CAP | COPENHAGEN ALLOCATION PARTNER

CAP Scan

Cross-Assets

6 January 2022

Copenhagen Allocation Partner

www.c-a-p.dk

Cross-Asset Allocation - Summary

Our Risk Allocation Index continues to be modestly negative (P.42). It became negative in November due to negative inflation and business cycle signals. Hence, in our risk allocation, we underweight Risk assets at the start of 2022. At the same time, we overweight Cash/Hedge Assets.

Our global GDP model suggests that the global economy has slowed to around 3% by end-Q4. This is down from 5% at the start of Q3. According to our six mth. lead model, the slowing will continue in Q1 2022 to below 2.5%.

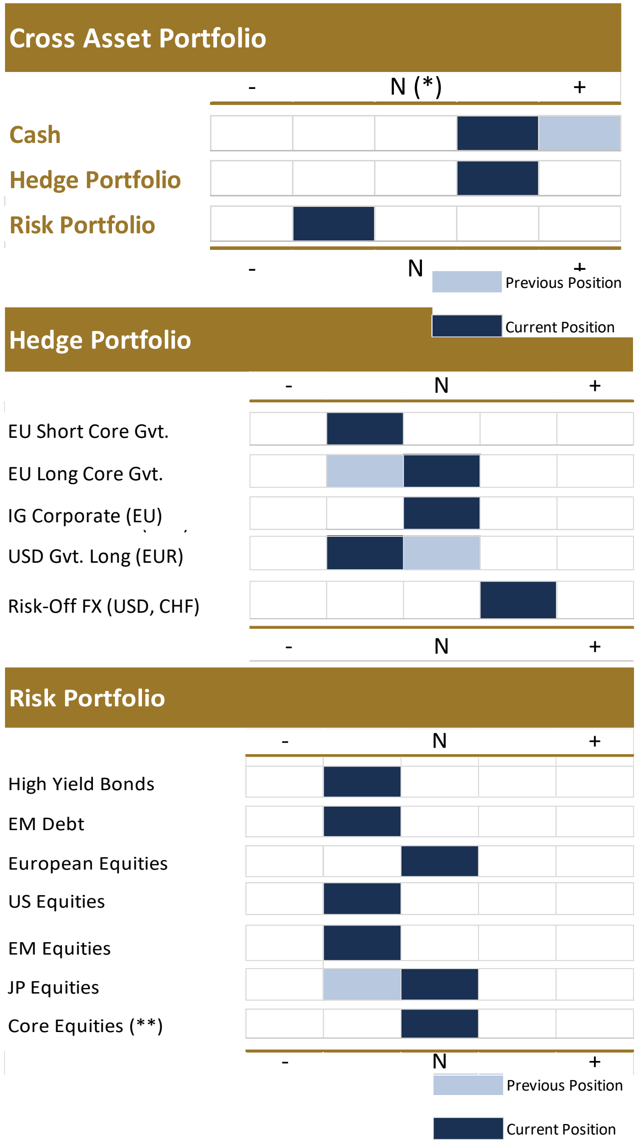
The global economy is slowing, but the path has been more a normalization than a real slow down. Hence, how fast and hard will the cooling become in H1 2022? The answers to this question are linked to both the inflation and the liquidity cycle:

<u>Scenario 1:</u> If inflation is getting out of control and sustainably high, funding rates will rise while cost inflation will squeeze profits and real incomes and slow the economy. As a result, the Liquidity cycle could, in this situation, weaken like in H2 2018

<u>Scenario 2:</u> If, on the other hand, inflation will cool off when short/medium-term supply-chain disruptions are resolved, the credit and liquidity cycle will stay positive together with profit margins and keep the global economy at a solid growth path despite the mature stage of the business cycle.

For now, we allocate with caution. That means that we follow the guidance of our Risk Allocation Index (P.42) to reduce allocation to our **Risk Portfolio**. EMD, High Yield, and EM equities are unchanged in UW. We keep exposure to US stocks in UW. We stay Neutral in Core Equities & European Equities and upgrade Japanese stocks to Neutral from UW.

At the same time, we add to our **Hedge & Cask portfolio**, where we keep USD (& US 2Y rates) in OW together with Cash. We upgrade EU Long Core Gov.s from UW to Neutral. IG bonds are kept Neutral while the position in US Long bonds is reduced from Neutral to now UW.



(*) (-) Underweight positions: <-25%, <-10%
(+) Overweight positions : >+10%, >+25%
(N) Neutral position : > -5%, < +5%
(**) Sector and factor portfolio

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Summary on Macro Climate (see more Appendix p. 35-42)

Top-Down Macro Filters and Risk Allocation Index

- Output Cycle has just shifted phase as the output gap has closed and actual output exceeds potential.
- Liquidity has in recent months made a positive shift back into Easy Credit - a Phase where assets typically perform the best.
- Inflation has been the most harmful factor for risk assets for months. We now estimate that the cost pressures affect one of our other climate indicators, namely GDP. The cooling of GDP moving into Q1 2022 - is now estimated to be solid.
- In total, our four-climate indicator framework has now moved our CAP Risk Allocation index (see page 42) into negative for the first time since spring 2020.

Top-Down Macro Filter input

- The global economy is slowing, but the path has been more a normalization than a real slow down. The question is now how fast and how hard the cooling will become in 2022? The answers to this question are linked to both the inflation and the liquidity cycle. Two scenarios arise
- A. If inflation is getting out of control and sustainably high, funding rates will rise while cost inflation will squeeze profits and real incomes and slow the economy.
- B. If, on the other hand, inflation cools off when short/medium-term supply-chain disruptions are resolved, the credit and liquidity cycle will stay positive. In addition, profit margins will remain solid and keep the global economy at a stable growth path despite the very mature stage of the business cycle.

Global Economy

- In recent months, most activity indicators suggest that the global economy lost momentum starting in Q3.
- In the same period, most price data suggest that inflation continues to move higher across supply chains from crude to final.
- Global liquidity, a key driver of risk assets, has remained strong in recent months.

US Data

- The US economy re-accelerated in Q4, ending the year on a high note.
- The central part of US GDP, private consumption, is still underpinned by the job market plus financial & credit conditions. This resulted in a surprisingly high personal consumption expenditure growth in Q4.
- Still, real income data suggests that weaker consumer spending may be on its way in Q1.
- Also, on the negative side counts lukewarm auto sales, weaker planned Capex, and the stronger USD.

Regional Data

- According to European PMI and German activity surveys, the European economy is softening from this Summer's extraordinary strong growth.
- Asian economy appears to be three months ahead of Europe in the business cycle. Moreover, leads suggest that the regional economy picked up in Q4 following a relatively soft Q3.
- A somewhat worrying sign for global activity is the softer profit margins (both Final&Crude). According to our Proxy index, Final Margins are significantly below the 5y trend

Global Leads

- Our global GDP model indicates that the global economy slowed to around 3% by end-Q4. This is down from 5% at the start of Q3. According to our six mth. lead model, the slowing will continue in Q1 2022 to below 2.5%.
- Our Nowcasting model shows that global growth (q/q an) has weakened further and is below the Long-term average growth momentum.
- During the Corona crisis, the performance of risk assets like S&P500 has closely followed our Now Casting model. Currently, start-January 2022, the Now Casting growth has moved from 6.6% Jan 2021 to now (Jan 2022) 2.8%. Still, risk asset performance has kept up a solid expansion pace which suggests that investors on aggregate discount a global economic re-acceleration in 1H 2022(!)

Summary on Individual Asset Classes (see more Appendix p. 6-34)

Equities:

US

- More robust Macro backdrop due to strong US consumer spending.
- Valuation is still the main headwind factor. Valuation is now +40% (!) above the long-term trend, only surpassed briefly in 1959 and 1987. And again, during the TMT bubble 1997-2002.
- Earnings support has weakened a bit as short-term EPS momentum is normalizing.
- Strong Positioning indicates that investors are confident that the US market is still 'a buy'.

EU

- Earnings support is positive and comparable to the US.
- Higher Macro support due to FX, Jobs, liquidity, and solid business cycle gains.
- Valuation is currently in neutral territory. PE levels are stable, but P/BV is in decline.
- Investor positioning indicates confidence that the current uptrend is sustainable.

EM

- We continue to think that the EM equity market is less attractive than DM equities (see our DREX score).
- Earnings support is still positive, but the short-term EPS momentum decelerates sharply.
- Macro support is eroding with FX as a critical factor.
- Positioning is back to neutral after being very negative.
- Valuation is below the long-term average but needs to depreciate more to trigger a positive value call.

JP

- Strong Macro support due to FX and the domestic business cycle.
- Earnings support is still a significant positive, although positive EPS revisions are cooling off.
- Japan is still a regional Value-case.
- Positioning indicates that investors are confident that Topix will follow the global equity uptrend.

Credits:

HY

- Solid business cycle indicators keep Macro support positive.
- Valuation and Carry are key headwind factors.
- Investor positioning indicates that investors feel less confident about the yield spread. Expected default rates are also coming off the lows, now – at a market level – running around 1.5%(!)

EMD

- Both Valuation and Carry-Roll have been headwind factors for EMD performance in recent quarters
- Macro support is positive due to commodity prices, manufacturing sector rebound, and job recovery (late cycle).
- The positioning has in recent months turned negative, which may indicate that investors share our negative return expectations.

IG

- Eur-based IG Corporates uphold very negative Valuation and Carry return scores.
- Macro support has weakened due to higher crude and consumer inflation.
- A negative positioning score indicates that investors see higher inflation as a headwind for the asset class.
- The asset class's performance is tightly linked to the HQ government bond market.

Government Bonds:

GE2Y

- The expected performance (DREX) for 2Y Euro gov bonds is now firmly negative.
- Higher inflation readings have weakened Macro support.
- Valuation is still negative, with a Fair value rate of 1.42%.
- Positioning indicates that investors stay underweighted in the short bond segment in Eur.

GE10Y

- Carry-Roll score has improved due to the recent curve steepening.
- Valuation is still a significant negative with a fair value rate of around 1.7 pct.
- Higher EU inflation has eroded macro support. Most recently, however, trust in the peripheral Eurozone government bond market has weakened, stabilizing the HQ segment's macro support.

US2Y

- Following FOMC's decision to start QE tapering, 2 * 25bps rate hikes are now discounted in the 2Y US T-bill.
- Macro support has for long indicated that rates should be higher
- The valuation score has dropped again as our Taylor Rule-based fair value rate has moved up, now estimated at 5.75% for the 2Y T-bill (!). The latter tells us how extreme the current FED policy has become.

US10Y

- Inflation is eroding Macro support
- The 10Y T-note yield has remained stable despite FED's tapering plan announcement.
- With a fair-value rate of around 2.7%, the Value score is still negative.
- The negative shift for Positioning indicates that investors expect a 1.5% yield level to be the existing floor. His happens as FED QE tapering is starting this month (Jan-22).

FX

USD

- Our DREX score now suggests a solid overweight of USD vs. EUR.
- The drop in Carry for the USD has stopped
- A robust US economy matches the erosion of macro support from relatively higher US inflation.
- Positioning suggests that investors have confidence in the Greenback.

JPY

- Valuation is positive, as suggested by JPYEUR PPP.
- Carry to EUR is no longer improving, and the score is now neutral.
- Positioning continues to weaken.

CHF

- Solid gains in Swiss Short Gov.bonds driven by CHF.
- Macro support has weakened due to the 'risk-on' environment.
- Carry is still a positive driver for CHF
- The positioning has improved, indicating that investors seek options re. risk hedging.

Appendix
Chart Book

Cross Assets

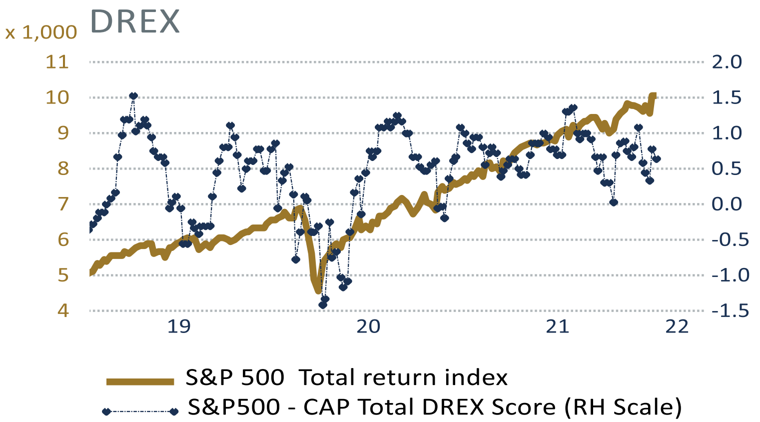
Fact Sheets

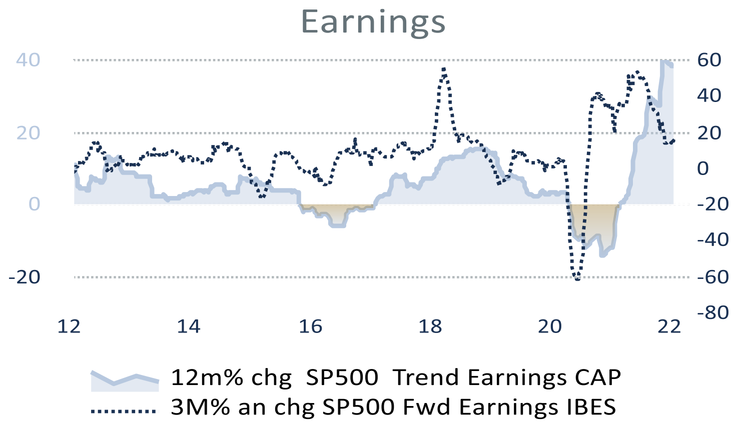
Content table

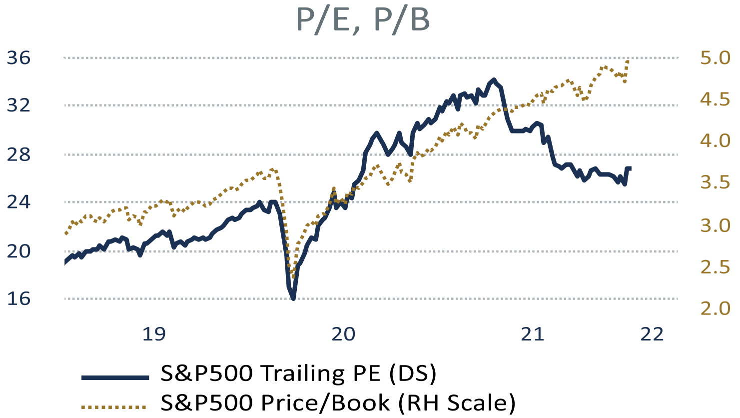
- More robust Macro backdrop due to strong US consumer spending.
- Valuation is still the main headwind factor. Valuation is now +40% (!) above the long-term trend, only surpassed briefly in 1959 and 1987. And again, during the TMT bubble 1997-2002.
- Earnings support has weakened a bit as short-term EPS momentum is normalizing.
- Strong Positioning indicates that investors are confident that the US market is still 'a buy'.

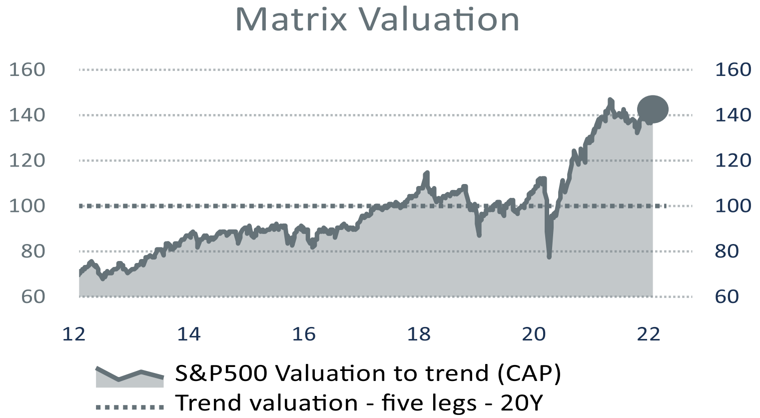
US Equities

S&P500









Source: Refinitiv Datastream, C.A.P

Asset Class Details

	5-Jan	-1m	-3m	-1y	ytd
Performance	Change in % / levels				
Total return	10045	2.4%	11.8%	31.4%	0.6%
Trend EPS Growth	33.5%	38.5%	29.3%	-8.8%	33.5%
Fwd EPS rev 3 mth	3.1%	3.3%	4.9%	4.5%	3.1%
Valuation to Trend	142.4	136.5	132.4	138.4	137.4
DREX Score (*)	Change in points				
Macro	1.2	0.5	0.9	-0.2	0.0
Valuation	-2.0	0.0	0.0	0.0	0.0
Earnings	1.0	0.0	0.0	2.0	0.0
Position	2.0	3.0	3.0	2.0	0.0
Total	0.7	0.1	0.3	-0.2	0.0

(*) Dynamic Return EXpectations Index. Scale: -2 to +2

Risk Profile(*)	
Ann. Standard Deviation	19.4%
Ann. Sharpe Ratio	0.28
Maximum Drawdown	63.5%
Monthly Value at Risk (95%)	-8.3%
Monthly Expected Shortfall (95%)	-10.3%
Bond Correlation	-0.20
Stock Correlation	0.84
Balance Correlation	0.81

(*) Based on weekly data since 1997

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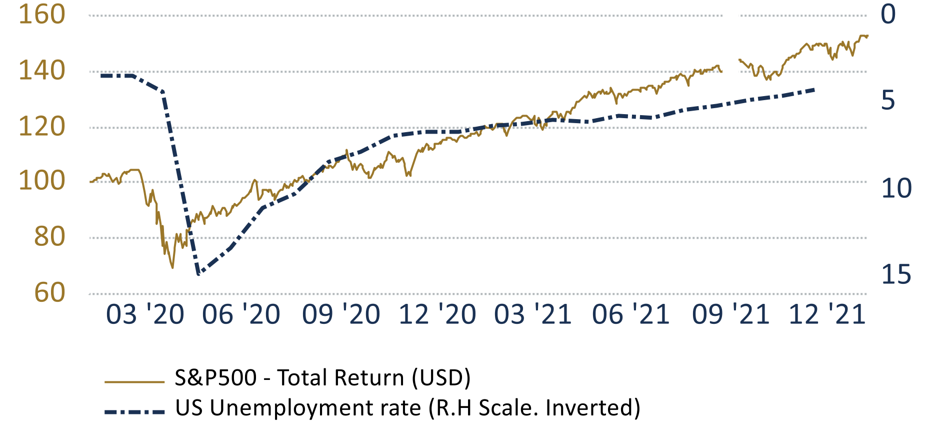
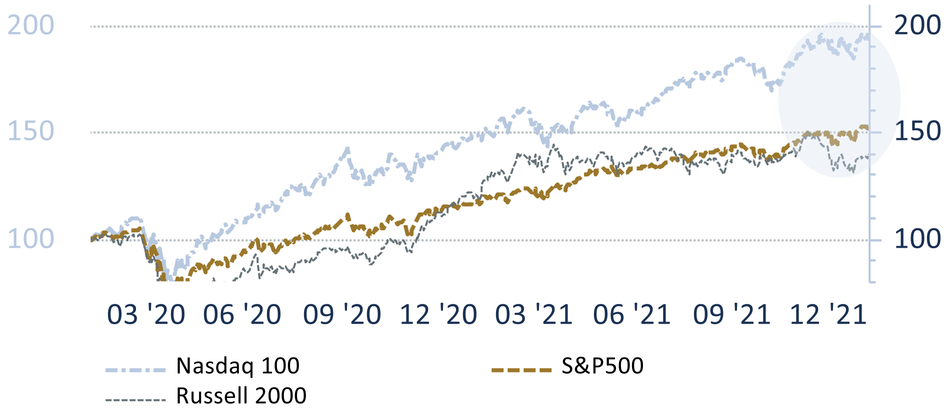
US Equities - 2-

S&P500

US Unemployment (#)

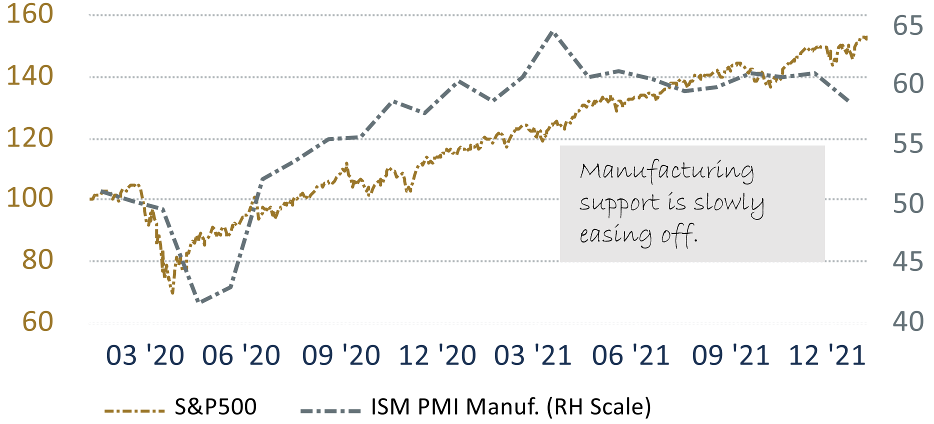


US stock indicies

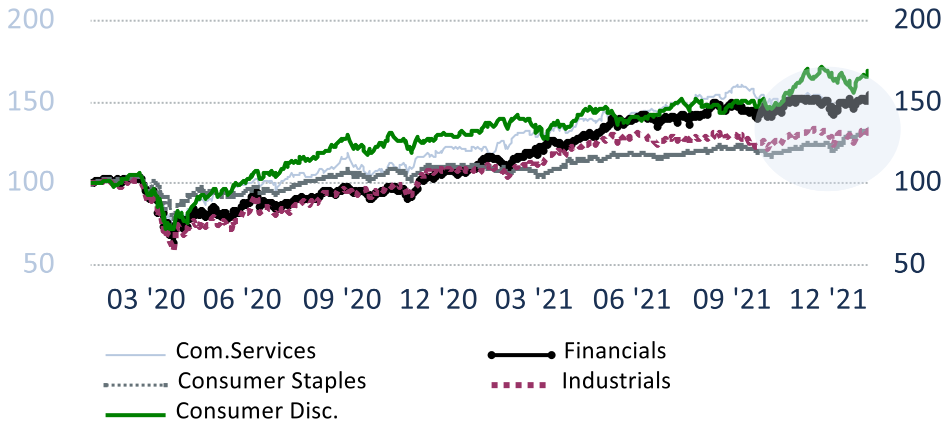


Market leadership is again BigTech

US ISM Manuf. PMI (##)



Sectors



Consumer Disc. and Com. Services are leading sectors.

Source: Refinitiv Datastream, C.A.P

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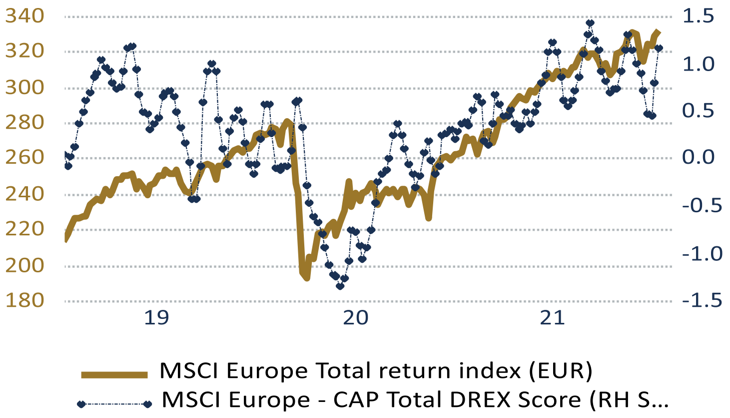
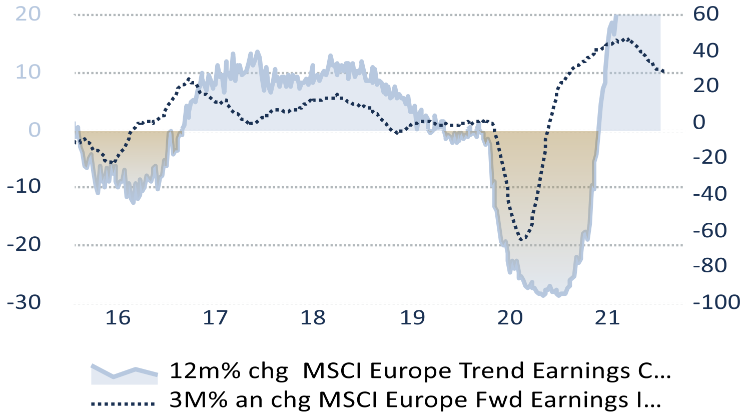
- Earnings support is positive and comparable to the US.
- Higher Macro support due to FX, Jobs, liquidity, and solid business cycle gains.
- Valuation is currently in neutral territory. PE levels are stable, but P/BV is in decline.
- Investor positioning indicates confidence that the current uptrend is sustainable.

