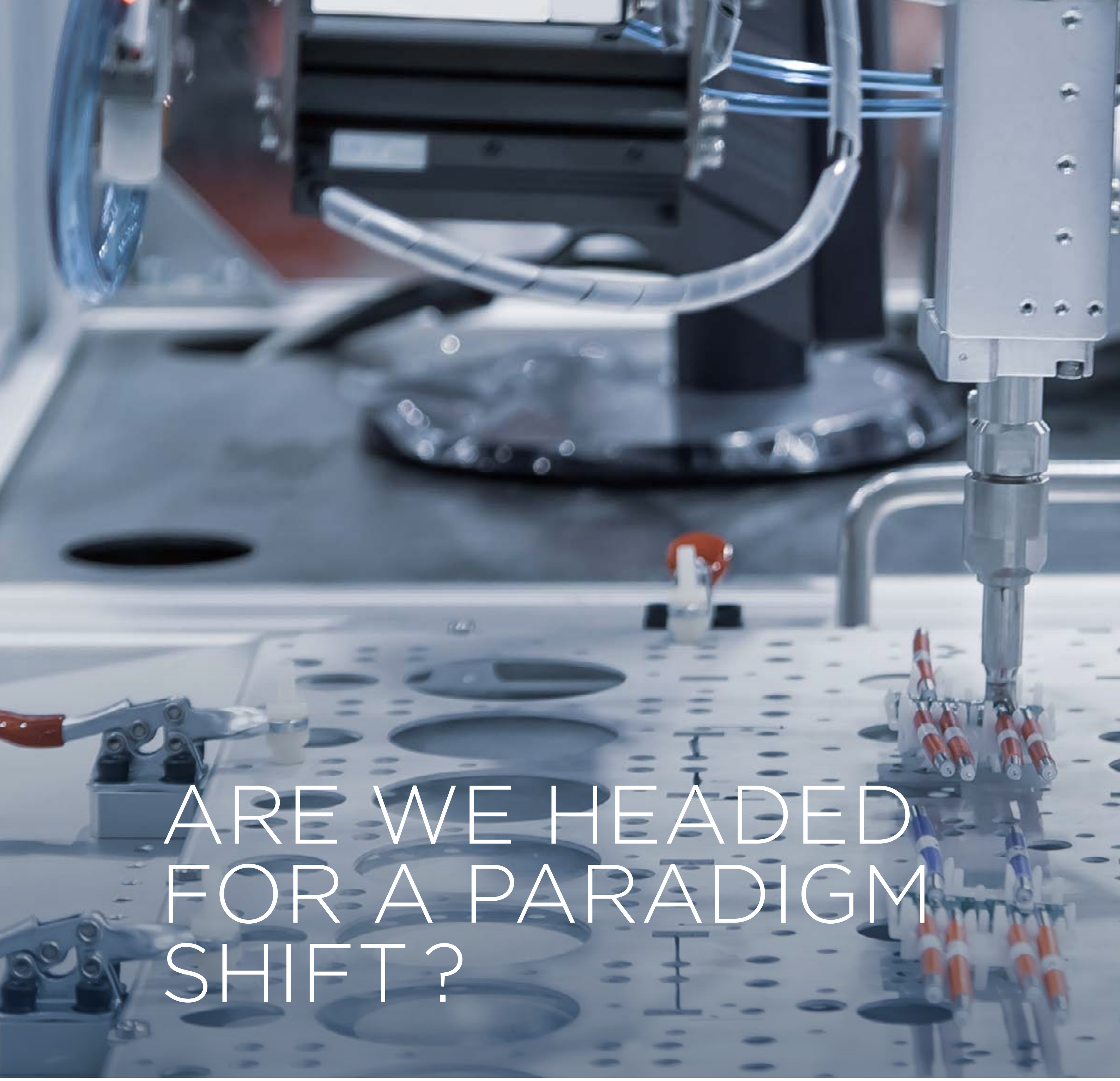
EDMOND DE ROTHSCHILD

OUTLOOK & CONVICTIONS

PRIVATE BANKING 2021#03

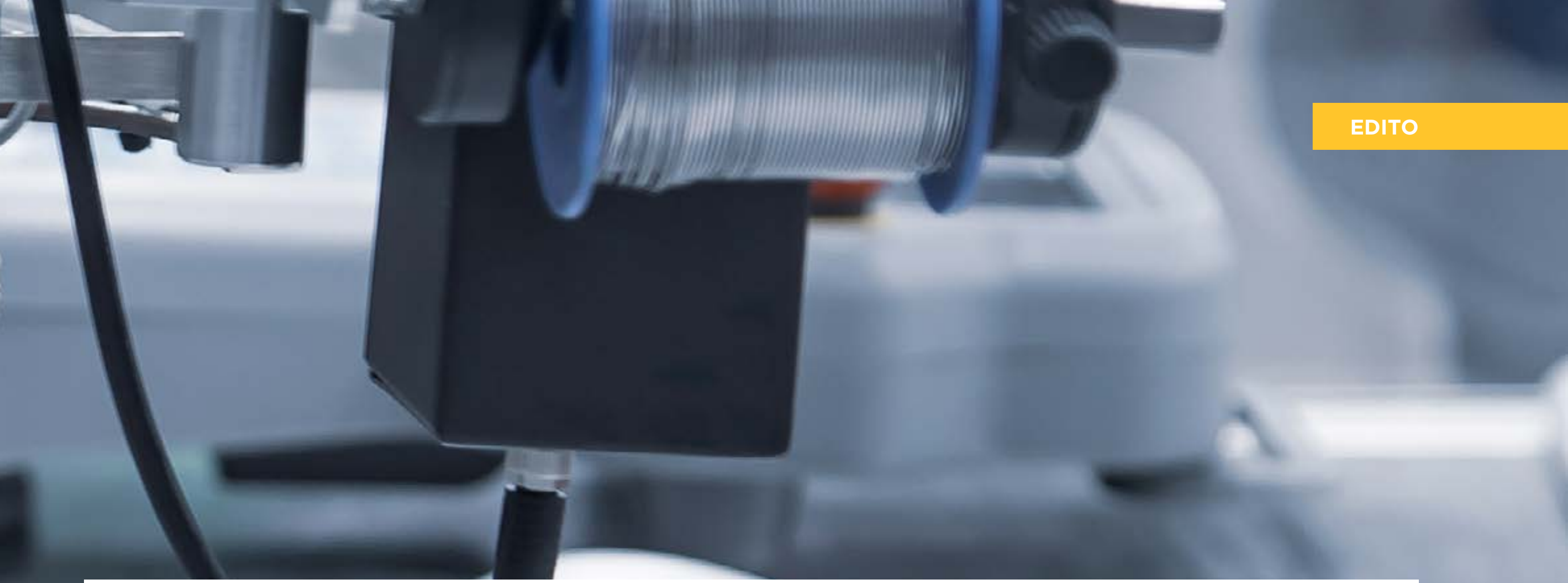
EDMOND DE ROTHSCHILD, BOLD BUILDERS OF THE FUTURE.

CONTENTS



ARE WE HEADED FOR A PARADIGM SHIFT?

Lars Kalbreier, CFA
Global CIO
Private Banking



The past 18 months have been truly extraordinary. The global pandemic has disrupted our lives to an extent which is unprecedented in recent history. Notions such as curfews had last been used during WWII and had all but disappeared from our vocabulary. Moreover, civil liberties that we had taken for granted, such as the right to assemble, were severely curtailed at the height of the lockdown. Daily activities like going to the office, taking a plane, going on holiday or eating in a restaurant, all became much more difficult if not impossible.

The pandemic will most certainly cause some profound changes to several aspects of our lives. For instance, the way we work is likely to be different, with more flexible employment models that combine both a physical and virtual presence becoming mainstream. We might also trade more business trips for video conferences, etc.

There is another paradigm which the pandemic has affected: global supply chains. Covid has shown how fragile these supply chains can be. For decades, the key trend for companies was to produce goods in low-cost countries, i.e. emerging markets. This meant that parts or finished products had to be shipped across the globe in order to reach their customers. Ever since the pace of the vaccination campaigns accelerated in developed markets with life returning to normal, many manufacturers have faced supply shortages that have exposed the fragility of global production chains. Voices speaking out in favour of more localised and regional supply chains so that production can take place closer to the end-consumer are getting louder. In addition, increased scrutiny of the carbon footprint of the goods produced no longer only includes the CO_2 emissions from their production, but also their transport. Shipping cheap goods halfway across the globe will no longer be socially acceptable.

