April 2024
Issue No. 31

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 strong growth and higher than expected inflation data in the US which saw a repricing of interest rate expectations as a result.
- We look into the fall of inflation within developed market economies, but are some perhaps better placed for rate cuts than others?
- We look into EU funding which is fueling growth in periphery regions over core, with outperformance poised to continue.
- The BOJ indicated a potential end to its yield curve control policy, as the region manages to see inflation exceeding 3% in February.
- We look into the push in commodities with both industrial metals and agricultural assets seeing higher pricing in 2024.
- Following our last issues call for higher Gold prices, we look at the metal and the opportunity for investors looking ahead.
- In our Guest Piece, Alan Dunne Founder and CEO of Archive Capital lays down the case for a liquid alternatives allocation and why it may make sense even for higher risk portfolios.

Gold Spot Price (USD/Oz) 6 Month Performance

Source: *LSEG Datastream*

Inside this issue

Macro Highlights

- Q4 Earnings—Companies Surprise to the Upside.
- Industrial Metals see strong gains in 2024.
- India surpasses growth forecasts with PMI's in the 60's.
- Nvidia and Meta Results.
- No landing scenario is now the market's base case.

Contact Details

Hottinger & Co. Limited

4 Carlton Gardens
London SW1Y 5AA

+44 (0) 20 7227 3400

info@hottinger.co.uk

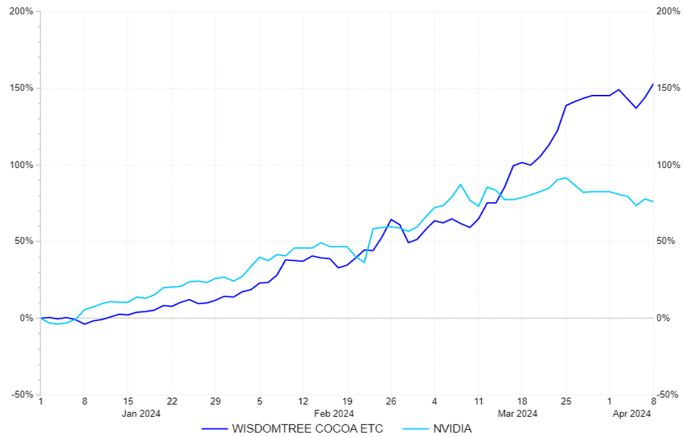
www.hottinger.co.uk

Based upon information available up to and including:

12th April 2024

Key Issues in Charts

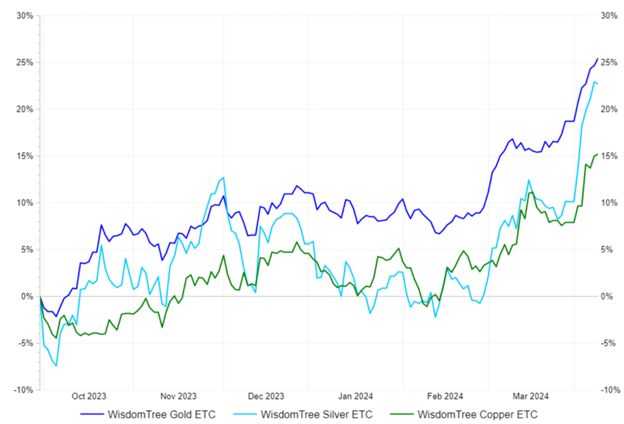
Cocoa ETC vs Nvidia Year to Date Performance



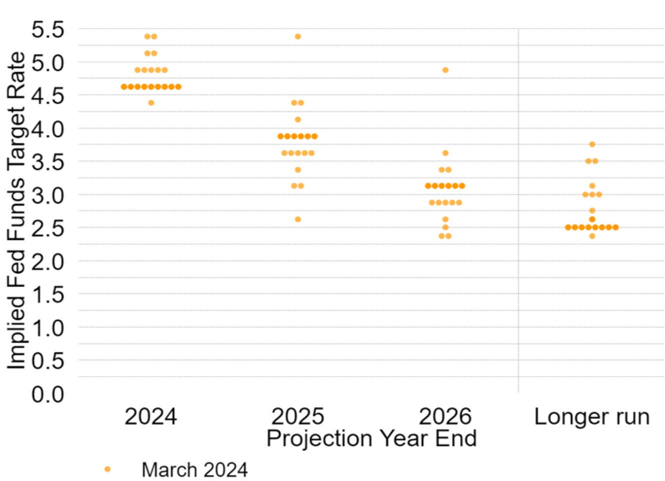
- Cocoa prices have soared in 2024 as heavy rainfall, crop diseases and rising demand push Cocoa prices to all time highs.
- Cocoa prices have appreciated by as much as 150% on a year-to-date basis, outpacing gains seen in growth stocks such as Nvidia which dominated market news last fiscal year becoming the star of the recent rally amid Technology and Artificial Intelligence shares.

