MONTHLY *investment* BRIEF

ODDO BHF
ASSET MANAGEMENT

SMID is beautiful ... despite France

Europe faces significant structural challenges that impact its productivity compared to the US. Market fragmentation and regulation, a high proportion of small businesses, elevated taxes and lower R&D spending are some of the key contributors to this disparity. However, since the global financial crisis, these downsides have not worsened; in fact, many have become less detrimental.

European small firms make up a significant part of the corporate sector, especially in comparison to the US. American companies with 250 employees or more account for 59% of business employment, compared to 43% in Germany and 48% in France. Small businesses often allocate resources less efficiently than larger firms and are slower to adopt new technologies.

Investors are right to ask: can small companies capture the forward value created by the artificial intelligence revolution? We aim to demonstrate that, by definition, small companies will participate in any Schumpeterian evolution, as progress eventually spreads out to the entire economy.

The next question is: when? We believe the time has come to reposition for broader value creation, and we see early signs of this in the new positive earnings per share (EPS) trend. But first, let's delve into some theory.

Fama and French, among other researchers, have shown that small-cap stocks tend to outperform large-caps in the long run. Historically, investors have been willing to pay a premium for small and mid-cap stocks, recognising their higher growth potential compared to large caps.

However, in times of heightened macroeconomic uncertainty like today, investors tend to prefer the relative safety of blue-chip stocks. Smaller stocks often face risks related to their balance sheets, have high sector or geographic concentration, and may lack the scale to absorb significant business shocks.

This largely explains why European small and mid-caps - equities with a market capitalisation between EUR 200 million and EUR 10 billion - have underperformed their larger counterparts in recent years. As of the end of May 2024, small caps have continued to lag behind large caps in all major investment regions, with a 300-basis points underperformance in Europe and a 750-basis points in both Japan and the US.

Nevertheless, we believe that small and mid-caps offer higher long-term earnings growth at a discount and should perform better in the second half of 2024, particularly in Europe.

Small and Mid-Caps is a long-term call

History tells us that in the long run, small and mid-caps have tended to outperform large caps. Over the past 20 years, the former have outperformed the latter by 130% across Europe. Long-term outperformance can be attributed to several factors. First, small and mid-caps tend to deliver higher growth, driven by a smaller base and disruptive business models that support rapid expansion. Second, they offer lower exposure to defensive and lower-growth sectors such as consumer staples, energy and utilities. Third, the lower coverage by financial analysts gives rise to greater pricing anomalies, which represents interesting opportunities for investors. Fourth, these companies have historically represented a pool of targets for acquisitions, paid at high premia by buyers.

Rate cuts support Small and Mid-caps, particularly in Europe

The rise in interest rates initiated by the ECB in early 2022 was the fastest and most significant in European history. It has been a key factor in the underperformance of small and mid-caps, considered to be more sensitive to monetary tightening as they tend to finance their growth with a higher percentage of debt than large caps. The start of ECB monetary easing, by reversing the impacts of the past two years, should benefit small and medium-sized companies. In the US, the impact of FED rate cuts should be even more positive, given that over 40% of debt is short-term or floating rate.

Small and mid-caps benefit from pick-up in activity data

With better soft macroeconomic data surprises and better domestic activity momentum in Europe compared to the US, European small and mid-caps stand to gain. Purchasing Managers' Indices (PMI), which are based on a monthly survey of manufacturing companies, are an important forward indicator. They show a strong correlation with the performance of small and mid-caps, which has become even more pronounced in recent years. The fresh improvement in these indices is another signal of rising prices for small and mid-caps. The fact that European small caps are discounting no pick-up in PMIs yet should amplify the rebound.

Source: ODDO BHF AM, comments as of 10/06/2024.

Small and mid-caps have de-rated significantly and now trade near a 20-year low relative valuation

The valuation discount for small and mid-caps relative to large caps has now reached a point where a reversion to the mean seems inevitable, particularly in Europe. European small and mid-cap stocks are trading at a 12-month forward P/E of 12.5x, an approximately 5% discount to large caps. However, over the last 17 years, the Stoxx Mid 200 has traded at a 12% premium to the Stoxx Large 200, compared to a 4% discount today. For the Stoxx Small 200, the historical average is a 17% premium, versus a 6% discount today. A correction to this considerable undervaluation is overdue. We therefore expect small and mid-caps to return to trading at a premium over their larger counterparts, which implies double-digit outperformance potential.

Small and mid-caps performance undershooting strong EPS momentum

Earnings growth revisions are a key signal for re-entering the small and mid-cap segment. Here, too, there is reason for optimism for both Europe and the US, with earnings estimates being revised upwards at much higher levels than for large caps. In Europe, 2024 estimated EPS growth is expected to increase by +8% for small caps and +13% for mid-caps, compared to less than +3% for large caps. All of this suggests that the long dry spell for small and mid-caps is over.

Conclusion:

- **Strategic preference for “Mid” over “Small”**
- **Tactical preference for Europe over the US**
- **Selection is key**

It is time to re-invest in the small and mid-caps segment with a preference for Mid over Small. EPS growth momentum is better for pretty similar valuation discounts. Balance sheets are healthier with ND/EBITDA levels 10-15% lower than small-caps. Last, if ECB gave a clear signal that this is the start of an easing cycle, liquidity remains better for mid-caps.

As regards geographies, we tactically favour Europe over the US due to: 1/ greater confidence in further ECB rate cuts than the FED, which is unlikely to cut its rates before September, 2/ anticipation of more positive economic surprises to come in Europe, 3/ more attractive valuations in both absolute and relative terms, and 4/ better momentum in EPS revisions.

As regards sectors, when re-entering the small and mid-cap asset class, it is advisable to be selective. We favour sectors that stand to benefit from economic recovery and falling interest rates. These include industrials, healthcare, technology, consumer discretionary and materials. On the other hand, we underweight the highly indebted real estate sector, banks (which have benefited from high interest rates) and more defensive sectors.

Within our preferred sectors, we favour companies with low refinancing risks and rising earnings that are likely to benefit from the improving macroeconomic environment. We also like disruptive business models that can scale quickly. Ultimately, companies should be able to fund their own growth and remain profitable in any economic environment. Within these parameters, now is the time to re-invest in small and mid-caps.

Then comes the final question: Are we serious about the timing after the French Assembly dissolution?

It's fair to say that the uncertainty surrounding the French elections does not bode well for French assets, although it doesn't affect the entire European market. Firstly, we don't know the election outcome, but it's likely that the future Prime Minister's maneuvering room will be limited. Investors have made it clear recently that they won't tolerate any soaring deficits. Even the ECB has stated that there is no reason to panic or intervene currently.

We are not traders but long-term investors. We have been waiting for the "perfect" entry point. By definition, it doesn't exist, but the sum of identified signals has been significant. We believe in active management driven by conviction. We stick to our view but with a significant change: European small and mid-caps make sense, but without French ones. When we talk about France, it's not just about being part of French indices but also about their proportion of revenues in France. If opportunities arise after the elections, there will always be plenty of time to seize them.

LAURENT DENIZE
Global Co-CIO, ODDO BHF

Source: ODDO BHF AM, comments as of 10/06/2024.

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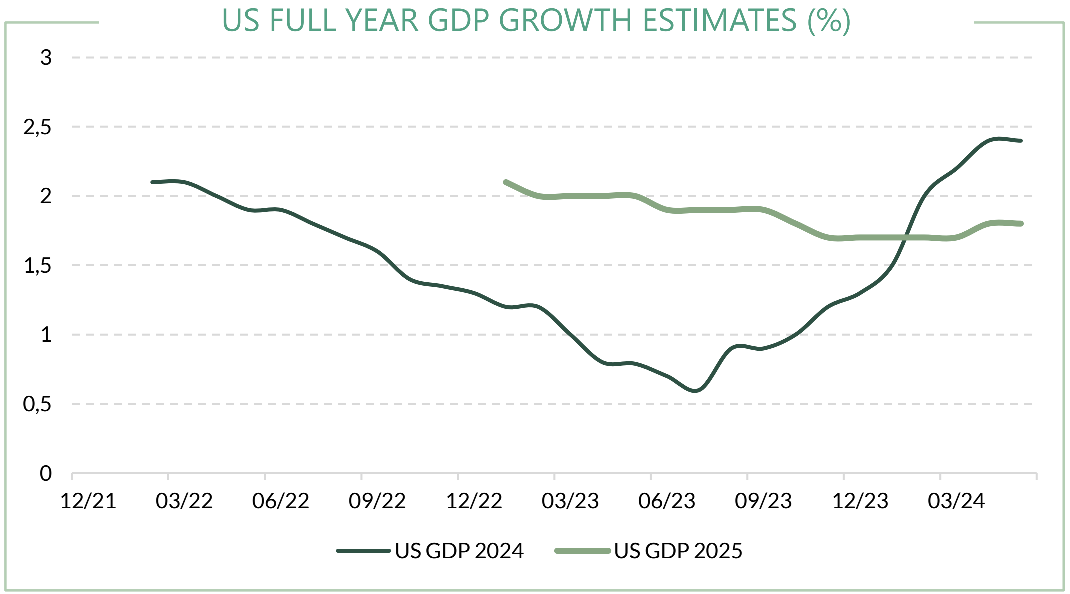
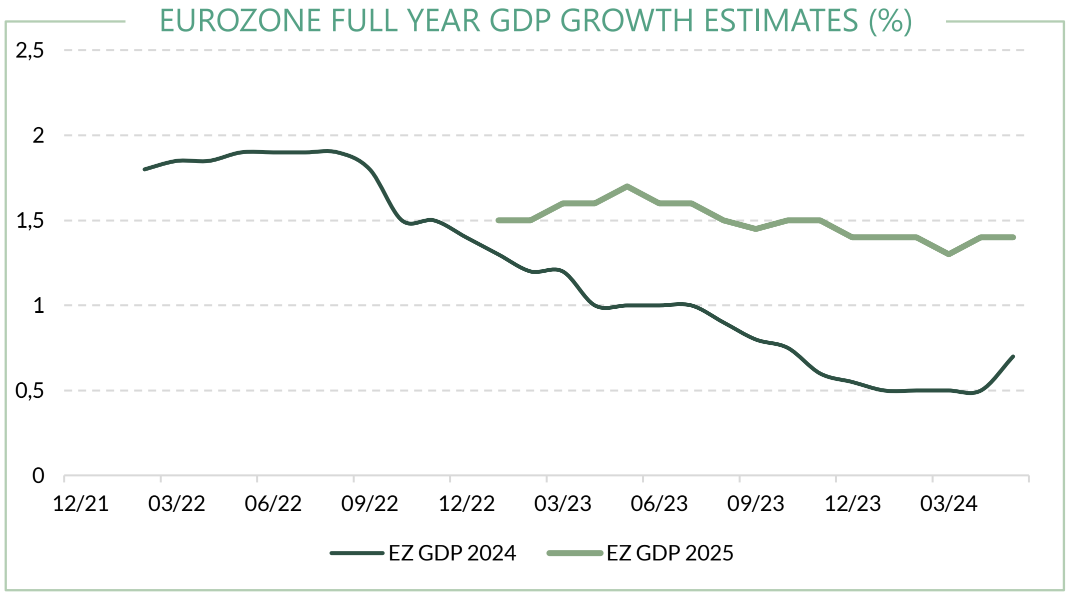
01

MACROECONOMIC *outlook*

Growth outlook
EUROZONE IS CLAWING BACK





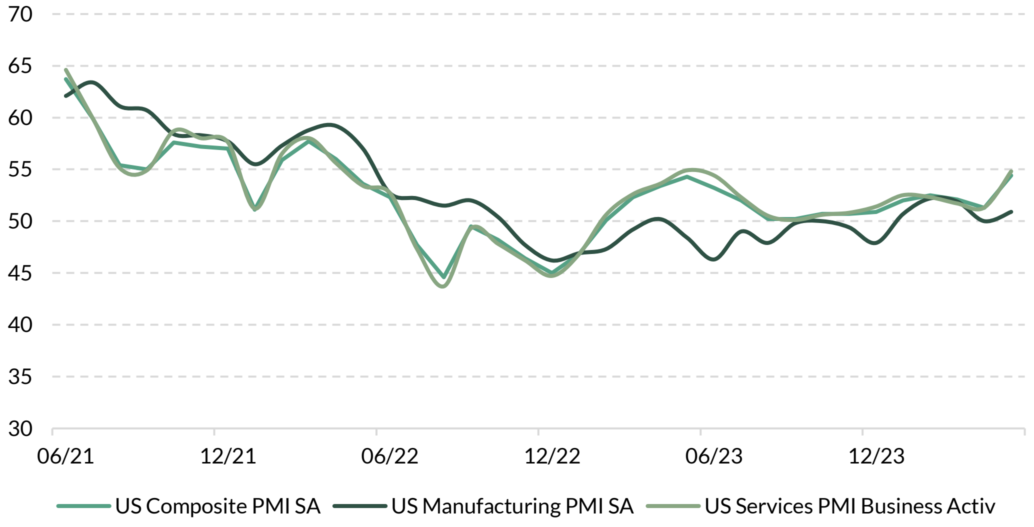
- The US has recently lost growth momentum and appears to roll over. Forecasts stagnate at 2.4% and 1.8% for 2024 and 2025
- On the contrary Eurozone projections have improved for 2025, but also near-term to at least 0.7%
- Indicators like the global PMI suggest that services momentum continues to improve, but also manufacturing has gained traction into expansionary territory

