



THE S&P 500 EITHER  
BOTTOMS OR ADVANCES  
WITH THE ULTIMATE PEAK  
IN INFLATION

WE ARE CLOSER TO THIS POINT



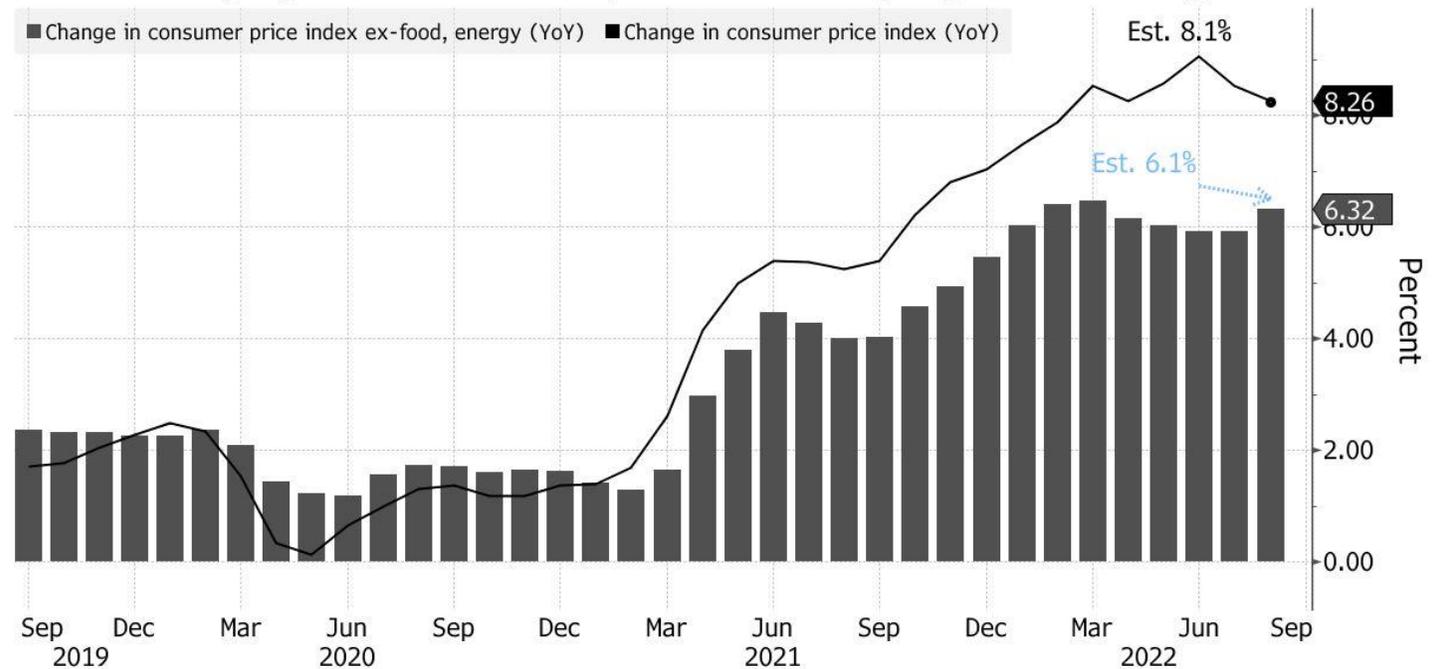
INTEREST RATES  
ARE EXPECTED TO  
PEAK IN 2023 AS  
WILL A PEAK IN  
INFLATION

- ✓ Cause for concern is the strength of the US economy which could lead to higher interest rates.
- ✓ Global Purchasing Managers Index has Peaked.
- ✓ The S&P 500 Index either bottoms or advances when inflation peaks. Worst case the S&P 500 declines for only a few months, before it recovers, as it did in the 1970's.
- ✓ The amount of money going into cash is astounding. Equities, Equity/Bond Fund and Bond Fund have had "net outflows" at just the wrong time.

