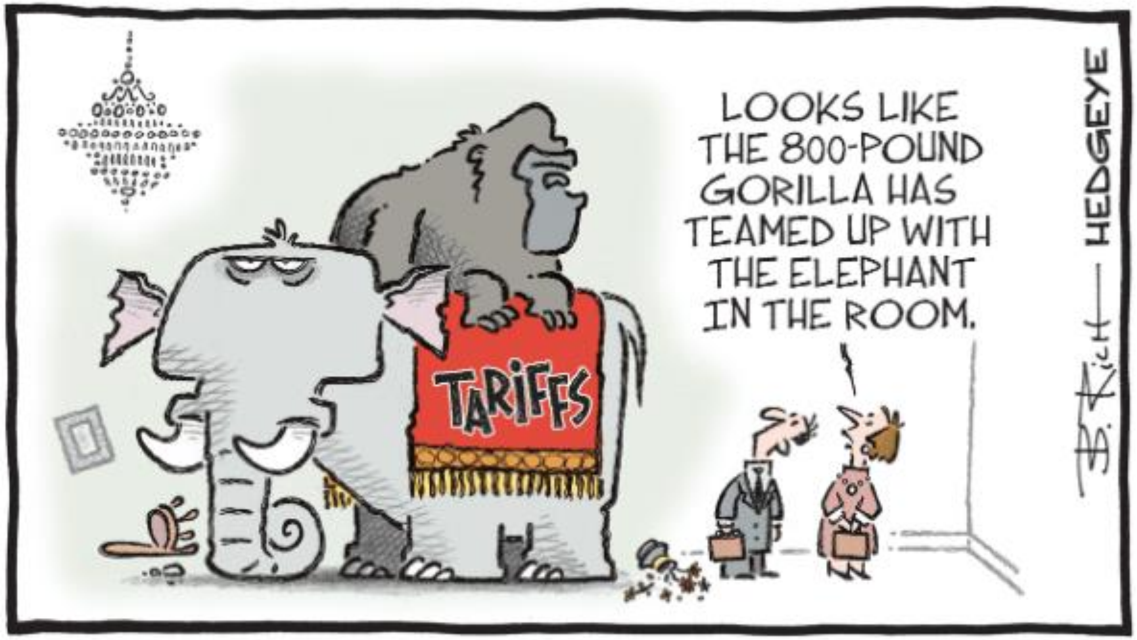

WEISSHORN
ASSET MANAGEMENT SA

Investment Committee Q2



1. Market Highlights
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1. Market highlights

- **The global economy remains resilient**. Despite geopolitical tensions and economic uncertainties related to tariffs, Equity markets continue their upward trend, reaching all-time highs.

- **Inflation continues to move toward Central Banks' targets**, although it appears to be stickier in the US.

- The deadline for the suspension of tariffs is fast approaching (July 9). To date, few agreements have been announced. **The consensus expects that this deadline will be extended**.

- **The Big Beautiful Bill** is expected to widen the US deficit and reduce the purchasing power of middle-class households...spot the mistake!

- The ECB is coming to the end of its cycle of rate cuts, while the FED, which has not moved since the beginning of the year, is expected to intervene twice between now and the end of 2025.

- The **12-day war** between Iran and Israel does not seem to have worried investors. However, it is still difficult to assess the real damage caused to Iran's Uranium enrichment program.

- **Corporate earnings growth remains resilient** what supports the Equities bull trend.

- **Back to square one for Oil**, which had skyrocketed following the outbreak of hostilities between Iran and Israel.

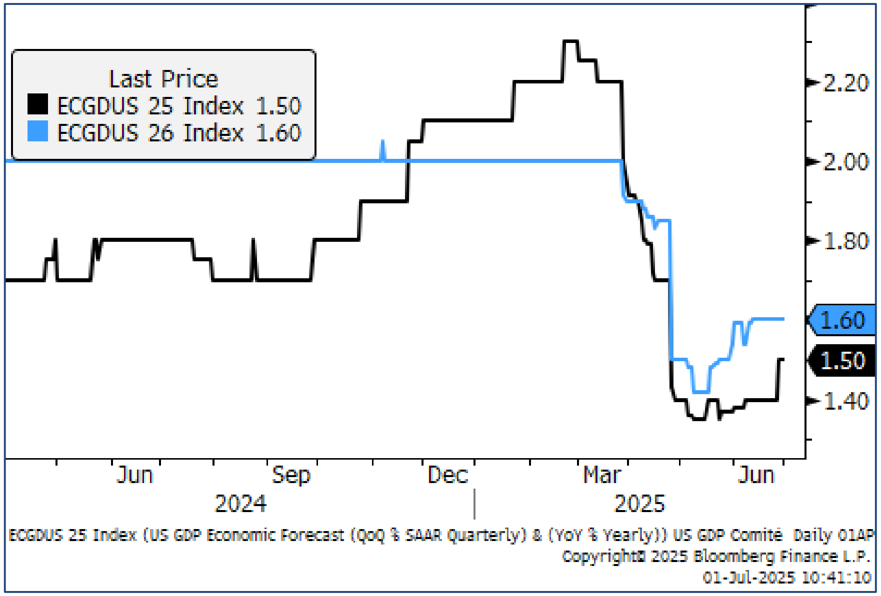
- **Uranium** is positioning itself as one of the big winners of the **energy transition**.

2. Macro : GDP Forecast

- In the US, following the announcement of new tariffs set to be implemented, **growth expectations have been revised downward**. Analysts anticipate that rising prices resulting from these tariffs will dampen consumer demand.

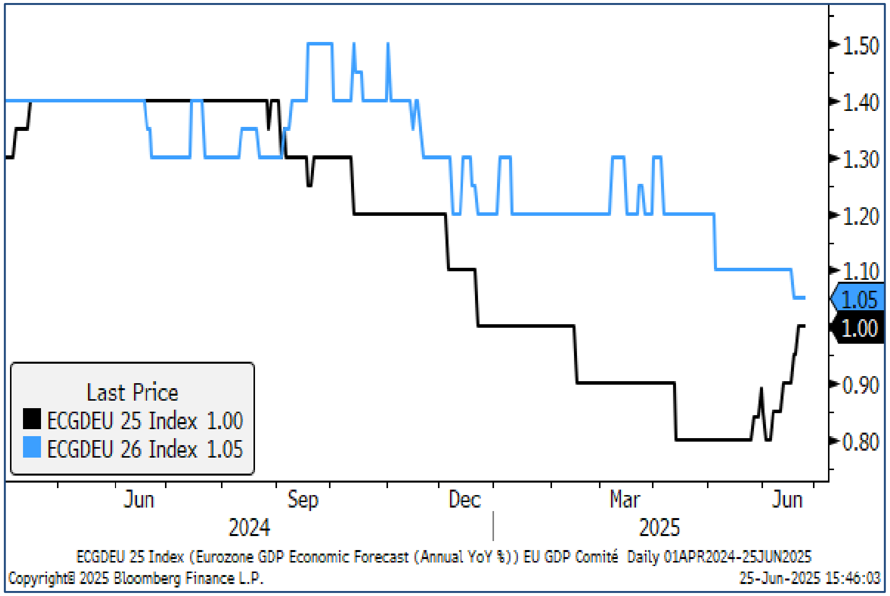
- In Europe, **stronger-than-expected growth, improving leading indicators, and Germany's fiscal stimulus plans** have supported the view that analysts may have been overly pessimistic. As a result, they have revised their outlook upward.

US GDP Forecast



Source: Bloomberg

EU GDP Forecast



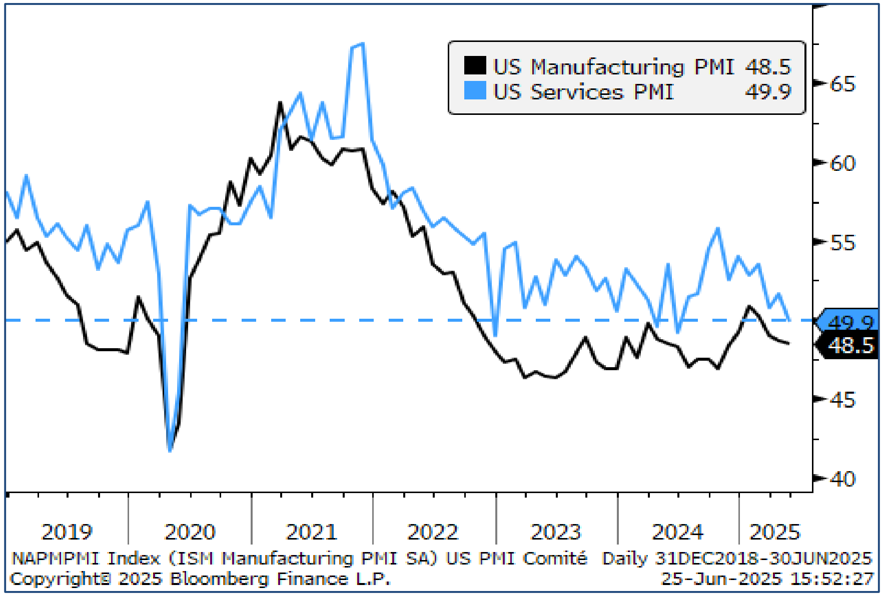
Source: Bloomberg

2. Macro : GDP Forecast

- For the first time in a while, **leading indicators are more favorable in Europe than in the US**. Although the difference is marginal, this suggests that the two economic powers may not be in the same phase of the business cycle.

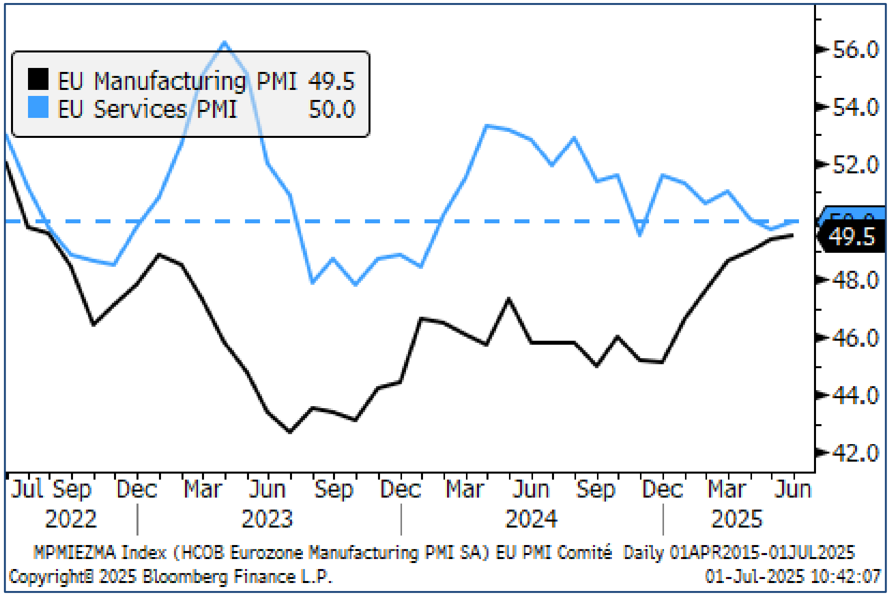
- Only the Services PMI in Europe remains at the 50 threshold all other indicators are in contraction territory below 50. These figures should therefore be interpreted with caution, they signal that, on both sides of the Atlantic, economic conditions are neither significantly improving nor deteriorating.

US PMI



Source: Bloomberg

EU PMI



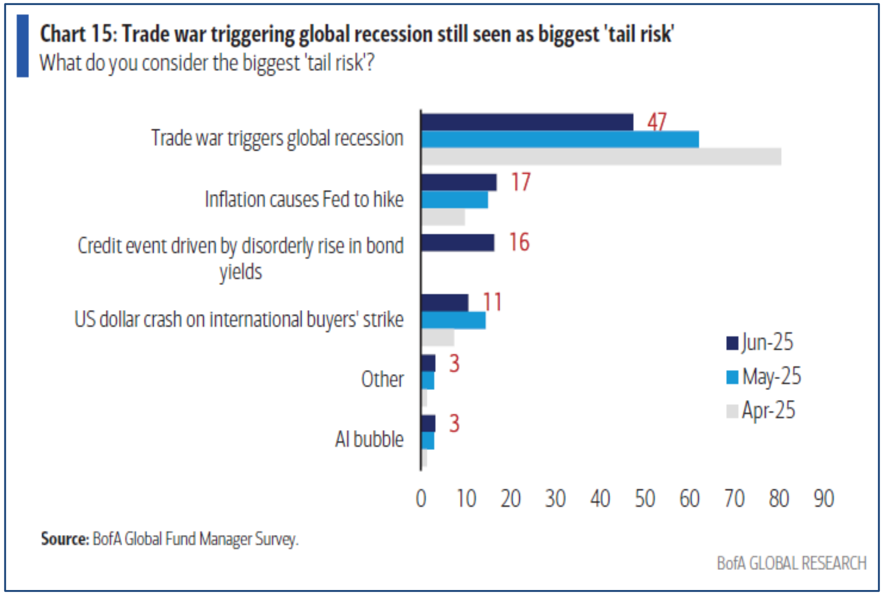
Source: Bloomberg

2. Macro : Investor Sentiment Survey

- After the **new tariffs** were enacted, the consensus among asset managers was that they **could trigger a global recession**. However, as the Trump administration appears to be nearing an agreement with China, this risk now seems to have receded.

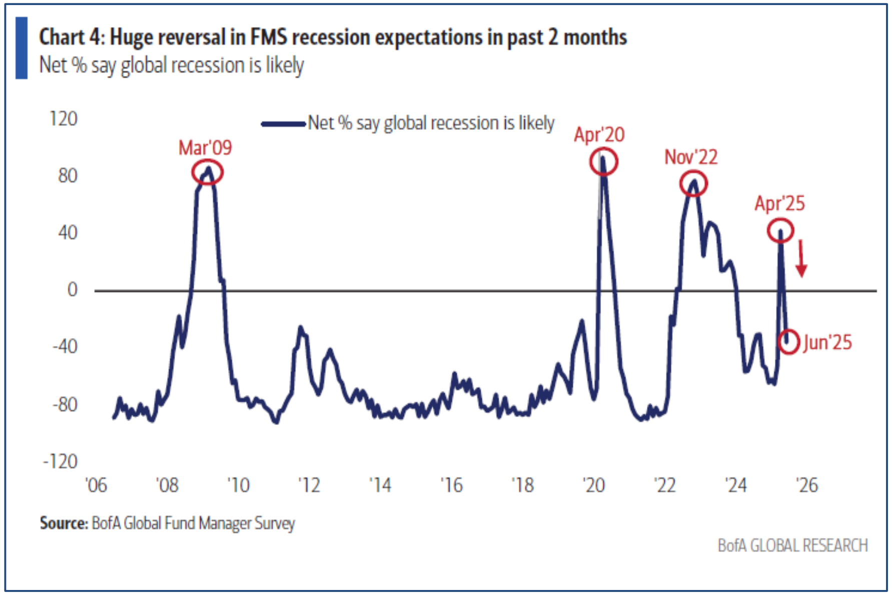
- Nevertheless, it remains the primary concern for investors, followed by inflation risks that could prompt interest rate hikes.

FMS (Fund Manager Survey) Biggest Tail Risk



Source: BofA

FMS Net % Expecting Global Recession

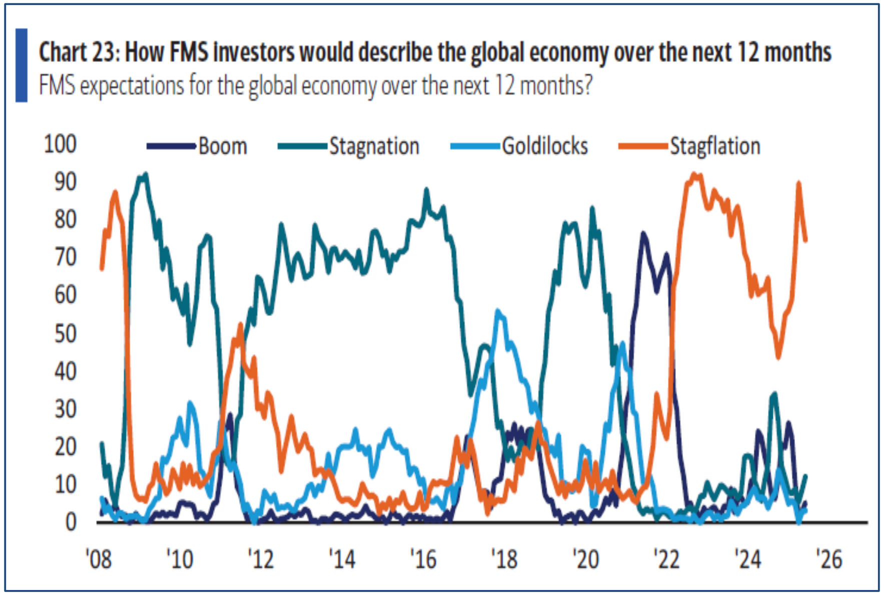


Source: BofA

2. Macro : Investor Sentiment Survey

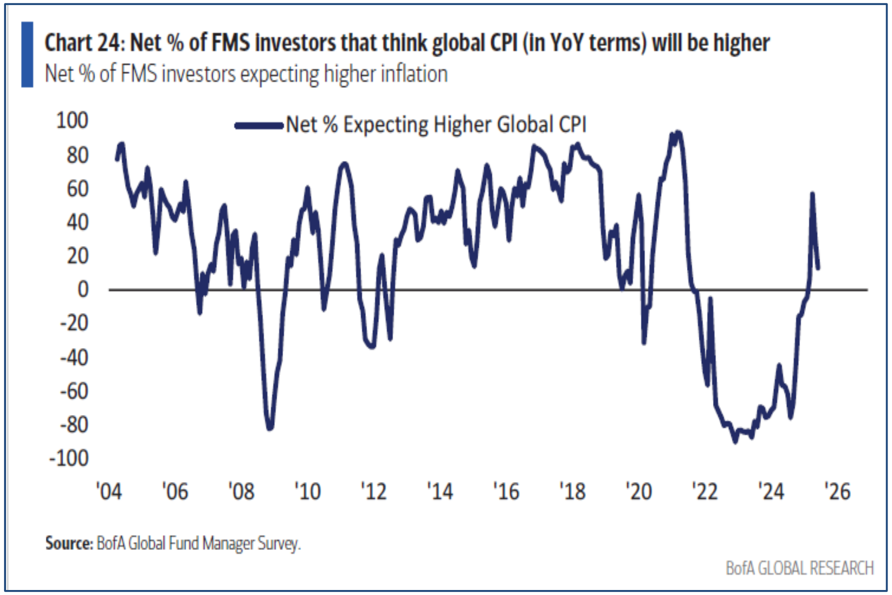
- **Inflation remains a key concern for investors.** A majority now believes that global inflation is likely to rise over the next 12 months. Given that growth prospects remain subdued, the baseline scenario has therefore shifted toward stagflation.

