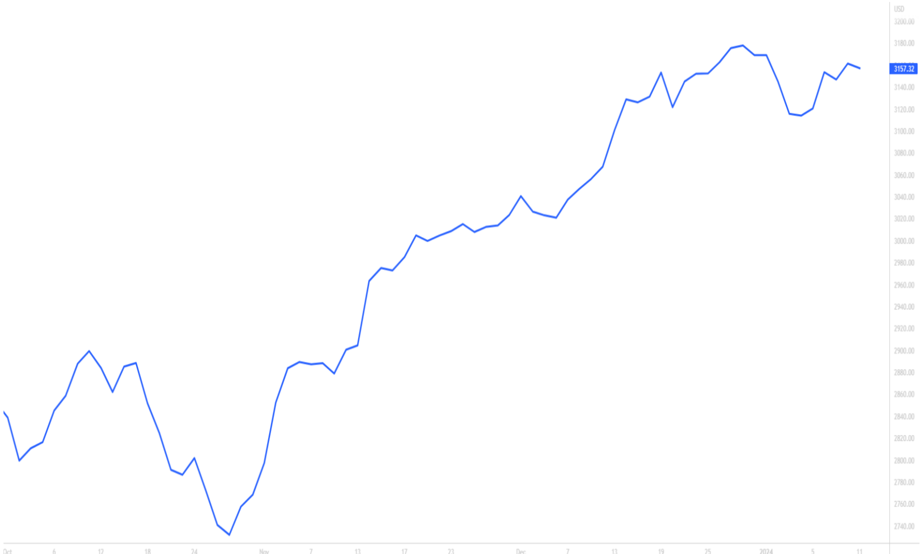
January 2024
Issue No. 30

GLOBAL INSIGHT

Overview

- In our Investment Outlook, we consider the recent performance of equity markets in the context of our forward-looking views.
- We look at the surge in markets towards year end, fuelled by building excitement surrounding potential Fed rate cuts in 2024.
- We also look at the concentration risk presented by the Magnificent Seven following a period of outperformance.
- We discuss Term Premium and its serious potential headwind to growth.
- The U.S economy appears to be slowing but for a supposed soft landing oncoming, are too many cuts priced into markets?
- We look at the rally in gold and its potential strength to move forward.
- In our Macro Piece 'Holes in the Road' we look at the potential pitfalls 2024 could have in store for investors.
- We look at the geopolitical events in 2024 which could impact markets including elections (Both in Developed and Emerging Markets) and their implications.
- We cover Central Banks quick policy pivots and their ability to impact markets followed by our outlook for 2024.

MSCI World Index Q4 2023



Source: *Refinitiv Datastream*

Inside this issue

Macro Highlights

- "Santa Rally" Towards Year End Saw Excitement Build Over Rate Cut Hopes in 2024.
- Concentration builds amidst Magnificent Seven names, now at 66%.
- The Rollercoaster Ride in Bond Markets, and looking ahead are investors to excited for cuts?
- Gold continues to push higher, detaching from long term real yield correlation, buoyed by geopolitics.

Contact Details

Hottinger & Co. Limited

4 Carlton Gardens
London SW1Y 5AA

+44 (0) 20 7227 3400

info@hottinger.co.uk

www.hottinger.co.uk

Based upon information available up to and including:

