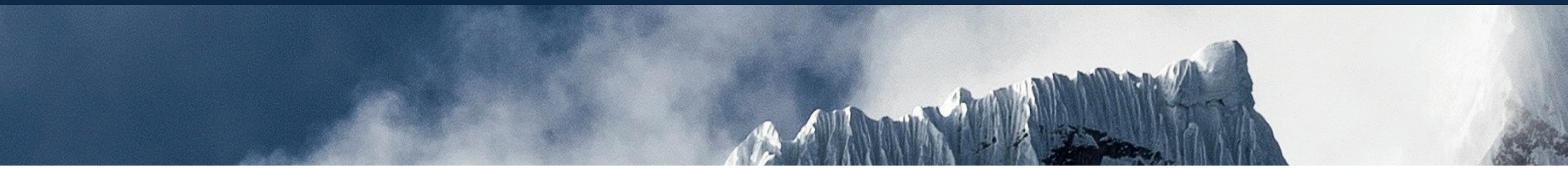
JULY 2024

Sienna INVESTMENT MANAGERS

NEWSLETTER #21



The political environment *has deeply disrupted capital markets. However, the odds of a shock on growth or major impacts on large corporations seem limited at this stage. Believing that some assets are trading at a discount, we are looking at ways of leveraging opportunities through arbitrage decisions, in keeping with our long-term vision and our recommended investment horizons. Naturally, the situation remains fragile and diversification strategies are essential for our portfolios to deliver as expected. We wish you a very pleasant summer !*

David TAIEB, *Chief Investment Officer - Listed Assets*

SUMMARY

Growth

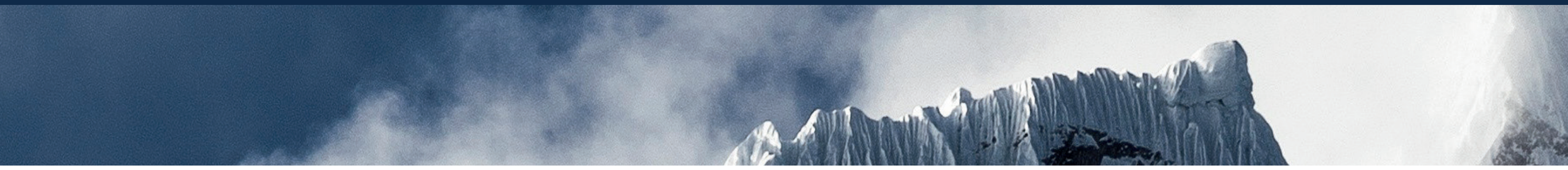
According to IMF forecasts, the global economy should grow 3.2 % in 2024 (+ 0.1 point compared to January estimates). France, however, saw its growth forecasts lowered from 1 % previously to 0.7 % for this year. **The World Bank is less optimistic and is expecting the global economy to expand by 2.6 %,** up + 0.1 % from its January forecasts, driven by the strong performances of the US economy.

Inflation

While global disinflation is expected to continue into the second half of the year, it has slowed down. Within the Eurozone, inflation is on a downward trend, although prices have accelerated slightly, rising + 2.6 % on an annual basis in May compared to + 2.4 % in April. In France, inflation in May stood at 2.3 % over 12 months.

Monetary policy

On June 6th, the ECB lowered its 3 key rates by 0.25 %, an event that had not happened since September 2023. No further rate cut is planned in July, but we are expecting three more cuts before the end of the year. In the United States, the Fed's first rate cut, which is dependent upon the labour market and inflation readings, could occur this month.



SUSTAINABLE

Inclusive investments weighed 30 billion euros in 2023

Jean-Marie PEAN,
Director - Responsible Finance

In June, the FAIR (Financer, Accompagner, Impacter, Rassembler) association and La Croix daily newspaper published their 22nd edition of the Barometer for Inclusive Finance. **With a 15 % rise in total assets under management between 2022 and 2023,** inclusive finance now tops 30.2 billion euros, accounting for 0.5 % of total French savings.

Inclusive finance refers to investments in companies with a social and environmental purpose, or in products generating high social and environmental benefits. **This barometer covers all inclusive savings products in France, including those that have been granted the Finansol certification.**

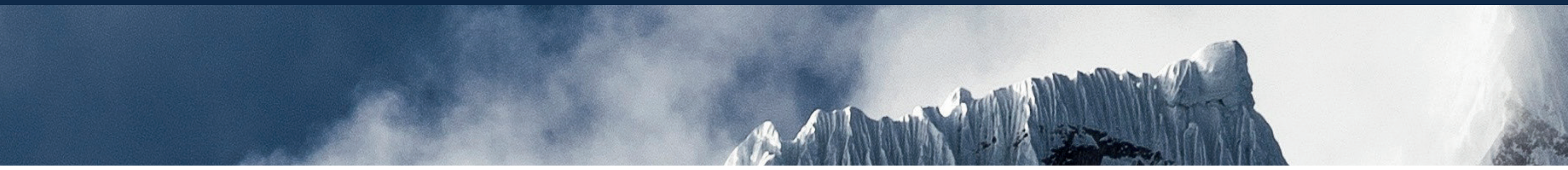
Money flows into inclusive finance through four channels : **inclusive employee savings schemes, banks or mutual insurance companies, and inclusive companies** (notably through the purchase of stakes in their capital).

