



WEISSHORN  
ASSET MANAGEMENT



# Investment Committee Q1



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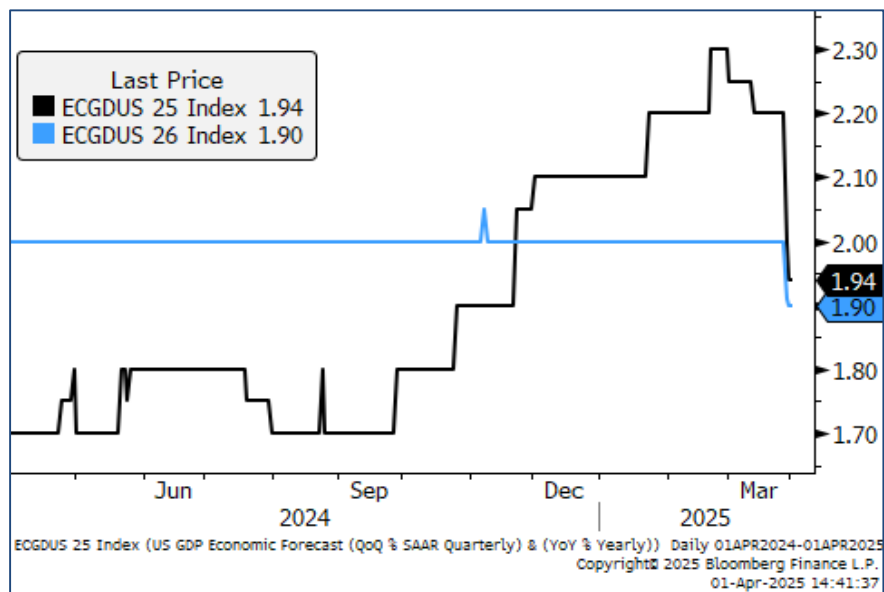
# 1. Market highlights

- The first quarter was marked by Donald Trump's inauguration and major **sector rotations**.
- So far, Macroeconomic conditions have been resilient on both sides of the Atlantic. The announcement of **new tariffs is likely to trigger a deterioration** in economic statistics.
- **Europe and Emerging Markets have outperformed the US**. The MAG 7 ETF has lost over 15% since the start of the year.
- Interest rates have tended to fall, while **Credit Spreads have widened slightly**, but remain relatively low by historical standards.
- Early **elections in Germany** should enable the country to initiate major reforms. A EUR 500 billion investment plan has already been approved by parliament.
- The methods of the new US President are shocking and creating a feeling of **instability on the markets**.
- **If tariffs are maintained**, there is a strong likelihood of a reshaping of World trade. It is difficult to anticipate the consequences of this, although **we can imagine inflationary pressures in the long term**.
- **Central Banks**, which have been advocating data dependency for several months now, are likely to come under pressure.
- **Gold is the big winner** from the current economic and geopolitical uncertainties.

## 2. Macro : GDP Forecast

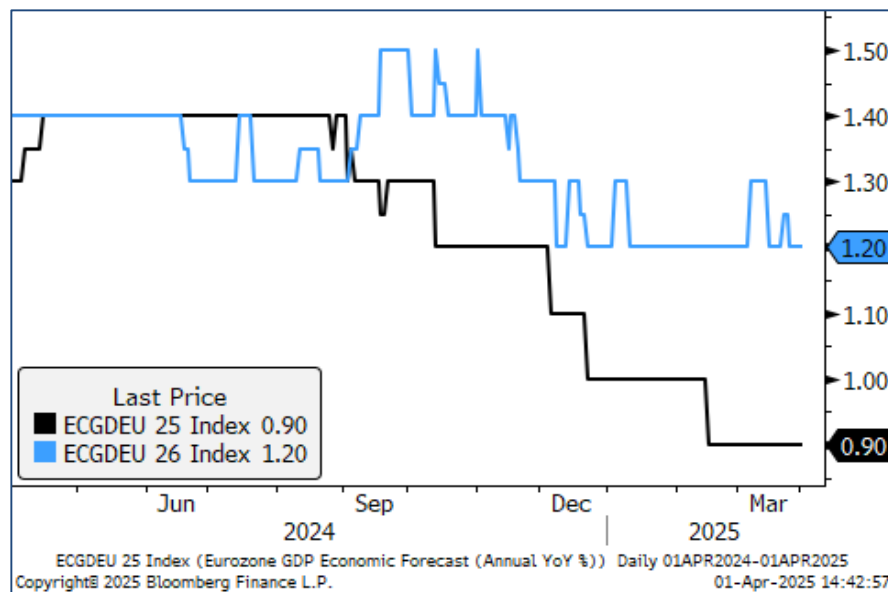
- **GDP growth expectations in the US and Europe have been revised downward** since the beginning of the year. In the US, this is primarily due to Mr. Trump's policies. Economists are still trying to estimate the impact that import tariffs will have on the economy, but they seem to agree that it will not immediately boost growth.
- In Europe, despite stellar equity market performance and a €500 billion spending plan in Germany, these measures are not expected to have an immediate economic impact. Additionally, **US tariffs could slow European exports**, thereby weakening its economy.

US GDP Forecast



Source: Bloomberg

EU GDP Forecast



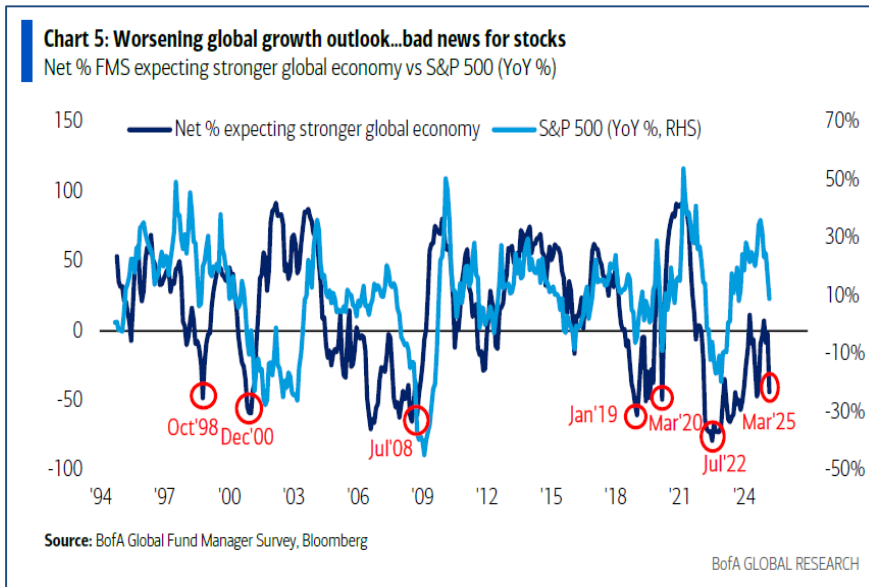
Source: Bloomberg



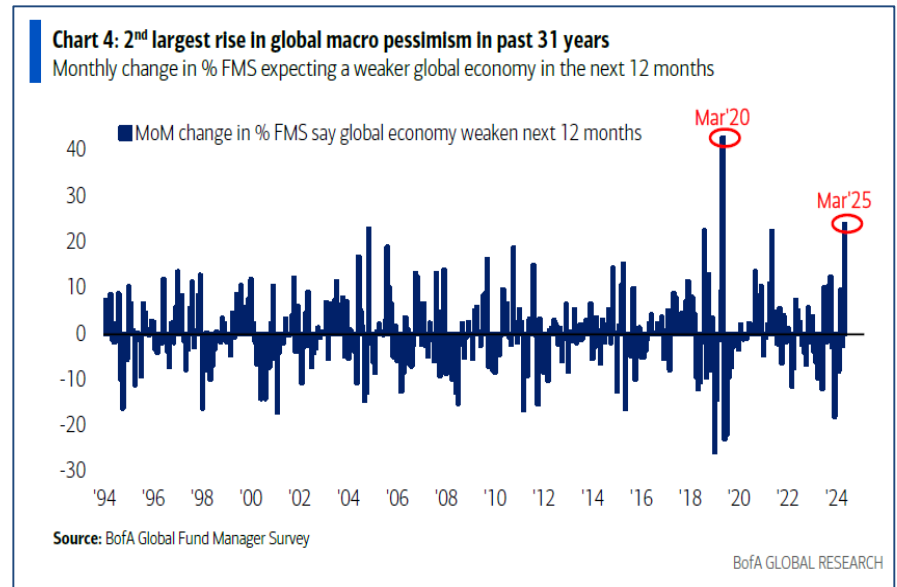
## 2. Macro : Investor Sentiment Survey

- Bank of America's monthly survey of asset managers provides insight into investor sentiment. Many have **revised downward their global economic growth for the US** outlook for this year.
- This growth expectation revision is the largest since the 2020 pandemic crisis. If these tariffs are maintained, **we may experience multiple quarters of deglobalization**, which would negatively impact global growth.

FMS Net % Expecting Stronger Economy



FMS MoM Change % Expecting weaker Economy



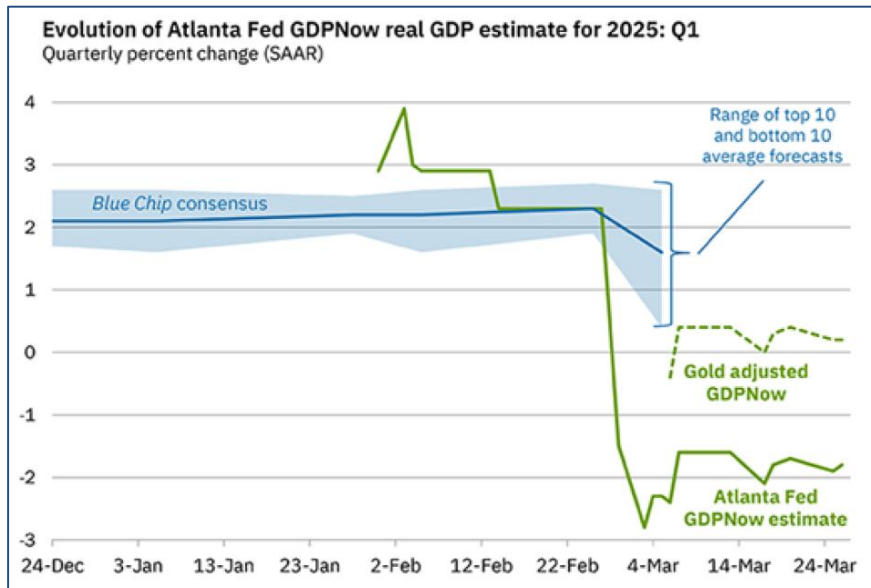
Source: BofA

Source: BofA

## 2. Macro : Economic Data

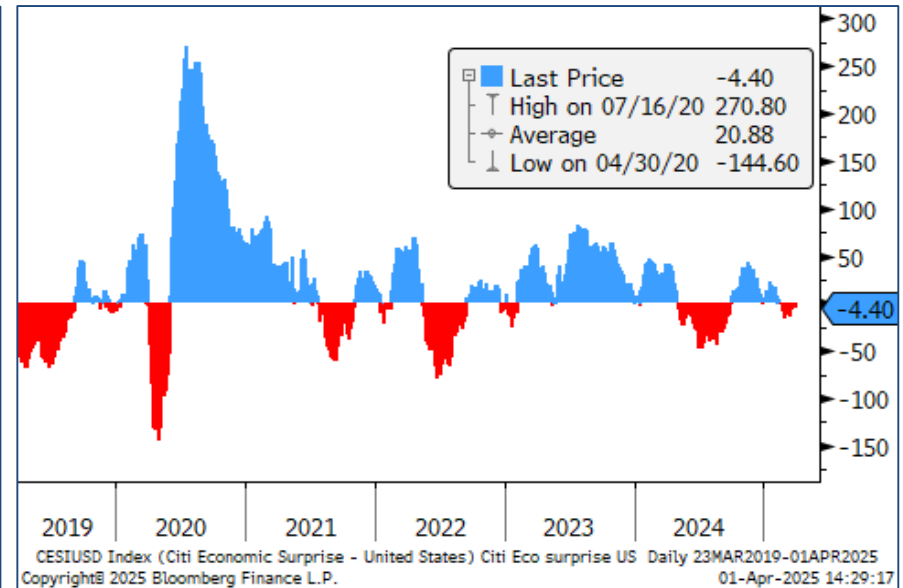
- The Atlanta Fed's nowcasting already indicates an economic slowdown in the US for Q1. **GDP is projected to decline by 2.8%**, according to their estimates. Some consider this figure exaggerated and distorted, primarily due to declining net exports, as companies rushed to place orders before tariffs took effect.
- Citi's macroeconomic data surprise index recently turned negative, suggesting that economists may have been too optimistic about US growth expectations.

Atlanta FED GDPNow



Source: FED Atlanta

Citi Economic Surprise US



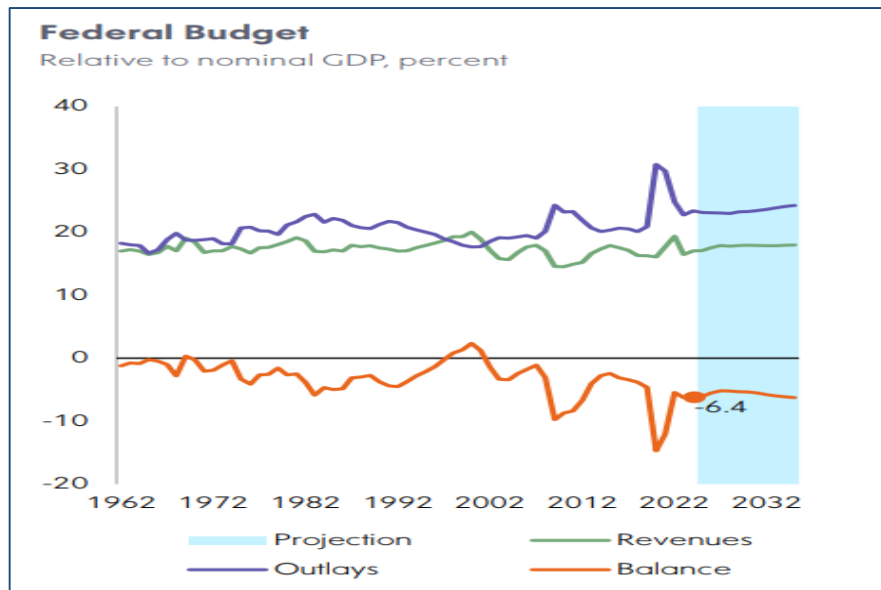
Source: Bloomberg



## 2. Macro : Federal Budget

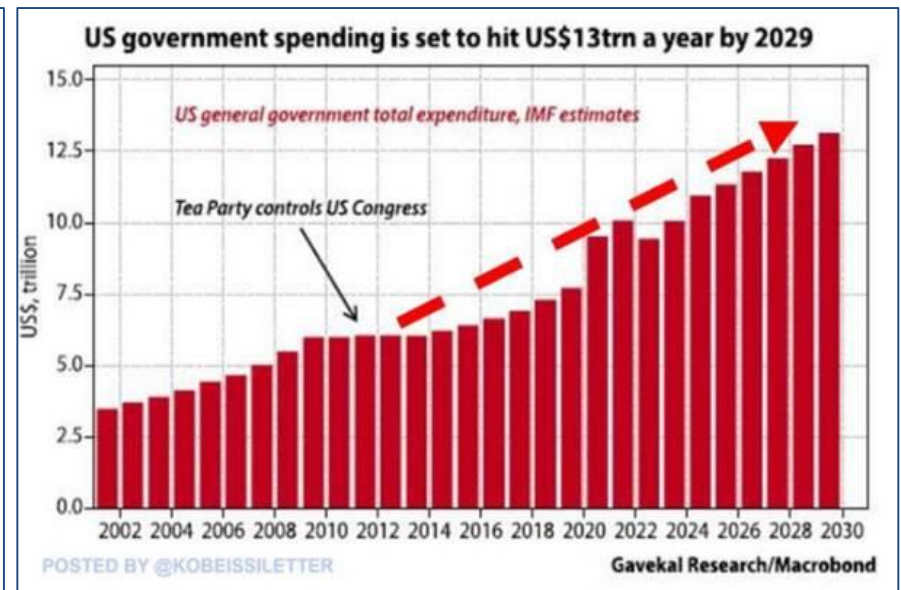
- The US Government budget is another factor closely monitored by investors. Although tariffs are expected to generate some revenue and the Department of Government Expenditure (DOGE) is attempting cost reductions, **the US budget will likely remain in deficit**. So far, the DOGE said they were able to save \$115Bn which is a small fraction of the projected budget deficit.
- This raises two key questions: Could the growing US debt burden become unsustainable if deficits persist? Will the Trump administration reduce spending to curb the deficit? There are no clear answers yet, but **these uncertainties negatively impact markets**.

US Federal Budget



Source: JP Morgan

US Gov. Spending



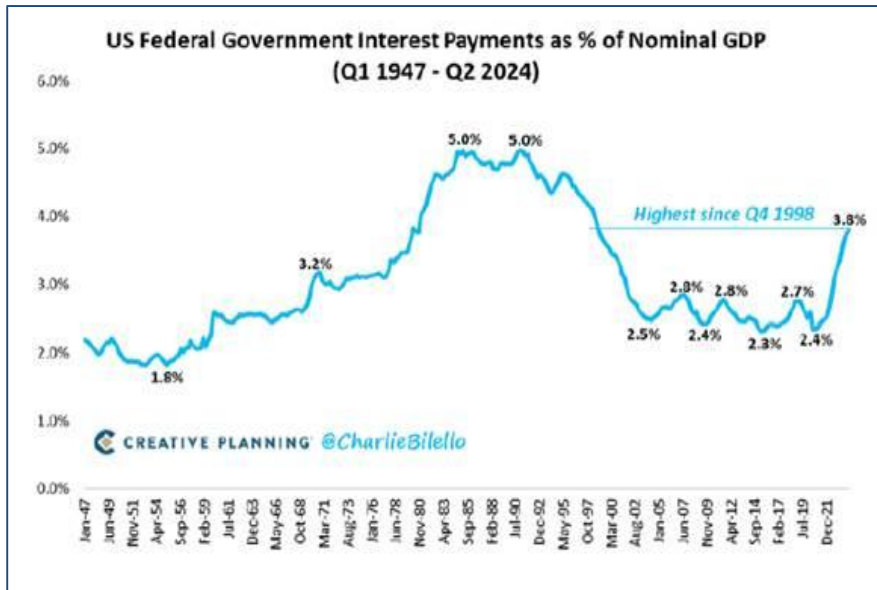
Source: Gavekal



## 2. Macro : US Cost and Impact of Government Debt

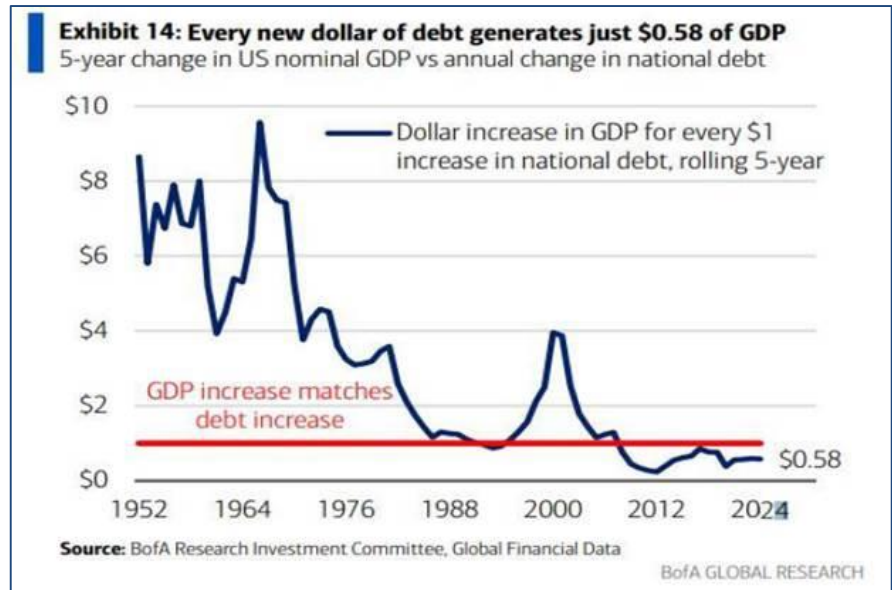
- **Government debt costs are at their highest level in nearly 30 years, reaching 3.8% of GDP.** This limits the White House's ability to allocate funds to other economic sectors, thereby weighing on investments. **The primary hope now is for the Federal Reserve to lower interest rates to ease the debt burden.** Interest payments are projected to reach \$1 Trillion this year which is the same amount as the budget allocated to defense.
- Additionally, each new dollar of debt generates only \$0.58 of GDP, **raising questions about whether continuing deficit spending is worthwhile.**

US Gov. Interest Payment



Source: Charlie Bilello

US Debt Impact on GDP



Source: BofA

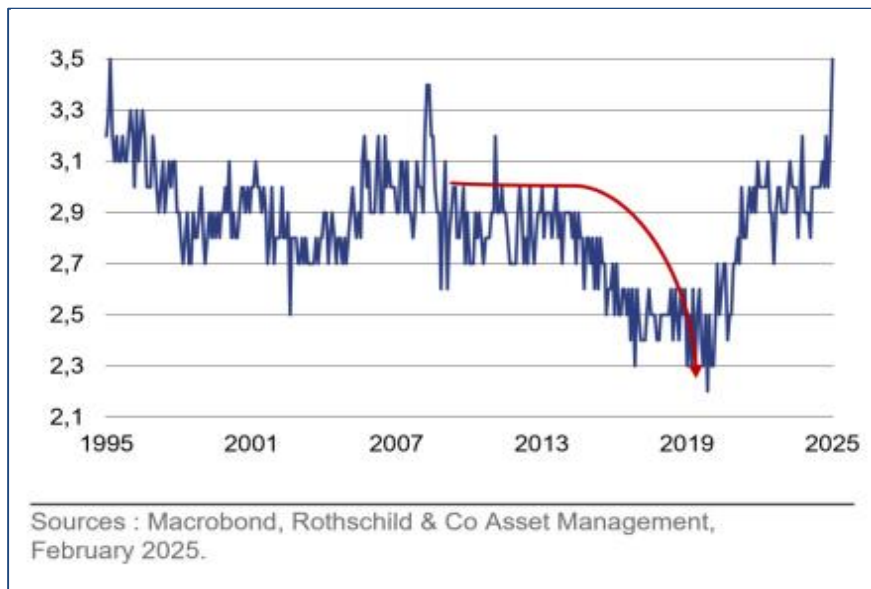




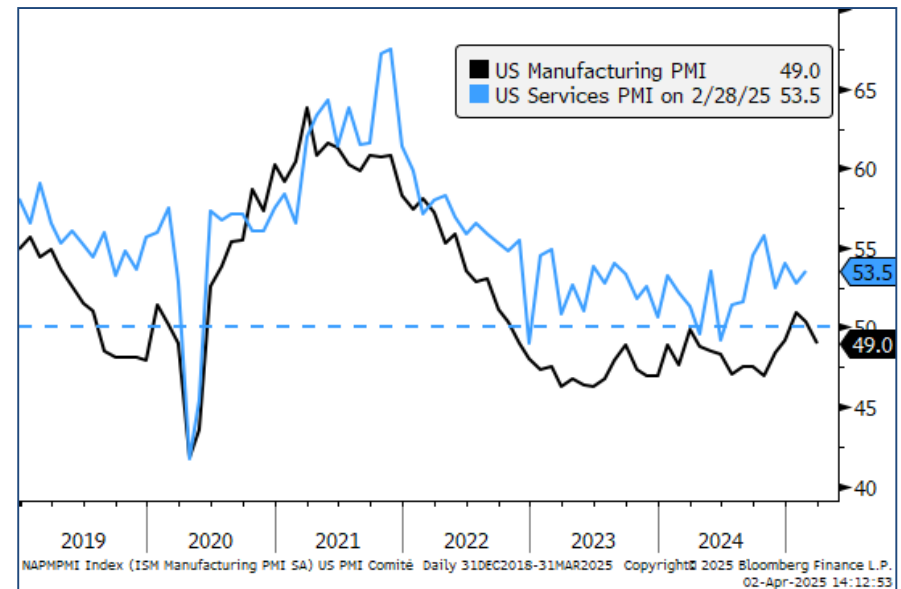
## 2. Macro : US Leading Indicators

- Although **economic growth appears to be slowing** compared to early-year forecasts, **inflation expectations have increased**. The University of Michigan's consumer survey shows that since Trump took office, inflation expectations have risen by 0.5%, from 3% to 3.5%.
- Regarding leading indicators, service sector PMIs remain in expansion territory, a positive sign for the US economy. However, after a brief rebound above 50, manufacturing PMIs have fallen back into contraction. It remains to be seen whether tariffs will positively impact the sector.