Sources: ODDO BHF AM SAS, Bloomberg | Data as at 03/06/2024

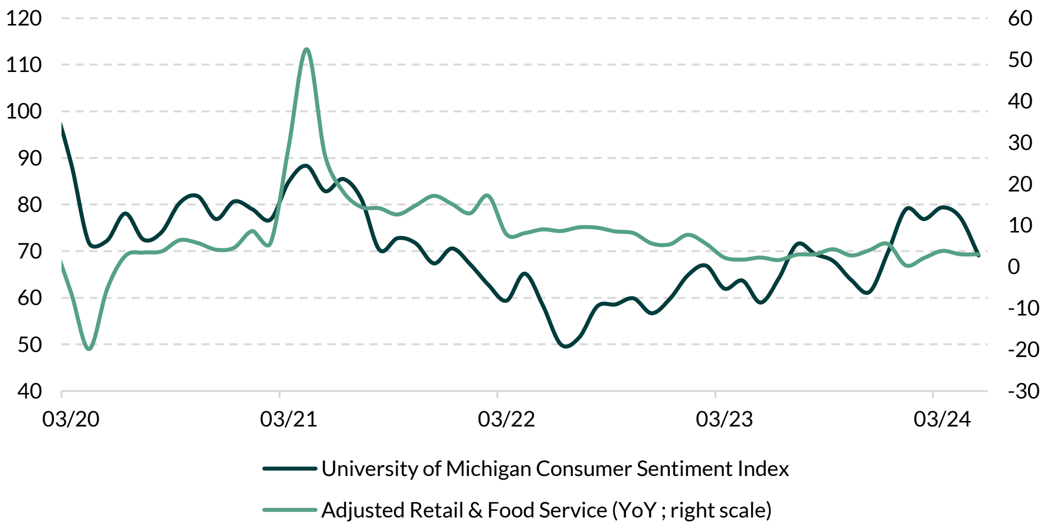
USA

MOMENTUM IS ROLLING OVER, BUT VERY GRADUALLY

PMI SERVICES & MANUFACTURING



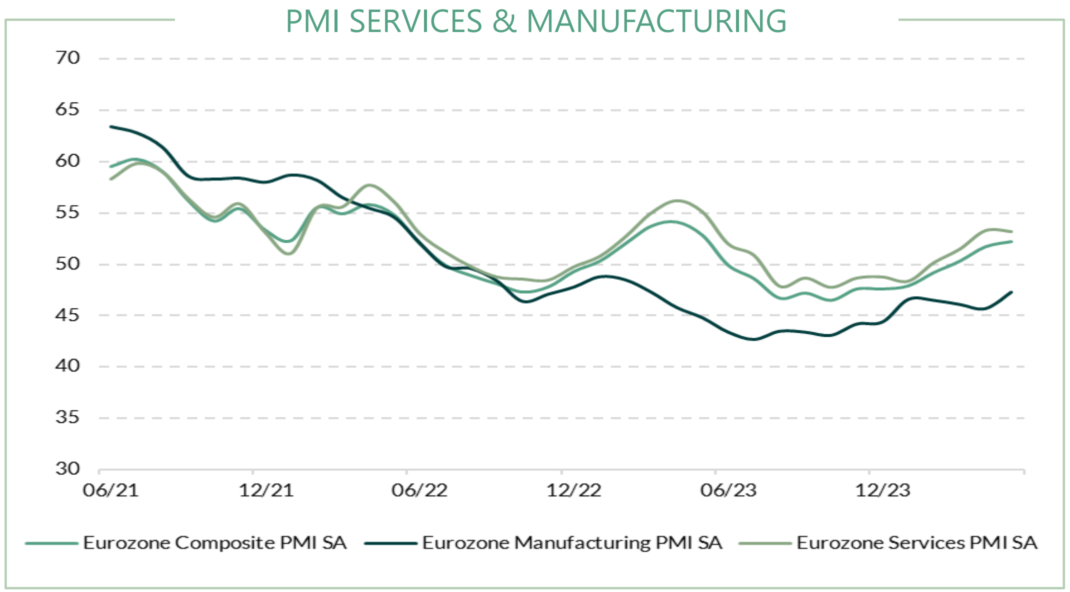
RETAIL SALES & CONSUMER CONFIDENCE

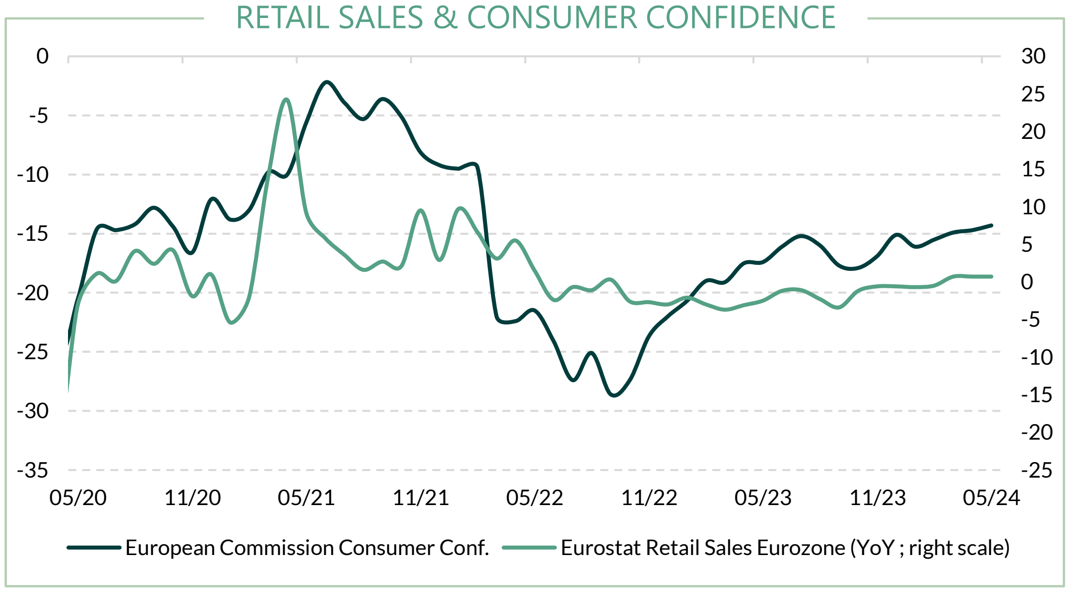


- US growth weakened slightly in Q1 to 1.3% qoq ann. driven mostly by a moderation in trade and inventories
- ISM manufacturing remains below 50 in May, but the services part made up completely for the April decline and sits well above 50
- The labor market is still healthy when looking at non-farm payrolls. Other indicators show that some moderate deceleration is under way: job openings trend down to the lowest point in three years , the quits rate is slowly increasing, small firms report declining hiring intentions (NFIB) and weakness in the employment components of the ISM and PMI are striking
- While the recent US data may be just a soft patch, we see evidence of a slowly crumbling momentum into year-end

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

Europe
REBOUND CONTINUES



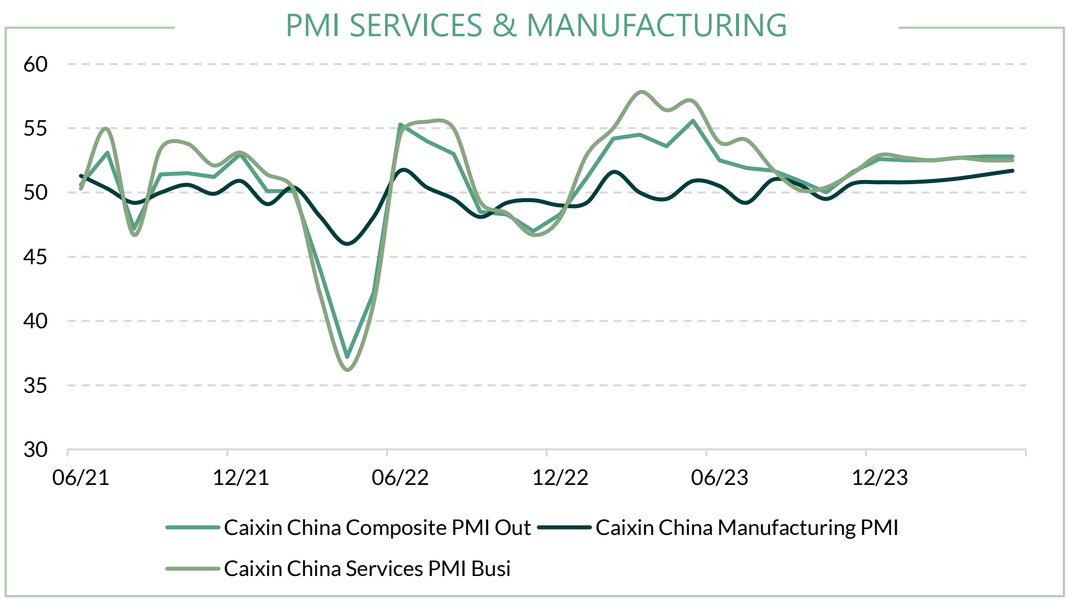


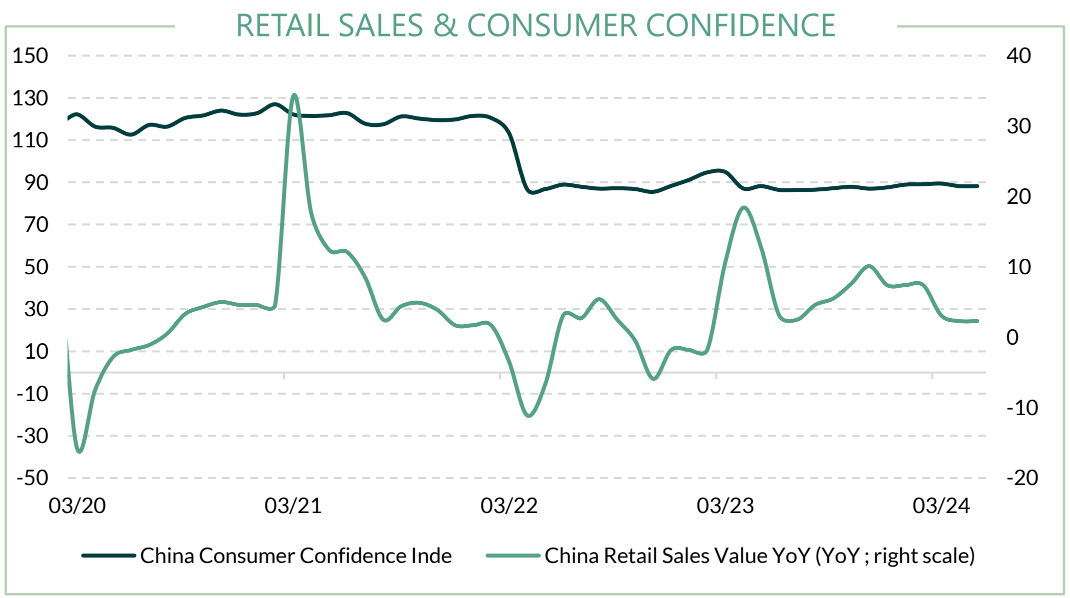
- The economic rebound continued into the 2nd quarter
- GDP in the 1st quarter expanded by 0.3% qoq above expectations. Even Germany posted an 0.2% increase
- The composite PMI has further improved to 52.2 in May. While the strength is mostly based on the service sector, manufacturing also staged a shallow comeback with Germany stabilizing at a low contractionary level. Given the reduced correlation with real underlying activity, the direction of travel is probably more relevant than the current level
- While better real disposable income, robust labor markets and some inventory restocking may lift the economy further, it is unlikely that such a rebound is sustainable. Fiscal policy, especially in Germany is restrictive, rate hikes are still working themselves through the economy and main trading partners like China are struggling

