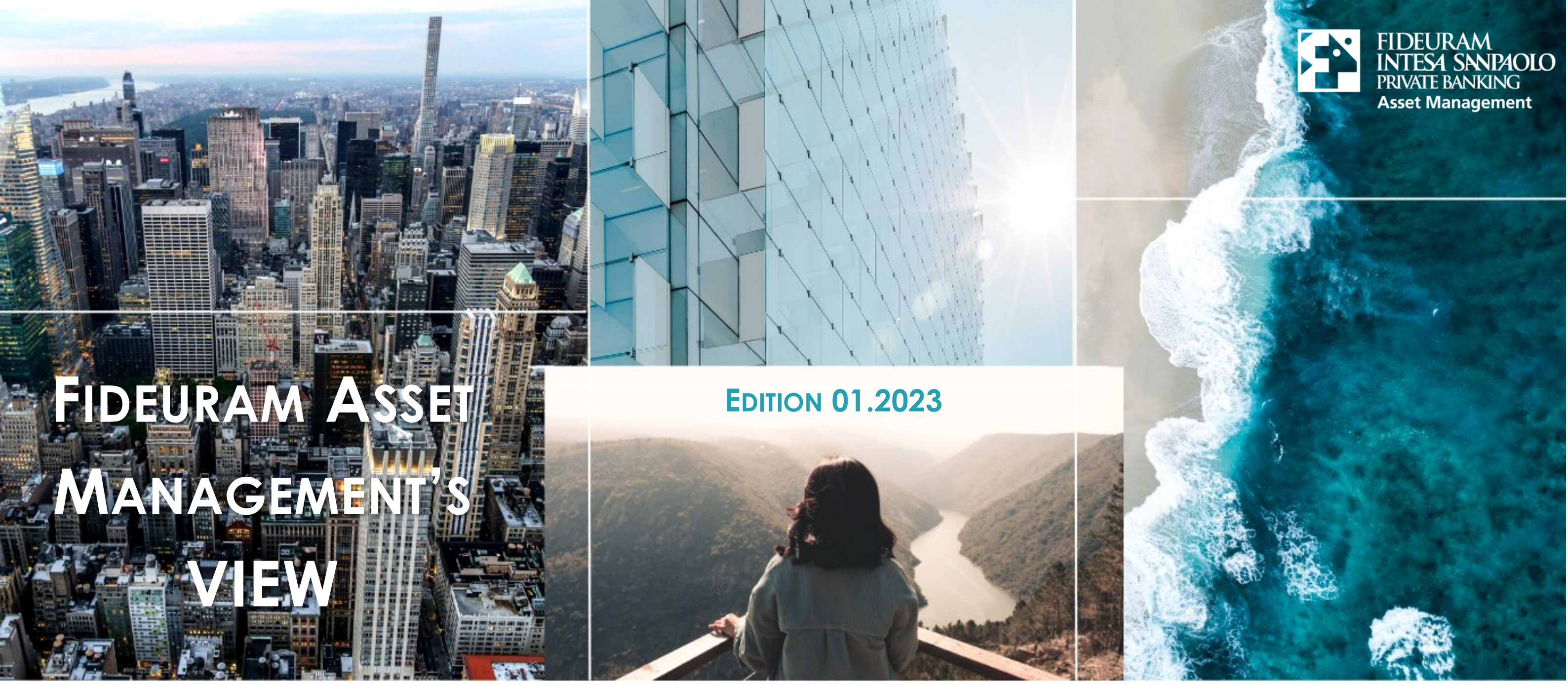


Fideuram Asset Management's View

Edition 01.2023

Macroeconomic Scenario

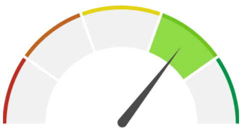
The outlook for global growth has improved considerably in recent weeks, mainly because of the Chinese authorities' sudden reversal of their 'zero tolerance' Covid policy (which should result in a significant boost in domestic demand, particularly for services, in the coming months) and the sharp fall in gas prices in Europe, which should significantly ease fears about energy supplies in the coming winter, with a substantial upward impact on growth in 2023. Global economic activity in the final quarter of last year was also more robust than expected. At the same time, inflation declined in both the US and Europe at the end of 2022, and the cyclical peak appears to have been reached in the Euro Area as well. The end of the tightening cycle of monetary policy is also now closer, although we confirm our expectation of further hikes of 75 bps by the Fed and 125 bps by the ECB (with two 50-bp increases at the February and March meetings).

