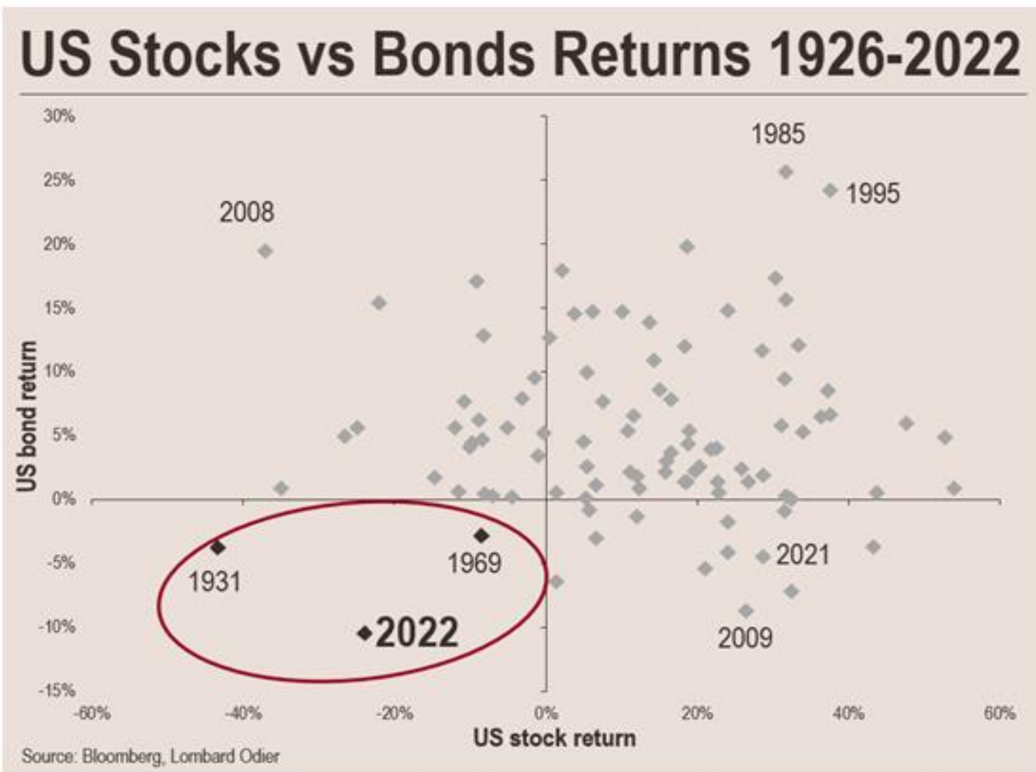
<u>2022 – A rare negative year for both Bonds and Equities!</u>

2022 was clearly an extreme year when it came to the positive correlation between stocks and bonds. Since 1926, the two asset classes in the US have had just three years of combined negative return (1931, 1969, and 2022). US bond returns are on the left and US stocks returns are at the bottom on the X axis.

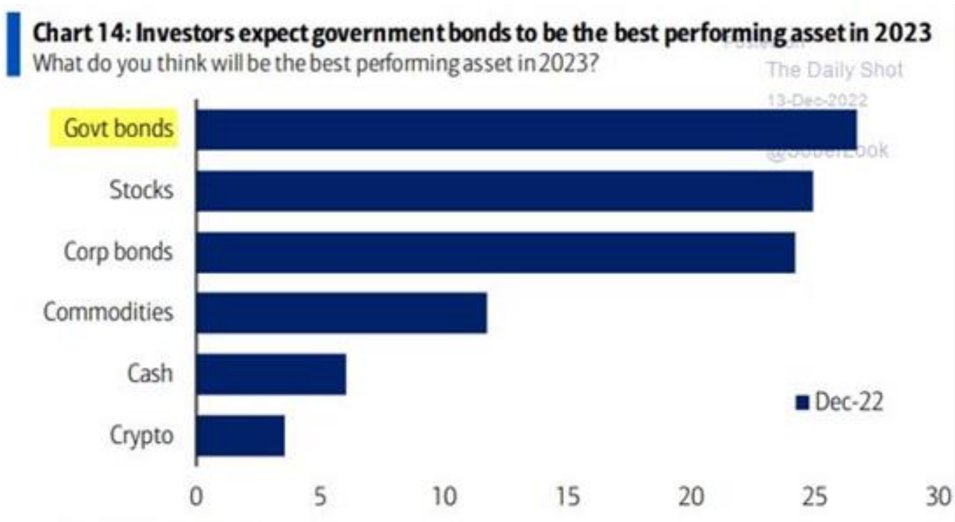
Both stocks and bonds have been punished this year, which as the chart demonstrates is highly unusual. In our view, it is extremely unlikely that this repeats in 2023. The question now for investors – which asset class will bounce back, if not both.



Looking ahead to 2023 we discuss the results of two recently taken survey's- one from Bank of America Global Fund Manager Survey (Dec 2022) which looks at how different assets class are likely to perform next year and secondly an equity forecast from a survey conducted by Bloomberg.

