MACROECONOMIC UPDATE

Three weeks after election day, the General Services Administration finally designated Joe Biden as the winner of the US election. President Donald Trump suffered legal setbacks in challenging the results. He confirmed that he will give up power after the Electoral College vote on 14th December.

The pandemic will obviously be a top priority for President-Elect Biden. His first appointment in his incoming administration relates to a coronavirus task force team. Two of these advisers oppose a national lockdown and would favor local targeted measures to slow the pandemic. Daily cases went above 100'000 for several days in a row with the average daily death rate reaching the highest level since the beginning of the outbreak.

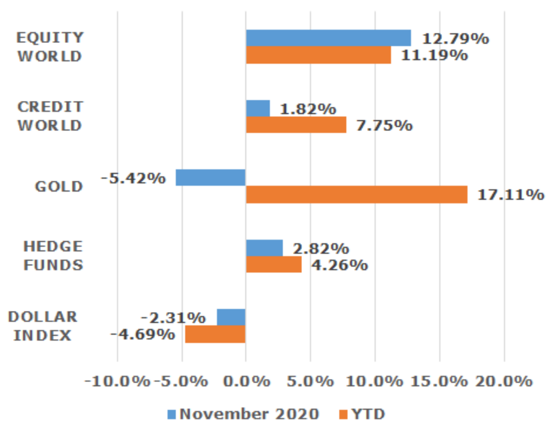
At least brighter days are ahead with several pharmaceutical companies announcing successful vaccine trials.

A vaccine developed by Pfizer Inc. created an overwhelmingly positive reaction from markets. Moderna Inc. also announced a vaccine with 90% effectiveness. The company starts its production at the end of November.

In Europe, tightened restrictions and a round of lockdowns pushed the Euro-zone into another contraction, with Markit's composite Purchasing Managers' Index printing at 45.1 versus 50 in October. The manufacturing sector helped Germany stay in the expansion area (above 50). Both France and the UK have seen their output contract. The Bank of England announced a higher than expected new round of quantitative easing to counter the economic effect of a national lockdown and Brexit uncertainties.

GMG'S POSITIONING AND MARKET PERFORMANCES

Equities	US	↑
	Europe	→
	Emerging Markets	↑
Fixed Income	Sovereign	↓
	Investment Grade Corporate	→
	High Yield Corporate Bond	↑
	Emerging Market Debt Local	↑
Real Assets	Precious Metals	↑
	Real Estate commercial	↓
	Real Estate residential	↑
Currency	US Dollar	↓



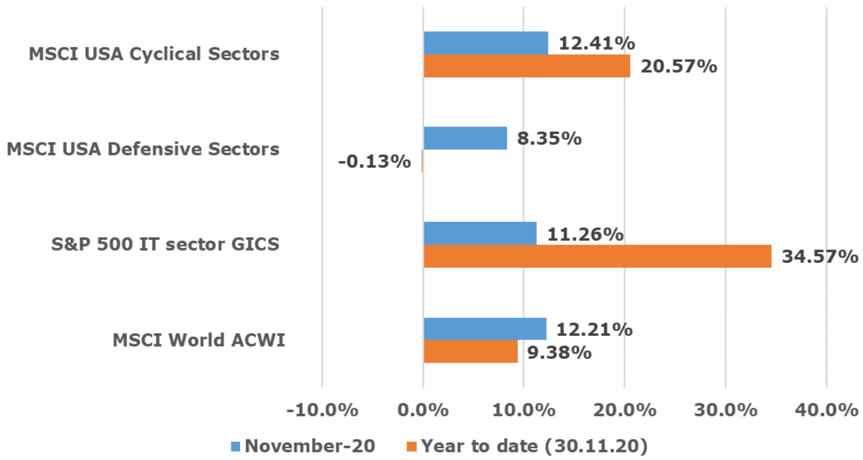
GMG Investment Solutions SA

rue Ferdinand-Hodler 23,
1207 Geneva, Switzerland

T +41 22 3 100 100
gmgfinancial.com

FOCUS: **Value rotation**

November produced one of the best monthly performances for equity markets. As an example, the MSCI World ACWI posted its best monthly return since its creation in 1989 (12,21%). The US elections reduced market uncertainty at the beginning of the month. However, the key driver of this high performance was the announcement of a 90% effective Covid-19 vaccine by Pfizer. As markets are now expecting a return to normality sooner than expected, some slower sectors caught up with those that benefitted from the stay-at-home policy. Furthermore, the news of a vaccine reduced the risk of a smaller than expected US fiscal stimulus as the electoral Blue Wave did not materialize.