Equity Markets

We believe valuations will find support in stabilising interest rates, but the downward revision of earnings is not over. However, we continue to believe that the contraction in earnings will be relatively limited and smaller than in previous recessions. We are increasing emerging markets to overweight as the reopening of the Chinese economy improves the expected trajectory for earnings in this market and that of economies more closely linked to China, in an environment where valuations are more attractive after having underperformed in previous years. Also, the combination of stabilising interest rates and a weaker dollar favours the region from a macroeconomic perspective. We are maintaining a limited underweight in Europe and remain broadly neutral on the US and Japan. In terms of sectors and themes we are maintaining a balanced approach between growth sectors, including technology, and the more value sectors, such as banks which benefit from higher rates, and resource-related themes, among which we prefer the energy and agribusiness sectors. Within technology, our choices are mainly aimed at the semiconductor sector, while we still see software as somewhat expensive and with margins that are more difficult to defend.

Europe	United States	Japan	Emerging Markets
Slightly negative	Neutral	Neutral	Slightly positive

Bond Markets



The portfolios are overweight in duration and credit risk, though not too aggressively. Both overweights are a consequence of the increased exposure relative to the benchmark of investment grade corporate bonds, including financial sector issues, and emerging market bonds in both hard and local currencies. In this phase, our preference for high-quality credit risk is based on the fact that rates of return are attractive, spreads are less vulnerable to cyclical risk than other assets (for instance, compared to equities and high yield), and we expect lower correlation between rates and spreads, resulting in a more stable overall yield. In emerging markets, we are reducing our view of Chinese government bonds to neutral, which we are downgrading in favour of more diversified emerging market exposures in local currencies. While remaining broadly neutral on US and euro government bonds, we are marginally reducing exposure in both areas because rates are at the lower end of our valuation range and, in the case of the US, the negative slope of the curve reduces the expected yield.

Government	Corporate	High Yield	Emerging Markets
Neutral	Slightly positive	Neutral	Slightly positive

MACROECONOMIC SCENARIO

USA: Mixed signals

GDP growth in the final quarter of 2022 remained at the rather robust pace of the previous quarter, but in November and December **there were clear signs that some economic activity indicators**, such as private consumption and industrial production, **were slowing**. The labour market, however, remained rather robust, albeit with signs of slowing wage growth. Our scenario still points to **a recession starting in the next quarter**, but there is still quite a bit of uncertainty about this. Given the drop in inflation at the end of 2022 (which is expected to continue in the coming months) and the positive surprises on wages, it appears to be a foregone conclusion that **the Fed will decide to continue to slow the pace of its rate hikes at its meeting in early February** to a 25-bp increase. We then expect two additional 25-bp hikes at the March and May meetings.

Euro Area: A recession is less likely

The mild winter, the abundance of liquefied natural gas on the international markets and the reduction in domestic consumption have led to **a significant drop in expected gas prices for all of 2023**. The rebound in business confidence in December was also confirmed in January, **thus reducing the risks of a recession** (albeit a mild one) between the end of 2022 and the beginning of 2023: we have therefore revised our forecast for GDP growth in 2023 upwards from -0.2% to +0.4%. **The fall in gas prices also improves the outlook for inflation**, although core inflation could still surprise to the upside. After peaking in October (at 10.6%), inflation is expected to decline gradually, reaching 5% in June. **This means the ECB will continue its tightening cycle**: after the 50-bp rate hike expected in February, another 50 bps in March and 25 bps in April are expected, but there is a risk that monetary tightening

China: All restrictions lifted

After three years of strictly enforcing the 'zero tolerance' Covid policy, at the end of 2022, much sooner than expected, Chinese authorities decided to **lift all restrictions** and **move towards coexisting with the virus**, despite the increase in infections and inadequate vaccination coverage among the more vulnerable part of the population. This decision should therefore lead to a resumption of economic activity and consumption sooner than had been expected. Moreover, December data and GDP growth in the last quarter of last year were stronger than expected, suggesting that the economy may already be on the road to recovery. Given the surprising growth numbers and following the removal of restrictions, **our growth estimate for 2023, already above consensus, was further revised upwards and now stands at 6.2%**.

