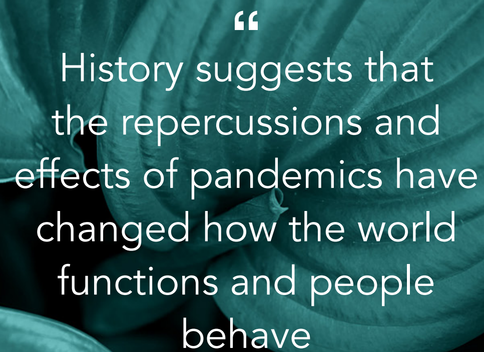
QUINTET
PRIVATE BANK

THE BIG RESET

QUINTET COUNTERPOINT

2022 OUTLOOK



“History suggests that the repercussions and effects of pandemics have changed how the world functions and people behave”

Getting to the other side

Looking to the past can provide us with a glimpse of the future

As the cold season approaches, Covid-19 infections are rising again and yet another virus strain, the Omicron variant, is spreading. While setbacks are possible, and perhaps probable, the economy and society at large now look better equipped to cope with the virus, given high vaccination rates, an ability to develop, adapt and produce vaccines, and a capacity to adjust working patterns flexibly and our lives more generally. As the coronavirus continues to circulate and mutate, it is going to remain a threat. Yet after settling down, it will likely become a more familiar and manageable issue.

History suggests that the repercussions and effects of pandemics have changed how the world functions and people behave. For instance, the devastation of the 1918 flu pandemic was quickly followed by a period of intense economic and social interactions. The Roaring Twenties saw a flowering of parties and concerts, as well as a radical shift in architectural design. It also heralded a period of consumerism and opportunities for innovators like Thomas Edison and Henry Ford to thrive.

Looking forward

The lockdowns accelerated many of the digital trends that were already under way and catapulted us into the future. However, as the global economy works through the gears of reopening, several challenges are arising. They include supply shortages, transportation bottlenecks and higher energy prices, which are all contributing to an elevated pace of inflation.

One of the most remarkable features of the past two years is that our economies have demonstrated just how quickly they can adapt. At Quintet, we continue to believe fundamental patterns and trends will reassert themselves as the world resets. Financial markets will probably continue to experience periods of volatility along the way, but the long-term outlook for investment returns remains positive.

Bill Street, Group Chief Investment Officer

Contents

THE BIG RESET

Looking back 8

A glimpse of the future 10

Our five conviction calls 12

IN DEPTH: OUR FIVE CONVICTION CALLS

Moving past the peak 17

Off the lows 21

Eastern promises 25

No place like home 29

Innovation nation 33

HOW WE ARE MOVING PORTFOLIOS

Strategic Asset Allocation 38

Tactical Asset Allocation 40

Expert Views

– Direct Equities 42

– Fixed Income 44

– Lending 46

– Sustainable Investment 48

INVESTING FOR THE FUTURE

Protecting our planet: walking the talk 52

Thematic 56

2022

THE BIG RESET

Looking back

Exploring what we got right and what we got wrong

In spring 2021 we talked about a global economy "running on high pressure". We thought that post-Covid reopening, coupled with significant pent-up demand and policy stimulus, was triggering a strong bounce in activity that would last for some time. This view turned out to exceed even our above-consensus expectations. It encouraged us to keep positioning portfolios so they were exposed to asset classes that typically perform well during the early phases of an economic cycle, when growth accelerates. These allocations included favouring:

- equities over bonds, particularly US and UK small-cap stocks (a position we have now exited);
- credit risk (emerging markets and Asia) over low-yielding investment grade bonds;
- USD bonds (currency hedged) over EUR bonds for carry and diversification.

While we did see ongoing inflation in asset prices, we thought the rise in consumer prices was more like a spike that would eventually subside – not a self-fulfilling inflation spiral that was getting out of control. It was being driven by bottlenecks as demand from most countries and sectors picked up simultaneously as reopening progressed, pressing against constrained supply. We believed the pressure would eventually ease as demand returned to more normal levels and supply eventually adjusted, with firms restocking and investing to expand capacity.

While we timed the peak or stabilisation in core inflation about right (around the final part of 2021) or, depending on the country, projected it in the early part of 2022, the spike turned out to be more pervasive and enduring – the rate of increase in core prices has slowed less quickly than we thought. However, this was mostly because of new shocks. Earlier disruptions in new and used cars, airfares and hotels, commodities such as lumber, iron ore and copper all eased and prices did see slower increases or even sharp declines. But shipping costs rose more than we envisaged, although they now look somewhat 'peaky', and an expected increase in energy costs ended up being more pronounced. Oil prices did pick up as we projected, given the improvement in mobility, but gas prices soared to a greater extent, partly driven by energy policy and geopolitical factors.

We think of higher energy costs as a 'tax hike' putting pressure on firms and consumers. This is why the implications don't look that different from our base case that the major central banks would taper their asset purchases, but not hike rates just yet – with a possible exception or two, but not the US Federal Reserve (Fed) or the European Central Bank (ECB). Our view was that this anchoring of short-end rates combined with less central bank bond-buying at the long end would result in "steeper for longer" yield curves relative to market pricing. This prediction materialised eventually, but with notable volatility in between as the "power of words" of central bankers clashed with a rapidly moving economic environment.

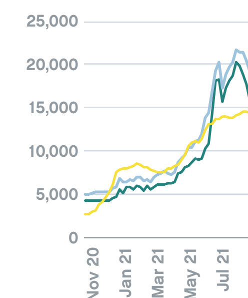
Early-cycle phases are generally associated with outperformance in assets leveraged to faster growth and beneficiaries of steeper yield curves. However, we stayed positive on themes of technological innovation and believed we were getting "back to the future". We thought the pandemic was likely to accelerate this process of innovation – and it did.

Selected inflation and input cost measures

Early shortages partly readjusted, suggesting inflation was more like a spike driven by bottlenecks rather than a perpetuating spiral. Soaring energy costs point to lingering pressure on growth, which is why they are unlikely to turn central banks overly hawkish.

US: Manheim Used Vehicle Value Index (%Y)

Shipping Costs (USD per Container)



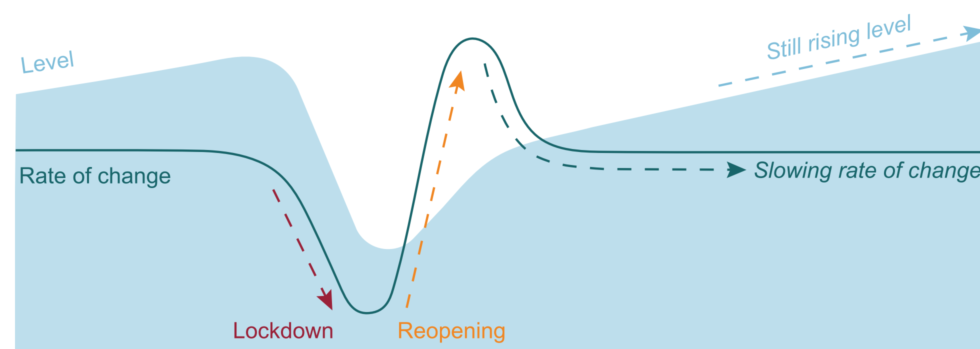
Energy Prices

Source: Quintet, Bloomberg

A glimpse of the future

With a potentially bumpy phase ahead as the global economy adjusts to the aftershocks of the pandemic, we're focusing on the longer term

As the cycle begins to mature more visibly and central banks gradually tighten monetary policy, the rate of growth is likely to decelerate while levels of economic activity remain relatively solid and continue to rise. The inflation spike should eventually settle down, though to a higher level than the deflationary environment of the past decade. We think of these dynamics as a big reset.



Slowing rates of change vs rising levels of activity

We're moving past the 'bungee jump' of displaced activity as governments closed down entire economies by decree while deploying massive stimulus at the same time and the subsequent, strong rebound following reopening and the release of pent-up demand. This phase is being followed by more normal, slower rates of expansion. As we're back from the brink, but not fully out of the woods, policy is becoming less accommodative too, while remaining supportive. The 'cycle' is reasserting itself, with levels of activity continuing to improve – just more gradually. These dynamics should eventually lead to the inflation spike settling down too as, barring further shocks, bottlenecks progressively ease. Inflation is unlikely to fall back to the very low, sub-central bank target levels of the decade before the virus outbreak, when austerity took a toll. But it should decline to more reasonable levels, making central banks' tightening fairly gradual.

We think some deceleration is normal now that most areas of the economy look fully or at least partly reopened (although we do see the risk of new restrictions to contain the Omicron variant, to be lifted again once things get back on track), and so our base case is that equities are likely to continue to outperform bonds. However, during periods of cyclical expansion but slowing momentum, equity returns tend to be lower. That is why we are emphasising investments in long-term, secular trends and themes, from infrastructure across physical, digital and green areas to several aspects of technology and innovation, which we describe in subsequent sections.

Over a shorter time horizon, for equities, the macro environment we envisage has historically implied no clear outperformance by either growth or value stocks. In addition, we think there's unlikely to be a clear distinction between large and small firms. However, companies operating on a global scale will probably find it easier to adjust their supply chains or benefit if existing ones are repaired, as we think they will.

We don't see much geographical differentiation either. Some catch-up of particularly dislocated regions or sectors and styles in those regions – effectively, pockets in the developed world ex-US and some emerging markets – could take place at some point. This type of environment is often attractive for stock pickers and across riskier credit instruments too.

