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Regulated by the DFSA

"Party like its 1999!"

June 2023

This presentation is for discussion purpose.

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CIO Speaks

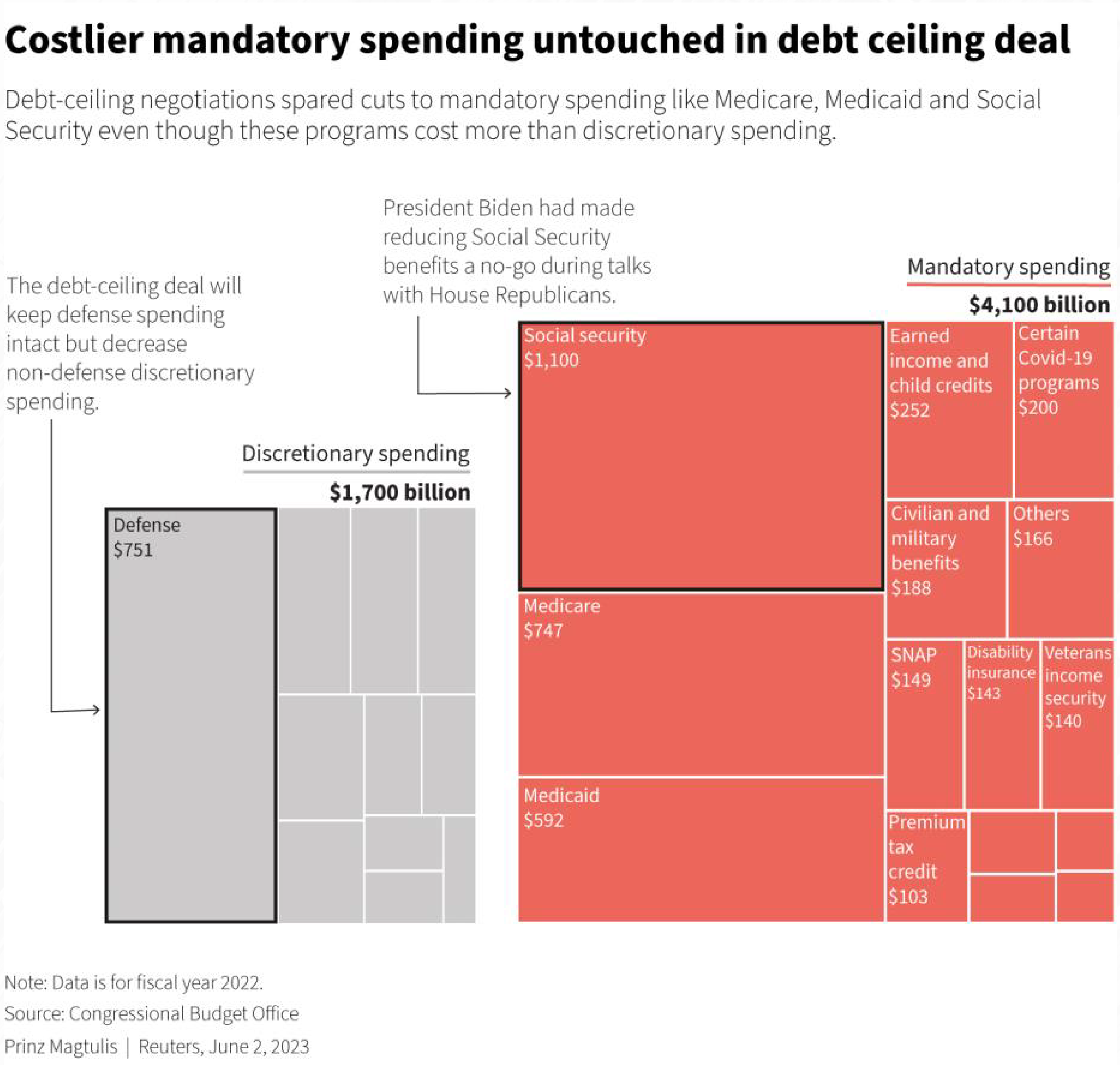
On June 3rd, President Joe Biden signed the Fiscal Responsibility Act of 2023 to raise the country's debt ceiling.

As expected, after much political brinksmanship and at the last minute (in this case, with 2 days to go for the 'x date') Also as expected, with minimal cuts in spending.

In a nutshell, it suspended the debt limit until 2025 after the next presidential election and gives lawmakers budget targets for the next two years. It rejected Biden's call to roll back Trump era tax breaks on corporations and the wealthy and **only curbs non defense discretionary spending, or just about one seventh of this year's $6.4 trillion federal budget.**

It fails to alter the U S ..'s chronic and growing revenue shortfall, thanks to health and retirement spending on the country's aging population and Congress's failure to raise taxes.

Both Biden and Speaker McCarthy vowed not to touch the main driver of U S debt rising Social Security pension and Medicare health benefit costs. Together, these two programs account for roughly 37% of current federal spending and are both on a path toward insolvency in about a decade. Other programs for veterans and low income people push such safety net spending to over half the budget.



CIO Speaks

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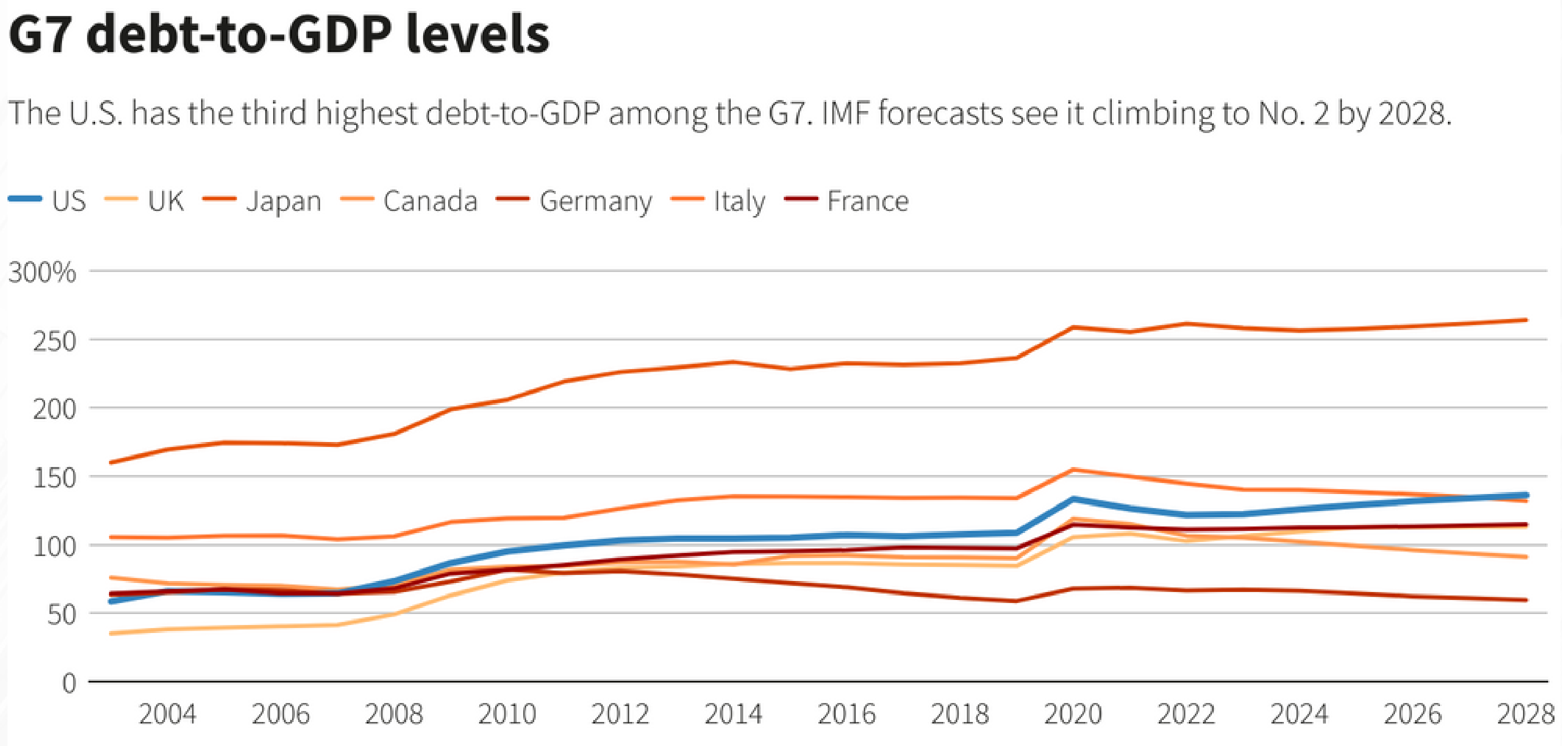
There is a simple reason for this - the popularity of these with voters. A January Reuters/Ipsos poll found 84% of Democratic voters and 73% of Republican voters opposed reducing spending on the two programs.