European Equities

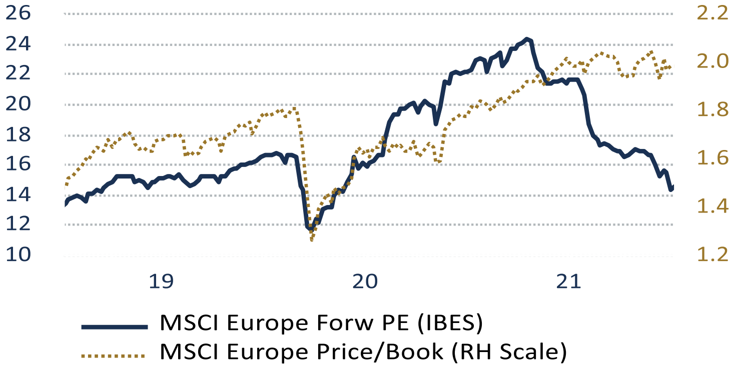
European Equities

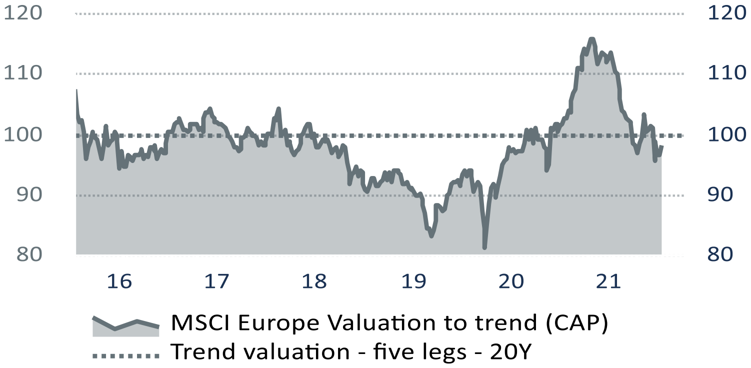
MSCI Europe (EUR)





Valuation





Source: Refinitiv Datastream, C.A.P

Asset Class Details

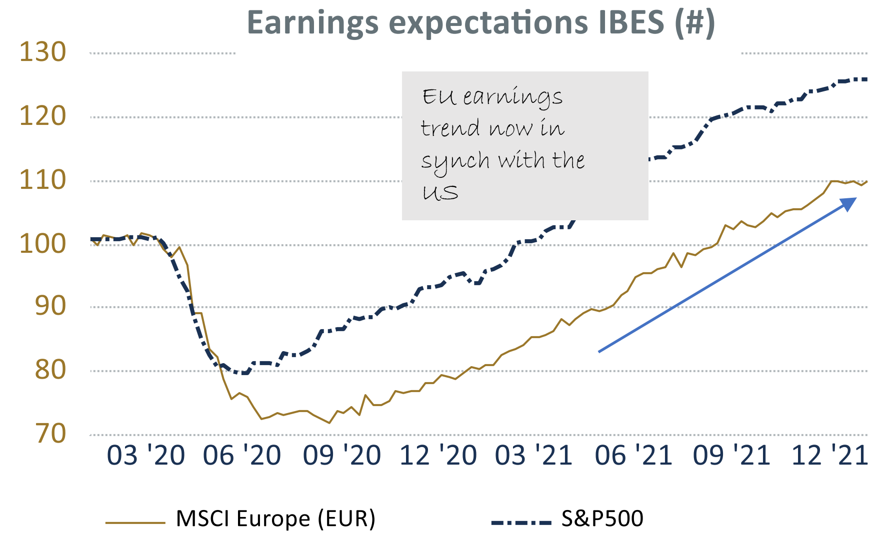
	4-Jan	-1m	-3m	-1Y	ytd
Performance		Change in % / levels			
Total return	333	5.4%	8.2%	25.9%	0.0%
Trend EPS Growth	54.6%	50.5%	41.0%	-28.7%	54.6%
Fwd EPS rev 3 mth	5.4%	6.8%	8.6%	6.6%	5.4%
Valuation to Trend	98.1	95.7	97.1	96.3	96.1
DREX Score (*)		Change in points			
Macro	1.1	0.4	0.2	-0.5	0.0
Valuation	0.0	0.0	0.0	0.0	0.0
Earnings	1.0	0.0	0.0	1.0	0.0
Position	2.0	3.0	4.0	2.0	0.0
Total	1.3	1.0	0.6	0.8	0.0

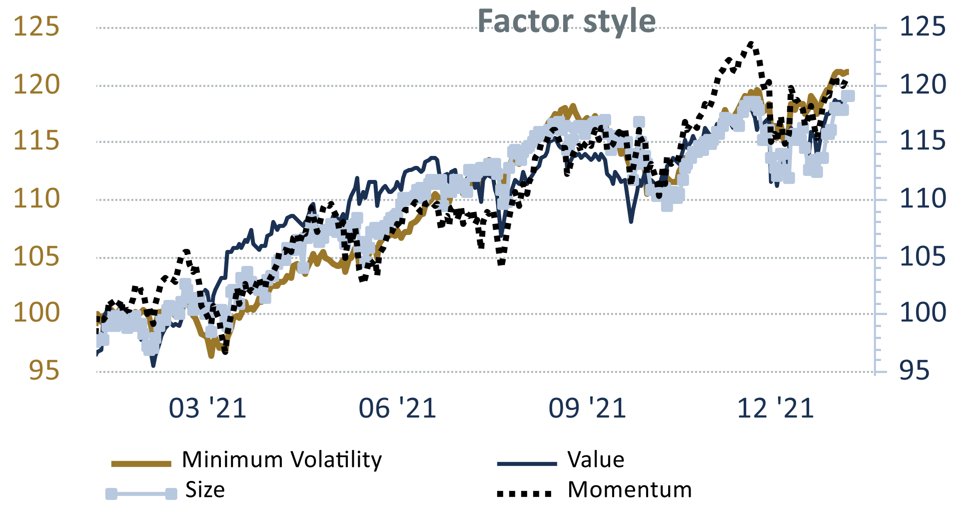
(*) Dynamic Return EXpectations Input. **Scale: -2 to +2**

Risk Profile(*)	
Ann. Standard Deviation	18.5%
Ann. Sharpe Ratio	0.15
Maximum Drawdown	57.8%
Monthly Value at Risk (95%)	-8.1%
Monthly Expected Shortfall (95%)	-11.1%
Bond Correlation	-0.29
Stock Correlation	0.82
Balance Correlation	0.79

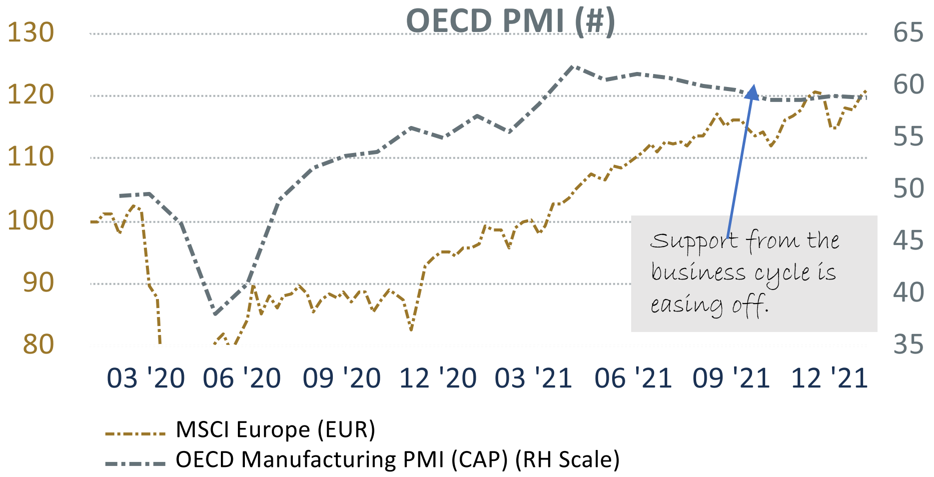
(*) Based on weekly data since 1997

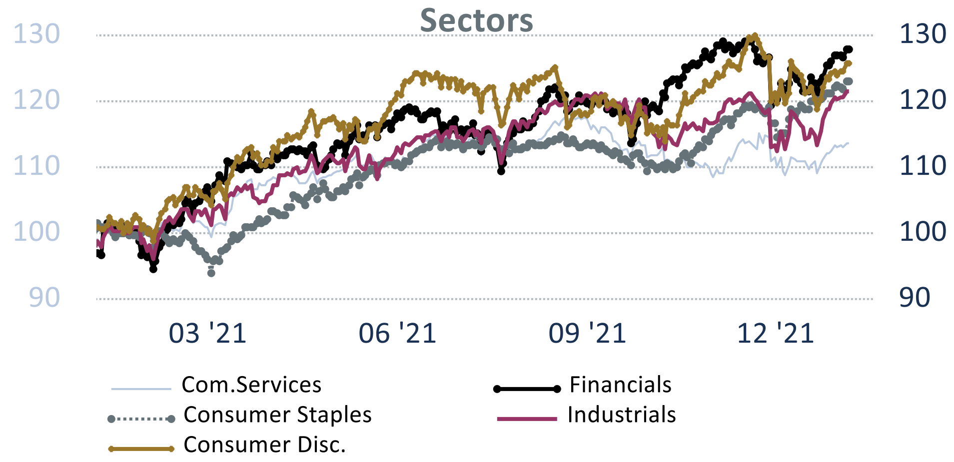
MSCI Europe - 2 -





All Style factors with solid gains.





Industrials and Consumer Stables are catching up!

Source: Refinitiv Datastream, C.A.P

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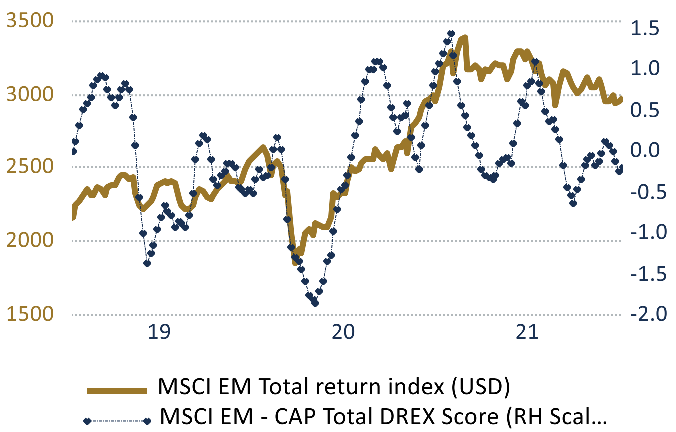
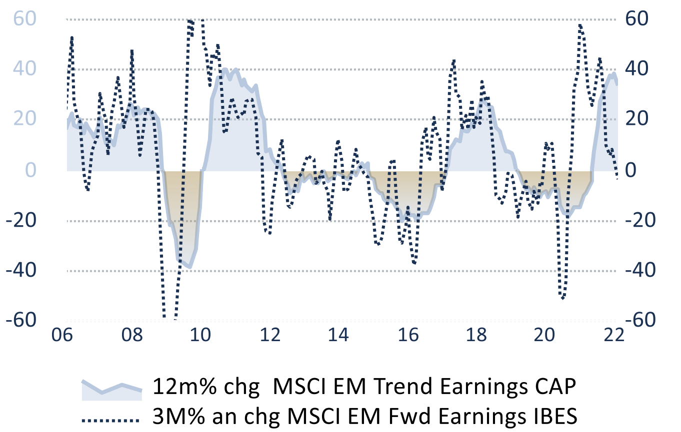
Emerging Equities

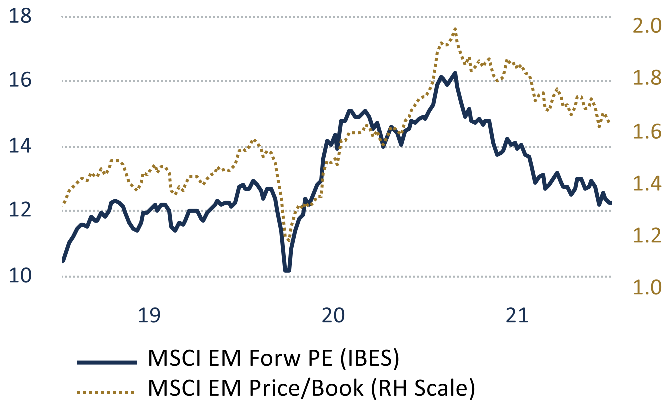
- We continue to think that the EM equity market is less attractive than DM equities (see our DREX score).
- Earnings support is still positive, but the short-term EPS momentum decelerates sharply.
- Macro support is eroding with FX as a critical factor.
- Positioning is back to neutral after being very negative.
- Valuation is below the long-term average but needs to depreciate more to trigger a positive value call.

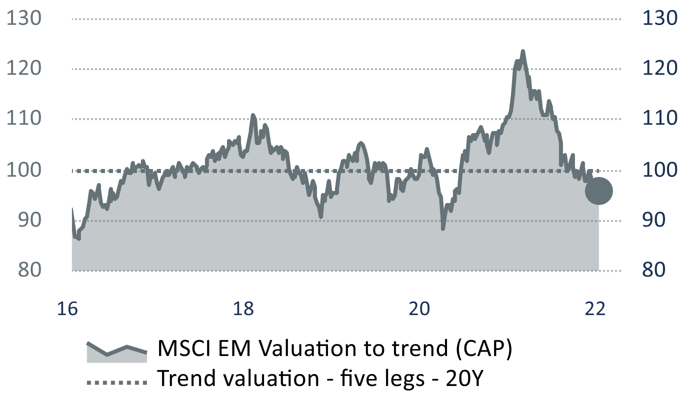
EM Equities

MSCI Emerging Markets









Asset Class Details

	4-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / levels			
Total return	2984	0.8%	-0.7%	-2.3%	0.0%
Trend EPS Growth	34.9%	33.9%	36.3%	-11.0%	34.9%
Fwd EPS rev 3 mth	-0.9%	-1.4%	0.8%	8.8%	-0.9%
Valuation to Trend	95.9	95.0	99.9	94.1	94.2
DREX Score (*)		Change in points			
Macro	-0.5	-0.6	-0.6	-2.1	0.0
Valuation	0.0	0.0	0.0	1.0	0.0
Earnings	1.0	0.0	0.0	1.0	0.0
Position	0.0	2.0	2.0	-1.0	0.0
Total	0.2	0.3	0.5	-0.9	0.0

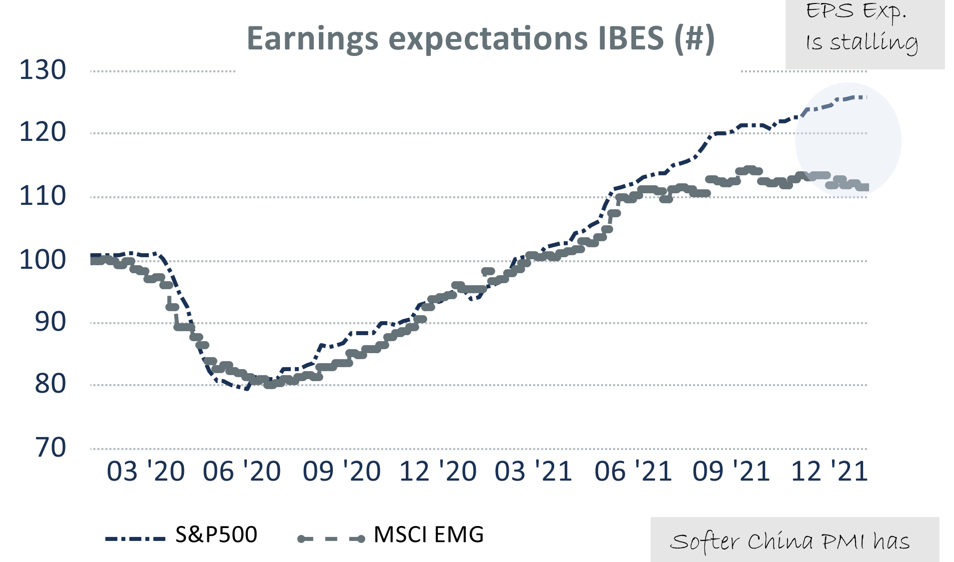
(*) Dynamic Return EXpectations Input. **Scale: -2 to +2**

Risk Profile(*)	
Ann. Standard Deviation	22.9%
Ann. Sharpe Ratio	0.16
Maximum Drawdown	60.2%
Monthly Value at Risk (95%)	-9.6%
Monthly Expected Shortfall (95%)	-15.1%
Bond Correlation	-0.2
Stock Correlation	0.78
Balance Correlation	0.77

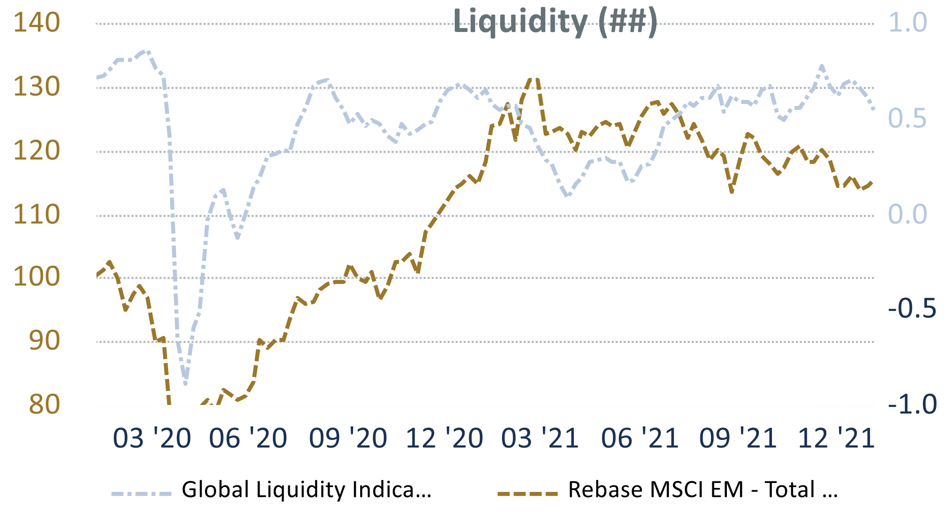
(*) Based on weekly data since 1997

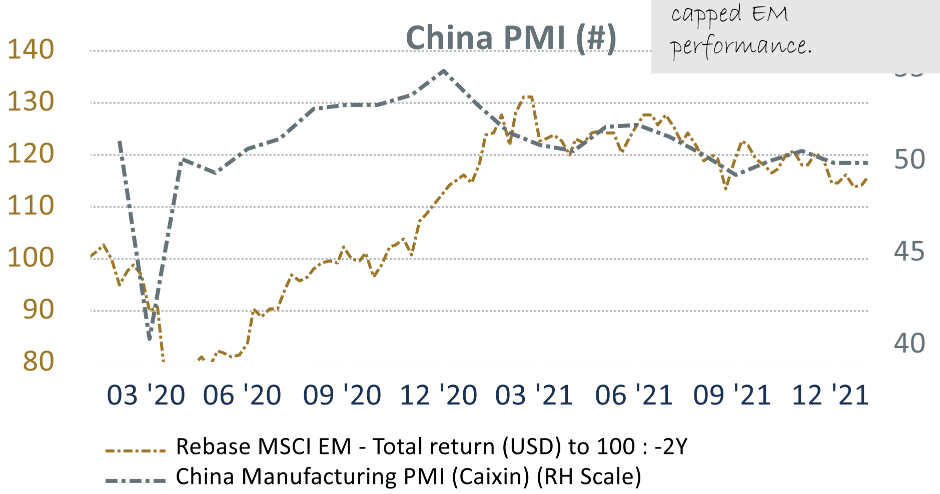
Source: Refinitiv Datastream, C.A.P

MSCI Emerging Markets - 2 -

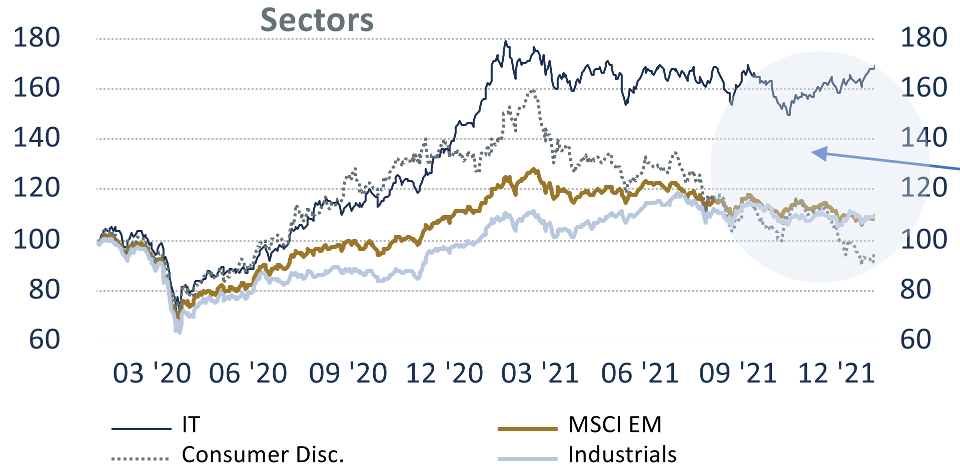


EPS Exp.
Is stalling





Softer China PMI has capped EM performance.



New Chinese data regulation, Chinese business cycle worries and overall fear that the COVID crisis will continue in EM are eroding factors for Consumer Disc/Industrials. Tech is a stronghold.

Source: Refinitiv Datastream, C.A.P

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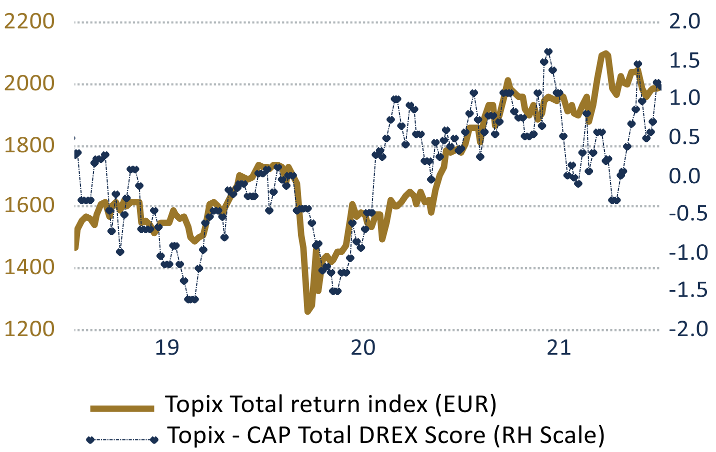
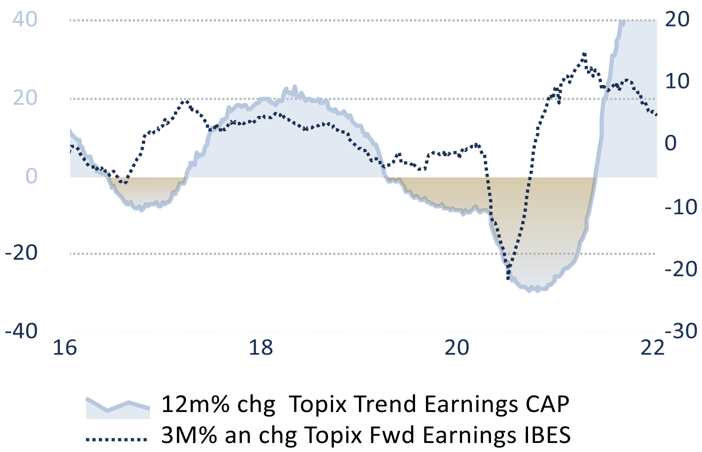
- Strong Macro support due to FX and the domestic business cycle.
- Earnings support is still a significant positive, although positive EPS revisions are cooling off.
- Japan is still a regional Value-case.
- Positioning indicates that investors are confident that Topix will follow the global equity uptrend.

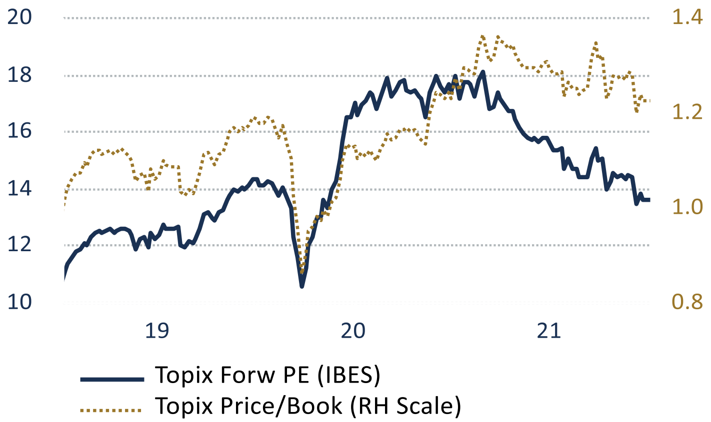
Japan Equities

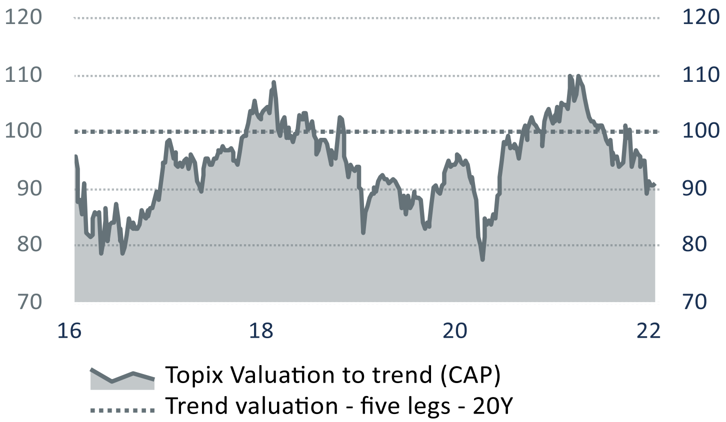
Japanese Equities

Topix









Source: Refinitiv Datastream, C.A.P

Asset Class Details

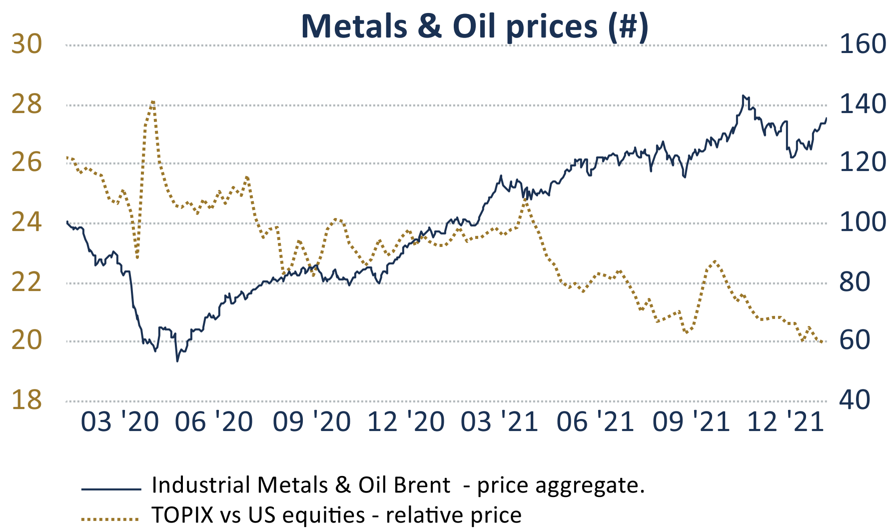
	5-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / levels			
Total return	1992	1.8%	0.3%	10.4%	0.0%
Trend EPS Growth	54.7%	51.7%	48.2%	-25.6%	54.7%
Fwd EPS rev 3 mth	4.3%	4.6%	8.6%	7.2%	4.3%
Valuation to Trend	90.9	89.3	100.4	89.6	89.6
DREX Score (*)		Change in points			
Macro	1.3	0.1	1.9	-0.4	0.0
Valuation	0.0	-1.0	0.0	0.0	0.0
Earnings	1.0	0.0	0.0	2.0	0.0
Position	1.0	3.0	2.0	1.0	0.0
Total	1.2	0.7	1.5	0.6	0.0

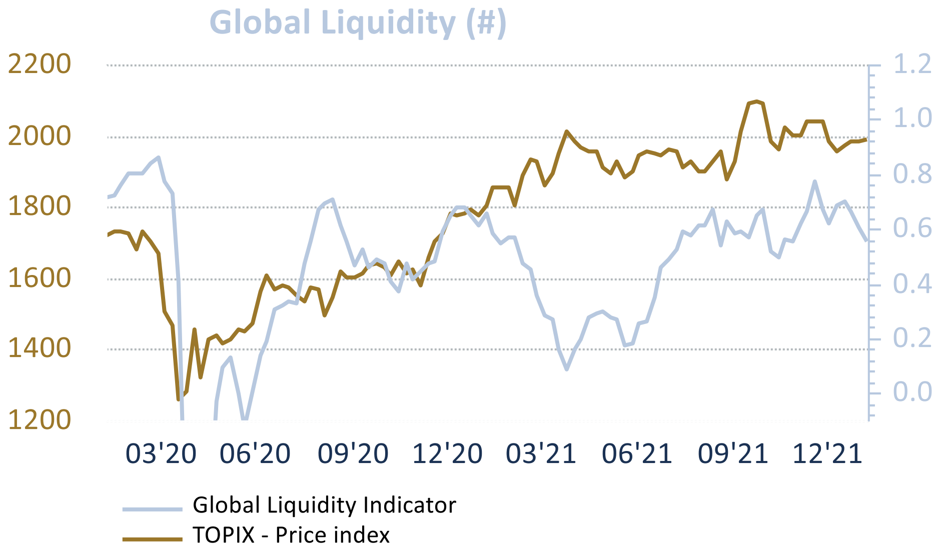
(*) Dynamic Return EXpectations Input. **Scale: -2 to +2**

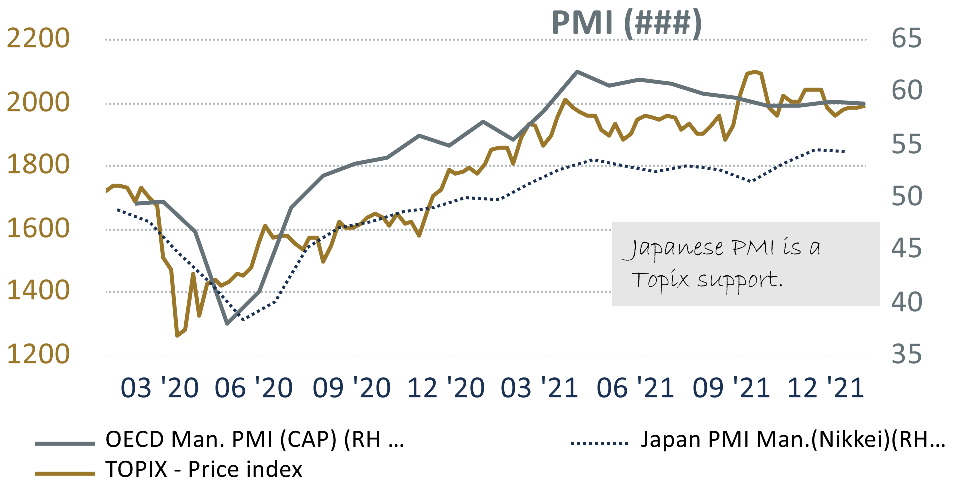
Risk Profile(*)	
Ann. Standard Deviation	20.6%
Ann. Sharpe Ratio	-0.02
Maximum Drawdown	65.5%
Monthly Value at Risk (95%)	-8.3%
Monthly Expected Shortfall (95%)	-10.7%
Bond Correlation	-0.08
Stock Correlation	0.49
Balance Correlation	0.47

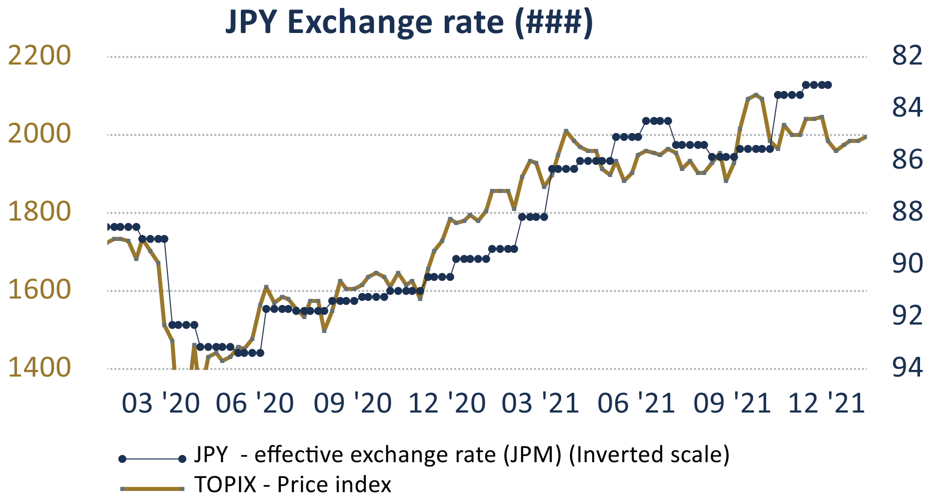
(*) Based on weekly data since 1997.

