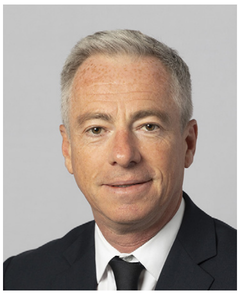


*Despite the **turmoil of the first quarter** – which featured a **surge in volatility in March**, the market rebound gained considerable momentum after a particularly dull 2022. The quarter was initially marked by a **discontinuous rally**, notably **in Europe**, amid **high inflation** which rose to over 6% in January and February.*

*This was followed in March by a **shock stemming from the US banking sector** after the collapse of Silicon Valley Bank and the emergency rescue of Credit Suisse over one weekend, causing a turnaround for rates and **huge intraday volatility**, reminiscent of the market turmoil in 2008.*

*In this environment, we believe it is wise to remain humble and adopt a **prudent approach when appreciating stock market performances**.*

***Xavier COLLOT**, Chairman of the Board.*

SUMMARY

Growth

The OECD has raised its global growth forecasts based on the deceleration of inflation and the reopening in China; however, the **recovery remains fragile**. Global growth projections currently stand at 2.6% for 2023 and 2.9% for 2024. In the United States, GDP growth should reach 1.5% this year. In the Eurozone, the economy is expected to grow at a pace of 0.8% in 2023, due to increase to 1.5% in 2024.

Inflation

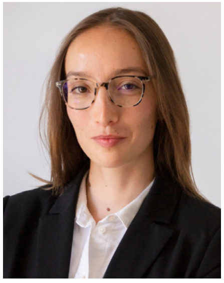
Headline inflation should ease gradually throughout 2023 in most of the G20 economies, slowing from 8.1% in 2022 to 5.9% in 2023 and 4.5% in 2024, as the effects of monetary tightening materialise, energy prices dip after a mild winter in Europe, and food prices begin to decline worldwide.

Monetary policy

The failure of SVB has demonstrated that **the Fed's monetary tightening can have serious side effects**. While so far, economic activity (except real estate) and inflation have remained rather immune, banks are clearly impacted. The Fed is therefore facing a further hurdle and **will now have to manage financial stability as well as the slowdown in activity and the fight against inflation**.

SUSTAINABLE

6th IPCC Synthesis Report.



Astrid LIEDES,
Analyst - Responsible Finance.

At the end of March, the **IPCC** (Intergovernmental Panel on Climate Change) published the Synthesis of its **6th Assessment Report**. This document summarises the state of knowledge on climate change, its **causes and widespread impacts**, and **possible actions** for climate change mitigation and adaptation.
Five lessons can be drawn from this summary report:

Human activities have caused global warming.

Global surface temperature has risen by 1.1°C compared to pre-industrial times due to the greenhouse gas emissions (GHG) produced by human activities and could increase to 1.5°C by 2030. Only a 50% reduction in CO_2 emissions by 2030 and achieving carbon neutrality in 2050 would prevent this from happening.

The consequences of global warming are increasingly tangible and irreversible.

These can be observed **everywhere and by everyone**, are accelerating, and are unequal: globally, the 10% of households with the highest per capita emissions contribute 34–45% of global consumption-based household GHG emissions.

SUSTAINABLE (continued)

6th IPCC Synthesis Report.

<u>The actions taken to address climate change are insufficient.</u>
To curb the trend, several actions must be taken. **Examples include phasing out the support to fossil energy projects and scaling up investments in renewables**. The IPCC has warned that the **measures currently being implemented are inadequate**. For the first time, the IPCC has recommended a reduction in consumption (“sobriety”).

<u>In addition to cutting GHG emissions, we shall have to adapt</u>.
Alongside the measures taken to reduce emissions, the deployment of initiatives that will enable the population **to adapt to current and future changes is imperative**. Some of the actions currently implemented are ill-adapted and counterproductive (“maladaptation”).

<u>Widespread cooperation is essential</u>.
The challenge of climate change requires the cooperation of all public and private players. The financial sector has an important role to play in **supporting these transformations**.

TREND

After a slowdown, global economic activity appears to be recovering.