FMS Economic Situation Expectation



Source: BofA

FMS MoM Change % Expecting Higher Inflation



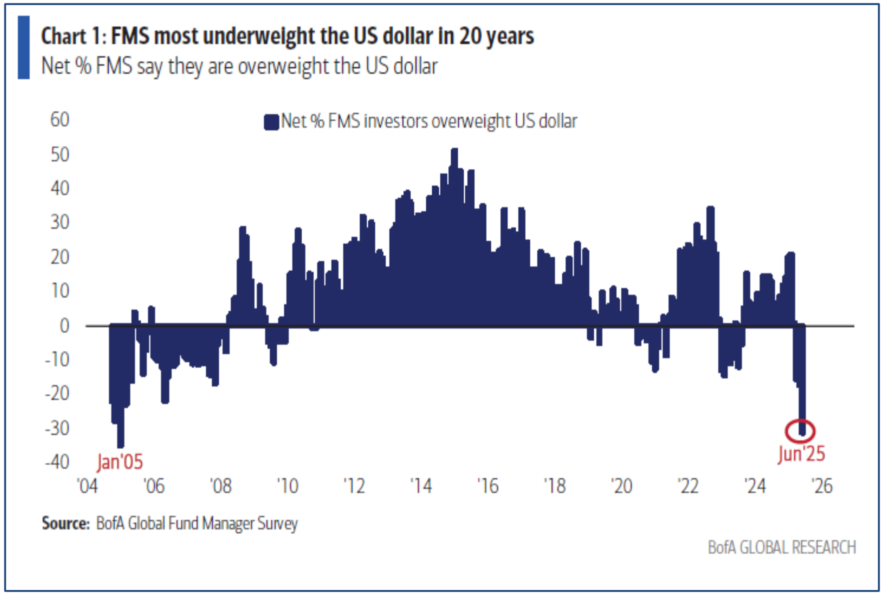
Source: BofA

2. Macro : Investor Sentiment Survey

- In terms of positioning, the **consensus** has not been this **bearish on the US** dollar since January 2005. This likely reflects the high degree of uncertainty surrounding the President's policies and the government's debt levels, which risk becoming an issue.

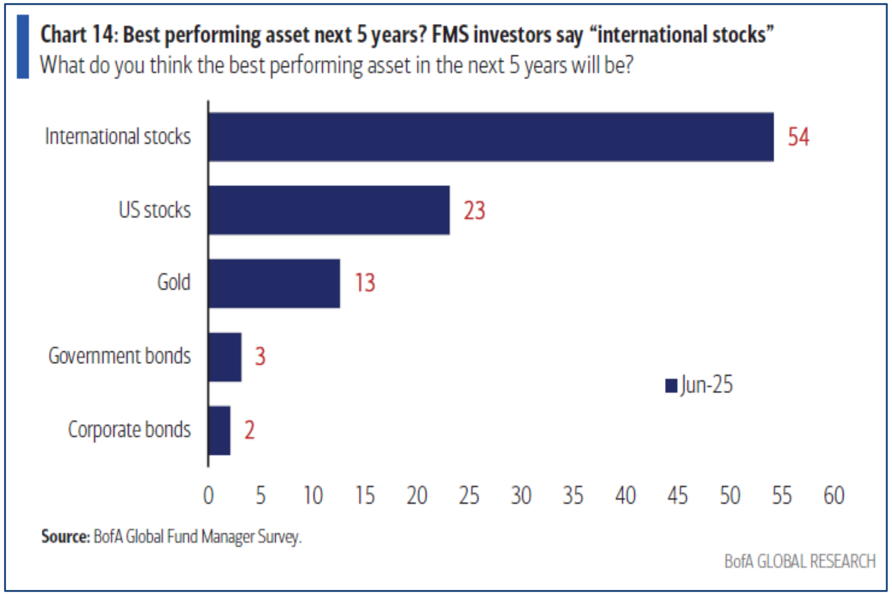
- As a result, a rotation is underway, US investors are increasingly looking to international markets, while foreign investors are repatriating their US assets. Consequently, **non-US companies are expected to outperform over the next five years.**

FMS USD Exposure



Source: BofA

FMS Best Performing Asset 5Yr



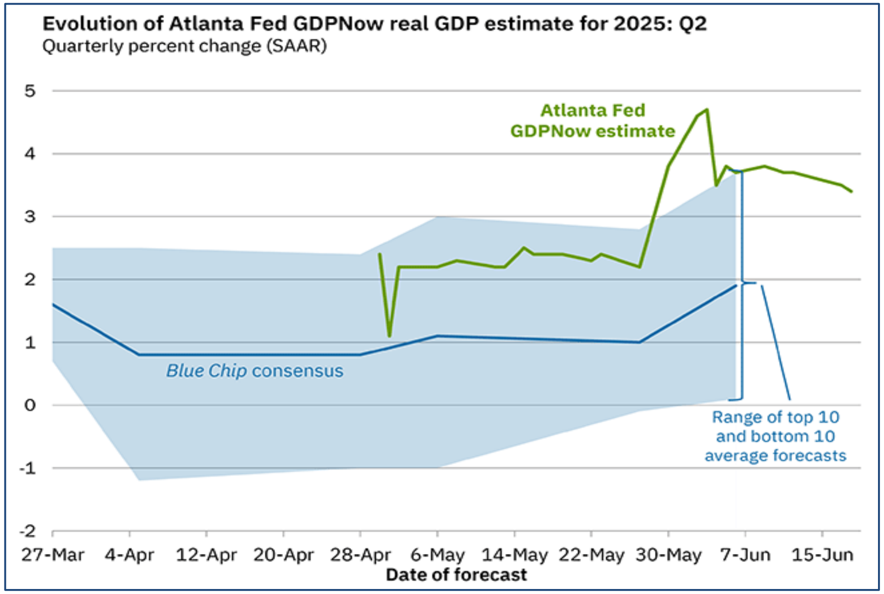
Source: BofA

2. Macro : US GDP Forecast & Labor Market

- The US economy remains resilient overall. There are still **no signs of stress in the labor market**, and growth expectations for Q2 have been revised upward.

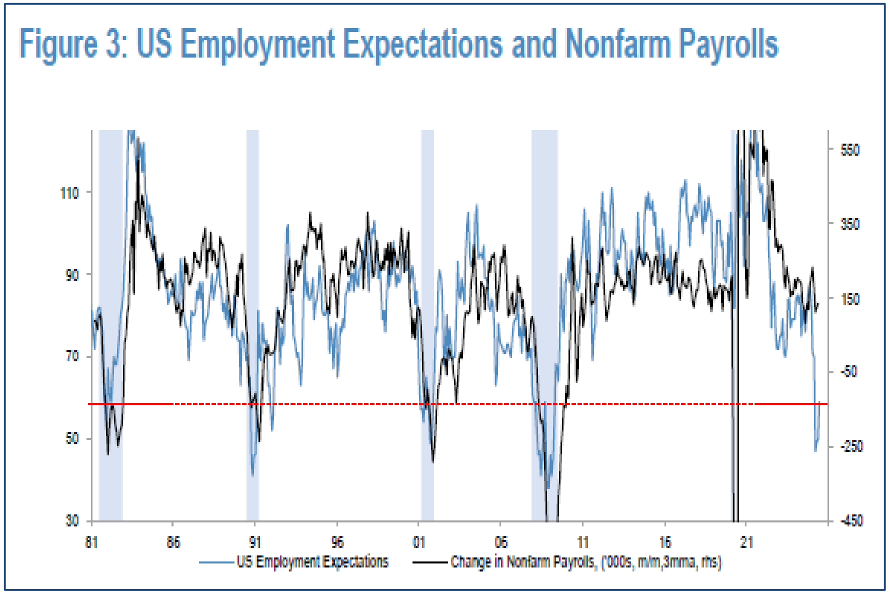
- The Atlanta Fed's GDPNow model is forecasting 3.34% GDP growth. However, it's important to view this in context, as **Q1 figures were weak due to front-loaded imports ahead of the new tariff implementations.** As such, Q2 growth is benefiting from a significant base effect.

GDP Now



Source: Atlanta FED

US Labor Market



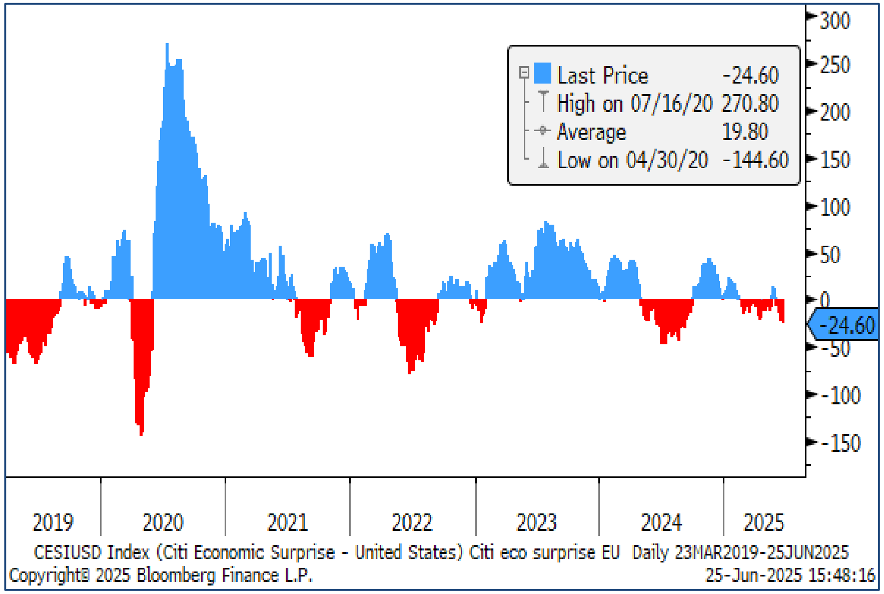
Source: JP Morgan

2. Macro : Economic Surprise & Inflation

- Citi's Economic Surprise Index indicates a slight deterioration in macroeconomic data in recent weeks, or at least that the figures have been coming in below expectations.

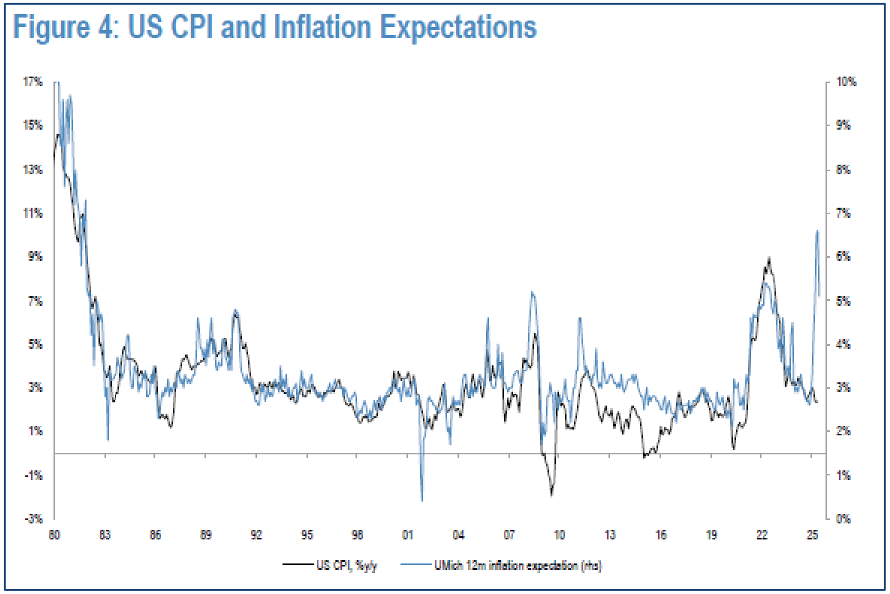
- The most concerning figure is inflation. While headline inflation continues to decline toward the 2% target, both **consumer and asset manager expectations point to rising prices** over the next 12 months.

US Citi Economic Surprise



Source: Bloomberg

US CPI and Inflation Expectations



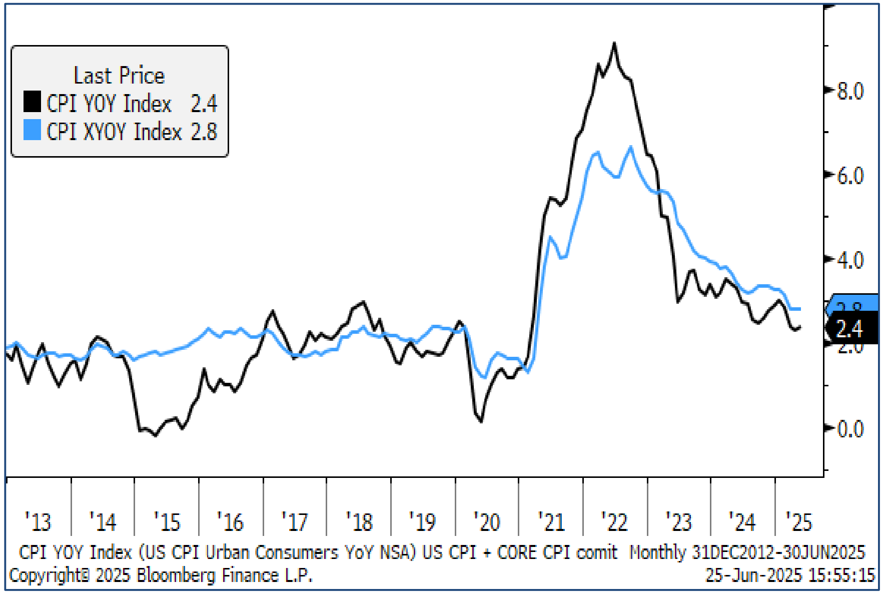
Source: JP Morgan

2. Macro : US Inflation

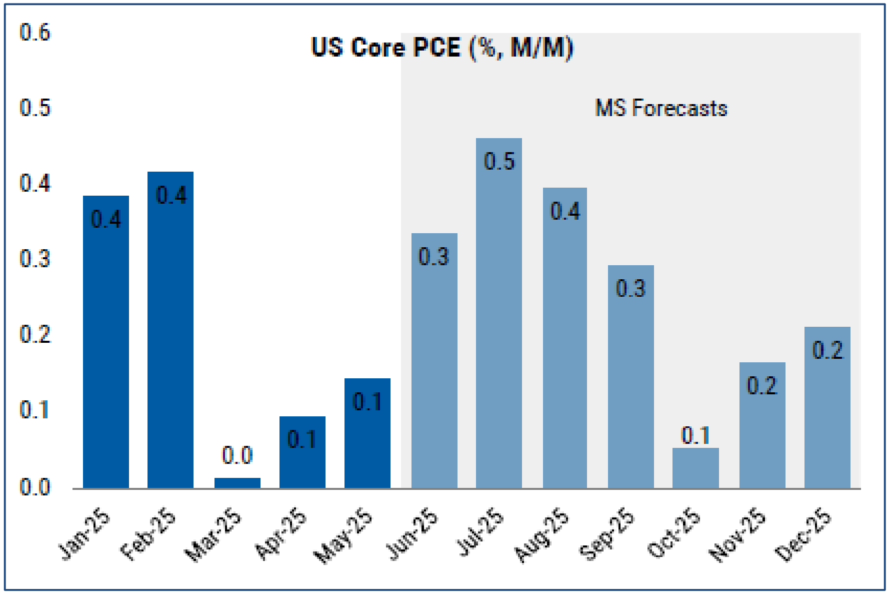
- Since the 2022 peaks, both headline and core **inflation have continued to decline but at a slower pace than the Fed would like**. Chair Powell remains in a “wait and see” mode, holding off on policy changes until the actual economic impact of tariffs becomes clearer.