CBO projects the government will spend $6 trillion on mandatory spending programs in the 2033 fiscal year, up from $4.1 trillion this year.

Based on current trajectory, the debt to GDP levels of the United States will be second only to Japan by 2028.

The passage of the bill was received positively by the financial markets Yields on one month U.S. Treasury bills which had shot higher in a short period of time from 3.36% on April 21 to 6.02% on May 26, dropped to 5.20% as I write. The stock market has largely ignored the whole event, but is supported overall.



Note: Figures after 2022 are forecasts
Source: International Monetary Fund

Estimates are that the Treasury General Account, which was used to service government liabilities in the period since the expiry of the earlier debt ceiling, was drawn down to the extent of c. $1 trillion. With the Treasury department authorized to again issue new debt, bonds of a somewhat similar amount would have to be issued to replenish the Account. **This means more investment capital may shift to bonds, which could temporarily reduce stock market liquidity and contribute to equity market volatility**

CIO Speaks

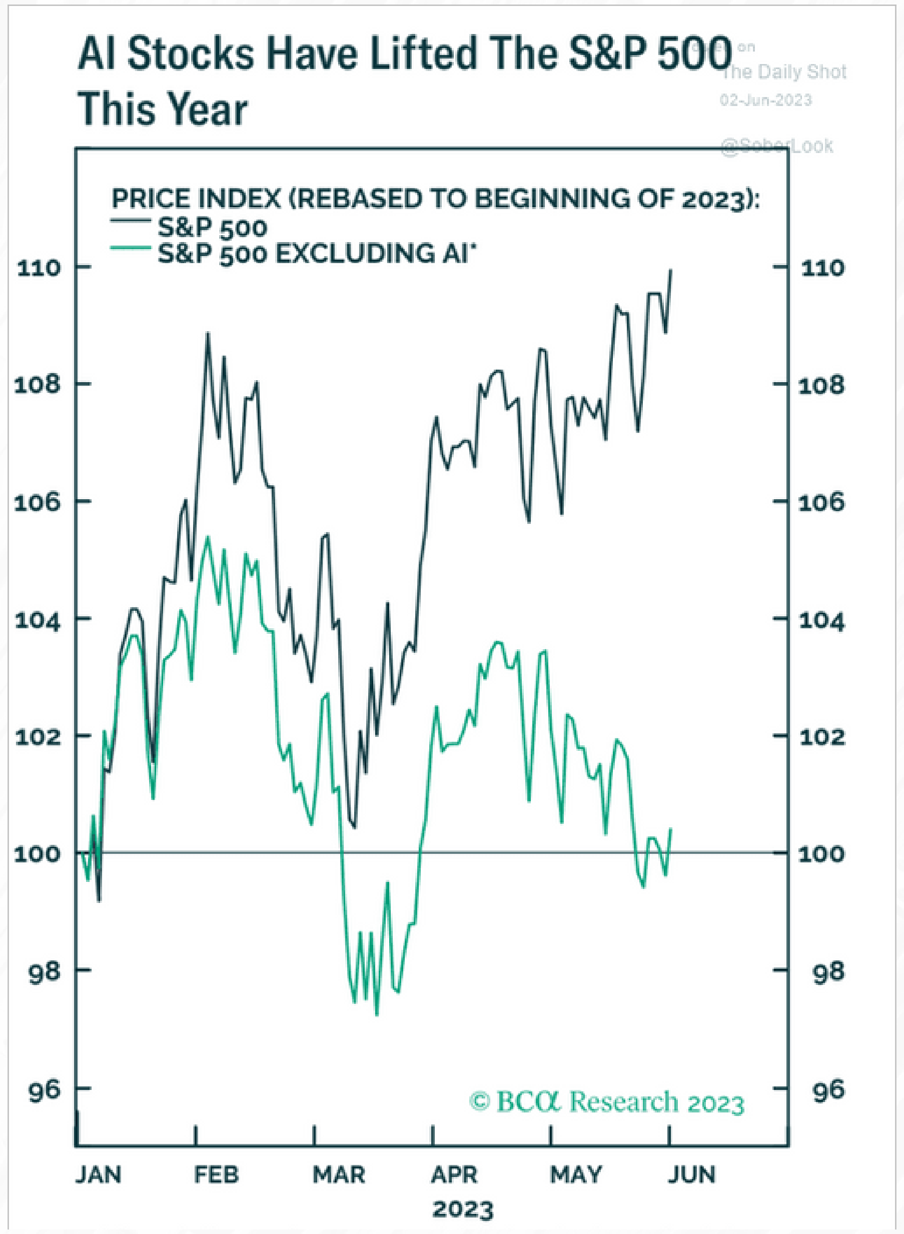
About 30% of the current securities are also due for rollover during 2023. Both these and the new bonds which will be issued will have to pay a return in line with the high interest prevalent currently. This will push up debt servicing costs well beyond current levels. It should also be kept in mind that this flood of new issuance will happen in an environment where traditional foreign buyers of U.S. securities have been steadily reducing their holdings.

The US economy unexpectedly added 339K jobs in May 2023, the most in four months, and way above market forecasts of 190K. Figures for March and April were revised up, bringing employment 93K higher than previously reported. Most of the job gains were in the services sector. The US has now added more jobs than expected for the fourteenth-straight month.

The unemployment rate increased to 3.7 percent in May 2023, the highest since October 2022 and above market expectations of 3.5 percent. Despite this uptick, the jobless rate remained historically low and suggested the labor market remained tight.

Despite this, the CME Fedwatch Tool suggests that **the market is currently pricing a c. 75% chance of a pause in interest rate hikes** by the FOMC at its upcoming meeting on June 14th.

In equity markets, AI-related stocks have surged in recent weeks. Are we about to witness a financial mania surrounding generative AI like the internet bubble in the late 1990s?



* EXCLUDES THE FOLLOWING STOCK PRICES: NVIDIA CORP, ADVANCED MICRO DEVICE, MICRON TECHNOLOGY, MICROSOFT CORP, ORACLE CORP, SALESFORCE.COM, ACCENTURE CLASS A, ADOBE SYSTEMS INC, IBM, SERVICENOW, ARISTA NETWORKS, DEERE & CO, TESLAMOTORS, AMAZON.COM, BOOKING HOLDINGS, EBAY, ETSY, ALPHABET 'A' (GOOGLE), ALPHABET 'C' (GOOGLE), META PLATFORMS A, ACTIVISION BLIZZARD, AND ELECTRONIC ARTS.

