MONTHLY HOUSE VIEWS

March 2021

Light On The Horizon

Macro

One year after the first COVID-19 deaths in Europe and the US, new strains of the virus are forcing governments to keep restrictions tight for now. As a result, consumers have chosen to boost savings rather than spend and – although business confidence has recovered in manufacturing – many service businesses continue to struggle. This means that fiscal support programmes – such as President Biden's USD 1.9 trillion plan – remain indispensable buttresses for developed economies. At the same time, vaccination programmes have accelerated – notably in the UK and the US – which offers hope that lockdowns will be eased by summer, heralding a synchronised cyclical recovery in H2.

Central Banks

Stronger demand from industry, output cuts and bottlenecks in supply chains have pushed many commodity prices to multi-year highs, kindling fears of rising inflation. Indeed, the year-on-year comparisons with last spring's collapse in oil prices are likely to drive headline prices higher by summer. However, central banks have reiterated that they view these pressures as transitory – in his recent testimony to Congress, Federal Reserve (Fed) chair Jay Powell emphasised that inflation risks remain to the downside. In this context, we believe central banks will ensure that financial conditions remain very accommodative, keeping key rates unchanged and pursuing asset purchase programmes at current rates.

Markets

The impending cyclical upturn, the size of Biden's fiscal plans and emerging inflationary pressures have combined to push bond yields ever higher since last summer, taking them back to pre-crisis levels. As is often the case – discounting long-term cash flows at higher rates leads to a lower net present value for equities – equity markets have come under pressure recently, particularly highly-valued growth stocks while cyclicals and value stocks have held up better. With bond and equity prices trading lower in late-February, the US dollar has seen some safe haven flows, gaining ground against both advanced and emerging market currencies.

Bottom line

Our confidence in global equity markets remains intact and we continue to hold a strong Overweight position. In terms of regions, our preferences remain those markets with greatest sensitivity to cyclical recovery, most notably emerging markets, Japan and the euro zone. Our sector allocations aim for broad diversification between growth stocks (in technology for example) and undervalued laggards which should benefit from the upturn in the cycle. Within fixed income markets, we are Underweight across the board, with the exception of emerging market bonds. Finally, our view on the US dollar is unchanged – we expect the greenback to shed further ground over 2021.

Unless otherwise specified, all statistics and figures in this report were taken from the following sources on 05/03/2021: Bloomberg and Datastream.

OUR ASSET ALLOCATION

The table below presents the latest conclusions of our Global Investment Committee

			Summary house views					
			Strong U/W	U/W	N	O/W	Strong O/W	Change since last GIC
EQUITY		GLOBAL EQUITY					■	
		United States			■			
		Eurozone				■		
		United Kingdom			■			
		Japan				■		
		Emerging					■	
FIXED INCOME	SOVEREIGN	GLOBAL RATES		■				
		U.S. Treasuries	■					
		U.S. Breakeven			■			
		Bunds	■					
		EMU Breakeven			■			
		Gilts	■					
		Gilts Breakeven			■			
		EM Govies ($)			■			
	CORPORATE	U.S. IG		■				
		U.S. HY		■				
		EMU IG		■				
		EMU HY		■				
		UK IG		■				
		UK HY		■				
		Duration USD*		■				
		Duration EUR*		■				
		Duration GBP*		■				
FOREX		EURUSD				■		
		USDJPY		■				
		GBPUSD			■			-
		EURCHF				■		
		EM FX (vs. USD)				■		
CMDTY		Brent			■			
		Gold			■			
ALTERNATIVE		ALT. STRATEGIES			■			
		L/S Equity			■			
		Event-Driven				■		
		FI Arbitrage		■				-
		Global Macro / CTAs			■			

	Positioning	*Duration
O/W	Overweight	Long – 7-10 years
N	Neutral	Intermediate – 5-7 years
U/W	Underweight	Short – 3-5 years

EQUITIES	
United States	We remain Neutral on US equities, which reached new all-time highs in mid-February and stress the importance of diversifying into more cyclically-sensitive, undervalued sectors.
Eurozone	Eurozone equities resumed the outperformance begun in November as markets reacted to excellent vaccine trial results. We continue to be Overweight the region with a preference for more cyclically-sensitive sectors.
UK	We remain Neutral given stringent lockdown restrictions and Brexit disruptions, which will have a strong impact on the UK economy.
Switzerland	The market is dominated by high-quality, defensive stocks, which should help cushion any downside.
Japan	We remain Overweight on Japanese equities, which recently reached levels not seen since early 1991 but this time without any exaggeration in valuations.
Emerging (EM)	We expect a stronger recovery in growth in Emerging countries than in advanced economies. We continue to hold a strong Overweight position.

