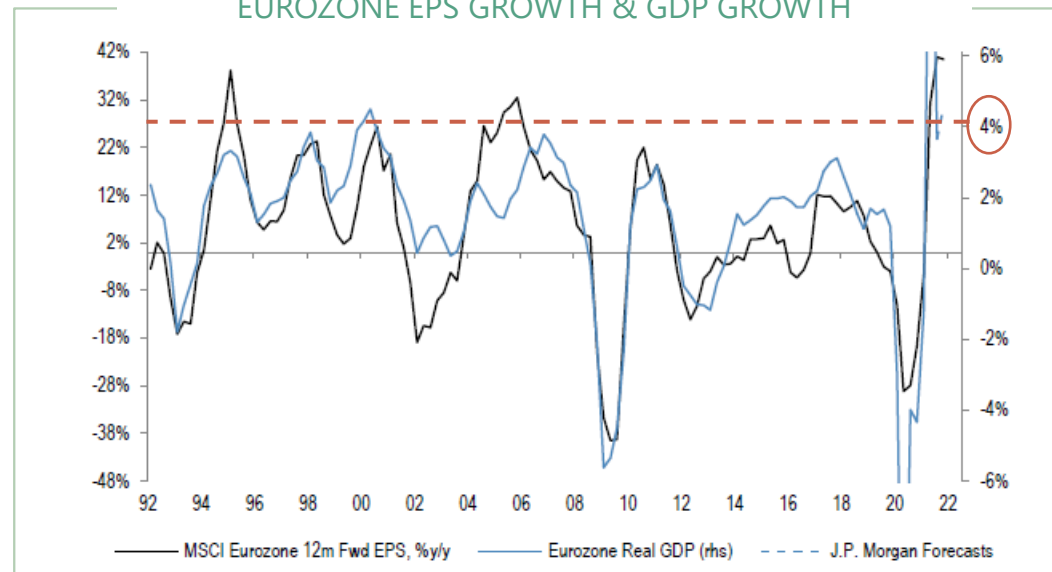


EPS growth underestimated by the market, ESPECIALLY IN EUROPE

EXPECTED EPS GROWTH 2022 BY THE CONSENSUS



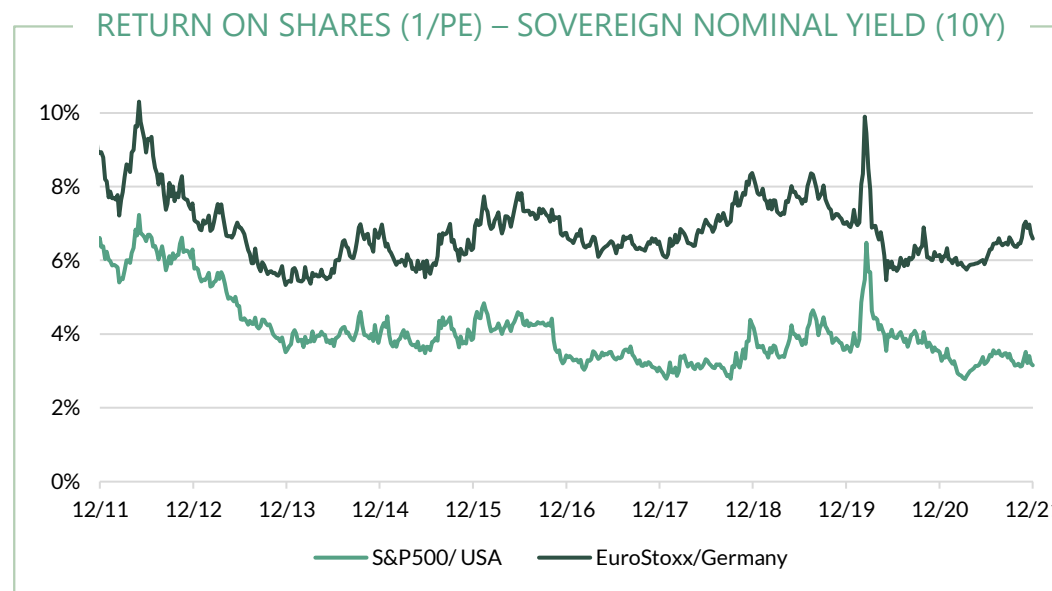
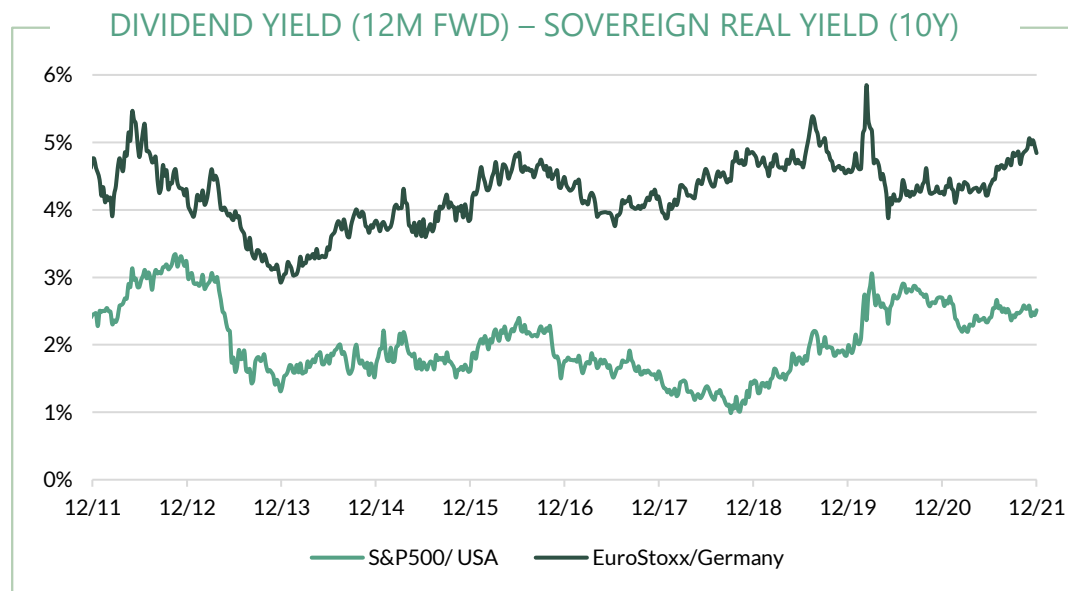
EUROZONE EPS GROWTH & GDP GROWTH