In the meantime, significant progress has been made in the manufacturing industry with the help of new automation processes, robotics and 3D printing, thus significantly reducing the costs of production in locations with higher labour costs. We are convinced this trend will intensify as companies and governments are pursuing greater regionalisation with increased control over their supply chains. This will provide a boost for investments in manufacturing technologies and the creation of regional champions (page 14).

From a more macro-economic standpoint, governments and central banks have provided extraordinary support to the economy and financial markets during the pandemic. This took the form of large government stimulus programmes as well as very accommodative monetary policies as central banks provided abundant liquidity and maintained record low interest rates.

Now that many economies are on the road to recovery, governments and central banks will need to bring their stimulus measures to an end. This should lead to more volatile financial market conditions and slower growth as economies start to normalise after experiencing a strong post-pandemic rebound. Investors will need to be more discerning to find sources of yield. Our Megatrends aim to identify these investment opportunities in secular growth themes (page 20).

In this context, selecting equities that provide a good balance between risk and return has become even more crucial for portfolios. Our “5 CE” investment methodology based on the “5 Criteria of Excellence” allows for such a selection. See the main components and the process of this methodology on page 8.

I hope you enjoy reading this edition of Outlook & Convictions.

Lars Kalbreier, CFA

2021-2022 MACRO FORECASTS: "DIVERGENCES"

- *Global growth revised downwards for 2021 and raised for 2022*
- *Asia is not targeting collective immunity, which is a burden on economic activity*
- *The lag in recovery between the US and the eurozone validates Federal Reserve policy*