Gold, Silver, Coper Performance Since October 2023

- 2024 has seen Gold breach its all time high, Silver at multi year highs and double digit gains in Copper prices.
- Buoyed by increased industrial demand, ongoing geopolitical risks and an inflation hedge appeal, metals have performed extremely well considering the negative sentiment surrounding China.
- With industrial metal miners expected to cut outputs this year, a surprise in China or an uptick in growth in areas such as the EU, EM or Europe could fuel further price appreciation.



Dot Plot



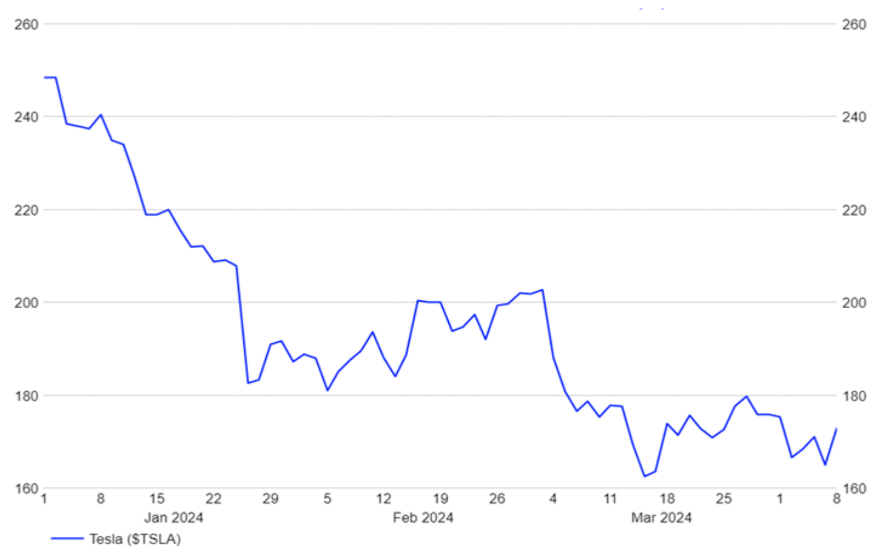
- With strong growth but slightly higher inflation data than expected by the market, the Dot plot has seen a fair amount of change in a matter of months.
- Each dot represents the mid point between each officials expected Fed Funds Rate for the year end period, with expectations for members broadening out over recent months. Overall, expectations are that rates will come down over time are still in place, however the pace and timing of these cuts have been called into question with more recent inflation data.
- The Fed has appeared more hawkish in recent months compared to those prior where progress on the decline of inflation was more evident, however recent months and higher inflation data has lead many fed officials to the opinion that less rate cuts may be needed, especially in the near term.

Investment Outlook

Despite aggressive central bank tightening that was supposed to lead the US into recession according to many economists, the US economy grew 3% in 2023 and during this quarter interest rate expectations priced into markets have moved from five cuts to twocuts over the course of 2024. The US consumer and the wider economy have underpinned global growth at a time when China, Europe, UK, and Japan have largely stagnated and is forecast to continue to be supportive for the rest of this year. The “no landing” scenario for the US economy is now consensus and warnings of pending recession have been quietened. One of the key stories this year has been the ability of the US to sufficiently tighten monetary policy to quell decade high inflation, whilst maintaining growth momentum, continued strong labour markets, and a recovering housing sector. The Biden administration may also have played its part with the passing of the Inflation Reduction Act and the Chips Act providing a large fiscal boost at a time when the US consumer still had substantial pandemic related savings to support continued consumption spending. The fact that US debt to GDP stands at 120% may limit policy promises during the forthcoming Presidential race and there are signs that investors are beginning to show concern at the ever growing levels of government debt, however, this is more likely to be an issue for another day.

