



Income Analysis

MIXED OPINIONS ECONOMICALLY BUT THERE IS STILL NO ALTERNATIVE TO EQUITIES

BUY AND HOLD US EQUITIES

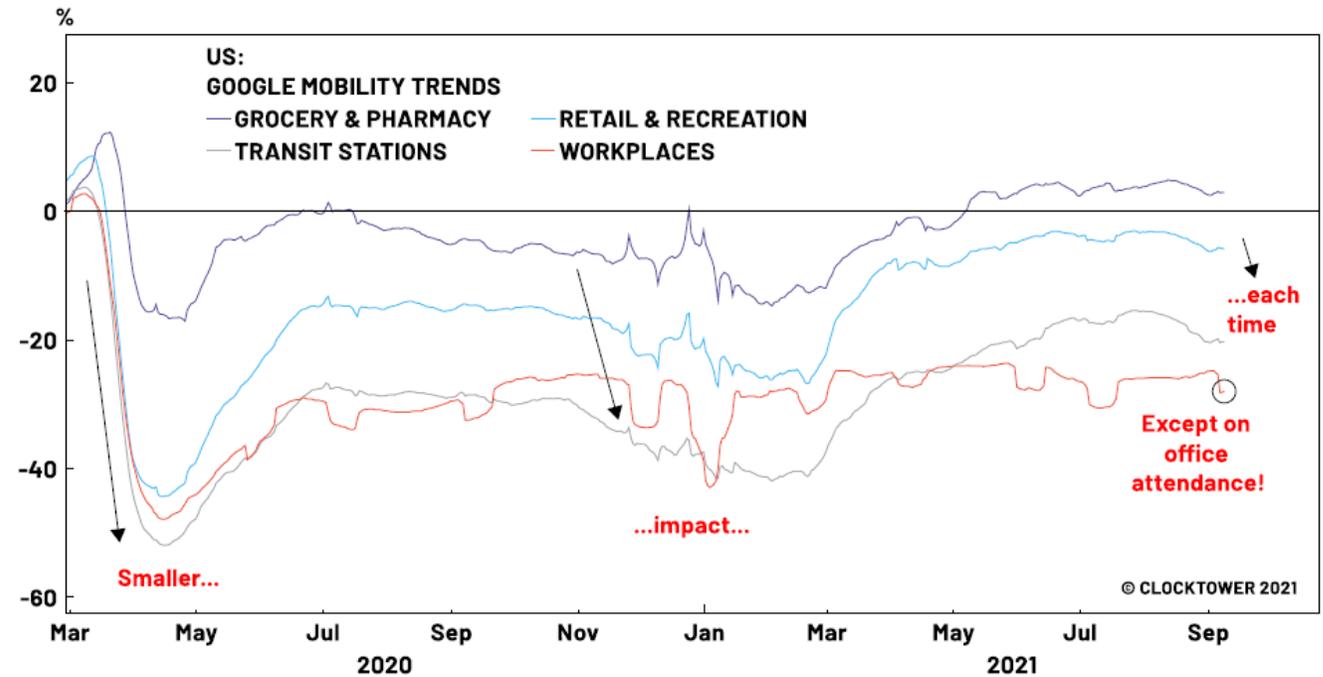


GOLDMAN SACHS
RESEARCH SHOWS
LOW-RATE WORLD
FAVORS QUALITY
GROWTH STOCKS

- ✓ “The persistently low overall level of interest rates that our economists expect, and their forecast for real GDP growth that should decelerate to a below-trend pace of 1.5% by the end of next year, should continue to support profitable long duration stocks with high quality.”
- ✓ Mixed Opinions Continue ---
- ✓ Treasury yield curve flattens as inflation expectations steady. Production, demand and prices are expected to return to normal. Iron Ore prices decline (Speculation, Brazil cutting production due to Covid. Now producing)
- ✓ Work-from-Home appears to be here to stay. Continued use of technology. Zoom, teams and Amazon.

Workplace Technology Will Continue.

Work From Home Appears to Be Here to Stay, But Delta Marginally Affected Other Behavior



WORK FROM HOME APPEARS TO BE HERE TO STAY. SO IS THE USE OF TECHNOLOGY.

- ✓ As people continue to work from home, they will continue to use the likes of Teams, Zoom etc to support this.

EXPECTATIONS
THAT INFLATION IS
TRANSITORY (GO
AWAY SOON) ARE
IN THE MAJORITY

Inflation Expectations Are Coming Down.

