



Richelieu Global Innovation



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Markets

World Equity indices posted gains in April as investors nervously pondered whether the banking crisis was over or not and awaited the next round of Central Bank's policy meetings. This in the context of Q1 corporate results and guidance. In the US, the Fed has reached a critical point in its battle against inflation, and the next couple of months will determine whether or not it can navigate a so-called soft landing for the U.S. economy without tipping it into a recession. First-quarter earnings season has been lackluster so far, with S&P 500 companies reporting a 3.7% year-over-year drop in earnings but better than anticipated following strong downward revisions. The first quarter is on track to be the second consecutive quarter of negative earnings growth for the S&P 500, after a 3.2% drop in the fourth quarter of 2022. In Europe, the ECB will likely continued tightening policy in May and may provide guidance as to how much more work will still need to be done to combat inflation. As for European results, with roughly half over, earnings and revenues are coming ahead of expectations. As for the full year guidance, there remains too much uncertainty on the macro front for those to be raised.

Fund

The fund ended the month in negative territory and underperformed its benchmark Bloomberg World Large and Mid-Cap NR index for the month. The fund nonetheless continues to outperform on a year-to-date basis. The best contributors to performance in April are Meta Platforms, Lion Electric, Integrated Ad Science, Biogen, AstraZeneca and Hexel Corp. The worst contributors were Nouveau Monde Graphite, Mobileye, Affirm and Taiwan Semiconductor. In terms of allocation, we remain largely overweight on our product innovation bucket. In terms of geographical allocation, we are tactically slightly underweight the US and overweight Europe. We are nonetheless monitoring the situation closely and are ready to adjust our allocation if we deem necessary.



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Looking ahead

The month of May has historically not been one of the better months of the year for the Bloomberg World Large and Mid-Cap NR index, having returned on average -0.31% over the last 15 years. The two market catalysts that have been the main market movers over the past few quarters, inflation and Central bank policies will remain at the forefront in May. However, we could well see the last hike of this cycle and inflation could finally show signs of a speedy deceleration in the US. In Europe, The ECB will most likely have further to go. As for China, the impact of stimulus on the macro is still bumpy and we likely will need a few more months of data to feel confident that it's on the right path.

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