Japanese Equities - 2 -









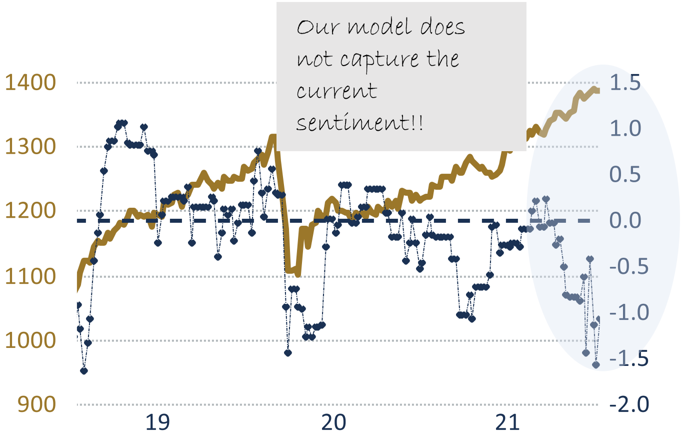
The weak JPY is a positive for Topix in local ccy.

Source: Refinitiv Datastream, C.A.P

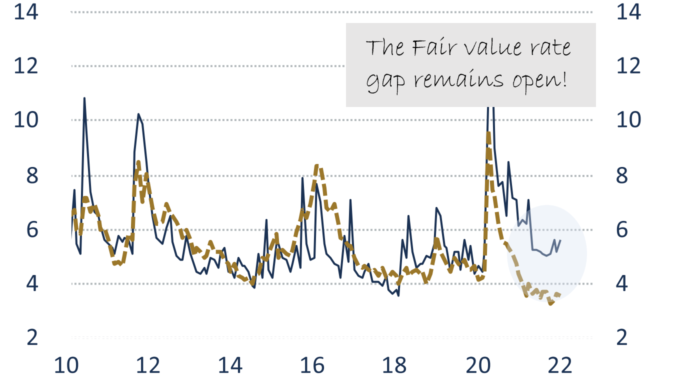
- Solid business cycle indicators keep Macro support positive.
- Valuation and Carry are key headwind factors.
- Investor positioning indicates that investors feel less confident about the yield spread. Expected default rates are also coming off the lows, now – at a market level – running around 1.5%(!)

Global High Yield

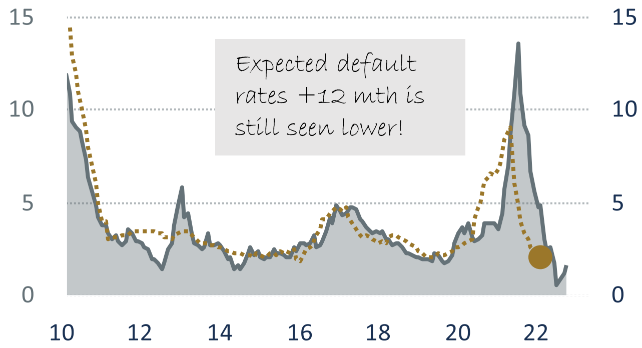
Global High Yield (USD/EUR)



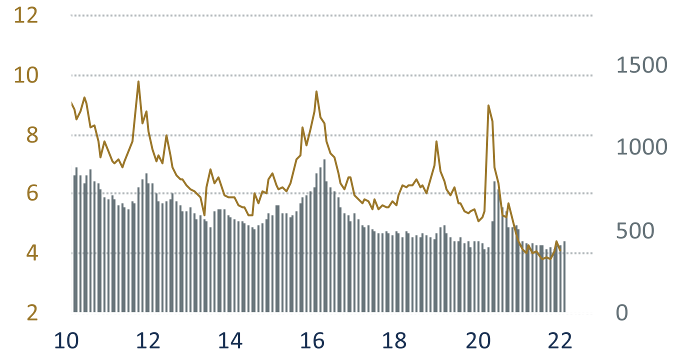
Global High Yield - Total return (EUR)
HY - CAP Total DREX Score (RH Scale)



Global High Yield Spread - CAP Fair Value
Global High Yield Spread (US/EU 5Y)



Speculative grade default rate - Expectation
Speculative grade default rate - Actual



HY avg. yield
Global HY carry (bps)

Source: Refinitiv Datastream, C.A.P

Asset Class Details

	5-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	1388.48	0.8%	2.6%	13.5%	0.0%
Rate Avg.	4.09	-44	13	-6	0
Carry	430	5	47	-4	0
Spread(bps)	3.55	-31	17	-84	0
DREX Score (*)		Change in points			
Macro	0.4	1.4	-0.5	0.3	0.0
Valuation	-1.0	0.0	0.0	1.0	0.0
Carry	-2.0	0.0	0.0	0.0	0.0
Position	-1.0	0.0	-1.0	-3.0	0.0
Total	-1.1	0.4	-0.8	-0.9	0.0

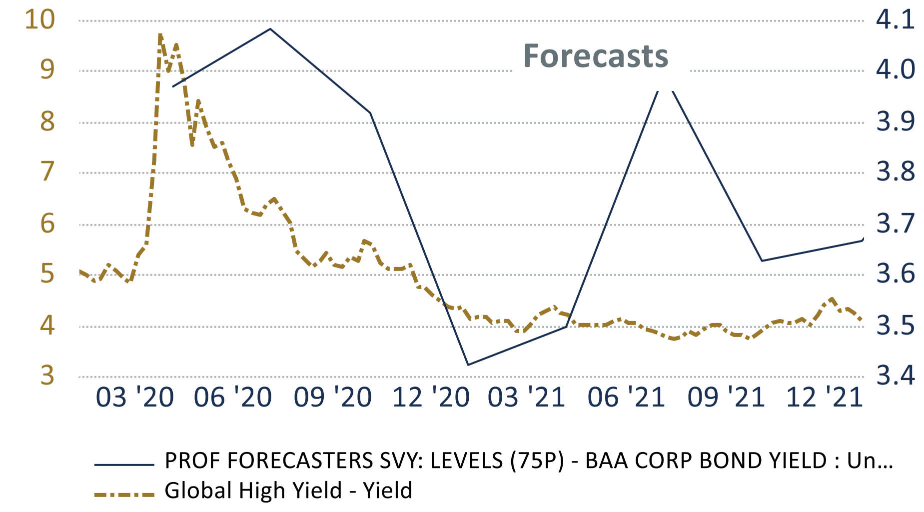
(*) Dynamic Return EXpectations Input

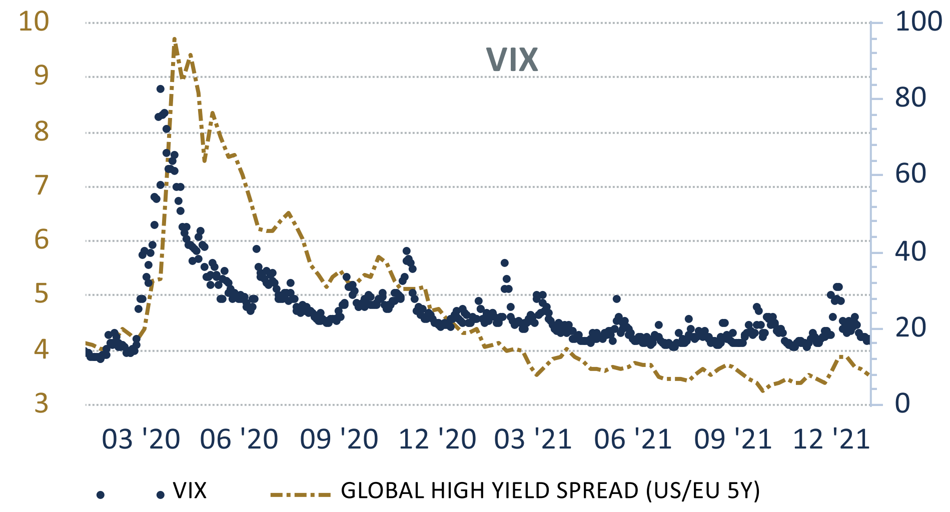
Risk Profile(*)	
Ann. Standard Deviation	11.2%
Ann. Sharpe Ratio	0.35
Maximum Drawdown	34.5%
Monthly Value at Risk (95%)	-4.8%
Monthly Expected Shortfall (95%)	-6.9%
Bond Correlation	-0.04
Stock Correlation	0.26
Balance Correlation	0.25

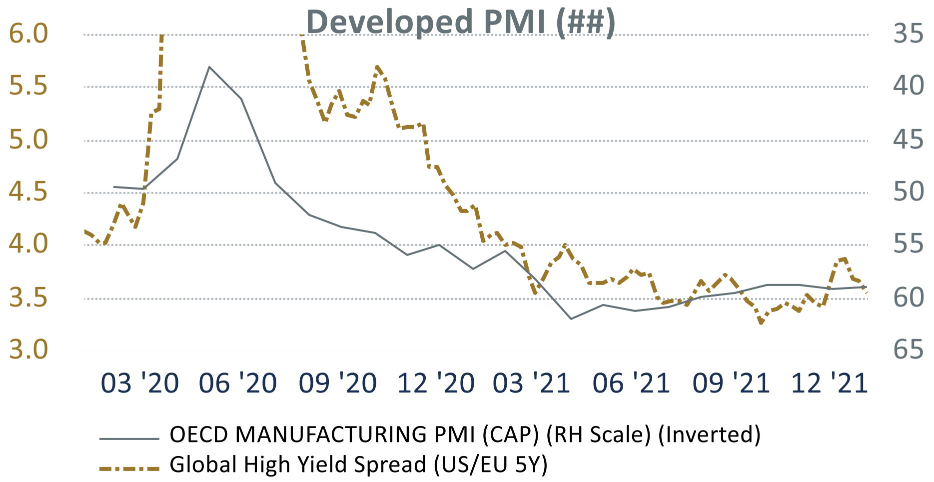
(*) Based on weekly data since 1997

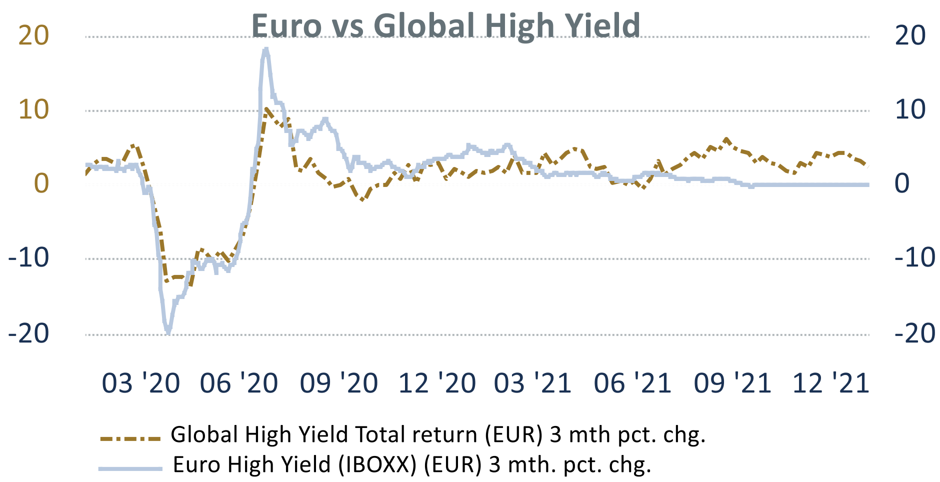
CAP COPENHAGEN ALLOCATION PARTNER

Global High Yield (USD/EUR) - 2 -









Source: Refinitiv Datastream, C.A.P

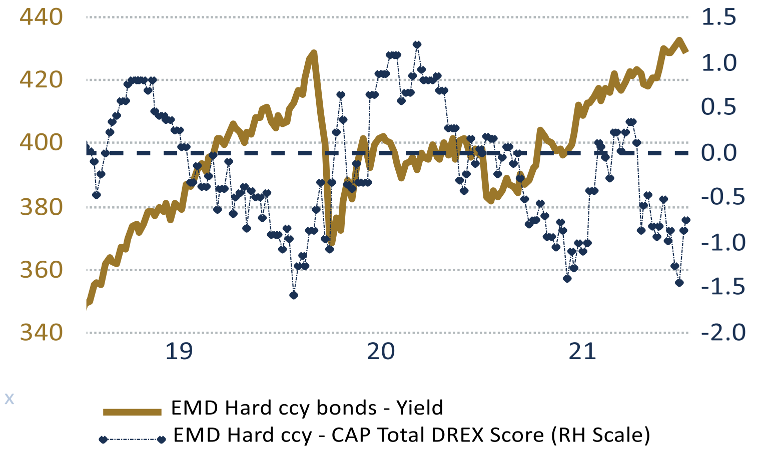
CAP | COPENHAGEN ALLOCATION PARTNER

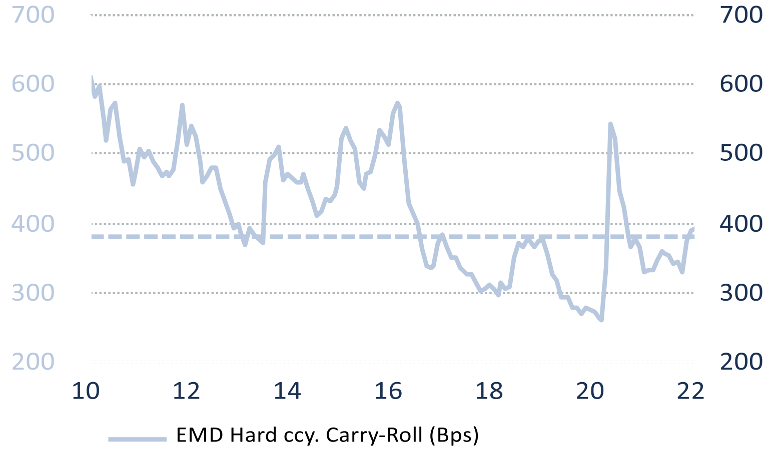
- Both Valuation and Carry-Roll have been headwind factors for EMD performance in recent quarters
- Macro support is positive due to commodity prices, manufacturing sector rebound, and job recovery (late cycle).
- The positioning has in recent months turned negative, which may indicate that investors share our negative return expectations.

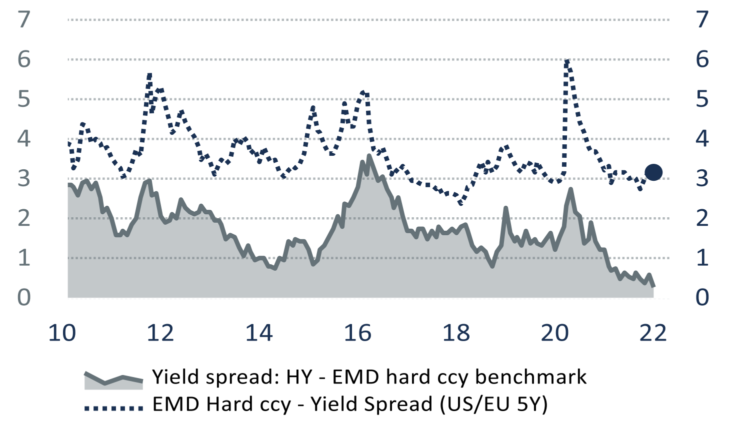
Emerging Debt (Hard ccy)

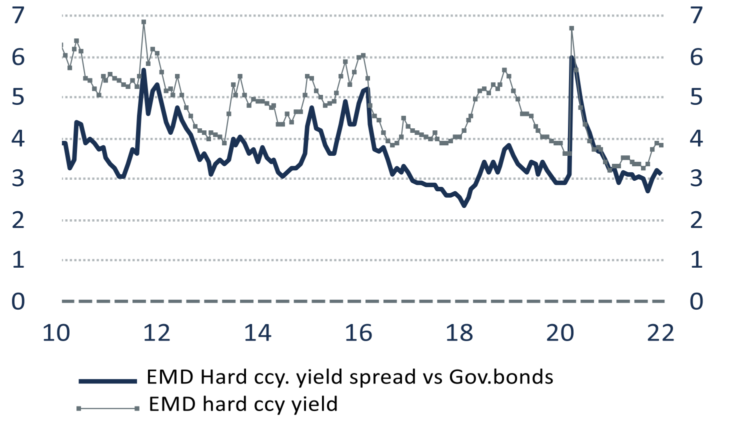
Emerging Market Debt

Hard ccy









Asset Class Details

	3-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	428.92	0.1%	1.8%	7.7%	0.0%
Rate Avg.	3.85	-2	48	65	0
Carry	387	-14	58	59	0
Spread(bps)	3.13	-10	40	-7	0
DREX Score (*)		Change in points			
Macro	0.2	-0.1	-0.4	-0.3	0.0
Valuation	-1.0	0.0	0.0	0.0	0.0
Carry	-1.0	0.0	0.0	0.0	0.0
Position	-1.0	1.0	-3.0	-2.0	0.0
Total	-0.8	0.2	-1.1	-0.7	0.0

(*) Dynamic Return EXpectations Input

Risk Profile(*)	
Ann. Standard Deviation	4.6%
Ann. Sharpe Ratio	0.87
Maximum Drawdown	21.7%
Monthly Value at Risk (95%)	-1.7%
Monthly Expected Shortfall (95%)	-4.0%
Bond Correlation	0.12
Stock Correlation	0.16
Balance Correlation	0.18

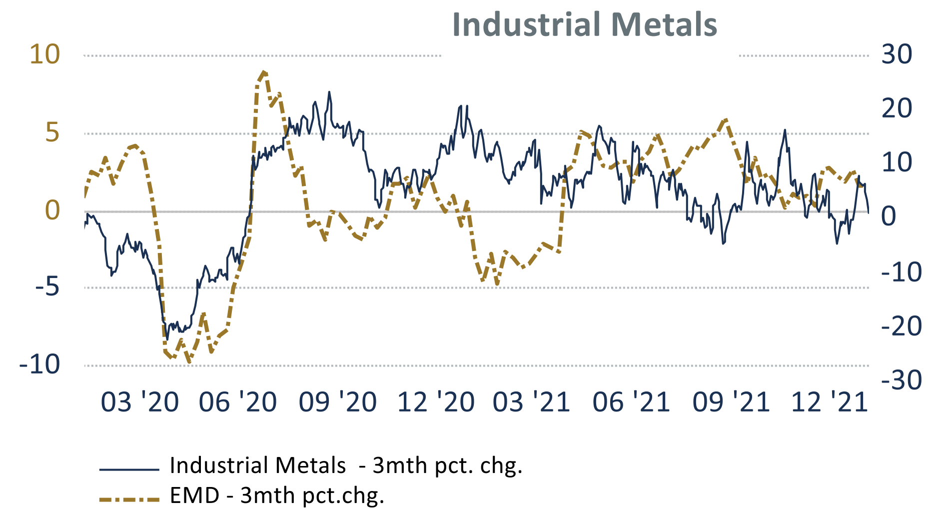
(*) Based on weekly data since 1997

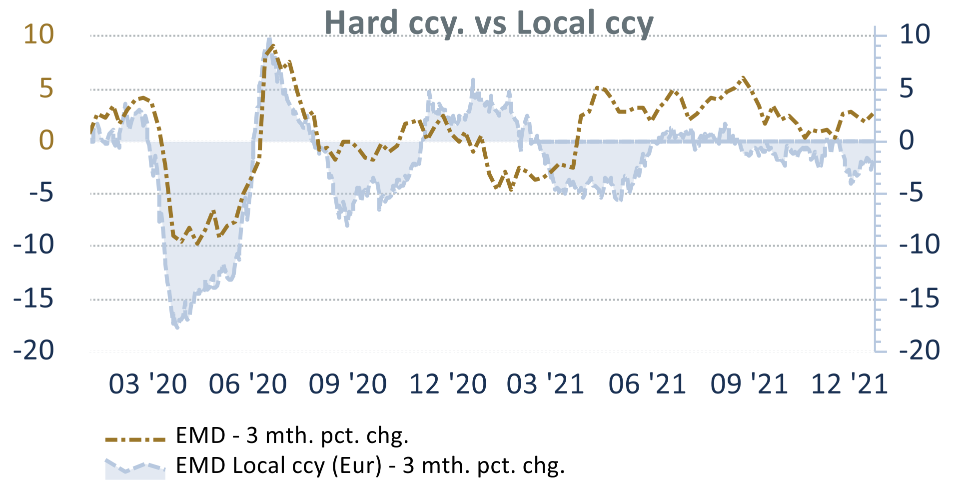
Source: Refinitiv Datastream, C.A.P

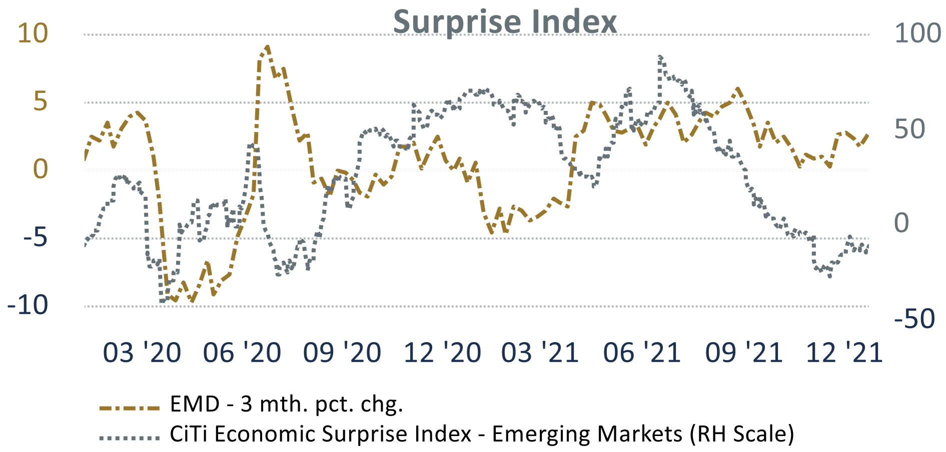
CAP COPENHAGEN ALLOCATION PARTNER

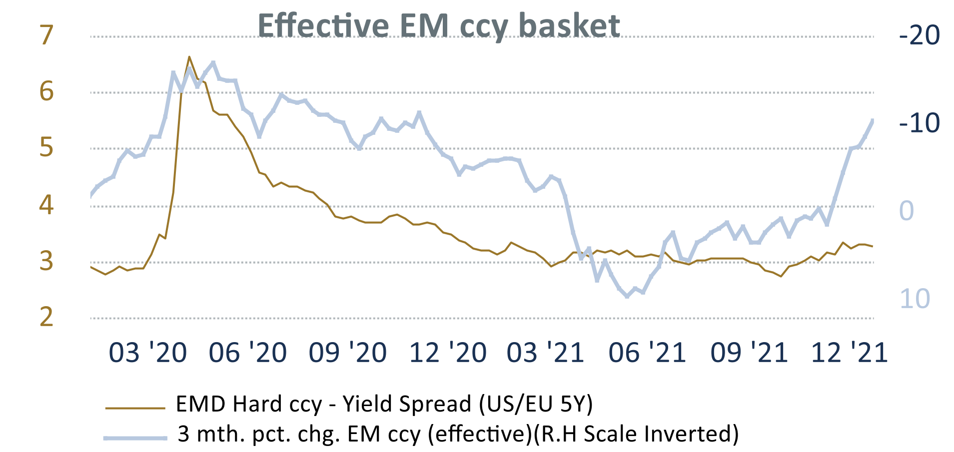
Emerging Debt Market - 2 -

Hard ccy







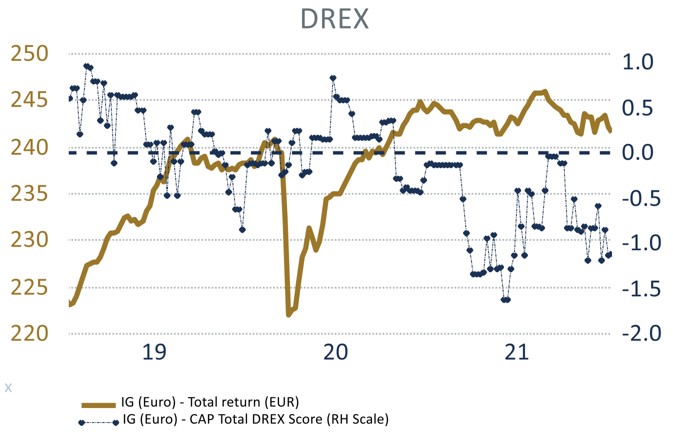


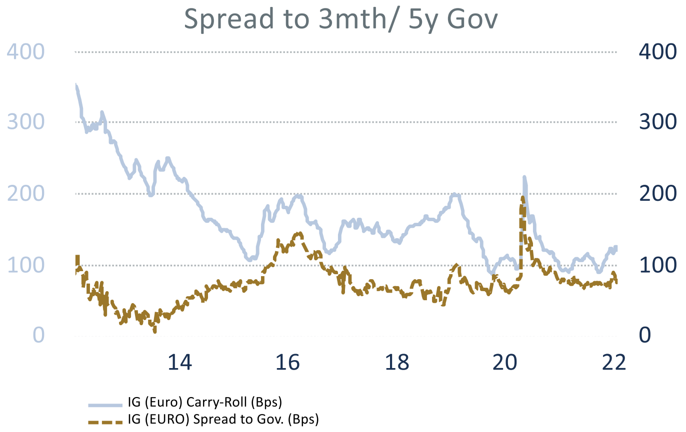
Source: Refinitiv Datastream, C.A.P

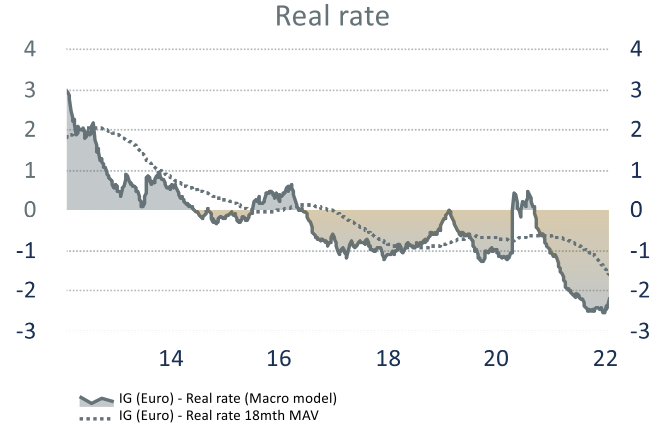
- Eur-based IG Corporates uphold very negative Valuation and Carry return scores.
- Macro support has weakened due to higher crude and consumer inflation.
- A negative positioning score indicates that investors see higher inflation as a headwind for the asset class.
- The asset class's performance is tightly linked to the HQ government bond market.

