

Q4 2024



# InSight

Quarterly market review



Victory lap or  
obstacle course?

## OVERVIEW

Central banks: too soon to declare victory

## US

The presidential cycle

## EUROZONE

The Macron Moment

## SPECIAL FOCUS

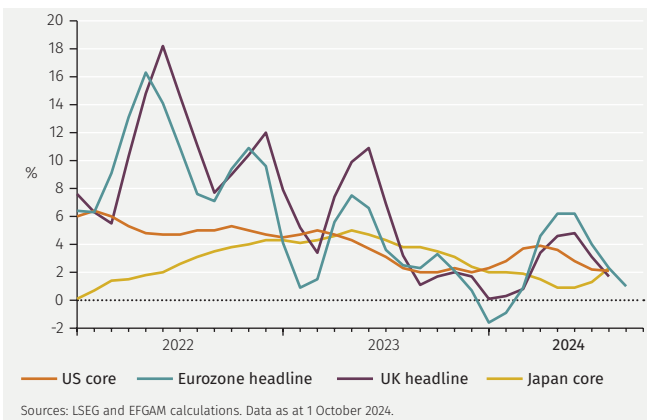
Energy security

# OVERVIEW

With inflation rates close to targeted levels and interest rates starting to fall, it is tempting to say that the central banks' mission has been accomplished. But caution prevails and risks remain.

The temptation to “declare victory and retreat” must, among central bankers, run high. Since the Spring/Summer of 2022, their primary focus has been on bringing inflation back to target. On the basis of the latest inflation data, that has broadly been achieved. Three-month annualised rates of inflation (which give a more timely picture of developments than the year-on-year rates that are more commonly quoted) are close to 2% (see Figure 1). That is as much of an achievement for the Bank of Japan – which fought deflationary pressures for more than three decades – as it is for the US Fed, the European Central Bank and the Bank of England which battled high inflation for less than three years.

## 1. Advanced economies: inflation rates



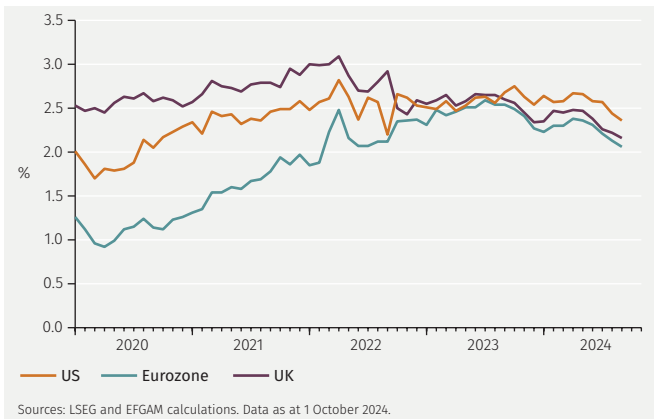
It could be, of course, that this success does not last. Service sector inflation and wage growth are still elevated in the US, UK and eurozone. The current success in controlling inflation owes much to weaker goods prices – notably for energy. However, longer-term inflation expectations (on the generally-preferred measure – inflation over five years, five years ahead) have eased back (see Figure 2). This is a welcome indication that inflation expectations have not become unanchored, as some feared just a short while ago.

Looking ahead, however, the route for the global economy may well resemble more of an obstacle race rather than a central bankers' lap of victory. Three such obstacles are clearly evident.

### Obstacle 1: political uncertainty

After a year of political uncertainty, the main event – the US Presidential election – looms large. The set of policies floated by Donald Trump – imposing 10% additional tariffs on US imports from all sources and 60% on imports from China; deportation of up to 8 million unauthorized immigrants; and

## 2. Expected inflation rates (5-year average, 5 years ahead)

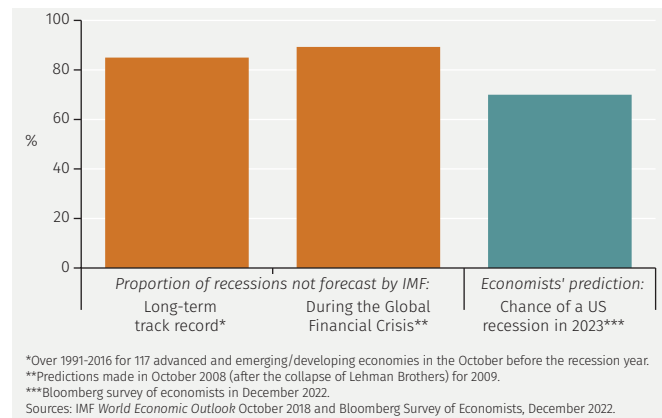


greater presidential control over the Fed – are treated with scepticism by mainstream economists. The combined effect of all three would likely result in lower US real growth, lower employment and higher inflation, according to one study.<sup>1</sup> In the UK and eurozone, following recent elections, the direction of policy is also uncertain, particularly given the desire to address high government deficits and debt levels.

### Obstacle 2: recession risks

The US has, notably, avoided recession in 2024, but the risks remain. The inverted yield curve – long a reliable indicator of recession – has been signalling a recession for almost two years. It could well be that one finally arrives in 2025. Recessions tend to develop quite quickly when they occur and are not well predicted. The International Monetary Fund (IMF) has assessed its own track record and finds that it failed to predict more than 80% of all recessions between 1991 and 2016 (see Figure 3). Even for 2009, the year after Lehman

## 3. Failure to predict recessions

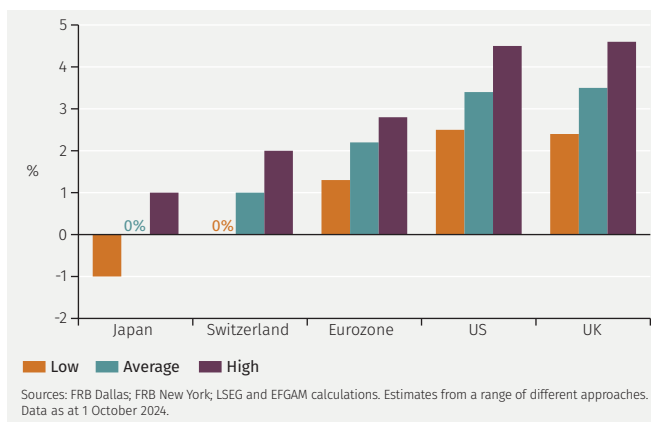


<sup>1</sup> Peterson Institute for International Economics. <https://tinyurl.com/3r4hmjzx>

# OVERVIEW

Brothers collapsed, only six advanced economies (and no emerging market and developing economies) had been predicted to enter into a recession; subsequently, almost half the economies in the world did so. Private sector economists fare only marginally better. Maybe chastened by such errors, in late 2022, 70% of economists expected the US economy to enter recession in 2023. That did not happen.

## 4. Terminal policy interest rates



### Obstacle 3: deciding on a terminal rate?

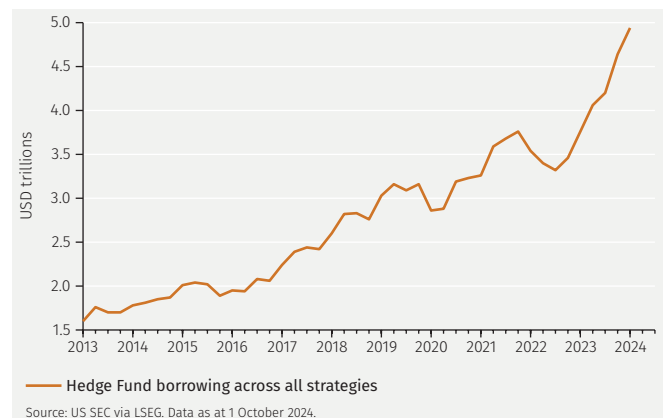
Assessment of the appropriate terminal rates for policy interest rates is a third obstacle. For most economies, there is a good deal of uncertainty about the appropriate rate to aim for (see Figure 4). For the UK, for example, it is estimated at between 2.5% and 4.6%; for Japan 1% either side of zero. These estimates are based on the neutral real interest rate (so-called r-star) plus expected long-term inflation (almost universally, 2%). There is much discussion in central banks about the level of the neutral real rate. Before the Covid pandemic, it had been steadily falling for many years. The 'global savings glut', identified by Ben Bernanke<sup>2</sup> and low levels of investment were seen as the main explanation. Now, the combination of ageing and retiring populations (leading to a rundown of accumulated savings) and higher investment needs (notably for the three "Ds" of Digitalisation, Decarbonisation and Defence) are generally seen as putting upward pressure on neutral real rates.<sup>3</sup> Some argue that the financial markets' obsession with prospects for policy interest rates is misguided. After all, no households or businesses borrow at the Fed funds rate or the ECB deposit rate; market-determined rates (such as mortgage rates and corporate bond rates) are more important for consumers and businesses, respectively; and the behaviour of the equity market is often (and 2024 is a prime example of this) disconnected from changes in Fed rate expectations.<sup>4</sup> The counter to this

argument, a forceful one, is that developments in key market rates – notably the US 10-year Treasury yield – are almost fully driven by movements in the three days around Fed meetings.<sup>5</sup>

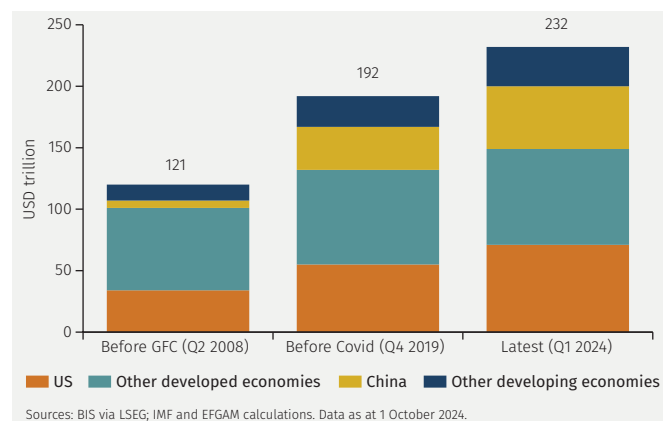
### Too much leverage?

