

NOTE FROM THE CIO

Deliberations from the Q2 2022
Insigneo Investment Committee
Meeting & Growth and Market
Outlook



Ahmed Riesgo

Chief Investment Officer
Insigneo Financial Group

Key Considerations & Risks

Ukrainian invasion has materially changed the outlook

We remain cautiously optimistic that the global economic expansion will be sustained even if weakened by the current shock given the health of household and corporate balance sheets combined with tightening but still supportive policies and pent-up aggregate demand.

China is a wildcard for the outlook and subject to binary risk, with strong activity data and potential policy support offset by growing pandemic induced downside risks.

Pandemic dynamics in China are a source of downside growth risks and upside inflation risks.

Further policy easing will likely be need to achieve the government's 5.5% GDP growth target.

Vice Premier Liu He's statement on Wednesday may be an inflection point; Will this be China's "whatever it takes" moment?

On balance, Chinese equities still present an attractive investment opportunity for the remainder of the year if actual policy support matches the rhetoric.

Fed meeting: one 25bps rate hike per Fed meeting this year; another 150 bps of Fed rate hikes for 2022; terminal Fed funds rate of 2.75% in 2024.

Given current expectations, Fed would need to tighten more aggressively to generate a hawkish surprise for markets.

In our view, the Fed will probably tighten in line with current market expectations.

Changes in Economic Growth Forecasts*

	PRE-INVASION ESTIMATE	CURRENT ESTIMATE
US	3.25%	2.90%
China	5.00%	4.40%
EU	4.25%	3.10%
Japan	3.50%	2.75%
World	4.25%	3.70%

Source: Insigneo.

*Assumptions: Military conflict remains within Ukrainian territory; Russian oil and gas flows continue to Europe.

US equities should still generate a real positive return between now and the end of the year; Value will continue to outperform Growth.

What are the biggest risks to our view?

Broadening wage pressures in the US labor market prompting the Fed to turn more hawkish.

Geopolitical risk: Ukraine escalation; Iran-Israel covert campaign escalation.

Committee Recommendations

Given the recent rally in European equities and higher growth risks for Europe stemming from the conflict, we are reducing our tactical allocation in the region from overweight down to neutral.

Within the US, we are further allocating into Value from Growth while maintaining the tactical regional allocation.

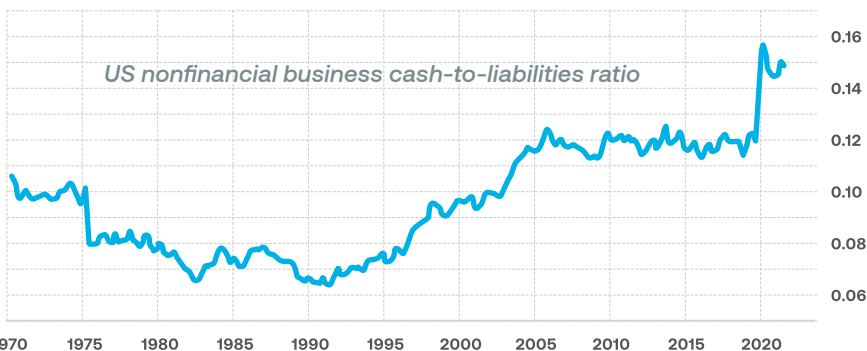
We retain our underweight allocation to developed market sovereign bonds.

In credit, we are tactically reducing US high yield from overweight down to neutral, increasing emerging market bonds from underweight to neutral, and increasing our holdings of Chinese high-grade credit.

Given heightened stagflation risks, we are adding to our current inflation-related investments by:

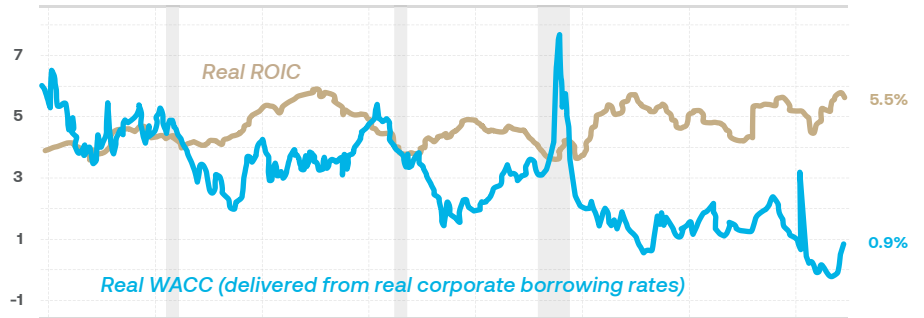
- | Initiating a position in high yielding, dividend-paying global securities
- | Initiating a US real estate position
- | Increasing our current commodity-linked investments

But Companies Can Internally Finance...