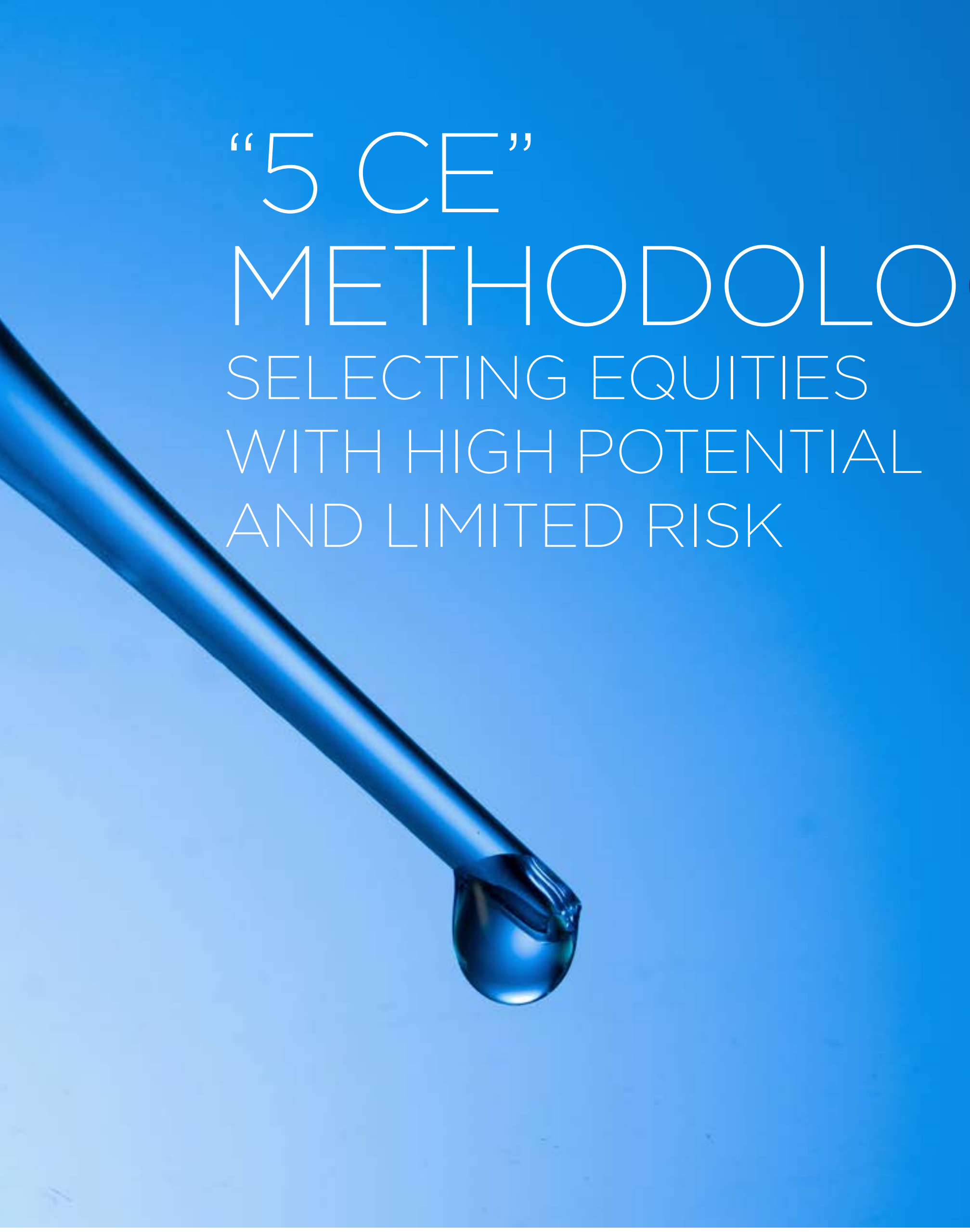
Dr. Mathilde Lemoine
Group Chief Economist

Economic activity is directly correlated to the lifting of health restrictions, which in turn are influenced by the vaccination rate. The increase in the number of people who have been vaccinated will support the consumption of services and reduce the need for remote working equipment. The pressure on commodity prices is therefore likely to ease. **The lag in the momentum of the recovery between the US and the eurozone will persist.** In the US, the 'infrastructure' plan —even a scaled back version— is set to limit the depressive effect of the end of household subsidies. In Europe, the deployment of the Next Generation EU recovery fund is expected to generate 0.2 percentage point of additional growth by the end of 2022. But the economic situation in the eurozone is based on public and private investment and the European Central Bank's ability to maintain accommodative credit conditions for SMEs. **We expect growth of 6.6% in 2021 in the US and 4.6% in 2022.** With the normalisation of consumption as assistance measures come to an end and with the catch-up effect, GDP growth will decelerate, while remaining above its potential under the effect of the ongoing budgetary and monetary support schemes. Eurozone growth will benefit from the unlocking of the funds of the European recovery plan in 2022 and the lifting of restrictions. **It is expected to be stronger in 2022, at 4.9% after 4% in 2021.** In Asia, apart from China and Singapore, as we predicted in May, the low vaccination rate is weighing on economic momentum, particularly in countries that are highly dependent on tourism. **Growth in the ASEAN countries is therefore likely to continue to be penalised by travel restrictions in 2021** and be capped at 5.1% in 2021 before reaching 5.8% in 2022, according to our forecasts.

We have therefore retained our global growth forecast of 5.2% in 2021, and raised it to 4.9% in 2022, assuming a G20 commitment to target collective immunity. Restrictive measures seem too detrimental to development as demonstrated by recent data releases in Asia.

The rise in commodity prices is likely to erode purchasing power, but it partially stems from the gradual return of activity and inventory rebuilding. Moreover, production and wage pressures are concentrated on the overheated manufacturing sector. Inflation would therefore slow in 2022 with the end of base effects and the normalisation of the structure of household consumption in favour of services. At the same time, the return of low-skilled labour to the jobs market is set to curb the rise in the average wage. Moreover, certain emerging central banks will follow the movement already started by the weakest ones and tighten their monetary policies. We continue to anticipate an increase in the Federal Reserve's key rate starting in late 2022 after reducing its securities purchases from the beginning of 2022. However, **the US is winning its "inflation rebasing" bet.** The US 10-year inflation-adjusted sovereign rate has not been so deeply negative since 1980.