With central banks tapering or likely to taper their asset purchase programmes and hike rates at some point, we expect the bond market selloff to continue, with some spread widening too, albeit gradually. During the initial phases of tapering, yield curves tend to steepen, which is beneficial for banks, pension funds and insurers, as well as asset and wealth managers. When rate hikes approach, curves tend to flatten.

The Fed may raise rates once tapering is done, while the ECB is unlikely to even begin to move away from its negative-rate policy for some time. The Bank of England may hike too, though quite gradually, in the near term. We expect a stronger US dollar and sterling, and weaker 'low yielders' such as the euro, Japanese yen and Swiss franc.

We also think China, given the slowdown, may let its currency depreciate, which should make its exports more competitive. More structurally, we've a more positive view on China than the consensus, and think the development of a credible regulatory and institutional framework could be an important catalyst over time.

Our five conviction calls

We have identified five calls we believe will dominate the global economy and financial markets in 2022

Moving past the peak

The tug of war between peaking growth rates and improving activity levels will likely drive asset prices

Key investment ideas

- Equities over bonds
- Index-level exposures
- Opportunistic biases:
  - Quality growth
  - Residual cyclicality
  - Options & derivatives
  - Dislocations ex-US

Off the lows

As economies learn to live with less policy support, bond yields are set to move gradually higher and currencies may become more volatile

Key investment ideas

- Shorter duration
- Steeper yield curves (short term)
- Wider credit spreads (long term)
- Currencies:
  - Strong USD, GBP
  - Weak EUR, CHF, JPY, CNY
- Banks & financials

Eastern promises

China's new phase of structural change prioritising rebalancing and sustainability is a key investment catalyst

Key investment ideas

- China 'net zero' transition, advanced manufacturing, consumer, exporters
- Opportunistic developed Asia & selected EMs
- Metals for future tech (long term)
- Energy (short term)

No place like home

The need to share the gains from growth and make our planet more resilient will boost sustainable infrastructure

Key investment ideas

- Real assets & property
- Infrastructure:
  - Physical
  - Green
  - Digital
- Private equity & credit, co-investments
- Multi-strategies

Innovation nation

As we come out of the pandemic, technological advances should boost productivity and disrupt all sectors

Key investment ideas

- New areas of innovation in:
  - Technology
  - Healthcare
  - Life science
- Disruption in non-tech industries
- Disrupted industries that adapt to change

OUR FIVE CONVICTION CALLS

CALL 1

Moving past the peak

Consensus point of view

We're either slowing sharply as shortages hinder economic activity or, if not, central banks and governments will take away the punch bowl, removing a key supporting factor for financial markets.

Counterpoint

We've now moved past the peak in growth as the boost from reopening is behind us and policy stimulus, while still supportive, becomes less intense. But we're also moving past Covid-19 and so the level of activity should continue to rise as spare capacity is reabsorbed. We think we will move past peak inflation in 2022, partly because supply is expanding and partly as pent-up demand is now spent. With cyclical acceleration no longer the dominant driver, financial markets may be less well supported in the near term. But with economic expansion continuing and policy remaining easy on the whole, the riskier asset classes such as equities and credit should still outperform safer bonds.

The tug of war between peaking growth rates and improving activity levels will likely drive asset prices

The investment cycle is likely to be driven by the tension generated in markets as peaking growth clashes with rising activity. The economy's pace of growth is normalising as pent-up demand following reopening is now spent. But its absolute level is still rising, with remaining spare capacity suggesting there's still room for further expansion.

We expect this moderation to be gradual and mostly in line with our base case. Some of its causes should eventually be less in the picture, such as the Delta variant and supply bottlenecks, and we see limited scope for abrupt monetary and fiscal tightening – though we forecast some tightening from record levels of policy support.

Not all input shortages are likely to be short-lived and although inflation should ease from high levels, it may stay higher on average than in the past decade.

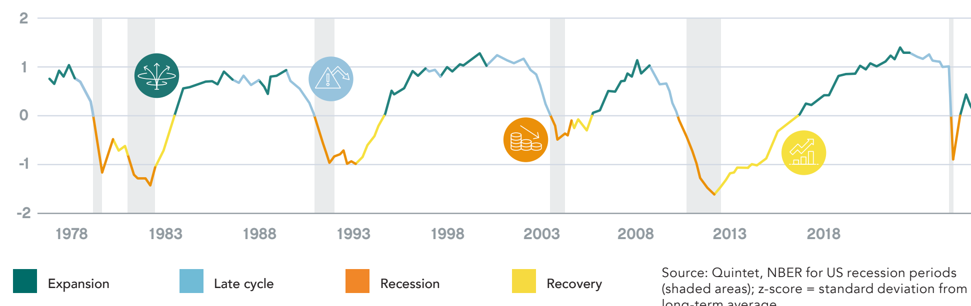
While the normalisation in demand we envisage should reduce the pressure in some sectors and commodities, if bottlenecks are more protracted than expected, for example in the energy complex, they could cause a more pronounced slowdown.

Against this backdrop, we don't believe central banks will implement significantly more contractionary policies just yet. Some are tapering or ending their asset purchases, and others are looking to hike rates from record-low levels, while governments' emergency measures are also set to expire.

Yet our central scenario is more dovish than market prices and foresees a gentler and/or more delayed removal of accommodative policies. Relative to the consensus, we consider policy support for longer an upside risk.

Quintet Investment Cycle Indicator (z-score, %)

Cyclical expansion normalising, with some setbacks.



Source: Quintet, NBER for US recession periods (shaded areas); z-score = standard deviation from long-term average

Investment implications

Some deceleration in the pace of economic growth following reopening is normal. Equities are likely to continue to outperform bonds. However, during periods of cyclical expansion but negative macro surprises, average equity returns tend to be lower.

Within equities, this macro environment has historically implied no clear outperformance by either growth or value stocks. Investors may now need to work harder to find value areas where the dislocation is greatest, and growth areas presenting opportunities combined with some value for that growth.

Within this framework, we expect some residual cyclicality still to be found across several sectors of the economy, from consumer and industrials to commodities, materials and energy. But, in general, we think there's less room for catching up because the post-lockdown recovery phase is over – when the economy was weak but getting better, asset classes were showing significant dislocation and policy was at its maximum degree of expansion.

We also think the distinction between large and small firms is likely to be less clear. But, on balance, we believe that global companies are best placed to thrive as trade resumes and supply chains are repaired.

Geographical differentiations, too, are likely to be less stark, although laggards in the developed world ex-US and in some emerging markets may come back in vogue at some point.

CALL
2

Off the lows

Consensus point of view

We're set for an imminent and fast rate hiking cycle, as central banks tighten soon and relatively decisively. With bond yields moving higher across the board, currencies look set to remain rangebound.

Counterpoint

To cushion the fallout from Covid-19, central banks deployed unprecedented policy support to cap borrowing costs so governments could spend aggressively. Core sovereign bond yields, which had already been on a secular downtrend, fell further in response to lower policy rates and scaled-up asset purchases. As the world economy recovers more visibly and job creation gradually comes back, central banks are now tapering their asset purchases. The next step is rate hikes. We believe this will happen in a more gradual fashion than market prices suggest. We may be about to see higher, but by no means high, bond yields, as they're starting to rise from record-low levels. As this happens unevenly across countries and regions, currency markets could become more volatile.

As economies learn to live with less policy support, bond yields are set to move gradually higher and currencies may become more volatile

While the pace of growth has started to slow, the level of activity remains relatively solid and major economies are already above or close to pre-pandemic levels. Meanwhile, inflationary pressures resulting from pandemic-induced imbalances in supply and demand have proven more persistent than initially estimated and, while we expect them to subside as bottlenecks eventually ease, uncertainty remains on how enduring they'll be. These two factors have pushed several central banks to scale back their support, while remaining accommodative on the whole.

The Bank of England looks set to raise rates, though gradually and from record lows, and should no longer continue with its net asset purchases from next month. The Fed is poised to conclude its own QE taper by the middle of next year or, perhaps, somewhat earlier. We'd expect it to begin to lift rates, also relatively gradually, shortly after.

The ECB will likely remain relatively more accommodative, continuing with some form of asset purchases for a long time, with rate hikes a long way off.

Given some near-term risks, such as the impact of shortages and bottlenecks on activity and inflation, which could be more protracted than expected, plus residual pockets of Covid-19, we envisage the rise in policy rates and yields to be gradual and moderate.

Our expectation is more dovish than market prices suggest. We do see rising bond yields, but also think a mitigating factor is the need for central banks to continue to fund, directly or indirectly, very high government debt levels, which means keeping funding costs affordable. We also think central banks would want to continue to support private incomes and asset prices.

10-year US Treasury yield (%)

Higher but not high-yields, just rising from their lowest ever levels.

Source: Quintet, Bloomberg
Past performance is not a reliable indicator of future performance.