THE CAUSE OF  
THE CONCERN IS  
THE RESILIENCE  
OF THE US  
ECONOMY THAT  
COULD (MOST  
LIKELY) LEAD TO  
HIGHER INTEREST  
RATES

## Persistent Price Pressures

US inflation gauges exceed forecast, show stubbornly high cost of living



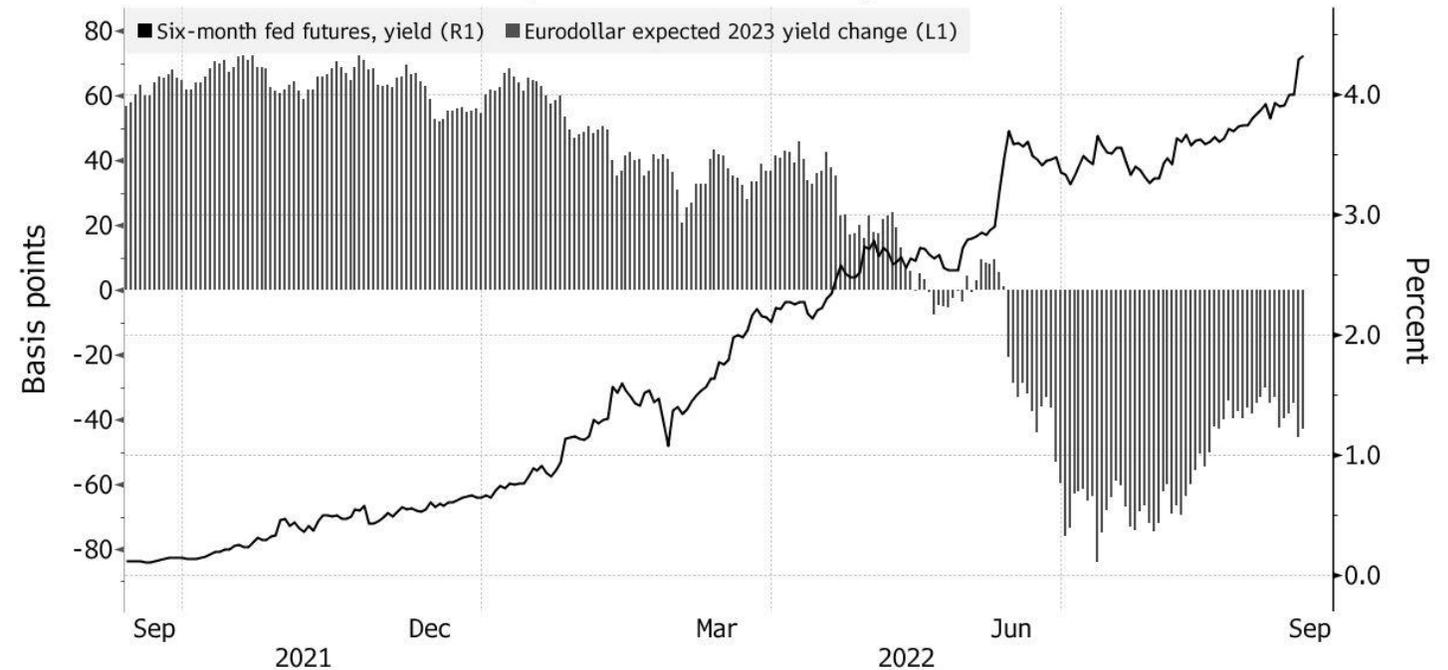