The autumn season is seeing a confirmation of the multifaceted divergences of the recovery, creating the potential for highly disparate policies to exit from pandemic monetary support. This is one of the sources of instability that I am watching especially closely, along with the independence of the US central bank from its counterparts. They are likely to weigh on companies' prospects, just as the end of government support.



"5 CE" METHODOLOGY

SELECTING EQUITIES WITH HIGH POTENTIAL AND LIMITED RISK

Jonathan Kandin
Discretionary Portfolio Management

In a post-pandemic world, determining securities with high potential over the long term and limited risk is more important than ever for investors. In many sectors, selecting the best performers is a very demanding process involving several different methodologies, both quantitative and qualitative, and high-level quality control.
Our "5CE" methodology based on the "5 Criteria of Excellence" adheres to this highly rigorous process and allows for such a selection.

A strict, multi-disciplinary approach

Like taking a competitive exam to get into a French Grand Ecole or a prestigious international university, selecting the securities most likely to succeed and those with the best performances involves a selection process that is as detail-oriented as it is diversified. These evaluations require excellent scores across the board in both science and literature, and ultimately weed out students with a score below the tolerance threshold in a core subject. Candidates must also pass quantitative tests, write essays, have an aptitude for both writing and speaking and, finally, be interviewed for their personality. Only 2,000 out of 40,000 candidates were admitted to Harvard in 2021.

Our methodology based on the “5 Criteria of Excellence” is similar to these competitive exams and the selection criteria are just as strict.

That way, we can offer our clients an extremely exclusive range of just 200 equities providing long-term security and performance from an initial universe of over 3,000 securities. To achieve this, we scrupulously apply the five strict and cumulative excellence criteria from our methodology, retaining only those securities which meet them best.

Quantitative and qualitative analysis

As with the competitive exams that identify the core subjects used to evaluate students, our methodology requires that we define the key factors in companies’ competitiveness. We transform these factors into quantitative algorithms using core data and apply them to a universe of 3,000 securities. And so the selection begins: equities receive a score for every step. At the end of the process, we keep only the securities for which the sum of the five scores is the highest and that were not eliminated during the evaluation due to a poor score.

At the end of the process, we apply our quality control to 300 pre-selected securities. Just as the final interview for admission to a major university ensures that the candidate has not made it through the selection stages by chance and has values that match those of the establishment, our quality control ensures that the final selection contains only those securities with a very high level across the board, which respect our ESG values and meet the expectations of our private banking clients.

THE FIVE CRITERIA OF EXCELLENCE

Focus on core businesses
We opt for companies that concentrate their investments on a limited and identified number of activities. They demonstrate a higher degree of competitiveness and innovation than their counterparts.

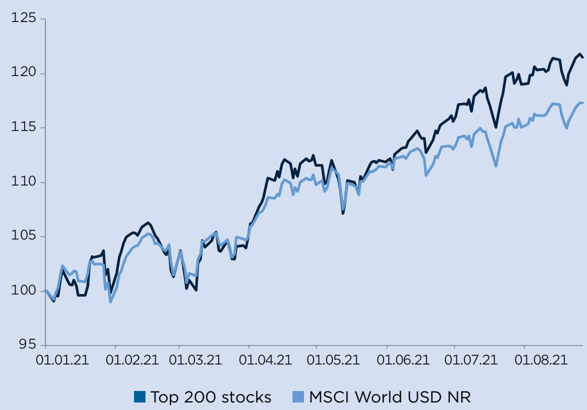
Strong brand recognition
A recognised brand drives sales, limits the impact of competition, builds customer loyalty and generates higher margins. We look for companies with strong brand recognition.

A solid balance sheet
Balance sheet strength is critical to controlling corporate risk. We look at a firm’s ability to pay down debt quickly and ensure sustainable growth for its shareholders.

No disruptive risk
A disruptive innovation or new competition can reverse a company’s comparative advantage, often irrevocably. We actively monitor companies to detect this risk when it arises.

High-quality management
Our methodology tends to seek out management that makes the strategic decisions necessary to achieve long-term objectives and play a visionary role in setting the right course.

Comparative performance of the list of 200 selected stocks and the MSCI World since 01/01/2021



Sources: Bloomberg, FactSet, Edmond de Rothschild

OUR OUTLOOK BY ASSET CLASS

We favour equities, especially megatrends, over bonds. We remain neutral on oil but retain exposure to gold. We remain constructive on the dollar versus the euro.

EQUITIES

We still favour equities over bonds but are being more cautious for the second half of 2021. Indeed, equities have been supported so far by exceptional sales and earnings momentum. But some of this momentum is linked to pent-up demand accumulated during Covid which translated into strong consumption following reopenings, stimulus measures and ultra-loose monetary policy. All of these trends should slow in the future. **We remain overweight on the US,** which is driving growth and innovation. We switched to **neutral weighting on China** in July due to the rise in Covid cases and new regulations on several oligopolies, particularly in the tech sector. **We are underweight on Europe** given the smaller scale of its fiscal measures. We remain particularly positive on securities exposed to megatrends – including relocation – which are less linked to short-term economic fluctuations (see page 14).