Investment implications

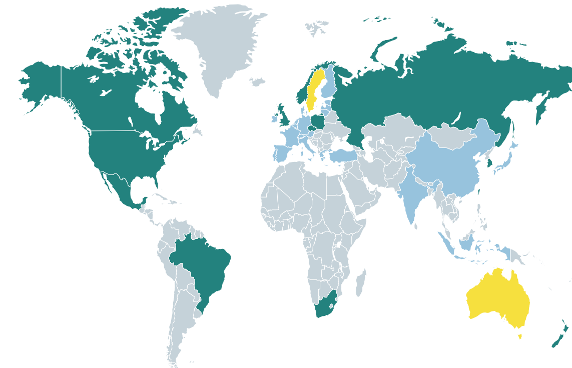
With tapering and rate hikes, we expect the bond market selloff to continue, although we don't believe this will happen in a disorderly fashion as we expect central banks to be gradual. In addition, lower government bond issuance should mitigate the yield increase.

As central banks unwind their asset purchase programmes and sovereign yields rise, corporate bonds may struggle, given the compressed levels of spreads leaving little room to absorb higher risk-free rates.

Currency markets may also become more volatile. If the pace of interest rate rises is gradual as central banks need to continue to fund government debt, then we think the bulk of the adjustment to different macroeconomic policy conditions may happen via foreign exchange rates.

Monetary policy stance

While some central banks are hiking rates and/or tapering or even stopping purchasing assets, others are continuing with ultra-loose policies.



Off the lows (rate hiking cycle started or about to start, net asset-buying tapering or ending)

Low for longer (policy remains very easy, with no immediate rate hikes foreseen in near future and/or still significant amounts of QE, or rate cut likely)

Recalibrating support (starting to pare back QE support, revising forward guidance)

Source: Quintet, Bloomberg

With rate rises on the horizon from the Bank of England and, eventually, the Fed, and no hike in sight from the ECB, we expect a stronger sterling and US dollar, and a weaker euro – even if the long-term fundamentals suggest some rebalancing at some point. We also think China, given the slowdown, may let its currency weaken to boost international competitiveness.

The correlation between bank stocks and bond yields tends to be positive. These dynamics are important during the initial phases of tapering, when yield curves tend to steepen (while then flatten when imminent rate hikes get priced in).

As yields rise and curves steepen, banks can charge more on loans than they have to pay on deposits. Pension funds, insurers, and asset and wealth managers benefit too. At the other end of the spectrum, as real rates rise – given the nominal yield increase and the projected ease of inflationary pressures – and the US dollar strengthens, gold could remain more like a strategic hedge, though may come under pressure every now and then.

CALL
3

Eastern promises

Consensus point of view

China is hard to read. An economy this size presents opportunities, but it also looks riskier than other regions. Concerns range from the impact on climate change to vulnerable supply chains and regulatory tightening across key industries.

Counterpoint

We frame any investment in risk-adjusted terms. There's some extra risk to consider when looking at emerging markets relative to comparable opportunities in developed markets. They include environmental, social and governance (ESG) factors, but also geopolitical issues, especially when it comes to the credibility of promises to address some of these factors. But an economy and capital market as large as China is critical for understanding the global cycle. We think China's transition promises to create an institutional and regulatory infrastructure to prioritise long-term development, also in terms of achieving its 'net zero' ambitions, rather than short-term growth. This may present investment angles and market perspectives worth exploring.

China's new phase of structural change prioritising rebalancing and sustainability is a key investment catalyst

There's plenty more that investors need to look at when investing in emerging markets. Returns matter and high-growth economies are well placed to deliver on this front. But risk-adjusted returns reflect other factors that raise the bar for these types of markets and asset classes to enter portfolios.

Take China, which looks set to become the world's largest economy. Investors scrutinise its impact on the environment and society, as well as governance standards in both the corporate and public sectors. Tensions with the US are a long-term source of friction and, more recently, the government has tightened regulations in many sectors, including tech, gaming, private education, real estate and commodities.

However, we believe China's "dual circulation" and "common prosperity" strategy entails rebalancing across three dimensions:

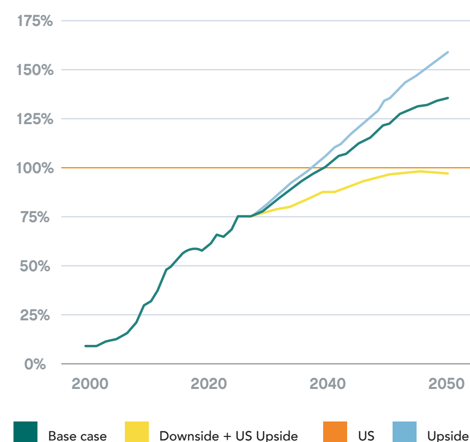
- from an export-led model to one driven by domestic demand;
- from investment to consumer spending;
- from manufacturing to services.

This transition requires an institutional and regulatory infrastructure that makes the key objective long-term development, also in terms of achieving 'net zero' ambitions, rather than short-term growth.

While perhaps hard to read at times, these changes may present significant investment angles worth looking at, with direct implications for China but repercussions for Asia, emerging markets, commodities and global financial markets.

China GDP (% of US GDP)

While the timing is uncertain, China looks set to become the world's largest economy.



Source: Quintet, Bloomberg

Investment implications

There's some extra risk to consider when looking at emerging markets relative to comparable opportunities in developed markets. They include ESG factors as well as geopolitical events.

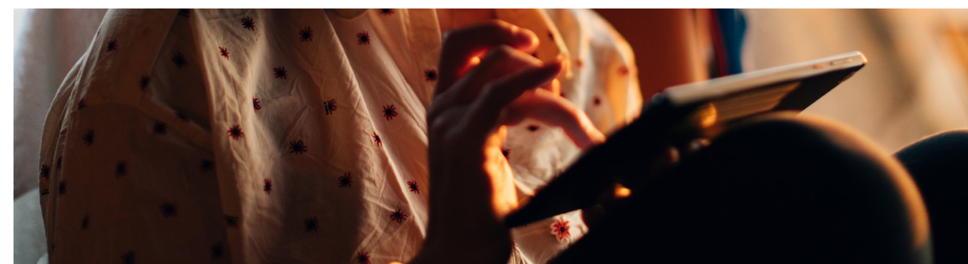
However, when consistent with our asset allocation framework, we think Chinese and Asian stocks and bonds, and selected emerging markets, should feature in portfolios. Structurally, we prefer Asia as we see better reform prospects along with a stronger ability to cope with higher interest rates.

Deleveraging in China's real estate sector could create extra volatility, but we also recognise that excessively high default rates are priced in, which is why one of our high-conviction tactical calls is that Asia high-yield bonds look attractive over a 12-month horizon.

We also think the shift to build more resilient and domestic capabilities ranging from semiconductors to energy supplies should support the more strategic tech and advanced manufacturing sectors – which could receive a boost from the currency depreciation we project. Services, the end-consumer and other sectors could benefit too.

We believe that pressure on 'hard' commodities, such as industrial metals, should slow as China rebalances. However, its energy and technological transition suggests that metals essentials for future technologies are likely to stay well supported.

We also expect demand for oil and natural gas to stay elevated in the near term, as bottlenecks in an already tight market continue and industrial and consumer demand remains solid. While it lasts, this demand should support energy exporters. We think this pressure should diminish at some point as growth normalises towards its long-term average.



CALL
4

No place like home

Consensus point of view

The pandemic has highlighted that global infrastructure requires significant upgrades. While this should stimulate economic growth, marrying sustainability objectives with construction and production isn't easy.

Counterpoint

Our planet is our home – and it's the only one we have. Spending on infrastructure looks set to rise. Some of the projects are physical – roads, bridges, railroads and other public projects. Others are in green and digital areas. Policymakers are aware of climate change and the need to support human capital, which suggests to us that the effort to make infrastructure more sustainable is structural. This shift from emergency fiscal support to outright public investment, plus regulatory and sustainability considerations, is likely to be important for other sectors too. The segments of the real estate market that can flexibly adapt to these structural changes may benefit, along with logistics and warehousing.

The need to share the gains from growth and make our planet more resilient will boost sustainable infrastructure

Infrastructure spending is likely to get a boost – more prominently in the US but also in Europe and other regions around the world as the outcome of the UN Climate Change Conference (COP26) may incentivize further investment in this area. Most of the new US funding coming through in the near term focuses on traditional infrastructure such as roads, bridges, railroads and other public projects.

It is a multi-year effort to "build back better". Of the US funds that we expect to be disbursed at a later stage, the bulk will probably fund various healthcare and social spending programmes. About a fifth of the total should be allocated to tax incentives and investments in green energy, infrastructure and funding for R&D.

In Europe, the EU recovery fund plans we analysed suggest that 40% of expenditure is earmarked for green investment and around 30% for digital investment.

Private investment tends to follow the economic cycle – it expands when things are good and shrinks when they're bad. Conversely, government investment as a tool to deliver fiscal stimulus tends to be countercyclical – its growth accelerates when things are bad and slows when they're good and debts are repaid.

The pandemic has partly altered this dynamic. Even though reopening following the lockdowns has boosted private investment, Covid-19 has highlighted the need to rebuild some physical infrastructure and make it more sustainable.

We believe this is a structural macroeconomic trend. We expect government investment in the US to pick up from here, complementing and magnifying the surge in private investment, and lifting overall economic growth.

Investment implications

This long-lasting policy shift supports our view that real assets should stay well supported and benefit further – partly also as inflation hedges, should it prove more enduring than expected.

We regard this as a broad subject, spanning several asset classes. This means that our macroeconomic and investment analysis applies to both public and private markets, especially when there's a strong overlap between fiscal (using government investment to rebuild the economy) and sustainability aspects (tackling climate change and other key issues).

