



Market outlook 2020 October:
"The second wave is coming."
2020-10-22

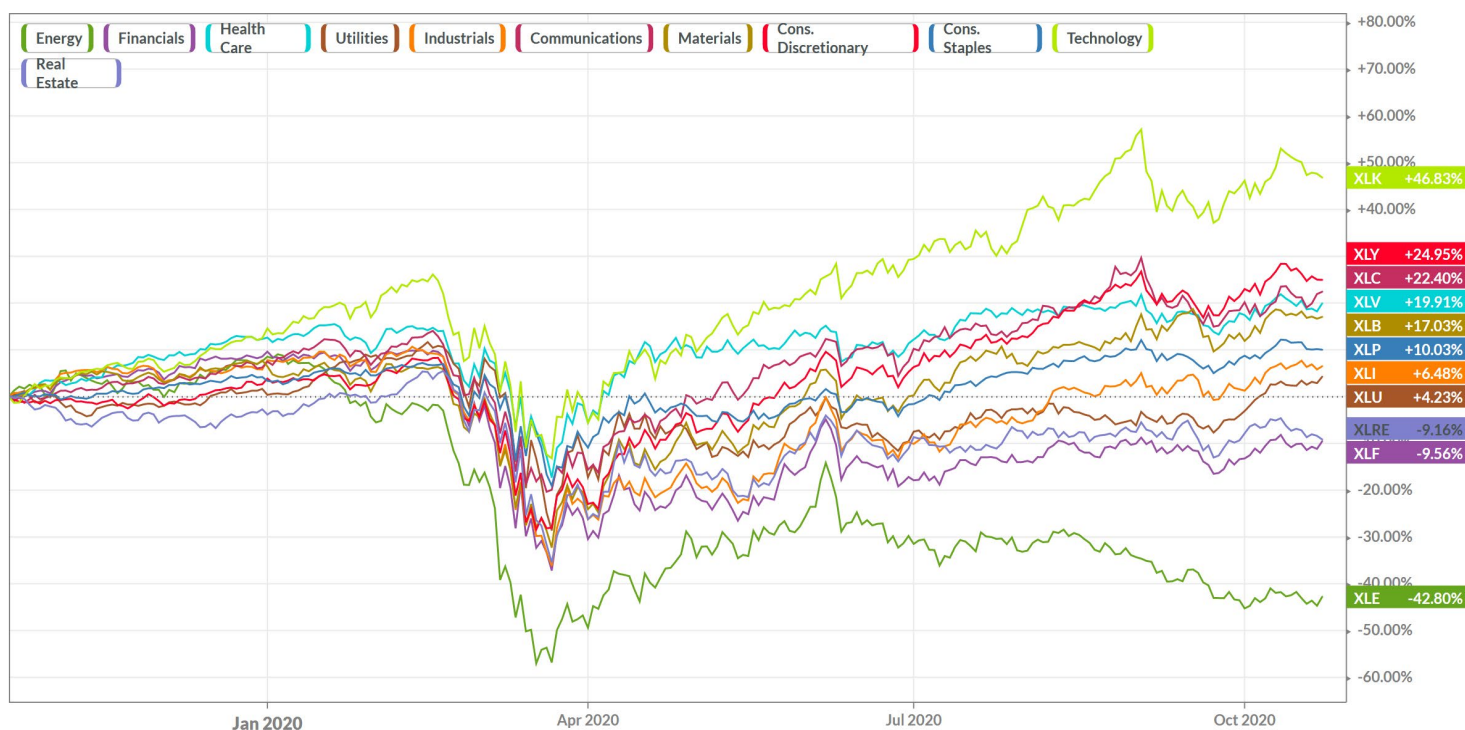
Prepared By Listing Partners Group

This document is to give the market outlook of Listing Partners Group for the financial markets and particularly the Pre-IPO and IPO markets.

Looking back at the points brought up in the outlook made this spring.

- A second wave has a high probability of happening; we see new lockdowns and that COVID-19 cases have started to increase again.
- Risk appetite would return; hard to deny that the market has been risk-averse given the IPO climate and the valuations in the equity markets.
- Tech, fintech, cleantech would be the winners; these are the sectors which has been the best performing sectors. We only missed out to mention the biggest winner's biotech companies, such as Moderna.