Hitting one or more of these obstacles can, as the events of early August 2024 show, destabilise markets. Then, concerns about weaker US economic growth (Obstacle 2, above) and a change in policy rates in Japan (Obstacle 3, above) led to a sharp drop in the US equity market and a substantial strengthening of the yen. High levels of leverage exacerbated the move, especially the rapid unwinding of the Japanese yen carry trade. Certainly, borrowing by hedge funds and, more generally, in the global economy remain a source of vulnerability (see Figures 5 and 6, respectively). However, the rapid recovery from that August shock demonstrates a resilience in financial markets. This resilience may well be tested again.

## 5. US hedge fund borrowing



## 6. Global debt (of non-financial sectors)



<sup>2</sup> <https://www.federalreserve.gov/boarddocs/speeches/2005/200503102/>

<sup>3</sup> See, in particular, the speech R(ising) star? by Isabel Schnabel, ECB Board member. <https://tinyurl.com/5t4kaknn>

<sup>4</sup> See Aswath Damodaran, for example. <https://tinyurl.com/ywketfy6>

<sup>5</sup> Sebastian Hillenbrand, *The Fed and the secular decline in interest rates*. <https://tinyurl.com/4r4zukd2>

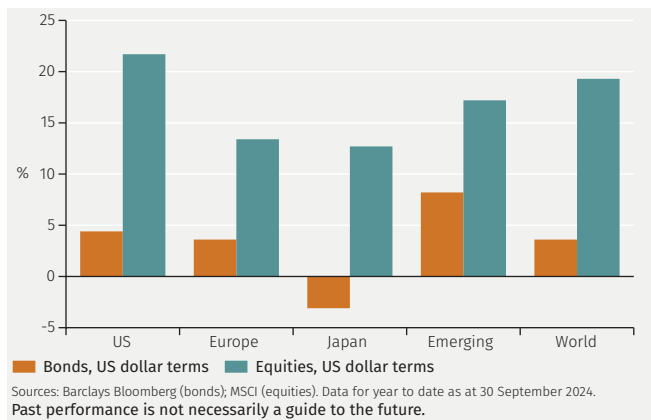
# ASSET MARKET PERFORMANCE

Global equity market gains of over 19% in US dollar terms were the most notable feature of the first three quarters of 2024. Emerging market bonds and equities also produced strong returns.

## Asset market performance

Total returns from global equities in US dollar terms were 19.3% in the first three quarters of 2024 (see Figure 7). The US market made a large contribution to that return but emerging markets, notably China, performed strongly after new government stimulus measures were announced in late September. An easing of global inflationary pressures and the start of policy interest reductions contributed to positive returns from bonds across most of the major regions, according to the Bloomberg Barclays Global Bond Indices. Japan was the exception to that trend, with official interest rates and bond yields rising.

### 7. Asset market performance

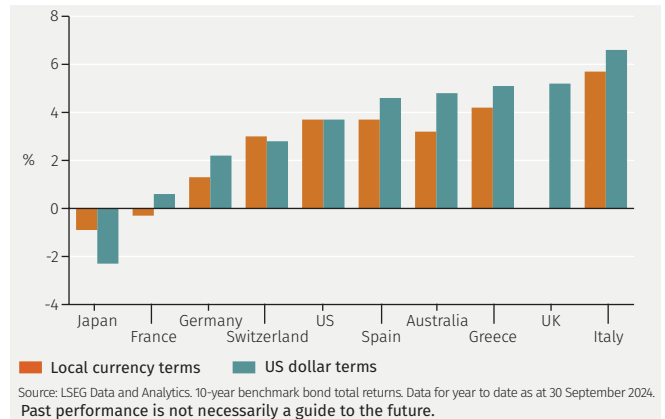


After continued strength in the first half of the year, the US dollar lost ground in the third quarter. The net result was that the dollar's DXY index was marginally lower at the end of September than it was at the end of 2023. Of the major currencies, sterling was the strongest against the dollar.

## Bond markets

With the exceptions of Japan and France, returns from 10-year government bonds were positive in both local currency and US dollar terms in the first three quarters of the year (see Figure 8). In France, political uncertainty contributed to a widening of the 10-year yield spread with Germany, leading to marginally negative local currency returns. In Japan, the central bank raised its benchmark interest rate to 0.25% in July and outlined plans to halve its monthly bond purchases. The moves contributed to bond market weakness in local currency terms but helped the yen to strengthen against the US dollar.

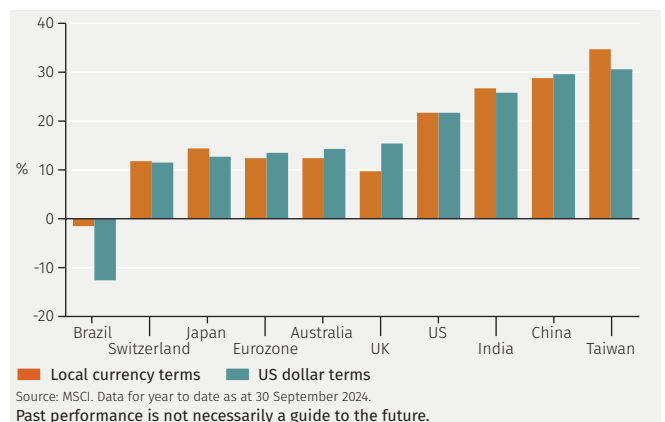
### 8. Bond market returns



## Equity markets

The announcement of new economic stimulus measures in China helped both it and Taiwan produce strong gains towards the end of September. However, that was after a long period of relatively weak performance (total returns from the MSCI China index are minus 15% in US dollar terms over the last three years). The Indian equity market, in contrast, remained strong with total returns in the first three quarters of 2024, amounting to 25%. Total returns over the last three years are as high as 41% in US dollar terms, marginally higher than returns from the US market. The 10% returns from the UK equity market in local currency terms in the first three quarters were augmented, in US dollar terms, by the strength of sterling. Sterling has recovered strongly from the low point of almost parity with the US dollar in late 2022.

### 9. Equity market returns



<sup>5</sup> The Bloomberg Barclays Global Aggregate Bond Index is a benchmark of government and investment grade corporate debt from developed and emerging markets issuers in 24 countries. The MSCI World Index represents large and mid-cap equity performance across 23 developed market countries.

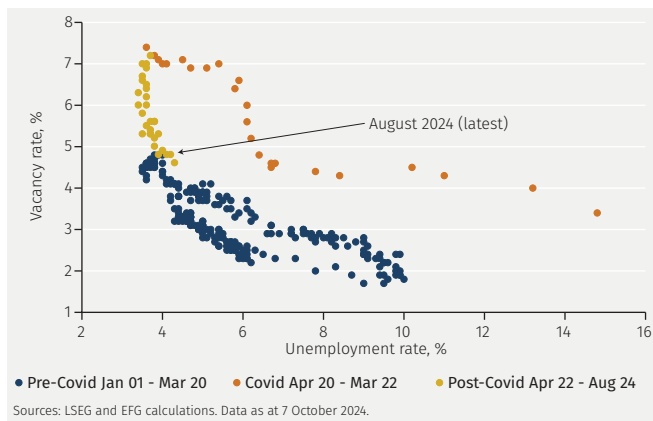
# UNITED STATES

With inflation now close to target and the first US interest rate cut having taken place, the Fed's focus will be on the labour market. But financial markets' attention will be squarely on US politics in the final quarter of the year.

## US inflation close to target

On the Fed's preferred measure,<sup>7</sup> inflation is now pretty close to target: the year-on-year rate was 2.7% in August; the three month annualised rate 2.1%. The latter is the same rate as in January 2021, before the surge in inflation started. In that sense, inflation has been successfully tamed. That means there is now greater attention on the second element of the Fed's dual mandate – maximum employment.