Chart 29: Inflation expectations

Net % of FMS investors expecting higher inflation



Source: BofA Global Fund Manager Survey.

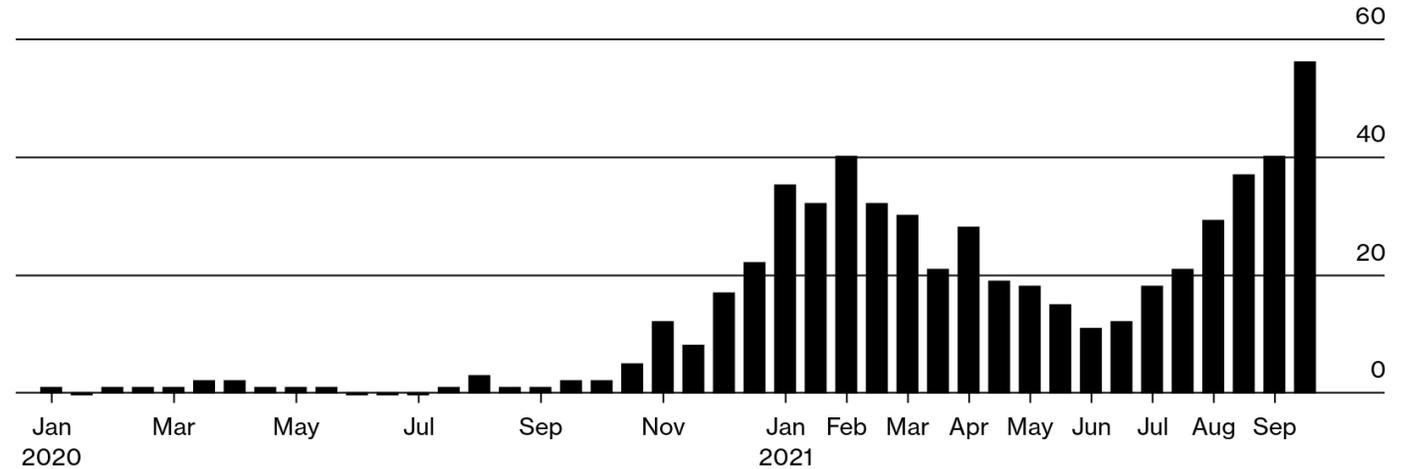
- ✓ Recent inflation figures have shown improvement.
- ✓ Supply chain bottlenecks and unemployment numbers are improving.

TRANSPORTATION
IS “TOO RIGID” TO
ABSORB THE
ROLLING TREMORS
FROM COVID,
WHEN
PRODUCTION IS IN
CHINA AND
CONSUMERS ARE
IN THE USA

Transportation Will Slowly Catch Up With Production.

Container Ships at Anchor

Ports of Los Angeles and Long Beach



Data are bimonthly.
Data: Marine Exchange of Southern California

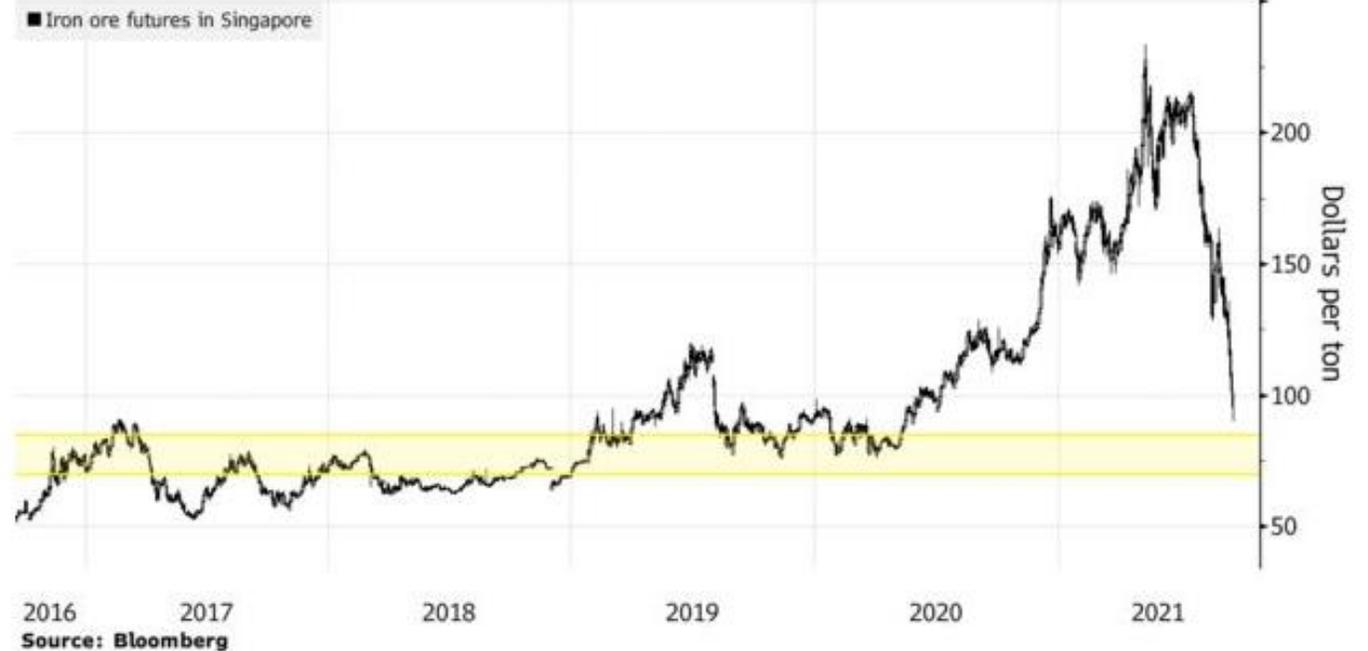
- ✓ It takes time to restart the flow of goods from producers.
- ✓ As employees return to work, bottlenecks will open up.