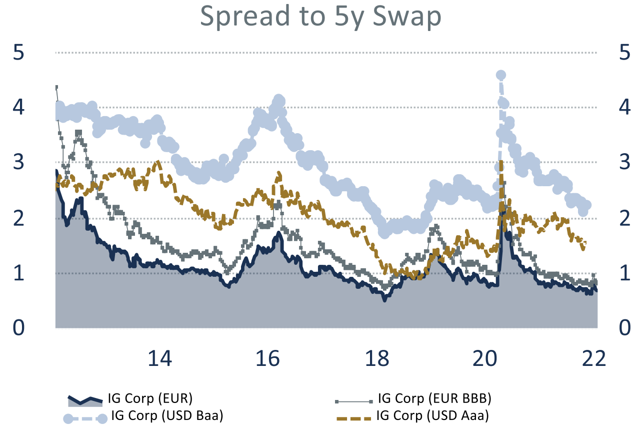
IG Corporate rate risk

Investment Grade Fixed Income (Euro)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

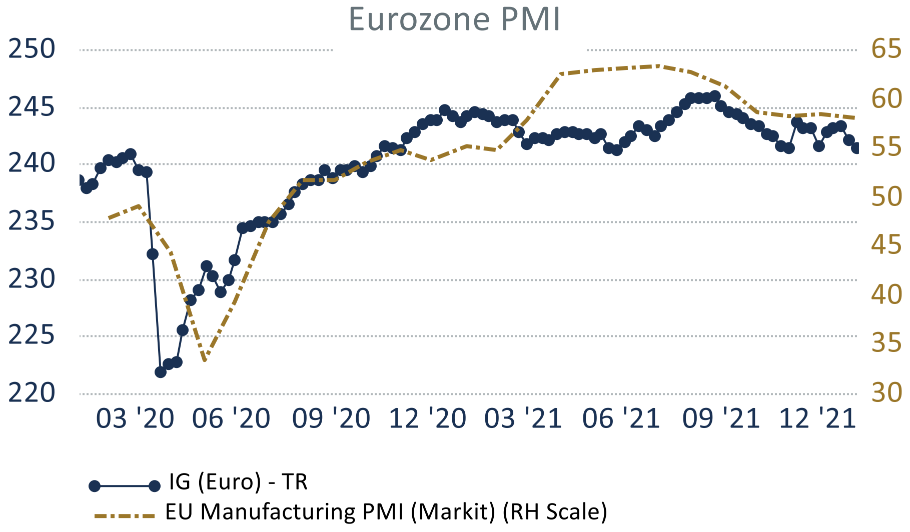
	4-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	247.22	-0.7%	-0.7%	-1.5%	0.0%
Rate Avg.	0.74	11	19	38	0
Real Rate	-2.15	22	26	-107	0
Spread(bps)	0.79	-3	7	3	0
DREX Score (*)		Change in points			
Macro	-0.7	-0.6	-0.6	-0.9	0.0
Valuation	-2.0	0.0	0.0	-1.0	0.0
Carry	-2.0	-1.0	0.0	0.0	0.0
Position	-1.0	0.0	-1.0	-2.0	0.0
Total	-1.1	-0.5	-0.3	-1.0	0.0

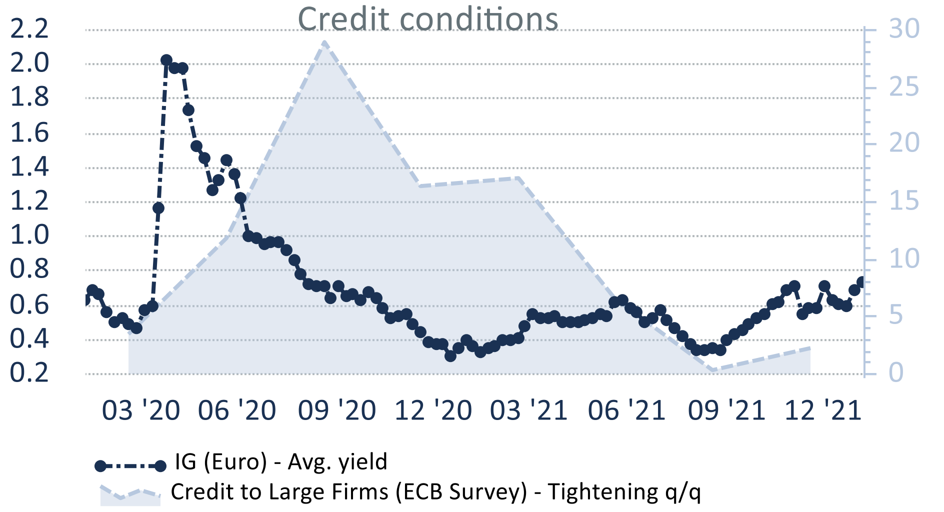
(*) Dynamic Return EXpectations Index

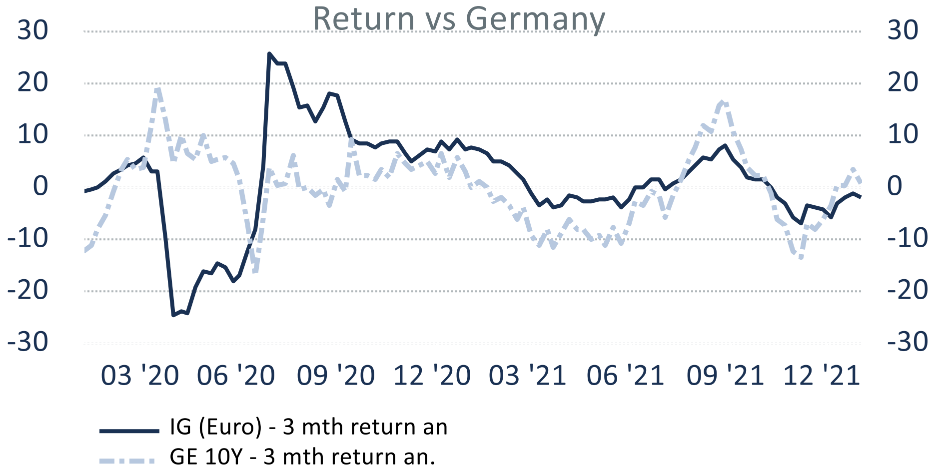
Risk Profile(*)	
Ann. Standard Deviation	3.2%
Ann. Sharpe Ratio	0.52
Maximum Drawdown	6.6%
Monthly Value at Risk (95%)	-1.2%
Monthly Expected Shortfall (95%)	-1.6%
Bond Correlation	0.62
Stock Correlation	0.10
Balance Correlation	0.19

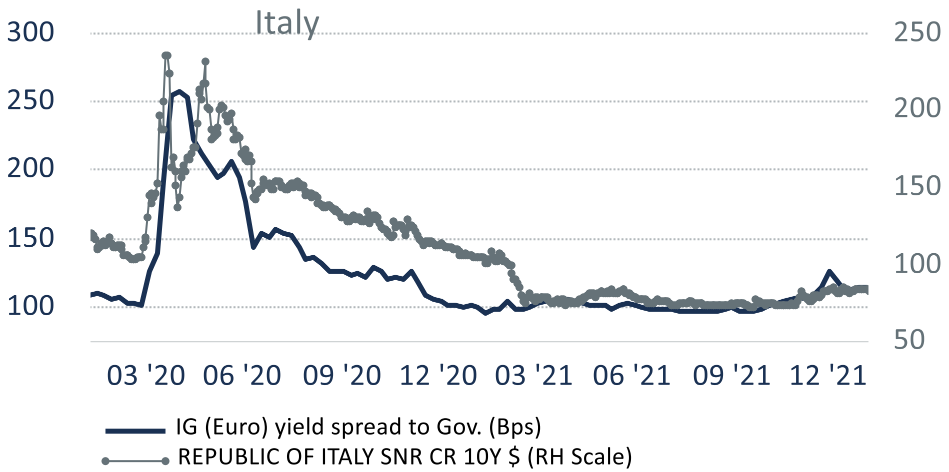
(*) Based on weekly data since 1997

Investment Grade Fixed Income (Euro) - 2 -









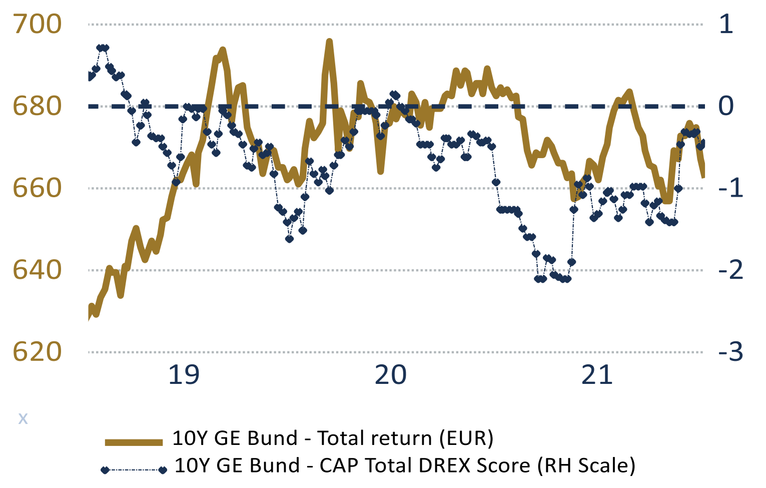
Source: Refinitiv Datastream, C.A.P

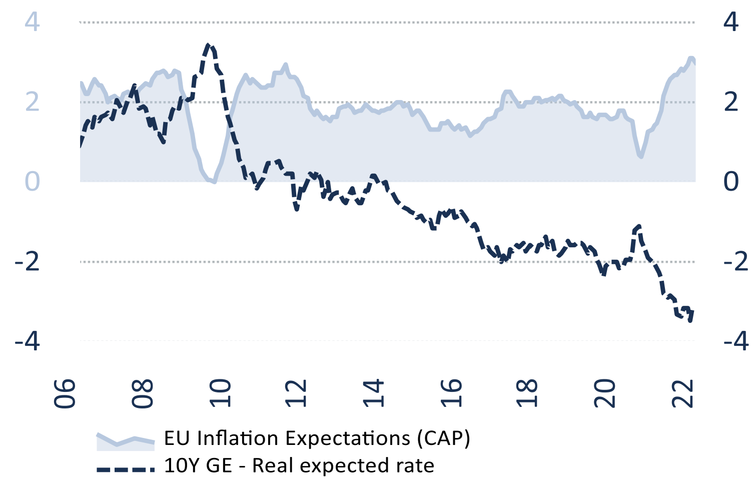
CAP COPENHAGEN ALLOCATION PARTNER

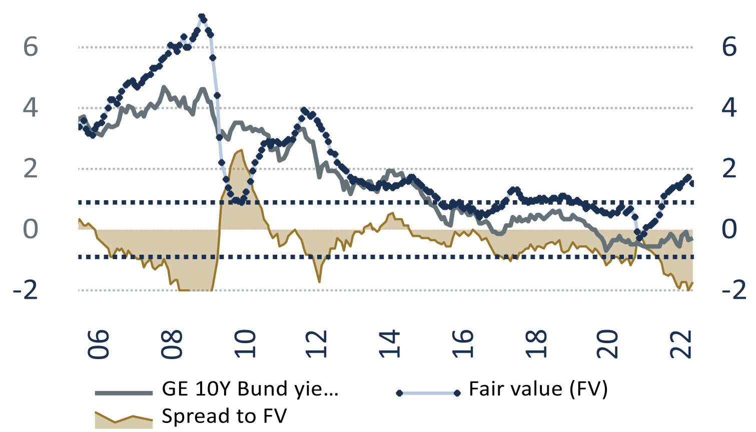
- Carry-Roll score has improved due to the recent curve steepening.
- Valuation is still a significant negative with a fair value rate of around 1.7 pct.
- Higher EU inflation has eroded macro support. Most recently, however, trust in the peripheral Eurozone government bond market has weakened, stabilizing the HQ segment's macro support.

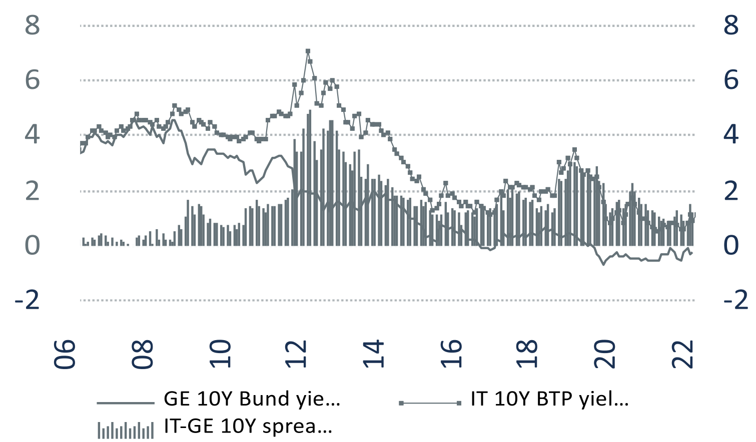
Eurozone Core Long Gov bonds

Germany 10Y Bund (EUR)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

	4-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	662.41	-2.0%	-0.4%	-3.3%	0.0%
Rate Avg.	-0.18	20	4	40	0
Fair value rate	1.42	-22	-10	119	0
Carry-Roll (bps)	34	19	1	39	0
DREX Score (*)		Change in points			
Macro	-0.5	0.3	-0.3	0.0	0.0
Valuation	-2.0	0.0	0.0	-1.0	0.0
Carry-Roll	0.0	1.0	0.0	1.0	0.0
Position	0.0	-1.0	0.0	-1.0	0.0
Total	-0.2	0.2	0.8	1.1	0.0

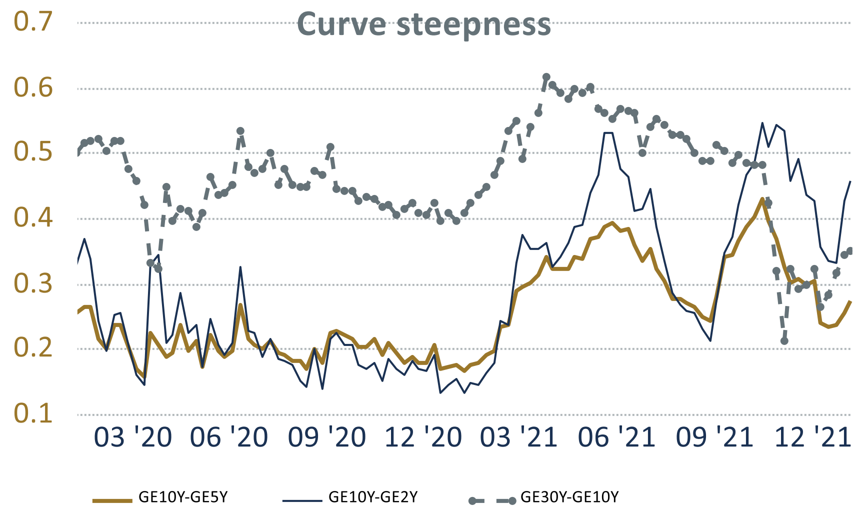
(*) Dynamic Return EXpectations Input

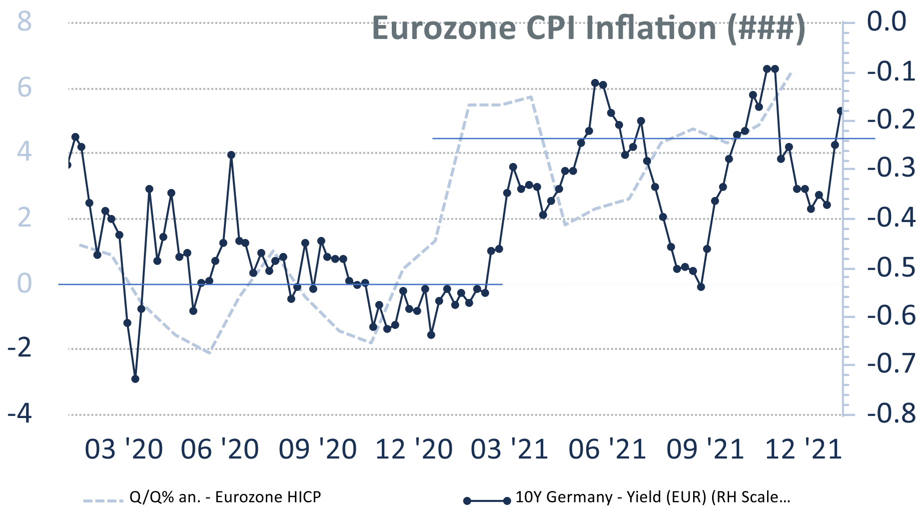
Risk Profile(*)	
Ann. Standard Deviation	5.7%
Ann. Sharpe Ratio	0.48
Maximum Drawdown	10.4%
Monthly Value at Risk (95%)	-2.0%
Monthly Expected Shortfall (95%)	-2.6%
Bond Correlation	1.00
Stock Correlation	-0.24
Balance Correlation	-0.14

(*) Based on weekly data since 1997 in EUR

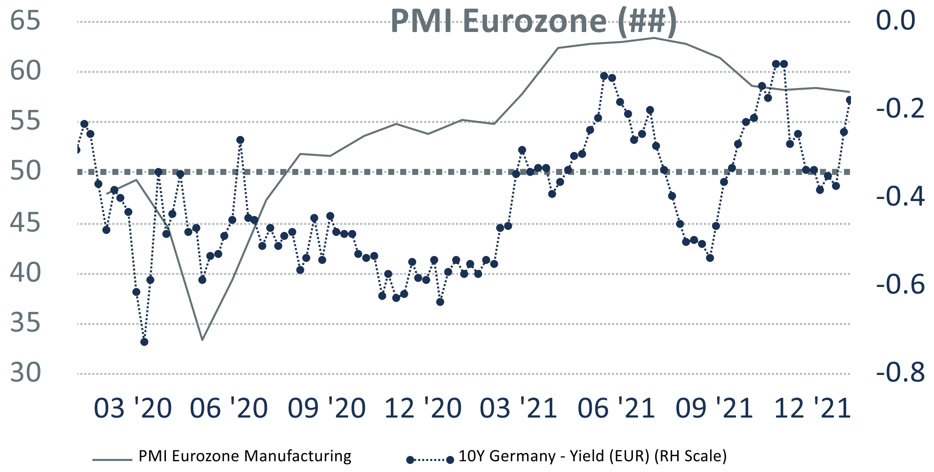
CAP COPENHAGEN ALLOCATION PARTNER

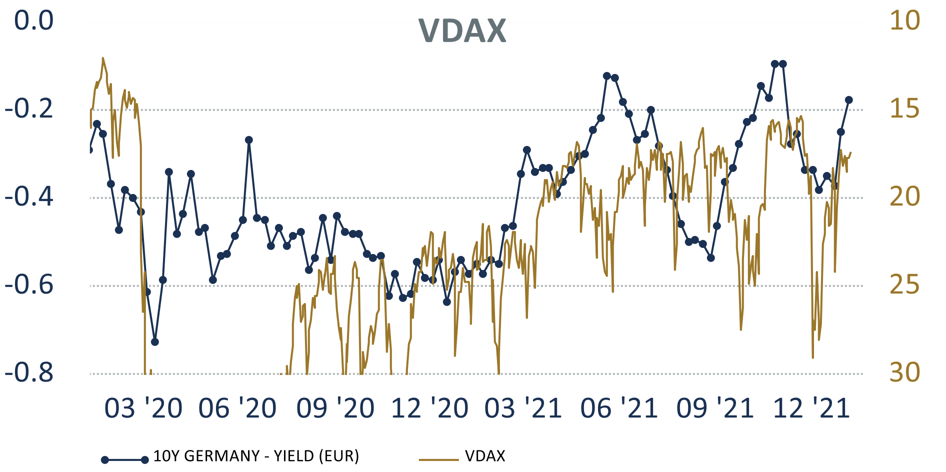
Germany 10Y Bund (EUR) - 2 -





Inflation has pushed up the 10Y yield by 0.5%



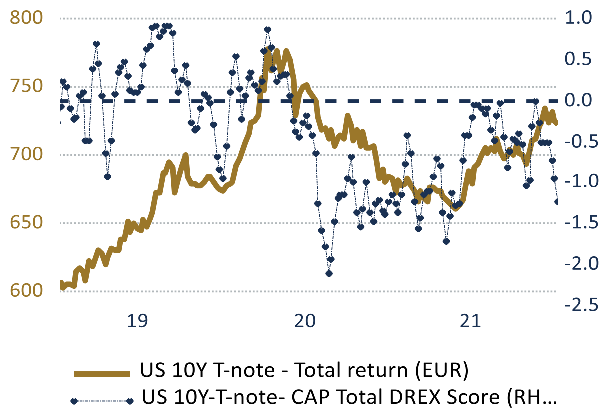


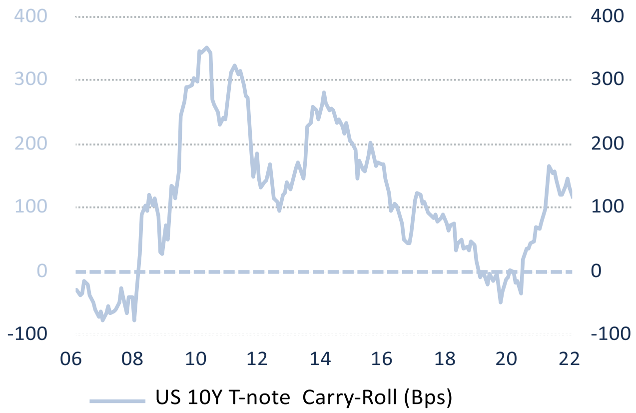
Source: Refinitiv Datastream, C.A.P

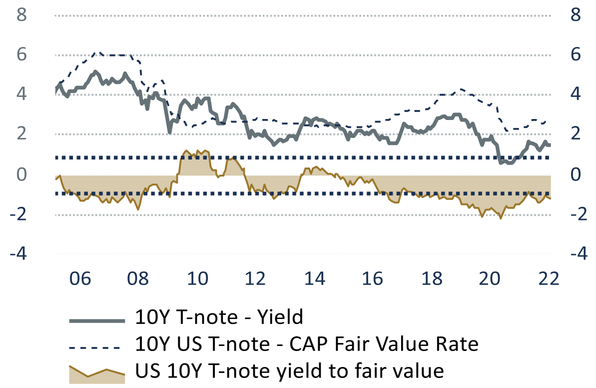
- Inflation is eroding Macro support
- The 10Y T-note yield has remained stable despite FED's tapering plan announcement.
- With a fair-value rate of around 2.7%, the Value score is still negative.
- The negative shift for Positioning indicates that investors expect a 1.5% yield level to be the existing floor. His happens as FED QE tapering is starting this month (Jan-22).

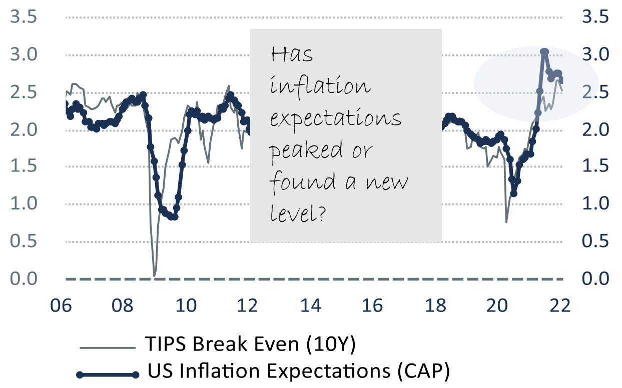
US Long Gov Bonds (EUR)

US 10Y T-note (EUR)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

	5-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	722.21	-1.6%	2.0%	5.8%	0.0%
Rate Avg.	1.52	17	4	59	0
Fair value rate	2.74	2	11	40	0
Credit sp. (Baa)	1.85	-4	0	-36	0
Trex Score (*)		Change in points			
Macro	-1.3	-0.4	-1.1	-0.1	0.0
Valuation	-1.0	0.0	0.0	0.0	0.0
Carry-Roll	0.0	0.0	0.0	1.0	0.0
Position	-1.0	-2.0	-1.0	-1.0	0.0
Total	-1.5	-1.0	-1.0	-0.4	0.0

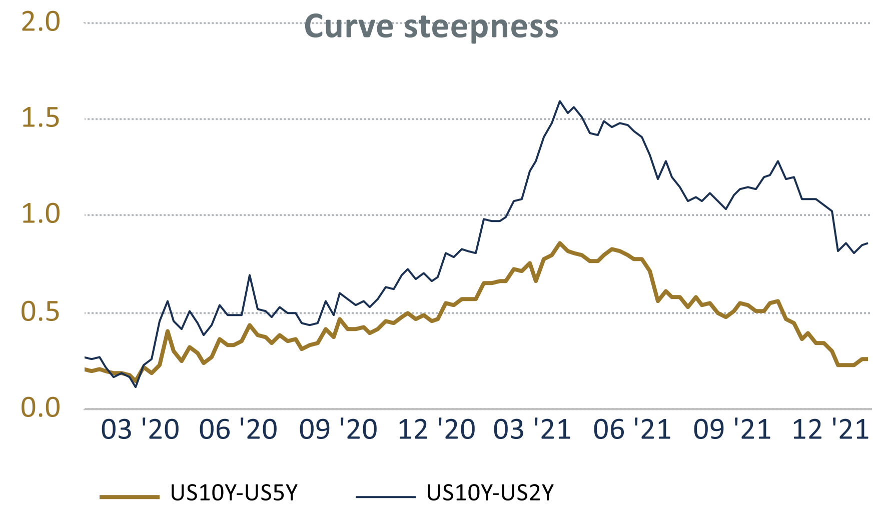
(*) Tactical Return EXpectations Input

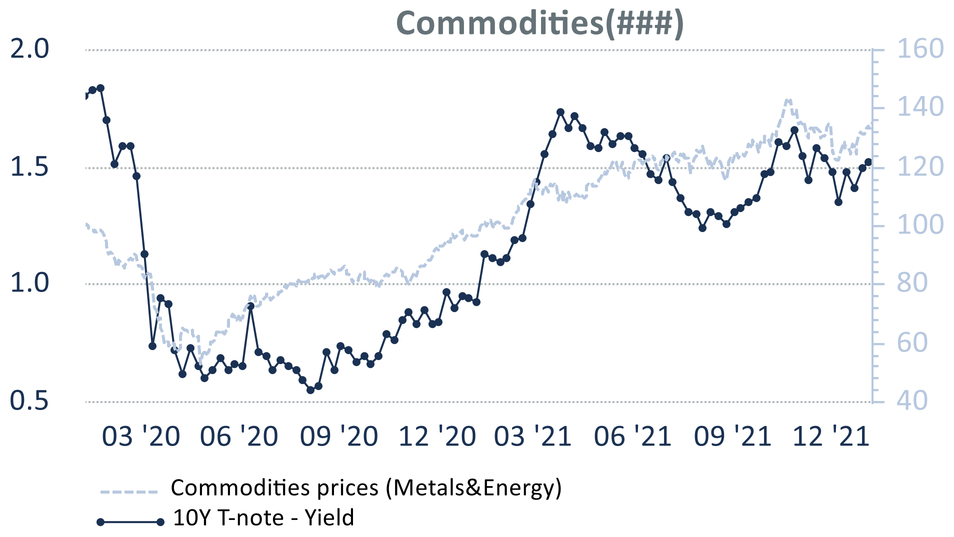
Risk Profile(*)	
Ann. Standard Deviation	11.2%
Ann. Sharpe Ratio	0.22
Maximum Drawdown	23.3%
Monthly Value at Risk (95%)	-4.3%
Monthly Expected Shortfall (95%)	-5.2%
Bond Correlation	0.48
Stock Correlation	0.10
Balance Correlation	0.14

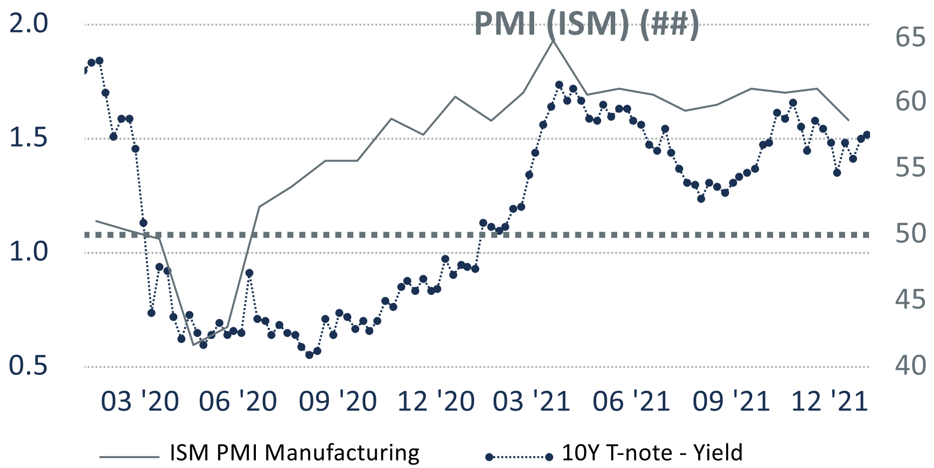
(*) Based on weekly data since 1997 in EUR

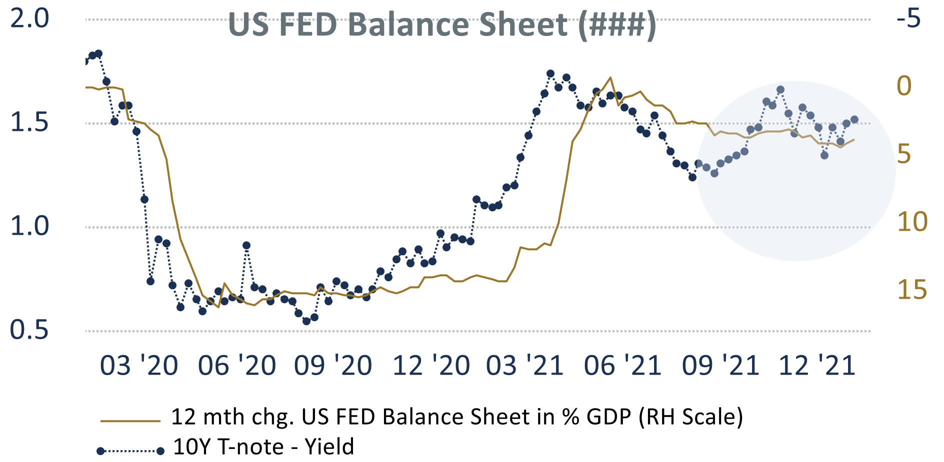
CAP COPENHAGEN ALLOCATION PARTNER

US 10Y Treasury - 2 -









FED QE tapering is starting this month (Jan-22), which will dampen the growth of the CBs balance sheet and ease the downward pressure on US LT interest rates.