INVESTMENT VIEW

Equity Markets

We remain underweight in Europe. The size of the underweight is limited, partly due to support provided by valuations, but also because investor positioning remains low, and the macroeconomic scenario is improving following the reopening of the Chinese economy. Among the European sectors, we prefer the financial sector, where bank earnings are being supported by interest rate performance.

Europe

SLIGHTLY NEGATIVE

Despite our preference for US market fundamentals, we are not overweight the S&P500 above 4,000 points. Investor positioning still has room to rebuild, and profits are holding up overall, but are slowing and will continue to do so over the next few quarters, leading to a negative growth environment in 2023. We prefer to increase exposure during any weaker phases because stabilising multiples limit the potential for a correction above the lows reached in recent months.

United States

NEUTRAL

The Japanese market trades at attractive valuations and lower than other regions, but earnings growth is not particularly robust, despite the yen's weakness in recent months. Prospectively, one constraint on earnings growth comes from the BoJ's support of the yen, which has been gradually loosening its control of the interest rate curve.

Japan

NEUTRAL

We are increasing emerging equities to overweight because, in addition to a macroeconomic backdrop that sees US interest rates stabilising along with the dollar, the recent reopening of the Chinese economy reinforces the expectation of an improvement in corporate earnings. Moreover, after years of underperformance, the relative valuations of China and emerging markets are trading at a good discount compared to those of developed countries.

Emerging Markets

SLIGHTLY POSITIVE

Bond Markets

Government

NEUTRAL

Ten-year interest rates are at the lower end of our valuation range in both Europe and the US. We see room for the Bund to rebound to around 2.5% and the ten-year US Treasury to stabilise between 3.5% and 4%. Among the peripheral spreads, BTPs appear relatively expensive, especially in the short and medium maturities, and particularly compared to the corporate curve.

Corporate

SLIGHTLY POSITIVE

Portfolios are overweight investment grade corporate bonds because expected yields are attractive, corporate curves offer a positive rolldown unlike the government curves, spreads are less vulnerable than other fixed income segments to cyclical risk (especially in Europe), and we expect a reduction in the correlation between rates and spreads resulting in lower volatility of total rates of return.

High Yield

NEUTRAL

Expected returns in the high yield segment are attractive from a historical perspective, and default rates are still low. However, unlike the investment grade and emerging component, we did not increase exposure because spreads are pricing in less of the current macroeconomic downturn and we prefer overweighting asset classes that have less cyclical risk.

Emerging Markets

SLIGHTLY POSITIVE

Greater stability in interest rates and the dollar provide a more favourable environment for emerging market debt. We have increased both the hard currency and the local currency segments to overweight. This increased exposure was accompanied by a partial reduction in Chinese government bonds, which continue to be a source of diversification in the portfolios, but on which we remain neutral because other fixed income and emerging market components offer more attractive returns.

CHINA'S REOPENING AND A MORE FAVOURABLE ENVIRONMENT FOR EMERGING MARKETS

After one of the worst years ever in terms of performance, the beginning of 2023 was, to the contrary, very positive, as some factors that had weighed on equity markets may have stabilised to some degree.

First, from a monetary policy perspective, the view is that central banks are in the final phase of their tightening cycle and **valuations are back in line with long-term averages**.

The other particularly relevant and unexpected element is the **total removal of restrictions by the Chinese authorities** after three years of strictly enforcing the zero tolerance Covid policy.

These elements, combined with a weaker dollar, underpin the increase to overweight in emerging market equities exposure, while remaining neutral on equities overall.

Against a global backdrop of marginally slowing Western economies, **China's reopening bodes well for accelerating growth through domestic demand, which should support earnings in many sectors of the local economy and related geographical areas**. A reduction of the earnings downward revision is currently underway for both China and emerging countries, which we expect to continue to strengthen and extend to other countries, also thanks to a stabilisation of both the US rate and the dollar. This earnings growth outlook comes against a backdrop of a valuation discount that has widened in recent years in conjunction with underperformance compared to the major advanced economies.