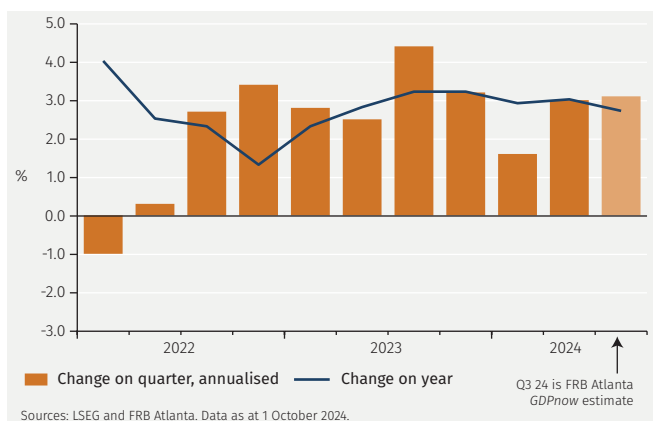
### 10. US Beveridge Curve



## Labour market: normalising or deteriorating?

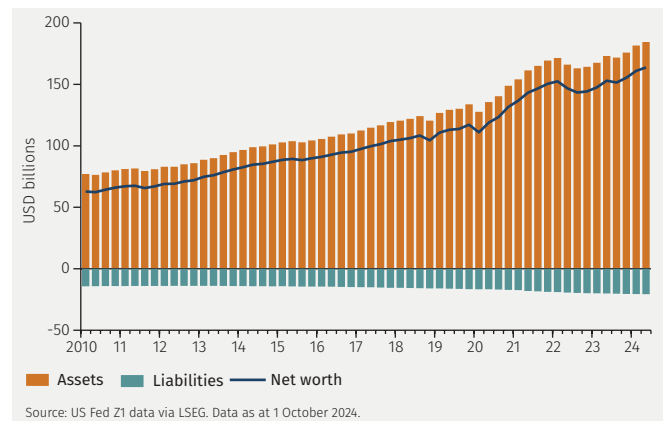
Assessing employment trends is complicated by the fact that the relationship between the unemployment rate and job vacancies - the Beveridge Curve (see Figure 10) – changed markedly during Covid, its aftermath and the recent surge in inflation. The latest data show it back in line with the pre-Covid relationship. One widely-expressed concern is that the employment situation may now deteriorate quite quickly. One widely-watched short-term indicator, the Sahm Rule, indicates the US may be on the brink of recession. However, overall economic growth remains firm (see Figure 11). Consumer

### 11. US GDP growth



spending has been supported by a run-down of savings accumulated in the pandemic, strong wage growth and strong (overall) household finances. Household net worth (see Figure 12) is more than seven times personal disposable income, although the distribution remains highly uneven.

### 12. US: Household assets, liabilities and net worth

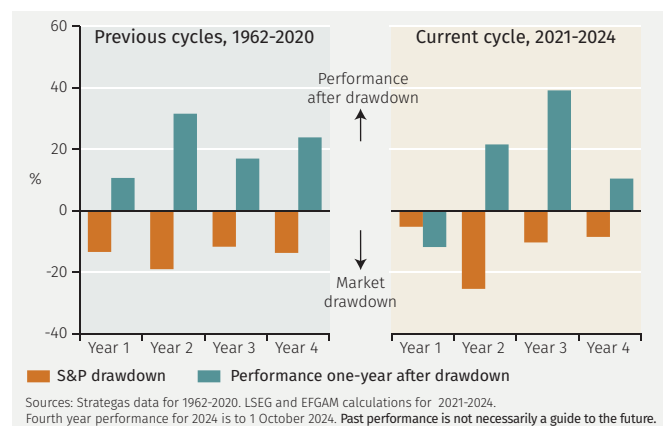


## The political cycle

The next scheduled Fed meeting on 6-7 November is just after the US presidential election on 5 November. Financial markets, always highly influenced by Fed decisions, may well find that period difficult.

So far, however, the four years of the current presidential cycle – from 2021-2024 – have seen equity market performance similar to the historic pattern. In 2024, for example, the maximum drawdown of the S&P 500 index (8.5% to 5 August) was not far from the average drawdown in previous cycles and there has been a 10% recovery since then. Of course, history never repeats itself, but it does rhyme.

### 13. S&P 500 by presidential cycle



<sup>7</sup> The price index for personal consumer expenditure, excluding food and energy.

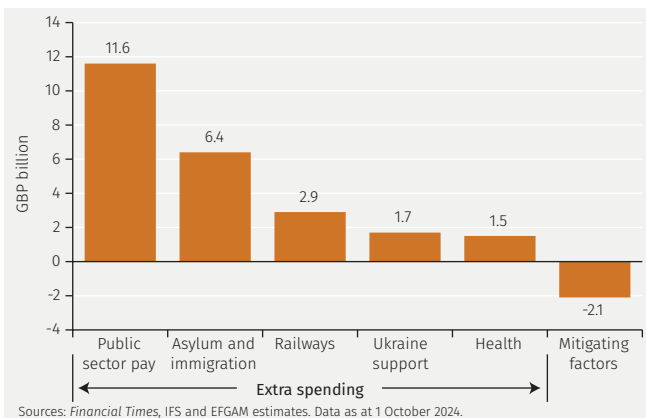
# UNITED KINGDOM

The new labour government has had a difficult start in terms of its popularity and public perception. Economic growth has flatlined, consumer and business confidence has deteriorated sharply and many are unsettled by potential policy changes.

## The £22bn black hole

Commentary on the UK's economic and fiscal position has been dominated, in the first few months of the new Labour government, by the £22bn fiscal 'black hole' that the new finance minister claims to have discovered. This is taken as evidence of irresponsible management by the previous Conservative government. The precise details have not been disclosed but the broad contributions are estimated in Figure 14. The two main items are previously undisclosed spending on asylum and immigration (£6.4bn) and public sector pay awards (granted in the early days of the new government's term). So far, only a sharp reduction in winter fuel payments to pensioners (raising no more than £1bn) has been put forward as a solution. But given the size of the shortfall a wide range of other measures have been floated as potential revenue-raising measures. The shape of the measures will be disclosed in the Budget on 30 October.

14. The £22bn "black hole"



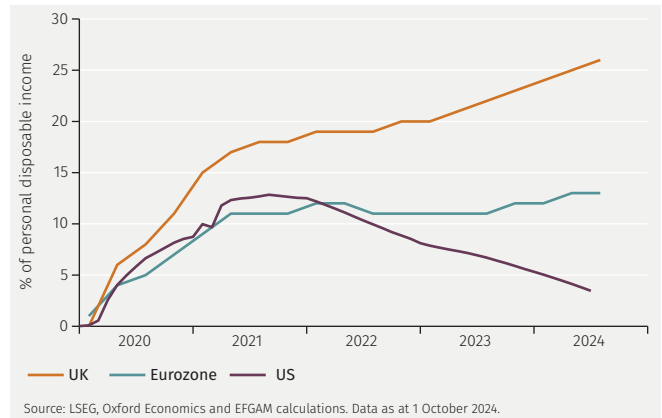
## Cautious consumers

In those circumstances it is no surprise that the GfK Consumer Confidence Index showed its biggest September drop since 1976. Consumers are cautious. Excess savings (assessed as those in excess of the pre-Covid normal rate of household savings) have continued to rise and currently represent around one quarter of personal disposable income. In contrast, similarly-measured US excess savings have largely been run down (see Figure 15). With consumer spending accounting for 60% of GDP and investment spending still subdued, it is unsurprising that economic growth remains weak (see Figure 16). Real GDP has grown at an annualised rate of just 0.7% since December 2019, immediately before Covid.

## Longer-term challenges

The big longer-term challenges for the UK – raising productivity and financing higher public spending – are clearly

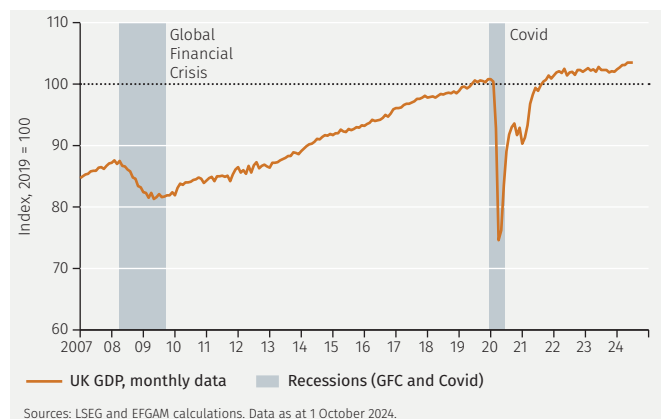
15. Excess savings



identified by the incoming government. Boosting public and private investment spending is seen as the key to raising productivity growth. The new government plans to stimulate investment through public sector support for private sector initiatives, especially through a freeing up of the planning system. There will be direct government spending as well, notably on housing and green investment. But the scope for expansionary fiscal policy is very limited.

Maintaining the freeze on personal income tax thresholds until 2028, a measure introduced by the previous government, should contribute £15bn per year by 2028. Although even maintaining the former government's (somewhat soft) target – of debt falling between the fourth and fifth years of the budget forecast – will be hard. The solution may well be to change the rules, with a concentration on the public sector's net worth and a changed treatment of the Bank of England's government bond holdings.