16th January 2024

Key Issues in Charts

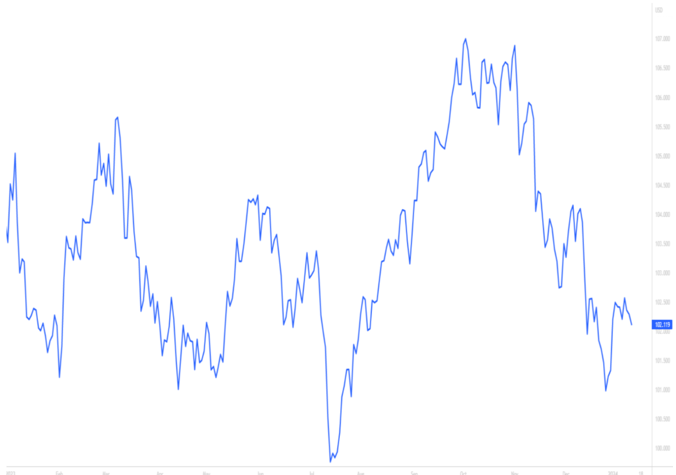
Nasdaq 100 ETF

- The QQQ or Nasdaq 100 ETF experienced a surge last year as the AI boom collided with an appetite for risk on technology stocks amidst a better-than-expected consumer and economy in the United States.
- This move became further amplified towards the final quarter of the year as excitement built towards numerous potential Fed rate cuts in 2024, leading markets higher through the final weeks of 2023.

MSCI Emerging Markets Horizon Index

- As developed markets contemplate rate cuts, attention shifts to Emerging Markets, strategically positioned later in the economic cycle.
- These economies, having swiftly addressed inflation concerns, are now poised to reap the benefits of earlier rate reductions.
- The graph showing the MSCI EM Horizon Index (EM Ex China, India, Brazil) illustrates the substantial uptick in Emerging Markets in November, reflecting the changing sentiment towards anticipated US rate cuts in 2024.

US Dollar Index 2023



- The US Dollar fell 2% through 2023 , breaking its two previous years of gains due to expected upcoming Federal Reserve rate cuts.
- The Majority of this decline can be contributed to the Oct-November period where Powell first seriously hinted about rate cuts potentially down the line.
- During this period the US dollar fell by nearly 4.6%, while markets moved inversely.

Investment Outlook

The last quarter of the year has been marked by further human tragedy as the Ukraine crisis is joined by the Israel – Hamas conflict inflicting immeasurable social and humanitarian costs. These hugely tragic events continue to play out on the international stage and while we acknowledge the geo-political consequences and collective cost to mankind, we continue to focus on the impact these events may have on global markets.

The final quarter of the year witnessed tragic events, with the Ukraine crisis and Israel-Hamas conflict causing immense social and humanitarian suffering. While recognizing the global repercussions and human toll, our focus remains on assessing how these events may impact the world markets.

The year 2023 will probably be remembered most in financial circles for the recession that never was having started the year with the majority of market economists predicting the aggressive tightening cycles of central banks leading to a textbook recession. However, the American consumer has shown remarkable resilience fueled by excess COVID savings, in our view, providing support for both US GDP, which was revised up in Q3, and equity market returns. We viewed Q3 earnings season as broadly ahead of expectations, however, investors seemed to harshly treat those that either underperformed or provided a downbeat outlook which may be a sign that many stocks were priced for perfection.

One of the main themes of 2023 was the potentially transformative force of Artificial Intelligence (AI) and the outperformance of AI enablers such as Nvidia, Microsoft, Meta Platforms, and Alphabet, as well as the other influential Mega Cap Technology companies of Apple, Amazon.com, and Tesla who collectively have become known as “The Magnificent Seven”. The AI infused rally at the beginning of the year was based on the long-term growth prospects of these companies and their ability to harness the strongest AI returns. However, following a bumpy summer when long duration growth saw profit-taking as investors priced in the potential for a recession in early 2024, traditional defensive sectors briefly led markets before the defensive attributes of the technology sector came to the fore providing support for the sector.

In 2023, AI's transformative impact propelled "The Magnificent Seven" tech giants. Despite a bumpy summer marked by recession concerns, the technology sector's defensive attributes ultimately offered stability amid market fluctuations.