- Projections from Morgan Stanley suggest that **Core PCE**, the Fed’s preferred inflation gauge, **could accelerate this summer**. If those projections materialize, they may unsettle investors.

US Inflation



US Core PCE



Source: Bloomberg

Source: Morgan Stanley

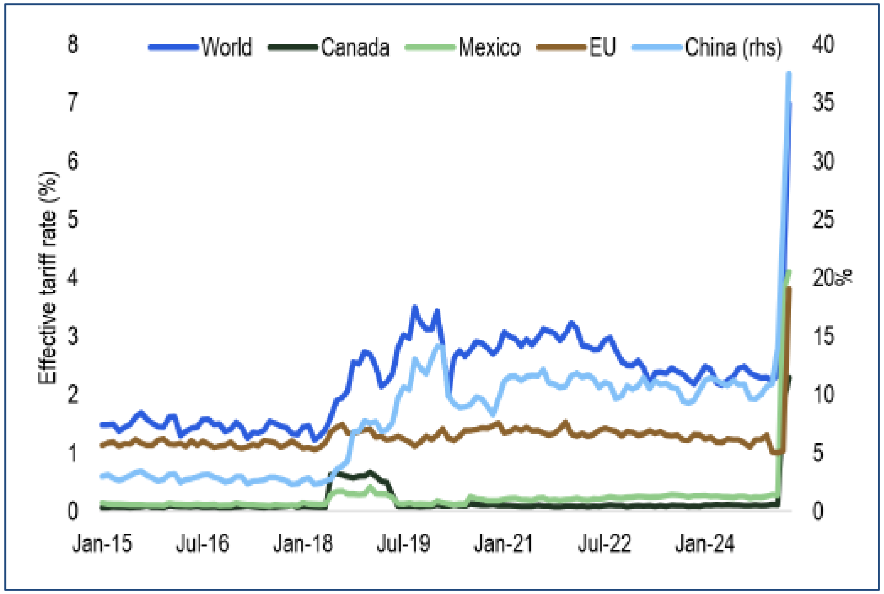
2. Macro : US Tariff

- Following "Liberation Day," President Trump announced a **90-day pause on reciprocal tariffs**, intended as a window for negotiating trade deals with the affected countries. To date, however, only one deal has been signed with the UK and China is still negotiating.

- It was only in May that the US and China agreed to lower tariffs from 145% to just under 40%, alongside a 90-day grace period to finalize the agreement.

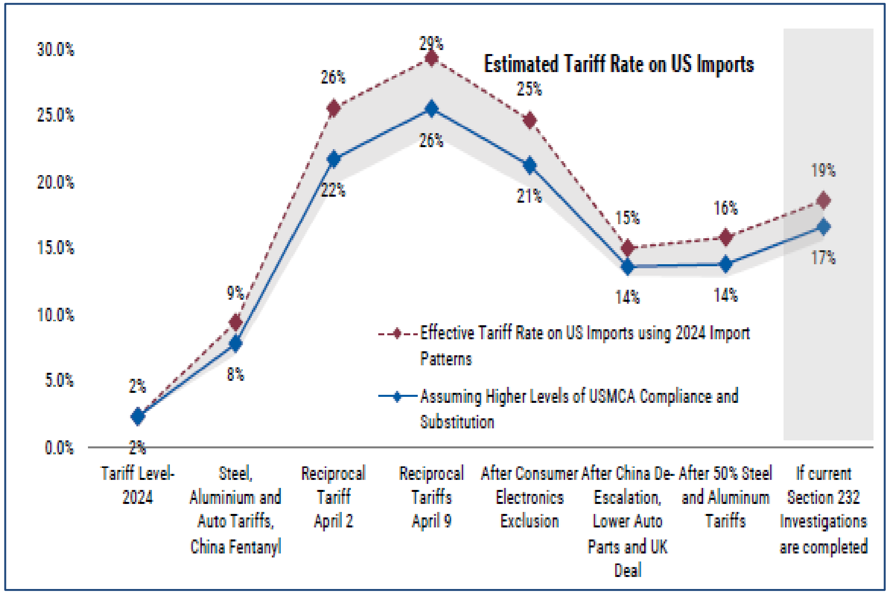
- As for other major economies like Europe, no deals have yet been signed, and **the July 9 deadline is fast approaching**. The market isn't panicking so far as the deadline is expected to be pushed.

Effective US Tariff Rate



Source: Citi

Aggregate Estimate Tariff Rate



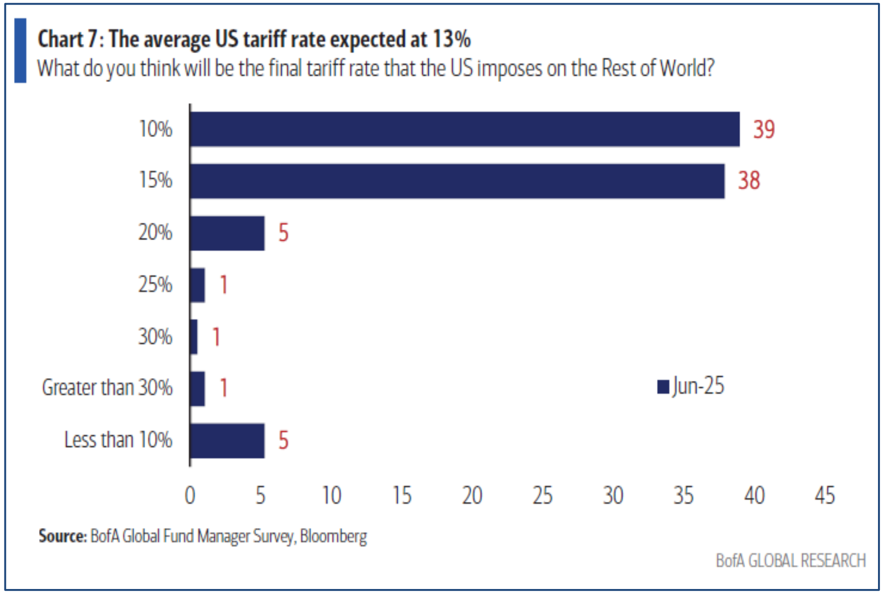
Source: JP Morgan

2. Macro : US Tariff

- The current consensus expects final tariff levels to settle around 13%. This reflects the so-called **“TACO trade”** (Trump Always Chickens Out), now priced into the market. This term has emerged from the belief that, under intense pressure, the President tends to back down.

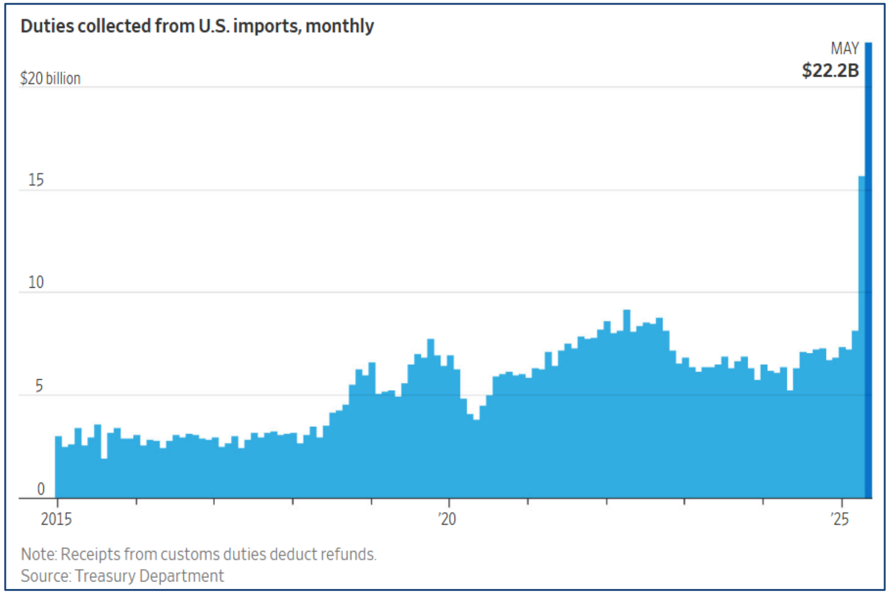
- While these **tariffs are** not beneficial to the rest of the world, they do provide a revenue boost to the US government. In May, over USD 22 billion was collected from tariffs, **offering a modest lift to the federal budget**. To be put this number into perspective, the fiscal deficit was around 1’700Bn USD in 2024.

FMS Tariff Rate Expecations



Source: BofA

Duties Collected From US Imports



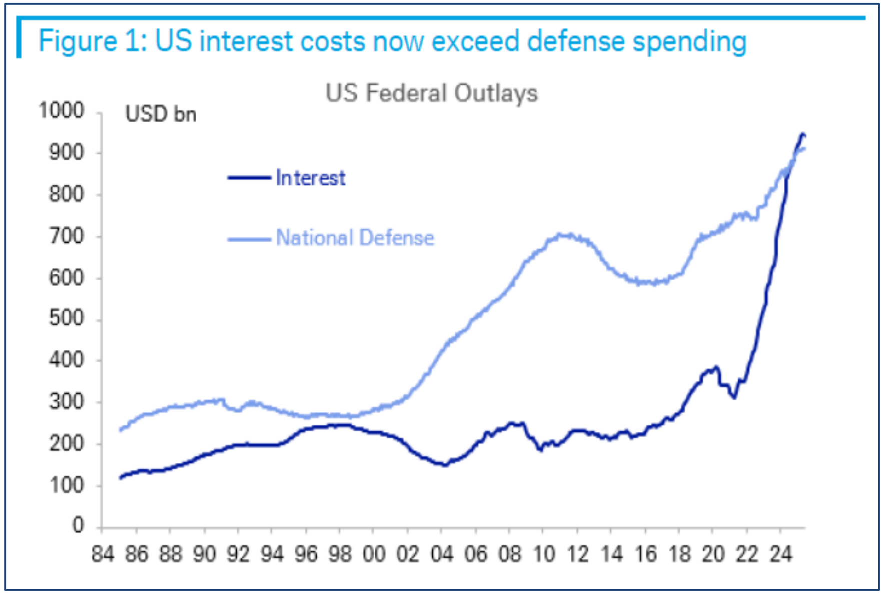
Source: WSJ

2. Macro : Big Beautiful Bill (BBB) & Spending

- Government debt remains a major concern for investors. Today, **interest payments on the debt alone exceed defense spending**. Given inflation concerns driven by tariffs, interest rates are unlikely to decline anytime soon, meaning **the cost of debt should remain elevated**.

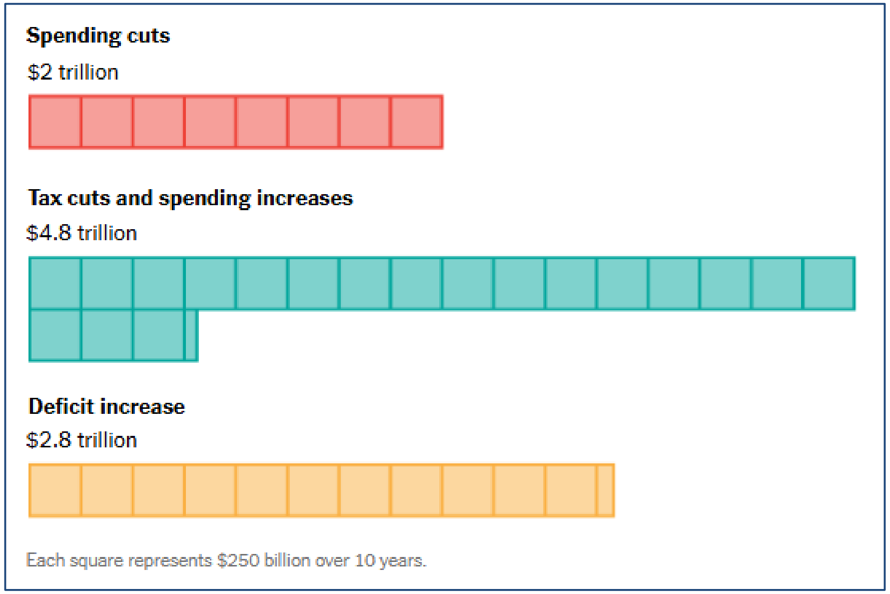
- On top of that, the "Big Beautiful Bill" the President is attempting to pass is expected to **add USD 2.8 trillion to the national debt over the next 10 years**.

US Governement Spending



Source: JP Morgan

BBB Impact on Budget



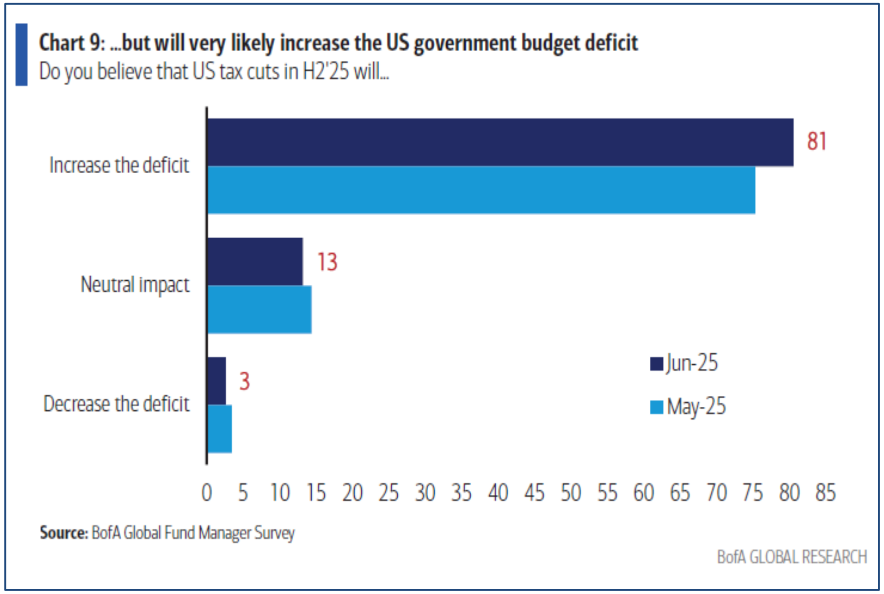
Source: NY Times

2. Macro : Big Beautiful Bill Impact

- The issue with the Big Beautiful Bill is that it lacks broad support among analysts. Most believe it will lead to a significant increase in the debt. Spending cuts are limited and largely outweighed by new expenditures, such as the extension of tax cuts. There was a lot of expectations for the DOGE department to help cut cost but while the Mr. Musk announced that his goal was to cut USD 1'000Bn in cost, so far it only managed to reduce spending by 150Bn.

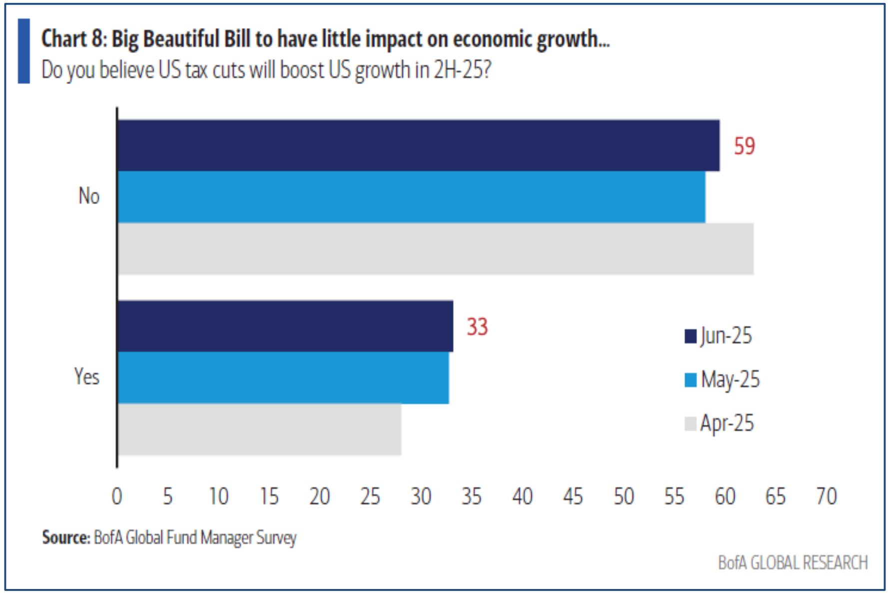
- Moreover, polls indicate that this additional debt burden is not expected to generate meaningful growth for the economy. **In short, it's a lose-lose situation. Does Mr. Trump have a secret weapon that no one can see?**

Expectations of BBB impact on Deficit



Source: BofA

Expectations of BBB impact on US Growth



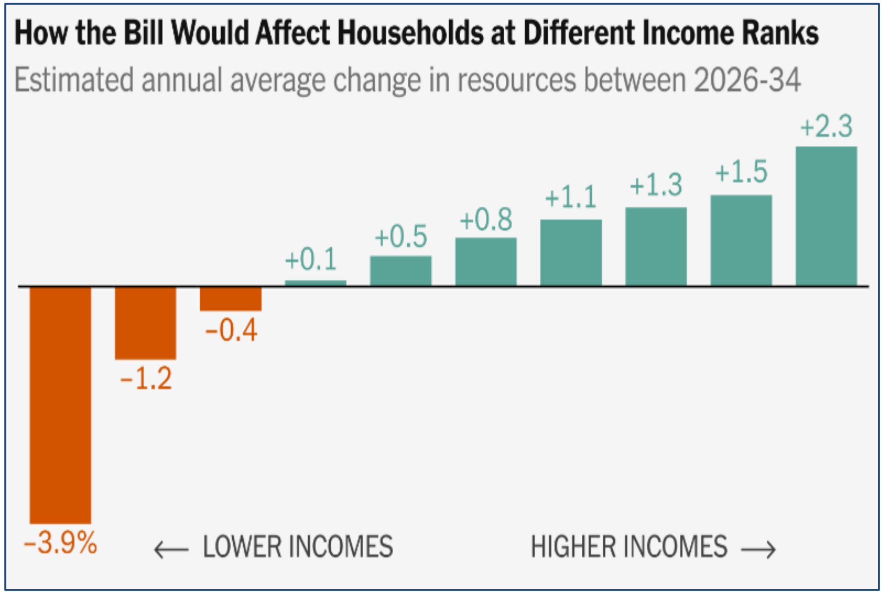
Source: BofA

2. Macro : Big Beautiful Bill Impact

- Beyond failing to stimulate growth, **the bill is expected to disproportionately benefit high-income households**. Estimates suggest that between 2026 and 2034, lower-income groups could see a 3.9% decline in purchasing power, while higher-income groups may experience a 2.3% increase.