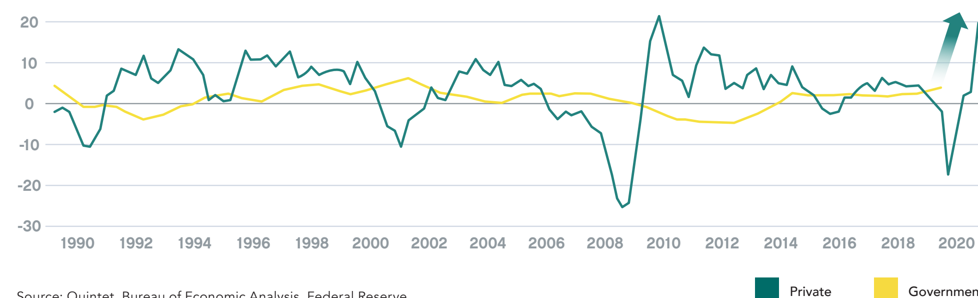
Among publicly traded companies, when consistent with our stock-picking framework, those operating in sectors of the economy related to the wider infrastructure topic – from traditional to green and digital – could benefit from these long-lasting policy and demand trends. Parts of real estate, just like logistics and warehousing businesses, may benefit too.

Certain investments we have been highlighting as potential return enhancers, such as private markets and multi-strategies, should remain well supported. In the near term, with inflation a hot topic in markets, infrastructure assets linked to inflation (through regulation or contracts) could see higher in demand, such as toll roads, and water and electricity assets.

More importantly, over the longer term, the planned infrastructure programmes of governments make infrastructure an even more compelling investment opportunity, with managers starting to adapt their strategies to sustainability factors. We expect to see more fund launches that combine the objective to make a positive impact across several dimensions with an attractive risk-return profile, with high demand from investors.

US investment (%Y)

Government spending on infrastructure is likely to follow the recent increase in the private sector.



Source: Quintet, Bureau of Economic Analysis, Federal Reserve

CALL 5

Innovation nation

Consensus point of view

It's easy to be bullish on the technology sector, but what it means in practice and how to pick winners is less clear. Whether innovation can really help address the key global challenges of this age remains to be seen.

Counterpoint

While we agree that choosing the right sectors and companies is key, and for that we think a bottom-up approach like ours is crucial, we also think three key top-down trends are gaining momentum, turbocharged by the pandemic. First, rising R&D spending, especially in disruptive technologies. Second, expanding capital investment, in particular in intellectual property, greener solutions and infrastructure. Third, faster productivity spreading across countries and sectors. We expect public and private firms, as well as investment themes at the intersection of all this innovation, to benefit from these drivers. We regard this as a structural trend spanning many years.

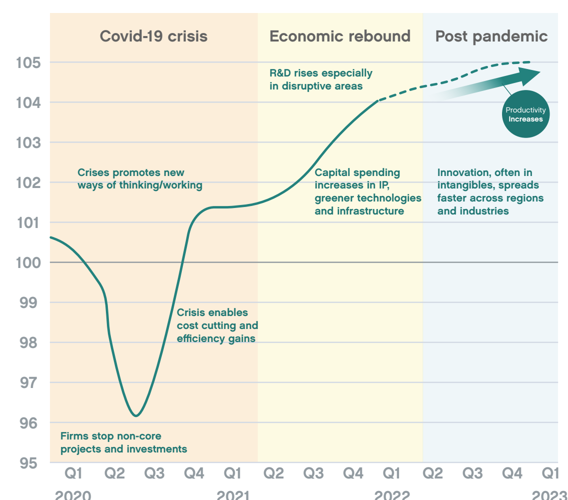
As we come out of the pandemic, technological advances should boost productivity and disrupt all sectors

Improvements in higher productivity segments supported by automation, digitalisation, artificial- intelligence (AI), e-commerce and remote computing worldwide have the potential to boost overall growth.

This should continue to support job creation for non-routine cognitive roles and tasks. A key factor will be the rising importance of intangible assets. Some intangibles are included in statistics, such as software, data, R&D and content. Many aren't, such as brands, marketing, design, financial innovation and networks.

Stylised productivity path

Innovation and capital accumulation should drive the next productivity rise.



Source: Quintet, OECD (indexed to Q3 2019 = 100)

Financed by private investments and fiscal programmes, in particular in the US, many sectors should benefit from accelerated digitalisation trends that have been fast-tracked by the pandemic. They include videoconferencing, consumers shifting to e-commerce, digital payments and the 'internet of things'. AI is displaying progress in many fields, from natural-language recognition and driverless vehicles to broadening the areas of use of the 'messenger RNA' approach behind some of the Covid-19 vaccines.

Technological innovation should drive the generation and diffusion of new ideas. While resulting productivity gains may be hard to see at first, they could generate faster structural growth and continue to change the way goods and services are produced and how we consume them.

Since the mid-1990s, R&D spending has been driven by private investment. Now public R&D spending is finally stabilising and even rising again in some countries.

Faster capital accumulation is driving physical and digital capital expenditure, boosting many areas like automation, with the use of robots spreading in factories and warehouses at an increasingly rapid pace.

Investment implications

An asset's intrinsic value comes from a firm's earnings power. Valuation approaches relying mainly on company accounts treat many intangibles like 'expenses'. But if these can generate future cash flows, and are what makes companies what they are in the eyes of their customers, earnings and book value may be understated.

The reason is that markets are volatile as investors constantly re-evaluate asset prices against intrinsic values based on a firm's earnings power. But this calculation relies mainly on accounting metrics – valuation is based on a multiple of future profits and the book value of assets. So, if a chunk of costs is not current expenses like electricity or rent, but spending on intangibles generating future cash flows – such as advertising or R&D – then valuations based on earnings and book value may both fail to capture the full picture.

There are two key points for investors. First, intangible assets aren't just about digitalisation and technology, but also about intellectual property, networks, design, relationships and other factors not included in statistics. Second, in today's service-led economies, what makes companies valuable isn't physical ownership, but increasingly the value of intangible assets making them unique.

Intangibles can be used repeatedly, and are often characterised by network effects – the more they are used, the more useful and cheaper they become to other customers. Therefore, industries become dominated by big players.

Intangibles tend to generate bigger synergies than tangible assets. With increasing economies of scale, a firm that rises quickly will often keep on rising, as ideas multiply in value when they are combined with each other.

HOW WE ARE MOVING PORTFOLIOS

Strategic asset allocation

Looking to the past for what comes next

In today's investment environment of relatively low expected returns, we have plenty of tools available for boosting portfolio performance

Glancing in the rearview mirror

History shows that a well-diversified portfolio comprising multiple asset classes across different geographical regions can provide the best risk-adjusted returns over the long term. Such carefully constructed portfolios performed well throughout 2021's recovery rally.

We design a range of strategic asset allocations (SAAs) to meet the objectives of different investors, and they provide a framework for our investment process. During 2021 these strategies, outperformed the returns one can realistically expect in any given year, except for the most conservative portfolios. What is more, they have done so with a smoother journey than should have been expected.

However, we shouldn't expect a repeat of 2021 risk-adjusted returns on a regular basis. Past performance is no guide to the future.

Gazing through the spyglass

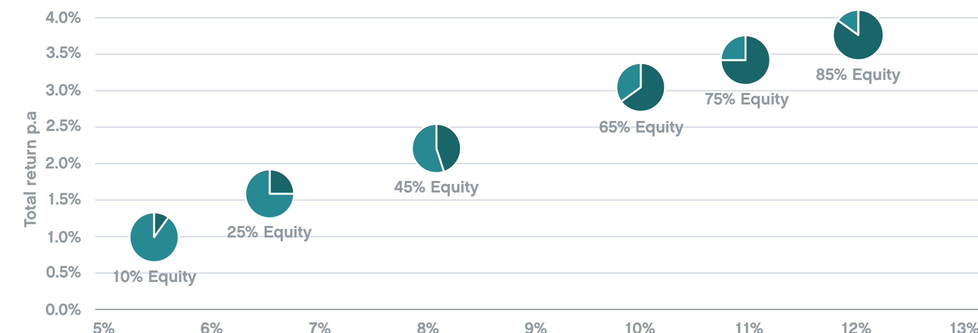
Looking ahead, lower returns than in the past few decades are a feature of the new investment environment investors face. These expectations are more dramatic for fixed income-heavy portfolios, but we also expect lower returns across all SAA risk profiles. They are not a result of how we construct our portfolios, but rather the result of low yields and high valuations.

What are the options for investors? We believe our well-diversified portfolios offer the best returns possible in this environment with a risk profile that matches your financial objectives. If investors are willing and able to ride the rollercoaster of higher volatility, a higher-risk strategy could be an option, but it's not for everyone.

Short-term deviations from our SAAs through tactical asset allocation (TAA), carefully selecting sustainable investment instruments and efficient implementation are all ways to enhance SAA returns and are key features of our investment process. Those with access to direct private investments and offshore hedge funds may also capture additional returns that often come from more illiquid assets. A new normal for investors that's not feeling so new anymore. Let's tackle it together.