Source: Bureau of Labor Statistics

Bloomberg

THE FEDERAL  
RESERVE WILL  
LIFT RATES BY  
75BP IN  
SEPTEMBER  
2022. THIS  
COULD BE 100BP

## Policy Error?

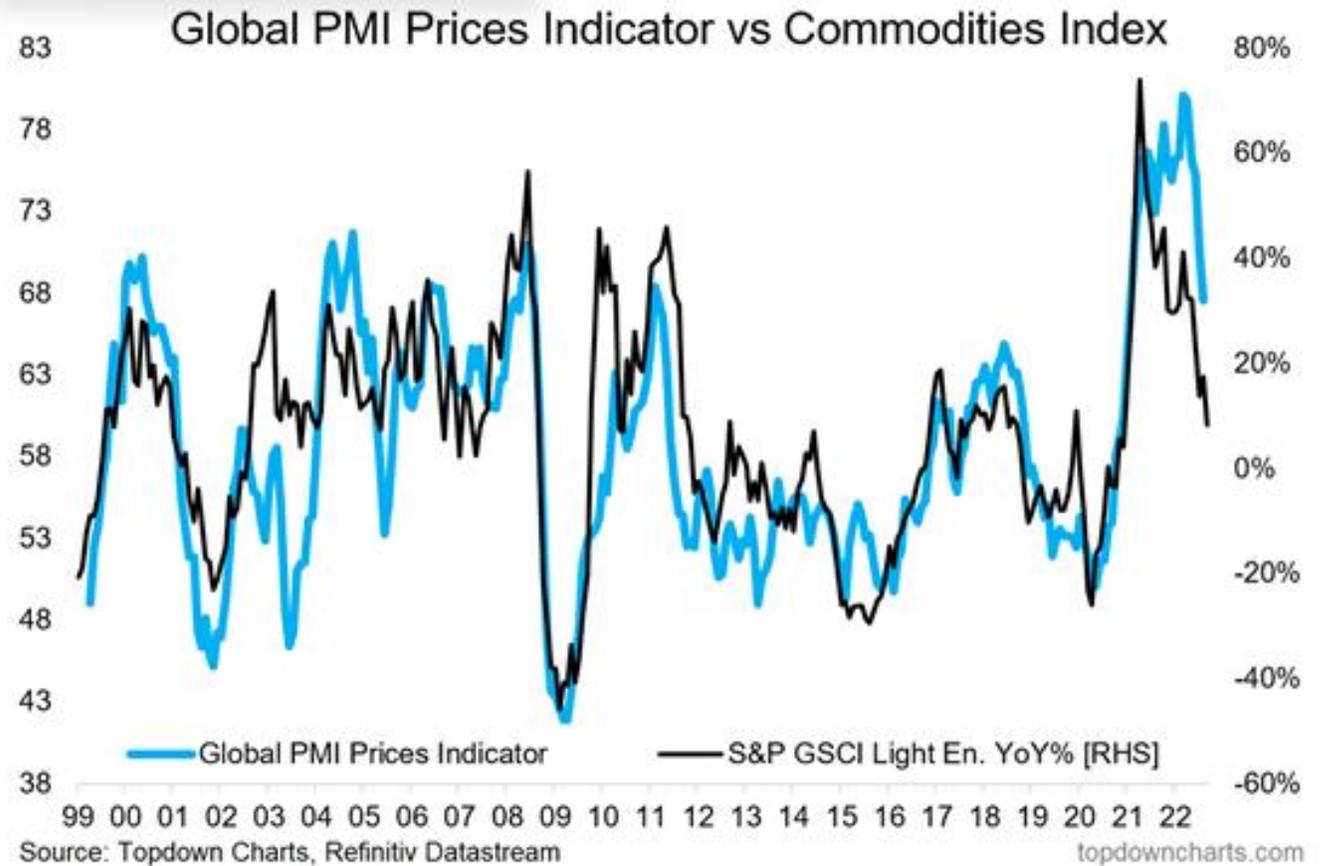
Traders bet on more Fed hikes, but still see cuts by end of 2023



