

Source: Raiffeisenbank a.s., Asset Management, data valid as of 14 October 2024.

Dear Clients,

The financial markets grew in the third quarter, nevertheless, some equity markets experienced short corrections at the break of the months of July and August. Towards the end of September, a number of markets reached new highs. The most closely watched S&P 500 Equities Index added 5.5 percent to their investors' accounts in the third quarter (it has risen by 20.8 percent since the beginning of the year). The global equity markets, measured by the MSCI AC World Index, grew by 6.2 percent over the just passed quarter, and by 17.2 percent since the beginning of the year. Global bonds, measured by the Bloomberg Global Aggregate Bond Index, have grown by 3.6 percent since the beginning of the year, and it was particularly the third quarter that returned positive values to that index that rose by 7.0 percent. Czech sovereign bonds added 3.6 percent in the third quarter, thus having evaluated their clients' investments by 4.4 percent since the beginning of the year (the Bloomberg Czech Govt 3-5 yr Index).

Following inflation, both markets and central banks now focus their attention onto economic growth, and/or fears of Euro Area economies lagging behind and a slow-down in the United States. The FED's monetary-political session in September paid attention to weak summer signals from the labour markets, something which reflected the commencement of a cycle of easing the monetary policies in the United States by way of a straight 50-point drop. The unemployment rate in the United States increased by 0.4 percentage points over the past 12 months, up to 4.2 percent in August. Nevertheless, the September figures from the labour market, published in October, e.g., the number of newly created job opportunities equalling 254 thousand jobs has been the highest since March '24; the unemployment rate dropped to 4.1 percent; it again indicates the strength of the U.S. labour market and a higher potential of the 'no-landing' macro-economic scenario for the United States. As far as Europe is concerned, weak macro-economic data and favourable inflation trends that dropped in September under 2 percent, could make the ECB to reduce its rates further as early as at its session in October. Central banks, including the local Czech National Bank ("CNB") have attempted to identify such level of their interest rates that would both tame inflation, which may cause difficulties in particular in its core component, and at the same time, it would not stifle its economy too much. In the cases of the Euro Area and the Czech Republic, unfortunately, their economies have not yet indicated any higher revival. The ECB and the CNB, thus, have the path ahead of them open ahead of them for further rate reductions. Core inflation, and in particular higher growths of prices of services, urge central bankers to be cautious when reducing rates, which is also evident from the rhetoric of the CNB governor Aleš Michl delivered in a recent statement.

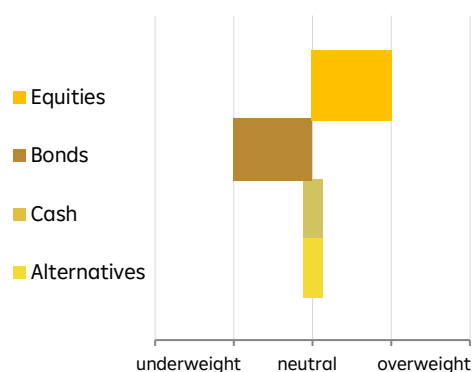
A continuing optimism on the part of investors in equity markets has been supported by developments in the bond market where declining yields represent preconditions for better valuation of such equity markets. Predicted increasing profits generated by the S&P 500 Index companies, namely by 10 percent this year and more importantly by 15 percent next year (Source: FactSet), create conditions for further growths on the equity side. The lack of width of the market rally mentioned as a negative phenomenon in the previous report when the performances of the equity markets have concentrated on just a few individual titles, especially as regards the topic of Artificial Intelligence, has been improving. In the third quarter,

comparisons of the classical S&P 500 Index (weighed by market capitalisation), which added 5.5 percent, performed better than the SPW Index that appreciated by 9.1 percent over an identical period of time. Thus, the rolling positive outlook of equity markets helps achieving outstanding results in asset management by way of picking out suitable regions and instruments and correct tactical allocation. Therefore, we continue to overweight slightly the equity component in our managed portfolios.