Inflation has been falling in most developed economies historically this usually comes at a cost to growth as monetary tightening bites. European countries have gained control of energy inflation through the transition from the over reliance on Russian energy to importing LNG to maintain energy stocks but have so far struggled to boost activity. UK inflation is similarly falling. Electricity prices are likely to be cut twice this year, although unlikely to sufficiently stimulate growth to meaningfully rebound from the technical recession i.e. back-to-back quarters of negative growth the UK suffered in the second half of 2023. It could be argued that there are clearer circumstances to warrant a cut in interest rates in both Europe and the UK in early summer than the US and it will be interesting to see if either is prepared to move before the US.

Tesla Year to Date Performance (USD)



Source: *LSEG Datastream*

The US economy grew 3% in 2023 and during this quarter interest rate expectations priced into markets have moved from 5 cuts to 2 cuts over the course of 2024.

The “no landing” scenario for the US economy is now mainstream opinion and warnings of pending recession have been quietened.

US debt to GDP currently stands at 120%, this may limit policy promises during the forthcoming Presidential race, there are signs that investors are beginning to show concern at the ever growing levels of government debt.

It could be argued that there are clearer circumstances to warrant a cut in interest rates in both Europe and the UK in early summer than the US and it will be interesting to see if either is prepared to move before the US.

Next Generation EU funding provided by the European Commission to support EU recovery after the pandemic has also favoured the periphery over the core and until European manufacturing growth shows signs of recovery we believe this outperformance is likely to continue.

The BOJ also signalled its intention to end yield curve control which it has used consistently as part of its quantitative easing strategy as inflation rose above 3% in February. The growth story is still providing a tailwind for Japanese equities which is the best performing market so far this year.

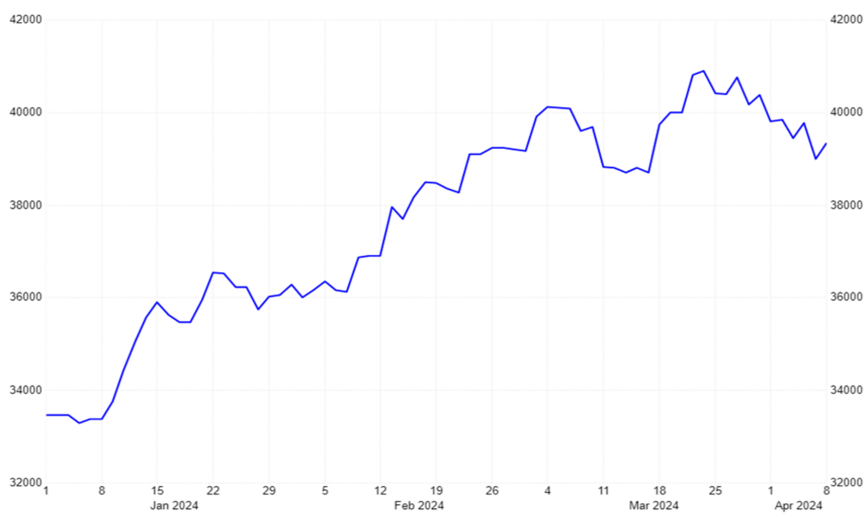
The Nikkei's breach of 40,000 in March for the first time surpassed its all time high of 38,915 set at the end of 1989 before the "lost decade" of the 1990's. Strong balance sheets, high cash levels, and still attractive valuations should support further upside.

Looking at Europe in more detail, two of the largest manufacturing economies, Germany and the Netherlands slid into recession at the end of the year as weakness emanating from China, one of their largest trading partners were felt. France was flat when the southern European countries of Spain, Italy, and Greece were enjoying 2%+ growth. The German car industry is struggling, in particular, under the weight of cheap Chinese electric vehicle imports which have also impacted Tesla this year as the competition is definitely favouring Chinese manufacturers.

Next Generation EU funding provided by the European Commission to support EU recovery after the pandemic has also favoured the periphery over the core and until European manufacturing growth shows signs of recovery, we believe this outperformance is likely to continue.