Source: Bloomberg

Bloomberg

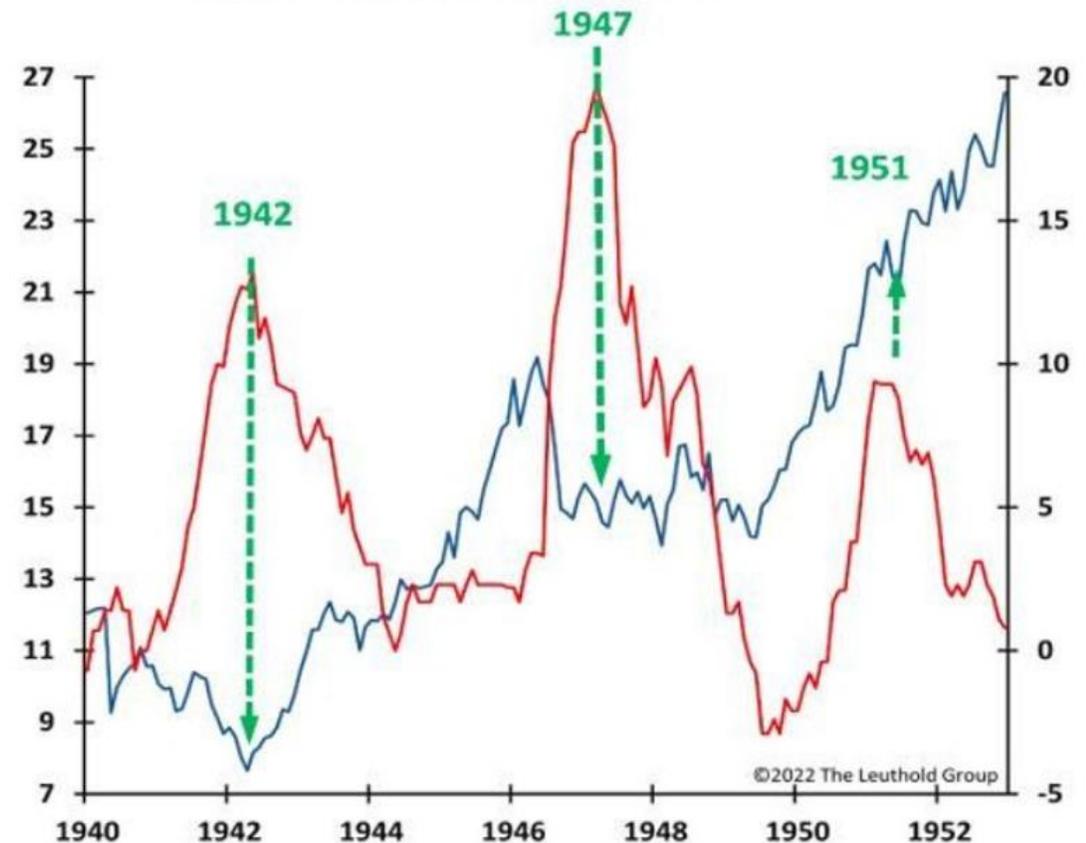
GLOBAL  
PURCHASING  
MANAGERS  
INDEX HAS  
PEAKED



“THE S&P 500  
EITHER  
BOTTOMED OR IN  
ADVANCE OF THE  
ULTIMATE  
INFLATION PEAK.”

**Chart 1**  
**Major Inflationary Peaks & the Stock Market**  
**1940 to 1952**

— Left Scale: S&P 500 Stock Price Index  
— Right Scale: Annual CPI Inflation Rate



©2022 The Leuthold Group

WORSE CASE IN  
THE 1970'S THE  
S&P 500  
DECLINED FOR  
ONLY A FEW  
MONTHS AFTER  
INFLATION  
PEAKED

**Chart 2**  
**Major Inflationary Peaks & the Stock Market**  
**1968 to 1981**



# NET OUTFLOWS FROM EQUITIES, EQUITY/BOND FUNDS AND BOND FUNDS, AT JUST THE WRONG TIME

## Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Washington, DC; September 14, 2022—Total estimated outflows<sup>1</sup> from long-term mutual funds and exchange-traded funds (ETFs) were \$19.57 billion for the week ended September 7, 2022, the Investment Company Institute reported today. Estimated mutual fund outflows were \$14.51 billion while estimated negative net issuance for ETFs was \$5.06 billion. Reports of long-term flow estimates and ETF net issuance are available on the ICI [website](#).

