ODDO BHF
ASSET MANAGEMENT

MONTHLY *investment* BRIEF

Small is beautiful

Recent underperformance of European small caps

It is well established by financial theory (Fama & French) and empirical observations that, over a long period, European small caps have consistently outperformed large ones. However, over the past two years, we have seen a reversal of this trend: at the end of May 2023, the MSCI Europe Small Cap NR recorded a cumulative 2-year performance of -13%, compared with +12% for the MSCI Europe Large Cap NR. Moreover, small caps currently show a 33% discount to large caps. Let's try to understand the reasons behind this underperformance:

Firstly, it's important to believe in favorable growth prospects when investing in small caps. Indeed, the earnings of these companies are highly sensitive to economic activity, with an estimated multiple of 4 times nominal growth. Secondly, any tightening of monetary policies has a negative impact on the financing capacity of these companies, as the cost of capital for small caps is rising much faster than for large caps, reducing their relative earnings growth. Finally, the relative performance of small caps is also linked to liquidity. Central banks have switched from injecting money and expanding their balance sheets to drying up this liquidity. It's also important to note that small-cap equities amplify market movements, both downwards and upwards. For example, European small caps rebounded by around +90% one year after the decline triggered by the subprime crisis, and European micro-caps recorded a +115% jump just one year after the COVID-19 crisis. Our point is not to say that in absolute terms, small-cap equities will rebound massively, but rather to emphasize that, compared with large caps, we see an attractive entry point for a significant return to the mean.

Return to attractive valuation levels

Firstly, over the past 5 years, the P/E ratio of European small caps has dropped considerably (16.7 in 2018 vs. 13.2 today), while that of European large caps has remained relatively stable (13.7 in 2018 vs. 12.5 today). Secondly, the analyst consensus for small caps is +27% for 2023 and +16% for 2024, compared with 0% and +7% respectively for large caps. The question now is whether the consensus is too optimistic. Our historical analysis shows that expectations are often overly generous, but uniform across large caps and small caps, since both are equally revised by almost -5% each year. Our conviction to reposition ourselves in small caps therefore remains entirely valid, given that in the present case, we're looking at convergence towards large caps as much as absolute performance. Thirdly, small caps have fully integrated the rise in the cost of capital, with EV/EBITDA multiple (enterprise value divided by EBITDA) at 8.0x, i.e. levels seen in 2009.

Our macro-economic scenario validates a very gradual repositioning towards European small caps

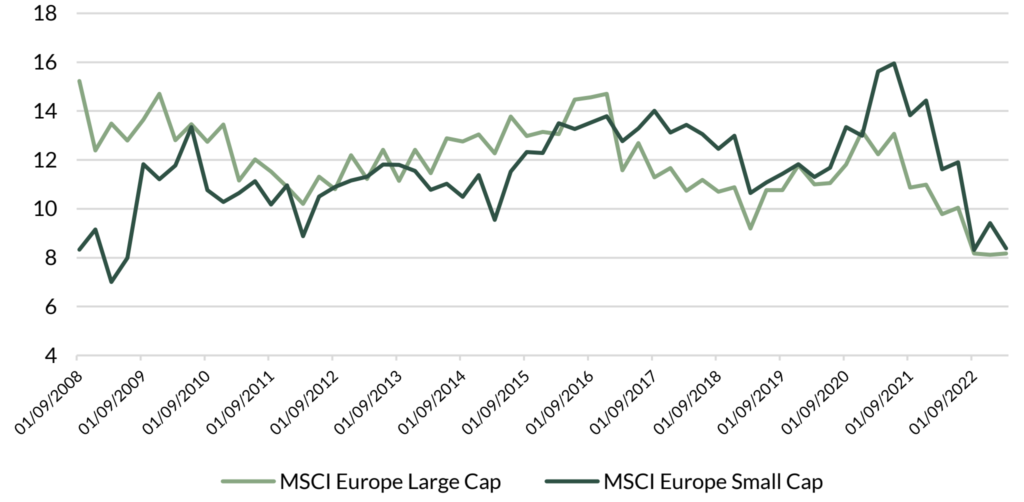
Despite the high volatility, small-caps represent an attractive opportunity today. As a reminder of our current positioning, we are slightly underweight equities due to the potential negative economic impact of tighter credit conditions. We recommend being highly selective when choosing equities to avoid excessive enthusiasm for certain parts of the market. We prefer stocks with reasonable valuation multiples, solid fundamentals and growth prospects above the market average.

Source: ODDO BHF AM, comments as of 09/06/2023

This positioning reflects a particular market context, where the dichotomy between signals sent by companies (rather positive) and macro-economic signals (rather negative) could persist for a few months. Even if the current robustness of the labor market is contributing to business and consumer confidence, we believe this environment is likely to evolve less favorably in the next few months. However, in our macroeconomic scenario, it seems that the tightening of credit conditions in the eurozone has already been factored in, reducing the risk of negative surprises for investors in the event of a potential recession in the eurozone. Furthermore, we are approaching central bank terminal rates. Thus, a stabilization of financial conditions could boost the performance of small caps. What's more, we are currently seeing an improvement in market conditions for European small caps, with bank liquidity less tight in Europe than in the US. Finally, in a context where organic growth is becoming problematic, companies will seek growth through external operations. Recent deals such as Rovio, Dechra and Majorel are trading on average at a 30% to 50% premium to the closing price. Strategic players benefit from particularly attractive valuations and almost immediate accretive effect on their earnings. This is a strong incentive, despite the recent rise in borrowing costs. Marginal returns remain highly favourable to this type of merger.

To sum up, economic conditions could deteriorate over the next few months, which does not justify massive investment in small caps. However, the promise of a positive real return (net of inflation) is attractive, as are current valuation levels. This means that long-term investors can already consider realigning their positions, at the cost of high volatility and limited liquidity.

Evolution of EV/EBITDA multiples for European Small Caps vs. Large Caps



LAURENT DENIZE
Global Co-CIO, ODDO BHF

Source: ODDO BHF AM, comments as of 09/06/2023

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 AM GmbH (Germany), ODDO BHF AM Lux (Luxembourg) and METROPOLE GESTION (France). This document has been drawn up by ODDO BHF ASSET MANAGEMENT Lux. 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 read the Key Information Document (KID) and the fund's prospectus in order to acquaint themselves with the detailed nature of any risks incurred and all costs.** 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 Lux 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 Lux 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_AMLux

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 complaints handling policy is available on our website am.oddo-bhf.com in the regulatory information section. Customer complaints can be addressed in the first instance to the following e-mail address: service_client@oddo-bhf.com (or directly to the Consumer Mediation Service: http://mediationconsommateur.be (ONLY FOR BELGIUM))

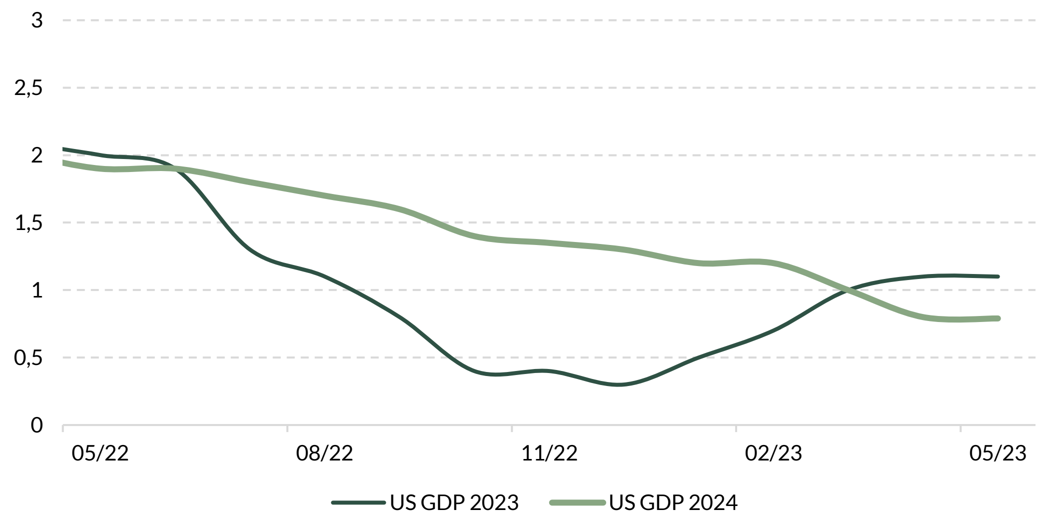
The Key Information Document and the prospectus are available free of charge from ODDO BHF ASSET MANAGEMENT Lux or at am.oddo-bhf.com or at authorized distributors. The annual and interim reports are available free of charge from ODDO BHF ASSET MANAGEMENT Lux or on its internet site am.oddo-bhf.com

01

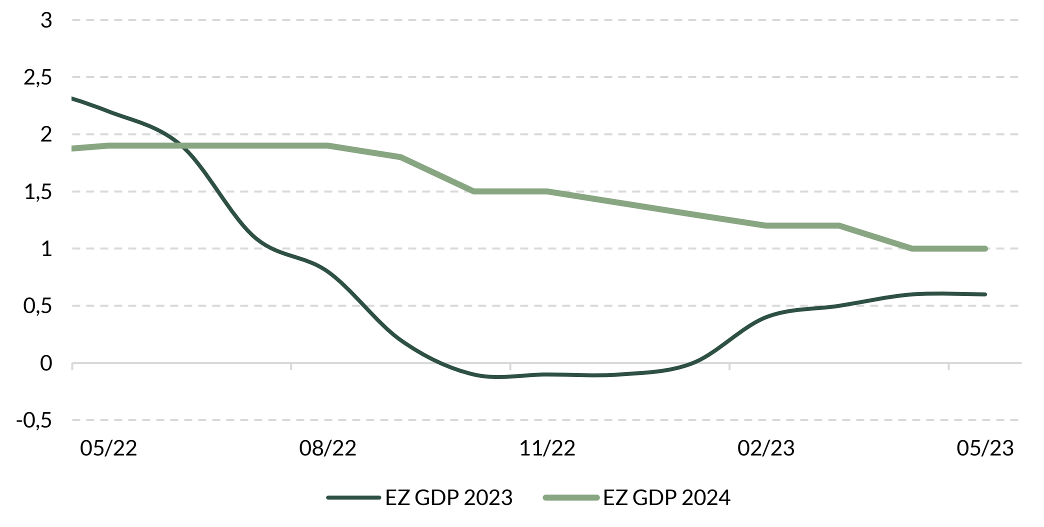
MACROECONOMIC *outlook*

Growth outlook
NO GROWTH BUT STILL NO RECESSION

US FULL YEAR GDP GROWTH ESTIMATES (%)



EUROZONE FULL YEAR GDP GROWTH ESTIMATES (%)



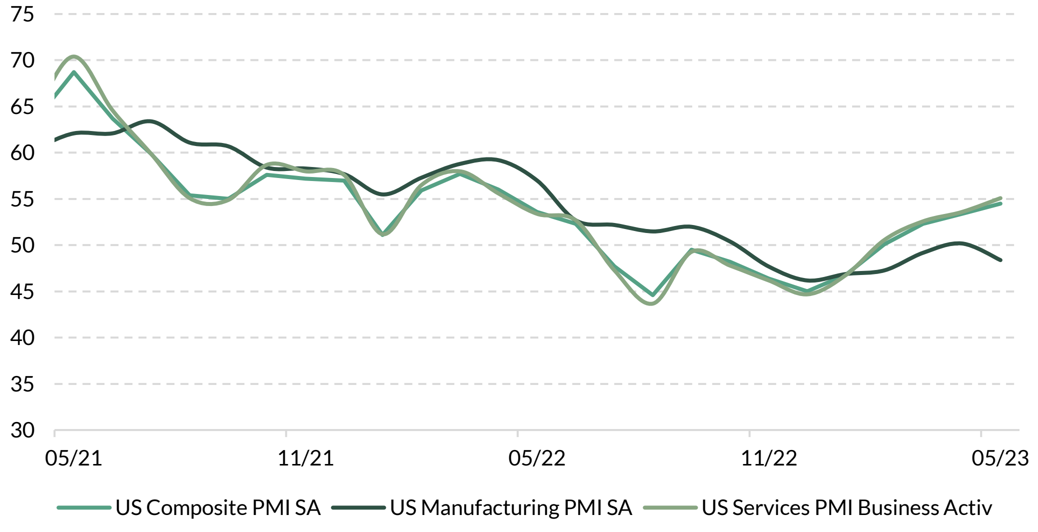
- As incoming data still shows an ambiguous picture, consensus growth expectations have been rather unchanged recently
- A mild recession for the US in the autumn and winter quarters is the central view, but the camp expecting a cycle extension/soft landing is growing
- China has been slightly downgraded to 4,9% in 2024, following the recent weaker data