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

China

SIGNS OF LIFE



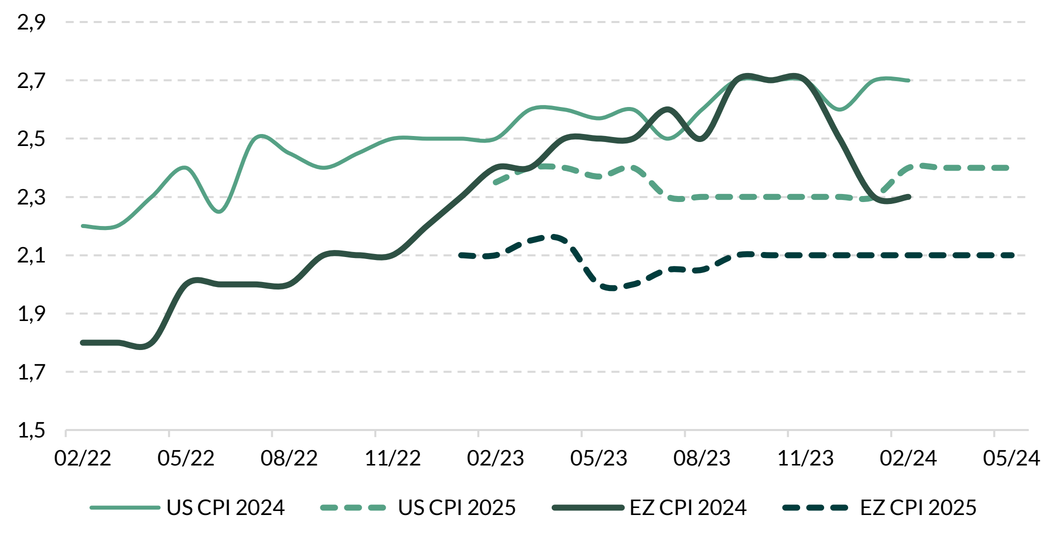


- PMI signal at least a temporary relief as manufacturing and services components continued to improve. Thus, the Caixin measure edged up to 54.1 from 52.8 mostly thanks to the services component
- Also exports increased meaningfully in May giving credence to the temporary rebound story
- Monetary policy has been eased further but with limited impact so far as the economy faces a liquidity trap
- Therefore, the recent growth rebound may be quite temporary as the property sector remains a structural drag on any growth improvement

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

Inflation expectations
NO REASON FOR CONCERN

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



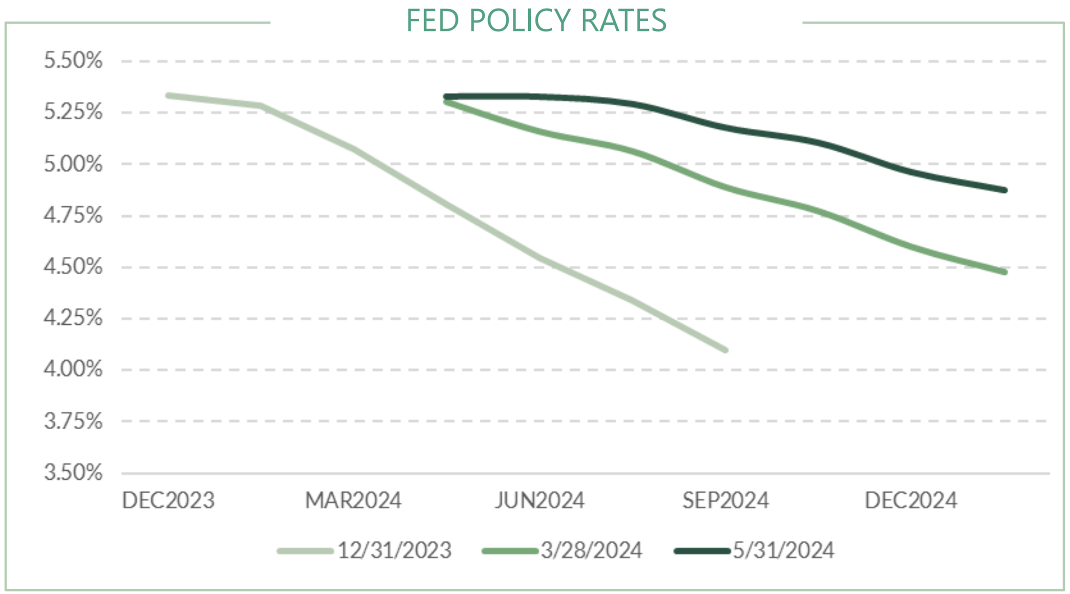
YOY CPI ESTIMATES

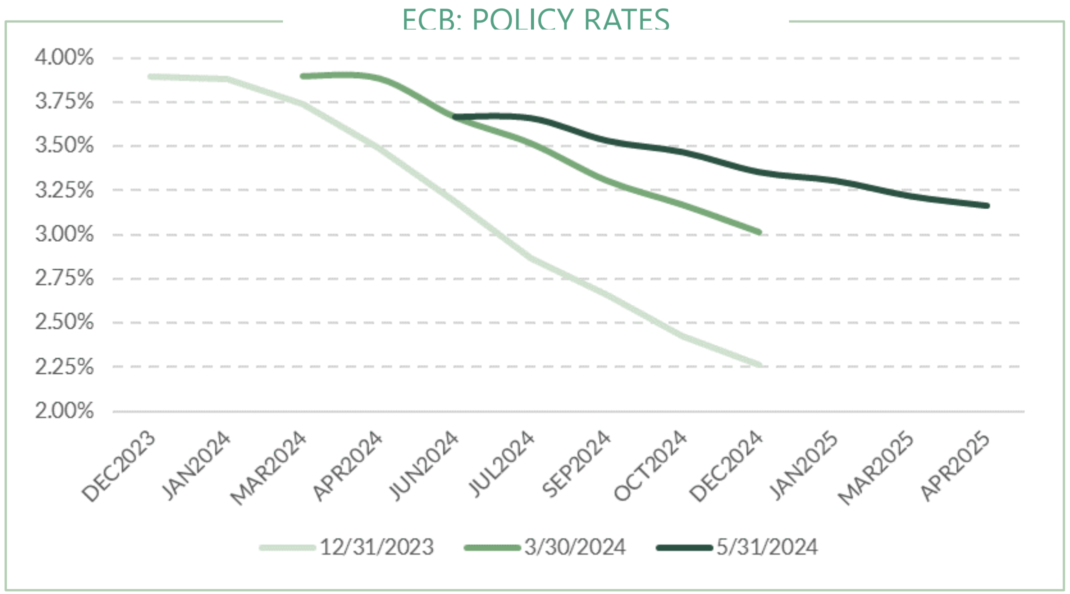
	Headline Inflation Rate (%)	Inflation Rate (%)			Inflation Forecasts (%)		Policy Rate (%)		Money Supply (y/y %)		Output Gap (%)
		Target	Actual	Diff	Annual Forecast	Diff	Nominal	Real	Narrow	Broad	
US	3.4	2.0	2.7	0.7	3.2	1.2	5.5	2.1	3.26	0.6	0.5
Euro Area	2.6	< 2.0	2.6	0.6	2.4	0.4	4.5	1.9	-6	1.3	-
Japan	2.5	2.0	2.5	0.5	2.4	0.4	-0.1	-2.6	2.1	2.2	1.1
UK	2.3	2.0	2.3	0.3	2.5	0.5	5.25	2.95	-	0.6	-1.0
Canada	2.7	1.0-3.0	2.7	In range	2.5	In range	5	2.3	0.08	5.03	-0.4
Australia	3.6	2.0-3.0	3.6	0.6	3.4	0.4	4.35	0.75	-20.1	5.07	-1.0
New Zealand	4	1.0-3.0	4.0	1.0	3.2	0.2	5.5	1.5	10.8	3.5	-2.1
Switzerland	1.4	<2.0P	1.4	In range	1.35	In range	1.5	0.1	-8.44	-1.12	0.6
Denmark	0.8	-	0.8	0.8	2	2	3.75	2.95	3.67	-12.61	2.3
Norway	3.6	2.0	3.6	1.6	3.5	1.5	4.5	0.9	-4.3	0.1	-0.6
Sweden	3.89	2.0	3.9	1.9	3.1	1.1	3.75	-0.14	-10.98	-0.71	-1.9

- A bit of stickiness in recent inflation has not translated into heightened inflation expectations
- Market based break-even rates have even declined from their early April highs and are back to the lower bounds of established ranges

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

FED & ECB policies
ECB MOVES FIRST



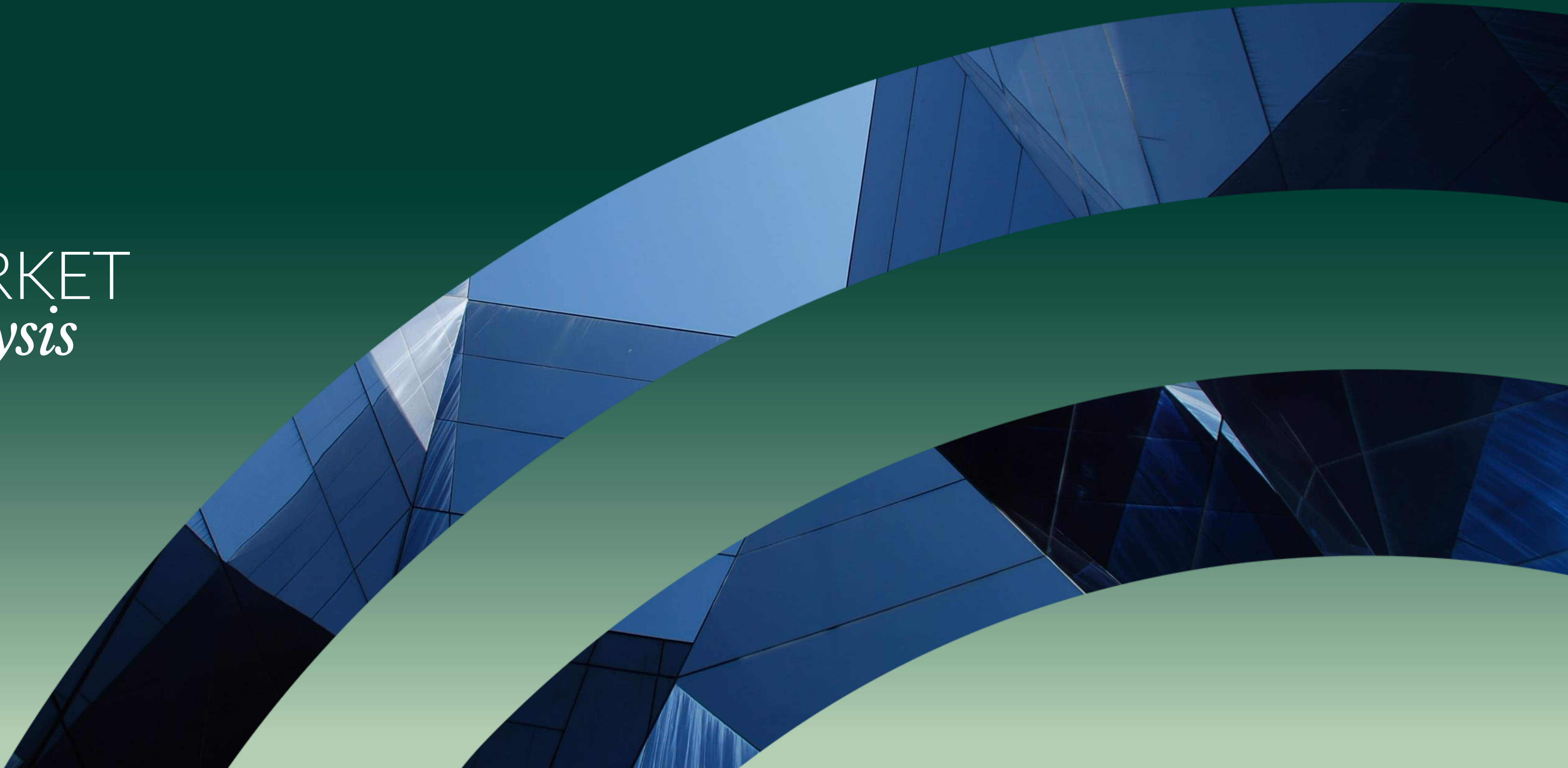


- The ECB delivered the first cut after nine months in a quite unsurprising meeting
- The path for further policy accommodation remains vague and data dependent according to Mme Lagarde
- Currently expectations are for another one to two cuts until year-end
- Although, the cutting cycle may start slow we are still seeing chances for more meaningful cuts medium-term
- The FED is likely to stay put over the summer but to move in autumn as the labor market crumbles, shifting the preference from inflation to employment

