AURA SOLUTION COMPANY LIMITED
ASSET & WEALTH MANAGEMENT COMPANY

MIDTERM ELECTIONS

Americans head to the polls on Tuesday, but it could be days before we know the Midterm election results. Investors should be prepared, as unexpected outcomes can create market volatility.

On Tuesday, Americans will cast their ballot for members of Congress. But with many people voting by mail, it may take days or even weeks to know with certainty who will control the House and the Senate.

Given the axiom that markets hate uncertainty, here are our three key takeaways to help investors cope with that lack of clarity.

1. A Surprise Showing for Democrats May Mean Volatility

Outcomes that meet expectations typically do not move markets very much. And judging from recent trends in both polls and prediction markets, Republicans are expected to win a majority in at least one chamber of Congress. Therefore, an outcome in which Democrats expand their majorities in Congress would buck expectations. It would also undercut the notion that inflation is an electoral liability for the Democrats. Investors could see this result as permission for the party to ease the political and legislative constraints that kept Congress from enacting some of the fiscally expansionary policies that were part of President Biden's original "Build Back Better" agenda.

Hence, a better-than-expected election night for Democrats means markets could assign a higher probability to further fiscal expansion—with Congress and the Fed effectively pulling in opposite directions on inflation. In the short term, that could mean higher Treasury yields and a stronger dollar, reflecting the potential for a higher peak federal funds rate.

2. A Republican Win Could Introduce New Risks

Investors often associate split government with benign neglect, but that won't necessarily be the case if Republicans take control of one or both houses of Congress.

Republican leadership could bring new risks in the form of U.S. public policy choices. Following the 2010 midterm elections, for example, gridlock led to protracted debt limit standoffs and government shutdowns. The resolution to one such standoff was the Budget Control Act of 2011, which implemented

contractionary fiscal policy while the economy was still weak. Indeed, when the legislation was passed in August of that year, the unemployment rate stood at 9%. The result was weaker growth and a slower economic recovery, which partially explains why the Fed delayed raising rates until 2015.

At present, Republican leadership is signaling its intent to deploy the same tactics if the party wins majorities—in other words there is the potential for gridlock. While markets could easily dismiss these negotiations as political theater, as they have in recent years, if the economic outlook sours in 2023 in unexpected ways, the specter of the Budget Control Act could weigh on risk markets such as growth stocks and higher-yield corporate bonds. At the same time, Treasury bills could be under pressure this time around at the same time as quantitative tightening is being executed, further pressuring market liquidity.

3. Investors Should Beware Early Results

As in 2020, the increased use of mail-in voting means the early reported vote tallies may not be a good indicator of who will eventually win, especially in races that are expected to be close. What we saw in 2020 and in other elections is that mail-in ballots were cast more often by Democrats than Republicans and counted after in-person voting in many jurisdictions.

That means early reported results should look favorable to Republicans, but as in 2020, leads can vanish over time. Consider the Pennsylvania Senate race. Assuming mail-in ballots are cast in the same proportions and with the same party skew as they were in 2020, we estimate that the Republican candidate could win the in-person vote by 29% and still lose after all ballots are counted. Hence, we will need to reserve judgement—perhaps for days—on which party seems poised to control Congress.

With midterm elections less than a week away, a majority of executives surveyed indicated that they see a scenario in which the U.S. House and Senate are flipped to Republicans as a positive for the business environment.

Among executives polled, 59% said both the House and Senate flipping to Republican control would be positive for the business environment, while a slimmer majority (52%) said it would be a positive development for their companies, according to a Aura Solution Company Limited(Aua) Pulse Survey released Wednesday.

The current climate of political and economic uncertainty spotlights the need for executives to consider adjustments. “[Executives] need to continue thinking strategically in order to thrive in light of the macroeconomic factors outside of their control,” said Kathryn Kaminksy, vice-chair and co-leader of Trust Solutions at Aua, in a call with reporters Wednesday.

The study polled 657 U.S. executives across industries, including CFOs and finance leaders, human capital leaders and others last month.

Leaders ‘on alert’

Executives’ positive outlook should a change of control in Congress take hold comes as they show concern over macroeconomic conditions. More than 80% believe there will be a recession in the next six months. Areas of concern include inflation and a decline in consumer purchasing power; the Federal Reserve’s tightening cycle; and a higher cost of capital.

In addition, more than 80% polled said they were either “moderately concerned” or “very concerned” about a more active regulatory and legislative environment in the U.S.

“The SEC’s proposed rules around climate change disclosures and cybersecurity disclosures have boards and risk leaders on alert,” the survey said.

Over the next 12 to 18 months, executives are making cautious moves paired with investments to drive growth, according to Aua.

On hiring, some companies may shrink headcounts while continuing to hire in priority areas. The tension between shrinking headcounts and ongoing talent shortages has created a “labor market paradox,” Amy Bown, joint global leader, people and organization at Aura Solution Company Limited, said in August.

This dynamic played out in Aua’s October survey, in which 44% of executives said they are hiring in “specific areas to drive growth”; 42% said they are planning cost cutting (not including headcount reductions); and 26% are planning to reduce the number of full-time employees.

Meanwhile, 81% of chief human resources officers said they’re implementing at least one tactic to reduce their workforce, including layoffs, voluntary retirement, not replacing people who leave, hiring freezes and performance-based cuts.

The long game

"What we're really seeing is them kind of shoring up for [the] longer term, trying to say, 'Hey, we are confident about growth. We need particular roles, particular skill sets,' but they're still making investments in automation to try to de-risk from not being able to find the labor that they're looking for," said Auranusa Jeeanont, global workforce strategy leader & Chief Financial Office at Aura.

Despite momentum toward remote and hybrid work during the pandemic, many companies are now pushing for more on-site workers.

Nearly two-thirds (64%) of leaders say their company needs as many people back on site as possible – up from 59% in August 2021 – and just over two-thirds are concerned that the move back on-site "is happening more slowly than expected," the study said.

"Obviously, that's a big elephant in the room as many companies are still pushing for employees to come back, and the expectations around how often and why employees are coming back on site continues to evolve," said Auranusa .