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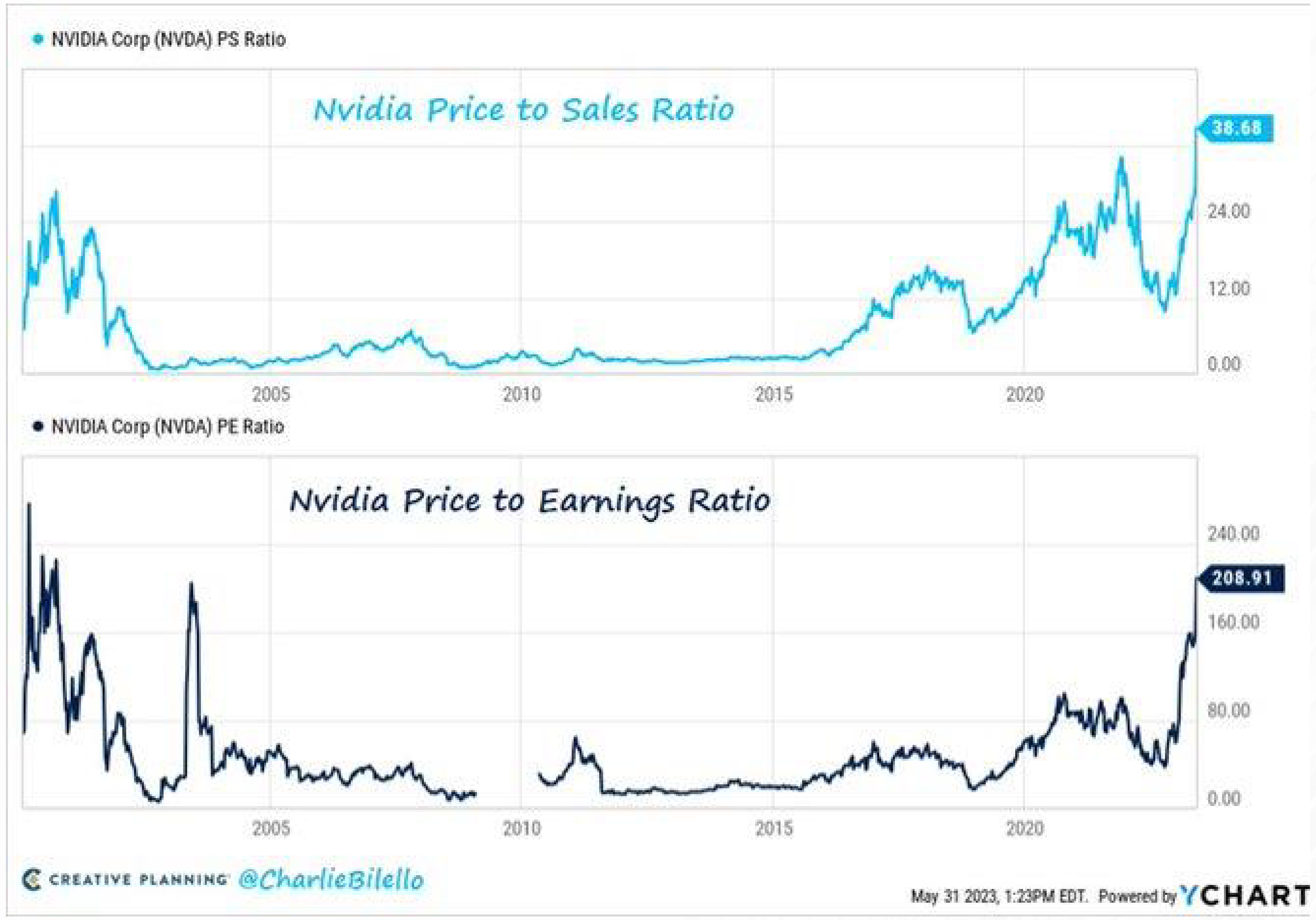
Nvidia currently has only $26 billion in revenues, and trades at over 38x sales and over 200x earnings. We've never seen a price to sales ratio that high f a company of its size

The closest recent comparison is Tesla, which traded at nearly 30x sales when it hit the $1 trillion mark back in 2021. It would go on to decline over 70% with its price to sales ratio falling to 5x.



CIO Speaks

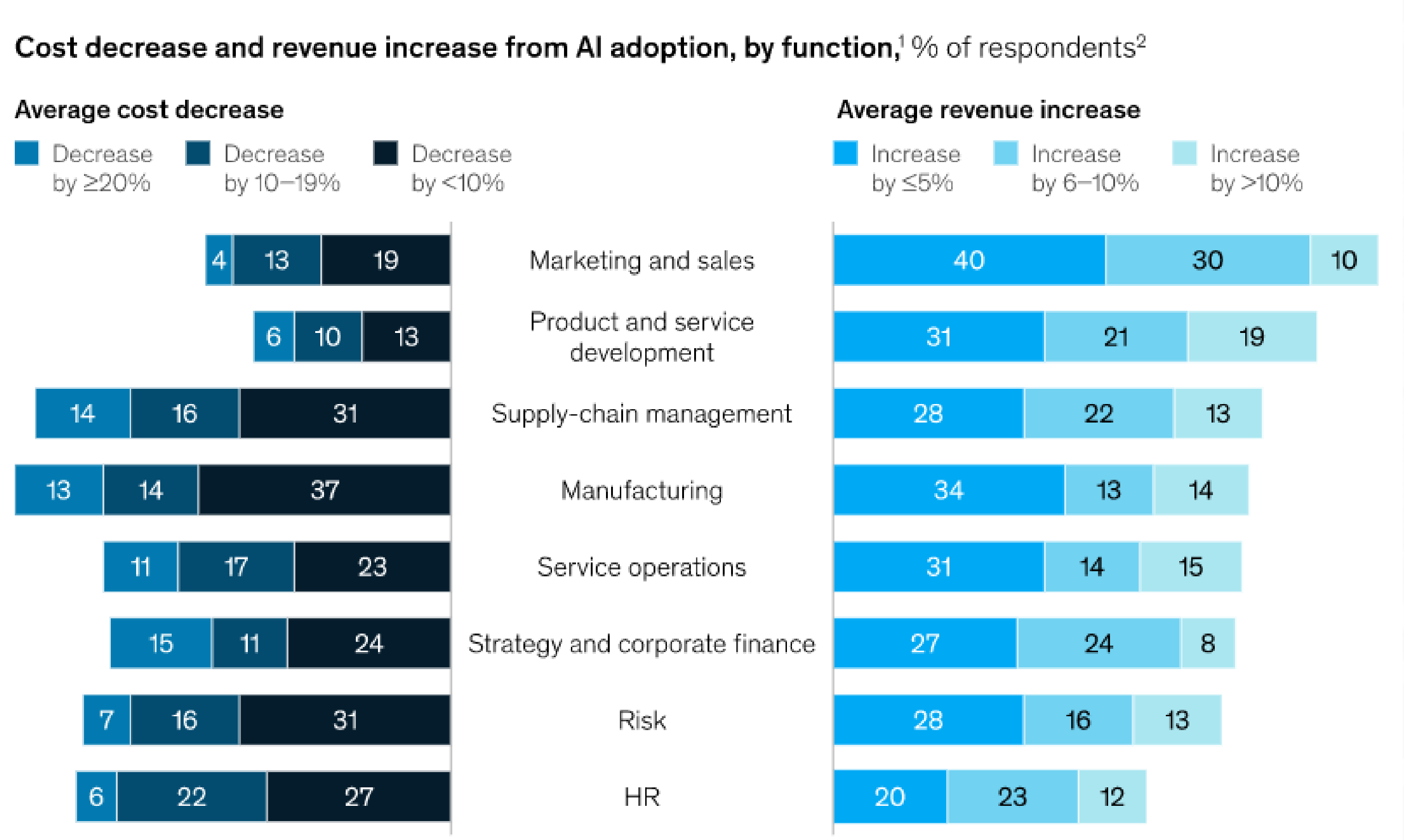
While AI technology is clearly transformative, **there is little agreement so on the long term implications of this coming revolution.** Machine learning is now beginning to replicate and surpass humans' brain functionality. In other words, for the first time in history, human brainpower will be in direct competition with algorithm driven computing power.

We believe AI will, like all previous technological advances, lead to sharp gains in economic efficiency by improving organizational structure, optimizing manufacturing processes, and minimizing production costs. New technology always enables goods or services to be produced or delivered faster, better and at lower prices, which vastly improves the standard of living of ordinary people. AI will prove no exception.

However, empirical evidence suggests that the impact on productivity growth always lags the adoption of technology. As such, **the next surge in productivity growth may take several years to bear fruit.**

Since AI needs data, it stands to reason that the largest data aggregators would be the biggest beneficiaries of AI. Large-platform or network companies- like Meta, Apple, Google, Tencent and Alibaba-are better positioned to adopt, provide and profit from AI. Since AI-enabled chip production will be in high demand, the other big beneficiaries would be today's major chip makers.

Survey by McKinsey on how adoption of AI for each of these activities has affected revenue and cost in the business units where AI is used