FIXED INCOME	
Sovereigns	Government bonds remain unattractive, offering negligible or negative yields to investors. We remain at strong Underweight.
Duration*	We still prefer shorter-dated bonds, which are less sensitive to any rises in rates.
Inflation-linked	We expect a pick-up in headline inflation over the spring given the rise in energy prices since last April's crash.
Investment Grade	Spreads have tightened further towards historic lows and we remain Underweight.
High Yield	With yields hitting new all-time lows in mid-February, HY offers insufficient compensation for default risk and we remain Underweight.
Emerging debt (in € and $)	We continue to prefer Asian issuers given the cyclical upswing which is well underway.

CURRENCIES	
EUR/USD	The Euro continues to carry an unjustified undervaluation in purchasing power parity terms, by some -16%.
GBP/USD	Sterling has been the best performing major currency YTD against USD thanks to the UK's rapid vaccination rollout relative to other advanced economies
EUR/GBP	Post-Brexit disruptions may weigh on sterling against the euro in coming months.
USD/JPY	This optimism has pushed safe havens like JPY lower but, with USD/JPY now close to fair value, we remain Neutral.
EUR/CHF	Confidence has grown that 2021 would see global cyclical recovery, which has helped weaken the franc. We expect a period of consolidation in EUR/CHF.
Emerging	We expect the renminbi to consolidate in coming months before heading higher again.

ALTERNATIVES	
Hedge funds	Our preferred strategies are Special Situations, directional L/S Equity, discretionary Global Macro and CTAs.
Gold	Fiscal spending and hopes of easing lockdown restrictions have weakened demand for safe havens. Gold prices should recover once real rates fall again.
Oil	We expect oil prices to consolidate in coming months as supply cuts compensate for sluggish near-term demand.

Source: SGPB, 05/03/2021
* Duration: short = 3-5 years, medium = 5-7 years, long = 7-10 years
HY = High Yield bonds (higher return but greater risks), IG = Investment Grade bonds (higher quality but lower return)

ECONOMIC OUTLOOK

Inflation expectations pressure yields

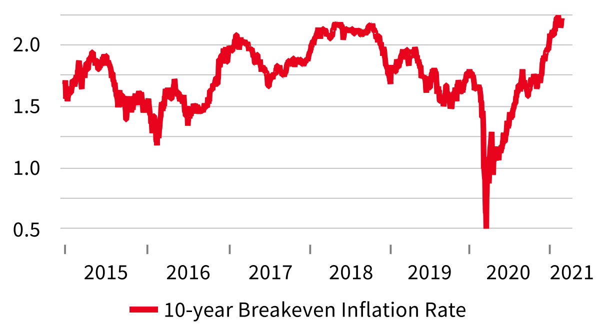
The investing world has been sent into a tailspin as it digests the possibility of renewed inflation, a paradigm shift after decades of anaemic price rises. Indeed, ever since the Great Financial Crisis (GFC), the spectre of deflation has been the overarching concern for major central banks.

This potential sea change has several currents. **One**, while neither quantitative easing (QE) nor deficit spending are novel, the sheer scale being used today certainly is. Most notably, the Biden administration is pushing through a $1.9 trillion fiscal package on top of the $900 billion support bill passed by his predecessor in late December – together, a staggering 13.4% of GDP. And central banks are doing their part. The European Central Bank's (ECB) cumulative purchases have shot up from 39% of GDP to 63% over the past 12 months.

Two, money supply has shot up dramatically, particularly in the US. Nothing on this scale occurred after the GFC because much of the QE stayed on bank balance sheets. Demand for loans was muted and so the money multiplier stayed low. The difference this time is the scale of fiscal spending with much of it going straight to households via direct payments, up to $3,200 each for the poorest Americans for example if the Biden aid package gets approved. This is unprecedented.

Three, with a rapid ramp-up in vaccinations in most developed countries, expectations are that spending will surge once restrictions on mobility are lifted later in the year. Economists fear that unleashed consumer spending will overheat the global economic recovery and stoke the inflation pressures fomented by government spending and monetary excess.

Inflation expectations have surged



Source: SGPB, Macrobond, 04/03/2021

Lastly, raw material prices have shot up over the past few months – the Bloomberg Commodity Spot index is up 34% over the past twelve months.

For these reasons, inflation expectations have surged from the historical lows witnessed in the throes of the pandemic last year (see chart below). This has huge market implications. Inflation fears have driven yields on government bonds around the world sharply higher as investors demand more yield to preserve inflation-adjusted incomes. This in turn has had an impact on equity markets. In recent years, investors have been tolerant of higher valuations given the negligible or negative rates set by central banks and historically low bond yields. However, discounting long-term cash flow growth at higher rates leads to a lower net present value for highly-valued equities.

It is our belief that markets have got ahead of themselves with inflation expectations, given today's gaping wide output gaps. Unemployment levels remain high, there is huge underutilised capacity in factories and retail outlets and there are broad swathes of the economy which rely on handouts from the government simply to stay afloat. This enormous excess capacity must be worked through before wage pressure and bottlenecks begin to push underlying inflation higher. Moreover. long-term structural trends such as aging and inequality remain entrenched too – older, richer people tend to save more and spend less.