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 31/05/2023

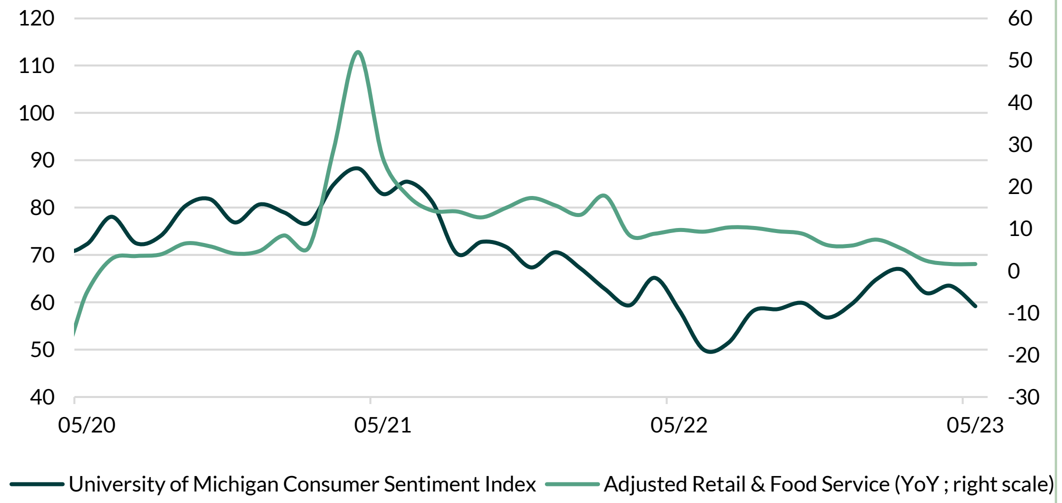
USA

IS THE GAP BETWEEN MANUFACTURERS AND SERVICES SET TO NARROW?

PMI SERVICES & MANUFACTURING



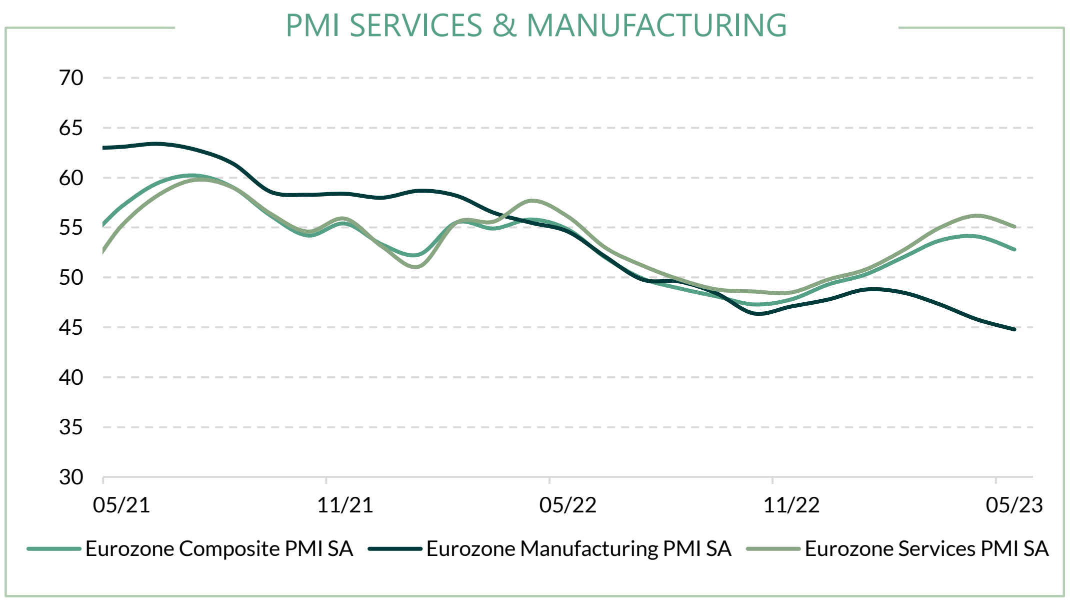
RETAIL SALES & CONSUMER CONFIDENCE

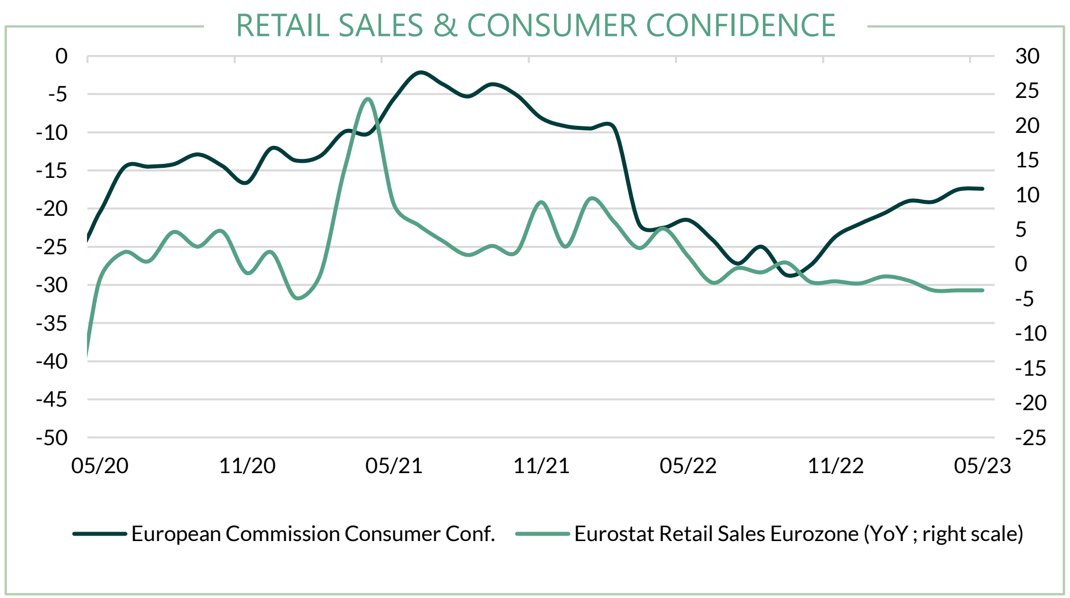


- Q1 GDP growth was revised slightly up to 1,3% and the Atlanta Fed GDP forecast for Q2 stands at 2%, a bit higher than most estimates
- While manufacturing is grinding lower steadily, services remain relatively upbeat
- The May ISM manufacturing index slid further to 46,9 with a worrisome drop of the new order subcomponent to 42,6, the lowest reading since May 2020
- The labor market remains a source of strength. Latest data points are even showing an acceleration in non-Farm payrolls and job openings. Only the unemployment rate edged up to 3,7% from a multi decade record low of 3,4%
- We look for a successive softening in US economic momentum, driven by the most aggressive hiking cycle in decades and its repercussions on real estate, the banking sector and finally demand

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 31/05/2023

Europe
HEADWINDS ARE INCREASING



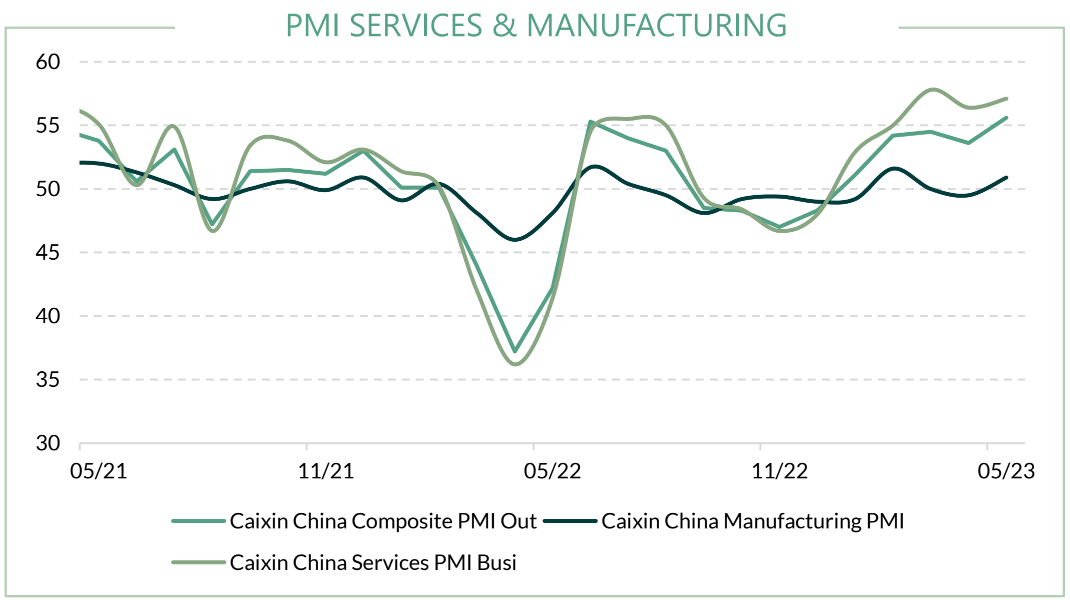


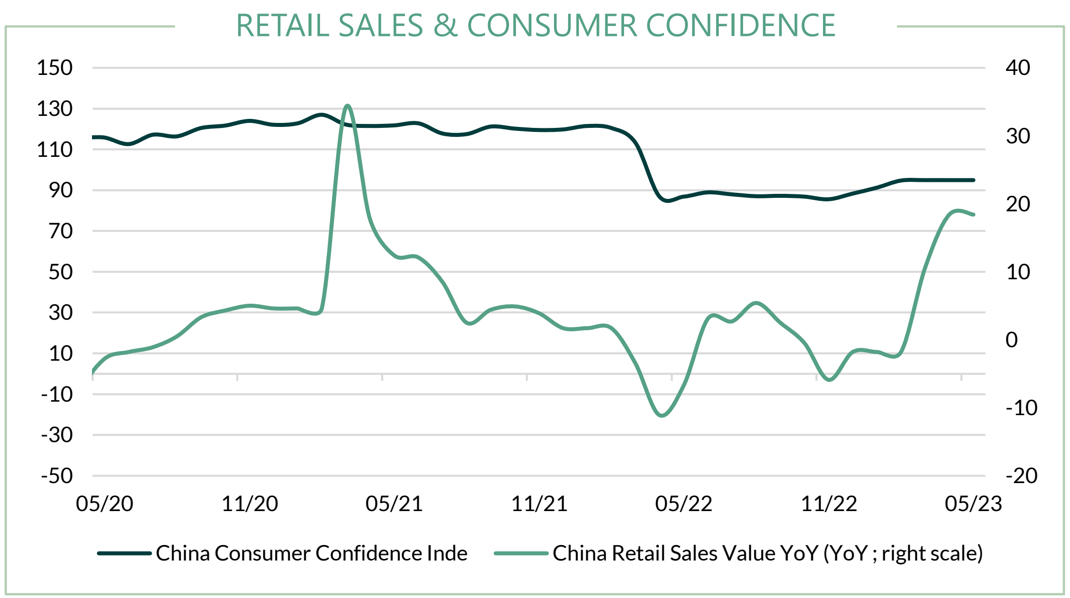
- PMIs are finally reversing. The composite indicator fell to 52,8 (54,1 in April), with manufacturing weakening further well within the contractionary range. However, the services side also turned with meaningful momentum loss for Italy and Spain
- After a significant drop in March industrial production, at least in France there appears to be a rebound for April
- While the economy seems still to be resilient overall, manufacturing continues to grind lower. On the positive side consumer spending is holding up well supported by tight labor markets, wage increases, saving reserves and improving real consumer incomes as inflation recedes
- We still see the risk for the economy tilted to the downside as the ECB hiking cycle works itself through the system and a likely US recession should impact the Eurozone in late 2023