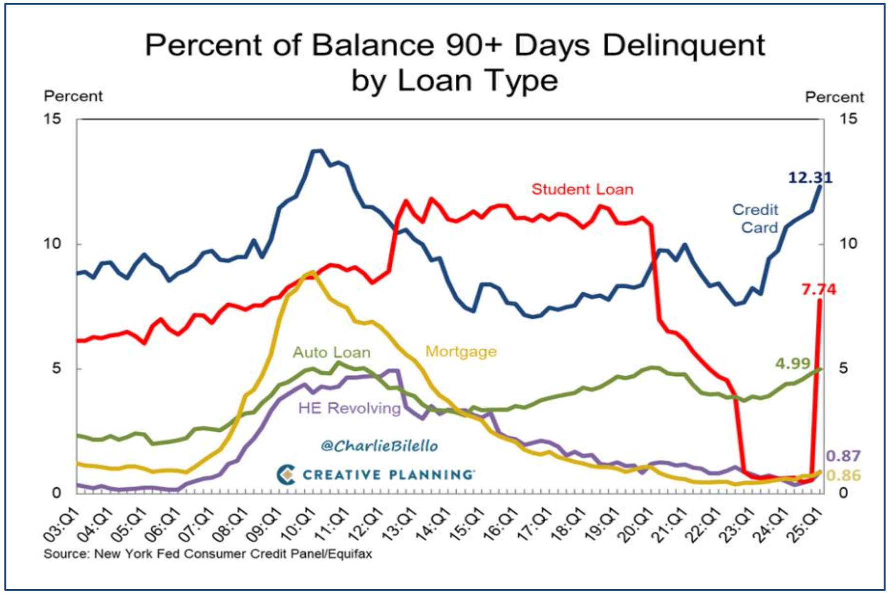
- This is unfolding at a time when **delinquency rates are rising**, and many low-income households are struggling to make ends meet. On top of that, student loan repayments have resumed catching many families unprepared.

BBB Impact on Households by Income



Source: NY Times

Delinquency Rate



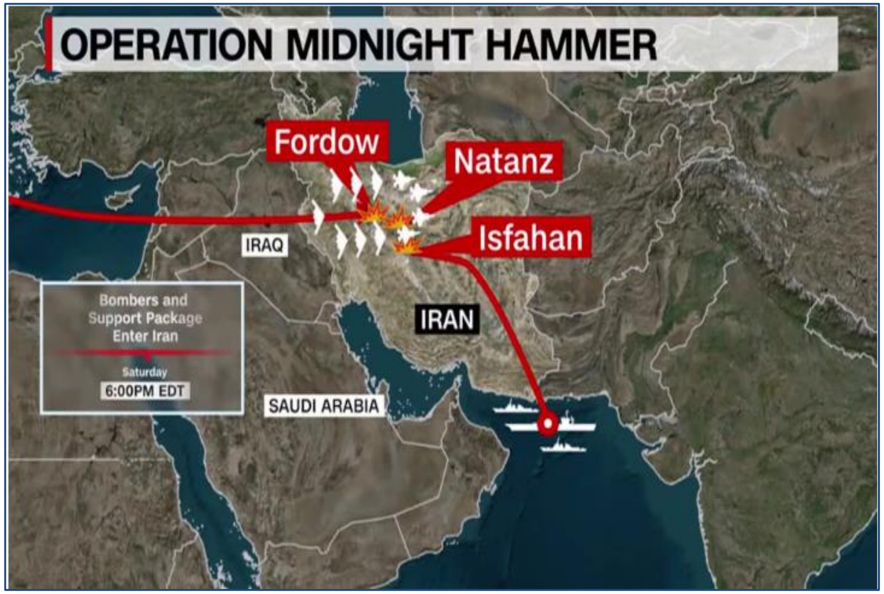
Source: Charlie Bilello

2. Macro : Geopolitical Risk

- On the geopolitical front, the Middle East has experienced significant turbulence. On June 13, **Israel launched missiles at Iran**, triggering panic across markets. After several days of retaliatory strikes between the two countries, the US intervened.

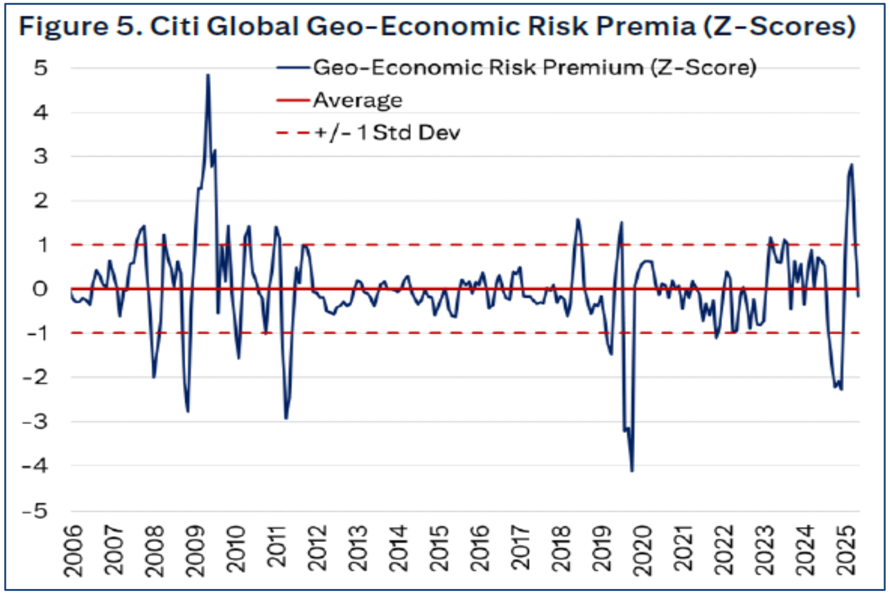
- Under President Trump's orders, the US struck Iranian nuclear facilities during the night of June 21–22. Iran, seeking to avoid direct conflict with the US, responded by **firing missiles at a US military base in Qatar after issuing a warning beforehand**. Iran and Israel subsequently signed a ceasefire, which has held so far.

US Strike in Iran



Source: CNN

Geopolitical Risk



Source: Citi

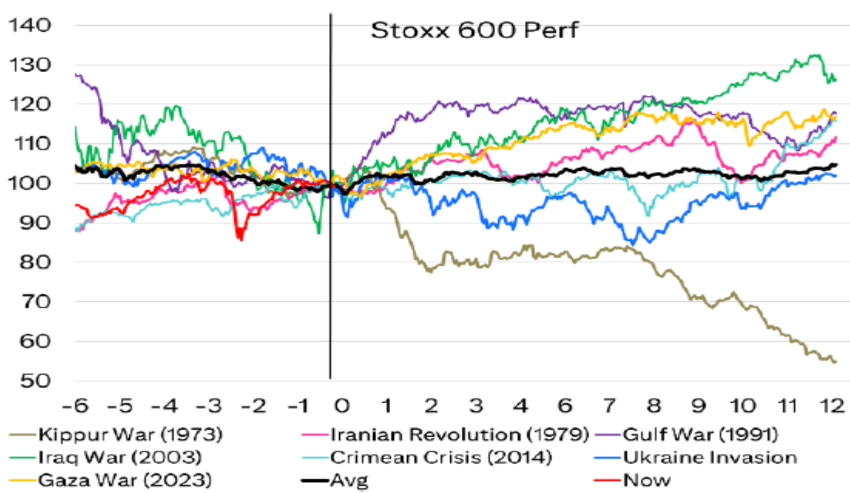
2. Macro : Geopolitical Risk Impact

- These attacks spooked markets briefly, but **the conflict was short-lived and had no lasting impact on equity indices.** Oil prices spiked but quickly fell once the ceasefire was announced.

- Looking at historical data, such conflicts tend not to have a material 12-month impact on European equity indices. However, country-level sensitivity varies, if your base case assumes the outbreak of war, it may be prudent to allocate toward Switzerland and large-cap stocks, while avoiding Germany and small-caps.

Stoxx 600 Performance during Wars

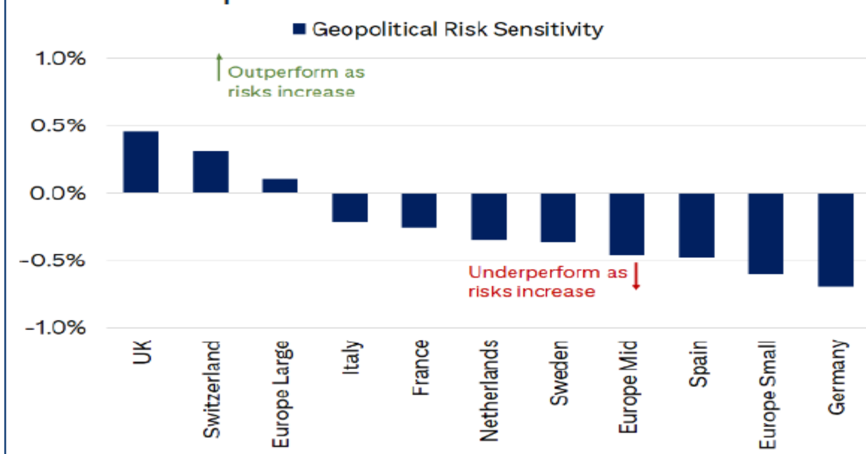
Figure 1. Stoxx 600 Around Geopolitical Turmoil



Source: Citi Research, DataStream

Countries Most Impacted by Wars

Figure 4. Europe Countries and Size Rel Sensitivity to 1SD Shocks in Geopolitical Risks



Source: Citi Research, DataStream, MSCI

Source: Citi

Source: Citi

2. Macro : EU Defense Spending

- Defense spending is expected to be the primary driver of increased government expenditure in Europe over the coming years. NATO countries have recently signed an agreement committing **to raise defense budgets to 5% of GDP over the next decade**.

EU Defense Spending

Table 1: Potential European defence spending in 2030 ($ bn)

	Current defence spending (2024E) (1)					Potential defence spending in 2030E (JPMe) (2)				Share of NATO Europe def spend	
Country	GDP $ bn 2024E	Budget $ bn 2024E	% of GDP 2024E	Govt debt % of GDP 2024E	Geog. proximity to Russia	Budget $ bn 2030E	% of GDP (2) 2030E	2030E vs. 2024E	2024-30E CAGR	2024E	2030E
Germany	4,610	97.7	2.1%	64%	Partial	201.8	3.5%	107%	12.9%	20.5%	23.9%
UK	3,520	82.1	2.3%	101%	No	127.7	2.9%	56%	7.7%	17.2%	15.1%
France	3,120	64.3	2.1%	113%	No	109.3	2.8%	70%	9.3%	13.5%	12.9%
Italy	2,311	34.5	1.5%	135%	No	57.8	2.0%	68%	9.0%	7.2%	6.8%
Poland	849	35.0	4.1%	55%	Yes	53.1	5.0%	52%	7.2%	7.3%	6.3%
Turkey	1,090	22.8	2.1%	26%	Yes	38.2	2.8%	68%	9.0%	4.8%	4.5%
Netherlands	1,163	21.5	1.8%	43%	No	43.6	3.0%	103%	12.6%	4.5%	5.2%
Spain	1,658	21.3	1.3%	102%	No	41.5	2.0%	95%	11.8%	4.5%	4.9%
Sweden	627	13.4	2.1%	33%	Yes	27.4	3.5%	104%	12.7%	2.8%	3.2%
Norway	483	10.6	2.2%	43%	Yes	18.1	3.0%	71%	9.3%	2.2%	2.1%
Denmark	419	9.9	2.4%	28%	Partial	16.8	3.2%	69%	9.1%	2.1%	2.0%
Belgium	656	8.5	1.3%	104%	No	16.4	2.0%	93%	11.6%	1.8%	1.9%
Romania	384	8.6	2.3%	57%	Yes	15.4	3.2%	78%	10.1%	1.8%	1.8%
Greece	250	7.7	3.1%	151%	No	9.7	3.1%	26%	3.9%	1.6%	1.1%
Finland	303	7.3	2.4%	83%	Yes	11.4	3.0%	55%	7.6%	1.5%	1.3%
Czech Rep.	326	6.8	2.1%	43%	Partial	12.2	3.0%	79%	10.2%	1.4%	1.4%
Other NATO Europe*	1,221	24.2	2.0%	n/a	n/a	44.3	2.9%	83%	10.6%	5.1%	5.2%
NATO Europe	**22,990**	**476.2**	**2.1%**			**844.6**	**2.9%**	**77%**	**10.0%**	**100.0%**	**100.0%**

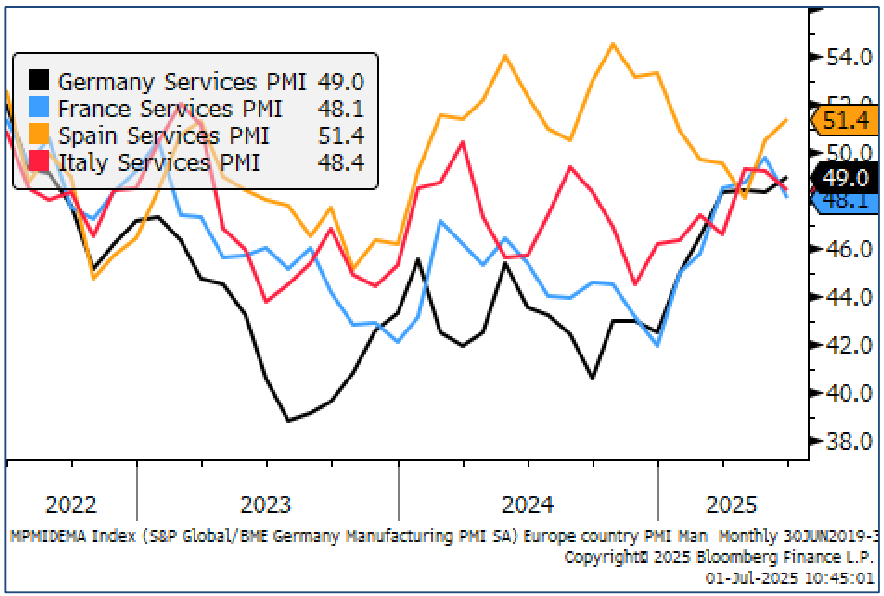
Source: JP Morgan

2. Macro : EU PMI

- In Europe, **the economy continues to perform well**. Manufacturing PMIs for major economies are fluctuating between contraction and expansion, but northern countries have now caught up with those in the south.

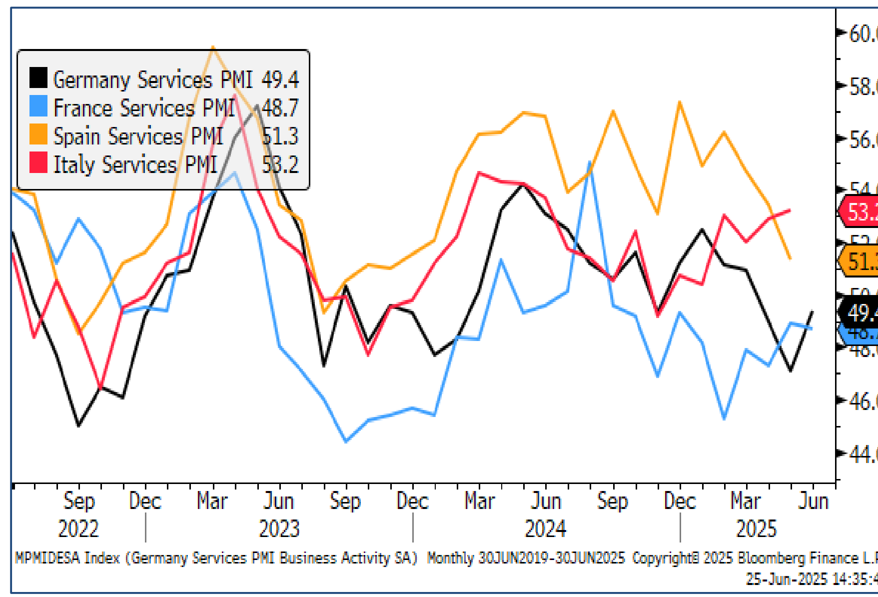
- In the services sector, disparities are more pronounced, with **France lagging behind**. The country appears to be weighed down by its government's ongoing struggles with debt and fiscal deficits.