A shift lower across risk profiles

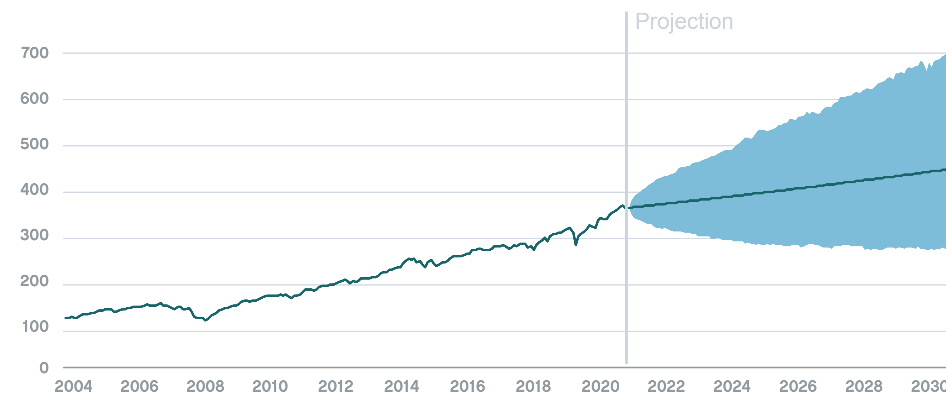
Expected risk and returns of selected EUR SAA profiles (in EUR, %).



Source: Quintet

A different path ahead

Historical and projected returns and 95% confidence band for EUR 45% equity SAAs (in EUR, %).



Source: Bloomberg, Quintet

Past performance is not a reliable indicator of future performance.

Tactical asset allocation

Investment conditions remain healthy as the global economy enters the next phase of its recovery from the pandemic

While global stock markets can continue to rise higher, we believe Asian high-yield bonds have the potential to boost portfolio returns over the next year

Short review 2021: positioned for the recovery

The main investment themes of 2021 were the ongoing global equity rally, as company earnings recovered strongly from their Covid lows, and an increase in bond yields, as inflation reared its head.

The equity rally lost some steam in the second half of the year and local/idiosyncratic factors came to the fore, such as China's regulatory clampdown across certain sectors, which weighed heavily on its stock market. We have had a neutral allocation to emerging market (EM) stocks since March.

Our tactical allocation in 2021 benefited from an overweight to equities as well as a short-duration bias and overweight exposure to the US dollar. Meanwhile, the overweight on Asian high-yield (HY) bonds detracted significantly.

How we invest in 2022

We are maintaining our risk-on TAA view into 2022 by overweighting US equities as well as EM sovereign and Asian HY bonds over low-yielding sovereign and investment grade bonds.

While the early recovery phase of the cycle – with its outsized equity gains – is clearly behind us, we believe the cycle is not at its end. Equities are still likely to outperform bonds during this phase, and the US market offers superior domestic growth dynamics and an attractive mix of cyclicals, defensives and technology companies.

We are also maintaining our preference for USD over EUR denominated bonds, due to the yield advantage (even after hedging the currency risk). In addition, USD bonds tend to hold their value better through periods of market volatility.

The appeal of Asian high-yield bonds

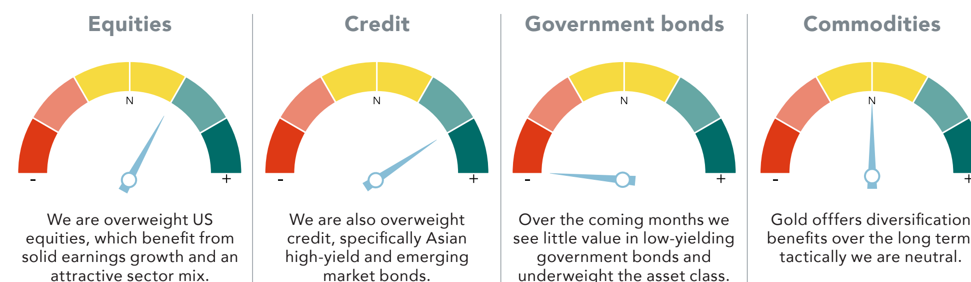
Asian HY bonds have come under increasing pressure in the second half of 2021. Unlike other global credit markets, Asian HY spreads widened to their highest level since the Covid crisis.

Investors priced in the risk of a default wave sweeping across the all-important Chinese property sector, which would mean more than a third of companies entering into bankruptcy. Such an outcome looks too dire to us, given the systemic risks it would pose to the Chinese economy. Corroborating our view, the Chinese government lately signalled an easing of certain restrictions, trying to calm investors' anxieties and preventing further escalation.

We are aware of the risks in the months ahead, but continue to believe the asset class offers a very attractive risk-return profile over the next 12 months. Thanks to its high carry of close to 10% and our expectation for spreads to tighten, we believe Asian HY will be an important positive contributor to 2022 tactical returns.

Move the dial

We're continuously adjusting our allocations to different assets classes to reflect the investment environment



N = Neutral weighting of the asset class within the SAA
Source: Quintet as at November 2021.

EXPERT VIEWS

Direct Equities

Is company pricing power about to be put to the test?

Kenneth Warnock,
Group Head of Direct Equities

Inflation has been largely subdued for the past 30 years, but has been spiking higher as the world recovers from the pandemic. How will company profits be affected if this inflationary environment persists? The answer is largely related to pricing power and working out which companies will be able to pass on increased costs to their customers – and which will not.

Warren Buffett, arguably the greatest investor of all time, famously said, *"The single most important decision in evaluating a business is pricing power. If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business".*

Buffett should know. Alongside his business partner Charlie Munger, Buffett pivoted Berkshire Hathaway from Ben Graham-cigar-butt-style investing to quality growth investing in the 1970s and 1980s to combat the threat of rising inflation. Berkshire's investments in high-quality business franchises like GEICO, Capital Cities, See's Candies, Coca-Cola and Gillette gave it a portfolio of companies with products that customers regarded as non-discretionary. That factor allowed the companies to raise prices in response to rising costs without fear of losing business.

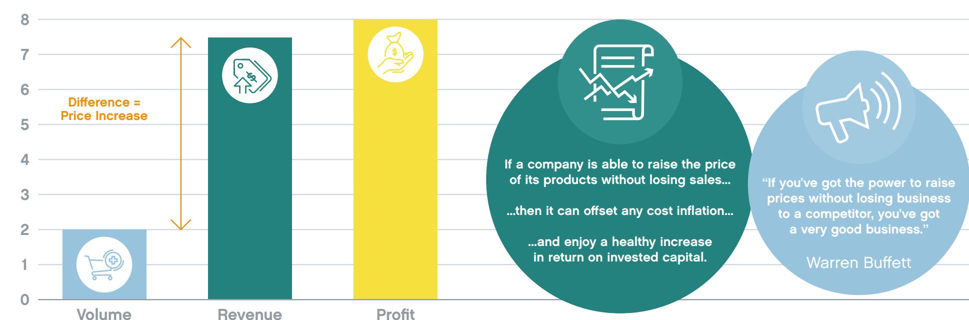
There is, perhaps, no better example of this than See's Candies, the premium confectionery business acquired by Berkshire Hathaway in 1972. In his 2007 Letter to Shareholders, Buffett explained that See's had achieved 7.5% annual growth in revenue since it was acquired, despite relatively modest growth of 1.9% in volume (weight of candy sold). The difference is price. Furthermore, as growth through pricing requires very little increase in invested capital, returns by 2007 were over 200%.

Looking at today's market, which companies have the same characteristics? One way to gauge this is to evaluate switching costs. In other words, how easy is it for a customer to respond to a price increase by switching to another provider? If the answer is very difficult, then this company will likely have pricing power. If the answer is easy, then limited pricing power exists.

We ask this question before every equity investment we make. We think this approach will help our clients' portfolios withstand the impact of rising inflation, if indeed this is something we are to experience in the years to come.

Sweet financials
Case study: See's Candies (1972–2007)

By maintaining pricing power between 1972 and 2007, See's Candies was able to achieve impressive profits growth.



Source: Quintet; Berkshire Hathaway, 2007 Letter to Shareholders

Fixed Income

With rising interest rates, what should investors expect from the credit markets?

Lionel Balle,
Head of Fixed Income Strategy

We believe a combination of active management and a sustainable approach is the best way to invest in fixed income markets. With central banks beginning to move and the macroeconomic situation continuing to evolve, our view is one of differentiation, combining top-down analysis with our thorough bottom-up approach.

For me, there is a before and an after the 2008 Global Financial Crisis – investing in fixed income markets has been much more difficult since. Investors must understand the specific characteristics of bonds and the factors that influence their prices and performance. In today's low-yielding environment, where central banks have started to think about tightening monetary policy, it is important to understand the impact of duration as well as what's driving bond returns. With a huge part of the market trading on negative yields, it is tempting to ride the curve (by purchasing long-term bonds with a maturity date that could be longer than your investment time horizon) or invest in bonds with the highest yields. But both approaches come with risks.

I think it is critical for investors looking for opportunities to enhance yield in their portfolios to focus on risk in today's market. Finding issuers with the best risk/return profiles is important to have conviction in the investment. It's also important to incorporate environment, social and governance (ESG) factors in the investment process and to fully understand how they affect the issuer. If credit analysis gives us a good understanding of the health of a company, ESG factors help us detect tomorrow's winners – businesses that can outperform over the long term. However, it is crucial to analyse the correlation between these convictions to build a well-diversified portfolio with an attractive risk/return profile.

