Investment Playbook Weekly Update

14th April, 2023

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2022 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER ASIA PACIFIC

PRIVATE BANKING AWARDS 2023 ASIAMONEY
RISING STAR, SINGAPORE

2021 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER WEALTH PLANNING SERVICES

GLOBAL Private Banking INNOVATION AWARDS 2022

2021 ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION
BEST INDEPENDENT WEALTH MANAGER INVESTMENT ADVISORY

OUTSTANDING DIGITAL TRANSFORMATION IN COVID 19 BY A FAMILY OFFICE

BEST FAMILY OFFICE – MIDDLE EAST

BEST FAMILY OFFICE – UNITED ARAB EMIRATES

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Weekly Spotlight

1

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Equity Spotlight: Technip Energies NV

At a Glance

Ticker	TE FP EQUITY
Exchange	EN Paris
Sector	Energy
Industry	Oil-Field Services
Listed Currency	EUR
Mkt Cap (m)	3,645
Country Risk	FR
Beta	0.89
3M implied Vol.	37%

Profitability

Return on Capital	-47.3%
Return on Equity	18.9%

Sales Growth

YoY	-2%
CAGR 3Y	3%

Share Price

Valuation

Price / Sales	0.6
P / E (fwd)	10.8

Yield

Dvd	2.7%
1 / PE Ratio	9.2%

Source: Bloomberg ***Date: 13/04/23***

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LC Target Price	38.2
Current Price	20.3
% Upside	88%

Analysts

Buy	12
Hold	2
Sell	1
Target Price (Avg)	23.3
% Upside	15%

Risk Consideration

Product Risk Rating	5
Shorts (% float)	
CDS	0.5%
Price Change 3M	25.9%
Price Change 1Y	74.6%

Equity Spotlight: Investment Rationale

Company Description : Technip Energies N.V. operates as an engineering and technology company. The Company offers project management consultancy, procurement, construction and commissioning, transport and installation engineering, and digital services. The company primarily serves the energy industry, while taking an active part in the energy transition theme.

Investment Rationale :

- We consider Technip as a value stock, given that it currently trades at a market cap of 3.58 billion Euro, while having a net cash balance of 2.49 billion Euro as of 31st December 2022. This essentially means that we are paying a net amount of 1.09 billion Euro for a company that delivered a net profit of more than 300 million Euro last year (Adjusted TTM P/E of 3.67 times).
- The reason behind such a valuation was the overhang of 25% of the company's order book being exposed to Russian projects, which had to be dropped after the start of the Russia – Ukraine war and consequently brought in uncertainty with respect to revenue visibility.
- We consider the above issue to be temporary in nature, given that the company has already bagged some large projects this year and their current order book is twice their last year's topline.
- From a valuation perspective, even assuming no growth in the future (which is not what is being priced by the consensus analyst estimates) we see significant upside in the stock.