EU PMI Manufacturing



Source: Bloomberg

EU PMI Services



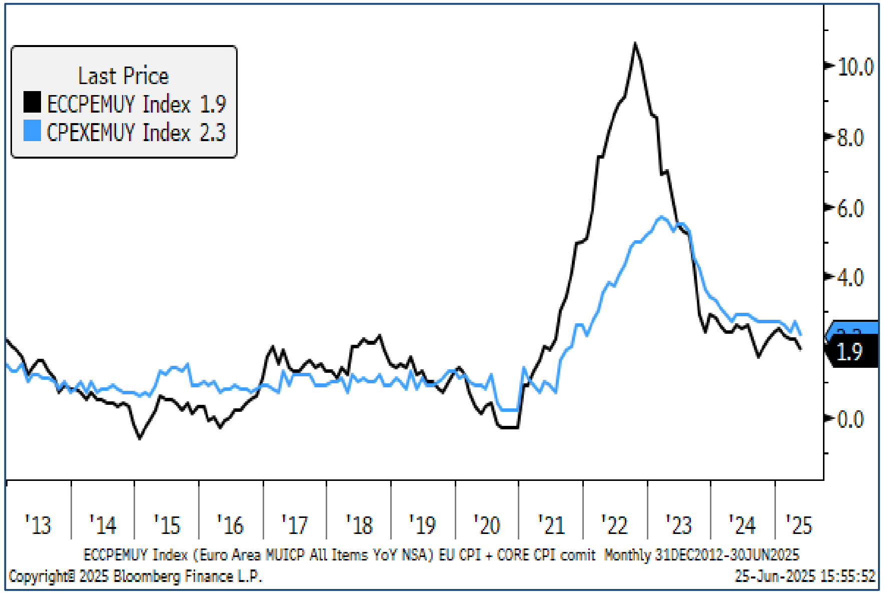
Source: Bloomberg

2. Macro : EU Inflation & Economic Surprise

- On the inflation front, headline **inflation has fallen back below the central bank's target**, and core inflation is not far behind. This provides the ECB with enough room to continue its rate-cutting cycle.

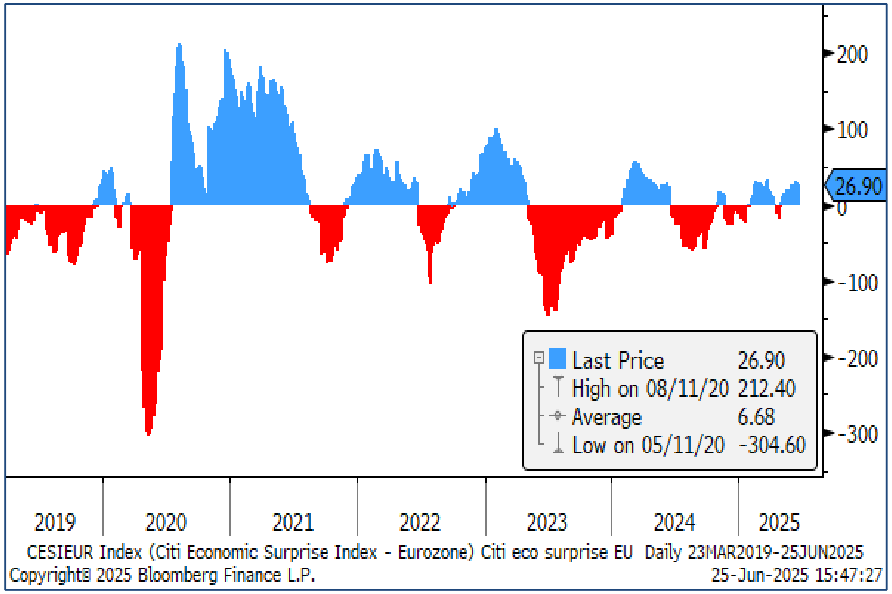
- Citi's Economic Surprise Index also indicates that surprises in European macro data are positive meaning better-than-expected and thus stronger than in the US.

EU Inflation



Source: Bloomberg

EU Citi Economic Surprise



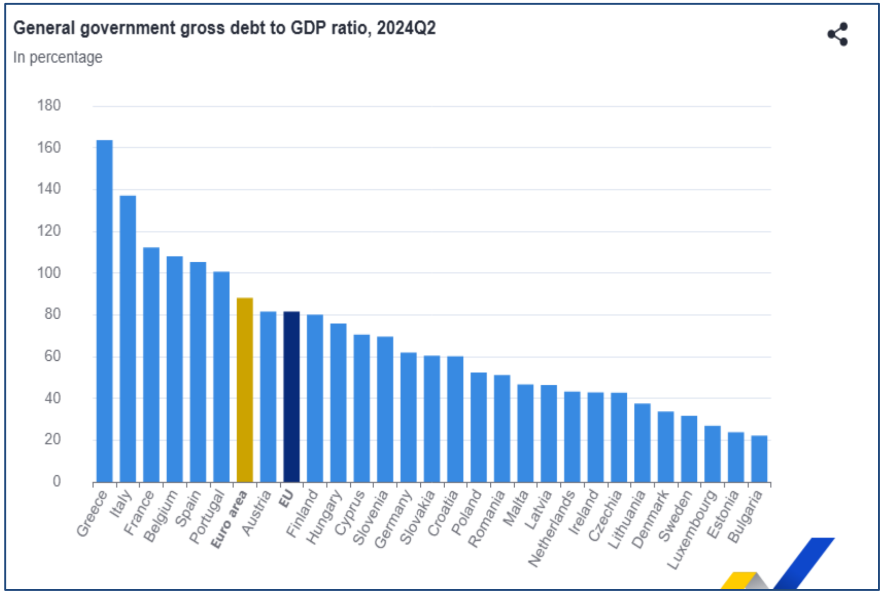
Source: Bloomberg

2. Macro : EU Debt to GDP

- While some European countries still carry high levels of debt, overall, Europe's debt appears significantly more sustainable than that of the US. **The EU's debt-to-GDP ratio stands at around 80% and has even declined slightly since 2018 despite going through the COVID crisis**.

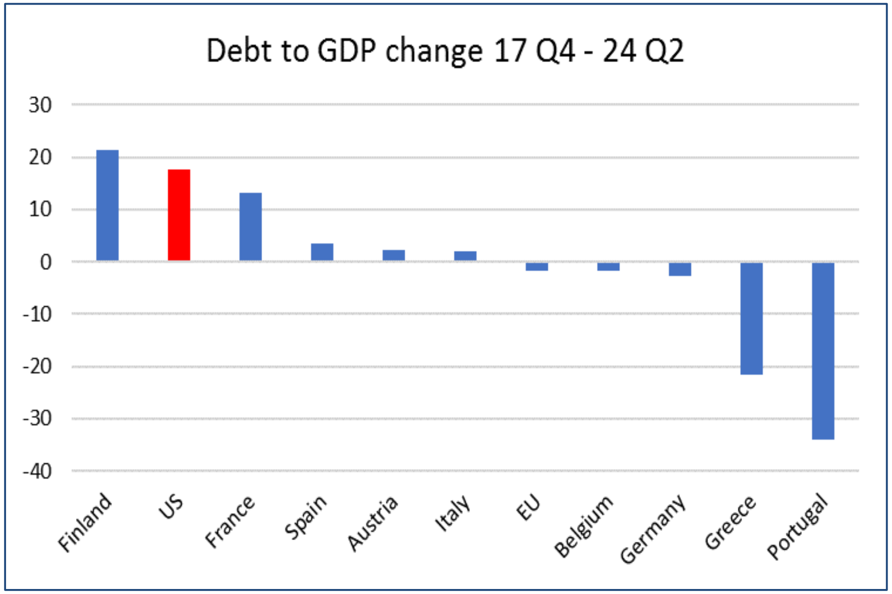
- France remains the outlier, with rising debt levels and a persistently large budget deficit.

EU Debt to GDP



Source: Eurostat

EU Debt to GDP 2024 vs 2017



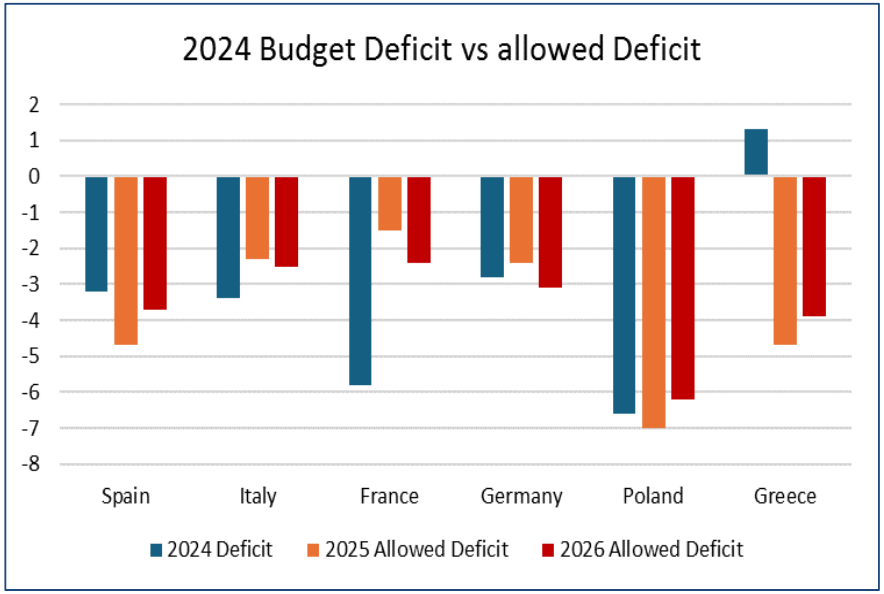
Source: Eurostat

2. Macro : EU Budget Deficit & Rates

- On the fiscal front, although most countries still fail to comply with the Maastricht rule limiting deficits to 3% of GDP per year, if the EU's objective is simply **to stabilize the debt-to-GDP ratio, only France and Italy would need to cut spending**.

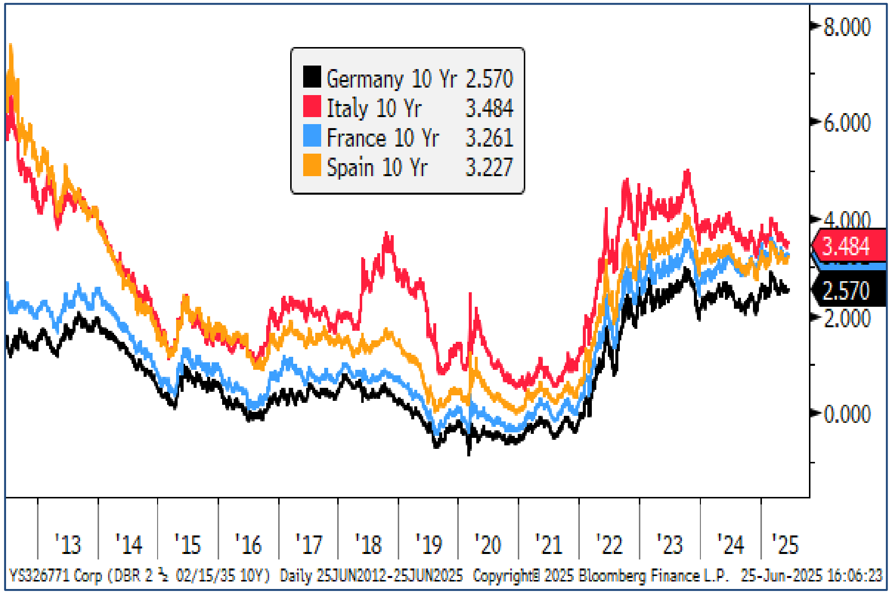
- The key concern lies in interest rates, European governments benefited from a decade of ultra-low borrowing costs, but those **rates are now higher**. **As governments roll over their debt, the associated costs are rising.**

EU Budget Deficit



Source: Bloomberg

EU 10Yr Interest Rates



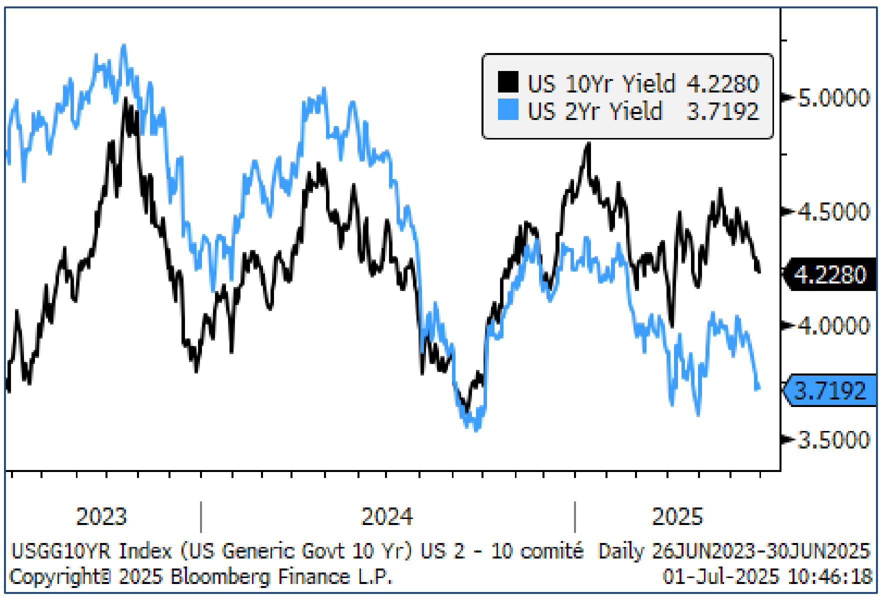
Source: Bloomberg

2. Macro : Interest Rates

- In the US, interest rates declined toward the end of the quarter, and **the yield curve continues to steepen**. While the Fed has yet to officially cut rates, it is increasingly expected to do so and this is reflected in falling short-term yields.

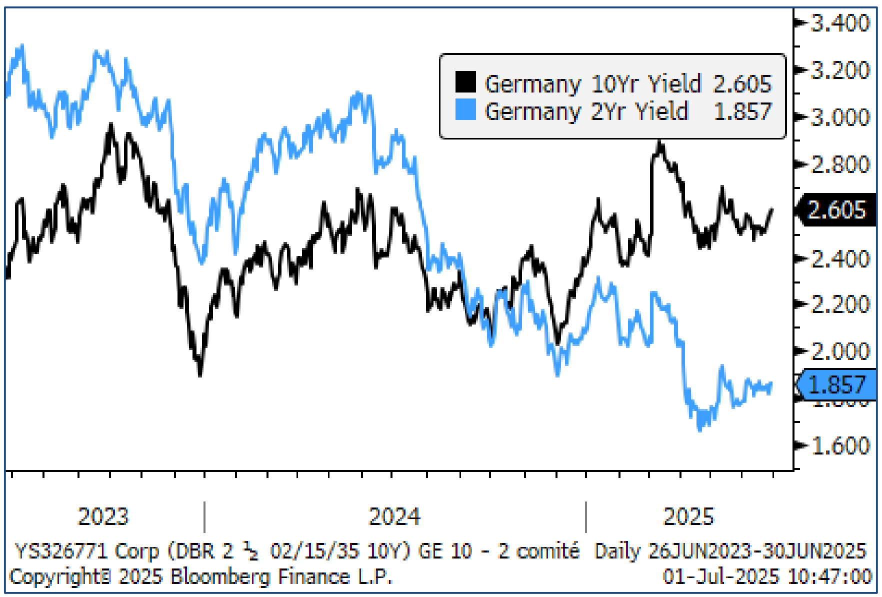
- In Europe, the yield curve has also steepened, although rates have barely moved since their drop in early April. The ECB still has some leeway to cut further, but it is likely nearing the end of its easing cycle. Short-term rates should remain broadly stable.

