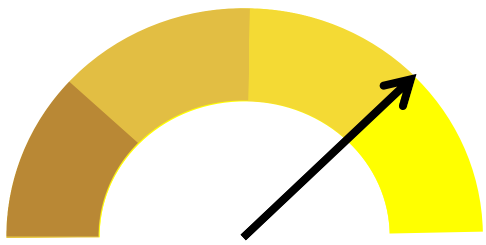
ASSET ALLOCATION

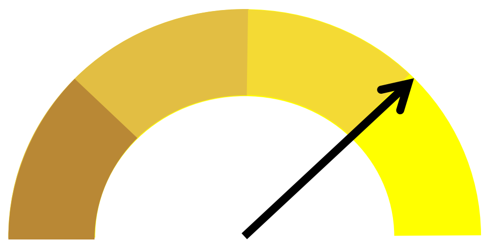
RB Asset Management 4Q/2020

Current Asset Allocation



MAX underweighting of Risk Assets | **MAX overweighting of Risk Assets**

Expected Asset Allocation in 4Q 2020



MAX underweighting of Risk Assets | **MAX overweighting of Risk Assets**

Source: Raiffeisenbank a.s., Asset Management, valid as of 8 October 2020

Dear Clients,

Financial markets have experienced some positive moods over the previous quarter of the year. A major part of the global equity indices went up by more than 6 percent, even despite higher volatility, which was noticed, in particular, towards the end of the period in question. We expect such volatility to continue accompanying the financial markets also in the coming months. This is due to the building-up second wave of the Corona virus Pandemic; the permanently strained relations between the United States and China; as well as the forthcoming U.S. presidential elections. It is the presidential elections in the U.S.A. that we perceive as a very strong factor capable of affecting the financial markets in the coming weeks.

On the other hand, the global economic environment has shown certain continuing signs of revival, which has also been reflected in certain specific economic indicators. We have been watching both leading indicators, such as improving manufacturing and services purchasing managers' indices (the ISM indices), as well as certain better than expected economic results achieved by companies. The season of disclosing the economic results for the third quarter of this year, which has started currently, will be of special importance. It will also be interesting to look at the individual sectors, which have been going through very different developments. It is the sector distribution that we currently consider to be extremely important.

Central banks continue to exert strong support to their economies via low interest rates and deliveries of liquidity. Such efforts have been accompanied by government measures providing for fiscal incentives. Although the central banks indicate their determination to keep low interest rates for longer periods, and at the same time they show willingness to tolerate higher inflation, interest rates, for example in the Czech Republic –will go up in future according to analysts (Source: Bloomberg).

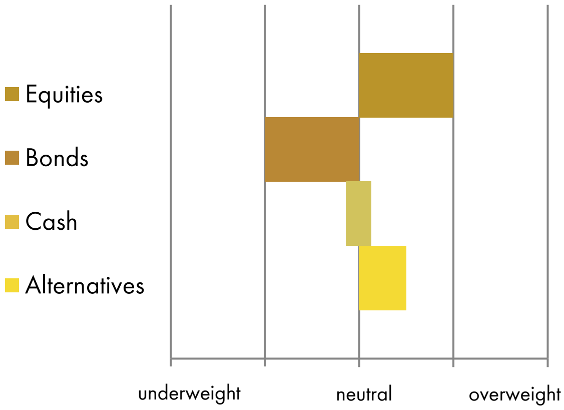
We remain moderate optimistic in the medium-term prospect. The global economy is going to continue to revive step by step, along with growing hope for speedy introduction of a vaccine against the Corona virus. We continue to prefer equities and alternative instruments (e.g., real property) to bonds. Our 'bond strategy' has been to invest into short maturities and floating rate bonds, while picking up high-quality corporate issues which – compared to sovereign bonds – offer higher return and acceptable risk.

We wish you much success in the coming period.

Mr Michal Ondruška, Head of Asset Management

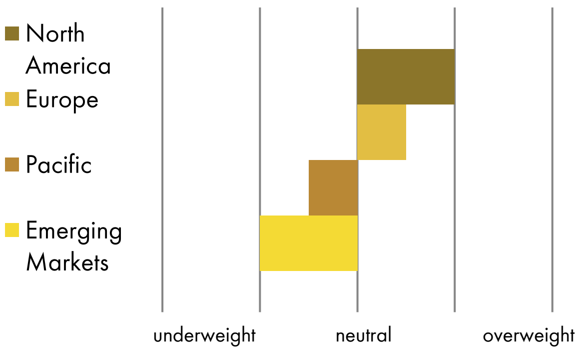
Raiffeisenbank a.s. Hvězdova 1716/2b ▪ PO box 64 ▪ 140 78 Praha 4 ▪ tel.: +420 234 401 111 ▪ fax: +420 234 402 111 ▪ e-mail: info@rb.cz ▪ web: www.rb.cz ▪ IČ: 49240901 ▪ zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, oddíl B, vložka 2051