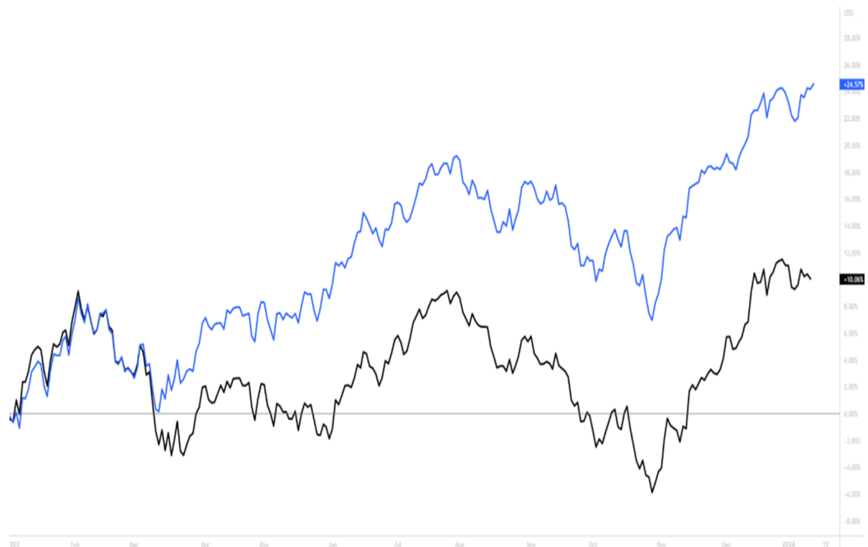
The software sector is at the forefront of innovation in many ways leading to its growth dynamic, but it also has many defensive characteristics such as high free -cashflow yields, low debt, low fixed costs, and low labour intensity that investors look for in a high cost, high inflation environment such as we see currently. Many traditional defensive sectors such as Utilities, Staples, and Financials often have bond like stable income sources, a level of leverage, high degree of fixed assets and overheads, and high labour intensity, all of which could be seen as a drag on earnings and profitability. Morgan Stanley believe that the AI story will change in 2024 from AI Enablers to AI Adopters[i], and we agree that it is likely that the presence of AI in our daily lives will grow as it’s effect is felt in many industries to become much like ESG, a key element of corporate strategy.

The "Magnificent Seven" now make up over 30% of the S&P500 and over 50% of the NASDAQ 100. Passive investment through ETFs complicates performance comparison with active portfolios, as mirroring these indices lacks diversification and may draw scrutiny with the level of concentration that exists today.

The market capitalisation of the Top 10 constituents of the S&P500 which includes the “Magnificent Seven” now makes up more than 30% of the index[ii] and the same measurement of the NASDAQ 100 also shows a Top 10 weight of over 50% thanks largely to the same companies[iii]. Both have Exchange Traded Funds allowing passive investment into the indices, however, performance comparison to an active portfolio becomes difficult because it is unlikely that any rational portfolio would match the shape of these headline indices, and we believe would hypothetically come under scrutiny by many regulators for their lack of diversification. The performance of both the headline S&P 500 and the equal-weighted S&P500 in 2023 of 24.23% versus 11.56% shows that an active manager's approach to the "Magnificent Seven" could have a material effect on relative performance and it is a phenomenon that is unlikely to rectify itself in the short term.

The performance of both the headline S&P 500 and the equal-weighted S&P500 in 2023 of 24.23% versus 11.56% shows that an active manager's approach to the "Magnificent Seven" could have a material effect on relative performance and it is a phenomenon that is unlikely to rectify itself in the short term.

S&P 500 vs Equal Weighted Index FY 2023



Source: *Refinitiv Workstation*

With regards to bond markets, this quarter has been a rollercoaster ride as US 10-yr Treasuries peaked at almost 5% on October 19 as significant indebtedness, large fiscal deficits, and a willingness to reduce central bank balance sheets (fiscal tightening) caused concerns that yields may need to move significantly higher for demand to meet supply. The widening of the gap between Italian and German bond yields may also be a sign that debt sustainability due to higher interest rates and higher debt servicing levels are not just a US phenomenon. It was noticeable that following the November FOMC meeting markets were more focused on the Treasury new issue calendar announcement that was released at the same time as Chairman Powell gave his news conference. We believe the level of fiscal deficits is leading to investor anxiety as western countries are financing more global conflict when spending levels are already high and financing costs are high. As we go into 2024 with the prospect of a US Presidential election and a UK general election due, the ability of manifestos to make generous spending plans may be curtailed, and investors will likely be monitoring debt servicing costs in our view. On the corporate side, balance sheets seem to still be robust especially in the large cap space but delinquency rates on consumer loans are increasing and we note that the smaller capitalised firms that rely more on bank finance may be more at risk.