Bottom line. We expect a rise in inflation this year as the above factors work through the system but think this will be a transitory phenomenon, not structural, given the slack in the economy. Moreover, we take central bankers at their word that they have little intention to raise rates until pre-pandemic level of unemployment and economic activity are firmly in hand. It is much more likely they act to curb the increase in yields – buying long-dated bonds as part of ongoing QE programs for example – than raising rates and endangering a nascent recovery.

FIXED INCOME

Sticking to Underweight

Many fixed-income markets saw record high prices and record low yields in January, on sustained central bank purchases. With little value left, our allocations to sovereign bonds are Strong Underweight and "credit" – i.e., investment grade (IG) and high yield (HY) corporate bonds – exposure has been cut to Underweight.

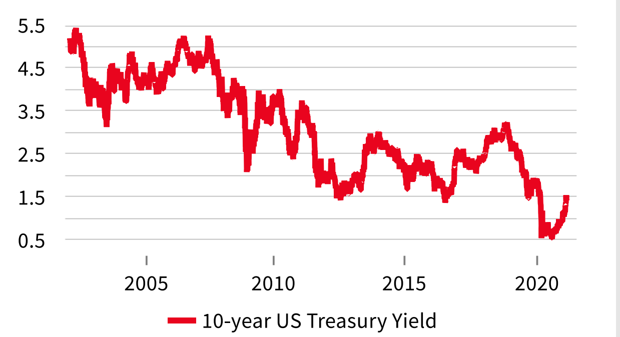
Sovereigns

US. Yields continued to surge higher in February on hopes of massive fiscal stimulus and multi-year highs in commodity prices. Moreover, strong progress in vaccination programmes has strengthened conviction that lockdown restrictions will be phased out, paving the way for a strong H2 recovery. Nonetheless, there are areas of concern, most notably the job market where the number of Americans in employment is still almost 10 million below pre-crisis levels. This suggests that the Fed is likely to keep policy easy, continuing its massive Treasury purchases which will help keep a cap on yields.

Eurozone. Upside in core sovereign bond yields has been relatively modest with 10-year German Bund yields at -0.34%, only 30 basis points (bps) above November's lows. This reflects the double-dip recession caused by the continued lockdowns and curfews in place and the sluggish start to vaccination programmes across the region. Moreover, the European Central bank (ECB) has given every indication that asset purchase programmes are likely to continue at the current rapid pace. Nonetheless, with cyclical recovery looming in H2, there is little scope for core bond yields to fall much lower.

UK. 10-year sovereign ("gilt") yields shot higher in February, gaining almost 50 bps as world-leading progress in vaccinations raised hopes of rapid economic recovery. And with core inflation at 1.4% in January, many investors feel yields can only rise. Nevertheless, the economy remains mired in recession and restrictions are only due to fully lifted in June. Moreover, although the Bank of England has ruled out negative key rates, it is unlikely to tighten monetary policy in the foreseeable future. All said, further upside in gilt yields should be limited for now.

10-year Treasury yield hits highest level in a year



Source: SGPB, Macrobond, U.S. Department of Treasury, 04/03/2021

Credit

US. IG yields have tracked Treasury yields higher since year-end, leaving "spreads" (i.e., yield differentials) very close to 2018's decade lows. Speculative grade HY bond yields hit all-time lows in mid-February and, with spreads close to multi-decade lows, offer little protection against default risk. We see little change in the outlook for USD corporate bonds and – with low yields and tight spreads – we remain Underweight.

Eurozone. After reaching an all-time low in mid-December at 0.0%, yields on euro IG bonds have tracked core sovereign yields modestly higher. However, spreads over Bunds are only 74 bps – just 20 bps more than Spanish government bonds – and offer little value for investors. Yields on HY bonds are little changed in recent weeks and still only just above the 2017 all-time lows. The economic environment is likely to worsen under the weight of lockdown restrictions, which is likely to place weak balance sheets under great pressure. In all, we remain Underweight euro-denominated credit.

UK. Sterling-denominated credit holds little more promise. IG spreads over gilts hit all-time lows in mid-February and have barely widened during the recent sharp rise in sovereign yields. HY spreads at 275 bps are tighter than for comparable credit risk in euros or dollars. In part this may reflect optimism about vaccine-fuelled recovery but such spreads fail to compensate for default risk.

Emerging Market (EM) debt

EM sovereign bonds tracked Treasuries lower in February leaving spreads virtually unchanged over the month at an attractive 300 bps. EM economies are set to register a sharp acceleration in growth as the global economy recovers from the pandemic – the International Monetary Funds expects +6.3% this year and +5.0% in 2022. Nonetheless, yields remain close to all-time lows and we have capped our allocation at Neutral.