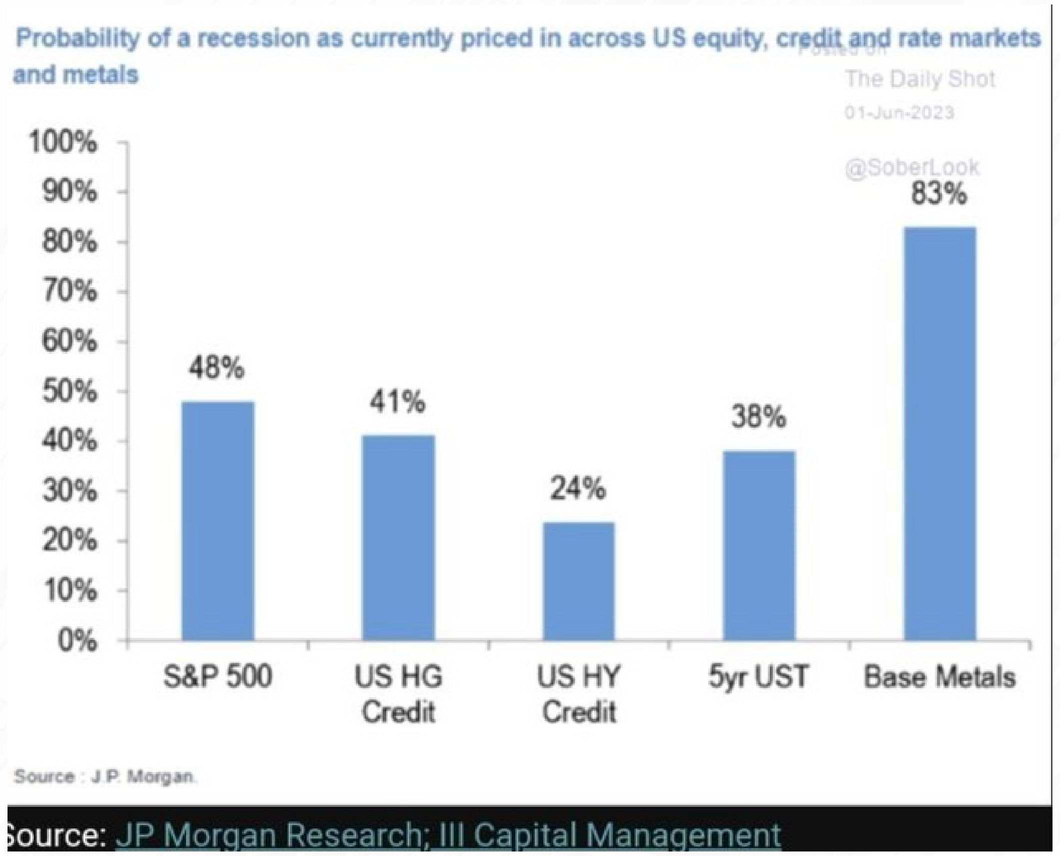


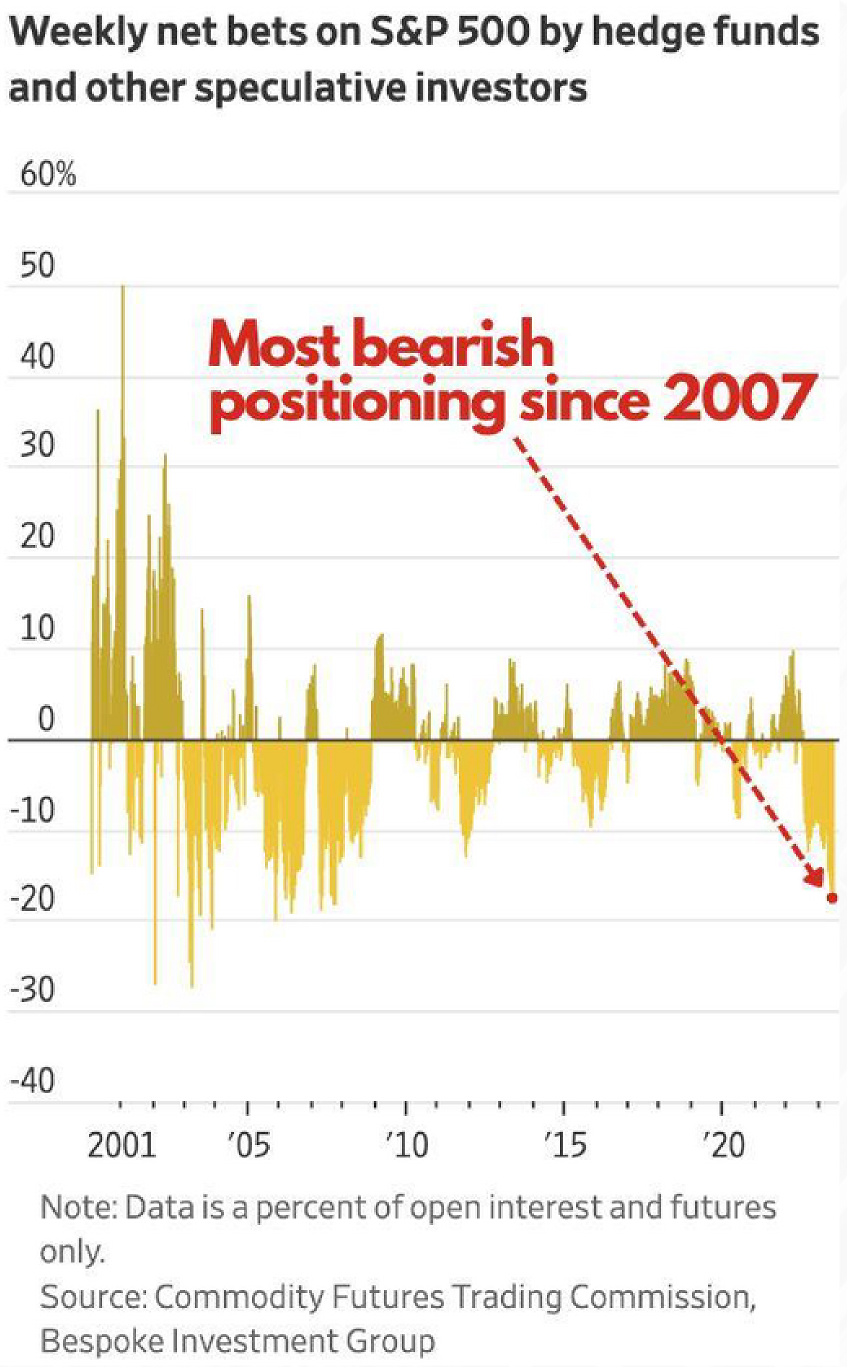
CIO Speaks

We believe that the AI mania is probably still is in its infancy However, experience teaches us that a mania can sometimes run for a long time before it crashes.

In fact, hedge funds and other speculators are the most bearish since 2007 with the biggest negative bets among the constituents being two of the best performers this year : Tesla and NVIDIA. Although the big names have historically driven strong returns in the big indices, this year is quite an outlier. **A whopping 34% of the S&P 500 's market value is in the ten biggest names The average for the last 24 years and during the dotcom bubble in 2000 was 23%.**

While current stock market mood has pushed talks of recession somewhat to the backburner, different parts of the market seem to be assessing the probability differently. Based metals appear to be the most pessimistic, with equities a distant second. A possible explanation for this divergence could be that the equity market optimism stems from its expectations of AI, which is not a big consumer of Base Metals.





Unprecedented Dual Challenge: Looming Threats to US Economy's Resilience

Dual Challenge

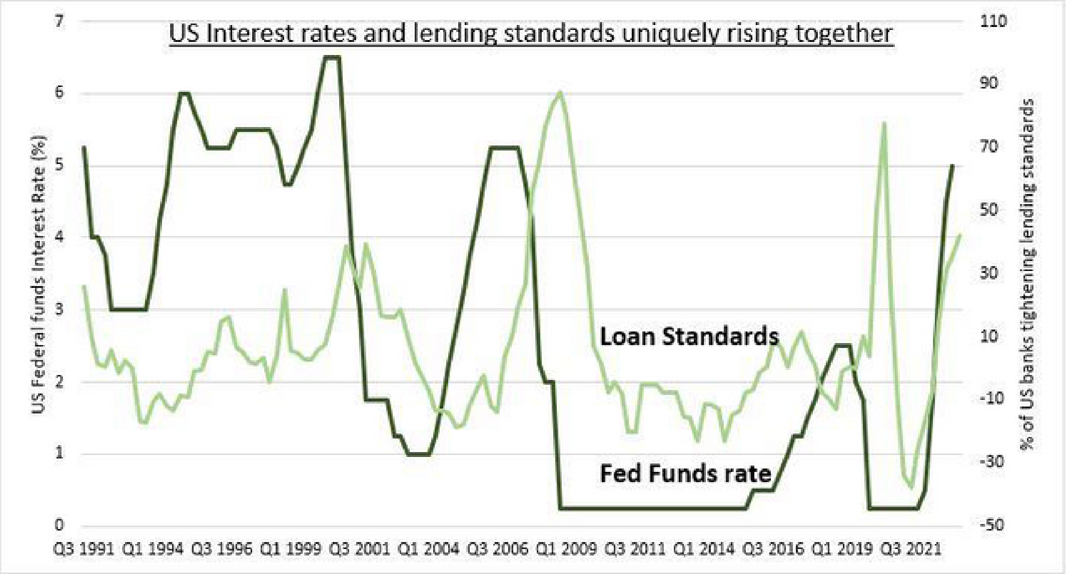
- Dual Challenge : tighter lending standards and high interest rates simultaneously
- US banks : 42% tightening lending standards (highest since 2020 pandemic and 2009 GFC)
- Euro area banks : 27% tightening lending standards, resulting in a 38% decline in loan demand
- Higher US Fed interest rates without traditional delay pose a unique challenge.

