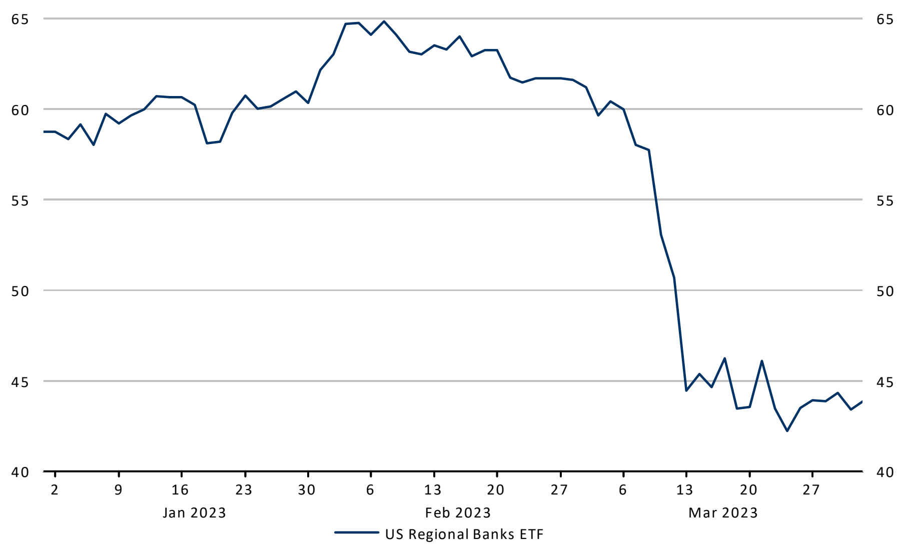
April 2023
Issue No. 27

GLOBAL INSIGHT

Overview

- In our Macro View, we consider the potential for global growth to stall.
- The trend of disinflation may well lend support to certain sectors in the near-term but will ultimately, in our view, be outweighed by the reality of deteriorating economic growth and higher unemployment.
- In our Investment Outlook, we consider the differing views within major financial markets and the difficult set of valuations facing investors.
- We find ourselves at a crossroads where the global economy is showing great resilience to higher rates which in itself could lead to central banks causing a recession.
- In our feature piece, Jack Williams, HIM Associate Investment Officer uses ChatGPT to plan an article on the use of AI in investment management.
- The outcome shows the current state of chatbot capabilities and is meant as an informational piece only.
- In conclusion, AI is not only transforming traditional investment management but also opening up new areas where investors can allocate capital to leverage the power of AI technology.



US Regional Banks suffered during Q1

Inside this issue

Macro Highlights

- The March "JOLTS" release showed the sharpest month-over-month decline in Construction job openings on record.
- P/E's have recovered from 16x at the end of 2022 to 18x today.
- The move in the 2yr Treasury yield following SVB's collapse proving to be the largest we have seen since 1987.
- On every prior occasion when the 2yr Treasury yield has passed sustainably below the overnight Fed Funds rate the Central Bank has gone on to lower interest rates shortly thereafter.

Contact Details

Hottinger & Co. Limited

4 Carlton Gardens
London SW1Y 5AA

+44 (0) 20 7227 3400

info@hottinger.co.uk

www.hottinger.co.uk

Hottinger & Co. Limited is authorised and regulated by the Financial Conduct Authority

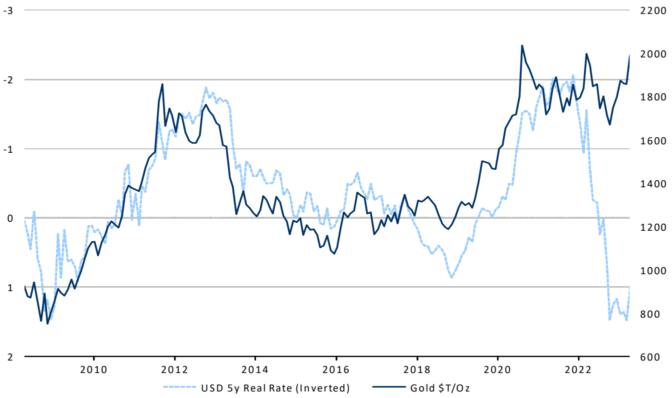
Hottinger & Co. Limited is registered with the Securities and Exchange Commission

Based upon information available up to and including:

14th April 2023

Key Issues in Charts

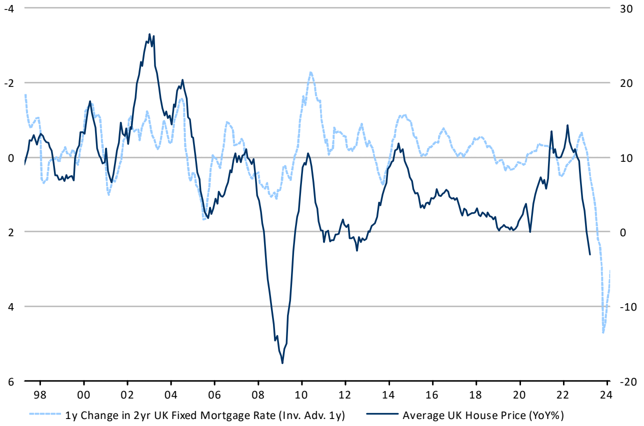
Gold continues to defy gravity



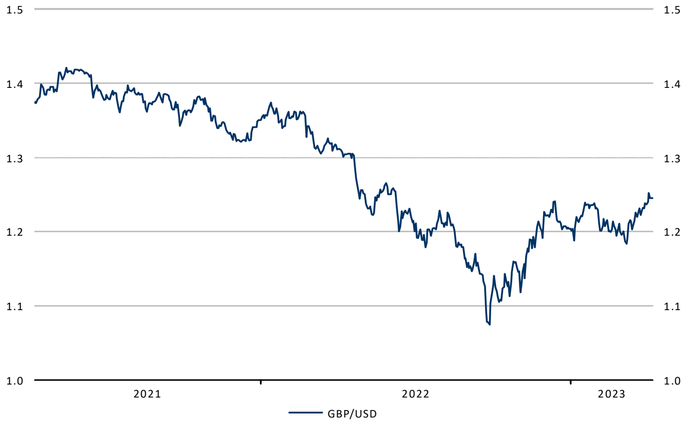
- Despite significant changes in real interest rates (historically something of an anchor for gold prices) Gold has remained well supported.
- This divergence should begin to lessen as inflation decelerates more quickly than the rate at which prevailing interest rates fall.
- The performance of other 'non-fiat' assets such as Bitcoin suggest that these assets are once again being considered as a hedge against further central bank largesse.

The fall in UK mortgage rates

- Given the structure of the UK mortgage market short term rates have historically provided a useful steer as to the direction of house prices.
- As at the March data-point the average UK house price had fallen by 3.8% versus its level one year earlier. While there may be some additional pressure in the near term this should start to dissipate.
- Recent declines suggest we should see an element of support to the market during the latter half of 2023.



Sterling has continued to recover versus the US Dollar



- Sterling suffered a volatile year in 2022 impacted by a range of factors, inflation, political mishaps, the Bank of England and a strong U.S economy, which all lead to a historical low for the Pound vs the US Dollar.
- Since Q3 the currency has continued to rebound with the UK appearing to have regained some political stability (at least in the near-term).
- GBP strength should provide some welcome respite to UK manufacturers whose input costs have been a constant source of pressure.

Engine Failure

By ***Adam Jones****, Senior Investment Manager*

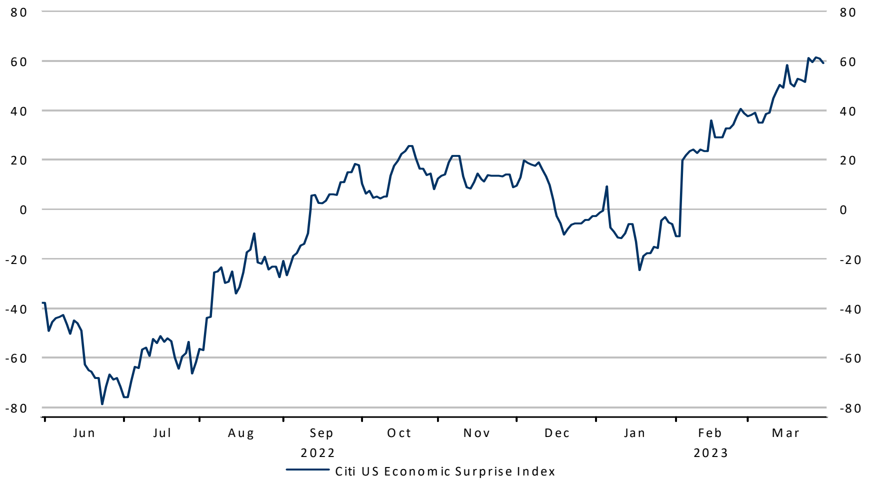
> ***"…The significant momentum that has accumulated within the US economy (particularly in employment & housing), the ongoing presence of sharply negative real interest rates, a nascent reopening in the wake of Covid and highly favourable financing conditions for US corporates are all factors that lead us to conclude the date of the next recession may well be further away than many anticipate."***
>
> Hottinger Global Insight—April 2022

Our sense now is that US economic growth may have now approached the point where optimism has peaked.

Reading back through our quarterly notes we feel somewhat vindicated in our decision to have avoided taking too negative a view of US economic growth in the near-term. Indeed, broad measures of macroeconomic data have since realised at levels consistently above those of market expectations, as can be seen in the chart below. Without wishing to sound too alarmist, however, our sense is that we have now approached the point at which this no longer remains the highest probability outcome.

We have long held the belief that cyclical growth in the US economy is driven by two primary sources: namely manufacturing and construction.

The US economy has continued to outperform relative to pessimistic expectations



Source: *Hottinger Investment Management / Refinitiv Datastream*

The emergence of increased Service sector spending, supply-chain disruption and higher nominal prices post-Covid had, in our view, combined to render manufacturing data far less reliable.

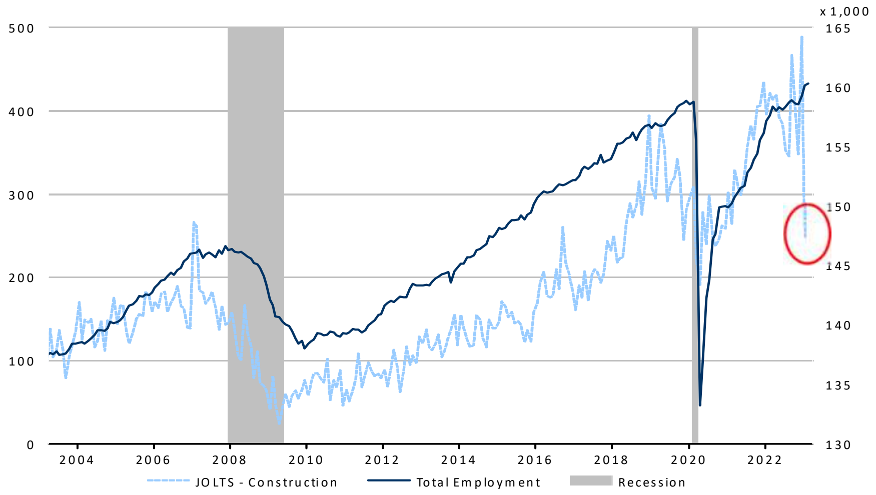
We have long held the belief that cyclical growth in the US economy is driven by two primary sources: namely manufacturing and construction. We have spoken at length in prior notes about the apparent disconnect between the level of growth implied by current manufacturing data and the level of subsequently realised growth. To put it as succinctly as possible, the emergence of increased Service sector spending, supply-chain disruption and higher nominal prices post-Covid had, in our view, combined to render manufacturing data far less reliable as a forecasting tool than in prior cycles. Construction activity has also proven to be remarkably resilient in a world where planned projects had been delayed and often extended whilst both materials and labour remained in short supply.