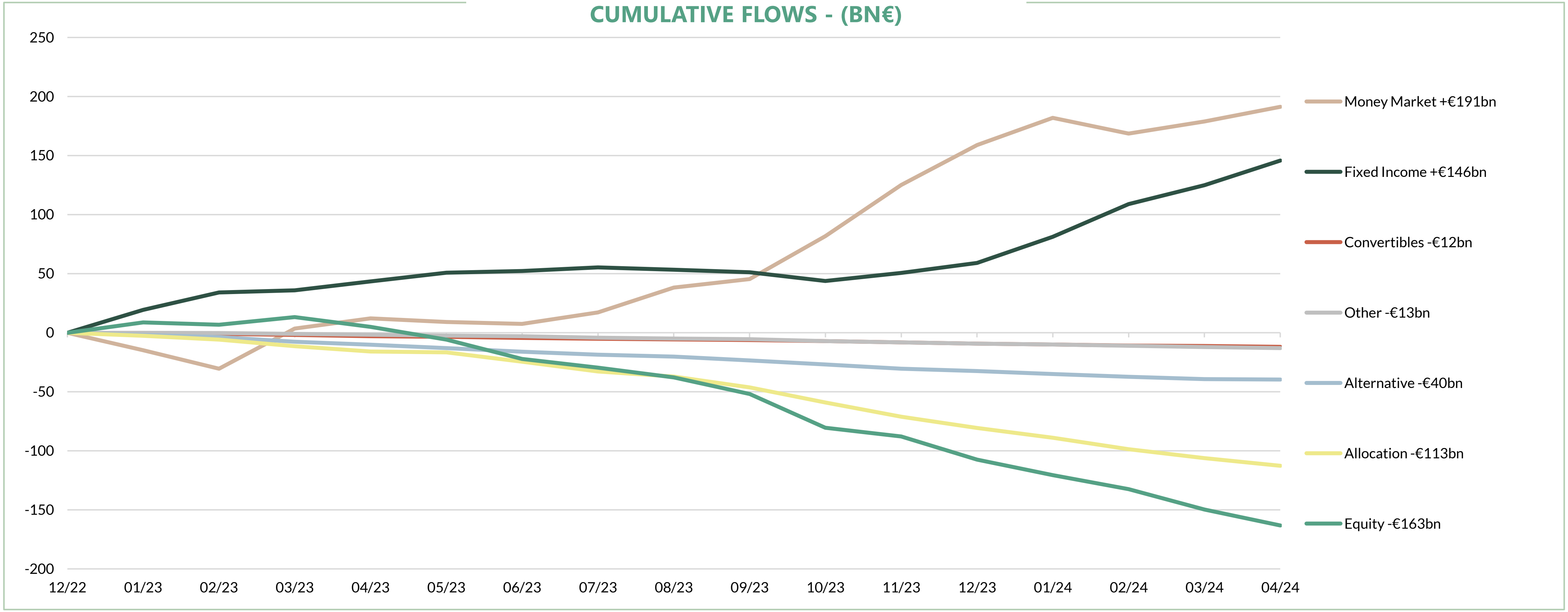
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

02

MARKET *analysis*

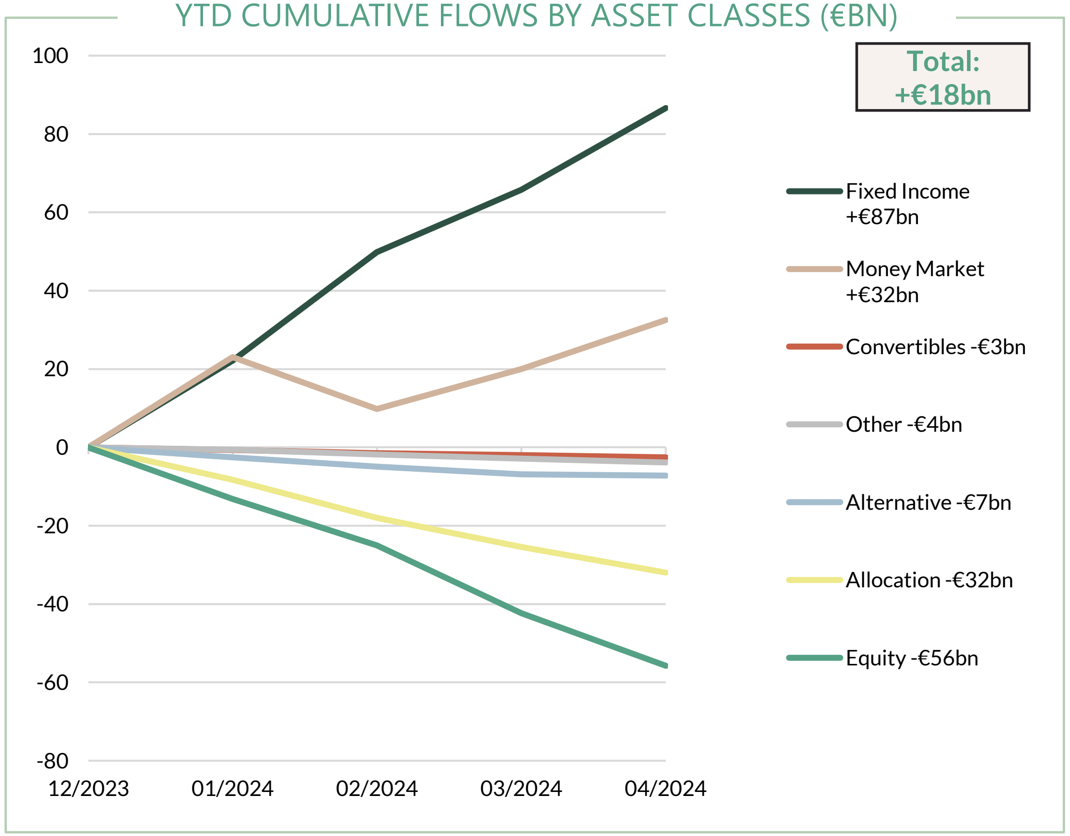


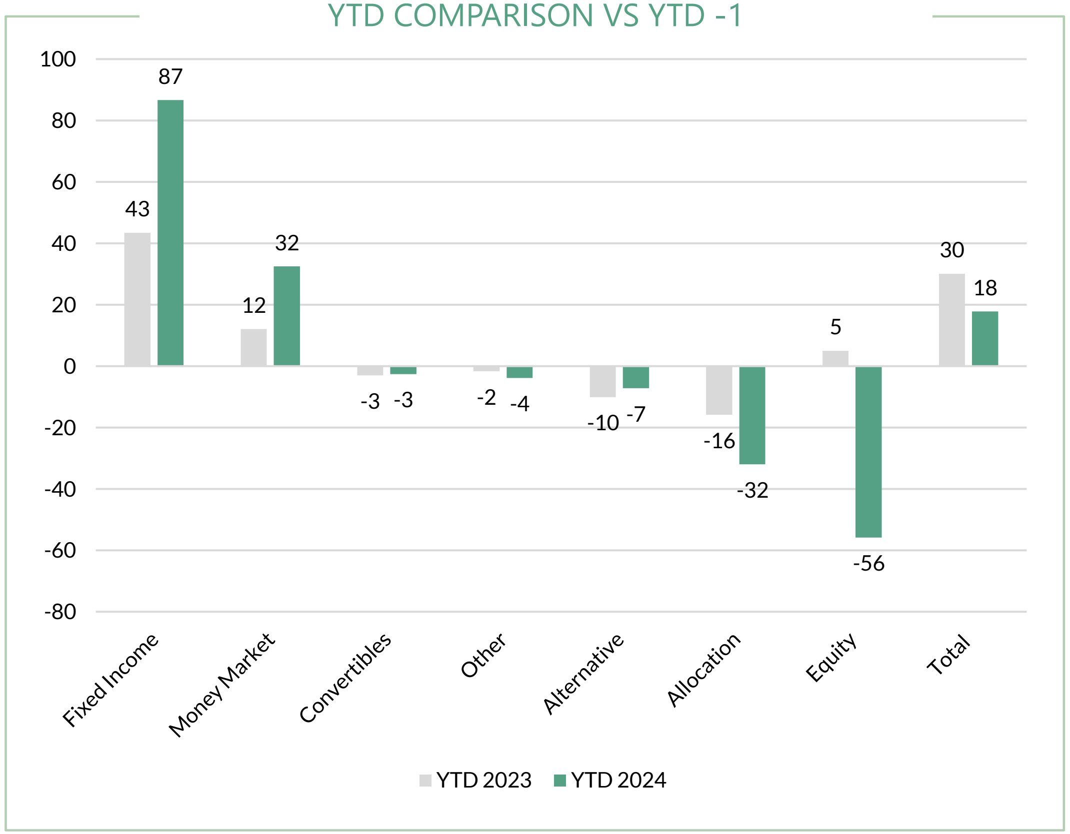
Cumulative mutual fund flows (€bn) since 2023



Source: Morningstar. Data as of 30/04/2024 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

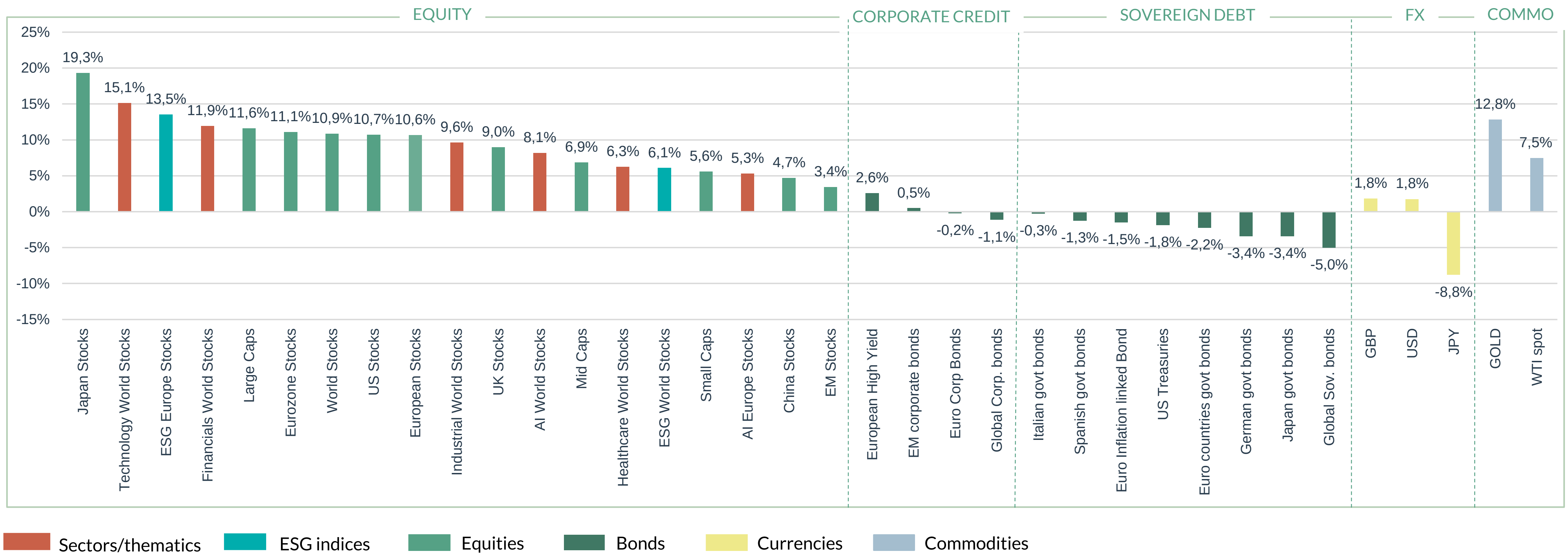
2024 European mutual fund flows





Source : Morningstar. Data as of 30/04/2024 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

Year-to-date performances of asset classes



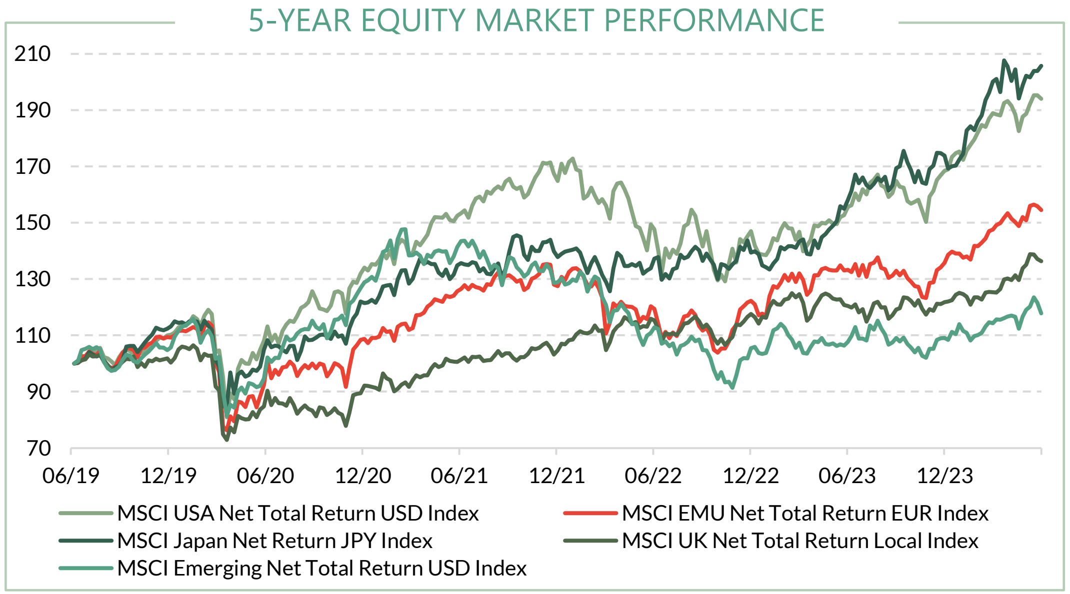
Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 31/05/2024; performances expressed in local currencies

