Monthly House Views

Tightening our focus

The global economy continues to register stronger growth than in recent years. The United States appears to have recovered quickly from the hurricane-related disruption in late summer, the eurozone is growing well above trend, as is Japan, and China has seen an acceleration in growth, as witnessed by the pick-up in global trade. As unemployment has declined to cycle lows across the board, companies have begun to ramp up capital expenditure, which should help improve the outlook for labour productivity in due course. Finally, measures of corporate and consumer confidence suggest that global growth will remain robust in coming quarters.

Since the global economy began its recovery in early 2016, fears of deflation have gradually dissipated and consumer prices have begun to register modest increases. However, despite the generally strong macro data, wage growth remains sluggish, as illustrated by the dip to 2.4% year-on-year in the US in October. And without the fuel of wage pressure, consumer price inflation has yet to show signs of sustained acceleration above central banks' 2% targets. The exception to this trend is the devaluation-sparked spike to 3% in the United Kingdom (source: Datastream).

In this context, central banks have felt emboldened to embark on monetary policy normalisation. The example set by the US Federal Reserve follows three phases – initially, new asset purchases are scaled back to zero, then interest rates are hiked in small increments and finally holdings of securities are gradually wound down. Of the three other developed world central banks, only the Bank of England has embarked on phase two, with the first base rate hike in a decade. The European Central Bank recently announced a reduced pace of asset purchases for 2018, while the Bank of Japan remains wedded to an extremely accommodative policy mix.

More details inside...

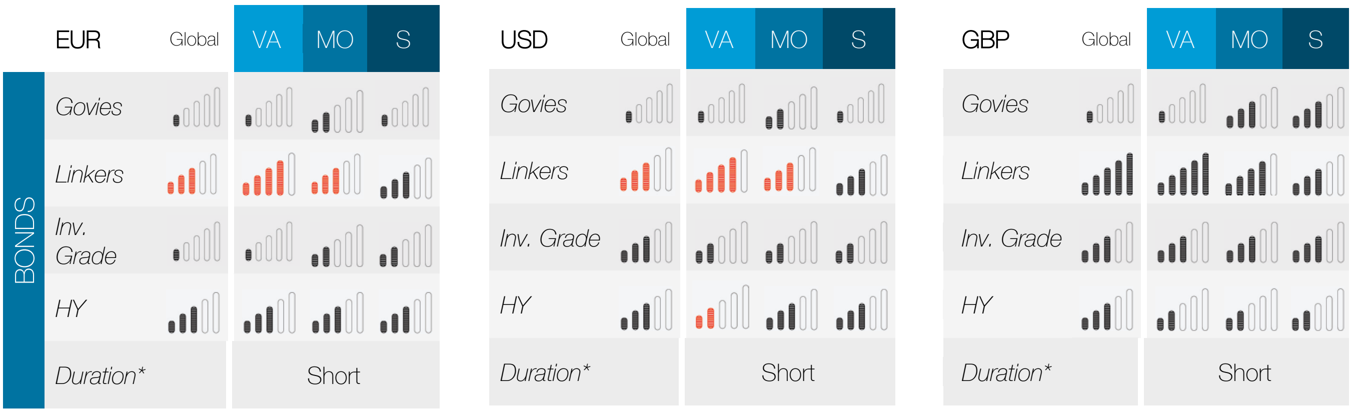
2 to 3 – Our views summarized | 4 to 7 – The longer read

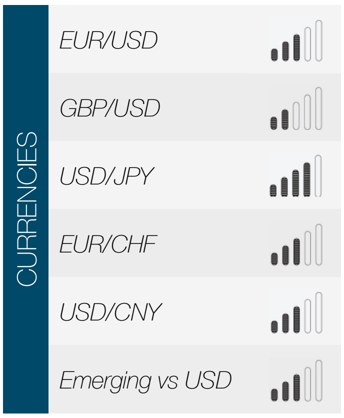
Our views summarized

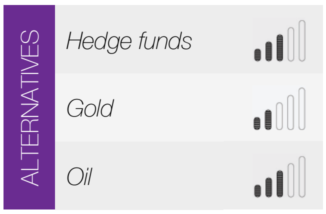
EQUITIES BONDS ALTERN.

Here, we present our VaMoS investment approach, combining economic, valuation, momentum and sentiment signals that help us fine-tune our views on asset classes for the coming period. The signals below reflect the latest conclusions of our Global Investment Committee. Here's how to read them:

Least preferred Neutral Most preferred Upgrades in green, downgrades in red







Source: SG Private Banking, 9 November 2017,
* Duration: short = 3-5yr, medium = 5-7yr, long = 7-10yr; HY = High Yield