Resilience and Delayed Slowdown

- US economy resilient, avoiding anticipated slowdown and recession
- Factors such as consumer pandemic savings, corporate profits, and PMI expansion contribute to resilience
- Slowdown delayed, not cancelled, attributed to lagged impact of 5% interest rates, smoldering banks scare, and debt ceiling spending cuts

Lag Effect

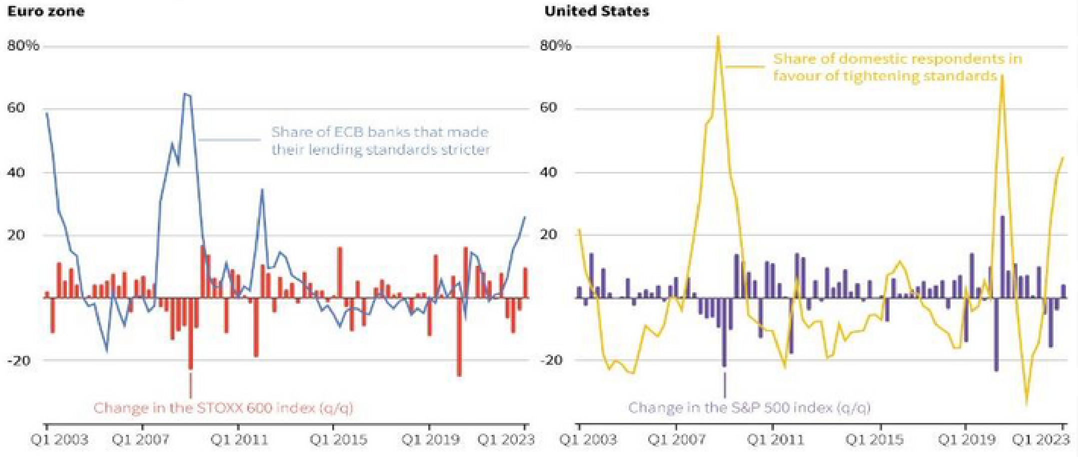
- Full impact of 5% hike in Fed funds rate yet to be fully felt
- Average 'long and variable' lag traditionally takes 18-24 months



Source: Refinitiv

Credit tightening predicts poor stock market returns

Central bank lending surveys for the Eurozone and the United States and stock market performance



Source: Refinitiv Datastream | Reuters, April 5, 2023 | By Sumanta Sen

Will tighter lending standards trigger recessionary environment?

Japan got its shine back. How High the Sun Rises This Time

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The Nikkei 225 Stock Average hits 33-year high, up 17.6% YTD

Key Drivers

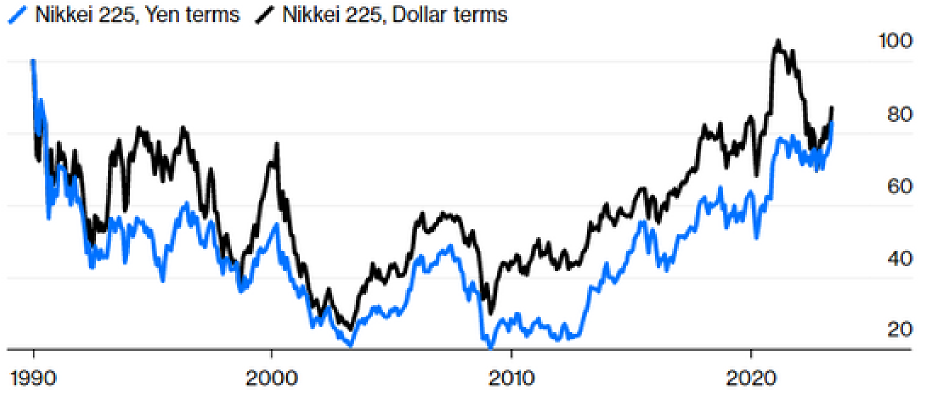
- Strong GDP Growth: Japan's GDP grows at an annualized rate of 1.6%, surpassing expectations.
- Increased Household Spending by 0.6% QoQ , Business investment shows growth, increasing by 0.9%
- Record Foreign Inflows of $30B into Japanese market mark a three-year high
- Preference for Japanese Market China due to lower geopolitical risks
- Weaking JPY: USD reaches 139.35 yen, its highest level since November, benefiting Japanese exporters
- Exporter Advantage: Japanese equities closely tied to dollar/yen pair, benefiting exporters
- Undervalued Japanese Stocks: MSCI Japan trades at 14.7x Forward PE ratio (vs. 17.0x for MSCI World) and offers a higher dividend yield of 2.4%

Deterrents

- Yen/Nikkei inverse relationship: Stronger yen hinders stock market rallies.
- Uncertainty in Bank of Japan's monetary policy: Negative rates and YCC impact market volatility.
- Macro events: US Federal Reserve policy change or Chinese devaluation could disrupt the market.
- Market overbought: Technical analysts foresee short-term pullback.

Highest in 33 Years? Or 14 Months?

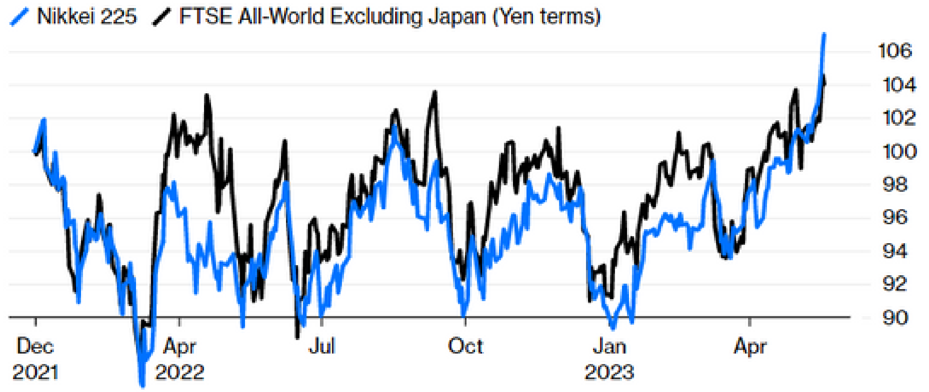
For dollar-based investors, Japanese stocks hit an all-time high in 2021



Source: Bloomberg

Maybe Mrs. Watanabe Should Stay Home

During this bear market, Japanese stocks have beaten the rest of the world



Source: Bloomberg

Is Japan's Equity Recovery Just the Beginning of a Larger Trend?

New High Achieved. What Will Drive Gold From Here?

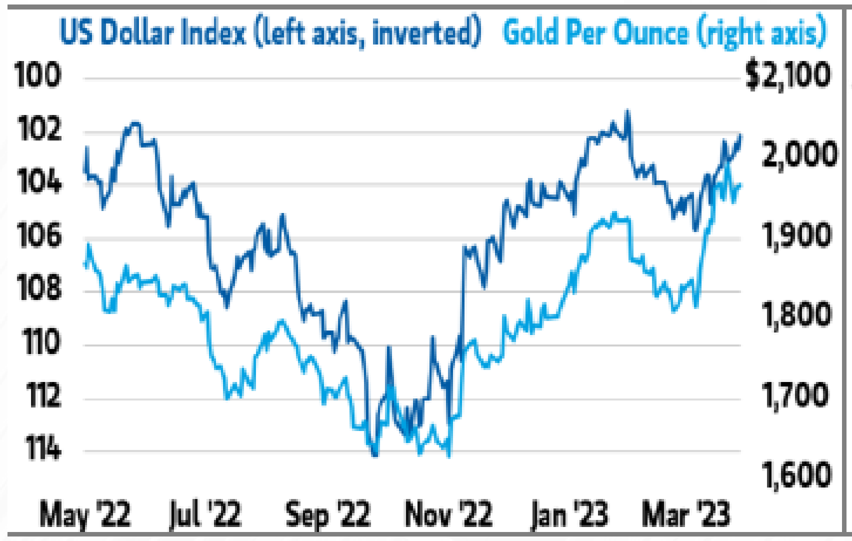
Supporting Factors

- Outlook of Weak US dollar, lower real rates, and central bank buying support gold's price.
- Gold's role as a safe haven and portfolio diversifier, along with its low correlation with stocks, suggests its continued importance in investment portfolios during economic difficulties and a hedge against slowing growth adds to its appeal.
- Central banks bought gold at the fastest pace since 1967 totaling around $70 billion in 2022.

