

« Where there's a will there's a way. And where there's a way you must use it.. »

Napoleon Bonaparte – Military figure, statesman and the first French Emperor (1769-1821)

➤ A good intention is not always a good idea!

Charles BOK

Chief Executive Officer

Dear readers,

I hope you are doing well in the midst of this never-ending summer.

Do you, like me, get the impression that ethics, morals, consumer protection and ecological and social considerations are being pushed more and more to the fore in our everyday lives?

Per se, we can all agree that this is a very good thing.

But... the factoring of environmental, social and governance (ESG) criteria into investments can sometimes give the illusion that companies that score highly on such criteria are more virtuous than others, while at the same time rating agencies can award ratings that befuddle the professionals even.

For example, TotalEnergies currently invests much more (90%) in fossil fuels than in renewable energies and yet has an average rating.

The European MiFID 2 directive aims to protect savers by requiring professionals to provide them with a wealth of detailed information on how much they charge, the products they sell, and so on.

At the end of the day, the constraints imposed on financial intermediaries are such that some limit their advice to a minimum to avoid reams of analysis and justification of their suggestions, which are becoming too costly

and tiresome to implement.

Ultimately it's the client (or saver) who loses out – i.e. the one the directive set out to protect!

The authorities' obsession (in Belgium in particular!) with ensuring that invested funds are of lawful origin can also sometimes have unintended consequences.

Indeed, to meet their compliance obligations, some financial institutions prefer to refuse a client who is more than likely perfectly honest just to avoid the accompanying mass of red tape.

Another example of how some people are prepared to harm the interests of existing or potential clients – in this case on the pretext of combating tax fraud.

And in the meantime, we have all seen how most major food companies are using anything but transparent means to create the illusion of curbing the impact of inflation.

Our friends in the anglosphere call this « shrinkflation », i.e. quietly reducing the net weight of packaged products while selling them for the same price – or even more!

The authorities are at last starting to wake up to this issue.

And to end, the European Union, a dole out of lessons in many areas, is looking to extend the use of glyphosate (a potentially carcinogenic pesticide) by several years in Europe.

While the subject is objectively complex (what about farmers' interests?), is it really defensible to endanger the consumer in this way?

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In short, there is a giddy chasm between our leaders' wishful thinking and what happens in reality.

In this very trying context, at Createrra Finance, we do everything we can to uphold our values and in particular defend our clients' interests!

The requirements of transparency, complying with the highest achievable social standards, abiding by the law and promoting awareness of the fight against global warming are second nature to us.

We don't need regulations every one more indigestible than its predecessor to apply ethical principles.

And we don't talk a lot – but we do put our money where our mouth is...

Economy - Markets - Strategy: trends

Fabien PLANCQ

Senior Wealth Manager

Charles BOK

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After an upbeat performance in July, the stock markets followed a resolutely downward trend over the following weeks. We thus saw the main markets slump by more than 5% since the beginning of August – their worst quarter for a year. The main issue weighing on market sentiment was concerns about interest rates.

At the end of July, as expected the US Federal Reserve (Fed) raised rates by 0.25% for the fourth time this year, to 5.5%. The US benchmark rate since has not been this high since March 2001. While the Fed put rate hikes on hold at its mid-September meeting, it hinted at an additional 0.25% hike by the end of the year and said that interest rates could remain high slightly longer than previously announced over the next two years to bring inflation back into check. It does not expect inflation to return to its 2% target until 2026. Investors, who were hoping for an imminent end to rate hikes, did not take the announcement well.

For its part, the European Central Bank (ECB) also announced a 0.25% increase in its key rates at the end of July, before raising them by a further 0.25% in mid-September. This brought the deposit facility rate up to 4%, a level unseen since the euro was introduced in 1999. This latest increase in eurozone key interest rates is the tenth in a row, in a cycle which has seen European benchmark rates raised by a total of 4.5%. In the history of the eurozone, monetary conditions have never been tightened so much in such a short space of

time. Although the ECB has implied that rates have probably peaked, it is not certain that this will be the last hike.

The determination of banks to throttle inflation by keeping rates high longer caused a further flare-up in European and US yields in recent weeks. This spike in interest rates once again automatically sent growth stocks and debt-financed real estate companies tumbling.

On the US debt market, in early August financial rating agency Fitch downgraded the US credit rating by one notch, from AAA to AA+. This unexpected move – the first since 2011 – caught investors unawares. The agency said its decision was justified by the "repeated debt-limit political standoffs and last-minute resolutions [that] have eroded confidence in fiscal management." This downgrade was another factor driving bond yields higher.

As far as currencies are concerned, the US dollar recovered in the third quarter and returned to positive territory over the year, having put on 1.2% against the euro in 2023. Despite a slight dip in the third quarter, gold remains at a high level, having risen by 1.4% so far this year. As for oil, it rose sharply in the third quarter (more than 25%), for a total gain of 13.1% since the beginning of 2023. The sharp rise in oil prices since July is due to tighter market supply following OPEC+ production cuts. An unfortunate consequence of this oil price rally is the revival of fears of persistently high inflation.

Interest rates, which are set to remain high for longer than expected, as well as the rise in oil prices, lead us to maintain a somewhat conservative stance on the markets for the time being.