Japan is still looking to reflate its economy putting it at odds with other developed economies as it tries to break free of decades of deflation. The annual "Shunto" wage negotiations have seen higher than expected increases – 5.3% this year is the highest settlement for 33 years - which has caused the BOJ to hike rates earlier than many had expected moving away from an 8-year period of negative rates to 0.0% in March. The BOJ also signalled its intention to end yield curve control which it has used consistently as part of its quantitative easing strategy as inflation rose above 3% in February. The growth story is still providing a tailwind for Japanese equities which is the best performing market so far this year and many point to company reforms that we believe should bring confidence to equity investors who have become used to value destruction and a lack of transparency in the boardroom. It is worth noting that the Nikkei's breach of 40,000 in March for the first time surpassed its all-time high of 38,915 set at the end of 1989 before the "lost decade" of the 1990's. Strong balance sheets, high cash levels, and still attractive valuations should support further upside in Japanese equities as well as government emphasis in supporting Japan's exposure to the global semi-conductor sector that is driving the AI theme.

Nikkei 225 Year to Date Performance



Source: *LSEG Datastream*

China continues to impact the global economy but not in the same positive manner of the previous decade. The economy has struggled with disinflation as it attempts to transition from a reliance on infrastructure spending towards the consumer for growth. Chinese housing sales have fallen 18% YoY and although funds have been made available at the PBoC for lenders to support developers they remain reluctant to do so without explicit credit guarantees underlining the loss of confidence in the market despite record low mortgage rates and deposit requirements. Despite trading tensions with western economies, China's share of global exports is still growing squeezing global profit margins, and potentially exporting deflation. However, China will need to stimulate domestic demand as well if it is going to hit its 5% growth target set by the Administration.

Despite trading tensions with western economies, China's share of global exports is still growing, in turn squeezing global profit margins, and potentially exporting deflation.

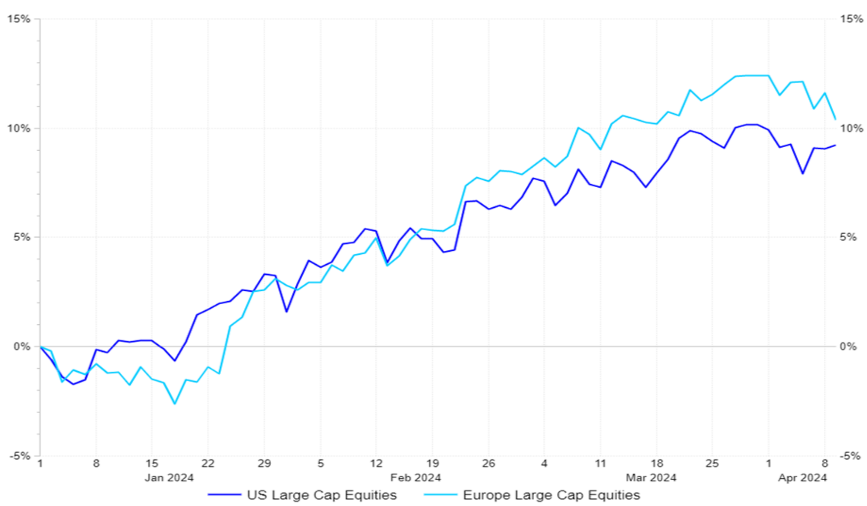
India, conversely, has outperformed most forecasts to grow 8.3% year-on-year in the 4th quarter of 2023 versus estimates of 6.6% and composite PMI's are showing above 60 which is strong expansionary territory. The Modi government is unlikely to be unseated in forthcoming elections, in our opinion, and the prospect of a strong government could see workplace reforms providing further tailwinds to an already strong outlook.

Fourth quarter earnings season continued to surprise on the upside particularly "mega tech", and especially Nvidia and Meta Platforms whose reporting took on almost macro-economic event proportions. .