With regards to bond markets, this quarter has been a rollercoaster ride as US 10-yr Treasuries peaked at almost 5% on October 19 as significant indebtedness, large fiscal deficits, and a willingness to reduce central bank balance sheets (fiscal tightening) caused concerns.

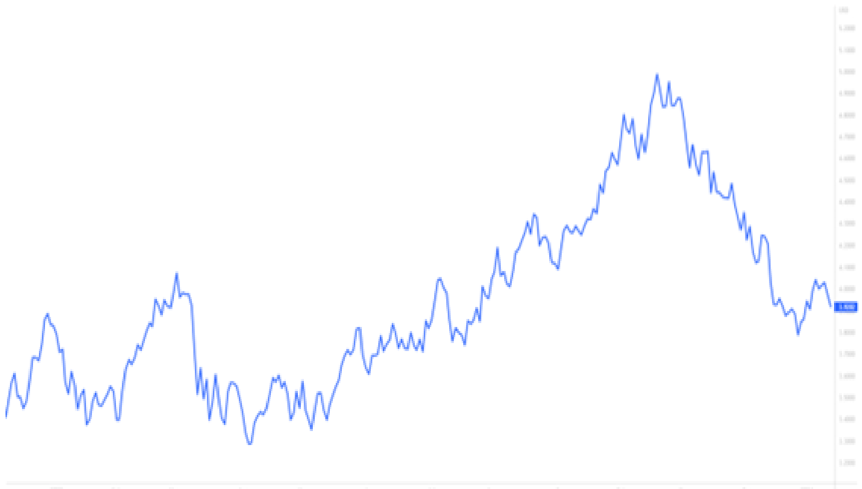
We note the increased coverage in the financial media of Term Premium, particularly with regards to US Treasuries. The difference between short-term and long-term yields is the premium that investors are demanding for holding longer duration bonds and this is determined by growth forecasts, inflation shocks, monetary policy, and market liquidity. There are many models to calculate this but the piece of the yield differential that cannot be explained by the previous factors is classed as the "Term Premium". When the Term Premi-

We note the increased coverage in the financial media of Term Premium, particularly with regards to US Treasuries.

um is negative then yield curve inversions are more likely but more recently the Term Premium as calculated by Fed modelling has turned positive and many analysts are attributing the sell-off in US treasuries to this fact[iv]. This could be considered as the market further tightening financial conditions above and beyond headline interest rates and was referred to by Chair Powell during his post-FOMC press conference in November[v]. We believe if a positive term premium persists and / or becomes significant then it could be a serious headwind for growth.

We believe if a positive term premium persists and / or becomes significant then it could be a serious headwind for growth.

US 10-yr Treasury Yield FY 2023



Source: *Refinitiv Workstation*

However, it would seem that the anxiety that had built during October and November would prove short lived as the recent potential for the Federal Reserve to pivot has dominated fixed income markets causing 10-year Treasury yields to fall sharply again to below 4%. Inflation has continued to fall with US core and headline CPI coming in lower than expected at 4% and 3.2% respectively; Eurozone fell to 3.6% and 2.4%; and UK CPI fell to 5.7% and 4.6% respectively. The speculation between soft landing and mild recession continues on the back of a highly resilient US economy despite a very aggressive tightening cycle. We would argue that the difference between the two will prove to be minimal, but we would err on the side of mild recession.

The anxiety that characterized October and November appears to be short-lived, with recent indications of a potential pivot has led to a sharp decline in 10-year Treasury yields, falling back below 4%.