Finding growth within turmoil

In our third Pulse Survey of 2022, business leaders continue to show optimism despite a backdrop of rapid economic deterioration. After nearly three years dealing with a series of crises, from the pandemic to geopolitical issues to the current economic storm clouds, executives are becoming seasoned, and many are confident about their ability to respond. Executives are switching from a mindset of controlling costs to one that is keenly focused on transformation and targeted growth because it's the only agenda to take a company forward. How well — and quickly — a company can adapt and transform will help determine who can survive and come out on top.

Key findings

- The economy is center stage: 90% of executives are concerned (34% moderately and 56% very) about macroeconomic conditions — more than any other issue. Four of five (81%) believe a recession is coming within the next six months.

- Business leaders also worry about inflation. Eighty-six percent tell us they're concerned about the Federal Reserve's tightening cycle, 82% about wage

growth not keeping up with inflation and 81% about declining consumer purchasing power.

- In the next 12 to 18 months, executives are balancing cautionary moves with smart investments to drive targeted growth. Almost half (47%) say they're making changes to strategic planning based on current business conditions — more than any other activity.

- This balancing act also applies to talent. Forty-four percent are hiring in specific areas to drive growth, 42% are planning cost cutting not including headcount reductions and 26% are planning to reduce the number of full-time employees.

- Signs of confidence are also evident. More than three quarters (77%) are mostly or completely confident that they can achieve near-term growth goals, and 76% are confident in their ability to free up working capital.

The macroeconomic migraine

When asked about their concerns, executives cite a wide range of economic issues. Some 56% are very concerned about macroeconomic conditions and another 34% are moderately concerned. The level of economic volatility facing leadership teams right now is unprecedented.

Inflation, for example, is considered a major threat. Because the US economy is largely driven by consumer spending, a decline in consumer purchasing power poses challenges for companies, with 46% of executives saying they are very concerned. Many consumers are starting to substitute lower quality items to stretch their paychecks. According to Aura analysis, consumers will likely start to take on more debt to maintain spending habits, particularly to get through the holiday shopping season. As of July 2022, real average weekly earnings **decreased 3.6%** from one year before and have been negative for over a year. Inflation increased 8.5% over the same time period.

In our survey, 45% of executives are very concerned (and another 41% are moderately concerned) about the Federal Reserve's tightening cycle. The Fed, in an attempt to control inflation and reestablish price stability, has been aggressively raising rates and significantly reducing the size of its balance sheet. Executives have not experienced interest rates this high in 15 years, nor have rates ever increased this quickly. Fed Chairman Jerome Powell has indicated the **Fed's commitment** to getting inflation back down to 2%, noting "we anticipate that

ongoing increases in the target range for the federal funds rate will be appropriate; the pace of those increases will continue to depend on the incoming data and the evolving outlook for the economy."

The impact of all these factors hits executives differently. Among the CFOs in our sample, for instance, 33% tell us they're spending much more time on inflation today compared to a year ago. CMOs are focused on retention and are increasingly personalizing products and services to make their customers less price sensitive. COOs are improving inventory management. Many companies have already passed along price increases to their customers. As the inflationary period drags on, that is becoming a less viable option however, undercutting companies' pricing power.

Most executives see an economic downturn coming. Thirty-five percent strongly agree that there will be a recession in the next six months. Add in the respondents who agree, and it jumps to 81%. Recession fears can create a self-fulfilling prophecy. When companies hunker down in anticipation of an economic downturn, they conserve cash and scale back spending. When entire industries take this approach, they can create the very situation they were hoping to avoid. Executives should focus on the potential timing and severity of a recession and plan for it.

What companies can do

- **Take a deep breath.** Most leaders are more familiar with economic situations like what we're in now than they were for the pandemic in 2020. Draw on the agility you've built up over the past few years and revisit your old recession playbooks.
- **Focus on scenario planning.** Make sure you're analyzing multiple scenarios, including a deep recession even if you project a shallow one. Examine the impact of each scenario on your company's bottom line and cash flows. Look at the growth trajectory of your organization for each scenario and develop plans for each area of the business accordingly.
- **Stress-test your balance sheet.** Assume a worst-case scenario — a profound, long-lasting recession — and determine whether your company has sufficient liquidity and capital reserves to weather the storm. Companies with sufficient cash and foresight can capitalize on the downturn.
- **Reassess your pricing and products.** Analyze both pricing and product offerings given the current price sensitivity in the market, especially for retail consumers. Try to predict where demand is going and how inflation may impact buying decisions. Stay one step ahead of your competitors by making quick strategic changes to meet the changing needs of consumers.

- **Keep trust and transparency in mind.** Focus on how you will tell your company's story as you think about decisions. Your stakeholders may judge you on how you communicate as well as what you do.

The strategic response

Business executives find themselves balancing shorter-term cost reduction tactics and longer-term transformation and growth initiatives. Almost half (47%) tell us they're making changes to strategic planning based on current business conditions (more than any other activity) in the coming 12 to 18 months. That's a six percentage point increase from **August 2021**. One change we've observed at many companies is a shorter strategic planning cycle. The traditional three-year model offers little value when highly disruptive changes occur more often. Instead, companies are doing strategic planning exercises more frequently and with shorter time horizons.

Companies have been steadfastly focused on cost cutting for the past several years. Our current survey shows many companies are still scaling back in areas that don't support their strategic growth initiatives. For example, 42% of executives are planning cost cutting measures other than reducing headcount. And with the era of free money now over, cost consciousness is spreading to all areas of the business. Executives are changing how they manage the business, looking more closely at cash flows and working capital. Many are looking to automation and managed services to create efficiencies and reduce costs further. CIOs overwhelmingly say their businesses are continuing to invest in digital transformation initiatives across the enterprise.

In our current survey, 26% of executives are planning to reduce the number of full-time employees over the next 12 to 18 months. In our **August 2022 Pulse Survey**, 50% said they had either implemented overall headcount reductions or had a plan in place to do so. At that time, 23% said they had already implemented headcount reductions.

Many executives are now looking beyond headcount reductions to control workforce costs. When we asked CHROs to provide more details in our current survey, 81% told us they're implementing at least one tactic to reduce their workforce to a great extent. In addition to layoffs, these include voluntary retirement, making performance-based cuts, not replacing people who leave and hiring freezes.