Investing in fixed income is complex but also fascinating. The market's performance reflects evolving macroeconomic conditions. Yet when you invest in a bond, you can have a reasonably accurate view of your expected return if you remain invested until maturity, and there are no defaults on coupon payments – in contrast to investing in equities. The market is broad and not everyone understands how it works. Every day is different and I take great pleasure helping our clients and their advisers navigate this environment.

Volume of bonds with negative yields (USD trillion)

Conditions in fixed income markets are challenging for investors looking for decent returns.

Source: Quintet, Bloomberg

Lending

Lending is a powerful way to unlock liquidity from your portfolio

Annerien Hurter,
Group Head of Lending

Borrowing capital against the value of your assets can help you pursue higher investment returns and meet other financial objectives.

I believe leverage is a powerful but often overlooked strategy to improve investment performance and solve other financial challenges. Our lending team can help you unlock liquidity from your assets in order to take advantage of today's low interest rates through customised lending solutions.

When you borrow money against the value of your investments, it's called a Lombard loan. One of the advantages is that it allows you to access money without having to sell any holdings at a time when it may not be suitable, such as when markets have suffered a period of poor performance.

It's a popular choice for those who don't want to interrupt a long-term investment strategy. For instance, I recently arranged a loan for a family based in Europe to a buy a property in the US, where one of their children is attending university. This approach also means they don't have to open an account there, which is challenging and time consuming.

Others use lending to enhance returns because it allows them to take advantage of tactical investment opportunities as they arise. Often when investors need to unlock liquidity their first thought is to sell assets. Setting up a line of credit against the value of your portfolio may be a more effective strategy. You retain control of your core holdings and gain immediate access to funding for tactical investments.

Enhance investment returns

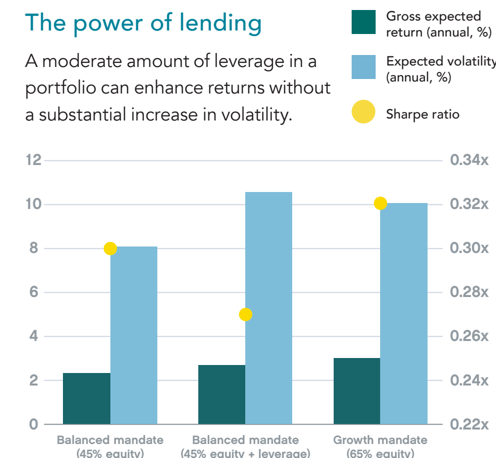
When investors seek higher portfolio returns, they can adjust their investment strategy to take on more risk. However, adding leverage against the value of your investments can be a more efficient way to improve performance, while maintaining your asset allocation. When the cost of borrowing is low enough, as it is today, our analysis indicates that volatility is not greatly impacted by a moderate amount of leverage.

We're also able to arrange other types of specialist loans on attractive terms, such as mortgages for those with non-standard types of income. Many of our clients have interests and assets in multiple jurisdictions. With lending specialists across continental Europe and the UK, we're able to provide cross-border lending solutions.

You can keep track of everything online using the My Quintet app. That includes information about any loans and an interactive tool to see how they are influencing portfolio returns. This secure platform uses multiple layers of the latest encryption technology to protect your data.

The power of lending

A moderate amount of leverage in a portfolio can enhance returns without a substantial increase in volatility.



Source: Quintet
Note: Based on a EUR 100 million portfolio and a EUR 30 million five-year loan at a total cost of 0.85%.

Sustainable Investment

We're finding lots of ways to transition investment portfolios to a more sustainable strategy

James Purcell,
Group Head of Sustainable Investment

I believe the investment industry has a large role to play in funding the firms and technologies working towards climate neutrality. Our work highlights investment opportunities in low-carbon equities and green bonds, as well as the value of verified emission certificates.

In order to guide our approach, we've introduced a straightforward, yet effective, lifestyle and investment framework in pursuit of climate neutrality called 'reduce, transform and remove'.

Reduce: consume fewer resources and create less waste.

Transform: innovate by adopting and funding new sources of energy, supporting new technologies and re-engineering supply chains through a circular economy.

Remove: actively remove CO2 from the earth's atmosphere by ecological or engineering methods.

Putting it to work for your investments

Typically, a robust investment portfolio has both bonds and equities working together. Equities are great for deploying a reduction strategy. We can measure the carbon emissions generated by companies and then calculate an equity investor's associated 'share' of them.

We can construct a globally diversified equity portfolio that closely mirrors the investment characteristics of conventional indices yet also exhibits a 70% reduction in associated carbon emissions.

Bonds can be a powerful instrument for transformation. In particular, green bonds are debt instruments where the funds raised are used exclusively to fund green projects, such as building new renewable power capacity.

We can construct a globally diversified investment grade bond portfolio that broadly mirrors the investment characteristics of conventional indices yet also support the following for every USD 1 million invested:

- removing the equivalent of 350 cars from the road;
- saving 40 homes' worth of energy;
- and reforesting or preserving the equivalent of 80 soccer fields.

In addition to equities and bonds, it is now possible to reach beyond financial markets and impact the real economy by proactively removing carbon from the atmosphere. Verified emission reductions (VERs), often called carbon credits, are supported by robust scientific methods and measurement techniques.

We favour the highest-quality VERs that are associated with additional carbon sequestration – such as reforestation. They are different to VERs that are associated with preventing carbon release – such as forest protection. I believe investors can combine liquid investments with VERs, with the latter being used to offset residual carbon associated with equity investing to create highly impactful portfolios.

INVESTING FOR THE FUTURE

Protecting our planet: walking the talk

We're committed as a firm to using only renewable electricity from 2022 and will no longer invest in companies that derive significant revenue from coal

As a trusted fiduciary, it is imperative that we "walk the talk" and our investment products and services fully reflected how we act as a company. As part of our ongoing efforts to contribute to global initiatives to combat climate change, we will not invest in any companies that extract or generate energy from coal. In addition, we will make sure our offices use only renewable electricity, or equivalent, from 2022 onwards.

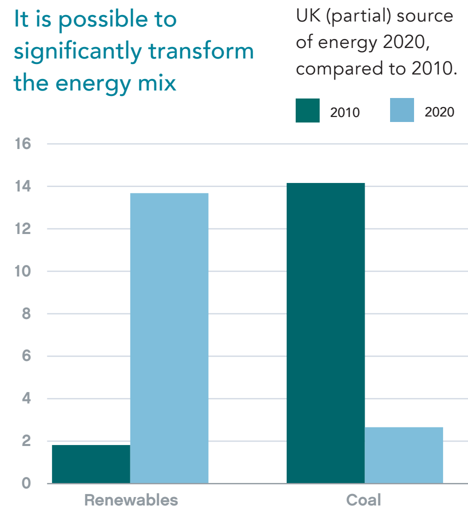
From 2022 we will start excluding companies that derive more than 10% of their revenues from thermal coal extraction or power generation from portfolios. We believe coal is an obsolete energy source, financially unviable over the medium term and highly detrimental to the environment.

The International Energy Agency (IEA) found that CO2 emitted from coal combustion is responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels. This makes coal the single largest source of global temperature increase.

According to the Intergovernmental Panel on Climate Change (IPCC), coal-fired electricity generation must be reduced to near zero to limit global warming to 1.5°C as defined in the Paris Climate Agreement. Under the report's middle-of-the-road scenario, combustion of thermal coal needs to be reduced by 75% from 2010 levels by 2030, and by 98% to 100% by 2050. Such as shift is possible if companies and governments commit to the transition. For example, in the UK in 2010 thermal coal comprised around 15% of the country's energy mix, following investment in renewables thermal coal now comprises just 2%.

It is possible to significantly transform the energy mix

UK (partial) source of energy 2020, compared to 2010.



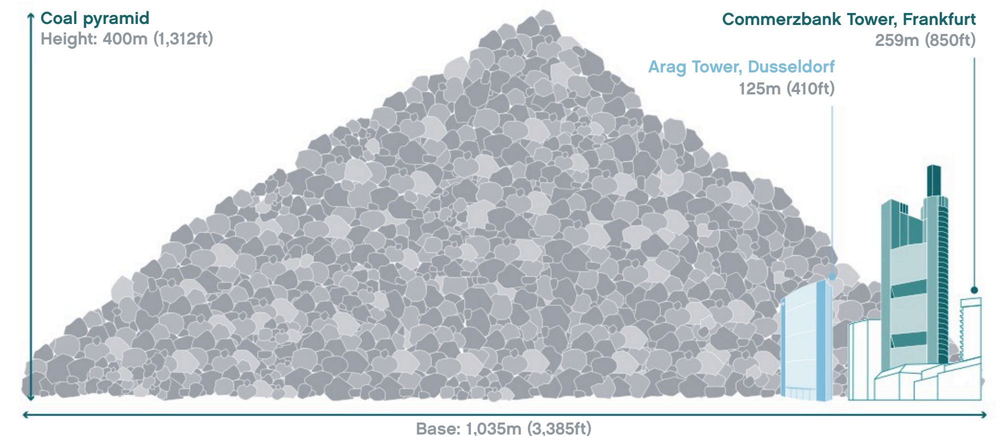
Y-axis: Share of UK source energy.
Source: Our World in Data, BP Statistical Review of World Energy

Thermal coal exclusion: an example

As a consequence of our new thermal coal exclusion, we will divest from the German energy company RWE. In 2019, RWE used 51 million metric tons of lignite, equivalent to 2,040 million cubic feet – enough to build a pyramid that is 50% higher than German's tallest building, the Commerzbank Tower. RWE has said it is improving its approach and targets net-zero emissions by 2040. However, we believe the path of the change for all thermal coal extractors and power generators is not adequate.