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 31/05/2023

China

AFTER THE EUPHORIA, WEAK SIGNS OF IMPROVEMENT



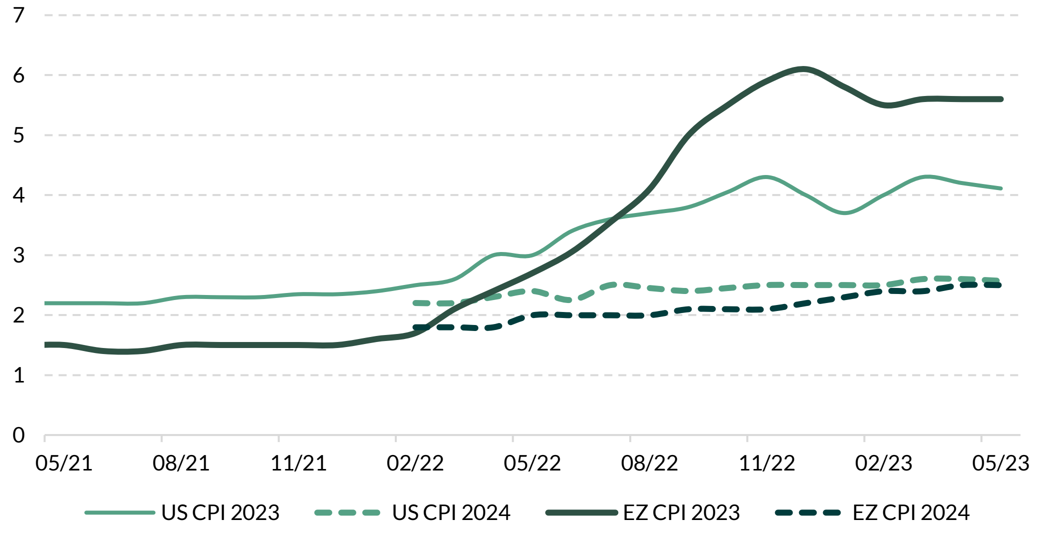


- PMIs sent a completely opposing message. While the Caixin index improved markedly by two points to 55.6, the official PMI edged down to 52.9 from 54.4
- The property market flags a bit of ongoing improvement with new home prices and residential property sales rising MoM again in April
- After having surprised to the upside in March, retail sales and industrial production had been decidedly weaker than expectations for April
- Judging from the reopening experiences in Western countries, the economic rebound could last another one to two quarters
- However, it is becoming increasingly evident that the economic momentum is mostly concentrated in consumer related sectors, while manufacturing remains depressed

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 31/05/2023

Inflation expectations
ANCHORED WITH LITTLE CHANGES

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



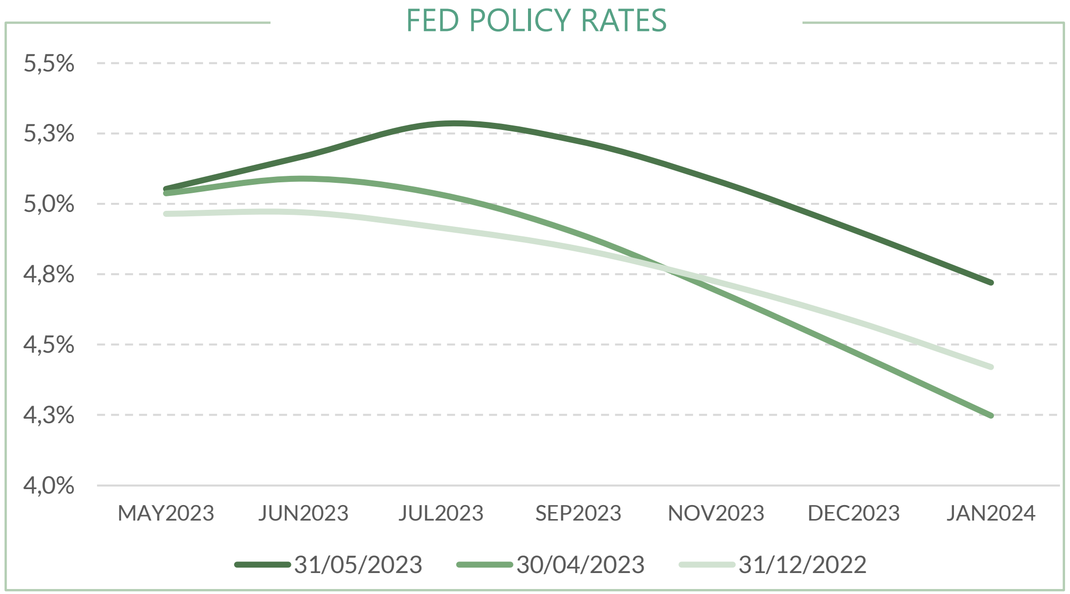
YOY CPI ESTIMATES

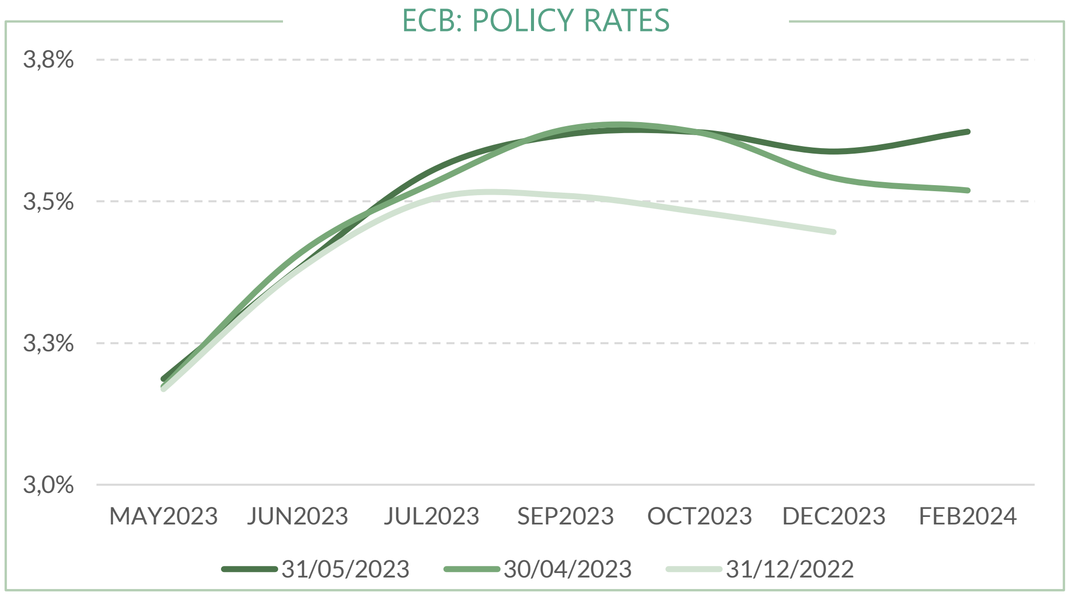
CPI YoY	May-23	Apr-23	1Y trend	5Y average	20Y average
Canada		4,4		3,2	2,7
U.S.		4,9		1,9	3,2
Brazil		4,2		3,0	7,9
Mexico		6,3		2,6	6,7
Chile		9,9		2,9	
Eurozone	6,1	7,0		1,8	2,6
Germany	6,1	7,2		1,8	2,3
France	5,1	5,9		1,3	2,0
Italy	7,6	8,2		1,6	2,5
Poland	13	14,7		3,6	
Sweden		10,5		2,0	2,2
Switzerland	2,2	2,6		0,5	0,8
U.K.		8,7		2,2	3,1
India		4,7		3,0	8,0
Indonesia	4,0	4,3		1,5	8,8
Malaysia		3,3		0,7	
Japan		3,5		0,6	0,3
South Korea	3,3	3,7		1,1	3,0
China		0,1		0,9	2,3
Hong Kong		2,1		0,9	1,5

- Surveys of long run inflation expectations remain fairly muted and barely unchanged
- Inflation break even rates are hovering in narrow ranges, reflecting inflation expectations around 2,25% to 2,5% on a 10-year horizon in the US and Eurozone

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 05/06/2023

FED & ECB policies
ECB TIGHTENING THE SCREW TOO FAR?



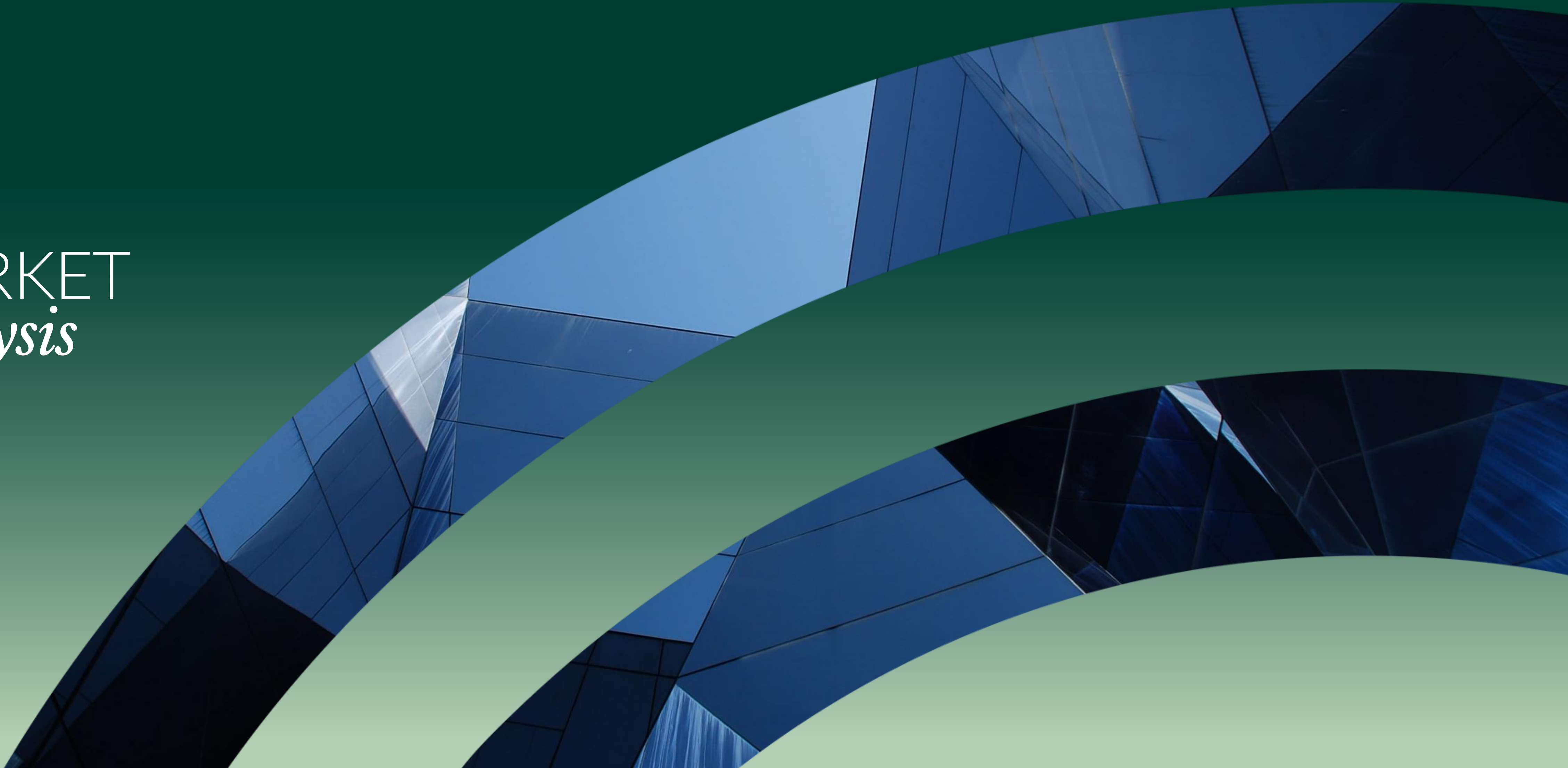


- The upbeat reading of the May US employment report is unlikely to alter the indicated end of the FED tightening cycle
- Expectations for cuts in 2023 have meanwhile mostly been priced out, reflecting a more sober assessment
- The ECB has been quite vocal in order to keep hiking expectations alive. Markets price in 50bp more until September, which could already be overtightening given the speed and unprecedented amount of tightening

