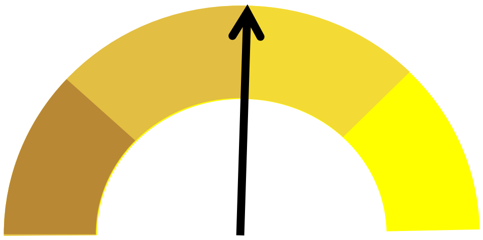
ASSET ALLOCATION

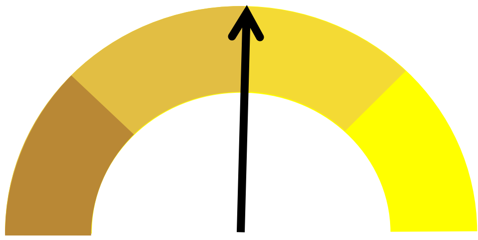
RB Asset Management 1Q/2023

Current Asset Allocation



MAX underweighting of risk assets **MAX overweighting of risk assets**

Expected Asset Allocation in 1Q/2023



MAX underweighting of risk assets **MAX overweighting of risk assets**

Source: Raiffeisenbank a.s., Management, data valid as of 11 January 2023.

Dear Clients,

We have just experienced one of the most demanding periods over several past years. The Covid pandemics, the dramatically increased geo-political tensions resulting from the invasion of the Russian troops in Ukraine, high inflation and increased interest rates. An almost perfect storm that brings together in one moment all of these influences, thus multiplying their effect. The same impacts have also been felt by the financial markets. Equities, measured by global indices, lost twenty percent last year, while bonds, which also recorded losses in the previous year, did not fare well either. Such situation, characterised by a sharp fall of the prices of major assets all at the same time usually happens very rarely, in the order of tens of years.

The beginning of this year follows on from the previous year, because the accumulated problems, unfortunately, will not disappear overnight. However, some first signs of cautious optimism are emerging. Energy prices on stock exchanges plummet to pre-war levels and even below government price caps. The Czech Crown has been approaching the strongest values recorded in its modern history. These factors will significantly inhibit inflation, which may drop into the single-digit range already in the coming months.

Each period brings about new opportunities. The current high inflation and increasing interest rates significantly boost attractiveness of bonds. Yields to maturity of Czech sovereign bonds reached the six percent tier just a few weeks ago; we have not seen similar values for more than twenty years. I am very happy that we have together managed to increase volumes, in particular in bond strategies. Also the performance of bond strategies has written a positive story, with appreciation of approximately plus four percent over the past six months.

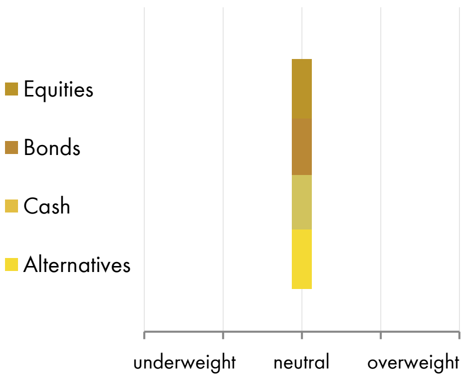
After inflationary pressures, rate hikes, and recession fears have subsided, stock markets may also offer some positive surprises this year. Shopping 'at discount' resulting from recent sell-offs, and at the same time with interesting valuations, what more could a stock investor ask for. Therefore, we have been entering the New Year with moderate optimism. We are convinced that investments and asset management will once again be the first choice for money appreciation this year.

Thank you for your trust, and we wish you much success in the New Year!

Mr Michal Ondruška,
Manager, Asset Management

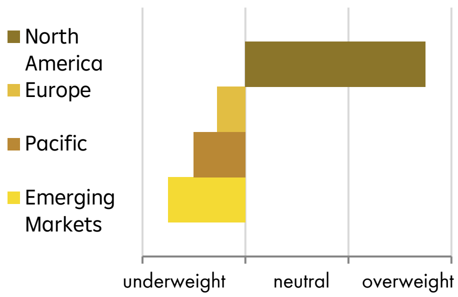
Raiffeisenbank a.s. Hvězdova 1716/2b ▪ PO box 64 ▪ 140 78 Praha 4 ▪ tel.: +420 234 401 111 ▪ fax: +420 234 402 111 ▪ e-mail: info@rb.cz ▪ web: www.rb.cz ▪ IČ: 49240901 ▪ zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, oddíl B, vložka 2051