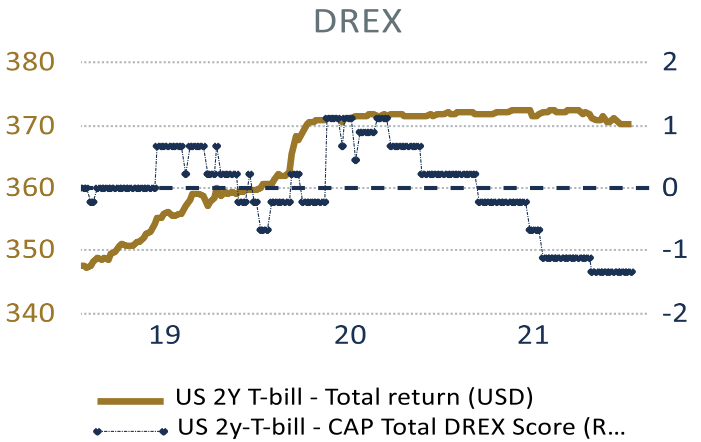
Source: Refinitiv Datastream, C.A.P

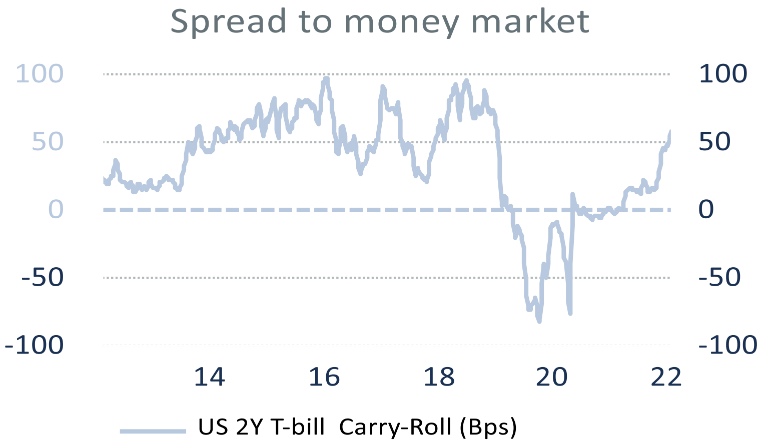
CAP | COPENHAGEN ALLOCATION PARTNER

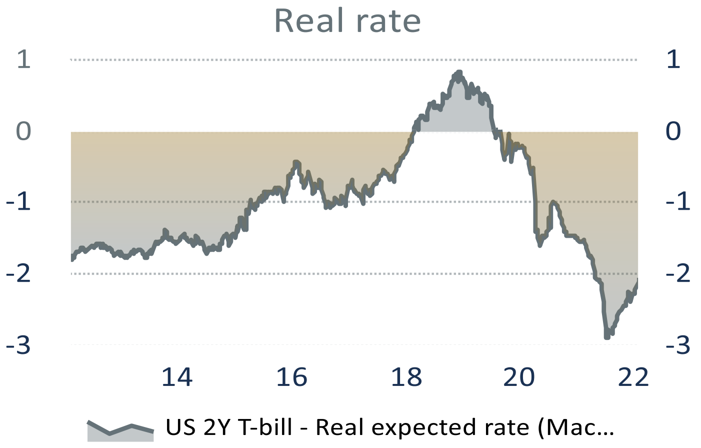
- Following FOMC's decision to start QE tapering, 2 * 25bps rate hikes are now discounted in the 2Y US T-bill.
- Macro support has for long indicated that rates should be higher
- The valuation score has dropped again as our Taylor Rule-based fair value rate has moved up, now estimated at 5.75% for the 2Y T-bill (!). The latter tells us how extreme the current FED policy has become.

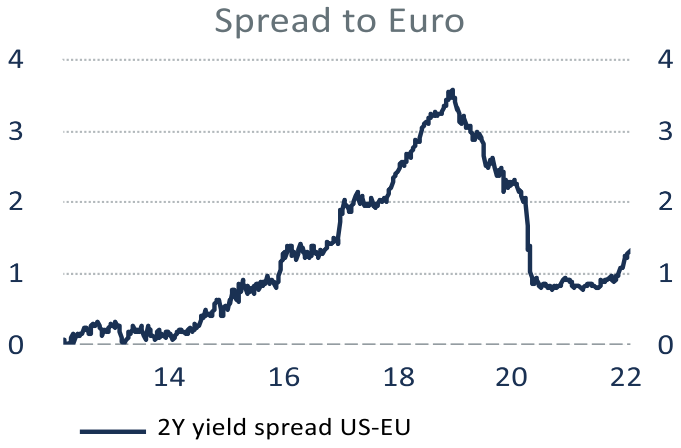
US Short Gov Bonds (EUR)

US 2Y T-bill









Source: Refinitiv Datastream, C.A.P

Asset Class Details

	6-Jan	-1m	-3m	-1y	ytd
Performance	Change in % / basis points				
Total return	370.2	-0.1%	-0.5%	-0.5%	0.0%
Rate avg.	0.66	12	39	53	0
Taylor R. rate	5.76	85	120	610	0
Spread 2Y EU	1.29	2	32	46	0
DREX Score (*)	Change in points				
Macro	-2.0	0.0	0.0	-2.0	0.0
Valuation	-1.0	0.0	-0.5	-1.5	0.0
Carry-Roll	0.0	0.0	0.0	1.0	0.0
Position	0.0	0.0	0.0	0.0	0.0
Total	-1.3	0.0	-0.2	-1.6	0.0

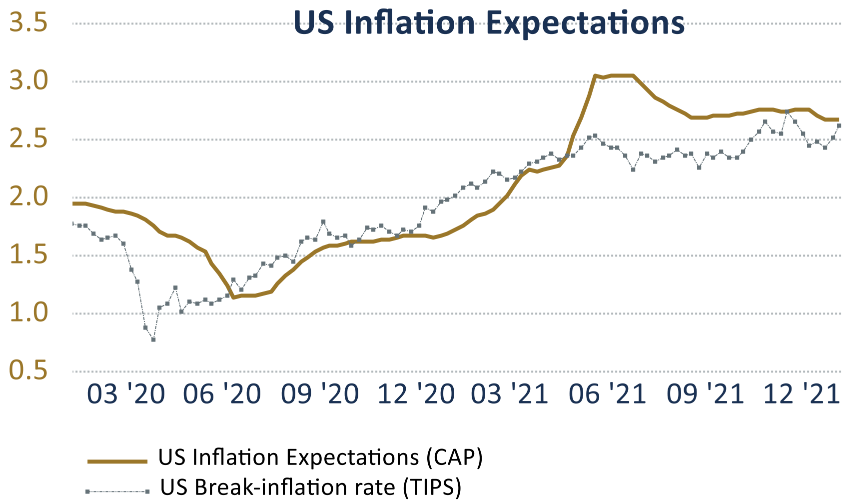
(*) Dynamic Return EXpectations Index

Risk Profile(*)	
Ann. Standard Deviation	9.5%
Ann. Sharpe Ratio	0.0
Maximum Drawdown	32.2%
Monthly Value at Risk (95%)	-3.7%
Monthly Expected Shortfall (95%)	-5.4%
Bond Correlation	0.12
Stock Correlation	0.28
Balance Correlation	0.30

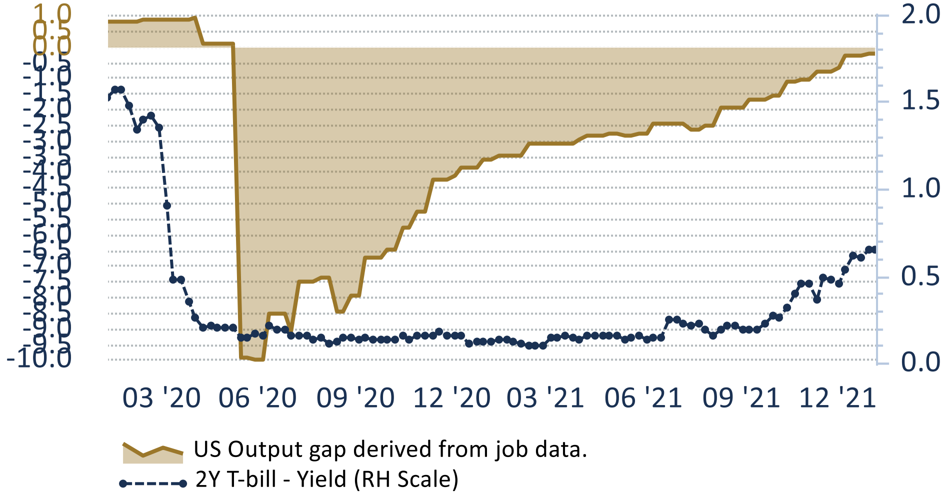
(*) Based on weekly data since 1997 in EUR

US 2Y T-bill - 2 -

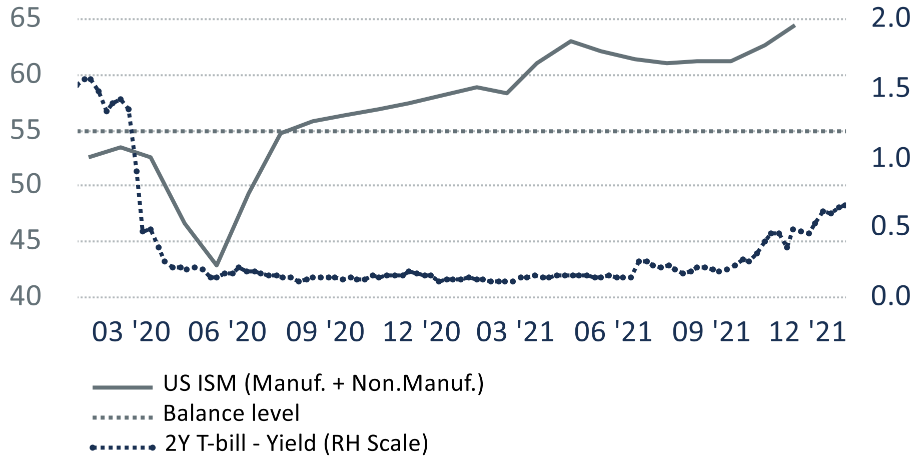
US Inflation Expectations (#)



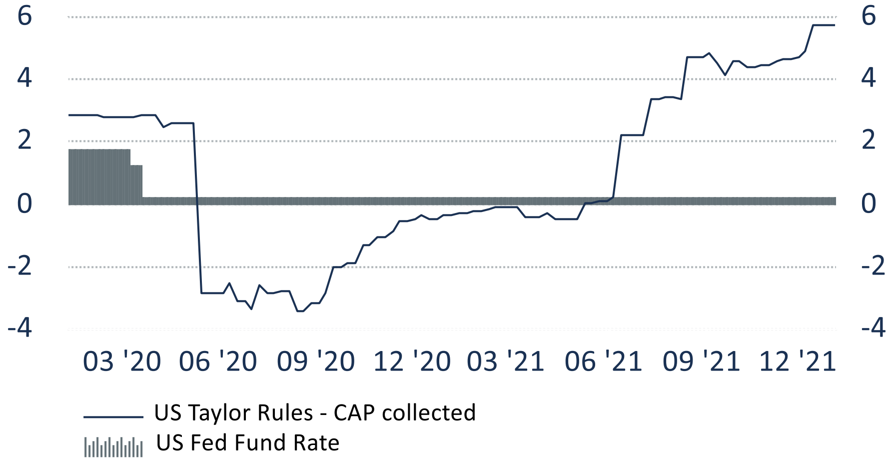
US Output gap (#)



US ISM (##)



Fed Fund Rate & Taylor Rule (##)

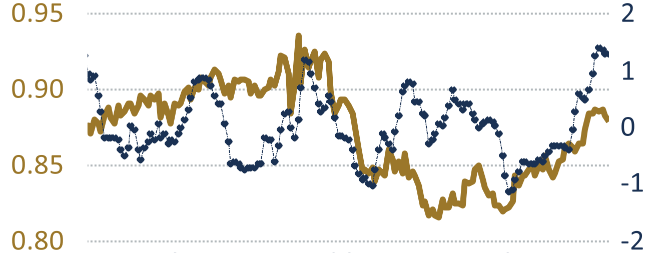


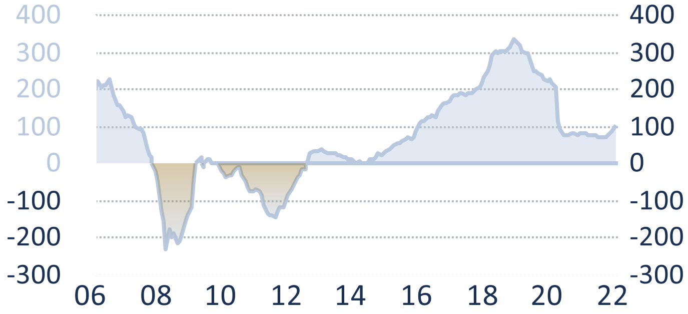
Source: Refinitiv Datastream, C.A.P

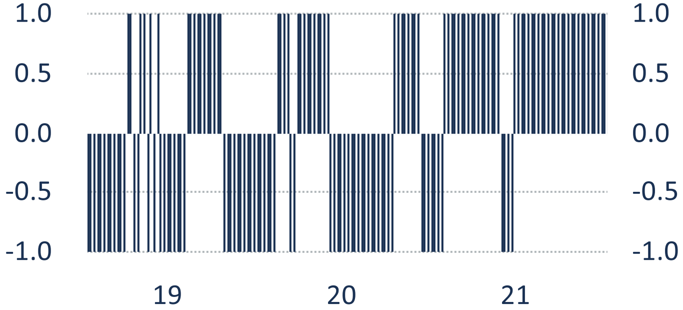
- Our DREX score now suggests a solid overweight of USD vs. EUR.
- The drop in Carry for the USD has stopped
- A robust US economy matches the erosion of macro support from relatively higher US inflation.
- Positioning suggests that investors have confidence in the Greenback.

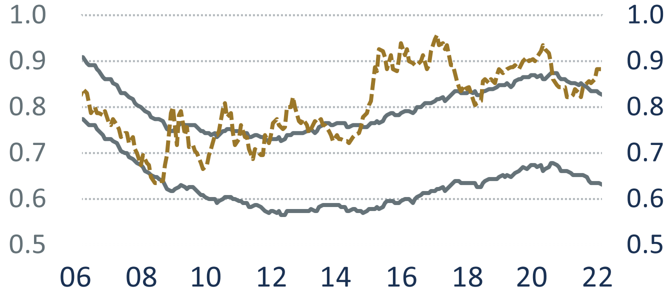
US Dollar

USDEUR









Source: Refinitiv Datastream, C.A.P

Asset Class Details

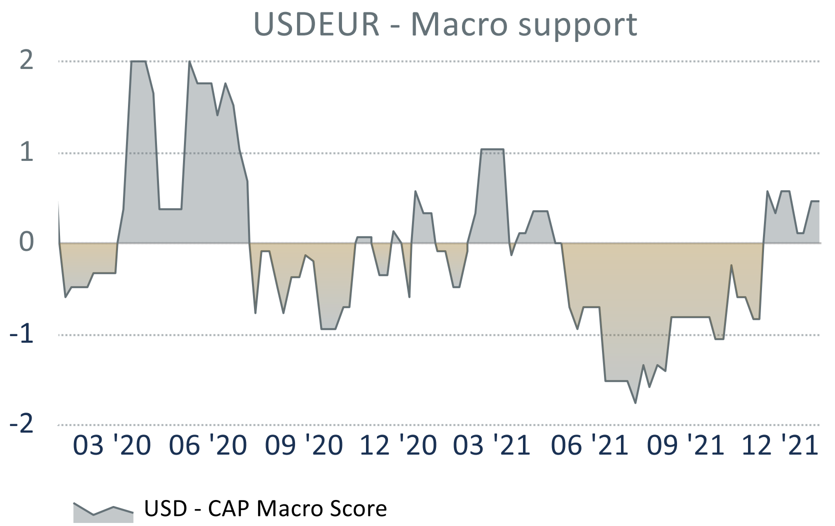
	4-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / levels			
Total return	0.88	-1.1%	2.3%	7.3%	0.0%
Carry (bps)	107	96	72	83	107
US/EU PMI ratio	1.04	1.04	0.95	1.08	1.04
CPI core spread	2.36	1.84	2.09	1.7	2.36
DREX Score (*)		Change in points			
Macro	0.5	-0.1	1.5	0.5	0.0
Valuation	-1.0	0.0	0.0	-1.0	0.0
Carry	2.0	0.0	3.0	1.0	0.0
Position	1.0	0.0	0.0	2.0	0.0
Total	1.4	-0.1	1.8	1.3	0.0

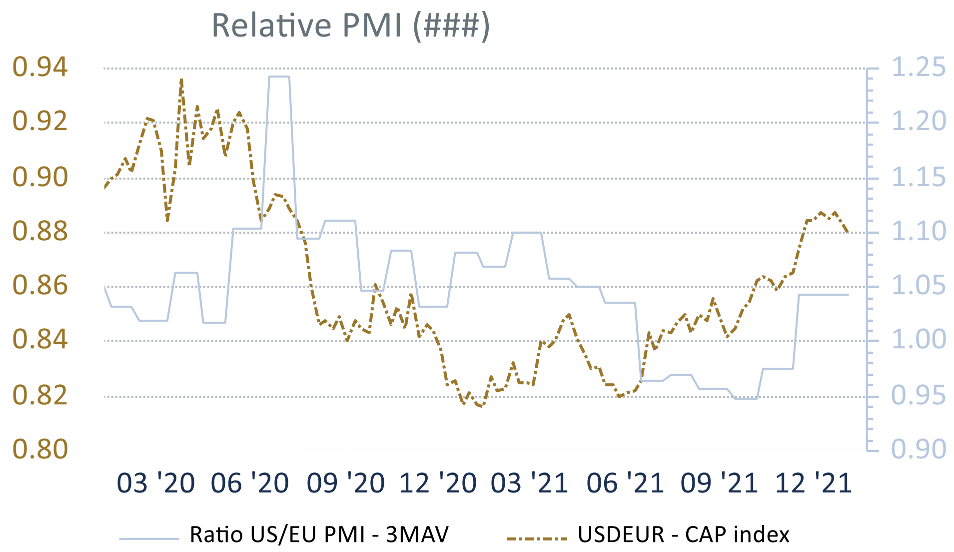
(*) Dynamic Return EXpectations Input

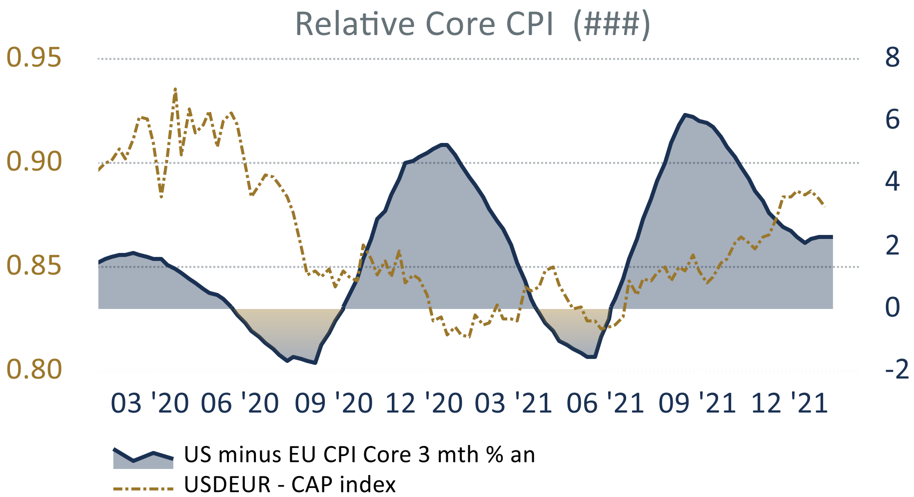
Risk Profile(*)	
Ann. Standard Deviation	9.5%
Ann. Sharpe Ratio	0.26
Maximum Drawdown	32.2%
Monthly Value at Risk (95%)	-3.7%
Monthly Expected Shortfall (95%)	-5.4%
Bond Correlation	0.12
Stock Correlation	0.30
Balance Correlation	0.33

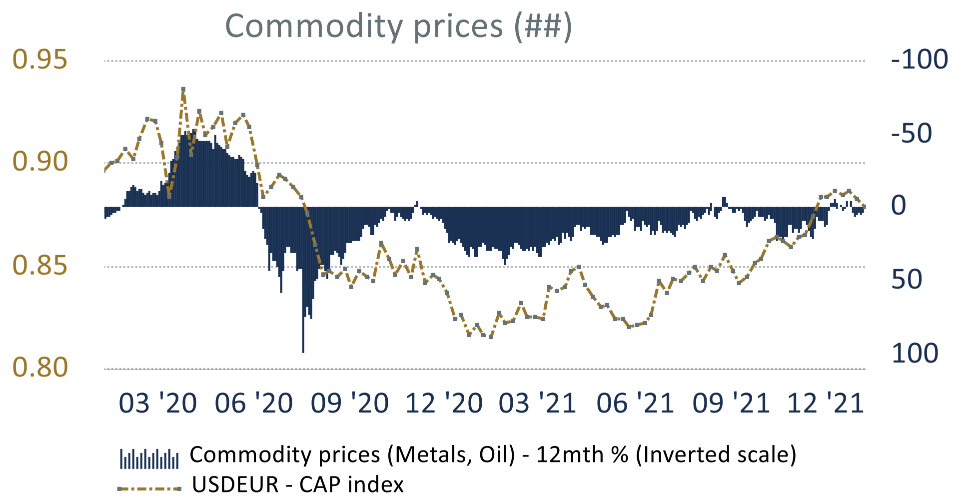
(*) Based on weekly data since 1997

US Dollar - 2 -







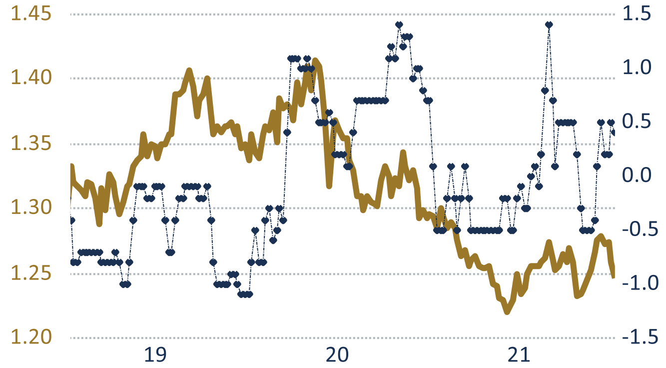


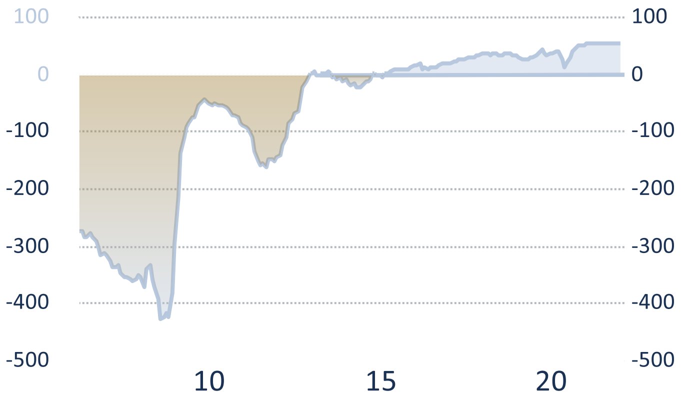
Source: Refinitiv Datastream, C.A.P

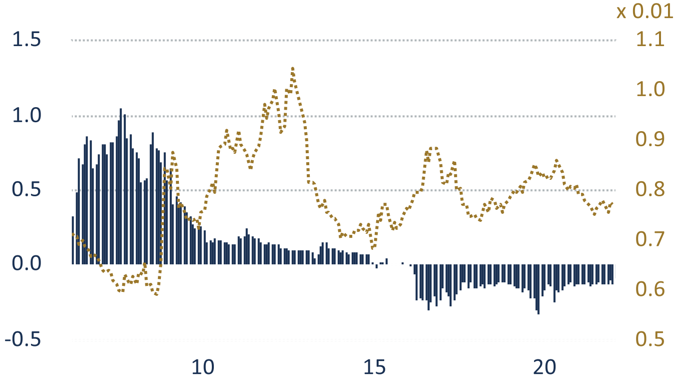
- Valuation is positive, as suggested by JPYEUR PPP.
- Carry to EUR is no longer improving, and the score is now neutral.
- Positioning continues to weaken.