Electricity generation from thermal coal operates on a huge scale

Graphical representation of RWE's coal usage.



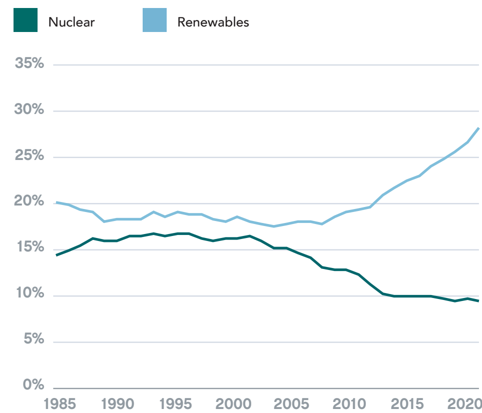
Source: Quintet, RWE, Skyline Atlas, Acqua Calc

Globally, almost 30% of the world's electricity now comes from renewable sources, a figure that rises to over 40% in some our operating markets such as Germany and the UK. Annual investment in renewable power has grown sixfold since 2004 to over USD 300 billion, an investment that has facilitated our electricity transition. However, despite this huge investment, the world's share of electricity coming from low-carbon sources – a measure that includes nuclear as well as renewables – has remained stagnant over the past three decades, as renewables' growth has merely offset nuclear's decline.

Renewables includes hydropower, biomass, wind, solar, geothermal and marine production; it does not include nuclear or traditional biomass.

Furthermore, the world's energy usage – a measure that includes transport and heating as well as electricity – remains reliant on fossil fuels. In part due to the predominance of oil-fuelled cars, trucks and planes, renewables account for just 11% of the world's energy mix. As we shift our electricity consumption to 100% renewable, we know that, collectively, we have far to go.

The share of nuclear and renewables in total global electricity production



Source: Our World in Data, BP Statistical Review of World Energy

Committed to sustainability

We are committed to a sustainable approach as a business and as investors. We believe the investments we offer and how we act as a firm should be fully consistent. We have combined our sustainable investing and corporate social responsibility teams to ensure we meet these goals.

As far as we are aware, Quintet Sustainable is the industry's first true 100% sustainable portfolio that is fully globally diversified. Within our investment philosophy and process, sustainability is embedded from asset class forecasts to asset universe to instrument implementation. We have the flexibility to incorporate the best investment managers in portfolios in pursuit of performance.

Contact your Client Advisor to find out more about Quintet's sustainability commitments and how we can help you manage your money for future generations.

Thematic

Long-term thematic investing can help investors benefit from key structural and technology trends

New technologies have provided attractive investment opportunities over the past decade. Disruptive innovation themes are likely to do so over the next – from artificial intelligence and robotics to genomics and cleantech.

Since 2007's iPhone launch, digital ecosystems have developed immensely but we believe we're about to enter a new exponential tech age. By 2030, over 2 billion new users could be online via increasingly powerful mobile devices and technology may become even more common in every aspect of life. Climate and health themes are likely to intensify as well. Innovations like quantum computing, decentralised finance (DeFi) and the space economy are on the horizon too. These structural themes are likely to define tomorrow's winners.

Learn from the past and look for tomorrow's long-term winners

Structural trends can be extremely powerful in the long term, as we have seen over the past decade or so. For example, since the iPhone kickstarted the modern mobile digital era in 2007, the technology-heavy Nasdaq 100 Index has delivered a total return of more than 700%, easily outpacing broader equity markets and powering through major global crises as if they were just small speed bumps.

The performance of some technology stocks was even more spectacular – Netflix shareholders have enjoyed total returns of more than 16,000% since 2007.

We believe winners get bigger in a digitally connected world as they are able to develop larger ecosystems and stronger moats. For example, in terms of market capitalisation, the top 10 US technology stocks of today now account for 29% of the S&P 500 Index versus just 5% in 2007. Together they are almost as big as the market value of all the companies in Europe's Stoxx 600 Index, highlighting this "winner takes all" trend. The power of ecosystems and network effects is hard to ignore – Apple now sells more watches than the whole Swiss watch industry combined, even though watches represent less than 10% of Apple's sales. Despite such big winners, new services can also emerge in this rapidly changing tech-enabled world via themes such as big data, software-as-a-service, the platform economy, digital payments and cybersecurity.

Concepts like cost reduction through scaling up and innovation are very important too – technologies like renewable energy and electric vehicles have developed so much over the past decade that they are now economical or more sought after than legacy fossil fuel alternatives. Popular sentiment, which ultimately drives regulation and consumer trends, can also have a big impact. For example, the increasing focus on climate change is leading to greater clean energy investments, more support and demand for clean mobility, and growth in social media. In other areas, long-term trends such as ageing populations can drive themes like robotics and future health.

Moving on up

America's Nasdaq Index has powered through major global crises as if they were just small speed bumps.

Source: Quintet, Bloomberg
Past performance is not a reliable indicator of future performance.

Faster innovation could mean wider gap between "winners" and "also-rans"

Innovating is getting easier, faster and more disruptive as a growing ecosystem of angel, venture capital and private equity investors incubate and scale start-ups at a higher pace every passing year, making them ready for global domination.

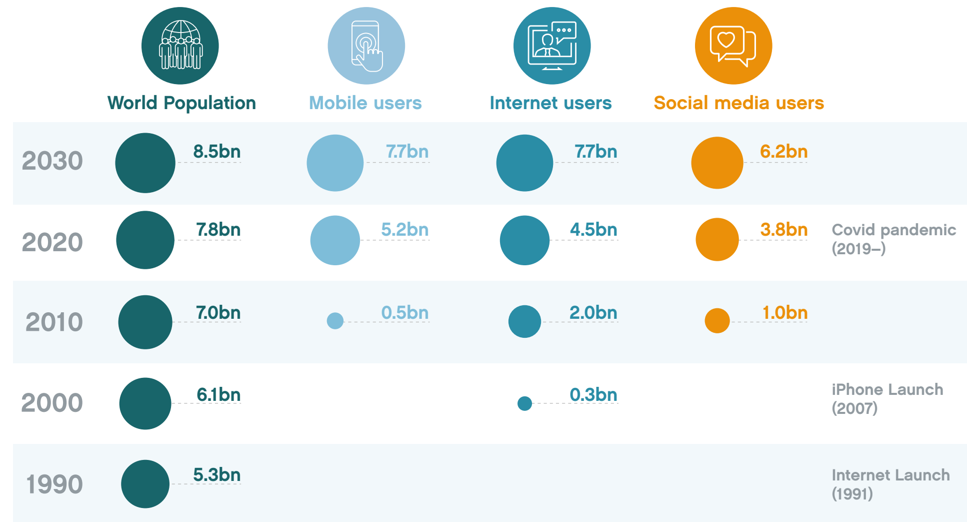
The flip side of disruptive innovation is the likely drag for old-economy industries.

We see the greatest headwinds for fossil fuel-linked sectors, bricks and mortar retail and potentially even traditional finance.

The gap between the few "winners" and many "also-rans" could become even more acute this decade as disruptive innovation and digital ecosystems take control of markets.

Digital world = connected world

Disruptive innovation and digital ecosystems are likely to increasingly influence markets as the global population expands.



Source: Quintet, UN, Statista, GSMA, Cybersecurity Ventures, Infoplease.com, Internetworldstats.com

Our approach to thematic investing

Thematic investing allows investors to think about the future in our changing world. The objective is to invest in sectors, industries and companies that are expected to become structural winners. Future winners are likely to be the businesses that anticipate and understand how the future will be drastically different from the past. Thematic winners can not only be the innovators of new products or services but also work towards solving major problems like climate change or an ageing population.

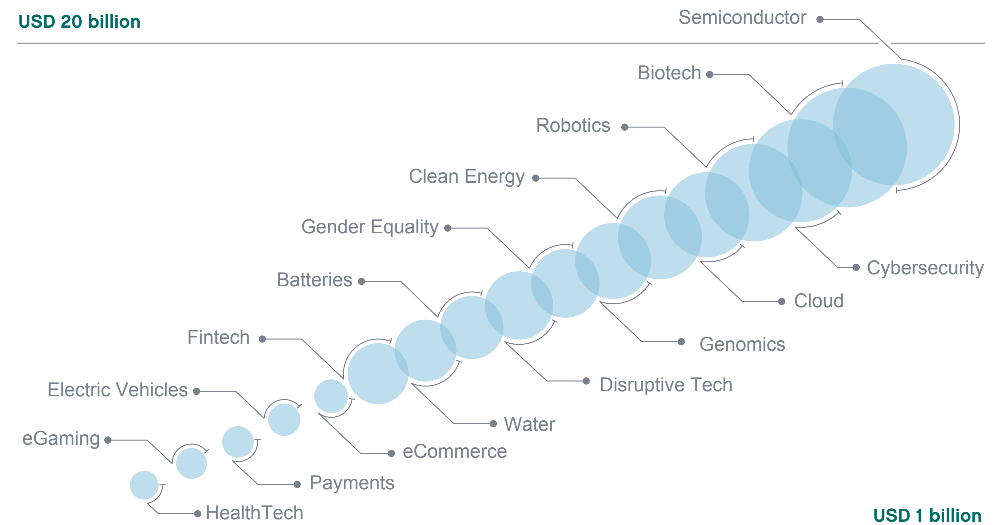
Themes are secular growth trends expected to exponentially expand over multiple years. Their effects tend to be recognised but still underappreciated by the wider market. We use five megatrends in our analysis:

- demographic change;
- regulatory waves;
- social shifts;
- sustainability;
- technological progress.