Looking forward, we see a lot of trends keeping being trends in the foreseeable future.

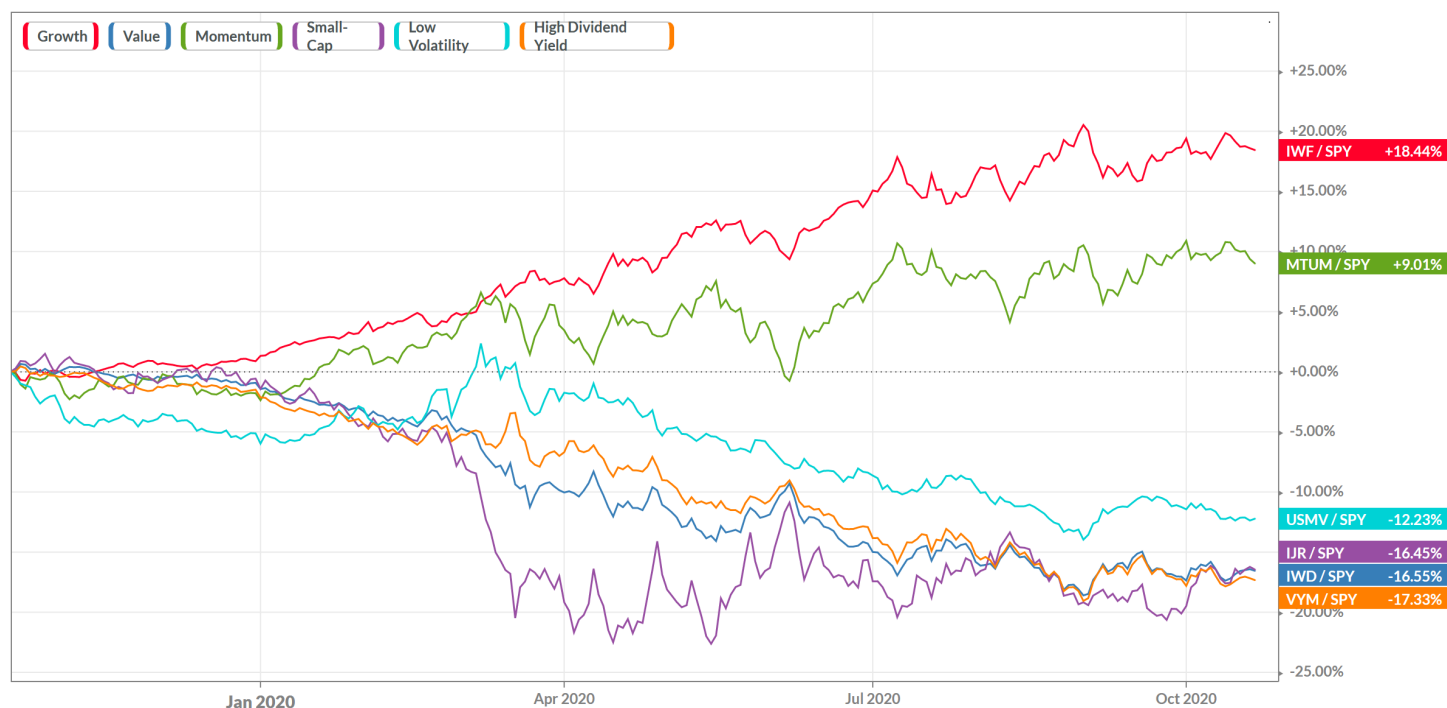


US industries. Source: Koyfin

We see technology even further gain traction in both revenue and capital gains as digitalization gains more ground when lockdowns and working from home becomes even more common for countries and industries. Not only in the consumer products and business products that make it easier for employees to be connected to their colleagues, customers, and suppliers, but also in the B2B products that make saves time, more comfortable to handle, and less risk for spreading the virus.

Looking at the factor analysis, we can see that growth and momentum equities are

favored while the other factors are trending downwards. Given the sector winners are majority growth and momentum equities, we see this still be the case forward. We are a little concerned regarding this discrepancy between growth and value. We don't know this gap to be closed soon as the pandemic continues and accelerate the winner even more.



Factor analysis. Source: Koyfin.