Sources: ODDO BHF AM SAS, Bloomberg | Data as of 05/06/2023

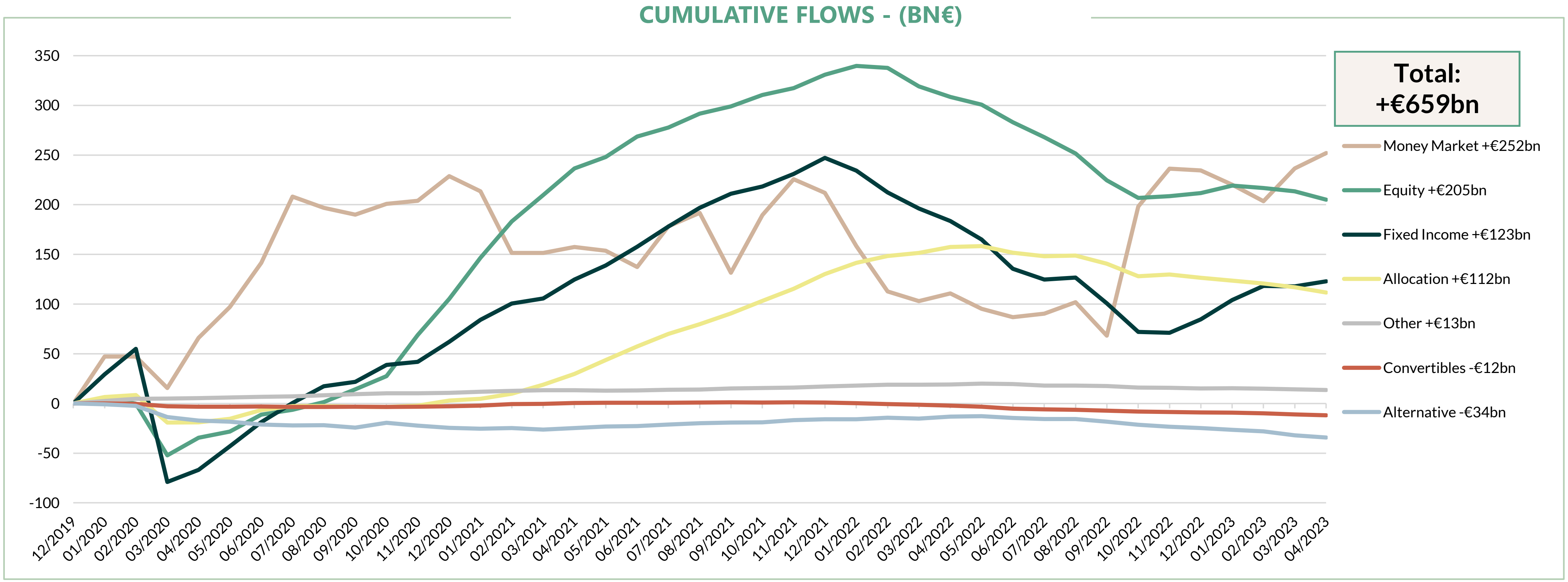
02

MARKET *analysis*



3-year cumulative mutual fund flows (€bn)

SLIGHT REBOUND OF FLOWS TOWARDS FIXED INCOME

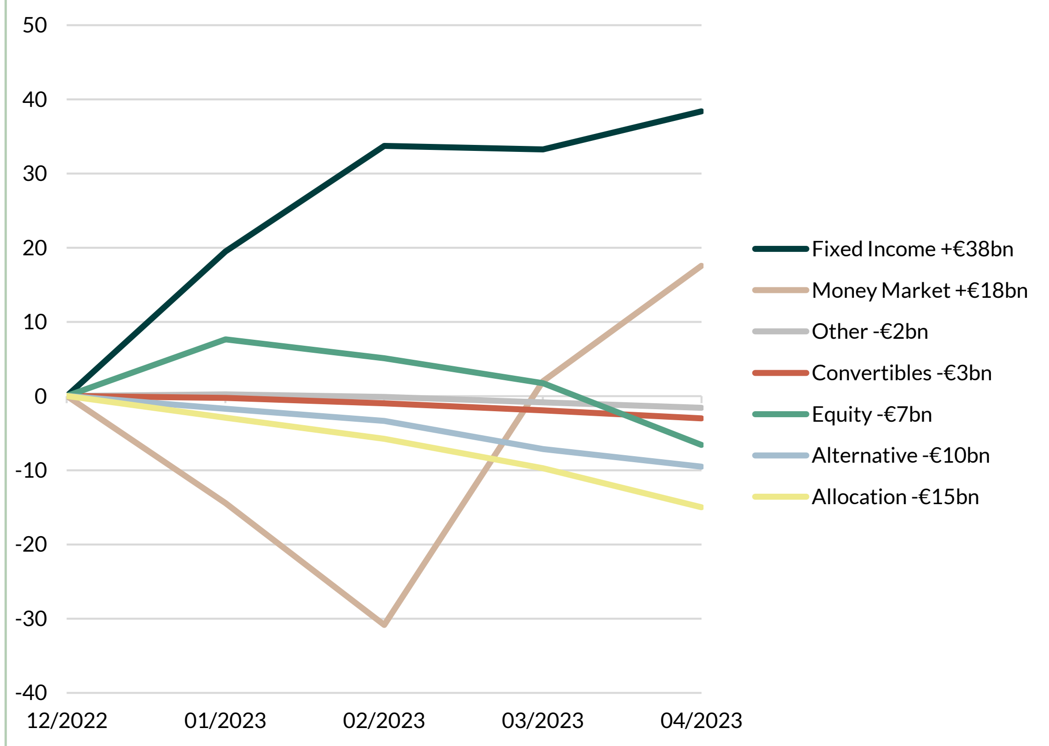


Source: Morningstar. Data as of 30/04/2023 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

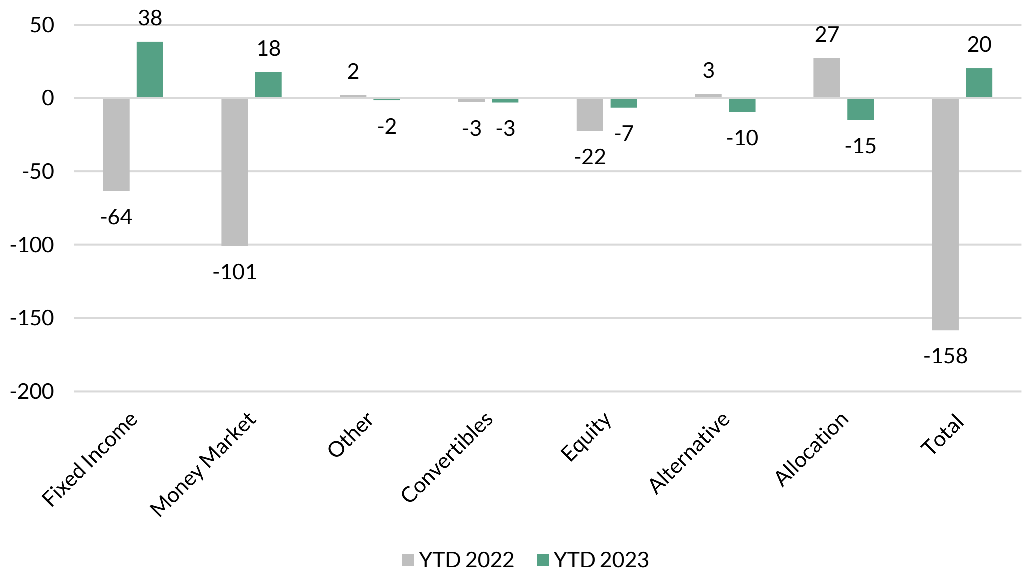
YTD European mutual fund flows

MONEY MARKET FUNDS KEEP ATTRACTING FLOWS

YTD CUMULATIVE FLOWS BY ASSET CLASSES (€BN)



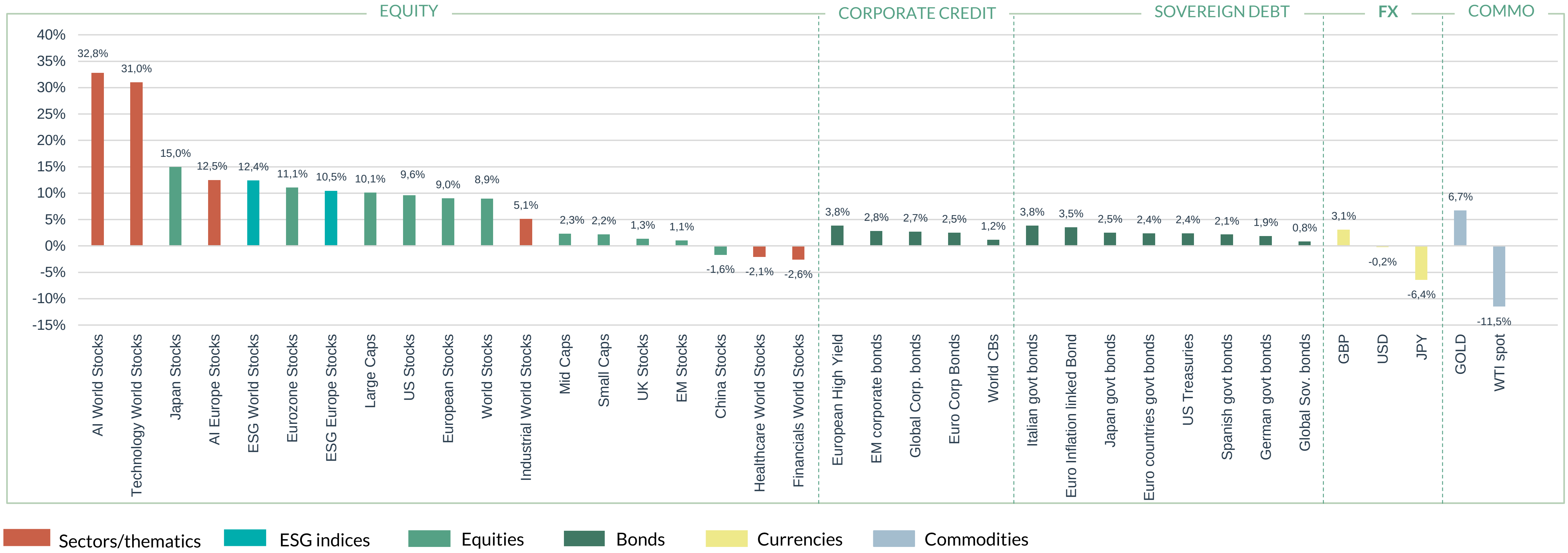
YTD COMPARISON VS YTD -1



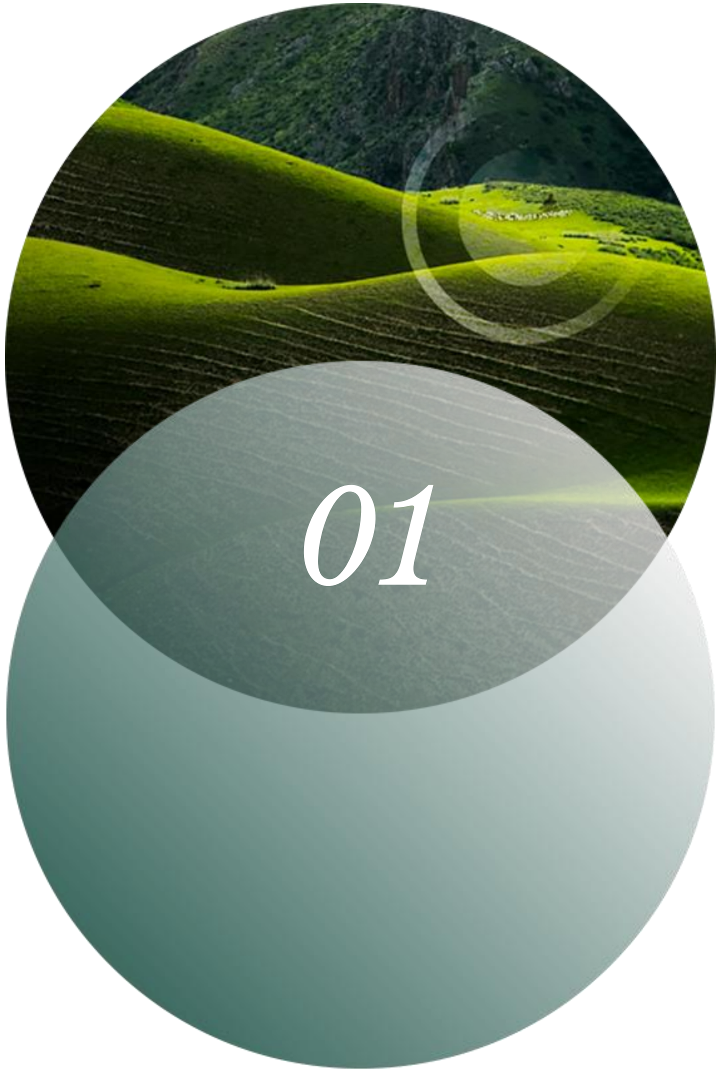
Source : Morningstar. Data as of 30/04/2023 (Europe OE ex ETF ex MM ex FoF ex Feeder (domiciled, most compr)