A strong finish to equities in 2023, and a high level of positive correlation between asset classes, saw financial markets start the year priced for perfection in central banks execution of a perfect soft landing. 4th quarter earnings season continued to surprise on the upside particularly "mega tech", and especially Nvidia and Meta Platforms whose reporting took on almost macro-economic event proportions. By the end of March, global equities were up 8.47% on the quarter led by Japan where the Nikkei 225 breached 40,000 to finish +20.63%, and rather surprising to many Europe outperformed the US despite the heavy focus on "mega tech" gaining 11.03% versus 9.94% respectively as relative valuations adjusted to less extreme levels. UK equities remain largely unloved by investors due to the perceived value bias within dominating sectors, and the ongoing trade disruption caused by BREXIT, leaving the wider market up just 2.5% on the quarter.

UK equities remain largely unloved by investors due to the perceived value bias within dominating sectors, and the ongoing trade disruption caused by BREXIT, leaving the wider market up just 2.5% on the quarter.

S&P 500 vs. Eurostoxx 50 Year to Date



Source: *LSEG Datastream*

We still believe that a broadening out of market returns this year may see these mega cap stocks underperform the wider market, the strength in oil up 6% saw Basic Resources lead sector returns in March and “mega tech” collectively underperformed the S&P500. However, AI adoption will remain an enduring theme, with the global Semi-conductor sector up over 18% this year, and software as a sub-sector we see as a quality defensive due to superior cash flow generation and low fixed costs. Elsewhere, the emphasis on quality defensives sees us continuing to favour Industrials, Energy, and Consumer Staples. 2023 saw equity growth through price rises when earnings were reasonably benign but having expanded multiples to the current challenging valuations, 2024 will need to see the strength in earnings shown in the 4th quarter continue into the middle of the year if the optimism already being shown is to be justified.

Having expanded multiples to the current challenging valuations, 2024 will need to see the strength in earnings shown in the 4th quarter continue into the middle of the year if the optimism already being shown is to be justified.

We believe the case for rate cuts in Europe and the UK is stronger than it is in the US which may bring into question any extended period of dollar weakness. The Dollar index is 3.17% stronger so far this year as aggressive rate cuts have been priced out and this will likely continue if rates stay higher for longer against a sequence of easing elsewhere. The readjustment in rates has also witnessed a return of negative correlation between government bond markets and equities that was missing for large parts of 2023. While many equity investors were enthused by stronger economic data, fixed income investors have had a more challenging quarter. Following the “dovish” comments from the Federal Reserve in December which prompted the market to increase its rate cut expectations, investors have spent this quarter re-adjusting to the reporting of resilient economic activity in the US. US Treasury markets have lost 1.7% over the quarter as yields back up having priced in multiple rate cuts as have European government bonds (-0.69%) and UK Gilts (-1.76%). Higher growth and inflation forecasts in the US are likely to keep pressure on long-dated yields whereas the prospect of lower rates in Europe may favour longer dated bonds. Better economic statistics have kept credit spreads very tight both in investment grade and high yield, so we see little value in developed market credit. The macroeconomic outlook for Emerging Markets leads us to prefer debt over equity with many countries already looking to cut rates to stimulate growth.

The Dollar index is 3.17% stronger so far this year as aggressive rate cuts have been priced out and this will likely continue if rates stay higher for longer against a sequence of easing elsewhere

Better economic statistics have kept credit spreads very tight both in investment grade and high yield, so we see little value in developed market credit. The macroeconomic outlook for Emerging Markets leads us to prefer debt over equity with many countries already looking to cut rates to stimulate growth.

Investors have spent this quarter re-adjusting to the reporting of resilient economic activity in the US.

Other interest rate sensitive assets such as exchange traded real estate and infrastructure funds were weaker over the quarter by over 1.5% while commodity markets were broadly positive up 2.2% led by oil and metals. Crude oil has strengthened 6.5% during the quarter currently trading around mid-$80’s per barrel having been in trading this territory during the 4th quarter. One of the scenarios that we have heard concerning markets is the plausibility of escalations in the Middle East pushing the price back above $100, not seen since 2022. This would have consequences for already sticky inflation which is finding the journey from 3% to 2% much more difficult than the more significant fall to 3% from a peak of 9% in June 2022. The threat of a return to higher inflation would probably curtail any chances of US rate cuts and potentially return the 10-yr Treasury yield to 5% according to Yardeni Research[i]. Although this does not represent our central view it does represent a plausible risk to market expectations.

