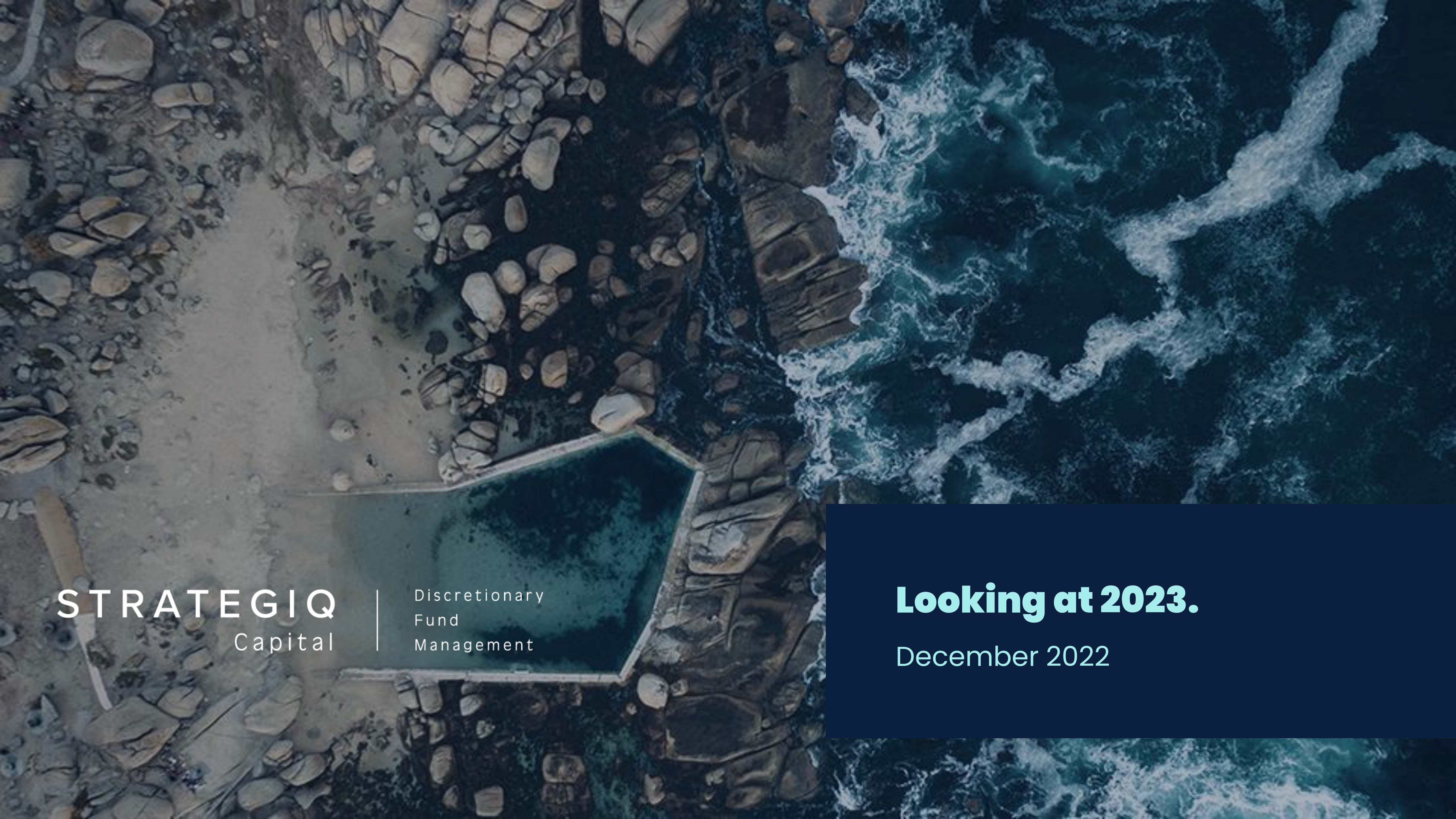


STRATEGIQ Capital | Discretionary Fund Management

Looking at 2023.

December 2022

- Central Banks’ Pivot.
- Russia’s Invasion of Ukraine.
- European Energy Crisis.
- China-Taiwan Concerns.
- UK Politics.
- China zero covid policy.
- Crypto Meltdown.