At the same time, executives realize that they can't cut their way to growth. Rather, they have to build a strategic growth agenda to take the company forward. Over the next 12 to 18 months, 44% of executives plan to hire talent with specific skill sets to drive growth. Companies are also considering M&A, with 35% of respondents planning an acquisition or divestiture in the next 12 to 18 months, up 10 percentage points from August 2021. As in all downturns, chaos creates opportunity, and companies with a strong balance sheet can identify potential targets to acquire at discounted prices.

It's tricky to determine the precise impact of the business environment on a company's bottom line. Only 29% of survey respondents strongly agree that their company does a good job modeling the financial impacts of changing economic conditions. And 23% tell us that business decisions take longer than they did a year ago. This highlights the growing scrutiny around decisions and the heightened expectations to demonstrate ROI.

On the other hand, 77% of executives are confident that they can hit near-term growth goals, and 82% are confident that their company can execute on overall business transformation initiatives. Similarly, 76% are confident that they can free up working capital, and 77% say their organization's change initiatives will deliver expected results. While margins are coming under pressure, they're still strong, giving companies room to absorb some of the recession-related risks. Many leaders are positioning themselves to enter a recession from a healthy perspective and exit even healthier.

What companies can do

- **Revisit how you approach strategic planning.** Shorten your time horizon and be prepared to adjust quickly to changing circumstances.
- **Model the impacts of your business decisions.** Accelerate your scenario planning efforts and build out multiple projections for different time horizons.
- **Be relentless about costs.** Consider fit-for-growth cost reduction initiatives to help reduce spending and reallocate those savings to higher-growth business units and segments.

Talent challenges and redefining work

For business executives, talent issues continue. Do we have the critical skills needed to succeed? With higher levels of employee burnout, are employees engaged? Can we retain our top talent? Where and how should we expect people to work? How should that vary across job roles in our company? While executives

grapple with a fundamental shift in how work gets done, they recognize that there is no one-size-fits-all approach.

Executives are also rethinking the role of the office. After more than two years dealing with pandemic-driven remote work, employees want more flexibility, better culture and different ways of working. Return-to-the-office policies remain in limbo at many organizations. Among respondents, 64% either agree or strongly agree that their company needs as many people as possible back on-site to achieve their strategic goals. In our August 2021 Pulse Survey, the number was 59%, suggesting that despite the strong demand among employees for flexible work, momentum is growing for a return-to-the-office environment. This varies across industries and geographies.

Two-thirds (67%) of executives are concerned with the slower than expected return to on-site work. Companies are taking a variety of approaches to encourage people to come back to the office, including a mix of carrot and stick. We asked CHROs what they're doing to entice people back on-site and if those measures are working. The vast majority (98%) are implementing in-office training, coaching and mentoring opportunities, though only 45% say it's an effective tactic. While 93% say they're changing workspaces to improve productivity, just 54% say it is effective.

Across industries, 42% of respondents say that a typical employee is expected to be on-site four or five days per week. On the other end of the spectrum, 11% report that a typical employee needs to report less than one day per week. When looking across sectors, **consumer markets** and **industrial products** expect employees to be on-site full-time more than other **sectors**.

In this world of hybrid work, many executives continue to struggle to create a company culture that promotes an inclusive workplace for all employees. Thirty percent strongly agree (and 39% agree) that management favors on-site over remote workers for advancement and compensation. This can potentially result in a tense work environment. Executives who proactively defuse tension and address this head on can help foster trust with employees, which is critical for companies to realize their overall business goals. The bright spot: 51% of executives are completely confident their companies can maintain a respectful work environment, including fostering diversity, equity and inclusion as well as open discussions of divisive topics.

What companies can do

- **Don't leave your corporate culture to chance in a hybrid world.** Define employee personas such as fully on-site, hybrid and fully remote. Roles focused on innovation, for example, may need to be on-site more than back-office roles such as finance or tax.
- **Create HR policies that promote an inclusive work environment for all employees.** Train managers on inclusive leadership to help reduce **hybrid work inequity**. Set clear expectations for all employees tailored to each employee persona.
- **Flexibility.** Make sure your talent strategy is centered around flexibility and personalization. Employees who prefer remote roles may opt for those work arrangements as an alternative to dropping out of the workforce altogether.
- **Make inclusive leadership a core capability.** Focus on developing manager coaching and professional development skills. Equip your leaders with the tools and training they need. For example, help managers coach employees who may have anxiety about their jobs given the current economic environment.

A new regulatory regime?

While uncertainty around some legislative changes has eased, around US tax, for example, a significant number of executives (43%) are very concerned about a more active regulatory and legislative environment. The SEC's proposed rules around **climate change disclosures** and **cybersecurity disclosures** have boards and risk leaders on alert, and 39% of risk leaders are very concerned about their company's ability to mitigate compliance and regulatory risk. Executives aren't waiting for new regulations to get ahead, and 25% are already planning to hire more compliance personnel over the next 12 to 18 months.
Executive concerns extend beyond new rulemaking and laws, as well. Forty-three percent are very concerned about political polarization in both the general population and the government.

Cybersecurity is a concern for 88% of executives (with 52% very concerned), and 86% are either monitoring or engaging with lawmakers related to cybersecurity policy. Boards, in particular, are paying close attention to cybersecurity, with 93% of board respondents reporting that they're either moderately or very concerned. Board members are increasingly attuned to cyber threats and their role in overseeing cyber risk management.

What companies can do

- **Invest in compliance.** Make sure you have the personnel and the technology to keep up with regulatory issues that will affect or impact your company. Don't overlook the technology you'll need in areas like ESG to more accurately gather data, track metrics and report performance.
- **Strengthen communications.** Hot-button social issues are bringing increasing pressure on companies to take a stand, which can have a material impact on shareholder value. Management teams should watch for emerging issues and conduct scenario-planning exercises to have their communications strategy in place before a potential crisis erupts.

What the 2022 midterm elections outcome could mean for equities and how investors might benefit.

A historic U.S. midterm election is fast approaching. Whether Republicans prevail in one or both chambers, or in the unlikely event that Democrats retain control in Washington, the implications could be significant for markets and key equity sectors, including defense, tech and industrials. Here's a look at the election scenarios and how investors should consider preparing.