Gold has continued to show resilience that had started last year as it defied rising real yields while supported by central bank buying. Rising geo-political risk was always likely to provide support for Gold. We previously noted that the macroeconomic backdrop was positive for the precious metal in 2024 and supported an already extended rally. This has proven to be the case with Gold up

8.23% in the 1st quarter moving above $2,000 /oz although many of the tail-winds we could see have dissipated making the move a little surprising. Central banks continue to be buyers, geo-political risk remains elevated, but the higher for longer scenario for US rates and a stronger dollar should both provide headwinds for Gold.

Rising geo-political risk was always likely to provide good support for gold and we noted at the time that the macroeconomic climate in 2024 was likely to support an already extended rally.

Lastly, a combination of bad weather in West Africa, an El Nino weather phenomenon, black pod disease, swollen shoot virus, and ageing tree plantations, have led to the largest Cocoa deficit in 60 years with little optimism on the horizon as the supply issues in Ghana and the Ivory Coast which represent 60% of production are systemic. The Cocoa price hit an intraday $10,000 per metric ton towards the end of the quarter representing an approximate gain of 133% in 2024. Many chocolate manufacturers had hedged against the supply issues, but it is likely that such price increases will eventually be passed on to the consumer. Chocolate consumption was historically considered inflation proof, but, consumer loyalty may be tested over the coming months. Ironically, the farmers in both countries face fixed pricing regimes set by their governments so have not benefitted from the price rise largely created by speculators and panic buying from commercial buyers[ii]. Hershey and Nestle share prices are 22% and 13% lower over the last 12 months when Cocoa futures have gained 225%.

US and Japanese equities continue to offer the best opportunities, although the UK and Europe seem to have more attractive valuations, and the AI based rally looks to be enduring.

In summary, US and Japanese equities continue to offer the best opportunities, although the UK and Europe seem to have more attractive valuations, and the AI based rally looks to be enduring. The strength of the US economy has surprised many who were looking for the aggressive tightening policy to curtail activity at some point but even the most bearish of strategists seem to have succumbed to the momentum that has been generated this year. Europe and the UK find the environment more challenging and are struggling to find growth under tight monetary conditions. The possibility of rate cuts has been moved to the summer although if the US continues to be robust the need for the Fed to stimulate becomes questionable, so we look to follow profits and cash flow.

[i] Yardeni Research _ Morning Briefing: A Matter of Interest _ April 9, 2024

[ii] https://www.cnbc.com/2024/03/26/cocoa-prices-are-soaring-to-record-levels-what-it-means-for-consumers.html

References:

Rajadhyaksha _ Rajan_ Barclays Global Outlook _ March 14, 2024
Ward-Murphy _ Zara _ ASR Investment Committee Briefing _ Monthly
Juvyns _ Vincent _ JP Morgan Asset Management _ Review of Markets over the first quarter of 2024 _ April 2, 2024

Why Allocating to Liquid Alternatives Still Make Sense, Even With Higher Bond Yields

*By **Alan Dunne,** the Founder & CEO, Archive Capital*

Following a more challenging year in 2023, many liquid alternative investment strategies ("liquid alternatives") are off to a good start in 2024. The strong rally in equities has been an obvious opportunity but commodities have been interesting with gold surging to multi-decade highs, copper and oil moving up on optimism around a shift in the global manufacturing cycle and other commodities like cocoa spiking on supply/demand imbalances[i].

Liquid alternatives such as global macro, managed futures, trend following, quant and market neutral strategies have gained increasing acceptance among asset allocators, particularly since 2022, a year when strategies like global macro and CTA (Commodity trading advisors) did well even as bonds and equities had significant drawdowns.

Liquid alternatives such as global macro, managed futures, trend following, quant and market neutral strategies have gained increasing acceptance among asset allocators.

However, questions persist regarding the allocation to liquid alternatives, particularly in the context of higher bonds yields and whether they should be viewed as a defensive or offensive allocation in a multi-asset portfolio.

