SINO SUISSE
PRIVATE WEALTH MANAGEMENT

Presentation | December 2022 - January 2023

2023 Market Outlook

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The big picture - Large historical market drivers are reversing

<u>1980s - 2020</u>

- Globalization
- De-regulation
- Political de-escalation
- Profits
- Declining inflation
- Lower rates

<u>2020s</u>

- **De-globalization**
- **Government intervention**
- **Political tension**
- **ESG**
- **Higher inflation**
- **Higher rates**

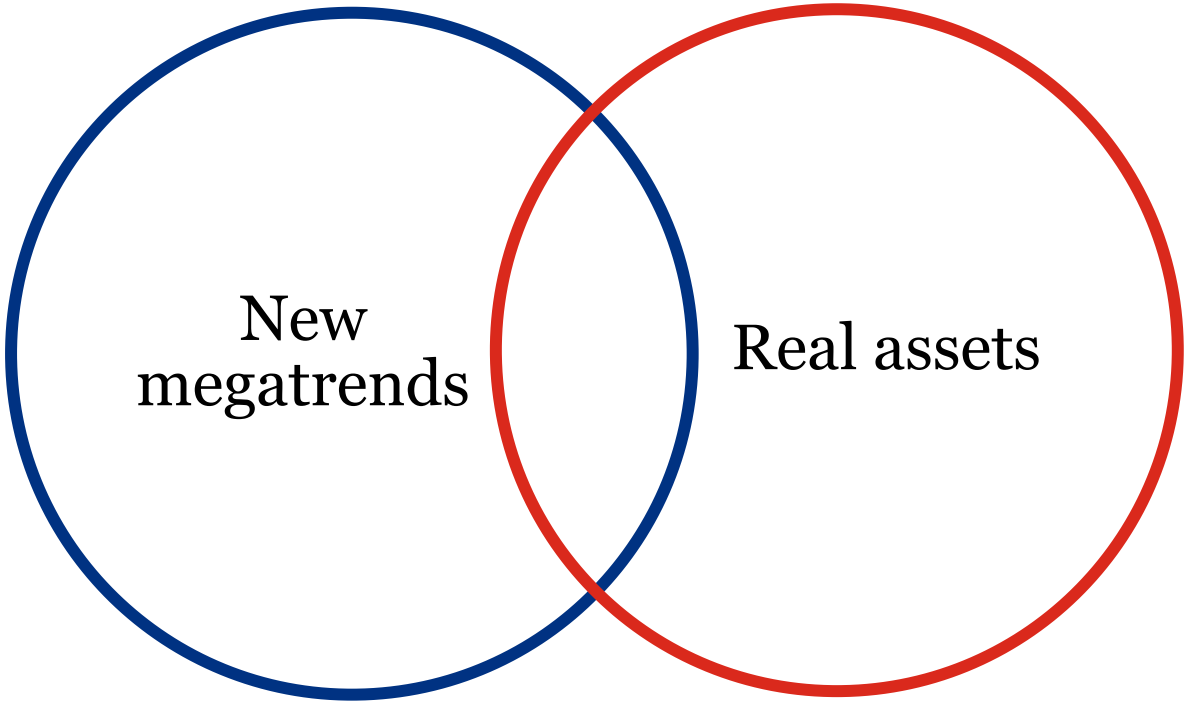
Implications:

- We may see hotter and shorter cycles.
- Traditional 60:40 equity:bond portfolios may enter a period of weaker performance.
- The investment winners going forward will probably be different.