As we enter the second quarter, not only has the recession been avoided but the economy has grown; leading economic indicators (PMI index[1]) have rebounded in most parts of the world; and **pressure on prices and the labour market** has eased. After a lengthy slowdown, **economic activity appears to be recovering**. The global composite PMI reading has clearly risen for the second month running and now stands at 52.1, comfortably above the threshold of 50 points.

In the Eurozone, the composite PMI surprised on the upside in March as it rose from 52 to 54 (its highest level since May 2022). This strengthened the case for **a rebound of the Eurozone's GDP in Q1 2023** after zero growth in Q4 2022. The rise of the index is notably due to the increase of the services PMI, up from 52.7 to 55.6 in just one month.

Broadly speaking, companies are benefiting from the weaker risk of recession, easing production costs, lower energy prices, improving supply chains, and the reopening of the Chinese economy. **Business and household confidence remains on the rise**.

[1] The PMI (Purchasing Manager's Index) is survey-based indicator designed to provide a timely insight into business conditions for a given sector as well as its outlook. A PMI reading above 50 indicates an expansion, while a reading below 50 indicates a contraction.

TREND (continued)

After a slowdown, global economic activity appears to be recovering.

Nevertheless, a great deal of **pessimism** has been factored into **equity market valuations** after **indices corrected sharply in the wake of the banking shock**. We are expecting potential upside over the short-term and have chosen to reduce our under-exposure and switch to "Neutral" on equities as an asset class.
Indeed, several positive factors should support capital markets in coming months :

- The recession has not materialised
- The global economy is expected to rebound
- Underlying inflation should stabilise, and even decline over the next few months.
- The end of central banks' restrictive monetary policies.
- The rebound in China, which will benefit the global economy.
- Confidence in the solidity of the banking system will recover gradually.

During the next few weeks, drawing on t**he most recently published economic data**, we shall watch the recovery closely as the factors that caused the slowdown - tightening financial conditions, declining real estate markets, political and geopolitical uncertainties, high inflation, end of fiscal transfers to households, etc. - are still present.

We shall also pay close attention to the **upcoming Q1 2023 earnings publications**. During this next earnings season, company managements will offer precious indications on their activity levels.

CONVICTIONS

Every month, our Allocation Committee brings together our entire investment team to determine our asset allocation strategies, which are then implemented in the daily management of our funds.

EQUITIES

EUROZONE

Investors' attention should return to the banking sector's fundamentals and to the stock market performances posted by different banks based on how the yield curve evolves. European banks are now trading at the all-time lows recorded in periods of crisis (sub-prime, sovereign debt, Covid).

UNITED STATES

We currently prefer European and Chinese stocks over US equities.
Our underweight on US equities has moved back to zero in anticipation of the end of the Fed's restrictive monetary policy and the resilience of the economy. Broadly speaking, we remain neutral on US equities.

EMERGING COUNTRIES

We have maintained our positive view on Chinese equities. The economy is recovering at a modest pace so far but should gain momentum over time. Fiscal and monetary support measures are already contributing to the rebound in capex (+5.5% at the beginning of the year, up from +5.1% in December).

FIXED INCOME

SOVEREIGN BONDS

We are underweight on bonds. We believe that sovereign rates will continue to rise and that the current level is misaligned with money market rates.

CREDIT

We are constructive on credit (IG), which offers a compelling risk/return combination compared to sovereign debt. Banks have tightened their mortgage lending conditions for households (similar to the tightening in 2008 or 2012).

Change in view versus previous month.

+ = – Investment team's asset class views.

CONVICTIONS (continued)

EURO/USD

The greenback has fallen against the Euro since the beginning of the year. The dollar remains one of the most overvalued currencies in the developed world; our target for Euro/USD is 1.13.

COMMODITIES

We expect the price of crude oil to rise over the next few months. The Oil & Gas sector is likely to benefit. The sector already offers an attractive yield thanks to its dividends, which are currently above 5% according to IBES data (Institutional Brokers' Estimate System).

Change in view versus previous month.

Investment team's asset class views.

Sienna
GESTION

Sienna Gestion - French *société anonyme* governed by an executive board and a supervisory board with a capital of € 9,728,000 - RCS : 320 921 828 Paris – AMF Registration Number : GP 97020 on March 13th, 1997– EU VAT number : FR 47 320 921 828 - APE code : 6430Z - Headquarters : 18 rue de Courcelles 75008 Paris France.

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