In other words

EQUITIES*	United States	We expect some further support for US equities although upside will be constrained by valuations.
	Europe	After strong year-to-date performance across most of the region, the outlook will depend largely on trends in earnings forecast revisions.
	Eurozone	Valuation measures have risen on the back of strong price momentum, leaving a bit less upside for regional equity markets.
	UK	We are cautious on UK equities – the domestic economy is slowing, interest rates have risen and companies have little clarity on the outcome of Brexit negotiations. In addition, earnings growth momentum has faded.
	Switzerland	Swiss multinationals should continue to benefit from strong business confidence, very loose monetary policy and a weaker franc.
	Japan	Solid domestic and external demand will boost corporate profits while valuations remain attractive. However, recent upside momentum has been strong, leaving prices somewhat overbought.
	Emerging	We remain neutral on emerging market equities. They have seen sizeable inflows this year, generating substantial year-to-date outperformance over developed markets – investors may prefer to wait for better entry points.
BONDS*	Sovereigns	The backdrop of robust economic activity and normalisation of central bank policy settings puts downward pressure on fixed-coupon debt obligations.
	Duration**	We favour the short end as the yield curve could steepen or shift upwards.
	Inflation-linked	Despite muted inflation so far, we remain constructive on the segment.
	Investment Grade	In the US, we retain a slight preference for Investment Grade (IG) bonds over High Yield (HY). We suggest focusing on longer-maturity IG bonds, where we expect less supply.
	High Yield	In the eurozone, we prefer High Yield to Investment Grade bonds – balance sheets look healthier than in the US, the macroeconomic backdrop is supportive and the yield pick-up remains attractive.
	Emerging debt (in € and $)	Emerging debt has performed well – investors should look for short-term weakness before building positions.
CURRENCIES	EUR/USD	The euro is back at markedly undervalued levels. Some further weakness is likely in the short term as investors factor in the long wait before rates begin to rise in the eurozone. However, the medium-term outlook is brighter.
	GBP/USD	The pace of rate rises in the US is likely to outstrip the UK, where the outlook remains for sluggish growth – we expect some further weakness in sterling against the dollar.
	EUR/GBP	The UK economy is weakening and seven months of negotiations with the EU have yielded little progress so far. We expect some further weakness against the euro.
	USD/JPY	With inflation still stuck below 1%, the Bank of Japan is not ready to change tack. We expect the yen now to break out of its recent range and slip lower against the dollar.
	EUR/CHF	Despite the recent weakness, the franc remains very overvalued and the SNB shows no sign of relaxing its guard. All in all, we expect further interventions and further franc weakness in coming quarters.
	Emerging	We continue to recommend selectivity, and focusing on the carry provided by higher yielding currencies with robust macro fundamentals.
ALTERNAT.	Hedge funds	Neutral on Long/Short Equity funds, with preferences for deep value managers, Europe over the US and Long and Variable Bias funds over Market Neutral. We are Overweight on Event-Driven funds, with a focus on US managers.
	Gold	The Fed has commenced shrinking its asset holdings and rates are expected to rise again in December, putting a cap on gold prices. Nevertheless, bullion's safe haven status is an attractive source of diversification in portfolios.
	Oil	This spike in prices has created an opportunity for US shale producers to ramp up production and we expect that this additional supply will push prices back below $60 in due course.

Source: SG Private Banking, 8 Nov. 2017, EM = Emerging markets, hard currency = dollar & euro, *Relative views expressed in local currencies, ** Duration: short = 3-5yr, medium = 5-7yr, long = 7-10y

Economic focus

Gradual monetary normalisation

In recent weeks, the developed world's four major central banks – the US Federal Reserve, the European Central Bank, the Bank of Japan and the Bank of England – have held important meetings and President Trump has announced his nominee to chair the Fed.

ECB – rates to stay low for long

- The European Central Bank (ECB) announced that it would continue asset purchases in smaller volumes – cut from €60bn per month to €30bn – from January 2018 through to at least next September. The accompanying statements were perceived as rather dovish – deposit rates will remain negative "for an extended period of time, and well past the horizon of net asset purchases" – which pushed the euro lower on foreign exchange markets.

Bank of Japan – more of the same

- As was widely expected, Governor Kuroda of the Bank of Japan (BoJ) stood his ground despite a reasonable recovery in the Japanese economy – H1 GDP growth reached an annualized 1.8% rate. The BoJ's main concern is sluggish inflation, with both headline and core rates at 0.7% in September, well below the 2% target. As a result, key interest rates were held at -0.1%, the target for the 10-year government bond yield at zero and the purchase programme for exchange-traded funds (ETFs) at 6 trillion yen.

BoE – an inflation-induced rate hike

- The BoE has pressed ahead with the first hike since July 2007, which it justified with reference to inflation at 3%, well above its 2% target. In our previous comments, we had judged that this move might prove premature given Brexit uncertainties and fading imported inflation from last summer's devaluation. In his comments, Governor Carney sought to underplay the risk that policy might become too tight—the BoE now forecasts only two further hikes in the next three years and continues to think Brexit brings "considerable risk" to the outlook.