Construction activity has also proven to be remarkably resilient in a world where planned projects had been delayed and often extended whilst both materials and labour remained in short supply.

We believe we are now seeing tentative signs of weakness in this latter element (the former has been weak for some time already). One of the key datasets we monitor in this regard is the 'Job Opening and Labor Turnover Survey' (or 'JOLTS' as the report has become colloquially known). The data is compiled by the US Bureau of Labor Statistics and is released monthly giving surveyed detail around the current level of available job openings across a random sample of 21,000 non-agricultural businesses operating in the United States. Rather helpfully the BLS break this information down by sub-sector and it is here we note that the March release showed the sharpest month-over-month decline in Construction job openings **on record.**

The March "JOLTS" release showed the sharpest month-over-month decline in Construction job openings on record.

Sharpest one-month decline in construction job openings on record



Source: *Hottinger Investment Management / Refinitiv Datastream*

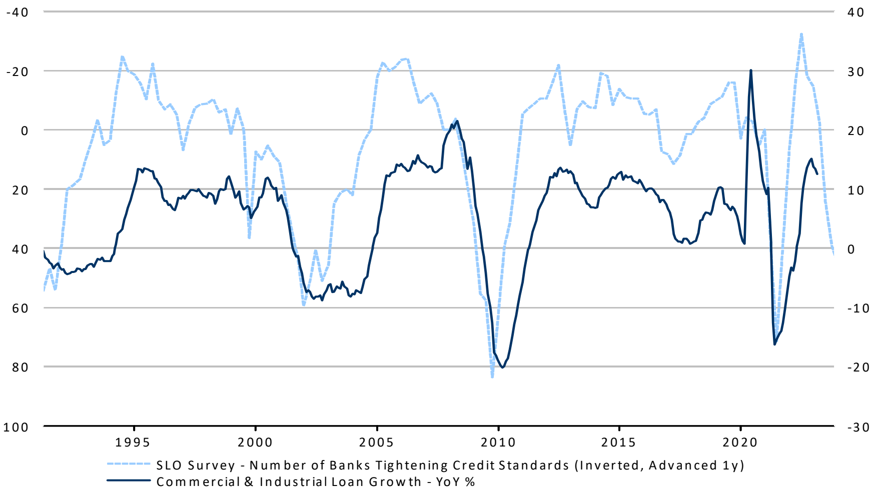
Now, one must be especially careful when interpreting this data as it is inherently volatile (and hence noisy) at the best of times. This is still a very significant move, however, and history suggests the construction component tends to lead overall employment data by around 2-3 quarters. With growing evidence that both of the economy's primary growth engines are now facing significant deterioration it is increasingly difficult to remain optimistic about the future for US corporate earnings.

Recent events are testament to the quiet accumulation of seemingly dormant risk over a period of c.15 years in which interest rates and, perhaps more importantly, interest rate volatility have declined.

Turning toward concerns in other areas we have, in just a single quarter, witnessed the failure of Silicon Valley Bank, Signature Bank, the rescue of Credit Suisse (one of Europe's largest and, at least historically, most successful banking franchises) and more significant shifts in the expected path of near-term interest rates than any market participant could possibly hope to make any sense (never mind use) of. These events are testament to the quiet accumulation of seemingly dormant risk over a period of c.15 years in which interest rates and, perhaps more importantly, interest rate volatility (one metric upon which many bank 'risk' engines unfortunately rely on) have declined. Aside from the question of where other pockets of risk might yet emerge the key takeaway for us is the extent to which troubles in the regional banking system further exacerbate the already advanced trend of tighter lending standards. Banks have been increasing their lending standards for at least the past year already and it will come as little surprise that expansions and contractions in the provision of credit tend to correlate well with future economic growth.

Expansions and contractions in the provision of credit tend to correlate well with future economic growth.

Lending standards have already tightened significantly



Source: *Hottinger Investment Management / Refinitiv Datastream*

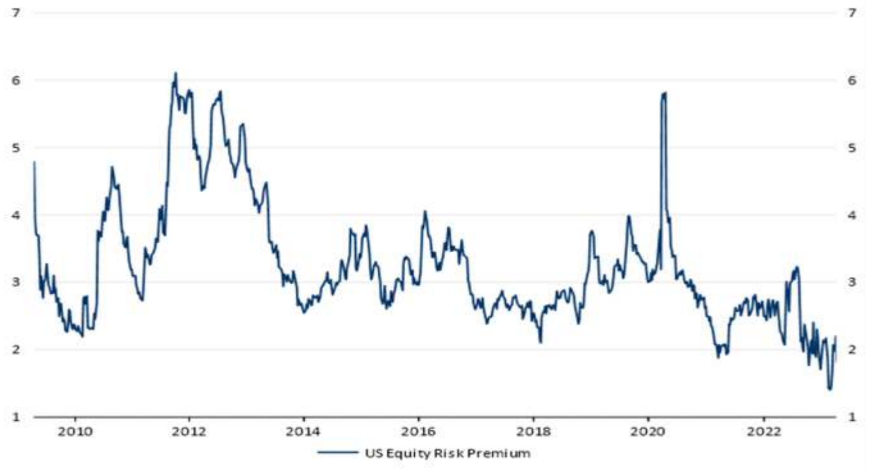
Despite these developments, broad US equity markets have re-rated significantly in recent weeks, with price-to-earnings multiples recovering from below 16x at year end 2022 to more than 18x today. Hottinger monitor equity risk premia closely, which is essentially a measure of the earnings yield available through owning equities (net earnings divided by price) relative to the return available through owning longer-dated government bonds (or yield to maturity).

