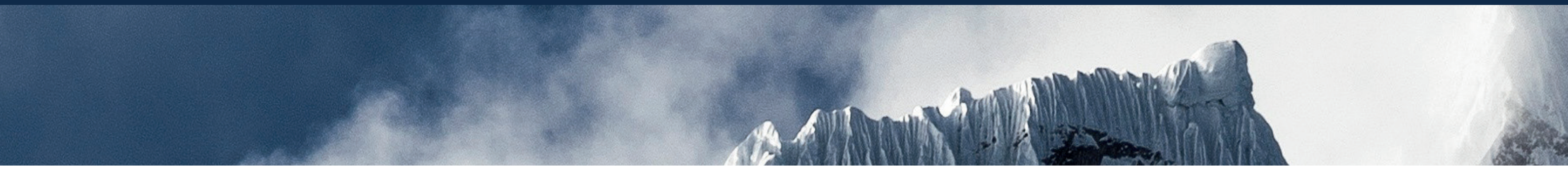


The economic statistics published in May and the robust Q1 2024 earnings season continued to support risk assets, and notably equities. ***These data have prompted us to shift some of our international exposure towards the Eurozone, though without withdrawing from the former altogether.*** *The central bank meetings in June will be an opportunity to adjust our allocations.*

David TAIEB, *Chief Investment Officer - Listed Assets*

SUMMARY

Growth

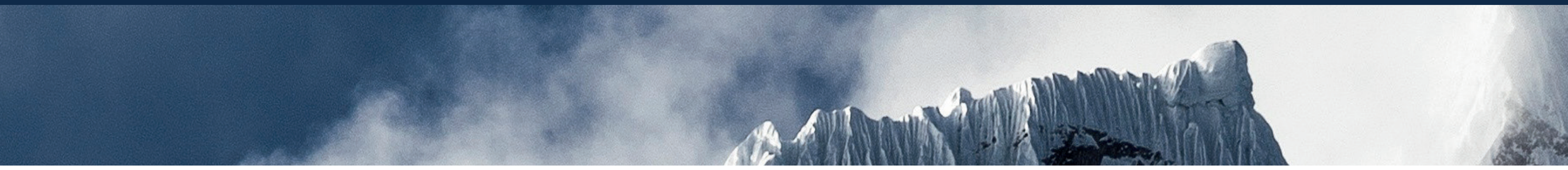
The global economy remains resilient, principally led by the United States, which has nevertheless paused in its expansion. We have also noted that i**n May, highly encouraging data was reported in the Eurozone, indicating a possible improvement going forward.** Growth in 2024 should follow a similar pattern to 2023.

Inflation

While global inflation has continued to edge lower, notably in the Eurozone, US inflation has not fallen since January. Meanwhile, the price of oil has begun to ebb, a trend that is likely to lower price tensions from June onwards.

Monetary policy

Investors are expecting the ECB to lower its key rates on June 6th, a decision driven by easing inflation and persistently weak activity levels. The situation is different in the US, where the conditions have not been met for the Federal Reserve to follow the same path. The first rate cut in the US could occur in September, at the earliest.



SUSTAINABLE

European authorities wish to regulate ESG fund names – "ESMA fund names guidelines"

Astrid LIEDES,
ESG Analyst
Listed Assets

Since the SFDR regulation came into force, the European Securities and Market Authority (ESMA) has observed a degree of hype around sustainable investment strategies within the financial industry. The regulatory body believes that investors should naturally, and within reason, expect these funds to comply with minimum sustainability standards.

ESMA therefore wishes to address the greenwashing risk induced by misleading fund names. It has recently published naming **guidelines to regulate the use of some of the terminology in fund names and to ensure investors are not confused or misled.**

The final report was published on May 14th. These requirements will apply three months after the date of publication for new funds, and 12 months for existing funds.

The guidelines for these sustainable funds include mandatory e**xclusions and minimum sustainable investment thresholds and environmental and social (E&S) characteristics to be attained.** The table below summarises the requirements to be applied according to the terminology used in the fund's name.

