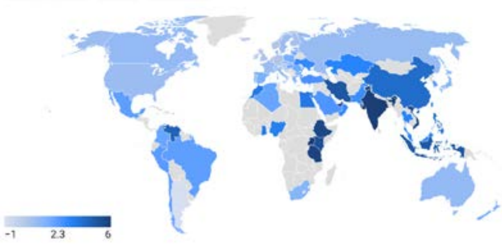
HEXAGONE CAPITAL

Annual Report
2023

ECONOMY

2023 Economic summary and 2024 outlook

The developed economies landscape in 2023 defied all predictions and showed resilience and adaptability. The strength of the labor market, strong consumer spending boosted by accumulated pandemic savings, and various sectors combined with strategic government initiatives have allowed most developed economies to not only defy the odds in 2023, but also set the stage for growth in 2024.
The US 2024 GDP results are yet to be released. But US economy likely pushed GDP for the whole year north of 2.4%. Not bad at all for an economy that started 2023 with Bloomberg Economics' model predicting a 100% chance of a recession.



Map: Global Economic Outlook (October 2023) • Source: The Conference Board • Created with Datawrapper

The coming year could be shaped by five major considerations for developed countries economies.

1. We believe the interest rates hiking cycle is over. If inflation continues its moderating trajectory over the coming quarters, we forecast rate cuts from the middle of 2024.

2. Inflation is generally cooling, but likely to stay above the 2% target through 2024, not too bad after reaching a 40-year high in 2022.

3. Geopolitical risks will stay in all minds. The Russia-Ukraine war, the conflict in the Middle East and trade tensions with China are all ongoing and pointing to continued uncertainties.

4. The housing sector could start to unfreeze after a 40% drop in activity due to the tightening of lending standards.

5. Mild economic slowdown, with slightly rising employment rate and a bit of governments belt-tightening.

MARKETS

Asset classes performance in 2023

Rank	Event Date	Return	Asset Class
1	Nikkei 225	30.10%	Japanese Equities
2	S&P 500	24.20%	U.S. Large Caps
3	STOXX 50	17.30%	European Equities
4	S&P SmallCap 600	13.90%	U.S. Small Caps
5	Gold	13.10%	Gold
6	S&P/TSX Composite	8.10%	Canadian Equities
7	Dow Jones Real Estate Index	7.80%	U.S. Real Estate
8	MSCI EEM	7.10%	Emerging Market Equities
9	S&P U.S. Aggregate Bond	5.80%	U.S. Bonds
10	WTI Oil	-11.50%	Crude Oil
11	S&P GSCI	-12.20%	Commodities
12	S&P China 500	-12.50%	Chinese Equities

Data as of December 29, 2023

In May 2023, the Nikkei hit a 30-year high, led by better corporate financial results, a weak yen and a flood of stock buybacks.
Investors looking for options outside China did not have to look too far to find Japanese equities. However, a strengthening yen since November, weak consumer demand, and the likelihood of interest rate cuts are likely to lead to a shift of funds to other equity markets.

US equities, real estate, and bonds all performed well, as did Canadian, European, and emerging market equities.
Gold remained high, a popular inflation- hedge, that was also buoyed by rising geopolitical concerns.

Oil, commodities, and Chinese equities posted negative returns over the year — all inextricably linked to the slowing Chinese economy. However, don't be surprised if Houthi attacks in the Red Sea (triggered by the war between Israel and Hamas) and other geopolitical stimuli boost oil prices again as we head into 2024.

INVESTING PRINCIPLES

Quotes from the most famous investors

"A great company is not a great investment if you pay too much for the stock"
- Benjamin Graham

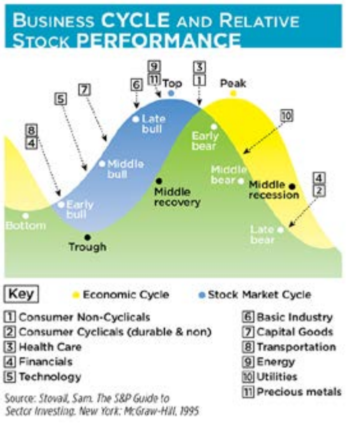
"An investment in knowledge pays the best interest."
- Benjamin Franklin

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."
- Warren Buffett

"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas."
- Paul Samuelson

"In investing, what is comfortable is rarely profitable."
- Robert Arnott

The best sectors to invest in



Investments in the early cycle:
Stocks that benefit most from low interest rates are those in the consumer discretionary, financials, and real estate industries.

Investments in the mid-cycle:
IT stocks have been the best performers during this phase.

Investments in the late cycle:
Energy and utility stocks have done well as inflation rises and demand continues.

Investments in recession:
Historically the shortest phase of the cycle. Companies that produce items such as toothpaste, electricity, and prescription drugs, which consumers are less likely to cut back on during a recession