2022 has been an eventful year.

Bonds weren't the portfolio diversifier of old.

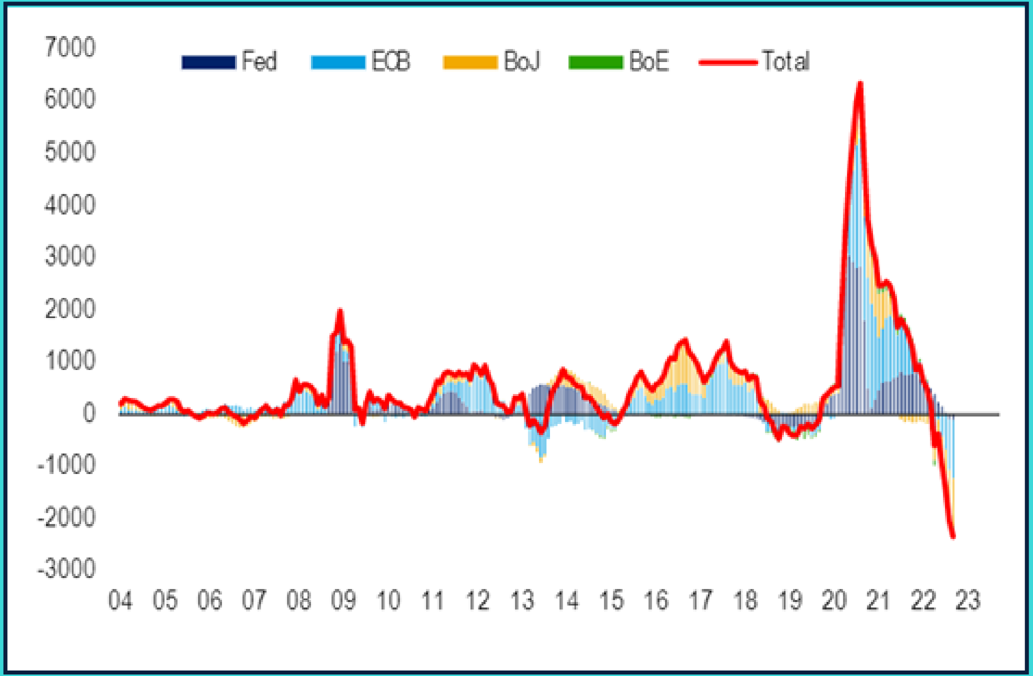
Annual global equity and bond returns, 1999-2022

Past performance is not a reliable indicator of current or future results. Index returns do not account for fees. It is not possible to invest in an index. Sources: BlackRock Investment Institute with data from Refinitiv Datastream, November 2022. Note: The chart is a scatter plot showing annual global and equity bond returns from 1999 onwards. The pre-Covid years are represented by yellow dots. The equity index used is the MSCI All-Country World Index and the bond index used is the Bloomberg Barclays Global Aggregate.l

Central Banks' Pivot.

