
WEISSHORN
ASSET MANAGEMENT SA

Investment Committee Q1

1. Market highlights

- The **resilience of the US economy** was reflected in investors sentiment, as they continued to accumulate risky assets during the first quarter, **buying equities and HY bonds**.
- As the economic data came in stronger than expected, those in favor of a **"no landing" scenario** gained ground.
- US CPI figures were higher than expected. **Services inflation** proves **to be sticky** and will take time before returning to the FED's target.
- This inevitably had an impact on US Treasury yields, which tended to rise, weighing on bonds.
- Expectations for FED rate cuts were also adjusted. While the consensus was for six rate cuts by 2024, **the market now expects only two**.
- The economic situation in Europe is less rosy, with Germany slowing down. This should prompt the **ECB** to begin a cycle of **rate cuts before the FED**. The SNB has already made its first move which came as a surprise to the market.
- The **geopolitical context has never been so tense** since the end of WWII. The much-feared escalation in the Middle East seems to be looming. Even if investors are completely ignoring this risk for the time being, we can't rule it out.
- Imbalances in the **US housing market** also represent a tail risk to consider. Small and medium-sized regional banks remain heavily exposed to this market.

1. Market highlights

- The Chinese government and the PBoC are attempting **to revitalize the Chinese economy**, but for the time being the measures remain shy.

- Despite a strong US dollar and persistently high yields, **Gold is trading at an all-time high**. Most Central Banks are accumulating more yellow metal than ever before in order to diversify their reserves. This trend is set to continue.

- A number of Western companies had a record year in 2023. On the whole, they were able to maintain their profit margins despite inflation and wage increases. **In the absence of unforeseen exogenous factors, visibility remains good for 2024**.

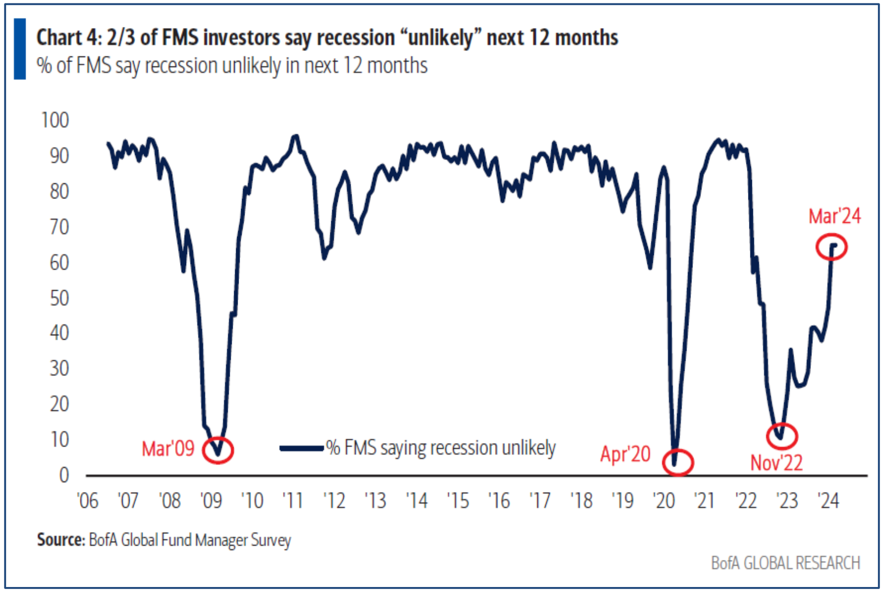
- **Valuations in some sectors are at high levels**. A derating cannot be ruled out, but these companies' balance sheets remain healthy and cash flow generation is on track.

2.1 Economic resilience : investor sentiment

- The resilience of the US economy is changing investors sentiment. A hard landing scenario now seems out of the question, while a **no landing scenario** is making more and more noise in the markets.

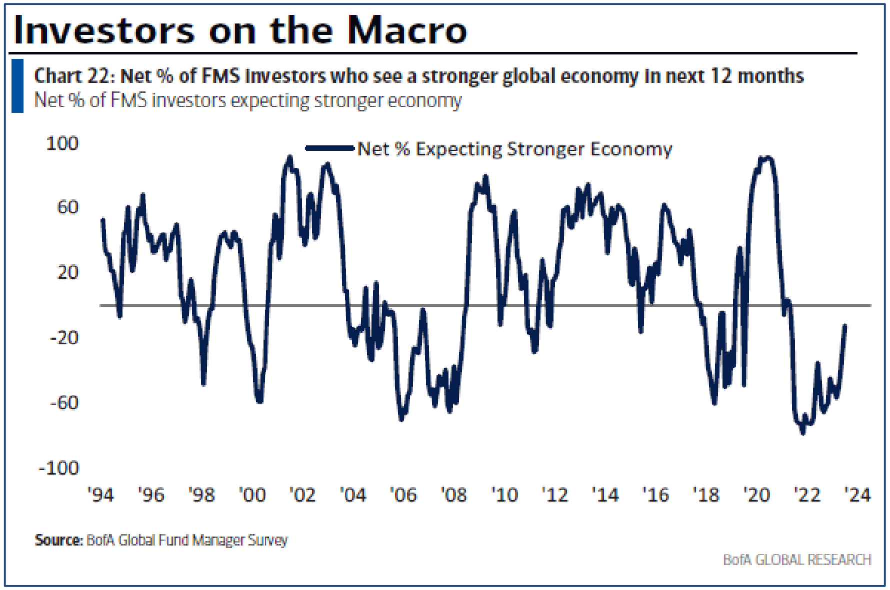
- Today, over **60% of investors believe there will be no recession** in the next 12 months. At the end of 2022, almost 90% were expecting a recession.

% of investor thinking no recession



Source: BofA

Net % Expecting stronger economy in 12M



Source: BofA

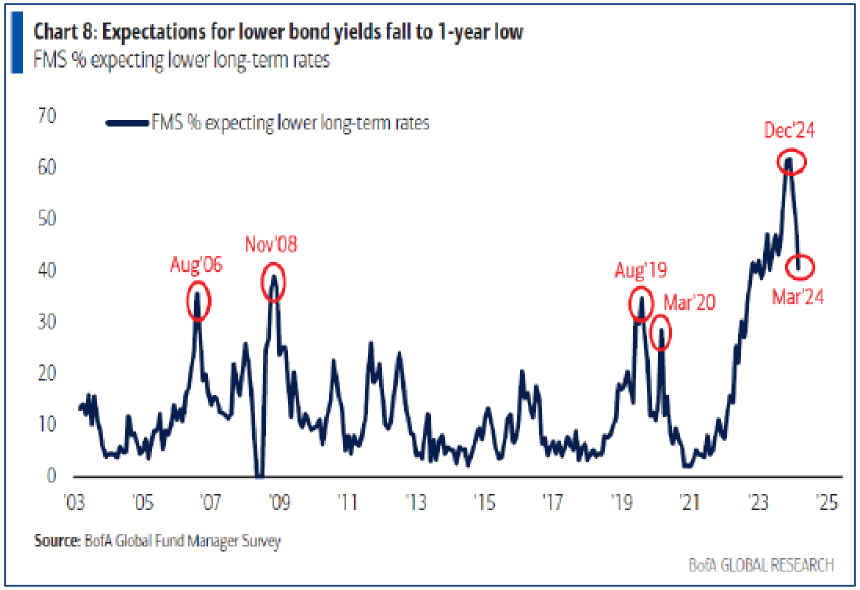
2.1 Economic resilience : investor sentiment

- The change in economic growth expectations has several impacts on the market.

- The first is that analysts expect **fewer rate cuts from the Fed** this year. This implies higher short-term rates for longer, but also long rates which should remain at the same levels or even rise.

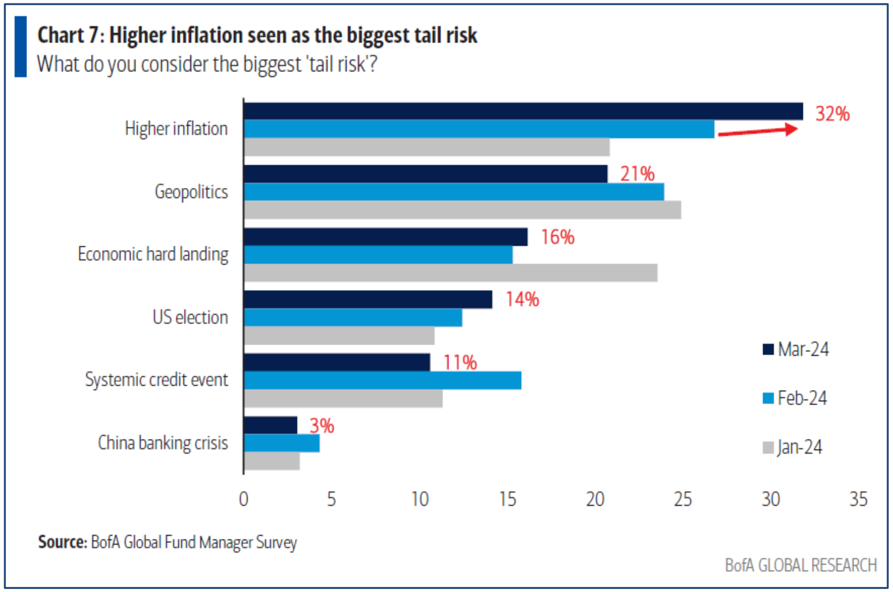
- The second is that the market is now realizing that the **fight against inflation may not yet be over** and if demand is too strong, an even more restrictive monetary policy may be necessary.

% Expecting lower bond yields



Source: BofA

Biggest Market Risk



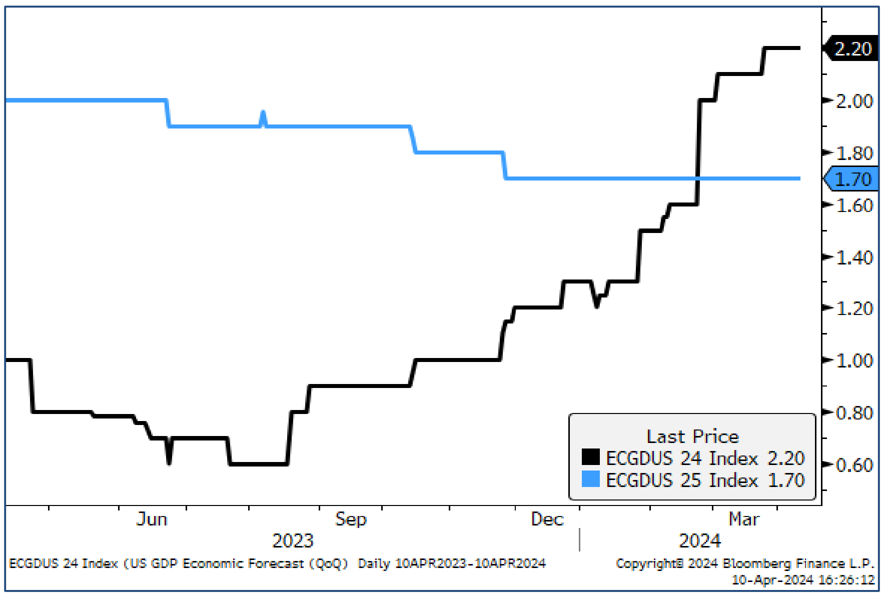
Source: BofA

2.1 Economic resilience : GDP Forecast

- As in 2023, the likelihood of an economic slowdown in the US seems to have been put off for several months. This is reflected in **revised GDP growth expectations** for 2024, which have risen from 0.6% in August to 2.2% now.

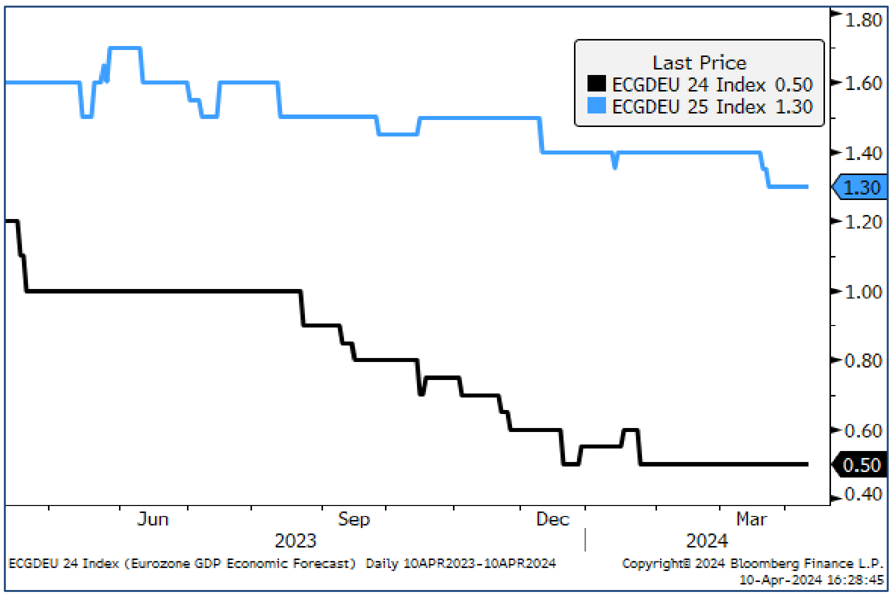
- In Europe, the economy does not seem as resilient, energy costs have taken their toll on growth and European consumers are less willing to spend than their US counterparts. Economists are now expecting growth of around 0.5% for 2024. Therefore, the ECB will likely take measures before the FED to revitalize European growth.

US GDP Forecast



Source: Bloomberg

EU GDP Forecast



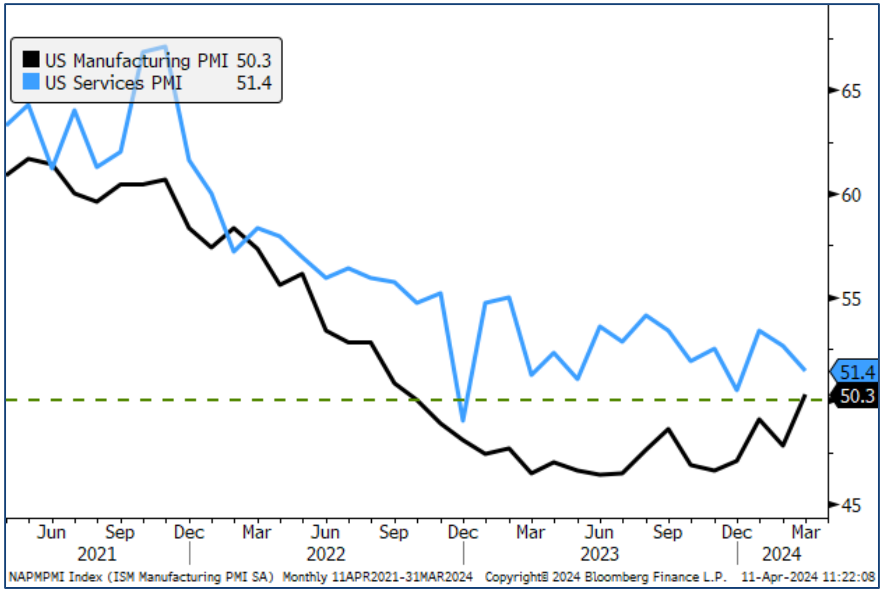
Source: Bloomberg

2.1 Economic resilience : PMI

- Manufacturing PMIs have been in contraction territory for several months on both sides of the Atlantic. There have been signs of improvement lately. **In the US, the manufacturing PMI has even climbed back above 50**, while in Europe, it has recovered 6 points from its lows and recently settled at 46.

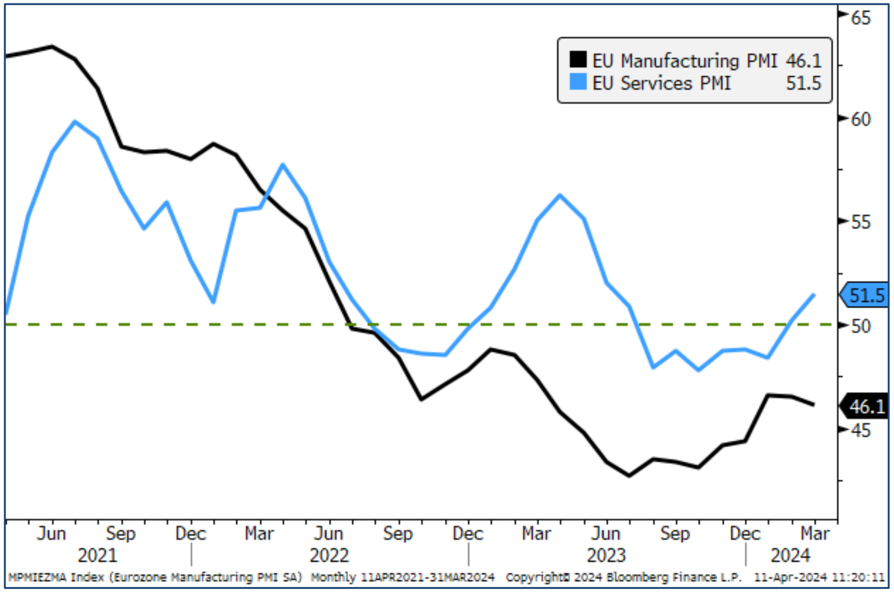
- **Services remain very strong**. In the US, the PMI hasn't fallen below 50 for over a year, while in Europe it's back in the expansion zone. This may be the first time we see monetary policy easing as the economy shows signs of improvement.

US PMI



Source: Bloomberg

EU PMI



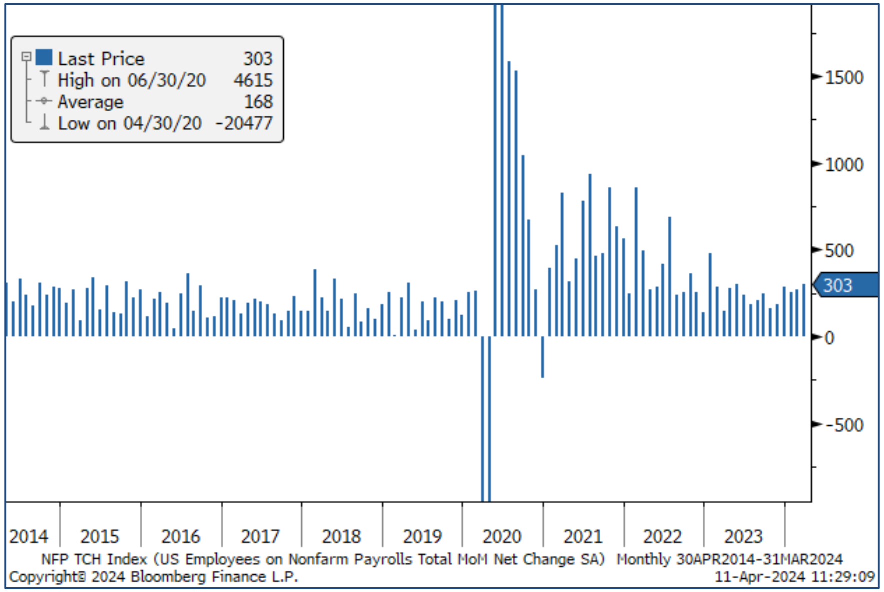
Source: Bloomberg

2.1 Economic resilience : Labor Market

- **The job market also remains very strong**. Job creation continues to surprise us on the upside every month and shows no sign of slowing down.

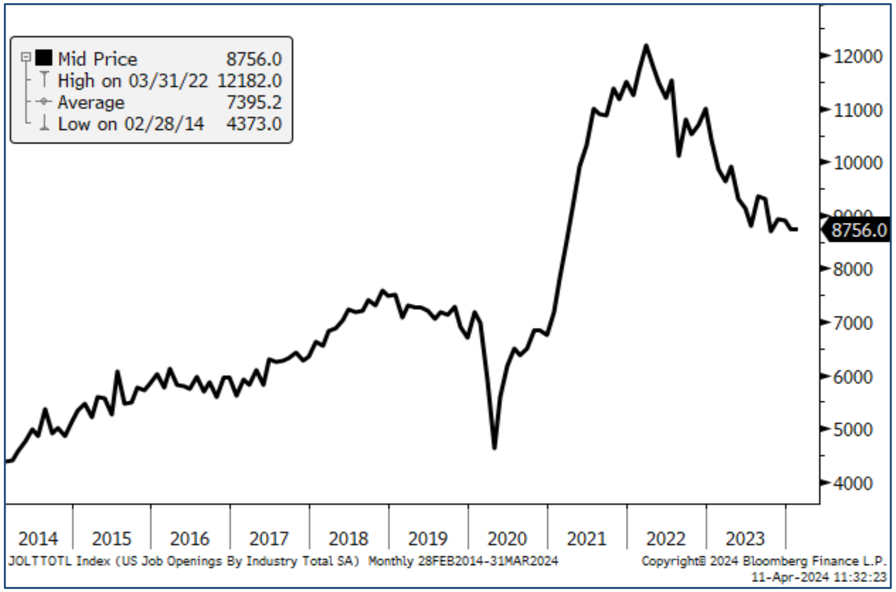
- The number of job vacancies also remains very high, although it has normalized since its peak. The job market continues to be monitored by the FED, which does not want to fall into a vicious circle of wage increases that would lead to higher inflation.

Change in Nonfarm Payrolls



Source: Bloomberg

Job Openings



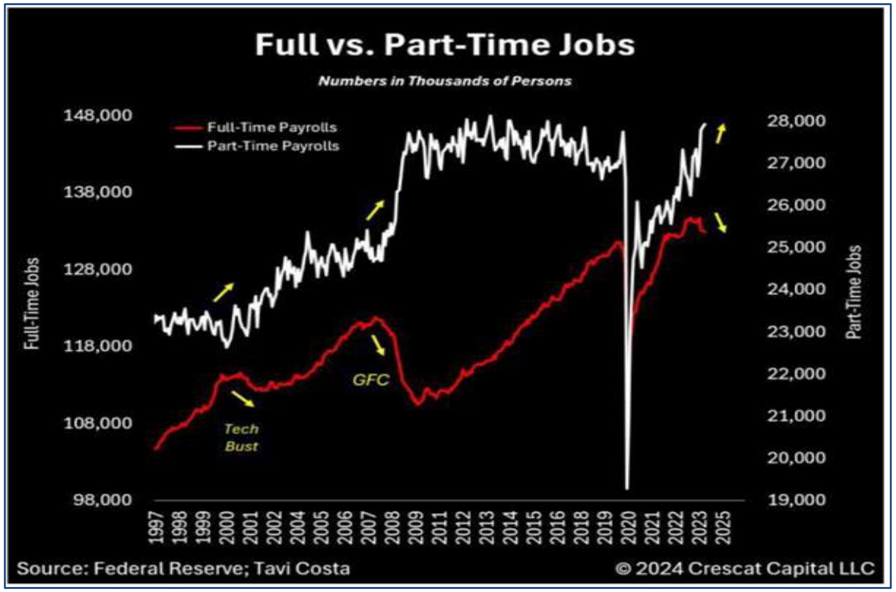
Source: Bloomberg

2.1 Economic resilience : Labor Market

- If we dig a little deeper into the employment figures, we find that the **new jobs are mainly part-time**. This could be an indicator of a downturn in the economy if these part-time jobs are for retirees who no longer have enough money to live on, or if they are for people who need several jobs to support themselves.

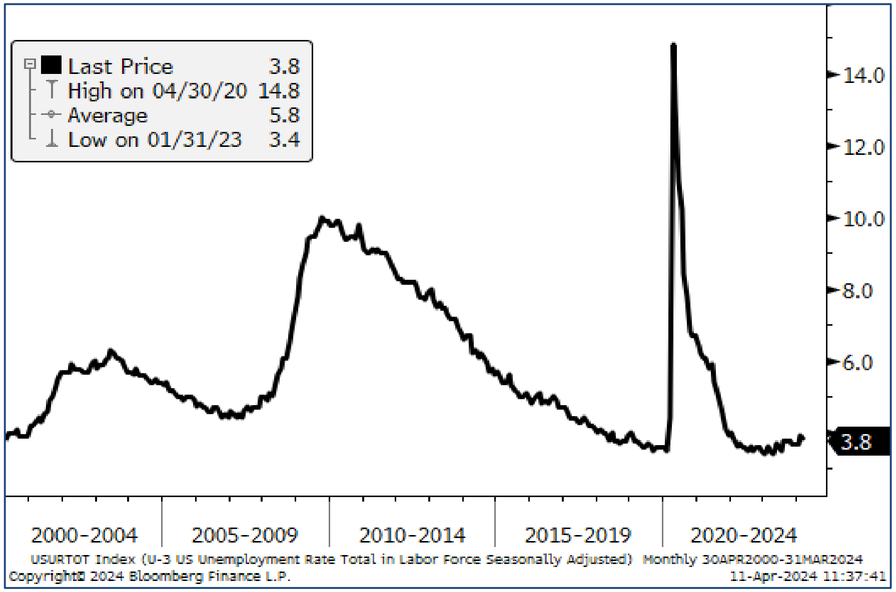
- However, with this job creation, unemployment figures are unlikely to rise to levels seen in previous recessions.

Full vs Part time Jobs



Source: Crescat Capital

US Unemployment



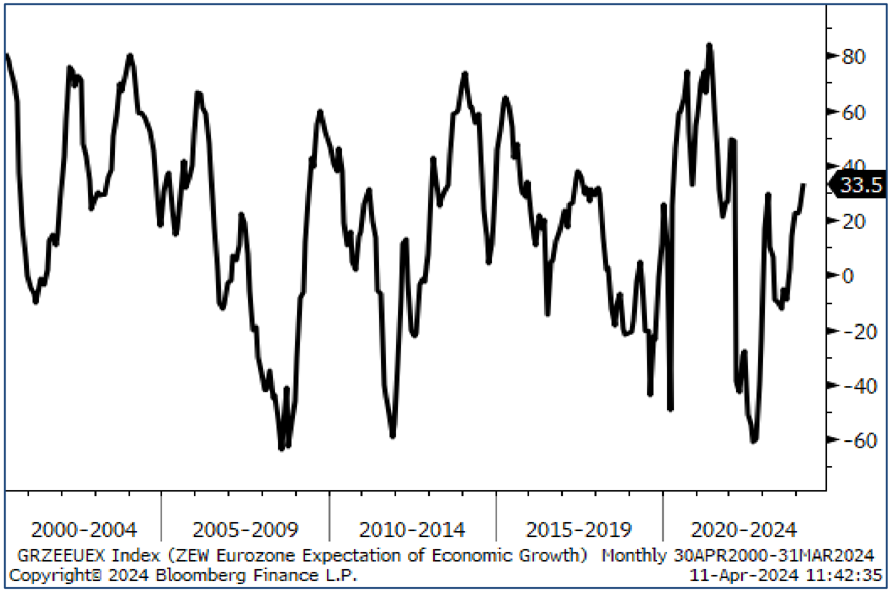
Source: Bloomberg

2.1 Economic resilience : Europe

- In Europe, although the economy does not look as strong as in the US, sentiment and growth expectations have improved markedly since the lows of 2022.