What is the biggest concern, according to us, is the implications of the financial aid will affect the economy and especially inflation. Dan Morehead, CEO at Pantera Capital, stated that "The United States has printed more money in June than in the first two centuries after its founding." What implications this can have is unheard of; what a lot of knowledgeable people who have seen makes a reasonable argument for buying gold as an inflation-protected asset. We have seen how the dollar has lost ground in the light of this.

FED and other central banks have said that we can expect the interest rates to be low. They estimate the qualities to be increased as the earliest at the end of 2023; they also set out new economic conditions that need to be met before raising the interest rates.

The new economic conditions are inflation needs to exceed 2% for a more extended period to return to the long term 2% inflation target.

Investors can, by this, expect to have the interest rates around 0 % until the end of 2023, and with these market conditions, is it best for investors to stay invested, as cash will keep losing its value forward. Investors have already started to act on this as gold is increasing, and cryptocurrencies as bitcoins have become more common in investors' allocation. Treasuries.org shows 23 companies listed that have bitcoin in their treasuries to a value of \$10 billion.

Moving into U.S. elections, Quintet Private Bank has made the following matrix of the possible outcomes.

EXPECTED POLICIES: SCENARIO ANALYSIS					
	DIVIDED RED	DIVIDED BLUE	UNIFIED RED	UNIFIED BLUE	DELAYED
	R President, R Senate, D House	D President, R Senate, D House	R President, Senate and House	D President, Senate and House	Contested outcome
Scenario	Continuation of status quo; unchanged GDP growth, taxes, yield curve and USD. Further rollback in environmental protections	Unchanged GDP growth, taxes, USD and yield curve; renewed focus on sustainability themes and improving relationship with EU	Stronger GDP growth; significant rollback of environmental protection; lower corporate taxes; continuation of 'America First' policy, China-EU tensions; marginally steeper yield curve; middle-ground fiscal stimulus; sideways to stronger USD	Stronger GDP growth; sustainability themes taking centre stage; no major change in China policy; improving EU relations; higher corporate taxes; moderately steeper yield curve; substantial fiscal stimulus; sideways to weaker USD	Rising uncertainty and overall risk-off, flatter yield curve and stronger USD on safe-haven demand; longer-term impact depending on outcome of dispute
Positive	/	/	Financials / Energy	Infrastructure / Managed healthcare	Initially negative for risk assets across sectors
Negative	/	Pharma / Financials Energy / Tech	/	Pharma / Financials / Energy Tech	