The U.S. presidential election will take place at the beginning of November. Election winner polls have still been quite balanced and it is not clear who is going to win the race. Combined with the on-going geo-political conflicts, we shall probably witness an overall higher volatility. Potential corrections of the markets may then represent a suitable opportunity for boosting volumes of investments in diversified portfolios. Results achieved so far confirm our understanding that asset management once again represents the first choice for money appreciation. Thank you for being with us and we are looking forward to working together further!

Mr Miroslav Padera, CFA, Head of Asset Management

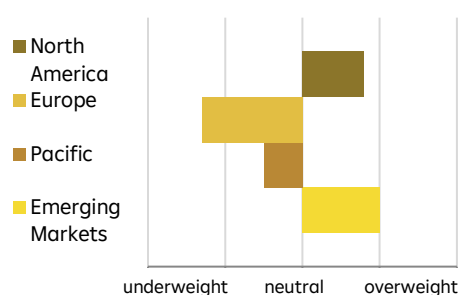
Tactical Asset Allocation – Asset Classes



The just past quarter again saw good performances on the part of equity markets. This applies in particular to emerging markets, thanks to stimuli applied by the Chinese government. Technological titles showed some less convincing performances this time, having taken a time off following their steep growths in the previous terms. Also bond markets were on the rise, thanks to drops in yields to maturity. The current risks contain high geo-political tensions as well as a return of inflation. The strong labour market in the United States reduces fears of the slowing down of the U.S. economy.

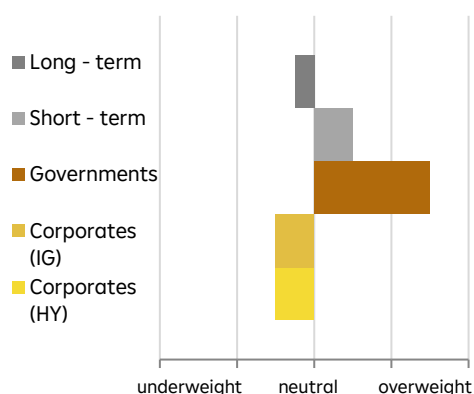
Our models continue to show moderate overweighting of equity positions, particularly in the United States where we see low risks of recession.

Tactical Asset Allocation – Equity Regions



We have maintained unchanged allocation of assets. We have slightly underweighted emerging markets, which paid dividends in the previous quarter. We have also been overweighted in the North American region. As far as Europe and the Pacific are concerned, we keep underweighted allocations there. Exposition to U.S. equity markets represents approximately 66 percent of the risk portions of portfolios. Of that, about 10 percent has been placed in the Nasdaq Index. We also keep overweighted positions in the Financial Sector, the Industrial Sector, and the Health Services Sector. We hold approximately 13 percent in European equity markets. We keep 7 percent in the Pacific Area, including Japan, and approximately 14 percent in the emerging markets.

Tactical Asset Allocation – Bonds

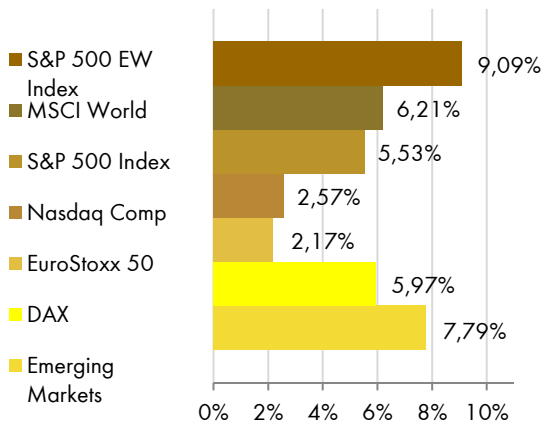


The markets finally got it and the FED cut down interest rates by 50 basis points at its September session. This was the first such reduction after four years. Nevertheless, it needs not be the last such cut this year; inflation seems to have been under control in the United States and, on the contrary, concerns have been gaining the upper hand of potential cooling down of the U.S. economy. The FED plans to hold two more sessions this year, so we might expect further reductions by as much as 50 basis points. Such rate cuts have found an adequate response also in the USD bonds markets; the yield of the five-year US Treasury declined by 0.27 b.p., down to 4.17 percent in the past quarter.