These structural drivers can operate with a degree of independence from the broader economic cycle.

Top thematic ETFs (AUM, USD billion)

Thematic funds offer an efficient way to invest in secular growth trends.



Source: Bloomberg, ETFdb.com

Key themes this decade: digital ecosystems, disruptive innovation, climate solutions and future health

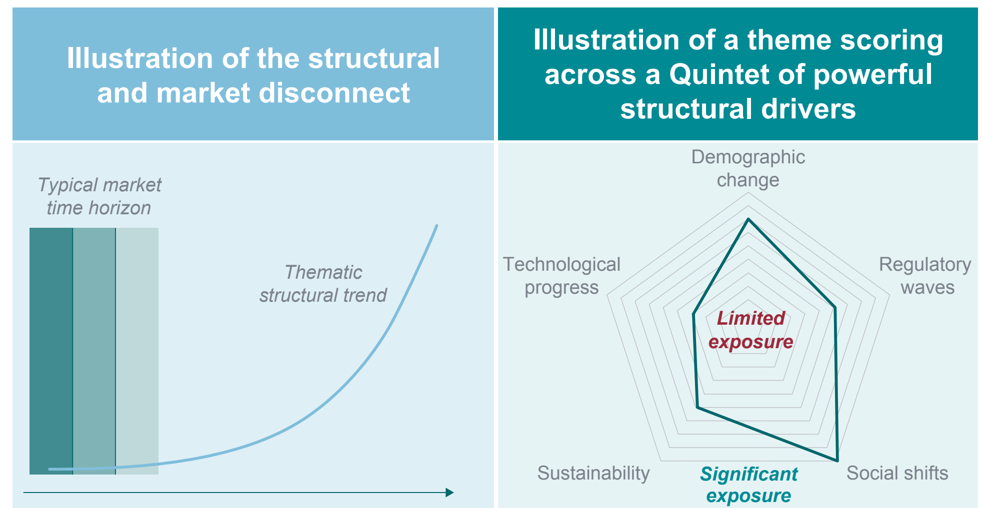
We believe digital technology themes could further increase their dominance this decade as the long-term structural supports are compelling including likely advancements in foundational technologies like artificial intelligence (AI), further growth in the global online user base and leaps in global data volumes. Together with improvements in physical technologies such as robotics, 3D printing and space tech, the pace of disruptive innovation is likely to increase this decade, in our opinion.

In planet themes, we see long-term opportunities for growth and commercialisation as the focus on climate change intensifies. Themes such as clean energy and electric vehicles have established their credentials in recent years, so this decade might be about scaling up and share gains from fossil fuels. New planet-friendly themes like vertical farming, meat alternatives and hydrogen are trying to prove their credentials too.

As for people themes, digital health solutions could benefit from high growth while we also see disruptive potential from genomics and biotech. The global health industry was able to deliver Covid vaccines within a year of the pandemic start using new technology such as mRNA, which points to the longer-term possibilities. In addition, a rapidly ageing population and rising healthcare costs provides strong tailwinds for innovation in future health themes.

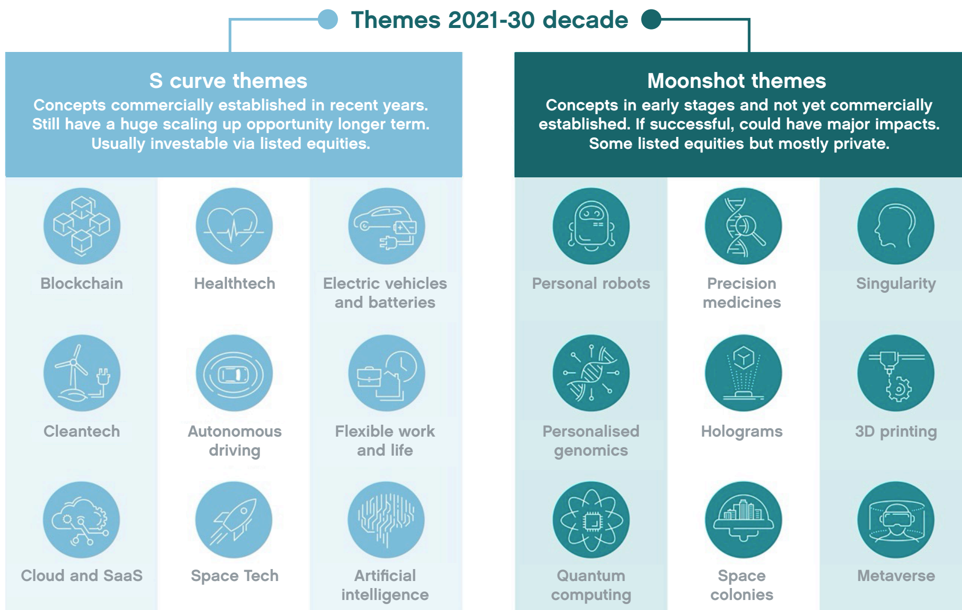
Thematic opportunities

There are many ways for investors to gain exposure to thematic opportunities.



A vision of the future

There are many themes that could provide exciting opportunities for investors over the next decade.



Source: Quintet

Through thematic research, our investment analysts are looking to expand our understanding of long-term structural trends.

Our ambition is to help our clients by identifying tomorrow's winning themes and offering investment opportunities linked to them.

Thematic investing can also help our clients be ready for the numerous disruptive innovations that we believe are likely this decade.

We believe our clients can help create a better future by investing in themes falling into the people, planet and productivity pillars of thematic investing.

Our Offices

Luxembourg
Luxembourg
T: +352 47 97 1
info@quintet.com
www.quintet.com/en-lu

Denmark
Copenhagen
T: +45 33433580
quintetdanmark@quintet.com
www.quintet.dk

Germany
Munich
T: +49 89 21 04 16 52
info@merckfinck.de
www.merckfinck.de

Belgium
Brussels
T: +32 2 679 45 11
private.banking@puilaetco.be
www.puilaetco.be

United Kingdom
London
T: +44 20 7606 9833
info@brownshipley.co.uk
www.brownshipley.com

The Netherlands
Amsterdam
T: +31 20 521 50 00
info@insingergilissen.nl
www.insingergilissen.nl

Contributors

Bill Street
Group Chief Investment Officer

Daniele Antonucci
Chief Economist & Macro Strategist

James Purcell
Head ESG,
Sustainable & Impact Investing

Carolina Moura-Alves
Group Head of Asset Allocation

Pinaki Das
Head of Thematic Research

Philipp Schöttler
Cross-Asset Strategist

Patrik Ryff
Strategic Asset Allocation Strategist

Robert Greil
Chief Strategist, Merck Finck

Tom Kremer
Senior Macro Strategist

Phillip Odum
Macro Strategist

Production Team

Veronique De Vynck – CIO Offering Communications Manager
Gerwin Wijnia – Chief Investment Officer, InsingerGilissen
Verónica Martínez Sotillo – CIO Transformation Director
Jean-François Jacquet – Chief Investment Officer, Luxembourg
Robin Beugels – Head of Investment Management, Germany
Thomas Meijer – Advisory Specialist

+ Quintet Private Bank Marketing Team

This document is designed as marketing material. This document has been composed by Quintet Private Bank (Europe) S.A., a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and company register under number B 6.395 and having its registered office at 43, Boulevard Royal, L-2955 Luxembourg ("Quintet"). Quintet is supervised by the CSSF (Commission de Surveillance du Secteur Financier) and the ECB (European Central Bank).

This document is for information purposes only, does not constitute individual (investment) advise and investment decisions must not be based merely on this document. Whenever this document mentions a product, service or advice, it should be considered only as an indication or summary and cannot be seen as complete or fully accurate. All (investment) decisions based on this information are for your own expense and for your own risk. It is up to you to (have) assess(ed) whether the product or service is suitable for your situation. Quintet and its employees cannot be held liable for any loss or damage arising out of the use of (any part of) this document.

All copyrights and trademarks regarding this document are held by Quintet, unless expressly stated otherwise. You are not allowed to copy, duplicate in any form or redistribute or use in any way the contents of this document, completely or partially, without the prior explicit and written approval of Quintet. See the privacy notice on our website for how your personal data is used (https://group.quintet.com/en-gb/gdpr).

The contents of this document are based on publicly available information and/or sources which we deem trustworthy. Although reasonable care has been employed to publish data and information as truthfully and correctly as possible, we cannot accept any liability for the contents of this document.

Investing involves risks and the value of investments may go up or down. Past performance is no indication of future performance. Any projections and forecasts are based on a certain number of suppositions and assumptions concerning the current and future market conditions and there is no guarantee that the expected result will ultimately be achieved. Currency fluctuations may influence your returns.

The information included is subject to change and Quintet has no obligation after the date of publication of the text to update or inform the information accordingly.

Copyright © Quintet Private Bank (Europe) S.A. 2021.All rights reserved. Privacy Statement