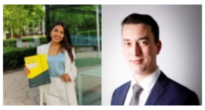
ASSETS AMSA

Monday 20th November 2023

Weekly Newsletter



Unravelling the Signa Saga: Austrian Real Estate Giant Faces Restructuring

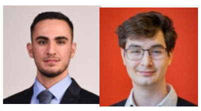
In the world of real estate, Austria's Signa Group has long been synonymous with iconic properties like the Chrysler Building in New York, London's Selfridges, and Berlin's KaDeWe. However, the recent shake-up in the company has sent shockwaves through the industry.

Renowned for its Signa Prime portfolio, valued at a staggering €27 billion, Signa Real Estate Group has been a powerhouse in prime location properties. Yet, in a surprising turn of events, founder Rene Benko was ousted from the board last week, marking a significant restructuring within the company.

Trouble had been brewing, with the European Central Bank prompting banks to assess their exposure to Signa last year. Several investors had previously sounded the alarm about inflated values, and now the storm has hit.

The restructuring process is underway, a complex task given Signa's extensive network of over 700 minority holdings. Even though Benko has held no official position for years, his recent ousting highlights the intricate web of the company's structure.

Once hailed as the poster child of Austrian real estate and boasting connections with Europe's high-net-worth individuals, Benko's empire is now undergoing scrutiny. The façade is crumbling, and the restructuring presents an opportunity for other investors, who are keenly eyeing prime properties for potential discounts.

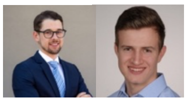


OpenAI in chaos: CEO and Board Chairman out of the company

On Friday the 17th of November Sam Altman, the CEO of OpenAI, one of the leading AI technology companies, was laid off. The board took this seemingly abrupt decision due to Altman’s alleged lack of candour in communications. According to co-founder and now ex-chairman of the OpenAI board Greg Brockman’s post on X, formerly known as Twitter, Altman was asked to speak on Friday by Ilya Sutskever, a fellow co-founder and current chief scientist. According to Brockman’s post, he was the only board member who did not attend the meeting in which Altman was fired. Afterwards, Brockman was removed from the board but would retain his role in the company. Following these events, Brockman quit the company altogether.

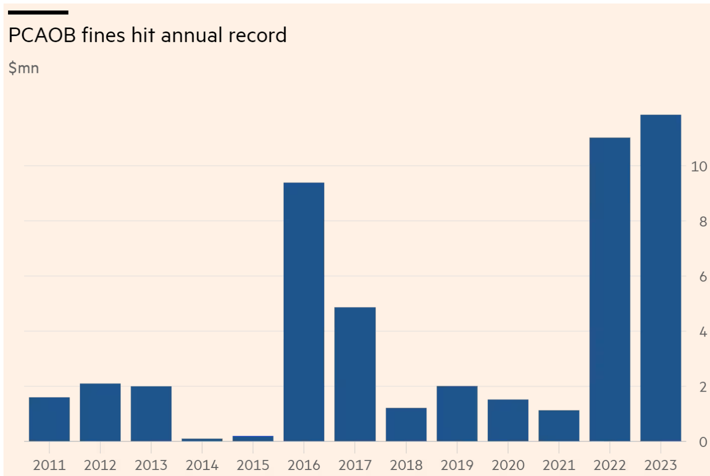
Friday's events sent shock waves through the tech world as these announcements seemed to come out of nowhere. During the week, Altman appeared a number of times in public to speak about OpenAI and about him becoming the face of the generative AI boom, making the announcements seem confusing. Microsoft CEO, Satya Nadella, was caught entirely off-guard by Friday's events. These decisions were made without his knowledge, even though Microsoft owns a 49% stake in OpenAI.

On top of that, during the weekend, reports of OpenAI's investors' efforts to bring back the ousted CEO came out. Altman stated that he is open to the idea of returning to his old position, however, he demands that a new board and governance structure will be put in place. Additionally, he discussed the idea of starting a new company with former OpenAI employees. Nonetheless, the two largest shareholders, Microsoft and Thrive Capital, along with other investors in OpenAI, are pushing for Altman's return.