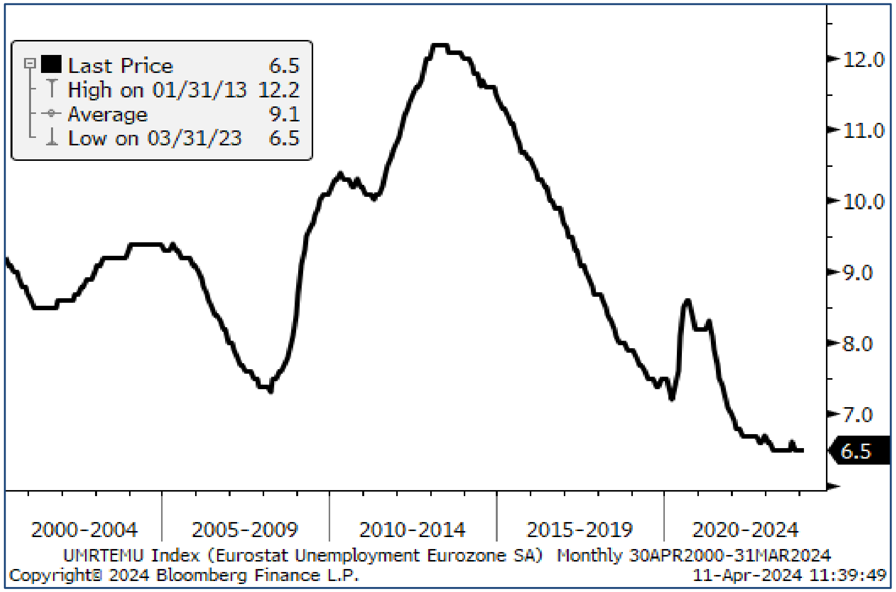
- The **unemployment rate also remains particularly low** and there are few indicators that it is likely to rise again. What's more, if the ECB eases its monetary policy, this should benefit the economy and hence employment. As a result, we do not expect to see a marked rise in unemployment in Europe either.

ZEW Expectation of Growth



Source: Bloomberg

EU Unemployment

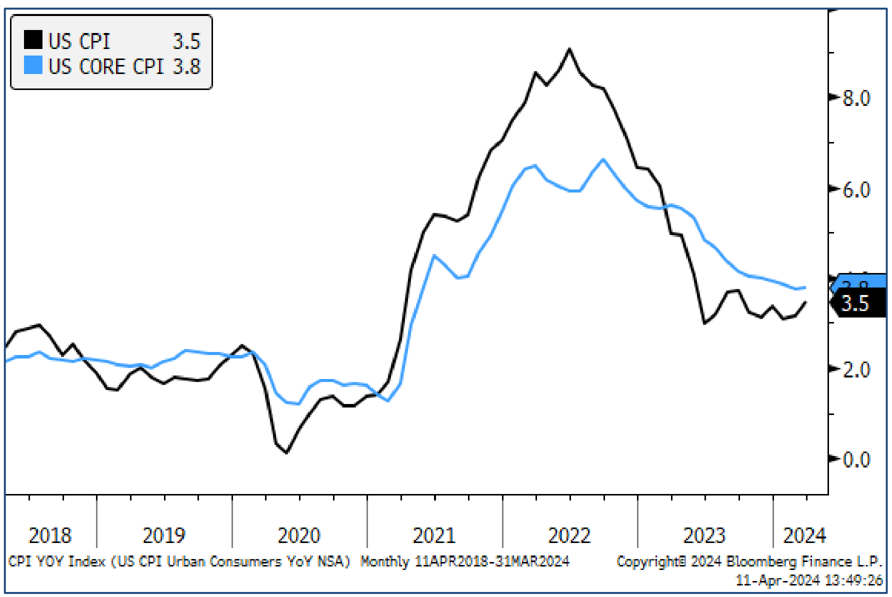


Source: Bloomberg

2.2 Inflation

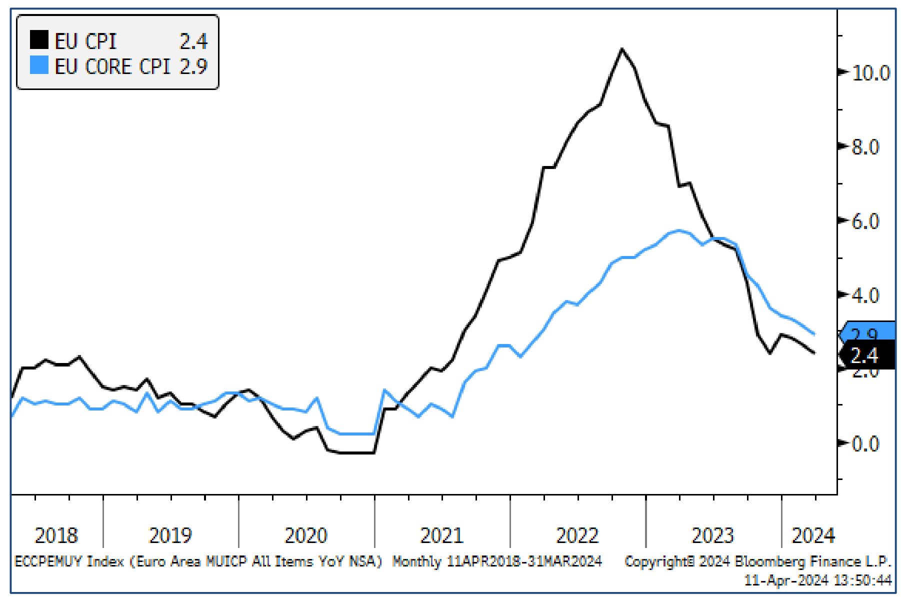
- **In Europe**, the battle against inflation is going well. **Headline inflation is now at 2.4%,** very close to the Central Bank's 2% target. Core inflation is also continuing its downward trend, at just below 3%. If unexpected price rises do not surface in the coming months, the ECB may consider its fight against inflation to be over.
- **It's a different story in the US**. Although the trend has been clear since the peaks of 2022, in recent months inflation has shown no sign of returning to the 2% mark and remains anchored above 3%. In fact, it has been higher than economists expected for several months now. This excessively high inflation continues to reinforce Powell's narrative of "higher rates for longer".

US CPI



Source: Bloomberg

EU CPI



Source: Bloomberg

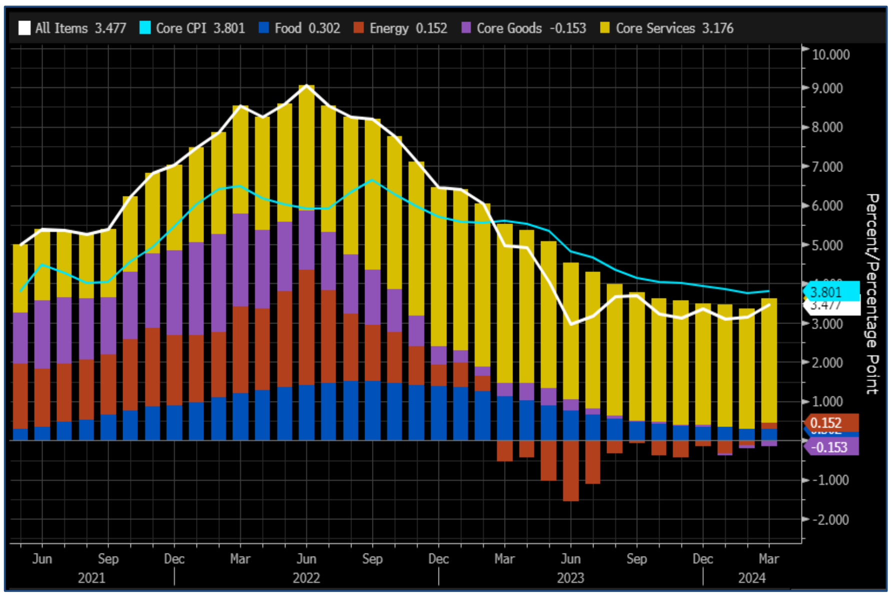
2.2 Inflation

- The inflation problem in the US always comes from the same source, namely services and particularly rents, whose prices are constantly rising.

- This inflation problem is paradoxically due to rising interest rates. Although the FED has raised rates to combat rising prices, **the higher rates have resulted in higher rents** for tenants and an increase in owner equivalent rent in the CPI calculation.

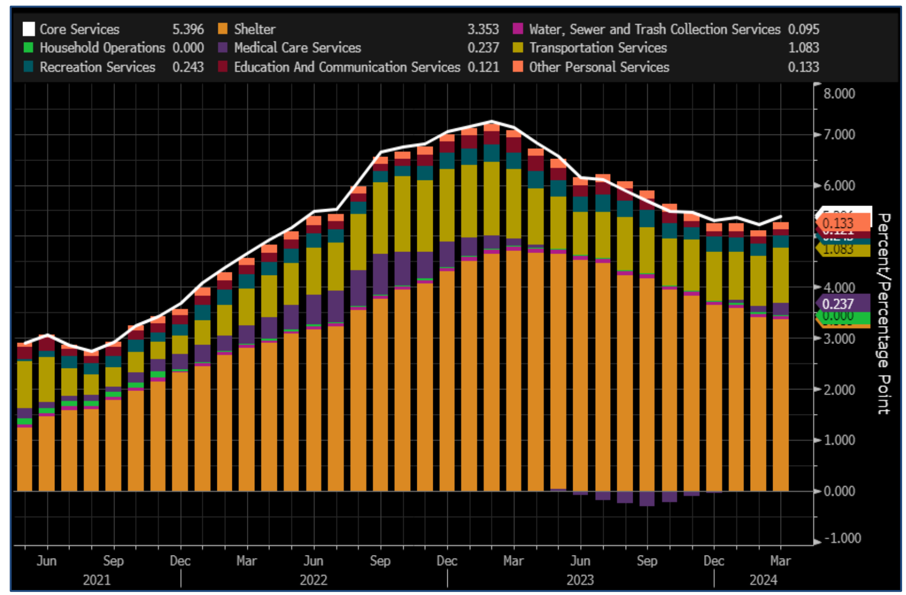
- If other inflationary outbreaks don't show up, it may well be that a rate cut will solve the inflation problem.

US CPI Breakdown



Source: Bloomberg

US Services CPI Breakdown



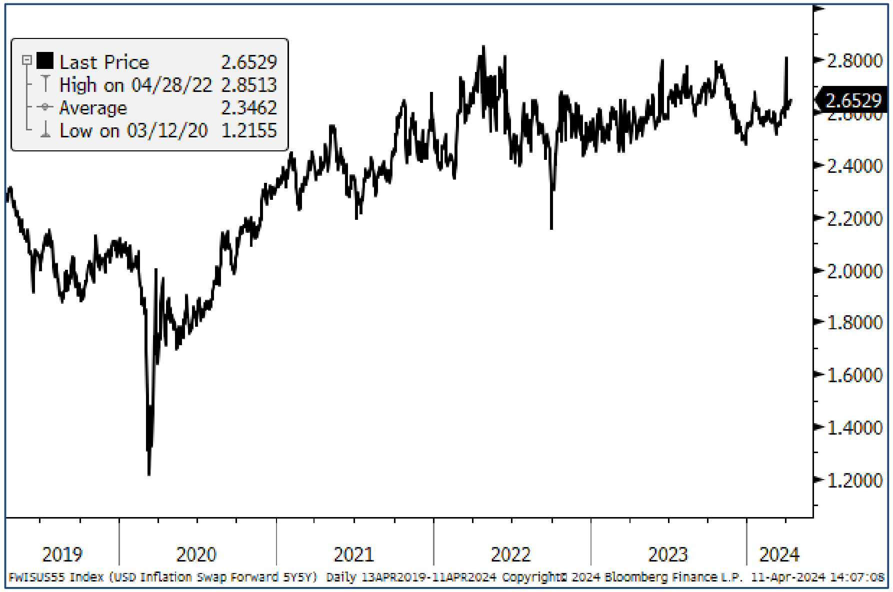
Source: Bloomberg

2.2 Inflation & Rates

- Although the latest inflation figures came as a negative surprise to the market, long-term inflation expectations have remained stable. **The market does not seem to think that these inflation problems are likely to persist over time**.

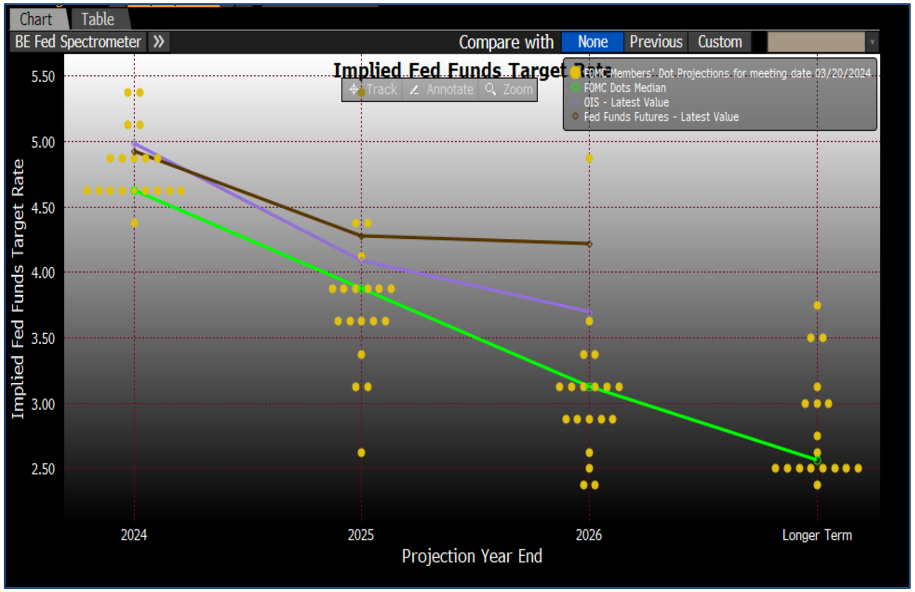
- At its last meeting, the FED confirmed that it was still expecting 3 rate cuts in 2024, while it revised its GDP and Core PCE growth expectations upwards, from 1.4% to 2.1% for GDP and 2.4% to 2.6% for PCE, as well as lowering unemployment expectations from 4.1% to 4% by the end of the year.

5Yr inflation expected in 5Yr



Source: Bloomberg

FED Dot Plot



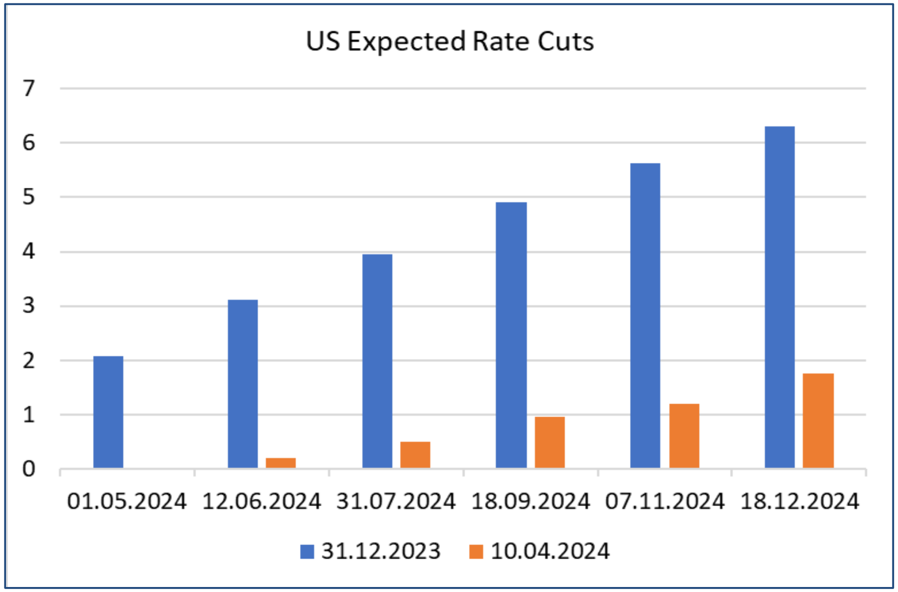
Source: Bloomberg

2.3 Rates

- The resilience of the economy, coupled with Central Bank rhetoric confirming the direction and scale of monetary easing for this year, has prompted markets to **revise their rate cut expectations for 2024**.

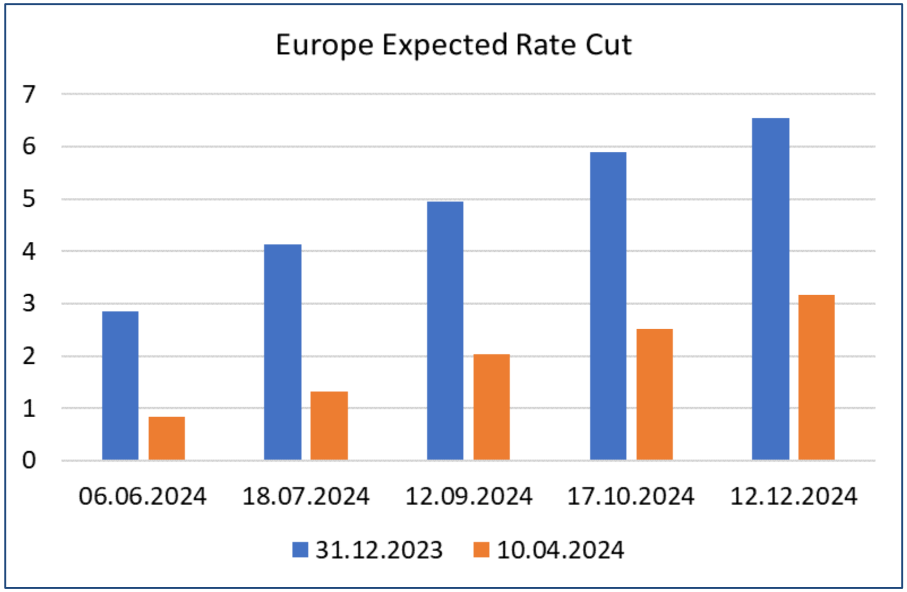
- Whereas at the end of last year investors were expecting 6 rate cuts from the FED and the ECB, they now expect the FED to cut its key rates by 50 basis points and the ECB by 75 basis points.

US Expected Rate Cuts



Source: Bloomberg

EU Expected Rate Cuts



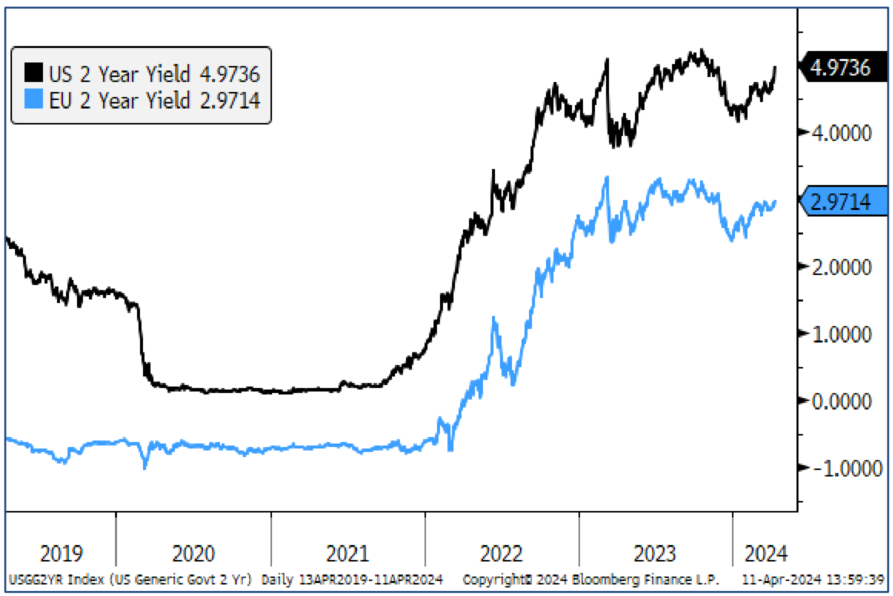
Source: Bloomberg

2.3 Rates

- The revision of rate-cutting expectations has led to a rise in both short-term and long-term rates. However, **the rise in short-term rates was more pronounced**.

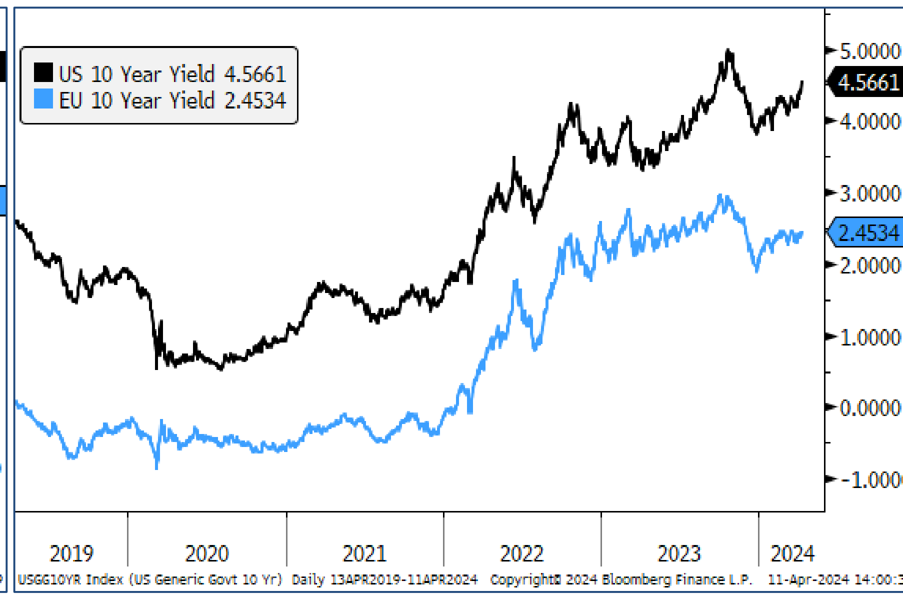
- **The 2-10 year curves remain inverted**. They had never been inverted for so long. Generally speaking, an inversion of the yield curve tells us that the market is expecting a recession. As this recession does not appear to be on the horizon, we face the risk that the curve may steepen.

2 Year Yields



Source: Bloomberg

10 Year Yields



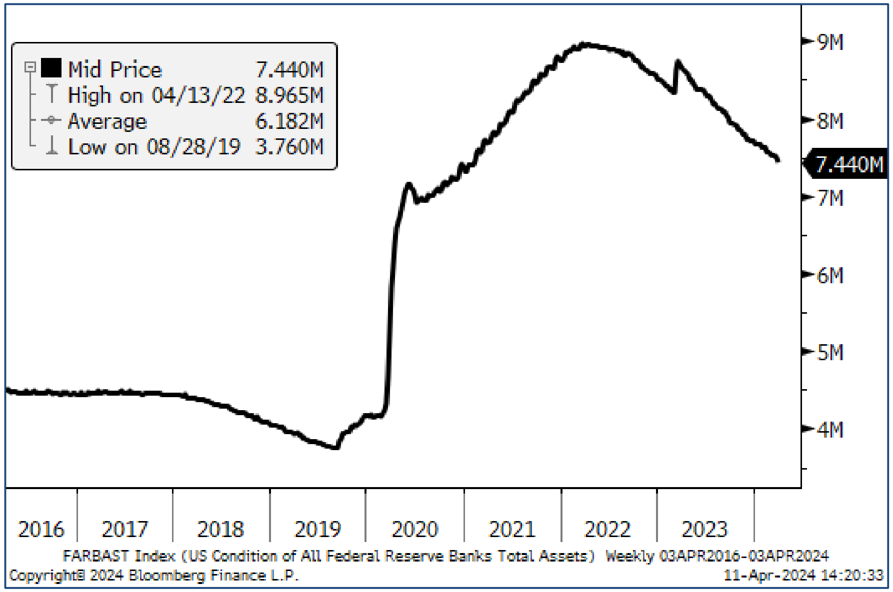
Source: Bloomberg

2.4 Central Banks : Quantitative Tightening

- **The FED and ECB continue the quantitative tightening**. By reducing their balance sheets, they are reducing demand for government bonds. If this trend continues, we'll have to keep a close eye on demand for government bonds to see whether investors will be able to absorb government deficits.

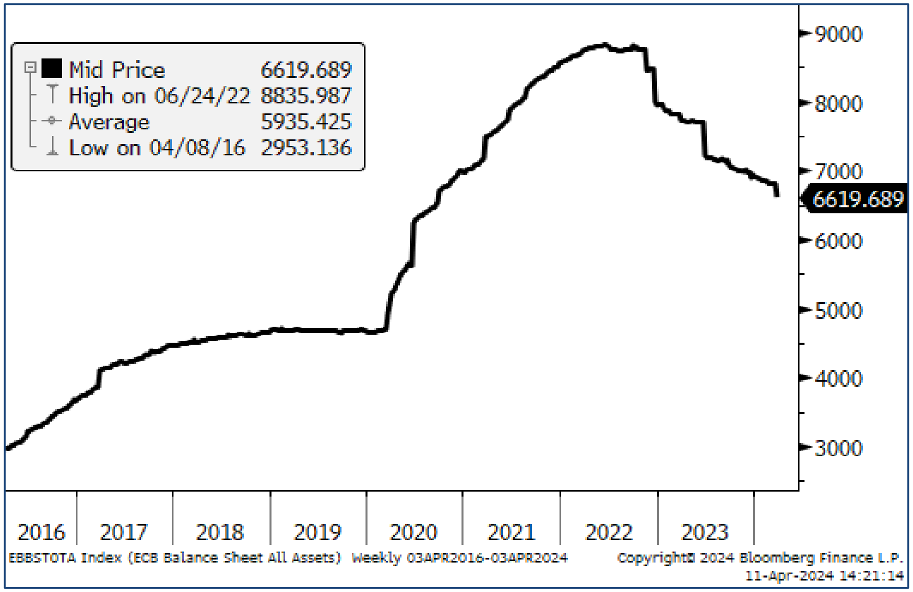
- If supply outstrips demand, governments may be forced to offer a premium on their debt rates in order to attract enough capital to continue financing themselves.