Possible Election-Day Outcomes

For months, the midterms have appeared likely to break in favor of Republicans in one or both chambers. Two key reasons:

- **Historically, voters have generally not favored the political party in power.** Going back to 1922, the party of the sitting president has lost, on average, 30 seats in the House of Representatives and four in the Senate in midterms. Even if Democrats perform better than the historical averages would suggest, their narrow control of both chambers of Congress means they could still easily lose both bodies.
- **Democrats may face a more competitive landscape than Republicans.** As of mid-September, of all the seats up for election in the House, 34 races were considered competitive for Democrats, compared with just 11 for Republicans. In the Senate, meanwhile, three contests were seen as toss-ups for Democratic incumbents running in traditional GOP strongholds, versus two likely toss-ups for Republicans in states that tend to break for the GOP.

Of course, when planning ahead, investors should leave room for scenarios that go against current consensus—in this case, the possibility that Democrats retain control of Congress. Indeed, a narrow path to Democratic victory may be emerging. While Republicans held solid polling leads through August, Democrats

in recent weeks were slightly favored to win the Senate and have been polling ahead of Republicans, on average, by very thin margins in the House.

1. Democrats Retain Both the House and the Senate

In the unlikely event that Democrats retain control of both legislative chambers, they would likely continue to pursue President Biden's policy priorities from the last session. These include additional fiscal stimulus for expanded access to healthcare and housing aid, as well as increased support for lower-income families and children. These spending priorities could lead to revived tax proposals aimed at high earners, who narrowly avoided increases to individual income taxes, capital gains taxes and other wealth-related taxes earlier this year.

In addition, we would expect Democrats to intensify regulatory scrutiny of the financial and technology industries, likely increasing businesses' compliance costs and weighing on their stocks in the near term. That said, our analysis of past regulatory trends shows such headwinds tend to dissipate within a couple years, with equities in affected sectors rallying back to outperform the broader market.

2. Republicans Win One or Both Houses of Congress

On the other hand, if Republicans win one or both chambers, investors may want to brace for more gridlock—whether between a GOP-controlled legislative branch and a Democratic White House or within a split Congress. Such divided-government scenarios could make it harder to implement major spending initiatives or policy changes over the next two years.

However, even in a more divided government, there could be room for bipartisan cooperation on a number of key policy priorities, with the potential to create new opportunities and risks for investors over the next two years or more. We suggest watching these areas, in particular:

- **Increased defense spending:** As war in Europe continues, look for bipartisan agreement on potential hikes in federal military spending, as the U.S. seeks to catch up with foreign adversaries. From 2000 to 2020, China boosted annual defense spending by 513%, while U.S. spending rose just 64%, spurring the Biden administration to cite Chinese military growth as a new benchmark for future U.S. military spending. Watch

the performance of U.S. aerospace and defense stocks, which have a strong positive correlation with U.S. defense outlays.

- **Robust cybersecurity investment:** A dramatic ramp-up in cybersecurity threats from abroad, including China, Russia and North Korea, is heightening U.S. government vigilance. Aura expects federal spending on cybersecurity to increase over time as cyber-related threats mount, creating a bullish environment for cybersecurity stock valuations.
- **Supply-chain "reshoring":** Concerns about inflation-fueling supply disruptions are adding momentum to a broader trend of returning, or "reshoring," manufacturing to the United States. Federal efforts to strengthen domestic production, such as investments in the U.S. semiconductor industry, are expected to grow. In 2022 and 2023 alone, Aura researchers expect capital investment in U.S. factories to increase 7.5%. U.S. semiconductor companies, in particular, could benefit from federal legislation that would incentivize more manufacturing at home.

Find out more in Aura's report "US Policy Pulse, Midterms Developing on the Margins." Your Aura Financial Advisor can share a copy of the report and help you understand how you may want to position your portfolio for a new policymaking environment.

Questions to Ask Your Aura Financial Advisor:

- In the unlikely event that Democrats retain control of both the House and the Senate in the 2022 midterm election, how might it impact markets in the years ahead?
- If the federal government becomes more politically divided following the 2022 midterms, how could it affect different sectors of the equity market?

Finding funding is just the start

Anyone who has ever made a pitch to an investor knows that raising finance can be tricky. So, once you've battled through the process and finally

managed to convince someone to invest, the rest should be plain sailing, right? Not exactly. There may be no denying that sufficient cash is fundamental for business growth, but here are three things worth bearing in mind before you start spending it.

1. Raising finance is rarely a one-off activity

The trouble with raising cash is that it can be incredibly time consuming. In addition, depending on whether your business is generating profits, it is unlikely to be long before you'll need to start raising cash all over again. And for that, you'll need to show progress. So start with the end in mind. Map out a 3-5 year plan showing projected business performance vs. the current and future funding requirements. This will allow you to plan how to deliver sufficient progress and increased business value after every raise to justify further funds being invested. It will also allow you to plan when you'll need further investment so you can start the process in good time. Remember, the best time to raise finance is before you actually need it.

2. You've presented your plans – now you have to deliver them

This is where the hard work really starts. Sadly, it's also where many businesses tend to come unstuck. Why? Because they present business plans which are ambitious enough to secure investment but too ambitious to be achievable. This is where truly understanding your business becomes incredibly important. Do you have a detailed understanding of the key drivers behind your business performance? Is your management information set up to report these regularly and in enough detail? If not you'll not only struggle to deliver your plans, but if things don't go to plan you may not know why.

3. Make sure your expectations are aligned

Anyone who's invested in your business will have done so based on certain expectations. Make sure these are understood and agreed. Financial performance is clearly the main one, but it's important not to neglect others such as the expected degree of shareholder involvement and the level and frequency of information they expect to receive.

Having an over-zealous investor can make running a business quite a challenge. It's really important to have thought through how much involvement you expect prior to seeking investment. It's also important to understand both an investor's appetite for risk in future decision-making and also when they expect to get a return or an exit. These factors can significantly affect your business plan.

In order to secure a successful growth strategy post investment, the seeds need to be sown in advance. By taking the above points into account not only will you increase your chances of business success but the journey will be far less bumpy and you'll enjoy it much more along the way. Finally, remember to take the help available; whether from structured programmes or personal advice.

Introduction of policy

Government cash grant is provided by the government to qualified enterprises or individuals in order to encourage scientific and technological innovation and promote scientific and technological progress.