The big picture - Where we see the new winners coming from

Themes we like

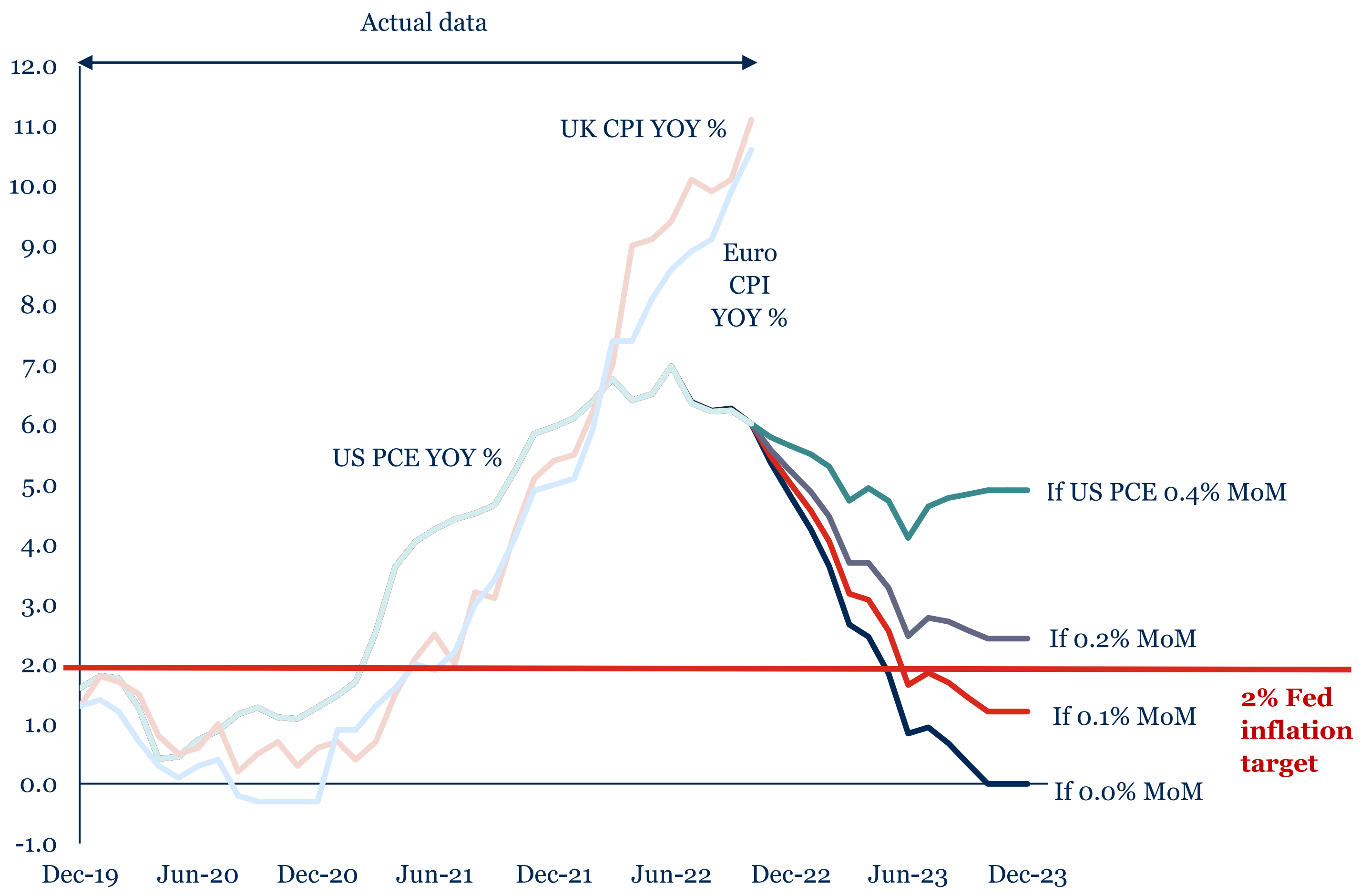
- Defence
- Automation
- Production onshoring
- Ageing population
- Renewables
- AI and software



Real assets

- Real estate
- Infrastructure
- Commodities

Higher rates for longer



Shorter term, stay cautious

To get to the Fed's 2% YoY target by end 2023, US PCE has to be consistently 0.1% MoM or less from here. This is hard!