FED Balance Sheet



Source: Bloomberg

ECB Balance Sheet

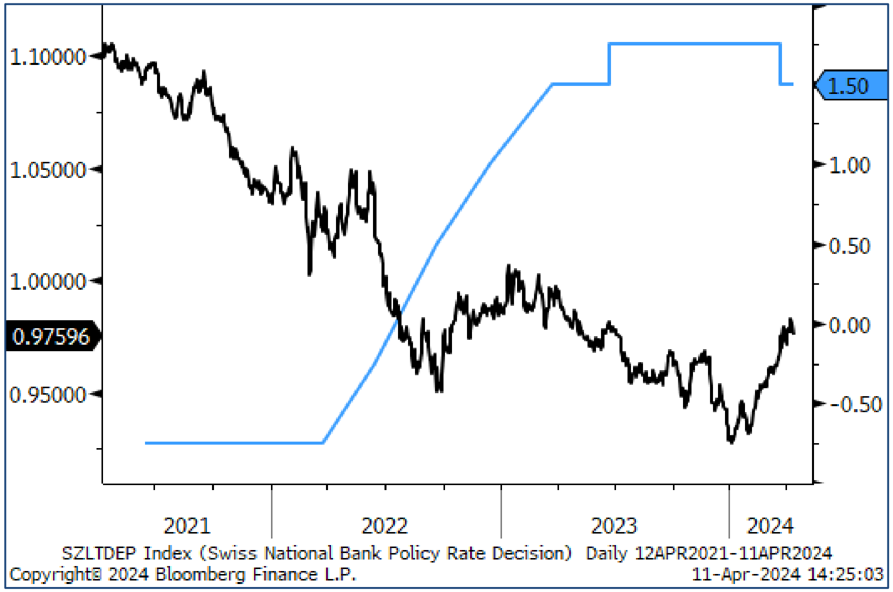


Source: Bloomberg

2.4 Central Banks : Monetary Policy

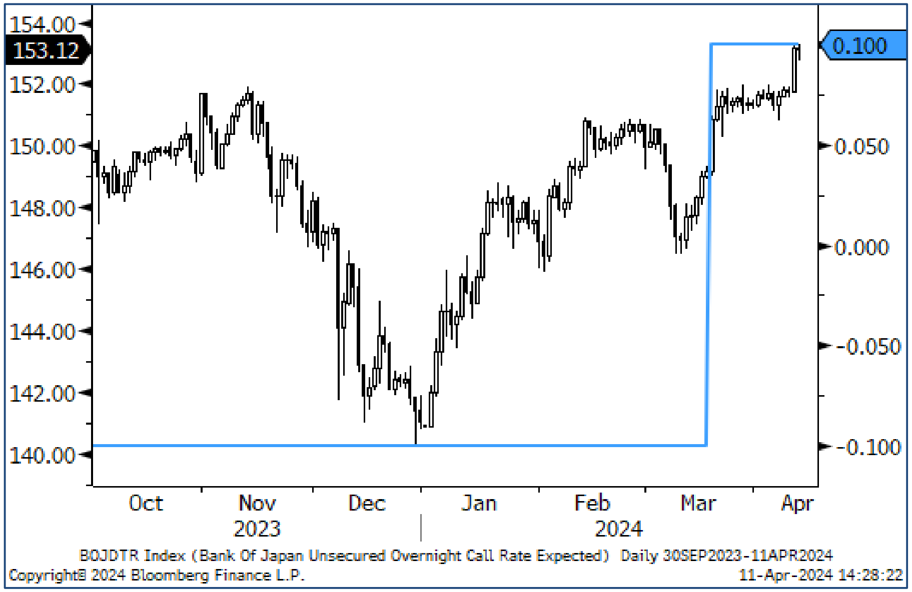
- **The SNB surprised the market** by becoming the first Western bank to cut rates. With a very strong currency and inflation figures below target for several consecutive months now, the Swiss National Bank took the liberty of cutting rates by 25 basis points. This led to a fall in the CHF against all other currencies.
- **The Bank of Japan** also surprised the market by ending its negative interest rate policy. Its key rates are now in a range from 0% to 0.10%. Although it has ended negative rates, the BOJ remains very accommodative and delivered a dovish message after announcing the rate hike. As a result, the JPY has depreciated against other currencies since the announcement.

SNB Rates & EUR/CHF



Source: Bloomberg

BOJ Rates & USD/JPY



Source: Bloomberg

2.4 Central Banks : End of Negative Rates

- The BOJ's rate hike marks the end of the era of negative rates. Whereas in 2020 almost half the debt in Europe and Japan had a negative yield, it is now difficult to find debt with a yield of less than 2%.

- **The end of "free" money** will have a big impact on governments and corporations, who are now seeing the cost of their debt soar.

- It will certainly no longer be possible to take on debt as in 2020 and this will result in perhaps more restrictive fiscal policies in the future. But it will also lead to a better allocation of capital for companies, who are now obliged to choose more profitable projects to pay off their debt.

The Negative Bond Yield Matrix (May 31, 2020)

Country	6-Mo	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	20-Year	30-Year	50-Year
Switzerland	-0.50	-0.40	-0.71	-0.70	-0.66	-0.65	-0.65	-0.60	-0.57	-0.70	-0.49	-0.33	-0.32	-0.35	-0.38
Germany	-0.55	-0.59	-0.65	-0.66	-0.66	-0.64	-0.63	-0.55	-0.51	-0.51	-0.45	-0.23	-0.16	0.01	
Netherlands	-0.55		-0.62	-0.60	-0.58	-0.53	-0.47	-0.42	-0.37	-0.31	-0.25	-0.17	-0.01	0.05	
Denmark			-0.42								-0.25				
Austria		-0.53	-0.59	-0.53	-0.50	-0.41	-0.35	-0.32	-0.25	-0.18	-0.13	0.03	0.11	0.28	0.41
Finland			-0.57								-0.17				
Sweden			-0.29								-0.04				
France	-0.51	-0.53	-0.53	-0.54	-0.51	-0.44	-0.36	-0.25	-0.19	-0.12	-0.07	0.19	0.44	0.69	0.75
Belgium	-0.51	-0.51	-0.56	-0.52	-0.47	-0.38	-0.32	-0.18	-0.18	-0.08	-0.02	0.20	0.53		
Japan	-0.19	-0.17	-0.16	-0.17	-0.15	-0.13	-0.13	-0.11	-0.08	-0.03	0.00	0.23	0.35	0.49	
Ireland	-0.35	-0.37		-0.42	-0.35	-0.24	-0.16	-0.06			0.08	0.44	0.51	0.78	
Slovakia						-0.15	-0.12		0.12	0.11	0.29			0.93	1.03
Slovenia		-0.40	-0.30	-0.16		-0.03		0.07	0.21		0.40	0.79	1.07		
United Kingdom	0.00		-0.05	-0.04	-0.05	-0.01	-0.03	0.02	0.05	0.18	0.18	0.37	0.51	0.58	0.40
Spain	-0.49	-0.39	-0.44	-0.36	-0.29	-0.17	0.05	0.24	0.30	0.41	0.56	0.87	1.06	1.33	
Portugal	-0.40	-0.34	-0.44	-0.31	-0.27	-0.01	0.08	0.26	0.33	0.41	0.50	0.75	0.94	1.30	
Bulgaria		-0.13				-0.10		0.38			0.85				
Czech Republic		-0.06	0.01	0.10	0.29	0.28	0.55	0.57	0.63	0.69	0.70	0.87	0.95		1.98
Cyprus		-0.21		0.35		0.57		1.01			1.22				
Malta	-0.03	0.03		0.04		0.20					0.62		1.28		
Italy	-0.03	0.01	0.40	0.56	0.81	1.02	1.15	1.20	1.40	1.46	1.48	1.92	2.10	2.41	2.57
United States	0.17	0.18	0.16	0.20		0.30		0.50			0.65			1.41	

CREATIVE PLANNING @CharlieBilello

The Positive Bond Yield Matrix (Mar 25, 2024)

Country	6-Mo	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	20-Year	30-Year	50-Year
Japan	0.04	0.08	0.20	0.23	0.32	0.38	0.43	0.50	0.59	0.67	0.73	1.19	1.48	1.79	
Switzerland	1.37	1.27	0.94	0.85	0.78	0.71	0.66	0.62	0.66	0.63	0.63	0.65	0.64	0.65	
Sweden	3.83		2.64			2.33		2.34			2.38		2.55		
Portugal	3.75	3.48	2.72	2.55	2.53	2.63	2.61	2.65	2.73	2.82	3.03	3.26	3.36	3.45	
Ireland		3.36	2.78	2.67	2.58	2.59	2.60	2.59	2.52	2.67	2.79	2.89	2.96	3.03	
Germany	3.72	3.45	2.85	2.57	2.43	2.39	2.31	2.30	2.31	2.33	2.37	2.52	2.56	2.52	
Denmark	2.36		2.88	2.45		2.27			2.27		2.37		2.55	2.47	
Finland			2.91	2.79	2.75	2.70	2.69		2.75		2.85	3.05		2.93	
Cyprus			2.91	2.96	2.97			2.96			3.15		3.64	3.64	
Belgium	3.60		2.92	2.73	2.67	2.67	2.69	2.74	2.77	2.79	2.94	3.14	3.29	3.39	2.89
Austria	3.77	3.30	2.93	2.76	2.63	2.72	2.71	2.76	2.80	2.84	2.87	3.05	3.08	3.03	2.77
Netherlands	3.65		2.93	2.67	2.63	2.57	2.57	2.56	2.60	2.60	2.63	2.76	2.77	2.73	
France	3.79	3.49	2.96	2.76	2.69	2.70	2.67	2.69	2.72	2.78	2.85	3.06	3.22	3.32	2.83
Spain	3.73	3.47	3.03	2.92	2.85	2.87	2.89	2.94	3.02	3.11	3.20	3.54	3.66	3.85	
Slovenia		3.83		3.30	2.98	2.84		2.75	2.83		2.96	3.13	3.26		
Malta	2.84	4.68		3.05		3.10					3.38		3.76		
Bulgaria		3.19	3.33	3.59	3.33	3.58		4.15			4.30				
Slovakia			3.38			3.06	3.22		3.34	3.43	3.46			3.75	3.70
Italy	3.68	3.57	3.40	3.16	3.18	3.23	3.29	3.41	3.48	3.61	3.70	4.06	4.16	4.27	3.94
Czech Republic		4.35	3.71	3.68	3.66	3.74	3.73	3.77	3.76	3.89	3.86	4.01	3.99		4.15
United Kingdom	5.21	4.55	4.20	4.00	4.01	3.91	3.85	3.89	3.90	3.97	4.03	4.35	4.52	4.54	4.12
United States	5.31	5.00	4.63	4.40		4.23		4.25			4.25		4.50	4.41	

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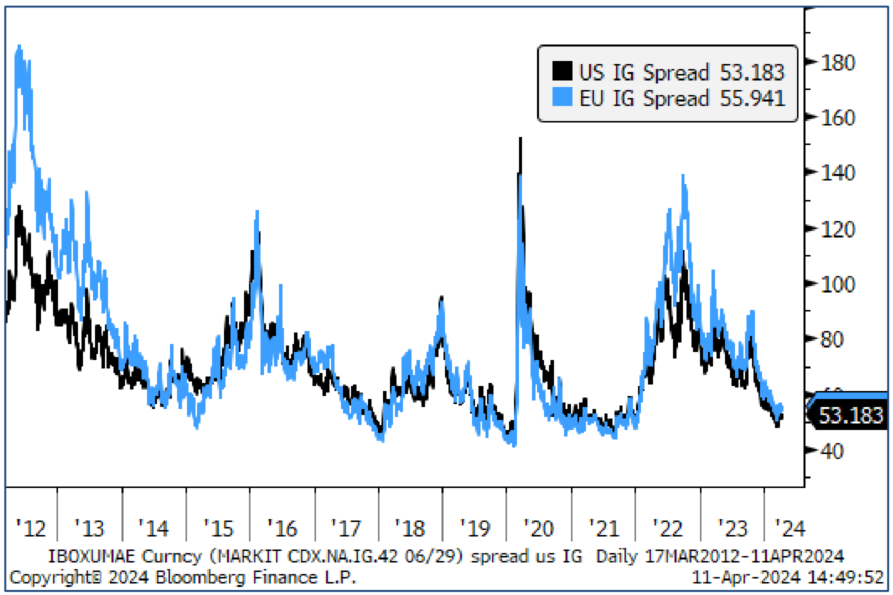
Source: Charlie Bilello

2.5 Fixed Income : Credit Spread

- With the economic outlook improving, **credit risks are decreasing**. Credit spreads on investment-grade debt have reached historically low levels and there seems to be no room for further tightening. So, for the time being, investment-grade debt does not look very attractive compared with government yields.

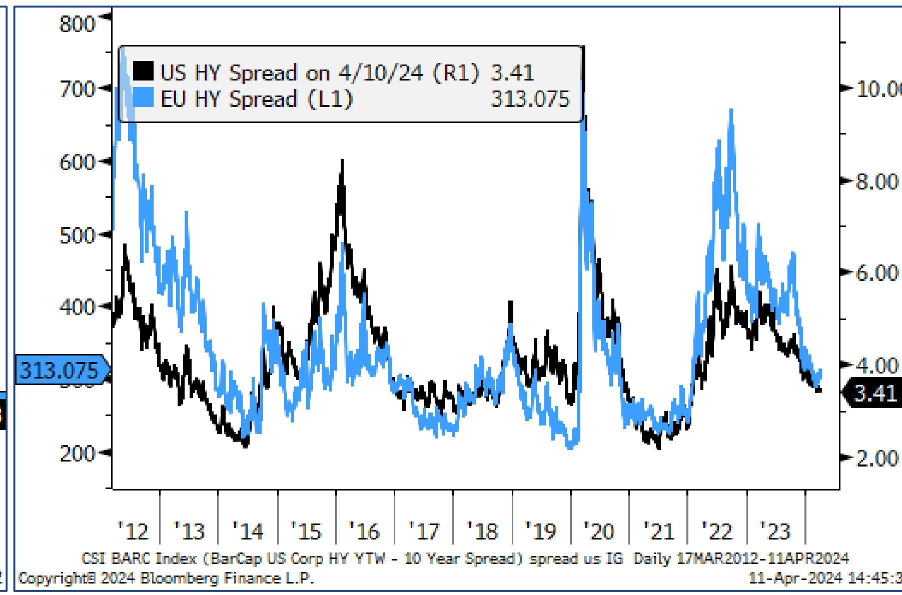
- **Spreads on high-yield debt have also continued to tighten**, but have not yet fallen back to their lows. If there is no economic slowdown or recession, high-yield debt could therefore continue to outperform investment-grade debt.

Investment Grade Spread



Source: Bloomberg

High Yield Spread

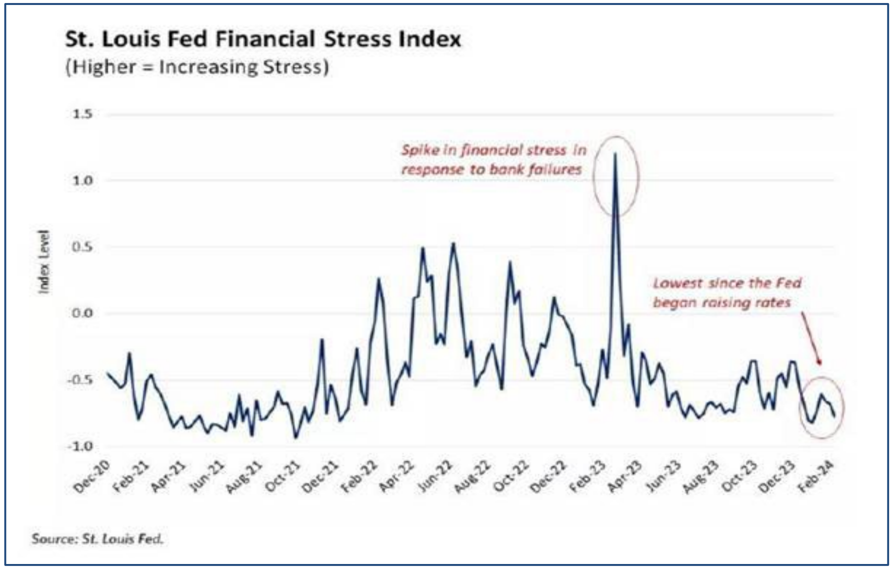


Source: Bloomberg

2.5 Fixed Income : Market Stress

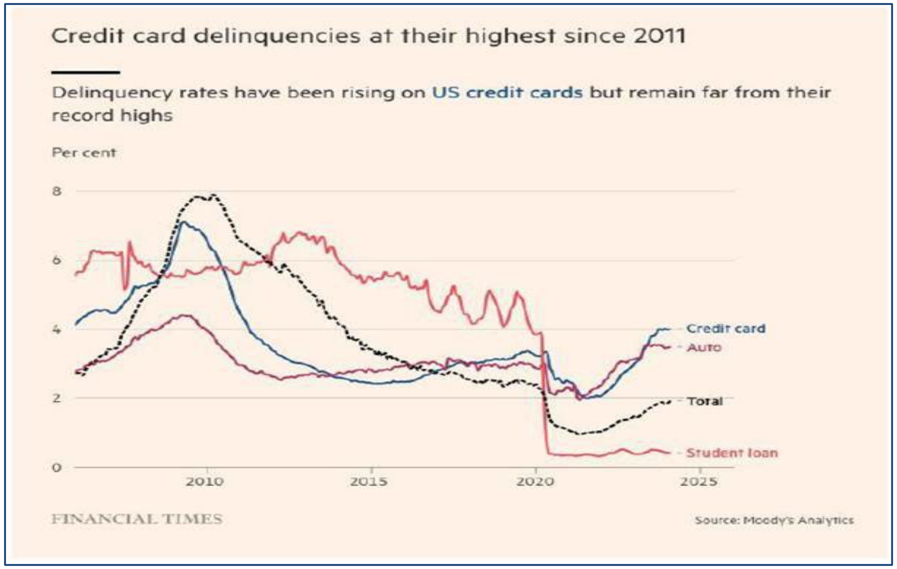
- Some indicators, such as that of the St Louis Fed, show that **financial stress is at its lowest level since 2021**. There doesn't seem to be much economical risks in the market at the moment. The market might be complacent as it may be underestimating the impact of the FED tightening.
- However, other indicators such as delinquency rates continue to climb month after month. For the time being, there's nothing to be alarmed about as they've just come from historically low levels and are therefore in a phase of normalization. But, **credit cards rates are historically high** and might eat away household savings step by step. If delinquency rates were to continue to rise, this would show us that consumer health is in decline and consequently the economy could falter.

Financial Stress Index



Source: FED St. Louis

Delinquencies

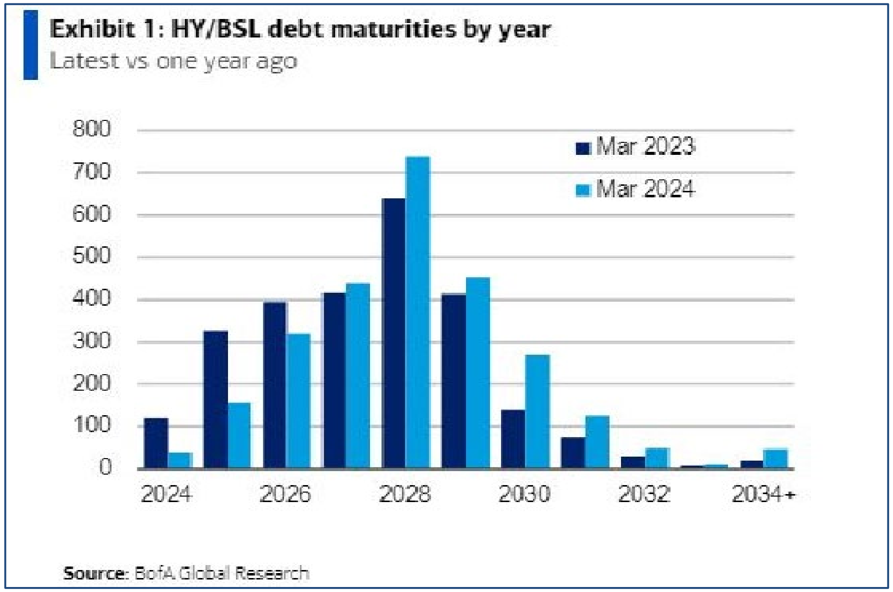


Source: FT

2.5 Fixed Income : Debt Maturity & Credit Risk

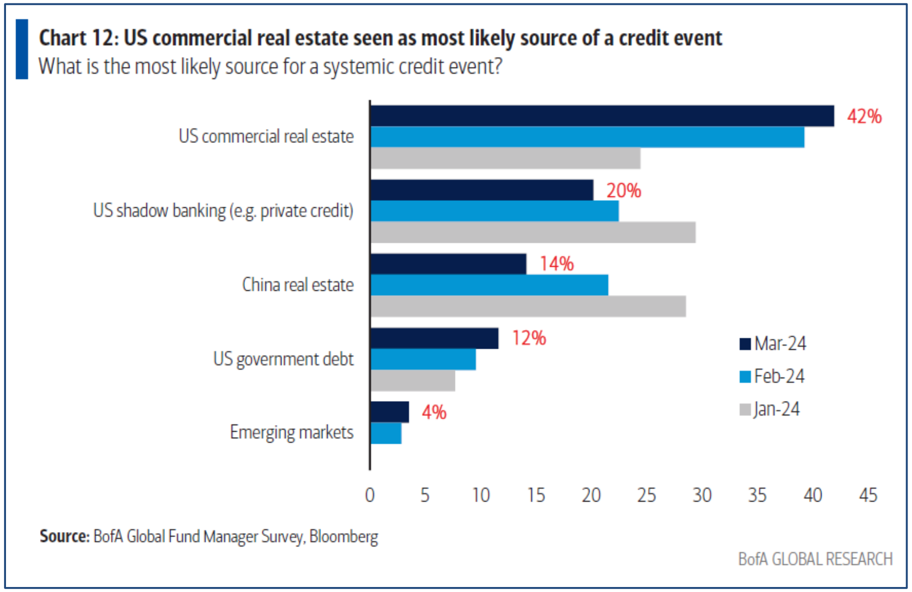
- Central Banks started their monetary tightening policies 2 years ago and as a result a significant amount of debt has matured during this period. Risky companies have therefore had to roll over their debt and have even taken the foresighted step of prepaying certain tranches in order to refinance them over the longer term. Last year we talked about the wall of debt coming in 2024 – 2025 but so far companies have been able to roll their debts without major issues.
- At market level, investors believe that the greatest credit risk comes from the Commercial Real Estate sector. Monetary tightening and the rise of work-from-home have crippled the commercial Real Estate market and office space in particular. Office prices have been falling ever since.

HY Debt Maturity



Source: BofA

Biggest Credit Risk



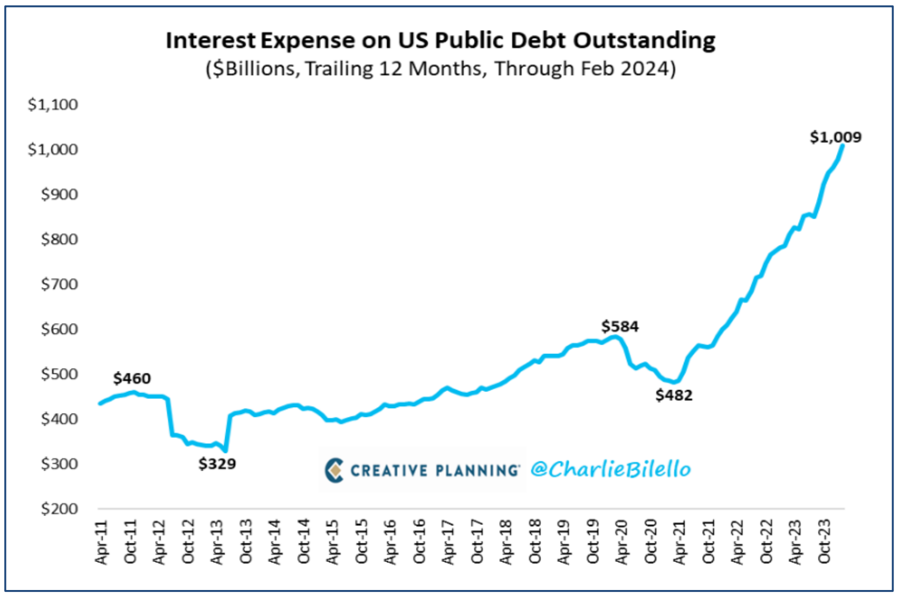
Source: BofA

2.5 Fixed Income : Higher Rate Impact

- We continue to see the impact of higher rates for longer. The US has paid over a trillion USD of interest on its debt in the last 12 months. If this trend continues, budgets will have to be scaled back.

- The Real Estate market is also heavily impacted. Demand for new mortgages is at an all-time low. It is now very expensive to buy a property, due to high prices and a high cost of debt.