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



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

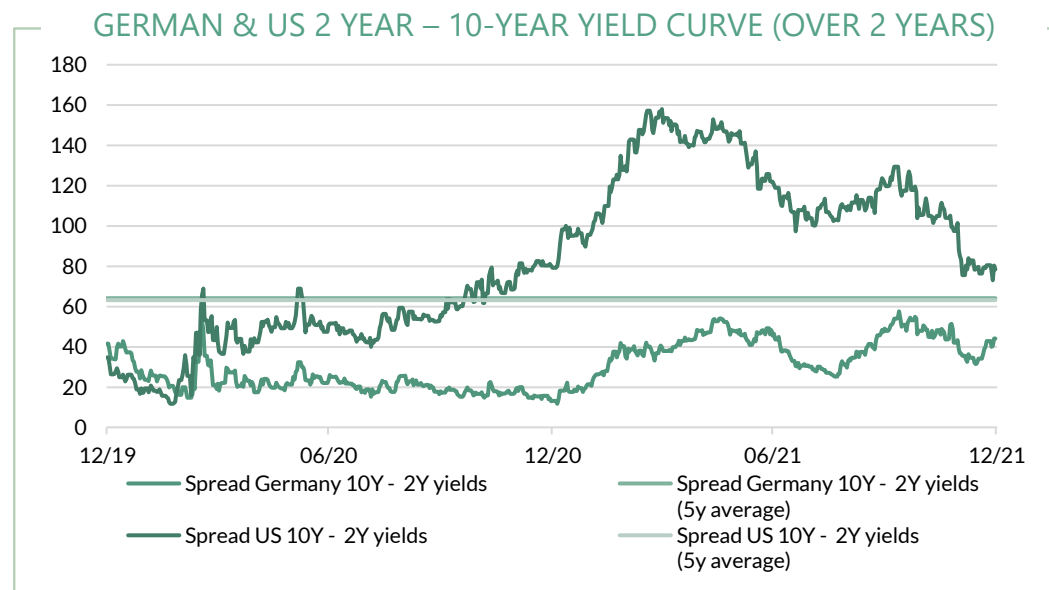
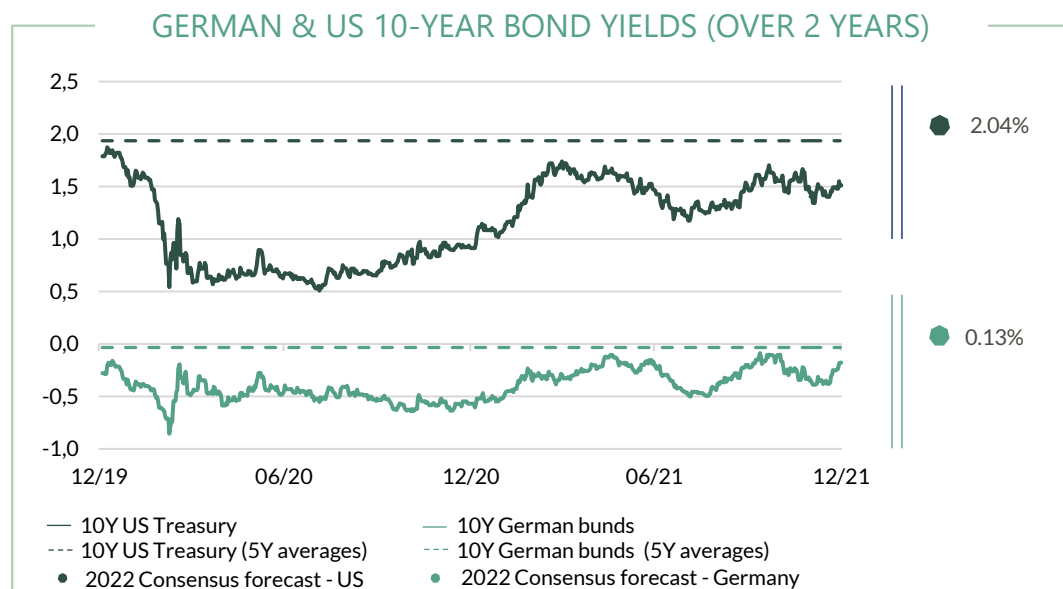


Past performances are not a reliable indicator of future performances and are not constant over time.

