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## Summary of the first quarter 2024

### The era of zero interest rates is coming to an end, but inflation is still with us.

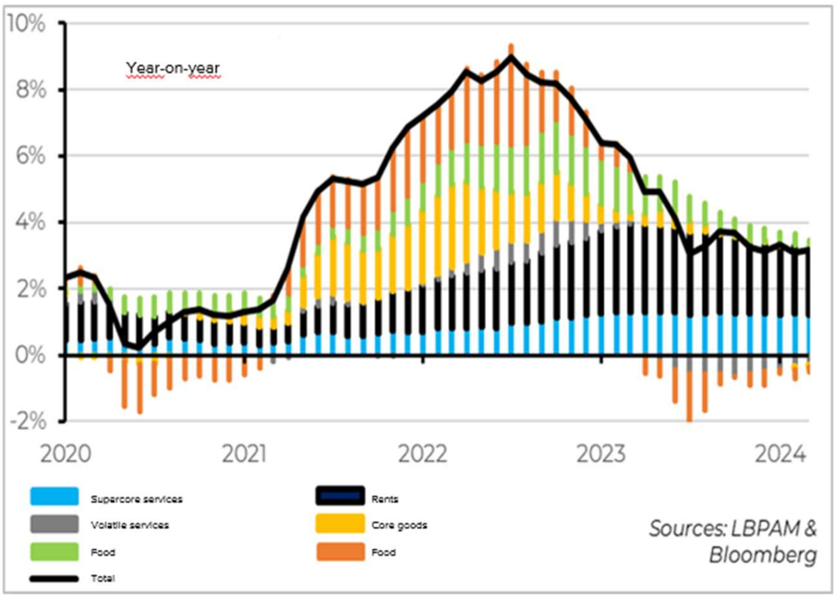
For the first time in a very long time, there are no longer any negative key rates! The BoJ (Japan's central bank) has raised its rates, putting an end to 17 years of negative rates, in recognition of the solid dynamic between wages and inflation. As a reminder, the rate hike was initiated in the US in 2022 to counter a very local wave of inflation, which was presented at the time as transitory. It has to be said that inflation is still with us, and is even showing a degree of resilience. Core inflation (excluding food and energy) has now been running at around 3% since mid-2023, and does not look set to fall quickly below the FED's 2% target.

In our view, this persistent inflation is a sign that the US economy is doing well. Indeed, GDP growth remains solid, driven by household consumption boosted by persistently high employment.

The *soft* landing scenario does seem to be coming true, against many expectations... And it is this scenario that is reflected in current US equity market valuations.

For once, we have some reservations about the merits of this pink scenario, for a number of reasons:

i) First, inflation remains high, albeit on the path desired by Jerome Powell. Any premature rate cut would therefore counter the monetary policy pursued for the past 2 years. The market is anticipating 3 rate cuts over 2024, the first of which would take place in June. We note that expectations of rate cuts at the start of the year were focused on March...
We are not so optimistic and believe that, just as in 2023, when the market constantly shifted its maximum rate expectations, there is a high risk of disappointment over the date of the first cut, or the number of cuts.



ii) Second, while employment and wages are very strong, the proportion of households holding several jobs has risen sharply, certainly in order to cope with the effets of inflation coupled with rate rises, making debt repayments (credit cards, for example) more complicated to manage.

iii) Finally, growing proportion of interest payments on US public debt in a context of high interest rates has catalysed ever larger and unsustainable public deficits. We will be keeping a close eye on forthcoming US bond issues, with the risk of slippage if major debt buyers (e.g. China) fail to step up (e.g. China over the past 2 years ….).

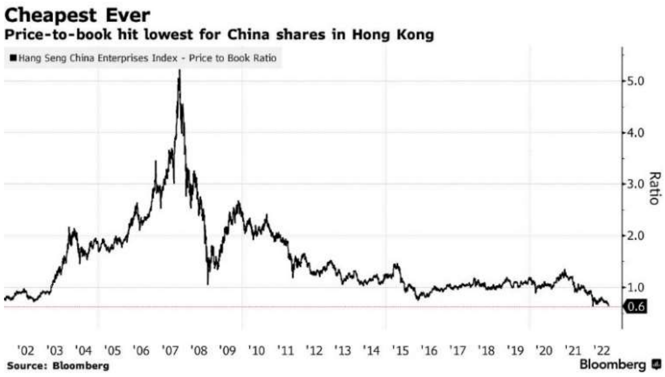
We believe, however, that some or all of these problems will not be resolved in 2024, due to the busy electoral calendar. Candidates to the US elections are likely to make more clientelist statements in order to boost consumer confidence and hence consumption… and potentially inflation…

## What are the implications for the markets?

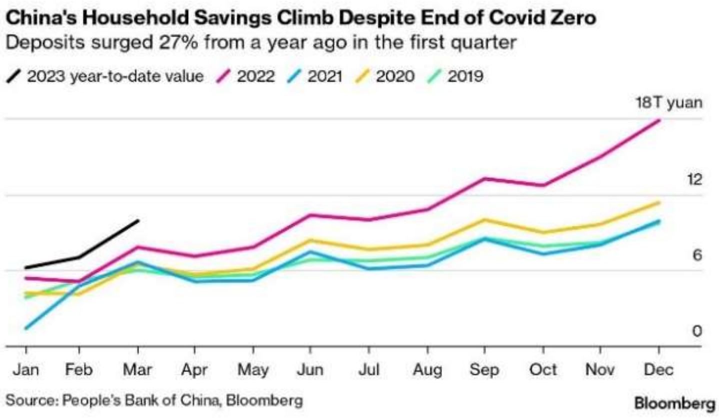
US growth remains robust. Interest rates may be high, but the US and EU central banks have indicated the direction of the next move: cuts. US valuations may be high, but the focus is on a handful of stocks linked to artificial intelligence, and company reports remain solid… The weight of the Magnificent 7 in the indices, together with the strength of their results and the surprises announced by Meta, which has the status of a dividend-paying technology company, have taken the Nasdaq and S&P to record levels. The European indices were not to be outdone, with the CAC 40 and the Dax at historically high levels, ignoring the German recession in favour of statements by Mrs Lagarde, who is said to have regained a semblance of credibility by announcing rate cuts as early as June…

Against a backdrop of positive sentiment, a seemingly sector rotation is tentatively taking shape.