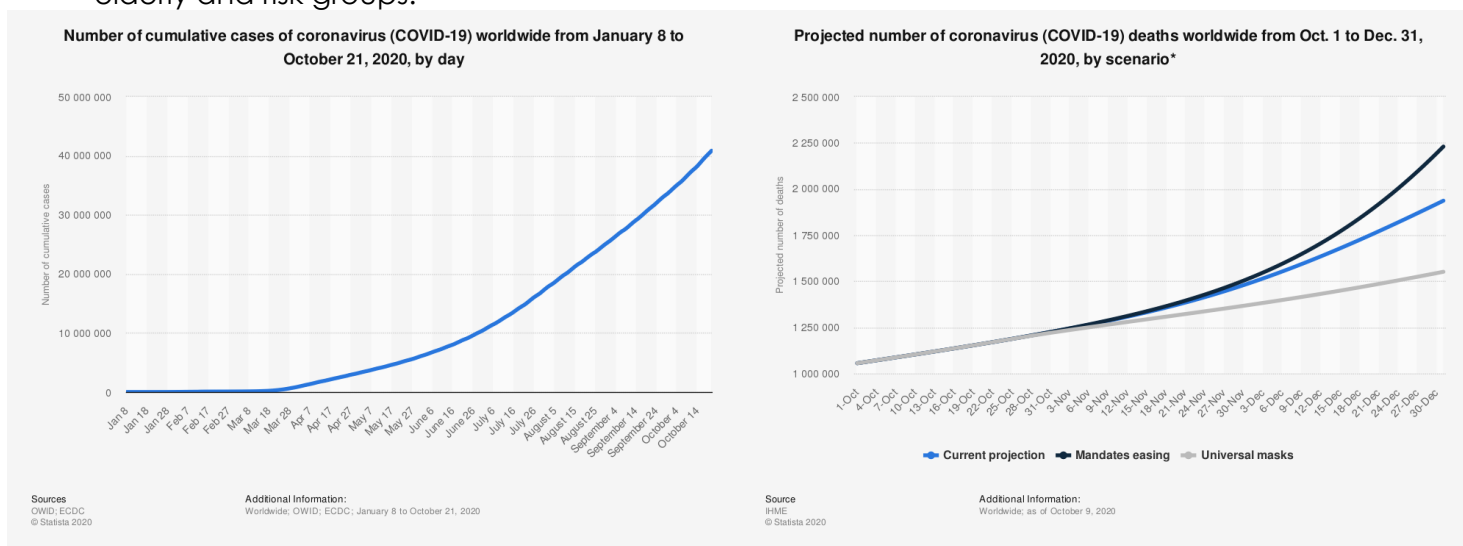
Source: Quintet

We agree with the following scenarios and the outcomes at the moment Biden is leading the polls and the betting sites. The situation was the same with Hillary leading in the 2016 election, and Trump won. The case could be the same here.

We see the most significant risks are in the scenario when Biden wins and takes the senate so he can get his tax increases through, which will hit both the consumer and companies. The markets will react negatively to this at face value. A red outcome or even a Biden win and loss of the senate would probably be taken as a relief, and the markets will likely react positively.

As a whole, we only see the U.S. election affects the markets in the short term, and it will probably be shadow by the pandemic and the fiscal countermeasures.

The corona cases are cumulating, and the projects of the corona cases are not looking promising either. Countermeasures are taken place around the world again. Corona cases are still increasing in countries that got hit early as France, Spain, and Iran, who also flatten the curve and ease the pandemic countermeasures. They have implemented new lockdowns to stop the second wave from spreading, but it has been seen to have lower death numbers as ore countermeasures have been to in to protect the elderly and risk groups.



COVID-19 deaths worldwide per million population as of October 21, 2020, by country

Coronavirus (COVID-19) deaths worldwide per one million population as of October 21, 2020, by country

Confirmed deaths (absolute)	Daily increase (# deaths)	Deaths per million
USA ¹	220 218	USA ¹ 956
Brazil	154 837	Brazil 661
India	115 197	Mexico 555
Mexico	86 893	Argentina 384
United Kingdom	43 877	Iran 322
Italy	36 705	Russia 268
Spain	34 210	France 262
Peru	33 820	United Kingdom 241
France	33 459	Spain 218
Iran	31 034	Colombia 170
Colombia	29 272	South Africa 164
Argentina	27 100	Indonesia 117
Russia	24 473	Ukraine 114
South Africa	18 656	Poland 107
Chile	13 702	Czechia 106
		Peru 1 057,23
		Belgium 918,31
		Bolivia 750,98
		Brazil 739,19
		Spain 732,18
		Chile 731,59
		Ecuador 726,04
		Mexico 688,58
		USA 673,1
		United Kingdom 659,91
		Panama 618,88
		Argentina 609,06
		Italy 607,38
		Colombia 589,58
		Sweden 581,55

Corona statistics: Top 10 in every category. Source: Statista.