The US economy appears to have slowed as real rates finally appear to be restricting economic activity, the JOLTs survey (Job Opening and Labour Turnover Data) seems to be suggesting that workers do not feel quite so confident to quit their jobs, and the Purchasing Managers Index (PMI) Manufacturing Report for November sat in contraction at 46.7 while the Non-Manufacturing, or Services Index, remained in expansion territory at 52.7. Markets seem to have translated Fed speak as having achieved peak rates and have turned their attention to the possibility of rate cuts shrugging off the belief that rates would stay “higher for longer”. However, the number of rate cuts priced into markets would be more in-keeping with a hard recession than the expected soft landing in our view. The expectation of another round of monetary easing triggered a highly correlated stock and bond “Santa rally” which has seen the S&P500 gain 4.4%, UK stocks 4.4%, European stocks 3.1%, and Emerging market equities 3.7% in December while global fixed income rose 3.5%.

Anticipating more monetary easing, triggered a "Santa rally" boosted stocks, with S&P500 up 4.4%, UK +4.4%, Europe +3.1%, and Emerging markets +3.7% in December. Global fixed income rose by 3.5%.

The economic weakness in China has not helped Europe.

Europe has been dicing with recession throughout this year fighting some severe headwinds surrounding energy security, their closeness to the Ukraine conflict, and the weakness of the bounce in China. The economic weakness in China has not helped Europe as the transition from real estate led investment to growth in manufacturing has taken longer than hoped and not balanced out the contraction in real estate investment which will have a knock-on effect on infrastructure spend thereby a sharp slowdown in construction spending in 2024. This may create a below par growth environment in the long term.

The prediction for the first Bank of England rate cut has shifted from August 2024 to May.

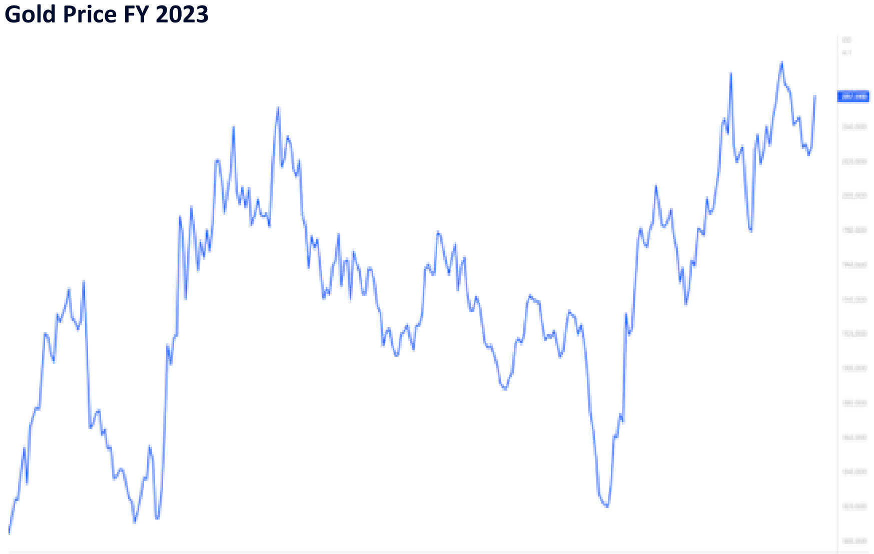
The outlook for inflation in the UK was surprisingly weak as we approached year-end despite the continuing effects of wage and price inflation causing Barclays to bring forward their prediction for the first Bank of England rate cut to May from August 2024[vi]. 2nd and 3rd quarter GDP revisions were lowered to flat and -0.1% respectively although December PMI's were stronger than expected with Manufacturing at 46.7 and Services at 52.7. Prime Minister Rishi Sunak has committed to a General Election in the 2nd half of 2024 while strikes and weather effects look set to continue to affect Q4 GDP and a tight labour market.

There is no doubt in our minds that a weak US dollar over the summer increased investor interest in EM and a return to a weak dollar as markets look at the path to lower rates may well provide strength to the sector.

Emerging Market countries have shown resilience in the face of a strong dollar and higher US interest rates which we highlighted when we invested into Latam to complement our existing Asia exposure. GDP growth in Brazil, India, Indonesia, South Africa, and Turkey had sat around pre-pandemic levels due to being ahead of developed economies in the cycle, so coming out of the tightening cycle earlier allows these nations who moved to combat rising inflation first, the earliest opportunity to emerge out the other side of this tightening cycle whilst still maintaining good levels of financial health and stability. There is no doubt in our minds that a weak US dollar over the summer increased investor interest in EM and a return to a weak dollar as markets look at the path to lower rates may well provide strength to the sector. This has been a rare year for dollar weakness with the US Dollar Index falling 4.6% over the course of the quarter to finish the year down 2.11%.