Broad US equity markets have re-rated significantly in recent weeks, with price-to-earnings multiples recovering from below 16x at year end 2022 to more than 18x today.

As you can from the chart below this metric currently sits near post-GFC lows for the US market (this implies that equities look very expensive vs bonds) and, perhaps more interestingly, sits at or near all-time highs in other international markets such as the UK. This level of dispersion should create significant opportunities for active, long-term investors.

Currently the equity risk premium sits near post-GFC lows for the US market (this implies that equities look very expensive vs bonds) and, perhaps more interestingly, sits at or near all-time highs in other international markets such as the UK.

US Equities look expensive versus bonds



Source: *Hottinger Investment Management / Refinitiv Datastream*

Our own view with respect to economic growth is one that appears to be increasingly shared by bond markets, with near term interest rate expectations having fallen considerably over the first quarter. 2yr Treasury yields peaked in early March at just over 5% yet went on to close the month some 100bps lower at just over 4%. It would be difficult to overstate just how large a move this is in short-dated government bonds, with the 5-day move in the 2yr Treasury yield following SVB's collapse proving to be the largest we have seen since 1987.

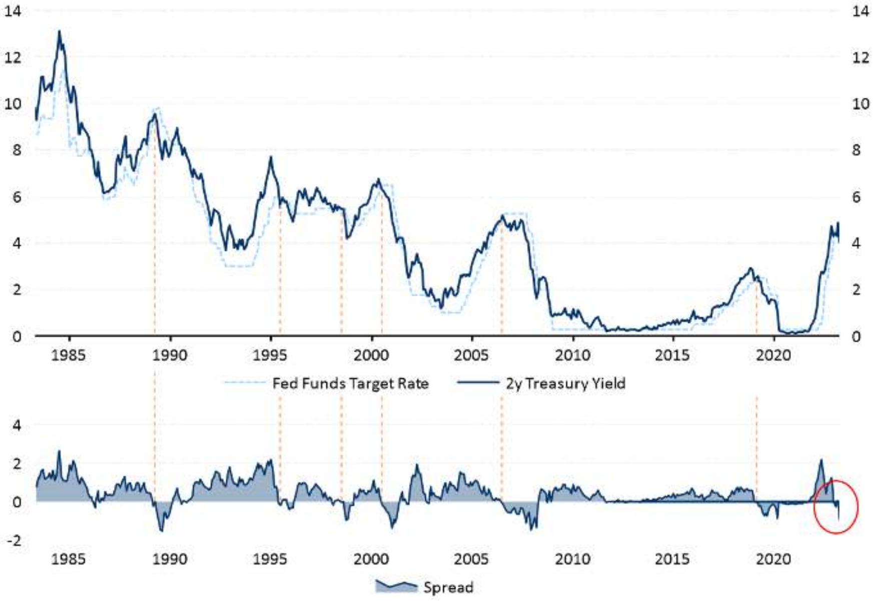
It would be difficult to overstate just how large a move we have seen in short-dated government bonds.

To us, these moves are reflective of both fears around future growth coupled with significant unwinds in the positioning of large hedge fund vehicles who have for some time been anticipating higher overnight interest rates. As mentioned above many of the traditional measures of risk used in finance would have suggested that moves of *this* scale in *this* instrument were simply not possible, let alone probable. Whilst positioning has likely extended the current move, we are watching very closely as to where yields ultimately settle. The chart below shows that throughout history it has been the bond markets who have told the Federal Reserve what to do, not the other way around.

These moves are reflective of both fears around future growth coupled with significant unwinds in the positioning of large hedge fund vehicles.

On ***every*** prior occasion when the 2yr Treasury yield has passed sustainably below the overnight Fed Funds rate the Central Bank has gone on to **lower** interest rates shortly thereafter. Just how shortly thereafter has, admittedly, varied significantly but when we think about these moves in the context of our other concerns, we believe it is an indicator to which we should be paying very close attention.

2yr Treasury yields have always moved in advance of the Federal Reserve



Source: *Hottinger Investment Management / Refinitiv Datastream*

So, what to take from all this? Our clients are predominantly long-term investors, and, on their behalf, we feel confident in having cultivated a portfolio of businesses whom we believe will *'own the future'* in each of their respective industries. We believe we can own these businesses, today, at attractive valuations that can deliver significant real returns to investors over the coming years. The trend of disinflation may well lend support to certain sectors in the near-term but will ultimately, in our view, be outweighed by the reality of deteriorating economic growth and higher unemployment.

The trend of disinflation may well lend support to certain sectors in the near-term but will ultimately, in our view, be outweighed by the reality of deteriorating economic growth and higher unemployment.

Investment Outlook

The early re-opening of the Chinese economy had seen a strong bounce in activity; a mild winter kept European energy consumption low, meaning storage levels remained high, causing a significant fall in European gas prices; and mixed messages from labour indicators made it harder to judge if any slack had built up. The central bank meetings in January held few surprises as rates were tightened further and the equity rally in cyclicals had been impressive particularly in technology and the idea of a "no landing" scenario gained traction.