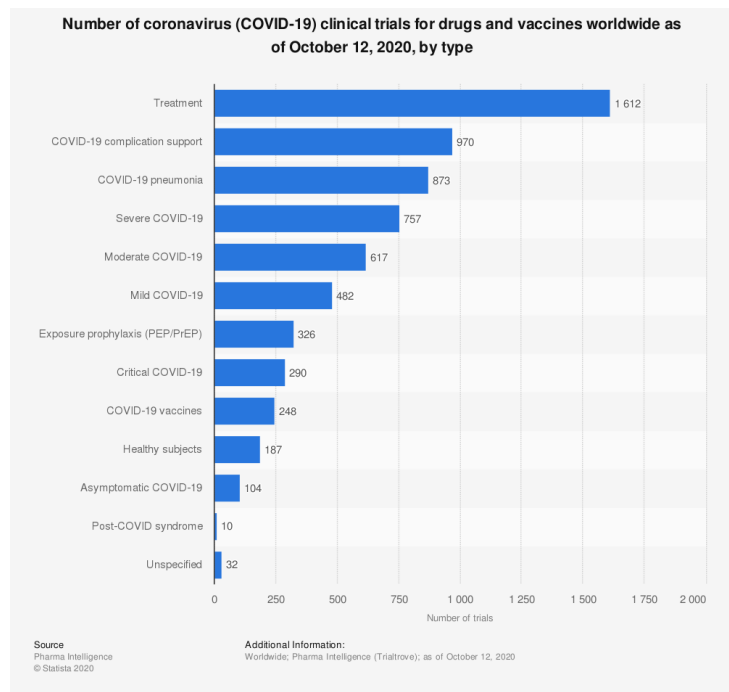
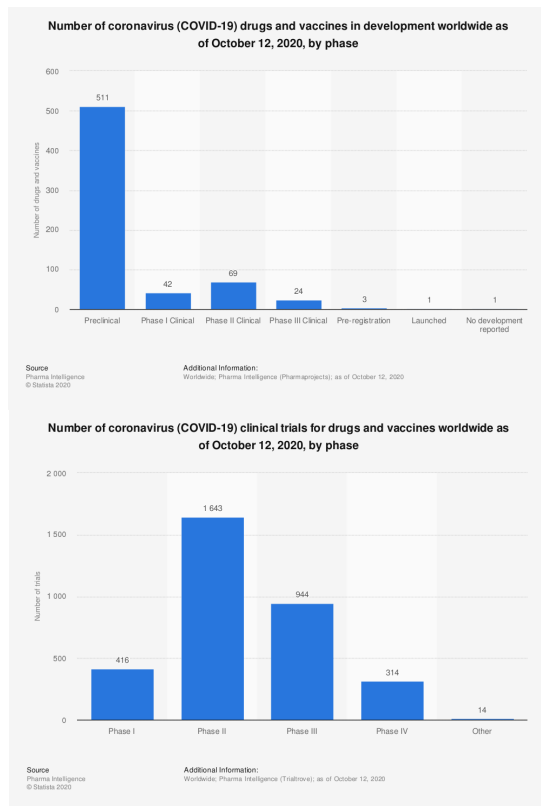
COVID-19 cases, recoveries, deaths in most impacted countries as of Oct. 21, 2020

Number of coronavirus (COVID-19) cases, recoveries, and deaths among the most impacted countries worldwide as of October 21, 2020

	Total infections	Active infections	Recoveries	Deaths
Total (worldwide)	41 121 120	9 318 474	30 671 637	1 131 009
USA	8 521 465	2 748 586	5 546 675	226 204
India	7 651 107	740 054	6 795 103	115 950
Brazil	5 274 817	398 336	4 721 593	154 888
Russia	1 447 335	325 823	1 096 560	24 952
Spain	1 029 668	-	-	34 210
Argentina	1 018 999	162 252	829 647	27 100
Colombia	974 139	68 136	876 731	29 272
France	930 745	790 021	106 839	33 885
Peru	874 118	51 749	788 494	33 875
Mexico	860 714	146 237	627 584	86 893

Corona in the most impacted countries. Source: Statista.

It's clear that the COVID-19 won't go away on its own through herd immunity or dying out by itself. Treatment and vaccines are the only solutions to combat the virus and the only chance to eradicate the virus from our daily lives. It's has been a rush to produce a COVID-19 vaccine and treatments to help fight the virus while you have it.



As the above shows, several vaccines and drugs are in development, and it is said to have one approved before the end of the year, but we are not done there. We have to mass-produce the vaccine and distribute it, preferably will the risk groups get it first as they need it the most but that also posse a risk as with the swine flu were some got the virus from the vaccine (a mild reaction compared to the real virus) and other long term side effects. As these vaccines and drugs can be

seen as rushed compared with regular testing of products, it's fair to estimate some hesitation to receive the vaccine as the long-term side effects are unknown.

We see that COVID-19 will be a new flu as the virus already has mutated into other strains, and scientific papers have shown that individuals who have had the mild strain of the virus are not immune to different, more aggressive strains. As we have a new flu shot, we will probably have a new Corona shot, as the virus will continue to evolve and spread. We estimate the world to be without lockdowns and corona countermeasures by the end of 2021, as the physical and the medical preventions should have taken full effect by then.

The IPO market

As our specialty is PRE-IPOs, we will look into the IPO market.

Renaissance U.S. IPO Index



Our ETF tracks the IPO Index

Renaissance U.S. IPO index has outperformed the S&P500. Health care, technology, and consumer staples have been industries that overperformed the markets. Most active has the Health care and technology companies been with the majority of IPOs.