Charts of the week

2

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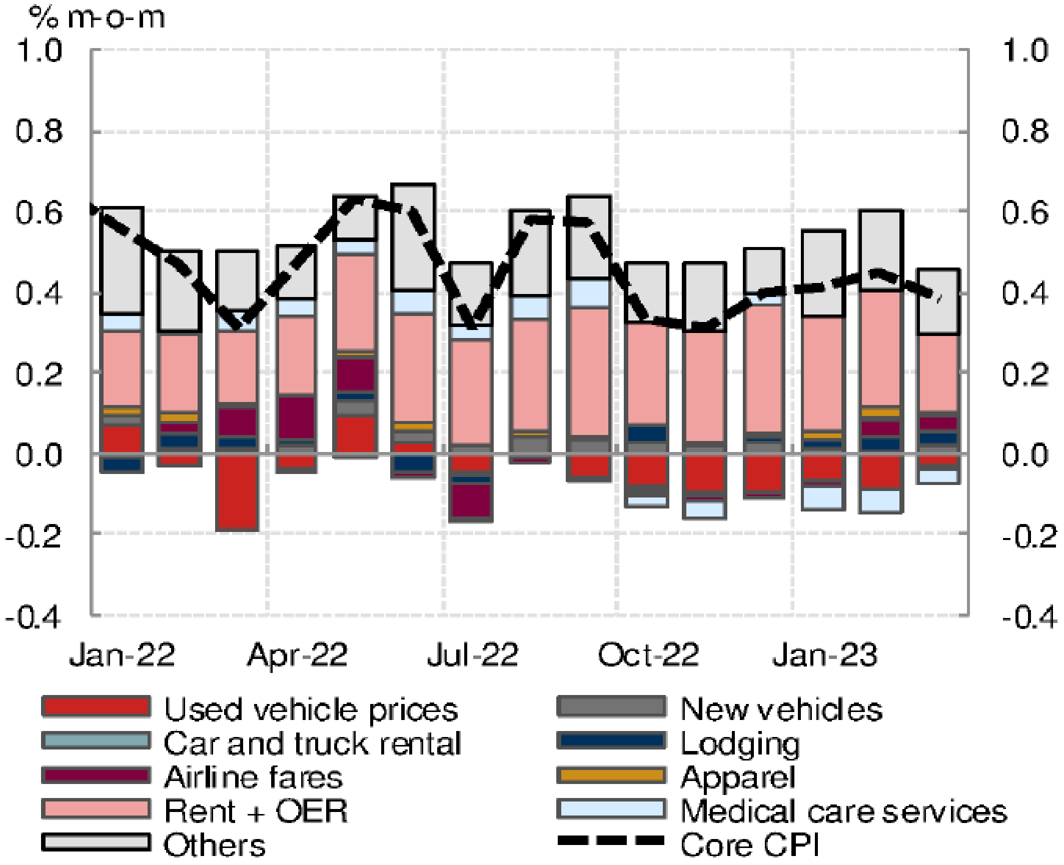
March Core CPI Falls In Line With Expectations

Driver of disinflation was rent-related which now seems to have peaked

Decomposition of m-o-m core CPI inflation



Source: Nomura Research, Bloomberg, Apr 2023

- Closer look at rent data reveals that the decline in rent inflation was broad based across US regions.
- Persistence of the downtrend will remain key in bringing core inflation lower given that rents are heavy contributors to core CPI.
- The start of rent disinflation and tighter credit conditions are likely to give the Fed more reasons to lean towards a pause this year.

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US Corporates Earnings Expected To Soften

Weakening ISM Manufacturing PMI suggests lower EPS vs forecasted for 2023

ISM Manufacturing PMI vs SPX EPS Growth YoY

Source: Nomura Research, Bloomberg, Apr 2023

- ISM PMI is hugely important and generally is a handy tool to track how earnings play out in the near-term. According to Nomura, a classic relationship which has been holding on for a long time is the fact that the ISM Manufacturing PMI tends to lead corporate earnings growth by about a year. Here is a chart where PMI index is shifted forward by 12 months and plotted it against SPX trailing 12-months EPS growth.

- Based on this long-standing relationship, the recent ISM PMI reading of 46.3 implies an earnings contraction of about 5-10% over next 12 month.