U. Of Michigan 1Yr. Inflation Expectation



US ISM PMI



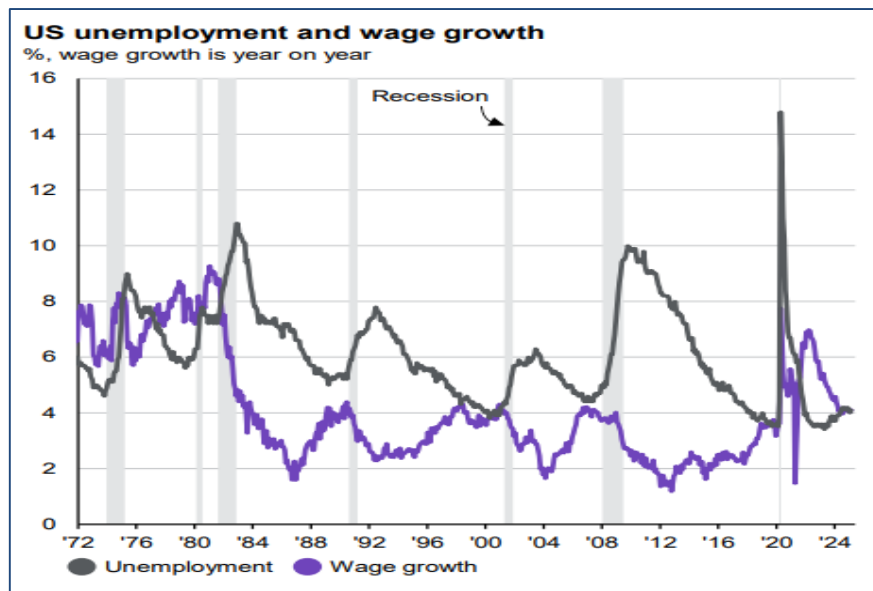
Source: Rothschild & Co

Source: Bloomberg

## 2. Macro : US Labor Market

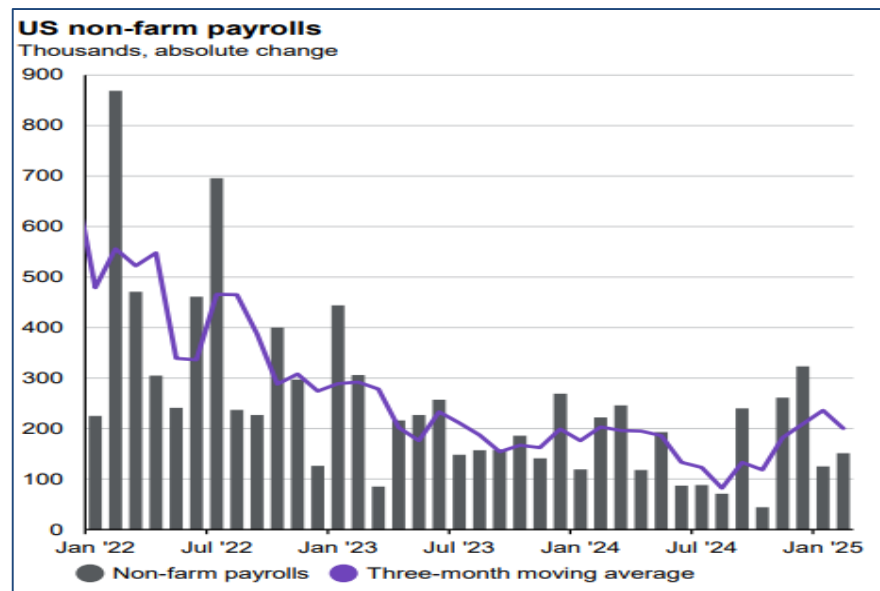
- **The US labor market continues to normalize.** Unemployment remains stable around 4%, a level considered full employment. **Wage growth is also stabilizing**, which is positive as excessively high wage increases could reignite inflation.
- **Job creation remains strong**, although new jobs are below 2022–2023 levels. This normalization is again a positive factor for inflation.

US Unemployment and Wage Growth



Source: JP Morgan

US non-farm payrolls



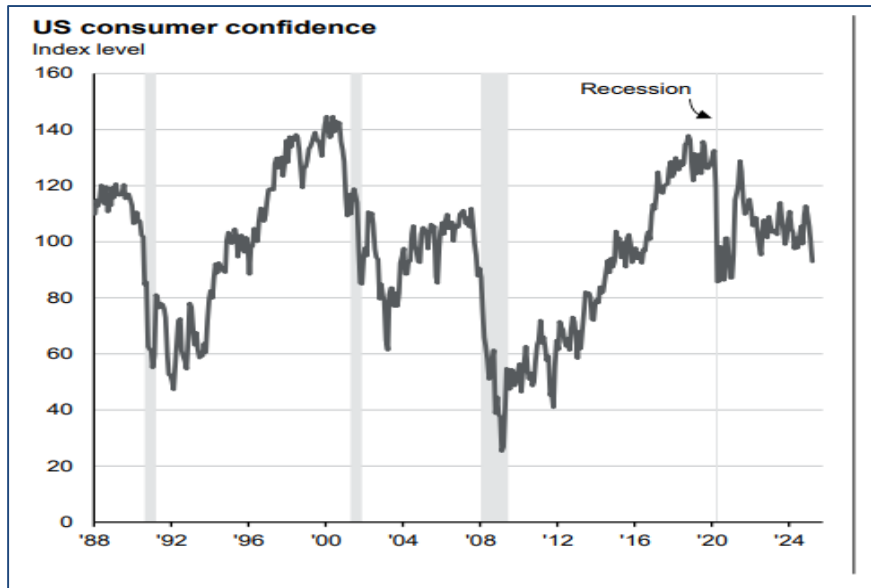
Source: JP Morgan



## 2. Macro : US Consumer

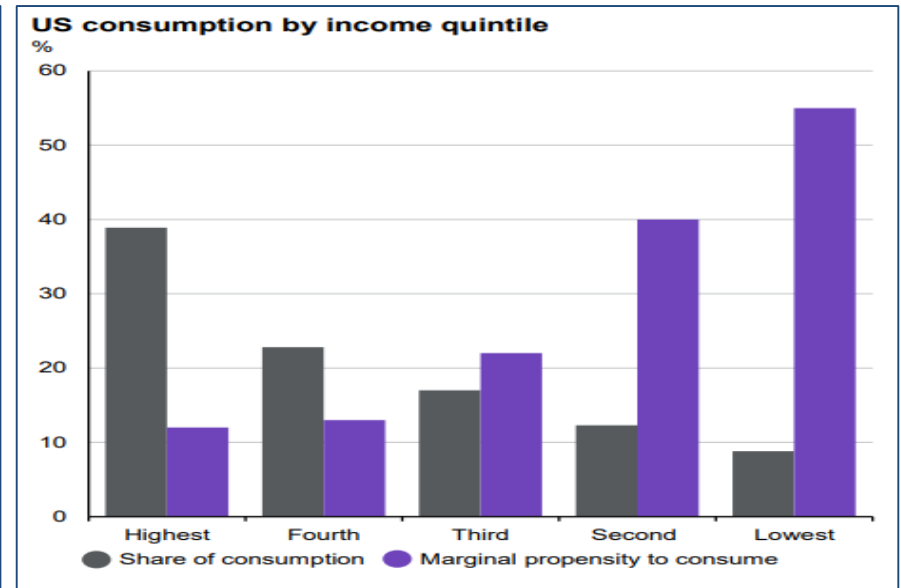
- **Consumer Confidence is at its lowest level since the COVID period.** Historically, when **households** lack confidence, they **tend to save more**, negatively impacting domestic consumption.
- **High-income workers are currently driving consumption**, with the top income quintile alone accounting for over 40% of total spending, indicating that lower-income groups remain cautious as they await better economic prospects.

US Consumer Confidence



Source: JP Morgan

US Consumption by Quintile

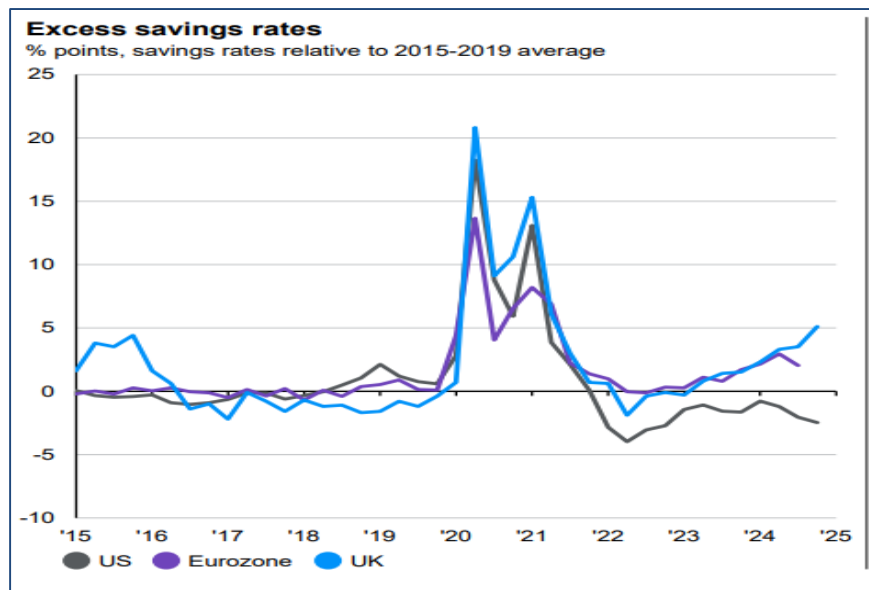


Source: JP Morgan

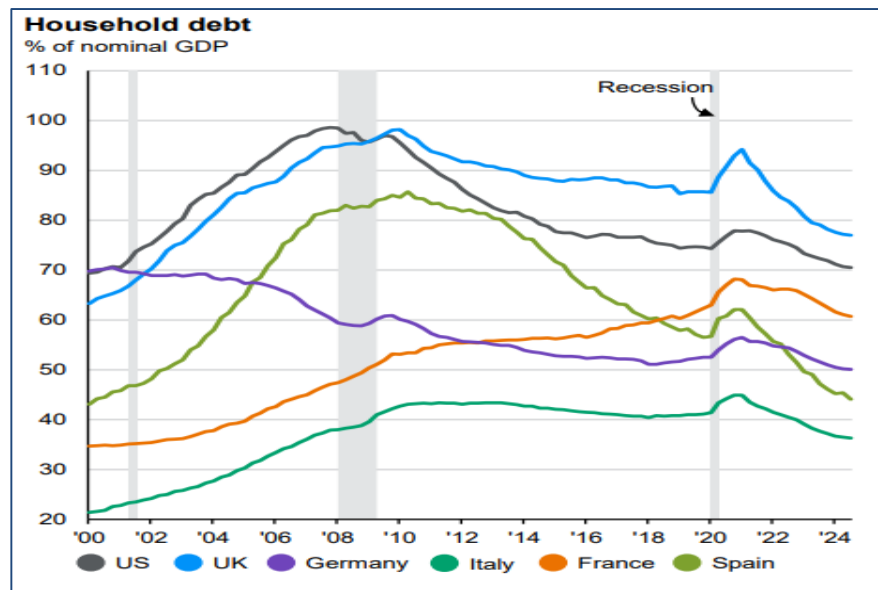
## 2. Macro : US Households Savings and Debt

- **The COVID-era excess savings in the US have been depleted** since 2022, while they have rebounded in Europe and the UK. Given current savings levels, American consumers' purchasing power has weakened, making it harder to sustain economic growth.
- A positive factor is that **household debt levels in both Europe and the US have declined since the pandemic**, providing more room for consumers to take on new debt and spend, potentially offsetting lower savings in the US. Even though households have more room to raise debt, they will be able to do so only if banks are willing to lend money. So far, the **banking sector is healthy and should be able to go through the turbulences**.

Excess Savings



Household Debt



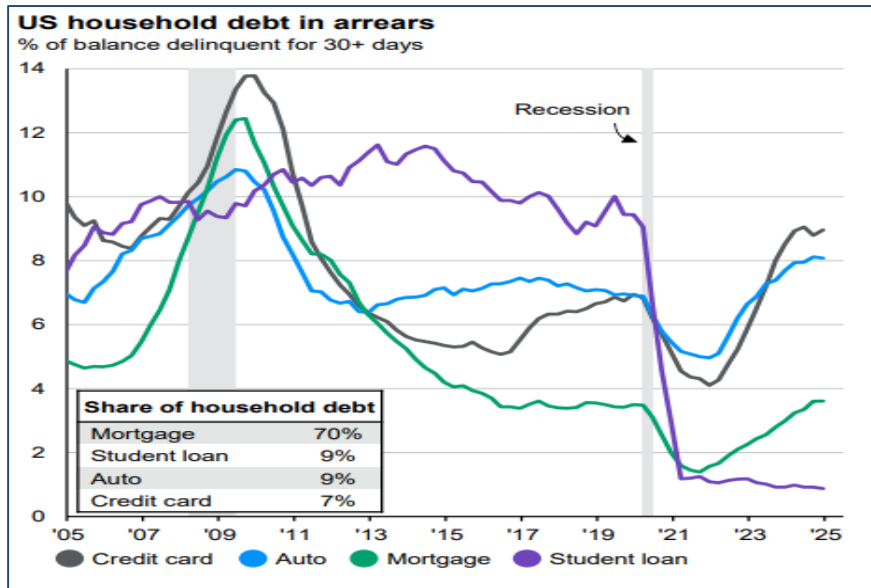
Source: JP Morgan

Source: JP Morgan

## 2. Macro : US Delinquency Rate and Interest Payment

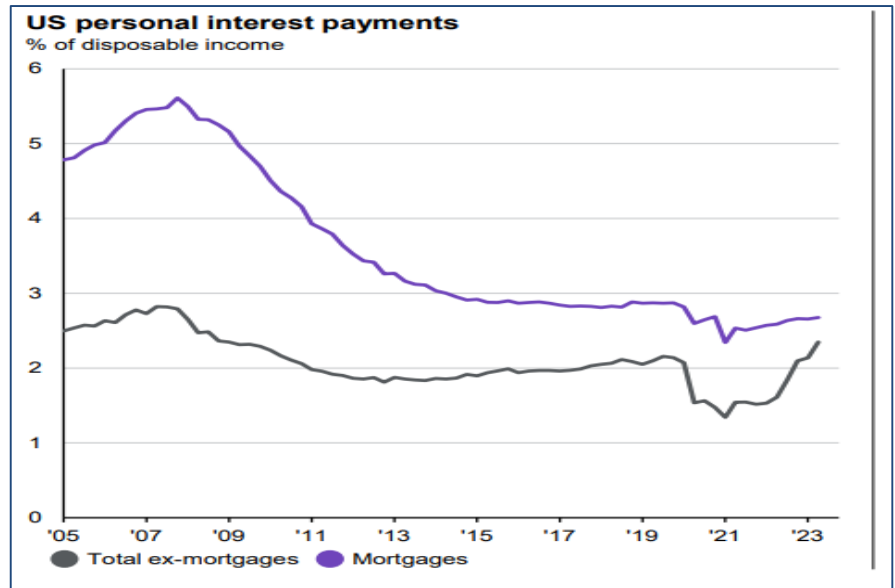
- Despite lower consumer debt levels, financial strain is emerging in some population segments. **Loan delinquencies have been rising for several quarters.** While not yet alarming, they need to stabilize or decline to reassure investors.
- With rising inflation and interest rates, **credit costs are increasingly impacting households.** Interest payments now account for 2.5% of income, up from 1.5% at the end of 2021, directly affecting purchasing power.

Delinquency Rate



Source: JP Morgan

Interest Payment



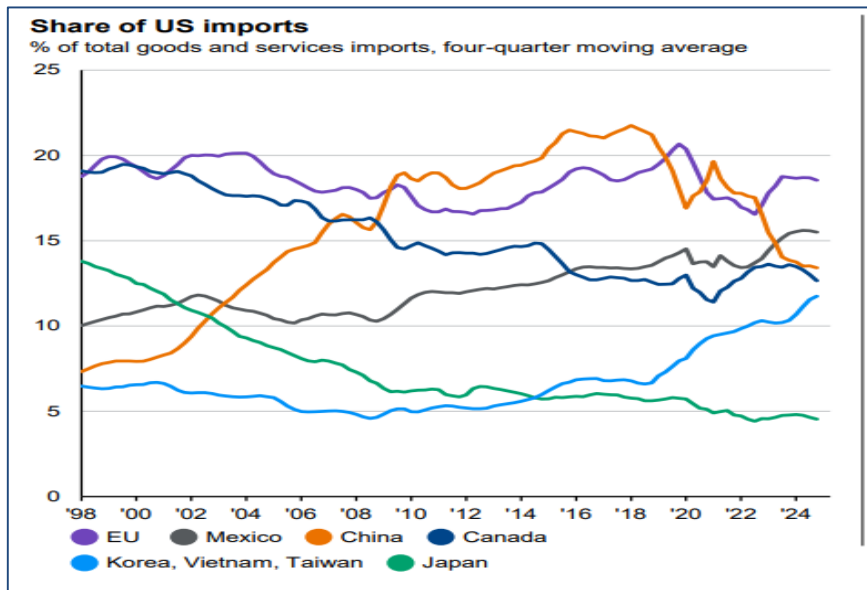
Source: JP Morgan



## 2. Macro : US Trade Partners and Trade War Survey

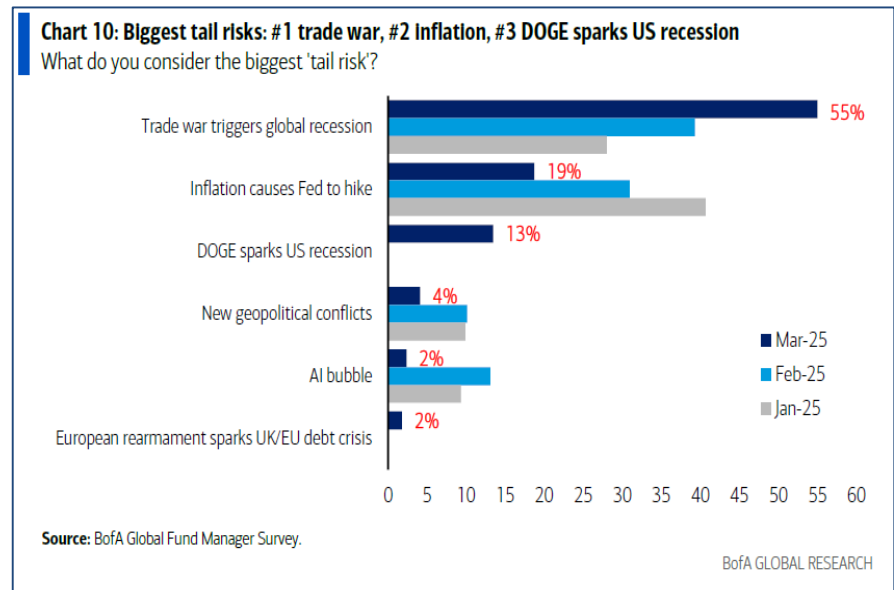
- Asset managers are increasingly concerned about the potential Trade War resulting from Trump's tariffs. Over 55% of survey respondents see this as the primary market risk, with fears that tariffs could trigger a global recession. This risk has weighed on markets throughout the quarter.
- The new President announced a series of new tariffs in March, including some previously delayed from February. Additionally, **on "Liberation Day," Trump declared a minimum 10% tariffs on all countries**, with much higher rates for trade-surplus nations.