US Gov. Interest Expense



Source: Charlie Bilello

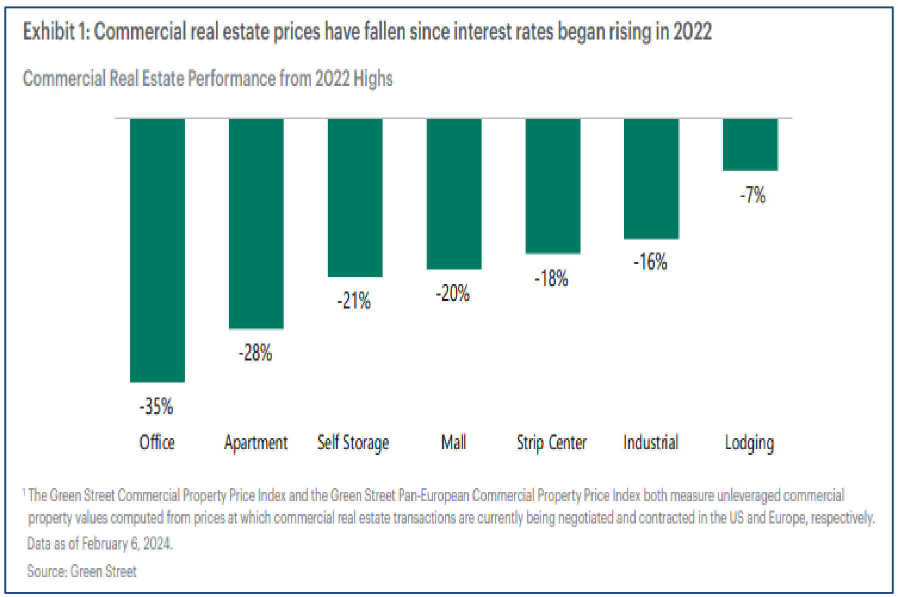
Mortgage Applications

Source: Re Venture

2.6 Real Estate Market

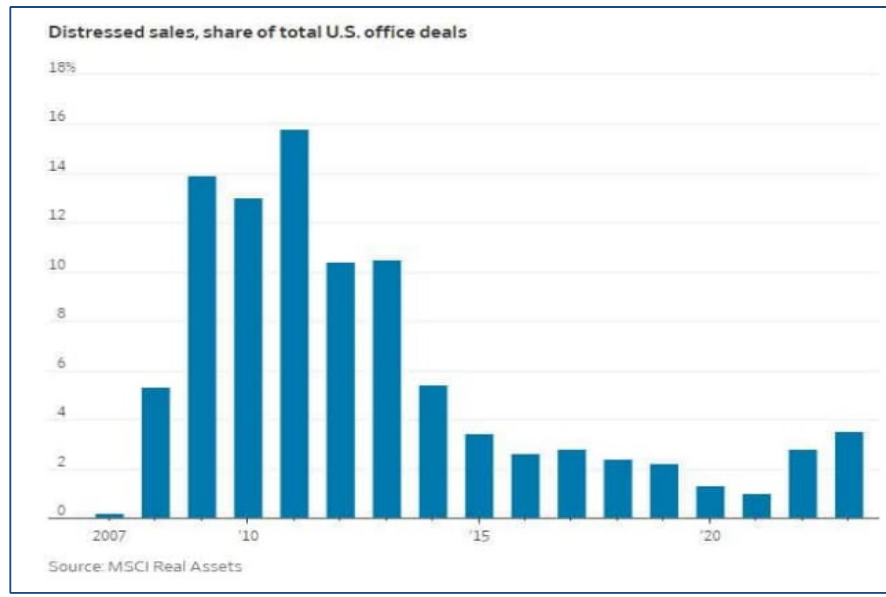
- No commercial Real Estate sub-sector has been spared, but **it's mainly offices that are suffering the most**. After the Covid forced people to stay at home, many of them are now taking advantage of the **home office trend**, which means that a lot of office space has been freed up and demand is very low.
- As a result, office prices have fallen by 35% since their peak in 2022. What's more, due to debt refinancing, some companies are being forced to sell their office space, as **profitability is no longer high enough to finance their debt**. The rate of forced sales has been rising over the past 2 years, proving that a risk to the Real Estate sector is being realized.

CRE prices since highs



Source: Green Street

US Office Distressed sales as % of total sales

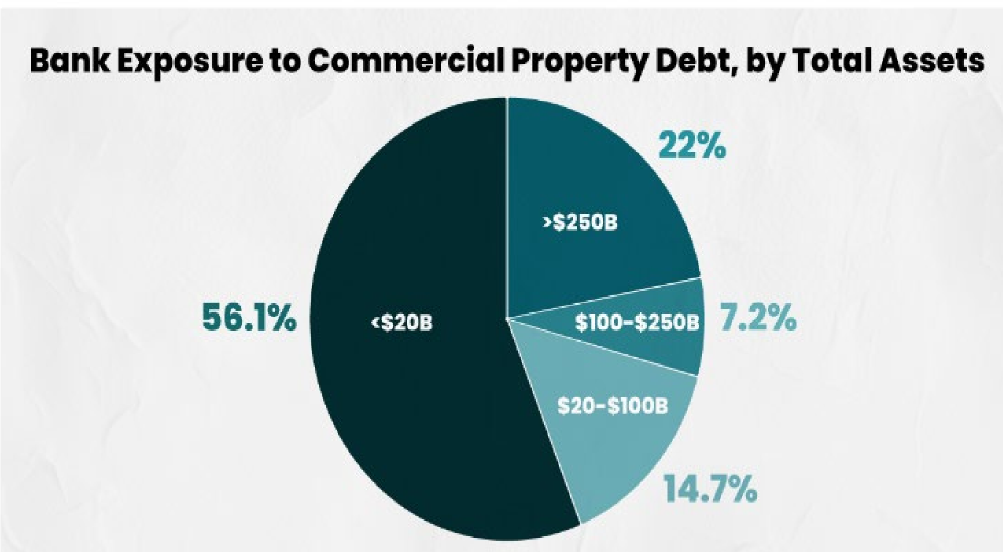


Source: MSCI Real Asset

2.6 Real Estate Market

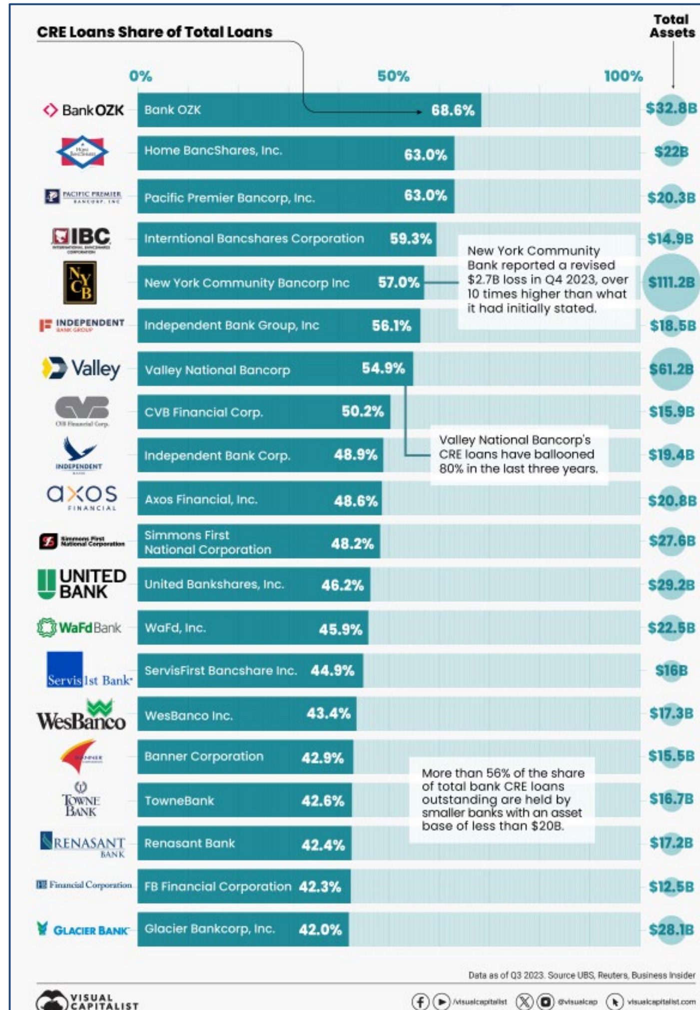
- If companies with commercial Real Estate assets were to go bankrupt, this could cause stress on the financial markets. This is particularly true for regional banks. Indeed, **banks with less than 20Bn in assets** are the most exposed to commercial Real Estate, with a market share of 56%.

Bank exposure to CRE



Source: UBS, Reuters

Regional Bank Exposure to CRE



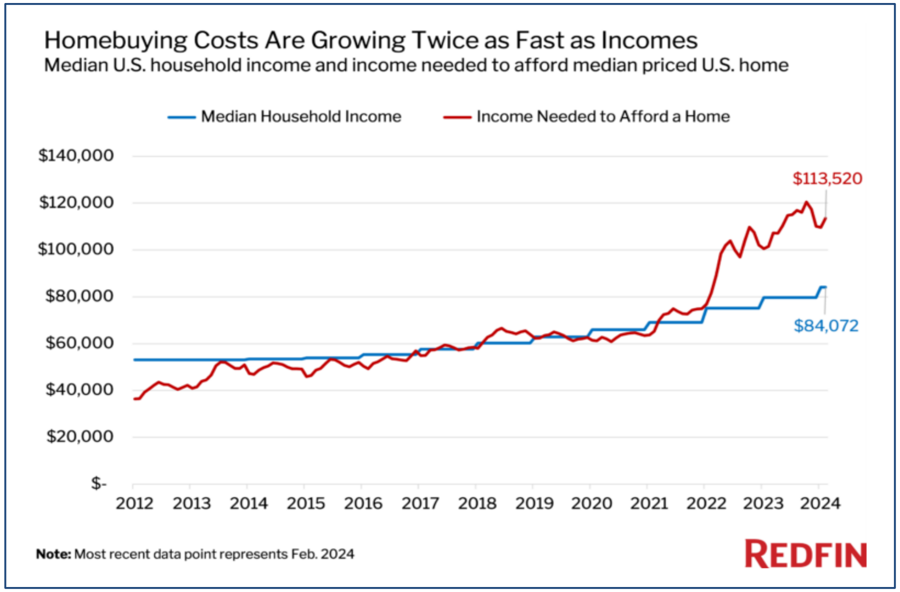
Source: UBS, Reuters

2.6 Real Estate Market

- The residential Real Estate sector is also suffering. Or more specifically, it's the consumer who's suffering. The difference between the median income per family and the median income needed to buy a home has never been so wide since 2012. As a result, **very few families are able to become homeowners today**, which is weighing on demand for new homes.

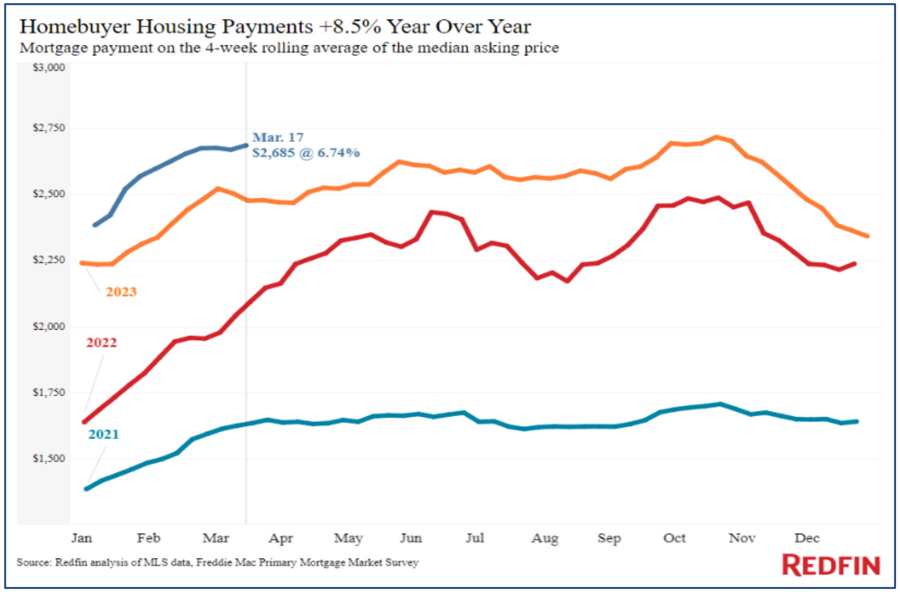
- The cost of home ownership has doubled in the space of 4 years, from 1,400 USD per month in 2021 to almost 2,800 USD today.

House affordability



Source: Redfin

Homebuyer monthly payments



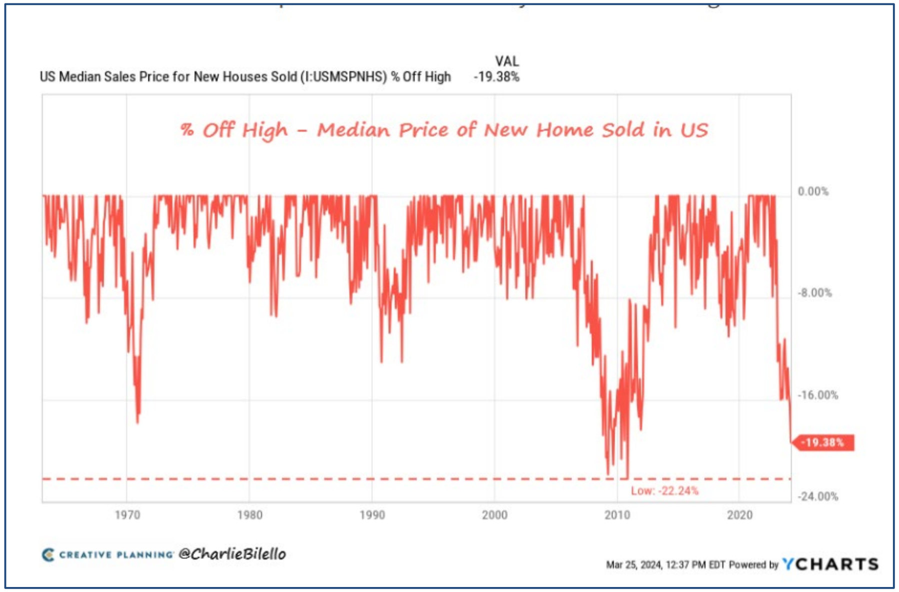
Source: Redfin

2.6 Real Estate Market

- There are very few buyers and sellers on the market. No one wants to sell and have to take on debt at much higher rates than 3 years ago and few people can afford to buy with such a high cost of debt. As there are very few transactions, property prices are barely budging and if prices don't fall, **access to property remains difficult**.

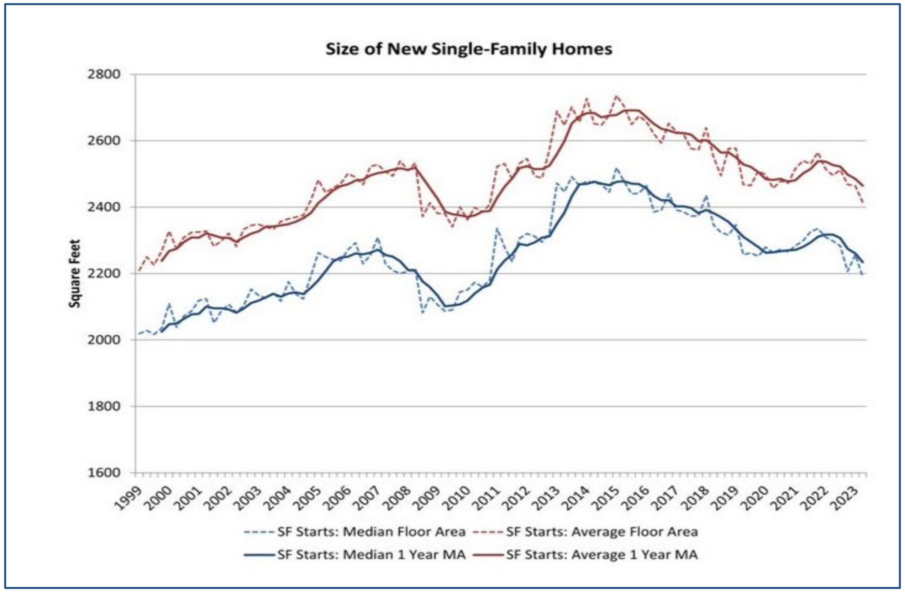
- To overcome this problem, families are buying smaller, less well-built homes. So while prices are barely budging, the price of new homes sold has fallen by 20% since 2022 and the size of new homes sold is also getting smaller.

New Home Sold Prices



Source: Charlie Bilello

New Single Family Homes Size



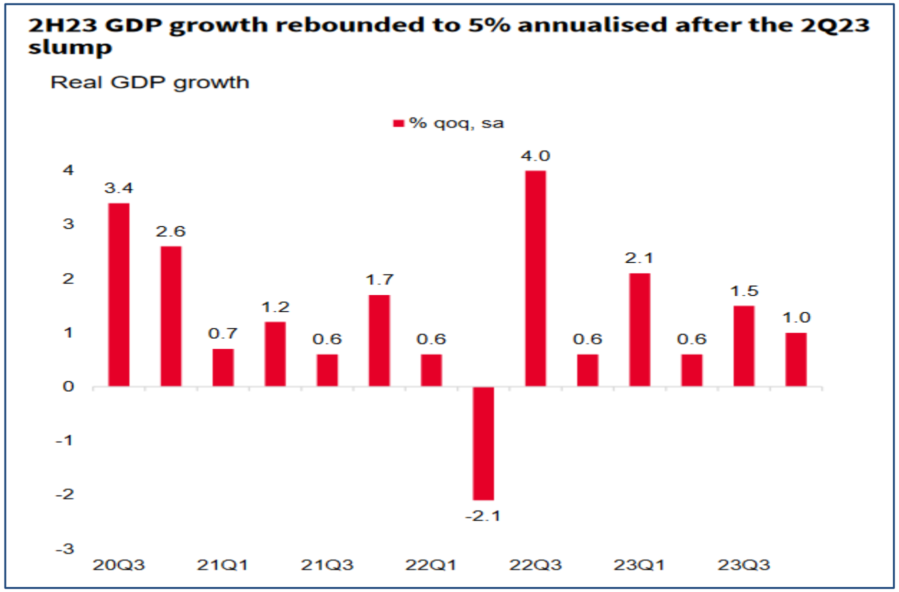
Source: Reuters

2.7 China

- China's growth is also a key factor in determining where global growth is heading. Although its GDP growth over the last quarter looks promising, it should not be forgotten that it is facing **deflation problems** and therefore its nominal growth is less impressive than its real growth would suggest.

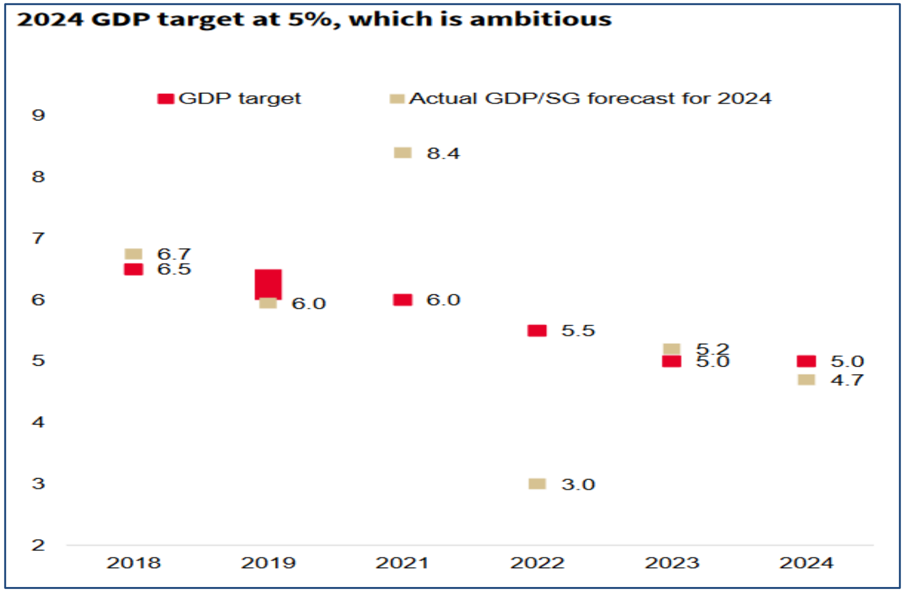
- The Chinese government has reiterated its target of 5% growth by 2024. This figure seems achievable, but it will certainly be necessary to **implement even more measures to support the economy**.

China QoQ GDP Growth



Source: Société Générale

China YoY GDP Growth Target vs Forecast



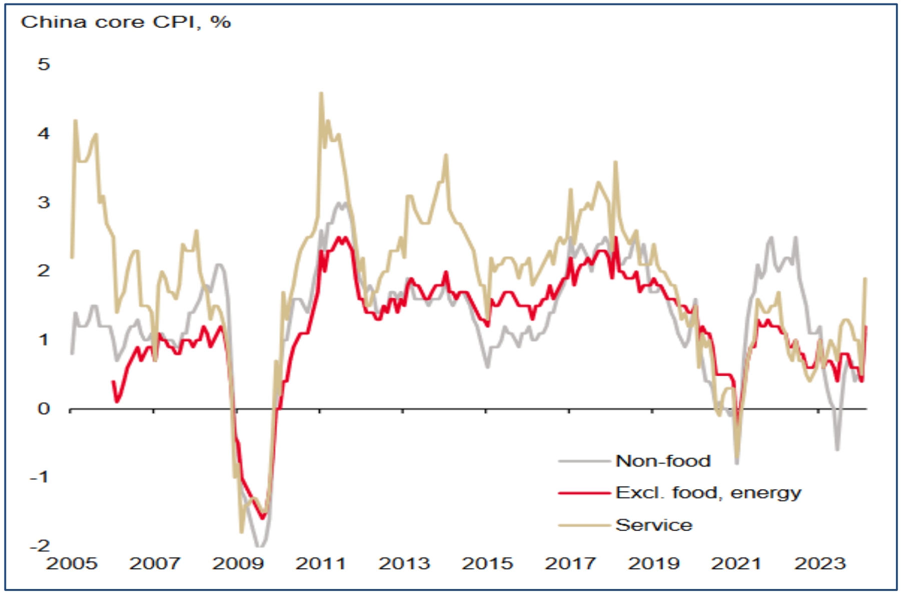
Source: Société Générale

2.7 China

- Although China has deflation problems, the primary concern is **food deflation**. If we look at Core inflation, it remains in positive territory and has been climbing in recent months.

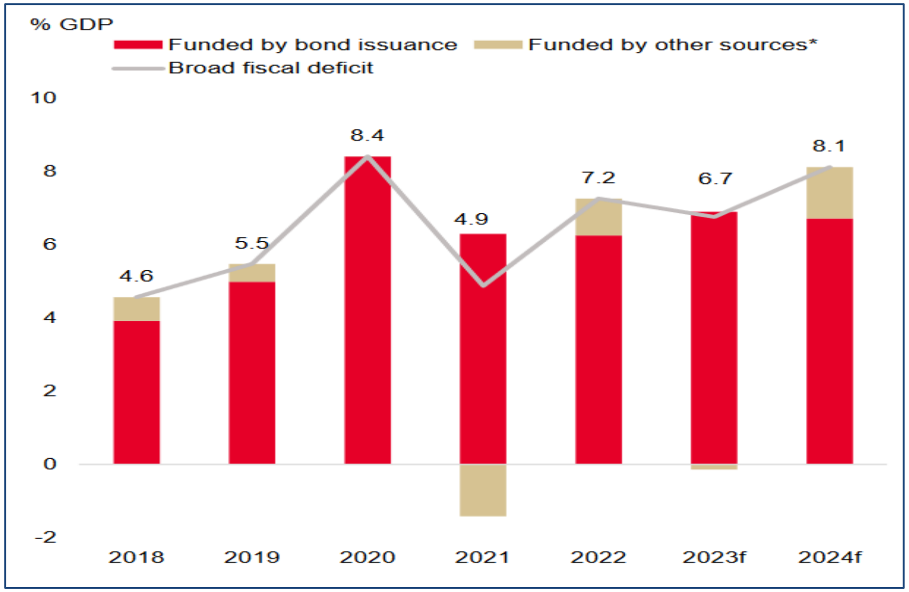
- China will have to continue to increase its debt to support its economy. It will be able to do so by issuing new bonds for the most part and selling land to finance the rest.

China Core CPI



Source: Société Générale

China Fiscal Deficit



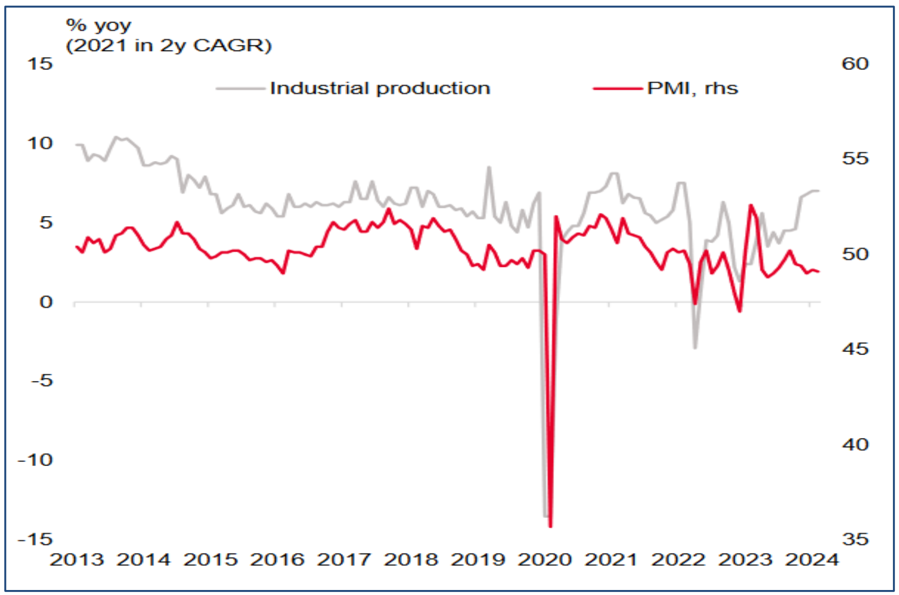
Source: Société Générale

2.7 China

- Since the start of the year, some **positive signals for the Chinese economy** have begun to emerge. Industrial production is growing and the manufacturing PMI seems to be stabilizing.