FIXED INCOME

In a context of low interest rates and low default rates despite the pandemic, we continue to favour bonds with the highest yields. Our preference is for emerging assets such as **Chinese government debt in local currency** (see page 12) and corporate bonds in hard currency from certain Latin American countries such as **Brazil**, Central European countries such as **Turkey**, and countries from the Asia-Pacific region such as **India.** In developed markets, we prefer high-yield debt – particularly in **France, the UK and the US** – but are still highly selective within this range. In addition, we believe that exposure to corporate and financial subordinated debt in developed markets is optimal given the credit risk premium captured.

FX & GOLD

The delta variant is causing the pace of US growth to slow slightly, increasing doubts about the central bank's next decisions. However, the situation in the US remains comparatively more favourable than in Asia or Europe. Against the backdrop of sustained growth and a rebound in inflation, a reduction in liquidity injections by the Federal Reserve seems imminent before an interest rate hike. **This context remains favourable for the dollar in the coming months,** confirming our target of 1.13-1.14*. Furthermore, the risk-averse environment combined with even temporary inflationary pressures argues for **gold prices to be sustained above $1,600 per ounce** with the psychological zone of $2,000* in sight.

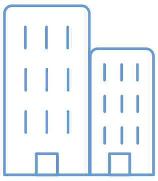
EUR/USD

1.13-1.14

** The figures and projections reflect the views of the Edmond de Rothschild Group and do not constitute any commitment or guarantee on its part. They are not a reliable indicator of future performance.*

REAL ESTATE

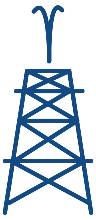
European real estate is expected to continue to benefit from low interest rates, as well as from the economic recovery and its appeal as a **potential hedge against inflation.** Differences should persist between countries and the structural changes at play still may affect growth in the different sectors. **Industrial real estate should remain the most dynamic** in the coming months. **The residential rental sector** should continue to **grow** at a pace which, albeit moderate, could prove **attractive** due to its generally lower risk. Office space should remain stagnant despite the support the recovery provides to this cyclical sector; however, some segments should recover more quickly. Lastly, commercial real estate should continue to stagnate in spite of opportunities which are likely to arise.



2021

COMMODITIES

The third quarter of 2021 should be marked, like the end of the second quarter, by lower Chinese imports of commodities. However, Chinese demand sets the pace and influences prices. On the supply side, OPEC+ seems to be comfortable with current prices. Thus, even though the reopening of other economies should be a strong support, **oil prices should move within the current price zone until the end of the year.** Industrial metal prices, and in particular those linked to the energy transition, could continue to rise, but less rapidly. They should also be temporarily supported by supply shortages. Finally, the price of agricultural commodities could, in the short term, continue to rise due to the increase in transport costs.

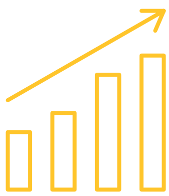


$67-70

/BARREL

PRIVATE EQUITY

The private equity market is firing on all cylinders, with fundraising, investments and outflows **reaching record levels in Q2 2021.** During this period, private equity funds raised some of their largest amounts ever. Outflows in the first half were the highest since the financial crisis. In the short term, the outlook for private equity looks favourable, even if valuations in some markets seem stretched. **In this environment, the biggest risk is passive monitoring.** To generate superior returns in this environment, managers need to demonstrate very good investment skills, which in turn requires investors to have excellent fund selection skills. Rigorous due diligence and privileged access to the best fund managers are more necessary than ever.



CHINA

BETWEEN LONG-TERM POTENTIAL AND SHORT-TERM REGULATORY AND REDISTRIBUTIVE PRESSURE

Despite a favourable growth environment, the tightening of the regulatory framework in certain sectors should persist in the short term, justifying the continuation of a neutral stance on Chinese assets. However, China remains a core component of our investment strategy, for both equity markets and fixed-income assets, and we believe that the redistributive "shared prosperity" policy will not inhibit the country's long-term growth.

François Léonet
Portfolio Manager

A growth differential that remains favourable

After a sharp economic rebound in the second half of 2020, China is now in an economic normalisation phase. As such, leading indicators have shown a slowing trend in recent months. Nevertheless, China still has a potentially favourable growth differential compared to major world regions over the next few years.

Decrease in our exposure to big tech in China

Since the second quarter of 2021, the government has been putting heavy regulatory pressure on large corporations in certain sectors that have seen a rise in profits and dominated the market since Covid, such as Internet and private education companies, under the guise of anti-competitive practices. This has generated concern over these oligopolies for equities investors. The announcement of a redistributive "shared prosperity" policy, which would increase taxes on the wealthiest, has also raised fears about growth. Additionally, the announcement by the SEC – the US stock-market watchdog – about the increased disclosure requirements for international investment vehicles, which allow major Chinese securities to be listed abroad, could lead to an international discount for those vehicles in the long term.
All these new factors justify the weaker performance of the highly technology-oriented MSCI China index this year compared with 2020. The CSI 300 index, which features greater sector diversification, has performed better than its counterpart. Interventionism should persist in the short term, in line with Xi Jinping's ambition to ensure more inclusive growth after the inequalities exacerbated by the health crisis and the excessive domination of certain oligopolies. In light of this information, we reduced our tactical allocation on Chinese equities to neutral in July. We are still reducing our exposure to technology companies.