Fed – expectations are still for a December hike

- The US Federal Reserve (Fed) made no change to monetary policy settings, which was not surprising given that the decision to gradually scale back reinvestment of maturing bonds was announced only at the previous meeting in September. This time, focus was on the accompanying statement, where changes in language were subtle – "moderate" growth, for example, is now considered "solid" despite the late-summer hurricanes. There was nothing to alter the market's expectation of a hike at the December meeting, for which the Bloomberg-calculated probability now stands at 92%.
- Headlines in early November were dominated by President Trump's pick to head the Fed: Jerome "Jay" Powell, a Fed governor since 2012. At first glance, this suggests a high level of continuity – Powell has never dissented from the Fed's majority votes on policy decisions—and markets have been little moved as speculation grew that he was the preferred candidate. His nomination will now be reviewed by the Senate for confirmation before Janet Yellen's term expires next February. However, investors should remember that Trump must also choose a candidate to replace Stanley Fischer as vice-Chairman. If he picks John Taylor, the designer of a monetary policy rule which suggests rates should be much higher, the Fed might begin to sound more hawkish.

What impact on risk assets?

- Putting it all together, decent global growth means fears of deflation have receded and central bankers feel emboldened to commence policy normalisation. However, inflation continues to undershoot targets, meaning that reductions to asset purchases and hikes in rates will likely be cautious and gradual. Monetary policy should remain supportive for economies and risk assets in coming quarters.

Fixed Income

A challenging environment

- The backdrop of robust economic activity and normalisation of central bank policy settings puts downward pressure on fixed-coupon debt obligations.
- Short maturities – less sensitive to moves in rates – inflation-linked securities and floating-rate notes provide some shelter in this context.
- Corporate bond credit spreads are generally tight and offer reduced protection against rising rates – corporate hybrids and subordinated financials offer some appeal.
- Emerging debt has performed well – investors should look for short-term weakness before building positions.

Rates

"Robust global economic data and gradual monetary policy normalisation will put upward pressure on long-dated sovereign bond yields."

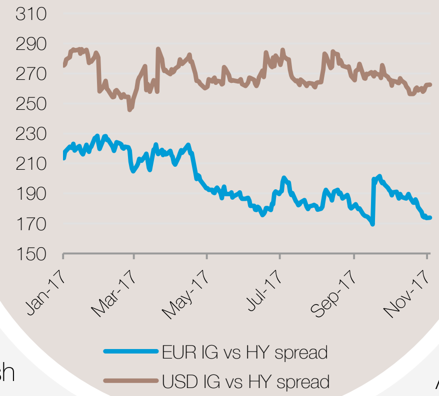
- Beyond December's expected hike in US interest rates, we expect further gradual tightening in 2018 as core US inflation is set to grind higher. This will push long-dated Treasury yields up, helping the yield curve to reverse its recent flattening. In this context, we continue to underline the attraction of Treasury Inflation-Protected Securities and to suggest focusing on short-dated fixed-coupon Treasuries, which are less sensitive to shifts in rates.
- Core government bond yields in the eurozone look overvalued – yields on German government bonds (Bunds) are negative on all maturities up to 8 years while core German inflation was 1.5% year-on-year in September. With ECB purchases reduced by half next year, we expect some downward pressure on core sovereign bond prices, which should help narrow the yield gap between US Treasury bonds and German Bunds. The ongoing recovery in the eurozone periphery has proved supportive for Italian and Spanish government bonds and we expect some modest additional tightening of spreads. Here again, short-dated bonds and inflation-linkers are in focus.
- In the UK, the stabilisation in sterling will take some pressure off of inflation while we continue to expect lower growth than on the Continent. This leaves little room for sharply higher long-dated yields on Gilts – however, the general trend towards steepening rate curves warrants a defensive stance at present.

Credit

"Although corporate bonds are still preferred to sovereigns, we recognise that spreads have shrunk to rather unappealing levels, especially in euros."

- In the US, we retain a slight preference for Investment Grade (IG) bonds over High Yield (HY). The robust economy will help keep default rates low, but investors should note the rise in leverage ratios. In this context, we suggest focusing on longer-maturity IG bonds, where we expect less supply, given the improvement in profitability, while holdings in HY should be concentrated in highly-rated issuers at shorter maturities. Floating-rate notes look attractive in light of expected Fed tightening.
- The European Central Bank's corporate bond purchases have pushed IG spreads to unattractive levels, especially in light of expected steepening in core yield curves. As a result, we prefer High Yield in the eurozone – balance sheets look healthier than in the US, the macroeconomic backdrop is supportive and the yield pick-up remains attractive. We also underline the appeal of corporate hybrid bonds and subordinated debt. As in the US, floating-rate notes should do well as long core yields shift higher.
- Macro conditions have improved in many emerging markets, global trade has picked up, the manufacturing cycle has accelerated and inflation is generally low, helping central banks to retain accommodative policy settings. Inflows have been substantial but we see further upside – any widening in spreads might present an attractive entry point.

In the US, we retain a slight preference for IG over HY



Sources: SGPB, Datastream, 08/11/2017. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Equities

Adjusting our Focus

- The background for Global Equities has improved in recent quarters – global growth is now synchronised, inflation is generally moderate, monetary policy is accommodative, earnings growth is strong and margins are expanding.
- While our preferred markets remain the same, we expect less dispersion in returns between regions and suggest shifting allocations accordingly.
- Revisions to earnings forecasts have turned up recently, but upside is likely to remain constrained by demanding valuation metrics.