The cocktail of ultra-accommodative fiscal and monetary policies and the availability of a vaccine provided strong support for equities in the medium term. Industries most impacted by lockdowns last year, like energy and travel, should accelerate economic recovery. In. 2021, we expect cyclical stocks to lead earnings per share growth, thereby reducing their relative growth differential with defensive growth stocks.

However, in our opinion, the cyclical bull run in November has been too high and too fast. Indeed, commonly used sentiment indicators such as the Relative Strength Index signal that some cyclical industries are overheating and trading in overbought territory.

Furthermore, in the past, sustainable market rotations from defensive to cyclical have correlated strongly with rising yields. Cyclical rallies tend to occur during recovery periods in economic cycles which are accompanied by rising yield environments. During November, the 10-year US Treasury yield widened by a maximum of 19.6 bps from November 5th to November 10th. It closed the month 3 bps lower. Negative news on Covid-19 daily cases in the US and stricter restriction policies in Europe pulled market sentiment lower at the end of the month.

To summarize our views, we believe that the cyclical rotation still has some way to go next year as economies reopen and corporate earnings recover. However, in the medium term, the low growth, low yields and low inflation environment might persist which would still favor the growth factor versus value.

GMG Investment Solutions SA

rue Ferdinand-Hodler 23,
1207 Geneva, Switzerland

T +41 22 3 100 100
gmgfinancial.com

Disclaimer to Market Update

1. **What is the Market Update?**

The Market Update is a document prepared and published by GMG Investment Solutions (Switzerland) SA ("*GMG*"), a Swiss financial intermediary member of Swiss Association of Asset Managers (SAAM), a Self-Regulatory Organisation ("**SRO**") authorized by FINMA, or its affiliates (the "**Document**").

The Document is for information purposes only and is intended to provide general comments and notes on select aspects of the preceding month's or stated period's economic environment, challenges and events. Nothing contained in the Document constitutes a solicitation, offer, recommendation, or investment advice to *inter alia* buy or sell any investment instrument, give effect to any transaction, or to conclude any legal act of any kind whatsoever. This Document alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision. For further important information about this document, please refer to point 4.

2. **Restrictions to access**

The Document is for distribution only under such circumstances as may be permitted by applicable law. In particular, this Document is not intended and shall not be distributed to:

- US persons and must not be distributed in the USA, or
- In any jurisdiction where its distribution may be restricted by laws applicable to this or similar types of documents.

Persons who receive this Document should make themselves aware of and adhere to any such restrictions.

3. **Figures and data**

This Document contains figures and data obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. GMG cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document.

4. **Important information**

No independent financial analysis: This Document is not considered as an independent financial research product under Swiss laws and regulations, in particular the directives on the Independence of Financial Research issued by the Swiss Bankers Association (SBA) (the "Directives") and consequently this Document is not governed by the Directives to the publication and distribution of independent financial research reports, including relevant restrictions or required disclosures.

No investment recommendation: This Document does not constitute and does not contain information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers, including any opinion as to the present or future value or price of such instruments. This Document does not contain recommendations to the general public about financial instruments nor should it be considered as a preparatory act to the provision of an investment service or carrying out of an investment activity

No investment advice and no personal recommendation: This document is not and does not contain investment advice and/or personal recommendations. In particular, nothing contained in this Document may be considered as a recommendation that is made to a person in his capacity as an investor or potential investor, or in his capacity as an agent for an investor or potential investor, that is suitable or appropriate to a recipient's individual circumstances. Nothing contained in this document may be considered as an invitation, or suggestion, or recommendation or equivalent to:

- Buy, sell, subscribe for, exchange, redeem, hold or underwrite a particular financial instrument; or
- Exercise or not to exercise any right conferred by a particular financial instrument to buy, sell, subscribe for, exchange, or redeem a financial instrument.

No offer and/or placement of financial instruments: The opinions expressed in this document are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as an invitation, solicitation or offer to buy, sell or place financial instruments.

5. **Copyright**

GMG Investment Solutions SA

rue Ferdinand-Hodler 23,
1207 Geneva, Switzerland

T +41 22 3 100 100
gmgfinancial.com