An attractive domestic equity market in the long term

The pursuit of long-term high-quality growth remains a priority in China. We believe that the authorities' aim is to set a framework for certain sectors that have crossed a red line and to avoid the explosion of inequality rather than to curb the potential for growth and innovation.
Valuation levels, which were excessively high at the beginning of 2021, have also been able to deflate towards their long-term averages after the recent stock-market correction, creating an opportunity for entry. Chinese financial assets are still significantly under-held by international investors relative to the country's economic importance.
It is for all these reasons we are still convinced that Chinese equities remain attractive in the long term. We are therefore reinvesting part of the funds freed up by reducing the exposure to technology oligopolies in nationally-oriented companies that are far-removed from the technology sector and have less dominant positions on the market.

Government bonds that remain attractive

Chinese corporate bonds have also experienced some turbulence in 2021, on the one hand because of the specific financial difficulties at Huarong Asset Management and China Evergrande, two major bond issuers, and on the other because of the wave of interventionism. The authorities ultimately decided to bail out Huarong, a large financial company more than 57% owned by the Ministry of Finance, but show no sign of supporting Evergrande, which is privately owned. These events seem to indicate that government support for large Chinese corporations is not systematic and that the trend is towards empowering the management teams.
We are neutral on Chinese private company credit due to market volatility and regulatory uncertainty, but remain positive on Chinese government bonds in local currency, which are benefiting from the strong growth of the Chinese economy and government support, albeit sporadic.

The MSCI China, which is heavily exposed to Chinese internet companies, has fallen over the past 12 months, while the more balanced CSI 300 index has been stable over the period

Source: Bloomberg, data as of 03/09/2021

Loan growth to individuals has returned to pre-pandemic levels

Source: FactSet

LOCAL
IS THE NEW
GLOBAL

Globalisation, which had already been called into question before the health crisis, was brought to a screeching standstill during Covid. In its stead, the relocation of operations, which began in 2020 as a matter of urgency, is expected to continue in the future due to the need to sustain supply chains, through task automation, government pressure and the demands of a population with much higher ESG awareness than before.

Hervé Prettre
Head of CIO Office &
Thematic Investments

From globalisation to deglobalisation

After the much-lauded "joy of globalisation" in the 1990s, the first challenge to this paradigm came after the subprime crisis of 2008. In the 2010s, the decline in the purchasing power of the working classes in the West, due to the crisis and then growing competition from workers in emerging countries, swelled the ranks of those dissatisfied with globalisation. Thus, some degree of "deglobalisation" began in 2016 with Brexit and the rise to power of Donald Trump. He established new customs barriers unseen since the 1980s on several imported products, and particularly those from China.

The Nike example

On a purely economic level, globalisation seemed to be reaching its limits at the same time because of its lack of flexibility in the face of increasingly impatient consumers and fashions changing at lightning speed thanks to social networks. A famous example of this is Nike's misfire in 2018 with the French football team's shirts. The American sports equipment manufacturer had not bet on a win by the "Bleus" at the World Cup in July, and only produced 30,000 French team T-shirts in China with a second star. They sold out in only one day, and practically all via smartphone, right after the final whistle. Nike immediately wanted to order more, but soon realised that restocking in China would take six months, so the T-shirts would be available in... December!

Out of this turbulence, a new local world emerged

The Covid crisis drew international trade to a brutal halt. The spread of the virus – accentuated by globalisation – forced borders to close, led to the return of national sovereignty and paralysed supply chains that were spread out to the far ends of the earth. Governments were shocked to discover their dependence on Asia and were forced to ration certain essential goods such as masks and paracetamol (80% of which is produced in China). Large corporations had to urgently reorganise their production sites in this new world. Then a solution appeared—invest in the local production of strategic products.
Forced to innovate, companies relied on technology to replace Chinese and Indian factories with local, automated factories.

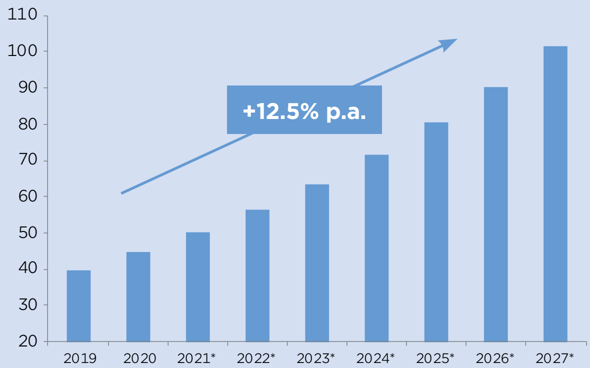
Regionalisation, here to stay

Now that the health crisis is being resolved in the short or medium term (depending on the variants), **will the regionalisation movement continue? Yes.** We are convinced that it should even accelerate, driven by several factors:

› **Technology reverses the comparative advantage of offshoring**

The cost advantage of manufacturing titans like China is declining. Indeed, after a 7.5-fold increase in Chinese wage costs since 2002 ($4.5 per hour in industry in 2020 compared with $0.60 in 2002), the advantages of oper-