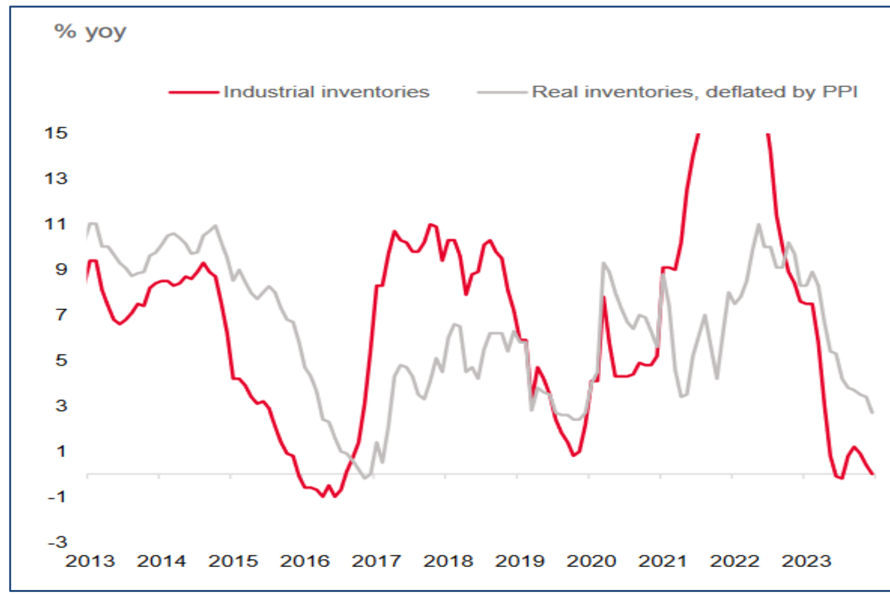
- The growth in industrial output is a positive sign and it goes hand in hand with a fall in inventories. This tells us that falling inventories while production is rising is a sign of **strengthened demand**.

China Industrial Production & PMI



Source: Société Générale

China Industrial Inventories



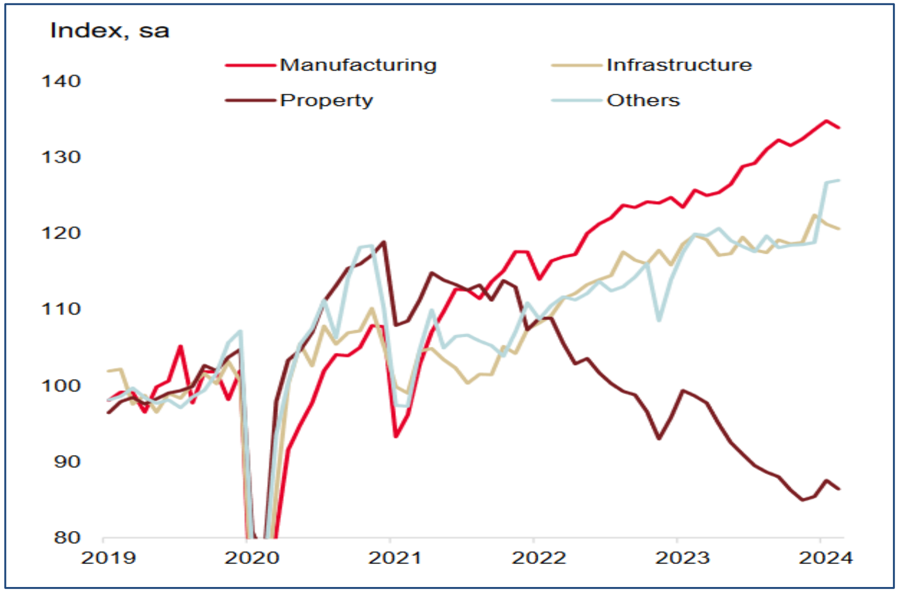
Source: Société Générale

2.7 China

- On the industrial side, in addition to strong growth, profits have also risen sharply since their low point in 2023.

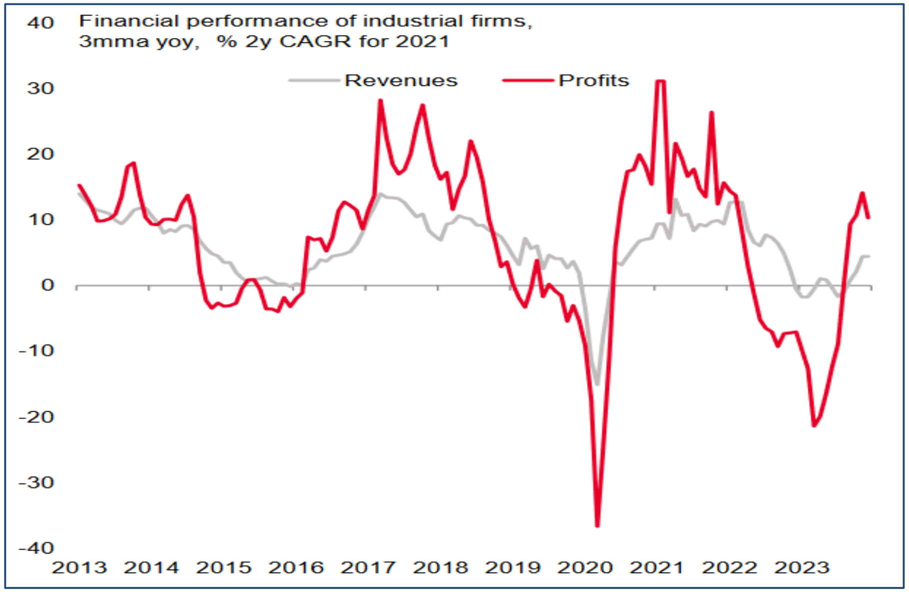
- A sword of Damocles still hangs over the Chinese economy. **Investment in Real Estate is not picking up**. This sector accounts for 25% of the country's GDP and is therefore essential for sustainable growth. While other sectors seem to be doing well, the over-indebtedness of many property developers continues to pose a problem and the government will have to implement a fiscal bazooka to reverse the trend.

Capex by Sector



Source: Société Générale

Revenue and Profit Growth of Industrials



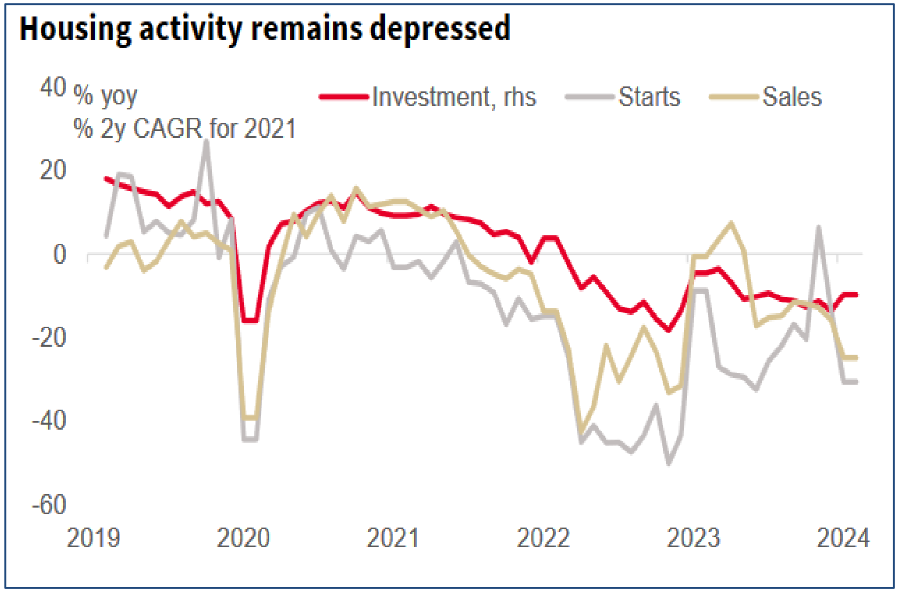
Source: Société Générale

2.7 China

- All Real Estate sector indicators are pointing in the same direction. Investments are in constant decline since 2021. As a result, sales and new projects are at extremely low levels, impacting prices.

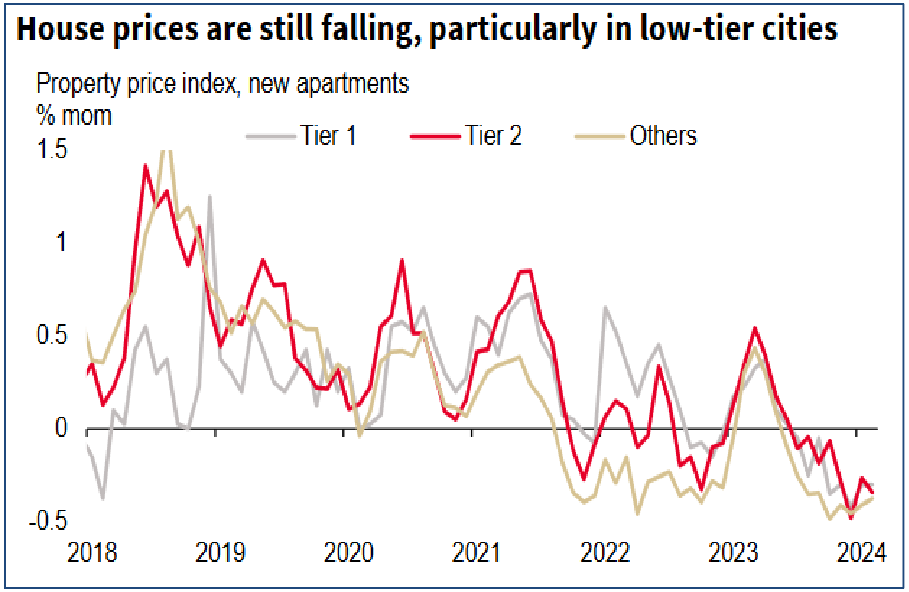
- Nobody dares to buy a new property anymore, because consumers are afraid of paying for a house that may never be built. As a result, prices are falling month by month and are set to continue to do so until they reach a level attracting new buyers.

China Housing Activity



Source: Société Générale

China Property price index MoM



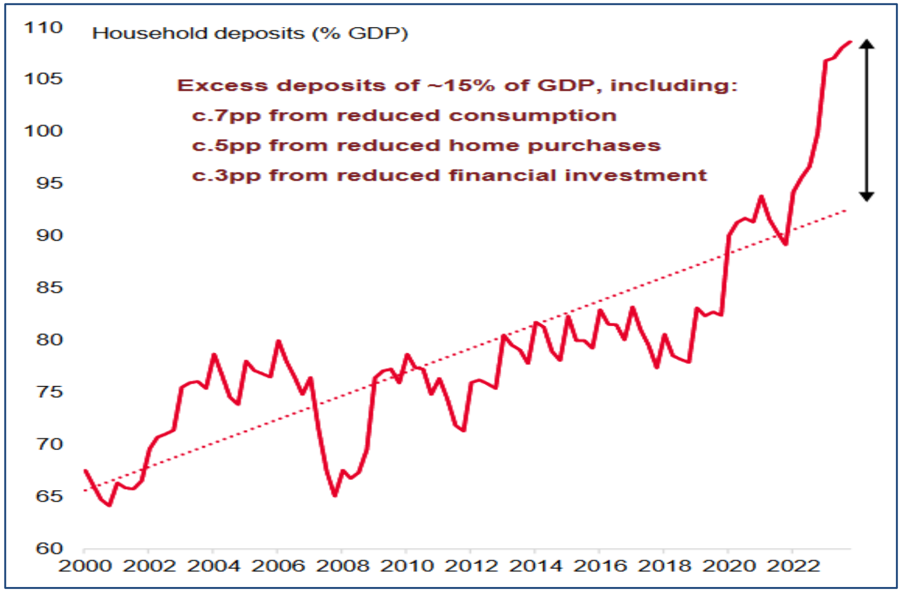
Source: Société Générale

2.7 China

- A major part of the Chinese government's task is **to restore consumer confidence as well as regain foreign investor trust**. This has fallen drastically in 2022 and is not signaling a recovery.

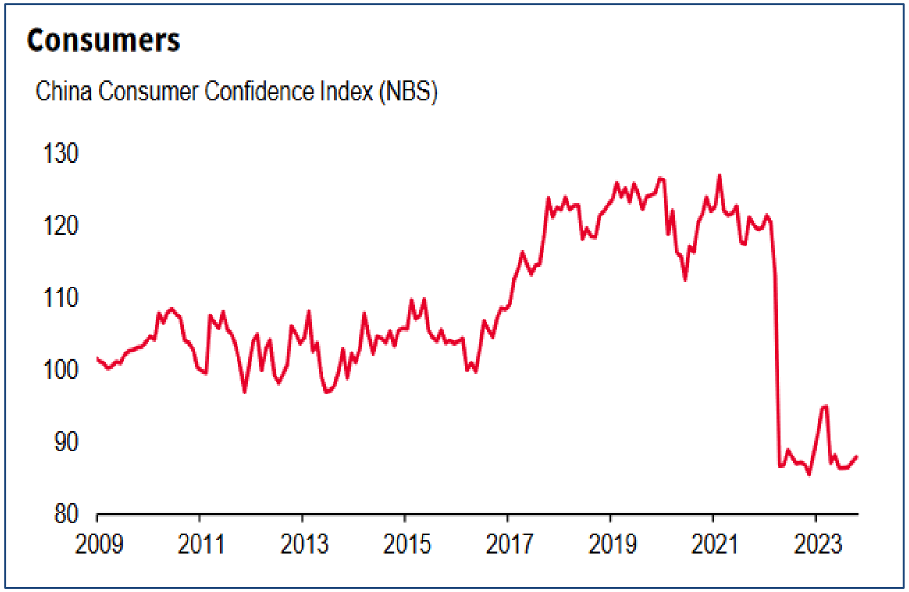
- With confidence at an all-time low, the Chinese are now saving on a massive scale. If China can find a way to encourage its population to consume in the same way as it has over the last decade, it will have to do so. The **excess savings** that the population is building up could give a huge boost to growth. We could see the same catch-up effect that occurred in the West after the Covid.

China Household Deposit as % of GDP



Source: Société Générale

China Consumer Confidence



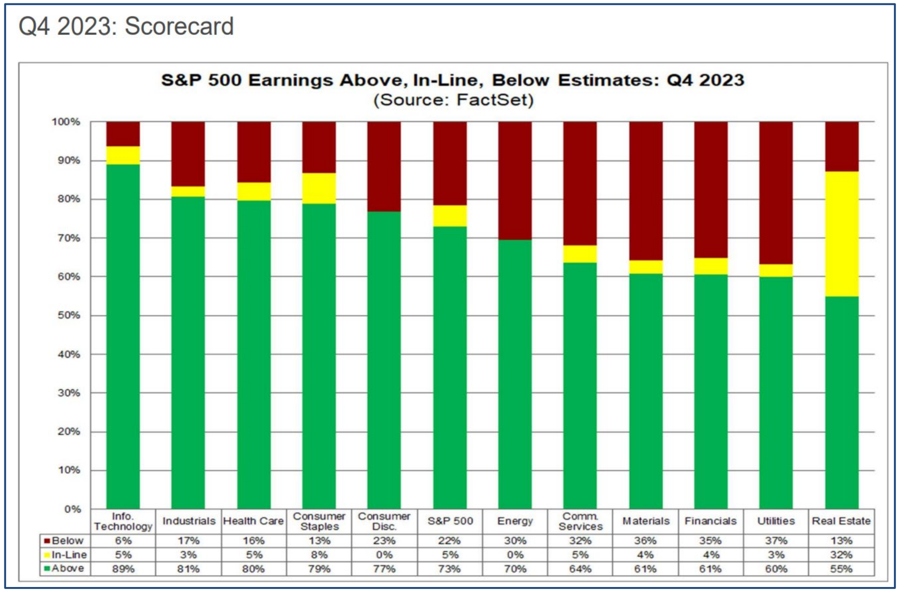
Source: Société Générale

2.8 Market review : Earnings

- ➢ The earnings season for Q4 2023 is over. As in recent quarters, a majority of companies have beaten analysts' overly pessimistic expectations. The highest ratio of companies beating expectations was in Technology.

- ➢ Energy, on the other hand, beat expectations the most, with an average of 10.7% positive surprises. Conversely, it was Financials and their mortgage reserves that surprised most negatively.

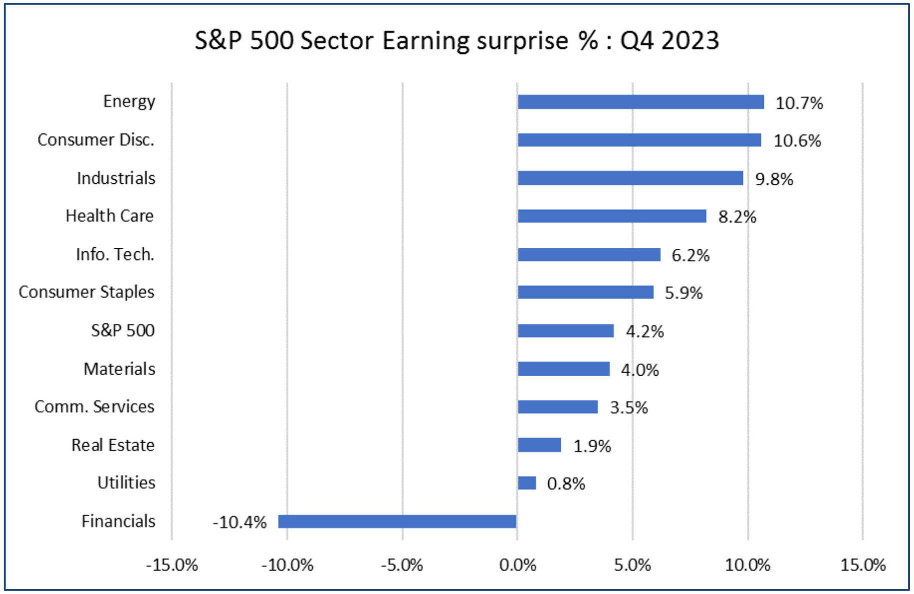
S&P 500 Q4 2023 Earning Beat



	Info. Technology	Industrials	Health Care	Consumer Staples	Consumer Disc.	S&P 500	Energy	Comm. Services	Materials	Financials	Utilities	Real Estate
Below	6%	17%	16%	13%	23%	22%	30%	32%	36%	35%	37%	13%
In-Line	5%	3%	5%	8%	0%	5%	0%	5%	4%	4%	3%	32%
Above	89%	81%	80%	79%	77%	73%	70%	64%	61%	61%	60%	55%

Source: Factset

S&P 500 Earning surprise by sector



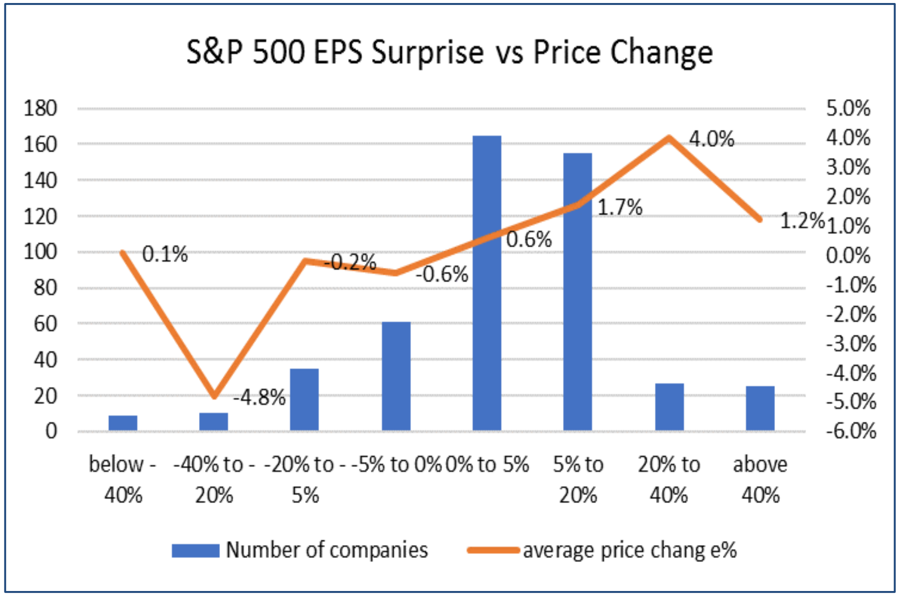
Source: Factset

2.8 Market review : Earnings

- We are back in a normal environment: unlike in other quarters, the market focused not only on guidance, but also on actual results.

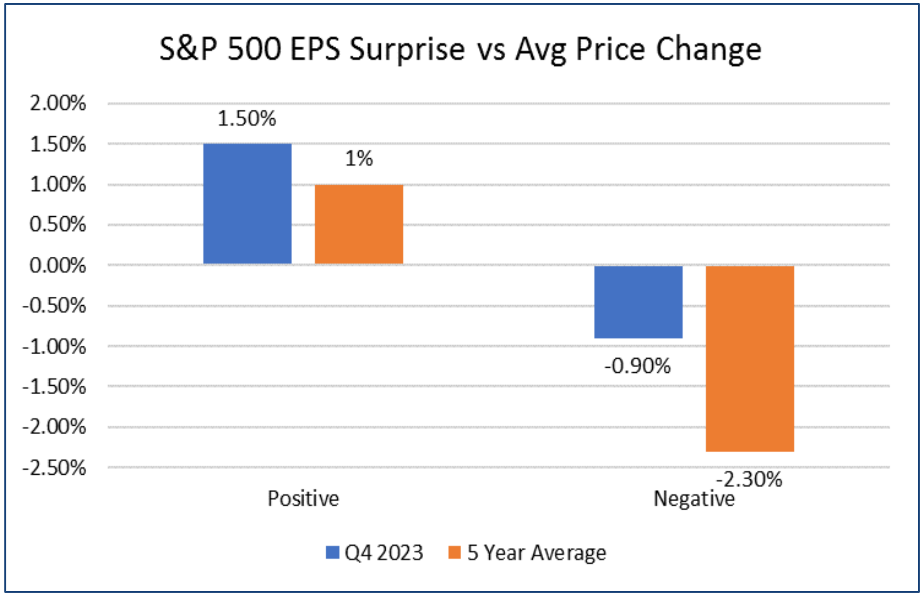
- This enabled companies that beat expectations to perform well, while those that fell short of analysts' expectations suffered.

S&P 500 Surprise % vs Perf %



Source: Factset

Avg Performance vs Avg Price Change



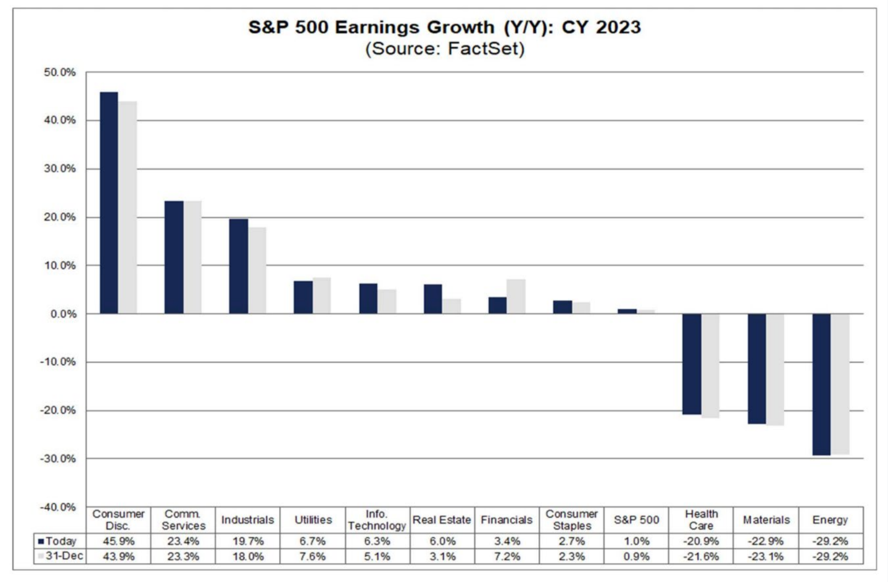
Source: Factset

2.8 Market review : Earnings

- In terms of growth for 2023, the S&P saw its EPS grow by 1% over the year. Cyclical sectors such as Consumer Discretionary and Industrials were the main drivers of earnings growth, while Healthcare, Raw Materials and Energy posted negative growth of around -20%.

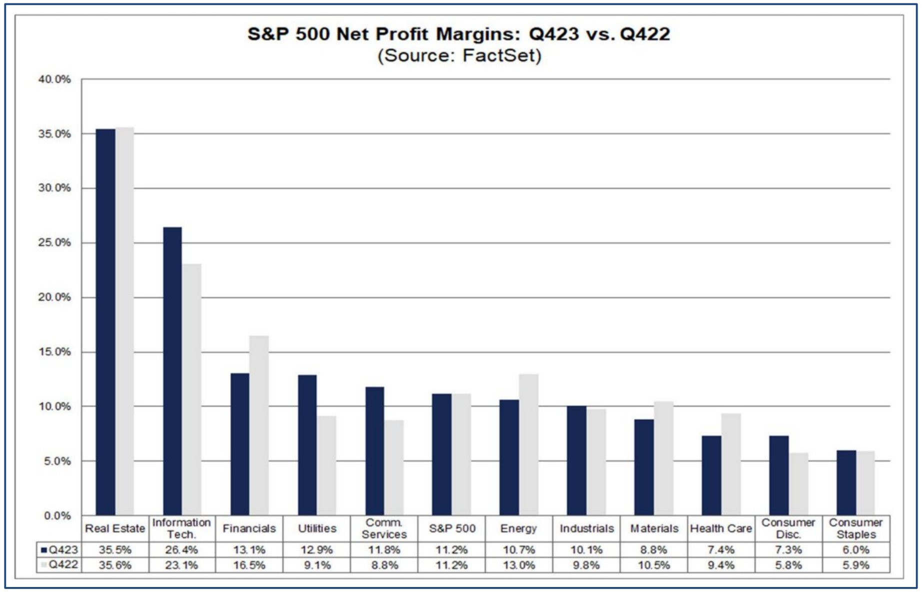
- Margins do not appear to be eroding, despite higher interest rates. Operating margins for the S&P 500 are at the same level as a year ago. It is mainly Financials and energy that have seen their margins shrink, while Technology and Consumer Discretionary have managed to improve their margins.