Considerations for Investors

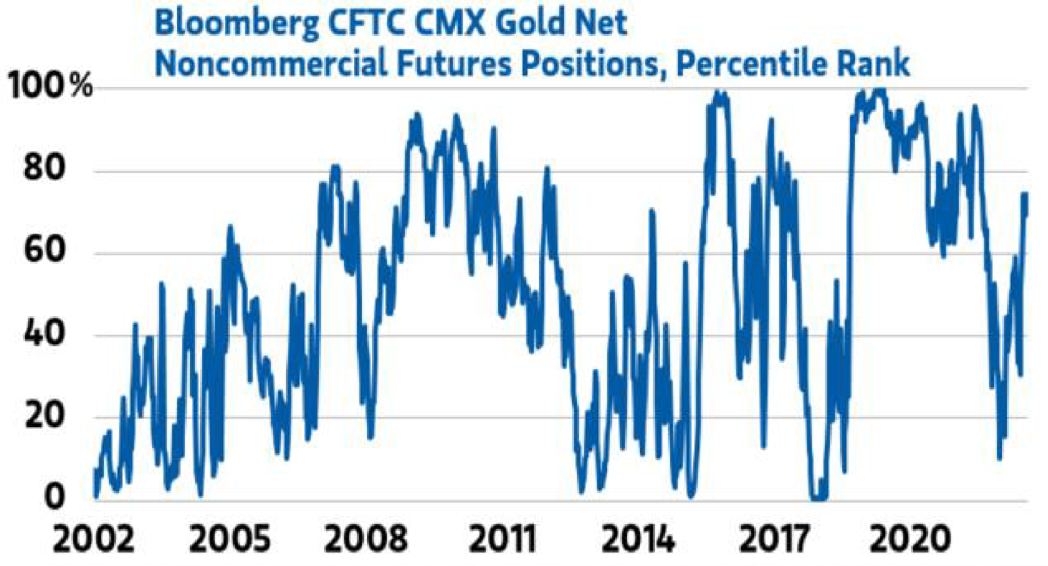
- Near-term price support for US dollar exists due to signs of the end of the Federal Reserve's tightening cycle
- Positioning in gold futures is at the 72%ile relative to the past 20 years, suggesting potential crowding.

The US Dollar and Gold Have an Inverse Relationship



Gold Prices Tend to Rise when 10 Yr US Real rate is Falling

Gold Positioning is getting crowded



Golden Hedge: Safeguarding Your Portfolio with Yellow Metal in Red Volatile Market

Can EU Economy escape recession?

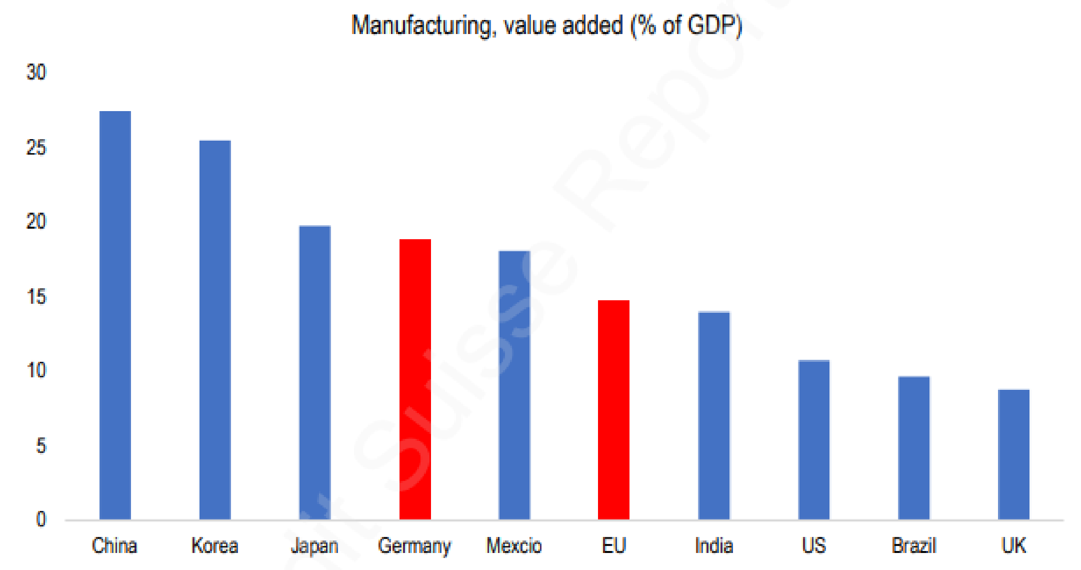
MSCI Europe is up 7.3% on a YTD level and 20% of the gains have been from ASML, Novo Nordisk and LVMH

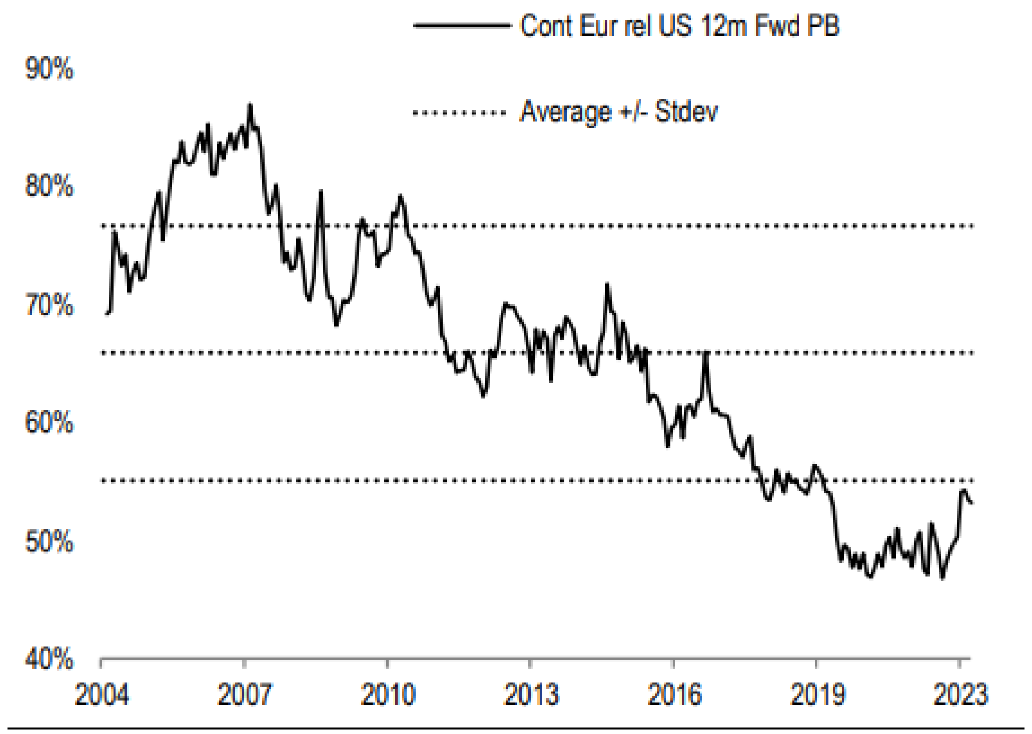
Risks in the EU economy:

- Wage inflation is sticky. Participation rate is at an all-time high, so is the labor shortage and unemployment rate
- EU PMI and IP is lower than in the US, even though EU GDP is more reliant on manufacturing than US. EU and specially Germany tends to suffer from destocking
- Europe is a cyclical market with a higher operating leverage
- Europe's weighting on software is just 4% vs 10% globally

However,

- The valuation in EU is still very attractive (Europe is 1 SD cheaper than long term average)
- Relative earnings revisions still look very strong
- Earnings risk is not greater than US. Only 1/3rd of ROE improvement is from leverage, interest & tax vs 50% in US
- Excess savings have still not been used





Source: Refinitiv, Credit Suisse research

Is your portfolio well positioned to benefit from the cheaper valuation that EU provides?

Are Emerging markets back on Investor's Radar?