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



We expect a steepening OF THE YIELD CURVE

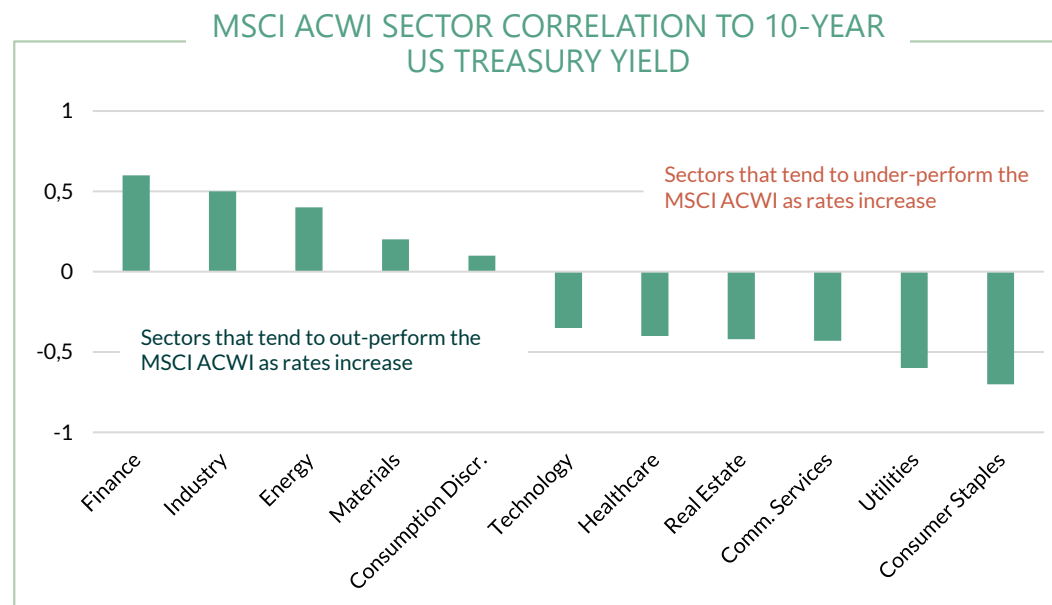
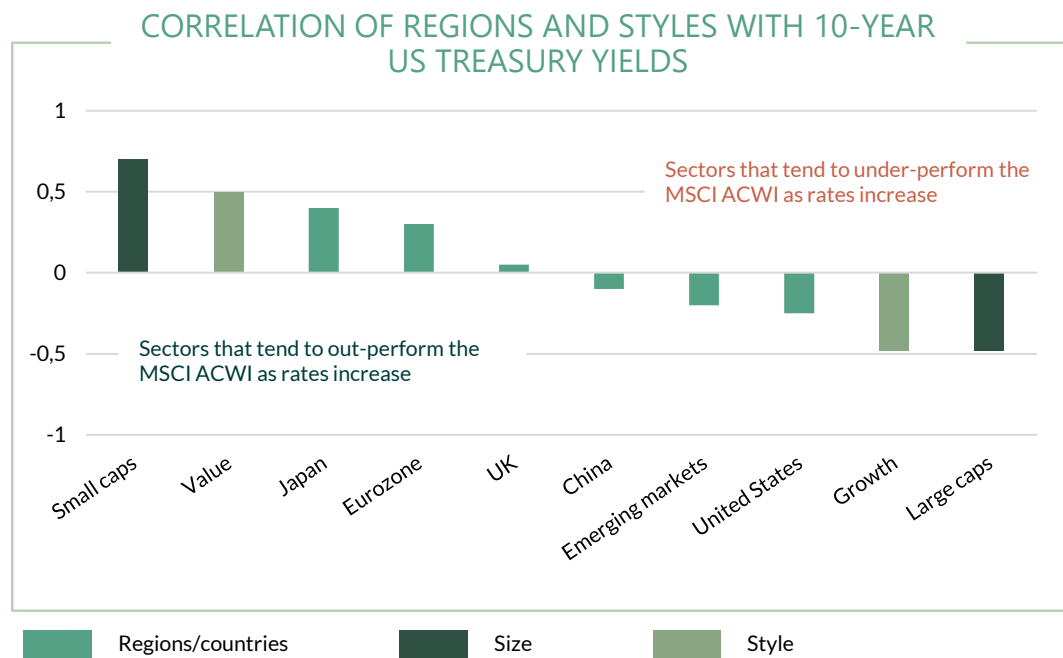


Consensus expectation for December 2022:

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



Sensitivity to rising rates WILL BE THE CENTRAL FACTOR



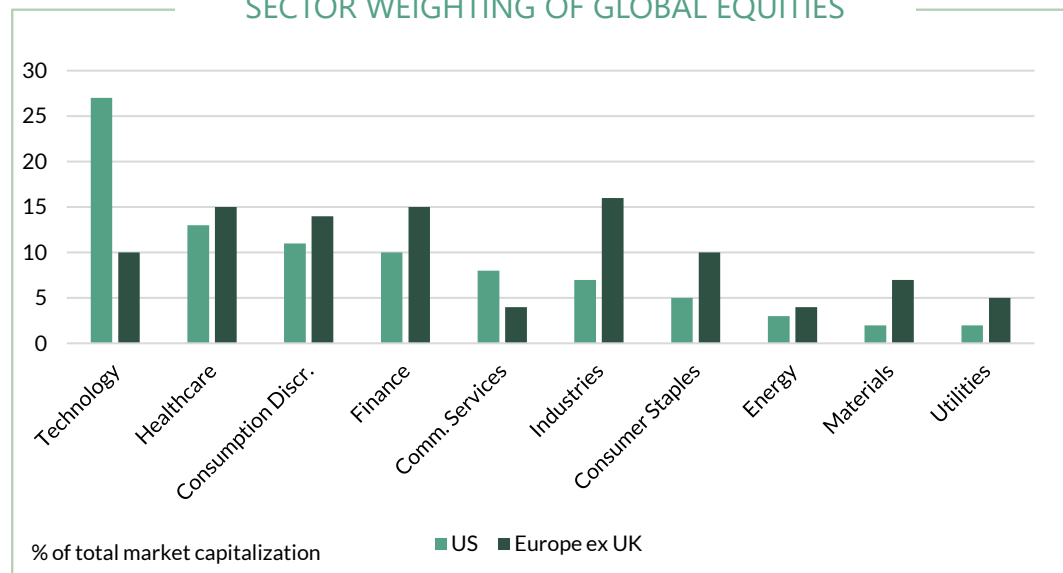
10-year correlation between relative sector performance and the 10-year US Treasury Bill yield

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.