Year-to-date performances of asset classes

FEW CHOSEN ONES (TECH, LUXURY) ARE DRIVING THE MARKET UPWARDS



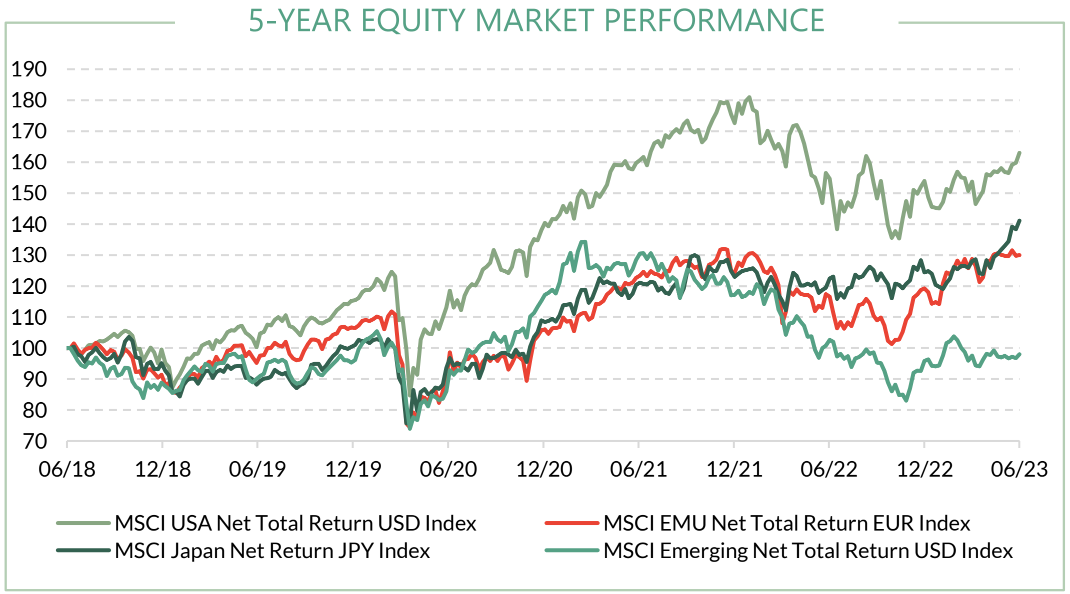
Past performances are not a reliable indicator of future performances and are not constant over time.
Sources: Bloomberg and BoA ML as of 31/05/2023; performances expressed in local currencies

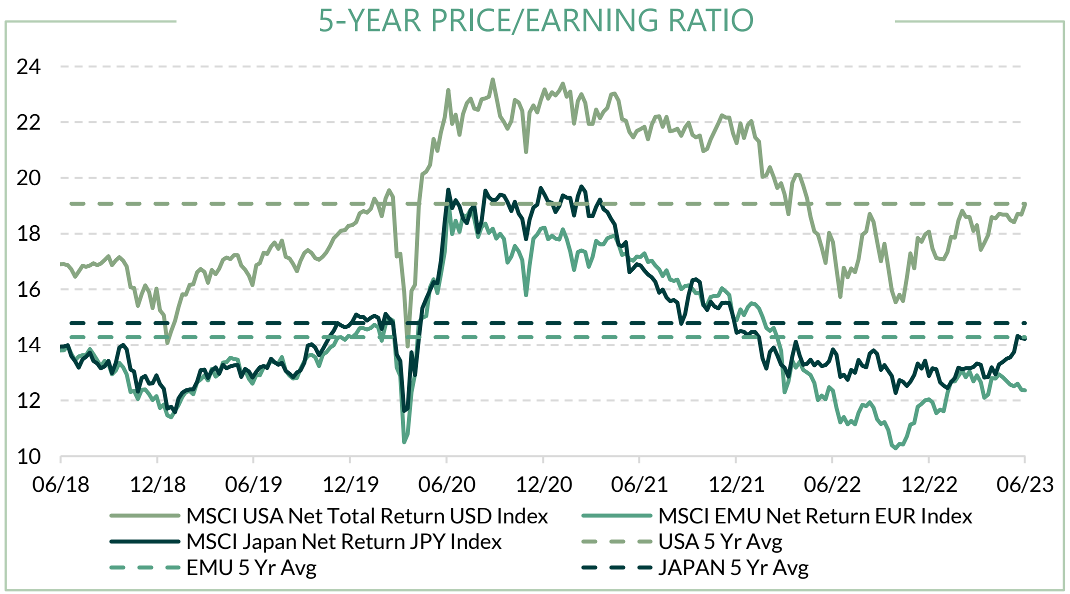


01 EQUITIES

Equities

JAPANESE EQUITIES BREAK RECORDS





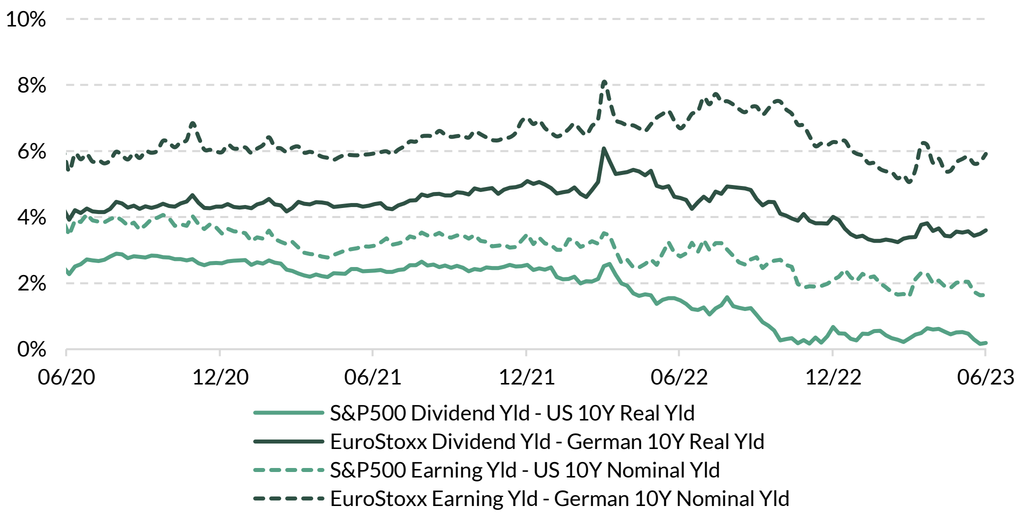
- While the last decades made investors quite accustomed to frequent bouts of US overperformance, the recent surge in Japanese indexes is more peculiar in a global context of caution on cyclicals.
- The underlying case for Japanese equities, which entered 2023 with very attractive valuations, still holds. The Topix still now trades at 14x forward PE, quite acceptable in a low yield environment. The timing and strength of the rally, at dawn of a possible eventual tightening by the BoJ, nevertheless raises more questions
- The Nikkei 225 strongly overperformed in May (7% vs 3% for the Topix), breaking recent highs and entering the vicinity of the peak of the late 1980s. Implied volatility moved up strongly in the meantime…

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 02/06/2023

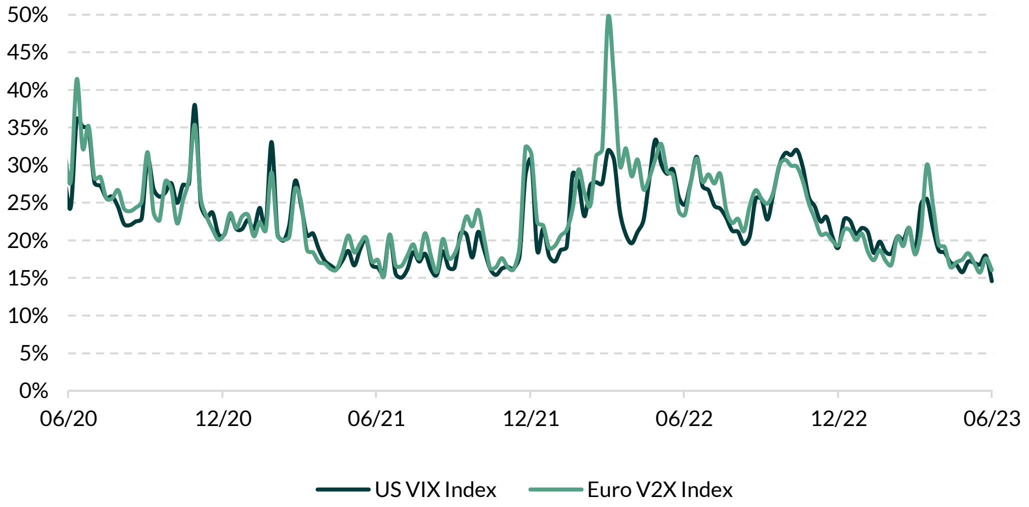
Risk premiums & volatility

A CERTAIN COMPLACENCY FROM INVESTORS' SIDE, ESPECIALLY IN THE US

EQUITY RISK PREMIUMS (NOMINAL AND REAL)



IMPLIED VOLATILITY INDEXES



- While rotations remain heavy inside most equity markets, indexes' implied volatilities (with the notable exception of Japan) are back to lowest levels since pre-Covid.
- In Europe and emerging markets, this did not materialize in any more risk-on positioning from investors, and valuations remained stable or slightly lower.
- In the US market, Energy (-10%) and Materials (-7%) suffered significantly, while Info&Tech (+9%) was buoyed by the semiconductors frenzy (NVidia +36%, Broadcom +29%, Applied Materials +18%...)

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 02/06/2023

European equities – sectors overview

AN UNEXPECTED DROP IN VALUATIONS, EXCEPT FOR TECH

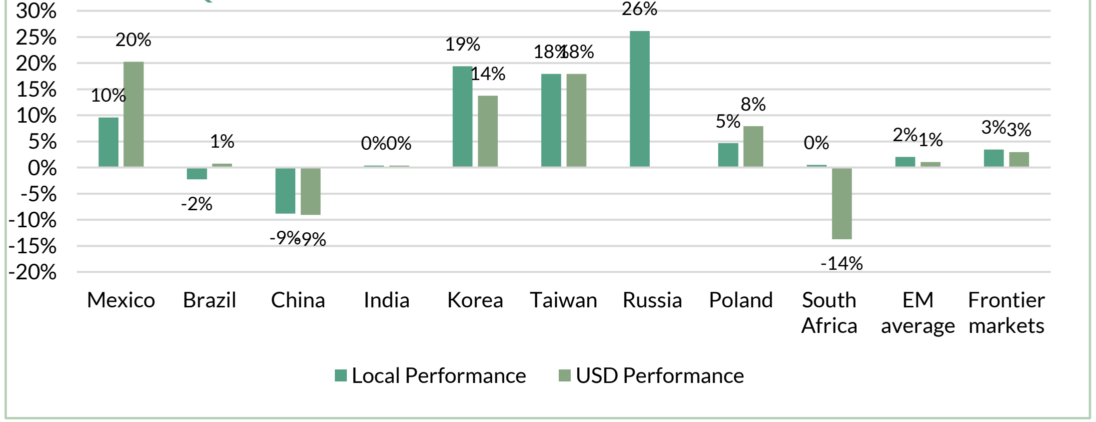
EUROPEAN SECTORS	WEIGHT	PERFORMANCE		EPS GROWTH		VALUATION			
						P/E 12m	Div Yield	EV/EBITDA	Price/Book
	%	1m %	YTD %	2022	2023	12m	12m	12m	12m
STOXX Europe 600		-3,2%	6%	3%	7%	12,6 x	3,7%	8,4 x	1,7 x
Commodities									
Energy	4,5%	-7,4%	-6%	-25%	-2%	6,7 x	5,2%	3,3 x	1,1 x
Basic Resources	2,5%	-6,4%	-16%	-33%	-5%	8,3 x	6,3%	4,5 x	1,1 x
Cyclicals									
Automobiles & Parts	2,7%	-1,7%	12%	-5%	4%	5,8 x	5,3%	5,0 x	0,7 x
Chemicals	2,7%	-5,6%	3%	-24%	13%	15,6 x	3,4%	8,6 x	1,8 x
Construction & Materials	3,8%	-3,2%	12%	-1%	10%	13,6 x	3,3%	7,9 x	1,8 x
Industrial Goods & Services	14,1%	-1,2%	11%	-4%	9%	16,4 x	2,6%	9,7 x	2,7 x
Media	1,7%	-6,6%	4%	7%	12%	15,5 x	3,0%	10,0 x	2,7 x
Technology	8,0%	6,5%	22%	47%	18%	22,6 x	1,3%	15,2 x	3,9 x
Travel & Leisure	1,6%	0,9%	25%	99%	30%	16,3 x	1,6%	7,8 x	2,7 x
Consumer Products and Services	6,7%	-5,7%	18%	9%	17%	23,9 x	2,0%	13,5 x	4,2 x
Financials									
Banks	8,2%	-2,9%	3%	24%	5%	6,0 x	7,6%		0,6 x
Insurance	5,1%	-5,0%	0%	40%	10%	9,3 x	5,8%	30,2 x	1,5 x
Financial Services	3,8%	-2,7%	4%	133%	8%	11,8 x	3,5%	8,2 x	1,1 x
Real Estate	1,7%	-8,6%	-8%	-2%	4%	11,4 x	5,2%	20,6 x	0,7 x
Defensives									
Health Care	15,9%	-1,6%	6%	9%	14%	17,4 x	2,5%	12,4 x	3,3 x
Food Beverage and Tobacco	6,6%	-6,8%	-1%	4%	9%	15,4 x	3,5%	11,2 x	2,5 x
Personal Care Drug and Grocery Stores	2,3%	-5,8%	6%	2%	11%	16,0 x	3,3%	8,8 x	2,7 x
Retail	1,1%	-4,3%	14%	4%	16%	15,8 x	3,5%	7,4 x	2,4 x
Telecommunications	2,9%	-6,2%	7%	7%	13%	12,9 x	5,0%	6,2 x	1,2 x
Utilities	4,1%	-3,5%	6%	-5%	3%	13,0 x	4,8%	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, 06/06/2023