TACTICAL ASSET ALLOCATION – ASSET CLASSES



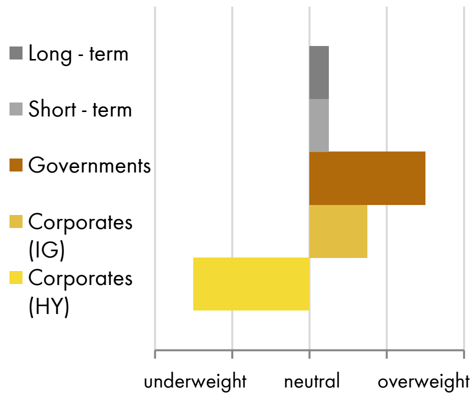
The markets currently expect a peak of the benchmark interest rates to occur in the United States in 2023, at the level of approximately 5 percent. Some of the FED members concede that rates will be raised more and will stay at higher levels for a longer period of time. The European Central Bank's president, after its December meeting, convinced the markets that the top of the ECB's interest rates could be as much as by 1 percentage point higher than previously expected, i.e. close to 4 percent. The current warm weather, December's lower-than-expected inflation in Europe and lower-than-expected wage growth in the United States allowed bond and stock prices to rise on global markets in the first week of January. Thus, inflation and its possible faster fading, which the markets are currently betting on, remains the key factor this year. The commencing season of releasing economic results will allow the markets to respond to new data regarding maintenance of corporate profits, revenue outlooks, and potential recession. Due to the increased uncertainty of further developments, we leave the tactical allocation at a neutral level.

TACTICAL ASSET ALLOCATION – EQUITY REGIONS



As far as investment strategies are concerned, in view of the war in Ukraine and its economic impact on Europe, we continue to keep the American region overweight. We continue to stick to underweight allocations in Europe and in the Pacific Area, as well as in the emerging markets. Exposition to the U.S. equity markets represents approximately 70 percent of the risk portion of our portfolios. Out of that, around 10 percent has been invested in the Nasdaq Technology Sector Index. We are overweight in the Financial Sector, the Industrial Sector, and in the Health Services Sector. We hold 13 percent in the European stock markets. In the Pacific Area, including Japan, we invest 6 percent, while we hold approximately 11 percent in the emerging markets.

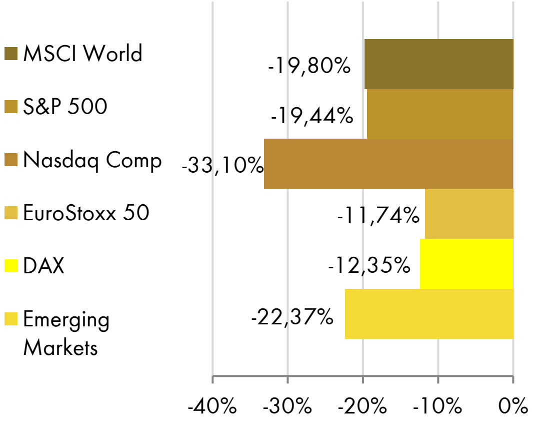
TACTICAL ASSET ALLOCATION – BONDS



The prices of bonds have been increasing at the beginning of the year 2023, thanks to macro data. Czech-Crown-denominated sovereign bonds with maturities of 3 to 5 years offer yields just below 5 percent, with a decrease of about 0.5 percent per quarter. U.S.-Dollar-denominated corporate bonds then yield 5.2 percent (5.7 percent according to previous data) in the investment range, and 8.4 percent (9.3 percent) in the high-yield segment. Investment rating corporate bonds denominated in EUR then have been traded with yields of 4.1 percent (4.3 percent) and 8.1 percent (8.9 percent) per year in the high yield segment. The bond prices may still be growing (and their yields to maturity declining), if the global inflation gets mitigated. 'Recession' will become a more frequently quoted word. The CNB repo rate remains stable at 7 percent and unwillingness to move it has been obvious from statements by the new members of the Bank Board who prefer monetary interventions in order to defend a stronger Crown. Attractiveness of Crown-denominated bonds, money market instruments, and the local currency has been reduced, along with the rates hiking by the main central banks. Considering the increased risk in the markets, we prefer sovereign bonds as well as corporate bonds with investment rating.