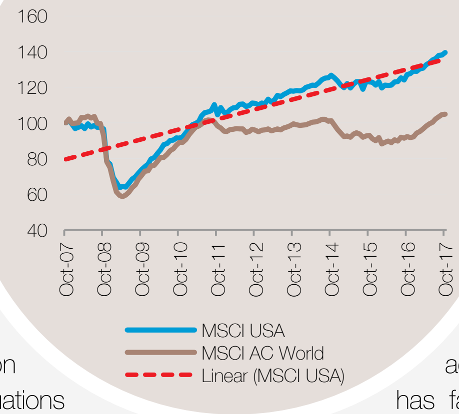
We still prefer eurozone equities to the US but the gap is narrowing

Preferences unchanged – Japan, the eurozone and Switzerland – but less performance dispersion expected

While global conditions are supportive for equities across the board, we continue to expect some underperformance from the US and the UK.

- Eurozone. With the ECB set to move very gradually towards policy normalisation, the monetary backdrop will remain supportive for eurozone corporations. Top-line growth remains strong, wage growth weak and profit margins should continue to improve. In addition, the eurozone is a very open economy, well positioned to benefit from stronger global growth and capital expenditure. This being said, the expected strengthening in the euro is likely to foster downward revisions in earnings forecasts. Moreover, valuation measures have risen on the back of strong price momentum, leaving a bit less upside for regional equity markets.
- Japan. The snap elections have bolstered Prime Minister Abe's position, and hence hopes of looser fiscal policy. Monetary policy is set to remain easy for many quarters to come and GDP growth is already well above potential, helped by the renewed vigour in regional and global trade. This context has encouraged upward revisions to profit forecasts, margins and returns on equity (RoE) are improving and valuations continue look attractive in both absolute and relative terms. However, recent upside momentum has been strong, leaving prices somewhat overbought.
- Switzerland. Business optimism in Switzerland has picked up on the back of this year's weakness in the Swiss Franc against the euro and we have seen strong upward revision in earnings forecasts. The backdrop remains supportive for Swiss equities.
- Unites States. US equity prices have looked expensive for some time now, as price momentum has outpaced earnings growth. This being said, corporate fundamentals are strong, as witnessed by margins and return on equity, both well above the global average. In addition, the recent improvement in earnings revisions could be prolonged by any weakness in the dollar. Further, hopes have risen recently for corporate tax cuts which would obviously boost after-tax profits. All in all, the backdrop suggests some further support for US equities although upside will be constrained by valuations.

US equities' upside will be constrained by valuations



- UK. The UK equity market is supported by global growth, given the high proportion of turnover generated overseas. As a result, earnings revisions have turned up recently. However, the domestic economy is slowing, interest rates have risen and companies have little clarity on the outcome of Brexit negotiations. In addition, earnings growth momentum has faded this year as the impact of last year's devaluation has diminished.
- Emerging markets. Despite the generally positive environment, helped by the pick-up in commodity prices in recent months, we keep a neutral view on emerging market equities. The segment has seen sizeable inflows this year, generating substantial year-to-date outperformance over developed markets – investors may prefer to wait for better entry points.

Sources: SGPB, Datastream, 08/11/2017. Past performance should not be seen as an indication of future performance. Investments may be subject to market fluctuations, and the price and value of investments and the income derived from them can go down as well as up. Your capital may be at risk and you may not get back the amount you invest.

Currencies

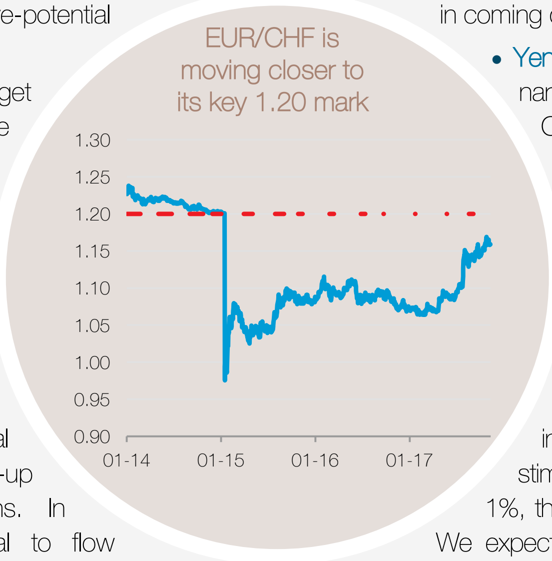
Towards a weaker dollar

- Rising rates, yield differentials and hopes of tax cuts suggest another spurt of near-term dollar strength.
- Next year should see a reduction in ECB asset purchases, above-trend growth and relative valuations support a resumption of the euro's outperformance.
- Dollar weakness in 2018 is likely to underpin emerging currencies, in conjunction with moderate inflation and high domestic interest rates.

Euro to pick up in the medium term

The euro is back at markedly undervalued levels.