Emerging markets

EMERGING MARKETS BACK IN FAVOR, AT THE COST OF HIGH VOLATILITY

YTD EQUITY PERFORMANCE ON MAJOR EMERGING MARKETS

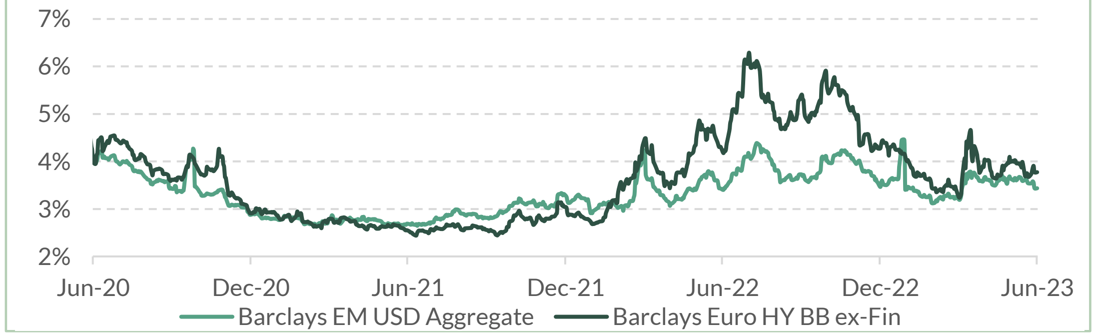


EPS (INCLUDING LOSSES) GROWTH & PE (LOCAL CURRENCY)

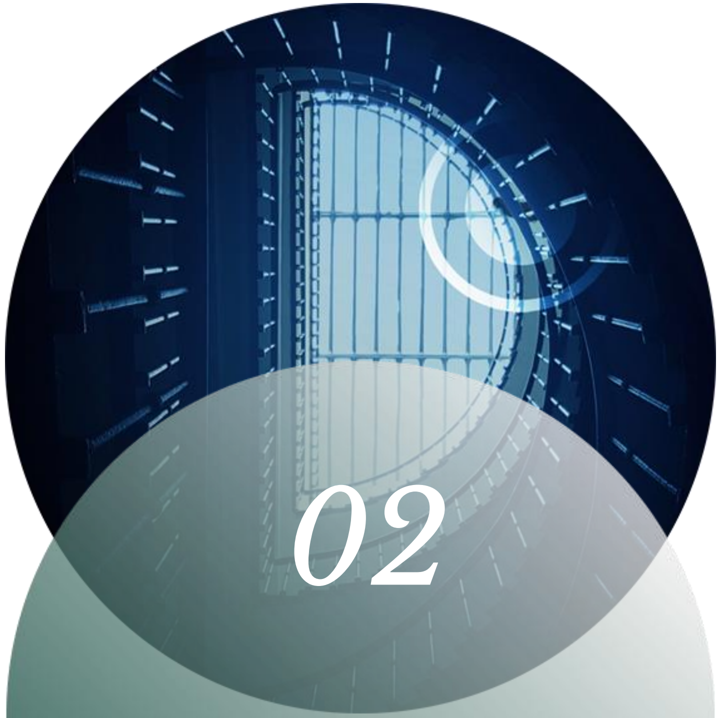
Emerging	PE 12mth fwd	Current Fiscal Year est EPS Growth	Next Fiscal Year est EPS Growth	Dividend Yield (trailing 12m)
MSCI EM	13,0	-5%	18%	3,1%
MSCI CHINA	10,7	13%	15%	2,5%
MSCI KOREA	17,4	-40%	65%	2,0%
MSCI INDIA	22,0	14%	18%	1,4%
MSCI INDONESIA	15,3	-7%	9%	4,4%
MSCI PHILIPPINES	13,0	13%	12%	2,2%
MSCI MALAYSIA	13,7	9%	9%	4,4%
MOEX Russia Index	*3,5*	*-16%*	*45%*	*9,9%*
WSE WIG INDEX	8,2	-25%	-1%	3,1%
MSCI TURKEY	4,6	3%	19%	3,3%
MSCI SOUTH AFRICA	9,8	9%	13%	4,5%
MSCI BRAZIL	7,5	-23%	2%	6,8%
MSCI COLOMBIA	5,1	-18%	0%	9,9%
MSCI MEXICO	12,2	8%	7%	3,0%

- Depreciation of the Turkish lira (-6.3%) before election. Nevertheless, the local stock market bounced up strongly after the second round with expectation of more pro-business policies from the incoming government
- Hong Kong and Shanghai stocks suffered (respectively -8% and -6%) amid concerns about China's growth, while Taiwan et Korea benefited from the semiconductors' frenzy
- Mexican stocks burdened by Peso appreciation. In the meantime, some fresh improvement from Latam macro data should be watched closely

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



Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 05/06/2023

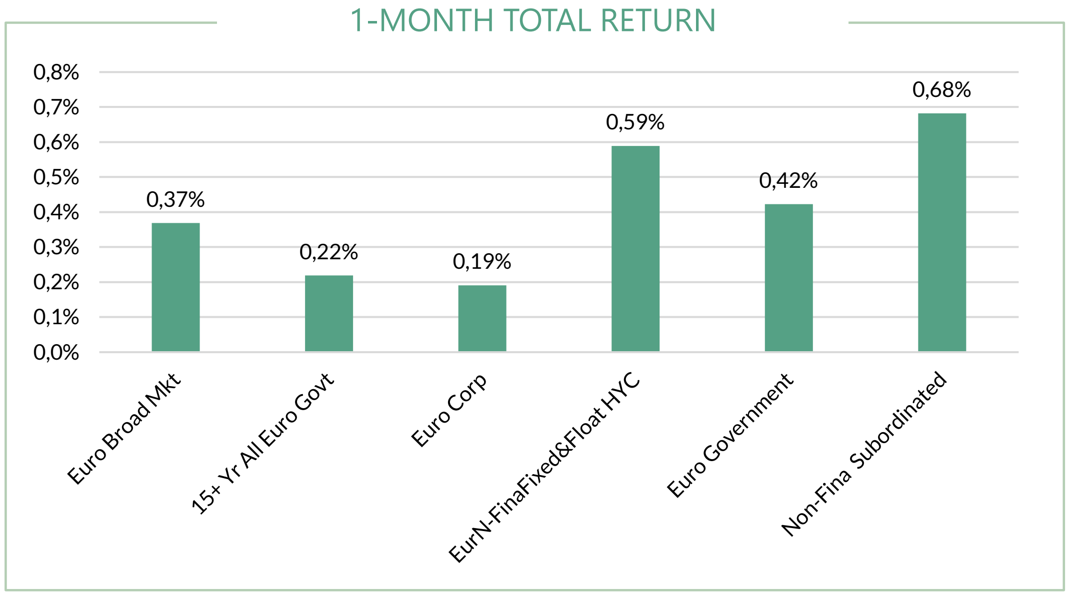


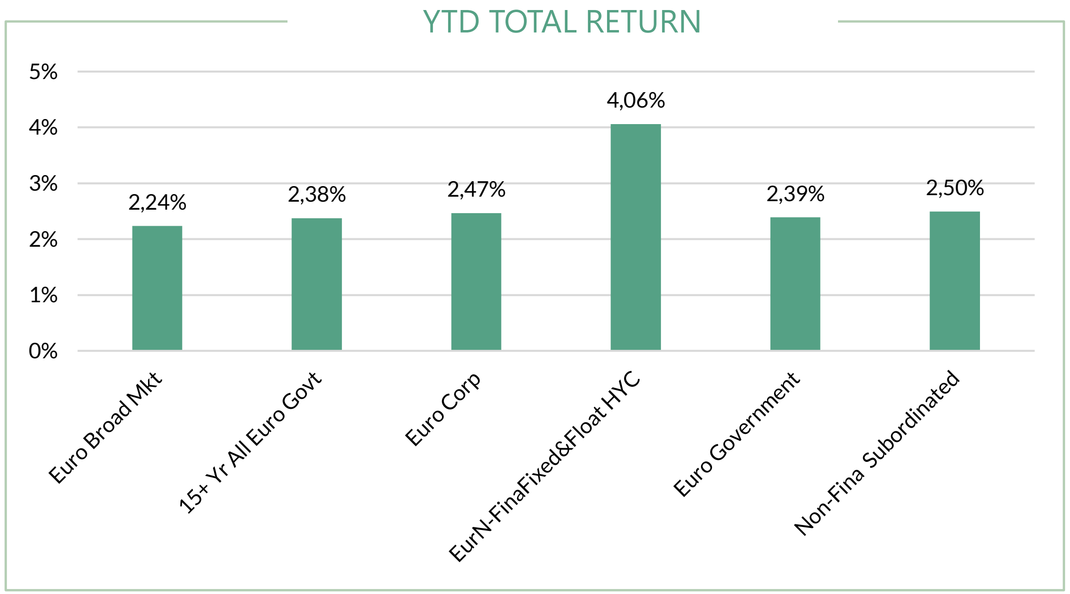
02

FIXED INCOME

Performance fixed income segment

SOME INFLATION RELIEF DROVE POSITIVE RETURNS



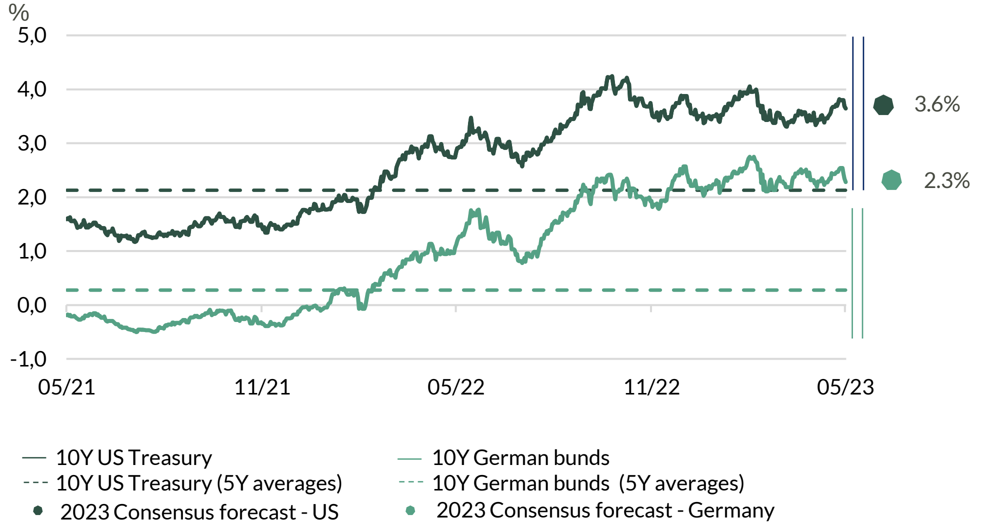


Past performances are not a reliable indicator of future performances and are not constant over time
Source: ODDO BHF AM, Bloomberg, data as of 31/05/2023