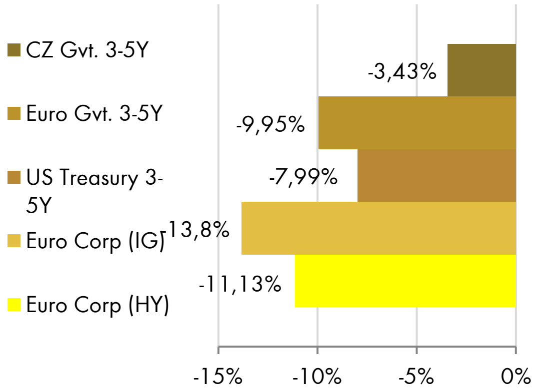
Source of data in charts: Raiffeisenbank a.s., Asset Management, data valid as of 11 January 2023.

ECONOMIC SITUATION AND MARKET TRENDS IN 2022



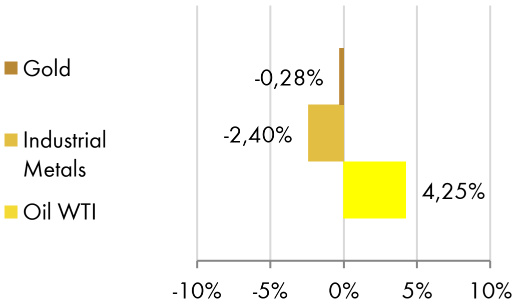
SHARES

As far as profitability is concerned, the year 2022 ranked among the least successful periods over several past years. Investors in equities feared increasing interest rates and they expected declining corporate profitability. The S&P 500 Index of U.S. shares wrote off 19.44 percent at the end of the year. The Nasdaq Technology Sector Index was losing more than 33 percent. The Emerging Markets Index lost 22.37 percent. This naturally was reflected by the Global Equities Index, which was corrected by 19.80 percent at the end of the year 2022.



BONDS

High inflation and the resulting tightening of monetary policies by the central banks have had its effects on the bond markets as well. The ECB ended the era of null / negative interest rates and it has sent the index of European sovereign bonds with maturities of 3-5 years to negative values (they wrote off 9.95 percent in the course of the year). The U.S. sovereign bonds wrote off 7.99 percent. Czech bonds were doing relatively well under such environment, having lost 'merely' 3.43 percent. Low rating corporate bonds were doing worse. The European index of high-yield bonds wrote off 11.13 percent.



COMMODITIES

Commodities of significance, which we monitor, despite the volatile course of the year, closed on almost identical values as those they opened the year with. Gold lost 0.28 percent. Industrial metals lost 2.4 percent. Crude oil represented one of the exception regarding negative performances: it increased by 4.25 percent.

	31/12/21	30/12/22
EUR/CZK	24.88	24.16
USD/CZK	21.88	22.56
EUR/USD	1.1370	1.0705

CURRENCIES

The currency markets were also very volatile in the course of the year. The Czech Crown closed by 3.13 percent weaker against the Dollar. It strengthened by 2.9 percent against the Euro. From the global point of view, there was an interesting development regarding the Dollar-Euro currency pair. The Dollar strengthened below par during the year. It closed by 5.85 percent stronger against the Euro at the end of the year.

Source of data in charts: Bloomberg. Performances of individual assets are measured in the primary currency of the given instrument in the period from 31 December 2021 to 30 December 2022.

The currencies table shows the rates as of the date as indicated.

FUTURE OUTLOOK

Last year was an unkind one for investors as both bond and stock prices fell at the same time, which rarely happens. The most closely watched S&P 500 global Index fell by almost 20 percent in the year, and the index of U.S. sovereign bonds with maturities of 3-5 years fell by 8 percent in the year. This has been the biggest drop since 2008 in the case of the equity index, and also one of the biggest declines in history as regards the bond markets. The year-to-date declines could have been higher, but the S&P 500 Index added 7.1 percent and the U.S. Treasury Index went up more than 1.2 percent in the last quarter of last year.

