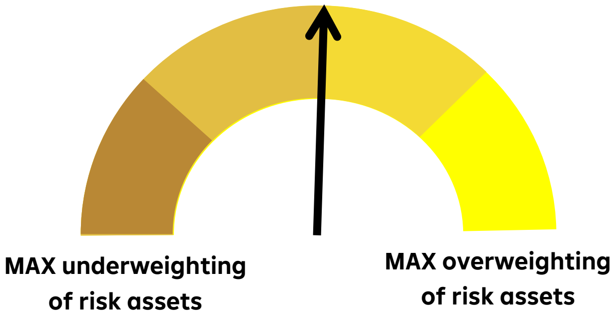
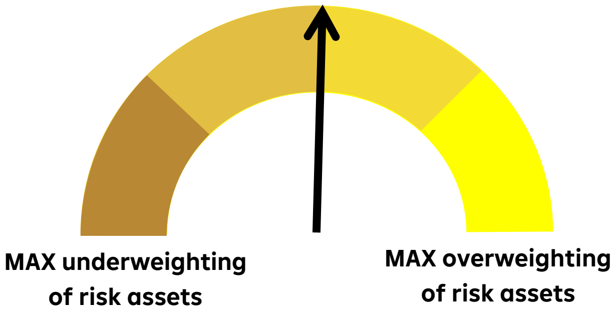
ASSET ALLOCATION

RB Asset Management 4Q/2022

Current Asset Allocation



Expected Asset Allocation in 4Q/2022



Source: Raiffeisenbank a.s., Asset Management, data valid as of 12 October 2022.

Dear Clients,

Increased uncertainty persisted in the financial markets also in the just past quarter. The continuing war conflict in Ukraine, growing inflation and increasing interest rates, reduced gas supplies, as well as, for example, higher numbers of occurrences of the Covid disease, all this causes nervousness in the financial markets. The MSCI global stock index weakened by 7 percent in the past quarter. The Czech Crown-denominated bonds did better, having increased by more than 1.6 percent. The U.S. Dollar performed well; its strengthening mitigated the losses of Dollar-denominated investments in Czech Crown terms.

We expect that the factors of uncertainty will continue to influence the financial markets also in the coming period. Therefore, we envisage higher price fluctuation, even across the entire market; the equity markets may even decline to new lows. A session of the U.S. central bank to be held at the beginning of November, information about inflation trends, as well as the economic results recorded in the third quarter of this year, will represent the key economic factors. The Czech National Bank has slightly adjusted its rhetoric in the direction of possible interest rates hikes; nevertheless, the markets do not seem to bet on this possibility yet.

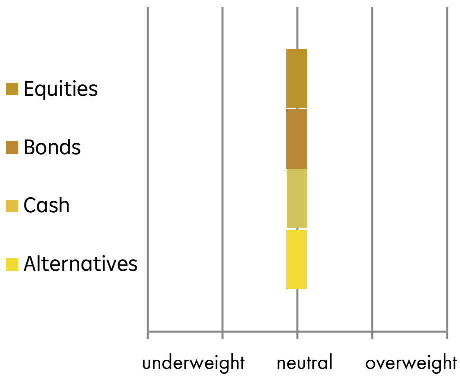
The current complex situation facing the financial markets brings about a number of opportunities, too. We see Czech Crown-denominated sovereign bonds as a unique investment opportunity, since they offer at the moment an option of fixing long-term yields at around 5.5 percent p.a., something which represents the highest yield over the past more than twenty years. Sovereign bonds, at the same time, can be considered as both liquid and high credit-worthy instruments. We have increased the portion of sovereign bonds as against equities in our managed portfolios in the just past period; at the same time, we have extended their average terms to maturity. We prefer sovereign bonds to corporate issues.

As far as equities strategies are concerned, we significantly overweight U.S. shares. We have noticed here higher growth potentials as compared to other regions. Nowadays, valuations of U.S. shares – as we see them – fluctuate in a slightly undervalued area, something which supports our interest in that segment. Also the energy self-sufficiency of the United States and lower energy prices in that region increase competitiveness of U.S. companies against their competitors operating in other regions. Any potential purchases of equities, naturally, need to be spread over time in order to minimise the risks of unsuitable timing. This feature represents one of the interesting options of participating in the declining market and thus making use of the opportunities offered by low prices.