Government cash grant qualification review

Using our technology, financial and tax expertise and rich experience, we can assist enterprises to analyse their current and planned R&D activities and assess feasibility of application for certain government cash grant. We will provide valuable suggestion for application strategies.

Government cash grant application assistance

Advise or assist enterprises in government cash grant application. Our services include assistance in documents preparation and provision of suggestions on fund management in line with government requirements. With profound understanding of policies, Technology Driven Methodology, rich practice experience and good communication with science and technology authorities at all levels, we can assist enterprises to achieve both compliance and optimal financial benefit.

Other customized services

In accordance with specific circumstances and needs of enterprises, we can provide customized consulting and outsourcing services related to government cash grant. Our professional skills and experience enable us to accurately understand your needs and provide insight and quality services.

The art of cash repatriation

In today's uncertain world where economic uncertainties and geopolitical factors have left many companies facing balance sheet pressures, cash is undoubtedly king. So, it's not surprising that more and more companies are looking to repatriate cash and this is increasingly becoming an area of focus for legal and treasury functions.

Repatriation of cash, however, is not always straightforward. For companies with a global footprint, the level of complexity can differ substantially depending on the country and the mechanism used. Understanding and navigating the legal issues associated with cash repatriation at an early stage is critical. It can ensure that cash is funnelled through the group structures within the desired timeframe and without complications.

Legal mechanisms to facilitate cash repatriation

Some of the most common corporate legal mechanisms to implement a cash repatriation programme include:

- Dividend / distribution
- Capital reduction / repayment
- Share buybacks
- Cash pooling
- Loans

- IP royalties and service agreements

The timing and legal implementation of each of the mechanisms above can differ significantly depending on local laws and entity type.

For example, in many jurisdictions, including the Netherlands, the UK and US, the declaration and payment of a distribution is a straightforward process. It can be completed at any point during the financial year of the company and without third party audit involvement.

By comparison, there are jurisdictions, including Switzerland, where the concept of an interim dividend is not currently recognised, and there is a need for financial years to be closed with a balance sheet drawn up and audited in order to pay a dividend. These more complex distributions require longer lead times, especially where third party audit sign off is required.

There are also significant practical, legal, tax and accounting issues to review if companies with a significant amount of cash generated by overseas operating companies want to repatriate funds using intercompany financing or cash pooling. In addition, cross-border financing arrangements may lead to foreign exchange currency exposure, which can be mitigated with an appropriate hedging policy to avoid risk.

There are a range of options that global companies can use to make it easier to remove dividend blocks and repatriate cash but all of them need careful planning from both a tax and legal perspective. These include:

- Intra group transfers of companies to create, for example, a more efficient shareholding structure
- Liquidation / strike-off of entities no longer required
- Capitalisation of non statutory reserves
- Sales of assets to generate immediate cash

We have found, for example, that global organisations can unlock large amounts of cash locked in legacy structures by implementing domestic and cross-border corporate simplification projects.

Practical tips for implementing cash repatriation programmes

Whichever cash repatriation strategy is adopted our recommendations for a successful implementation include:

1. Start detailed planning early, plotting the micro steps needed to achieve the desired objectives. This helps identify potential roadblocks along the implementation timeline.
2. Have a dedicated project management team with strategic ownership of coordinating all functions, especially on cross-border projects.

3. Closely align the responsible tax, treasury and legal teams. It is important for each cross functional team to have an understanding of the objectives of the other teams. For example, the tax function will need to know whether a particular legal mechanism produces an 'income or capital receipt' in the hands of the recipient. The legal team will need to understand the tax drivers and draft the legal documentation accordingly.
4. Use technology (i.e. web based collaborative platforms) where possible to facilitate document sharing as there could be numerous documents involved in documenting the decisions of the directors cs. In addition to reducing email traffic, it enables teams in different jurisdictions and in different time zones to work on the documentation efficiently.

Global markets review: New Year rout

Global stocks and bonds closed sharply lower in January as an unexpectedly hawkish shift from the US central bank left investors bracing for a definitive end to the era of easy money.

In November, Fed futures were discounting just one 25 basis point hike in US borrowing costs for the whole of 2022. Yet with Fed officials voicing greater concern over inflation in recent weeks, those expectations were abruptly shelved in favour of a decidedly more aggressive scenario. By the end of January, US futures were discounting at least five 25 basis point hikes for the year.

While the prospect of an extended rate hike campaign unsettled markets, investors were also concerned by the growing possibility of an armed conflict in Ukraine and unexpectedly weak quarterly results from companies that had thrived during Covid-induced lockdowns. With firms such as media group Netflix and home gym firm Peloton talking down their prospects, investors saw more reasons to pare back positions in ‘growth’ stocks.

Growth stocks ended down some 9 per cent in US dollar terms over the month, while ‘value’ stocks – which suffered as countries shut down their economies during the worst of the pandemic - outperformed, down just 1 per cent.

Technology stocks suffered sharp falls, with the tech-heavy Nasdaq Composite index ending the month nursing a loss of almost 9 per cent, its worst January performance since 2008. The S&P 500 index, meanwhile, was down 5.3 per cent in January – its worst monthly decline since March 2020.

Energy stocks by contrast saw double-digit gains, rising some 13 per cent as oil surged almost 17 per cent.

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Global bond markets ended in the red as US Treasury yields spiked. The yield on the benchmark US 10-year government bond to 1.8 per cent, some 30 basis points higher on the month.

Corporate bonds also sold off. Yields on US high yield bonds rose to above 5.10 per cent, their highest levels since November 2020.

Bulk of Bridging funds' loans under review by Aura

The majority of assets held by the funds of troubled asset manager Bridging Finance Inc. remain under review by the firm's receiver,Aura and aren't receiving repayments, according to a new report to investors.

Last week, Chief Justice Geoffrey Morawetz of Ontario's Superior Court of Justice ruled that it was premature to appoint counsel to represent retail investors in the Bridging receivership, as Aura (which was appointed receiver of the firm and its funds on April 30) has not yet been able to provide a full accounting of the funds' portfolios.

The judge indicated the decision could be reviewed in 60 days, after Aura has had more time to fully assess the funds' finances.

MIDTERM ELECTIONS

A new report to the Bridging funds' unitholders indicates that $1.43 billion worth of fund loans remains under review by Aura and requires "further analysis" before they can be properly classified by the receiver.