Share of US Imports



Source: JP Morgan

FMS Biggest Tail Risk



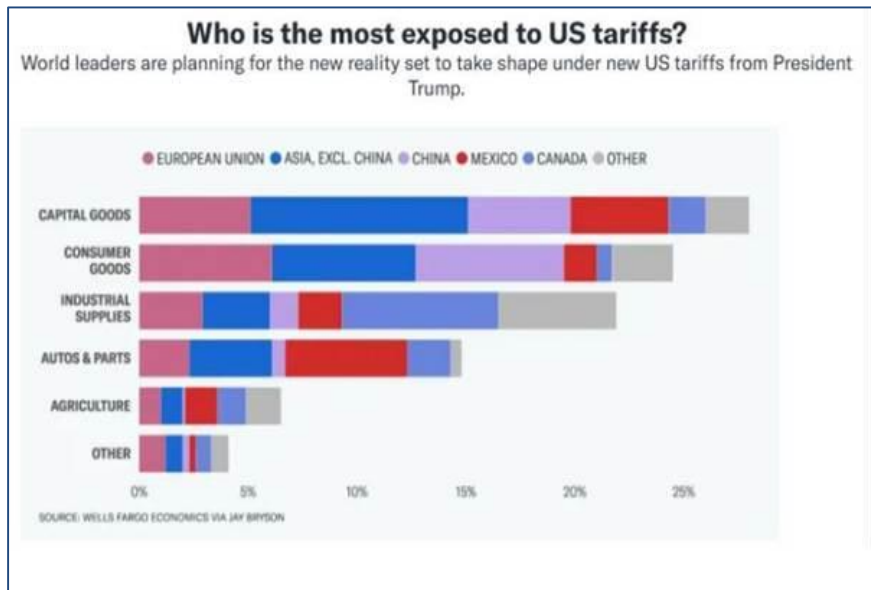
Source: BofA



## 2. Macro : US Tariffs

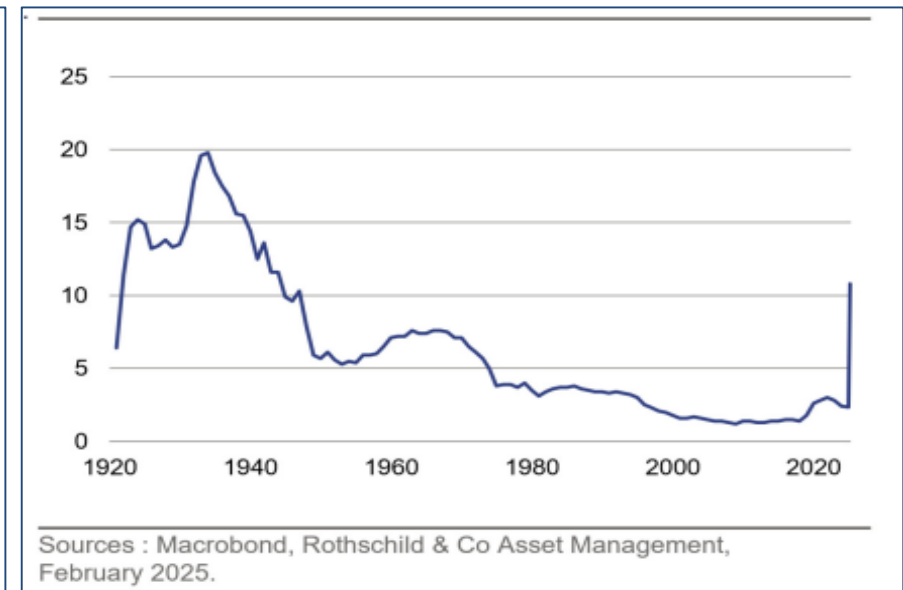
- **Consumer goods are the most affected by these new tariffs.** Among countries, China and Vietnam will face the highest tariffs, with the EU subject to a 20% rate and the UK to the minimum 10%.
- Even before "Liberation Day," average tariffs had already risen significantly to over 10%. Now, according to some analysts, **the weighted average exceeds 25%.**

### Exposure to US Tariffs



Source: Wells Fargo

### US Tariff Rate as of 31.03.2025



Source: Rothschild & Co

## 2. Macro : US Tariffs

- Almost all countries have been impacted, except for Canada and Mexico, which had already faced their share of tariffs.
- **Importantly, these new tariffs are additive, meaning they stack on top of existing ones.** For China, for example, the new 34% tariff is added to the existing 20%, bringing the total to 54%.
- **A negotiation phase is now underway,** with each country seeking an agreement with the US to reduce these tariffs as much and as soon as possible.
- The formula used to get this number appear to be trade deficit / import / 2. This means that these are not really reciprocal tariffs. For example, the tariffs on US goods stands between 1 and 5%.

### US Tariff Rate

Country	Tariffs Charged to the U.S.A. including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Source: White House

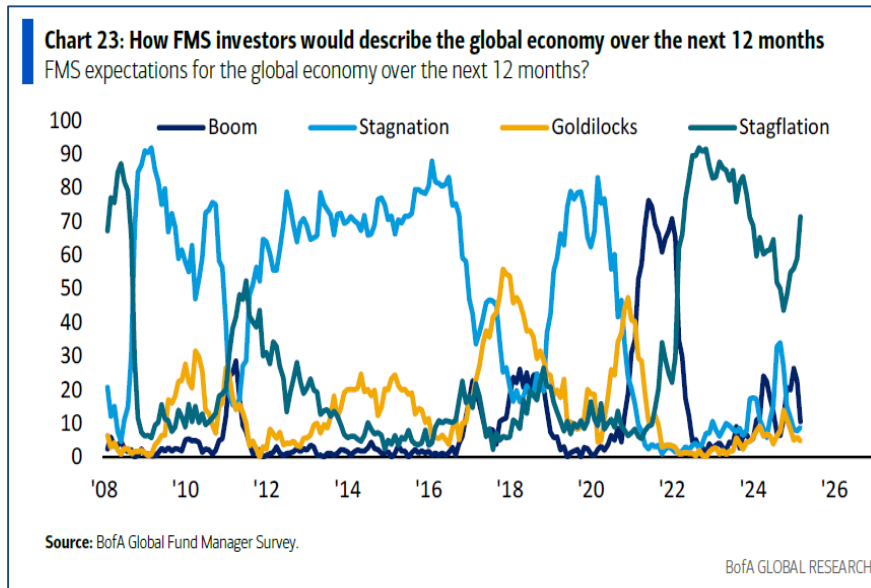




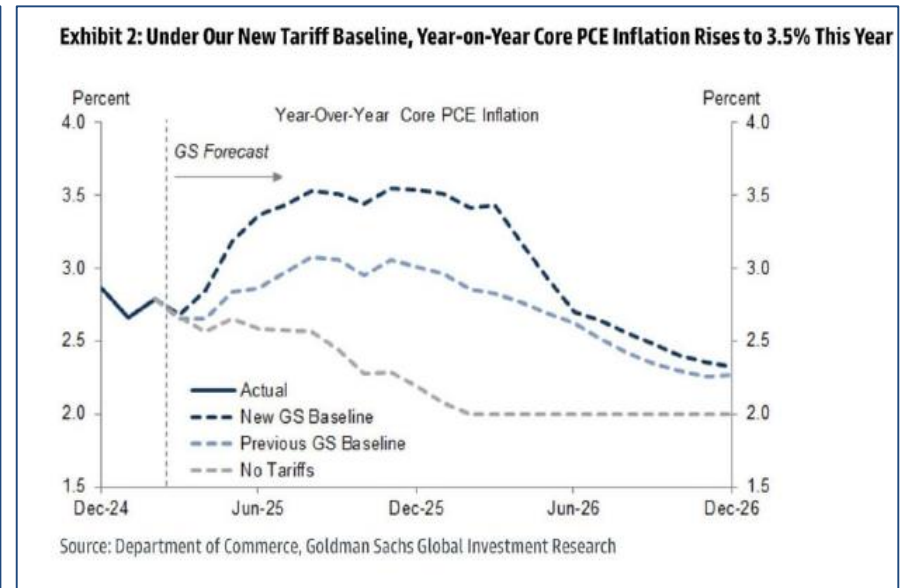
## 2. Macro : US Macro Forecast

- **Trump's latest announcements are likely to have a tangible inflationary impact on a long-term basis.** The introduction of such high tariffs will affect consumer prices directly, potentially reigniting inflation. **Rising inflation coupled with slowing growth results in stagflation**, an increasingly central scenario for investors.
- Analysts from various banks are revising their forecasts, and Goldman Sachs, for example, expects inflation to rise before stabilizing and eventually declining in 2026. Even though tariffs should be inflationary on paper, **we can expect that these tariffs will have a negative impact on growth thus the impact on prices might be felt only on a long-term basis.**

### FMS Global Economy Expectation



### Tariff impact on inflation



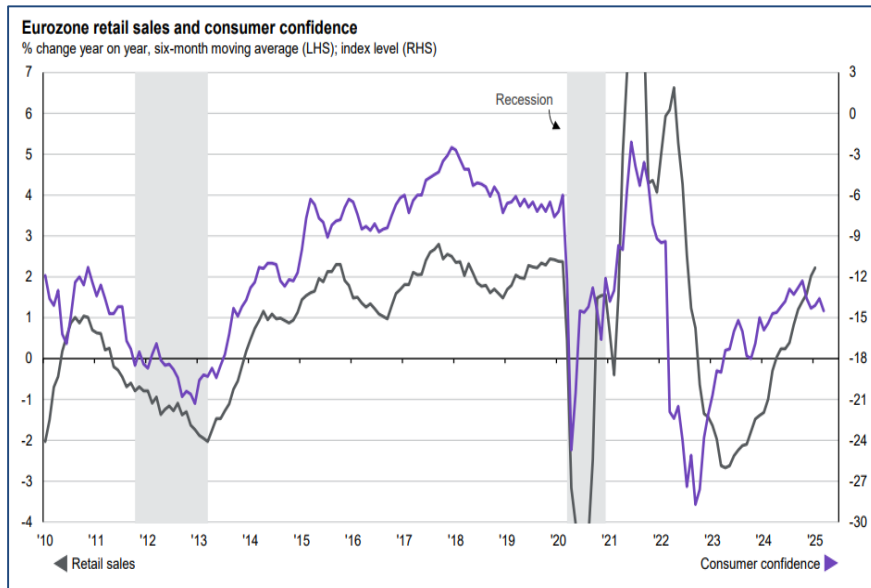
Source: Bof A

Source: Goldman Sachs

## 2. Macro : EU Consumer and PMIs

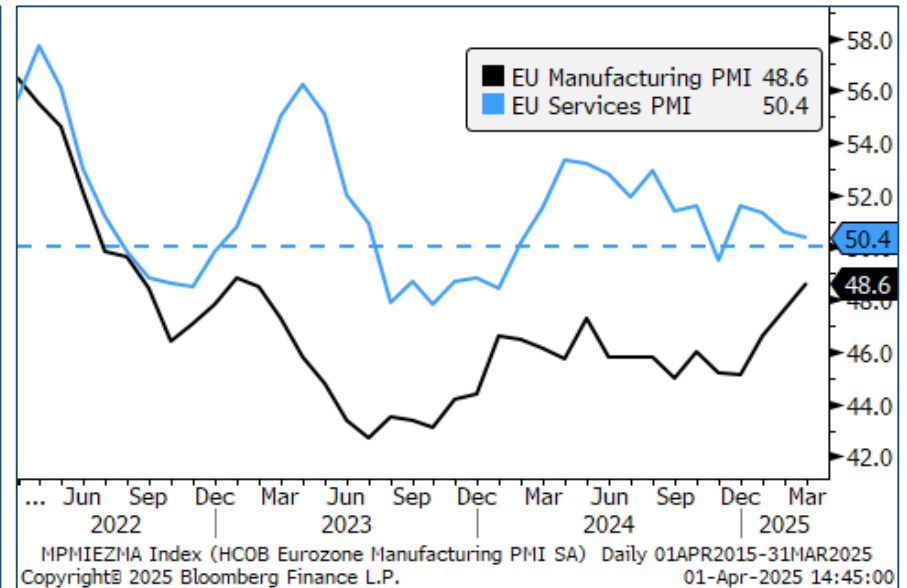
- In Europe, Consumer Confidence and Retail Sales growth remain strong. Both indicators show encouraging signs for the European economy, which may partly explain the region's stock market outperformance this year.
- Leading indicators show significant improvement in manufacturing PMIs since the start of the year. If US tariffs impact the sector less than expected, we could see PMIs return to expansion territory.

EU Retail Sales and Consumer Confidence



Source: JP Morgan

EU PMI



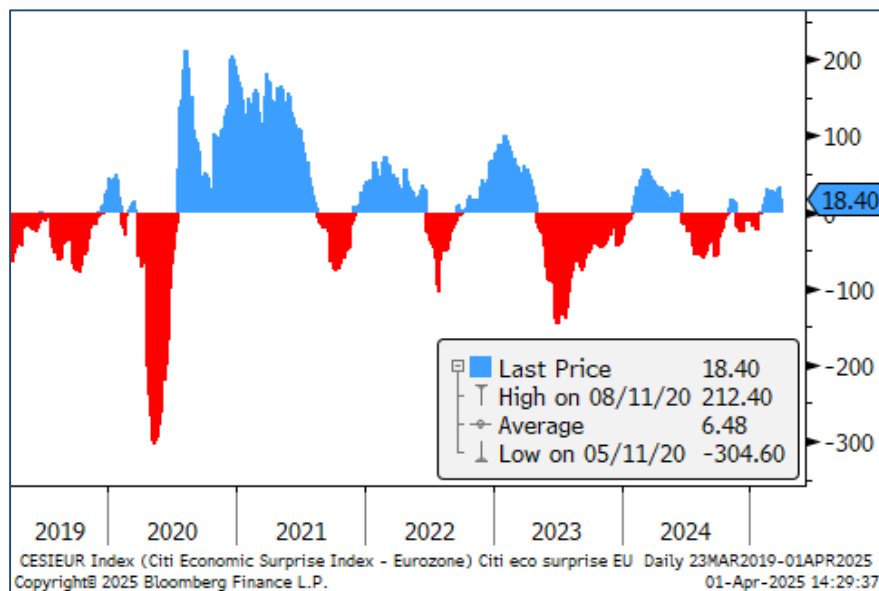
Source: Bloomberg



## 2. Macro : EU Economic Surprise and Labor Market

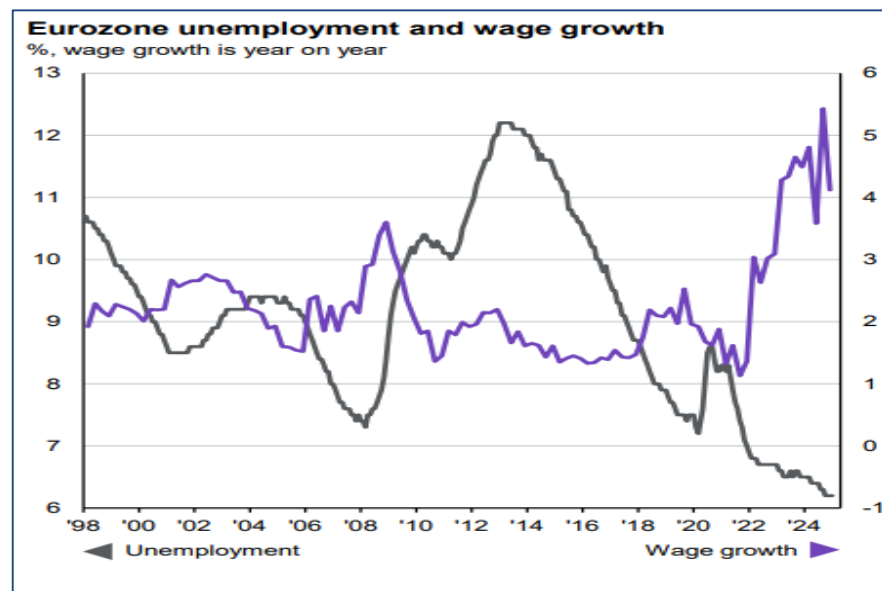
- Economic surprises in Europe have been more positive than in other regions, suggesting that **European economic fundamentals have been underestimated and continue to improve** thanks to the new German Government and its spending plan.
- Unemployment is steadily declining and is now at record lows, while wage growth remains high. **This is a key factor the ECB must monitor**, as it may hesitate to cut rates too aggressively if wage-driven inflation becomes a risk.

Citi Economic Surprise EU



Source: Bloomberg

EU Unemployment and Wage Growth



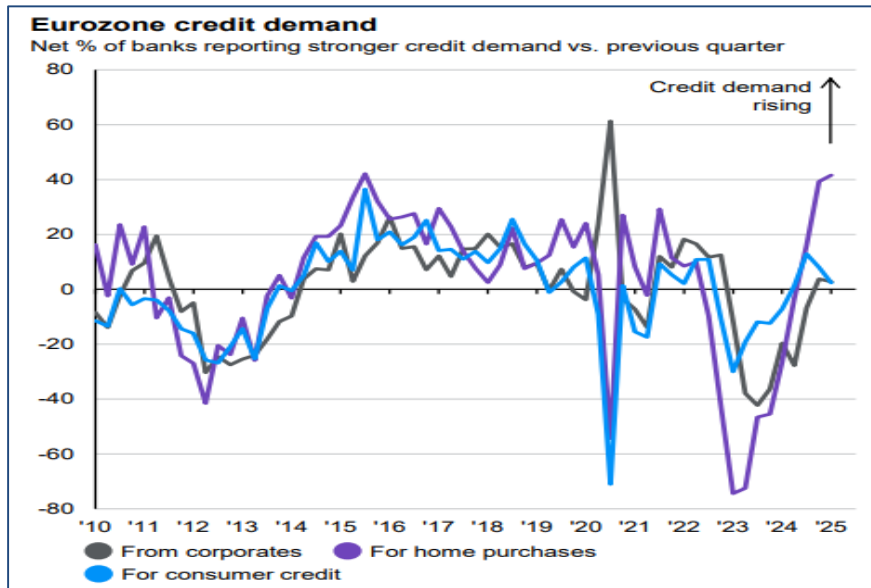
Source: JP Morgan



## 2. Macro : EU Credit Demand and Industrialization

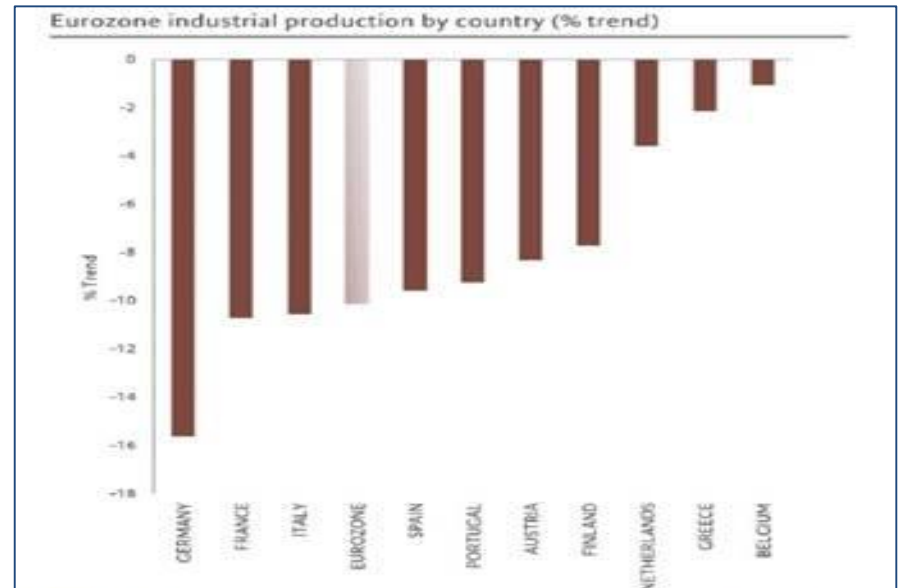
- Another positive indicator for European markets is the **growth in credit demand**, which turned positive again in 2024 and remains so in 2025. This is especially true for mortgage loan demand, which could trigger a recovery in the European Real Estate sector.
- On the other hand, **Europe's deindustrialization is a major concern**. However, spending plans in the Defense sector and a potential Global Trade War could push Governments to invest in the reindustrialization of Europe.

EU Credit Demand



Source: JP Morgan

EU Industrial Production



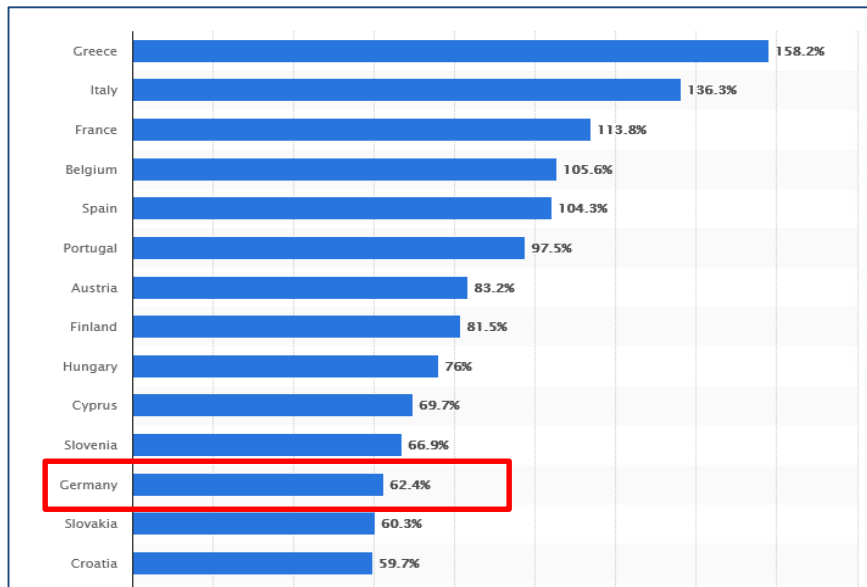
Source: Bloomberg



## 2. Macro : Germany GDP and Investment

- In March, the biggest positive surprise came from Germany. Following elections held on February 23, **the Government passed a spending plan of over EUR 500 billion** to support the Defense sector and Energy Transition.
- For several years, Germany has adhered to a very strict fiscal policy. As a result, its growth has lagged behind its European peers. However, this fiscal prudence now provides Germany with a solid balance sheet, allowing it to plan for up to EUR 2 trillion expenditure without harming its economy.