We wish you much success in the coming period of time.
Mr Michal Ondruška, Manager, Asset Management

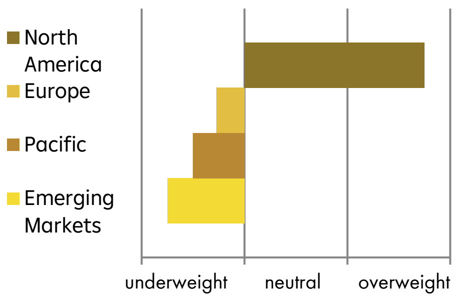
Raiffeisenbank a.s. Hvězdova 1716/2b ▪ PO box 64 ▪ 140 78 Praha 4 ▪ tel.: +420 234 401 111 ▪ fax: +420 234 402 111 ▪ e-mail: info@rb.cz ▪ web: www.rb.cz ▪ IČ: 49240901 ▪ zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, oddíl B, vložka 2051

TACTICAL ASSET ALLOCATION – ASSET CLASSES



Uncertainty and inflation fears returned to the financial markets at the end of the third quarter. The U.S. FED gets tougher in its fight against inflation and even warns that it will 'hurt'. The reason: repeated negative inflationary surprises, especially in the United States. The European Central Bank subsequently proceeded with a higher-than-expected rate hike. The yields of 10-year sovereign bonds of the developed countries thus exceeded at the end of September this year's record-high figures last noticed in mid-June. As far as the United Kingdom is concerned, we have witnessed a major increase in bond yields and a drop in the exchange rate of the U.K. pound that were not stabilised until an intervention by the Bank of England following the unfortunate fiscal statement by the new Madam Prime Minister. The markets currently expect a peak of the benchmark interest rates to occur in the United States next year at the level of 4.6 percent; as regards the European currency, then, it is somewhere close to 3 percent. For the stock markets, in addition to the rise in rates, the earnings season and confirmations or denials of the expectations of growths in company profits close to 10 percent will be crucial this year. It is in view of the higher uncertainty of any future developments that we leave our tactical allocation neutral.

TACTICAL ASSET ALLOCATION – EQUITY REGIONS



We have left the tactical allocation in view of the benchmark in a neutral mode. As regards our investment strategies, we have left overweight the U.S. region, in view of the war in Ukraine and its economic consequences for Europe. We keep underweight allocations in Europe and in the Pacific, same as in the emerging markets. Expositions in the U.S. equity markets represent approximately 70 percent of the risk portions of our portfolios. Of that, some 10 percent has been allocated in the Nasdaq technological index. We have been overweight in the Financial, Industrial, and Health Services Sectors. We hold 13 percent in the European equity markets. We further hold 6 percent in the Pacific, including Japan, and approx. 11 percent in the emerging markets.

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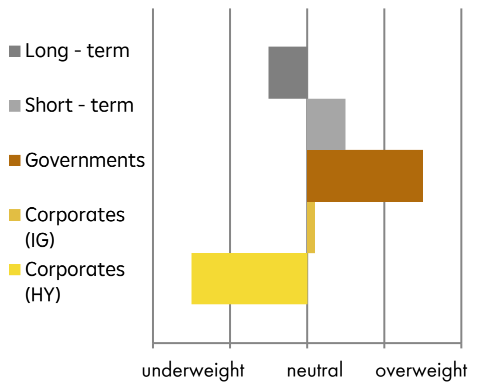
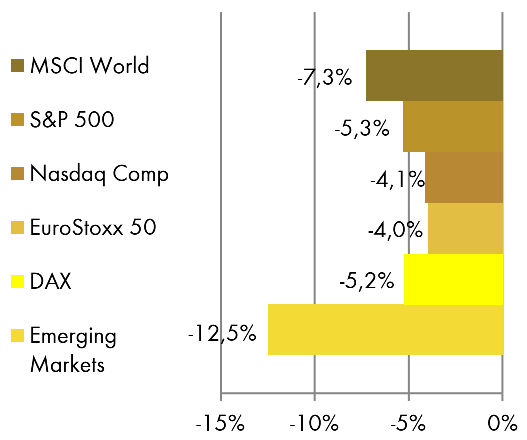
TACTICAL ASSET ALLOCATION – BONDS



