

Plenisfer's quarterly Outlook

By Plenisfer Investments SGR S.p.A.

Looking at the current and future scenario, we remain **cautious in terms of overall risk taking**. Some long-standing trends, such as energy crisis, deglobalization and the need for income redistribution, support a risk of persistently high inflation. The crisis in Ukraine has accelerated certain dynamics, generating a scenario of lower growth (especially in Europe) and structurally higher inflation. We think the best approach is to strictly monitor the overall risk level in our portfolio. Currently, our equity beta is lower than 0.3¹.

In our view, the market is underestimating the possibility of wage increases further fueling inflationary trends. In Plenisfer, we believe **inflation will remain higher** than the pre-Covid environment and that it will last longer than markets expectations. Moreover, we think that the probability of an outright stagflation scenario has significantly increased, especially in Europe, although it does not represent yet our base-case scenario.

The risks associated with the conflict in Ukraine and with rising inflation, driven by rising input prices (energy and labour), will have a dual effect:

- 1) they will squeeze corporate margins and profits and reduce consumers' disposable income, leading to lower consumption and growth, with unfavorable impacts on **equities**;
- 2) from a **fixed income** perspective, we expect current valuation levels to remain an issue, in a context characterized by rising rates and slowing economic growth.

In terms of **global opportunity set**, we think equity remains more interesting than the Fixed Income sector on a relative basis, especially over long-term horizon. At the moment, we are focusing on those businesses which will be able to transfer the input prices increase into sales prices, thus defending margins. We continue to favour a position in **Real Assets**: the **energy transition** is even more relevant than before, with an increased need in investments for traditional and new source of energy. **Industrial commodities** are also essential to the energy transition: we remain positive on platinum and copper, which can also be invested through mining or mining-related companies.

¹ Measure of the systemic riskiness of a security with respect to a reference market, in our case MSCI AC World Index



With high uncertainty and volatility, gold has returned to its traditional function as a store of value and a source of portfolio protection. At Plenisfer, we use gold as an **important stabiliser for our portfolio**, especially in the current inflationary scenario.

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