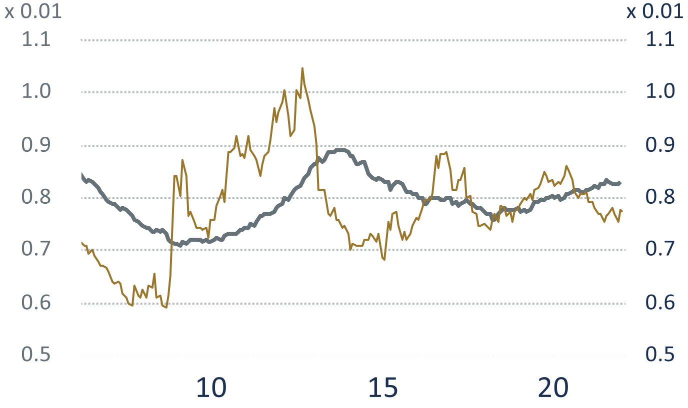
Japan Short Gov. bonds (EUR)

2Y JPY Bonds (EUR)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

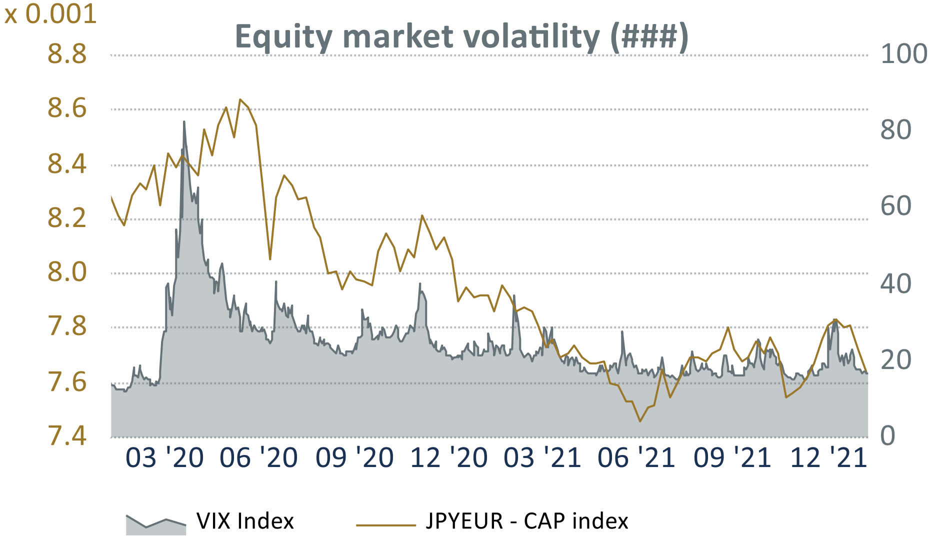
	6-Jan	-1m	-3m	-1y	ytd
Performance		Change in %, abs. or bps.			
Total return	125	-2%	-2%	-3%	0%
Carry (bsp spr. EU)	53	54.8	55.5	54.5	53.4
JPYEUR PPP	0.83	0.83	0.83	0.82	
JPY Gov 2Y yield	-0.09	-0.12	-0.12	-0.12	-0.09
DREX Score (*)		Change in points			
Macro	0.0	0.0	0.0	1.0	0.0
Valuation	1.0	0.0	0.0	0.0	0.0
Carry	0.0	-1.0	0.0	-1.0	0.0
Position	-1.0	-2.0	-2.0	0.0	0.0
Total	0.3	-0.2	-0.2	0.8	0.0

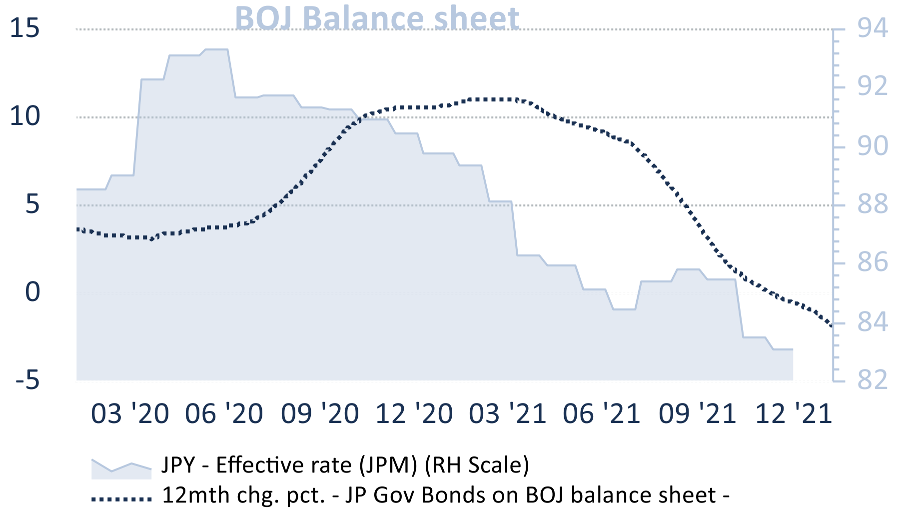
(*) Dynamic Return EXpectations index

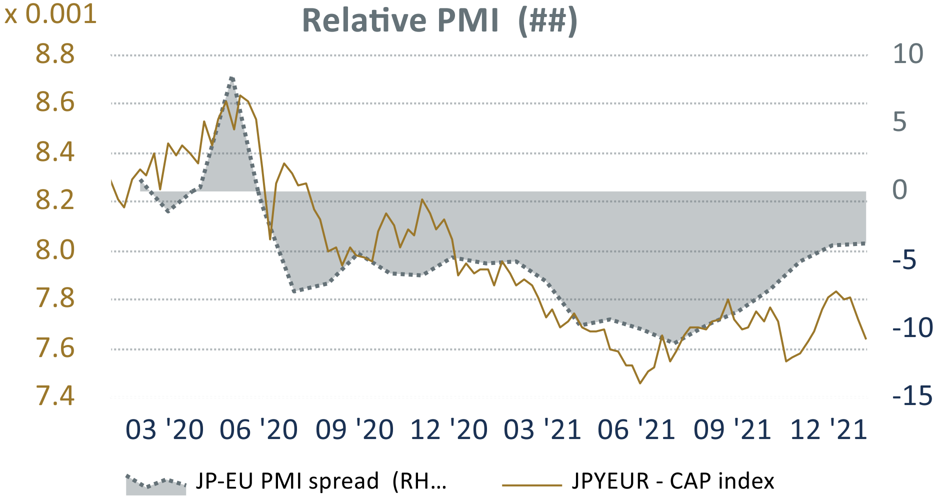
Risk Profile(*)	
Ann. Standard Deviation	13.1%
Ann. Sharpe Ratio	-0.18
Maximum Drawdown	46.5%
Monthly Value at Risk (95%)	-4.7%
Monthly Expected Shortfall (95%)	-6.1%
Bond Correlation	0.25
Stock Correlation	-0.02
Balance Correlation	0.01

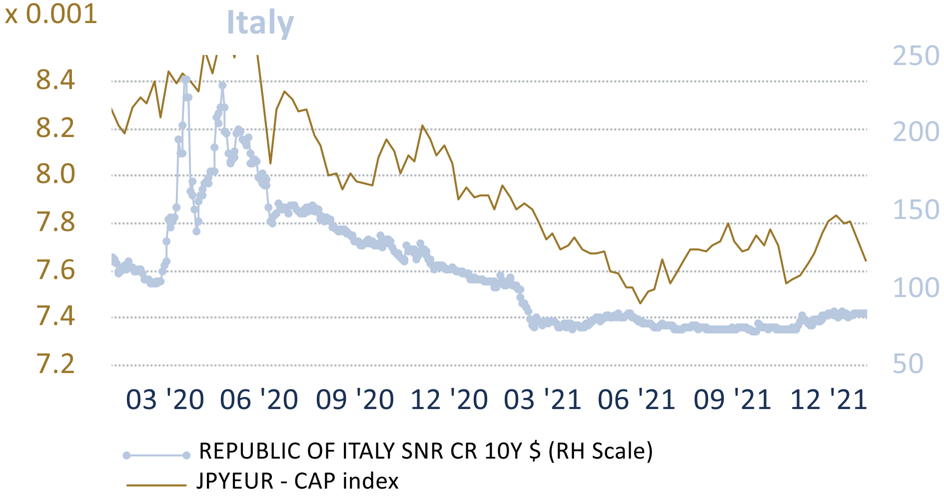
(*) Based on weekly data since 1997

Japan 2Y Gov (EUR) - 2 -









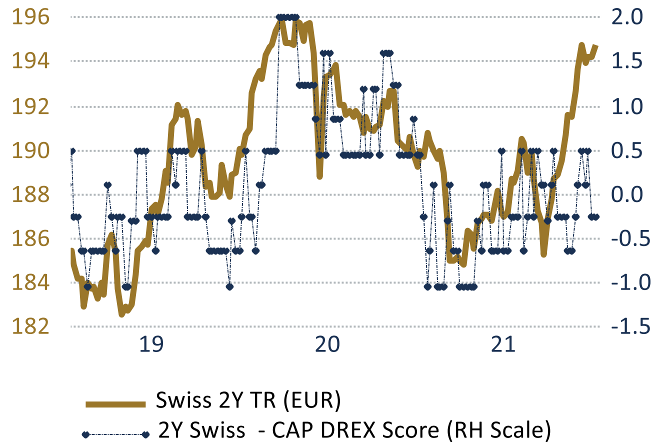
Source: Refinitiv Datastream, C.A.P

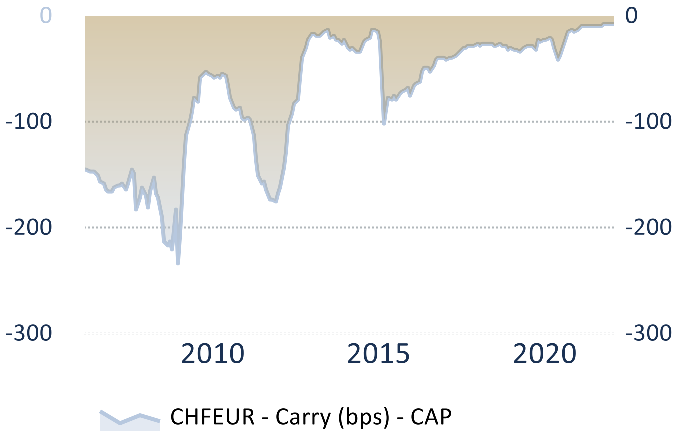
CAP | COPENHAGEN ALLOCATION PARTNER

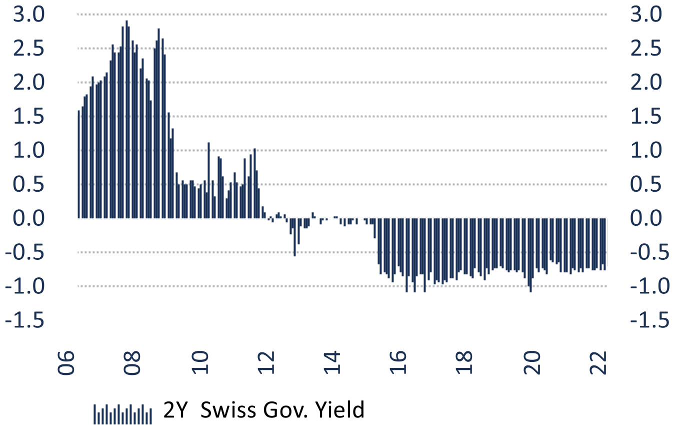
- Solid gains in Swiss Short Gov.bonds driven by CHF.
- Macro support has weakened due to the ‘risk-on’ environment.
- Carry is still a positive driver for CHF
- The positioning has improved, indicating that investors seek options re. risk hedging.

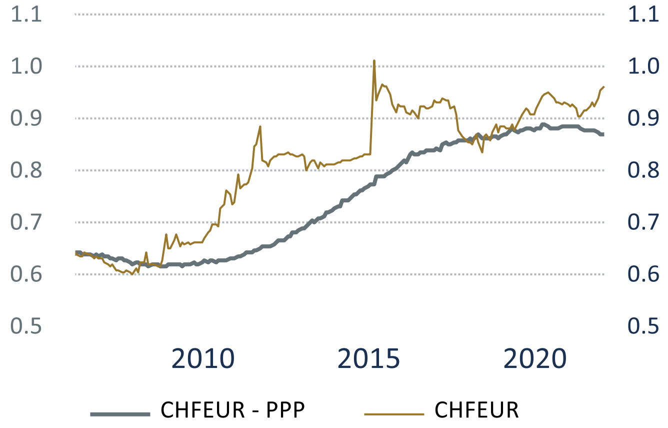
Swiss Short Gov. bonds (EUR)

2Y Swiss Bonds (EUR)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

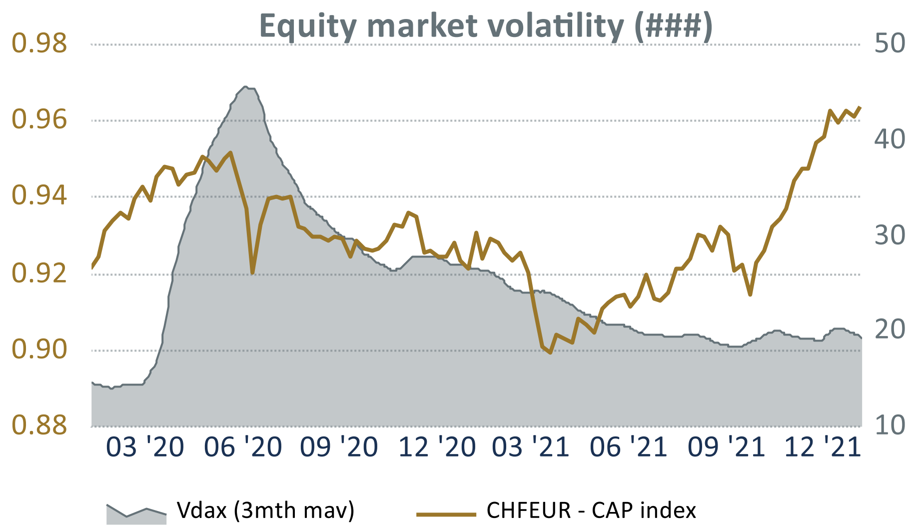
	5-Jan	-1m	-3m	-1y	ytd
Performance	Change in %, abs. or bps.				
Total return	194.74	0.0%	3.7%	2.5%	0.0%
CHFEUR	96.40	0.1%	4.1%	3.6%	0.0%
Swiss Gov 2Y yield	-0.73	-0.76	-0.74	-0.78	-0.70
Carry (bsp spr. EU)	-7	-8	-9	-12	-7
DREX Score (*)	Change in points				
Macro	-1.0	-1.0	-1.0	-2.0	0.0
Valuation	0.0	0.0	0.0	0.0	0.0
Carry	1.0	0.0	0.0	0.0	0.0
Position	1.0	0.0	1.0	2.0	0.0
Total	0.3	-0.3	0.0	0.0	0.0

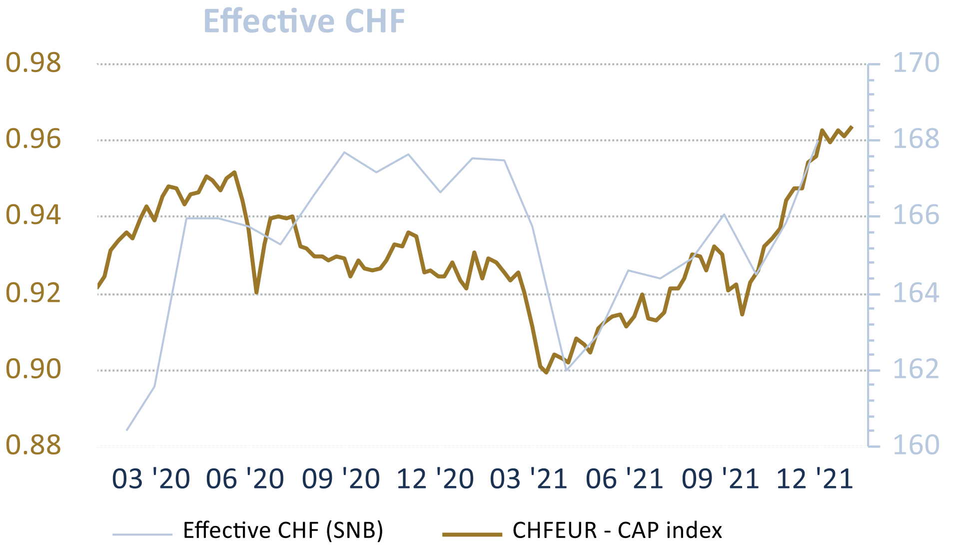
(*) Dynamic Return EXpectations Input

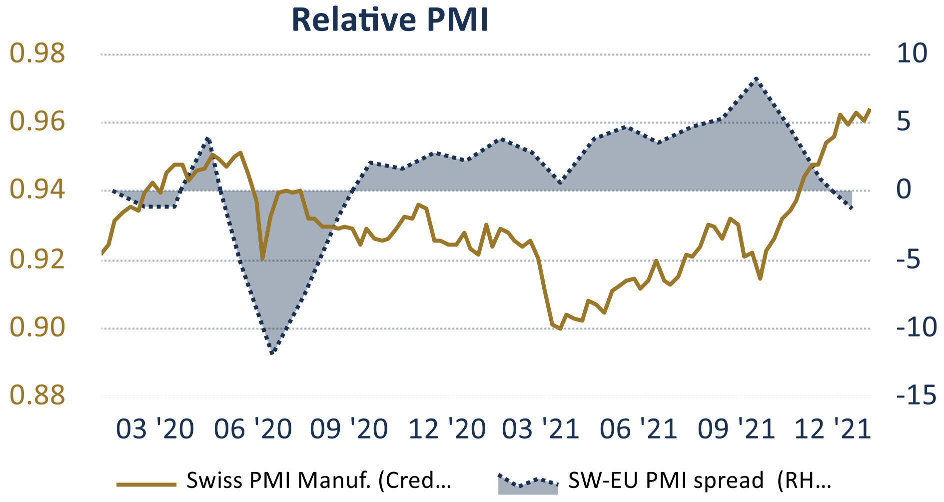
Risk Profile(*)	
Ann. Standard Deviation	7.2%
Ann. Sharpe Ratio	-0.17
Maximum Drawdown	15.2%
Monthly Value at Risk (95%)	-2.0%
Monthly Expected Shortfall (95%)	-3.3%
Bond Correlation	0.15
Stock Correlation	-0.08
Balance Correlation	-0.07

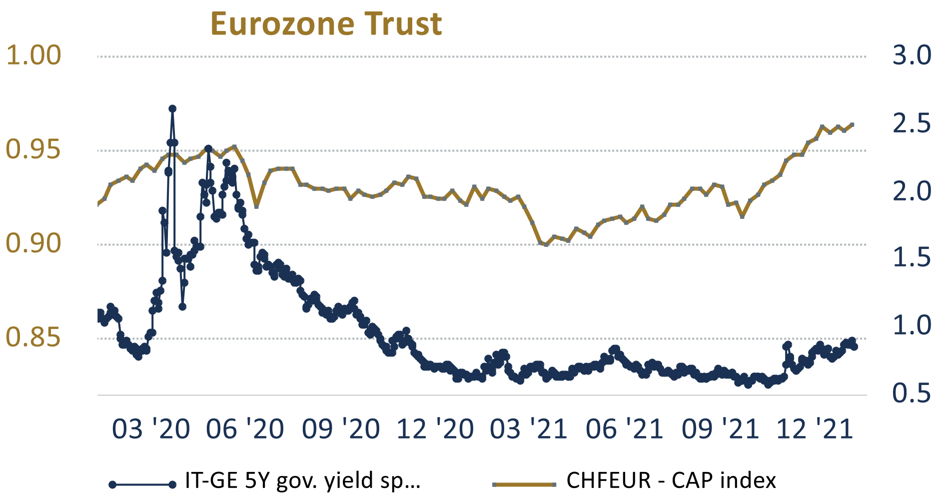
(*) Based on weekly data since 1997

Swiss 2Y Gov (EUR) - 2 -







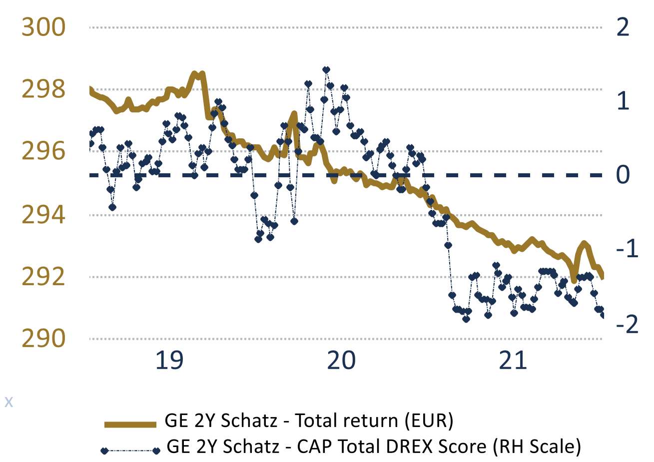


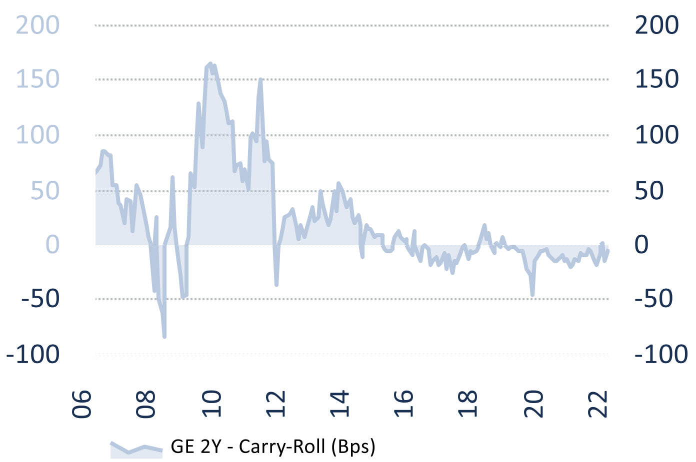
Source: Refinitiv Datastream, C.A.P

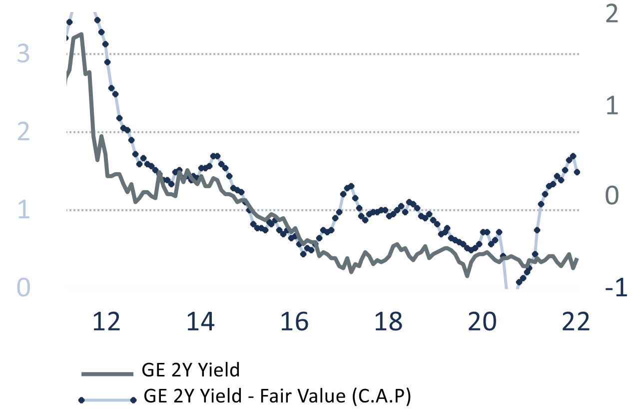
- The expected performance (DREX) for 2Y Euro gov bonds is now firmly negative.
- Higher inflation readings have weakened Macro support.
- Valuation is still negative, with a Fair value rate of 1.42%.
- Positioning indicates that investors stay underweighted in the short bond segment in Eur.

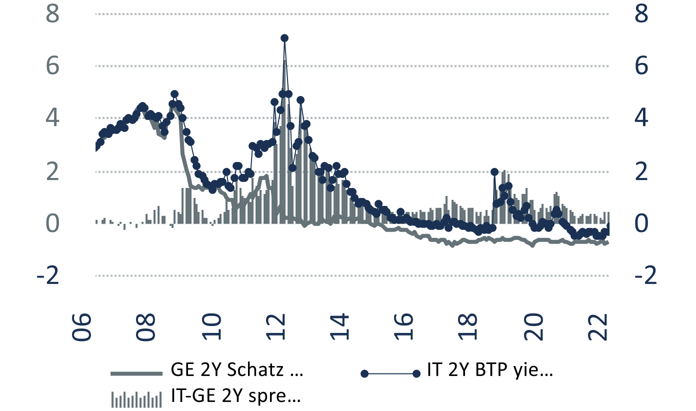
Eurozone Short Gov bonds

Germany 2Y Schatz (EUR)









Source: Refinitiv Datastream, C.A.P

Asset Class Details

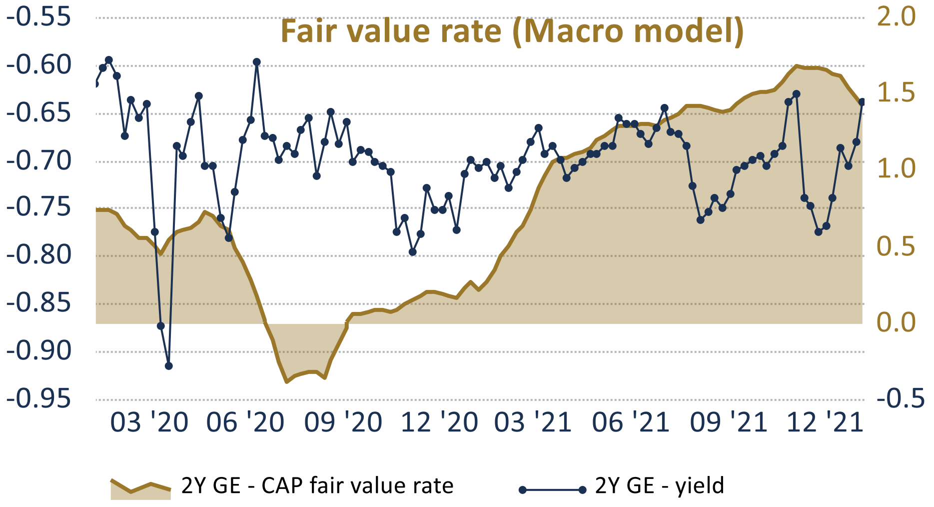
	4-Jan	-1m	-3m	-1y	ytd
Performance		Change in % / basis points			
Total return	291.94	-0.3%	-0.3%	-0.9%	0.0%
Rate Avg.	-0.64	10	6	7	0
Fair value rate	1.42	-22	-10	119	0
Carry-Roll (bps)	-8	8	5	5	-2
DREX Score (*)		Change in points			
Macro	-0.6	-0.3	-0.6	0.8	0.0
Valuation	-2.0	0.0	0.0	-3.0	0.0
Carry-Roll	0.0	1.0	1.0	1.0	0.0
Position	-1.0	-2.0	-2.0	-1.0	0.0
Total	-2.0	-0.6	-0.8	-1.3	0.0

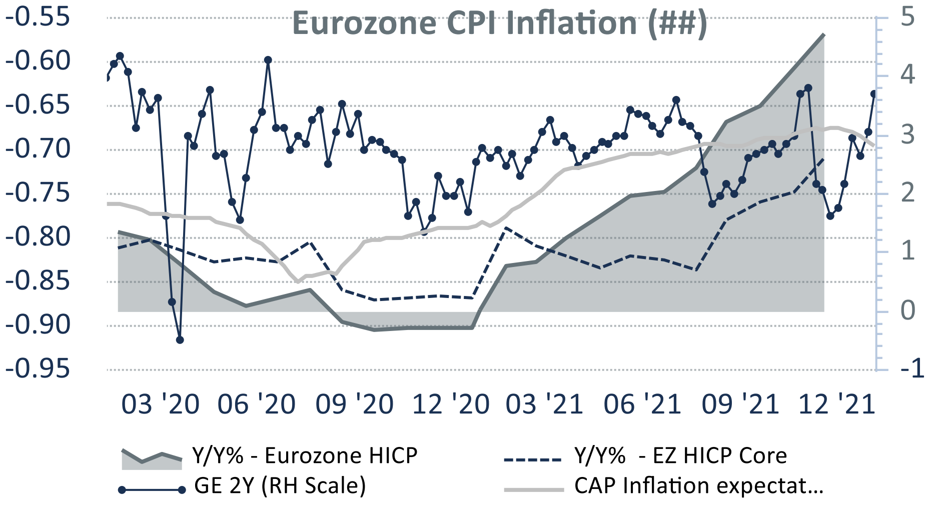
(*) Dynamic Return EXpectations Input

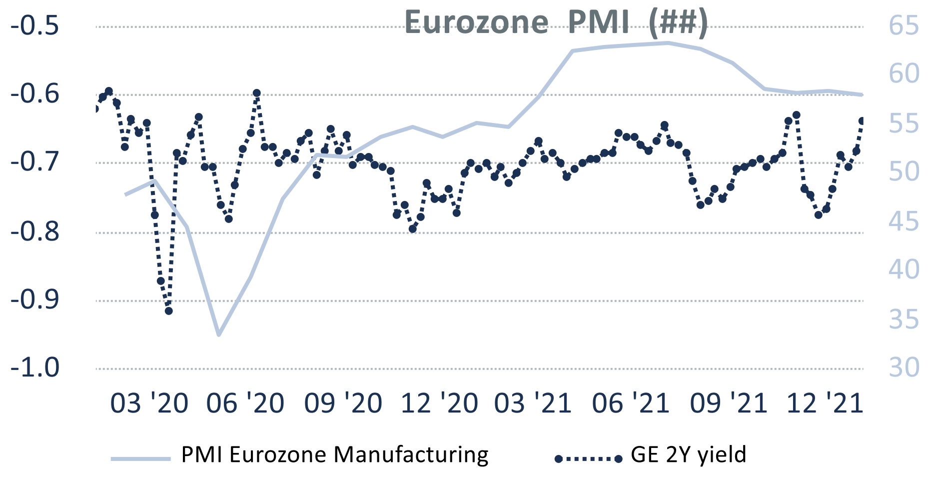
Risk Profile(*)	
Ann. Standard Deviation	1.2%
Ann. Sharpe Ratio	-0.53
Maximum Drawdown	2.3%
Monthly Value at Risk (95%)	-0.3%
Monthly Expected Shortfall (95%)	-0.4%
Bond Correlation	0.63
Stock Correlation	-0.30
Balance Correlation	-0.15

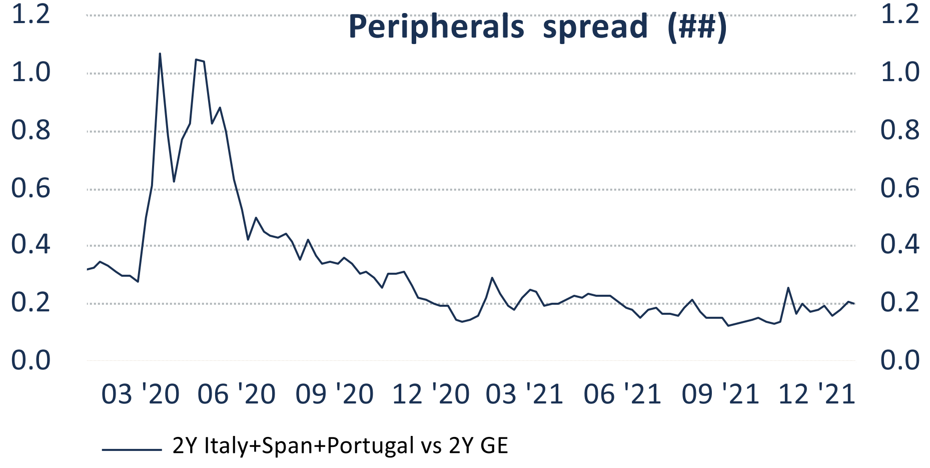
(*) Based on weekly data since 1997 in EUR

2Y German Schatz (EUR) - 2 -









Source: Refinitiv Datastream, C.A.P

Macro Leads & Filters

CAP-M Universe

Content table

CAP | COPENHAGEN ALLOCATION PARTNER

- In recent months, most activity indicators (ex, Metals prices) suggest that the global economy lost momentum starting in Q3.
- In the same period, most price data suggest that inflation continues to move higher across supply chains from crude to final.
- Global liquidity, a key driver of risk assets, has remained strong in recent months.