Sticky energy prices

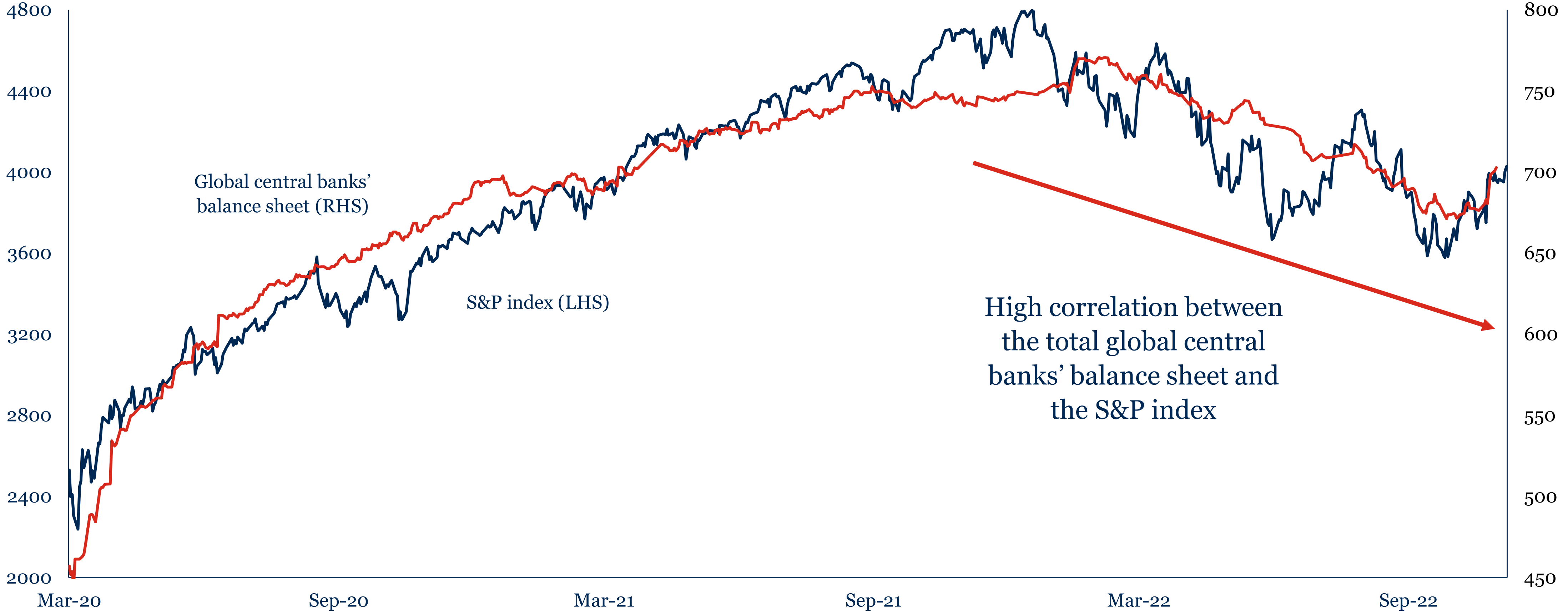
Sticky wages

Governments adding stimulus

Source of data: Bloomberg, 5 December 2022; The Fed prefers to use the PCE (Personal Consumption Expenditures) price index over the CPI (Consumer Price index) to measure inflation.