IRON ORE PRICES
SLUMP SHOWS THAT
PRODUCTION,
DEMAND AND
PRICES WILL
RETURN TO
NORMAL

Iron Ore Drop Signals Normality.

Shock and Ore

Iron ore slump could continue to as low as \$70 per ton, says T. Rowe Price



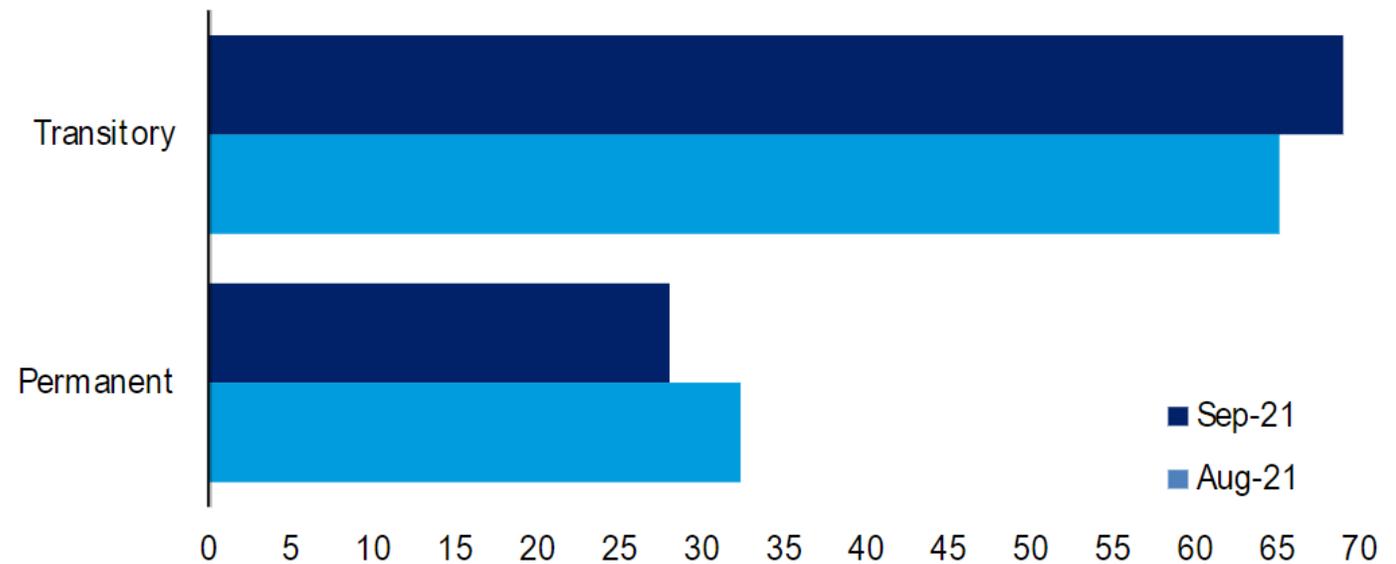
- ✓ As transportation and restrictions ease, so the price of Iron Ore is returning to normal levels.
- ✓ This is a signal of normal life returning.