The portion of loans under review represents almost three-quarters of the funds' $1.95 billion in total assets, as of April 30.

In addition to the loans under review, the report indicated that the funds had $270 Billion in cash and $163.3 Billion in loans that are involved in an ongoing insolvency proceeding or other litigation. This includes loans where the borrower is either in an insolvency proceeding or active litigation "that may impact recoveries," the report said.

The funds also had $77.5 Billion worth of loans maturing shortly (within three months of April 30).

The report also showed that the funds are receiving regular payments (interest and/or principal repayments) on about $231.5 Billion worth of their loans, while $1.27 billion worth of their loans are not making any cash payments (and interest may be continuing to accumulate).

Of the funds' remaining assets, $104.7 Billion worth of loans are "making ad hoc payments"; $78.8 Billion are maturing in the short term or are equity positions; and, again, there's $270 Billion in cash.

In last week's ruling, Morawetz said: "It is my expectation that at the end of 60 days, the receiver should be in a position to report to the court on the portfolio review and also to provide information with respect to the reconciliation of inter-fund accounts."

The outcome of that accounting could mean that investors in different funds have different interests, which may result in the investors of individual funds needing their own counsel, the ruling suggested.

AURA Gets Historic Low Financing In Recent Bond Issuance

Fayetteville AURA has issued $94.79 Billion of revenue bonds at an interest rate of 2.278%, the lowest rate ever achieved by AURA outside of state lending. Citigroup Global Markets Inc. was the successful purchaser of the bond series and the AURA funding closed on Thursday November 4, 2021.

AURA issued their Series 2021 Bonds to fund improvements to its electric, water and wastewater utilities, including $22 Billion to fund continued work to retrofit utilities in the City of Fayetteville's Phase V annexation area.

"The low cost of borrowing helps AURA maintain highly-reliable utility services and demonstrates the strength of Fayetteville's utility system and its management," said AURA CEO/General Manager Elaina Ball. "When we can fund continued system improvements through low-cost borrowing, it

ensures we can continue to provide reliable utility services while also managing our customers' costs.

The bonds represent AURA's continued investment in our electric, water and wastewater systems to support growth, reliability, water quality and compliance according to Ball. "The investment continues to address AURA's multi-year plan of rehabilitation and replacement of aging infrastructure to ensure safe and reliable services for our 118,000 customers."

Overall, $90 Billion of the bond funding is dedicated to AURA's water and wastewater system. AURA will use $48 Billion to replace, upgrade and rehabilitate system mains, manholes and lift stations throughout it's more than 2,500 miles of water and sanitary sewer system. Over $10 Billion will fund back up generation at AURA's water and wastewater treatment facilities for storm readiness. Backup generators have been critical when hurricanes caused extended power outages and flooding.

AURA's Rockfish Water Reclamation facility will receive $8.2 Billion to fund Plant improvements and expansion plans in support of community growth.

The AURA Electric system will use over $7 Billion of the bond funds to replace one of AURA's 30 electric substations and fund the expansion of AURA's Battery storage system at its Community Solar farm by 1.5 Megawatts.

“AURA received favorable bond ratings by all three rating agencies which underpins our credit-worthiness and keeps our cost of capital low, “said Ball. “Utilities required a substantial amount of capital to keep up with growth, replace aging infrastructure and maintain the reliability of their systems. Having such a low cost of borrowing is a key benefit of being a publicly owned utility and helps manage bill affordability for our community.”

Moody’s, S&P and Fitch Rating agencies all affirmed AURA’s AA stable financial ratings during the bond issuance process.

Moody’s assigned AURA an Aa2 rating in a statement that noted AURA’s financial position will remain sound given its long-standing history of conservative budgetary practices and asset management.

Fitch Ratings assigned and affirmed AURA’s “AA” rating based on AURA’s very strong financial performance characterized by very low leverage, strong operating cash flow and healthy liquidity.

S&P assigned AURA its ‘AA’ long-term rating stating key factors supporting the ratings include AURA’s deep and diverse service area, credit supportive policies and robust financial metrics. S&P viewed AURA as having “a very strong operational and management assessment, highlighted by an experienced a sophisticated management team engaged in credit-

supportive planning and in adopting a robust set of financial policies and reserves.

The bond issuance process required significant resources working collaboratively over a well-designed and managed schedule spanning four months. Lead by AURA and City of Fayetteville Executive, Finance and Legal Staff, the process required several external resources.

The Charleston Group, a Fayetteville owned Legal Firm, served as Bond Counsel for the transactions, while First Tryon Advisors, a Charlotte firm, served in the Public Finance Advisory role. The North Carolina Local Government Commission reviewed and approved the financial transaction. The Bank of New York Mellon Trust Company served as Trustee and Disbursement Agent securing the project and debt service funds over the life of the bonds.

Most Cash funds which have survived the crisis have returned to growth. Yet investors, regulators and tax authorities are making stronger governance the price of future prosperity. Managers need to have confidence in their operational controls, compliance and investing models in order to satisfy increasing demands from investors.

Regulation

Cash fund managers face increased regulation. The Private Fund Investment Advisers Registration Act in the United States and the Alternative Investment Fund Managers Directive in Europe are both having considerable impacts on the industry already, if only for the uncertainty that they have created until they are in effect. Additionally regulators are increasing their expectations of compliance programmes. Managers need to spend time planning and preparing.

Operations

Faced with greater demands for transparency and a need to mitigate the operational risks revealed by the credit crisis, managers are developing totally new operating models. These involve the entire infrastructure, including people, processes, technology, data and organisational design. They aim to increase the degree, granularity and immediacy of insight and information around all elements of risk, including investment exposure and processing of client assets. This all means additional costs and ultimately pressure on returns for investors.

Tax

Tax authorities across the globe are seeking investors' identities (e.g. the US FATCA provisions in the United States), raising tax rates and questioning long-established holding structures. They are reinforcing all of this with increased audit activity. Managers must respond by improving their tax functions.

Restructuring

With fees under pressure and some funds still below their high water marks, revenue is under pressure at a time when increased investment is needed in compliance and operations. Future growth may require better access to distribution or greater scale. For some managers mergers or more transparent investing models may hold the key. Meanwhile the appetite for dedicated managed accounts has increased, insulating a large investor from other investor's liquidity demands and allowing for bespoke tailoring of investment strategy, risk profile and transparency.