Quantitative Tightening will be ramping up

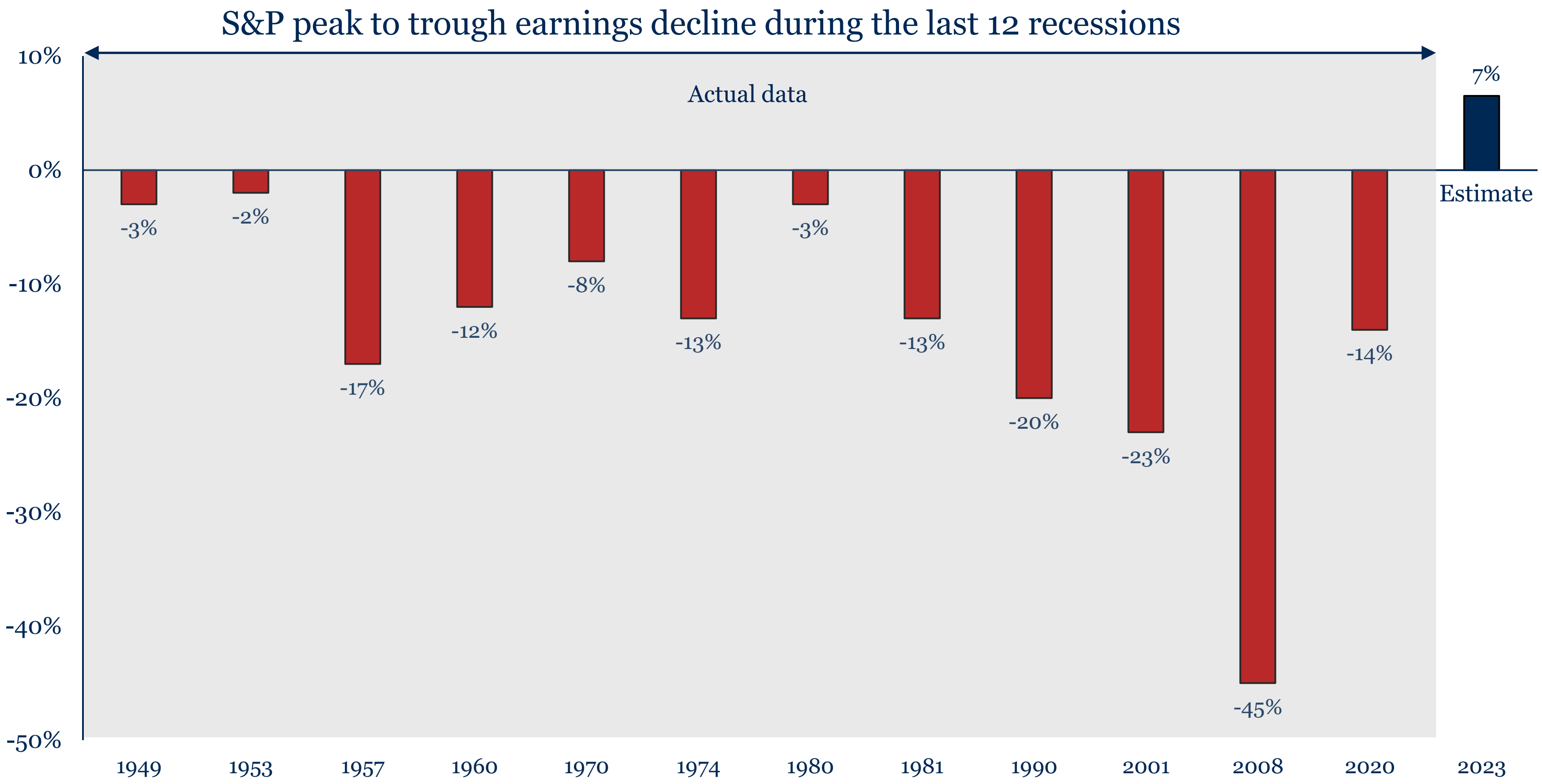
Shorter term, stay cautious



Source of data: Bloomberg, 5 December 2022; The global central banks' balance sheet is a custom index by Citigroup (CGCTGBAL Index).