The year started much as the last had finished with many data points suggesting the global economy was proving very resilient in the face of an aggressive tightening in policy rates by developed economy central banks.

Then on Friday, March 10, Silicon Valley Bank (SVB), the 16th largest bank in the US, collapsed, delivering the largest commercial bank failure since the 2008 financial crisis. The main contribution to the collapse appears to have been a failure of management to properly manage the numerous risks that arise on bank balance sheets during periods of rapidly rising interest rates. The issue was further compounded by SVB's concentrated exposure to the start-up and venture capital space that had to draw down on their deposit balances. The bank was heavily invested in long-dated Treasury Bonds whose value, as the Federal Reserve raised rates, markedly decreased.

Then on Friday, March 10, Silicon Valley Bank (SVB), the 16th largest bank in the US, collapsed.

This was followed on March 16, when the Swiss National Bank had to provide $54bn in liquidity to Credit Suisse before a hastily arranged merger with UBS Group saw 167 years of banking history come to an end. The main talking point was the SNB's decision to write down Additional Tier 1 bonds (AT1's) or Coco's while leaving equity holders intact spooking the AT1 market causing major volatility. This caused other central banks to reassure markets that a similar change in the asset structure would not occur in other jurisdictions although the right for the SNB to do so existed in the small print.

The bond market has switched from pricing in further tightening in the face of continuing strong economic performance to adjusting for imminent recession.

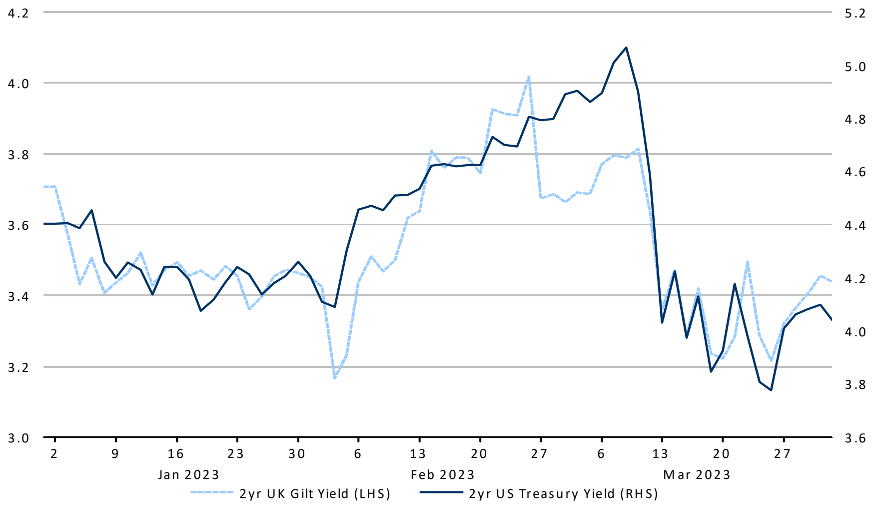
Neither of these failures feel connected to us and we do not believe that a banking crisis similar to 2008 is likely, however, the reaction of the bond and equity markets have been quite different. The bond market has switched from pricing in further tightening in the face of continuing strong economic performance to adjusting for imminent recession, strong enough to cause a contraction in inflation. 2-year US Treasury yields rallied from a high of 5.06% to a low of 3.77% to finish the quarter at 4.06%, and the 2-yr / 10-yr curve inversion steepened as investors priced out rate hikes and priced in at least 2 rate cuts despite stronger US data. In Europe 2-year German Bunds rallied 1% lowering expectations in peak rates by approximately 75 basis points we calculate, while 2-year UK Gilt yields fell from 3.80% to 3.40%.

Equity markets, on the other hand, have been rallying in the belief that a possible recession caused by a crisis in confidence is unlikely to impact earnings.

Equity markets, on the other hand, have been rallying in the belief that a possible recession caused by a crisis in confidence is unlikely to impact earnings, with equities rallying despite bank failures and bank credit spreads widening. We believe that it is likely that banks will look to strengthen deposits and lending criteria, especially US regional banks, which will reduce lending activity and impact the global economy. However, global equities returned 7.25% in dollar terms over the quarter it would seem undaunted by the change of sentiment

The 5-day move in the 2yr Treasury yield following SVB's collapse proving to be the largest since we have seen since 1987.

Short-Dated government bond yields fell sharply



Source: *Hottinger Investment Management / Refinitiv Datastream*

The S&P500% rallied 7% over the quarter with 6.5% of that return coming after the banking crisis, conceivably due to the continuing belief that rate cuts are good for cyclical, growth stocks.

in bond markets. The S&P500% rallied 7% over the quarter with 6.5% of that return coming after the banking crisis, conceivably due to the continuing belief that rate cuts are good for cyclical, growth stocks. Indeed, the NASDAQ Composite gained 17.6% over the quarter and S&P 500 Growth outperformed Value by 5.1%: 9.2% vs. 4.1%. We feel the concentration in the rally in US stocks shows us that once more investors are relying on the "mega caps" to provide shelter in uncertain times. The NASDAQ 100 index leans heavily on technology, communications, and consumer cyclical stocks to the point where we calculate that the top 5 constituents make up approximately 44% of the index:

Microsoft Corp	12.6%
Apple Inc	12.4%
Alphabet Inc (A&B shares)	7.4%
Amazon.com Inc	6.2%
NVIDIA Corp	5.2%