Global macro lead data

Activity & Inflation

Global aggregates		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	5 avg.
CLI OECD+major 6 NME		100.0	100.2	100.4	100.6	100.7	100.8	100.9	100.8	100.8	100.7	100.6			99.5
OECD	3 mth an. %	3.5	3.2	2.8	2.6	2.2	1.7	1.0	0.3	-0.2	-0.6	-0.7			
Lead: +	12 mth %	1.2	4.9	7.1	13.6	9.2	5.5	3.7	2.7	2.1	1.6	1.2			
PMI Manufacturing		55.5	58.2	62.0	60.6	61.2	60.8	60.0	59.6	58.7	58.7	59.1	58.9		53.2
CAP	3 mth chg.	-0.4	3.2	4.9	5.1	3.0	-1.2	-0.7	-1.6	-2.1	-1.2	-0.5	0.2		
Lead: +	12 mth chg.	6.1	8.6	15.2	22.7	20.2	11.9	7.8	6.3	5.0	2.8	4.1	1.7		
Global Liquidity		0.6	0.29	0.17	0.28	0.26	0.49	0.62	0.59	0.68	0.62	0.62	0.55		0.62
CAP	3 mth chg.	0.2	-0.2	-0.5	-0.3	-0.2	0.4	0.3	0.4	0.2	-0.1	0.0	-0.1		
Lead: ++	12 mth chg.	-0.2	-0.5	0.8	0.2	0.2	0.2	-0.1	0.1	0.2	0.1	0.1	-0.0		
Activity Surprise G10		96.8	93.5	92.4	78.8	86.0	83.5	53.1	11.8	-28.7	-32.1	-21.8	14.8	25.2	13.80
Citi	3 mth chg.	-9.1	2.0	10.1	-18.0	-7.5	-8.9	-25.7	-74.2	-112.2	-85.2	-33.6	43.5	57.3	
Lead: ++	12 mth chg.	101.2	86.9	62.9	103.6	218.2	136.5	-1.5	-143.7	-161.6	-138.0	-113.3	-67.5	-71.6	
Consumer Confidence		98.5	98.9	99.6	100.2	100.6	100.8	100.6	100.3	100.0	99.7	99.4			100.3
OECD Proxy	3 mth chg.	0.1	0.6	1.2	1.7	1.7	1.2	0.4	-0.3	-0.8	-0.9	-0.8			
Lead: +++	12 mth chg.	-2.5	-1.5	0.3	2.3	3.1	3.1	2.6	2.0	1.6	1.4	1.2			-0.3
Industrial Metals Prices		283.4	284.1	311.8	304.4	333.1	332.8	333.8	341.5	347.2	342.7	349.4	346.3	368.2	242.9
Bloomberg	3 mth an. %	80.9	41.8	48.0	33.3	89.1	29.8	44.5	10.4	18.5	11.1	9.5	-1.1	33.3	
Lead: +	12 mth %	16.5	27.6	40.5	56.4	66.1	55.8	48.9	41.2	38.5	40.2	34.2	22.5	29.9	11.2
Oil Prices		51.9	58.6	64.3	65.0	67.4	71.4	76.3	72.5	72.7	79.3	81.5	70.1	79.0	57.4
Brent, $/Bbl	3 mth an. %	202.4	370.4	200.0	145.9	75.0	52.6	90.3	34.5	7.5	16.7	59.5	-13.8	-1.7	
Lead: +	12 mth %	-23.8	6.8	23.0	89.8	154.3	79.1	77.9	64.1	64.8	101.6	105.0	43.6	52.2	8.25
Consumer Prices		111.1	111.5	112.2	112.8	113.4	114.1	114.6	114.9	115.3	116.2				
OECD	3 mth an. %	2.5	4.2	5.9	6.3	6.9	6.9	6.4	5.4	4.3	5.6				
Lead: +++	12 mth %	1.5	1.7	2.4	3.3	3.8	4.0	4.2	4.3	4.6	5.2				2.2
US Consumer Prices		262.2	263.2	264.8	266.8	268.6	271.0	272.3	273.0	274.1	276.7	278.9			
BLS	3 mth an. %	2.7	3.5	5.0	7.2	8.4	9.7	8.4	6.8	4.7	6.7	8.9			
Lead: +	12 mth %	1.4	1.7	2.6	4.2	4.9	5.3	5.3	5.2	5.4	6.2	6.9			2.1
EU Consumer Prices		105.3	105.5	106.5	107.1	107.4	107.7	107.6	108.0	108.5	109.4	109.9			
Eurostat	3 mth an %	0.7	2.9	5.4	7.1	7.3	4.5	1.7	2.1	3.0	6.9	7.3			
Lead: +	12 mth chg.	0.9	0.9	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9			1.3

Source: Datastream

CAP | COPENHAGEN ALLOCATION PARTNER

- The US economy re-accelerated in Q4, ending the year on a high note.
- The central part of US GDP, private consumption, is still underpinned by the job market plus financial & credit conditions. This resulted in a surprisingly high personal consumption expenditure growth in Q4.
- Still, real income data suggests that weaker consumer spending may be on its way in Q1.
- Also, on the negative side counts lukewarm auto sales, weaker planned Capex, and the stronger USD.

USA macro lead data — Activity

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	5Y avg.
LEI Diff. 1m-span		70.0	50.0	100.0	70.0	65.0	70.0	90.0	60.0	55.0	80.0	85.0			66.6
Conf.Board	3 mth chg.	-25.0	-35.0	25.0	0.0	15.0	-30.0	20.0	-5.0	-15.0	-10.0	25.0			
Lead: ++	12 mth chg.	0.0	15.0	90.0	50.0	-5.0	-10.0	10.0	-10.0	-20.0	-15.0	0.0			
PMI New Orders		61.1	64.8	68.0	64.3	67.0	66.0	64.9	66.7	66.7	59.8	61.5			59
ISM	3 mth chg. %	-5.8	-0.9	0.5	3.2	2.2	-2.0	0.6	-0.3	0.7	-5.1	-5.2			
Lead: ++	12 mth %	9.3	15.3	24.8	37.0	35.1	9.3	4.0	0.5	5.8	-7.1	-4.2			
Umpl. Initial claims *)		805,000	865,750	804,500	723,500	562,250	428,750	397,000	394,500	340,000	344,750	285,250	219,750		501,282
DoL	3 mth chg.	-21250	74750	69250	-81500	-303500	-375750	-326500	-167750	-88750	-52250	-109250	-120250		
Lead: +	12 mth chg.	586750	655750	590500	-3104750	-3264250	-1560250	-1044500	-901000	-547500	-481500	-505750	-515500		
Real Avg. Hourly Earnings		11.4	11.4	11.3	11.3	11.3	11.2	11.2	11.2	11.3	11.2	11.1			
BLS	3 mth an. %	2.9	1.8	-4.1	-3.5	-3.8	-3.1	-3.2	-2.1	0.7	-1.4	-3.5			
Lead:	12 mth %	3.8	3.5	1.6	-3.7	-2.8	-1.6	-1.2	-1.1	-0.8	-1.3	-1.9			1.0
Consumer Confidence		87.1	95.2	114.9	117.5	120.0	128.9	125.1	115.2	109.8	111.6	111.9	115.8		118.5
Conf.Board	3 mth chg.	-14.3	2.3	27.8	30.4	24.8	14.0	7.6	-4.8	-19.1	-13.5	-3.3	6.0		
Lead: +	12 mth chg.	-43.3	-37.4	-3.9	31.8	34.1	30.6	33.4	28.9	8.5	10.2	19.0	28.7		
Auto Sls - Domestic	Mill.	3.8	3.4	3.8	4.1	3.9	3.7	3.5	3.1	2.7	2.6	2.6			4.7
	3 mth an. %	-0.8	-28.0	23.9	36.7	69.2	-18.5	-47.4	-62.4	-68.3	-71.6	-50.4			
Lead:+	12 mth %	-12.5	-19.3	35.1	112.5	47.7	26.4	0.3	-11.3	-26.5	-32.9	-31.0			-17.2
Personal Consumption Exp.		14858	14700	15459	15619	15624	15802	15815	15991	16089	16319	16423			
BEA	3 mth an. %	8.9	6.6	33.2	22.1	27.6	9.2	5.1	9.7	7.5	13.4	11.3			
Lead:	12 mth %	0.6	-0.6	12.3	29.9	19.7	13.8	11.9	12.1	11.1	12.2	13.5			4.6
Financial Conditions *)		-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.6		-0.5
Chicago Fed	3 mth chg.	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1		
Lead: +	12 mth chg.	-0.1	0.0	-0.3	-1.0	-0.8	-0.5	-0.4	-0.3	-0.1	-0.2	-0.2	0.0		
Philadelphia Fed: Future Capex		36.5	27.0	33.8	36.7	37.4	40.4	41.2	33.7	23.6	32.4	31.1	20.0		30.3
Philly Fed	3 mth chg.	0.0	1.5	10.0	0.2	10.4	6.6	4.5	-3.7	-16.8	-8.8	-2.6	-3.6		
Lead: +	12 mth chg.	3.6	-2.8	21.8	24.3	22.2	14.1	14.6	10.7	-7.4	-4.1	5.6	-3.8		
Effective USD *)		110.6	112.2	111.9	113.9	111.6	110.4	113.2	112.8	113.1	115.0	114.8	117.0	117.4	116.6
BIS	3 mth %	-4.2	-2.3	0.0	3.0	-0.5	-1.3	-0.5	1.1	2.5	1.6	1.7	3.4	2.1	
Lead: +	12 mth %	-6.1	-5.8	-6.1	-7.7	-8.0	-7.7	-4.9	-2.9	-1.6	-0.4	0.0	4.6	6.2	-0.7
Economic Policy Uncertainty *)		207.9	151.9	139.8	124.9	147.0	133.6	152.9	133.8	142.1	122.0	151.3	164.9		152.4
© Economic Policy Uncei	3 mth chg.	-41.3	-94.8	-106.3	-83.0	-4.9	-6.2	28.0	-13.2	8.5	-31.0	17.5	22.8		
Lead: +++	12 mth chg.	76.5	-8.6	-143.3	-143.7	-203.4	-97.7	-153.1	-90.6	-76.0	-127.2	-95.4	-81.3		
Bank willingness to lend		7.9	7.9	24.6	24.6	24.6	24.2	24.2	24.2	15.5	15.5	15.5			5.4
Fed SLO	3 mth chg.	92.0	90.0	90.0	89.0	92.0	91.0	92.0	92.0	92.0	92.0	91.0			
Lead: +++	12 mth chg.	366.0	365.0	365.0	365.0	365.0	365.0	365.0	365.0	365.0	365.0	365.0			

*) Negative absolute and relative data points are 'growth positive'. Visa verse for positive numbers

Source: Datastream

- According to European PMI and German activity surveys, the European economy is softening from this Summer's extraordinary strong growth.
- Asian economy appears to be three months ahead of Europe in the business cycle. Moreover, leads suggest that the regional economy picked up in Q4 following a relatively soft Q3.
- A somewhat worrying sign for global activity is the softer profit margins (both Final&Crude). According to our Proxy index, Final Margins are significantly below the 5y trend.

Other macro lead data

Activity

Regional aggregates		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	5 avg.
EU Manuf. PMI		54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6	58.3	58.4	58.0		52.7
Markit	3 mth chg.	0.0	4.1	7.3	8.1	5.2	0.9	-0.1	-1.7	-4.8	-4.5	-3.0	-0.6		
Lead: +	12 mth chg.	6.9	8.7	18.0	29.5	23.7	16.0	11.0	9.7	4.9	3.5	4.6	2.8		
German Export Expectations 3mth		12.2	16.5	22.5	23.4	20.5	23.9	20.6	17.2	22.0	11.4	11.5	13.5		8.2
IFO	3 mth chg. %	8.3	20.2	17.4	11.2	4.0	1.4	-2.8	-3.3	-1.9	-9.2	-5.7	-8.5		
Lead: +	12 mth %	6.9	12.6	40.7	72.7	45.4	26.7	15.2	12.7	14.0	7.5	15.2	8.4		
Korean Business Prospects		92	97	109	106	108	103	102	95	101	103	101	100	97	91
KERI	3 mth chg.	7.1	-2.9	10.3	14.3	11.1	-6.6	-3.7	-12.5	-2.0	1.1	5.4	-0.3	-6.9	
Lead: ++	12 mth chg.	1.4	4.6	24.8	46.7	45.9	33.7	28.6	13.6	17.1	18.8	1.1	1.4	4.8	
China Manuf. PMI		51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6	49.9	49.9		50.8
CAIXIN	3 mth chg.	-2.1	-4.0	-2.4	0.4	1.1	0.7	-1.6	-2.8	-1.3	0.3	0.7	-0.1		
Lead: +	12 mth chg.	0.4	10.6	0.5	2.5	1.3	0.1	-2.5	-3.9	-3.0	-3.0	-5.0	-3.1		
China Auto Sls - Domestic		250.3	145.5	252.6	225.2	212.8	201.5	186.4	179.9	206.7	233.3	252.2			
CAAM	3 mth an. %	-10.5	-92.4	-36.7	-34.5	357.6	-59.5	-53.1	-48.9	10.7	145.6	286.1			
Lead:++	12 mth %	29.9	369.4	76.6	8.8	-3.0	-12.4	-11.8	-17.7	-19.4	-9.3	-9.0			1.2
China Money Supply (M2)		221.3	223.6	227.7	226.2	227.6	231.8	230.2	231.2	234.3	233.6	235.6			
PBoC	3 mth chg.	12.3	12.3	17.4	9.2	7.3	7.5	7.3	6.6	4.4	6.0	7.8			
Lead: +++	12 mth chg.	9.4	10.1	9.4	8.1	8.4	8.6	8.3	8.2	8.3	8.7	8.5			9.4
China-US Business cycle gap		102.1	101.8	101.4	101.1	100.9	100.7	100.5	100.4	100.4	100.3	100.3			99.9
OECD	3 mth chg.	-0.4	-0.7	-0.9	-1.0	-0.9	-0.7	-0.5	-0.4	-0.3	-0.2	-0.2			
Lead: +++	12 mth chg.	3.4	17.7	10.5	1.5	-0.6	-0.6	-0.8	-1.7	-2.0	-2.2	-2.1			
Crude Margin Proxy		10.6	9.4	9.1	9.6	10.2	9.8	8.6	9.4	9.2	7.9	8.2	9.6	8.5	8.0
CAP	3 mth an. %	-20.0	-59.8	-55.9	-32.0	37.5	35.6	-35.5	-28.2	-22.6	-29.9	-42.7	17.6	37	
Lead: +++	12 mth %	65.8	30.6	16.1	-4.1	-13.0	3.0	-14.3	-7.5	-17.7	-29.6	-31.0	-14.1	-19.4	
Final Margin Proxy		37.9	35.1	29.2	21.0	11.5	9.1	11.4	14.9	15.9	13.5	11.5	14.2		31.5
CAP	3 mth chg.	-0.8	-4.3	-9.8	-16.9	-23.7	-20.1	-9.7	3.5	6.8	2.1	-3.4	-1.7		
Lead: +++	12 mth chg.	9.1	5.7	-4.9	-19.0	-32.6	-34.5	-30.3	-24.3	-23.3	-25.3	-28.0	-24.7		

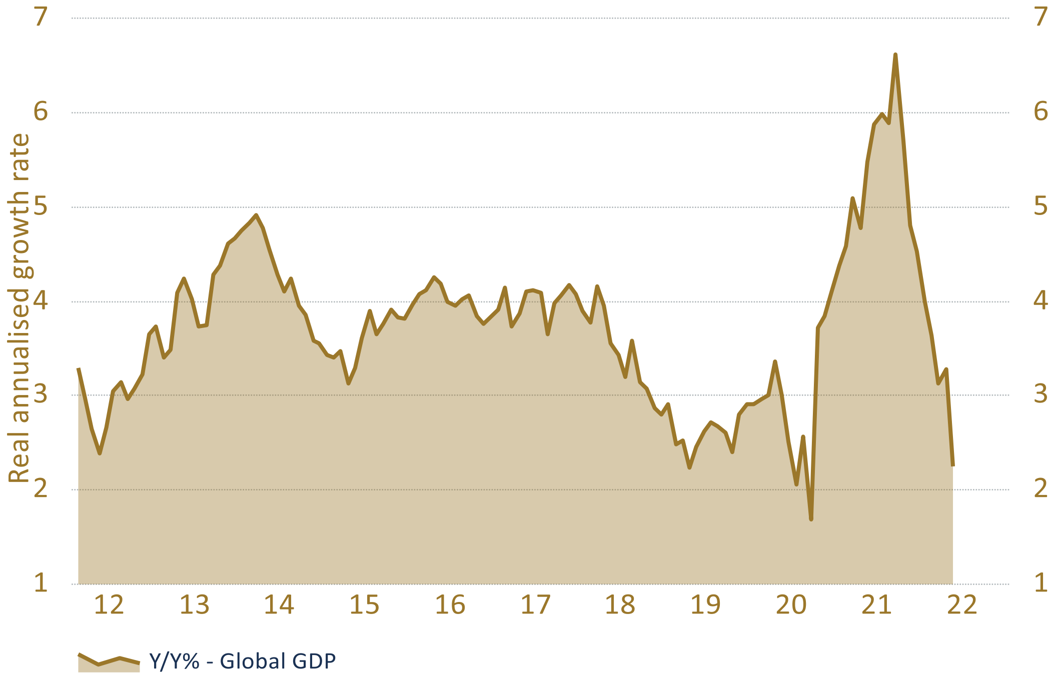
Source: Datastream

COPENHAGEN ALLOCATION PARTNER

- Our global GDP model indicates that the global economy slowed to around 3% by end-Q4. This is down from 5% at the start of Q3. According to our six mth. lead model, the slowing will continue in Q1 2022 to below 2.5%.
- Our Nowcasting model shows that global growth (q/q an) has weakened further and is below the Long-term average growth momentum.
- During the Corona crisis, the performance of risk assets like S&P500 has closely followed our Now Casting model. Currently, start-January 2022, the Now Casting growth has moved from 6.6% Jan 2021 to now (Jan 2022) 2.8%. Still, risk asset performance has kept up a solid expansion pace which suggests that investors on aggregate discount a global economic re-acceleration in 1H 2022(!)

Global GDP incl. 6 mth lead

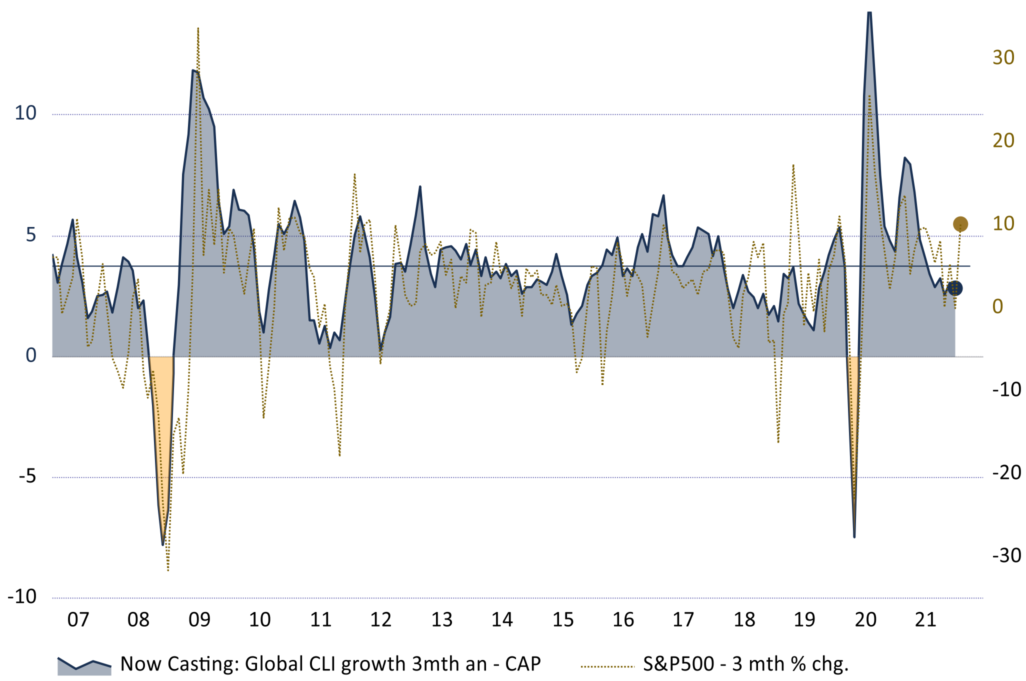
CAP Model incl. forecast



Source: Refinitiv Datastream, C.A.P

Now Casting

Global Growth & S&P500

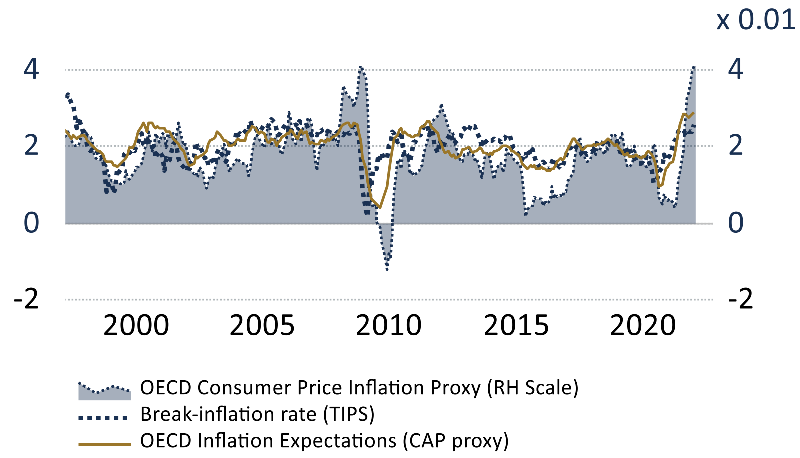


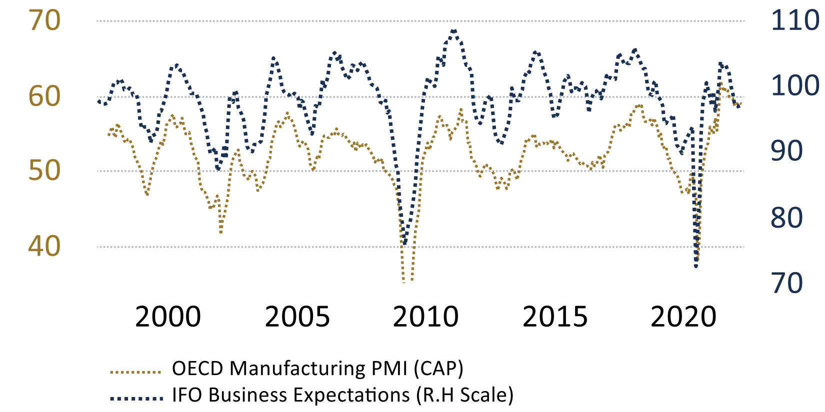
Source: Refinitiv Datastream

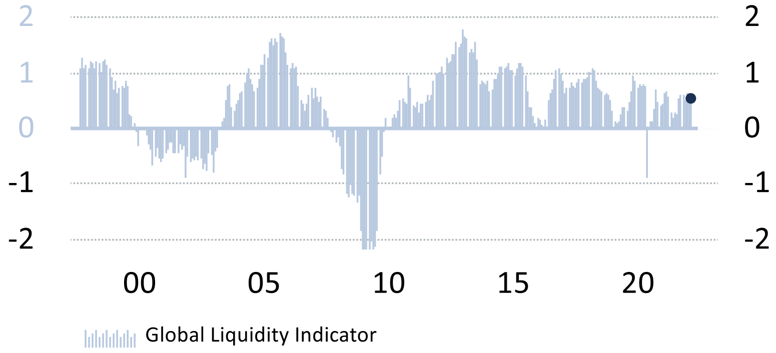
- The global economy is slowing, but the path has been more a normalization than a real slow down. The question is now how fast and how hard the cooling will become in 2022? The answers to this question are linked to both the inflation and the liquidity cycle. Two scenarios arise
- **A**. If inflation is getting out of control and sustainably high, funding rates will rise while cost inflation will squeeze profits and real incomes and slow the economy.
- **B**. If, on the other hand, inflation cools off when short/medium-term supply-chain disruptions are resolved, the credit and liquidity cycle will stay positive. In addition, profit margins will remain solid and keep the global economy at a stable growth path despite the very mature stage of the business cycle.

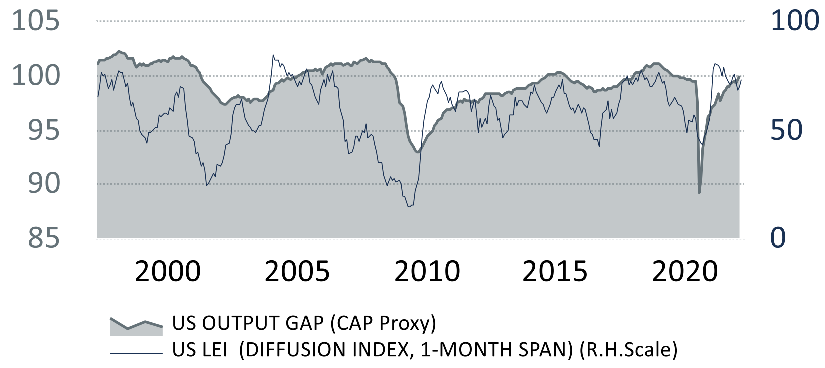
Macro Environment

Key Leads









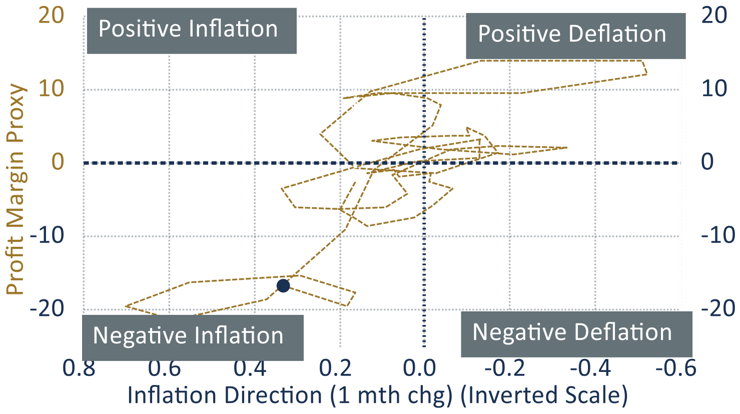
Source: Refinitiv Datastream, C.A.P

Macro environment

- Output Cycle has just shifted phase as the output gap has closed and actual output exceeds potential.
- Liquidity has in recent months made a positive shift back into Easy Credit - a Phase where assets typically perform the best.
- Inflation has been the most harmful factor for risk assets for months. We now estimate that the cost pressures affect one of our other climate indicators, namely GDP. The cooling of GDP moving into Q1 2022 - is now estimated to be solid.
- In total, our four-climate indicator framework has now moved our CAP Risk Allocation index (see page 42) into negative for the first time since spring 2020.