US Interest Rates



Source: Bloomberg

GE Interest Rates



Source: Bloomberg

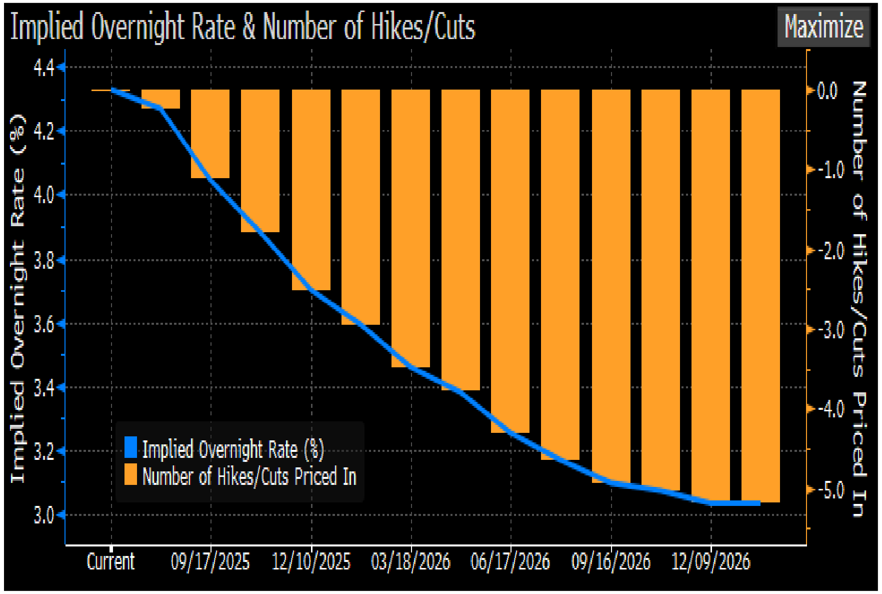
2. Macro : Central Bank Cut Expectations

- **Investors expect the Fed to begin cutting rates in September**, with two cuts anticipated by year-end. Chairman Powell continues to face pressure from the President to accelerate rate cuts. So far, he has resisted but this remains a scenario that cannot be ruled out. If the FED indeed cuts the rates twice this year, they would fall back to the 4% level.

- In Europe, the market expects one additional rate cut from the ECB before year-end, which would bring the deposit rate down to 1.75%.

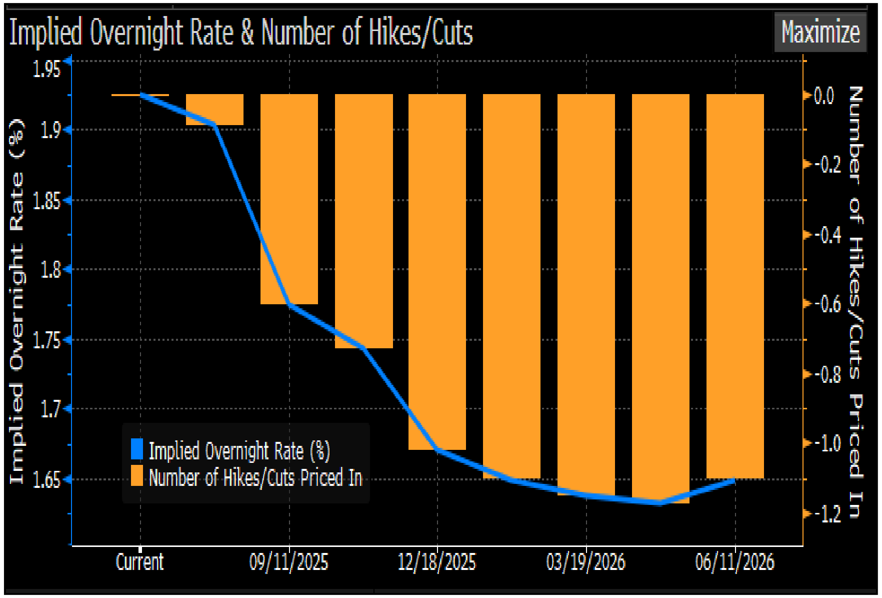
- In Switzerland, the Central Bank decided to cut rates once again and now stands at 0%. Almost half of the analyst expect now to go in negative territories.

US Rate Cut Expectations



Source: Bloomberg

EU Rate Cut Expectations

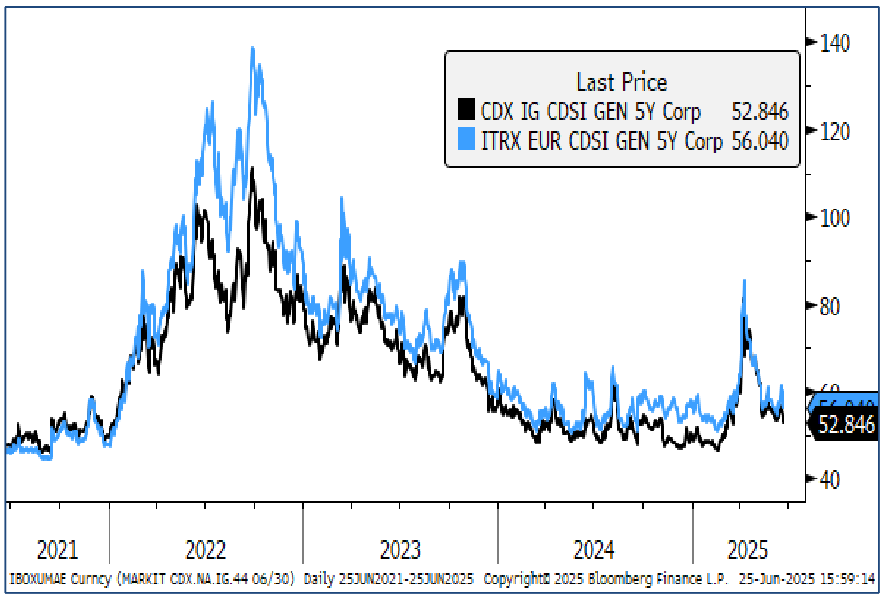


Source: Bloomberg

2. Macro : Credit Spreads

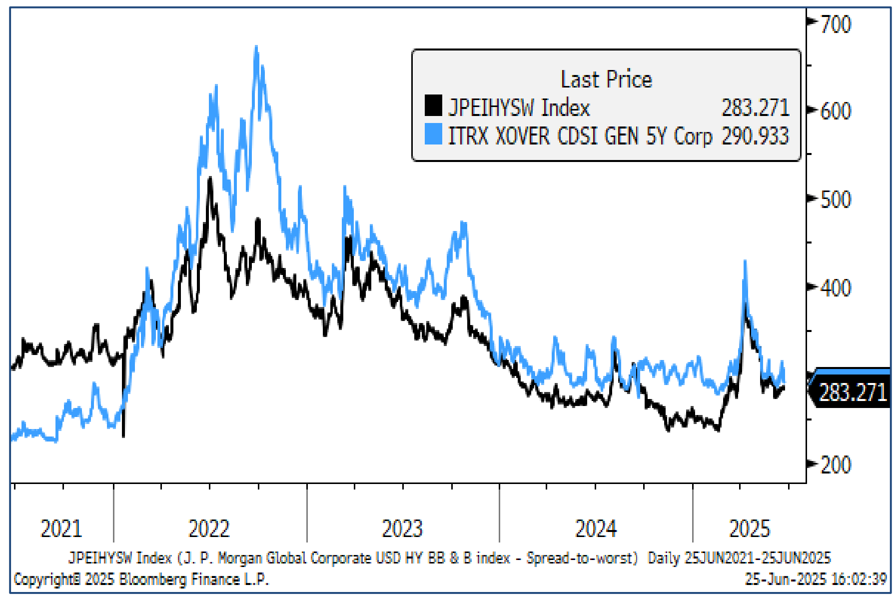
- **Credit spreads** widened sharply following the announcement of "Liberation Day," affecting both investment-grade and high-yield segments.
- However, this **widening was short-lived.** The April 9 announcement of a tariff pause and the agreement reached with China were enough to restore market calm. As a result, credit spreads quickly retraced and returned to extremely tight levels.

IG Spreads



Source: Bloomberg

HY Spreads



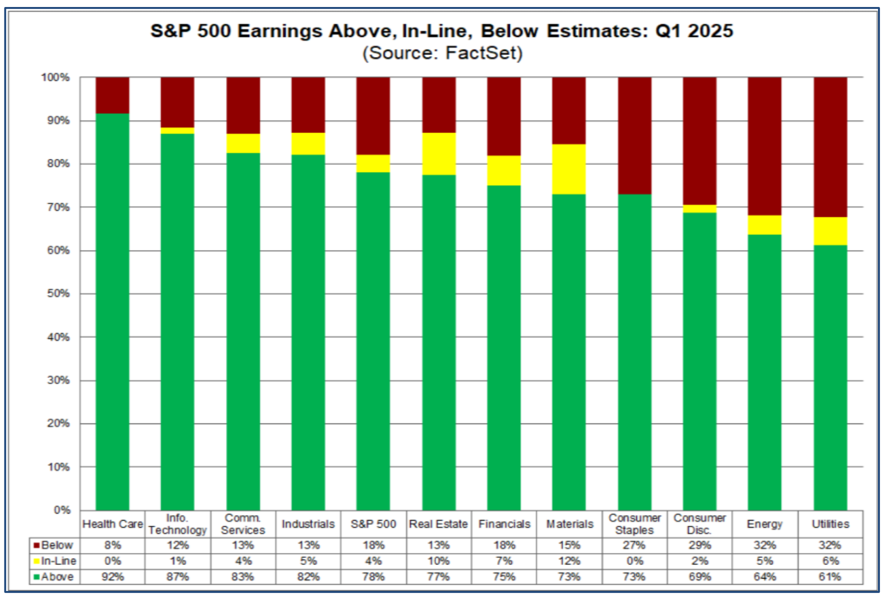
Source: Bloomberg

3. Micro : S&P 500 Q1 Results

- Earnings surprises were broadly positive in Q1 2025, with more than 75% of S&P 500 companies surpassing EPS estimates. The strongest outperformance came from the Health Care and Information Technology sectors. In contrast, Utilities and Energy lagged behind, with just over 60% of companies in those sectors beating expectations.

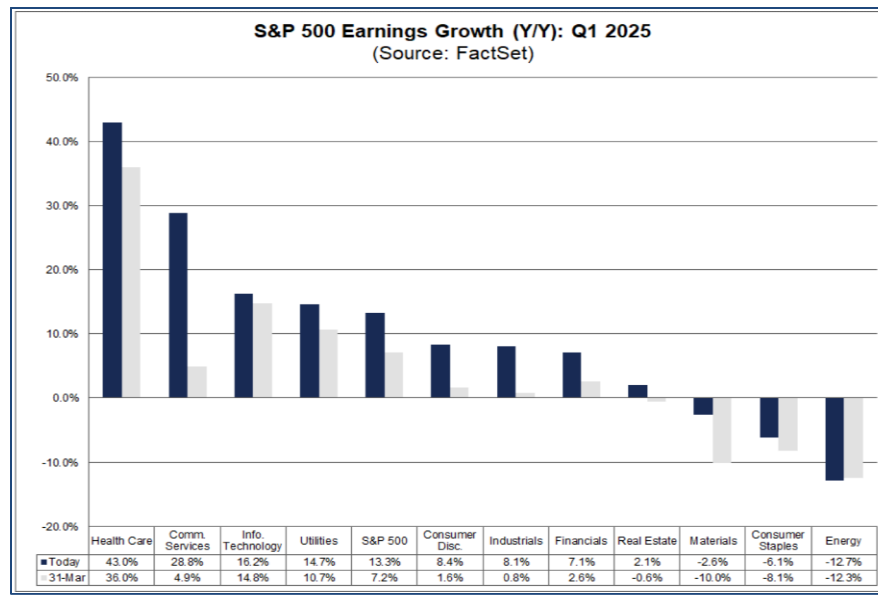
- In terms of Earnings growth Health Care and Communication Services led the sectors, while Energy and Consumer Staples were the weakest. Overall, the S&P 500 posted a year-over-year earnings growth of 13.3%, up from the 7.2% on March 31.

S&P 500 EPS Surprise



Source: Factset

S&P 500 EPS Growth



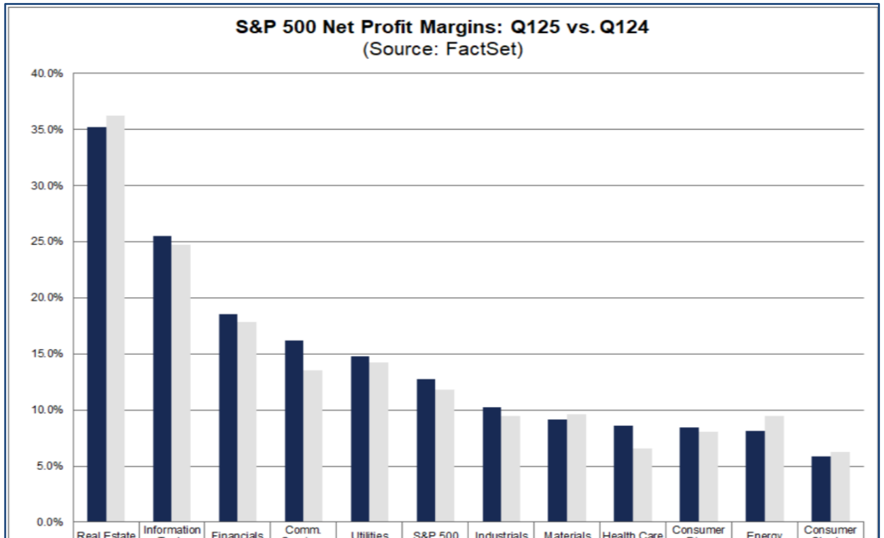
Source: Factset

3. Micro : S&P 500 Q1 Results & Q2 Guidance

- Overall sectors net profit margins held steady in Q1 2025 vs Q1 2024. Real Estate and Information Technology posted the highest margins, while Consumer Staples and Energy saw slightly narrower margins compared to the same quarter last year.

- For Q2 2025, 58 S&P 500 companies have issued negative EPS guidance while 50 have issued positive EPS guidance.

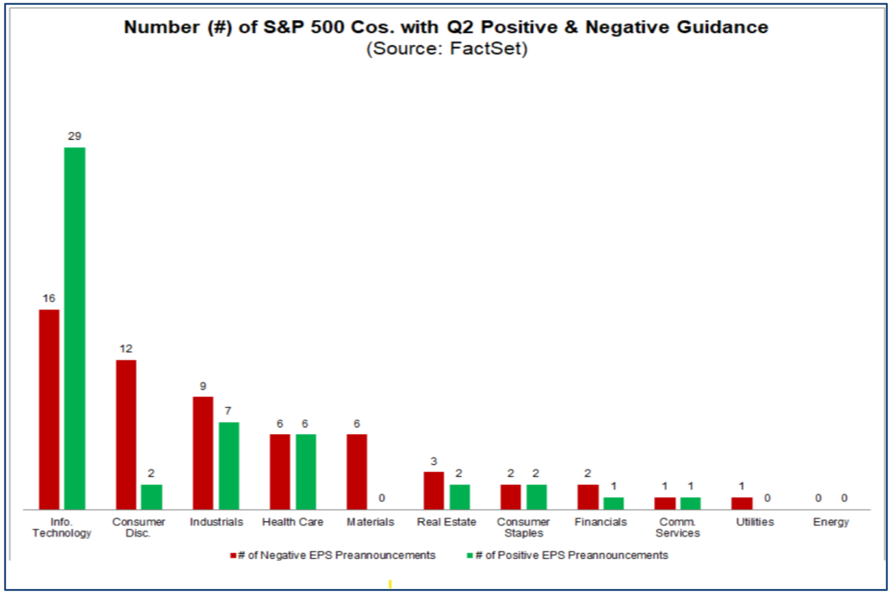
S&P 500 Net Profit Margins



	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Industrials	Materials	Health Care	Consumer Disc.	Energy	Consumer Staples
Q125	35.2%	25.5%	18.5%	16.2%	14.8%	12.7%	10.3%	9.1%	8.6%	8.5%	8.2%	5.9%
Q124	36.2%	24.7%	17.8%	13.5%	14.3%	11.8%	9.4%	9.6%	6.6%	8.0%	9.5%	6.3%

Source: Factset

S&P 500 Q2 Guidance



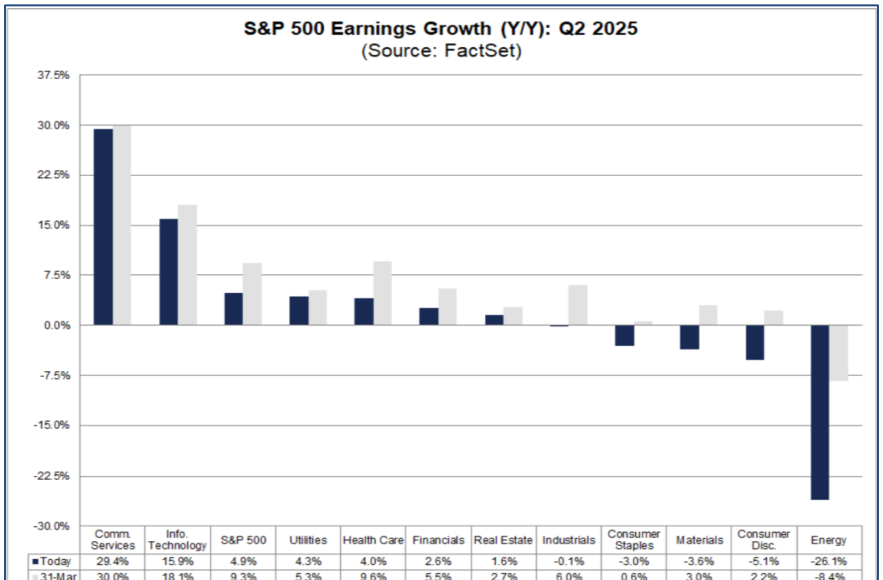
Source: Factset

3. Micro : S&P 500 Q2 and Full Year EPS Forecast

- S&P 500 EPS growth for Q2 2025 is now expected to slow to 4.9%, down from 9.3% on March 31. Communication Services and Technology continue to show strong relative growth, in line with levels seen at the end of March. In contrast, negative earnings growth is projected for Energy, Consumer Discretionary, Materials, and Consumer Staples.