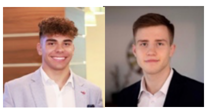
Accounting firms hit with record US fines over audit failures

The work of accounting firms, with the focus being on the Big4 audit firms KPMG, Deloitte, PwC and E&Y has been critically viewed ever after significant financial fraud cases such as the collapse of Enron, Worldcom or the more recent case of the German credit card payment-servicer Wirecard. Hence, the Public Accounting Oversight Board (PCAOB), responsible for the supervision of audit firms, has increasingly scrutinised the work of these professional service companies, resulting in record fines during the current year. While 2022 has already set new heights with $11.02 mln. in fines, the year 2023 has eclipsed that with $11.85 mln.



During the Biden administration, the PCAOB has increased its efforts to enforce its standards and protect investors from financial fraud occurring in public companies. Instances of gross negligence in evaluating contradicting audit evidence or (purposefully) leaving vital documentation of the working papers have caused the PCAOB to penalize firms with hefty fines. In a similar instance, KPMG was forced to pay a fine of $500k for failures in the internal control review of its audits on US-listed companies.

While the role of auditors is essentially to increase the reliability of the financial statements of publicly listed companies and increase the confidence that investors can have in the financial statements, the lack of compliance with international standards and decreasing quality of work during the audit has stirred up the discussion on the result of the financial audits. While the reasons can be various, inadequate use of resources used on these engagements is definitely a point of discussion that needs to be looked upon for the future.

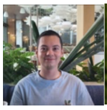


Is Singapore opening its doors to the crypto market?

Blockchain firm Paxos has secured provisional approval from Singapore to launch a stablecoin, a form of cryptocurrency pegged to a traditional currency. The stablecoin, tied to the US dollar and fully backed by dollar reserves, is set to be introduced through Paxos's newly established Singaporean entity. This development comes on the heels of the recent collapse of prominent crypto projects in Singapore, including Three Arrows Capital and Terraform Labs.

Interestingly, Singapore's decision aligns with the broader trend, occurring just two weeks after the UK unveiled guidelines for digital tokens in a bid to facilitate their use in everyday transactions. One might interpret Singapore's move as an effort to enter the stablecoin race, especially in the aftermath of the US government's increased scrutiny of the crypto space. Despite the potential growth in the market, there seems to be no clear demand for dollar-pegged stablecoins in Singapore or Asia as a whole. When examining the trading patterns of four major stablecoins— Tether's USD Token, Circle's USDC, DAI, and BUSD—it becomes evident that most exchanges involve euros and US dollars, with the Singaporean dollar notably absent.

This raises the question: Is Singapore truly ready for stablecoin adoption, or is it still premature? Adding to this, the global stablecoin market, which peaked at $188 billion last year, has seen a significant decline of 33%, with the current market cap standing at $126 billion. Despite Paxos's ambition to open up the global financial system through its stablecoin push in Singapore, it faces a diminishing market with no apparent demand at present.

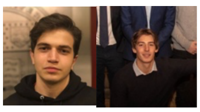


Has inflation finally been tamed by the FED?

In October, US inflation declined more than anticipated, dropping to 3.2% from the previous 3.7% in the 12 months leading up to September. This marks the first decrease in four months, prompting a notable reaction in financial markets. Treasury yields fell, with the two-year Treasury yield down 0.21 percentage points at 4.83%, and the benchmark 10-year Treasury dropping to a three-month low of 4.43%. Wall Street stocks responded positively, with the S&P 500 rising by 1.9%, its largest one-day increase since April, and the Nasdaq Composite climbing 2.4%.

Industry professionals consider this a positive report, suggesting that it may reassure Federal Reserve policymakers about the effectiveness of current policy measures in slowing inflation. However, some, like JPMorgan Chase CEO Jamie Dimon, remain cautious, emphasizing that short-term fluctuations should not lead to overreactions. The more benign inflation readings in the US are expected to fuel speculation that central banks, including the Fed, the European Central Bank, and the Bank of England, may have completed their rate-hiking cycles. However, inflation can remain volatile, because of energy and food price uncertainty. If these prices start to rise fast again, it might lead to price effects in other parts of the economy, possibly leading to increasing interest rates again.

Despite the positive market reaction, Fed Chair Jay Powell and other officials have emphasized that they will not be swayed by short-term data and will adjust monetary policy if necessary. Some analysts suggest that further softness in labour market conditions may be needed for the Fed to consider lowering interest rates. The overall sentiment is that while inflation is showing signs of slowing, policymakers remain cautious.

