QUINTET PRIVATE BANK

COUNTERPOINT NOTE

24 FEBRUARY 2022

HOW WE'RE THINKING ABOUT RUSSIA AND OUR INVESTMENT STRATEGY

Russia has decided to escalate tensions as Moscow has officially started the invasion of Ukraine. The West will likely impose another round of sanctions on Russia, stricter than the first round implemented earlier this week. Market volatility will probably remain high. It's important, however, to stay calm and avoid overreactions.

We don't (want to) time the market

Rather than timing the market around geopolitics or other events, we rely on fundamental analysis together with thorough risk considerations.

We don't believe there are sufficient elements to change our outlook. Yes, there are perhaps downside risks to growth and upside risks to inflation, especially in Europe, which is more sensitive to potential disruptions to energy supplies and oil/gas price shocks. But this could turn central banks more dovish once again and, in any case, the global, US and Asian economies are unlikely to be impacted materially.

Why we think our strategic approach works over the long term

The well-diversified long-term foundation of our portfolios helps weather geopolitical and other storms better. Rigorous diversification across regions and asset classes becomes especially relevant in times when local market risks dominate.

A global approach to asset allocation delivers better risk-adjusted returns over time, reducing the portfolio's volatility to less than the sum of its parts and protecting better against idiosyncratic risks.

We take the same global approach to our fixed-income exposure just as much as we do with our regional equity market allocation.

In a world where bond yields are still very low, we invest beyond government bonds and high-quality corporates into credit across rating buckets around the globe. The additional risks associated with these asset classes are, we believe, well compensated over time even if geopolitical tensions have the potential to widen credit spreads over less risky treasuries.

To further diversify our strategic allocations and help risk-off episodes we hold gold, which is investable in a fully sustainable way through recycled gold.

This document has been prepared by Quintet Private Bank (Europe) S.A. The statements and views expressed in this document – based upon information from sources believed to be reliable – are those of Quintet Private Bank (Europe) S.A. as of the draft date (February¬ 24, 2022), and are subject to change. This document is of a general nature and does not constitute legal, accounting, tax or investment advice. This document does not provide any individual investment advice and an investment decision must not be based merely on the information and data contained in the document. All investors should keep in mind that past performance is no indication of future performance, and that the value of investments may go up or down. Changes in exchange rates may also cause the value of underlying investments to go up or down. Copyright © Quintet Private Bank (Europe) S.A. 2022. All rights reserve

QUINTET
PRIVATE BANK

COUNTERPOINT NOTE

We're sticking to our moderate tactical risk-on positioning

We remain tactically overweight US equities over bonds and emerging market equities over global equities, plus selected high-yielding credit exposures over lower-yielding bonds.

Of course, Russia's military escalation has triggered a rise in geopolitical uncertainty, which may increase further in the near term. In turn, this is raising market volatility and has already triggered a broad risk-off move.

Markets have a tendency to overreact to headlines and move from one extreme to the other. However, looking at history, geopolitical events such as the Russia/Ukraine conflict and the response of the West don't typically affect the investment landscape over our tactical 6-12 months horizon. Rather, there's a clear pattern of fundamentals reasserting themselves after event-driven market corrections.

Our Direct Equities approach at times of geopolitical uncertainty

Our investment philosophy is focused on long-term investment in what we define as quality growth companies. This is designed to minimise as far as possible the impact of unpredictable events that are outside companies' control. In our view, focusing on companies with leadership in their respective markets and above-average returns on invested capital gives our portfolio greater insulation against external shocks.

One key component in our definition of quality growth is balance-sheet strength. This balance-sheet strength is important for two reasons: first, it minimises the risk of dilution in the event of a significant downturn in trading; and, second, it provides leading companies with the option to invest through the downturn, further strengthening their market positions.

This document has been prepared by Quintet Private Bank (Europe) S.A. The statements and views expressed in this document – based upon information from sources believed to be reliable – are those of Quintet Private Bank (Europe) S.A. as of the draft date (February¬ 24, 2022), and are subject to change. This document is of a general nature and does not constitute legal, accounting, tax or investment advice. This document does not provide any individual investment advice and an investment decision must not be based merely on the information and data contained in the document. All investors should keep in mind that past performance is no indication of future performance, and that the value of investments may go up or down. Changes in exchange rates may also cause the value of underlying investments to go up or down. Copyright © Quintet Private Bank (Europe) S.A. 2022. All rights reserve

QUINTET
PRIVATE BANK

COUNTERPOINT NOTE

Our role as investors and fiduciaries of client wealth

It goes without saying that we have a duty to seek to protect and grow assets. While the situation in Ukraine is unusual, the market reaction is not. Since 2000, 13 of the past 21 years have witness a calendar-year drawdown in global equities in excess of 10%.

In order to grow wealth over generations, it's important to remain invested – which can even become more attractive in times of market stress. If an investor had sold every time the market fell 10% – and then waited a year before re-entering the market – their average annual return from global equities, since 2000, would have been very low, just 2.7% per annum.

In contrast, an investor who remained invested would have done far better, with a return of 6.8% per annum. While periods of market volatility can be unsettling, it's important to refer back to your long-term objectives and risk-profiling to ensure your portfolio meets your needs.

Bill Street, Group Chief Investment Officer

Daniele Antonucci, Chief Economist & Macro Strategist

This document has been prepared by Quintet Private Bank (Europe) S.A. The statements and views expressed in this document – based upon information from sources believed to be reliable – are those of Quintet Private Bank (Europe) S.A. as of the draft date (February¬ 24, 2022), and are subject to change. This document is of a general nature and does not constitute legal, accounting, tax or investment advice. This document does not provide any individual investment advice and an investment decision must not be based merely on the information and data contained in the document. All investors should keep in mind that past performance is no indication of future performance, and that the value of investments may go up or down. Changes in exchange rates may also cause the value of underlying investments to go up or down. Copyright © Quintet Private Bank (Europe) S.A. 2022. All rights reserve