EQUITIES

Still bullish

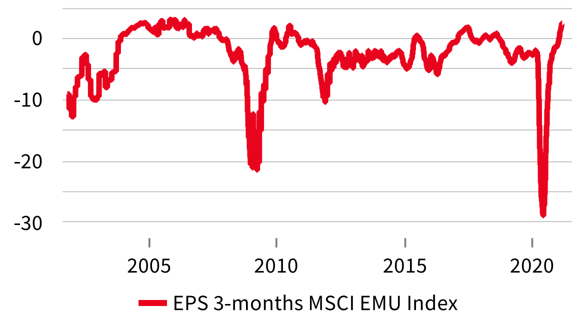
We maintain a strong Overweight allocation to global equities, with a regional focus on emerging markets (EM), Japan and the euro zone. In terms of sectors, investors should aim for a balance between quality growth and undervalued cyclical sectors. In a context of rising bond yields, we expect the recovery in "value" stocks to continue.

US. Recent rises in bond yields have put downward pressure on equity markets, in particular those with the highest valuations. Nonetheless, US stocks remain only around 3% below their all-time highs reached in mid-February. At the same time, there has been a switch in market leadership – smaller stocks have outperformed large caps (the Russell 2000 index of smaller companies has outstripped the larger stocks in the Russell 1000 by almost 24% since the first vaccine announcements in early November) and cheaper "value" stocks have done better than more pricy "growth" companies (the Russell 3000 Value index has surpassed its Growth equivalent by almost 11% over the same period).

US equities remain expensive on many measures – the price to forward earnings ratio is currently at 23 times, a level only exceeded during the tech stock bubble in early 2000. With higher rates putting pressure on multiples, we remain Neutral on US equities and stress the importance of diversifying into more cyclically-sensitive, undervalued sectors.

Eurozone. In February, euro zone equities resumed the outperformance begun in November as markets reacted to excellent vaccine trial results and investors began to rotate portfolios towards laggard markets with relatively cheap valuations and high sensitivity to the economic cycle. The initial ramp-up of vaccinations across the EU has disappointed and new virus mutations have kept restrictions and curfews in place, a combination which is likely to keep the region in recession until spring. However, government fiscal support remains generous and the ECB shows no sign of abandoning its commitment to easy monetary policy.

Euro zone earnings forecasts revised upwards



Source: SGPB, Macrobond, MSCI, 04/03/2021

With vaccination programmes beginning to accelerate, we remain confident that the euro zone will join the US and the UK in cyclical recovery in H2, perhaps with a two-month lag. Analysts have already begun to revise earnings expectations higher (see chart) and we remain Overweight with a preference for more cyclically-sensitive sectors.

UK. Business confidence surveys improved sharply in February, encouraged by world-leading progress on vaccinations, and the government has announced a detailed roadmap to lift all restrictions by late June. However, sterling has strengthened appreciably against USD and EUR, unwelcome news for UK exporters as they adjust post-Brexit red tape and a headwind for large-cap groups with substantial overseas earnings. All in all, we remain Neutral.

Switzerland. Since last November, Swiss equities have lagged their peers as investors have switched focus to more cyclically-sensitive markets like the euro zone. The market is dominated by high-quality, defensive stocks – which should help cushion any downside – but is unlikely to resume outperformance for now.

Japan. Japanese equities recently reached multi-decade highs, finally rising to levels not seen since early 1991 in the aftermath of bursting of Tokyo's stock market bubble. This time however, the rise in Japanese equities has come without any exaggeration in valuations as shown by the price to cyclically-adjusted earnings ratio (a measure of current market levels compared to trend earnings) which remains 6% below its 20-year median. With a solid 2% dividend yield, we remain Overweight.

Emerging Markets. Emerging markets lagged global equities in February as investors locked in some profits after several months of strong outperformance. Looking ahead, we expect a stronger recovery in growth than in advanced economies, helped by the pick-up in trade flows and emerging supply bottlenecks which should help improve EM exporters' pricing power. In this context, earnings growth should be solid this year while valuations remain cheaper than in the US and Europe. We expect EM equities to recover from the recent bout of weakness and remain bullish for 2021.

CURRENCIES

Consolidation likely

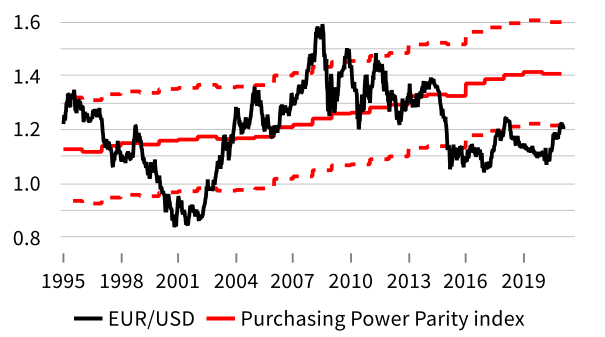
The global reserve currency – in a sustained downtrend for a year – has been performing better over recent weeks despite looming US stimulus, mainly driven by rising US Treasury yields. However, the Euro continues to carry an unjustified undervaluation in purchasing power parity terms.