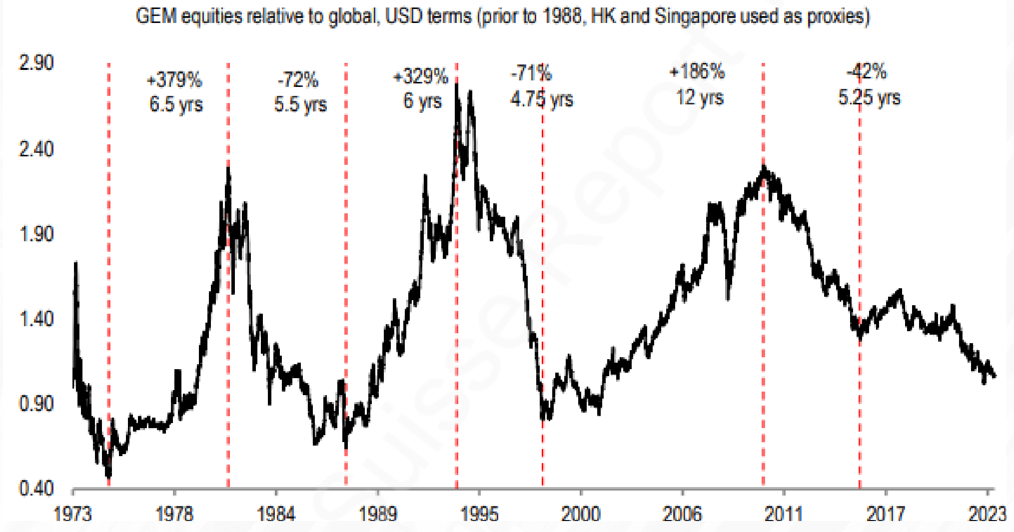
Emerging Markets key highlight :

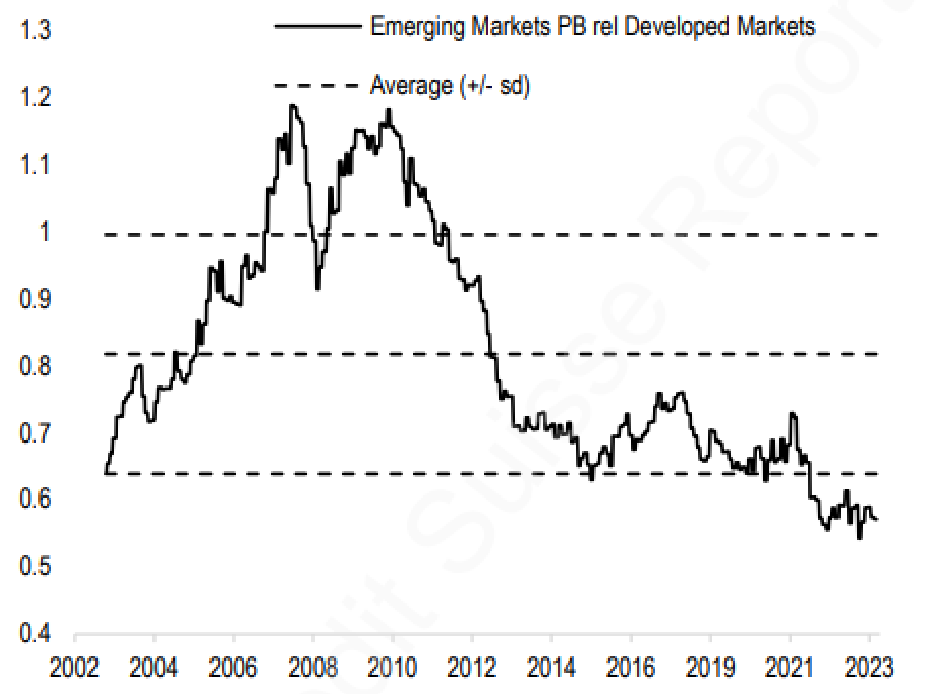
- GEM **currency valuation is cheaper than their global export market share**. High real rates (in the short end) have also attracted capital inflows
- Emerging markets are cheap on P/B relative to developed markets (including China). They are also **cheap on P/E relatives** (excluding China).
- The ROE in GEM is below that of the developed markets but the **price-to-book is on a much bigger discount**
- **Fall in Food prices** ,The UN food agency's price index is down 20% year-on-year. This has yet to feed through to food price CPI (31% of this is food). As it does it should in turn help GEM.
- Inflation is falling below target or in line : **Indonesia already announced rate cuts**

EM economies we are bullish on : Indonesia, Taiwan, Brazil
EM to avoid right now : Saudi, Egypt, Turkey, Mexico

How to play EM : Short-medium duration bonds and ETF's

GEM performance relative to DM





Source: Refinitiv, Credit Suisse research

Is it time to diversify your portfolio and take advantage of the cheaper EM?

India - Structural Shift underway for the Auto Sector

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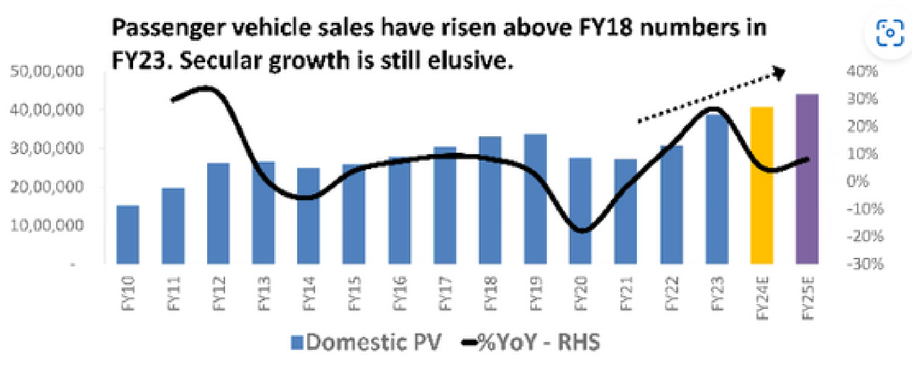
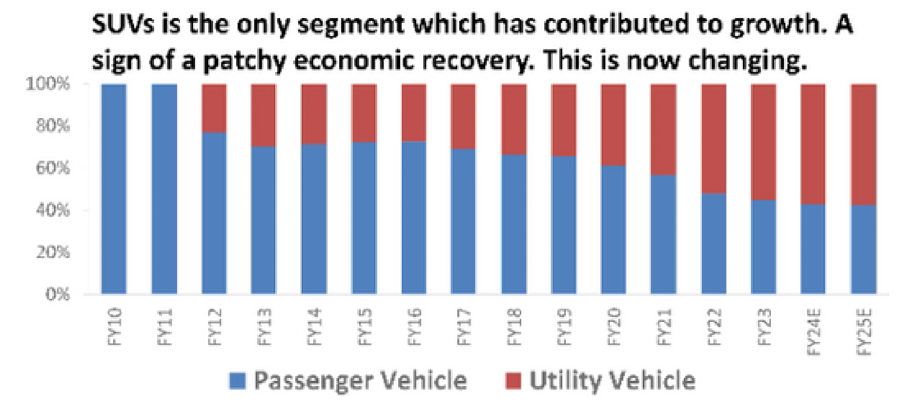
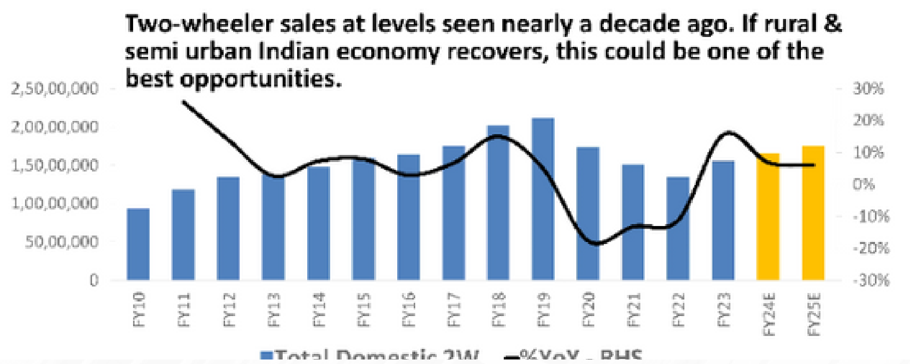
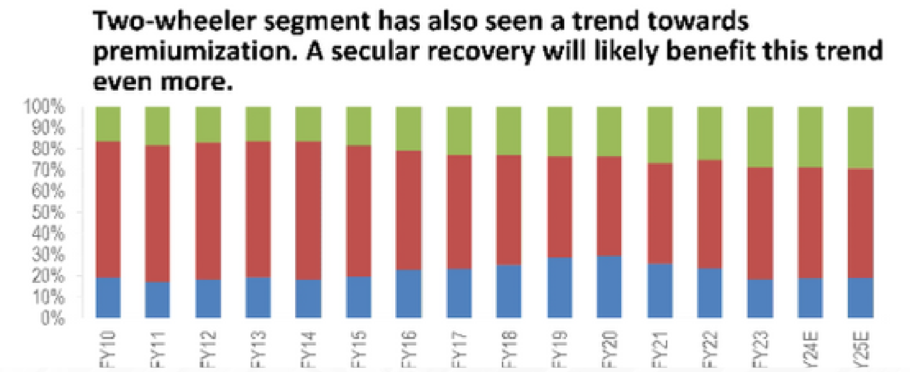
- Passenger vehicle sales are above FY19 levels while 2W sales are at levels seen almost a decade ago
- Demand recovery greenshoots seen in rural demand for 2W
- Passenger vehicle production impacted due to chip supply issues
- Premiumization of the market is underway across 2W & 4W









Are you positioned to benefit from the structural shift in India Auto Sector?