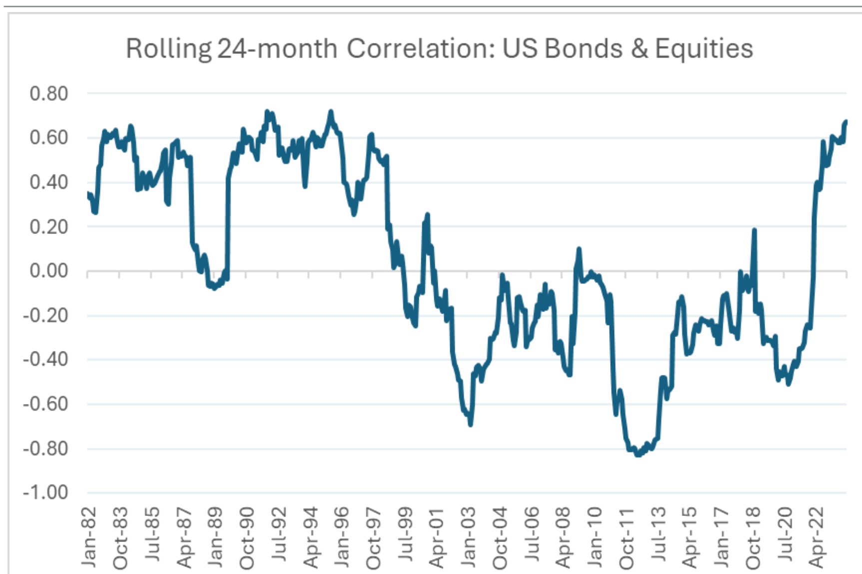
Questions persist regarding the allocation to liquid alternatives, particularly in the context of higher bonds yields and whether they should be viewed as a defensive or offensive allocation in a multi-asset portfolio.

The Macro Context

One significant reason for exploring liquid alternatives now stems from the shifting macroeconomic landscape. In recent years we have witnessed the sharpest inflation surge in decades, rapid adjustments in interest rates, a pandemic and escalating geopolitical tensions.

One significant reason for exploring liquid alternatives now stems from the shifting macroeconomic landscape. In recent years we have witnessed the sharpest inflation surge in decades, rapid adjustments in interest rates, a pandemic and escalating geopolitical tensions.

These factors have collided with structural changes such as deglobalization, near-shoring (such as the US's desire to build more chips domestically[ii]), rising defence spending and decarbonization to produce a macro backdrop that looks more favourable for trading strategies.



Whereas the 2010s was a decade of sluggish economic growth, with low and stable inflation and interest rates, there is strong case that we will see higher nominal GDP, along with elevated and more volatile inflation and interest rates in the coming decade.

One consequence of this changed environment has been a profound shift in the correlation between equities and bonds. While equities and bonds were negatively correlated since the mid/late 1990s, this relationship has recently altered. One contributing factor has been inflation, which, when driving markets, tends to affect both bonds and equities positively or negatively.

One consequence of this changed environment has been a profound shift in the correlation between equities and bonds. While equities and bonds were negatively correlated since the mid/late 1990s, this relationship has recently altered.

A negative correlation between bonds and equities holds significant value from an asset allocation perspective, as defensive fixed-income assets can balance equities and constrain portfolio volatility. However, if bonds and equities move in tandem, portfolio volatility increases, and drawdowns become larger. This underscores the value of the uncorrelated return stream that liquid alternatives can provide to a portfolio.

However, if bonds and equities move in tandem, portfolio volatility increases, and drawdowns become larger.

Competition From Higher Yields

The case for liquid alternatives appeared solid as bonds and equities sold off in 2022. However, by 2023 fixed income yields had experienced a significant adjustment with UK 10-year government bonds yields touching 4.75%, accompanied by correspondingly higher yields in credit markets. Such higher yields undoubtedly prompted some allocators to question the value of liquid alternatives given the higher prospective returns offered by fixed income.

This reaction may have been partially driven by the fact that in the previous decade, with low or even negative yields, some liquid alternatives, particularly lower volatility alternative risk premia or relative value strategies, were positioned as “bond replacements” or “bond alternatives”. Certainly, the threshold for including these strategies in a multi-asset portfolio has increased with higher yields. However, even with higher yields there remains a strong case for liquid alternatives.

The threshold for including these strategies in a multi-asset portfolio has increased with higher yields. However, even with higher yields there remains a strong case for liquid alternatives.

For one, strategies that run at a reasonable level of volatility can be expected to deliver returns at least on par with fixed income but with low correlation to bonds and equities, providing a third uncorrelated return stream. Portfolio theory and common sense tells us that having multiple uncorrelated returns creates a more robust overall portfolio.