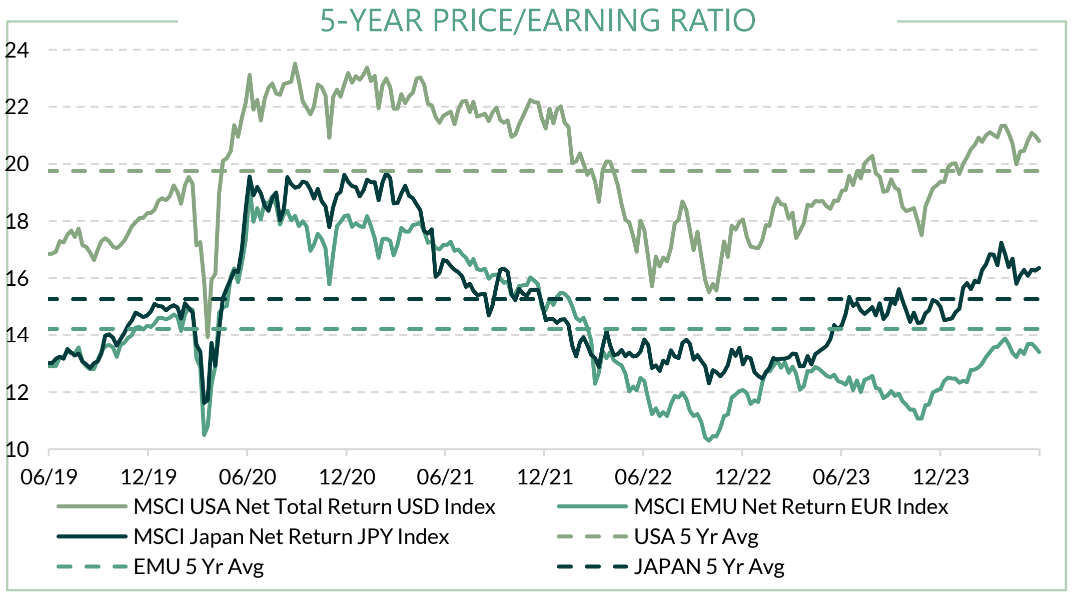
01

EQUITIES

Equities

FUELED BY EARNINGS, EQUITY RALLY RESUMES



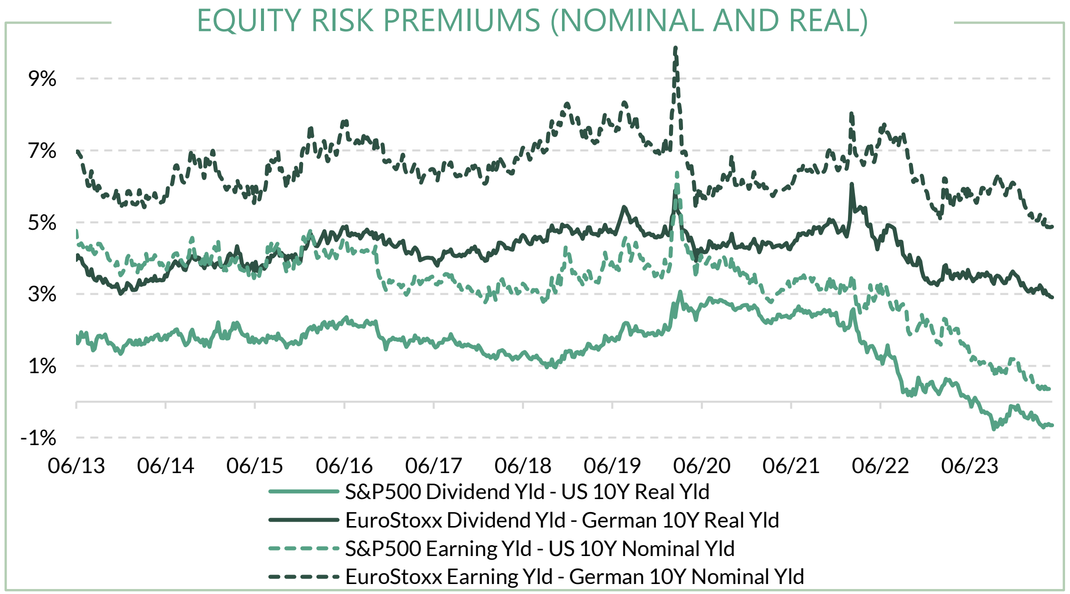


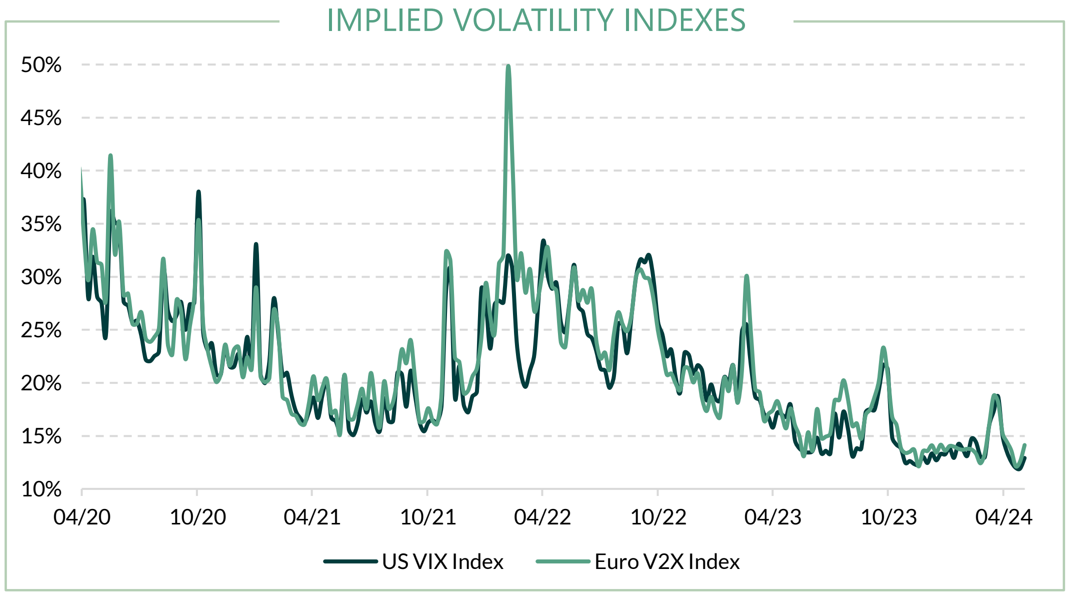
- Over the month, the MSCI World (in local currencies) resumed its upward trend, gaining +4.2%.
- Aided by recent earnings releases, the S&P500 and Nasdaq gained 4.8% and 6.3% respectively, while the Nikkei stagnated, ending the month up a modest 0.2%.
- In Europe, for once, small-cap stocks rebounded by 5.8% (MSCI Europe Small Cap), while the EuroStoxx rose by 3.1% and FTSE 100 by 1.6%.

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 03/06/2024

Risk premiums & volatility

MEAGER PREMIA, IN BARELY VOLATILE MARKETS





- Despite decent earnings revisions, the upward move in Eurozone sovereign yields ended with the European equities' risk premium shrinking over the month. While in the US, equity risk premium remain at secular low levels.
- After a bout of stress in April, implied volatilities tumbled quickly in April, back to historical lows. The VIX index even temporarily broke below 12%, a level last seen in 2019

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 03/06/2024

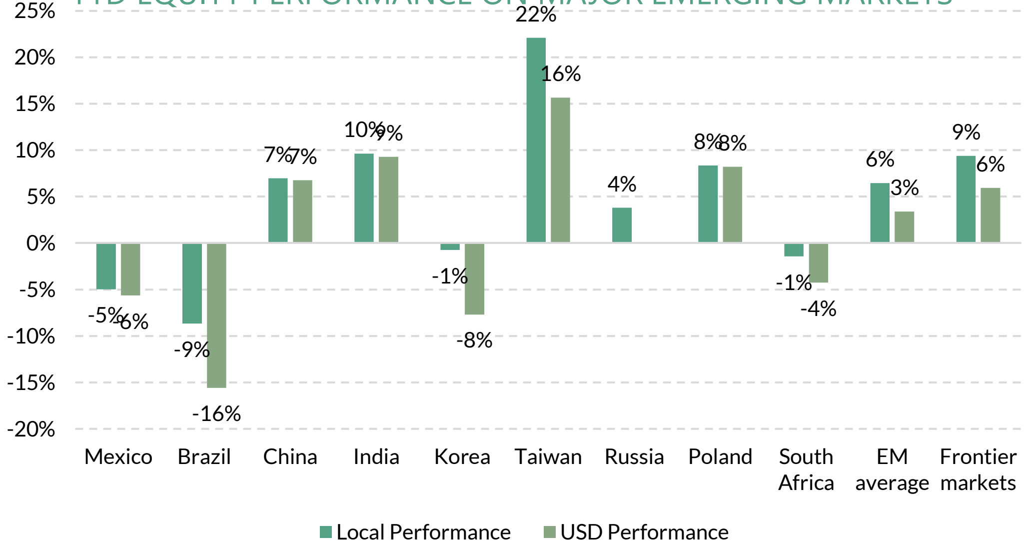
European equities – sectors overview

EUROPEAN SECTOR	WEIGHT	PRICE PERFORMANCE 1m %	PRICE PERFORMANCE YTD %	EPS GROWTH 2024	EPS GROWTH 2025	Valuation P/E 12m 12m	Valuation Div Yield 12m	Valuation FCF Yield 12m	Valuation EV/EBITDA 12m	Valuation Price/Book 12m
STOXX Europe 600		2,6%	8%	6%	10%	13,5 x	3,4%	5,2%	9,1 x	1,9 x
Commodities										
Energy	4,2%	-0,9%	6%	-3%	5%	8,6 x	4,7%	9,5%	4,0 x	1,2 x
Basic Resources	2,6%	1,9%	4%	18%	18%	11,8 x	3,7%	5,3%	5,8 x	1,3 x
Cyclicals										
Automobiles & Parts	2,6%	-2,6%	5%	-5%	8%	6,0 x	5,4%	10,6%	5,2 x	0,7 x
Chemicals	2,5%	0,3%	0%	21%	20%	19,3 x	3,0%	3,3%	9,8 x	2,1 x
Construction & Materials	4,2%	4,7%	7%	7%	12%	14,8 x	2,9%	6,1%	8,5 x	2,1 x
Industrial Goods & Services	14,9%	4,5%	12%	10%	14%	18,3 x	2,5%	4,9%	10,6 x	3,1 x
Media	2,0%	3,4%	13%	76%	10%	18,7 x	2,5%	5,2%	11,8 x	3,6 x
Technology	8,4%	3,5%	13%	3%	34%	26,5 x	1,1%	2,9%	17,8 x	4,5 x
Travel & Leisure	1,3%	-2,7%	0%	14%	20%	12,5 x	2,1%	6,7%	6,9 x	2,5 x
Consumer Products and Services	6,0%	0,6%	4%	5%	16%	24,0 x	2,0%	4,1%	13,4 x	4,1 x
Financials										
Banks	9,6%	3,8%	20%	5%	5%	7,3 x	6,8%	-		0,8 x
Insurance	5,2%	4,2%	10%	18%	8%	10,1 x	5,7%	5,9%	17,5 x	1,6 x
Financial Services	4,3%	6,6%	7%	9%	14%	13,6 x	3,0%	5,6%	8,6 x	1,4 x
Real Estate	1,8%	4,7%	-1%	7%	5%	15,7 x	4,1%	4,9%	21,9 x	0,9 x
Defensives										
Health Care	15,4%	2,6%	10%	4%	16%	18,4 x	2,3%	4,5%	12,8 x	3,6 x
Food Beverage and Tobacco	5,3%	1,1%	-1%	2%	9%	14,6 x	3,8%	6,1%	10,6 x	2,5 x
Personal Care Drug and Grocery Stores	2,1%	2,8%	2%	5%	10%	14,7 x	3,6%	6,2%	7,8 x	2,6 x
Retail	1,1%	4,5%	8%	11%	14%	17,0 x	3,3%	5,7%	8,3 x	2,9 x
Telecommunications	2,5%	5,8%	5%	65%	11%	13,0 x	4,8%	10,5%	6,2 x	1,2 x
Utilities	3,7%	2,9%	-3%	4%	0%	12,3 x	4,9%	-1,3%	7,8 x	1,5 x

Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Goldman Sachs, 04/06/2024

Emerging markets
ROTATION TOWARDS NORTH-EAST ASIA

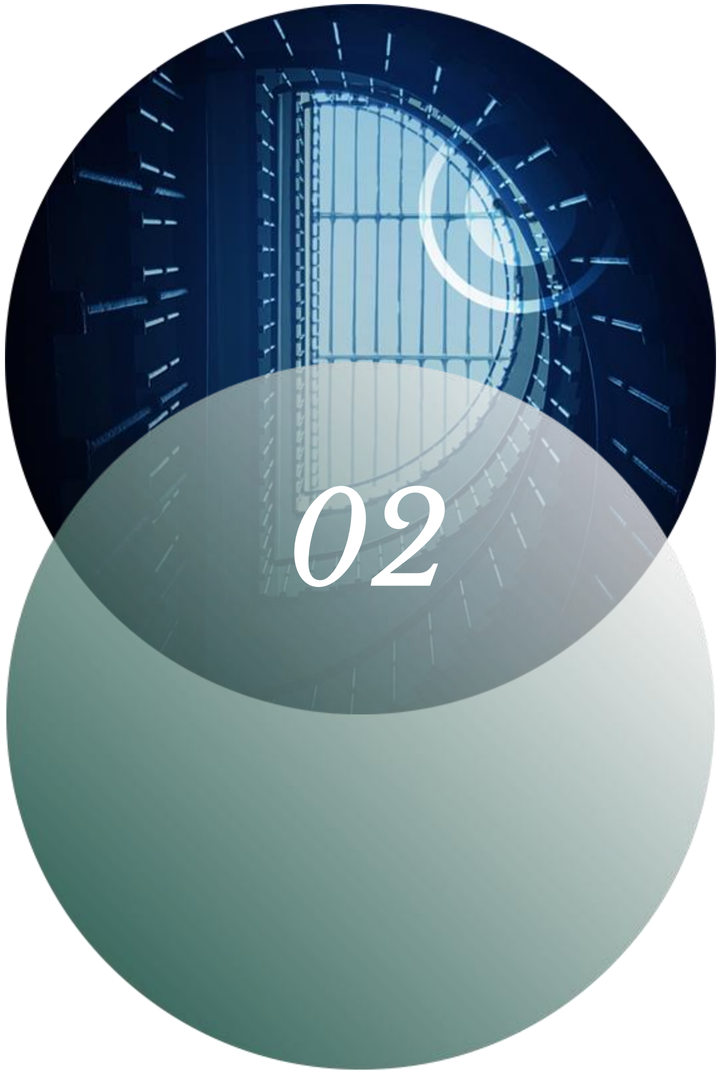
YTD EQUITY PERFORMANCE ON MAJOR EMERGING MARKETS



EM FWD P/E PREMIUM TO DM

- After a nice catch-up over the previous month, Emerging equities renewed with underperformance, with the MSCI EM index gaining just 0.3% (in USD) in May.
- Taiwan (+4%) and Hong-Kong HSCEI (+2%) joined the global equity rally, while Southern Asian exchanges (Jakarta Composite -4%, as did Philippine PSEI) and Latin American indices (Mexico BMV and Rio IBOVESPA both losing -3%) significantly underperformed.
- Despite most developed currencies rebounding vs USD, many emerging currencies stood still or lost some ground vs the greenback.

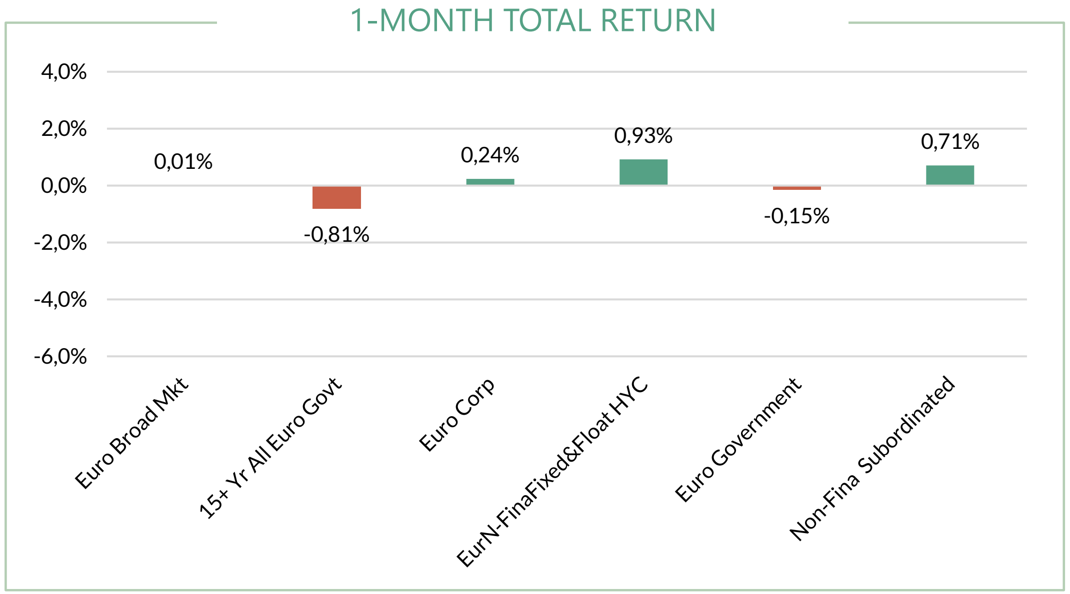
Past performances are not a reliable indicator of future performances and are not constant over time
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 03/06/2024

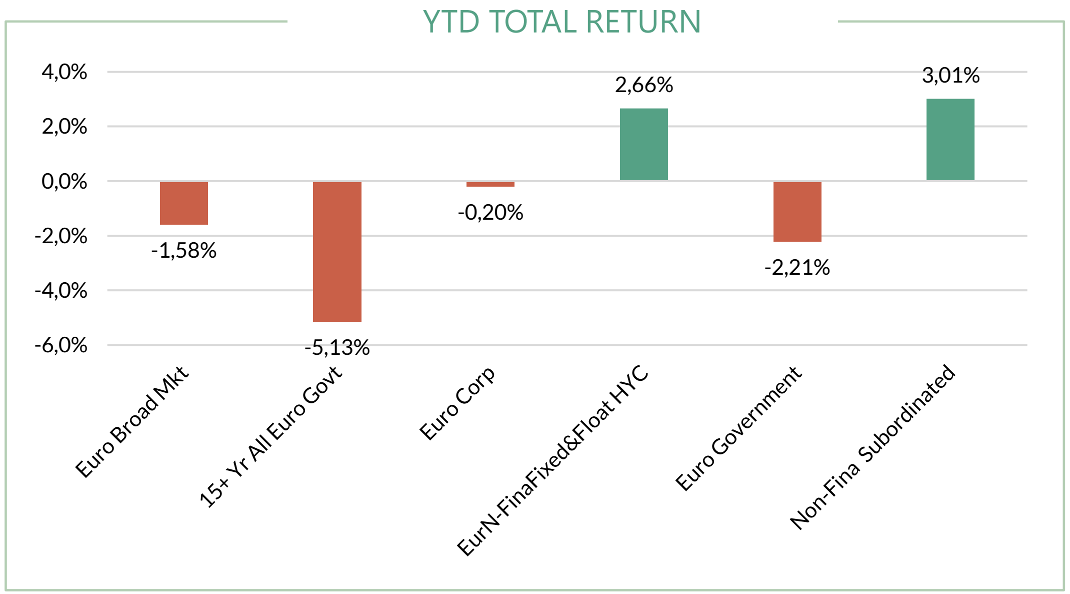


FIXED INCOME

Performance fixed income segment

NOT A DURATION YEAR YET



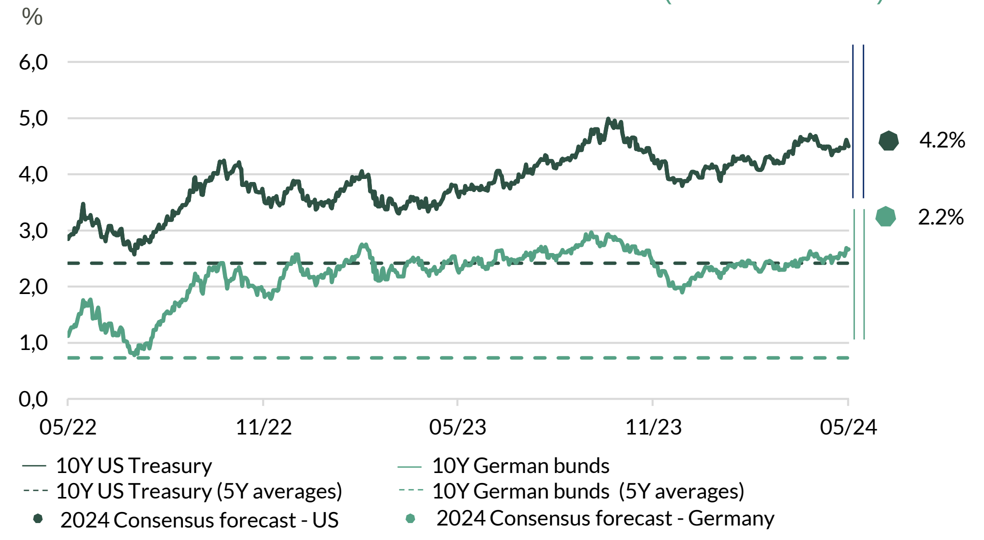


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM, Bloomberg, data as of 31/05/2024

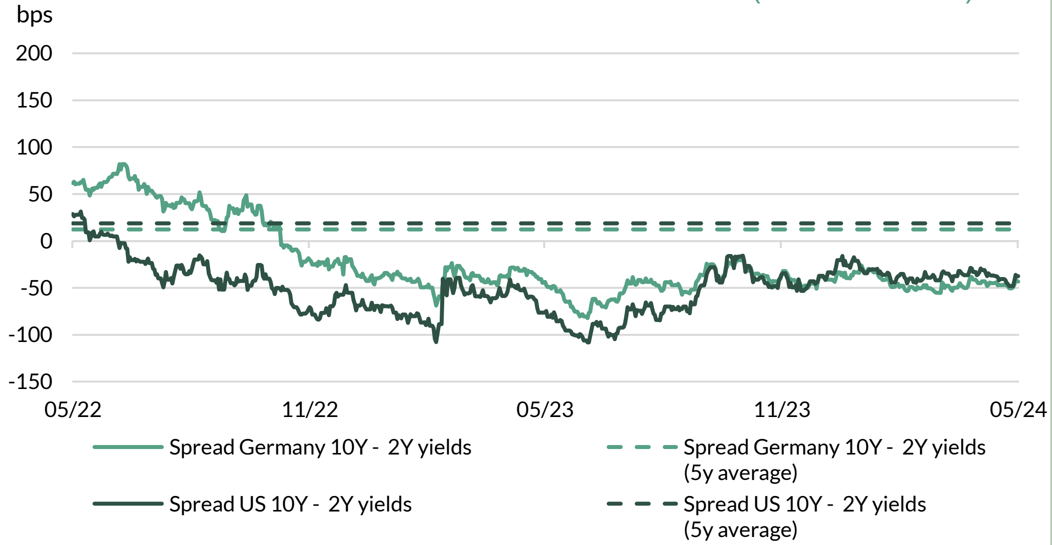
Rates

BOND MARKETS SPOOKED BY "HIGH FOR LONG" AGAIN

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



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



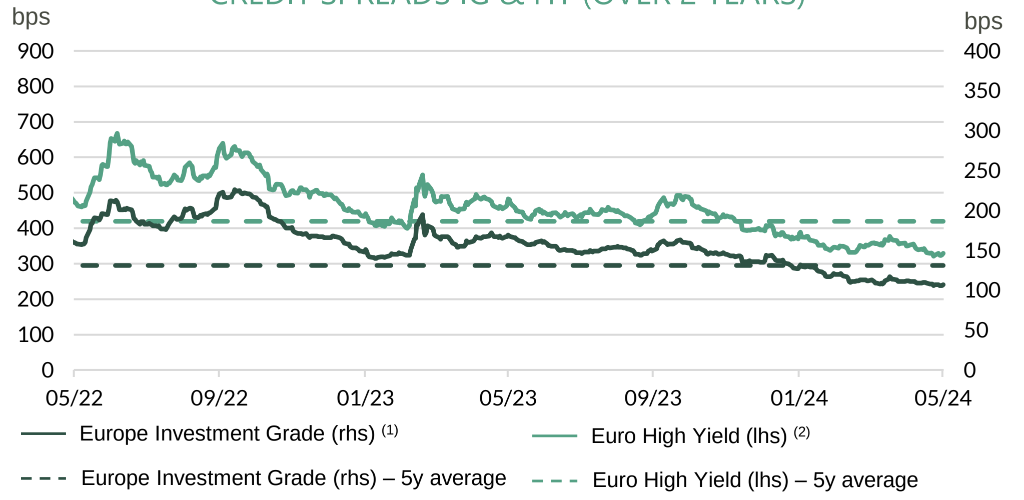
- Fears of sticky inflation, some improvement in recent US data and a moderate rebound in Eurozone growth momentum keep rates under upward pressure
- While 10-year US-Treasuries are still 25bp below the interim high of 4.7%, Bunds are back to the May level of almost 2.7%. This underperformance is basically a reflection of better relative growth for the Eurozone
- For the time being the upward sloping trading range should hold, but we still see potential for declining yields once the US rolls over more meaningfully and disinflation continues
- In this move yield curves should reverse the inversion from the short end as the cutting cycle progresses