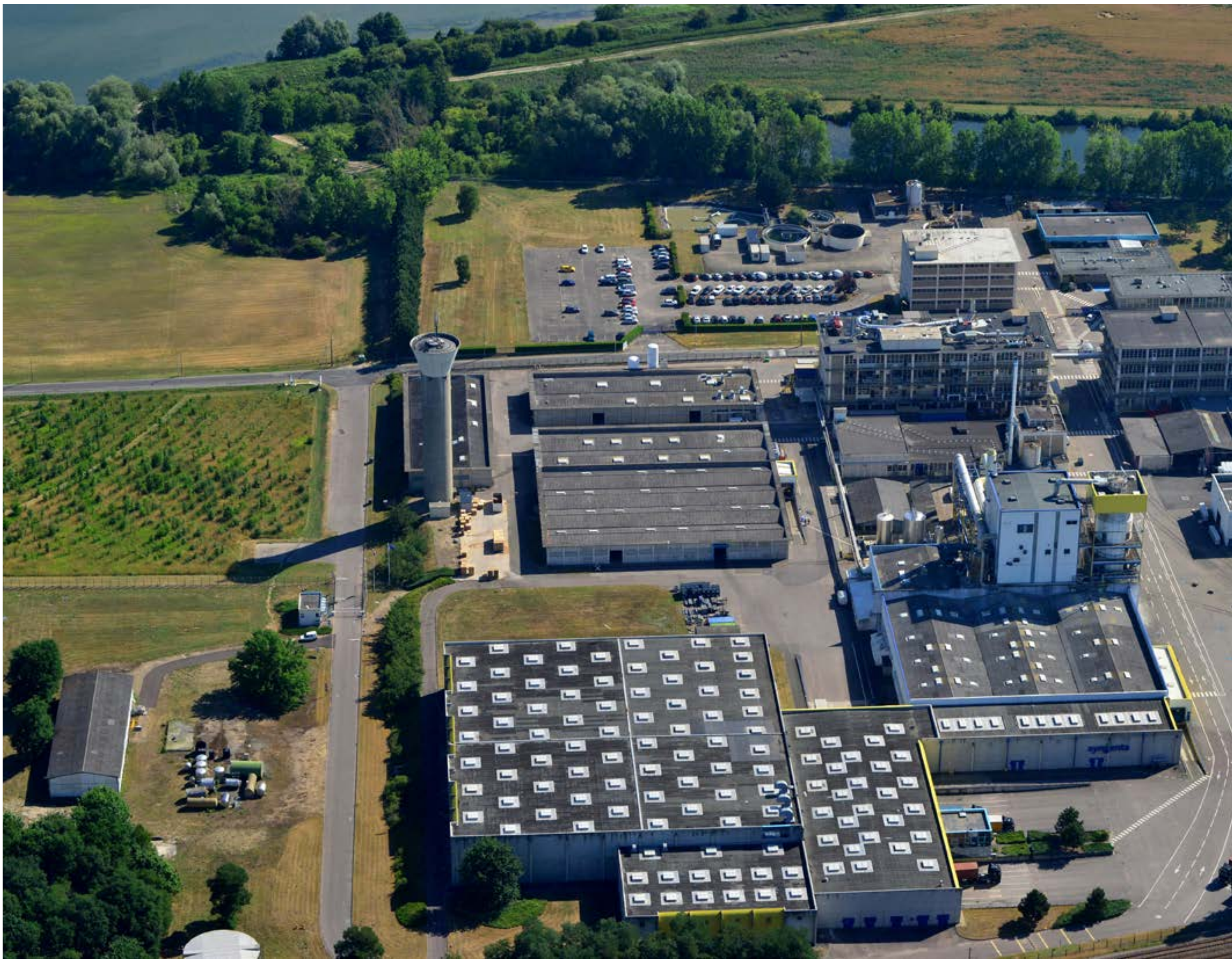
Global size of the market for industrial robots between 2019 and 2027 (in billion US dollars)



Sources: Research & Markets, International Federation of Robotics

Share of intraregional goods trade in total trade (exports + imports), 1995-2019, %

Sources: ITC Trade Map, United Nations



ating in this country because of its low wages are less obvious. At the same time, advances in production technologies are reducing manufacturing costs, particularly through automation, 3D printing and the use of artificial intelligence. Automated factories, in close proximity to the end consumer in the West, can also respond to a spike in demand or reduce production quickly. **We are witnessing a reversal in an industry hitherto based on rigid planning and fragmentation which is slowly becoming predictive and self-correcting, thanks to automation and AI, in order to produce the right quantity at the right time.** Another catalyst is that automation costs have also fallen significantly. According to consulting firm Roland Berger, the hourly cost of a robot in 2020 in certain industries fell to €4-5, a level similar to that of a Chinese worker in certain industries.

› **Companies seeking resilient supply chains**

Since 2020, companies have learned that the supply of goods can collapse in times of crises, be they health-related (e.g. Covid), logistical (e.g. blocking of the Suez Canal in early 2021) or political (e.g. Brexit). They are therefore reviewing their strategies to increase their resilience by making production more regional. The German car manufacturer BMW can attest to this—for

The hourly cost of a robot in 2020 fell to €4-5, a level similar to that of a Chinese worker in certain industries

one of its turboprop models, it needed 855 parts produced worldwide. They had to travel a total of almost one million kilometres to their assembly point, or almost three times the distance from the Earth to the Moon! In 2020, BMW replaced this model with on-site 3D printing in order to optimise its supply.

Among other benefits, a local supply chain reduces the risk of production interruptions, which have become frequent over the past few years due to climate, geopolitical and health-related events. This new risk factor should be taken into account in business continuity strategies from now on.

› **ESG awareness increasingly favours regional production**

People want to reduce their carbon footprint and consume locally. They are even willing to pay a slightly higher price for a product made not far from where they live. In the same vein, recent scandals have proved shocking, such as the cautionary tale of the famous tomato paste “made in Italy”, but which was actually produced in China, and some of it with tomatoes grown… in Italy. The tomatoes were shipped to China and the paste was sent back to Italy before being sent to the four corners of the globe.