- Euro – still constructive. The six-month rally against the dollar in the second and third quarters left the euro overbought and vulnerable to a correction which is still underway. Some further weakness is likely in the short term as investors factor in the open-ended extension to ECB asset purchases and the long wait ahead before rates begin to rise in the eurozone. However, the medium-term outlook is brighter – the euro is back at markedly undervalued levels; the yield differential should narrow next year as Bund yields normalise and we expect continued above-potential growth across the region.
- Dollar – weakness ahead. As we get closer to the December Fed rate hike and as hopes build for fiscal stimulus in the US, we expect the recent dollar rally to continue. In the medium term however, we see fewer supports for the greenback – its high valuation makes life difficult for US exporters; we expect the yield gap between Bunds and Treasuries to narrow; and political uncertainties are set to rise in the run-up to next year's mid-term elections. In addition, we expect further capital to flow towards the eurozone given the improved economic outlook.



- Sterling – rudderless. As global demand has picked up, the UK is reaping the benefit of last year's devaluation. And sterling has recovered some ground recently on expectations of the BoE's first hike in a decade and on hopes of a "soft" Brexit. However, the domestic economy is weakening and seven months of negotiations with the EU have yielded little progress so far. Putting it all together, we expect some further weakness against the dollar and the euro.

Brighter outlook for the yen

With inflation still stuck below 1%, the BoJ is not ready to change tack.

- Swiss franc – weakening, finally. The franc has shed some ground in recent months as perceptions of political risk in the EU have receded and the Swiss National Bank has kept interest rates at punitively negative levels. In addition, the SNB remains an active participant in foreign exchange markets to quell any signs of strength in the franc. Despite the recent weakness, the franc remains very overvalued and the SNB shows no sign of relaxing its guard. All in all, we expect further interventions and further franc weakness in coming quarters.
- Yen – breakout. The yen has traded in a narrow range since the start of the year. On one hand, it has been buoyed by safe haven flows as tensions have risen in the Korean peninsula. On the other, the Bank of Japan (BoJ) has kept monetary policy extremely loose, boosting yield differentials with the dollar. The recent snap elections have strengthened Mr Abe's position and increased the likelihood of fiscal stimulus. With inflation still stuck below 1%, the BoJ is not ready to change tack. We expect the yen now to break out of its recent range and slip lower against the dollar.
- Emerging currencies – Carry on. The macro backdrop has improved for emerging economies, aided by a rally in some key commodity prices. And with inflation generally at low levels, high real interest rates provide support for most emerging currencies. We continue to recommend selectivity however, and focusing on the carry provided by higher yielding currencies with robust macro fundamentals (see The Bigger Picture, page 15).

Alternatives

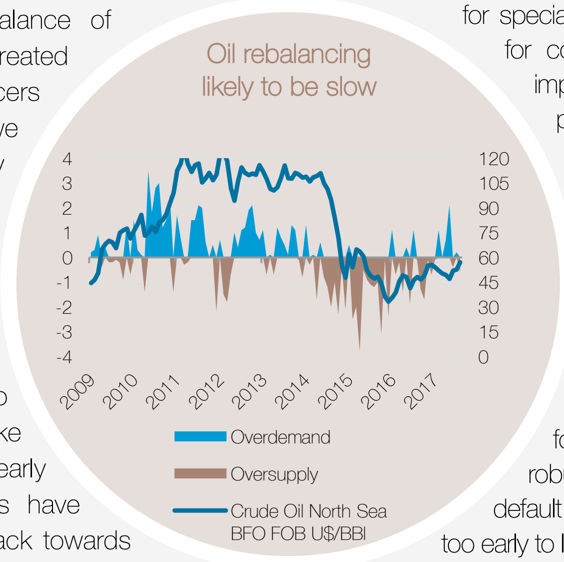
Alternatives for their diversification benefits

- Robust global demand, production quotas and the crackdown in Riyadh have pushed oil prices higher than we expected – this should enable further increases in US output.
- Gold continues to act as a safe haven in times of stress, and to ease lower when animal spirits are high.
- Monetary policy normalisation has helped Hedge Funds register improved returns over the past twelve months.

Commodities

"Recent price strength seems unlikely to persist."

- Crude oil – waiting for shale. Brent prices have rallied hard since their June lows, up over 40% as rumours have circulated that the OPEC/non-OPEC production cuts would be renewed at this month's Vienna summit. In addition, stronger global growth data are consistent with rising demand for crude. The upward pressure was compounded by the ostensible crackdown on corruption among the ruling classes in Saudi Arabia in early November, as investors worried about what this might mean for the regional balance of power. This spike in prices has created an opportunity for US shale producers to ramp up production and we expect that this additional supply will push prices back below \$60 in due course.
- Gold – marching to a different drum. Hawkish rhetoric in Pyongyang and Washington over the summer fostered a flight to safety which saw gold prices spike over \$1,300 per ounce in early September. Since then, tensions have eased and prices have dipped back towards their previous trading range. Similarly, buying of exchange-traded funds (ETFs) in Europe has eased since the spring when many investors were seeking hedges against perceived political risks. In addition, the Fed has commenced shrinking its asset holdings and rates are expected to rise again in December, putting a cap on gold prices. Nevertheless, bullion's safe haven status is an attractive source of diversification in portfolios.