SUSTAINABLE (continued)

Terminology used in the fund name	Minimum sustainability thresholds or ESG characteristics within the fund	Exclusions
Sustainability	80 %	CTB + PAB
Environment, ESG, SRI	80 %	CTB + PAB
Transition	80 %	CTB
Social, Governance	80 %	CTB
Impact	80 %	CTB + PAB

CTB exclusions (Climate Transition Benchmark):

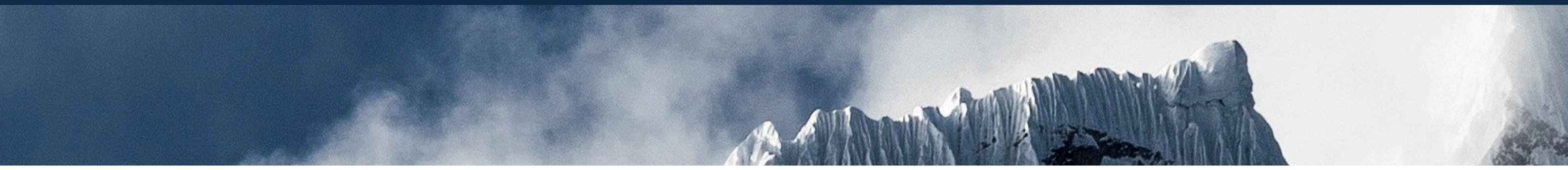
- Controversial weapons,
- Tobacco,
- Violations of the UN Global Compact

PAB exclusions (Paris-Aligned Benchmark):

- Companies deriving > 1 % revenues from coal
- Companies deriving > 10 % revenues from oil
- Companies deriving > 50 % revenues from gas
- Companies deriving > 50 % revenues from the production of power with a GHG intensity > 100gCO2/Kwh

Funds referring to "transition" in their names are not required to apply fossil exclusions: the objective is not to thwart investments in companies from carbon-intensive sectors that are undergoing a transition, but rather to support them.

Following the publication of this report, the market seems headed for mandatory exclusions, notably regarding fossil energies, for all funds featuring ESG or associated terminology in their names.

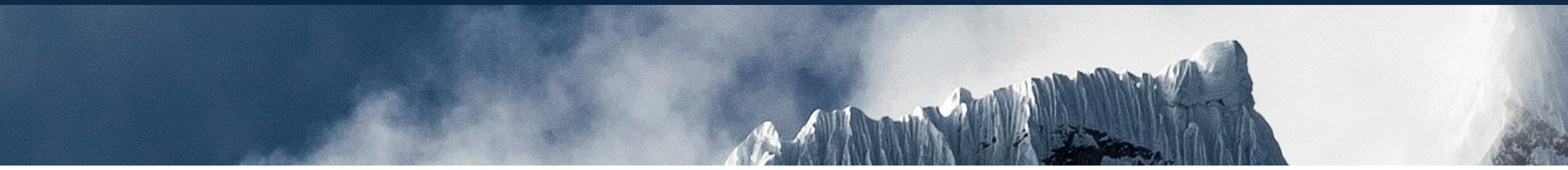


TREND

The UK market is looking more attractive

The UK economy has improved significantly since the autumn of 2022. After seven quarters of lacklustre growth and a slight recession in H2 2023, **the UK's GDP expanded by + 0.6 % in Q1 2024**, putting an end to the recession the country had entered last year, thanks to a rebound in capital expenditure and household consumer spending. Retail sales rebounded in May, posting their strongest rise since December 2022. The British composite PMI reached 54.1 in April after six consecutive monthly rises. The services sector also enjoyed a robust recovery and has accelerated, stimulating overall growth. However, manufacturing activity slipped marginally.