AN INCREASING
NUMBER OF
INVESTORS (69%)
THINK INFLATION IS
TRANSITORY

More Investors Think Inflation is Transitory.

Chart 10: 69% of investors think inflation is transitory

Do you think inflation is transitory or permanent?



Source: BofA Global Fund Manager Survey

TREASURY YIELD
CURVE FLATTENS
AS INFLATION
EXPECTATIONS
STEADY

Bond Market Signals A More Normal Inflation Level

Curve Your Enthusiasm

Treasury yield curve flattens as inflation expectations steady



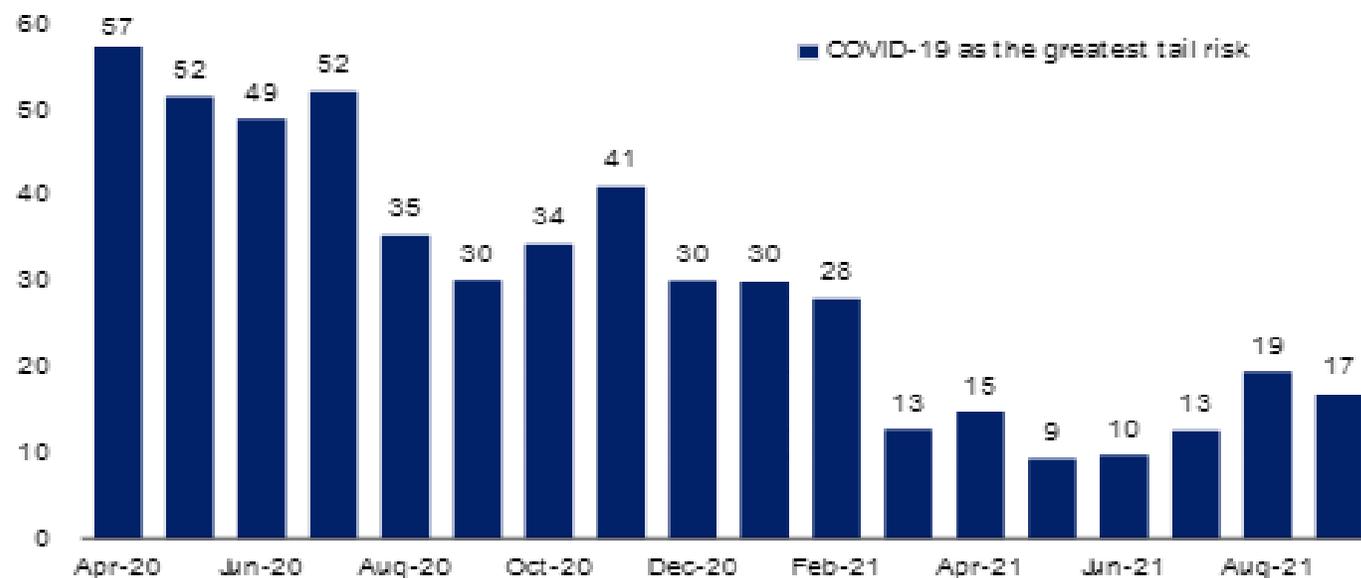
Source: Bloomberg

- ✓ The flattening Treasury yield curve signals a reduction in fear.

PERCENTAGE OF
FUND MANAGERS
THAT VIEW COVID
AS THE GREATEST
RISK CONTINUES TO
DECLINE

Investors Have Less Fear Of COVID.

Chart 20: FMS investors that view COVID-19 as a tail risk has trended lower
Net % view COVID-19 as the greatest tail risk