Markets estimates are still quite bullish

Shorter term, stay cautious



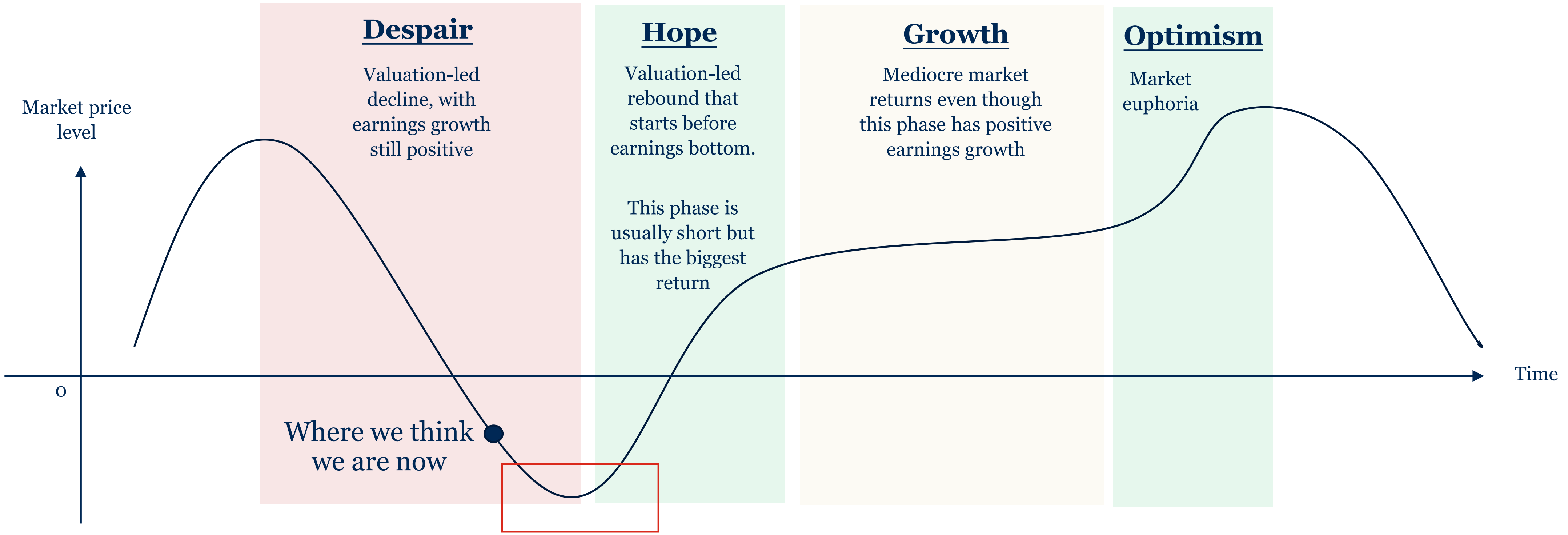
Consensus estimates for 2023 earnings growth are still at 7%.

Even if we avoid a recession, this is too high for an environment of slower growth.

Source of data: Bloomberg, Goldman Sachs, 5 December 2022

Expected sequence of events as markets bottom in 2023

What happened in previous market cycles



We expect Treasuries to trough first, followed by investment grade corporate bonds and then equities. Treasuries need a Fed pause to bottom. Equities usually need Fed cuts to do so.

Source of data: Goldman Sachs, 20 October 2022

2023 GDP growth by region

Euro Area	
2021	5.2
2022	3.1
2023	0.5

China	
2021	8.1
2022	3.2
2023	4.4

United States	
2021	5.7
2022	1.6
2023	1.0

Japan	
2021	1.7
2022	1.7
2023	1.6

South East Asia	
2021	3.4
2022	5.3
2023	4.9

Latin America	
2021	6.9
2022	3.5
2023	1.7

GDP growth %	Global	DMs	EMs
2021	6.0	5.2	6.6
2022	3.2	2.4	3.7
2023	2.7	1.1	3.7

Most will slow due to central banks' tightening

Source of data: IMF (World Economic Outlook), October 2022

By region: US

What to watch for:

Inflation, Fed, when the USD weakens, if there is a recession

- *We recommend phasing into US Treasuries, (short and long duration) on any near-term sell-off.*
- *At full allocation, we give highest equity weight to the US.*

US	GDP growth %	CPI %	Unemployment %
2021	5.7	4.7	5.4
2022	1.6	8.1	3.7
2023	1.0	3.5	4.6

Source of data: IMF (World Economic Outlook), October 2022

By region: Japan

What to watch for:

BOJ pivot, JPY weakness, earnings downturn

- *We look to raise holdings in Japanese equities and JPY in 2023 as markets trough.*
- *There are best-in-class listed companies in Japan that benefit from megatrends we like.*

Japan	GDP growth %	CPI %	Unemployment %
2021	1.7	-0.2	2.8
2022	1.7	2.0	2.6
2023	1.6	1.4	2.4

Source of data: IMF (World Economic Outlook), October 2022

By region: Europe

What to watch for:

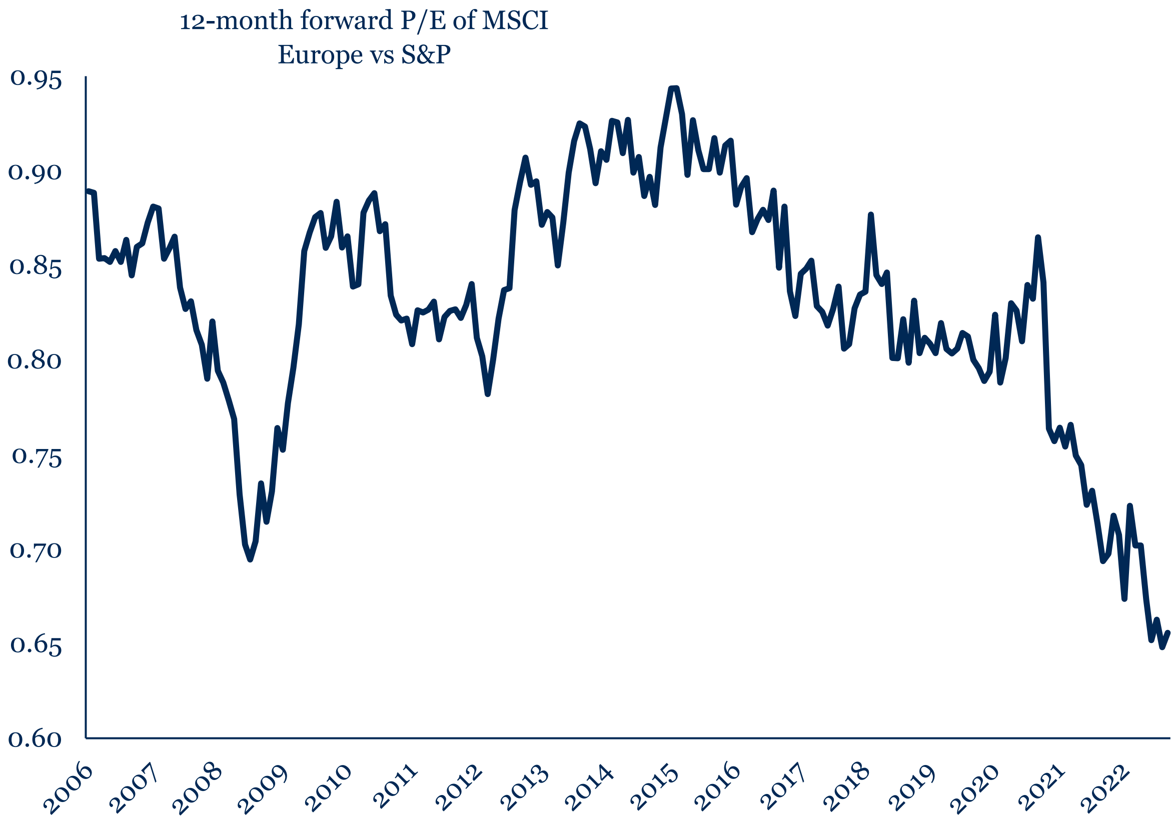
ECB, inflation, geopolitics, energy prices