After peaking at 11 % in the autumn of 2022, UK inflation slowed sharply in April, retreating to 2.3 % year-over-year, its lowest level since July 2021. The public deficit was also lowered to around 3 % of the country's GDP, while public debt has stabilised at around 100 % of GDP. Regarding the central bank policy (BOE), consensus estimates suggest a little under two rate cuts in 2024.



TREND (continued)

The UK market is looking more attractive

In light of these factors, **the time seems ripe to return to the UK stock market** which has been overlooked by investors over the past two years. In terms of valuations, the 12-month forward price-to-earnings (P/E) ratio **of the Footsie 350 stands at 11.6, 12 % lower than its average over the past 10 years**. The UK equity market's discount relative to the EuroStoxx index is essentially due to its different sector breakdown: the Footsie is overweight cyclical sectors and underweight technology.

Companies reported decent results during the latest earnings season, **with many positive signals on earnings and margins.** As a result, we may choose to overweight UK stocks relative to the Eurozone. However, we prefer to take our time, as Prime Minister Rishi Sunak has recently called a general election on July 4th. This may weaken the economic environment in the months to come, particularly as there seems to be little doubt today that Britain is headed for a Labour government.

Political instability could indeed generate some volatility across the UK stock market.

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

The macroeconomic momentum and corporate earnings are improving gradually, while stock valuations in the region remain just as attractive. Our view has shifted from neutral to over-exposed on the asset class.

UNITED STATES

US equities are trading at particularly rich valuations. We continue to expect the S&P 500 index to rise 2 % by mid-2024, and 6 % by the end of the year. We have shifted some of our US exposure to the Eurozone, and have therefore moved from neutral to under-exposed on this asset class.

EMERGING COUNTRIES

We are positive on the asset class overall but remain neutral on the Brazilian and Indian equity markets, and over-exposed to China, where the momentum is gradually turning around.

FIXED INCOME

SOVEREIGN BONDS

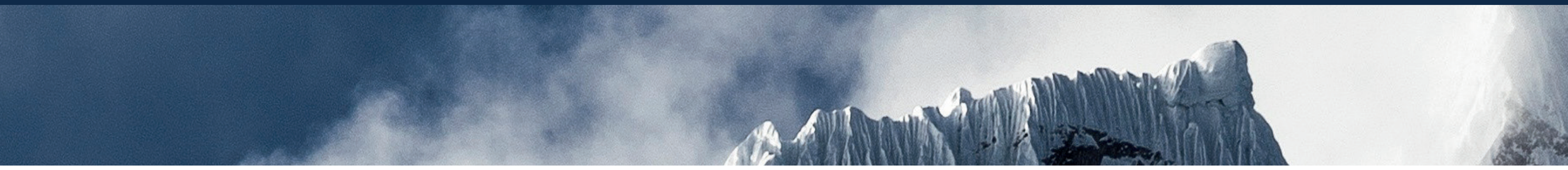
We only anticipate a modest retreat for long-term yields in the US. The trend should be sharper in the Eurozone. Generally, we have maintained our neutral view on US and European sovereign bonds.

CREDIT

We remain neutral on the asset class as a whole. Spreads are now very low, but the risk/return combination remains attractive for the asset class. Default expectations seem high at this stage of the cycle, prompting us to prefer European Investment Grade credit.

↗ → ↘ Change in view versus previous month.

+ = – Investment team's asset class views.



CONVICTIONS (continued)

EURO/USD

While 1 euro was worth 1.067 US dollar at the end of April, it has edged up to 1.085 dollar at the end of May. Our view on the Euro remains positive, with a target of around 1.11 dollar for the summer, and possibly 1.13 dollar by the end of the year.

COMMODITIES

Brent prices have fallen back from € 82.3 at the end of April to € 75.2 at the end of May. We believe that the potential for appreciation remains low ; however, Saudi Arabia's decision not to increase its production capacity may support the idea of a structural supply deficit likely to support crude oil prices. We expect oil prices to remain stable at around $ 80/barrel over the next few months.

Change in view versus previous month.

Investment team's asset class views.

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