The CNB continues to cut down on its rates: the 2T repo rate was reduced in the course of the year from 7 percent in December down to the current 4.25 percent. It seems that the CNB would not hurry up to make further rate cuts, so that inflation should not increase again. The Crown yield curve no longer follows an inverse shape, that is, longer maturity bonds yield more than shorter maturity bonds. Lack of high-quality corporate bonds persists on the Czech market. We tend to keep duration close to the benchmark level.

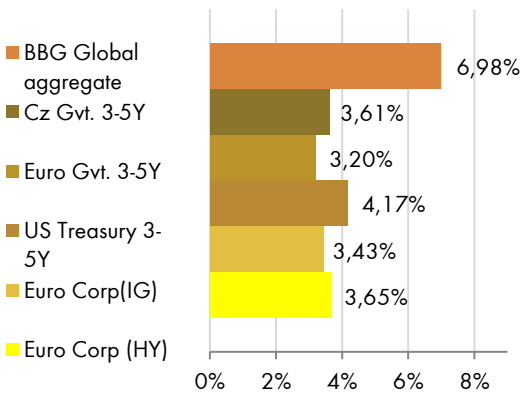
Source of data in charts: Raiffeisenbank a.s., Asset Management, data valid as of 14 October 2024.

Economic Situation and Market Trends in 3Q/2024



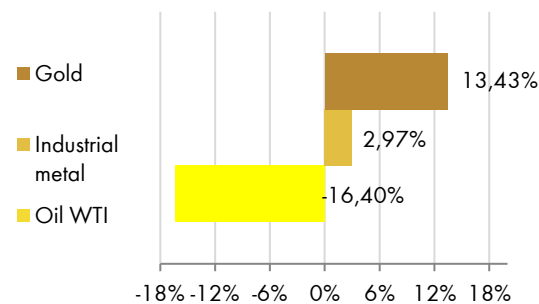
Equities

The equity rally continued in the third quarter of this year. China reported a significant fiscal and monetary support extended to the economy. That step meant a major hike for the equity market. Chinese shares thus upheld, in a material manner, the wider emerging markets index, which grew by 7.8 percent. The MSCI ACWI Global Equity Index rose by 6.2 percent. The U.S. shares S&P 500 Index increased by 5.5 percent, while its so-called equal weight (EW) counterpart added more than 9 percent, thus confirming the strength of the market rally. The U.S. Technological Shares' Index took a break and it rose by a mere 2.6 percent. Neither European equity did very well, as the Euro Stoxx 50 Index strengthened by 2.2 percent. Still, German stocks fared relatively well, having risen by 6.0 percent.



Bonds

Bonds improved in the course of the third quarter as the BBG Global Aggregate global benchmark added 7.0 percent. Czech sovereign bonds with maturities of 3-5 years increased by 3.6 percent. European sovereign bonds with identical maturities strengthened by 3.2 percent. U.S. sovereign bonds added 4.2 percent. European investment grade corporate bonds grew by 3.4 percent. The European High-Risk Bond Index strengthened by 3.7 percent.



Commodities

Among precious metals, unusually good performances were recorded by gold during the monitored period of time; gold has increased by 13.4 percent. Industrial metals strengthened by 3.0 percent. On the contrary, crude oil did not perform due to pressures resulting from higher envisaged extraction and a stagnating demand (crude oil price fluctuations do not reflect the on-going geo-political conflict).

	28/06/24	30/09/24
EUR/CZK	25.037	25.215
USD/CZK	23.364	22.646
EUR/USD	1.0713	1.1135

Currencies

The Czech crown strengthened against the Dollar by 3.0 percent. It slightly weakened against the Euro by 0.7 percent. The Euro improved significantly against the Dollar, namely, by 4.0 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 28 June 2024 until 30 September 2024. The currencies table shows the rates as of the date as indicated. Values contained in the text have been rounded to one decimal place.