Recommended asset allocation for a MEDIUM risk investor in EUR

Asset allocation		Currency exposure	
Total individual equities and equity funds (including real estate)	40%	EUR	85%
European equities	19%	USD	12%
US equities	19%	Other	3%
Emerging market and Japanese equities	2%		
Bonds and bond funds	32%		
AIFs	5%		
Miscellaneous (gold and other commodities)	5%		
Cash and money market funds	18%		
	100 %		100 %

Guidelines for our in-house policy. For many reasons, differences, sometimes substantial, may exist between different portfolios.
Drafting closed on 03/10/2023

Indexes

EQUITIES	2023 Q3	2023 YTD
EURO STOXX 50	-5,10%	10,04%
STOXX Europe 600	-2,54%	5,96%
CAC 40 (Paris)	-3,58%	10,22%
BEL 20 (Brussels)	0,28%	-4,00%
S&P 500 (New York)	-3,65%	11,68%
NASDAQ 100 (New York)	-3,06%	34,51%
Dow Jones Industrial Average	-2,62%	1,09%
NIKKEI 225 (Tokyo)	-4,01%	22,09%
MSCI Emerging Markets	-3,71%	-0,38%
FTSE Developed Europe ex UK Real Estate	5,93%	-4,25%

BONDS	2023 Q3	2023 YTD
Bloomberg Barclays Euro Aggregate Total Return Index	-1,63%	0,59%
Bloomberg Barclays US Aggregate Total Return Index	-3,23%	-1,21%
Bloomberg Barclays EM USD Aggregate Total Return Index	-2,31%	0,91%

COMMODITIES (IN USD)	Gold	Silver	Oil (WTI)	Bloomberg Agriculture
As at 31/12/22	1.824,02	23,95	80,26	68,82
As at 30/09/23	1.848,63	22,18	90,79	63,50
%	1,35%	-7,41%	13,12%	-7,74%

CURRENCIES	GBP	GBP	CHF	JPY
As at 31/12/22	1,0705	0,8853	0,9896	140,4100
As at 30/09/23	1,0573	0,8666	0,9676	157,9500
%	1,23%	2,11%	2,22%	-12,49%



Investment school: the yield curve

Raphaël VULFS, CFA

Portfolio Manager

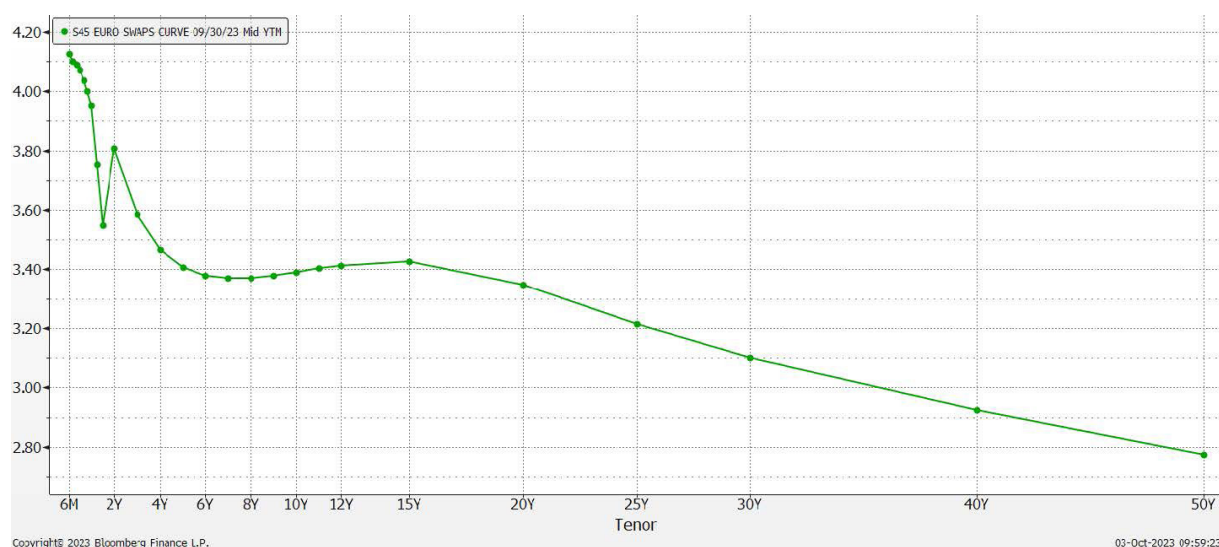
As explained in previous investment schools, the means used by governments and central banks to influence the economy are limited to two types of intervention. The first is fiscal – taxes and subsidies. The second is monetary – currency issuance and interest rates.

When the central bank wants to act on interest rates, it changes the key rate, an overnight rate designed for the interbank market. In practice, this represents the rate at which commercial banks can borrow or deposit cash with the central bank, in the very short term, to manage their liquidity requirements and surpluses.

All other borrowing rates are determined by the market. The supply of and demand for borrowing at each term and risk level determine the rate applied to each particular loan.

The yield curve is a graphical representation of the interest rates on government bonds across all available maturities. Generally speaking, in the case of a « normal » curve longer maturities offer higher interest rates. It seems logical that if you lend (to the same bond issuer) for a longer period, you will get a better return. Plus, the longer the term of a loan the more likely the risk of default.

Currently, the yield curve is inverted, with shorter maturities offering a higher yield. The causes and implications of this inversion are multiple and complex. I will explain them at our next investment school.



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European yield curve as at 30/09/2023

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