### Estimated Fund Flows

Millions of dollars

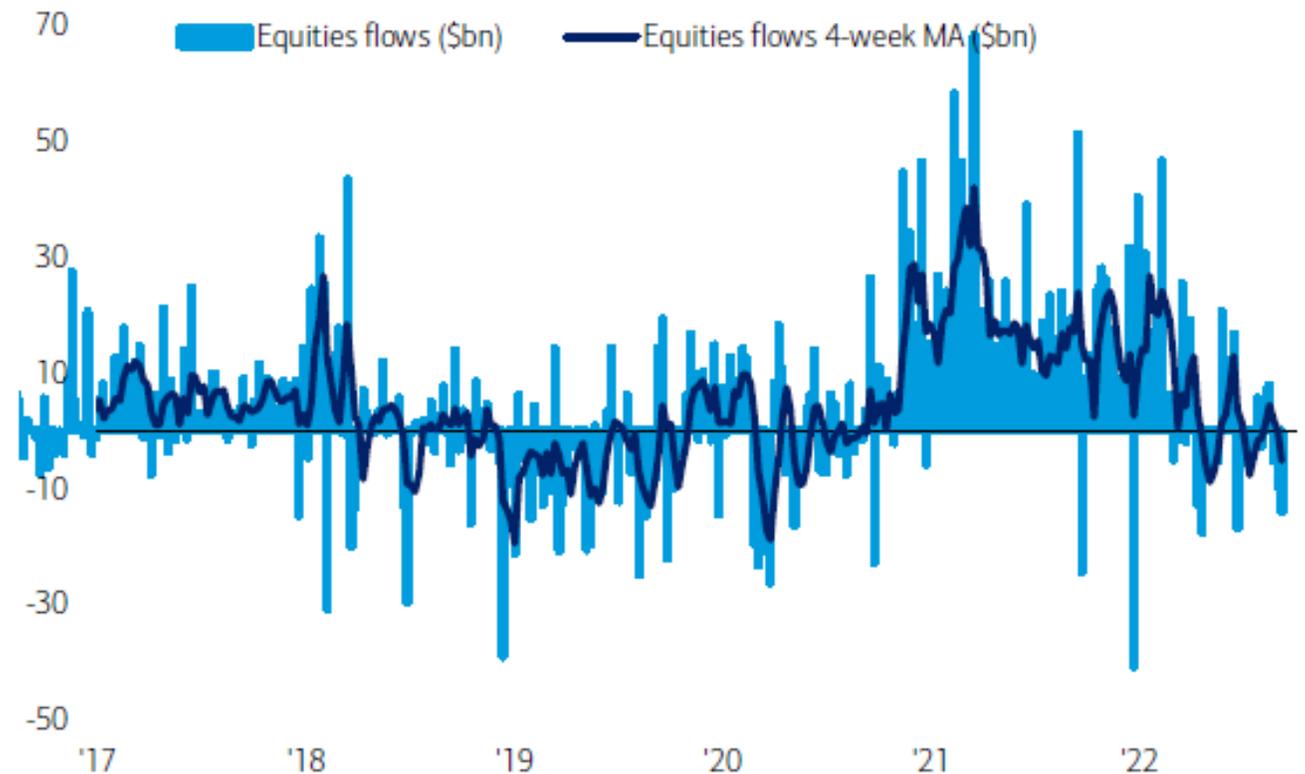
	9/7/2022	8/31/2022	8/24/2022	8/17/2022	8/10/2022
Equity	-12,515	-13,673	-1,111	11,278	-1,275
Domestic	-11,630	-12,786	641	13,700	2,623
World	-885	-888	-1,752	-2,423	-3,898
Hybrid	-3,878	-2,785	-968	498	-230
Bond	-2,595	-9,025	-5,195	7,489	9,031
Taxable	-690	-6,359	-4,094	7,369	9,187
Municipal	-1,905	-2,666	-1,102	120	-156
Commodity	-583	-575	-245	-232	-343
<b>Total</b>	<b>-19,570</b>	<b>-26,057</b>	<b>-7,519</b>	<b>19,032</b>	<b>7,183</b>

Note: Components may not add to the total because of rounding. Includes funds not registered under the Investment Company Act of 1940.