Hedge funds

"A more propitious environment for active strategies to add value."

- Long / Short Equity. Strong directional moves, particularly in the Information Technology sector have boosted Long Bias returns in recent months. In addition, the market has proved more profitable for stock-pickers, as witnessed by a period of outperformance by active mutual funds. Our preference remains for deep value managers, for Europe rather than the US, and for Long Bias rather than Market Neutral managers.
- Event Driven. Healthy levels of corporate activity – via spin-offs and M&As – have provided decent opportunities for specialist managers. Further, bid spreads for contested takeovers have widened, improving Merger Arbitrage return potential. However, it appears that higher engagement by some passive managers with some large holdings may be reducing opportunities for Activist managers to add value.
- Credit / Distressed Debt. No change to our view that tight credit spreads mean a challenging context for Credit Arbitrage. In addition, the robust global economy is keeping default rates close to cycle lows – it is still too early to look at Distressed Debt strategies.
- Global Macro / Commodity Trading Advisors. The recent rally in risk appetite proved a helpful backdrop for traders, with CTAs registering some of their strongest returns in years last month. However, the heavy reliance on trends in equities suggests reduced usefulness as a risk diversifier. Returns in Global Macro also improved in October. We continue to prefer multi-asset strategies in emerging markets, given the strong fundamental underpinnings in this segment.

Important disclaimers

SG Hambros and Kleinwort Hambros are the brand names of SG Kleinwort Hambros Bank Limited ("Kleinwort Hambros"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Kleinwort Hambros is registered in England and Wales under number 964058. The company's registered office and principal place of business is at 8 St James's Square, London SW1Y 4JU.

Societe Generale purchased Kleinwort Benson in June 2016 and subsequently launched Kleinwort Hambros as the new combined brand name. Full legal integration has not yet been completed and until this time the banks will operate as independent entities within the Societe Generale Group and clients will contract directly for banking and / or investment services with one of the entities, either the newly renamed Kleinwort Hambros entity or the Kleinwort Benson entity in the relevant jurisdiction.

Societe Generale Private Banking is a division of the Societe Generale Group operating through its head office within Societe Generale S.A. and its network (subsidiaries, branches or departments of Societe Generale S.A.) located in the countries mentioned hereafter which use the "Societe Generale Private Banking" brand, and which distribute this document.

Subject of the document

This document has been prepared by experts of the Group Societe Generale, and more particularly of Societe Generale Private Banking division, to provide you with information relating to certain financial and economic data. The names and functions of the people who prepared this document are indicated on the first pages of the document.

This document is non-independent research and is a marketing communication. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and the investment service provider is not subject to any prohibition on dealing ahead of the dissemination of investment research.

In order to read and understand the financial and economic information included in this document, you will need to have knowledge and experience of financial markets. If this is not the case, please contact your advisor so that you no longer receive the document. Unless you do this, we shall consider that you have the necessary skills to understand this document.

Please note that this document only aims to provide simple information to help you in your investment or disinvestment decisions, and that it does not constitute a personalised recommendation. You remain responsible for the management of your assets, and you take your investment decisions freely. Moreover, the document may mention asset classes that are not authorised/marketed in certain countries, and/or which might be reserved for certain categories of investors. Therefore, should you wish to make an investment, as the case may be and according to the applicable laws, your advisor within the Societe Generale Private Banking entity of which you are a client will check your eligibility for this investment and whether it corresponds to your investment profile.

Should you not wish to receive this document, please inform your private banker in writing, and he/she will take the appropriate measures.

Conflicts of interest

This document contains the views of Societe Generale Private Banking's experts. Societe Generale Private Banking trading desks may trade, or have traded, as principal on the basis of the expert(s) views and reports. In addition, Societe Generale Private Banking's experts receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Societe Generale Group and competitive factors.

As a general matter, entities within the Societe Generale Group may make a market or act as a principal trader in securities referred to in this report, and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Societe Generale Group may from time to time deal in, profit from trading on, hold on a principal basis, or act advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

Entities within the Societe Generale Group may be represented on the supervisory board or on the executive board of such persons, firms or entities.

Employees of the Societe Generale Group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Entities within the Societe Generale Group may acquire orliquidate from time to time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Societe Generale Group are under no obligation to disclose or take into account this document when advising or dealing with or on behalf of customers.

In addition, Societe Generale Private Banking may issue other reports that are inconsistent with, and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Societe Generale Group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. To help the Societe Generale Private Banking Entities to do this, they have put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of Societe Generale Private Banking's clients. For further information, Societe Generale Private Banking's clients can refer to the management of conflicts of interests policy, which was provided to them by the Societe Generale Private Banking entity of which they are clients.

General Warning

This document, which is subject to modifications, is provided for information purposes only and has no legal value.

This material has been prepared for information purposes only and is not intended to provide investment advice nor any other investment service. The document does not constitute and under no circumstances should it be considered in whole or in part as an offer, a personal recommendation or advice from any of the Societe Generale Private Banking entities, regarding investment in the asset classes mentioned therein. The information in this document does not constitute legal, tax or accounting advice.