Dollar Index. The global reserve currency – in a sustained downtrend for a year – has been performing better over recent weeks despite looming US stimulus, mainly driven by rising US Treasury yields. However, it is prudent to remember that US yields themselves are rising in part due to increased inflation expectations, which will limit US dollar upside. Moreover, the sheer size of fiscal stimulus – current plans represent some 13% of GDP – could raise fears of currency debasement.

EUR/USD. The euro has been held in a 1.19-1.24 trading range against USD since the start of January. We are currently at the lower end of that range and with EUR/USD trading close to the 100-day moving average, we expect the consolidation to continue in the short-term. Trading is likely to reflect swings in risk appetite, with the dollar rising on risk aversion and the euro benefiting from rising optimism. However, of the major currency pairs, EUR/USD is the only one which is notably undervalued in purchasing power parity terms, by some -16%.

GBP/USD. Investors have been bullish on sterling largely due to the speed of the vaccination rollout and the fact the Bank of England appears to have ruled out negative rates for now. Reflecting these factors, it has been the best performing major currency against USD this year. However, the pound reached overbought levels at 1.42 recently and was due a correction. We expect the GBP/USD rally to slow and are downgrading our view to Neutral for the time being.

Euro continues to carry an unjustified undervaluation



Source: SGPB, Macrobond, OECD, 04/03/2021

USD/JPY. The US dollar has shot past the 107-mark versus the Japanese yen, its highest level since July 2020. The move – the yen is 4% lower YTD – has been fuelled by the strong pace of US COVID-19 vaccinations and Biden's massive spending plans, which have boosted dollar yields and hopes for a robust economic recovery. This optimism has pushed safe havens like JPY lower but, with USD/JPY now close to fair value, we remain Neutral.

EUR/CHF. The Swiss franc has long been overvalued but keenly sought after as a safe haven in times of trouble, an uncomfortable combination for a small, open economy. Through much of last spring, the Swiss National Bank was forced into currency intervention to prevent EUR/CHF breaking below 1.05. Since then however, confidence has grown that 2021 would see global cyclical recovery, which has helped weaken the franc. From here, we expect a period of consolidation in EUR/CHF.

EM currencies. JP Morgan's index of emerging currencies has eased 2% lower since end-2020, having rallied almost 11% from April's lows. Recent weakness has been driven by outflows – many investors shy away from EM assets in times of rising dollar rates. However, one side effect of the pandemic has been to improve many countries' current account balance. Mexico, for example, moved from a modest deficit in 2019 to a 2.4% surplus, the highest since the 1980s. Moreover, global cyclical recovery should favour EM assets, attracting new inflows.

USD/CNY. China's pandemic management during 2020 enabled the country to reopen much earlier than advanced economies, avoiding the need for the massive fiscal support doled out by western governments. As a result, China's debt ratios have suffered less than in the US or EU. Moreover, 10-year CNY government bond yields are well above western counterparts, making it one of the most attractive sovereign bond markets. This has fuelled a 7% CNY rally over the last year or so. However, it appears to be petering out – only 1% of that gain has occurred in 2021 – and the Chinese will be wary of allowing their currency to appreciate much further from here.

ALTERNATIVES

OPEC+ keeps supply tight

We expect oil prices to consolidate in coming months as supply cuts compensate for sluggish near-term demand. Gold prices should recover once real rates fall again. In hedge funds, our preferred strategies are Special Situations, directional L/S Equity, discretionary Global Macro and CTAs.

Commodities

Oil

Oil prices have trended steadily higher, gaining over 70% since November's vaccine announcements sparked hopes that cyclical recovery this year would push oil demand back to pre-crisis levels. These hopes have since been reinforced by massive US fiscal spending plans and rapid progress in vaccinations. Moreover, supply has contracted. US output has tumbled from an average 13.0 million barrels per day (mb/d) last February to 10.4 this year as extreme cold weather disrupted many oilfields in Texas. And OPEC and its allies (OPEC+) decided in early March to postpone a planned 500'000 b/d increase in output, with Saudi Arabia maintaining its voluntary 1 mb/d production cuts for another month.

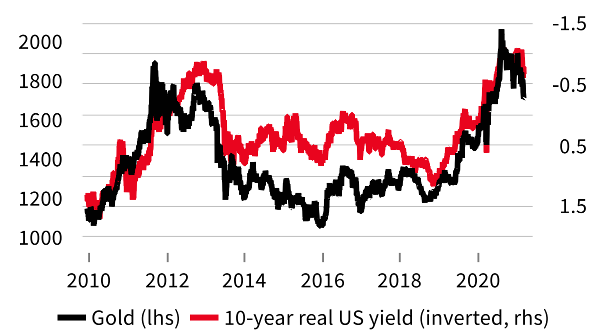
This dynamic should help mop up excess inventories over coming months. However, measures of mobility in the US and Europe suggest that current demand for oil remains well below pre-crisis highs and – with oil prices back at January 2020 levels – US shale producers may soon be able to attract more investment capital to finance increased output.

Oil prices now look set to trade between $60 and 70 per barrel of Brent in coming months.