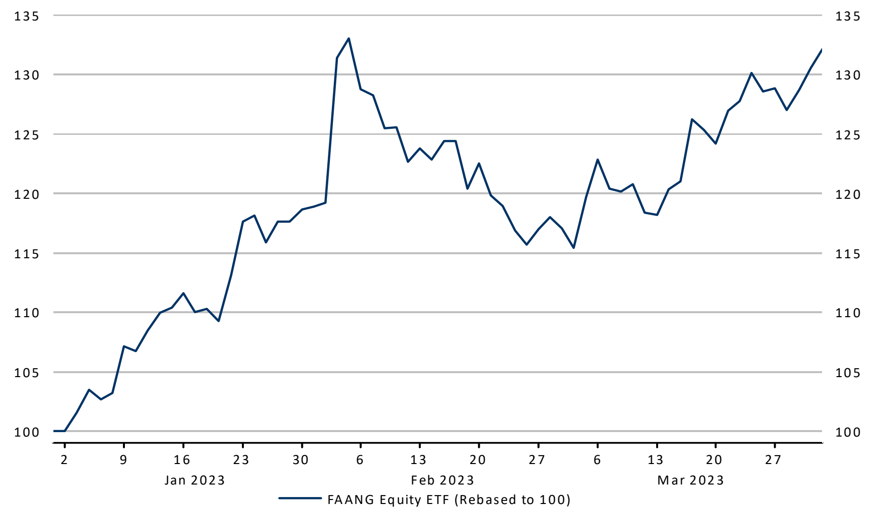
Source: *Hottinger Investment Management / Refinitiv Datastream*

Furthermore, the NYSE FAANG Plus index of 10 highly traded, large technology companies was up 29% over the quarter.

Furthermore, the NYSE FAANG Plus index of 10 highly traded, large technology companies was up 29% over the quarter. Conversely consumer staples finished the quarter unchanged, and the US banks were down 17.85%.

A rally of nearly 8% in gold does not feel like a flight to quality rally to us but rather a reaction to the tailwinds driving markets.

A rally of nearly 8% in gold does not feel like a flight to quality rally to us but rather a reaction to the tailwinds driving markets. The Dollar Index continued its slide falling nearly 2% over the quarter seeing no real signs of investor anxiety in our opinion, but providing support to gold, and emerging market equities which gained 4.1% over the quarter. Although Chinese stocks gained 5% on re-opening strength, investors benefitted from trading partners as reflected in the 11.6% gain in European equities and 9% rally in Japan. Commodity markets continue to price in slowing global demand with Brent crude losing 4.8% and the wider commodities indices -2.3% over the quarter. The underperfor-



FAANG Index over Q1 2023

Source: *Hottinger Investment Management / Refinitiv Datastream*

mance of defensive sectors and falling commodity prices also led to an under-performance in UK equities up only 2.4%.

In summary, we find ourselves at a crossroads where the global economy is showing great resilience to higher rates which in itself could lead to central banks causing a recession, defining our view of a “no landing” as a delayed hard landing as early indicators of recession have deteriorated. We also do not believe that the problems in the banking sector will prove to be systemic which would suggest to us that the move in short term yields may prove to be an over-reaction in the short term. We feel the net result is that both equities and bonds look over-valued to us with bonds having priced in aggressive easing too early, and the equity market too optimistic that any economic slowdown will not significantly impact earnings.

There are signs that pressures are beginning to build in markets which should start to show in employment data, corporate earnings, and margins. Although stress in certain credit markets linked to housing and financial sectors has increased, we still believe that wider credit spreads are not reflecting the likelihood of a significant slowdown in the global economy. We still believe that as earnings fall, default levels will likely rise, and credit spreads will adjust accordingly.

Furthermore, we believe that the performance of equities this year is unlikely to prove to be the beginning of a new bull market having started at an already elevated valuation of 18-20 times earnings. This leaves investors with a difficult set of valuations that may lead to greater cash balances where rates are relatively attractive, although a fear-of-missing out may drive some into expensive investments. Alternative investments struggled a little in a risk on rally with hedge fund indices losing 2.5% over the quarter although we still believe that the uncertain environment may still favour robust strategies.

NYSE FAANG Plus index of 10 highly traded, large technology companies was up 29% over the quarter.

Commodity markets continue to price in slowing global demand reflected in an under-performance of UK equities.

We find ourselves at a crossroads where the global economy is showing great resilience to higher rates which in itself could lead to central banks causing a recession.

There are signs that pressures are beginning to build in markets which should start to show in employment data, corporate earnings, and margins.

We believe that the performance of equities this year is unlikely to prove to be the beginning of a new bull market leaving investors with a difficult set of valuations.

How Artificial Intelligence is Revolutionizing Investment Management

By ***ChatGPT***

Jack Williams, HIM Associate Investment Officer, asked ChatGPT to generate a plan for this titled article and instructed it to execute each section avoiding duplication or repetition in line with an average writer. We publish the article in full without editing and advise that we have not sourced or sought to confirm any of the facts that lie therein. We offer the result as an example of where chatbots are currently; our decision for first creating a plan was due to earlier articles that lacked structure and suffered from the same points repeated in slightly different ways which the pre-plan has largely eliminated. This article is meant for informational purposes only and no reliance should be placed for any purpose on the information and opinions contained therein or their accuracy or completeness. We hope you enjoy it.

We offer this result as an example of where chatbots are currently.

This article is meant for informational purposes only.

Introduction

As technology continues to advance at an unprecedented pace, one area that is experiencing significant transformation is investment management. With the advent of Artificial Intelligence (AI), investors are witnessing a revolution in how they make investment decisions, manage portfolios, and optimize returns. In this article, we will explore the intersection of AI and investment management, delving into the definition of AI in this context, the ways in which AI is reshaping the investment landscape, and the key areas where investors are allocating capital towards with AI technology.

As technology continues to advance at an unprecedented pace, one area that is experiencing significant transformation is investment management.