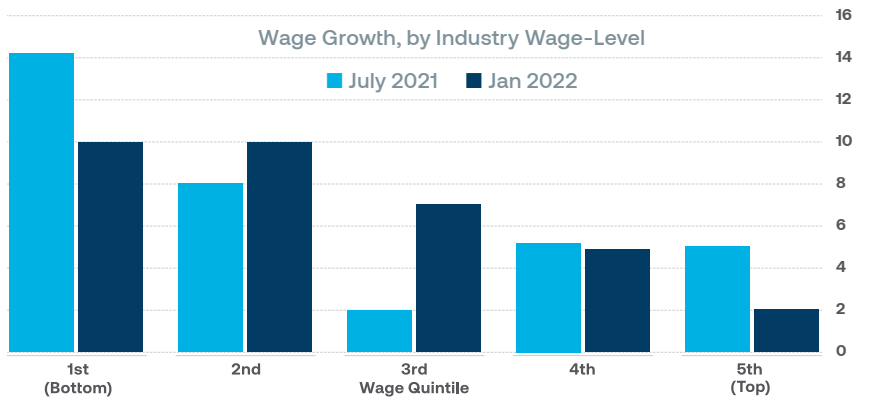
Source: Gavekal

...or Profitably Externally Finance



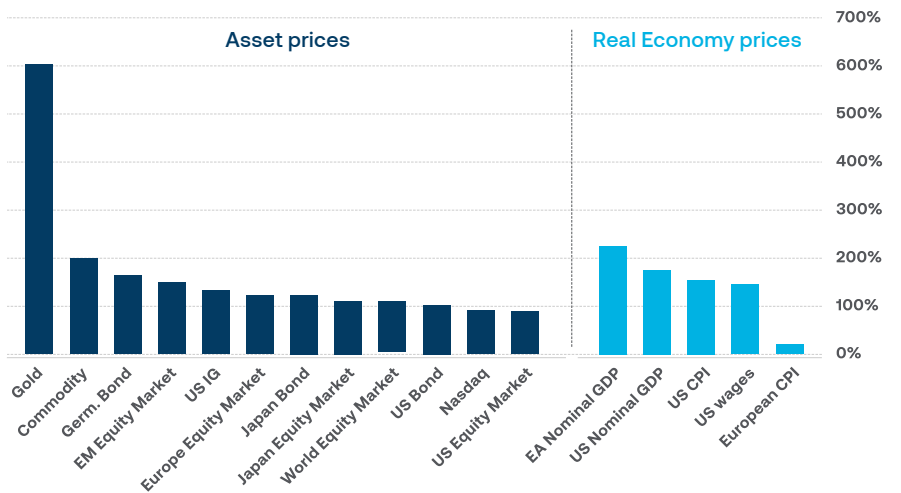
Source: Gavekal

Wage Pressures Appear to be Broadening



Source: Goldman Sachs

Asset Prices & Economy Returns From 1973 to 1983



Source: Goldman Sachs



Important Legal disclaimer

Insigneo Securities, LLC (Insigneo or the Firm) is a broker/dealer registered with the U.S. Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC). Insigneo is affiliated with a U.S.-registered investment advisor, Insigneo Advisory Services, LLC (IAS). Collectively, we refer to Insigneo and IAS, as the Insigneo Financial Group. To learn more about their business, including their conflicts of interest and compensation practices for the Broker-Dealer please go to www.insigneo.com/en/disclosures and any conflicts related to their advisory services, please see their Form ADV and brochure which can be found at Investment Advisor Public Disclosure website (<https://adviserinfo.sec.gov/>).