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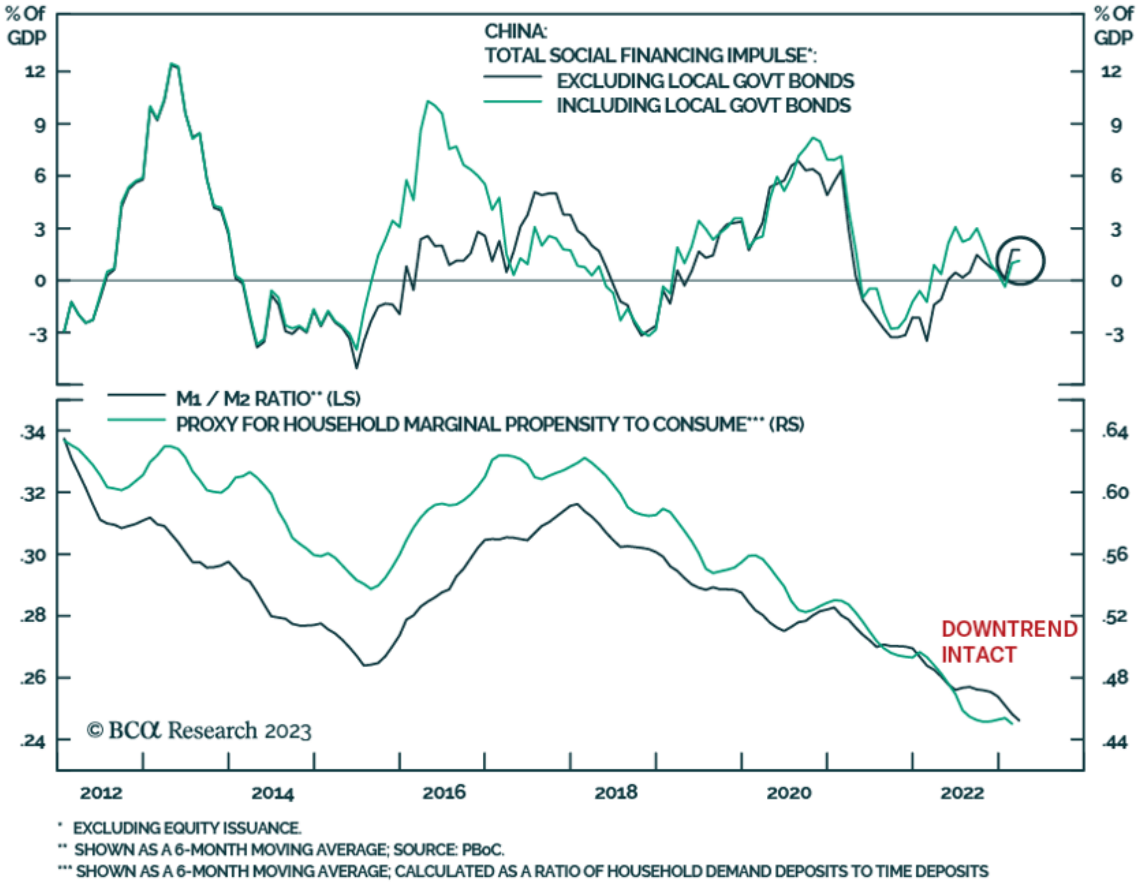
Mixed Signals From Chinese Economy

Chinese credit growth accelerates, inflation slows



Source: BCA Research, Apr 2023

- Data released on April 11th painted a mixed picture of the Chinese economy. On the one hand, Chinese credit growth accelerated. Total social financing jumped by CNY 5.38 trillion in March, exceeding expectations of a more muted improvement from CNY 3.16 trillion to CNY 4.50 trillion. On the other hand, inflationary pressures remain muted. The increase in consumer prices slowed to 0.7% y/y, disappointing expectations it would remain unchanged at 1.0% y/y.

- According to BCA Research, the general downtrend in households' propensity to consume indicates that a meaningful economic rebound is not imminent.

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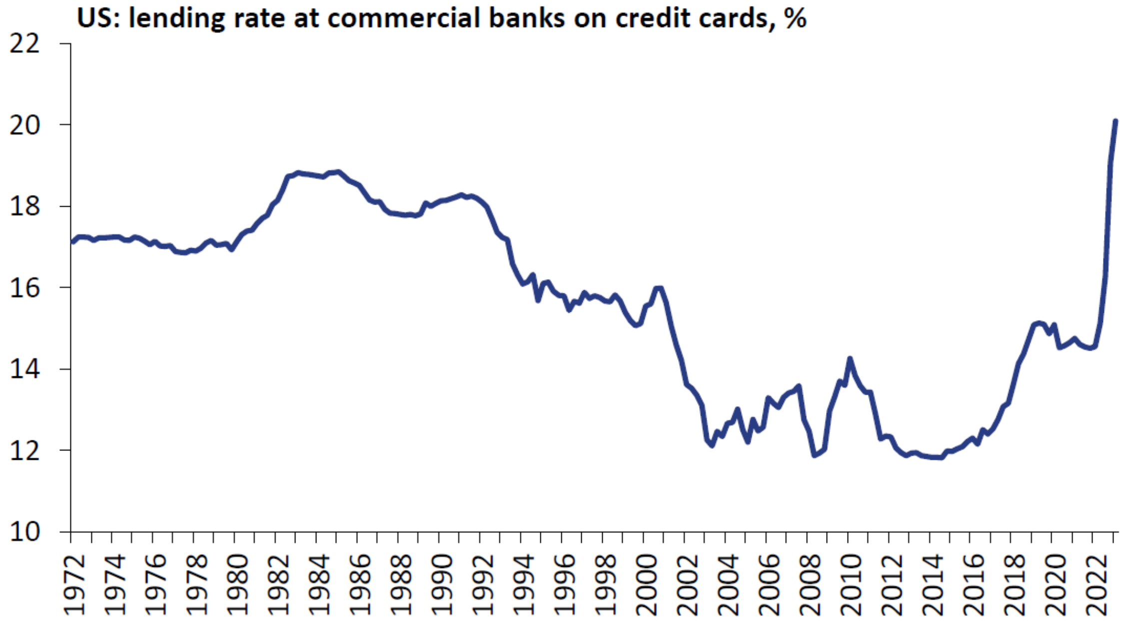
Cost of Borrow for US Households At Historic Highs