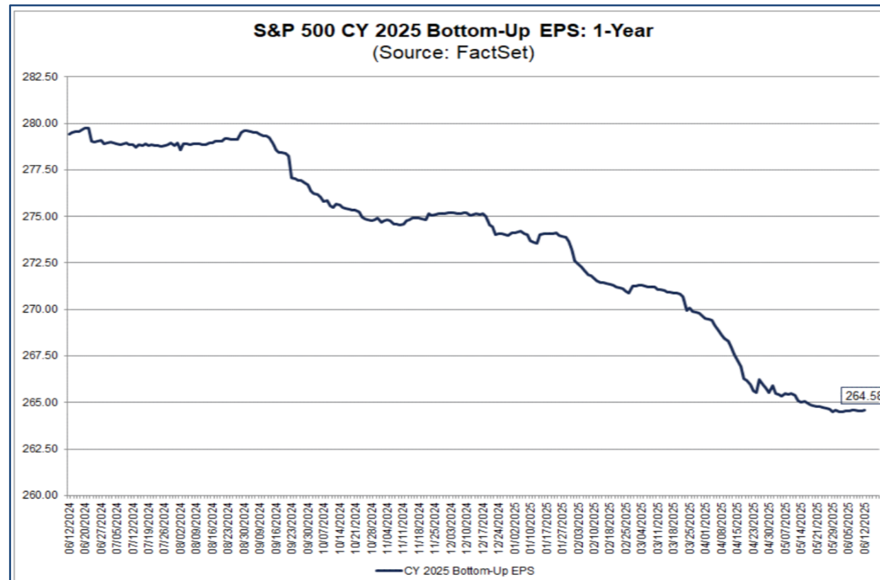
- Over the past calendar year, EPS expectations for the S&P 500 have been revised downward, with bottom-up estimates falling from over $275 in June 2024 to around $264. Negative sentiment has been impacted partly by uncertainty and the ongoing trade war.

S&P 500 EPS Growth Q2



Source: Factset

S&P 500 CY25 EPS Expectations



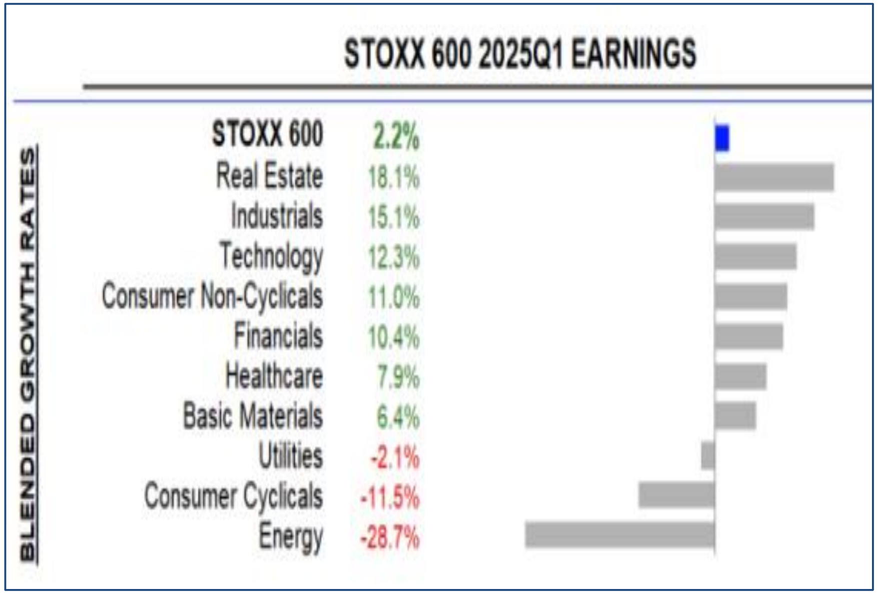
Source: Factset

3. Micro : Stoxx 600 Q1 Results

- Stoxx 600 EPS grew by 2.2% in Q1 2025, driven by strong performances in Real Estate, Industrials, and Technology, while sectors like Energy and Consumer Cyclicals weighed significantly on overall growth.

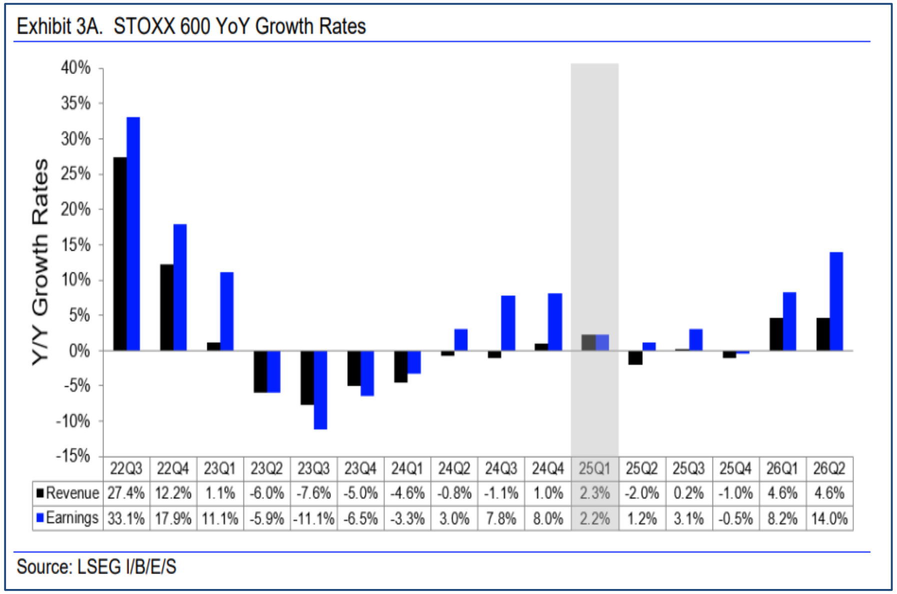
- Revenue and EPS growth expectations remain modest for 2025, with analysts projecting only low single-digit year-over-year gains in Q1 2025, reflecting caution amid mixed sector dynamics in Europe. Growth is expected to pick up again from 2026 onward.

Stoxx 600 EPS Growth



Source: Refinitiv

Stoxx 600 EPS Growth Expectations



	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2
Revenue	27.4%	12.2%	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	-0.8%	-1.1%	1.0%	2.3%	-2.0%	0.2%	-1.0%	4.6%	4.6%
Earnings	33.1%	17.9%	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	3.0%	7.8%	8.0%	2.2%	1.2%	3.1%	-0.5%	8.2%	14.0%

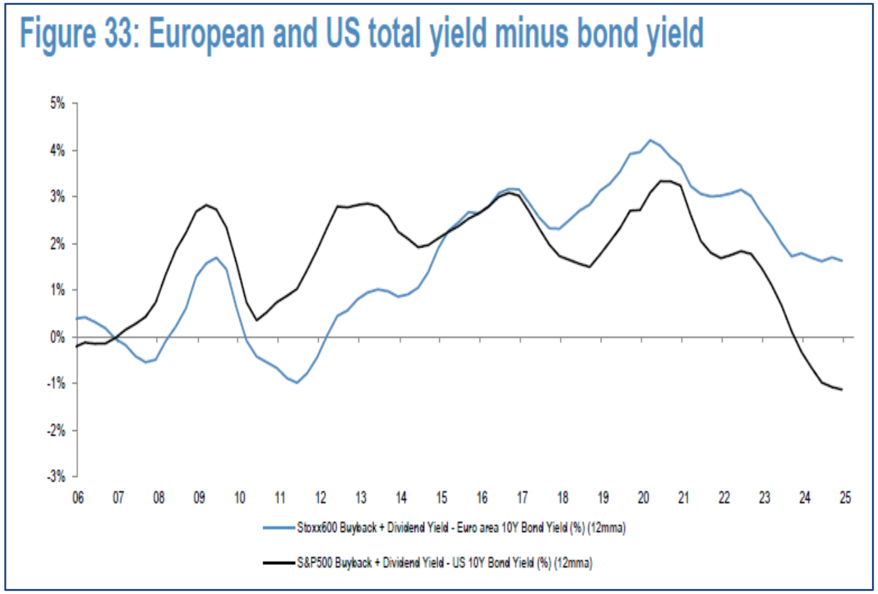
Source: Refinitiv

3. Micro : EU & US Risk Premium & ETF Flow

- European equity yields continue to look more attractive than both EU bond yields and US equity yields. The equity–bond yield spread in Europe remains positive, while in the US it has turned negative underscoring a relative yield advantage for European stocks.

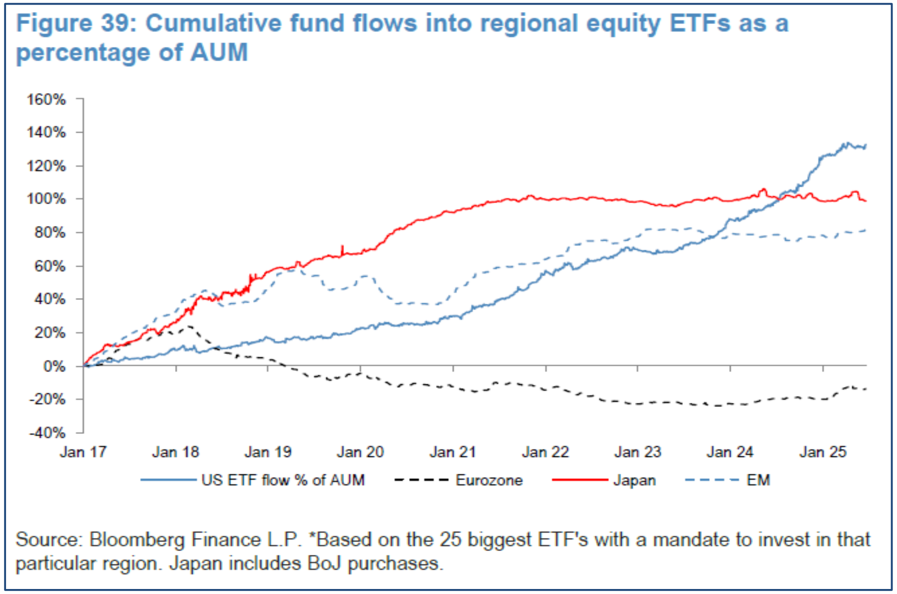
- Cumulative ETF flows indicate a shift in investor preference since early 2025, with US flows flattening and Eurozone inflows accelerating. This rotation reflects rising caution toward the US amid political uncertainty and fiscal concerns, prompting a pivot to regions with more attractive valuations and improving prospects. Notably, a substantial outflow from Europe vs US since 2017 underscores the potential for capital repatriation to Europe.

EU vs US Stock Yield



Source: JP Morgan

ETF Flow by Region



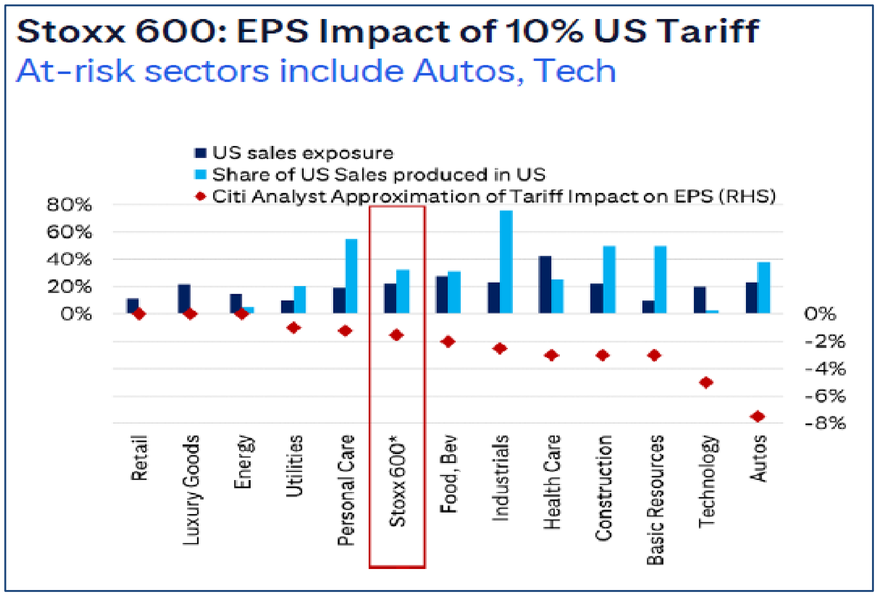
Source: JP Morgan

3. Micro : EU Impact of Tariff and War

- A potential 10% U.S. tariff would have a significant impact on sectors such as Autos, Technology, and Basic Resources, as they are significant export-driven industries. According to analysts, the Stoxx 600 is expected to see a modest EPS decline of slightly less than 2%.

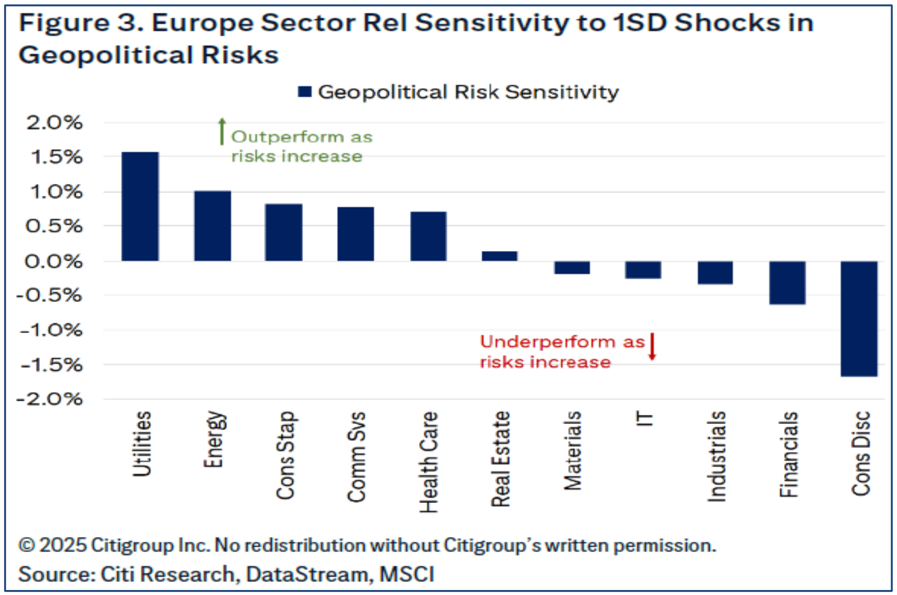
- In the face of rising geopolitical risks, more defensive sectors like Utilities and Energy tend to outperform, while Consumer Discretionary, Financials, and Industrials are the most negatively impacted.

Stoxx 600 Tariff Impact



Source: Citi

Stoxx 600 War Impact



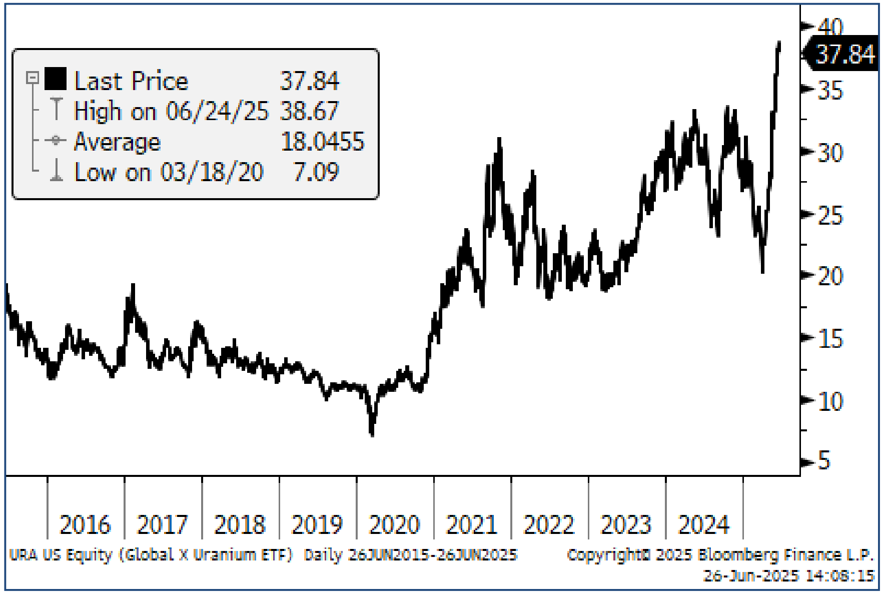
Source: Citi

4. Cross Asset : Uranium

- After a sharp correction at the beginning of the year due to the discovery of DeepSeek in China, the URA ETF has soared to $37.84 together with Uranium spot price which have regained momentum after hitting lower levels earlier this year through April.