Some products and servicies might not be available in all Société Générale Private Banking entities. Their availability in your jurisdiction may be restricted depending on local laws and tax regulations. You should be aware that the investment to which this material relates may involve numerous risks. The amount of risk may vary but can expose you to a significant risk of losing all of your capital, including a potential unlimited loss. Accordingly these products or services may be reserved only for a certain category of eligible investors such as those who are sophisticated and familiar with these types of investment and who understand the risks involved. Also, they have to comply with the Société Générale Group Tax Code of Conduct. Furthermore, accessing some of these products, services and solutions might be subject to other eligibility conditions. Your private banker is available to discuss these products, services and solutions with you and to check if they can respond to your needs and are suitable for your investor profile.

Accordingly, before making an investment decision, a potential investor, as the case may be and according to the applicable laws, will be questioned by his or her advisor within the Societe Generale Private Banking entity, of which the investor is a client, regarding his eligibility for the envisaged investment, and the compatibility of this investment with his investment profile and objectives. Before any investment, the potential investor should also consult his own independent financial, legal and tax advisers in order to obtain all the financial, legal and tax information which will allow him to appraise the characteristics and the risks of the envisaged investment and the pertinence of the strategies discussed in this document, as well as the tax treatment of the investment, in the light of his own circumstances.

Prior to any investment, a potential investor must be aware of, understand and sign the related contractual and informative information, including documentation relating to risks. The potential investor has to remember that he should not base any investment decision and/or instructions solely on the basis of this document. Any investment may have tax consequences and it is important to bear in mind that the Societe Generale Private Banking entities, do not provide tax advice. A potential investor should seek independent tax advice (where appropriate).

Investment in some of the asset classes described in this document may not be authorised in certain countries, or may be restricted to certain categories of investors. It is the responsibility of any person in possession of this document to be aware of and to observe all applicable laws and regulations of relevant jurisdictions. This document is not intended to be distributed to people or in jurisdictions where such distribution is restricted or illegal. It is not to be published or distributed in the United States of America and cannot be made available directly or indirectly in the United States of America or to any U.S. person.

The price and value of investments and the income derived from them can go down as well as up. Changes in inflation, interest rates and exchange rates may have adverse effects on the value, price and income of investments issued in a different currency from that of the client. The simulations and examples included in this document are provided for informational and illustration purposes alone. The present information may change with market fluctuations, and the information and views reflected in this document may change. The Societe Generale Private Banking entities disclaim any responsibility for the updating or revising of this document. The document's only aim is to offer information to investors, who will take their investment decisions without relying solely on this document. The Societe Generale Private Banking entities disclaim all responsibility for direct or indirect losses related to any use of this document or its content. The Societe Generale Private Banking entities do not offer no implicit or explicit guarantees as to the accuracy or exhaustivity of the information or as to the profitability or performance of the asset classes, countries and markets concerned.

The historical data, information and opinions provided herein have been obtained from, or are based upon, external sources that the Societe Generale Private Banking entities believe to be reliable, but which have not been independently verified. The Societe Generale Private Banking entities shall not be liable for the accuracy, relevance or exhaustiveness of this information. Information about past performance is not a guide to future performance and may not be repeated. Investment value is not guaranteed and the value of investments may fluctuate. Estimates of future performance are based on assumptions that may not be realised.

This document is confidential. It is intended exclusively for the person to whom it is given, and may not be communicated or notified to any third party (with the exception of external advisors, on the condition they themselves respect this confidentiality undertaking). It may not be copied in whole or in part without the prior written consent of the relevant Societe Generale Private Banking entity.

Specific warnings per jurisdiction

France: Unless otherwise expressly indicated, this document has been issued and distributed by Societe Generale, a French bank authorised and supervised by the *Autorité de Contrôle Prudentiel et de Résolution,* located at *61, rue Taitbout, 75436 Paris Cedex 09* under the prudential supervision of the *European Central Bank* ("ECB"), *and under the control of the Autorité des Marchés Financiers ("AMF"). Societe Generale is also registered at ORIAS as an insurance intermediary under the number 07 022 493 orias.fr. Societe generale is* a French Société Anonyme with its registered address at 29 boulevard Haussman, 75009 Paris, with a capital of EUR 1,009,641,917.50 on 31 December 2016 and unique identification number 552 120 222 R.C.S. Paris. Further details are available on request or can be found at www. http://www.privatebanking.societegenerale.fr/.

Belgium: This document has been distributed in Belgium by Société Générale Private Banking SA/NV, a Belgian credit institution according to Belgian law and controlled and supervised by the *National Bank of Belgium* ("NBB") and the *Financial Services and Markets Authority* ("FSMA"), and under the prudential supervision of the European Central Bank- ECB. Société Générale Private Banking SA/NV is registered as an insurance broker at the FSMA under the number 61033A. Société Générale Private Banking SA/NV has its registered address at 9000 Ghent, Kortrijksesteenweg 302, registered at the RPM Ghent, under the number VAT BE 0415.835.337. Further details are available on request or can be found at www.privatebanking.societegenerale.be.