Past performance is not a reliable indicator of future performance and is not constant over time.
Bloomberg Economic Forecast | Sources: ODDO BHF AM SAS, Bloomberg | LHS: Data as of 05/31/2024; RHS: Data as of 05/31/2024

Credit Spreads

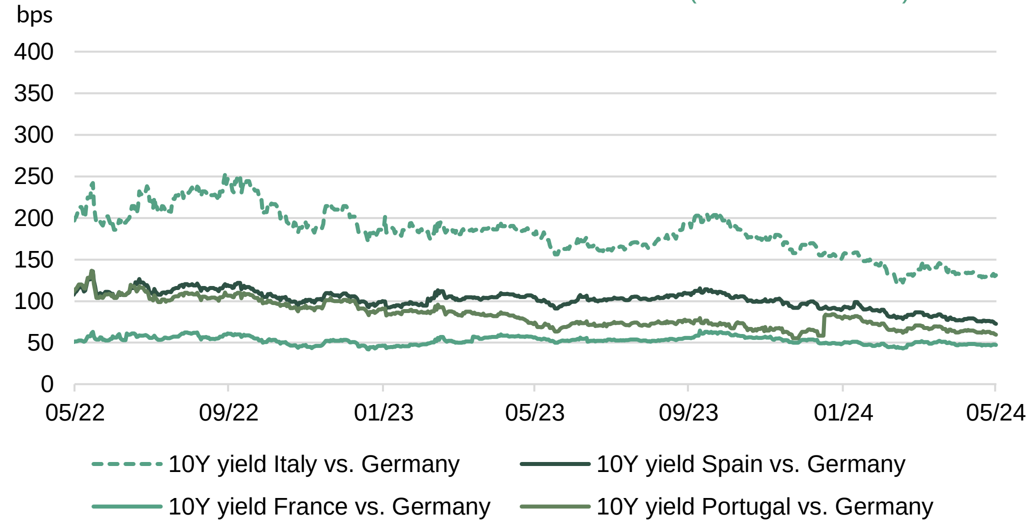
SPREAD COMPRESSION EXHAUSTED?

CREDIT SPREADS IG & HY (OVER 2 YEARS)



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

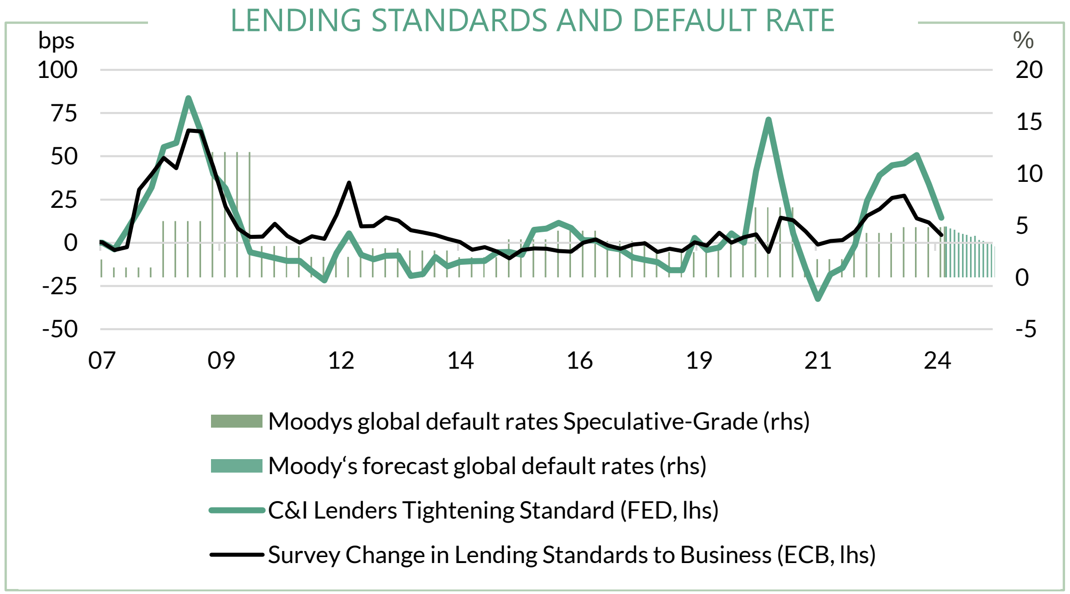
MAIN EUROZONE COUNTRY SPREADS (OVER 2 YEARS)

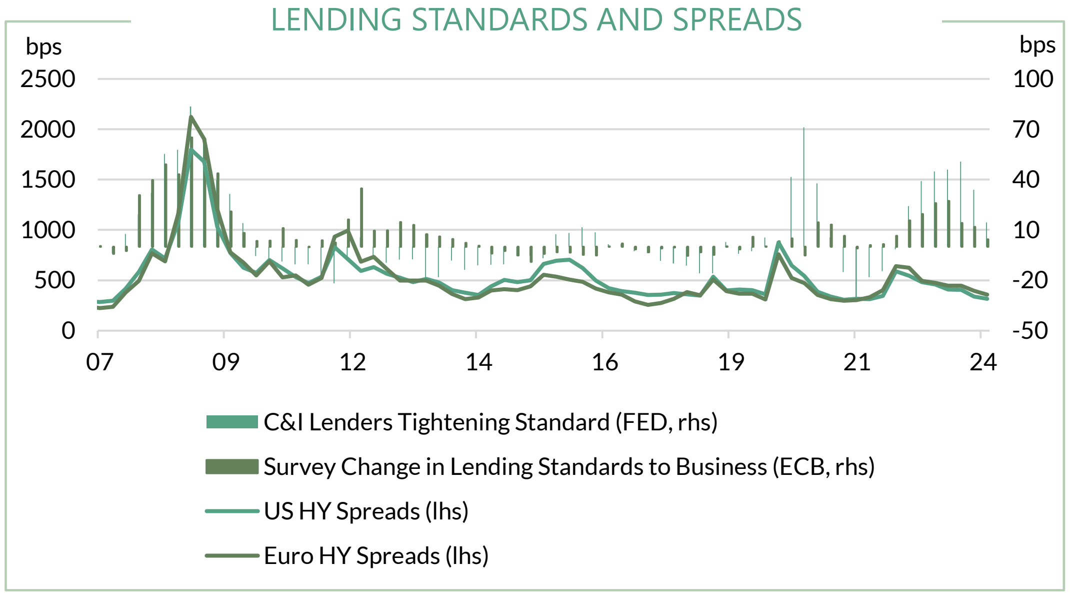


- Spreads continued to decline to new cycle lows of 107bp and 317bp for Investment Grade and High Yield, respectively
- From here a further compression is more difficult to come by, but carry, sound credit fundamentals and still brisk demand make especially Investment Grade bonds attractive unless the economic backdrop darkens significantly
- Peripheral bonds have traded sideways over the recent weeks with a slight upturn in the wake of the called snap elections in France. This political uncertainty may add to spread volatility near-term but carry considerations still recommend an overweight especially in Spain and Italy

Past performance is not a reliable indicator of future performance and is not constant over time.
Sources: ODDO BHF AM SAS, Bloomberg | Data as of 05/31/2024

Financial conditions
RESTRICTIVE BUT LESS SO



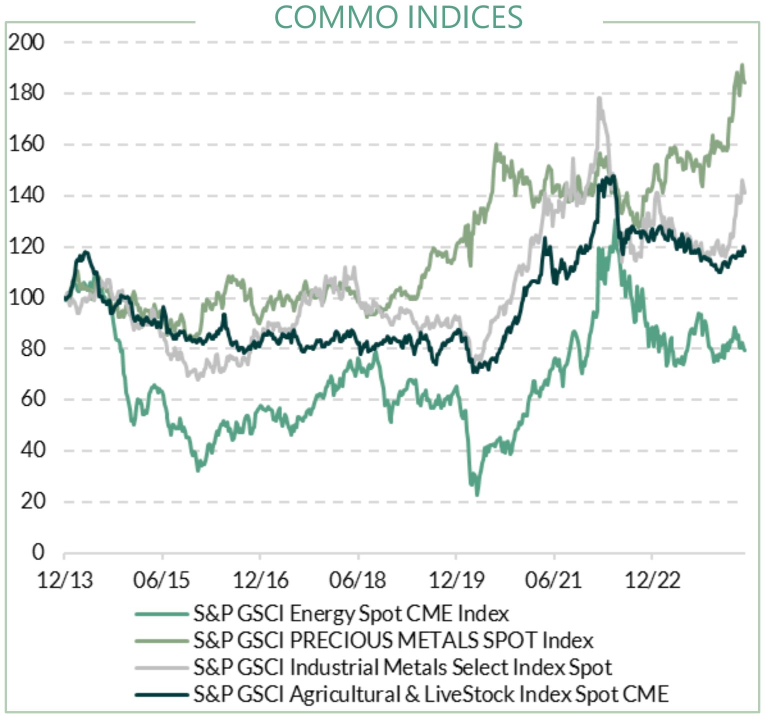


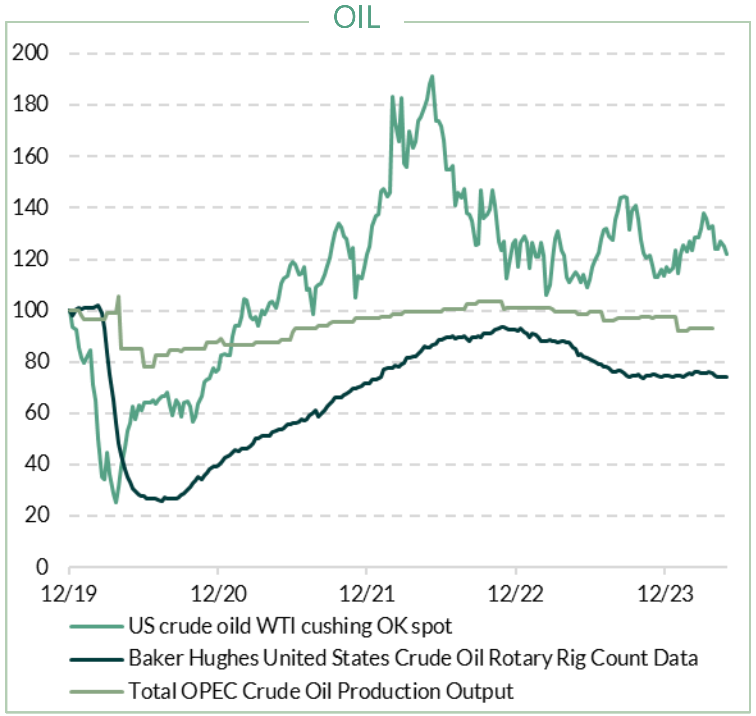
- Credit based financial conditions remain in restrictive territory although with a bit of improvement over the last two quarters
- Market based conditions are still close to the lows of the recent two years

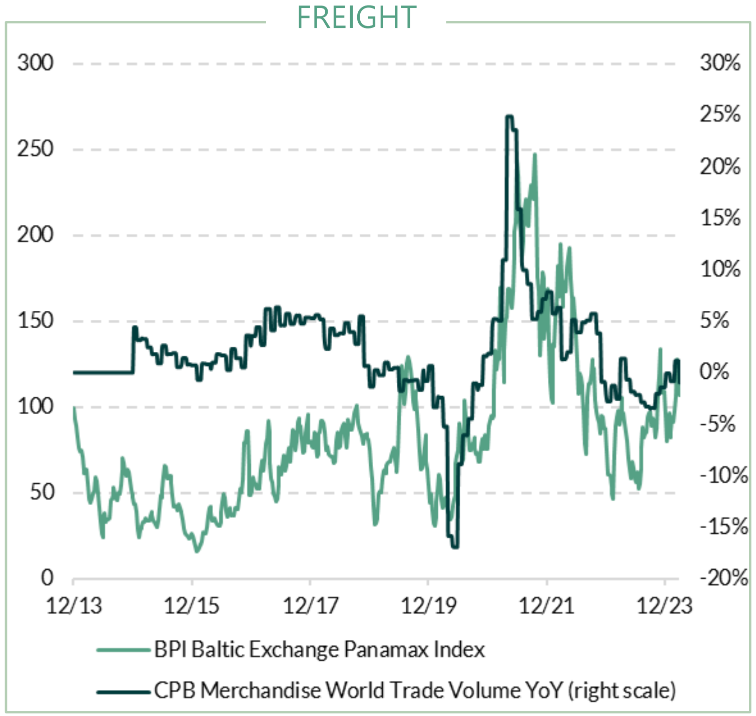
Source: Fed, ECB, Bloomberg | Moody's as of 04/30/2024, Lending Standard & Survey Change as of 03/31/2024, Spreads as of 03/31/2024