### EU Debt to GDP



Source: Statista

### Germany Debt to GDP



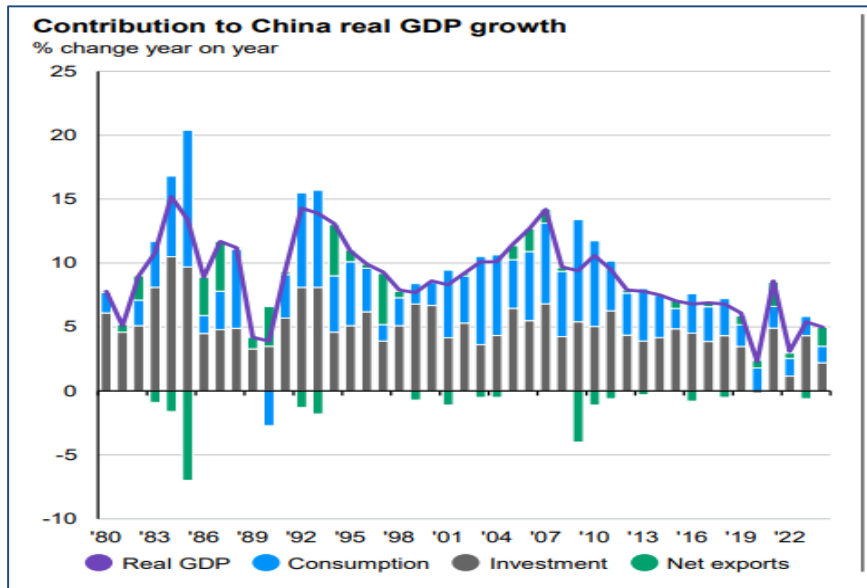
Source: FT



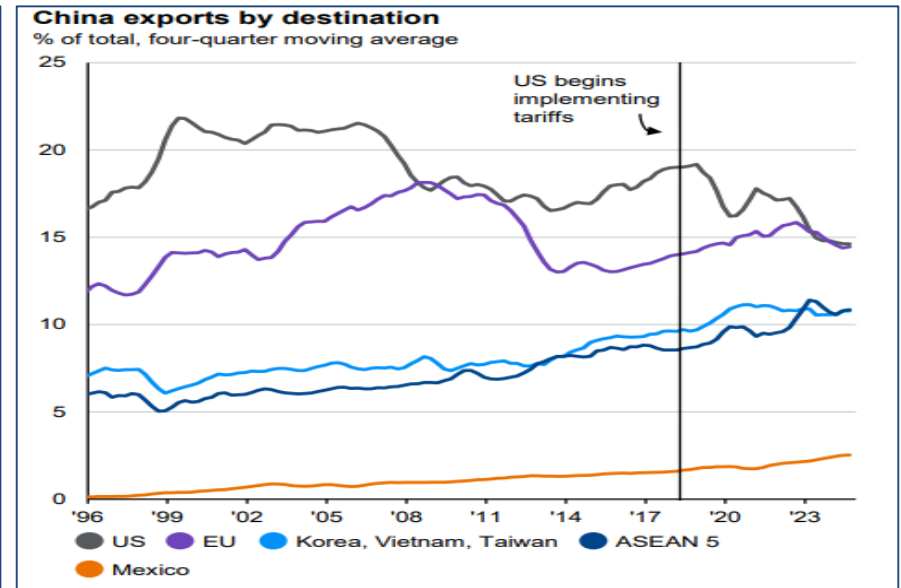
## 2. Macro : China GDP Growth and Trading Partners

- **China has also announced stimulus plans** at the beginning of the year and is expected to have the means to support its economy. The key question remains whether domestic consumption, which has struggled to recover, will rebound.
- **The Government has reaffirmed its 5% GDP growth target**, though some analysts consider this goal difficult to achieve. Furthermore, **China was already impacted by the first Trade War** triggered by Mr. Trump during his first term and is expected to face even greater consequences now.

China Real GDP Growth Breakdown



China Export



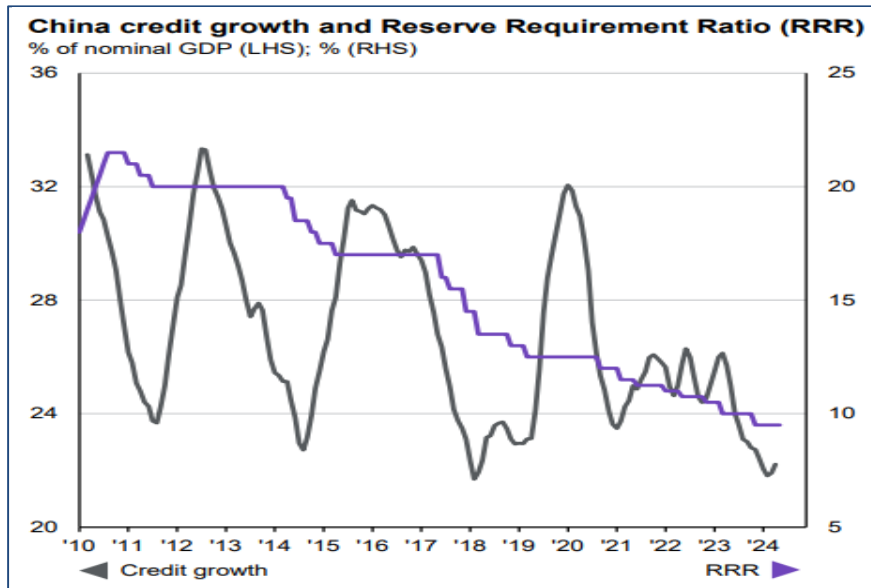
Source: JP Morgan

Source: JP Morgan

## 2. Macro : China Credit and Consumer Confidence

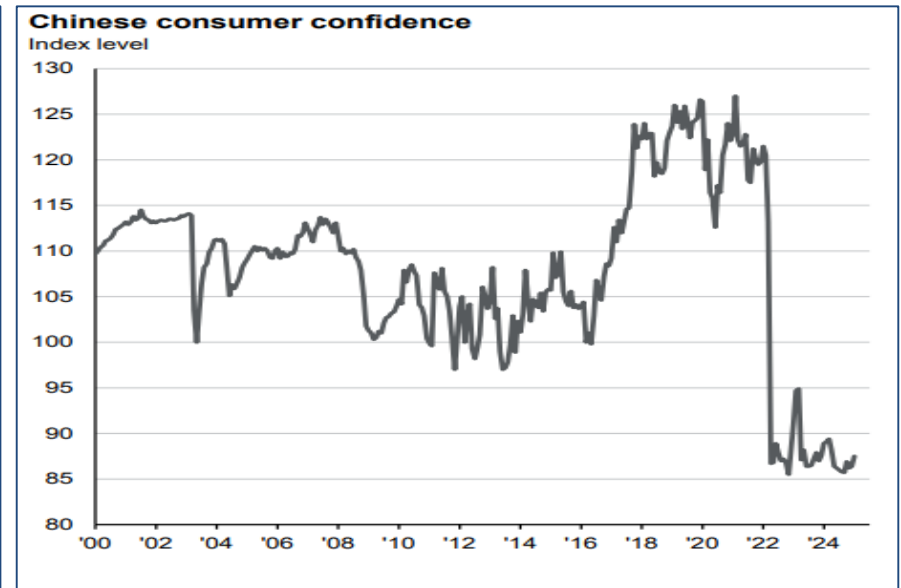
- Although China has implemented several measures to revitalize its economy, **they have yet to show a clear impact**. While some signs of bottoming are visible, a strong rebound still appears distant.
- **Consumer Confidence remains at its lowest level since the COVID period**, and unless it improves, it is difficult to envision a sustained recovery. Chinese savings are closely tied to Real Estate, as many individuals have invested in property. Therefore, **a rebound in Real Estate prices will likely be necessary before Consumer Confidence can recover sustainably**.

China Credit Growth and RRR



Source: JP Morgan

China Consumer Confidence

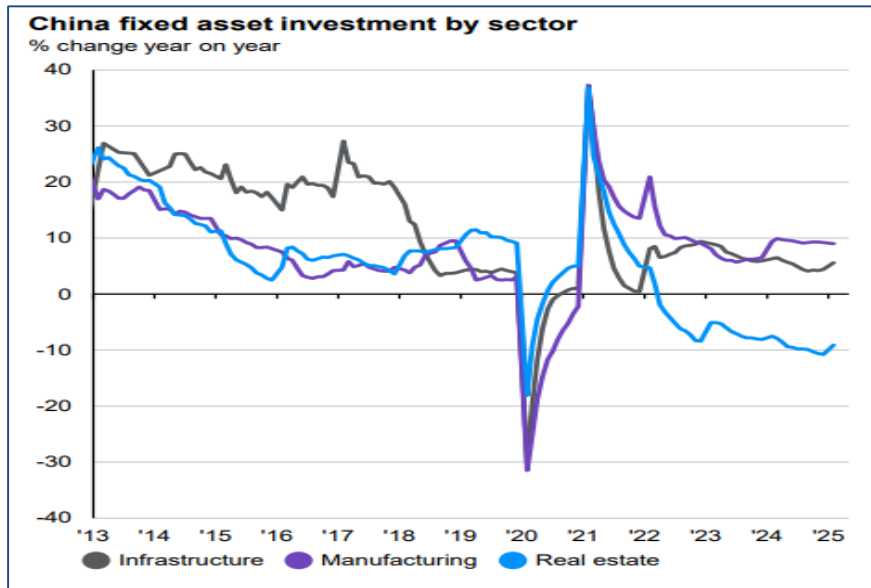


Source: JP Morgan

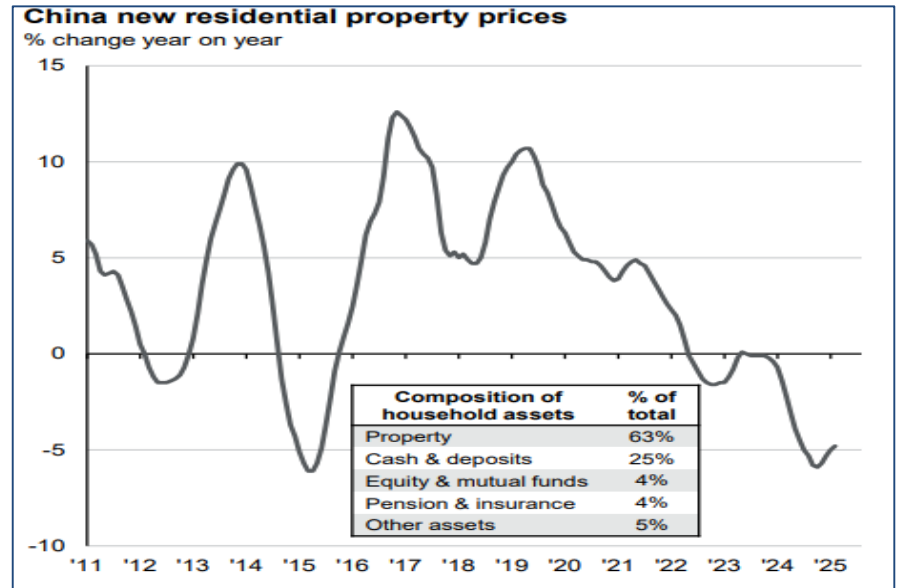
## 2. Macro : China Investment and Property Prices

- In terms of investment, the manufacturing and infrastructure sectors continue to experience positive growth. However, **Real Estate investment has been in decline since 2022**. Although signs of bottoming have been evident since late 2024, the market now needs a rebound into positive territory.
- Real Estate prices reflect the lack of investment in the sector. **Prices have been falling since 2022**, and while this decline no longer seems to be accelerating, prices remain in negative territory. The market is now waiting for prices to drop sufficiently to attract new investors.

China Fixed Asset Investment



China Residential Property Prices



Source: JP Morgan

Source: JP Morgan

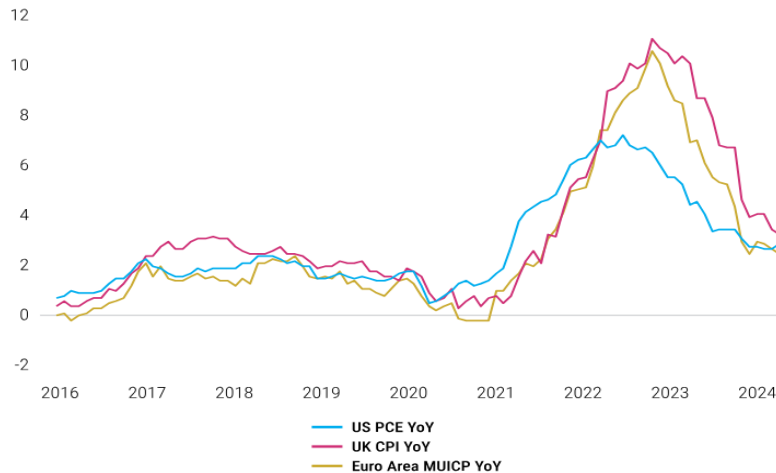


## 2. Macro : Global Inflation

- **Inflation** continues to trend toward 2% in both Europe and the US, but it **remains stickier than expected and struggles to return to Central Banks' target levels**. Additionally, the potential Trade War will likely have an inflationary impact, meaning price increases could accelerate again in the long-term.
- The primary sources of inflation have remained consistent for some time: Auto Insurance, Airline tickets, and—most notably—Housing costs. These are the key areas where Governments need to find solutions.

### Inflation

Figure 2: The inflationary shock has subsided ... for now

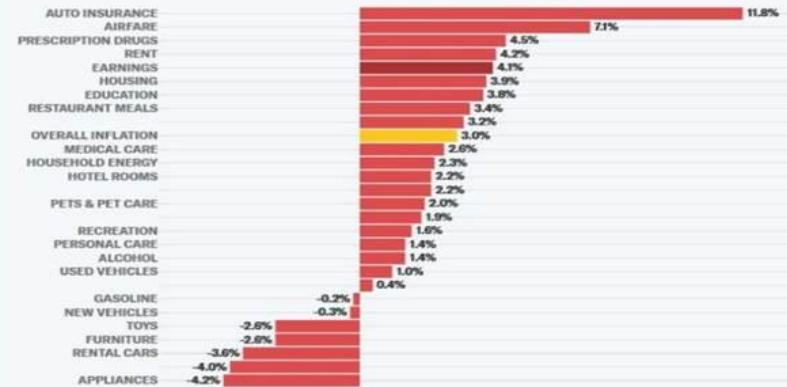


Source: Bloomberg, as at November 2024

### US Inflation Breakdown

#### WHERE INFLATION IS... AND ISN'T

12-month change in the price of:



SOURCE: BUREAU OF LABOR STATISTICS. DATA AS OF JANUARY 2025

yahoo/finance



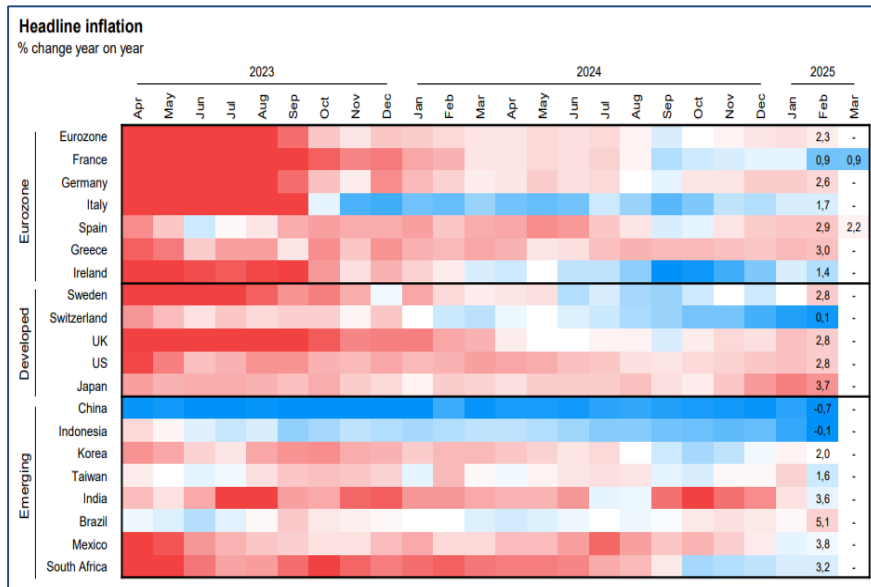
Source: Bloomberg

Source: Yahoo Finance

## 2. Macro : Global Inflation

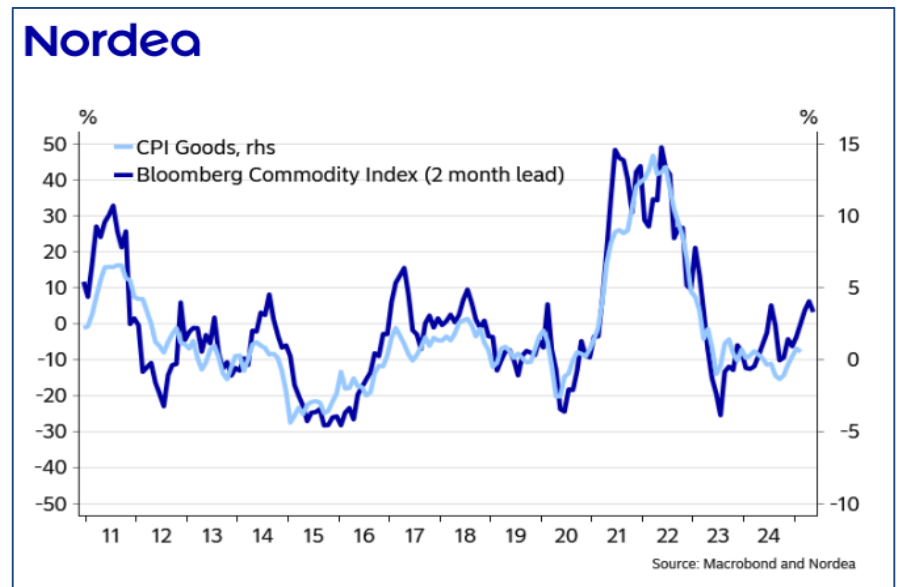
- **Overall, inflation has decreased in almost all countries.** However, there are still pockets of inflation, such as in Japan, where the Central Bank has adopted a more hawkish monetary policy than others. Despite significant improvements since Q4 2023, some countries are still struggling to bring inflation down.
- **Certain indicators suggest that inflation could pick up again soon.** For example, Nordea compares Commodity prices with inflation, and this relationship has strong predictive power. Currently, this indicator points to a short-term rise in inflation.

Global Inflation Evolution



Source: JP Morgan

CPI vs Commodities



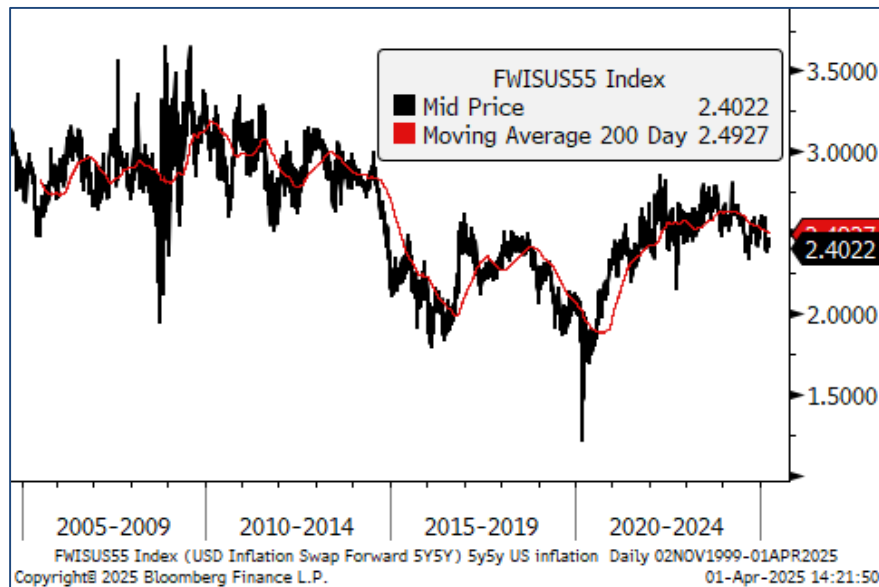
Source: Nordea



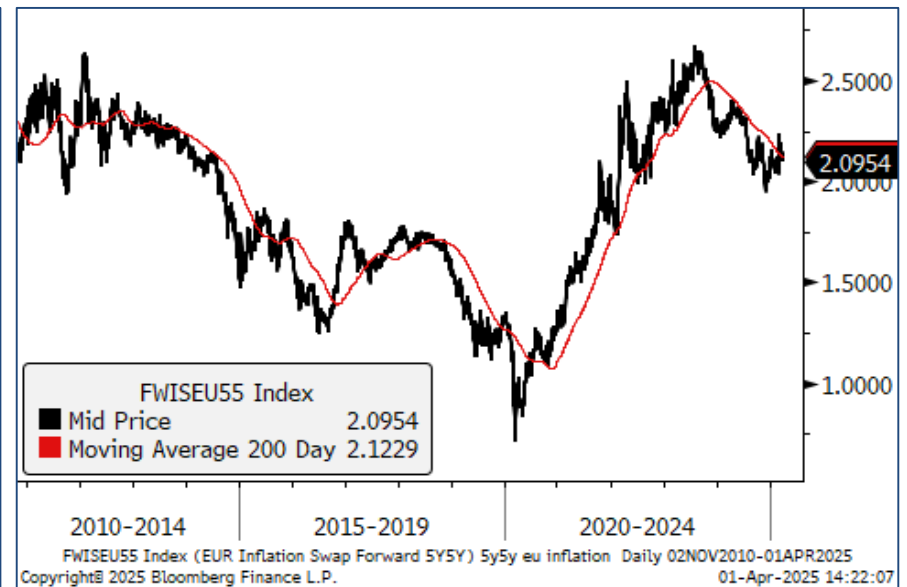
## 2. Macro : Long-Term Inflation Expectations

- **Long-term inflation expectations**, represented here by 5-year, 5-year inflation swaps, have **remained relatively stable**. This is a positive sign because, even though the market anticipates short-term inflation fluctuations, long-term expectations remain unchanged.
- This holds true in both Europe and the US, although **recent statements by the US President could potentially challenge this outlook**.