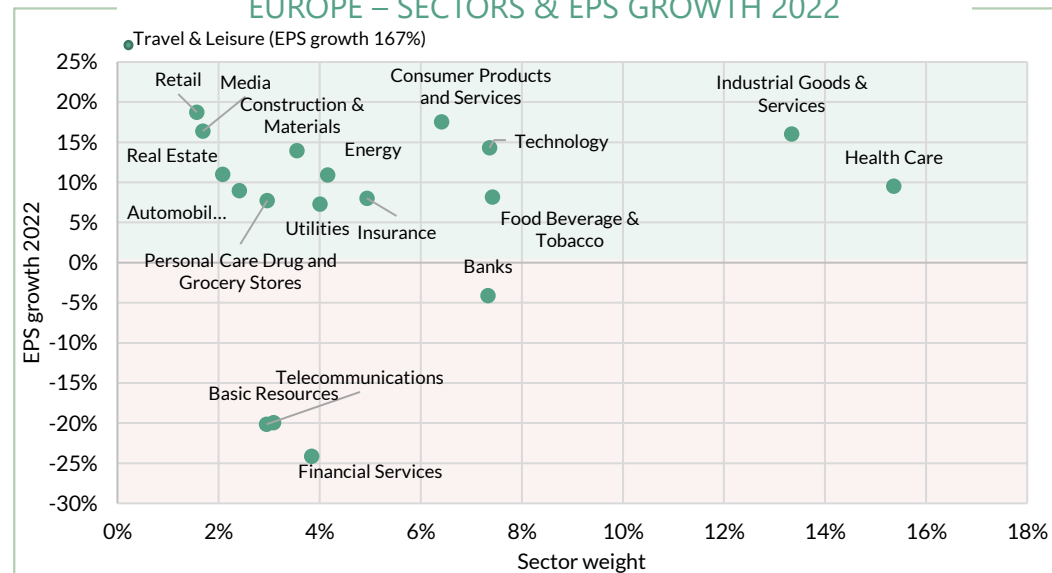


Europe is better positioned TO BENEFIT FROM CYCLICAL STOCKS

SECTOR WEIGHTING OF GLOBAL EQUITIES



EUROPE – SECTORS & EPS GROWTH 2022

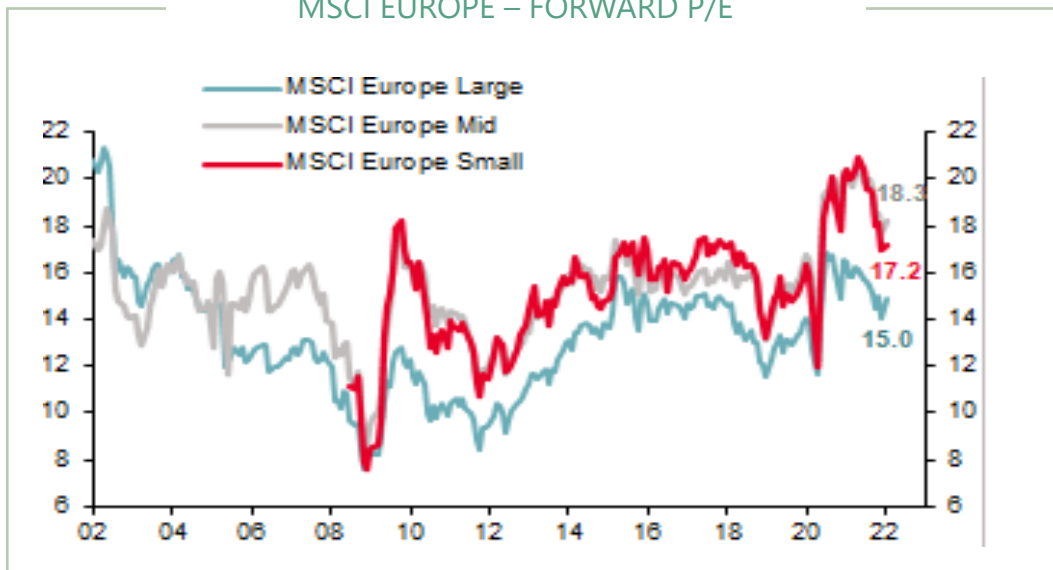


Sources: ODDO BHF AM SAS, Factset, J.P. Morgan macro research, Bloomberg, December 2021



Tactically we are positive on SMALL CAPS VS LARGE CAPS

MSCI EUROPE – FORWARD P/E



MSCI EUROPE – TRAILING P/B



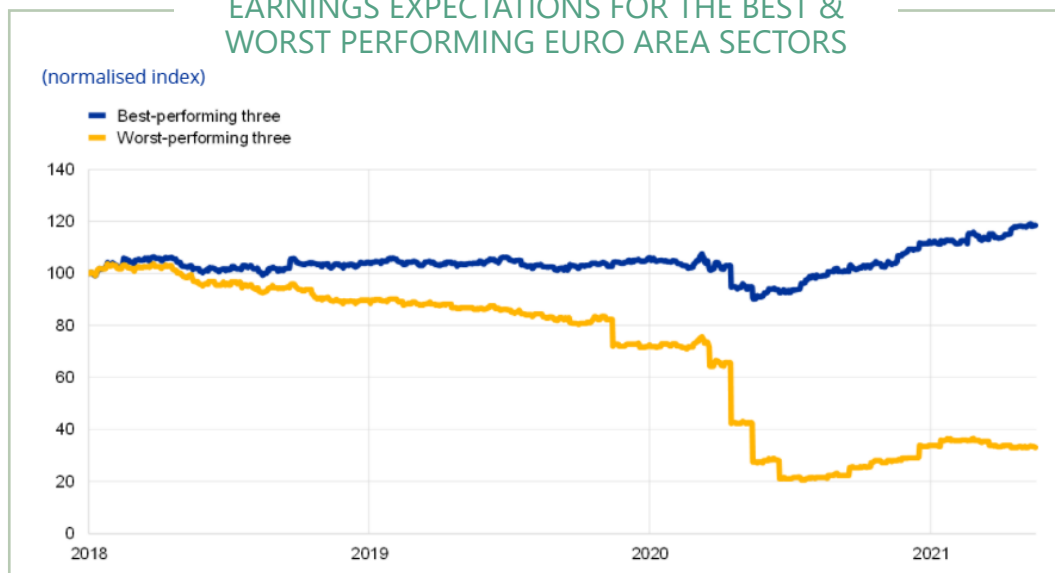
Past performances are not a reliable indicator of future performances and are not constant over time