- *We see more balanced risk-reward opportunities in other markets.*

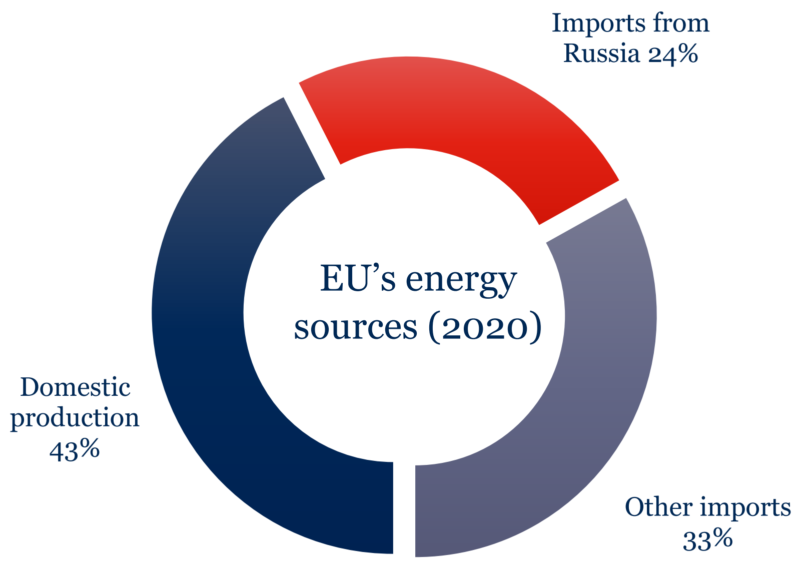
Europe	GDP growth %	CPI %	Unemployment %
2021	5.2	2.6	7.7
2022	3.1	8.3	6.8
2023	0.5	5.7	7.0

Source of data: IMF (World Economic Outlook), October 2022; Numbers refer to the Euro area.

Cheap but facing multi-year geopolitical and energy problems



Expect higher energy prices for longer:
Replacing Russia's imports will not be easy.



Source of data: (Left) Bloomberg, November 2022; (Right) European Commission, March 2022

By region: China

What to watch for:

Government policy (especially on Covid and property), geopolitics, economic growth

- *Keep an allocation to China, staying with high quality policy beneficiaries.*

China	GDP growth %	CPI %	Unemployment %
2021	8.1	0.9	4.0
2022	3.2	2.2	4.2
2023	4.4	2.2	4.1

Source of data: IMF (World Economic Outlook), October 2022

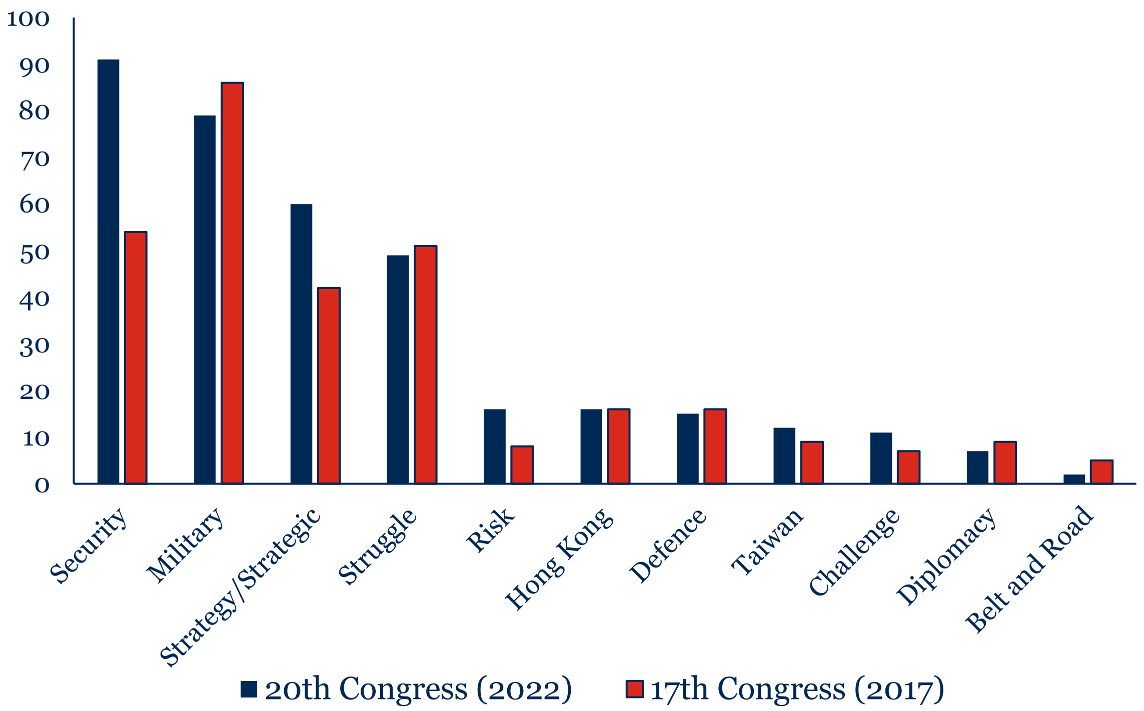
Shorter term: Policy-driven and difficult to call, but there are green shoots