16. UK monthly GDP



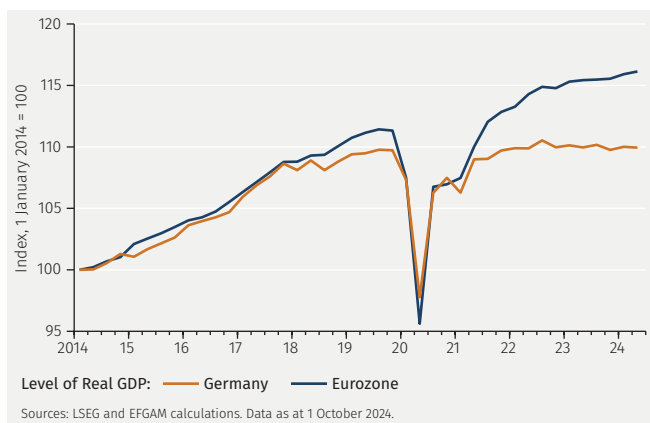
# EUROZONE

Two questions loom large in the future of the eurozone. How can productivity and growth be reinvigorated? And where will the leadership come from?

## Calling Europe

The late Henry Kissinger reportedly asked, “Who do I call if I want to speak to Europe?” With concerns about the leadership in Germany and France, Ursula von der Leyen (VDL), reappointed to a second five-year term as president of the European Commission, may fit the bill.

### 17. Follow the leader?



## The strength of the smaller states

German leadership in the eurozone has been questioned given the sluggish performance of the economy over the last ten years (see Figure 17). German GDP per head has grown by 43% over that period, a growth rate which has been clearly exceeded by smaller member states: Ireland, Croatia, Cyprus, Malta and Lithuania are the top five. Germany still stands as the anchor example of fiscal rectitude, close to abiding by the founding deficit and debt rules of the eurozone. But here, also, smaller economies fare as well or better than Germany. France will always vie for the position of eurozone leader, but the sharp widening – and, now persistence – of the yield spread between France and Germany (see Figure 18), coupled

### 18. Macron moment?



### 19. Eurozone labour productivity relative to the US

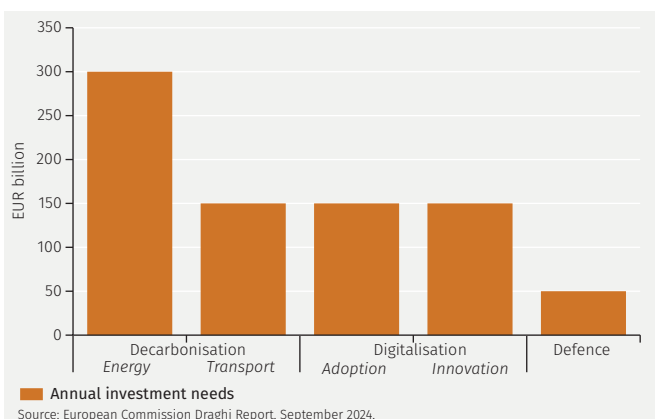


with the fact that France scores badly in terms of fiscal responsibility, cast a shadow over that status.

## What to do?

What can be done? The answer, as in the UK, lies in boosting potential growth. The eurozone’s labour productivity has lagged behind that of the US since the 1980s, according to new research presented to the European Central Bank (ECB) – see Figure 19. Assessing the ways of boosting that was the task handed to Mario Draghi, former head of the ECB. His report identifies the need for extra spending on three initiatives: Decarbonisation (of the energy and transport systems); Digitalisation (in terms of both adoption and innovation); and Defence (see Figure 20). The annual investment needs are assessed as EUR 750 billion per year over the next five years. That will need to come from the private as well as the public sectors. Interestingly, the criticism of this assessment from several smaller countries is that what is needed is greater flexibility and less centralised bureaucracy. European Commission requirements often stifle enterprise. They should call VDL.

### 20. Annual investment needs, 2025-2030



# SWITZERLAND

The Swiss National Bank (SNB) has cut its policy rate three times in 2024, taking the rate to 1.00%. A further cut in December is feasible, although it is dependent on Swiss growth and the behaviour of the Swiss franc.

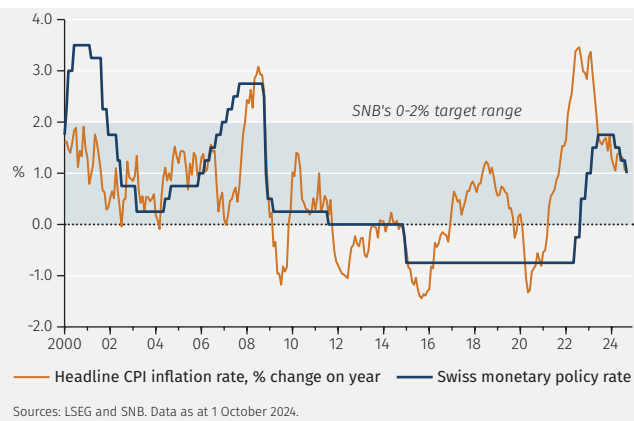
## The SNB's third cut

At the last SNB Board meeting chaired by Thomas Jordan, the policy rate was reduced by 0.25% to 1.00% (see Figure 21).<sup>8</sup> Market expectations in the run up to the announcement attached a 50% probability to a larger cut, of 0.50%. This likely contributed to the moderate appreciation of the exchange rate following the SNB's announcement.

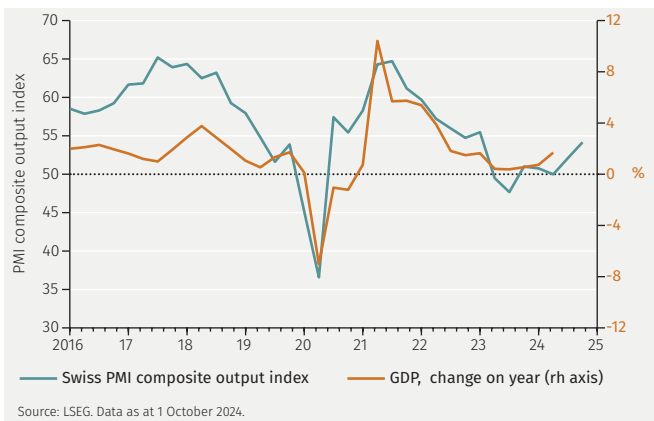
## Moderate growth outlook

Furthermore, the prospect of GDP growth in line with or slightly below potential, and still subject to mainly downside risks, will help to limit inflationary pressures.<sup>10</sup> The slight rebound in the Swiss composite PMI index (see Figure 23) points to reduced downside risks to the economy but its level remains consistent with moderate growth.

21. Switzerland: inflation and interest rates

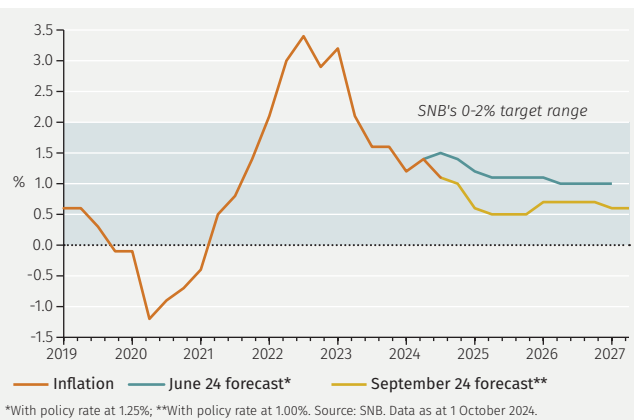


23. Switzerland: business confidence and GDP growth



The SNB has significantly revised downwards its conditional inflation forecasts for 2025 and 2026 to 0.6% and 0.7%, respectively (see Figure 22).<sup>9</sup> The drivers behind the lower forecast are: the appreciation of the Swiss franc over the summer; the drop in oil prices; and the reduction in Swiss electricity tariffs from January 2025.

22. SNB conditional inflation forecast



## Further rate cuts feasible

The macroeconomic outlook therefore supports the expectation of further cuts of the SNB policy rate but does not point to the need of aggressive policy easing. This scenario is also supported by the comments of the SNB which noted that “further cuts in the policy rate may become necessary in coming quarters”, an unusually explicit signal about future monetary policy moves. In addition, a further downward adjustment of the policy rate to 0.50% cannot be ruled out in the first part of 2025. If the SNB's conditional inflation forecast proves right, such an interest rate path would keep the real interest rate, adjusted for headline inflation, close to the SNB's estimate of the neutral rate of around zero.

The central bank has also reiterated its intention to intervene in the foreign exchange market, most likely with the intention of preventing an overly rapid rise in the Swiss franc exchange rate.

<sup>8</sup> As of 1 October, Martin Schlegel is the new Chairman of the SNB, taking up the role Mr. Jordan held since 2012.