Long-Term Inflation Expectations US



Long-Term Inflation Expectations EU



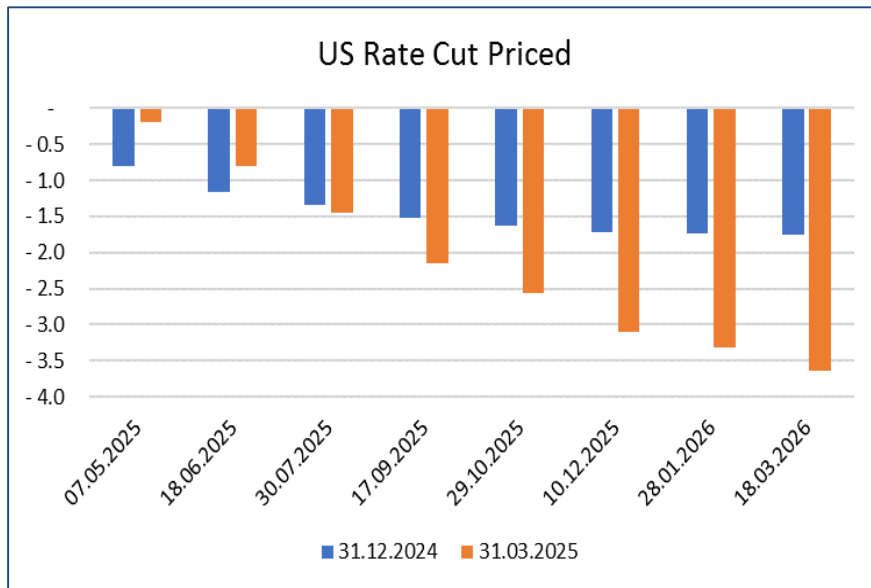
Source: Bloomberg

Source: Bloomberg

## 2. Macro : Interest Rates Forecast

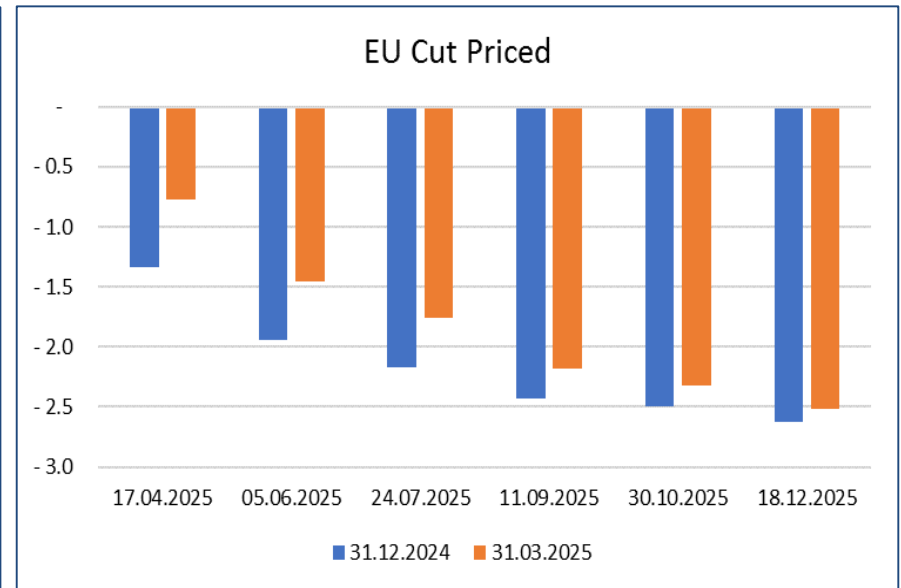
- **The bond market continues to anticipate multiple rate cuts from the FED and the ECB this year.** These expectations have even increased during the first quarter. The market now expects 3 rate cuts in the US and 2.5 in Europe.
- These figures, as of March 31, 2025, have since changed significantly. Rates dropped following the "Liberation Day" announcements, as investors fear that the Trade War could trigger a global recession, forcing Central Banks to lower rates to support their local economies. So Far, the FED is in a "wait and see" mode. It doesn't need to act right now but the good news is that now rates are high, this means that the Central Bank would have enough room to act and reassure the market.

US Rate Cut Expectations



Source: Bloomberg

EU Rate Cut Expectations



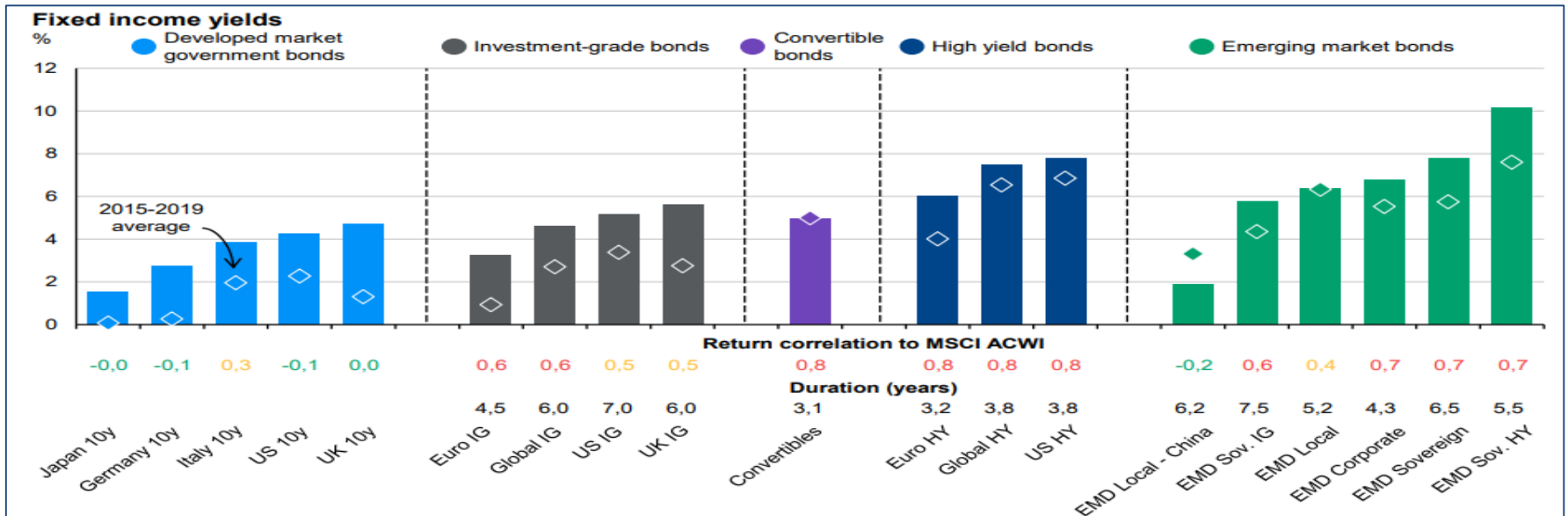
Source: Bloomberg



## 2. Macro : World Yield

- Even though interest rates have started to decline again, yields remain attractive in most markets, especially compared to pre-COVID averages. In the UK, inflation concerns have kept rates from falling as much as elsewhere, making UK yields particularly attractive relative to their 2015–2019 average.
- In the Corporate bond segment, spreads remain very low, but they are offset by higher Central Bank interest rates, which keep overall yields attractive.

### Fixed Income Yield

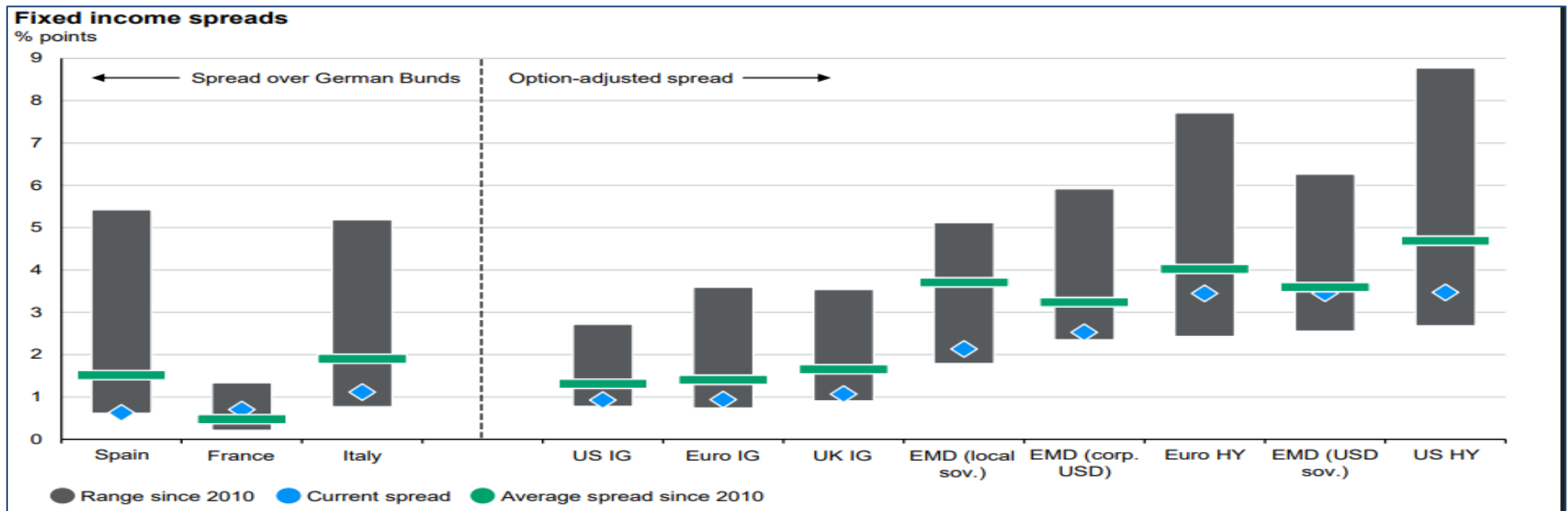


Source: JP Morgan

## 2. Macro : Credit Spreads

- Overall, **Credit spreads are at their lowest levels since 2020 and well below historical averages.** This likely reflects market complacency, with investors believing that a recession is highly unlikely.
- However, since Mr. Trump's announcements, **these spreads have started to widen.** If panic truly sets in, spreads could return to more attractive levels.

### Fixed Income Spreads

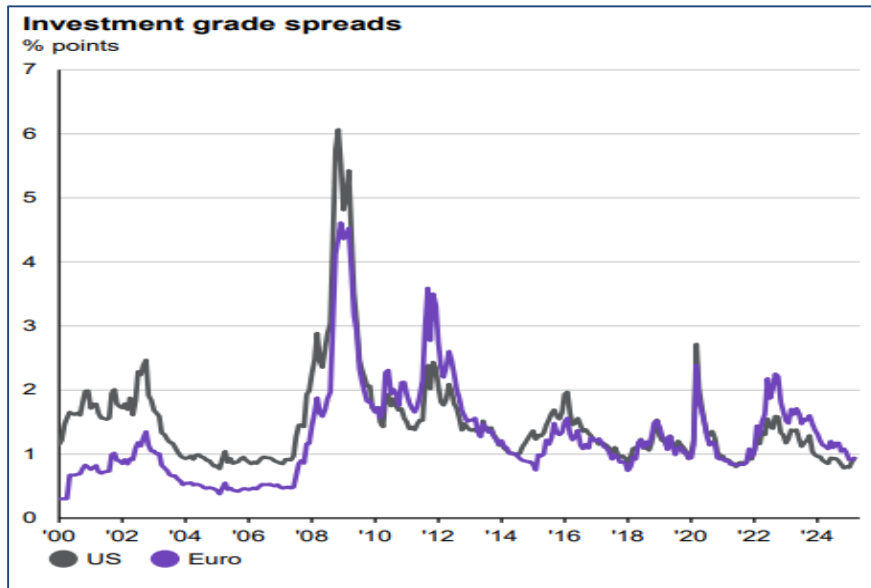


Source: JP Morgan

## 2. Macro : IG Spreads

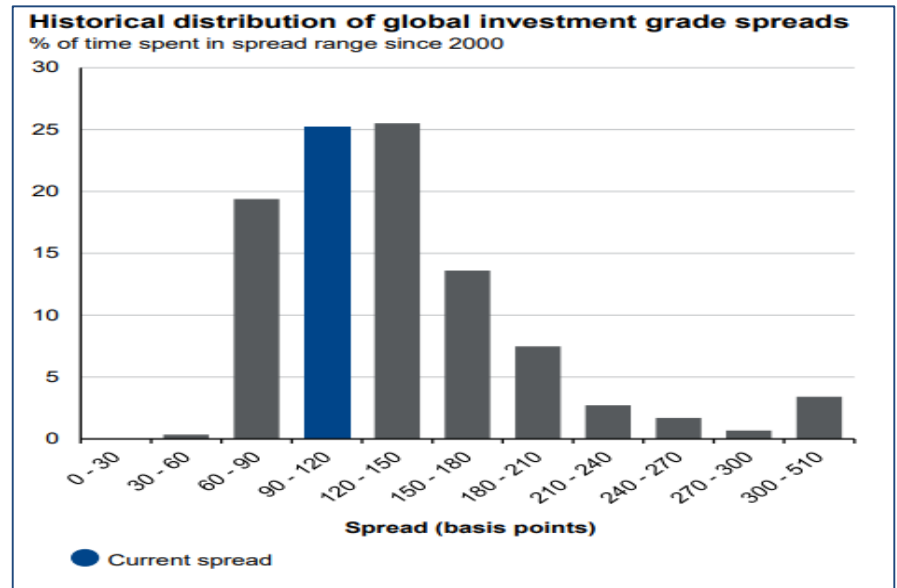
- Even though Investment-Grade spreads are historically low, this is not an unprecedented situation.
- Since the 2000s, **spreads have been at these levels about 25% of the time**. It is only when spreads exceed 150 basis points that such occurrences become rare. Therefore, it is important to keep monitoring the lending market and be prepared to enter when these rare levels are reached.

Investment Grade Spreads



Source: JP Morgan

Historical Spreads



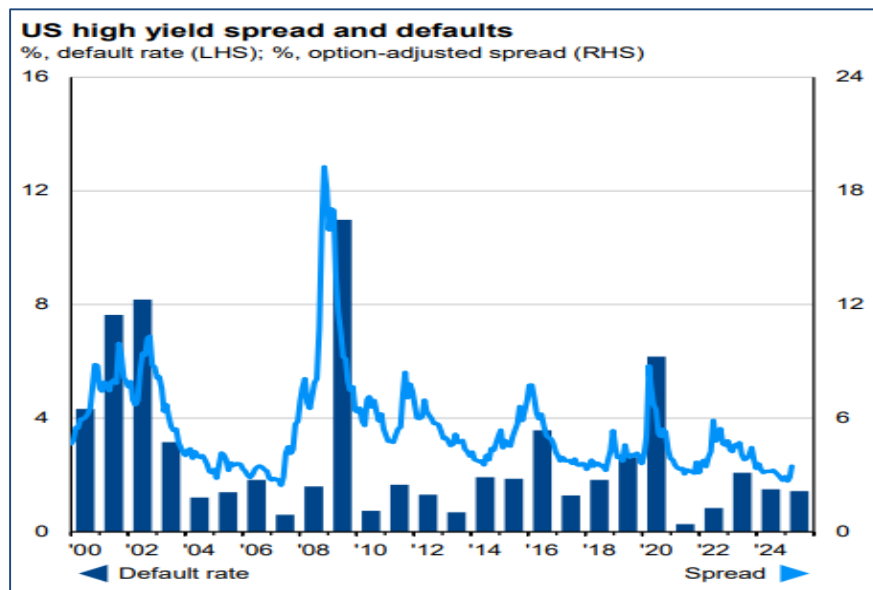
Source: JP Morgan



## 2. Macro : HY Spreads

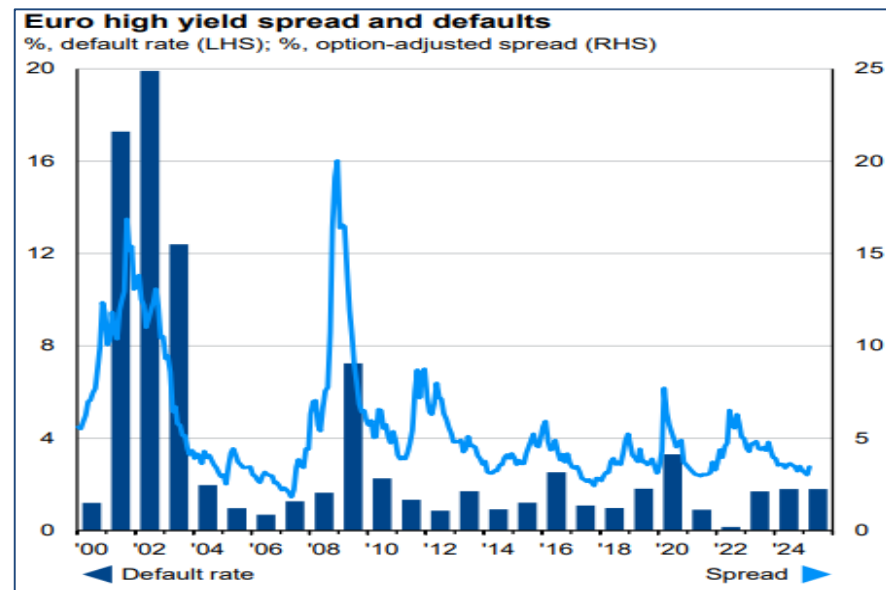
- In the High-Yield sector, spreads are also at historically low levels. However, this is justified by **strong Corporate Balance Sheets** and the fact that the **Economy has been far more resilient** than economists expected. As a result, default rates have barely moved and have never reached concerning levels.

US HY Spread and defaults



Source: JP Morgan

EU HY Spread and defaults



Source: JP Morgan

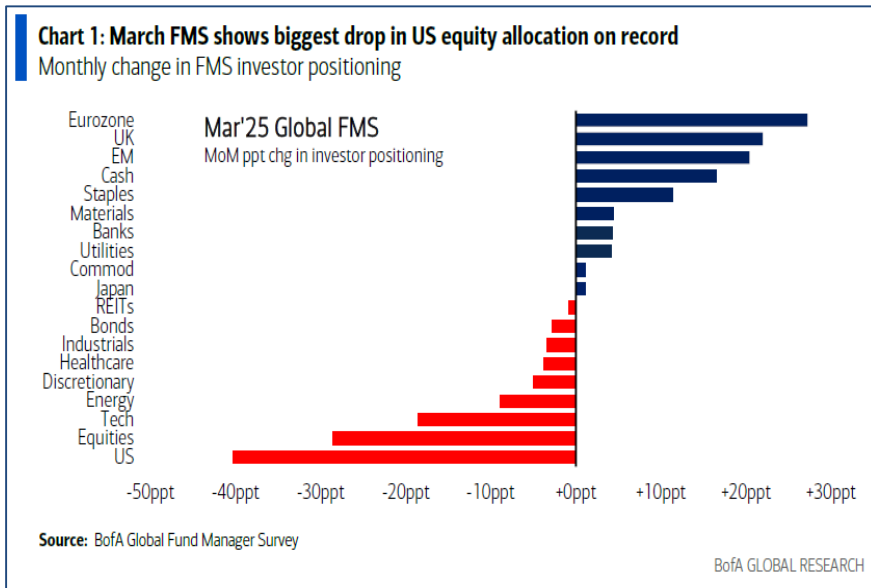




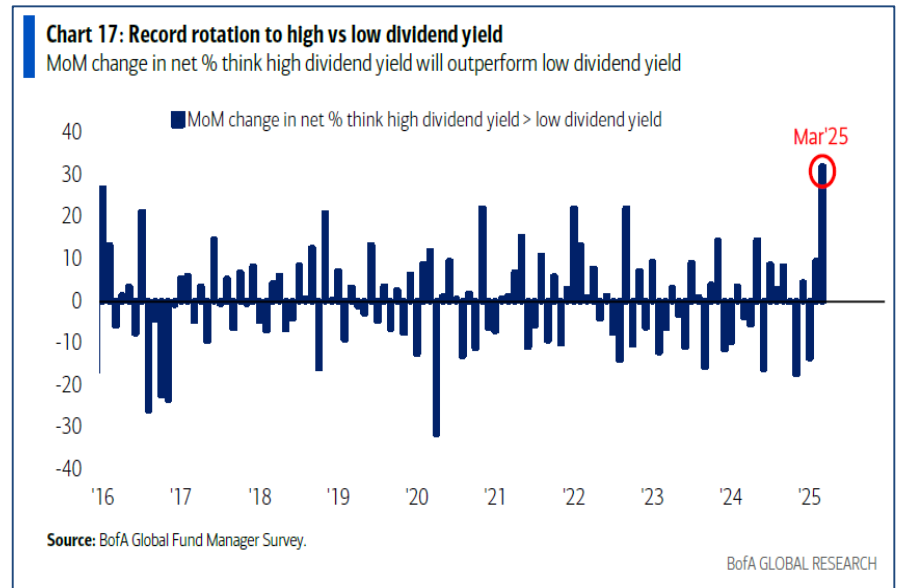
# 3. Micro : Equity Positioning

- U.S. equity allocations have dropped sharply as investors reduce risk exposure amid economic uncertainty, while capital is rotating into European and Emerging Markets where valuations appear more attractive.
- There has been a record shift toward high-dividend-yield stocks, reflecting a growing preference for income stability over growth in a volatile environment.