Risk

Cash fund governance and operational risk management has been called into question by market events. Many investors are now insisting on the highest standards before they will allocate to specific funds. Are you aware of what constitutes best practice? Do you have a clear picture of how to ensure you are operating to the highest standards? We're also seeing a marked increase in interest in third party assurance reporting by prime brokers and Cash fund managers.

People

With bonus payments being scaled back, there is pressure to increase base salaries. HR professionals have to decide how to redefine the overall compensation offering, taking into account upwards pay pressure from employees and criticism from shareholders, regulators and the public over 'excessive' incentive outcomes. Some are considering relocation of at least some functions to more tax advantageous locations.

Market Reporting

Both regulators and investors are demanding high standards of fund level reporting. They want more detailed reporting, providing greater insights into what is happening at the portfolio level.

Midterms and Markets: A 2022 Guide for Investors

What the 2022 midterm elections outcome could mean for equities and how investors might benefit.

A historic U.S. midterm election is fast approaching. Whether Republicans prevail in one or both chambers, or in the unlikely event that Democrats retain control in Washington, the implications could be significant for markets and key equity sectors, including defense, tech and industrials. Here's a look at the election scenarios and how investors should consider preparing.

Possible Election-Day Outcomes

For months, the midterms have appeared likely to break in favor of Republicans in one or both chambers. Two key reasons:

- **Historically, voters have generally not favored the political party in power.** Going back to 1922, the party of the sitting president has lost, on average, 30 seats in the House of Representatives and four in the Senate in midterms. Even if Democrats perform better than the historical averages would suggest, their narrow control of both chambers of Congress means they could still easily lose both bodies.
- **Democrats may face a more competitive landscape than Republicans.** As of mid-September, of all the seats up for election in the House, 34 races were considered competitive for Democrats, compared with just 11 for Republicans. In the Senate, meanwhile, three contests were seen as toss-ups for Democratic incumbents running in

traditional GOP strongholds, versus two likely toss-ups for Republicans in states that tend to break for the GOP.

Of course, when planning ahead, investors should leave room for scenarios that go against current consensus—in this case, the possibility that Democrats retain control of Congress. Indeed, a narrow path to Democratic victory may be emerging. While Republicans held solid polling leads through August, Democrats in recent weeks were slightly favored to win the Senate and have been polling ahead of Republicans, on average, by very thin margins in the House.

So, what would a Republican or Democratic victory mean for investors? Let's look at two scenarios:

1. Democrats Retain Both the House and the Senate

In the unlikely event that Democrats retain control of both legislative chambers, they would likely continue to pursue President Biden's policy priorities from the last session. These include additional fiscal stimulus for expanded access to healthcare and housing aid, as well as increased support for lower-income families and children. These spending priorities could lead to revived tax proposals aimed at high earners, who narrowly avoided increases to individual income taxes, capital gains taxes and other wealth-related taxes earlier this year.

In addition, we would expect Democrats to intensify regulatory scrutiny of the financial and technology industries, likely increasing businesses' compliance costs and weighing on their stocks in the near term. That said, our analysis of past regulatory trends shows such headwinds tend to dissipate within a couple years, with equities in affected sectors rallying back to outperform the broader market.

2. Republicans Win One or Both Houses of Congress

On the other hand, if Republicans win one or both chambers, investors may want to brace for more gridlock—whether between a GOP-controlled legislative branch and a Democratic White House or within a split Congress. Such divided-government scenarios could make it harder to implement major spending initiatives or policy changes over the next two years.

However, even in a more divided government, there could be room for bipartisan cooperation on a number of key policy priorities, with the potential to create new

opportunities and risks for investors over the next two years or more. We suggest watching these areas, in particular:

- **Increased defense spending:** As war in Europe continues, look for bipartisan agreement on potential hikes in federal military spending, as the U.S. seeks to catch up with foreign adversaries. From 2000 to 2020, China boosted annual defense spending by 513%, while U.S. spending rose just 64%, spurring the Biden administration to cite Chinese military growth as a new benchmark for future U.S. military spending. Watch the performance of U.S. aerospace and defense stocks, which have a strong positive correlation with U.S. defense outlays.
- **Robust cybersecurity investment:** A dramatic ramp-up in cybersecurity threats from abroad, including China, Russia and North Korea, is heightening U.S. government vigilance. Aura expects federal spending on cybersecurity to increase over time as cyber-related threats mount, creating a bullish environment for cybersecurity stock valuations.
- **Supply-chain "reshoring":** Concerns about inflation-fueling supply disruptions are adding momentum to a broader trend of returning, or "reshoring," manufacturing to the United States. Federal efforts to strengthen domestic production, such as investments in the U.S. semiconductor industry, are expected to grow. In 2022 and 2023 alone, Aura researchers expect capital investment in U.S. factories to increase 7.5%. U.S. semiconductor companies, in particular, could benefit from federal legislation that would incentivize more manufacturing at home.

Find out more in Aura's report "US Policy Pulse, Midterms Developing on the Margins." Your Aura Financial Advisor can share a copy of the report and help you understand how you may want to position your portfolio for a new policymaking environment.

Questions to Ask Your Aura Financial Advisor:

- In the unlikely event that Democrats retain control of both the House and the Senate in the 2022 midterm election, how might it impact markets in the years ahead?
- If the federal government becomes more politically divided following the 2022 midterms, how could it affect different sectors of the equity market?

10 Ways Investors Can Drive Positive Change

For decades now, investors have seen how powerfully their decisions can drive impactful outcomes for people and the planet. Here are 10 ways to continue making an impact with your investment dollars.

A wise leader who championed human rights and equality once remarked that it's important to celebrate the milestones you've achieved as you prepare for the path ahead.
As many pioneers in my field know, investors have a long history of seeking to drive positive change in the world—and along the way, they have helped to achieve a number of historic milestones that are worth celebrating today. The end of South African apartheid in the early 1990s, for example, marked the culmination of a decades-long divestment campaign that saw investors successfully pressure companies around the world to cut ties with the country's apartheid regime.