The 13% rally in gold has been surprising this year because it was initiated while real yields were rising potentially because a correlated sell—off between equities and bonds increased market stress and triggered a flight to safety.

Gold Price FY 2023



Source: *Refinitiv Workstation*

The 13% rally in gold has been surprising this year because it was initiated while real yields were rising potentially because a correlated sell—off between equities and bonds increased market stress and triggered a flight to safety. Records suggest yield insensitive Central Banks have also been significant buyers of gold this year which may also explain the break in the correlation between rising real yields and rising gold prices before the Hamas – Israeli conflict increased geo-political risk also favouring gold. Now that yields are heading lower, and the dollar is weaker we are re-entering an ideal gold environment which may provide another tailwind preventing a return to historical relationships. A significant percentage of the rally in Gold happened over the last quarter with a gain of 11.60%.

With declining yields and a weaker dollar, we are re-entering an optimal gold environment, potentially serving as another tailwind and preventing a return to historical relationships.

We have been surprised by the resilience of the global economy in spite of the aggressive monetary tightening seen in the Developed world that dare we say has seen inflation weaken in spite of resilient consumer spending, surprising strength in the housing market with higher mortgage rates, and buoyant labour markets. The potential for a soft landing in the US and the positive impact of implied rate cuts in 2024 we feel has been fairly reflected in financial markets and as such we remain mildly defensive going into January. Our style tends to favour stocks at a reasonable price, and it looks to us as if the cyclicality of certain areas of growth may have become less reliant. We believe that this would favour, amongst others, Industrials, Technology Software, and Consumer Staples. Although we remain slightly skeptical that equities and bonds can continue the rally seen in the 4th quarter of 2023, we continue to believe that attractive returns are available for long term investors through diversified, active management

We feel a soft landing in the US has been fairly reflected in financial markets and as such we remain mildly defensive going into January.

We continue to believe that attractive returns are available for long term investors through diversified, active management.

[i] Zezas, Michael D _ Morgan Stanley Sunday Start _ What's Next in Global Macro: We Three Themes _ January 7, 2024

[ii] ResearchAlpert, G, & Valesquez, V _ Top 10 S&P 500 Stocks by Index Weight_ August 29, 2023. Available online at: https://www.investopedia.com/top-10-s-and-p-500-stocks-by-index-weight-4843111

[iii] Nasdaq Index Research Team _ Nasdaq Composite: Benchmark for the 21st Century _ December 19, 2023

[iv] Ward-Murphy, Z _ Absolute Strategy Research _ ASR Investment Committee Briefing _ November 1, 2023

[v] Available Online at: Transcript of Chair Powell's Press Conference -- November 1, 2023 (federalreserve.gov)

[vi] Meaning, Jack, & Abbas Khan _ Barclays Economics Research _ United Kingdom Outlook _ Taking stock for the new year _ January 6, 2024

Potential Holes in the Road in 2024

*By **Tim Sharp,** Hottinger Group CIO*

The 2023 "Santa rally" has left both equities and bonds generously priced and most major asset classes highly correlated.

High correlation between asset classes only normally happens at inflection points based on macro-economic or geo-political grounds and so underlines our cautious stance.

41% of the world's population will cast a vote in elections in over 40 countries during 2024 with our focus on the US, UK, Mexico, Taiwan, India, and Brazil.

Bookmakers are giving Trump a 40% chance of winning this time around versus only a 20% chance in 2016i, however, neither candidate is popular with the wider electorate.

The 2023 "Santa rally" fueled by speculation of a new rate cutting cycle has left both equities and bonds generously priced and most major asset classes highly correlated. This continues to provide a challenging environment for active, multi-asset investment management as we assess the macro-economic environment and how this might evolve over the coming year. Historically, in our experience, high correlation between asset classes only normally happens at inflection points based on macro-economic or geo-political grounds and so underlines our cautious stance. It is traditional at the beginning of each year to attempt to find the potential holes in the road that may de-rail momentum and affect asset allocation.