## FMS Monthly Allocation Change



## Dividend Stock Rotation



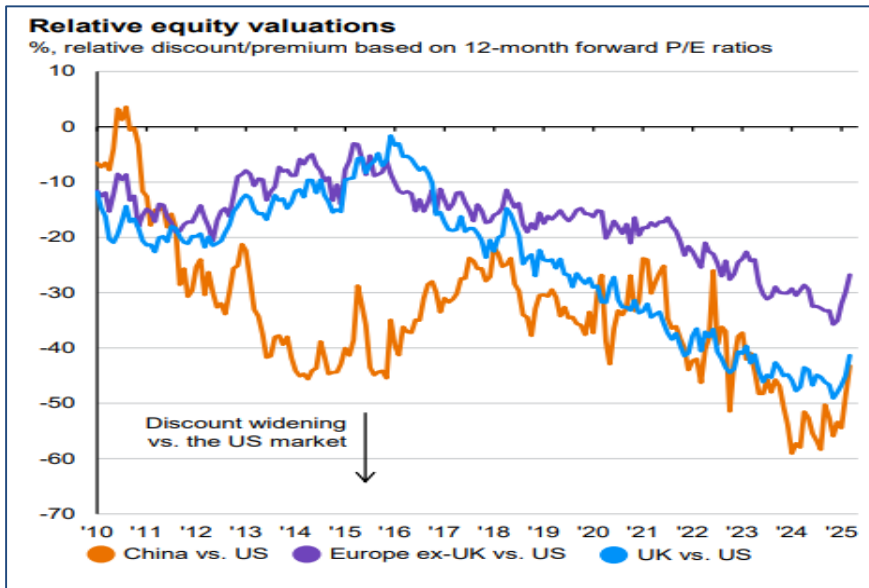
Source: BofA

Source: BofA

# 3. Micro : Equity Valuation

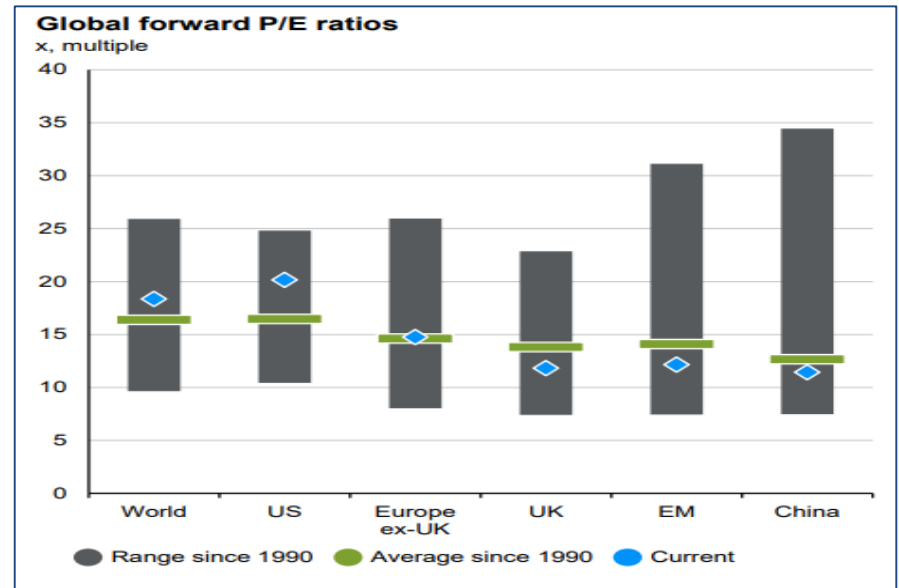
- Since the end of 2024, the valuation gap between US and international equities has narrowed, with Europe and China trading at smaller discounts as investors focus on US growth and a cautiously optimistic outlook.
- Forward P/E ratios in the US remain elevated, exceeding historical averages, while valuations in emerging markets and China continue to trade below their long-term norms.

Equity Valuation Relative to US



Source: JP Morgan

Global Forward PE

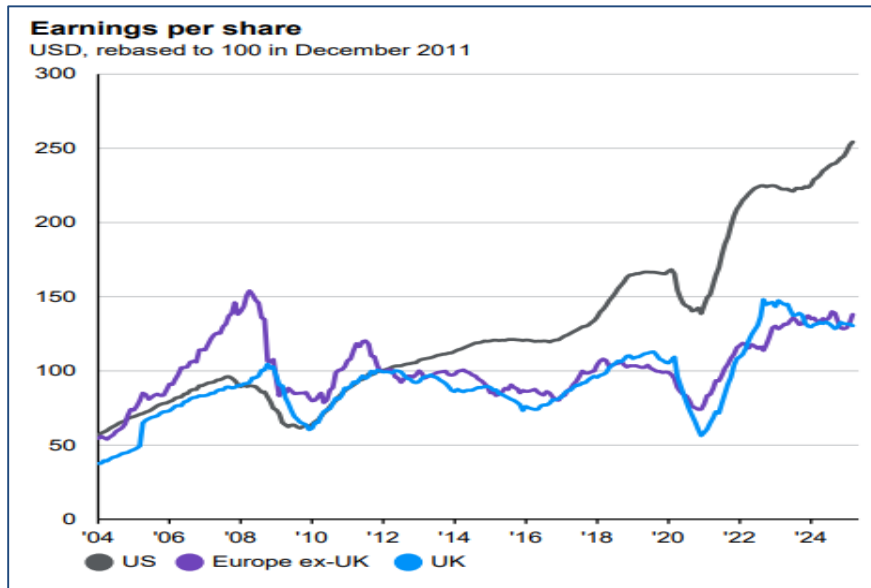


Source: JP Morgan

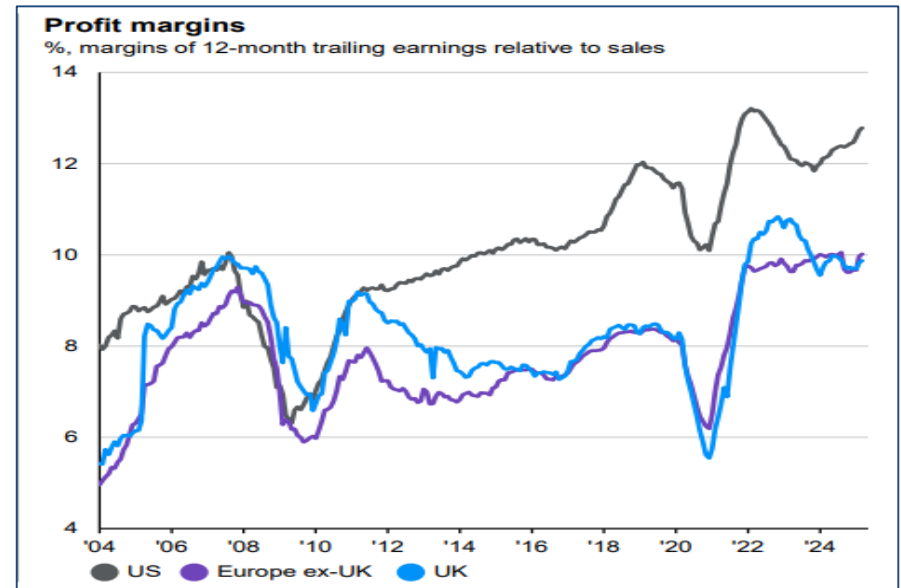
### 3. Micro : Equity EPS and Profit Margin

- Earnings per share in the US have shown a significant upward trend since 2022, while Europe and UK have remained relatively flat during the same period.
- Meanwhile, US profit margins have climbed past 12%, outperforming Europe ex-UK and the UK, where margins have fluctuated but stayed below 10%.

EPS



Profit Margin



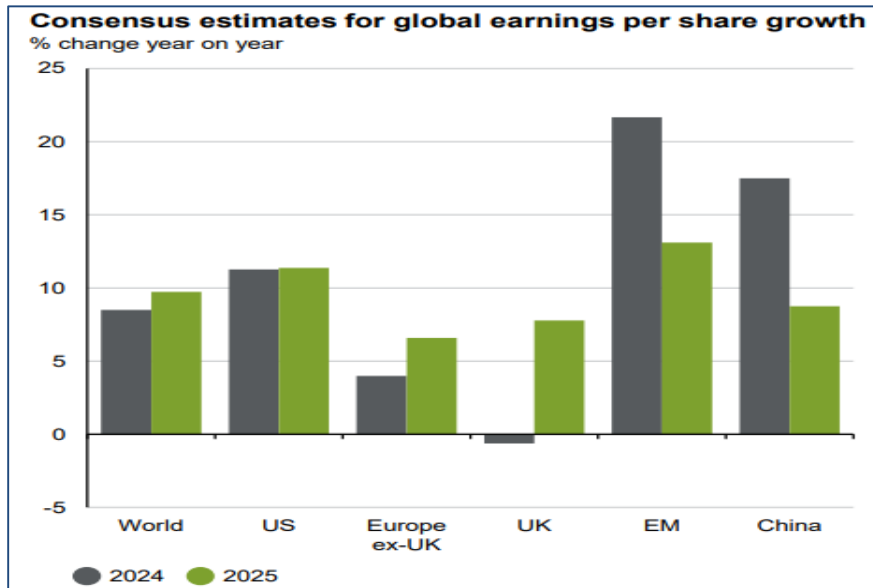
Source: JP Morgan

Source: JP Morgan

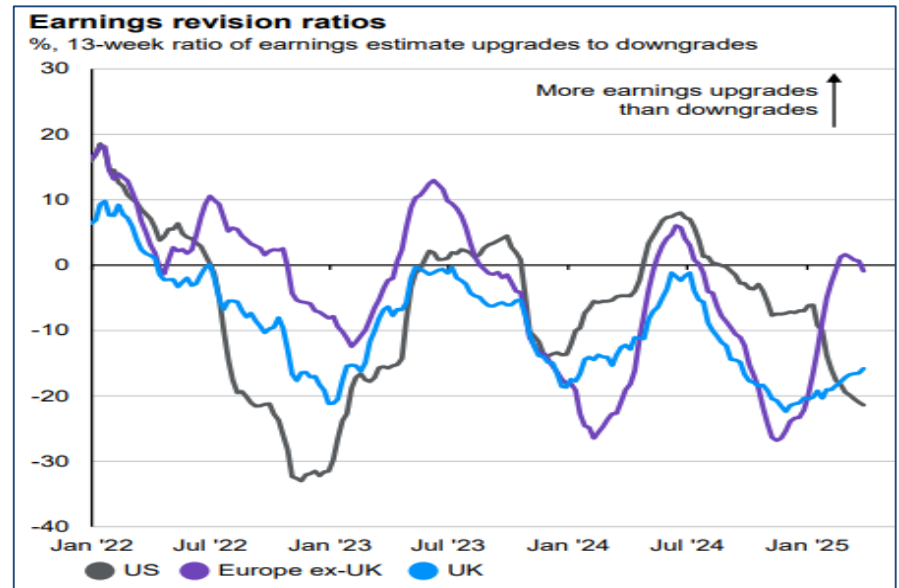
### 3. Micro : Equity EPS Growth and Revision Ratio

- Europe and the UK have seen the biggest gains in earnings per share growth estimates, while Emerging Markets and China have experienced the largest declines.
- In Q1 2025, the earnings revision ratio in Europe and the UK has improved, with upgrades outpacing downgrades, signaling renewed confidence in corporate performance. In contrast, the U.S. has experienced more downgrades, reflecting a less optimistic outlook.

EPS Growth



Earnings Revision Ratio



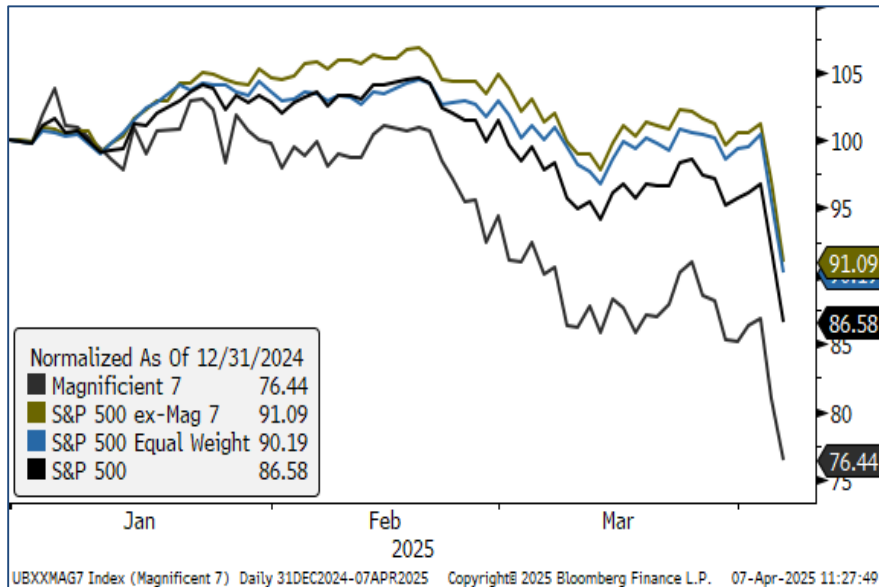
Source: JP Morgan

Source: JP Morgan

### 3. Micro : Equity MAG 7 vs Market

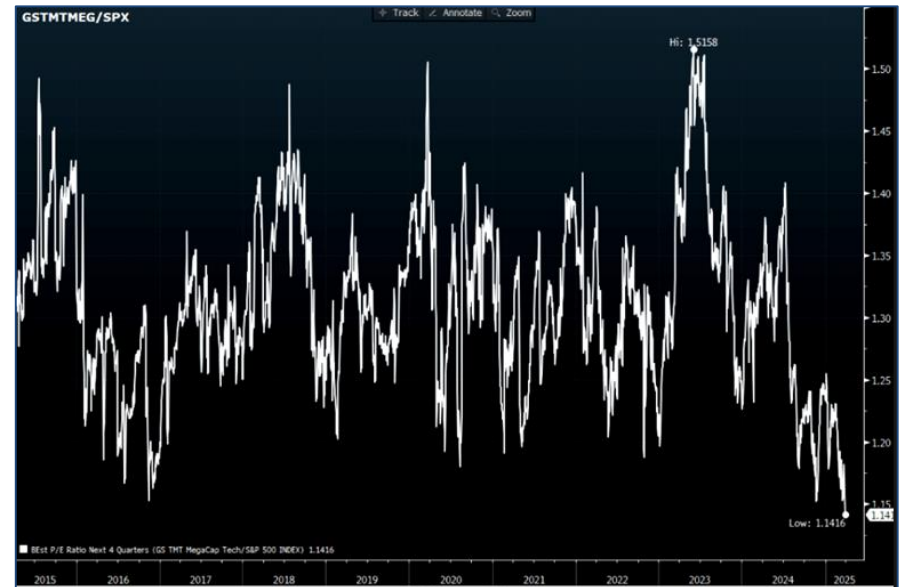
- The Magnificent 7 have underperformed significantly compared to the broader index in Q1 2025, showing a decline of nearly -15% YTD while the S&P500 also underperformed S&P493.
- The valuations of the Magnificent 6 (MAG 7 Without Tesla) have dropped to notably low levels relative to broad market, signaling a substantial shift in market dynamics.

MAG 7 vs Market



Source: Bloomberg

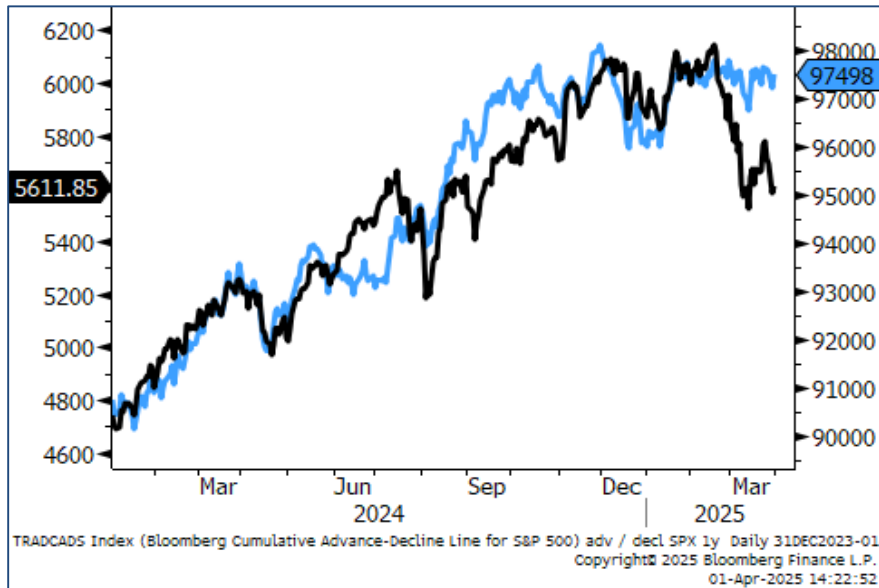
MAG 6 Valo vs Market



# 3. Micro : Equity Technical Indicators

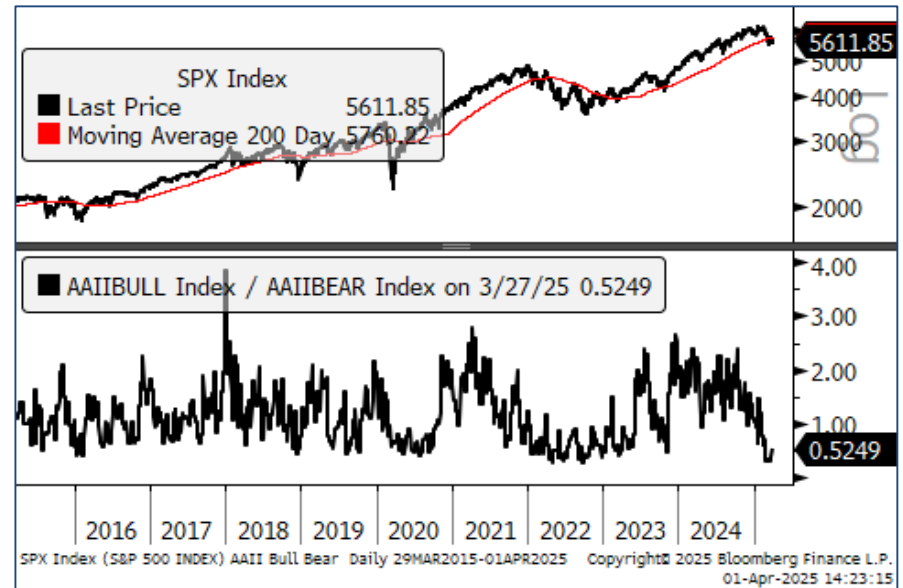
- S&P 500 has underperformed relative to the advance-decline ratio, indicating that market weakness is largely concentrated in a small number of companies.
- Meanwhile, the recent drop below the 200 days moving average signals caution, though investor sentiment is extremely bearish. The American Association of Individual Investors (AAII) conducts a survey every week where they ask market participant if they are Bullish, Bearish or Neutral. This survey is often used as a contrarian indicator as when most participant are bearish the probability of a rebound increase.

S&P 500 vs A/D Line



Source: Bloomberg

AAII Bull/Bear Ratio



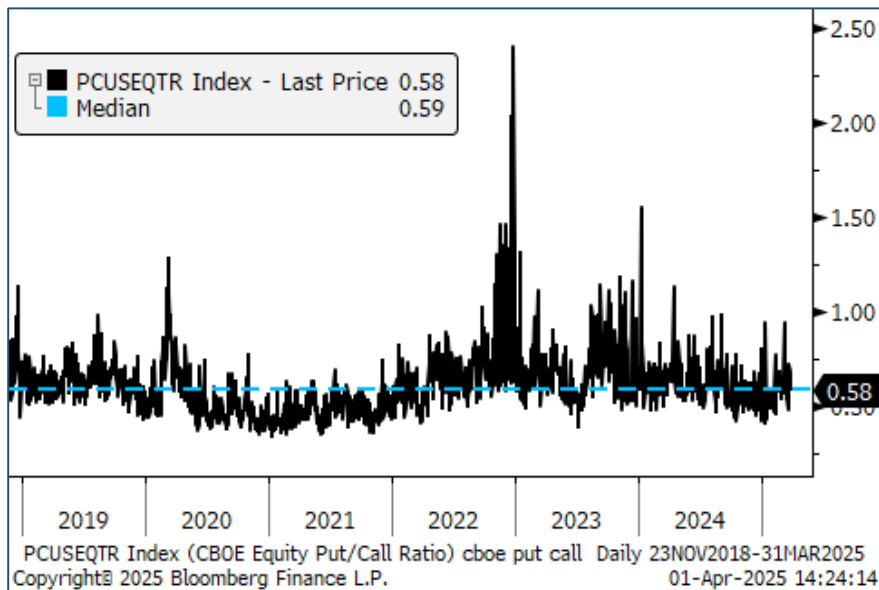
Source: Bloomberg



# 3. Micro : Technical Indicators

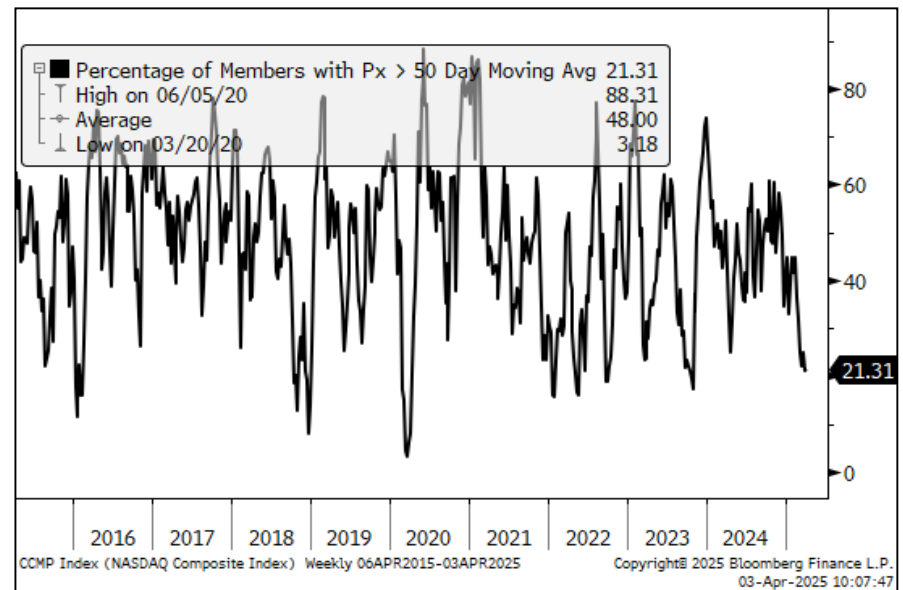
- The put/call ratio has fluctuated in recent trends, with values near the median, indicating a relatively balanced market sentiment. The put call ratio is a ratio that divides the number of put bought by the number of call bought, a high ratio means that the market is stressed and that many investors are trying to hedge their portfolios.
- A sharp decline in the percentage of Nasdaq Composite members trading above their 50-day moving average in Q1 highlights broader market weakness and a lack of short-term bullish momentum. Even though a closing below 20 is often seen as a good contrarian indicator.