As for China, the country is experiencing extremely complicated headwinds. With an ageing population and a debt crisis following developer bankruptcies (Evergrande and Country Garden), valuations in the region are at their lowest level for 25 years.




The CCP met to dictate future policy and announced that it was aiming at a growth of around 5%. It's a safe bet that this target will be met, as it always has been for the past 30 years… We are seeing a few measures to support the markets and households, but no major stimulus plans for the moment. It should be noted that the manufacturing PMI indicator for 31 March 2024 stood at 50.8, i.e. in the expansion zone, for the first time since September. Be that as it may, Chinese households have CNY18 trn, or around $2.5trn in accumulated savings, which will flow into the economy once confidence returns... or is forced to (as a reminder, Chinese GDP was $18trn in 2022...).




## Our Q1 performances

With the uptrend in equity indices continuing since the start of the year, the equity component rose by 8% in the first quarter. Our diversified strategy based on geographical, sectoral and thematic considerations has enabled us to gain exposure to pockets of growth while controlling risk. As a result, exposure to Western economies accounted for 73% of the equity portfolio, emerging markets for 9% and the thematic portfolio for 18%.

The bond component performed -0.17% over the period. Our cautious stance on expectations of a US rate cut and on the sustainability of the economic cycle has led us to adopt a cautious approach. As a result, 70% of the portfolio is invested in sovereign bonds and 30% in corporate bonds, all of which are Investment Grade (high quality).

The cash position is fully indexed to €STR rates, which stood at 3.906% on 29/03/2024, giving a 2024 performance of around 1%.

Finally, our crypto-asset scenario continues to run its course, with the pocket up 41% since January. Blackrock's statements[1] in favour of the tokenisation of real assets, as well as a regulator more inclined to approve Bitcoin-backed products (ETFs in the US) rather than ban them, give us confidence in the adoption of blockchain technology.

In this context, the performance of our various risk profiles are as follow:

| | Prudent | Balanced | Dynamic |
|---|---|---|---|
| Performance | 6,98% | 9,86% | 13,00% |
| Risk | 3,6 | 4,2 | 4,8 |

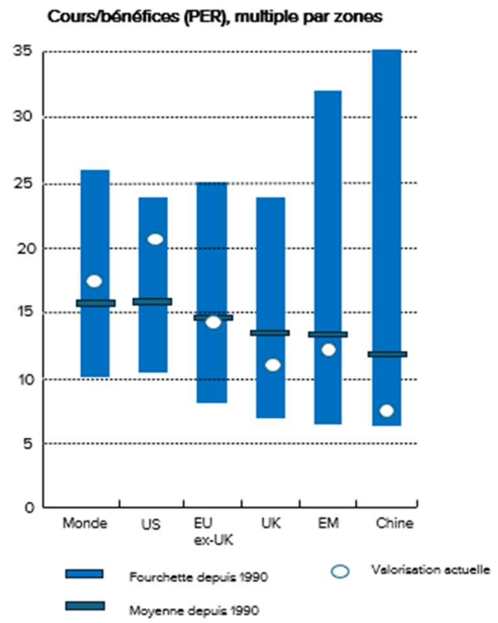
*SRRI risk indicator from 1 to 7.

## Our positioning for Q2

We continue to take a cautiously positive view on both the macroeconomy and the markets in general. Although valuations are very disparate, the most important factor is the desynchronisation of growth between regions against a backdrop of sustained global inflation. Investing on the basis of valuation alone is not enough for us,

[1] https://www.coindesk.com/fr/markets/2024/03/20/blackrock-enters-asset-tokenization-race-with-new-fund-on-the-ethereum-network/

We are therefore going to let ourselves be carried along by the 'new normal' dynamic that seems to be taking hold, while remaining tactical, dynamic and opportunistic in the face of excessive fear and/or confidence. Our attention is increasingly focused on emerging markets, where opportunities are presenting themselves in both equities and debt. However, we believe it is important to hold on to some liquidity, which carries around 4%... and at least provides a hedge against inflation.




We remain constructive on cryptoassets, while keeping an eye on the cycle around the April 2024 *halving*, which will certainly be different from the others. Now that institutional investors are getting to grips with the issue, we will have to play by their rules.

We are delighted with this good start to 2024, following a very positive 2023, in terms of performance. Complacency is not one of our values, and our determination to create value while protecting what has already been achieved is resolutely more important than the risks accumulating.

Our differentiated positioning in crypto-assets, based on our enthusiasm for blockchain technology linked to a cycle that we had correctly identified, has resulted in a definite additional performance, which we expect to continue until September.

Against this backdrop, we will continue to take a dynamic, wait-and-see approach, seizing opportunities wherever they arise, while maintaining a diversified approach in order to control risk.

We wish you a very happy Easter!

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