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%

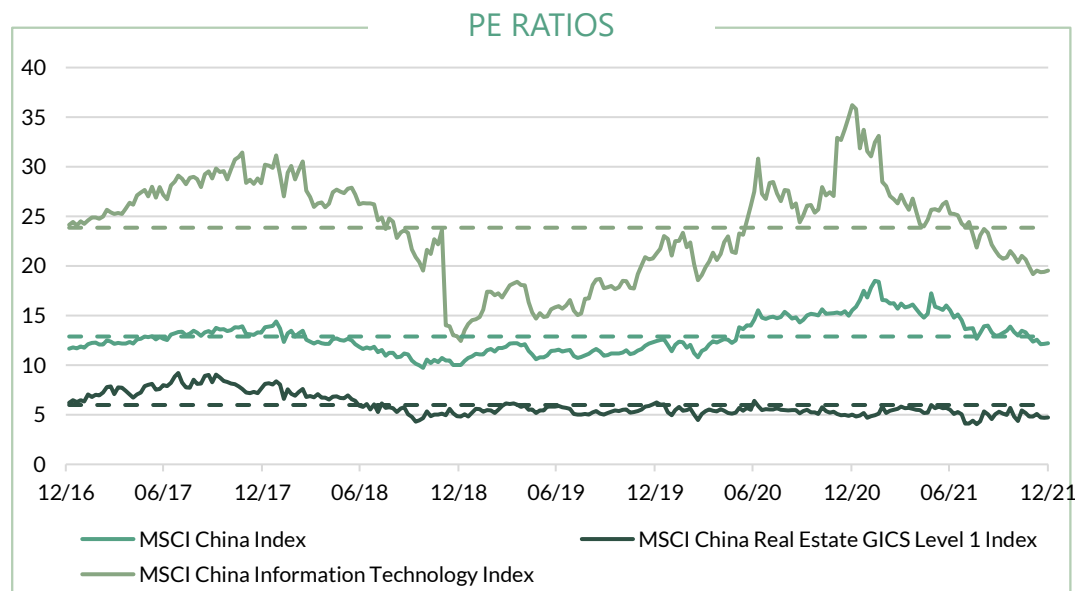
This chart shows the earnings forecasts 12 months ahead for the three best-performing and the three worst-performing sectors. Data are at daily frequency and normalised to 100 as at 1 January 2018. It measures the heterogeneity of analysts' daily 12-month ahead earnings per share (EPS) forecasts for 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

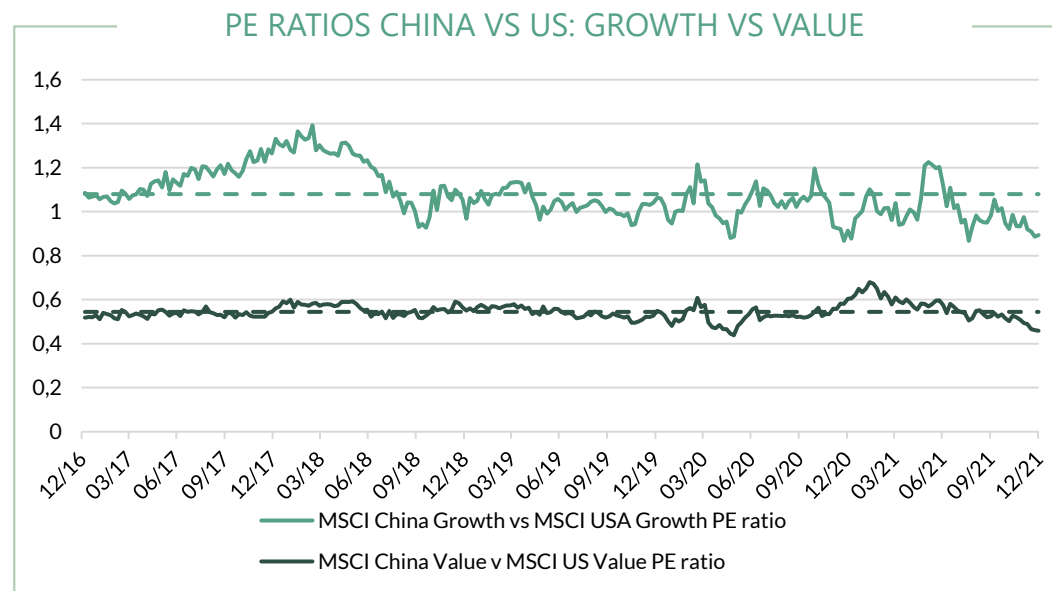


We are becoming carefully constructive on China

VALUATIONS GETTING ATTRACTIVE



- From tech to real estate, the economic slowdown is already reflected in PE ratios

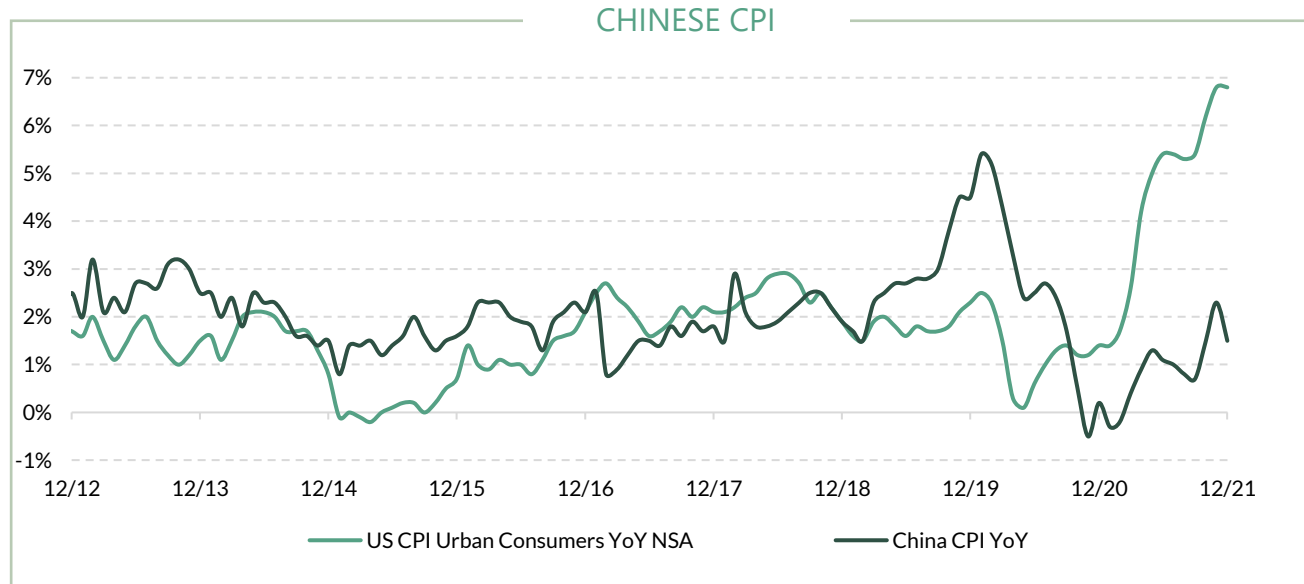


- Significant valuation discounts vs US equities

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



China: TOWARDS MONETARY AND FISCAL EASING?