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

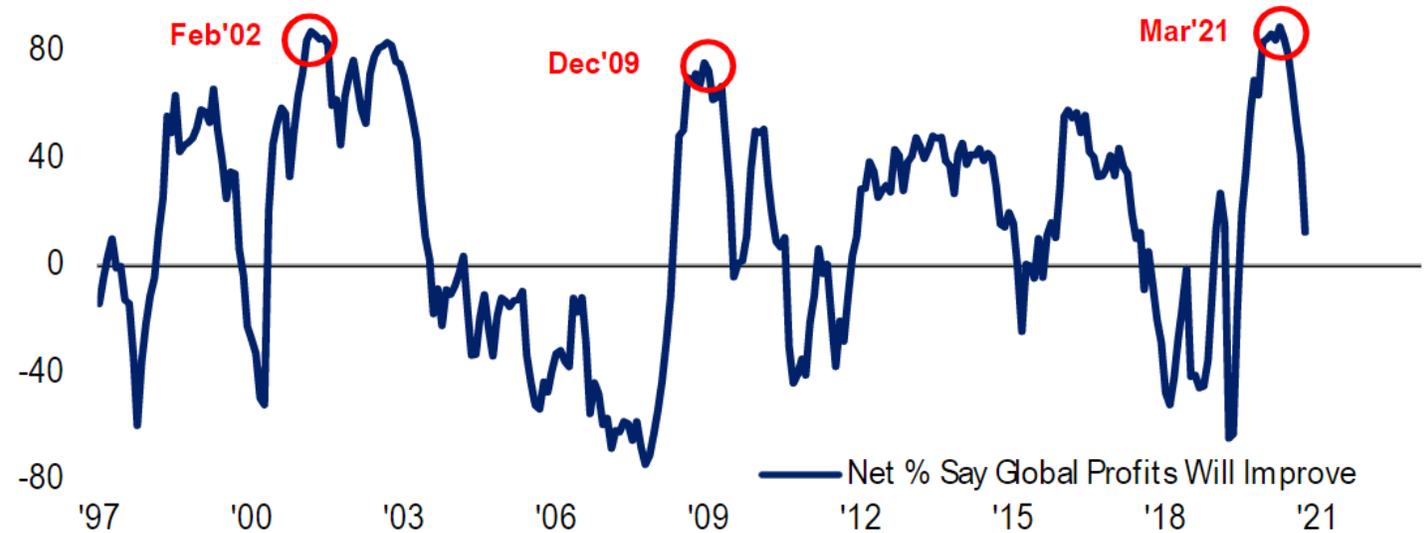
- ✓ Investors having less fear in COVID is another signal of the world returning to normal.

DECLINING
EXPECTATIONS OF
PROFIT GROWTH
HAS NOT BEEN A
GOOD INDICATOR
OF ACTUAL
RETURNS.

Lower Profit Growth Does Not Mean Lower Returns.

Chart 3: FMS profit expectations have fallen drastically since March

Net % Say Global Profits Will Improve



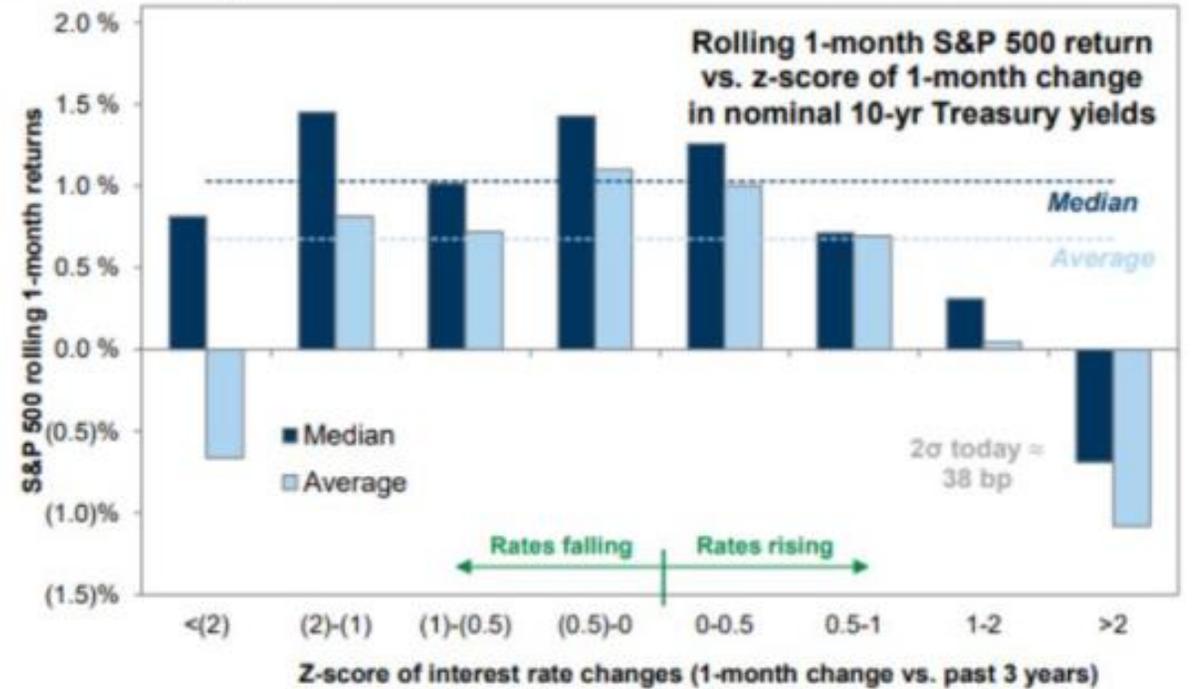
Source: BofA Global Fund Manager Survey

- ✓ Historically there is little correlation between profit growth expectations and market returns.
- ✓ The 2009 fall in profit expectations did not lead to a market pull back.