S&P 500 Earnings Growth



Source: Factset

S&P 500 Net profit Margins



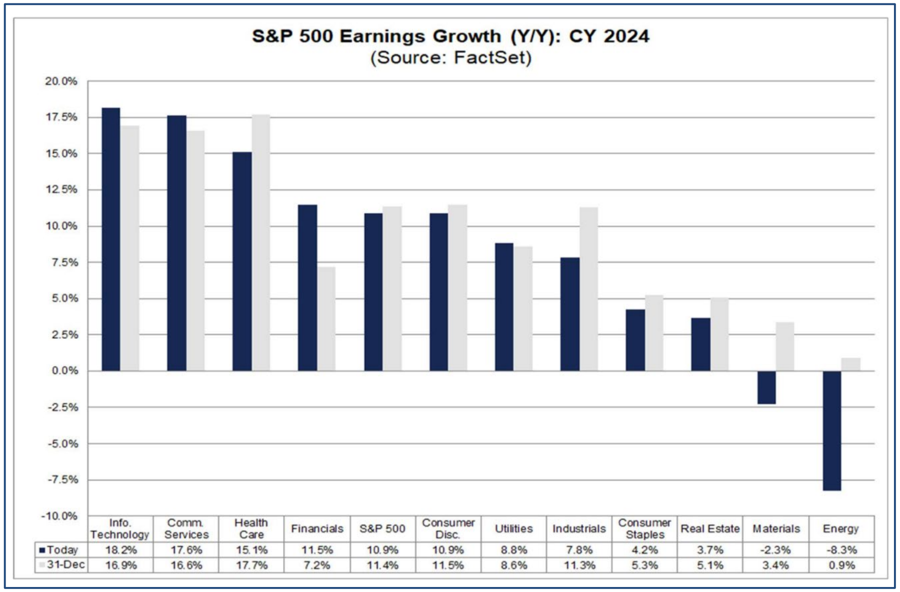
Source: Factset

2.8 Market review : Earnings

- Growth expectations for 2024 remained flat, dropping from 11.4% to 10.9%. The sectors most likely to see strong growth are Technology (driven by artificial intelligence and Semiconductors), Consumer Discretionary (should develop positively in a stronger-than-expected economy) and Healthcare (growth expected to reach 15.1%).

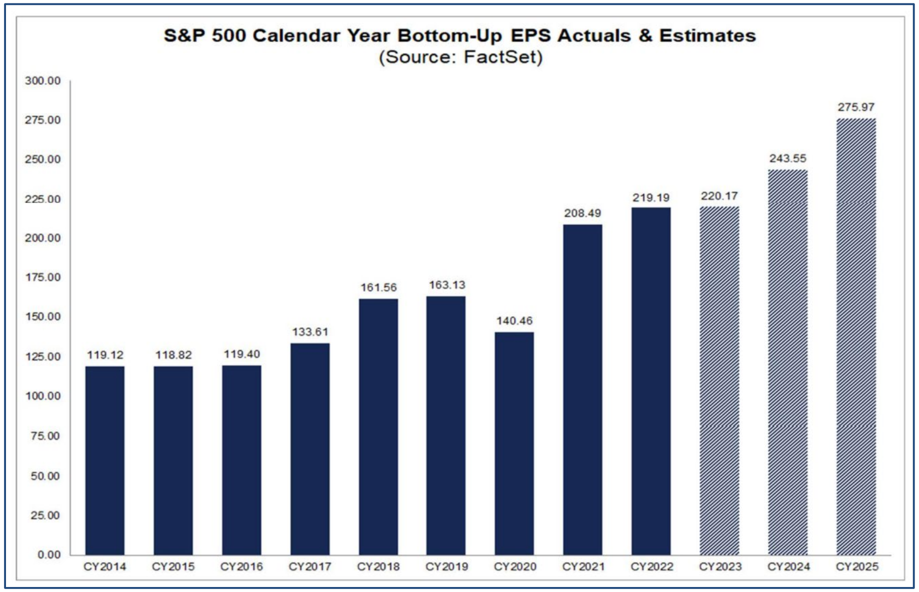
- Energy and raw materials should continue to decline, with forecasts of -2.3% and -8.3% for 2024.

S&P 500 Earnings Growth Forecast 2024



Source: Factset

S&P 500 EPS Estimates



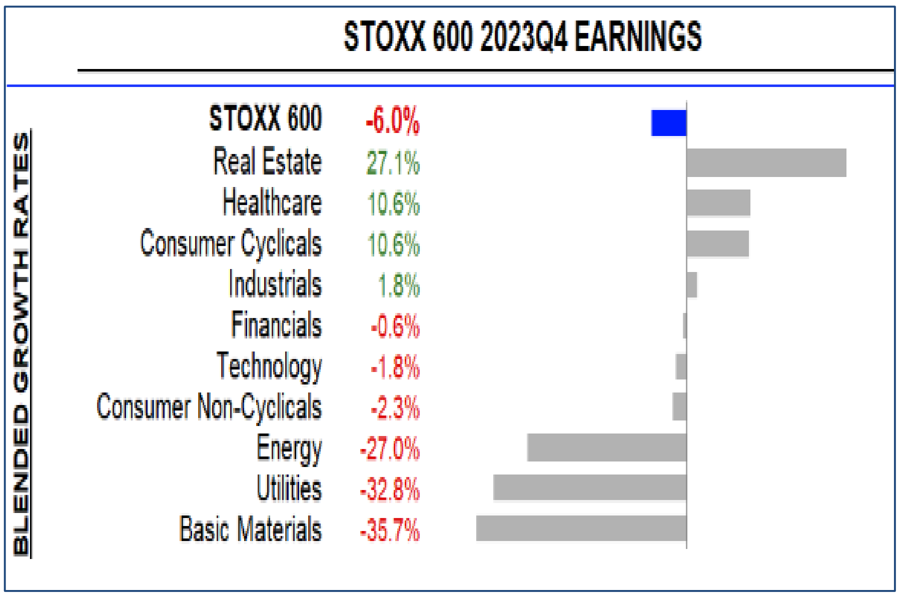
Source: Factset

2.8 Market review : Earnings

- In Europe, earnings were down by around -6% according to results published up to the beginning of March 2024. Commodities, utilities and energy were the sectors showing the greatest contraction in earnings.

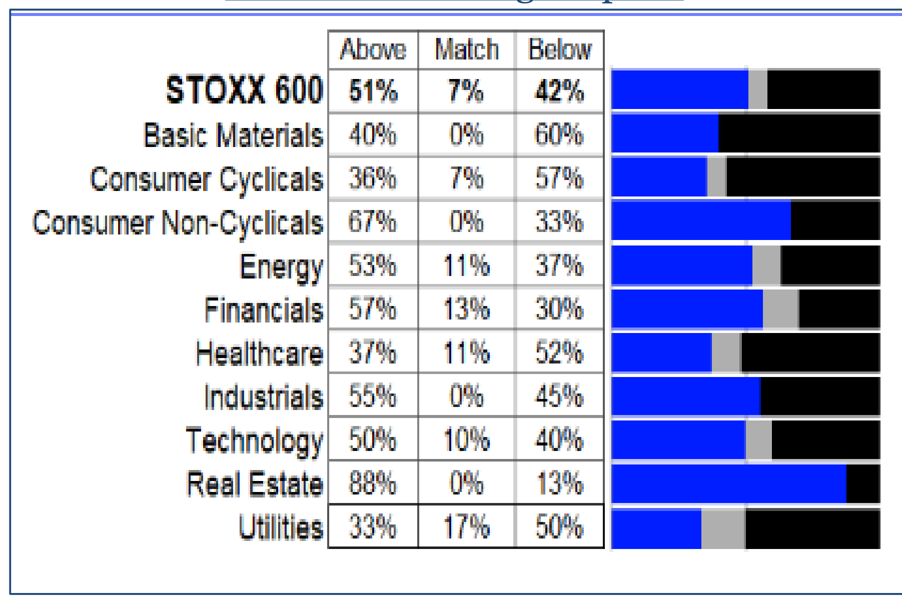
- The ratio of companies beating analysts' expectations is much lower than in the US, at just 51%. As a result, analysts have revised their expectations for 2024 downwards.

Stoxx 600 Q4 Earnings



Source: Refinitiv

Stoxx 600 Earning Surprise



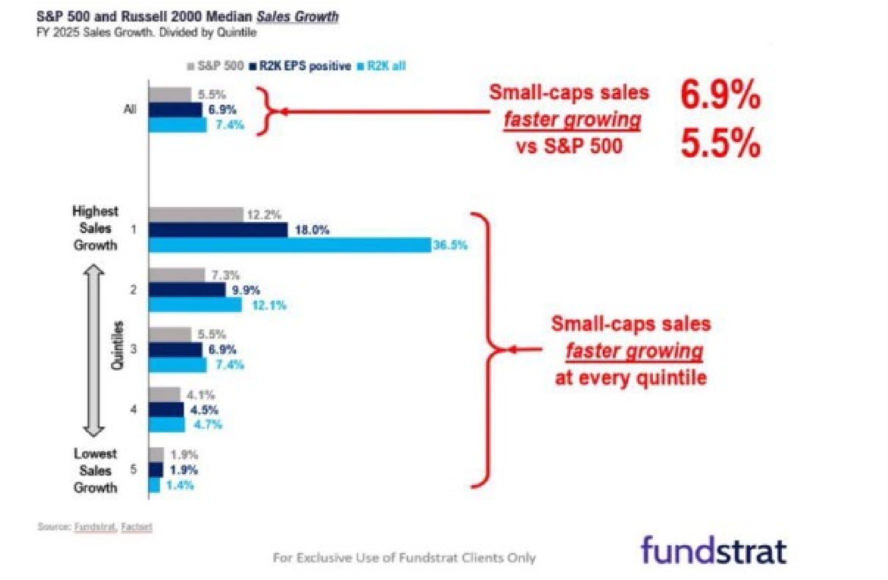
	Above	Match	Below
STOXX 600	**51%**	**7%**	**42%**
Basic Materials	40%	0%	60%
Consumer Cyclicals	36%	7%	57%
Consumer Non-Cyclicals	67%	0%	33%
Energy	53%	11%	37%
Financials	57%	13%	30%
Healthcare	37%	11%	52%
Industrials	55%	0%	45%
Technology	50%	10%	40%
Real Estate	88%	0%	13%
Utilities	33%	17%	50%

Source: Refinitiv

2.8 Market review : Russell 2000

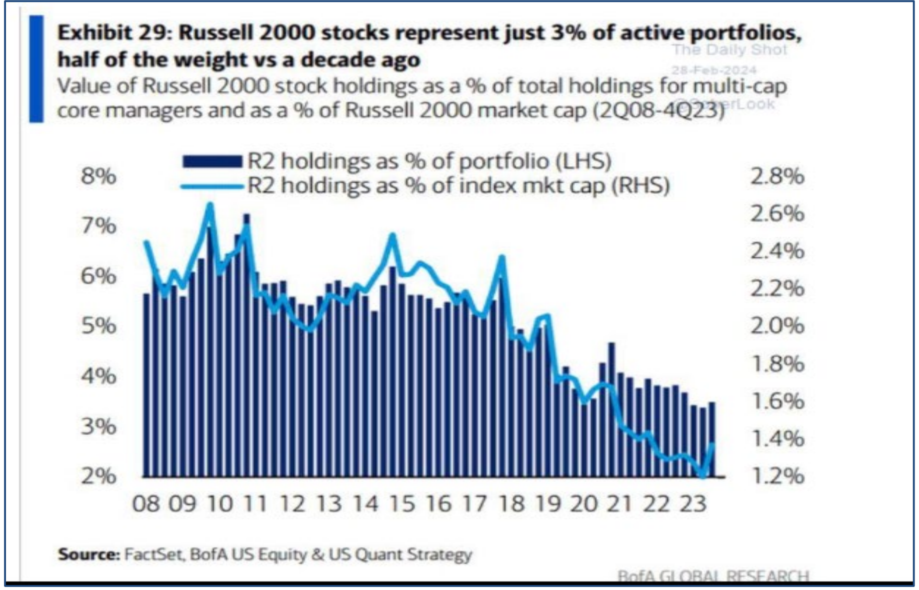
- Expectations for Russell 2000 earnings growth in 2025 exceed those of the S&P 500. Although the performance of the Russell 2000 today does not reflect extraordinary expectations, fundamentals may catch up with the market and force portfolio managers to reduce their underweight in small and mid caps.

S&P 500 vs Russell 2000 Revenue Growth



Source: Fundstrat

Russell 2000 % of active portfolio



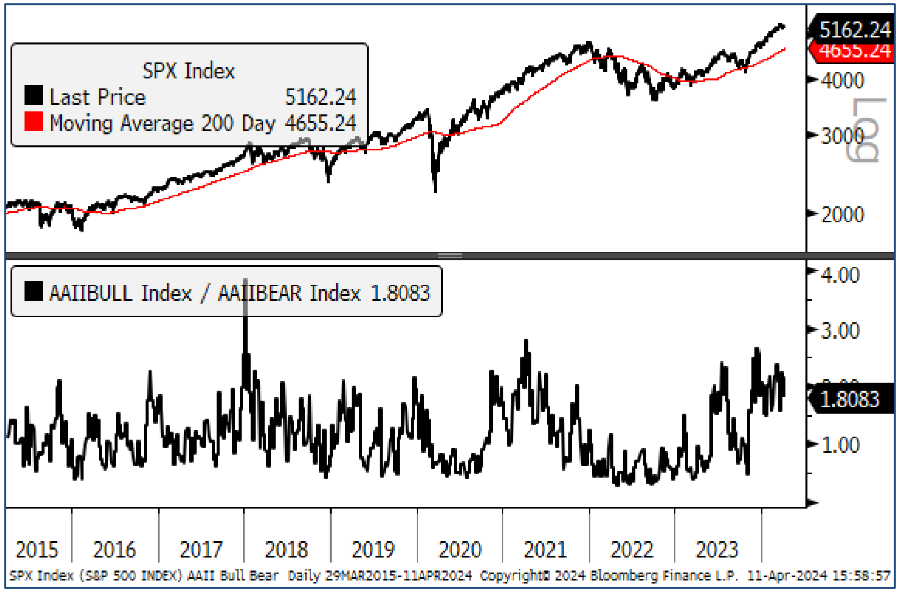
Source: BofA

2.8 Market review : Technical Indicator

- The bull/bear ratio hasn't been this high for some time and has remained in reversal territory since the start of the equity rebound. It is rare for the market to remain bullish for so long and could therefore indicate that a correction is imminent.

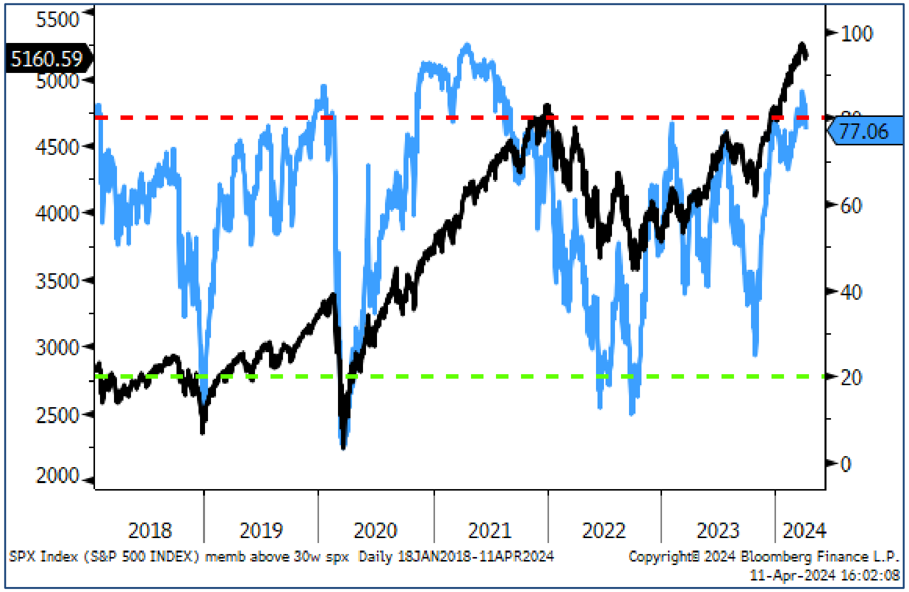
- In terms of market breadth, stock participation is healthy, with almost 80% of S&P 500 stocks above their 200-day moving average. However, performance remains concentrated, with only 35% of stocks outperforming the index and 35% of stocks accounting for 2/3 of performance.

Bull Bear Ratio



Source: Bloomberg

% Members above 200d SMA



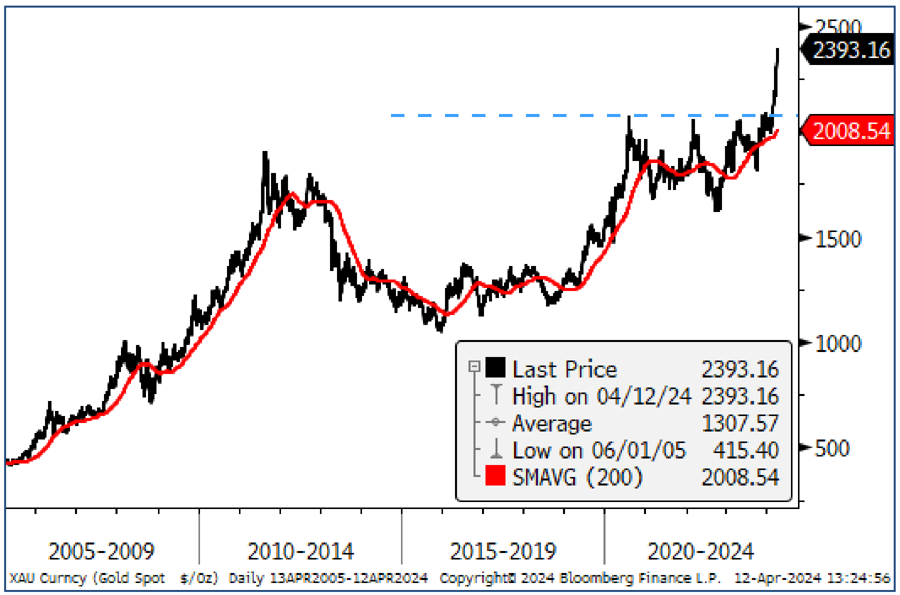
Source: Bloomberg

2.9 Cross Asset : Gold

- One of this year's big winners is Gold. Against all expectations, it just keeps on going up. Interest rates and the dollar climbed throughout the first quarter. Normally, when these two factors rise, Gold falls. For example, when interest rates rise, Gold falls because it yields nothing, making it less attractive than treasuries.

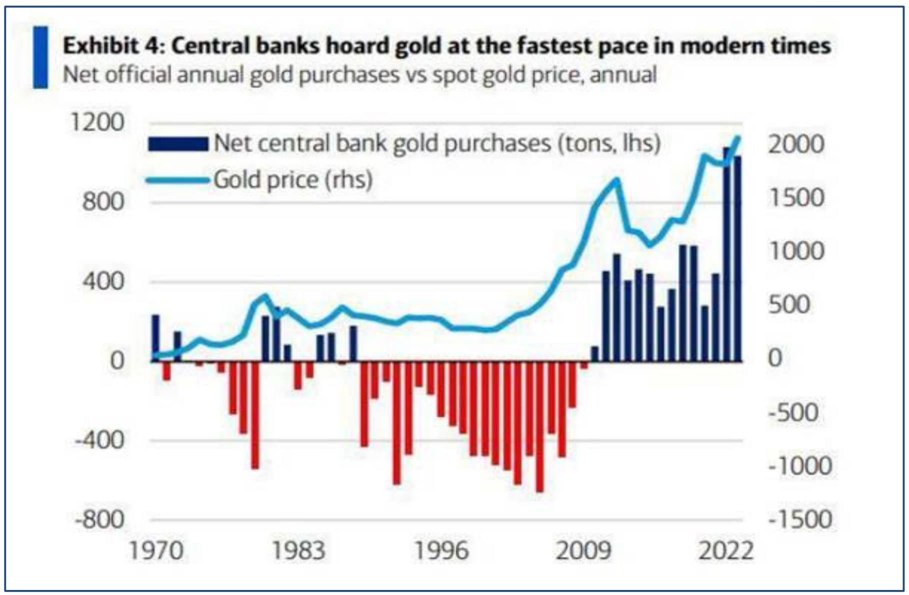
- It seems that a force continues to underpin the Gold price and this force may well come from the Central Banks who, in an effort to detach themselves from the USD, are buying Gold, particularly the PBOC.

Gold



Source: Bloomberg

Central Bank Gold Purchase



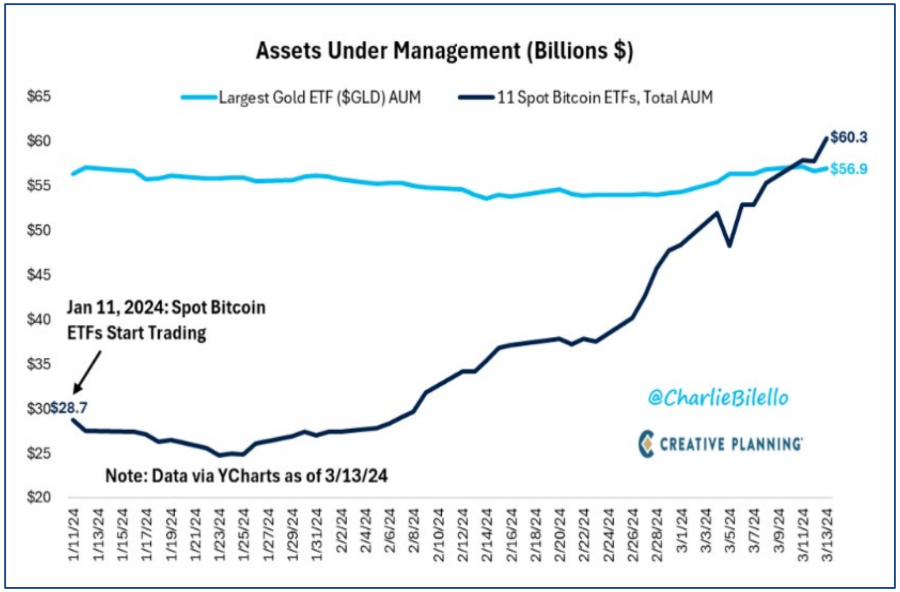
Source: BofA

2.9 Cross Asset : Bitcoin

- Digital assets also seem to be on a roll. Bitcoin set new all-time highs before halving. This rise was also supported by the launch of Bitcoin spot ETFs in the US.

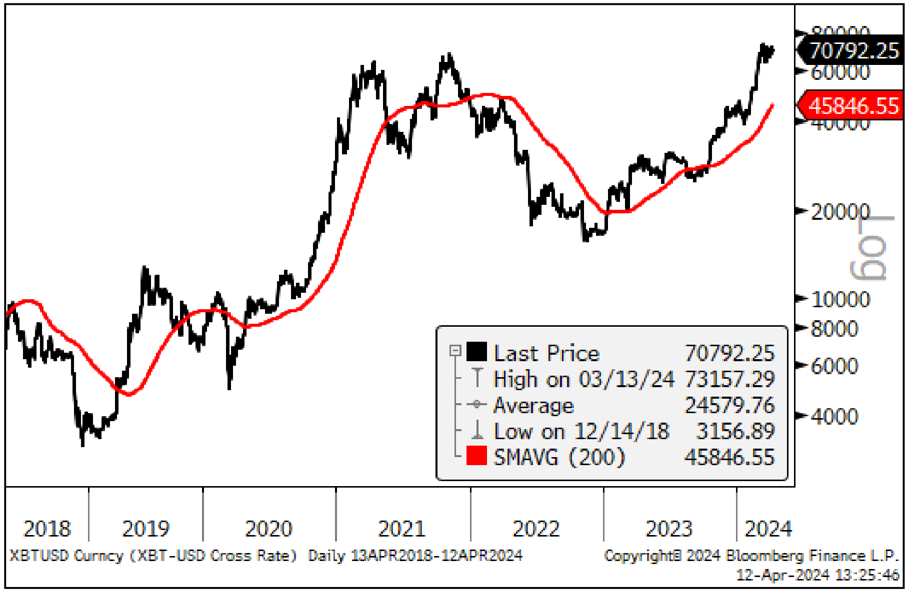
- The adoption of digital assets as a new asset class has been rapid. The AuM of ETFs launched at the beginning of the year are already higher than the AuM of the largest Gold ETF.

Bitcoin ETF vs Gold Etf AuM



Source: Charlie Bilello

Bitcoin



Source: Bloomberg

4. Market review: Equity Performance

- During the first quarter, almost all indices performed positively in their base currency, with the SMI posting a negative performance in USD due to the fall in the CHF. This year, Europe has nothing to envy the US, with comparable YTD performances. Europe's performance was driven mainly by Financials. As for the Hang Seng, it is negative due to all the doubts surrounding the future of the Chinese economy.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	8.5%	10.8%	8.5%	10.8%
S&P 500	10.2%	12.5%	10.2%	12.5%
NASDAQ	9.1%	11.4%	9.1%	11.4%
BRAZIL	-7.9%	-5.5%	-7.9%	-5.5%
Euro Stoxx 50	10.2%	12.4%	10.2%	12.4%
Stoxx Europe 600	4.8%	7.0%	4.8%	7.0%
FTSE 100	2.0%	4.2%	2.0%	4.2%
CAC 40	6.5%	8.8%	6.5%	8.8%
DAX	8.1%	10.4%	8.1%	10.4%
IBEX	7.4%	9.6%	7.4%	9.6%
MIB	12.2%	14.5%	12.2%	14.5%
SMI	-1.8%	0.6%	-1.8%	0.6%
NIKKEI 225	13.3%	15.8%	13.3%	15.8%
HANG SENG	-3.1%	-0.9%	-3.1%	-0.9%
SHANGHAI	0.5%	2.9%	0.5%	2.9%
RUSSIA RTS	4.9%	7.2%	4.9%	7.2%
VIX	4.5%	6.8%	4.5%	6.8%

Source: Bloomberg 31/03/24.