Despite the persistent uncertainties in the medium term related to dirigist and centralist policies, in the short term, the loosening of rigid Covid containment policies and the consequent improvement in macroeconomic expectations provide room for an improvement in earnings momentum in China and countries closely linked to it.

BOND MARKETS

We maintain the overweight on high quality credit and emerging market debt

In the bond segment, we remain overweight in higher quality corporate credit risk segments, including financial sector issues, and in emerging market bonds in both hard and local currencies. At the current benchmark rate levels, at the lower end of our valuation range, we have slightly reduced our exposure to the government segment, while remaining largely neutral.

In terms of allocation, the way in which the overweight on emerging market bonds is implemented has changed at the margin with **exposure to Chinese government bonds being reduced from overweight to neutral in favour of a more diversified exposure to emerging market bonds**.

The reason for this is that until now, Chinese government bonds offered two advantages over government bonds of developed economies: the first was a yield advantage, and the second a diversification advantage as a result of different economic and monetary dynamics in China compared to the Western world.

While the diversification advantage remains, the **yield advantage disappears because of more attractive yields both within the same emerging government segment and within the government segment of developed countries.**

In this sense, the reopening and abandonment of the zero tolerance Covid policy and a likely consequent acceleration of the Chinese economy could also be compatible with a gradual rise in local government interest rates.

On the other hand, **observing the consensus forecasts on the performance of emerging country monetary policy rates**, we see the possibility that some local central banks that have been more aggressive in monetary tightening during 2022 **may reverse their monetary policy**.

FIDEURAM INTESA SANPAOLO PRIVATE BANKING Asset Management

DISCLAIMER:

*This material has been prepared by Fideuram Intesa Sanpaolo Private Banking Asset Management SGR S.p.A., which is an asset management company enrolled in the register of the asset management companies held by the Bank of Italy no.12 and belonging to the Intesa Sanpaolo banking group ("**Fideuram Asset Management SGR**" or "**SGR**").*

This material has been prepared based on data processed by Fideuram Asset Management SGR (and by other companies of Intesa Sanpaolo banking group) and based on publicly available information or other third-party sources; the opinion offered are based on sources considered reliable and in good faith. Fideuram Asset Management SGR does not guarantee the accuracy, completeness and reliability of the data and information contained in this document and declines any responsibility in this regard.

However, non-declaration of guarantee, explicit or implicit, is offered the SGR on the accuracy, exhaustiveness and correctness of the information. The opinions and forecasts herein are formulated exclusively in reference to the document's date of writing, and there is no guarantee that results, or any other future events, will be consistent with the opinions and forecasts contained herein.

None of the contents of this communication, or of any attached documents, should be understood as research on investment matters, or marketing communication, or as an offer, inducement, invitation, solicitation or recommendation to buy or sell any security or financial instrument or service or to pursue any investment product or strategy or otherwise engage in any investment activity or as an expression of an opinion as to the present or future value or price of any security or financial instrument, nor as consulting on investment matters, of legal, fiscal or other nature. The information contained in this material may change as subsequent conditions vary.

The data, unless otherwise specified, do not take into account the applicable tax regime.

This material may not be distributed or used for the purpose of offers or solicitations in the United States or in Canada or towards individuals resident in any jurisdiction or in any circumstances in which such offers or solicitations are unlawful or not authorized, or where there would be, by virtue of such distribution, new or additional registration requirements.

The SGR and its employees cannot be held liable for any potential damages (even indirect or accidental) deriving from the fact that someone may have relied on the information contained in this communication and/or in any attached documents, and is not responsible for any errors and/or omissions in the aforementioned information.

This communication and its contents, including the contents of any attached documents, may not be reproduced, redistributed, directly or indirectly, to third parties or published, in its entirety or in part, for any reason, without the prior written consent of the SGR.

Fideuram Intesa Sanpaolo Private Banking Asset Management SGR S.p.A.

Via Montebello 18, 20121 Milano
Phone +39 02 725071 – Fax 02 72507626
www.fideuramispbsgr.it

Group company of INTESA SANPAOLO