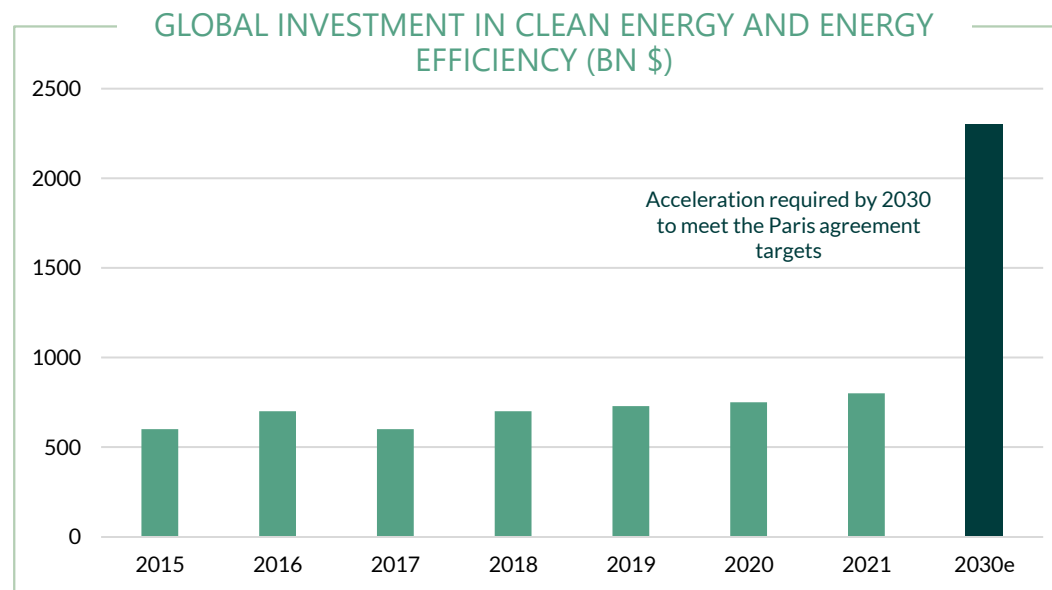
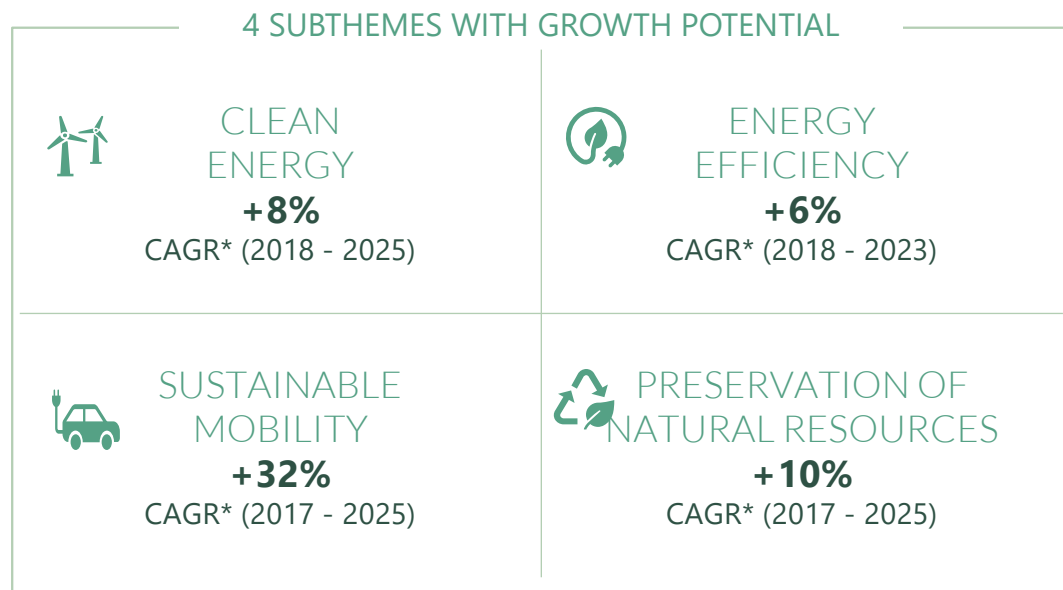


Past performances are not a reliable indicator of future performance and are not constant over time.