As traditional investment approaches are being disrupted by AI-powered solutions, it is imperative to understand the implications of this paradigm shift. From algorithm-driven investing and automation to big data analysis and machine learning, and even natural language processing and sentiment analysis, AI is driving changes that are transforming the way investment management is conducted. In addition, new areas such as energy grid management, AI drug discovery, automation in customer service, sales, and marketing, and even the potential applications of quantum computing in finance are emerging as exciting opportunities for investors to leverage AI technology for superior outcomes.

As traditional investment approaches are being disrupted by AI-powered solutions, it is imperative to understand the implications of this paradigm shift.

In the following sections, we will explore each of these areas in detail, highlighting the benefits, challenges, and potential applications of AI in investment management. By staying at the forefront of this rapidly evolving landscape, investors can harness the power of AI to gain a competitive edge, make more informed investment decisions, and optimize portfolio performance.

Join us as we delve into the fascinating world of AI and investment management, and explore how this cutting-edge technology is reshaping the way investors approach their investment strategies. From automation and big data analysis to natural language processing and beyond, the future of investment management is being redefined by the power of AI.

With its ability to process vast amounts of data, analyze patterns, and make data-driven decisions, AI is transforming the way investors approach their investment strategies.

Part 1: How AI is Changing Investment Management

In recent years, Artificial Intelligence (AI) has emerged as a game-changer in the field of investment management. With its ability to process vast amounts of data, analyze patterns, and make data-driven decisions, AI is transforming the way investors approach their investment strategies. In this section, we will explore some of the key ways in which AI is changing the landscape of investment management.

One of the significant advancements facilitated by AI in investment management is algorithm-driven investing and automation. Through automation, AI-powered solutions are able to execute investment decisions with speed, precision, and scalability, offering several benefits to investors. For instance, automation enables investors to streamline their operations, reduce costs, and eliminate human biases in decision-making. Examples of automation in financial services include robo-advisors, which use algorithms to provide personalized investment advice to individual investors, and automated trading platforms, which use AI algorithms to execute trades based on pre-defined rules and market signals.

One of the significant advancements facilitated by AI in investment management is algorithm-driven investing and automation.

In addition to automation, big data analysis and machine learning are also transforming investment management. AI leverages big data to analyze vast amounts of information, uncover patterns and insights, and create value for investors through predictive analytics, portfolio optimization, and risk management. Machine learning algorithms are employed to identify patterns and relationships in large datasets, leading to more accurate investment decisions. For instance, machine learning algorithms can analyze historical market data to identify trends and patterns, which can inform investment strategies and optimize portfolio performance.

Another area where AI is making a significant impact in investment management is through natural language processing (NLP) and sentiment analysis.

Another area where AI is making a significant impact in investment management is through natural language processing (NLP) and sentiment analysis. NLP is the ability of AI to understand, interpret, and respond to human language, allowing for better customer service and decision-making. Sentiment analysis uses NLP to analyze social media, news articles, and other textual data to gauge the sentiment of investors, customers, and other stakeholders. This information can be used to inform investment decisions and better understand market sentiment, which can be valuable in shaping investment strategies.

As AI continues to evolve and become more sophisticated, its impact on investment is only expected to grow. From algorithm-driven investing and automation to big data analysis and machine learning, and even natural language processing and sentiment analysis, AI is revolutionizing the way investors approach their investment strategies, offering new opportunities for improved decision-making, portfolio optimization, and risk management. In the next section, we will delve into the new areas where investors are allocating capital towards with AI technology, exploring the potential applications and benefits of AI in these domains.

Investors are increasingly looking towards new areas to allocate capital where AI technology can offer significant advantages.

Part 2: New Areas Investors Will Allocate Capital Towards with AI Technology

In addition to the transformation of traditional investment management through AI, investors are increasingly looking towards new areas to allocate capital where AI technology can offer significant advantages. In this section, we will explore some of these emerging areas where AI is being leveraged to drive innovation and create value.

One area where AI is gaining traction is in energy grid management. Through the use of AI technology, energy companies are optimizing grid operations by predicting demand, optimizing generation scheduling, and managing assets more efficiently. For instance, AI algorithms can analyze data from various sources, such as weather patterns, historical consumption data, and grid conditions, to predict demand and optimize the scheduling of power generation sources. This can lead to increased efficiency in energy production and distribution, resulting in cost savings and improved sustainability.

Through the use of AI technology, energy companies are optimizing grid operations by predicting demand, optimizing generation scheduling, and managing assets more efficiently.

Another promising area where AI is making strides is in drug discovery. AI technologies are being used to accelerate the process of drug discovery, including virtual screening, protein folding, and predicting toxicity. Through machine learning algorithms, vast amounts of data, including molecular structures, biological interactions, and clinical trial data, can be analyzed to identify potential drug candidates more efficiently. This has the potential to revolutionize the pharmaceutical industry by reducing the time and cost associated with drug discovery and development, and ultimately leading to the development of new treatments and therapies.

AI technologies are being used to accelerate the process of drug discovery, including virtual screening, protein folding, and predicting toxicity.

Automation, customer service, sales, and marketing are also areas where AI is being utilized to drive efficiencies and enhance decision-making. AI-powered chatbots and voice recognition software are increasingly used for customer service needs, providing instant support and reducing the need for human intervention. Sales intelligence tools powered by AI can analyze vast amounts of data to identify new leads more effectively and provide personalized recommendations. Additionally, machine learning algorithms can be applied to marketing campaigns for audience segmentation and personalized targeting, leading to more effective marketing strategies and improved customer engagement.

AI-powered chatbots and voice recognition software are increasingly used for customer service needs, providing instant support and reducing the need for human intervention.