Macro Filter: Global Inflation -5Y

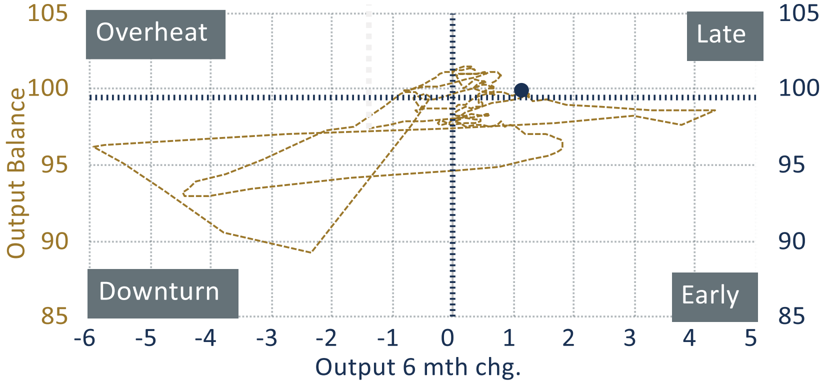
& Profit Margins (Definitions by OECD/CAP)



Risk Assets Return Score: Pos. Inflation (1), Pos. Deflation (2), Neg. Deflation (0), Neg. Inflation (-2)

Macro Filter: Output cycle -20Y

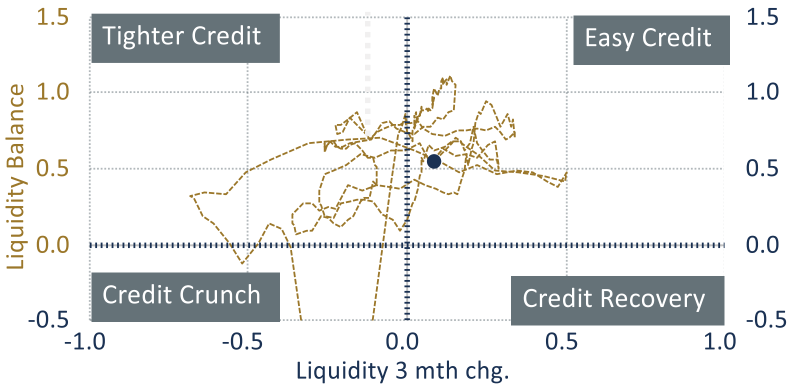
CAP Definition



Risk Assets Return Score: Early (2), Late (0.5), Overheat (-2), Downturn (0.5)

Macro Filter: Liquidity cycle -5Y

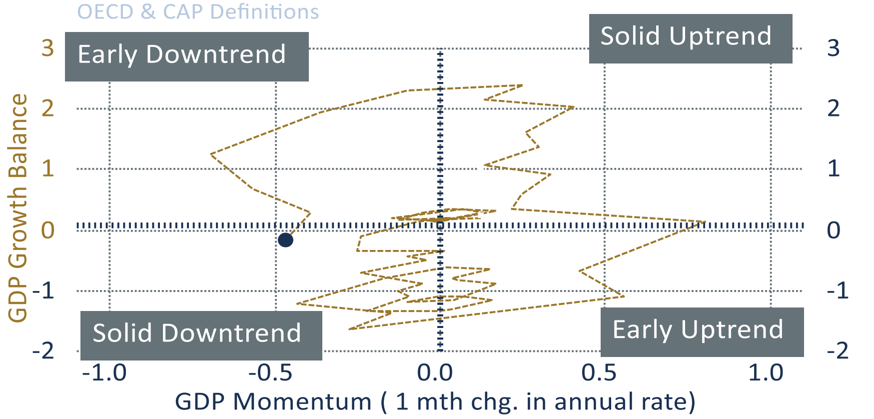
CAP Definition



Risk Assets Return Score: Credit Recovery (1), Easy Credit (2), Tighter Credit (1), Credit Crunch (-2)

Macro Filter: Global GDP growth -5Y to +3m

OECD & CAP Definitions

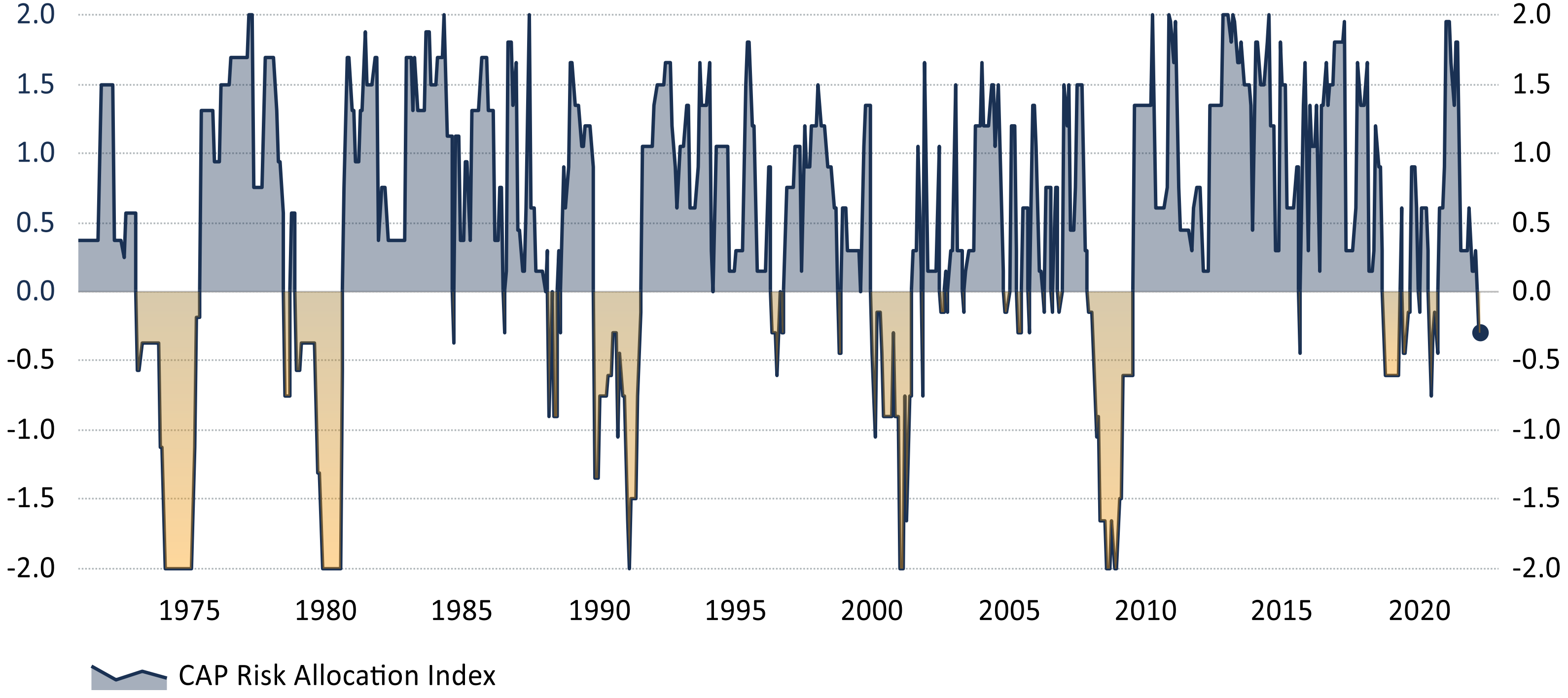


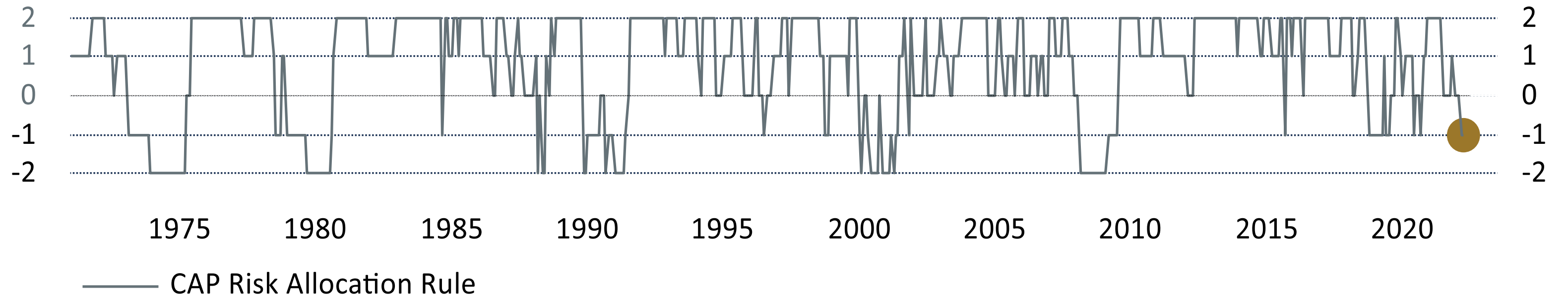
Risk Assets Return Score: Early Uptrend (2), Solid Uptr. (1), Early Downtr. (1), Solid Downtrend (-0.5)

Macro environment

- Our Risk Allocation index has recently moved from a high positive rate in April to a low positive score from April to October. In November, the index moved into negative territory. The latter was last seen in June 2020.
- Negative Risk Allocation suggests that investors should keep risk assets in a moderate underweight position and hedge & Low-Risk assets in moderate overweight.

CAP Risk Allocation





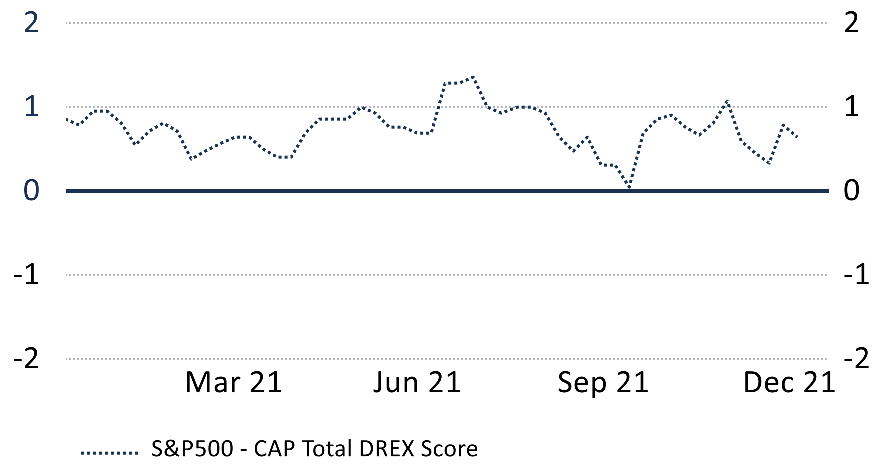
Source: Refinitiv Datastream, C.A.P

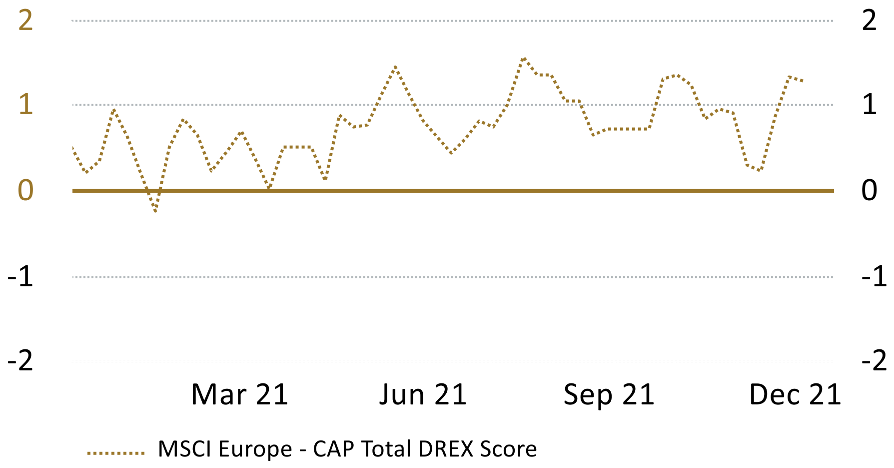
DREX scores

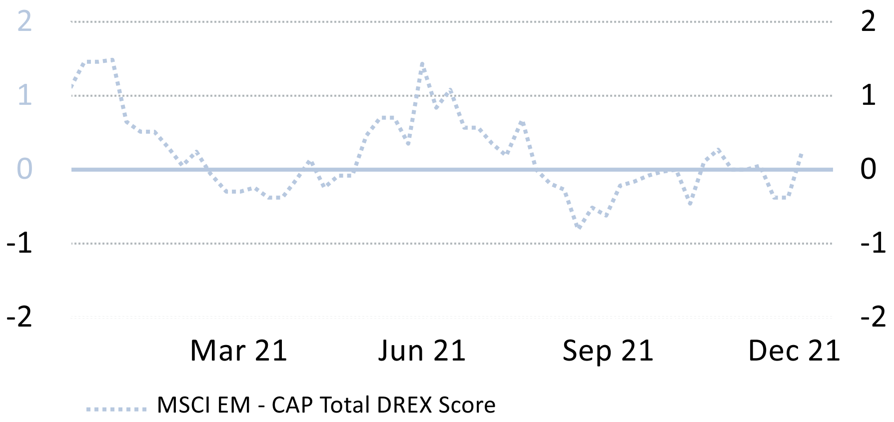
Dynamic Return Expectations

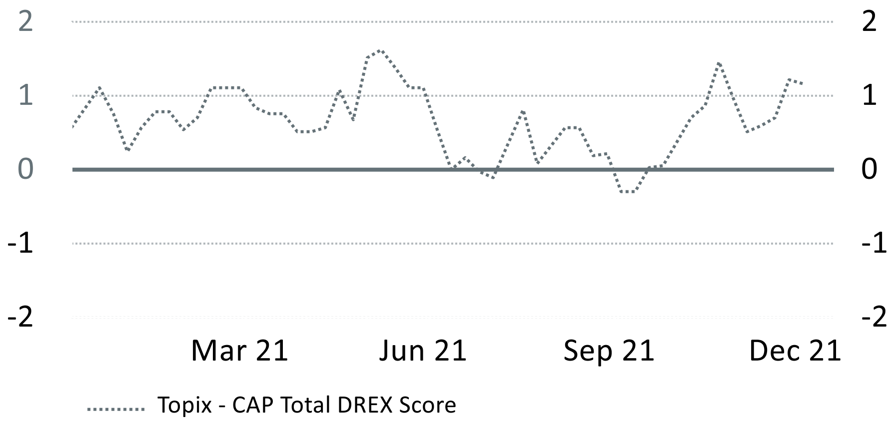
DREX score

Global Equities







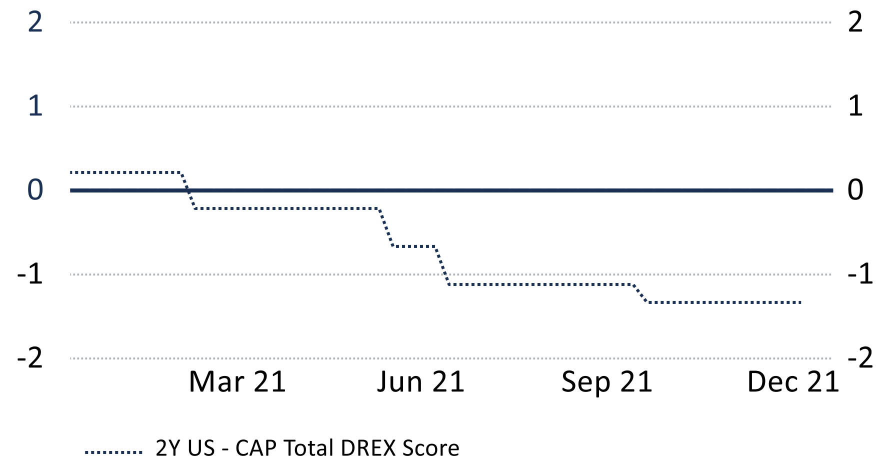


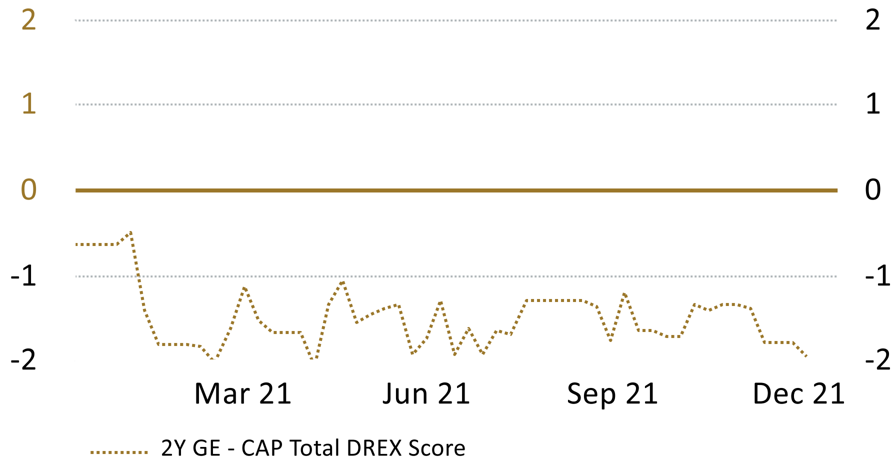
Source: Refinitiv Datastream, C.A.P

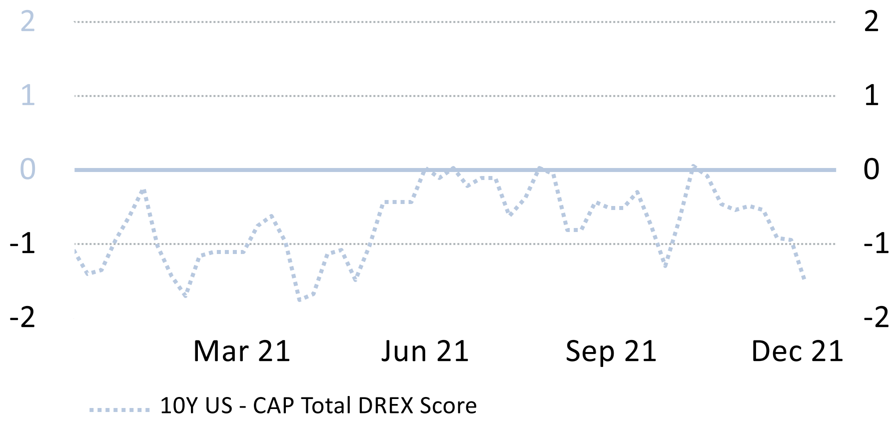
Dynamic Return Expectations

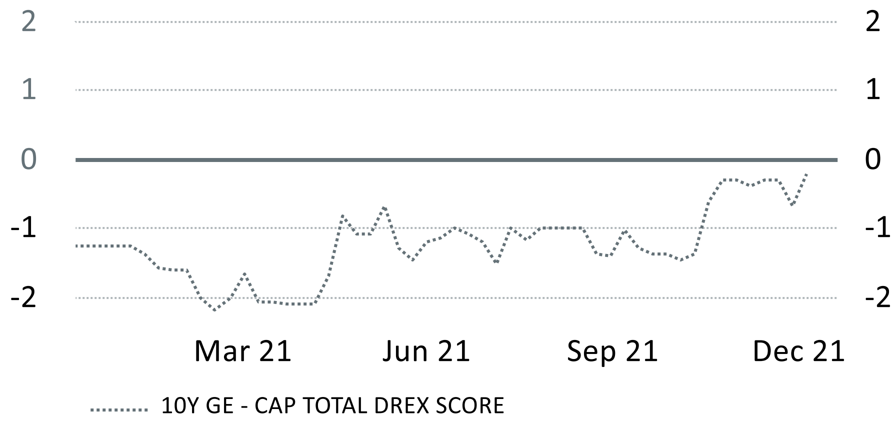
DREX score

Government bonds







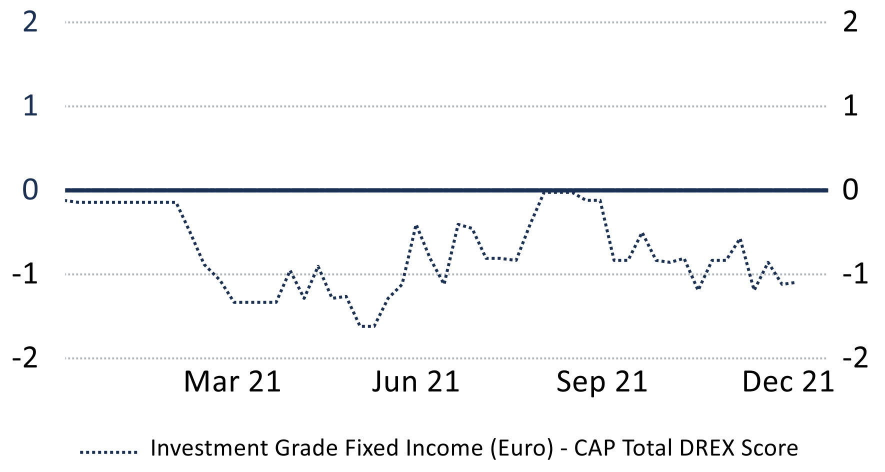


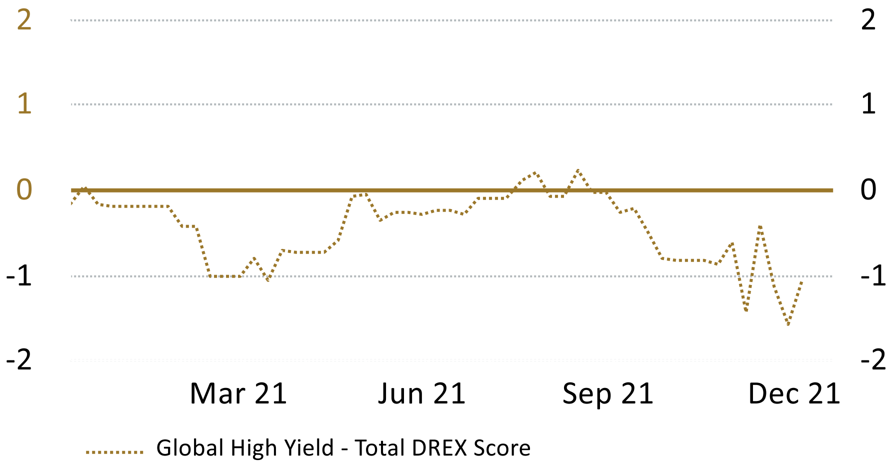
Source: Refinitiv Datastream, C.A.P

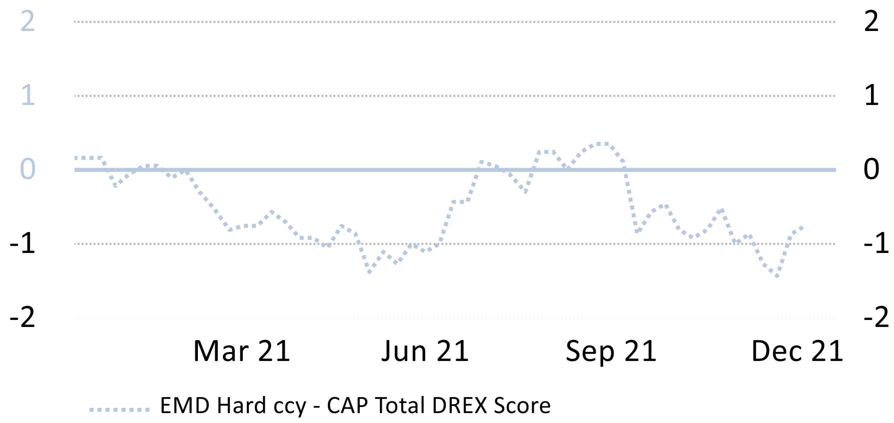
Dynamic Return Expectations

DREX score

Global Corporate Bonds





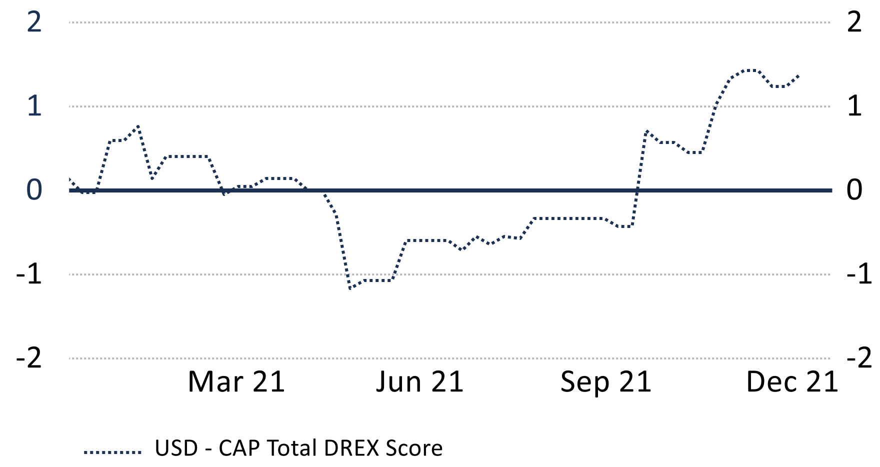


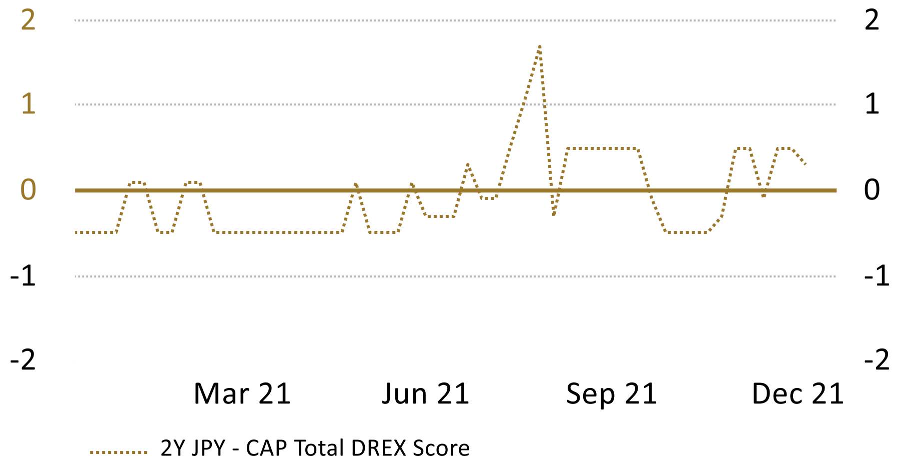
Source: Refinitiv Datastream, C.A.P

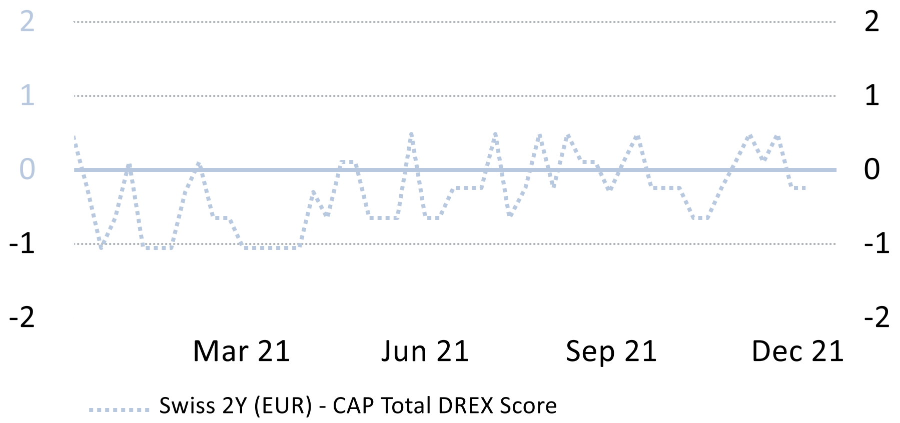
Dynamic Return Expectations

DREX score

FX&Money market







Source: Refinitiv Datastream, C.A.P

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