INTEREST RATES
REMAINING LOW
AND SLOWER
ECONOMIC
GROWTH SUPPORTS
HIGH QUALITY,
GROWTH STOCKS.
GOLDMAN SACHS

A Steady Fed Is Good For Markets.

Exhibit 2: Equities typically struggle when rates rise quickly
Rolling 1-month periods since 1965



Source: Goldman Sachs Global Investment Research

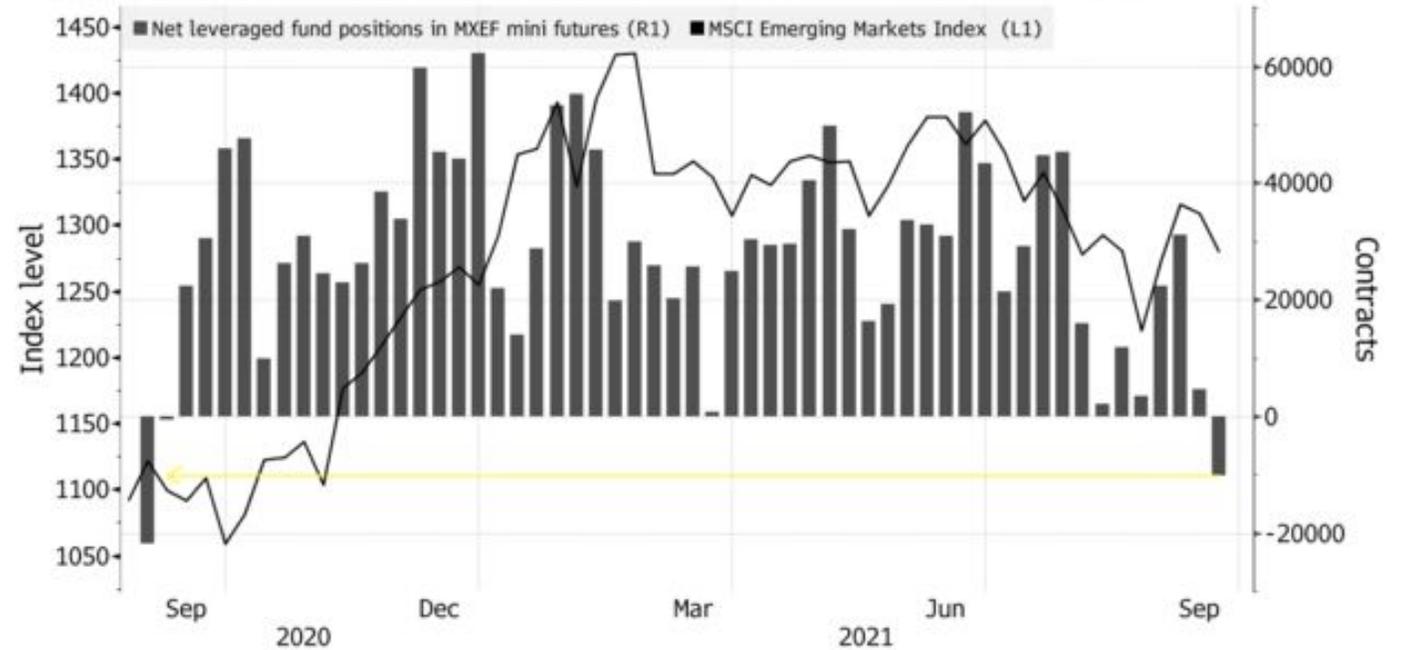
- ✓ Gradual rate moves by the Fed don't rattle markets.

HEDGE FUNDS ARE
GROWING
INCREASINGLY
BEARISH ON
EMERGING-MARKET
STOCKS

Hedge Funds Bearish In Emerging Markets.

Flip Flop

Hedge funds flip bearish on EM stock futures for first time in over a year



- ✓ Investors are moving assets into more stable markets.

MICROSOFT
ANNOUNCED \$60
BILLION SHARE
BUYBACK AND
INCREASED ITS
QUARTERLY
DIVIDEND BY 11%



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