G4 Central Banks' Balance Sheet -$3.1tn in Past 7 Months

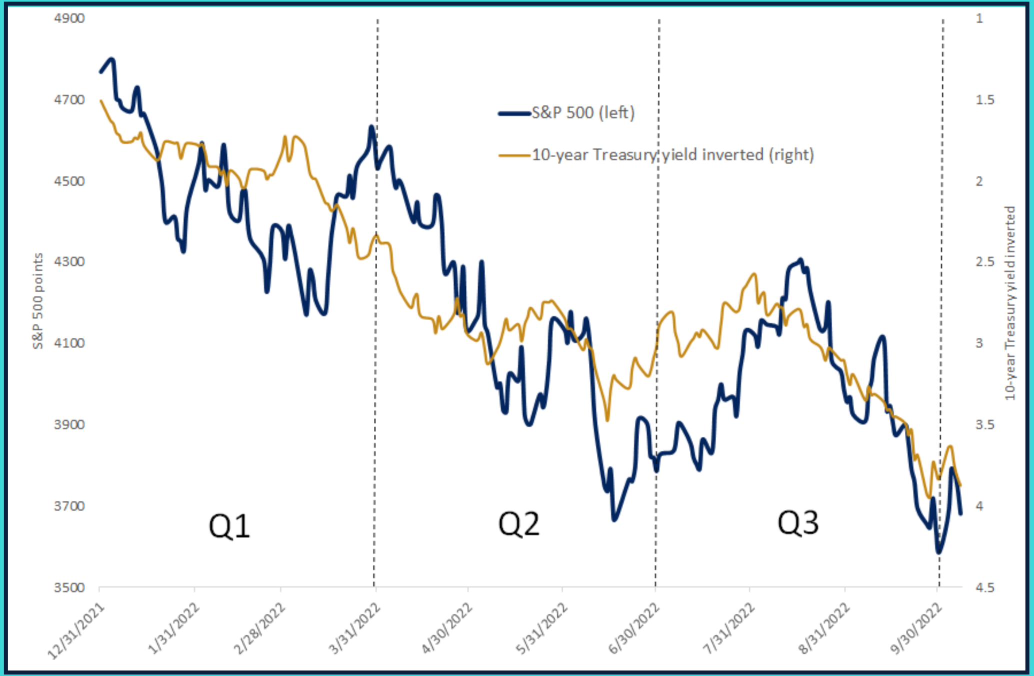
6m change in G4 central banks balance sheet ($bn)



Source: BofA Global Investment Strategy, Bloomberg, Haver

The Surge in Bond Yields has Driven Equities Lower

Looking for signs of a peak



Source: Bloomberg, Edward Jones

The big picture.

- Central banks have already achieved significant levels of monetary tightening in 2022.
- The adjustment process for inflation has been painful for investors.
- This has however created pockets of opportunity across various asset classes – particularly in DM fixed income.
- We see this as a compelling opportunity to generate materially positive returns on a 3-to-5-year horizon.
- Notwithstanding our view that the de-rating sell-off is largely behind us, there are important macroeconomic risks to consider for 2023.

We're paying close attention.

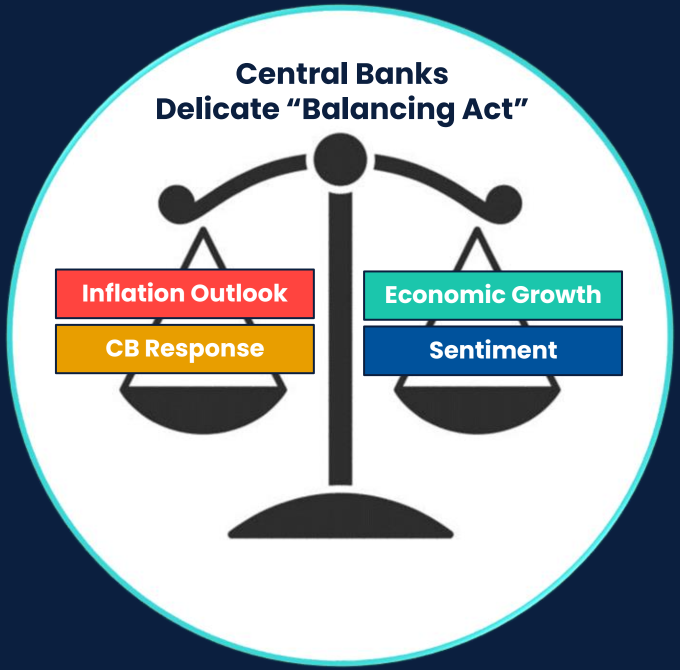
- **Global growth** - interest rate hikes can affect economic growth with as much as an 18-month lag, leading indictors already suggest a slowdown (manufacturing, services, composite PMIs).

- **Possible second order effects** of a sharp tightening in financial conditions:
  - The unwinding of China's secular property bubble
  - House prices in developed markets (UK, US, New Zealand , Australia)
  - Jobs market which has remained resilient to date

- **Hidden leverage** built up in parts of the market after years of accommodative monetary policy - higher energy prices and a strong US Dollar in 2022 are early signs of this risk.

- **Inflation** – we expect inflation to slow over the next 12-months but is unlikely to return to 2%, with the world living in a higher inflation regime for the next few years compared to the previous decade.

- **Central banks** will be forced to make a compromise between growth and inflation.



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