4. Market review : Sector Performance Review

- In terms of sectors, cyclicals were the main performers. Technology remains the performance leader, thanks to the development of AI and new Semiconductors. Financials are also up sharply and should rates remain higher for longer, they will continue to generate good margins on loans.

- It's the defensive sectors that are lagging this year, as the market is in risk-on mode and therefore neglecting stocks with low beta.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	12.1%	12.1%	4.8%	4.8%	6.8%	6.8%
Consumer Staples	-1.0%	-1.0%	6.8%	6.8%	3.4%	3.4%
Energy	4.0%	4.0%	12.7%	12.7%	9.8%	9.8%
Financials	11.0%	11.0%	12.0%	12.0%	10.5%	10.5%
Health Care	8.0%	8.0%	8.4%	8.4%	7.5%	7.5%
Industrials	9.7%	9.7%	10.6%	10.6%	9.6%	9.6%
Information Technology	17.8%	17.8%	12.5%	12.5%	12.3%	12.3%
Materials	3.8%	3.8%	8.4%	8.4%	3.3%	3.3%
Telecommunication Services	4.4%	4.4%	15.6%	15.6%	12.9%	12.9%
Utilities	-4.9%	-4.9%	3.6%	3.6%	1.3%	1.3%

Source: Bloomberg 31/03/24.

4. Market review : FX and commodities performance

	Currencies	
	Against USD	
	YTD	3M
EURO	-2.3%	-2.3%
JPY	-7.3%	-7.3%
GBP	-0.8%	-0.8%
CHF	-7.1%	-7.1%
CNY	-1.7%	-1.7%
HKD	-0.2%	-0.2%
CAD	-2.2%	-2.2%
AUD	-4.3%	-4.3%
	Against Euro	
	YTD	3M
USD	2.3%	2.3%
JPY	-4.9%	-4.9%
GBP	1.4%	1.4%
CHF	-4.8%	-4.8%
CNY	0.7%	0.7%
HKD	2.0%	2.0%
CAD	-0.1%	-0.1%
AUD	-2.1%	-2.1%
	Against CHF	
	YTD	3M
EURO	4.6%	4.6%
USD	6.7%	6.7%
JPY	-0.1%	-0.1%
GBP	5.9%	5.9%
CAD	4.6%	4.6%
AUD	2.4%	2.4%
HKD	6.5%	6.5%

- The USD appreciated against all currencies this quarter. A strong economy and high interest rates supported it. On the other hand, the SNB rate cut pushed the CHF down against all currencies.
- On the commodities front, Gold and oil have risen sharply since the start of the year, while copper has rebounded timidly.

	% YTD in USD	% 3M in USD
WTI Crude Oil	16.1%	16.1%
Brent Crude Oil	13.6%	13.6%
Gasoline	31.3%	31.3%
Natural Gas	-24.2%	-25.5%
Gold	8.1%	8.1%
Silver	4.9%	4.9%
Platinum	-8.1%	-8.1%
Palladium	-7.6%	-7.6%
Aluminum (LME)	-2.0%	-2.0%
Copper (LME)	3.6%	3.6%
Corn	-6.2%	-6.2%
Wheat	-10.8%	-10.8%
Soybean	-7.9%	-7.9%
Coffee	0.3%	0.3%
Sugar	9.4%	9.4%
Cotton	12.8%	12.8%

Source: Bloomberg 31/03/24

4. Market review : Fixed Income Performance

- With the repricing of rate cuts, bond performance has been negative since the beginning of the year.

- Government debt has underperformed, while corporate and high-yield bonds have outperformed treasuries thanks to their higher coupon and tighter spreads. High-yield debt is in positive territory YTD.

- Credit Spreads remain tight and should not widen until we see signs of an economic slowdown.

	Perf March	Perf YTD	Perf last 3 months	Yield	Duration	Spread
Global						
Global Aggregate	0.6%	-2.1%	-2.1%	4.0	6.7	45
Treasuries	0.3%	-2.9%	-2.9%	3.4	7.4	11
Credit	1.1%	-0.9%	-0.9%	5.0	6.2	88
USA						
U.S. Universal	1.0%	-0.5%	-0.5%	5.5	6.0	96
U.S. Aggregate	0.9%	-0.8%	-0.8%	5.2	6.2	39
U.S. Gov/Credit	0.9%	-0.7%	-0.7%	5.1	6.4	33
U.S. Treasury	0.6%	-1.0%	-1.0%	4.8	6.1	0
Government-Related	0.8%	-0.4%	-0.4%	5.2	5.5	44
Corporate	1.3%	-0.4%	-0.4%	5.6	7.2	87
U.S. MBS	1.1%	-1.0%	-1.0%	5.4	5.9	50
Pan Europe						
Pan-Euro Aggregate	1.1%	-0.4%	-0.4%	3.5	6.8	56
Euro-Aggregate	1.1%	-0.3%	-0.3%	3.3	6.6	63
Asia Pacific						
Asian-Pacific Aggregate	0.5%	3.2%	3.2%	2.0	7.6	6
High Yield						
Global High Yield	1.5%	2.1%	2.1%	8.3	4.1	387
U.S. Corporate High Yield	1.2%	1.5%	1.5%	8.0	3.7	301
Pan-European High Yield	0.4%	1.8%	1.8%	7.1	3.1	353
Other						
Global Inflation-Linked	1.1%	-1.8%	-1.8%			
Municipal Bond Index	0.0%	-0.4%	-0.4%	3.7	6.1	
Emerging Markets						
EM USD Aggregate	1.7%	1.5%	1.5%	7.3	6.3	253
Sovereign	2.3%	1.7%	1.7%	7.8	7.3	312
Corporate	1.1%	2.2%	2.2%	7.0	5.1	221
High Yield	2.8%	4.7%	4.7%	9.8	5.3	506

Source: Bloomberg 31/03/24

5. Long-term Investment Strategy

- We think diversification into long term themes will provide real benefits to traditional sector allocation in the current investment landscape. Many sectors (such as the car market) are disrupted and challenged by Technological developments. Moreover diversified approaches (style, sector, geographic) have proven to be an effective hedging against tail risk with durable long term performance.

- Short term noise may bring volatility up but we focus on secular trends: implementation of our Innovation societal impact environmental footprint 3 dimensional approach.

- Our equity exposure is centered around: Technology (Robots, Cybersecurity, Artificial Intelligence), BioTechnology, Societal as well as Environmental impacts, mixed with strong balance sheet companies that generate recurring cash flow over time and rewards investors through share buyback programs and high dividend distribution.

- In a context of interest rates normalization, we now believe that government bonds look attractive.

- Look for decorrelated asset.

5.1 Current Asset Allocation

➢ Our current allocation is 54.1% Risky Assets*, 20.3% Investment Grade Bonds in our Balanced EUR model.

Asset allocation	**Equity allocation:** neutral. **Bonds:** underweight. **Cash:** neutral. **Alternative:** Overweight.		
		Core allocation	**Tactical allocation**
Equities	**Regions/ sectors**	• Developed Markets (USA and Europe). • Emerging Markets, China & Vietnam.	
	Investment style, stock selection	• Global growth themes. • Quality dividend selection. • Sustainable Investments.	
Bonds & currencies	**Duration**	• Neutral Duration(short-term HY and medium- term IG in Europe).	
	Bond segments	• Investment Grade USD and Euro, High Yield corporates EURO.	• CAT Bonds.
	Currencies	• Neutral.	• Crypto basket.
Commodities & Alternatives		• Gold & Commodity Basket Energy Transition. • Decorrelated Strategies.	

* Risky Assets = Equities + (High Yield Bonds * 0.6 factor)

Conclusions

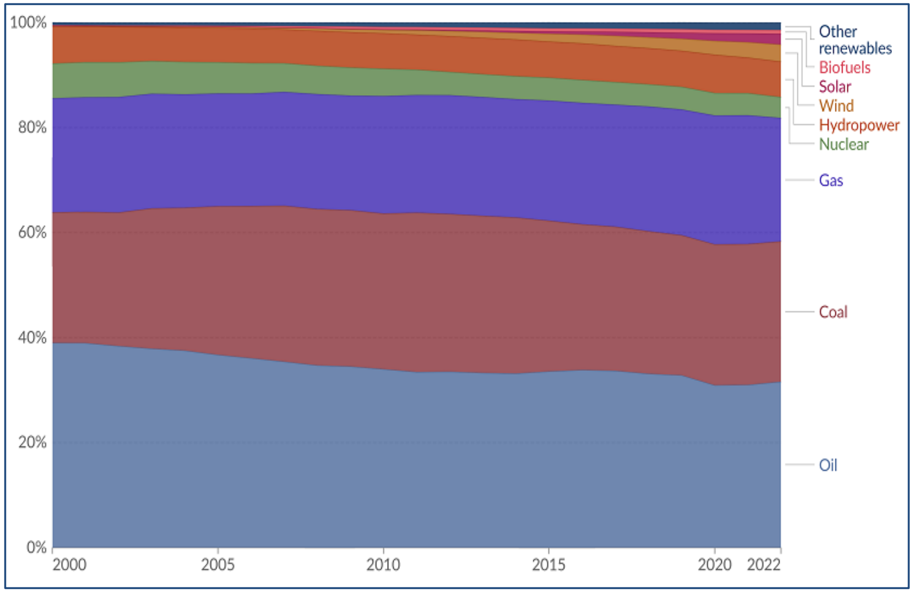
- Growth is set to slow in 2024, but recession should be avoided. The soft-landing scenario is favored by the consensus, even if a “no landing” scenario in gaining ground.
- “Higher for longer rates”, the FED should be the last to pivot.
- Geopolitical tensions are set to remain. This will have a long-term impact on supply chains and military budgets.
- Highly leveraged companies may face refinancing difficulties.
- More than ever, look for decorrelated and long duration assets.

Energy Transition

7. Energy Transition : Global Energy Mix

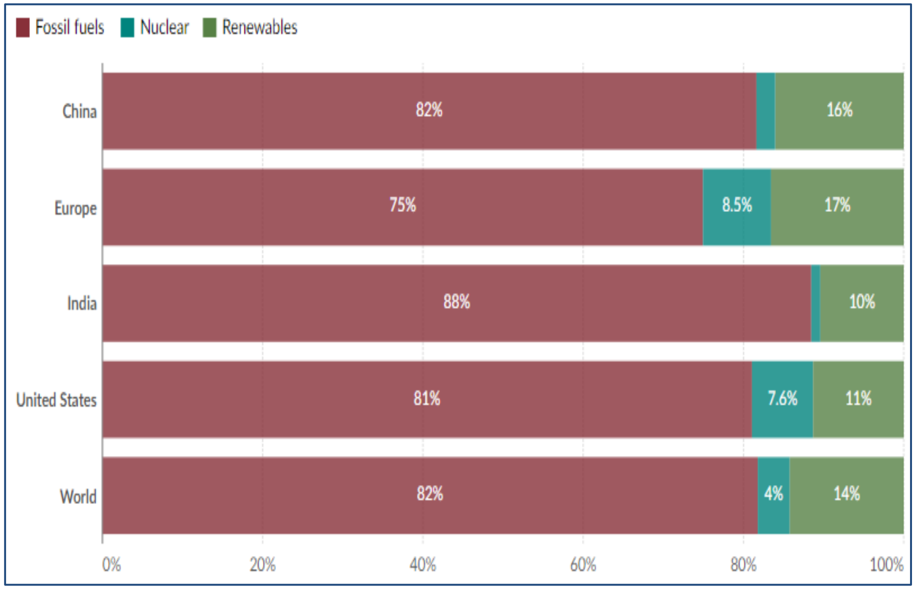
- As of 2022, the global energy mix was as followed: 82% of fossil fuels, 14% of renewable energy and 4% of nuclear.
- Following most recent data, renewable energy is composed by 47% of Hydropower, 23% Wind power, 15% Solar power and 5% Biofuels and 10% other renewables.
- Europe distinguishes itself as the best-in-class among major economies, despite 75% of its energy consumption coming from fossil fuels.

Global primary energy consumption, by source



Source: Energy Institute - Statistical Review of World Energy

Global primary energy consumption, by region



Source: Energy Institute - Statistical Review of World Energy

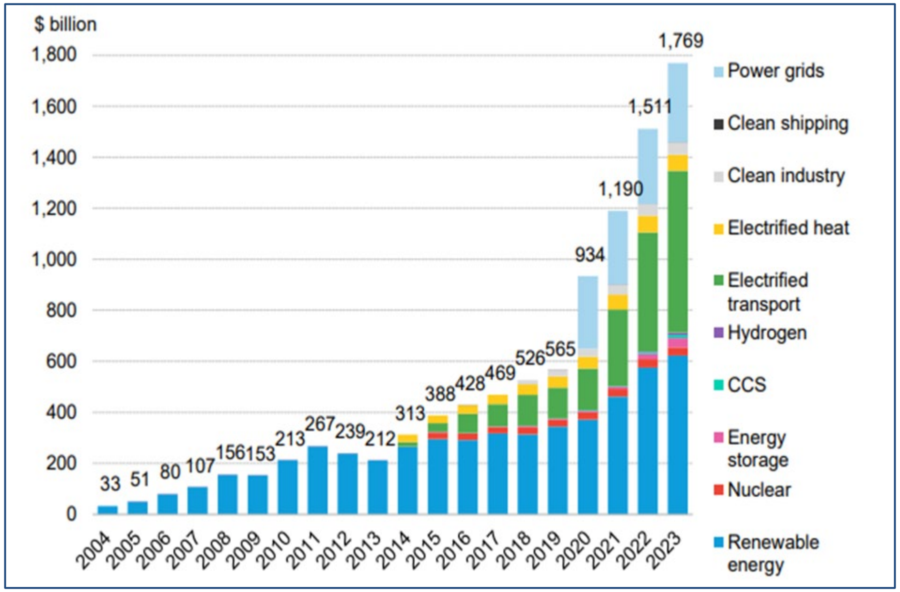
7. Energy Transition : Energy Transition Investment

- Global investment in the energy transition hit a record $1.8 trillion in 2023, climbing 17% from 2022.

- Electrified transport (EVs and charging infrastructure) was the main driver of this spending representing more than third of the total investment followed by renewable energy and power grids.

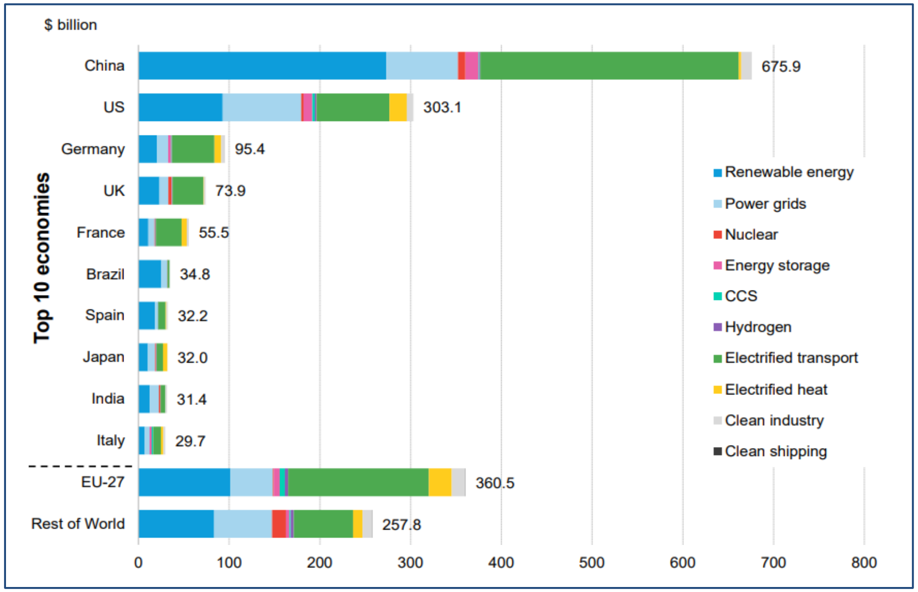
- China was once again the largest market, representing 40% of the global total spending, although Europe saw the fastest growth.

Global energy transition investment, by sector



Source: BloombergNEF

Global energy transition investment, by country

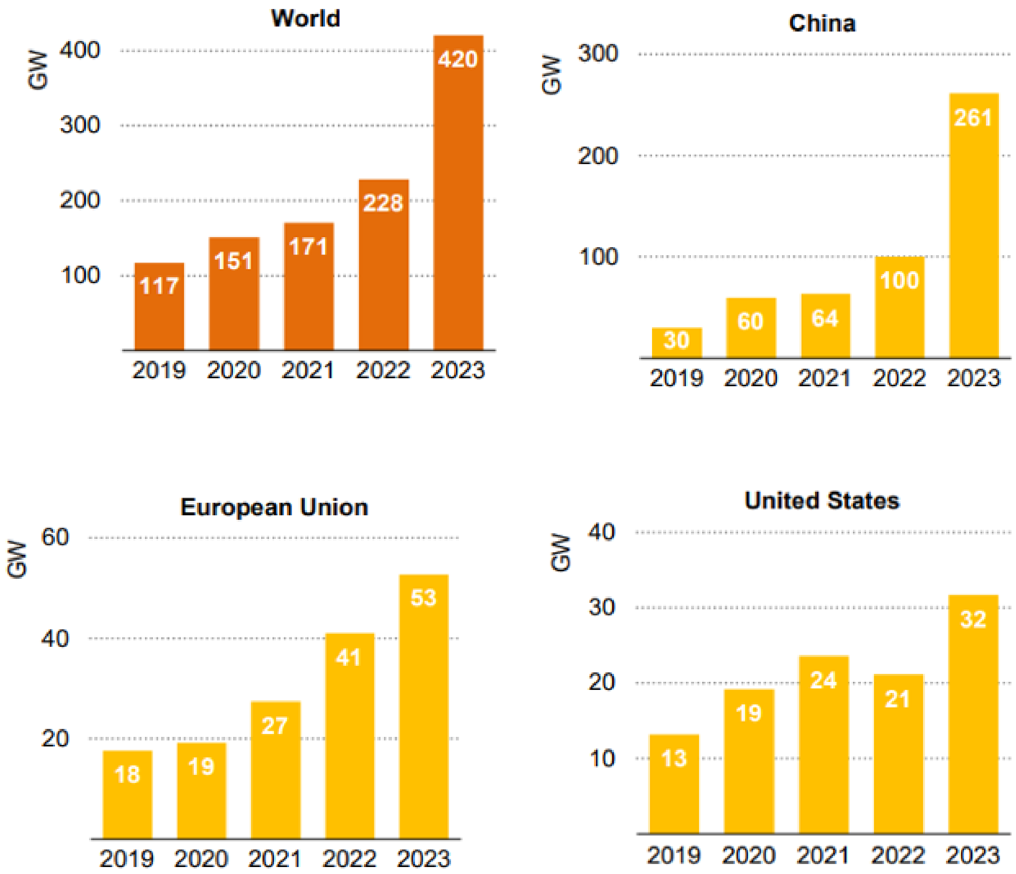


Source: BloombergNEF

7. Energy Transition : Solar Installation

- Global solar photovoltaic capacity additions increased by over 80% from 2022 to 2023 and broke a new record, reaching over 420 GW.
- China accounted for over 80% of global increase in solar PV capacity additions, increasing its capacity by 160% from 2022.
- In the EU, solar PV additions surged by 25%, hitting a record 52 GW last year.
- In the United States, solar PV capacity additions increased by 50% year-on-year.

Annual Solar Photovoltaic Capacities



Source: IEA, Clean Energy Market Monitor

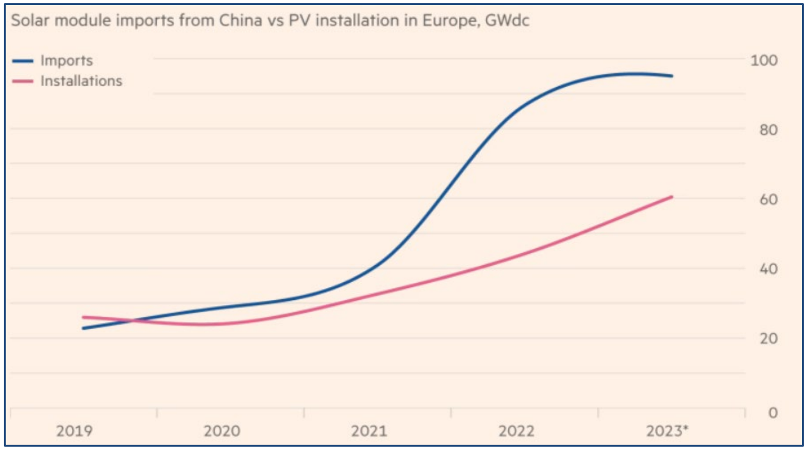
7. Energy Transition: Solar Installation

- Solar players had good margins for two years but have struggled since mid 2023 due to high inventory levels and falling market prices, putting their position at risk.

- On the one hand Chinese solar manufacturing capacity has outpaced domestic demand, particularly as companies have built production lines for new Technologies while simultaneously producing older models, leading to record overseas exports that exceeds installations in markets such Europe. On the other hand utilities and wholesalers, burnt by pandemic supply chain problems, have taken advantage of falling prices to build up stockpiles as Europe works towards green targets.

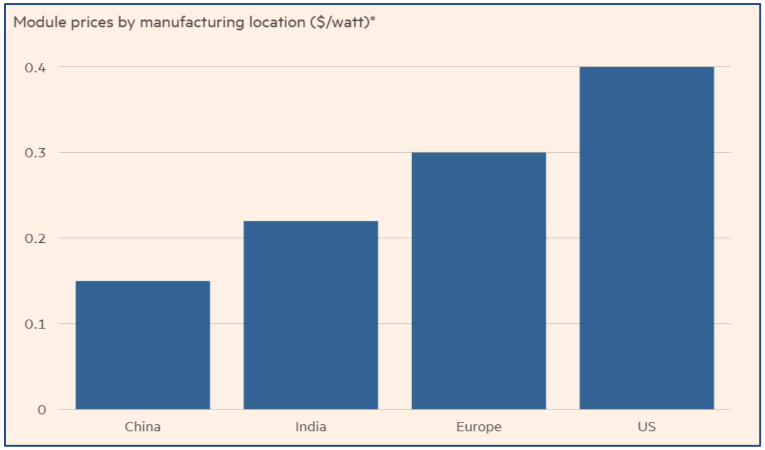
- Western companies are struggling to compete against China as IRA and European Policies have given uneven results to date.

Solar module imports from China vs Installment



Source: FT

Module price by manufacturing location



Source: FT

7. Energy Transition : Wind Installation

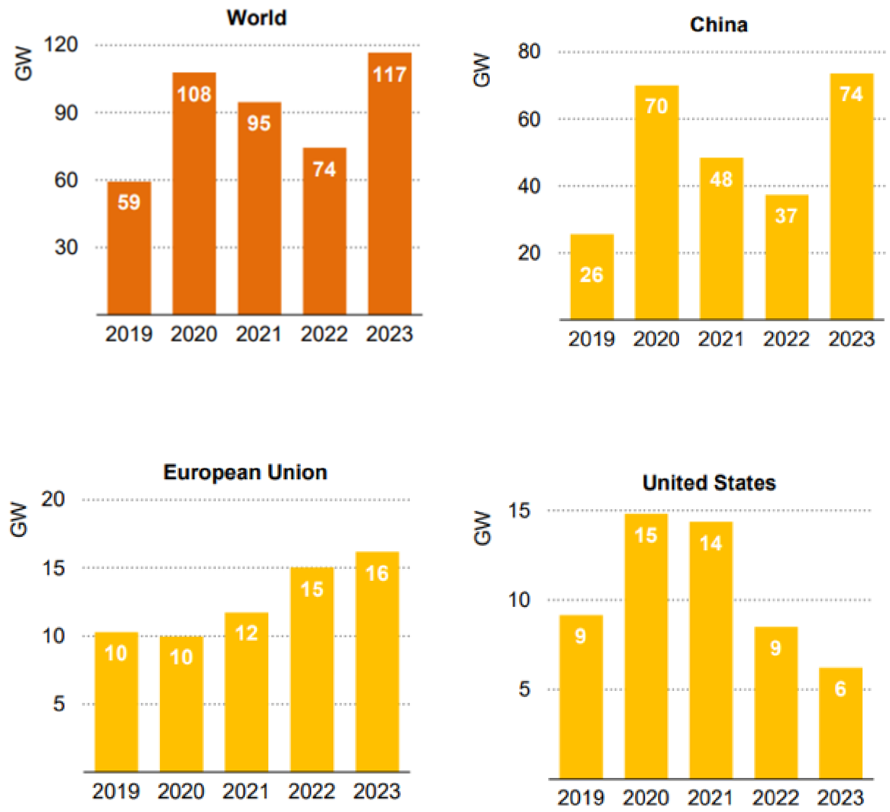
- Global wind capacity additions jumped almost 60% in 2023 to break the 2020 record. Onshore wind projects accounted for over 85% of global wind growth last year.

- China accounted for more than 60% of global wind expansion as the country almost doubled its additions compared with 2022.

- In the European Union, wind additions only increased by slightly less than 10% in 2023. Developers have been facing multiple challenges, including rising equipment costs, inflation and supply chain constraints, which have made them less eager to participate in competitive auctions.

- In the United States, wind additions declined by more than a quarter in 2023 compared with 2022. This is mainly due to uncertainty over the tax credit extension before the adoption of the Inflation Reduction Act, resulting in an empty project pipeline and supply chain issues.