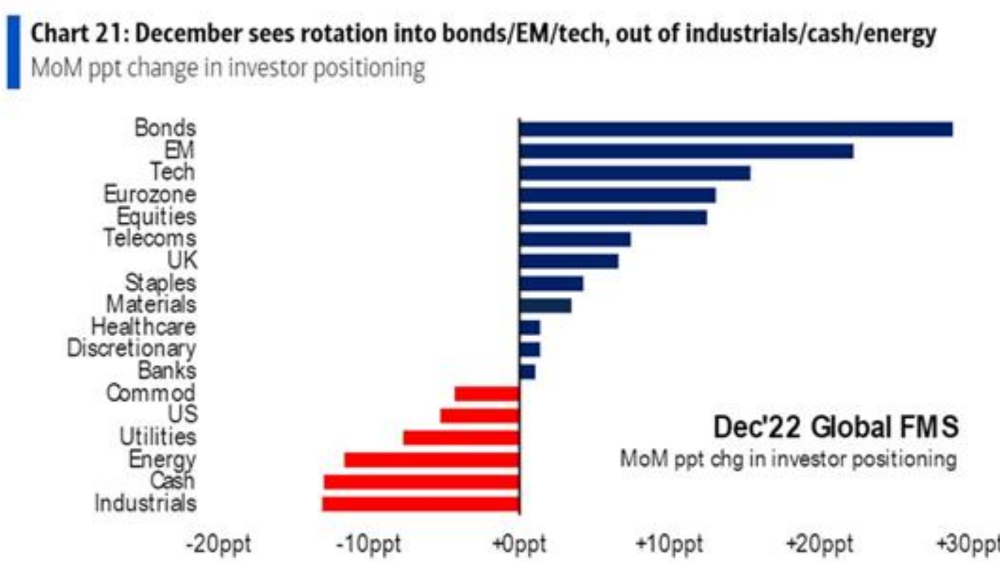
1. Bank of America – Global Fund Manager Survey (Dec 2022)

As can be seen from the chart below, investors currently believe that government bonds will be the strongest performing asset class next year, with 27% favouring the asset class vs 25% for equities and 24% for corporate debt. This is clearly a substantial change from what was expected for 2022 and comes after bond markets have by far seen their worst year in recent history.



Source: Bank of America Global Fund Manager survey

The chart below shows us this month's rotation between asset classes, along with certain regions and sectors that were also changed. Bonds gained the most, with a m/m change of roughly +30ppt. Emerging market equities and Eurozone equities also gained.

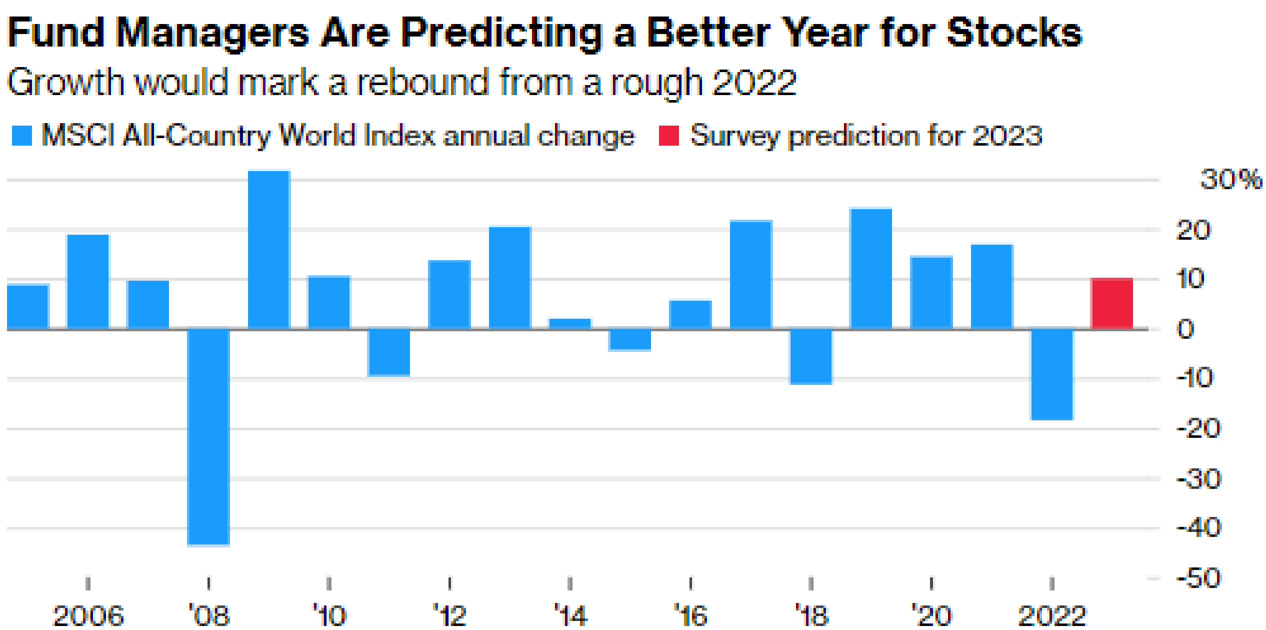


Source: Bank of America Global Fund Manager Survey

2. Equity Forecasts – Bloomberg Survey

According to a survey carried out by Bloomberg in early-December, some of the world's largest investors predict that global stock markets will see low double-digit gains next year. The survey included 134 fund managers such as BlackRock, Goldman Sachs Asset Management, and Amundi, and showed that 71% of respondents expected the asset class to see gains, versus 19% forecasting declines and 10% for no change. For those seeing gains, the average response was for +10%.

However, markets could still be temporarily derailed again by sticky core inflation, or a deeper than expected recession. These were the top two concerns for the upcoming year, cited by 48% and 45% of those surveyed. Most participants saw gains in equity markets skewed towards H2, which leaves some room for volatility in the meantime.



Source: Bloomberg