<sup>9</sup> See ‘Good news on Swiss electricity prices’, EFG Macro Flash Note, 19 July 2024.

<sup>10</sup> See ‘Swiss summertime blues’, EFG Macro Flash Note, 13 August 2024.

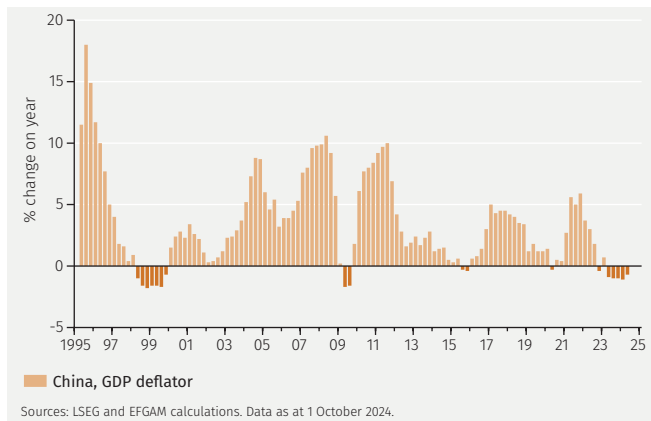
# ASIA

Broad deflationary trends are evident in China. The government has responded, but will their actions be enough, especially in a less benign global environment?

## China: broad deflation

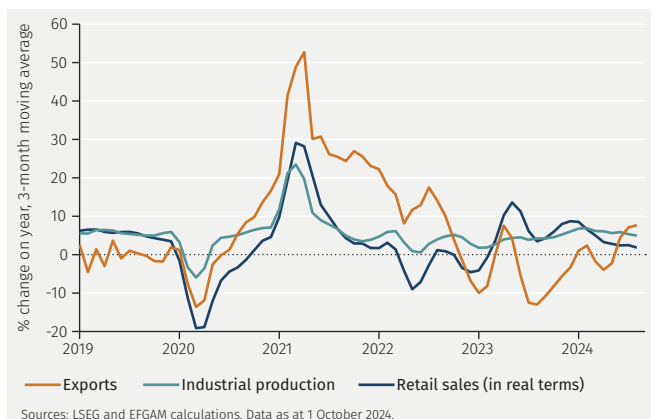
The broadest measure of overall price changes in any economy is the GDP deflator (the difference between GDP in nominal and real terms). It takes into account prices not just for consumer products (as measured by consumer price indices), but also industry costs and prices (as measured by producer prices) and prices in external trade (import and export prices). For China, its trend is worrying. It shows broad-based deflation for five consecutive quarters, the longest run of deflation since the late 1990s (see Figure 24).

24. China: broad deflation



In response, a range of stimulus measures have been announced. On the monetary front, a decrease in interest rates and a reduction in banks' reserve requirements. On the fiscal front, a range of additional support for consumers and local governments. Also, a fund to support equity markets. For long-time observers of Asian markets, the reaction is understandably "So far, so Japanese". That is, the measures look similar to those which Japan used – repeatedly and unsuccessfully – to address its deflationary slump, which started in the early 1990s and, arguably, has finished only recently.

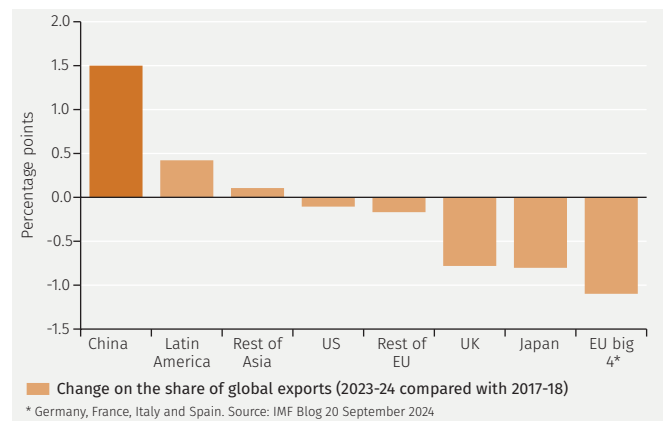
25. China: exports, production and retail sales



## China (might just) be different

China might be different. China is still an economy with a well-established, large-scale, efficient manufacturing base that is hard for other economies to compete with. That is evident, currently, in areas such as battery and electric vehicle production. Although industrial production and retail sales might still be in the doldrums (see Figure 25), exports are recovering. China is taking a larger share of world exports as Japan and the EU falter (see Figure 26).

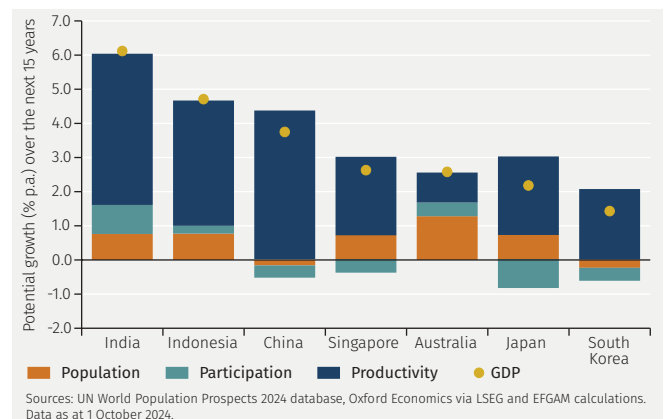
26. China gaining market share



## Domestic demand and structural reform

However, China has undoubtedly seen the waning of its period of very rapid economic growth. India and Indonesia, on our assessment, may now take up the lead (see Figure 27). That still means that the Asian region will likely be the most dynamic area of economic growth over the coming decades. Other Asian economies can take the best elements of China's growth template (export-led growth followed by substantial investment spending and strengthening consumer spending) to grow strongly. Now, they are also aware of the potential pitfalls (excessive debt and over-investment).

27. Future drivers of Asia Pacific growth



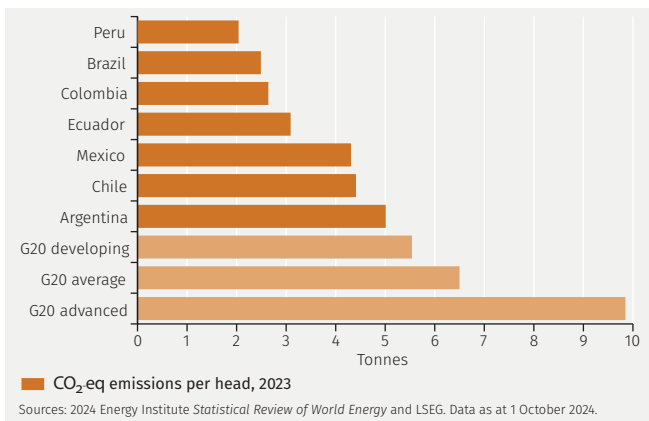
# LATIN AMERICA

Brazil will be the centre of attention in November 2024, when it hosts the G20 Summit and again, a year later, when the climate change conference, COP30 is held there. It is very well-suited to be a venue for both.

## Latin America: low carbon emissions

Carbon emissions are low across Latin America, averaging 3.5 tonnes per head, just a third of the emissions of the main advanced economies. (see Figure 28). The low emissions in Brazil reflect the fact that 89% of all electricity is generated from renewable resources. Certainly, emissions tend to grow as economies become more prosperous so a key issue is whether the region can resist that trend. But the path to greater economic prosperity has not been smooth across the region. Brazil almost reached high income status in 2010 but has since fallen back. Argentina has been in a long-term relative decline. So, the first challenge for the region is achieving growth while keeping emissions low.

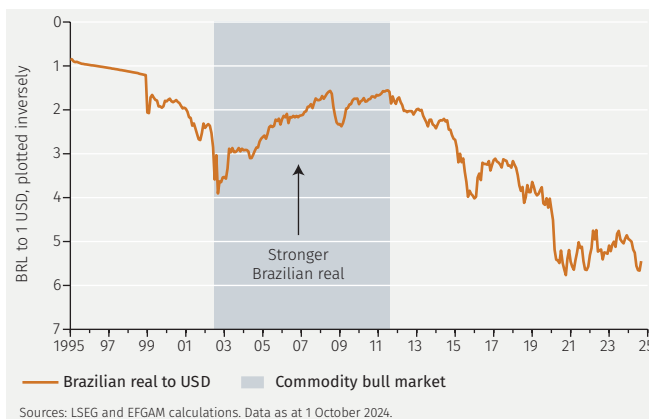
### 28. Latin America: low CO<sub>2</sub>-eq emissions<sup>11</sup>



## Commodity curse

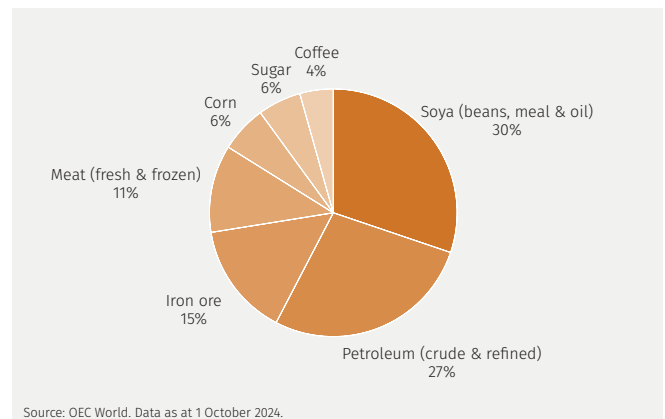
Part of the explanation for Brazil not holding onto its near-high income status is that it suffered a form of the Dutch Disease. Resource-rich economies tend to see their exchange rates appreciate, making other sectors of the economy less

### 29. Brazilian real and commodity cycle



competitive in international markets. Brazil certainly suffered in that respect during the commodity boom of the early 2000s, when its exchange rate was driven to overvalued levels (see Figure 29). That problem may well arise again. Brazil's second largest export, after soya, is crude and refined oil (see Figure 30). It is set to become one of the major five oil producers in the world in the coming years. That raises a specific challenge for Brazil: avoiding excessive currency appreciation as oil exports increase. And a general one for the region: managing the conflict between oil extraction and clean energy.