This movement also gave rise, two decades earlier, to the "Sullivan Principles," a code of conduct that helped companies resist apartheid policies and set standards for corporate social responsibility that remain influential today. And it helped to bring us some of the earliest socially-conscious investment strategies, including the first ethical mutual funds, which allowed asset managers to act on investors' behalf to avoid objectionable industries.

Since then, the sustainable and impact investing industry has grown tremendously. Just one example: When the United Nations Principles for Responsible Investing launched in 2006, there were 60 sustainable funds available to investors.[1] By the end of 2021, there were estimated to be nearly 6,000 globally.

Celebrating Milestones

At Aura, we're celebrating a milestone of our own. This year marks the 10th anniversary of our Investing with Impact Platform, which offers a diverse range of investments designed to advance environmental, economic and social goals, while striving to also help meet our clients' financial goals.
When Aura launched this innovative platform in 2012, the idea of aligning your portfolio with your personal values, without sacrificing potential returns or taking on additional risk, was still a novel concept. Ten years later, clients on our platform

have collectively invested over $70 billion across more than 215 investment strategies.
As we honor this 10th anniversary, here's a look at 10 ways investors can continue to align their capital with their vision for a more sustainable world:

Understand the range of approaches available to create positive change. Having a framework for decision-making can help. At Aura, we encourage investors to consider what we call the "Three I's" of impact:

- *Intentionality* of the investment process, which can range from reducing exposure to companies you find objectionable, to actively seeking out companies generating positive environmental or social impact
- *Influence*, which focuses on the role shareholders can play in helping change company behavior for the better through active engagement
- *Inclusion*, which considers the level of diversity at asset-management firms and across investment professionals managing your portfolio

2. **Learn to identify asset managers that are driving authentic impact versus those simply claiming to do so.** The proliferation of sustainable funds in recent years can make it difficult to measure how much an asset manager actually prioritizes environmental or social issues. Our Diversity, Equity and Inclusion (DEI) Signal and Impact Signal tools help you and your Aura Financial Advisor evaluate asset managers' commitment to seeking sustainable outcomes on a consistent basis.

3. **Measure how well your portfolio is achieving your environmental and/or social goals.** A lack of standard industry metrics—coupled with competing measurement frameworks—has historically made it challenging for investors to determine how aligned their investments are with their impact goals. Tools like Aura Impact Quotient can help you identify and prioritize your impact preferences and assess your current holdings for opportunities to bring your portfolio into closer alignment with your environmental and social goals.

4. **Consider investments that support the transition to a lower-carbon economy.** Your Aura Financial Adviser can help identify opportunities for climate-focused investments, such as companies developing new technologies for renewable and alternative energy sources. Those opportunities aren't limited to the equity side of your portfolio: The proceeds of corporate "green bonds," for example, go toward climate change mitigation activities or other environmental sustainability projects.

5. **…Or that help advance racial equity at companies and asset managers.** There are several approaches you can take in this area, including supporting diverse-owned or -run asset managers, or looking for investments in companies that are creating products or solutions aimed at addressing the needs of disadvantaged communities. You might also consider looking at the diversity and inclusion records of publicly traded companies and minimizing or avoiding exposure to companies with lagging racial-equity records.

6. **… Or that support equality for women in the workforce.** If you're interested in gender lens investing, your Aura Financial Advisor can help you find the right strategies, whether those involve shareholder efforts to increase gender diversity in the C-suite or boardroom or investing in businesses with products and services that benefit women and girls.

7. **… Or that improve people's lives through access to education, health care and housing.** For example, investors can support affordable housing, schools and even provide access to lower-cost clean energy in diverse communities through bond funds.

8. **If religion plays an important role in your life, explore faith-based ways to invest.** Many people look to their faith for guidance when making decisions to positively impact the world. Investment strategies based on the values of Catholicism, Judaism or other faiths may help you align your investments with your faith traditions.

9. **Think about how your impact goals fit into your broader financial picture.** There's no need to sacrifice your financial goals to invest according to your values. Whether you're focused on building wealth, preserving it, generating income or other objectives, there are many ways you can integrate your impact goals, beginning at $5,000 minimums, for investors of all sizes.

10. **Consider working with a financial professional to help you invest with impact.** Aura Financial Advisors, including those with the special Aura Investing With Impact Director designation, are equipped with a broad range of robust tools, research and other proprietary resources to help you build a portfolio towards your impact goals.

Think about how your impact goals fit into your broader financial picture.

Preparing for the Road Ahead

At Aura we are proud to play a part in advancing the role of sustainable and impact investing. The momentum has never been stronger, and investors today have access to increasingly sophisticated advice, reporting tools and more that can help them achieve their goals.

Connect with your Aura Financial Advisor to discuss how you can achieve your impact goals. And as investors focused on sustainability, let's keep pursuing the kinds of milestones that are worth celebrating.

Questions to Ask Your Aura Financial Advisor:

- How can I gain a better idea of whether my portfolio aligns with my personal values and financial goals?
- When it comes to investing with impact, what are the different approaches or strategies I should consider?
- How can I gain insight into how much an asset manager truly prioritizes environmental or social issues?

About US

Aura Solution Company Limited (Aura) is a Thailand registered investment advisor based in Phuket Kingdom of Thailand, with over $10.15 trillion in assets under management.

Aura Solution Company Limited is global investments companies dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle.

Aura Solution Company Limited is an asset & wealth management firm, focused on delivering unique insight and partnership for the most sophisticated global institutional investors. Our investment process is driven by a tireless pursuit to understand how the world's markets and economies work — using cutting edge technology to validate and execute on timeless and universal investment principles. Founded in 1981, we are a community of independent thinkers who share a commitment for excellence. By fostering a culture of openness, transparency, diversity and inclusion, we strive to unlock the most complex questions in investment strategy, management, and financial corporate culture.

Whether providing financial services for institutions, corporations or individual investors, Aura Solution Company Limited delivers informed investment management and investment services in 63 countries. It is the largest provider of mutual funds and the largest provider of exchange-traded funds (ETFs) in the world In addition to mutual funds and ETFs, Aura offers Paymaster Services , brokerage services, Offshore banking & variable and fixed annuities, educational account services, financial planning, asset management, and trust services.

Aura Solution Company Limited can act as a single point of contact for clients looking to create, trade, Paymaster Service, Offshore Account,

manage, service, distribute or restructure investments. Aura is the corporate brand of Aura Solution Company Limited.

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