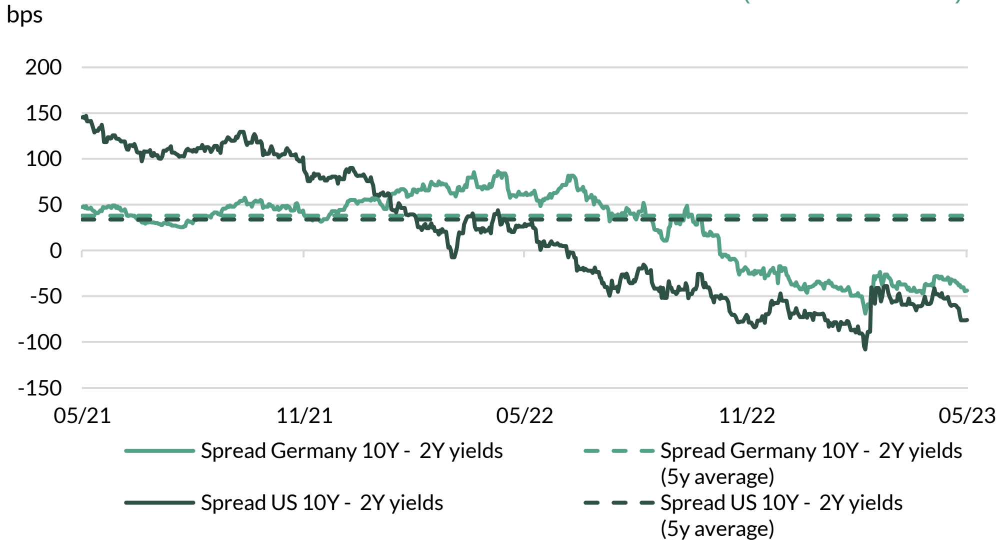
Rates

RECESSION OR CYCLE EXTENSION?

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



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



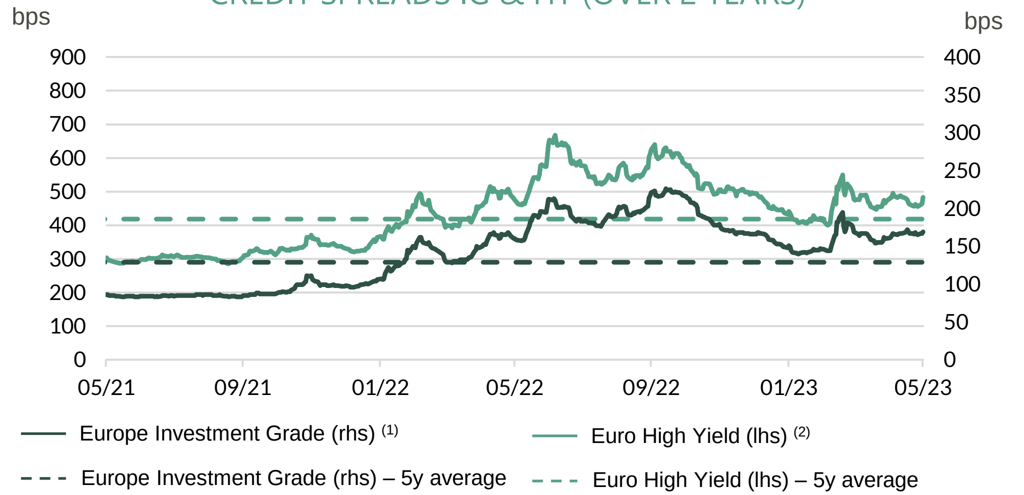
- Yields for US Treasuries and Bunds remain mired in ranges for now with a bit of reflattening recently as terminal rates have repriced higher or taken out early cuts
- Falling inflation prints, cooling activity data and Central Banks being at the end of the tightening phase or close to it, should lead to a cyclical yield decline
- Curve steepening positions are becoming attractive as the end of the hiking cycle approaches
- We actively underweight the 30-year sector vs 10-years, but stay neutral on 10-2 years for the time being in Eurozone rates
- 5-year tenor could be the sweet spot if history repeats, but still too early too overweight

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 5/31/2023; RHS: Data as of 05/31/2023

Credit Spreads

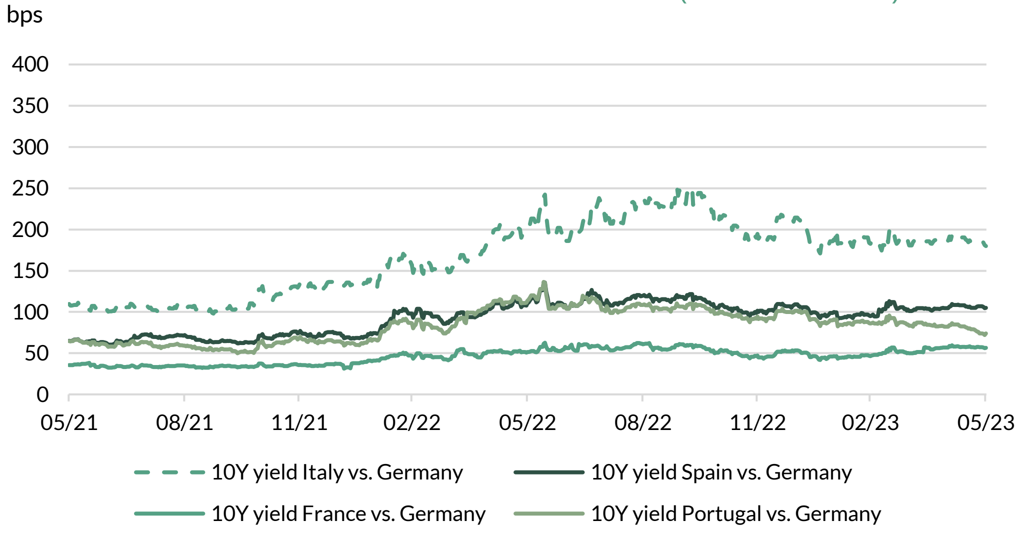
CALM AND SERENITY ARE THE ORDER OF THE DAY

CREDIT SPREADS IG & HY (OVER 2 YEARS)



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

MAIN EUROZONE COUNTRY SPREADS (OVER 2 YEARS)

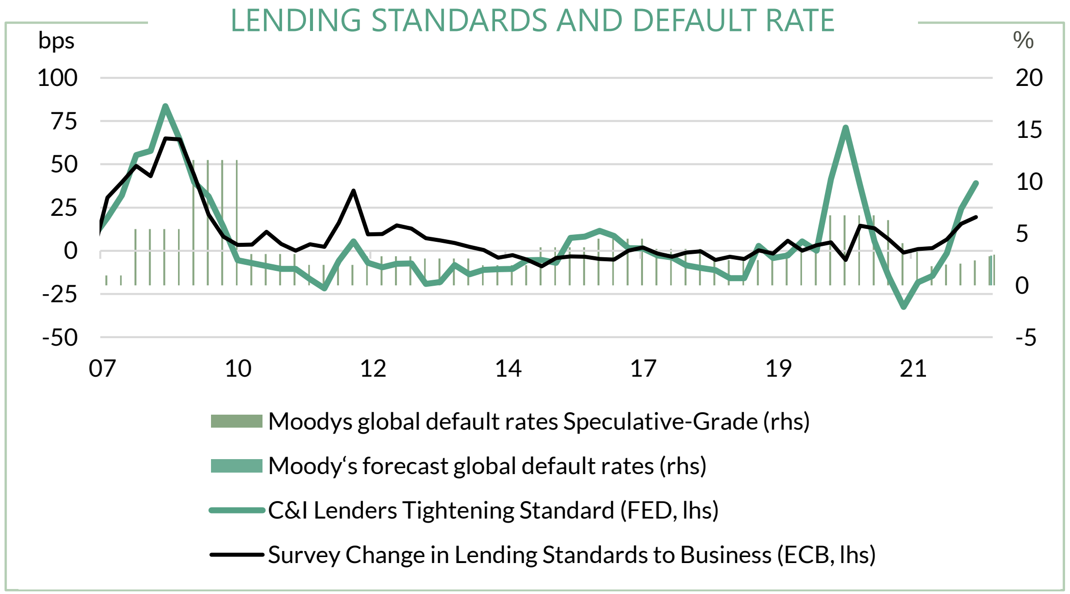


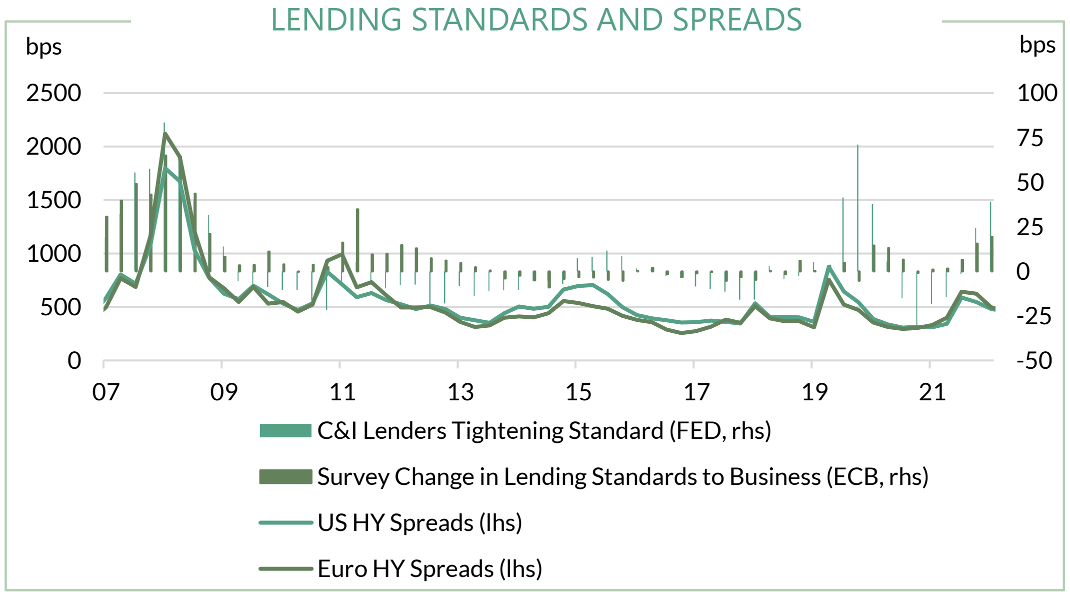
- Credit spreads have barely moved in Investment Grade as new supply came to the market, but was well absorbed
- Current spread levels around 165bp for Investment Grade bonds are still attractive as long as the economic backdrop remains resilient
- High yield bonds are more challenged by the underlying banking issues and market liquidity problems
- Peripheral spreads have decoupled from risk sentiment, but been supported by better rating assessments for Portugal and Greece

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 05/31/2023

Financial conditions

AFTER THE TIGHTENING OF CREDIT CONDITIONS, COLLAPSE IN DEMAND





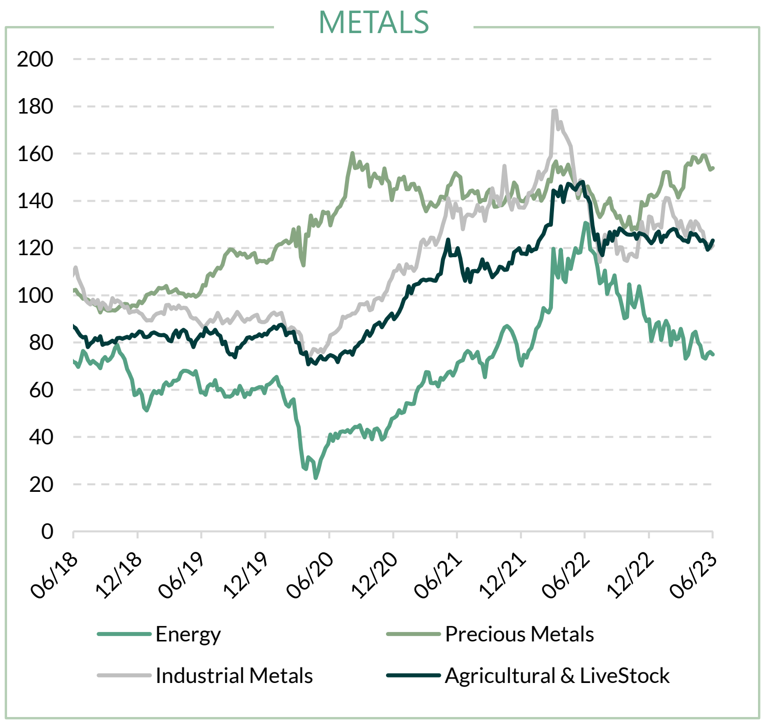
- The banking crisis in the US has morphed from acute to a "slow bleed" which should act as a drag on the economy
- The latest bank lending survey of the ECB also hinted to tightening of credit standards and a substantial drop in credit and loan demand for households and firms