Put/Call Ratio



Source: Bloomberg

Nasdaq Composite % Members above 50D MA



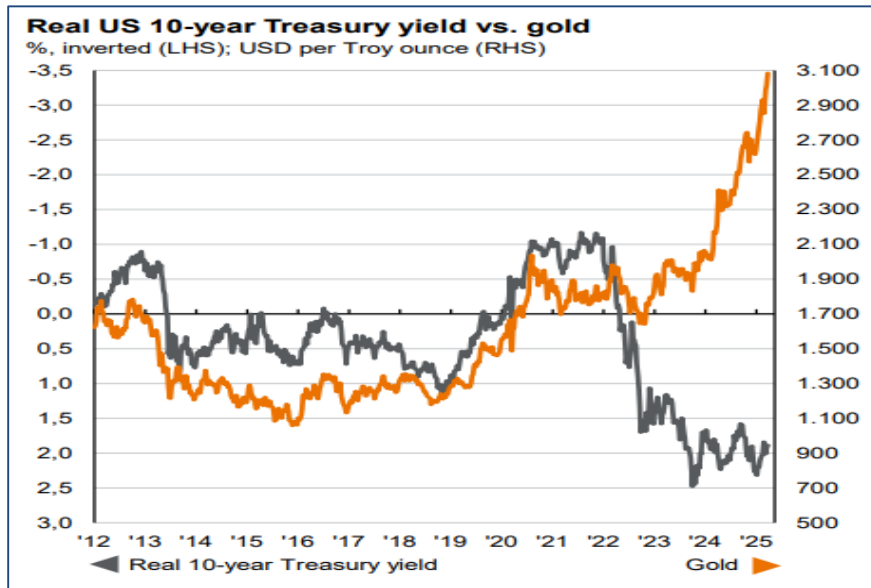
Source: Bloomberg



## 4. Cross Asset : Gold

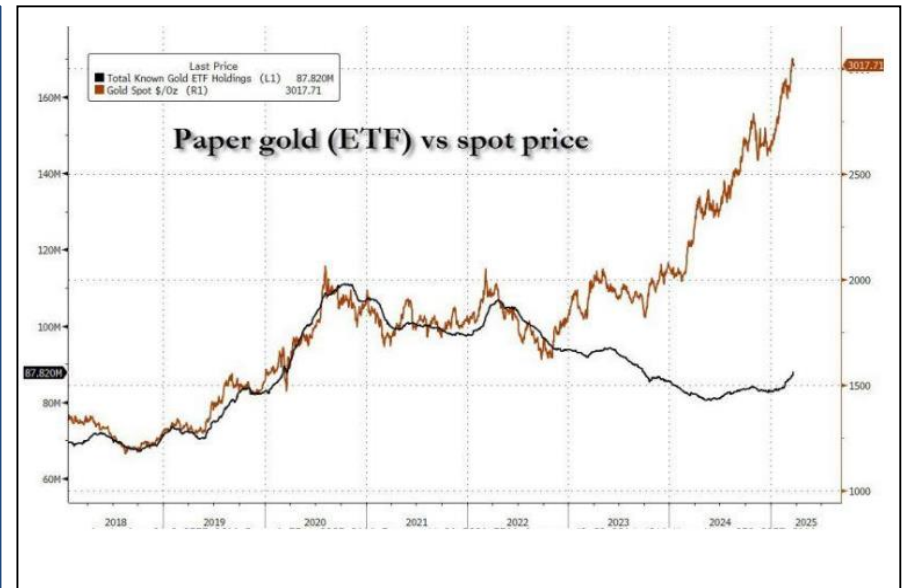
- Gold prices have surged to all-time high, despite rising real US 10-year Treasury yields, breaking from the typical inverse correlation.
- Gold ETF holdings have steadily declined since 2022, while spot Gold has reached record levels, suggesting that Gold ETFs did not participate in the upward move of Gold.

Gold Vs Real Rates



Source: JP Morgan

Gold vs Gold ETF AUM



Source: Bloomberg

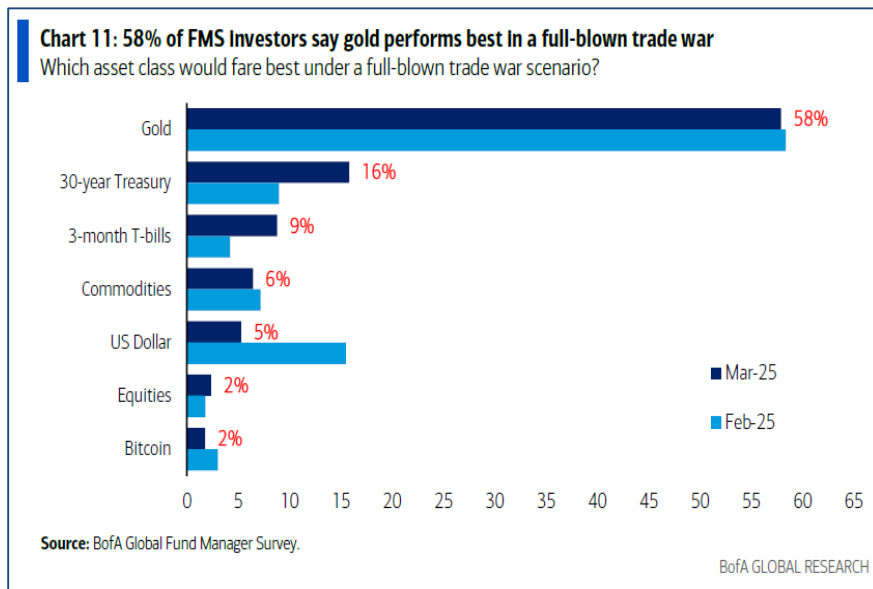




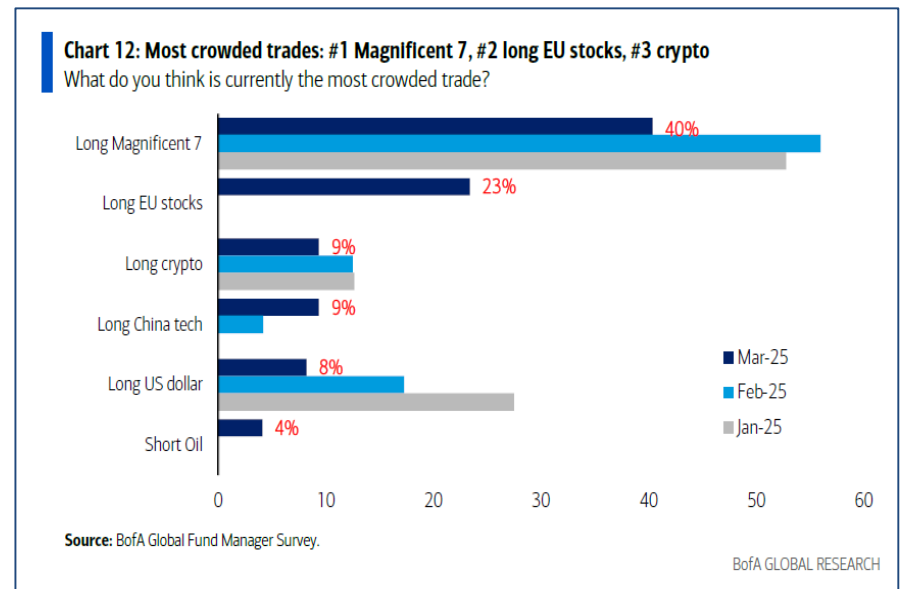
## 4. Cross Asset : Gold

- Gold remains the top choice in a trade war scenario, with 58% of fund managers favoring it—far surpassing Treasuries and the US Dollar, the latter experiencing the sharpest decline in confidence since February.
- Gold is absent from what investors perceive as the most crowded trade meaning that there's still ample room for asset allocator to increase their Gold position.

### FMS best Trade War assets



### FMS Most Crowded Trade



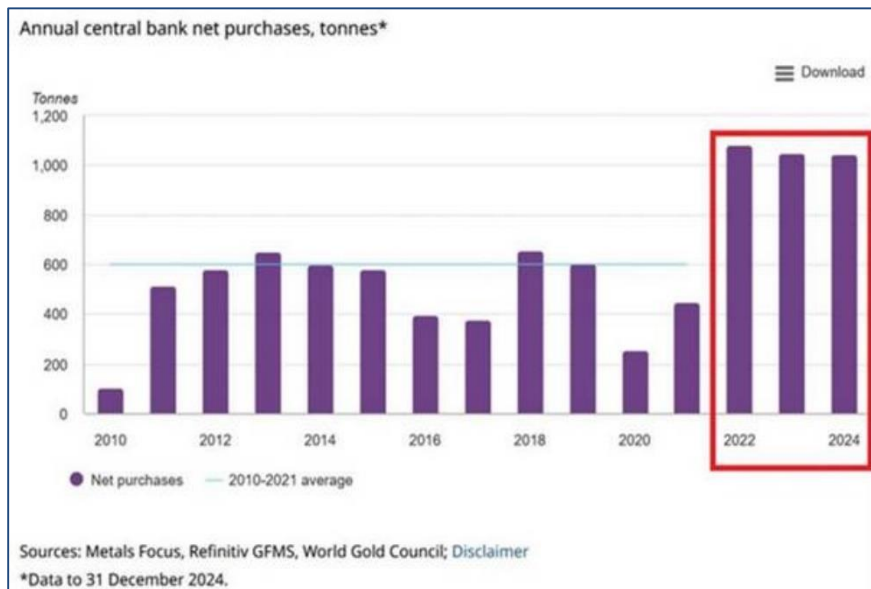
Source: BofA

Source: BofA

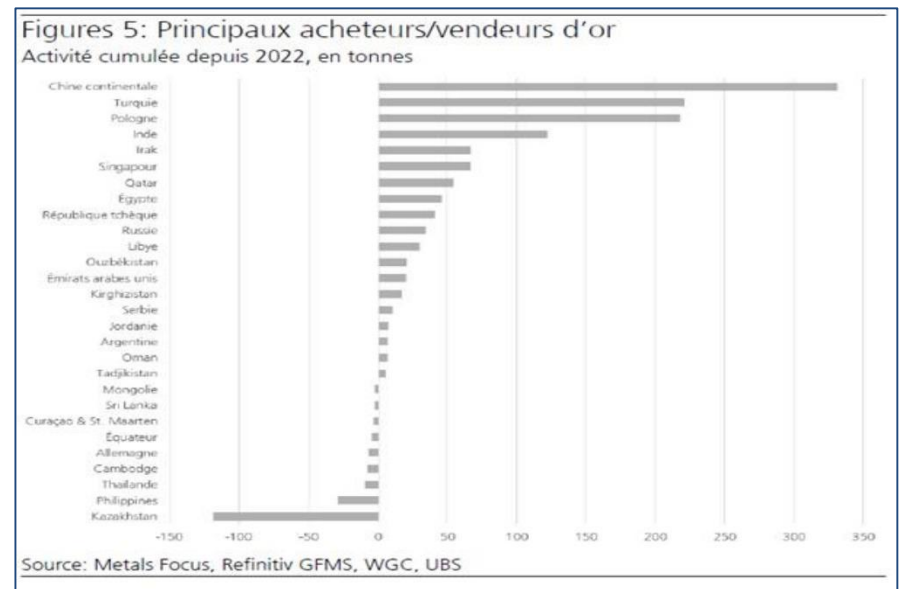
# 4. Cross Asset : Gold

- Following a surge in 2022, central banks have continued to purchase Gold at a record pace, driven by efforts to diversify reserves and hedge against geopolitical and economic uncertainties.
- China, Turkey, and Poland lead Gold acquisitions, with strong buying activity since 2022. Several emerging economies, including India and Qatar, have expanded their Gold reserves, reflecting a shift toward asset diversification.

Central Bank Gold Purchase



Gold Purchase by Country



## 5. Market Review: Equity Performance

- US equity markets are underperforming YTD, with the Nasdaq down over 10% amid pressure on growth and tech valuations. Broader American indices have also struggled to maintain momentum.
- In contrast, European and Brazilian equities have delivered strong returns. European has been driven by improved sentiment, following Germany's fiscal stimulus and optimism surrounding a potential peace agreement in Ukraine.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	-2.1%	-6.4%	-2.1%	-6.4%
S&P 500	-4.6%	-8.9%	-4.6%	-8.9%
NASDAQ	-10.4%	-14.7%	-10.4%	-14.7%
BRAZIL	15.9%	11.8%	15.9%	11.8%
Euro Stoxx 50	11.7%	7.2%	11.7%	7.2%
Stoxx Europe 600	9.6%	5.2%	9.6%	5.2%
FTSE 100	8.2%	3.8%	8.2%	3.8%
CAC 40	10.0%	5.6%	10.0%	5.6%
DAX	15.8%	11.3%	15.8%	11.3%
IBEX	17.7%	13.3%	17.7%	13.3%
MIB	15.8%	11.3%	15.8%	11.3%
SMI	11.1%	6.9%	11.1%	6.9%
NIKKEI 225	-6.1%	-10.4%	-6.1%	-10.4%
HANG SENG	15.1%	10.6%	15.1%	10.6%
SHANGHAI	0.1%	-4.3%	0.1%	-4.3%
VIX	28.4%	24.1%	28.4%	24.1%

Source: Bloomberg 31/03/25



## 5. Market Review : Sector Performance Review

- In Q1 2025, European Financials and Energy sectors have outperformed, fueled by rising interest rates and strong Commodity prices. Meanwhile, Information Technology and Consumer Discretionary have lagged, reflecting investor caution in growth-oriented industries.
- In the U.S., Energy and Health Care have emerged as the top-performing sectors, while Technology and Consumer Discretionary have underperformed. The shift away from growth stocks underscores investor caution amid stretched valuations and slowing earnings momentum.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	-4.2%	-4.2%	-14.0%	-14.0%	-10.3%	-10.3%
Consumer Staples	5.1%	5.1%	4.6%	4.6%	5.9%	5.9%
Energy	12.4%	12.4%	9.3%	9.3%	10.1%	10.1%
Financials	16.3%	16.3%	3.1%	3.1%	6.1%	6.1%
Health Care	1.0%	1.0%	6.1%	6.1%	5.1%	5.1%
Industrials	7.2%	7.2%	-0.5%	-0.5%	2.3%	2.3%
Information Technology	-4.4%	-4.4%	-12.8%	-12.8%	-11.9%	-11.9%
Materials	0.6%	0.6%	2.3%	2.3%	3.9%	3.9%
Telecommunication Services	10.4%	10.4%	-6.4%	-6.4%	-4.4%	-4.4%
Utilities	10.4%	10.4%	4.1%	4.1%	7.2%	7.2%

Source: Bloomberg 31/03/25



## 5. Market Review : FX and commodities performance

Currencies		
Against USD		
	YTD	3M
EURO	4.5%	4.5%
JPY	4.6%	4.6%
GBP	3.2%	3.2%
CHF	2.5%	2.5%
CNY	0.6%	0.6%
HKD	-0.2%	-0.2%
CAD	0.0%	0.0%
AUD	1.0%	1.0%
Against Euro		
	YTD	3M
USD	-4.3%	-4.3%
JPY	0.4%	0.4%
GBP	-1.2%	-1.2%
CHF	-1.7%	-1.7%
CNY	-3.9%	-3.9%
HKD	-4.6%	-4.6%
CAD	-4.5%	-4.5%
AUD	-3.5%	-3.5%
Against CHF		
	YTD	3M
EURO	1.7%	1.7%
USD	-2.6%	-2.6%
JPY	2.1%	2.1%
GBP	0.6%	0.6%
CAD	-2.7%	-2.7%
AUD	-1.7%	-1.7%
HKD	-2.8%	-2.8%

- The US dollar weakened, while the Euro and Yen gained ground. It reflects shifting rate expectations and a rebalancing of global capital flows.
- Commodities have rallied in early 2025, with Natural Gas and Gold leading on strong demand and supply-side constraints.

	% YTD in USD	% 3M in USD
WTI Crude Oil	-0.3%	-0.3%
Brent Crude Oil	0.1%	0.1%
Gasoline	14.1%	14.1%
Natural Gas	30.5%	30.5%
Gold	19.0%	19.0%
Silver	17.9%	17.9%
Platinum	9.9%	9.9%
Palladium	8.6%	8.6%
Aluminum (LME)	-0.7%	-0.7%
Copper (LME)	10.7%	10.7%
Corn	-0.3%	-0.3%
Wheat	-2.6%	-2.6%
Soybean	1.7%	1.7%
Coffee	18.8%	18.8%
Sugar	-2.1%	-2.1%
Cotton	-2.3%	-2.3%

Source: Bloomberg 31/03/25



## 5. Market Review : Fixed Income Performance

- Fixed income markets posted modest gains, with inflation-linked bonds leading the way.
- Euro-area and Asia-Pacific bonds lagged behind, while U.S. fixed income markets demonstrated relative strength.
- Investment-grade bonds outperformed high-yield counterparts, reflecting investor preference for stability.
- Credit spreads widened slightly but remained relatively low throughout the quarter, signaling limited risk concerns.

	Perf March	Perf YTD	Perf last 3 months	Yield	Duration	Spread
<b>Global</b>						
Global Aggregate	0.6%	2.6%	2.6%	3.6	6.6	57
Treasuries	0.6%	2.6%	2.6%	3.2	7.3	9
Credit	0.6%	2.8%	2.8%	4.5	6.1	90
<b>USA</b>						
U.S. Universal	0.0%	2.7%	2.7%	4.8	6.0	99
U.S. Aggregate	0.0%	2.8%	2.8%	4.6	6.2	35
U.S. Gov/Credit	0.1%	2.7%	2.7%	4.5	6.4	34
U.S. Treasury	0.2%	2.9%	2.9%	4.1	6.1	0
Government-Related	0.1%	2.6%	2.6%	4.6	5.7	52
Corporate	-0.3%	2.3%	2.3%	5.1	7.1	96
U.S. MBS	0.0%	3.1%	3.1%	4.9	5.9	34
<b>Pan Europe</b>						
Pan-Euro Aggregate	-1.6%	-0.8%	-0.8%	3.2	6.6	49
Euro-Aggregate	-1.5%	-0.9%	-0.9%	3.0	6.4	55
<b>Asia Pacific</b>						
Asian-Pacific Aggregate	-0.7%	-3.6%	-3.6%	2.0	7.5	5
<b>High Yield</b>						
Global High Yield	-0.3%	1.8%	1.8%	7.6	4.0	395
U.S. Corporate High Yield	-1.0%	1.0%	1.0%	7.7	3.5	345
Pan-European High Yield	-1.1%	0.5%	0.5%	6.2	3.0	336
<b>Other</b>						
Global Inflation-Linked	1.0%	3.4%	3.4%			
Municipal Bond Index	-1.7%	-0.2%	-0.2%	3.8	6.4	
<b>Emerging Markets</b>						
EM USD Aggregate	-0.4%	2.3%	2.3%	6.5	6.2	234
Sovereign	-0.8%	2.1%	2.1%	6.9	7.2	271
Corporate	0.1%	2.7%	2.7%	6.4	5.0	231
High Yield	-0.8%	1.6%	1.6%	8.6	5.3	437

Source: Bloomberg 31/03/25



## 5. Long-term Investment Strategy

- We think diversification into long term themes will provide real benefits to traditional sector allocation in the current investment landscape. Many sectors (such as the car market) are disrupted and challenged by Technological developments. Moreover, diversified approaches (style, sector, geographic) have proven to be an effective hedging against tail risk with durable long term performance.
- Short term noise may bring volatility up but we focus on secular trends: implementation of our Innovation societal impact environmental footprint 3 dimensional approach.
- Our equity exposure is centered around: Technology (Robots, Cybersecurity, Artificial Intelligence), Biotechnology, Societal as well as Environmental impacts, mixed with strong balance sheet companies that generate recurring cashflows over time and rewards investors through share buyback programs and high dividend distribution.
- In a context of interest rates normalization, we now believe that Government bonds look attractive.
- Look for decorrelated asset.

## 6. Current Asset Allocation

➤ Our current allocation is 46.3% Risky Assets\*, 27.1% Investment Grade Bonds in our Balanced EUR model.