Both the equity and the bond markets responded in a negative manner to the unexpectedly high global inflation, the increases in interest rates by central banks (FED, ECB) and, especially in the case of equities, to the war conflict in Ukraine.

The FED increased its benchmark interest rate from 0.25 percent at the beginning of the year to the current 4.50 percent. Originally, the FED believed that the inflation was merely a transitional occurrence due to a non-functioning supply-customer chain, but an increase in energy prices came with the war in Ukraine and, combined with a strong labour market, inflation rose higher than expected. The ECB, too, was forced to increase its repo rate from zero to the current 2.5 percent. Solely the CNB, in its new composition, still has maintained the benchmark interest rate unchanged at 7 percent.

Expectations have it that both the FED and the ECB will carry on their restrictive monetary policies in order to cut down on the current inflation and to meet the set target and to protected savers' money from depreciation and subsequent recession. The central banks, in addition to further raising interest rates, have also been reducing the volume of assets on their balance sheets ('quantitative tightening').

The yield of the ten-year U.S. sovereign bond jumped from approximately 1.5 percent up to 3.8 percent p.a. during last year. Also the yield of the ten-year German sovereign bond increased as much as to the current 2.3 percent p.a. It is a good piece of news for Europe that both gas and electricity prices fell significantly in the last few days of the past year, which could mean lower input costs for businesses, as long as such lower prices persist for a longer period of time. The yield of the ten-year Czech sovereign bond increased from 2.9 percent up to approximately 4.9 percent during the last year. The yield curve of the Czech sovereign bonds has retained its inverse shape in the 10-year horizon. The yields of bonds with longer maturities again declined at the beginning of this year.

The anticipated P/E of 16.5 (*Source: FactSet*) for the next 12 months is lower for the S&P 500 Index than its five-year average of 18.5 (*Source: FactSet*) as well as its ten-year average of 17.2 (*Source: FactSet*). Nevertheless, the FED's model on the S&P 500 Index indicates that the risk premium is lower (2.2 percent) than its long-term average (3.1 percent), making equity markets less attractive relative to U.S. Treasury yields.

The upcoming season of the releasing of companies' economic results for the fourth quarter, along with their managers' outlook for this year, will be important for the development of the markets. It is probable, that both market volatility and investors' uneasiness will increase in the forthcoming quarter, because there is still a lot of uncertainty in the market. Higher market volatility, however, brings about investment opportunities. A certain guideline regarding future market development will be offered by the FED session to be held at the beginning of February, as well as the upcoming season of releasing corporate economic results and managements' outlooks. So far, the aggregate growth of the S&P 500 Index corporate profits is anticipated to grow by 4.8 percent, y/y, and aggregate revenues by 3.2 percent, y/y, this year. Global inflation will continue to be an important factor for the development of the markets; it could decline towards more favourable values this year.

We maintain our portfolios balanced with the benchmark ('neutral equity allocation') and we continue to direct the majority of our equity investments to the United States. In the bond section, we weight the duration ('average bond maturity') with the duration of the benchmark.

Outlook by: Raiffeisenbank a.s., Asset Management, regarding the individual asset classes in 1Q/2023:

SHARES	BONDS	CASH	ALTERNATIVES
U.S.A.	Bonds < 3Y	Cash, Term Deposits, Savings Accounts	Energy, crude oil
Technology, Healthcare, Finance, Industrials, Materials, Dividend-paying shares segment	Bonds > 3Y		Real Property
	Credit		Gold

KEY:	POSITIVE EXPECT.	NEUTRAL EXPECT.	NEGATIVE EXPECT.

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Information about Raiffeisenbank a.s.

The document has been drafted by Raiffeisenbank a.s., with registered office at Hvězdova 1716/2b, Praha 4, Registration number (IČO): 49240901, incorporated in the Companies Register administered by the Municipal Court in Prague, Section B, File no. 2051. Raiffeisenbank a.s. has been supervised by the Czech National Bank.

The information has been valid as of 11 January 2023. This information may be modified in future and RB shall not be required to inform any recipients of the present document about such modifications.

Officer in charge: Mr Michal Ondruška, Manager, Asset Management.

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