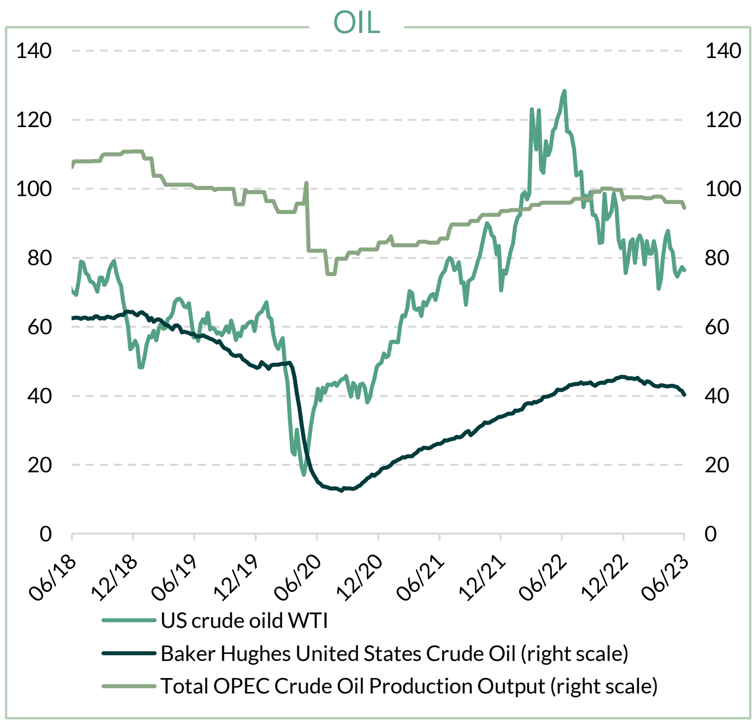
Source: Fed, ECB, Bloomberg | Moody's as of 04/30/2023, Lending Standard & Survey Change as of 03/31/2022, Spreads as of 03/31/2023

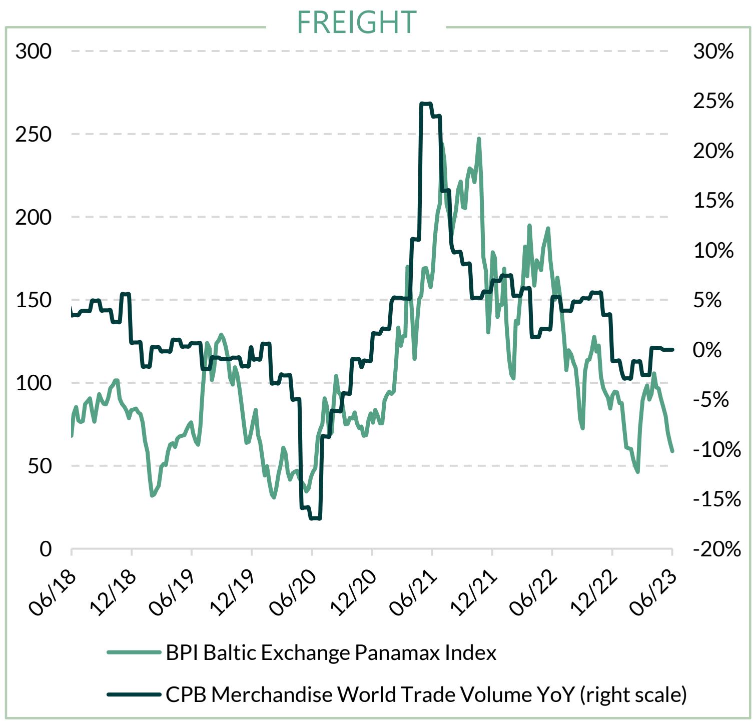
COMMODITIES & CURRENCIES

Commodities

COMMODITIES AFFECTED BY FALLING DEMAND





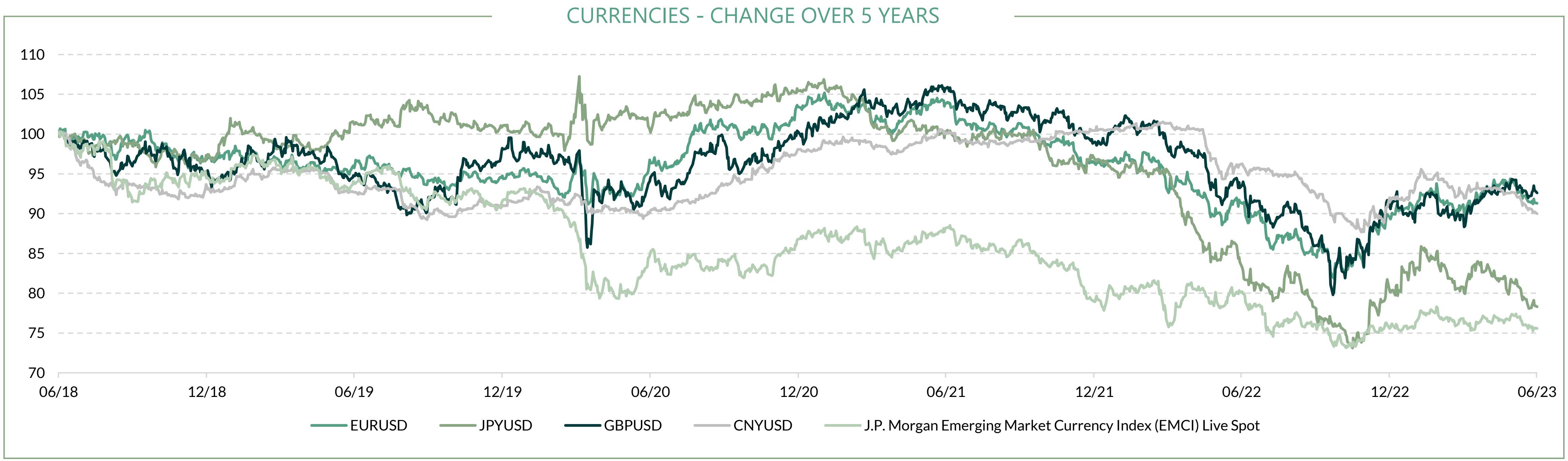


- International freight prices kept on moderating, after a temporary bounce in April. Trucks utilization rate also keep on moving down (now at 88% vs 99% one year ago).
- Industrial metals felt sharply (GSCI Industrial Metals -7%), as did GSCI Energy (-9%).
- While Agricultural products were more resilient (GSCI Agro&Livestock -2%), Soy, Wheat and Corn are now in severe YtD decline (between -10% and -20%)

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 05/06/2023

Currencies

STRONG US JOB MARKETS SUPPORTS THE GREENBACK



- Data showing resilient US economy, despite manufacturing weakness, helped push higher expectations of FED terminal rate.
- With USD money market rates expected to peak at 5.25% during the summer, USD rebounded significantly against lower yielding currencies (EUR -3%, JPY -2%).
- Despite dwindling implied volatilities overall, dispersion remains large (SEK -5%, ZAR -7% over the month, while Mexican Peso kept appreciating, now at +11% YtD)

Past performances are not a reliable indicator of future performance and are not constant over time.
Sources: Bloomberg, ODDO BHF AM SAS | Data at 05/06/2023

03

CURRENT *Convictions*

Scenarios
OUR 6-MONTH VIEW

01 *Central scenario*

Global GDP growth will slow down, but the outlook for the Eurozone has recently improved somewhat: A severe energy crisis was avoided for the time being. In addition, the Chinese exit from the zero-Covid policy should result in a positive impact for global growth and further disinflation. However, central banks remain hawkish, and the full impact of rate increases still has to be seen. In addition, the stress in the banking sector could lead to a more restrictive credit supply. On the positive side, corporate earnings are solid revealing economic resilience.

EUROPE
- Growth expectations slightly improved recently given China re-opening and less negative impact from energy prices
- Inflation has mostly like seen the peak, but stays highly elevated and core inflation is sticky
- ECB stays hawkish in order to bring inflation down
- Supply chains are less disrupted

US
- So far, corporate fundamentals and the labor market remain resilient, but economic sentiment is deteriorating
- While inflation has peaked already, the FED remains committed to the goal of price stability
- Massive issuance volumes of the US Treasury could absorb liquidity of bond markets.

STRATEGY
- Increased diversification
- Benefit from attractive valuations for short-term corporate bonds

OVERWEIGHT
- Short Duration Euro Credit (IG + HY)
- Money Market

UNDERWEIGHT
- Overall Equities
- Long duration High Yield and Emerging Markets

70%

02 *Alternative scenario #1*

Banking crisis, sticky inflation

- Stress in the financial sector leads to a more restrictive credit supply
- Inflation does not fall to the expected extent, stays sticky despite a weaker economic outlook and hawkish ECB
- Market volatility increases

OVERWEIGHT
- Alternative strategies
- Cash

UNDERWEIGHT
- Equities
- Credit

20%

03 *Alternative scenario #2*

Upside scenario

- Sustainable resolution of the stress in the financial system and no repercussions to the real economy
- China re-opening and less disrupted supply chains support global growth, a recession is avoided
- Central banks change their current very hawkish stance as there is substantial relief from inflation figures

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

UNDERWEIGHT
- Alternative Strategies
- Cash

10%

Source: ODDO BHF AM, as of 07/06/2023

Our current convictions FOR EACH ASSET CLASS

Change from the last GIC meeting

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

Source: ODDO BHF AM, as of June 7th 2023

Our current convictions FOR EACH ASSET CLASS

Change from the last GIC meeting

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

Source: ODDO BHF AM, as of June 7th 2023

HOW PERFORMANCE ARE 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. 23 • On your marks
- Sept. 22 • Carry on
- Jan. 22 • Make 2022 an opportunity
- Sept.21 • "Breathless?"

MONTHLY INVESTMENT BRIEF

- May 23 • Choose your side
- Apr 23 • Waiting for a clear signal
- Mar 23 • The "Rentier" is doing better
- Feb, 23 • Europe's comeback and the hope for a near end to the interest rate hike cycle
- Dec, 22 • "And yet..." (a tribute to Charles Aznavour)
- Nov 22 • On your marks

MARKET VIEWS

- 17/04/23 • Back to a slight underweight in equities
- 17/04/23 • Growth depends on credit… and vice versa
- 14/03/23 • From TINA to TAPAS: there are alternatives again
- 14/03/23 • European outlook, one year after the "Putin shock"
- 15/02/23 • Monetary policy tightening: too much or too little?
- 15/02/23 • Venture Capital – which opportunities?

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

NICOLAS CHAPUT
Global CEO
ODDO BHF AM

EMMANUEL CHAPUIS, CFA
Co-Head of Fundamental Equities
ODDO BHF AM

BJOERN BENDER, CFA
Head of Fixed Income Products
ODDO BHF AM GmbH

VICTOIRE BACULARD
Product Management
ODDO BHF AM SAS

LAURENT DENIZE
Co CIO
ODDO BHF

MAXIME DUPUIS, CFA
Global Head of Marketing & Products
ODDO BHF AM

ALEXANDER MEN
Head of Asset Allocation Products
ODDO BHF AM GmbH

GUNTHER WESTEN
Head of Asset Allocation & Fund Management
ODDO BHF AM GmbH

MATTHIEU BARRIERE, CFA
Deputy Head of Asset Allocation
ODDO BHF AM SAS

MATTHIAS LACKMANN
Asset Manager Corporate Credit IG
ODDO BHF AM GmbH

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

www.am.oddo-bhf.com

ODDO BHF
ASSET MANAGEMENT