<b>Asset allocation</b>	<b>Equity allocation:</b> neutral. <b>Bonds:</b> underweight. <b>Cash:</b> neutral. <b>Alternative:</b> Overweight.		
		<b>Core allocation</b>	<b>Tactical allocation</b>
<b>Equities</b>	<b>Regions/ sectors</b>	<ul style="list-style-type: none"> <li>• Developed Markets (USA and Europe).</li> <li>• Emerging Markets, China &amp; Vietnam.</li> </ul>	
	<b>Investment style, stock selection</b>	<ul style="list-style-type: none"> <li>• Global growth themes.</li> <li>• Quality dividend selection.</li> <li>• Sustainable Investments.</li> <li>• Value stocks.</li> </ul>	
<b>Bonds &amp; currencies</b>	<b>Duration</b>	<ul style="list-style-type: none"> <li>• Neutral Duration(short-term HY and medium- term IG in Europe).</li> </ul>	
	<b>Bond segments</b>	<ul style="list-style-type: none"> <li>• Investment Grade USD and Euro, High Yield corporates EURO.</li> </ul>	<ul style="list-style-type: none"> <li>• CAT Bonds.</li> </ul>
	<b>Currencies</b>	<ul style="list-style-type: none"> <li>• Neutral.</li> </ul>	<ul style="list-style-type: none"> <li>• Crypto basket.</li> </ul>
<b>Commodities &amp; Alternatives</b>		<ul style="list-style-type: none"> <li>• Gold &amp; Commodity Basket Energy Transition.</li> <li>• Decorrelated Strategies.</li> </ul>	



\* Risky Assets = Equities + ( High Yield Bonds \* 0.6 factor)

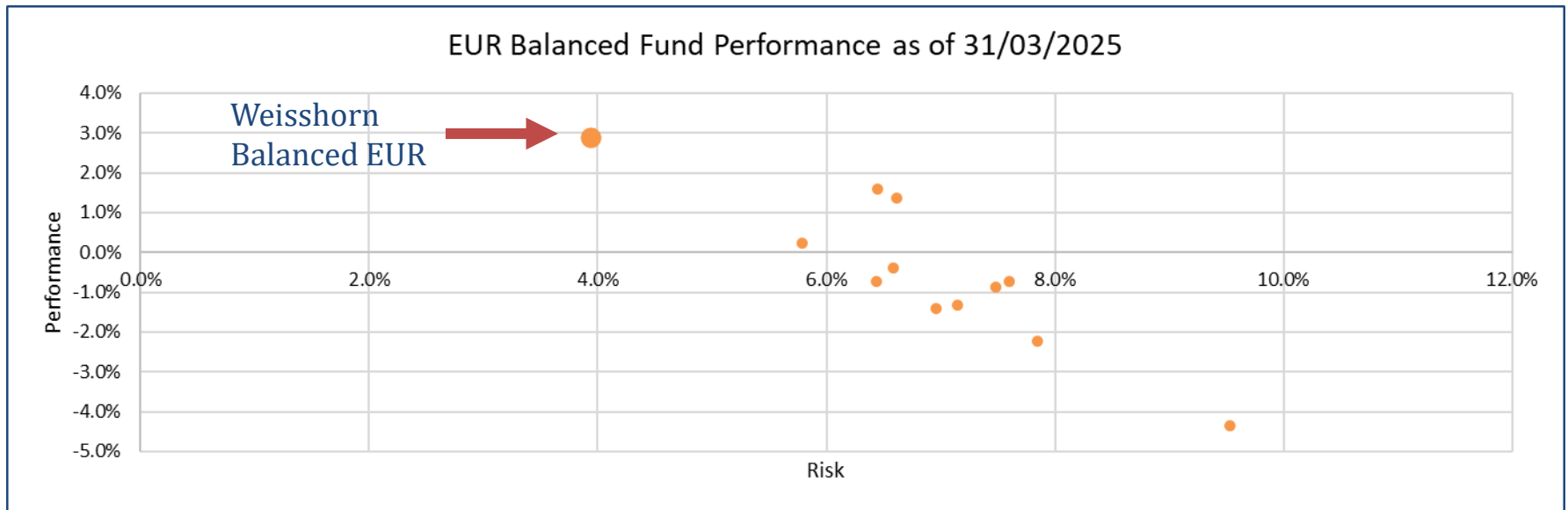


## 6. Current Asset Allocation

- Our current Asset Allocation has proved resilient during this stressful time. Our Barbell approach on equities while a lower allocation to equities and US equities more specifically have led an outperformance of our fund compared to a peer group.
- As of 31/03/2025 the performance of our Balance fund was still positive while taking less risk than the peer groups.

### Balanced Fund Performance

EUR Balanced Fund Performance as of 31/03/2025



Source: Performance Watcher

# 7. Conclusion

- Tariffs could be a game changer for World Trade if they are maintained over the long term. Probability of a recession is rising.
- Donald Trump's gamble is a risky one...time will tell whether it will pay off for the American people.
- The Rest of the World will have to adapt. Investment opportunities should emerge.
- Banks and Corporate balance sheets, as well as household finances are much better than in 2008.
- Diversification, which we regularly emphasize, is more important than ever.

## 8. Thematic - Introduction

- As we enter 2025, **AI remains a driving force**, having dominated headlines and fueled equity markets throughout the past year. Models are expected to keep advancing in capability and sophistication—powering innovation across sectors.
- One way to categorize these models is by their size, ranging from **Small Language Models** (SLMs) and **Large Language Models** (LLMs), often multimodal, to the emerging generation of **Agentic models**.
- Over next years, multiple industries stand to gain from significant AI advancements. Among the most promising areas are **AI-powered humanoid, next-generation defense applications**, and **Agentic models**.

	Small Language Models	Multimodal	Agentic
Focus	Niche, Highly Specialized Applications	Complex Tasks With Various Inputs	Autonomous Independent Thinking
Input	Text	More than text	Text
Output	Some	More	Most
Data	Less	Significant	To be determined
Customization	Need to be customized and trained on data they would work with	Less customization possible due to the volume of data required	Vendors provide out-of-the-box capabilities, but works best when tailored



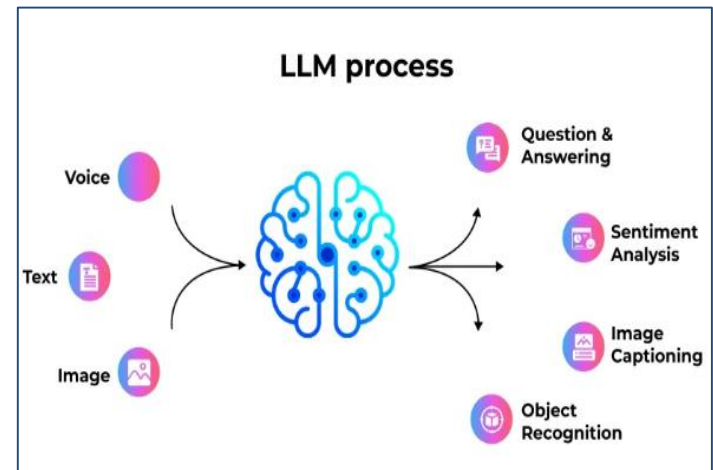
Source: Deloitte Research

## 8. Thematic - SLMs vs LLMs

- **Small Language Models (SLMs)** are AI models trained on specific datasets, typically trained on millions to a few billion parameters, to efficiently perform targeted tasks. They are optimized for speed and lower hardware demands, making them ideal for specialized applications (e.g., Gemma from Google, Ministral from Mistral, ...).
- **Large Language Models (LLMs)** are advanced AI systems trained on massive amounts of data (hundreds of billions to trillions of parameters) to generate and understand human-like language. They excel at complex tasks but require substantial computational resources (e.g., GPT-4 from OpenAI, Claude from Anthropic, Gemini from Google, ...).
- **SLMs vs. LLMs:** While LLMs offer versatility and deep comprehension, SLMs prioritize efficiency, delivering faster responses and cost-effective deployment. The choice between them depends on the specific needs of an application.
- **Hybrid models:** Combines SLMs running locally for speed and efficiency with LLMs in the cloud for handling complex or data-heavy tasks. This approach maximizes performance by using the right model for the right task, balancing cost, speed, and capability.



Source: Openxcell



Source: Openxcell

## 8. Thematic - Humanoids

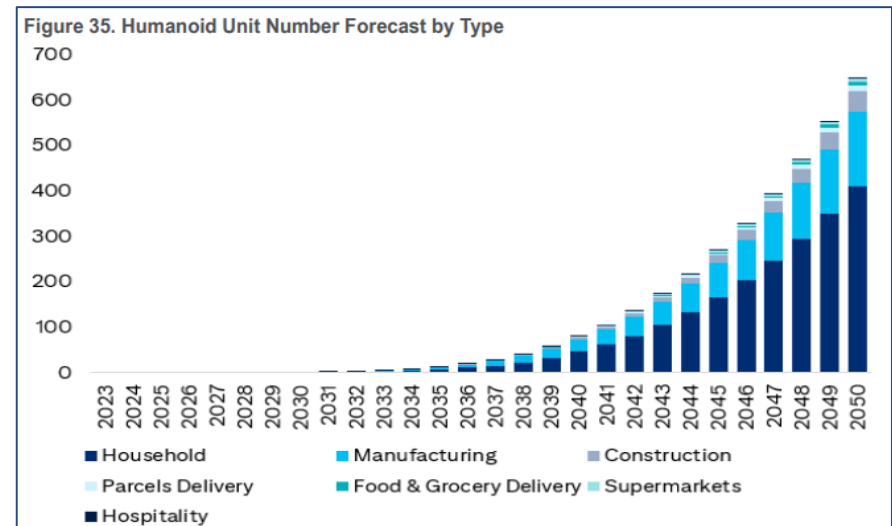
- **Humanoid Robots on the Rise:** The number of humanoid robots is projected to grow significantly over the next two decades. With rapid advancements in AI convergence and hardware, humanoids are emerging as one of AI's most disruptive sectors this year.
- **Multimodal AI Enhancing Capabilities:** The rise of multimodal AI—integrating text, images, audio, and video—has greatly improved humanoid robots' ability to perceive, understand, and interact with their surroundings.
- **The Role of AI Models:** Large Language Models (LLMs) have been instrumental in training humanoids, while Small Language Models (SLMs) are proving essential for developing specialized humanoids. These task-specific robots are optimized for high-precision industries requiring low-latency responses.

Humanoid Payback Period (in weeks)

Hourly Wage (\$/hr) \ Humanoid Price (\$)	15,000	20,000	25,000	30,000
7.25	21.6	28.7	35.9	43.1
16	9.8	13.0	16.3	19.5
28	5.6	7.4	9.3	11.2
41	3.8	5.1	6.4	7.6

Source: Citi Global Insights

Humanoid Unit Number Forecast by Type (in mios)

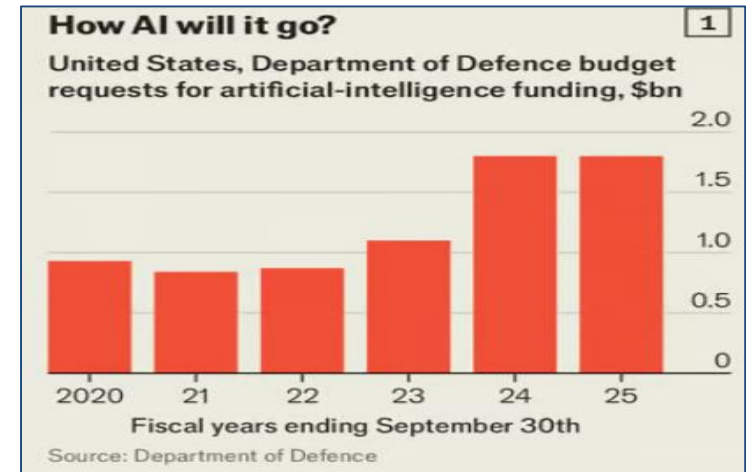


Source: Citi Global Insights

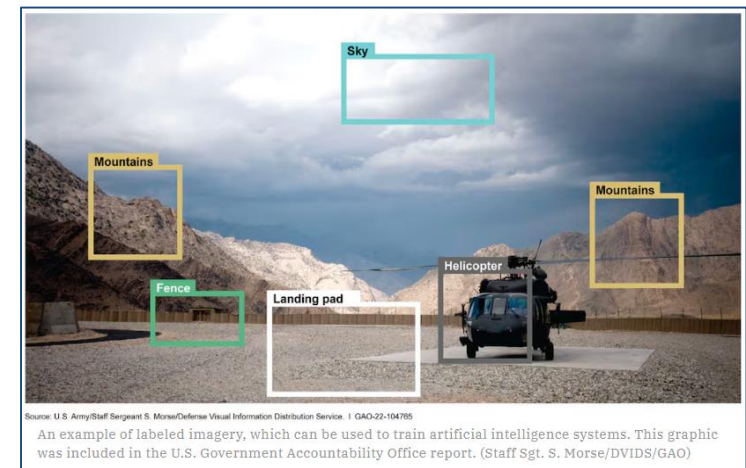


## 8. Thematic – Next-generation defense

- The current defense boom coincides with a major technological revolution—artificial intelligence.
- Leading AI companies like **OpenAI** and **Anthropic**, once opposed to military applications, have reversed their stance. While they claim to focus on counter-AI measures rather than offensive weapons, their involvement in defense signals a major shift.
- As autonomous warfare advances, **AI-driven attacks** can only be countered by equally sophisticated **autonomous defenses**.
- AI is set to become a key pillar of defense in two major ways. First, the rapid advancement of **autonomous systems for both attack and defense**, including vehicles and munitions. Second, the deployment of decentralized AI-driven **combat management software** to enhance strategic decision-making.



Source: The Economist – Department of Defense

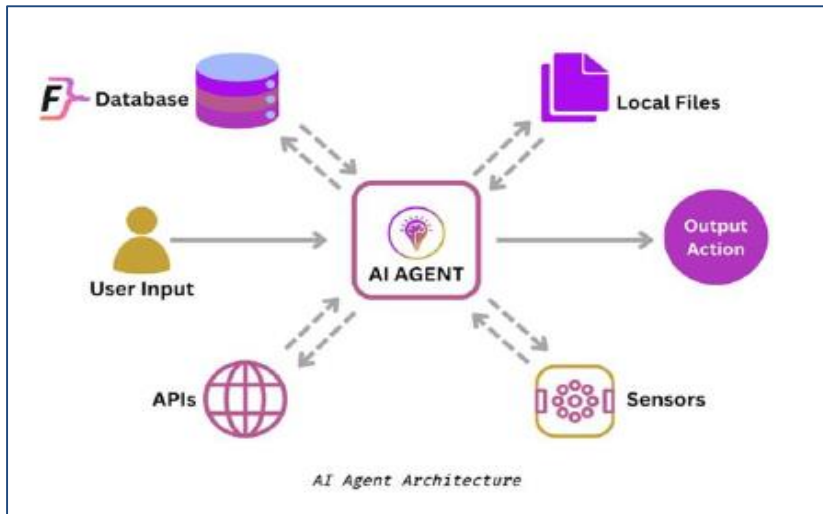


Source: US Army

# 8. Thematic - Agents

- A new race is underway among tech companies to bring **Agentic models** to consumers. These systems go beyond traditional AI by reasoning, planning, and working across software and platforms to complete tasks autonomously.
- **Typical AI** systems are competent in their designated tasks but have limited decision-making capabilities. They mostly rely on the user's input and guidance to perform an action or complete a task. Conversely, **Agents** are equipped with tools that allow them to access data and inputs from their surroundings and use this additional information to decide the best course of action.

AI Agent Architecture



Source: FalkorDB

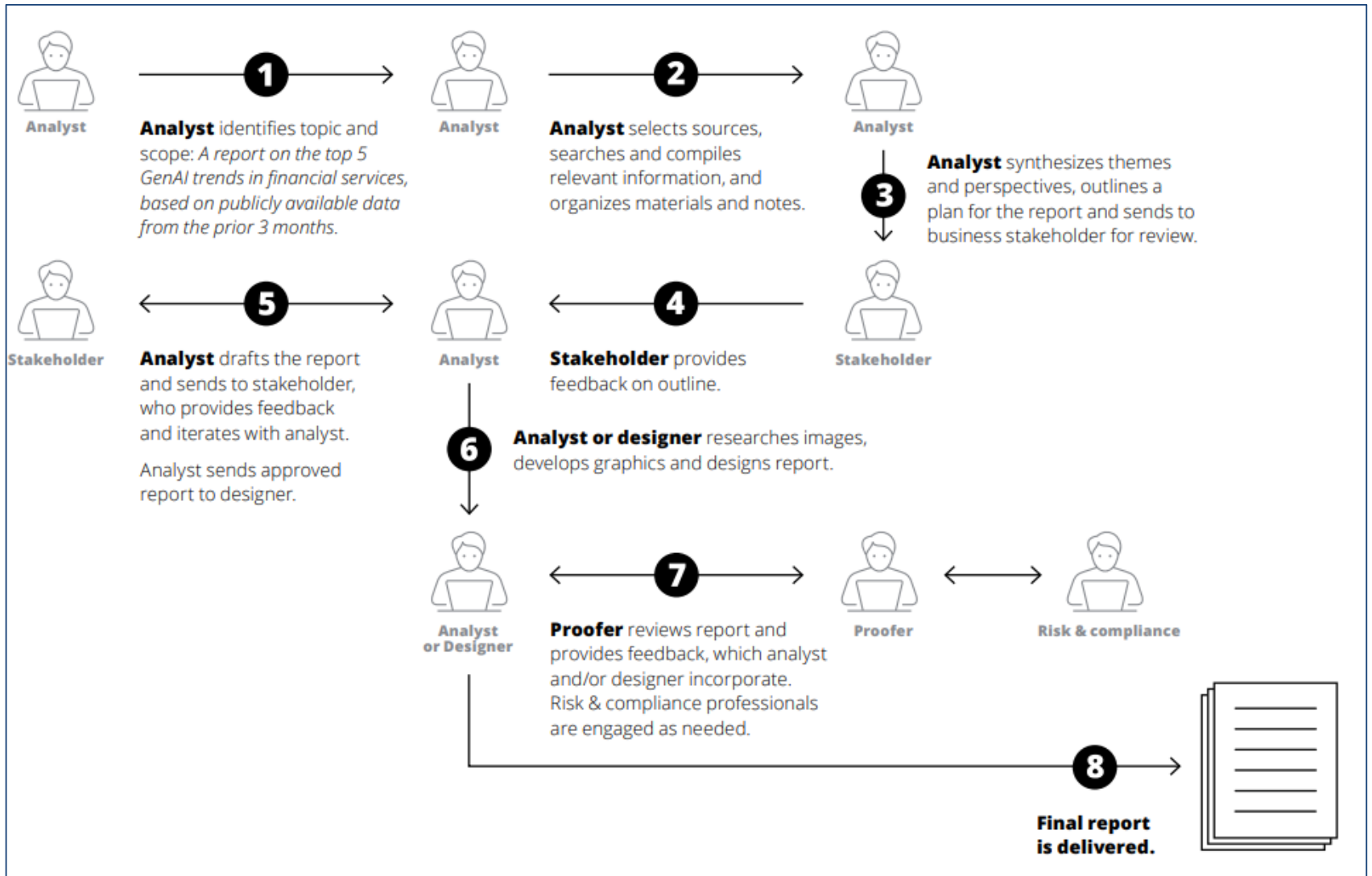
Typical Language Model vs AI Agent

	Typical language models	AI agents
<b>Use case scope</b>	Automate tasks	Automate entire workflows/processes
<b>Planning</b>	Are not capable of planning or orchestrating workflows	Create and execute multistep plans to achieve a user's goal, adjusting actions based on real-time feedback
<b>Memory &amp; fine-tuning</b>	Do not retain memory and have limited fine-tuning capabilities	Utilize short-term and long-term memory to learn from previous user interactions and provide personalized responses; Memory may be shared across multiple agents in a system
<b>Tool integration</b>	Are not inherently designed to integrate with external tools or systems	Augment inherent language model capabilities with APIs and tools (e.g., data extractors, image selectors, search APIs) to perform tasks
<b>Data integration</b>	Rely on static knowledge with fixed training cutoff dates	Adjust dynamically to new information and real-time knowledge sources
<b>Accuracy</b>	Typically lack self-assessment capabilities and are limited to probabilistic reasoning based on training data	Can leverage task-specific capabilities, knowledge and memory to validate and improve their own outputs and those of other agents in a system

Source: Deloitte



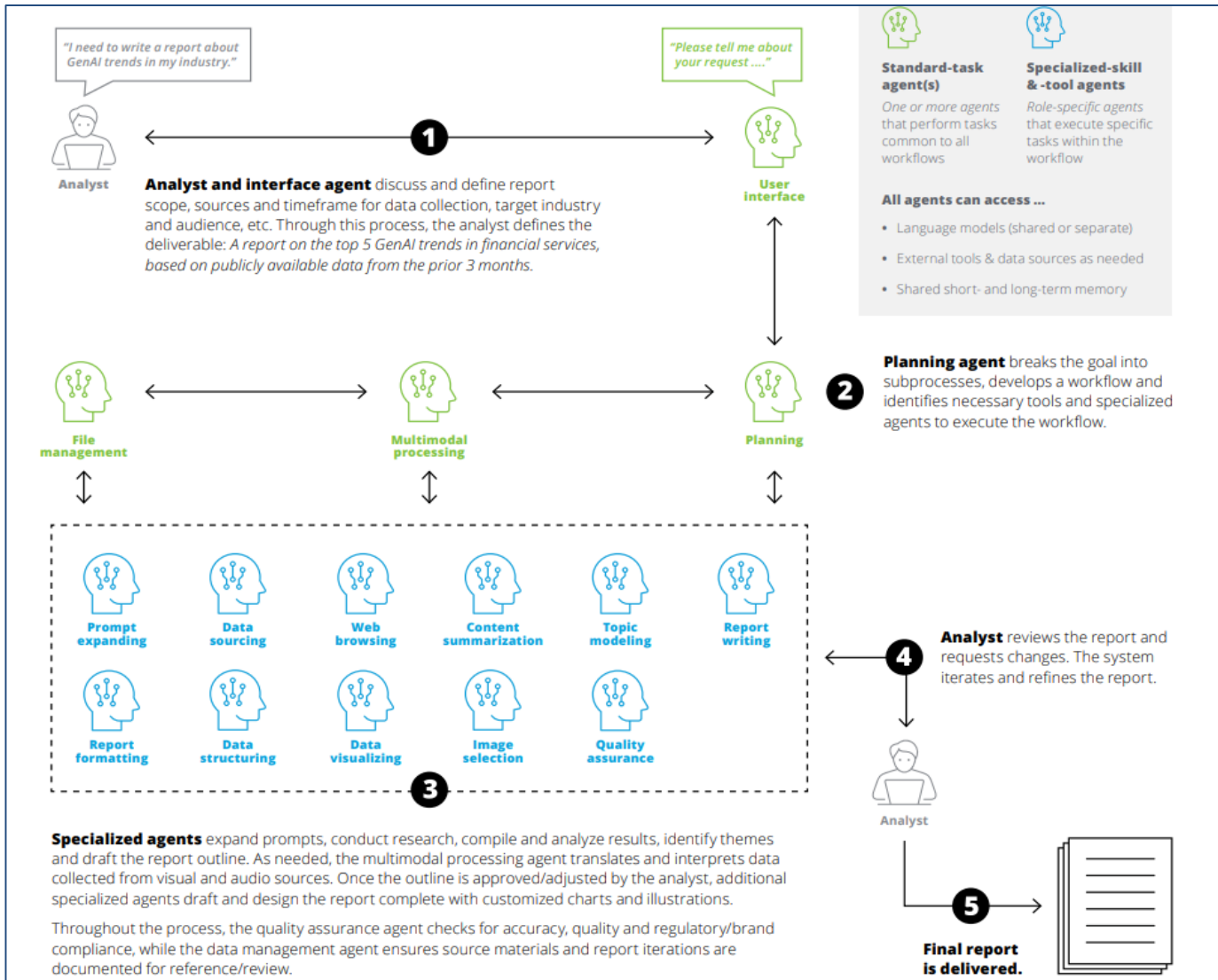
# 8. Thematic – Agents Case



Source: Deloitte Research



# 8. Thematic – Agents Case



Source: Deloitte Research

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