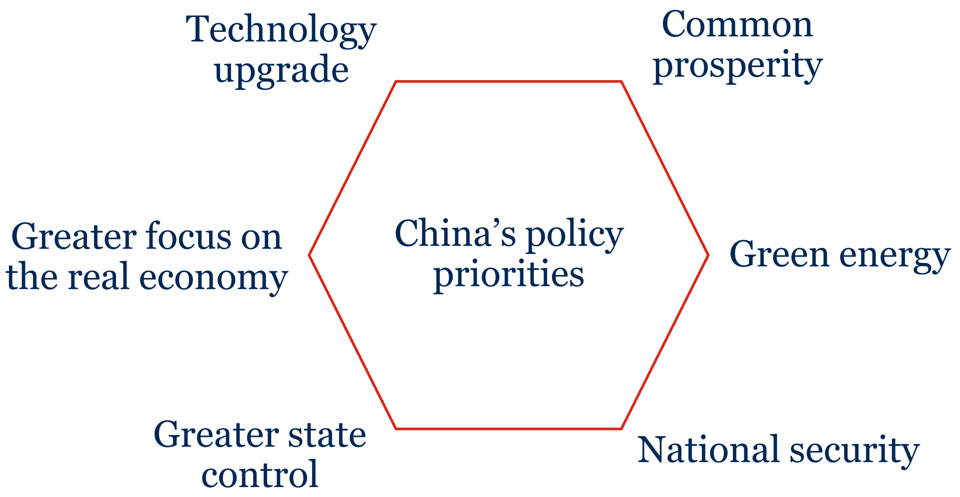
- Recent policy announcements have driven up growth expectations and Chinese markets.
- A further rally needs more policy support and good execution. Expect high volatility.

Source of data: Goldman Sachs, 17 November 2022

Longer-term: Where China's focus is

Key phrases in President Xi's Party Congress Reports





Source of data: (Left) Center for Strategic and International Studies (CSIS), 19 October 2022

Putting it together: Tactical asset allocation

3-month view

Asset Class	Recommendation
Cash and cash alternatives	Overweight
Equities	
Equities - DM	Underweight
Equities - EM	Underweight
Credit	
Government bonds	Neutral
IG corporate bonds	Underweight
HY corporate bonds	Underweight
Currencies	
USD vs majors	Overweight
USD vs EM	Overweight

2023 outlook

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Recommended asset allocation (December 2022 - January 2023)

	Balanced		Growth	
	SAA	**TAA overlay**	**SAA**	**TAA overlay**
Cash & cash alternatives	0%	50%	0%	35%
Equities	50%	25%	60%	40%
US		10%		10%
Europe		0%		0%
Japan		5%		10%
China		10%		15%
Others		0%		5%
Bonds	30%	15%	10%	10%
Government bonds		10%		5%
IG corporate bonds		5%		5%
High yield bonds		0%		0%
Alternatives	20%	10%	30%	15%
Preferred: Property, infrastructure, macro funds, absolute return L/S equity				
Total		**100%**		**100%**

SAA= Strategic Asset Allocation; TAA = Tactical Asset Allocation

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