SUSTAINABLE (continued)

These **30.2 billion euros** invested in the inclusive economy **paid out 8.5 million to charities** and generated inclusive investments weighing 680 million euros and supporting 1,470 projects with a social or environmental purpose. The impact of these investments has been measured :

- **65** micro-finance institutions, agricultural cooperatives and inclusive companies were financed,
- **2,100** additional people were rehoused,
- **16,000** jobs were created or consolidated,
- **13,000** people were powered with renewable electricity,
- **2,600** hectares of land were farmed organically, and 180 farmers received specific backing.

Through its funds, **our listed investment expertise** buys stakes in inclusive companies such as France Active Investissement or Inco Investissement and contributes to the development of this inclusive ecosystem.
In 2023, **around 80 million euros helped to fund inclusive projects**, such as access to housing for those in need, or employment for disabled people or the long-term unemployed.



TREND

The surprising strength of the US economy

The IMF now expects the US economy to grow + 2.7 % in 2024, compared to + 2.1 % in January, as consumer spending and job market data proved more positive than planned. Indeed, since the beginning of the year, the US economy has been buoyed by household consumer spending, which has remained surprisingly resilient despite the monetary tightening of these past two years.

We are constructive on US economic growth in H2 2024, which should benefit from the following tailwinds: the rebound of corporate profit margins, healthy corporate balance sheets, and a dynamic labour market. **The gradual easing of inflation should also enable the Fed to introduce its monetary easing cycle on July 31st or at the next FOMC meeting scheduled on September 18th.**

Net household wealth as a percentage of US GDP is historically high, supporting consumer spending and investment. An annualised 3,700 billion dollars of income and dividends was paid out to Americans during H1 2024, according to data from the US Department of Commerce. This is a 770-billion dollar rise in 4 years.

The wealth owned by US households in stocks, real estate and other assets is also historically high, which could support consumer spending over the next few quarters.

TREND (continued)

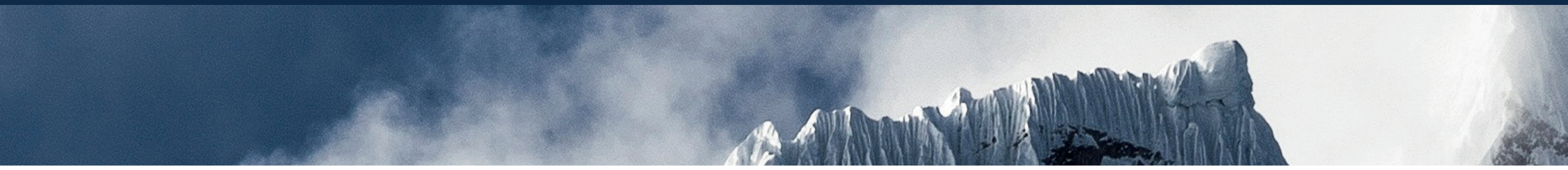
The surprising strength of the US economy

Finally, US companies are much more profitable than their counterparts in emerging and other developed countries.

Corporate spending in technology and digital services should more than treble by 2026, driven **by the global market for generative AI which offers investment opportunities worth several trillion dollars.** The development of AI will largely improve global productivity and therefore boost economic growth by 9 to 13 trillion dollars by 2040.

Opportunities generated by the expansion of AI extend far beyond the "Magnificent 7" (GAFAM, Nvidia and Tesla), impacting other sectors within the US equity market, including healthcare, industry, utilities, consumer spending and finance – ensuring that growth will be long lasting.

The US economy still has bright days ahead, despite the Presidential election on November 5th which is still looking indecisive**.**



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

We prefer European equity markets over their US counterparts. Valuations are more attractive than in the US, notably within the small cap segment. Our view therefore remains positive on European equities.

UNITED STATES

Ahead of the Q2 earnings publications, equity markets continue to benefit from strong investor momentum - notably US technology stocks. Nevertheless, we remain neutral on US equities.

EMERGING COUNTRIES

Chinese equity valuations are generally attractive compared to US equities. Our view remains positive on the Chinese equity market, and we are neutral on India and Brazil.

FIXED INCOME

SOVEREIGN BONDS

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

CREDIT

We have switched from overweight to neutral on credit. Spreads have widened recently, and on a risk-adjusted basis, credit appears more attractive than sovereign debt. Indeed, credit seems able to weather multiple economic scenarios, notably IG credit on which we have a positive view.

↗ → ↘ Change in view versus previous month.

+ = − Investment team's asset class views.

CONVICTIONS (continued)

EURO/USD

Over the next few months, key rate cuts in the US should contribute to the depreciation of the dollar against the single currency. Our view remains positive on the Euro, which we expect to reach 1.13 dollar at year end.

COMMODITIES

The price of Brent has remained unchanged after the OPEC meeting; however, we expect tensions in oil markets this summer. Our oil price forecasts are unchanged (85 $/barrel in 2024 and 80 $/barrel in 2025). Our view remains neutral on oil and gold.

Change in view versus previous month.

Investment team's asset class views.

Sienna
INVESTMENT MANAGERS

SIENNA GESTION - Member of the SIENNA INVESTMENT MANAGERS group - French *société anonyme* governed by an executive board and a supervisory board with a capital of € 9,824,748 - 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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