Annual Wind Capacities



Source: IEA, Clean Energy Market Monitor

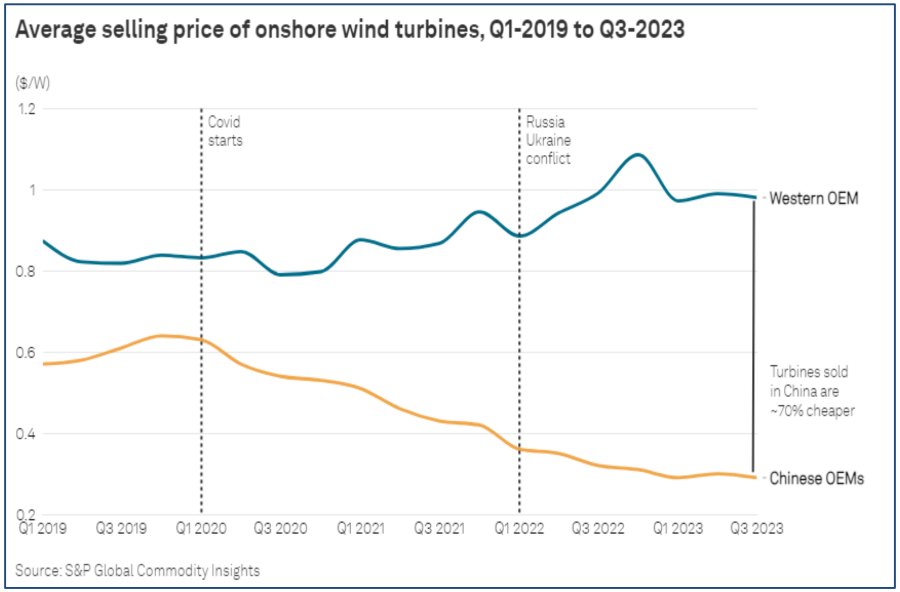
7. Energy Transition: Wind Turbine

- As for solar power sector, Western countries are expected to continue to face pricing pressure due to higher competition from the East.

- According to S&P Global Commodity data, Chinese turbines surpass their global counterparts in both affordability and performance. Specifically, Chinese turbines are approximately 70% more cost-effective and deliver a 30% performance enhancement compared to turbines from other manufacturers.

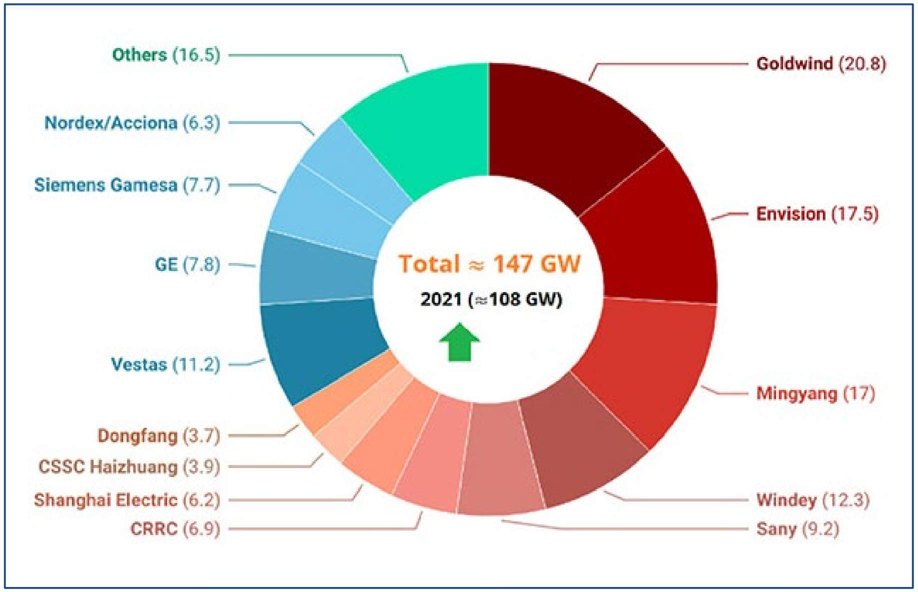
- As of 2022, China controlled more than 65% of the market for wind turbine market.

Avg selling price of onshore wind turbine



Source: S&P Global Commodity Insights

Wind turbine Market share



Source: Enerdata

7. Energy Transition : Electric Vehicles

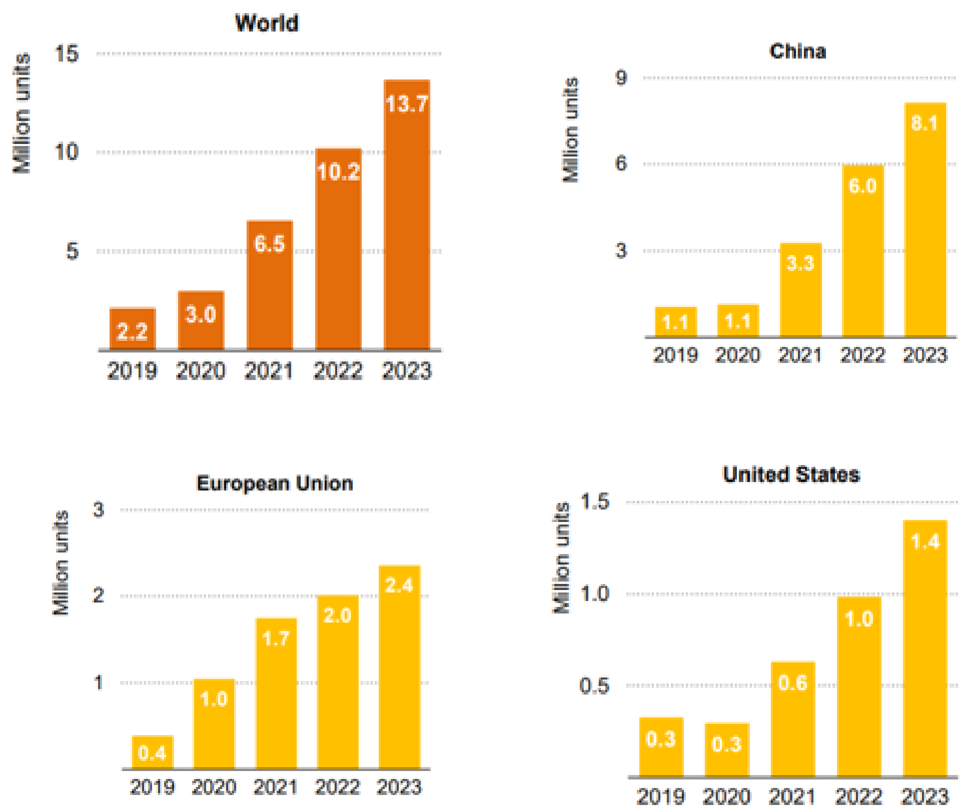
- In 2023, global sales of electric cars increased by 35% year-on-year, meaning almost one-in-five cars sold was electric.

- China remains the largest market for electric cars. In 2023, electric car sales in China reached over 8 million, constituting almost 60% of global car sales and 70% of electric cars production.

- The EU is the second largest electric car market, with around 2.4 million electric cars sold last year, marking a 20% increase from the previous year.

- The US is the third largest electric car market, with about 1.4 million sold in 2023, a more than 40% increase from 2022.

Electric cars units sold in largest markets



Source: IEA, Clean Energy Market Monitor

7. Energy Transition: Electric Vehicles

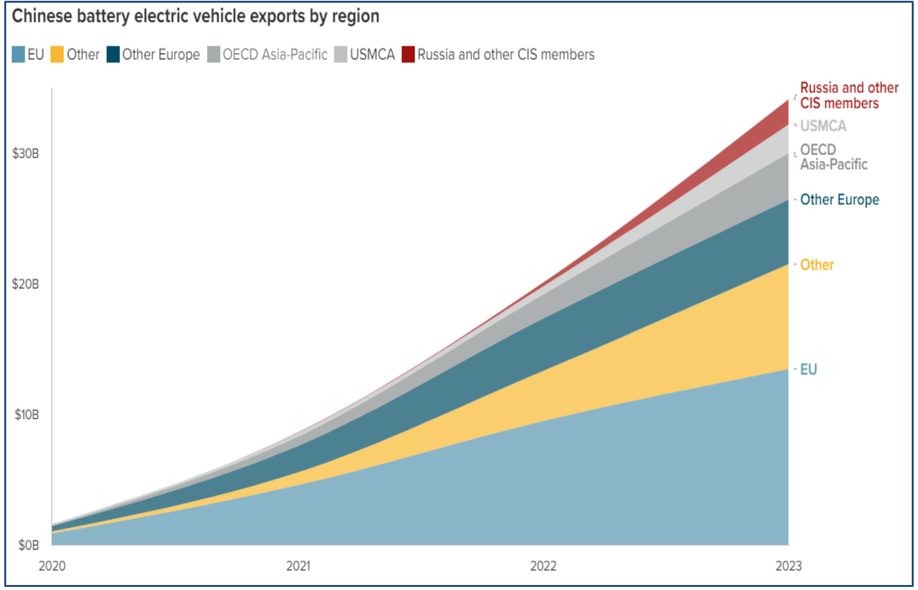
- Traditional European car manufacturers are notably lagging behind Tesla and BYD in terms of market share.
- The growing global presence of Chinese electric vehicles is evident in the country's soaring car export figures since the pandemic. Car exports from China witnessed a significant rise from 2020 to 2021, garnering considerable media attention. This upward trend has continued even more dramatically, with exports reaching nearly 5 million vehicles in 2023.
- The EU is the largest recipient of Chinese EVs, accounting for nearly 40% of China total exports.

Electric Vehicle Market Share

Rank	Brand	Country	Market Share in 2023
1	Tesla	US	19.9%
2	BYD	China	17.1%
3	GAC Aion	China	5.2%
4	SAIC-GM-Wuling	China	4.9%
5	Volkswagen	Germany	4.6%
6	BMW	Germany	3.6%
7	Hyundai	S. Korea	2.9%
8	Mercedes-Benz	Germany	2.6%
9	MG	China	2.3%
10	KIA	S. Korea	2.0%

Source: Visual Capitalist

China EVs Export



Source: People's Republic of China General Administration of Customs

7. Energy Transition: Expected investment

- Global clean energy funding is projected to total $5.6 trillion between 2022 and 2030, driven by the need for alternative sources to coal, oil and other carbon-intensive energy sources.

- Following S&P Global Commodity Insights, clean energy investments are expected to increase by 10%-20% in 2024 from 2023.

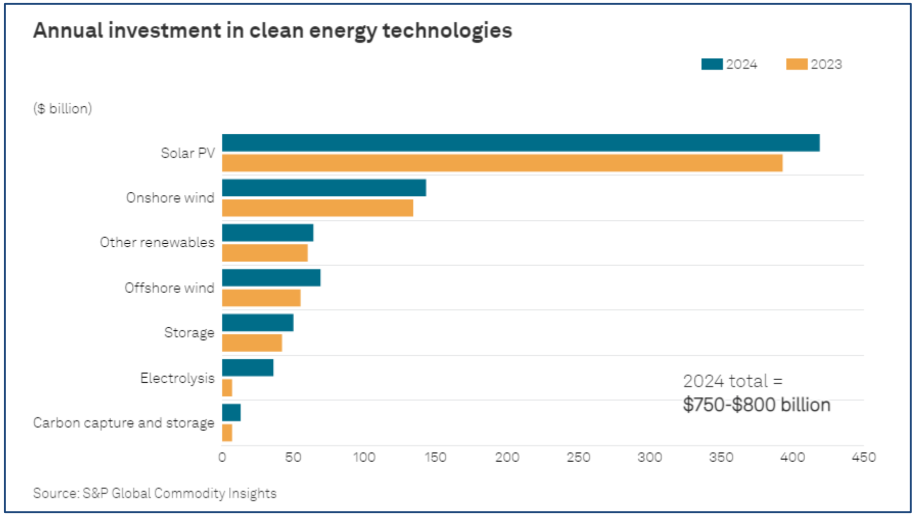
- Solar and onshore wind power are expected to enjoy the largest investment share in 2024, with battery energy storage and electrolysis emerging being the fastest-growing sectors for new investments.

2023-2030 expected global Clean Energy capex

Distributed Solar	$1.5T	26%
Utility Scale Solar	$1.3T	23%
Onshore Wind	$1.1T	20%
Offshore Wind	$774.2B	14%
Energy Storage	$373.6B	7%
Other Renewables	$557.1B	10%

Source: S&P Global Commodity Insights

Annual investment in Clean Tech

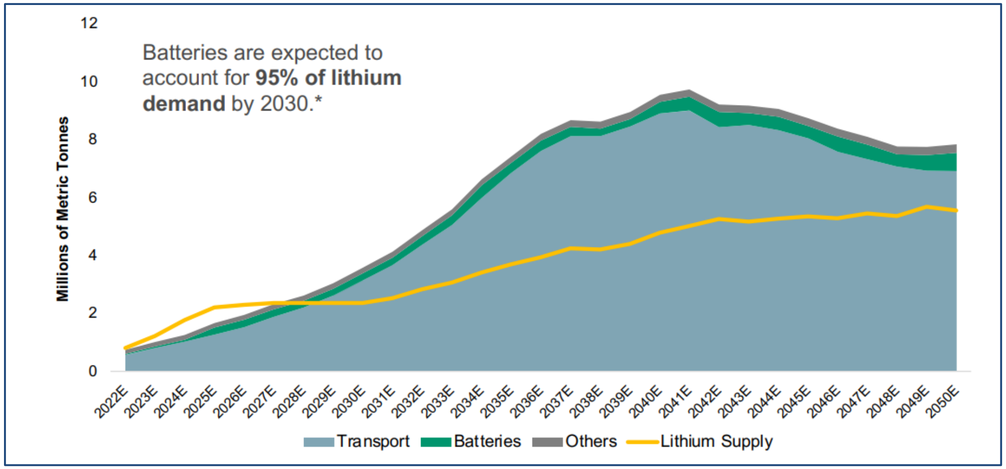


Source: S&P Global Commodity Insights

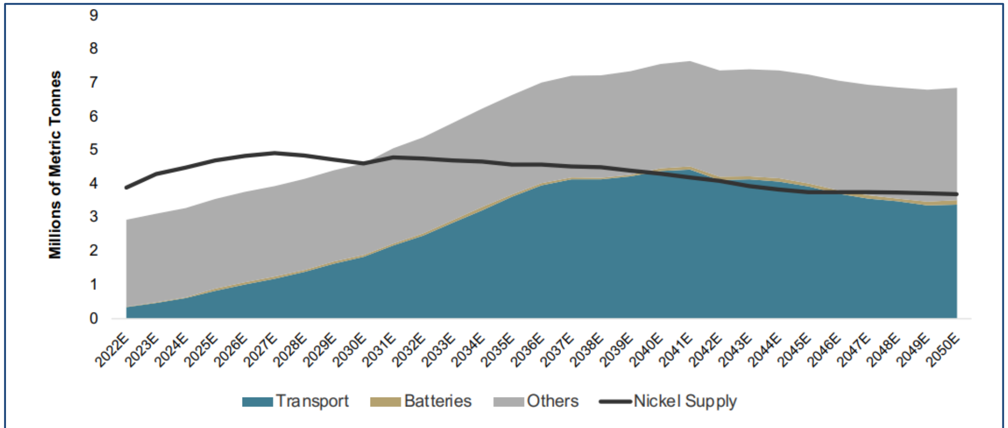
7. Energy Transition: Lithium & Nickel

- Lithium supply is unlikely to keep up with demand from 2028 and onward.
- Long-term, lithium is anticipated to be the primary beneficiary of the widespread adoption of battery energy storage, seeing its demand projected to quintuple by 2030.
- Nickel supply and demand imbalance is likely to invert from 2030.
- In the short term, nickel is poised for oversupply, primarily due to increased capacities in Indonesia.
- New cobalt and nickel-free batteries are gaining increasing importance, which could potentially undermine the demand for nickel.

Lithium supply vs demand



Nickel supply vs demand



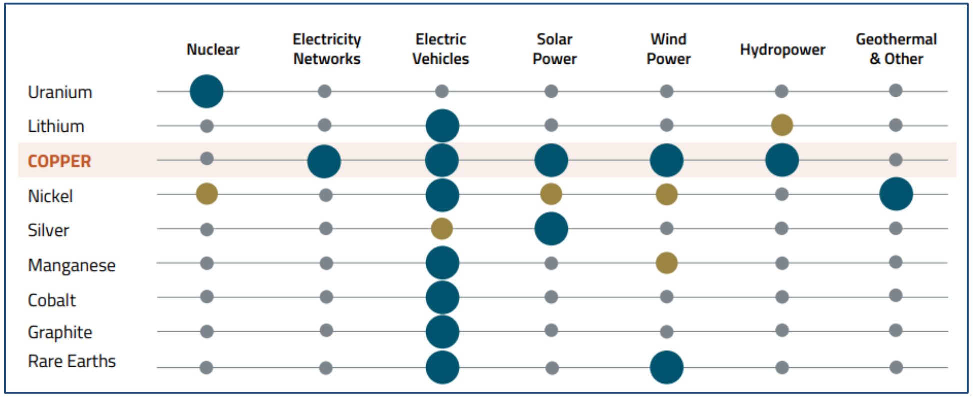
Source: BloombergNEF Transition Metals Outlook 2023. Included for illustrative purposes only.

Source: BloombergNEF

7. Energy Transition: Copper

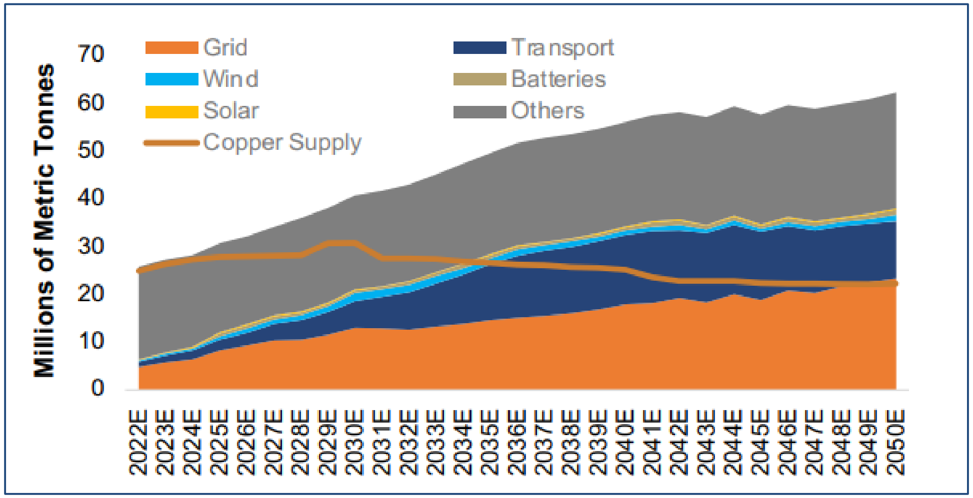
- Copper offers durability, malleability, reliability and exceptional electrical conductivity.
- A key component in the energy grid, wind, solar, hydro and thermal renewable energy structures.
- Copper supply and demand imbalance is likely to grow significantly in the future.
- Copper supply faces significant hurdles, including decreasing ore quality, prolonged lead times for opening new mines and an extended period of underinvestment. These factors underscore the critical role of copper mining companies in meeting demand.

Need of metals by power source



Source: IEA

Copper supply vs demand



Source: BloombergNEF

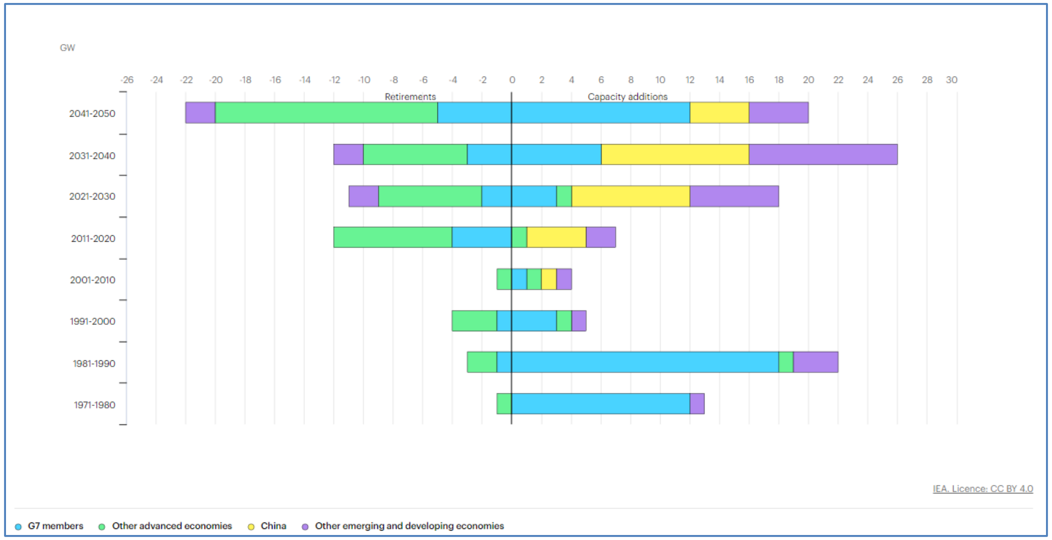
7. Energy Transition: Uranium

- Increased focus on decarbonization and energy security has further shifted nuclear energy landscape with many countries taking steps to extend operations at existing nuclear power plants and to build new ones.

- Innovation in nuclear Technology, including small modular reactors, is poised to help open new markets and expand opportunities for nuclear power.

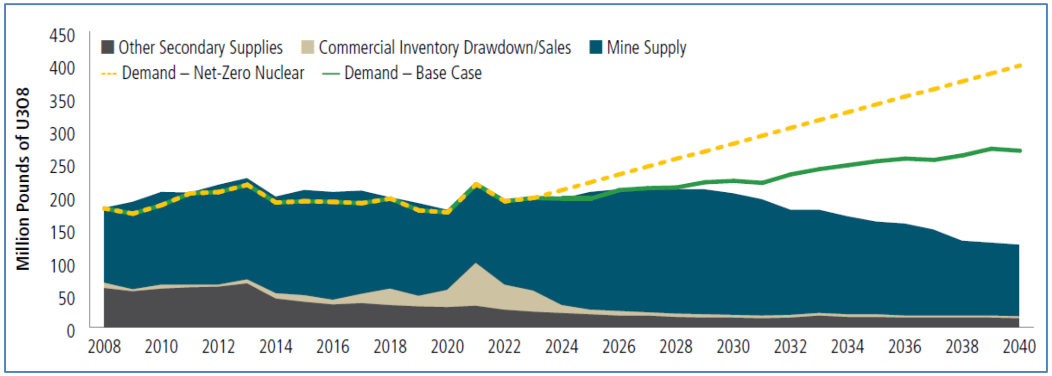
- In the most optimistic scenario, demand for uranium could potentially exceed supply as early as 2024, while in the base case, this supply-demand gap might occur by 2028.

Nuclear retired vs added capacities



Source: IAE

Uranium supply vs demand



Source: UxC, LLC and Cameco Corp.

7. Conclusions and Market Implications

- Renewable energy accounts for only one-fifth of global production, and will therefore continue to grow strongly over the next few years if we are to meet our CO2 emissions targets.

- Not all levels of the supply chain behave in the same way. Some levels of the industry, such as solar panels, are in oversupply, while others, such as certain raw materials, are likely to be in short supply.

- China's growing influence on Western are evident through its substantial investments and market dominance across critical sectors of the energy transition.

- Government involvement in energy transition has a major impact on supply and demand

- Diversification is therefore important within the sector, so as not to be exposed to only one part of the market that could run into difficulties.

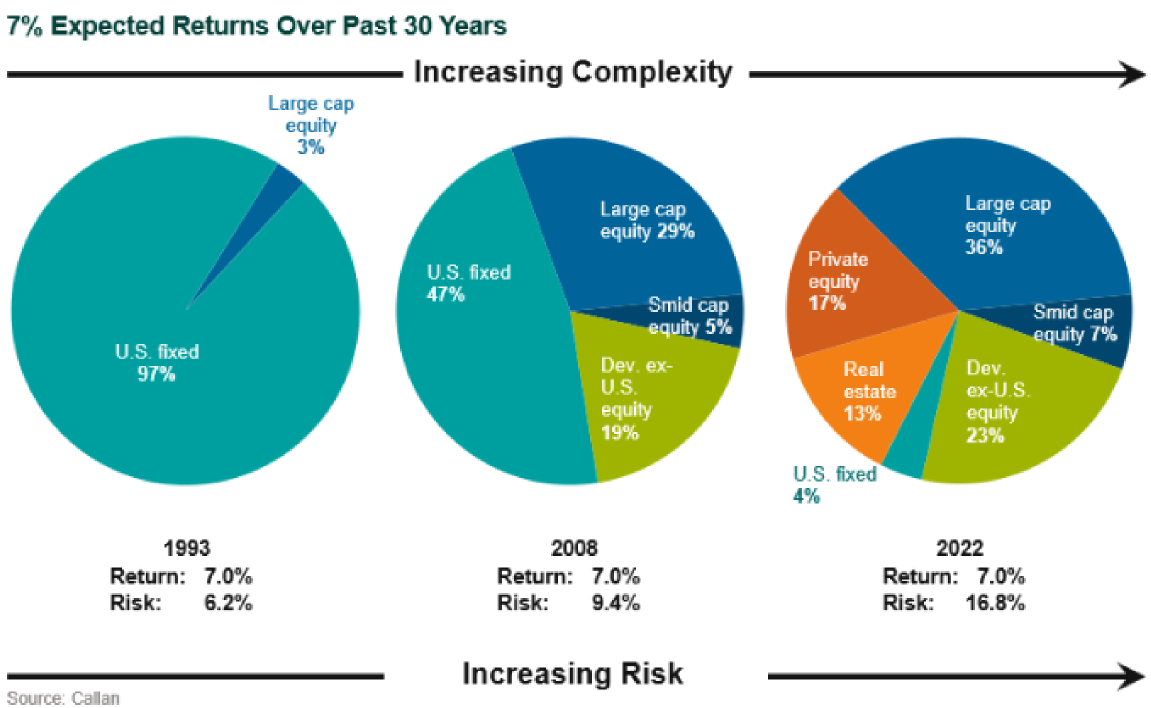
Appendix

1. Rolling the Dice

Appendix 3: Rolling the Dice

- Investors grabbling with lower interest rates have to take larger risks to reach the same returns as three decades ago.

Estimates of what investors needed to earn 7.0%



Source: Callan Associates

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