Luxembourg: This document has been distributed in Luxembourg by Societe Generale Bank and Trust ("SGBT"), a credit institution which is authorised and regulated by the *Commission de Surveillance du Secteur Financier* ("CSSF") under the prudential supervision of the *European Central Bank* ("ECB"), *and whose head office is located at 11 avenue Emile Reuter – L 2420 Luxembourg*. Further details are available on request or can be found at www.sgbt.lu. No investment decision whatsoever may result from solely reading this document. SGBT accepts no responsibility for the accuracy or otherwise of information contained in this document. SGBT accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and SGBT does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or SGBT unless otherwise mentioned. SGBT has neither verified nor independently analysed the information contained in this document. The CSSF has neither verified nor analysed the information contained in this document.

Monaco: The present document has been distributed in Monaco by Société Générale Private Banking (Monaco) S.A.M ., located 13, 15 Bd des Moulins, 98000 Monaco, Principality of Monaco, governed by the *Autorité de Contrôle Prudentiel et de Résolution* and the *Commission de Contrôle des Activités Financières*. The Financial products marketed in Monaco can be reserved for qualified investors in accordance with Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.mc.

Switzerland: This document has been communicated in Switzerland by Société Générale Private Banking (Suisse) SA (« SGPBS »), whose head office is located at rue du Rhône 8, CP 5022, CH-1211 Geneva 11. SGPBS is a bank authorized by the *Swiss Financial Market Supervisory Authority* ("FINMA"). Further details are available on request or can be found at www.privatebanking.societegenerale.ch.

This document (i) does not provide any opinion or recommendation about a company or a security, or (ii) has been prepared outside of Switzerland for the « Private banking ». Therefore, the Directives of the Swiss Bankers Association (SBA) on the Independence of Financial Research do not apply to this document.

This document has not been prepared by SGPBS. SGPBS has neither verified nor independently analyzed the information contained in this document. SGPBS accepts no responsibility for the accuracy or otherwise of information contained in this document. The opinions, views and forecasts expressed in this document reflect the personal views of the relevant author(s) and shall not engage SGPBS' liability.

This document is not a prospectus within the meaning of articles 652a and 1156 of the Swiss Code of Obligations.

United Kingdom: Kleinwort Hambros is the brand name of SG Kleinwort Hambros Bank Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm reference number is 119250. The company is incorporated in England and Wales under number 964058 and its registered address is 5th Floor, 8 St James's Square, London SW1Y 4JU. Kleinwort Benson and Kleinwort Hambros are the brand names of Kleinwort Benson Bank Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm reference number is 119269. The company is incorporated in England and Wales under number 2056420 and its registered address is 14 St. George Street, London W1S 1FE.

Channel Islands: Kleinwort Hambros is the brand name of SG Kleinwort Hambros Bank (CI) Limited, which is regulated by the Jersey Financial Services Commission ("JFSC") for banking, investment, money services and fund services business. The company is incorporated in Jersey under number 2693 and its registered address is PO Box 78, SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8PR. SG Kleinwort Hambros Bank (CI) Limited – Guernsey Branch is regulated by the Guernsey Financial Services Commission ("GFSC") for banking, investment and money services business. Its address is PO Box 6, Hambro House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3AE. This document has not been authorised or reviewed by the JFSC or GFSC. Kleinwort Benson and Kleinwort Hambros are the brand names of Kleinwort Benson (Channel Islands) Investment Management Limited, which is regulated by the GFSC for the conduct of investment business. The company is incorporated in Guernsey under number 59377 and its registered address is Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. This document has not been authorised or reviewed by the GFSC. Kleinwort Benson and Kleinwort Hambros are the brand names of Kleinwort Benson (Channel Islands) Limited, which is regulated by the GFSC for banking and investment services. It is also authorised and regulated by the UK Financial Conduct Authority ("FCA") in respect of UK regulated mortgage business and its firm reference number is 310344. The company is incorporated in Guernsey with company number 52103 and its registered address is Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. This document has not been authorised or reviewed by the GFSC or FCA.

Gibraltar: Kleinwort Hambros is the brand name of SG Kleinwort Hambros Bank (Gibraltar) Limited, which is authorised and regulated by the Gibraltar Financial Services Commission for the conduct of banking, investment and insurance mediation business. The company is incorporated in Gibraltar under number 01294 and its registered address is 32 Line Wall Road, Gibraltar

Societe Generale Private Banking Hambros is part of the wealth management arm of the Societe Generale Group, Societe Generale Private Banking. Societe Generale is a French bank authorised in France by the *Autorité de Contrôle Prudentiel et de Résolution, located at 61, rue Taitbout, 75436 Paris Cedex 09,* and under the prudential supervision of the *European Central Bank* ("ECB"). It is also authorised by the *Prudential Regulation Authority* and regulated by the *Financial Conduct Authority* and the *Prudential Regulation Authority*.

http://www.privatebanking.societegenerale.com

CA752/NOV/2017