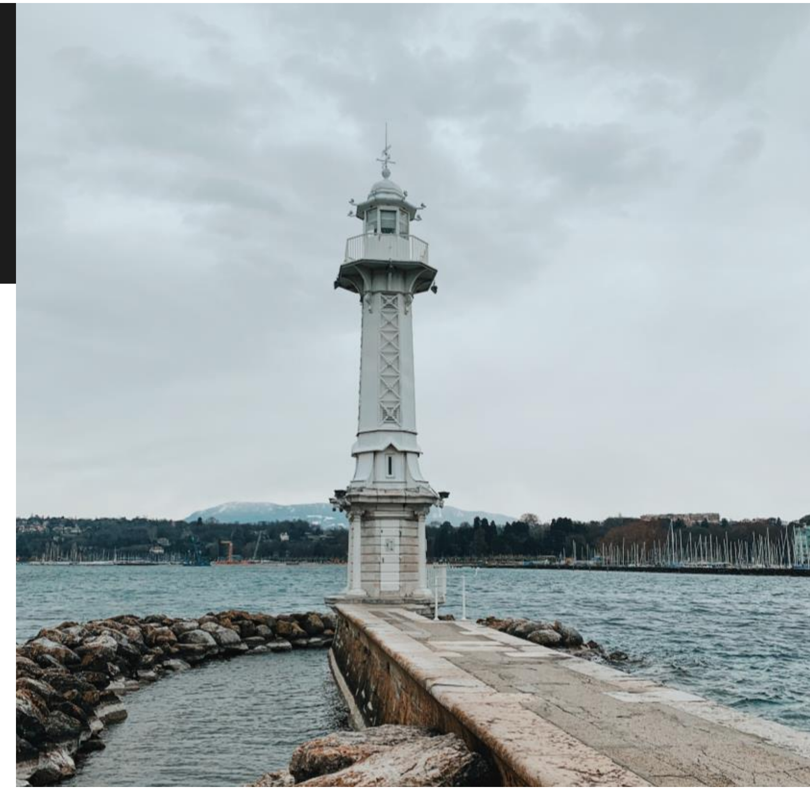
BPO



Investment Review

January 2020

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Environment: 2019 in a few words

After a difficult 2018, 2019 rewarded investors who were patient enough to hold and eventually increase their allocation in equities and bonds.

The rise was not done on a straight line. Political uncertainty around the world did not help. In Europe, the social environment in France was tense and still today, most of the issues have not been solved. In the United Kingdom, the Brexit issue was a constant back and forth. In Asia, Hong Kong was at the center of violent demonstrations. Latin America was not spared with social tensions arising in Venezuela and Chile.
On the economic front, the never ending discussions surrounding a trade agreement between China and the USA were daily news and brought back some volatility in the US markets.

Environment: 2019 in a few words

Despite these tensions, 2019 will be remembered as an excellent year for financial markets. After several interest rate rises by the Federal Reserve in 2018, we saw a more lenient central bank in 2019 and even an interest decline by the end of the year. Indeed monetary policies around the world became more dovish which helped sustain the rise of equites and fixed income.

As mentioned, in this uncertain environment, we were rewarded by maintaining a positive stance towards equities and even increasing our overall position in that asset class towards the second half of the year. In the fixed income area, we increased our exposure to emerging markets as we saw a real opportunity to capitalize on attractive spreads. Gold was also a positive element.

Outlook 2020

At the start of 2020, we remain constructive towards equities and bonds. After a first level trade deal was struck between the US and China; and Brexit was finally voted, we remain confident that markets will continue their progression forward. In addition, monetary policy around the world remains loose favoring equities over bonds.

We see opportunities in emerging market equities especially if the USD dollar weakens and China growth stabilizes. At the time of this writing, the Coronavirus is impacting strongly China and could push us to reassess some of our investment strategy for 2020. It will be important to monitor the level of US yields in the event of a too rapid rise as this could impact strongly equity markets. At this point time, we do not foresee this scenario but we have to remember that the current level of interest rates around the world, especially in Europe, cannot be a long term solution.

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