Unlocking the potential of OTT

Over the top (OTT) business model delivers media content and services directly to consumers over the internet, bypassing traditional TV providers, enabling multi device access.

- OTT user adoption is projected to grow significantly, with an estimated 3.5 billion users by 2023 compared to 3.26 billion in 2022.
- OTT platforms are set to experience a substantial revenue increase, reaching $316.10 billion in 2023 compared to $272.70 billion in 2022.
- OTT video revenue in the United States is projected to grow from $119.1 billion in 2022 to $137.8 billion in 2023 indicating ongoing market growth.
- Navigate the OTT industry's growth and revenue surge, including key developments from Warner Bros Discovery Inc.(WBD US) such as merger milestones, the launch of 'Max' streaming service, and improved franchise management.

OTT providers	Market share owned
Netflix	16 %
Disney+	14 %
Amazon Prime Video	13 %
YouTube	10 %
HBO Max	8 %
Hulu	6 %
Paramount+	5 %
Tubi	5 %
Pluto TV	4 %
Crunchyroll	2 %
Other	17 %

Source: Statista.

Is the OTT business poised for continued user and revenue growth, and are you positioned to seize the opportunity?

Semiconductor: Golden opportunity or dark forest era?

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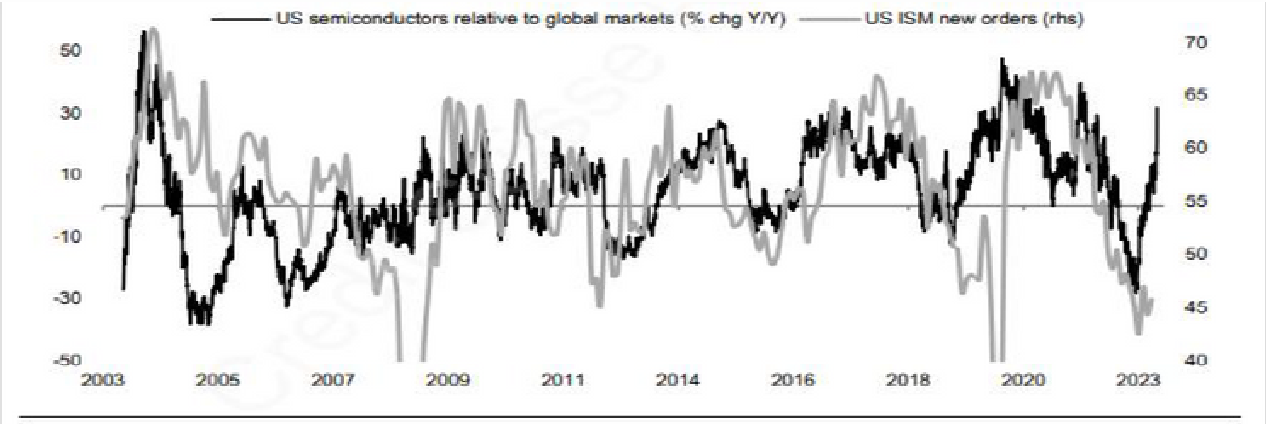
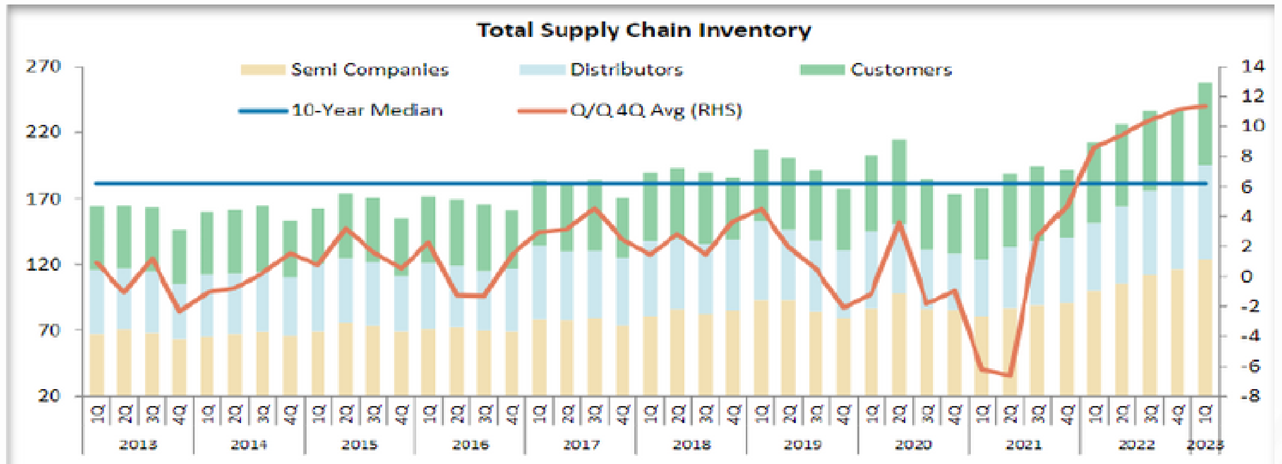
Semis are discounting an ISM of 58



Source: Refinitiv, Credit Suisse research

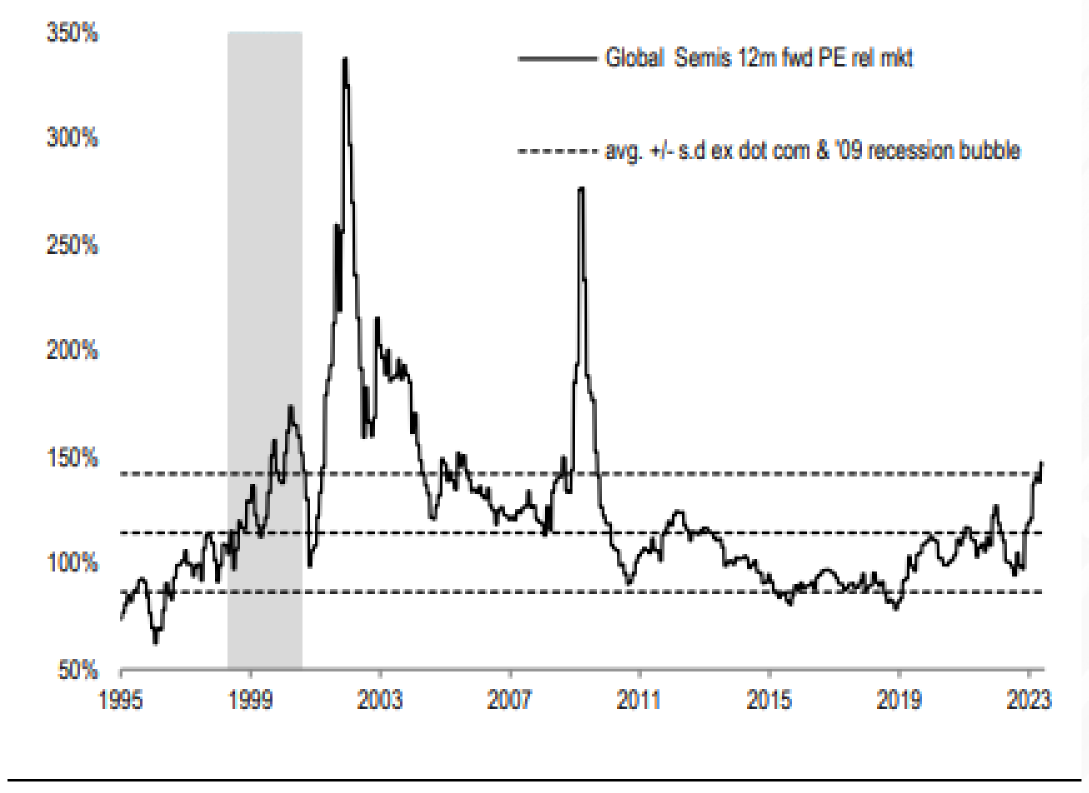


Source: Morgan Stanley Research, Refinitiv

Historical P/S ratio for Semis

Source: Refinitiv, Credit Suisse research

Historical P/E ratio for Semis



Source: Refinitiv, Credit Suisse research

Have you missed the gains from semis or was this a semiconductor bear rally?

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Asset Management

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