Through the Global Financial Crisis, Quantitative Easing, and COVID lockdowns, the impact of the intervention of Governments on the real economy and financial markets has become common place. While economists and investors have always pondered Geo-political risk, it is questionable whether major events have as much impact on the investment community as might be believed. However, the rise of populism within the major countries has led to increasing intervention that will have lasting consequences, for example, BREXIT in the UK, and trade tensions between the US and China brought about by policy restrictions in trade. Indeed, I believe 41% of the world's population will cast a vote in elections[i] in over 40 countries during 2024 with our focus on the US, UK, Mexico, Taiwan, India, and Brazil.

Internally, we have attempted to quantify the effects of a return of a Trump Presidency taking into consideration that the starting point would be very different, however, this has proven difficult. The possibilities of the US leaving NATO, becoming more isolationist, pulling out of global climate accords while supporting the production of fossil fuels will have lasting consequences for the planet as well as financial markets right down to individual sector performance. According to Bloomberg Opinion, bookmakers are giving Trump a 40% chance of winning this time around versus only a 20% chance in 2016[i], however, neither candidate is popular with the wider electorate. In fact, with Trump aged 77 and Biden 81, there is also a real possibility that a health event could change the dynamic of either Presidency mid-term. The final risk is that Trump is disqualified from running as a candidate, then we feel there is a real chance that the Democrats would also take the opportunity to support another candidate due to Biden's unpopularity something that the markets have not necessarily factored.

In the past, neither candidate has shown a willingness to engage openly on trade with China so regardless of the outcome of the election the withdrawal from globalisation that was set in motion by the pandemic leading to on-shoring and friend-shoring as supply chains are reliably shortened is likely to continue. Mexico is a clear beneficiary of this trend despite the unsettled relationship that the country experienced under the first Trump Presidency. Mexico also looks to elect a new President in June as Andrès Manuel López Obrador is unable constitutionally to stand and the next President will be tasked with working closely with the next US administration to maximise the advantages of their close proximity. In our opinion, de-globalisation looks set on a path that no election will change and with it comes a less efficient allocation of capital that tends to fuel inflation rather than deflation. We see globalisation as bringing countries together bound by trade thereby reducing the risk of major conflict and although the opposite may not prove to be true, we believe it is likely that we will see a fundamental increase in global defence spending.

In our opinion, de-globalisation looks set on a path that no election will change and with it comes a less efficient allocation of capital that tends to fuel inflation rather than deflation.

Add the US-China tensions to the fact that the Russia – Ukraine, and the Israel – Hamas conflicts still rage unabated, and it is surprising that markets have largely ignored the uncertain geo-political environment in 2023. Nevertheless, the decline in the relationship between US and China may be managed calmly without incident due to domestic uncertainties on both sides, however, we also have the results of the Presidential election in Taiwan.

The Sabre rattling through increased military intimidation by Chinese President Xi Jinping in 2023 was aimed at increasing the tension in the lead up to this election and reiterating China's challenge to Taiwanese sovereignty to which the Biden administration responded by declaring its decision to protect Taiwan. The victory of former Vice President Lai Ching-te of the Democratic Progressive Party (DPP) that is distrusted by the Chinese authorities with over 40% of the vote in the 3-way election might trigger a response. Veteran China analyst Stephen Roche of Independent Strategy is quoted by John Authers of Bloomberg's Points of Return as saying that a win for Lai will force Xi to attempt to integrate Taiwan by force[ii] with clear consequences should the US or NATO decide to defend Taiwan. However, the loss of the legislative majority for the DPP allows China to point to a drop in the popularity of the DPP and claim that it no longer represents the mainstream of public opinion. This probably constitutes the biggest geo-political risk in 2024 especially if the prognosis of Stephen Roche threatens to be accurate, however, this would be the worst-case scenario. Such an outcome would most likely cause a negative reaction in both global equity and bond markets in the short term, however, any increase in the tension between US and China will be closely watched by markets. Furthermore, Taiwan Semi-Conductor (TSMC) is the main global provider of chips to Technology giants such as Apple, Microsoft, and Alphabet so any threat of disruption to supply will affect stock prices with the risk of a wider pullback due to the weighty, importance of the top 10 stocks in the US.