A new trend is to list SPACs (Special Purpose Acquisition Company) as a fast way for companies to be named, indicating more demand for companies to be recorded and access capital.

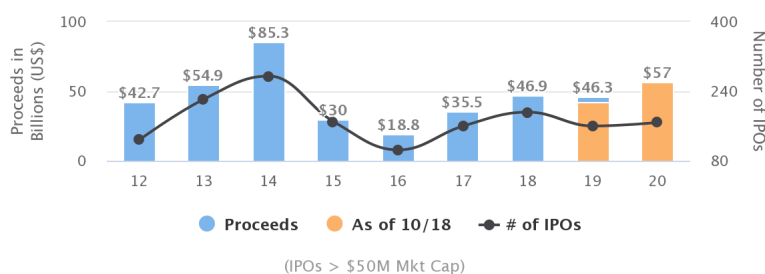
ALL INDUSTRY ACTIVITY

Industry: All
Time Frame: 10/23/2019 to 10/23/2020

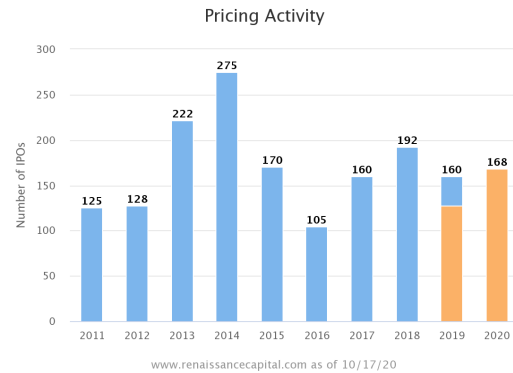
Industry	↑ IPOs	↑ Proceeds (\$M)	↑ First Day Pop	↑ IPO Return
SPAC	172	\$56,539	1.6%	3.3%
Health Care	102	\$19,996	33.7%	46.0%
Technology	48	\$18,274	27.9%	54.4%
Financials	14	\$6,780	22.1%	20.5%
Consumer Discretionary	11	\$4,104	14.4%	12.3%
Industrials	10	\$5,508	15.4%	20.7%
Real Estate	8	\$3,345	10.7%	19.8%
Consumer Staples	6	\$2,392	28.2%	47.3%
Materials	2	\$636	-10.2%	-40.8%
Communication Services	2	\$1,961	8.1%	-7.8%
Energy	1	\$15	-2.7%	-50.9%

Notes:
Includes all U.S. IPOs with a market capitalization over \$50 million. Excludes best efforts offerings, Reg A+ IPOs, closed-end funds and non-operating trusts.

U.S. IPO Market



The IPO markets have been active and already surpassed last year's numbers of IPOs but have a long way to go to reach all-time high levels of 2013 and 2014. Health care and Technologies, do we still see as the preferable industries to invest in when it comes to IPOs. We can see in our network and pipelines that these companies come with promising growth prospects and are ready to capture the market opportunities with the accelerated digitalization thanks to the pandemic.



To conclude:

- We see that long-term health care and technology companies are the preferable sectors to invest in,
- the valuation gap between value and growth should decrease, and most probably are value increasing then growth would be declining,
- the U.S. election has five different outcomes, and the worst would be a complete Blue win as the markets would most likely react negatively, and the tax increases will affect the consumers and companies' long term,
- in the long-term, we see financial aid and the coronavirus as the significant drivers of the market. Markets anticipate more financial aid and therefore has more risk on the downside, the coronavirus impact on the market is much due to how strict the lockdowns are but will probably not affect the markets much as the market has been used to the coronavirus, but the long term effects benefit the health care and technology sector even further,
- IPO markets will remain strong, and the same sectors as in the public markets will be the most significant drivers in the number of IPOs and the returns of the IPOs,
- the biggest unknown risk is the implications of the massive money printing around the world and what it will do with inflation; the trend of companies putting their cash in other assets to combat inflation is estimated to continue.

Short term, it will be a bumpy ride mostly due to the U.S. elections and the second wave of COVID-19. Still, in the long term, we see opportunities in the markets due to accelerated digitalization and favorable market conditions with low interest and financial support to keep the markets up and people still consuming.

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