ASSET DISTRIBUTION AS RULED BY THE INVESTMENT BOARD



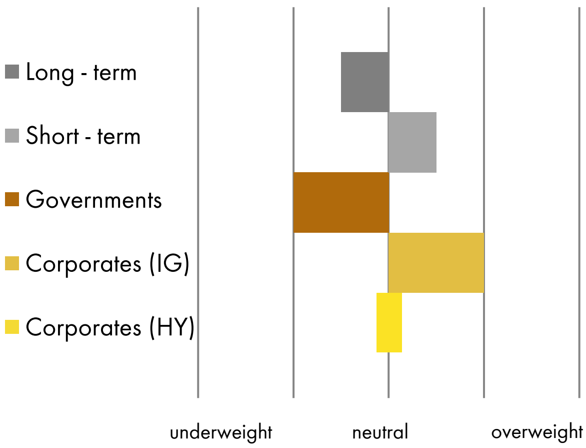
The monetary and fiscal assistance exerted by central banks and governments continues to affect significantly the trends prevailing on the financial markets, easing up economic recession, and contributing to speedy regress of leading indicators to their pre - Covid values. The protracted approval process regarding the next package of fiscal assistance in the U.S.A., disappointment from FED's failure to increase asset purchases, heated pre-election debates of the presidential candidates or the growing number of newly infected people causes current corrections in the prices of risky assets and also, for example, the weakening of currencies in Corona virus-affected countries. We expect the volatility of the markets to extend all over the fourth quarter; we intend to make use of opportunities to invest into instruments with revenue potentials. Therefore, as part of our tactical allocation, we outweigh shares and other risky assets over sovereign bonds, whose yields have been at record low levels. Alternative investments, such as revenue from leased real property, represent an instrument of diversification within the strategic portfolio.

TACTICAL ASSET ALLOCATION – EQUITY REGIONS



We have not changed asset allocation in respect of regions. In our models, we are overweighed in the U.S.A. and in Europe, while under-weighing the emerging markets, and to a slight extend also the Pacific Region. Also sector allocation remains unchanged. Exposition to U.S. equity markets represents approximately 60 percent of the exposed portion of our portfolios. Of that, about 10 percent has been held in the Nasdaq technological index and 8 percent in the financial sector. Our exposition in the European equity markets extends to 18 percent. We hold 9 percent in the Pacific Region, including Japan, and approximately 13 percent in emerging markets.

TACTICAL ASSET ALLOCATION – BONDS



Looser monetary policies of central banks on both sides of the Atlantic will now allow for the inflation target to be overshot so that average inflation can reach central bank expectations (The CNB has previously been inspired by the new policy adopted by the FED, and the ECB will probably set out in the same direction). Central bankers will thus keep short-term rates low for several years. However, the FED did not declare that it would wish to influence the longer end of the yield curve by buying assets, which introduces uncertainty among investors. In our opinion, the risk of increasing returns on sovereign bonds with longer maturities is more imminent. Compared to the benchmark, therefore, we maintain shorter average term to maturity (so-called, duration) and we tactically overweigh the share of premium corporate bonds.

Source of data in charts: Raiffeisenbank a.s., Asset Management, valid as of 8 October

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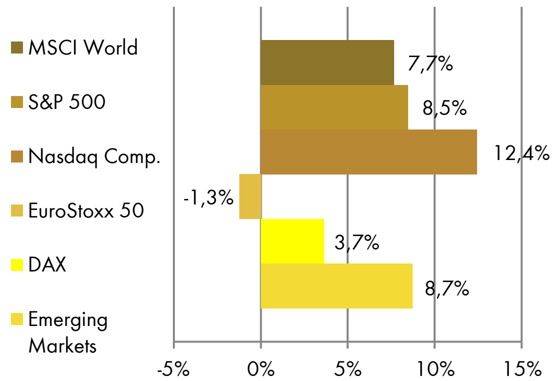
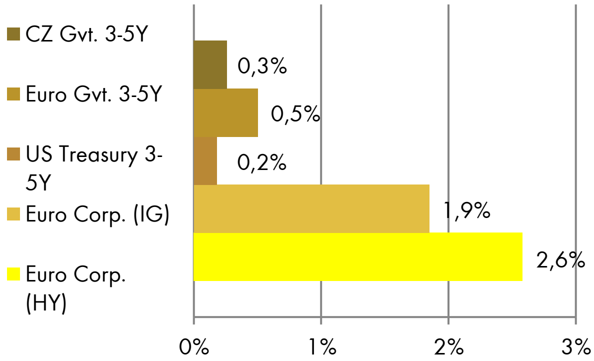
ECONOMIC SITUATION AND MARKET TRENDS

• EQUITIES



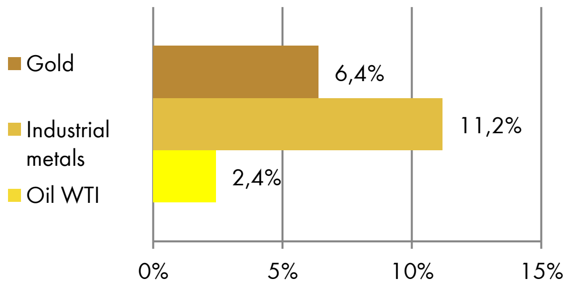
Following the extreme increases noted in the equity markets in the second quarter, the growth dynamics slowed down in the third quarter. Despite that, equity indices performance in the third quarter was fairly good. Such good performance has been assisted to a significant manner by the technological titles, where the Nasdaq Index increased more than 12percent. Also, the S&P 500 Index has showed a growth trend, by adding 8.5 percent, and the Emerging Markets Index, which increased by 8.7 percent. European equities did not perform so well; the EuroStoxx 50 Index has written off 1.3 percent and the German DAX increased by a 'mere' 3.7 percent.