The victory of former Vice President Lai Ching-te of the Democratic Progressive Party (DPP) that is distrusted by the Chinese authorities might trigger a response from China.

Conflict probably constitutes the biggest geo-political risk in 2024, however, this would be the worst-case scenario.

During the 4th quarter of 2023 the ability of Central Banks to significantly affect markets was a major factor behind the "Santa rally" in both equities and bonds. Having established in November that the US Federal Reserve, the European Central Bank, and the Bank of England were on hold from hiking rates further, market speculation quickly moved to the belief that the peak in this cycle or terminal rates had been reached signaling an end to the tightening cycle. This coincided with better-than-expected November inflation data as well as US Q3 GDP being revised higher. Having spent most of the summer pricing in recession, investors saw the combination of data as a good indication that a soft landing was plausible and Fed Chair Powell's post-FOMC speech in December triggered an aggressive pricing of future easing in the US Fed Funds rate so that at the time of writing the Fed Funds future looks to be pricing in 1.3% of rate cuts.

However, any increase in the tension between US and China will be closely watched by markets.

In our view 5 quarter point cuts over 2024 as anticipated would be in line with a recession scenario that would challenge earnings and equity valuations.

30-Day Fed Feds Dec Future—H2 2023

Source: *Refinitiv Workstation*

In our view level of easing anticipated would be in line with a recession scenario that would challenge earnings and equity valuations.

With the consensus at 5 quarter point cuts over 2024 back to a 4% headline rate as part of a soft-landing view, the challenge is whether all the component parts add up to a lower rate, lower inflation scenario not affecting the consensus view of 10% earnings-per-share growth in 2024 for MSCI World[iii]. In our view such a level of easing would be in line with a recession scenario that would challenge earnings and equity valuations when FOMC members have been at pains to warn the markets that calling an end to inflation at this point may be premature. The end of the “higher for longer” mantra for interest rates was retired by Central Bankers in December and adopted by markets so the threat that we see is that either inflation remains resilient bringing into doubt the rate cutting cycle forecast by the market or a recession affects corporate earnings and margins, both scenarios would challenge equity and bond valuations. Either way the different components do not currently add up, in our view, leaving financial markets exposed to the downside.

Conflict as can be seen in the Red Sea, has a direct relationship with oil prices, supply chains, supply driven inflation, and ultimately monetary policy.

2024 looks set to be significantly influenced by geo-politics and its effect on financial markets. As can be seen by the Houthi attacks on commercial shipping in the Red Sea, conflict has a direct relationship with the oil price, supply chains, supply driven inflation, and ultimately monetary policy. When financial markets have priced themselves for a goldilocks scenario of falling inflation, falling interest rates, steady growth in earnings, and full labour markets, there is little room for error. There is a myriad of events throughout this year starting with the Taiwanese elections that could unbalance this fragile scenario and cause investors to question already expensive valuations. We believe that there are good reasons to maintain a defensive stance and treat the assumption that we are on the verge of a new easing cycle with caution.

When financial markets have priced themselves for a goldilocks scenario, there is little room for error.

[i] Micklethwait, John, & Wooldridge, Adrian _ Bloomberg Opinion _ the 10% World Offers a Sliver of Hope for 2024 _ _ January 7, 2024 [Online]

[ii] Authers, J _ Bloomberg Opinion _ Points of Return _ Geopolitics. Why Bother? _ January 9, 2024 [Online]

[iii] Nelson, Nick _ Absolute Strategy Research _ 10 Key Charts to Track for 2024 _ January 4, 2024

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 acts as Juristic Representative of Banque Syz SA, an Authorised Financial Services Provider 46429.

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.

HOTTINGER