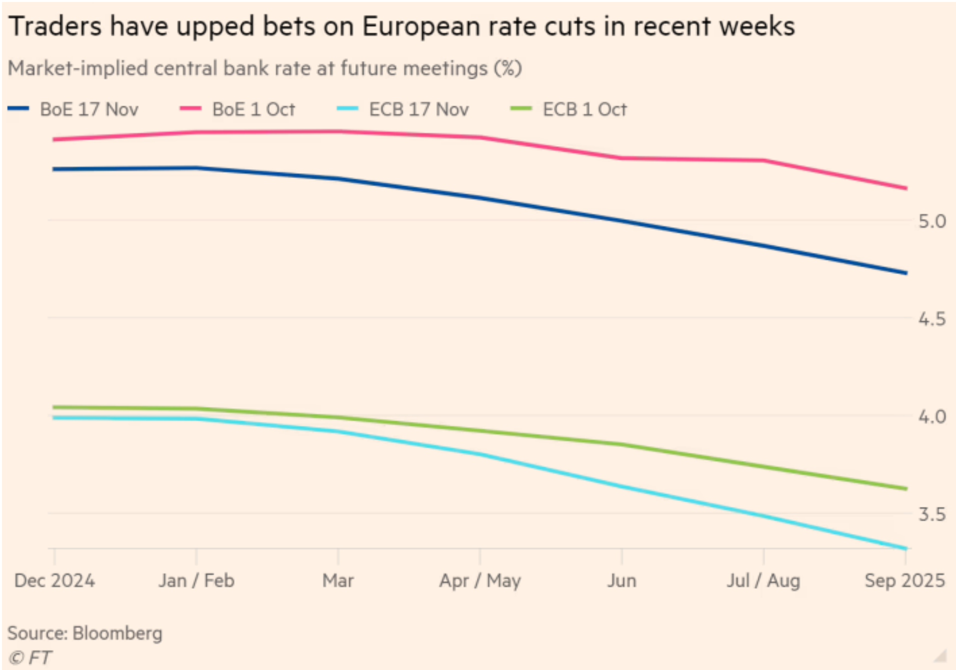


Investors' Expectation on Earlier Interest Rate Cuts in Eurozone and UK

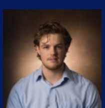
Due to indications of economic stagnation in the eurozone and the UK, investors are increasingly anticipating interest rate cuts by both the European Central Bank (ECB) and the Bank of England (BoE). In recent meetings, these central banks, along with the US Federal Reserve, opted to maintain current interest rates due to sluggish inflation and recognition that monetary tightening takes time to impact economic growth. However, concerns about inflation persist as ECB President Christine Lagarde and BoE Governor Andrew

Bailey warn against premature rate cuts. Nevertheless, weak retail sales in the UK and disappointing industrial production data in the eurozone have bolstered expectations for multiple rate cuts by all three major central banks throughout 2024.

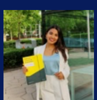
Since October, market sentiment has experienced a significant shift with projections for initial rate cuts from both ECB and BoE moved up from 2024-25 to June 2023. The timing and severity of projected recessions in 2024 will influence how extensive these rate reductions will be according to Chris Teschmacher from Legal & General Investment Management. Other negative economic indicators such as lower-than-projected growth forecasts for the eurozone, an increase in France's unemployment rate, along with dismal retail sales figures within the UK contribute further towards this gloomy economic outlook. Although UK inflation eased down to 4.6% in October alleviating some concerns; analysts suggest that weak economic data might prompt early rate cuts by BoE possibly even occurring as soon as May 2024. In addition to economic concerns, geopolitical uncertainties and evolving trade dynamics may further impact central banks' decisions.

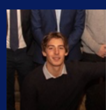


The Assets Committee


Calvin Barlow - Head of Assets


Sara Ługowska - Committee Member

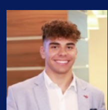

Nehal Singhal - Committee Member

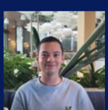

Lounis Demanet - Committee Member

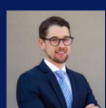

Daniel Klingenberg - Committee Member

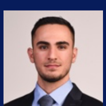

Alexander Thurner - Committee Member

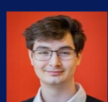

Bruno Bansky - Committee Member

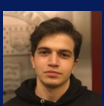

Lyuboslav Panayotov - Committee Member


Hugo van der Stap - Committee Member


Nicolas Gregorics - Committee Member


Itay Zari - Committee Member


Cristian Benciu - Committee Member


Kerem Koruk - Committee Member

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