COMMODITIES & CURRENCIES

Commodities
GOLD KEEPS RALLYING





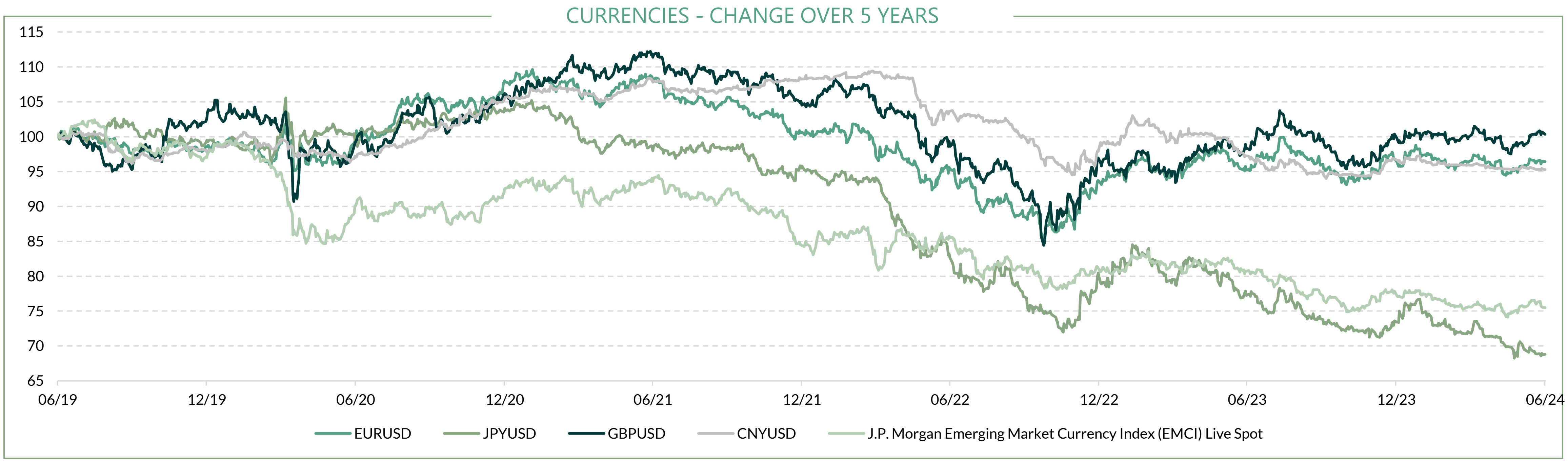


- Oil fall sharply, with WTI ending the month at 77USD/barrel.
- Despite global markets moving in a risk-on mood, and no move down in sovereign yields curve, Gold kept on rallying, with other precious metals joining the party (Silver +15%, Platinum +11%).
- The situation remain tense for industrial metals, with copper reaching close to 11KUSD/ton, before paring most of its gain over the last weeks.

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 03/06/2024

Currencies

THE EVER UNDERPERFORMING JAPANESE YEN



- Over May, JPY managed to gain 0.3% vs USD…in a context where most currencies appreciated much more (EUR +1.7%, GBP +2.0%, AUD 2.8%, SEK 4.7%).

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 03/06/2024

03

CURRENT *Convictions*

Scenarios
OUR 6-MONTH VIEW

01 *Central scenario*

Global GDP growth shows resilience so far but might slow down slightly as PMIs are muted, especially in the Eurozone. China's GDP growth remains lackluster but might fuel disinflation further. The US economy still holds up very well. Many central banks have started to cut interest rates while the full impact of the previous rate increases still has to be seen. Corporate earnings are solid so far with exceptions in the Chemical and Real Estate sector.

EUROPE

- Growth expectations are low, especially for manufacturing
- Disinflation has accelerated and will continue also for core inflation
- ECB has started to cut rates given the progress on disinflation
- Supply chains are less disrupted

US

- So far, corporate fundamentals remain resilient, but economic activity and the labor market have shown some weakening signs
- Disinflation progress has slowed pushing back Fed rate cuts
- Massive issuance volumes of the US Treasury could absorb liquidity of bond markets.

STRATEGY

- Neutral on equities
- Benefit from carry of short-term High Yield Bonds and longer duration from Investment Grade

OVERWEIGHT

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

UNDERWEIGHT

- US High Yield

70%

02 *Alternative scenario #1*

Upside scenario

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

OVERWEIGHT

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

UNDERWEIGHT

- Alternative Strategies
- Cash

20%

03 *Alternative scenario #2*

Leverage crisis, sticky inflation

- A more restrictive credit supply puts pressure on highly levered companies and the overindebted Real Estate sector which could have negative spill overs to the Banking sector, especially in the US.
- Inflation does not fall to the expected extent, stays sticky despite a weaker economic outlook
- Risk of overtightening by central banks
- Market volatility increases

OVERWEIGHT

- Alternative strategies
- Cash

UNDERWEIGHT

- Equities
- Credit

10%

Source: ODDO BHF AM, as of June 7th 2024

Our current convictions
FOR EACH ASSET CLASS

Change from the last GIC meeting

Equities	OVERALL EQUITIES RECOMMENDATION			0			
	Large cap Eurozone			0			
	Mid cap Eurozone					→	2
	Small cap Eurozone					→	2
	UK			0			
	USA			0			
	Emerging markets			0			
	Japan			0			
	China			0			
Currencies	USD/€ (Direction of the USD)			0			
	YEN/€ (Direction of the YEN)				1		
	GBP/€ (Direction of the GBP)			0			
	CHF/€ (Direction of the CHF)			0			
Commodities	Gold		-1				
	Crude oil			0			

Source: ODDO BHF AM, as of June 7th 2024

Our current convictions FOR EACH ASSET CLASS

Change from the last GIC meeting

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

Source: ODDO BHF AM, as of June 7th 2024

04

OUR INVESTMENT *Solutions*

Registration of funds abroad
AND MORNINGSTAR™ CATEGORIES

FUNDS	MORNINGSTAR CATEGORIES															
ODDO BHF Génération	Eurozone Large-Cap Equity	X	X	X	X	X	X	X	X	X		X	X	X	X	X
ODDO BHF Avenir Europe	Europe Mid-Cap Equity	X	X	X	X	X	X	X	X	X		X	X	X		
ODDO BHF Avenir Euro	Eurozone Mid-Cap Equity	X	X		X	X	X		X			X		X		
ODDO BHF Avenir	France Small/Mid-Cap Equity	X	X		X	X	X		X					X		
ODDO BHF US Mid Cap	US Mid-Cap Equity	X	X		X	X	X							X		
ODDO BHF Active Micro Cap	Europe Small-Cap Equity	X				X	X						X	X		
ODDO BHF Active Small Cap	Europe Small-Cap Equity	X	X		X	X	X	X	X	X			X	X	X	
ODDO BHF ProActif Europe	EUR Flexible Allocation	X	X	X	X	X	X	X		X			X	X		
ODDO BHF Future of Finance	Sector Equity Financial Services	X			X	X	X							X		
ODDO BHF Immobilier	Property - Indirect Eurozone	X	X		X	X	X			X			X	X		
ODDO BHF Algo Min Var	Europe Large-Cap Blend Equity	X			X	X										
ODDO BHF China Domestic Leaders	China Equity	X			X	X	X							X		
ODDO BHF Algo Sustainable Leaders	Europe Large-Cap Blend Equity	X	X		X	X	X		X				X	X		
ODDO BHF Artificial Intelligence	Sector Equity Technology	X	X	X	X	X	X	X		X			X	X	X	X
ODDO BHF Green Planet	Sector Equity Ecology	X	X	X	X	X	X	X	X	X			X	X	X	X
ODDO BHF Patrimoine	EUR Moderate Allocation - Global	X		X		X										
ODDO BHF Métropole Small Cap Value	Europe Mid-Cap Equity	X				X								X		
ODDO BHF Métropole Euro SRI	Eurozone Large-Cap Equity	X	X		X	X	X	X			X			X		
ODDO BHF Métropole Sélection	Europe Large-Cap Value Equity	X	X	X	X	X	X	X					X	X		

Source : ODDO BHF AM SAS, Data as of 31/05/2024

Registration of funds abroad
AND MORNINGSTAR™ CATEGORIES

FUNDS	MORNINGSTAR CATEGORIES	Germany	Austria	Belgium	Spain	France	Italy	Luxembourg	Netherlands	Portugal	United Kingdom	Singapore	Sweden	Switzerland	Finland	Norway
ODDO BHF Convertibles Global	Convertible Bond - Global, EUR Hedged	X	X	X	X	X	X	X		X				X		
ODDO BHF Polaris Moderate	EUR Cautious Allocation	X	X	X	X	X	X	X		X			X	X		
ODDO BHF Exklusiv: Polaris Balanced	EUR Moderate Allocation	X	X		X	X	X	X	X	X			X	X		
ODDO BHF Exklusiv: Polaris Dynamic	EUR Aggressive Allocation	X	X		X	X	X	X	X	X			X	X		
ODDO BHF Polaris Flexible	EUR Flexible Allocation	X	X		X	X	X	X	X				X	X		
ODDO BHF Green Bond	EUR Diversified Bond	X	X			X			X					X		
ODDO BHF Euro Short Term Bond	EUR Diversified Bond - Short Term	X	X		X	X	X							X		
ODDO BHF Sustainable Euro Corporate Bond	EUR Corporate Bond	X	X		X	X	X	X		X	X	X	X	X	X	X
ODDO BHF Euro Credit Short Duration	EUR High Yield Bond	X	X	X	X	X	X	X		X	X	X	X	X	X	X
ODDO BHF Global Credit Short Duration	Global High Yield Bond - EUR Hedged	X	X		X	X	X	X						X		
ODDO BHF Haut Rendement 2023	Fixed Term Bond	X	X	X	X	X	X	X		X		X	X	X	X	
ODDO BHF Haut Rendement 2025	Fixed Term Bond	X	X		X	X	X	X		X			X	X	X	X
ODDO BHF Global Target 2026	Fixed Term Bond	X			X	X	X	X					X	X	X	X
ODDO BHF Global Target 2028	Fixed Term Bond	X	X	X	X	X	X	X		X		X		X		
ODDO BHF Euro High Yield Bond	EUR High Yield Bond	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
ODDO BHF Sustainable Credit Opportunities	EUR Flexible Bond	X	X	X	X	X	X	X	X	X			X	X	X	

Source : ODDO BHF AM SAS, Data as of 31/05/2024

HOW PERFORMANCE IS CALCULATED

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

VOLATILITY

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

CREDIT SPREAD (CREDIT PREMIUMS)

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

INVESTMENT GRADE

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

HIGH YIELD

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

PE (PRICE-EARNINGS RATIO)

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

Our latest publications

INVESTMENT STRATEGIES

- Jan. 24 • 2024: Tempering expectations
- Sept. 23 • Hovering flight or losing altitude?
- Jan. 23 • On your marks
- Sept. 22 • Carry on
- Jan. 22 • Make 2022 an opportunity
- Sept.21 • "Breathless?"

MONTHLY INVESTMENT BRIEF

- May 24 • US election – What to expect from Trump Season 2
- Apr 24 • The end of the American dream?
- Mar. 24 • Myths and realities
- Feb. 24 • AI: fad or margin effect?
- Dec. 23 • The "60/40" strategy is back
- Nov 23 • Polarisation

MARKET VIEWS

- 21.05.24 • Europe at the polls: what's at stake for the future?
- 19/04/24 • Equities remain unmatched over the long term
- 18/04/24 • The moment of truth for public debt
- 13/03/24 • What risks for the global economy?
- 19/02/24 • France-Germany, the sick couple of Europe
- 19/02/24 • Long-term investors should not fear the US election

VIDEOS

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

SUSTAINABLE INVESTING

Responsible Investment Policy
Basics of sustainable investing
Sustainable investing – ODDO BHF AM's approach
The ecological transition: a sustainable investment opportunity
Human Capital – a factor of resilience & differentiation
ESG: the key to unlocking opportunities in small caps

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ODDO BHF AM GmbH

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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.
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