Second, some liquid alternative strategies directly benefit from higher interest rates. For examples CTAs hold significant cash positions as their futures trading is done on margin. Higher interest rates boost the overall return. What this also means is that you cannot just judge their return potential based on their performance in the 2010s; not only were there fewer trading opportunities then but interest rates were zero for most of that period.

The shift in the correlation between equities and bonds, highlights that fixed income may be a less reliable diversifier for equities in the years ahead.

Third, the shift in the correlation between equities and bonds, highlights that fixed income may be a less reliable diversifier for equities in the years ahead. For sure, if inflation continues to fall and the economy weakens it would be reasonable to expect lower rates and for fixed income to do well, providing an offset to equities.

However, there remains the possibility of periods of stickier inflation or even stagflation if the global economy continues to suffer periodic supply shocks from war, geopolitics, global trade and an ageing labour force. In such periods having a third return sleeve (uncorrelated to bonds and equities) will be highly valuable.

It doesn't necessarily make sense to view liquid alternatives solely as defensive holdings. While these strategies can deliver valuable diversification in times of stress, 2024 has again demonstrated that liquid alternative strategies can also perform well in environments where equities are posting strong returns.

Offence or Defence?

There is a tendency to view liquid alternatives purely as portfolio diversifiers, volatility dampeners or more defensive holdings. A recent survey by FT Adviser[iii] found much higher allocations to alternatives in the lower risk model portfolios of UK MPS compared to the higher risk portfolios. The conventional wisdom continues to be that higher-risk portfolios should be almost exclusively invested in equities.

However, it doesn't necessarily make sense to view liquid alternatives solely as defensive holdings. While these strategies can deliver valuable diversification in times of stress, 2024 has again demonstrated that liquid alternative strategies can also perform well in environments where equities are posting strong returns.

A key challenge here lies in understanding the underlying drivers of the strategies, when they can be expected to deliver performance, and what level of return can be expected given the level of risk being taken. If an alternative investment strategy is unbiased, truly long-short in nature, and operated at sufficient volatility, the return potential could match or even exceed that of equities, even for strategies that are uncorrelated to equities.

If an alternative investment strategy is unbiased, truly long-short in nature, and operated at sufficient volatility, the return potential could match or even exceed that of equities, even for strategies that are uncorrelated to equities.

Asset allocators rightly focus on managing volatility, drawdown and maximising the risk adjusted returns of the overall multi-asset portfolio. However, it is sometimes overlooked that having individual components running at a higher volatility can be very beneficial in achieving that outcome, as long as the portfolio is constructed sensibly with allocations to different types of strategies.

Asset allocators rightly focus on managing volatility, drawdown and maximising the risk adjusted returns of the overall multi-asset portfolio. However, it is sometimes overlooked that having individual components running at a higher volatility can be very beneficial in achieving that outcome.

In summary, the higher yield environment does not diminish the case for allocating to liquid alts, particular given that the macro backdrop is now more favourable for trading strategies. However, the changed macro environment underscores the importance of sensible portfolio construction of the liquid alternatives sleeve. There is a case for looking beyond lower volatility strategies when considering liquid alts and evaluating the impact of any given allocation on the overall portfolio rather than purely on a standalone basis.

Alan Dunne is the Founder and CEO of Archive Capital. Prior to founding Archive Capital, he was Managing Director and a member of the investment committee at Abbey Capital. In total, he has worked in the financial markets for over 25 years at hedge funds and investment banks as a CIO, hedge fund allocator, macro strategist, and technical analyst.

About Archive Capital

Archive Capital is a boutique alternative investments and investment research firm specialising in leveraging alternative investment strategies for enhanced asset allocation. We work with family offices, wealth managers and institutional investors looking to source, evaluate and allocate to liquid alternative diversifying strategies.

---

[i] *"Cocoa Powers Towards $10,000 as Shortages drive Relentless Rally",* Bloomberg, March 2024

[ii] *"TSMC boosts Joe Biden's AI chip ambitions with $11.6bn US production deal." Financial Times* April 2024

[iii] *"Are allocators using alternatives to defend or to attack?"* FT Adviser, April 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.

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