JUST THE WRONG  
TIME. IF YOU MISS  
THE TOP 10 BEST  
DAYS IN EQUITIES,  
YOU CUT YOUR  
OVERALL RETURN  
IN HALF. 10 DAYS  
OVER 20 YEARS.

### Chart 6: Largest equity outflow since June '22

Equities flows (\$bn): weekly vs 4-wk moving average



Source: BofA Global Investment Strategy, EPFR

BofA GLOBAL RESEARCH

# Disclaimer

**Note: Disclaimer: This document is intended for and directed at investment professionals and not intended for retail customers. Persons who do not have professional experience in matters relating to investment should not rely on this document.**

AQA UCITS Fund SICAV plc is licensed in Malta by the Malta Financial Services Authority as an undertaking for collective investment in transferable securities (UCITS).

This document is issued by Castlestone Management LLC (“We”). The information contained in this document is not directed at, nor is it intended for distribution to, or use by, persons in any jurisdiction in which the investment products are not authorized for distribution or in which the dissemination of information regarding the investment products is not permitted. This document is not offering to sell any product. Any investment in the Fund is required to be undertaken in line with the Offering Supplement of the Fund. Copies of the Offering Supplement, audited annual financial statements and half-yearly reports and the key investor information documents (in English Language) are available free of charge upon request. We will not be liable for any use you make of any information in this document. We are not your advisor or fiduciary. We are not recommending or making any representations as to suitability of any product or the tax, legal or accounting treatment of any product. We are not responsible for information stated to be obtained or derived from third party sources. All opinions are given as of the date hereof and are subject to change. We are not obliged to inform you of any such changes. Any projections and opinions expressed herein are expressed solely as general market commentary and do not constitute investment advice or guaranteed return. They represent the views of Castlestone Management LLC at the time of publication and are subject to change without notice. Any simulated performance data and/or past performance data contained herein is not a reliable indicator or guarantee of future performance. An investment in the Fund may include a commission or sales fee which is charged at the time of the initial purchase of the investment and may be deducted from the invested amount therefore lowering the size of your investment. A redemption / contingent deferred sales charge may be charged at the time you redeem your investor and such charge may have an impact on the amount of money you receive back upon your redemption. Income from investments may fluctuate and investors may not recoup the amount originally invested. An investment in the Fund may be effected by changes in currency exchange rates. If you redeem your investment before 6 years, you may be at higher risk of losing some, or all of, the money you invest. Any forward-looking statements concerning the financial condition, results of operations and businesses of Castlestone Management LLC expressed or implied, are based on management's current expectations and assumptions, which may change without notice, and are no guarantee of future results, performance or events. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. Investors and prospective investors should make reference to the risk warnings set out in the Offering Supplement of the Fund. This document is confidential. No part of it may be reproduced, distributed or transmitted without Castlestone Management's written permission. Neither this document nor any copy of it may be distributed, directly or indirectly, in the United States of America or its territories or possessions (the “United States” or to any US Person as defined in Regulations under the United States Securities Act of 1933 (as amended)). Any failure to comply with these restrictions may constitute a violation of United States securities law. This is not exhaustive; other regional-specific wording may apply. If in doubt, please consult with Castlestone Management's Compliance department.

Castlestone Management LLC is a registered investment adviser in the state of New Jersey. Being registered does not imply a certain level of skill or training. Investment in any Fund involves significant risks. A prospective or continuing investor should not invest in any Fund unless satisfied that it and/or its investment representative or professional adviser has/have asked for and received all information which would enable it or both of them to evaluate the risks in terms of an investment or continued investment in the Fund. The information in this document has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. No invitation to the public in Hong Kong to buy or subscribe for any product is permitted to be made. You should consult your own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning any of the contents of this document.

Additional information about Castlestone Management LLC is available on the United States Securities and Exchange Commission's website at <https://adviserinfo.sec.gov/firm/summary/170379>.

## W A R N I N G

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.