Gold

Gold prices have been pushed lower by a number of factors. Fiscal spending and hopes of easing lockdown restrictions have weakened demand for safe havens while pushing global equity prices to all-time highs in mid-February. Fears of a looming spike in inflation have driven inflation-adjusted (or "real") 10-year yields higher – as shown on the chart, when real yields are rising, gold prices tend to come under pressure. And lower prices tend to fuel selling pressure in gold ETFs – total ETF gold holdings are down almost 6% from October's highs.

Gold declines when real yields are rising



Source: SGPB, Macrobond, U.S. Dpt of Treasury, BLS, LBMA, 04/03/2021

However, physical demand for gold is showing tentative signs of improvement. Chinese retailers built up inventories ahead of the expected Lunar New Year bounce in and retail demand has also picked up in India, pushing imports up 113% year-on-year. In both countries, local prices have moved back to a premium over the international benchmark.

In sum, lower gold prices and rapid progress in vaccination programmes should bolster jewellery demand while we expect the impending bounce in inflation to bring real yields lower again, thereby putting a floor under price weakness.

Hedge funds

Long/Short (L/S) Equity

Within a Neutral allocation to L/S Equity, we still prefer managers who keep some exposure to rising prices over Market Neutral strategies. The latter tend to struggle with the sector and style rotations that this year's cyclical recovery is likely to bring. And among more directional funds, we find more opportunities in the US than in Europe.

Event Driven

We have downgraded Merger Arbitrage to Neutral and prefer more directional strategies like Special Situations. The latter have a bias towards value stocks which is an advantage in today's environment. As noted last month, many merger specialists have increased their allocations to SPACs (Special Purpose Acquisition Companies) which may suggest diminishing opportunities in their core strategy.

Fixed Income Arbitrage

L/S Credit managers in the US have struggled recently, many having been caught out by rallies in HY energy driven by rising oil prices. Moreover, recent rises in Treasury yields may prove a challenge for "carry" strategies such as Fixed Income Arbitrage which we have moved to Underweight.

Global Macro / CTAs

We have upgraded trend-followers (known as Commodity Trading Advisors, or CTAs) to Overweight. CTA managers are running well diversified portfolios, having increased exposure to commodities and currencies recently and scaled back positions in rates. Conversely, we have downgraded Global Macro EM funds to Neutral, given the recent rises in US yields.

IMPORTANT INFORMATION – PLEASE READ

Societe Generale Private Banking is a division of the Societe Generale Group operating through its head office within Societe Generale S.A. and its network (subsidiaries, branches or departments of Societe Generale S.A.) located in the countries mentioned hereafter which use the "Societe Generale Private Banking" and "Kleinwort Hambros" brands, and which distribute this document.

Subject of the document

This document has been prepared by experts of the Societe Generale Group, and more particularly of Societe Generale Private Banking division, to provide you with information relating to certain financial and economic data. The names and functions of the people who prepared this document are indicated on the first pages of the document.

This document is a marketing communication that has not been prepared in accordance with legal requirements designed to promote the independence of investment research and the investment service provider is not subject to any prohibition on dealing ahead of the dissemination of investment research.

In order to read and understand the financial and economic information included in this document, you will need to have knowledge and experience of financial markets. If this is not the case, please contact your advisor so that you no longer receive the document. Unless you do this, we shall consider that you have the necessary skills to understand this document.

Please note that this document only aims to provide simple information to help you in your investment or disinvestment decisions, and that it does not constitute a personalised recommendation. You remain responsible for any liabilities that arise. You remain responsible for the management of your assets, and you take your investment decisions freely. Moreover, the document may mention asset classes that are not authorised/marketed in certain countries, and/or which might be reserved for certain categories of investors. Therefore, should you wish to make an investment, as the case may be and according to the applicable laws, your advisor within the Societe Generale Private Banking entity of which you are a client will check your eligibility for this investment and whether it corresponds to your investment profile.
Should you not wish to receive this document, please inform your private banker in writing, and he/she will take the appropriate measures.

Conflicts of interest

This document contains the views of Societe Generale Private Banking's experts. Societe Generale Private Banking trading desks may trade, or have traded, as principal on the basis of the expert(s) views and reports. In addition, Societe Generale Private Banking's experts receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Societe Generale Group and competitive factors.

As a general matter, entities within the Societe Generale Group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Societe Generale Group may from time to time deal in, profit from trading on, hold on a principal basis, or act advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

Entities within the Societe Generale Group may be represented on the supervisory board or on the executive board of such persons, firms or entities.
Employees of the Societe Generale Group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Entities within the Societe Generale Group may acquire orliquidate from time to time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Societe Generale Group are under no obligation to disclose or take into account this document when advising or dealing with or on behalf of customers.

In addition, Societe Generale Private Banking may issue other reports that are inconsistent with and reach different conclusions from the information presented in this report and are under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Societe Generale Group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. To help the Societe Generale Private Banking Entities to do this, they have put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of Societe Generale Private Banking's clients. For further information, Societe Generale Private Banking's clients can refer to the management of conflicts of interests policy, which was provided to them by the Societe Generale Private Banking entity of which they are clients.