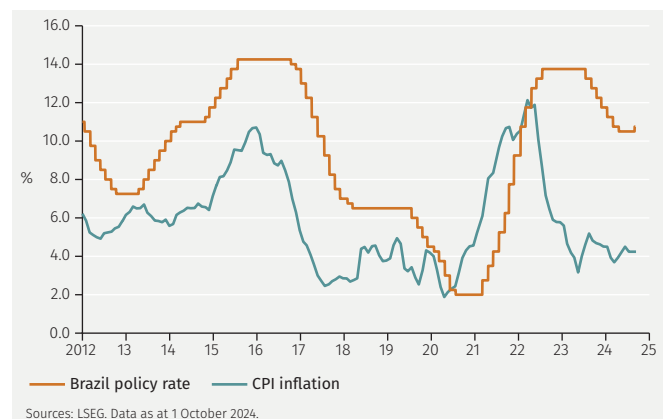
### 30. Brazil's major exports



## Monetary management

Brazil has been successful in bringing inflation down, increasing interest rates early and aggressively (see Figure 31). However, with a recent increase in interest rates, real interest rates are particularly high. Controlling inflation without excessively high real rates is the final challenge

### 31. Brazil: inflation and policy rate



<sup>11</sup> CO<sub>2</sub>-eq emissions take into account CO<sub>2</sub> emissions and the equivalent global warming effects of other GHGs (Greenhouse Gases).

## SPECIAL FOCUS: ENERGY SECURITY

The UK will host an international summit on Energy Security in 2025. Its mission is to assess the risks facing the global energy system and the solutions and opportunities available. There is much to do.

### What type of energy security?

UK Energy Secretary Ed Miliband considers that the aim of the UK-hosted energy security summit should be to “mobilise international action for cheap, clean, secure energy”. Achieving that trio of objectives is going to require a considerable amount of investment and massive restructuring of the energy supply system. An important focus now, and indeed the main focus of the UK government, is producing electricity from renewable sources. Globally, hydroelectric, wind, solar and other renewables account for 30% of electricity production. Nuclear power adds a further 9% (see Figure 32).

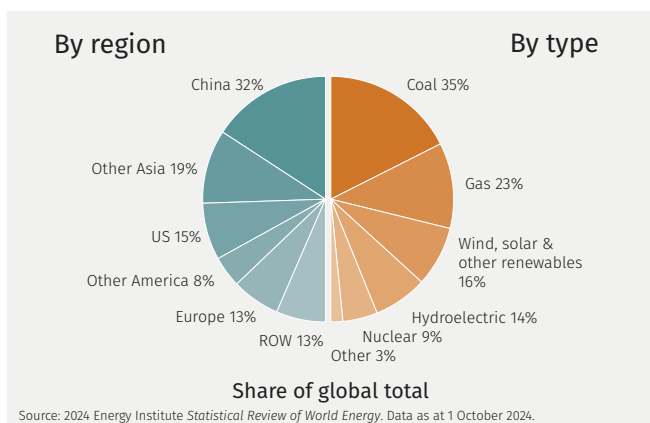
– is contributing to a renaissance of the role of nuclear power. The UK currently has 14 gigawatt (GW) of offshore wind capacity fully commissioned. The aim is to have 50GW of offshore wind capacity by 2030 and the current project pipeline is for a further 77GW. However, the 2023 auction for development rights failed to attract any bids and the ceiling price for the next round has been raised.

### Electricity: a small share of overall energy needs

How far that takes the UK towards self-sufficiency in low carbon electricity remains to be seen. Currently, electricity consumption is only 15% of total UK power consumption (it is slightly higher than that for the entire world, 17%). As transport, heating and industrial processes become electrified, the demand for renewable electricity will rise.

Steel is one particularly problematic area. The world steel industry currently accounts for 8% of global carbon dioxide emissions. Moving to low carbon steel production would be very electricity intensive. Decarbonising just the UK’s relatively small domestic steel production (7 million tonnes per year) would require 30 megawatts (MW) of electricity capacity (so more than double the current installed offshore wind capacity). Ground source heating, cloud computing, air conditioning and EV charging will also weigh on demand for electricity in the future. The IEA forecasts a 4% rise in global electricity demand this year, with demand in some countries growing far faster than that (India by 8%, for example).

### 32. Global electricity generation

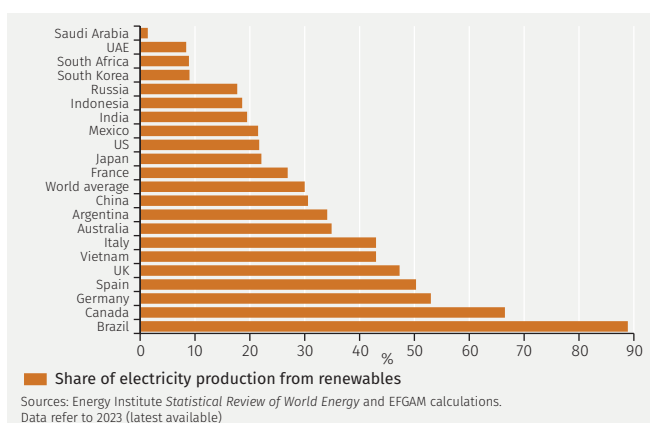


### Role of nuclear

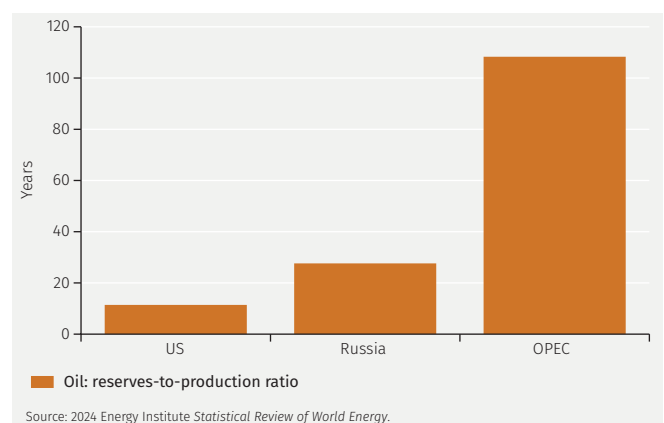
The UK is one of the leaders in producing electricity from renewables (see Figure 33), accounting for almost a 50% share. With nuclear power adding a further 14%, the share from fossil fuels is more than one third. The UK’s last coal-fired power station has recently closed. In the US, the expected electricity demand from tech companies – especially cloud computing

So, despite sharp increases in renewables capacity, global power generation from coal is unlikely to decline this year. The demand for oil has been weaker than many expected, but for oil-rich economies energy security has another meaning: OPEC economies have reserves accounting for 100 years at current usage (see Figure 34).

### 33. Share of electricity production from renewables



### 34. Oil: reserves to production ratio



## Important disclaimers

This document has been produced by EFG Asset Management (UK) Limited for use by the EFG International ("EFG Group" or "EFG") worldwide subsidiaries and affiliates within the EFG Group. EFG Asset Management (UK) Limited is authorised and regulated by the UK Financial Conduct Authority, registered no. 07389736. Registered address: EFG Asset Management (UK) Limited, Park House, 116 Park Street, London W1K 6AP, United Kingdom, telephone +44 (0)20 7491 9111.

This document has been prepared solely for information purposes. The information contained herein constitutes a marketing communication and should not be construed as financial research or analysis, an offer, a public offer, an investment advice, a recommendation or solicitation to buy, sell or subscribe to financial instruments and/or to the provision of a financial service. It is not intended to be a final representation of the terms and conditions of any investment, security, other financial instrument or other product or service. The content of this document is intended only for persons who understand and are capable of assuming all risks involved. Further, this document is not intended to provide any financial, legal, accounting or tax advice and should not be relied upon in this regard. The information in this document does not take into account the specific investment objectives, financial situation or particular needs of the recipient. You should seek your own professional advice (including tax advice) suitable to your particular circumstances prior to making any investment or if you are in doubt as to the information in this document.