Credit card interest rates have crossed 20%



Source: LGT, US Federal Reserve, Apr 2023

- Credit card interest rates have surpassed levels seen during past crises.
- This is likely explained by higher benchmark rates and increasingly tight lending standards across banks
- This is likely to further strain consumers access to credit and deter spending, potentially leading to higher delinquencies and exacerbate tight lending standards
- While this may be supportive on easing inflationary pressures, it could be a material headwind for economic growth and further raises the risk of a recession.

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LC Views - Summary

3

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LC Views Summary (1/2)

Sub-Asset	Recommended Positioning
Rates	• The Fed hiked rates by 25 basis points on March 22nd and made some important changes to its official forward interest rate guidance. Modifications to the policy statement signal that the Fed's tightening cycle is close to its peak. The Fed's updated economic forecasts show that 10 out of 18 meeting participants expect the fed funds rate to end the year between 5.0% and 5.25%, 25 bps above current levels. Significant cuts are now priced in as the policy-sensitive two-year yield has plummeted more than 115 basis points (to 3.95%) over the last 2 weeks.
Credit	• We continue to favor investment grade bonds as a mean to build a strong foundation for the portfolio and seek to compliment the latter with selective high yield bonds for yield enhancement. While we recommend to allocate a larger portion of the portfolio in short duration bonds due to the elevated yields, we are actively seeking to extend duration into the 7-10Y space as opportunities arise. Due to the challenging economic outlook ahead, we see further opportunity in special situations bond funds, which provide absolute portfolio returns with no correlation to the overall economic cycle.
Equities	• The benchmark S&P 500 rose 7% in the first quarter after dropping nearly 20% in 2022, while gains across technology stocks have pushed the Nasdaq 100 up 20% since the start of January. Equity valuations do not appear especially compelling once adjusted for the shortfall in corporate earnings, and equities do not seem attractive relative to bonds when using a 3-year Z-score Bond-Yield to Earnings-Yield ratio. Equity investors look exceedingly complacent. According to ASR Research, "US Equities look poised to return the same as Bonds over a 10-year period but with greater volatility." JPMorgan strategist Marko Kolanovic also notes that "the inflows into stocks over the past few weeks make little sense and were largely driven by systematic investors, a short squeeze and a decline in the Cboe Volatility (VIX) Index". Consequently, we maintain our bearish outlook on equities for the next six months and recommend (in order of preference) Long/Short managers, options (FCNs or Puts), and quality stocks.

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LC Views Summary (2/2)

Sub-Asset	Recommended Positioning
Currencies	• **Currencies** are expected to remain volatile throughout 2023. We recommend adding active managers (Macro funds) to monetize opportunities in currencies and rates. Exposure to JPY, EUR and GBP could be increased over time to benefit from the recent lows and a peak in dollar's strength driven by peak policy rates.
Commodities	• Post March FOMC, it is becoming more apparent that the tightening cycle could likely peak out this year. This sets a supportive stage for gold's strengthening. We also like **Gold** for structural reasons: diversification benefit, inflation hedge, geopolitical risk and de-dollarization trend. • Oil is likely to remain highly speculative this year as witnessed in March. On one hand, recessionary fears should temper demand. On the other hand, the production cut by OPEC+ members will inevitably support prices in the mid-term.
Real Estate	• Tightening financial conditions have started to cause sharp repricing in property prices globally and threaten rental growth rates. The risk of further correction in real estate prices should not be underestimated. There will be opportunities to pick good REITs cheaper next year. • With the recent banking turmoil, Commercial Real Estate exposure is increasingly at risk given the large exposures the smaller banks have to the sub-sector. Clients holding on to any related exposures should consider removing them.

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