General Warning

This document, which is subject to modifications, is provided for information purposes only and has no legal value.

This material has been prepared for information purposes only and is not intended to provide investment advice nor any other investment service. The document does not constitute and under no circumstances should it be considered in whole or in part as an offer, a personal recommendation or advice from any of the Societe Generale Private Banking entities, regarding investment in the asset classes mentioned therein.

Some products and services might not be available in all Société Générale Private Banking entities. Their availability in your jurisdiction may be restricted depending on local laws and tax regulations. In addition, they have to comply with Societe Generale Group Tax Code of Conduct. You should be aware that the investment to which this material relates may involve numerous risks. The amount of risk may vary but can expose you to a significant risk of losing all of your capital, including a potential unlimited loss. Accordingly these products or services may be reserved only for a certain category of eligible investors such as those who are sophisticated and familiar with these types of investment and who understand the risks involved. Furthermore, accessing some of these products, services and solutions might be subject to other conditions, amongst which is eligibility. Your private banker is available to discuss these products, services and solutions with you and to check if they can respond to your needs and are suitable for your investor profile. Accordingly, before making an investment decision, a potential investor, as the case may be and according to the applicable laws, will be questioned by his or her advisor within the Societe Generale Private Banking entity, of which the investor is a client, regarding his eligibility for the envisaged investment, and the compatibility of this investment with his investment profile and objectives.

Before any investment, the potential investor should also consult his own independent financial, legal and tax advisers in order to obtain all the financial, legal and tax information which will allow him to appraise the characteristics and the risks of the envisaged investment and the pertinence of the strategies discussed in this document, as well as the tax treatment of the investment, in the light of his own circumstances.

Prior to any investment, a potential investor must be aware of, understand and sign the related contractual and informative information, including documentation relating to risks. The potential investor has to remember that he should not base any investment decision and/or instructions solely on the basis of this document. Any financial services and investments may have tax consequences and it is important to bear in mind that the Societe Generale Private Banking entities, do not provide tax advice. The level of taxation depends on individual circumstances and such levels and bases of taxation can change. In addition, this document is not intended to provide, and should not be relied on for, accounting, tax or legal purposes and independent advice should be sought where appropriate.

Investment in some of the asset classes described in this document may not be authorised in certain countries, or may be restricted to certain categories of investors. It is the responsibility of any person in possession of this document to be aware of and to observe all applicable laws and regulations of relevant jurisdictions. This document is not intended to be distributed to people or in jurisdictions where such distribution is restricted or illegal. It is not to be published or distributed in the United States of America and cannot be made available directly or indirectly in the United States of America or to any U.S. person.

The price and value of investments and the income derived from them can go down as well as up. Changes in inflation, interest rates and exchange rates may have adverse effects on the value, price and income of investments issued in a different currency from that of the client. The simulations and examples included in this document are provided for informational and illustration purposes alone. The present information may change with market fluctuations, and the information and views reflected in this document may change. The Societe Generale Private Banking entities disclaim any responsibility for the updating or revising of this document. The document's only aim is to offer information to investors, who will take their investment decisions without relying solely on this document. The

Societe Generale Private Banking entities disclaim all responsibility for direct or indirect losses related to any use of this document or its content. The Societe Generale Private Banking entities do not offer no implicit or explicit guarantees as to the accuracy or exhaustivity of the information or as to the profitability or performance of the asset classes, countries and markets concerned.

The historical data, information and opinions provided herein have been obtained from, or are based upon, external sources that the Societe Generale Private Banking entities believe to be reliable, but which have not been independently verified. The Societe Generale Private Banking entities shall not be liable for the accuracy, relevance or exhaustiveness of this information. Information about past performance is not a guide to future performance and may not be repeated. Investment value is not guaranteed and the value of investments may fluctuate. Estimates of future performance are based on assumptions that may not be realised.

This document is confidential. It is intended exclusively for the person to whom it is given, and may not be communicated or notified to any third party (with the exception of external advisors, on the condition they themselves respect this confidentiality undertaking). It may not be copied in whole or in part without the prior written consent of the relevant Societe Generale Private Banking entity.

Specific warnings per jurisdiction

France: Unless otherwise expressly indicated, this document has been issued and distributed by Societe Generale, a French bank authorised and supervised by the *Autorité de Contrôle Prudentiel et de Résolution,* located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09, under the prudential supervision of the *European Central Bank* ("ECB"), and under the control of the Autorité des Marchés Financiers ("AMF"). Societe Generale is also registered at ORIAS as an insurance intermediary under the number 07 022 493 orias.fr. Societe generale is a French Société Anonyme with its registered address at 29 boulevard Haussman, 75009 Paris, with a capital of EUR 1,066,714, 367.50 on 1st August 2019 and unique identification number 552 120 222 R.C.S. Paris. Further details are available on request or can be found at www. http://www.privatebanking.societegenerale.fr/.