The information provided in this document is not the result of financial research conducted by EFG's research department. Therefore, it does not constitute investment or independent research as defined in EU regulation (such as "MIFID II" or "MIFIR") nor under the Swiss "Directive on the Independence of Financial Research" issued by the Swiss Banking Association or any other equivalent local rules.

The value of investments and the income derived from them can fall as well as rise, and you may not get back the amount originally invested. Past performance is no indicator of future performance. Investment products may be subject to investment risks, involving but not limited to, currency exchange and market risks, fluctuations in value, liquidity risk and, where applicable, possible loss of principal invested.

Although information in this document has been obtained from sources believed to be reliable, no member of the EFG group represents or warrants its accuracy, and such information may be incomplete or condensed. Any opinions in this document are subject to change without notice. This document may contain personal opinions which do not necessarily reflect the position of any member of the EFG group. To the fullest extent permissible by law, no member of the EFG group shall be responsible for the consequences of any errors or omissions herein, or reliance upon any opinion or statement contained herein, and each member of the EFG group expressly disclaims any liability, including (without limitation) liability for incidental or consequential damages, arising from the same or resulting from any action or inaction on the part of the recipient in reliance on this document.

EFG and its employees may engage in securities transactions, on a proprietary basis or otherwise and hold long or short positions with regard to the instruments identified herein; such transactions or positions may be inconsistent with the views expressed in this document.

The availability of this document in any jurisdiction or country may be contrary to local law or regulation and persons who come into possession of this document should inform themselves of and observe any restrictions. This document may not be reproduced, disclosed or distributed (in whole or in part) to any other person without prior written permission from an authorised member of the EFG group.

Financial intermediaries/independent asset managers who may be receiving this document confirm that they will need to make their own independent decisions and in addition shall ensure that, where provided to end clients/investors with the permission from the EFG Group, the content is in line with their own clients' circumstances with regard to any investment, legal, regulatory, tax or other considerations. No liability is accepted by the EFG Group for any damages, losses or costs (whether direct, indirect or consequential) that may arise from any use of this document by the financial intermediaries/independent asset managers, their clients or any third parties. Comparisons to indexes or benchmarks in this material are being provided for illustrative purposes only and have limitations because indexes and benchmarks have material characteristics that may differ from the particular investment strategies that are being pursued by EFG and securities in which it invests.

The information and views expressed herein at the time of writing are subject to change at any time without notice and there is no obligation to update or remove outdated information.

Independent Asset Managers: in case this document is provided to Independent Asset Managers ("IAMS"), it is strictly forbidden to be reproduced, disclosed or distributed (in whole or in part) by IAMS and made available to their clients and/or third parties. By receiving this document IAMS confirm that they will need to make their own decisions/judgements about how to proceed and it is the responsibility of IAMS to ensure that the information provided is in line with their own clients' circumstances with regard to any investment, legal, regulatory, tax or other consequences. No liability is accepted by EFG for any damages, losses or costs (whether direct, indirect or consequential) that may arise from any use of this document by the IAMS, their clients or any third parties.

If you have received this document from any affiliate or branch referred to below, please note the following:

**Bahamas:** EFG Bank & Trust (Bahamas) Ltd is licensed by the Securities Commission of the Bahamas pursuant to the Securities Industry Act, 2011 and Securities Industry Regulations, 2012 and is authorised to conduct securities business in and from The Bahamas including dealing in securities, arranging dealing in securities, managing securities and advising on securities. EFG Bank & Trust (Bahamas) Ltd is also licensed by the Central Bank of the Bahamas pursuant to the Banks and Trust Companies Regulation Act, 2000 as a Bank and Trust company. Registered office: Goodman's Bay Corporate Centre West Bay Street and Sea View Drive, Nassau, The Bahamas.

**Bahrain:** EFG AG Bahrain is a branch of EFG Bank AG as licensed by the Central Bank of Bahrain (CBB) as Investment Business Firm Category 2 and is authorised to carry out the following activities: a) Dealing in financial instruments as agents; b) Arranging deals in financial instruments; c) Managing financial instruments; d) Advising on financial instruments; e) Operating a Collective Investment Undertaking; and f) Arranging Credit and Advising on Credit. Registered address: EFG AG Bahrain Branch, Manama / Front Sea / Block 346 / Road 4626 / Building 1459 / Office 1401 / P O Box 11321 Manama -- Kingdom of Bahrain.

**Cayman Islands:** EFG Bank AG, Cayman Branch ("the Branch") is a Registered Person under the Cayman Islands Monetary Authority (CIMA) Securities Investment Business Act (as revised) ("the Securities Act") and its accompanying regulations. The Branch is permitted to provide securities investment services to high net worth and sophisticated persons, as defined in Schedule 4 of the Securities Act, in and from within the Cayman Islands including dealing in securities, arranging dealing in securities, managing securities, and advising on securities. The Branch is also licensed by CIMA pursuant to the Banks and Trust Companies Act (as revised) ("the Banking Act") as a Category B Bank to provide banking services in accordance with Section 6 (6) of the Banking Act. Registered Office: Suite 3208, 9 Forum Lane, Camana Bay, Grand Cayman KY1-1003, Cayman Islands.

**Cyprus:** EFG Cyprus Limited is an investment firm established in Cyprus with company No. HE408062, having its registered address at Kennedy 23, Globe House, 6th Floor, 1075, Nicosia, Cyprus. EFG Cyprus Limited is authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC).

**Dubai:** EFG (Middle East) Limited is regulated by the DFSA. This material is intended "for professional clients only". Registered address: EFG (Middle East) Limited DIFC, Gate Precinct 5, 7th Floor PO Box 507245 - Dubai, UAE.

**Greece:** EFG Bank (Luxembourg) S.A., Athens Branch is a non-bookings establishment of EFG Bank (Luxembourg) S.A. which is authorised to promote EFG Bank (Luxembourg) S.A.'s products and services based on the EU freedom of establishment pursuant to a license granted by the Luxembourg financial supervisory authority "CSSF". Registered address: 342 Kifisias Ave. & Ethnikis Antistaseos Str. - 154 51 N. Psychiko, General Commercial Registry no. 14305760001.

**Hong Kong:** EFG Bank AG, Hong Kong branch (CE Number: APV863) ("EFG Hong Kong") is authorized as a licensed bank by the Hong Kong Monetary Authority pursuant to the Banking Ordinance (Cap. 155, Laws of Hong Kong) and is authorized to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities in Hong Kong. Registered address: EFG Bank AG Hong Kong branch, 18th floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. To the fullest extent permissible by law and the applicable requirements to EFG Hong Kong under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, EFG Hong Kong shall not be responsible for the consequences of any errors or omissions herein, or of any information or statement contained herein. EFG Hong Kong expressly disclaims any liability, including (without limitation) liability for incidental or consequential damages, arising from the same or resulting from any action or inaction on the part of the recipient in reliance on this document.

**Israel:** EFG Wealth Management (Israel) Ltd. Registered Office: 3 Rothschild Blv., Tel Aviv 6688106, Israel.

**Jersey:** EFG Private Bank Limited, Jersey Branch having its principal place of business at 5th Floor, 44 Esplanade, Jersey, JE1 3FG is regulated by the Jersey Financial Services Commission (JFSC registration number: RBN32518) and is a branch of EFG Private Bank Limited. EFG Private Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (UK FCA registered no 144036) and Prudential Regulation Authority. EFG Private Bank Limited is registered in England and Wales no 2321802. UK registered office: Park House, 116 Park Street London W1K 6AP, United Kingdom, telephone +44 (0)20 7491 9111. The services of EFG Private Bank Limited, Jersey Branch are carried out under and in accordance with the rules of the Jersey Financial Services Commission and where appropriate the rules of the Financial Conduct Authority and Prudential Regulation Authority.

**Liechtenstein:** EFG Bank von Ernst AG is regulated by the Financial Market Authority Liechtenstein. Registered address: EFG Bank von Ernst AG Egertastrasse 10 - 9490 Vaduz, Liechtenstein.

**Luxembourg:** EFG Bank (Luxembourg) S.A. is authorised by the Ministry of Finance Luxembourg and supervised by the Commission de Surveillance du Secteur Financier (CSSF). EFG Bank (Luxembourg) S.A. is Member of the Deposit Guarantee Fund Luxembourg (F.G.D.L. - Fonds de Garantie des Dépôts Luxembourg) and Member of the Luxembourg Investor Compensation Scheme (S.I.L.L. - Système d'Indemnisation des Investisseurs Luxembourg). R.C.S. Luxembourg no. B113375. Registered address: EFG Bank (Luxembourg) S.A. - 56, Grand-Rue, L-1660 Luxembourg

**Portugal:** EFG Bank (Luxembourg) S.A. - Sucursal em Portugal is authorised and supervised by Banco de Portugal (register 280) and the CMVM, the Portuguese securities market commission, (register 393) for the provision of financial advisory and reception and transmission of orders. EFG Bank (Luxembourg) S.A. - Sucursal em Portugal is a non-bookings branch of EFG Bank (Luxembourg) S.A., a public limited liability company incorporated under the laws of the Grand Duchy of Luxembourg, authorised and supervised by the CSSF (Commission de Surveillance du Secteur Financier). Lisbon Head Office: Avenida da Liberdade n.º 131 - 6.º Dto., 1250 - 140 Lisboa. Porto agency: Avenida da Boavista, n.º 1837 - Escritório 62, 4100-133 Porto. Companies Registry Number: 980649439.