Bond prices have been going down at the beginning of October, something which boosts attraction of yields to bond maturity. Czech Crown-denominated sovereign bonds with maturities of 3 to 5 years offer yields of 5.5 percent per year, while Dollar-denominated corporate bonds yield 5.7 percent in the investment area, and 9.3 percent in the high-yield segment. Corporate bonds with investment rating in EURO have been traded with yields of 4.3 percent, and 8.9 percent annually in the high-yield segment. Persisting inflationary pressure represents a risk for bond prices. The Czech National Bank has stabilised its 'repo' rate at 7 percent, however, the burdensome inflationary environment may force it to push it up further. Monetary interventions continue to defend the stronger Czech Crown. It has been in view of the increased market risks that we have preferred sovereign bonds and also corporate bonds with investment ratings.

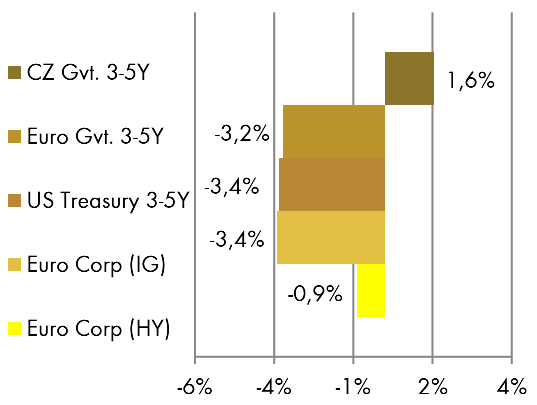
Source of data in charts: Raiffeisenbank a.s., Asset Management, data valid as of 12 October 2022.

ECONOMIC SITUATION AND MARKET TRENDS



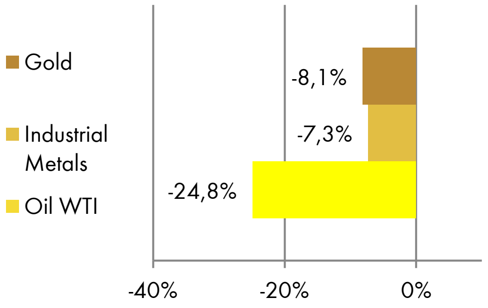
SHARES

The equity markets continued to find themselves facing selling pressures in the course of the third quarter. The worst performing was the Emerging Markets Stock Index. It wrote off more than 12 percent during the third quarter. The broad U.S. S&P 500 Index wrote off 5.28 percent and the Nasdaq Index of Technological Shares lost 4.11 percent. European equities were losing in a similar tempo. The German Stock-Exchange Index lost 5.24 percent and the EURO STOXX Index 50 wrote off 3.96 percent.



BONDS

Global bond markets also did not do very well (the Czech sovereign bonds represented one of the few exceptions as they have increased by 1.55 percent). U.S. sovereign bonds with maturities of 3-5 years lost 3.35 percent. The Index of European high-risk bonds wrote off 0.90 percent. European sovereign bonds wiped off 3.21 percent. Thanks to corrections in respect of both European and U.S. sovereign bonds, the yield differential between Czech and foreign sovereign bonds (especially U.S. Treasuries) has been decreasing over the past period.



COMMODITIES

Also some selected commodities have been losing in the past period of time. Gold, in its capacity of a store of value, wrote off 8.12 percent. Crude oil lost 24.84 percent (the data refer to the period prior to the OPEC Group decision to cut down on crude oil extraction). Prices of industrial metals have probably responded to the envisaged drop in the economic growth and they lost 7.27 percent.