At the social level, the inequalities that are the legacy of the health crisis are also prompting people to support local production in order to create jobs. This phenomenon should intensify with the increased purchasing power of the younger generation, which is more sensitive than its elders to environmental and social issues. **This trend should force producers to align their offer with a true ESG label and, in practice, much more regional production.**

› **Governments are promoting regionalisation**

They are doing this in two ways: firstly, they are introducing new requirements for the production of strategic components or critical products in their own countries. This effort was recently focused on masks but has now turned to semiconductors, more than 80% of which are produced in Asia and which form the basis of much industrial production, including automobiles. These chip-consuming industries are spearheading the recovery and job creation, so finding the right formula is of strategic importance.

Secondly, the challenge of rebuilding activity after Covid and catching up with a more competitive China is being met through strategic recovery plans aiming to dominate the new high-tech industries. This favours national champions in key industries, such as artificial intelligence, the cloud, semiconductors, batteries, transport, construction, etc.

These two phenomena – the production of strategic goods and gains in competitiveness – contribute to the emergence of regionalisation.

Regionalisation is becoming the new global norm

Regionalisation started during the Covid crisis and is expected to intensify in the coming years.

Soon, ‘Made in USA’ and ‘Made in France’ labels should replace many ‘Made in China’ labels, at affordable prices, thereby reducing logistical risks and benefiting consumers eager for sustainable development. Will the 2020s go down in history for ushering in the “joy of regionalisation”?

OUR MEGATRENDS

HUMAN CAPITAL

Human capital is emerging from the Covid crisis as one of the priorities for governments and businesses. A significant portion of the Biden administration's stimulus packages is allocated to investments in people, an acknowledgement that a well-educated population is a fundamental asset in the knowledge economy and the backbone of future competitiveness. Companies are also accelerating their investments in human capital, as their positive impact cannot be denied. A major American bank recently calculated that firms that have a diverse board of directors, that provide opportunities for their employees and where women hold more than 30% of management positions perform better and have less volatile earnings than average companies.

FARMING 4.0

Harvests are projected to be disappointing in 2021, given the significant climatic hazards (drought in the US, recurring rains in Europe, etc.), while global demand is growing with the post-Covid recovery. Moreover, agricultural commodities delivered a performance of more than +23% between January and the end of August 2021. The expected harvest shortfall and price levels should provide a favourable environment for new agricultural techniques, including soil-less agriculture, which is independent from climate hazards; intelligent sorting of fresh produce to limit waste; crop monitoring drones and food substitutes.

SUSTAINABLE CORPORATE GOVERNANCE

Strengthening corporate governance remains a prominent theme. In France, the Ministry for the Economy has launched a responsible corporate governance initiative with the goal of creating a "more responsible capitalism". In addition, the 2021 biennial survey by strategy firm PwC* found that companies with stable shareholders weathered the health crisis better than their peers due to their prudence, larger financial reserves and long-term strategy. For instance, during the pandemic, 71% of the world's responsibly-governed SMEs sought to maintain employment, nearly half of them cut their dividends, and many of their executives agreed to lower compensation.

**10th Global Family Business Survey, a biennial survey of 2,800 small- and medium-sized businesses in 87 countries conducted by the audit and consulting firm PwC.*

CYBERSECURITY

Cybersecurity has once again been a recurring theme in recent months. Some examples include the publication of hacked images from surveillance cameras revealing the inside of a prison and a police station, and the attack on an oil pipeline operator in the US that led to fuel shortages at some East Coast service stations. The Biden administration has sized this up as a national security emergency, working on legislation to further criminalise all cyber aggression and provide financial assistance to businesses to strengthen their IT security. The rise in attacks and in the average cost of ransomware incidents is a reminder of the urgent need to act in this area. In April of this year, Jerome Powell, Chair of the Board of Governors of the US Federal Reserve, said that cyberattacks are one of the biggest risks to the US economy.

DIGITAL LIFESTYLE

E-commerce growth is not slowing down. Although the proportion of online orders in total purchases has stabilised since the historic proportions reached during lockdowns, the strength of consumption means e-commerce will continue to grow. In France, the increase in online sales in Q1 21 matched that of Q1 20, up 30%. And the strongest growth came from online offers by traditional retailers, whose sales rose by 66% year-on-year—three times the level of online-only retailers. Customers have taken on new habits, and the offerings have expanded and become more professional, to the point that e-commerce is becoming a digital lifestyle even in population categories such as seniors.

HEALTHCARE REVOLUTION

While the main takeaways for the general public are the new possibilities for messenger RNA (notably an AIDS vaccine tested in mid-August 2021 for a Phase 1 clinical trial), there have nevertheless been interesting developments in other fields. For example, artificial intelligence has proved capable of predicting the 3D structure of almost any molecule coded by the human genome, a revolution for medical research in order to treat infectious diseases and cancers. Telemedicine (or e-medicine) continues to grow at a rate close to 20% for this year thanks to new features. For the moment, however, earnings are not yet keeping pace with sales. The healthcare revolution should therefore continue to advance in the medium and long term to constitute one of the major leaps forward of the current decade.

IMPRESSUM

Director of publication: Lars Kalbreier, Global CIO Private Banking
Chief editor: Hervé Prettre, Head of CIO Office & Thematic Investments
Design, coordination & production:
Anthony Aleu-Roca, Sonia Costa Pons, Julien Currat and Mouloudia Duval
Images: Edmond de Rothschild, AdobeStock, Unsplash.com
Drafting finalised on 31 August 2021