

AZIMUT – MARKET UPDATE

March 2018

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FEDERAL RESERVE BANK MEETING

The US Federal Reserve Bank has met for the first time last Wednesday with the newly-appointed Chairman, Jerome Powell. Naturally, the market's interest was higher than the usual, as investors were looking for signs that would show a change in leadership and / or communication.

The meeting left us with the impression that Powell had great communication skills, certainly superior to that of Yellen, although he maintained the guidelines of the Fed more or less unchanged. Below we look at the main takeaways:

- The official interest rate - the so-called Fed fund rate - was raised by 25 bps, consistent with what was widely expected by the market.
- The forecasts for the US growth for 2018 and 2019 have been revised upwards to just under 3%, after discounting the positive effects of Trump's fiscal reforms. The Fed predicts a return to 2% growth by 2020.
- The expected unemployment rate is forecasted as low as 3.6% in the next 2 years. This is close to the lowest level ever achieved by the US labour market.
- Despite the above, the inflation rate remains forecasted at 2%, stable since December meeting.
- However, on the back of a positive economic outlook, in the Dot plot projections, the 2020 target Fed Fund rate is set higher, at 3.50%, up from 3.1 percent in December.

As a result, we believe that the following conclusions should be considered:

- The next recession cycle is now pushed beyond 2020.
- The new monetary cycle will make the investment environment increasingly complicated until 2020, a change for investors from the serene recent cycle.
- Inflation is currently not seen as an imminent danger.

All this validates our central scenario where we still expect a clear sky for markets over the short to medium term. The continuity in the Fed's policy leads us to be optimistic on the evolution of rates and to rule out the risk of a sharp peak in the short-term interest rates curve.

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AZIMUT'S RELEVANT STRATEGIES IN THIS INVESTMENT ENVIRONMENT

The Azimut family of global and local strategies are a sound proposal for investors' asset allocation. Below is an illustration of Equities and Bonds strategies, which offer diversification to an established portfolio.

1. Equities

Strategy Name	Strategy focus		Track record	AuM (\$)	Key characteristics
Trend	Global Equities	Long / Short	25 years	3'500	Outstanding, stable track record, same manager since inception. Value Bias. High diversification. Fundamental stock picking
Global Growth Selector	Global Equities	Long Only	6 years	220	Thematic strategy, with a particular focus on innovation/disruption. Combination of top down and bottom up.

2. Bonds

Strategy Name	Strategy focus		Track record	AuM (\$)	Key characteristics
ABS	European Fixed Income, floating rates	Long Only	13 years	600	Focus on IG securities, High diversification, combination of top down and bottom up. Mainly floating rates securities.
Hybrid Bonds	Euro Corporate Hybrid Bonds	Long Only	5 years	2'500	Exclusive focus on Corporate, Euro denominated issuances. 100% IG issuers. High diversification. Low duration.
Global Sukuk	Global Fixed Income, Sharia Compliant	Long Only	4,5 years	175	Global, sector and geography agnostic approach. Highly diversified, low duration and low volatility. Mix of fixed and floating rates.

For information regarding Azimut's strategies and solutions, please contact:

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