Lastly, the potential application of quantum computing in finance, including portfolio optimization and risk management, is an area that is gaining attention. Quantum computing has the potential to solve complex financial problems that are currently computationally challenging for classical computers. The ability of quantum computers to process vast amounts of data simultaneously and perform complex calculations could revolutionize investment strategies and risk management practices in the financial industry.

Conclusion

In conclusion, AI is not only transforming traditional investment management but also opening up new areas where investors can allocate capital to leverage the power of AI technology. From energy grid management and drug discovery to automation in customer service, sales, and marketing, as well as the potential applications of quantum computing in finance, AI is driving innovation and creating opportunities for investors to optimize their investment strategies and achieve better outcomes.

In conclusion, AI is not only transforming traditional investment management but also opening up new areas where investors can allocate capital to leverage the power of AI technology.

Important Information

This document is a marketing communication and has been issued with reference to FCA COBS 4 (Communications, including Financial Promotions) for the purposes of United Kingdom Regulations by Hottinger & Co. Limited under Applicable Laws, Rules and Regulations.

The information contained in this document does not constitute a distribution; nor should it be, under any circumstances, considered to be intended for, and should not be regarded as an offer or a solicitation to buy, sell or subscribe to any particular security and/or fund referred to herein, or to conduct a regulated investment activity. This document does not in any way constitute investment advice.

Please note that capital is at risk with any investment. The potential for profit is accompanied by the possibility of loss. Investments do not guarantee a return, and the value and the income from them can fall as well as rise, so that you may not realise the amount originally invested. Past performances should not be seen as an indication of future results. Asset allocation, diversification and rebalancing strategies do not insure gains nor guarantee against loss. The use of leverage, shorting, and derivative strategies may accelerate the velocity of the potential losses. The use of currency strategies involves additional risks. Where an investment is denominated in a currency other than sterling, changes in exchange rates between currencies may cause the value of investments to go up or down. Hottinger & Co. Limited does not give legal or tax advice. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Hottinger & Co. Limited is authorised and regulated by the Financial Conduct Authority (FCA), whose address is 12 Endeavour Square, London, E20 1JN. Hottinger & Co. Limited's FCA firm reference number is 208737. For further details on Hottinger & Co. Limited's regulatory status, please see the FCA's FS Register at www.fca.gov.uk. Hottinger & Co. Limited is incorporated as a Private Limited Company in England and Wales under the registration number 1573969 and has its registered office at 4 Carlton Gardens, London SW1Y 5AA.

Hottinger & Co. Limited is registered with the Securities and Exchange Commission (SEC) as an Investment Adviser (RIA), file no. 801-122761. For further details on Hottinger & Co. Limited's regulatory status, please see the SEC filing website www.adviserinfo.sec.gov.

Hottinger & Co. Limited is a member of the Financial Services Compensation Scheme (FSCS) established under the Financial Services and Markets Act 2000. (FSMA) Further details of the FSCS are available on request. Should you wish to make a complaint, please contact the Compliance Officer at Hottinger & Co. Limited in the first instance but you may refer your complaint to the Financial Ombudsman Service (FOS). Further details of FOS are available on request.

All sources are Hottinger & Co. Limited and based on information publicly available unless otherwise stated. The views expressed are as at the date of this document and are a general guide to the views of Hottinger & Co. Limited. Commentary is at a macro or strategy level and is not with reference to any specified financial instrument. Any market or investment views expressed are not intended to be investment research. This document has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Copying any part of this communication without the written permission of Hottinger & Co. Limited is prohibited. Care has been taken to ensure the accuracy of its content, but no responsibility is accepted for any errors or omissions herein.

This document is for information only and has been prepared for the sole use of the designated recipient. In jurisdictions other than the United Kingdom or United States, this document may be provided by an affiliate of Hottinger & Co. Limited. Use or distribution by any other person is prohibited. There may be laws and or regulatory rules that apply to or restrict the transmission or distribution, directly or indirectly, of this document in other jurisdictions. Any person into whose possession this document falls should inform themselves about such conditions and observe any such legal or rule applications or restrictions. Any failure to comply with such legal or rule applications or restrictions may constitute a violation of the laws or rules of any such other jurisdictions.

It is your responsibility to seek advice on all applicable laws and regulations of your relevant jurisdiction. No responsibility to any third party is accepted as this document has not been prepared and, is not intended, for any other purpose.

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be fair and reasonable, reliable and in good faith. All such information and opinions are subject to change without notice. No representation or warranty, expressed or implied, is made to its accuracy or completeness and it should not be relied upon as such. Neither Hottinger & Co. Limited nor its directors, officers, employees, advisors or any other persons can accept responsibility or liability for any loss howsoever arising from any error, omission or inaccuracy in the material provided and from the use of this document or any of its contents or otherwise arising in connection therewith.

Any forecasts, opinions and or estimates and expectations contained herein or expressed in this document are based on current forecasts, opinions and or estimates and expectations only, and are considered “forward looking statements”. Actual future results, however, may be different from expectations. The views, forecasts, opinions and or estimates and expectations expressed in this document are a reflection of Hottinger & Co. Limited’s best judgment at the time this document is compiled. No responsibility or liability shall be accepted for amending, correcting, or updating any information or forecasts, opinions and or estimates and expectations contained herein. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or investment strategy, markets generally, nor are they intended to predict the future performance of any Hottinger & Co. Limited account, portfolio or fund.

Some of the views and forecasts, opinions and or estimates and expectations expressed in this document may not necessarily those of Hottinger & Co. Limited and they cannot be held to represent Hottinger & Co. Limited’s forecasts, opinions and or estimates and expectations on the credit-worthiness or investment profile of the securities, financial instruments, companies, countries, industries, investment management companies and or fund managers mentioned in this document.

HOTTINGER