CURRENCIES

	30/6/22	**30/9/22**
EUR/CZK	24.74	24.58
USD/CZK	23.60	25.09
EUR/USD	1.048	0.980

The currency market witnessed a relatively strong growth of the U.S. Dollar. It strengthened against the EURO by 6.51 percent over the past quarter. The growth of the U.S. Dollar was mainly influenced by the perception of the Dollar as a 'safe haven' in the currency markets, and at the same time, by the rise in rates in the United States.

The Czech National Bank has carried on its interventions with the result of strengthening against the EURO by 0.63 percent. The Czech Crown reflected its anchoring against the EURO and weakened against the Dollar similarly as against the EURO, in this case by 6.30 percent.

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

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

FUTURE OUTLOOK

The most closely watched S&P 500 Index dropped by almost 25 percent over the first three quarters of the year, while the figure exceeded 5 percent over the just past quarter of the year.

Equity markets responded in a negative manner to the latest FED session, where the benchmark interest rate was increased by another 3.25 percent, p.a., and its members' outlook for further rate hikes reached a level higher than expected by the market. In addition to further increases of interest rates, also the volume of assets on the FED's balance sheet has been reduced (quantitative tightening), something which has affected negatively liquidity of markets, and consequently, equity indices. The FED's priority thus remains to fight inflation. This trend has been reflected by the strengthening of the Dollar against the EURO.

The ECB, too, increased its benchmark rate at its September session by 0.50 percent up to 1.25 percent p.a., and the deposit rate from 0 percent up to 0.75 percent p.a. The ECB thus responded to the ever increasing inflation prevailing in the Euro Area.

The yield of the ten-year U.S. sovereign bond jumped up in the course of September to 4.0 percent p.a. Also, Germany's ten-year sovereign bond yield has risen up to the current approx. 2.3 percent, p.a. The Czech National Bank Board, in its new composition, contrary to both the FED and the ECB, do not want to make any further benchmark rate hikes; it remained sitting at 7 percent, p.a., in September. Still, the yields of the Czech sovereign bonds increased again at the beginning of October, thus copying similar developments occurring in the United States and in Germany. The yield curve of the Czech sovereign bonds did flatten out; however, it still retains its inverse shape in the horizon of 15 years.

The envisaged P/E of 15.8 (*Source: FactSet*) in respect of the next 12 months has been 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 17.1 (*Source: FactSet*). Nevertheless, the FED model applied to the S&P 500 Index has so far indicated that the risk premium is lower than its long-time average; therefore, the equity markets seem to be less attractive as compared to the yields of U.S. sovereign bonds.

The upcoming third quarter earnings season will also be important for further market developments. The strengthening U.S. dollar against the EUR or other currencies, and higher input costs, can negatively affect profit margins of individual enterprises, which would represent a negative surprise for analysts. For example, Nike has had worse than expected results due to the strong U.S. Dollar, among other things. The AMD chip manufacturer also reported worse outlooks for the sales its products, which resulted in declines of stocks in other corporations operating in the same sector (Intel, NVIDIA). However, it seems that the equity markets have slowly begun to open up opportunities for long-term investors. Still, JPM's CEO, Jamie Dimon, warned against recession in the United States in the horizon of 6 months, and further potential declines in equity markets. It is highly probably, that the just beginning quarter of the year will continue to witness higher volatility and investor uneasiness in the markets. A certain clue for further developments in the markets will be brought about by the FED session to be held at the beginning of November and the upcoming season of reporting of corporate economic results for the third quarter, and views of individual company directors for the next quarter of the year.

Our portfolios have been weighted with the benchmark (neutral stock allocation) and most of the equity investments continue to be directed to the United States, where the economy should not be so badly hit by the consequences of the invasion of the Russian troops as in Europe (especially as regards gas and electricity prices).

Outlook by: Raiffeisenbank a.s., Asset Management, regarding the individual asset classes in 4Q/2022:

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

KEY:	POSITIVE EXPECT.	NEUTRAL EXPECT.	NEGATIVE EXPECT.

NOTICE

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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 12 October 2022. 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.