Future Outlook

The equity markets strengthened in the course of the third quarter, while the best watched S&P 500 Equity Index added 5.5 percent and the more diversified MSCI World added 6.2 percent, all that thanks to a good performance recorded by the Chinese Equity Index at the end of September. It was particularly the unexpected economic stimuli in China, aimed mainly at the Real Property Sector and the Banking Sector (e.g., lowering of required bank reserves and cuts in interest rates) that assisted the rise of the Chinese Equity Index. It was also confirmed in September that the GDP grew by 3 percent in the United States in the second quarter and that a potential recession was nowhere to be seen, despite speculations heard to that effect for some prolonged time.

During the forthcoming term, the season of disclosing third quarter corporate economic results will be of prime importance, as well as the outcome of the U.S. presidential election scheduled for the beginning of November. It is expected that this year's third quarter aggregated profit of the S&P 500 Index companies will have increased by 4.2 percent, y/y, and sales by 4.7 percent, y/y. Analysts have rather tended to reduce their estimates of increases of corporate profits in the recent weeks. Banks (e.g., JPM, GS, WFC, C) will rank among the first corporations ready to disclose their economic results.

Also of importance will be a ruling by the FED regarding its benchmark interest rate, which has currently been set in the range of 4.75 - 5.00 percent p.a. The FED has indicated that it would cut its rate by 0.25 percent p.a., respectively, at its sessions to be held on 7 November and 18 December. The market speculated until very recently that the interest rate might fall by as much as 0.75 percent, down to 4.25 percent, until the end of the year; nevertheless, following the disclosure at the beginning of October of the strong labour market figures, this possibility seemed unlikely. On the contrary, the yields of the ten-year U.S. bond rose up in excess of 4 percent p.a. at the beginning of October. Analysts (*Source: Bloomberg*) rather envisage a moderate decline in yields in future.

Similarly, it is expected that the ECB would reduce its deposit rate from the current 3.50 percent as much as down to 3.0 percent p.a. until the end of the year. The next ECB session has been scheduled for as early as 17 October. The yields of the German ten-year sovereign bond fluctuate around 2.27 percent p.a., but – in view of the less favourable macro-data reported by the EU and lower inflation – a slight fall has rather been expected in future (*Source: Bloomberg*).

The CNB reduced its 14-day rate by 0.25 percent down to 4.25 percent p.a. in September, something which corresponded to the expectations of the majority of analysts. Analysts believe that the repo rate will drop down as much as to 4 - 3.75 percent p.a. The CNB will be in session on 7 November and on 19 December.

Analysts estimate, in respect of the entire year, an 9.8-percent aggregated growth of corporate profits (*Source: FactSet*) and a 5.0-percent increase in the S&P 500 Index companies' aggregated sales, which might give a positive impulse to equity markets, together with envisaged lower inflation and lower interest rates. As far as next year is concerned, analysts estimate a 14.9-percent aggregated increase of the S&P 500 Index companies' profits. The prospective 12-month P/E allocated to the S&P 500 Index stands approximately at 21.4; this figure exceeds both its 5-year (19.5) as well as its 10-year (18,0) averages (*Source: FactSet*). The polls regarding the winner of the November U.S. presidential election remain still fairly even, so it is not certain who is going to win. Therefore, it is possible that we would experience higher volatility on the financial markets at the end of October or during November.

Currently, our portfolios remain slightly overweighted in their equity components. The war in Ukraine and other geo-political factors (e.g., the Middle East), including fears of returning higher inflation (higher crude oil and energy prices, the U.S. labour market) remain among the main risks facing capital markets.

Outlook by: Raiffeisenbank a.s., Asset Management, re: individual asset classes in 4Q/2024:

EQUITIES	BONDS	CASH	ALTERNATIVES
U.S.A.	Bonds < 3Y	Cash, Term Deposits, Savings accounts	Energy, Oil
Technologies, 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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Officer in charge: Mr Miroslav Paděra, Head, Asset Management.