Luxembourg: This document has been distributed in Luxembourg by Societe Generale Bank & Trust ("SGBT"), a credit institution which is authorised and regulated by the *Commission de Surveillance du Secteur Financier* ("CSSF") under the prudential supervision of the *European Central Bank* ("ECB"), and whose head office is located at 11 avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at www.sgbt.lu. No investment decision whatsoever may result from solely reading this document. SGBT accepts no responsibility for the accuracy or otherwise of information contained in this document. SGBT accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and SGBT does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or SGBT unless otherwise mentioned. SGBT has neither verified nor independently analysed the information contained in this document. The CSSF has neither verified nor analysed the information contained in this document.

Monaco: The present document has been distributed in Monaco by Société Générale Private Banking (Monaco) S.A.M., located 13, 15 Bd des Moulins, 98000 Monaco, Principality of Monaco, governed by the *Autorité de Contrôle Prudentiel et de Résolution* and the *Commission de Contrôle des Activités Financières*. The Financial products marketed in Monaco can be reserved for qualified investors in accordance with Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.mc.

Switzerland: This document has been communicated in Switzerland by Société Générale Private Banking (Suisse) SA (« SGPBS »), whose head office is located at rue du Rhône 8,, CH-1204 Geneva. SGPBS is a bank authorized by the *Swiss Financial Market Supervisory Authority* ("FINMA"). Further details are available on request or can be found at www.privatebanking.societegenerale.ch.
This document (i) does not provide any opinion or recommendation about a company or a security, or (ii) has been prepared outside of Switzerland for the « Private banking ». Therefore, the Directives of the Swiss Bankers Association (SBA) on the Independence of Financial Research do not apply to this document.
This document has not been prepared by SGPBS. SGPBS has neither verified nor independently analyzed the information contained in this document. SGPBS accepts no responsibility for the accuracy or otherwise of information contained in this document. The opinions, views and forecasts expressed in this document reflect the personal views of the relevant author(s) and shall not engage SGPBS' liability.
This document is not a prospectus within the meaning of articles 652a and 1156 of the Swiss Code of Obligations.

This document is issued by the following companies in the Kleinwort Hambros Group under the brand name Kleinwort Hambros:

United Kingdom: SG Kleinwort Hambros Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm reference number is 119250. The company is incorporated in England and Wales company registration under number 964058 and its registered address is 5th Floor, 8 St James's Square, London, England, SW1Y 4JU.

Channel Islands: Kleinwort Hambros is the brand name of SG Kleinwort Hambros Bank (CI) Limited, which is regulated by the Jersey Financial Services Commission for banking, investment, money services and fund services business. The company is incorporated in Jersey under company registration number company registration 2693 and its registered address is PO Box 78, SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8PR.
SG Kleinwort Hambros Bank (CI) Limited – Guernsey Branch is regulated by the Guernsey Financial Services Commission for banking, investment and money services business. Its address is PO Box 6, Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE. The company (including the branch) is also authorised and regulated by the UK Financial Conduct Authority in respect of UK regulated mortgage business and its firm reference number is 310344. The Company (including the branch) is not authorised or regulated by the UK Financial Conduct Authority for accepting UK bank deposits nor is it permitted to hold deposits in the UK.
Kleinwort Hambros is the brand name of SG Kleinwort Hambros Trust Company (CI) Limited, which is regulated by the Jersey Financial Services Commission in the conduct of trust company business and fund services business and by the Guernsey Financial Services Commission in the conduct of fiduciary services business. The company is incorporated in Jersey under company registration number 4345 and its registered address is SG Hambros House, PO BOX 197, 18 Esplanade, St Helier, Jersey, JE4 8RT. Its address in Guernsey is PO Box 86, Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3ED.
This document has not been authorized or reviewed by the JFSC or FCA.

Gibraltar: SG Kleinwort Hambros Bank (Gibraltar) Limited is authorised and regulated by the Gibraltar Financial Services Commission for the conduct of banking, investment and insurance mediation business and its firm reference is 419436. The company is incorporated in Gibraltar under company registration number 01294 and its registered address is 32 Line Wall Road, Gibraltar.

Kleinwort Hambros is part of Societe Generale Private Banking, which is part of the wealth management arm of the Societe Generale Group. Societe Generale is a French Bank authorised in France by the Autorité de Contrôle Prudentiel et de Resolution, located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09 and under the prudential supervision of the European Central Bank. It is also authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Further information on the Kleinwort Hambros Group including additional legal and regulatory details can be found at: www.kleinworthambros.com

http://www.privatebanking.societegenerale.com

Societe Generale
SA Capital EUR 1,066,714,367.50 at 31 December 2019
Registered under Paris RCS N°552 120 222

Societe Generale Private Banking
Tour Société Générale
17, Cours Valmy
75886 – Paris Cedex 18
France
http://www.privatebanking.societegenerale.com

SOCIETE GENERALE
Private Banking