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



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

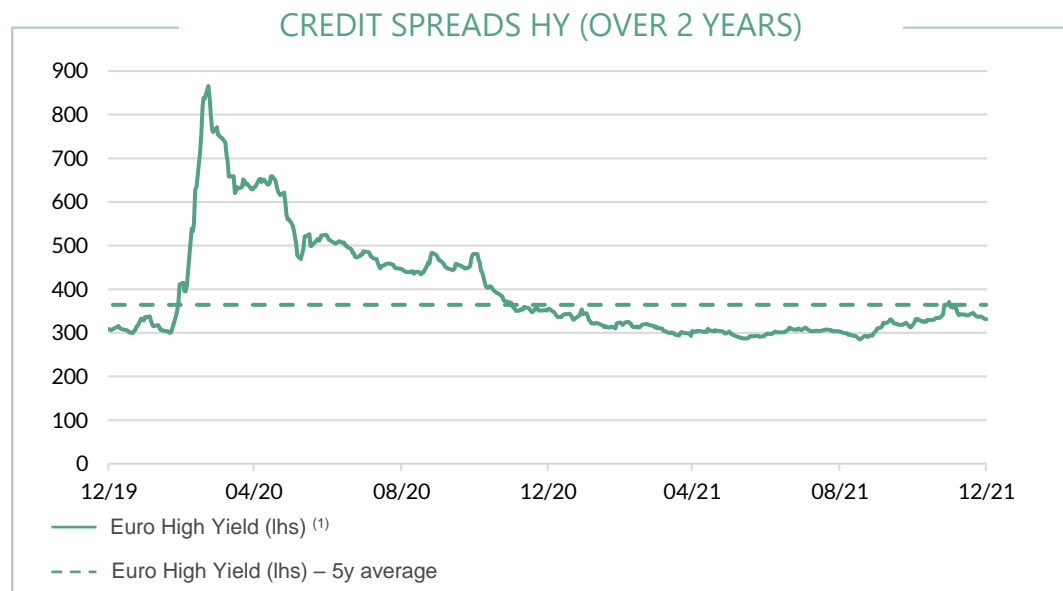


*Compound Annual Growth Rate

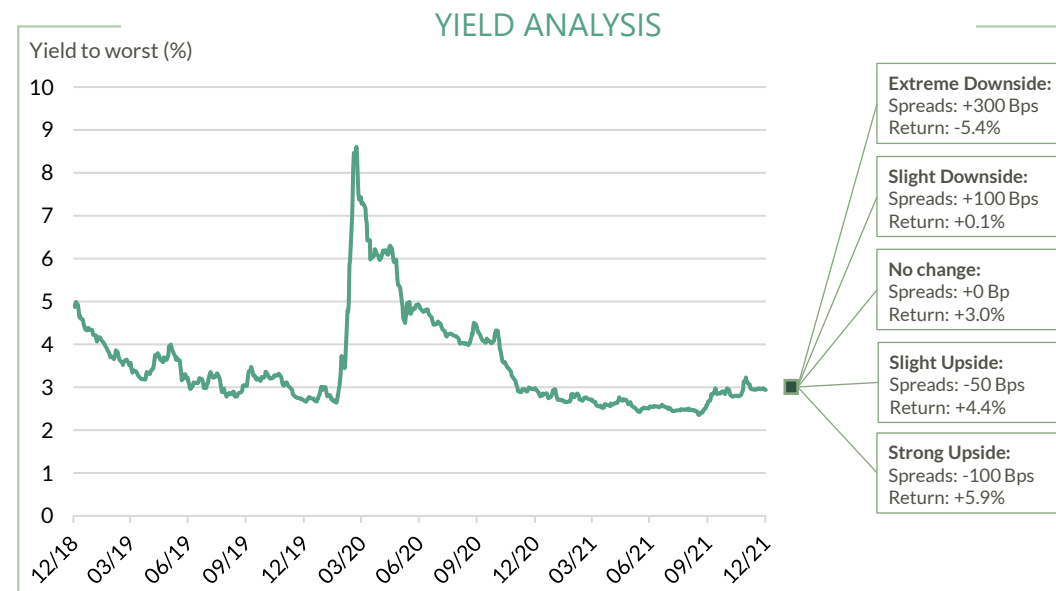
Sources: ODDO BHF AM SAS, JP Morgan, BofA Global Research, Data as of 2020



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



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



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

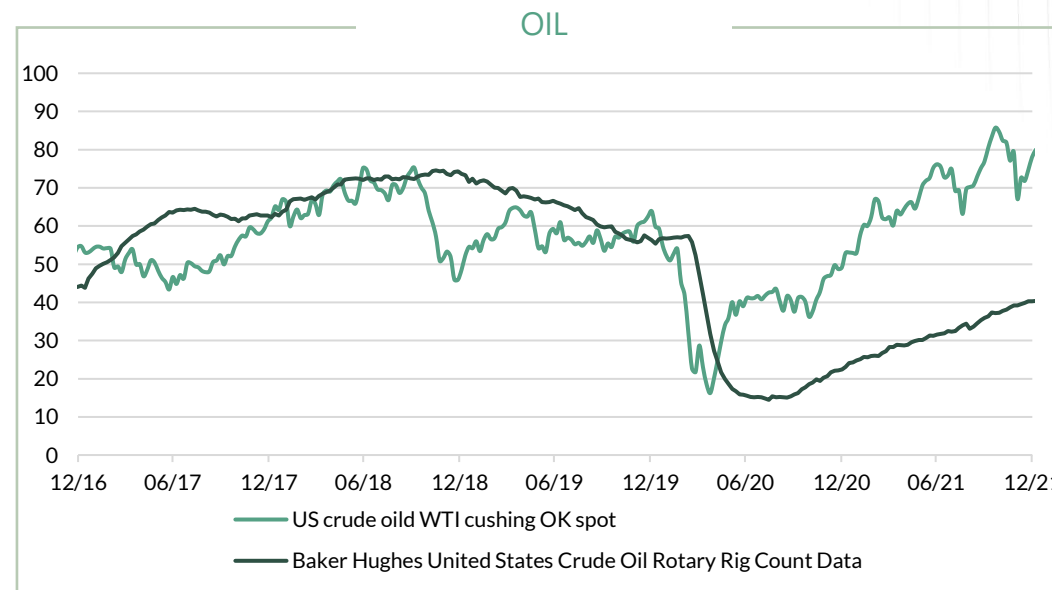
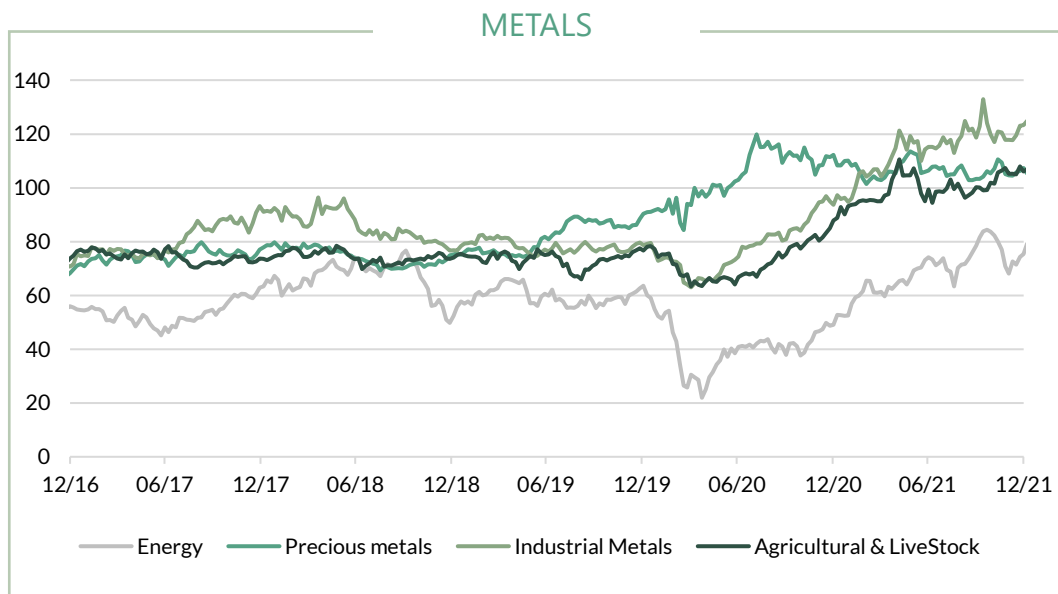
Return scenario based on BofA Merrill Lynch Euro High Yield Fixed Floating Rate Constrained Index ex Financials - HEAE (main characteristics : yield to call = 2.94%, modified duration to worst = 3.32%)