**Monaco:** EFG Bank (Monaco) SAM is a Monegasque Limited Company with a company registration no. 90 S 02647 (Répertoire du Commerce et de l'Industrie de Monaco). EFG Bank (Monaco) SAM is a bank with financial activities authorised and regulated by the "Autorité de Contrôle Prudential et de Résolution" (French Prudential Supervision and Resolution Authority and by the "Commission de Contrôle de Activités Financières" (Monegasque Commission for the Control of Financial Activities). Registered address: EFG Bank (Monaco) SAM, Villa les Aigles, 15, avenue d'Ostende - BP 37 - 98001 Monaco (Principauté de Monaco), telephone: +377 93 15 11 11. The recipient of this document is perfectly fluent in English and waives the possibility to obtain a French version of this publication.

**Panama:** EFG Asesores (Panama), S.A. in an entity supervised by the Superintendencia of the Securities Market of Panama. License to operate as an Investment Advisor - Resolution No. SMV-316-23. Registered address: EFG Asesores (Panama) S.A., Torre Argos, 2nd Floor, Santa Maria Business District, Panama City.

**People's Republic of China ("PRC"):** EFG Bank AG Shanghai Representative Office is approved by China Banking Regulatory Commission and registered with the Shanghai Administration for Industry and Commerce in accordance with the Regulations of the People's Republic of China for the Administration of Foreign-invested Banks and the related implementing rules. Registration No: 310000500424509. Registered address: Room 65110, 65 F, Shanghai World Financial Center, No. 100, Century Avenue, Pudong New Area, Shanghai. The business scope of EFG Bank AG Shanghai Representative Office is limited to non-profit making activities only including liaison, market research and consultancy.

**Singapore:** EFG Bank AG, Singapore branch (UEN No. T03FC6371) is licensed as a wholesale bank by the Monetary Authority of Singapore pursuant to the Banking Act 1970, an Exempt Financial Adviser as defined in the Financial Advisers Act 2001 and an Exempt Capital Markets Services Entity under the Securities and Futures Act 2001. This advertisement has not been reviewed by the Monetary Authority of Singapore. Registered address: EFG Bank AG Singapore Branch, 79 Robinson Road, #18-01, Singapore 068897. This document does not have regard to the specific investment objectives, financial situation or particular needs of any specific person. This document shall not constitute investment advice or a solicitation or recommendation to invest in this investment or any products mentioned herein. EFG Singapore and its respective officers, employees or agents make no representation or warranty or guarantee, express or implied, as to, and shall not be responsible for, the accuracy, reliability or completeness of this document, and it should not be relied upon as such. EFG Singapore expressly disclaims any liability, including (without limitation) liability for incidental or consequential damages, arising from the same or resulting from any action or inaction on the part of the recipient in reliance on this document. You should carefully consider, the merits and the risk inherent in this investment and based on your own judgement or the advice from such independent advisors whom you have chosen to consult, evaluate whether the investment is suitable for you in view of your risk appetite, investment experience, objectives, financial resources and circumstances, and make such other investigation as you consider necessary and without relying in any way on EFG Singapore.

**Switzerland:** EFG Bank AG, Zurich, including its Geneva and Lugano branches, is authorised and regulated by the FINMA. Registered Office: EFG Bank AG, Bleicherweg 8, 8001 Zurich, Switzerland. Registered Swiss Branches: EFG Bank SA, 24 quai du Seujet, 1211 Geneva 2, and EFG Bank SA, Via Magatti 2, 6900 Lugano.

**United Kingdom:** EFG Private Bank Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. EFG Private Bank Limited is a member of the London Stock Exchange. Registered company no. 02321802. Registered address: EFG Private Bank Limited, Park House, 116 Park Street, London W1K 6AP, United Kingdom, telephone +44 (0)20 7491 9111.

### USA:

**EFG Asset Management (Americas) Corp ("EFGAM Americas")** is a U.S. Securities and Exchange Commission ("SEC") registered investment adviser providing investment advisory services. Registration with the SEC or any state securities authority does not imply any level of skill or training. EFGAM Americas may only transact business or render personalized investment advice in those states and international jurisdictions where it is registered, has notice filed, or is otherwise excluded or exempted from registration requirements. An investor should consider his or her investment objectives, risks, charges and expenses carefully before investing. For more information on EFGAM Americas, its business practices, background, conflict of interests, fees charged for services and other relevant information, please visit the SEC's public investor information site at: <https://www.investor.gov>. Also, you may visit: <https://adviserinfo.sec.gov/firm/summary/158905>. In both of these sites you may obtain copies of EFGAM Americas's most recent Form ADV Part 1, Part 2 and Form CRS. EFGAM Americas Registered address: 701 Brickell Avenue, Suite 1350 - Miami, FL 33131.

**EFG Capital International Corp. ("EFG Capital")** is a U.S. Securities and Exchange Commission ("SEC") registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Securities products and brokerage services are provided by EFG Capital. None of the SEC, FINRA or SIPC, have endorsed this document or the services and products provided by EFG Capital and its U.S. based affiliates. Registered address: 701 Brickell Avenue, Ninth Floor & Suite 1350 - Miami, FL 33131. EFG Capital and EFGAM Americas are affiliated by common ownership under EFGI and maintain mutually associated personnel. The products and services described herein have not been authorized by any regulator or supervisory authority, and further are not subject to supervision by any regulatory authority outside of the United States. Please note the content herein was produced and created by EFG Bank AG/EFG Asset Management (UK) Limited (as applicable). This material is not to be construed as created or otherwise originated from EFG Capital or EFGAM Americas. Neither EFGAM Americas nor EFG Capital represent themselves as the underlying manager or investment adviser of this Fund/ product or strategy.

EFG Asset Management (North America) Corp. ("EFGAM NA") is a US Securities and Exchange Commission (SEC) Registered Investment Adviser For more information on EFGAM NA Corp, its business, affiliations, fees, disciplinary events, and possible conflicts of interests please visit the SEC Investment Advisor Public Disclosure website (<https://adviserinfo.sec.gov/>) and review its Form ADV.

### Information for investors in Australia:

For Professional, Institutional and Wholesale Investors Only.

This document has been prepared and issued by EFG Asset Management (UK) Limited, a private limited company with registered number 7389736 and with its registered office address at Park House, Park Street, London W1K 6AP (telephone number +44 (0)20 7491 9111). EFG Asset Management (UK) Limited is regulated and authorized by the Financial Conduct Authority No. 536771.

EFG Asset Management (UK) Limited is exempt from the requirement to hold an Australian financial services licence in respect of the financial services it provides to wholesale clients in Australia and is authorised and regulated by the Financial Conduct Authority of the United Kingdom (FCA Registration No. 536771) under the laws of the United Kingdom which differ from Australian laws.

This document is personal and intended solely for the use of the person to whom it is given or sent and may not be reproduced, in whole or in part, to any other person.

ASIC Class Order CO 03/1099

EFG Asset Management (UK) Limited notifies you that it is relying on the Australian Securities & Investments Commission (ASIC) Class Order CO 03/1099 (Class Order) exemption (as extended in operation by ASIC Corporations (Repeat and Transitional Instrument 2016/396) for UK Financial Conduct Authority (FCA) regulated firms which exempts it from the requirement to hold an Australian financial services licence (AFSL) under the Corporations Act 2001 (Cth) (Corporations Act) in respect of the financial services we provide to you.

UK Regulatory Requirements

The financial services that we provide to you are regulated by the FCA under the laws and regulatory requirements of the United Kingdom which are different to Australia. Consequently any offer or other documentation that you receive from us in the course of us providing financial services to you will be prepared in accordance with those laws and regulatory requirements. The UK regulatory requirements refer to legislation, rules enacted pursuant to the legislation and any other relevant policies or documents issued by the FCA.

Your Status as a Wholesale Client

In order that we may provide financial services to you, and for us to comply with the Class Order, you must be a 'wholesale client' within the meaning given by section 761G of the Corporations Act. Accordingly, by accepting any documentation from us prior to the commencement of or in the course of us providing financial services to you, you:

- warrant to us that you are a 'wholesale client';
- agree to provide such information or evidence that we may request from time to time to confirm your status as a wholesale client;
- agree that we may cease providing financial services to you if you are no longer a wholesale client or do not provide us with information or evidence satisfactory to us to confirm your status as a wholesale client;

and agree to notify us in writing within 5 business days if you cease to be a 'wholesale client' for the purposes of the financial services that we provide to you.

© EFG. All rights reserved