CORE CAPITAL

MARKET OPPORTUNITIES

August 2021

- Earnings!
- Inflation & Monetary Policy
- China

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Another quarter, another blow-out earnings season. At end of month July 59% of companies had reported results, out of these 88% reported EPS above estimates. Results are benefiting from a weak comparison as Q2 2020 had the impact of Covid-19 and lockdowns. At end June the earnings growth was expected at 63.1%, with one week left this had been raised to 74.1% and at month end it stood at 85%. During the same time the blended revenue growth has increased from 19.4% to 23.1%, showing a strong growth on both top and bottom line. All eleven sectors have reported revenue growth for Y/Y, this again comes with a weak Q2 2020, and this beat was expected. The S&P 500 is on track for another strong quarter and on the same time guidance has been raised for Q3 during the last month.

Inflation has continued to rattle markets and combined with annualized GDP Q/Q coming in at 6.5%, well below the expected 8.4%, some concerns have mounted. Walking back previous statements, Fed Chair Powell stated that inflation might stay higher for longer than expected. Prior to the Jackson Hole meeting end August we still have some economic figures coming out, should these deliver strong numbers it would give the federal reserve some additional backing to put out a timeline to reduce and eventually end QE. Asset prices have long seen an expansion in valuations driven in part by a lack of alternative, if inflation is persistent then there will be a need for monetary action to manage this. Should we see rate hikes on the horizon in the US the long rate should increase, and we would expect to see a steepening of the yield curve. An increase in the long-term rates would also provide an alternative to investors which could drive a negative impact on equities and could put pressure on asset prices.

China has recently stoked fears in the markets over government intervention, this was initiated following the listing of Didi in the US. So far, the actions taken by the Chinese Communist Party (CPC) have been focused on limiting eLearning companies as well as food delivery services. A large portion of the reaction from the markets in regards to these regulations are also linked to a lack of clarity. Much of the action so far has been focused on fairness, stability and to stop monopolies, doubtless the CPC have witnessed the situation in the US with massive tech companies and are acting to prevent a similar power imbalance in China.

Markets – July 2021

Equity indices	Jul 2021	2021
MSCI ADWI	0.59%	12.06%
MSCI World	1.71%	16.14%
S&P 500	2.27%	17.02%
Euro Stoxx 50	0.62%	15.11%
DAX	0.09%	13.31%
FTSE 100	-0.07%	8.85%
Nikkei 225	-5.24%	-0.59%
OMX 30	4.72%	26.41%
OMXC 25	3.50%	14.85%

Bond indices	Jul 2021	2021
Global Treasuries	1.61%	-3.08%
Global High Yield	0.11%	2.19%

Currencies	Price	Jul 2021
EUR/USD	1.187	0.10%
EUR/SEK	10.1979	0.58%
USD/SEK	8.5915	0.47%
USD/DKK	6.2668	-0.07%

Interests	Jul 2021
US T-bill 3M	0.043
Euribor 3M	-0.544
Libor Fix 3M	0.074
Stibor Fix 3M	-0.019
Cibor Fix 3M	-0.210

Other	Jul 2021	2021
Gold	2.49%	-4.43%
Brent Crude Oil	1.60%	47.36%
HFRX Index	-0.44%	3.27%

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Holding of the Month
Fiera Capital Global Equities Fund

The fund invests in global companies with a strong return on invested capital, focusing on high quality growth companies.

For July the fund returned +5.06% and 21.4% YTD.

- ## Market outlook

Equities

We continue being overweight in equities. With a bottom up target north of 4,900 for the S&P for the next 12 months consensus still calls for a more than 10% increase for the coming year. We still believe that equities currently provide the best return profile in the market. We view valuations as high and believe we won't see much additional upside until next year.

We are ready to increase our exposure, especially to high quality growth, should we see a correction in the market.

Fixed income

We remain cautious on the fixed income markets and view the overall risk/reward of the asset class as rather unattractive. We have seen lower long term rates which has helped drive our long duration bonds and continue to watch for movements on the yield curve in the months ahead.

Alternatives

With stretched valuations and low yields we continue to review potential positions in the alternatives space, though we are still very avoidant of hedge funds we are increasingly interested in uncorrelated returns from real assets.

Foreign Exchange

We are awaiting the Fed's Jackson Hole Symposium in August for better guidance on potential interest rate hikes and the Fed's view on inflation which should give more clarity for the direction of the USD. With Fed Chair Powell being more open on inflation in recent weeks we also see a potential for some action following the August meeting.