• BONDS



Easing of monetary policies – low interest rates combined with the long-term outlook and rhetoric applied by central banks – continued to facilitate higher bond prices. However, sovereign bonds have increased only in a moderate manner (as far as the monitored indices are concerned, sovereign bonds grew as a rule only up to 1 percent). This has been due to absolutely low interest rates offering little room for their further drop. The calming down of sentiment and reduction of the risk premium significantly helped high-risk bonds (the European high - yield accounted for a 2.6 percent increase) and corporate bonds (European corporate bonds: plus 1.85 percent).

• COMMODITIES



Among commodities, particularly industrial metals have performed well, having been upheld by positive reports with a view to a faster recovery. Industrial metals increased more than 11 percent. WTI oil added 2.4 percent, quarter-to-quarter, and it steadied at a level around 40 USD per barrel. Gold has slowed down its growth; still, it added 6.4 percent in U.S. dollars.

• CURRENCIES

	2Q/2020	3Q/2020
EUR/CZK	26,651	27,056
USD/CZK	23,704	23,082
EUR/USD	1,124	1,172

Euro strengthened by 4.3 percent against the dollar. The Czech crown remained relatively weak also in the third quarter. It lost 1.5 percent against EUR. It gained 2.6 percent

against USD but it closed up above 23 CZK per 1 USD at the end of the quarter. If the Czech economy should recover slowly, relatively high inflation associated with loose monetary and fiscal policy combined with high planned budget deficits could play against the CZK in the long run.

Source data in charts: Bloomberg. Performance of individual assets is measured in the primary currency of the instrument in the third quarter of 2020.

FUTURE OUTLOOK

The American S&P 500 Equity Index as strengthened by approximately 4 percent since the beginning of the year, measured in USD; the figure was approx. 8.5 percent over the past three months. Among the sectors, the cyclic sectors, e.g., the materials sector, consumer durables, and industry were the best performers over the past three months. On the contrary, the energy sector did worse of all, with a drop in excess of 20 percent in the quarter. The FED has published its adjusted and prudent outlook. The FED plans to keep the rates at technical zero (0-0.25 percent) also in the course of 2023, and it has reduced its estimate of the GDP growth from 5 percent down to 4 percent, y/y, in 2021, and from 3.5 percent down to 3 percent, y/y, in 2022, because it envisages a lower GDP decline in the current year. The FED expects that inflation measured via the PCE deflator (household consumption) will not achieve its goal of 2 percent until 2023. Unemployment is expected to drop from the current approx. 8.4 percent down to 7.6 percent at the end of 2020, and further down to 5.5 percent in 2021. In October, the season of disclosing the corporate results for the third quarter of this year commences. Analysts estimate that the aggregate profit of the S&P 500 Index will drop by more than 22 percent and sales by 3.9 percent in the third quarter of this year (Source: Factset). The aggregate growth of corporate profit and sales reported in the S&P 500 Index is not expected to occur before next year, namely, by 26.2 percent with profits and 8.1 percent as regards sales (Source: Factset).

The S&P 500 Index has been traded with the envisaged P/E of 21.9 over the coming 12 months, which is more than the average expected P/E of 17.1 over the past five years (Source: Factset). The yield of a 10-year American sovereign government bond has fluctuated around 0.70 percent, and that encourages higher stock valuations, as companies have cheap financing and investors do not find bonds attractive. The anticipated risk premium according to the FED model is slightly above its five-year average, which indicates that equities are not that expensive. RBI analysts estimate that, at the end of the year, the S&P 500 Index will reach the value of 3750, which would indicate its strengthening by approximately 12 percent by the end of the year (Source: RBI).

As regards future risks, we would like to mention the U.S. presidential election in the autumn, since a winning Democratic candidate may seek higher corporate taxing; yet another Corona virus wave, if a sufficient amount of vaccine cannot be produced in time or if its manufacturing is delayed (e.g., AstraZeneca has indicated a delay due to adverse reactions noted in the third phase of testing). Political frictions between U.S.A. and China also pose a risk to stock markets.

Outlook by Raiffeisenbank a.s., Asset Management, regarding the individual asset classes in 4Q/2020:

EQUITIES	BONDS	CASH	ALTERNATIVES
USA, Europe	Bonds < 3Y	Cash, Term deposits, Savings accounts	Energy, oil
Technology, Healthcare, Finance, Dividend-bearing 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 8 October 2020. 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.