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



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

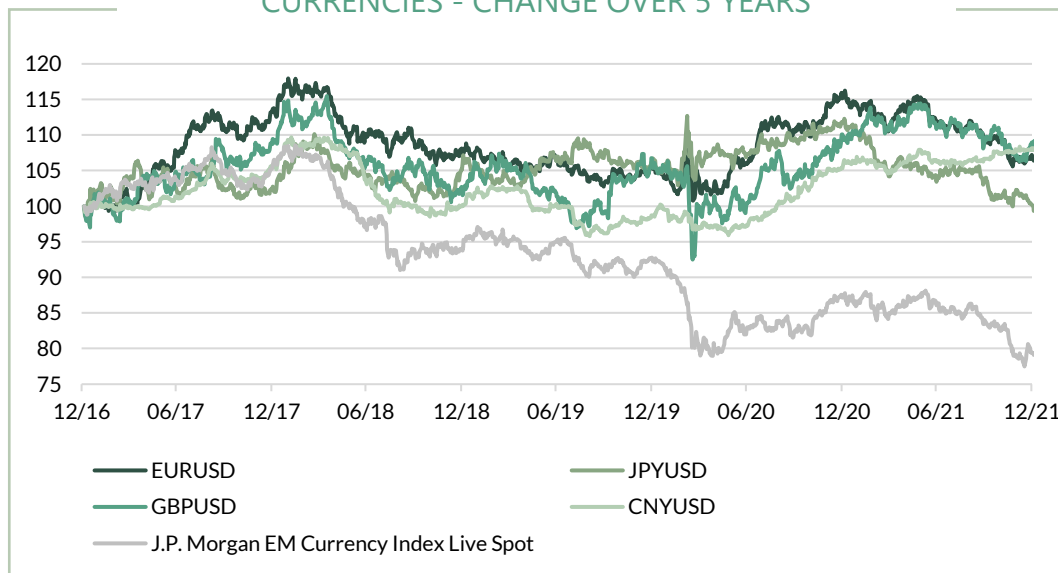


The USD's direction will be a central element

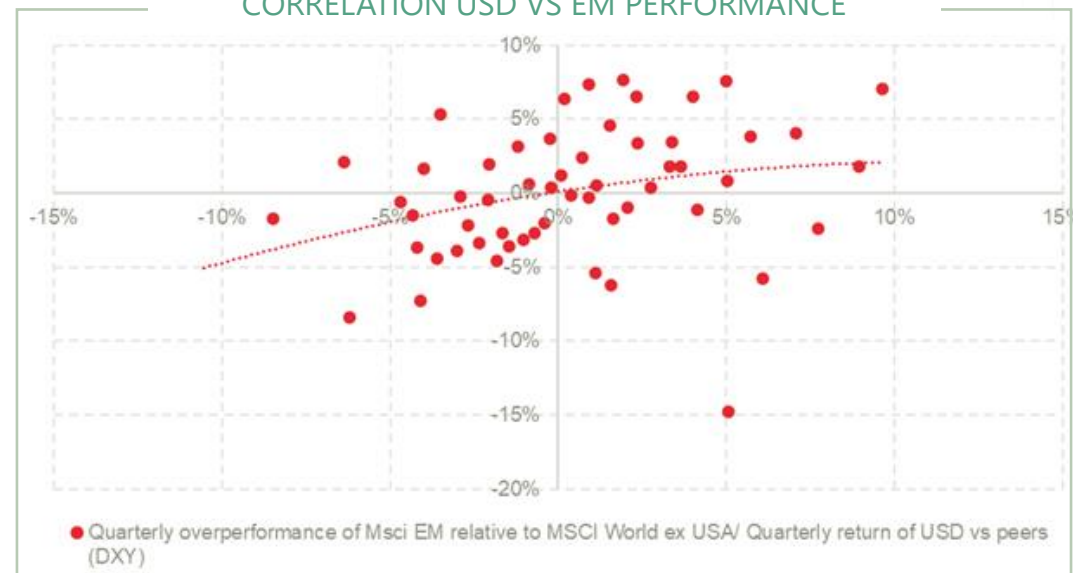
IF USD STRENGTHENS, FAVOR US ASSETS

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	<ul style="list-style-type: none"> ▪ Europe ▪ China 		<ul style="list-style-type: none"> ▪ United states
Styles	<ul style="list-style-type: none"> ▪ Cyclicals ▪ Value stocks 		<ul style="list-style-type: none"> ▪ Hyper growth companies
Size	<ul style="list-style-type: none"> ▪ Small caps 	<ul style="list-style-type: none"> ▪ Mid caps 	
Sectors	<ul style="list-style-type: none"> ▪ Automotive ▪ Construction ▪ Banks 		<ul style="list-style-type: none"> ▪ Technology
Fixed income	<ul style="list-style-type: none"> ▪ HY 		<ul style="list-style-type: none"> ▪ Government bonds ▪ Investment grade
Commodities	<ul style="list-style-type: none"> ▪ Metals ▪ Oil 		
Currencies		<ul style="list-style-type: none"> ▪ Euro/USD 	
Alternative	<ul style="list-style-type: none"> ▪ Private equity ▪ Private debt 	<ul style="list-style-type: none"> ▪ Hedge funds 	



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.

12. boulevard de la Madeleine - 75440 Paris Cedex 09, France - Tel. : 33 (0)1 44 51 85 00