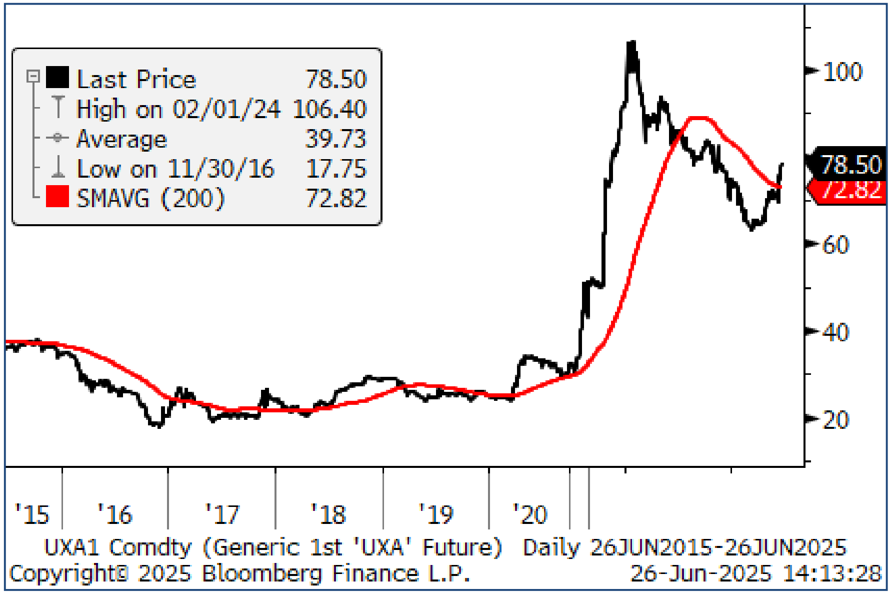
- The rally reflects renewed confidence in Uranium's strategic importance. Recently, US executive orders have been approved to promote and accelerate the deployment of new nuclear capacity, further boosting investor sentiment. Momentum has also been fueled by the rise of small modular reactors, which have gained significant attention as major tech companies sign high-profile agreements with SMR developers.

URA ETF Price



Source: Bloomberg

Uranium Spot Price



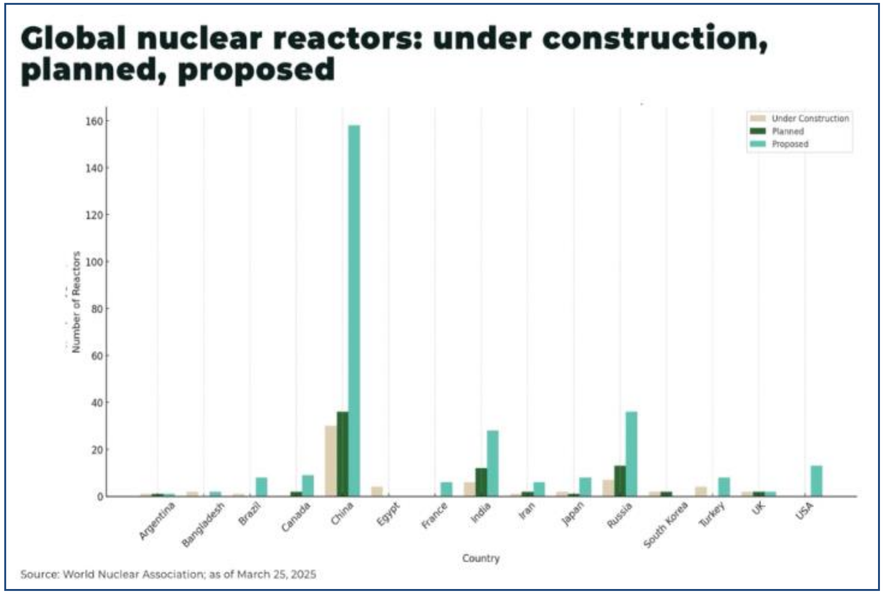
Source: Bloomberg

4. Cross Asset : Uranium

- Global momentum behind nuclear energy is gaining speed, with China at the forefront, by far the leader in reactors under construction, planned, and proposed. India and Russia also show strong pipeline activity, while the US has yet to match this level of commitment.

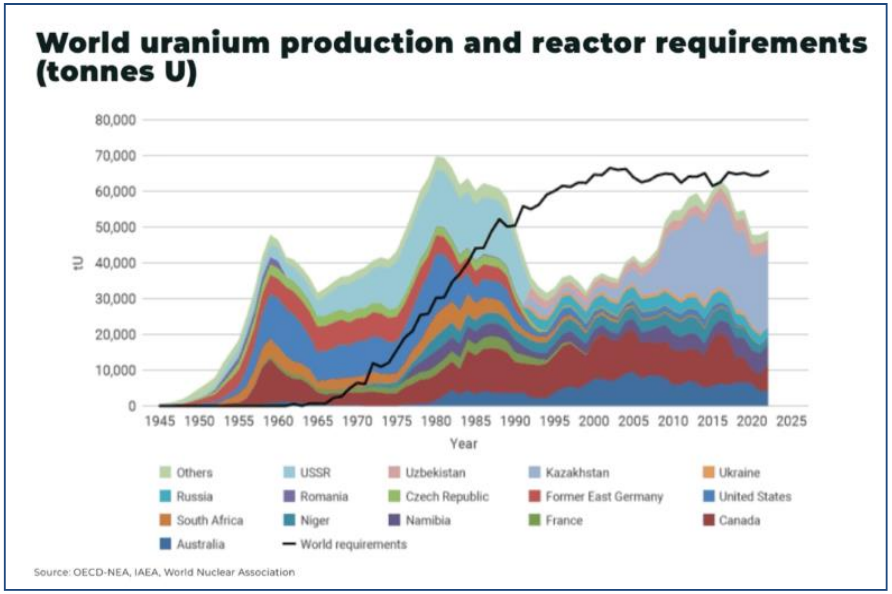
- Global Uranium production has declined significantly since 2015, even as world requirements remains robust, widening the structural supply-demand gap and reinforcing a bullish long-term outlook for Uranium prices.

Nuclear Reactor Construction



Source: World Nuclear Association

Uranium Supply and Demand



Source: IEA

5. Market Review: Equity Performance

- Despite a lot of uncertainty, the complacency of the market pushed global indices to new highs. The S&P 500 closed the quarter at all time highs even though it went through more than 10% correction at the beginning of the April.

- The weakness of the dollar has helped US markets to climb higher as in contrast the performance in EUR are much less impressive. In Europe the Stoxx 600 rose only 1.4%.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	8.6%	-3.6%	11.0%	2.7%
S&P 500	5.5%	-6.7%	10.6%	2.3%
NASDAQ	5.5%	-6.7%	17.7%	9.5%
BRAZIL	27.5%	15.3%	11.4%	2.8%
Euro Stoxx 50	22.2%	8.3%	10.0%	1.0%
Stoxx Europe 600	20.5%	6.6%	10.4%	1.4%
FTSE 100	16.9%	3.5%	8.4%	-0.4%
CAC 40	17.7%	3.9%	7.4%	-1.6%
DAX	33.9%	20.1%	16.9%	7.9%
IBEX	34.5%	20.7%	15.5%	6.5%
MIB	30.2%	16.4%	13.6%	4.6%
SMI	15.4%	3.3%	4.9%	-3.1%
NIKKEI 225	9.9%	-2.8%	17.6%	9.0%
HANG SENG	19.0%	4.9%	3.2%	-5.8%
SHANGHAI	4.6%	-8.9%	4.5%	-4.2%
VIX	-3.6%	-15.7%	-24.9%	-33.1%

Source: Bloomberg 30/06/25

5. Market Review : Sector Performance Review

- Defensive Sector were behind during the quarter, even though they outperform during the correction, they participated much less to the rebound.

- Energy has suffered the most as fear of a global recession have pushed energy prices lower. Plus, the US president is doing everything in it's power to keep energy prices low. Despite the war in the middle east that proposed oil prices higher, after the cease fire was signed, oil traded at the same level than before the war.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	-7.4%	-3.3%	-4.2%	11.3%	-0.8%	10.6%
Consumer Staples	3.8%	-1.3%	5.1%	0.5%	9.4%	3.3%
Energy	0.8%	-10.3%	-0.9%	-9.4%	4.6%	-5.0%
Financials	22.3%	5.2%	8.4%	5.1%	16.6%	9.9%
Health Care	-4.8%	-5.8%	-2.0%	-7.6%	0.8%	-4.1%
Industrials	17.3%	9.4%	12.0%	12.6%	17.6%	14.9%
Information Technology	3.8%	8.6%	7.7%	23.5%	8.5%	23.2%
Materials	2.0%	1.4%	5.0%	2.6%	10.2%	6.1%
Telecommunication Services	18.5%	7.3%	10.6%	18.2%	13.8%	19.1%
Utilities	20.6%	9.3%	7.8%	3.5%	16.0%	8.2%

Source: Bloomberg 30/06/25

5. Market Review : FX and commodities performance

Currencies		
Against USD		
	YTD	3M
EURO	13.8%	9.0%
JPY	8.4%	4.0%
GBP	9.7%	6.3%
CHF	12.6%	10.3%
CNY	1.9%	1.3%
HKD	-1.0%	-0.9%
CAD	5.4%	5.4%
AUD	6.4%	5.3%
Against Euro		
	YTD	3M
USD	-12.2%	-8.2%
JPY	-4.3%	-4.7%
GBP	-3.7%	-2.5%
CHF	0.6%	2.3%
CNY	-11.6%	-7.5%
HKD	-15.1%	-10.0%
CAD	-7.7%	-3.1%
AUD	-7.1%	-3.5%
Against CHF		
	YTD	3M
EURO	-0.5%	-2.3%
USD	-14.4%	-11.5%
JPY	-4.8%	-7.1%
GBP	-4.3%	-4.9%
CAD	-8.3%	-5.5%
AUD	-7.6%	-5.9%
HKD	-15.6%	-12.5%

- USD was the clear loser among FX pairs during Q2. This performance reflects the lose of confidence in the US government policies and the Fed independence.

- Energy and Agricultural products where all lagging in the commodities whereas precious metal outperformed due to market uncertainty.

	% YTD in USD	% 3M in USD
WTI Crude Oil	-9.2%	-8.9%
Brent Crude Oil	-9.4%	-9.5%
Gasoline	3.9%	-8.9%
Natural Gas	-2.9%	-24.0%
Gold	25.9%	5.7%
Silver	24.9%	5.9%
Platinum	49.8%	36.2%
Palladium	21.3%	11.7%
Aluminum (LME)	1.8%	2.5%
Copper (LME)	12.6%	1.6%
Corn	-8.3%	-8.0%
Wheat	-4.1%	-1.5%
Soybean	2.6%	0.9%
Coffee	-4.1%	-19.2%
Sugar	-19.6%	-17.9%
Cotton	-3.1%	-0.8%

Source: Bloomberg 30/06/25

5. Market Review : Fixed Income Performance

- Government rates fell after liberation day and closed the quarter around the same level.
- After widening, credit spreads came back to tight level, meaning credit is still expensive compared to historical levels.
- In this environment, High Yield outperformed IG as spreads tightening had more impact.

	Perf May	Perf YTD	Perf last 3 months	Yield	Duration	Spread
Global						
Global Aggregate	9.3%	7.3%	4.5%	3.5	6.5	57
Treasuries	9.0%	7.5%	4.8%	3.0	7.2	9
Credit	10.3%	7.7%	4.7%	4.3	6.0	81
USA						
U.S. Universal	7.8%	4.1%	1.4%	4.7	5.9	102
U.S. Aggregate	7.5%	4.0%	1.2%	4.5	6.1	32
U.S. Gov/Credit	7.2%	3.9%	1.2%	4.4	6.2	30
U.S. Treasury	6.7%	3.8%	0.8%	4.0	5.9	0
Government-Related	7.4%	4.4%	1.7%	4.5	5.6	45
Corporate	8.0%	4.2%	1.8%	5.0	6.9	83
U.S. MBS	8.1%	4.2%	1.1%	4.9	5.8	37
Pan Europe						
Pan-Euro Aggregate	5.2%	0.7%	1.5%	3.1	6.5	45
Euro-Aggregate	5.3%	0.8%	1.8%	2.8	6.4	51
Asia Pacific						
Asian-Pacific Aggregate	-0.9%	-3.2%	0.4%	1.9	7.4	4
High Yield						
Global High Yield	13.7%	6.8%	4.9%	7.1	3.8	358
U.S. Corporate High Yield	11.6%	4.6%	3.5%	7.1	3.2	290
Pan-European High Yield	8.6%	2.3%	1.7%	5.9	3.0	321
Other						
Global Inflation-Linked	7.3%	8.3%	4.7%			
Municipal Bond Index	2.7%	-0.3%	-0.1%	4.0	6.7	
Emerging Markets						
EM USD Aggregate	10.3%	4.9%	2.5%	6.3	6.1	220
Sovereign	11.4%	5.4%	3.3%	6.6	7.1	245
Corporate	8.7%	4.2%	1.5%	6.4	4.8	237
High Yield	14.6%	5.4%	3.7%	8.1	5.3	405

Source: Bloomberg 30/06/25

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 uncertainty, we favor Government bonds.

- 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.

Asset allocation	**Equity allocation:** neutral. **Bonds:** underweight. **Cash:** neutral. **Alternative:** Overweight.		
		Core allocation	**Tactical allocation**
Equities	**Regions/ sectors**	• Developed Markets (USA and Europe). • Emerging Markets, China & Vietnam.	
	Investment style, stock selection	• Global growth themes. • Quality dividend selection. • Sustainable Investments. • Value stocks.	
Bonds & currencies	**Duration**	• Neutral Duration(short-term HY and medium- term IG in Europe).	
	Bond segments	• Investment Grade USD and Euro, High Yield corporates EURO.	• CAT Bonds.
	Currencies	• Neutral.	• Crypto basket.
Commodities & Alternatives		• Gold & Commodity Basket Energy Transition. • Decorrelated Strategies.	

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

7. Conclusion

- TACO: Trump Always Chickens Out. To be continued…
- Geopolitical tensions are not affecting investor sentiment.
- Uncertainties surrounding tariffs remain.
- Are investors being too complacent?
- Diversification, which we regularly emphasize, is more important than ever.

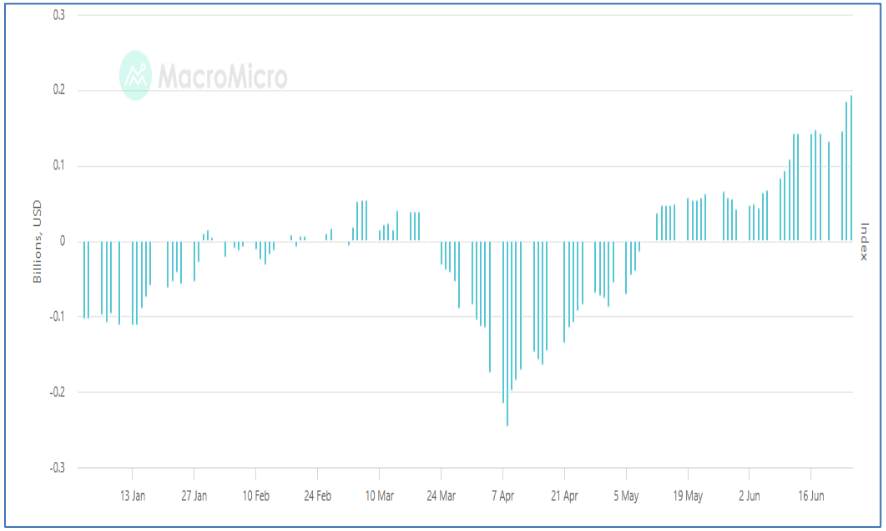
8. Thematic – EM - Introduction

- Despite initial expectations that Emerging Markets would be hit hardest by a global trade war, investors have warmed to these markets since then.

- A weaker USD, US bond yields potentially having topped out, easing trade tensions between the US and China, appealing real yields, growth prospects and attractive valuations, many factors have recently aligned in favor of Emerging Markets.

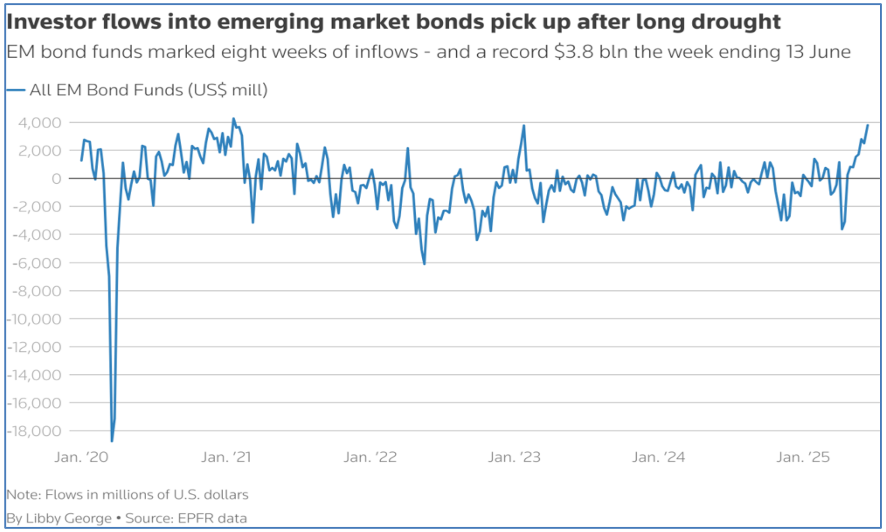
- As a result, there has been a renewed appetite for the returns and growth potential offered by emerging economies.

Netflows into EM Equity



Source: MacroMicro

Flows into EM Bonds



Source: EPFR, Reuters

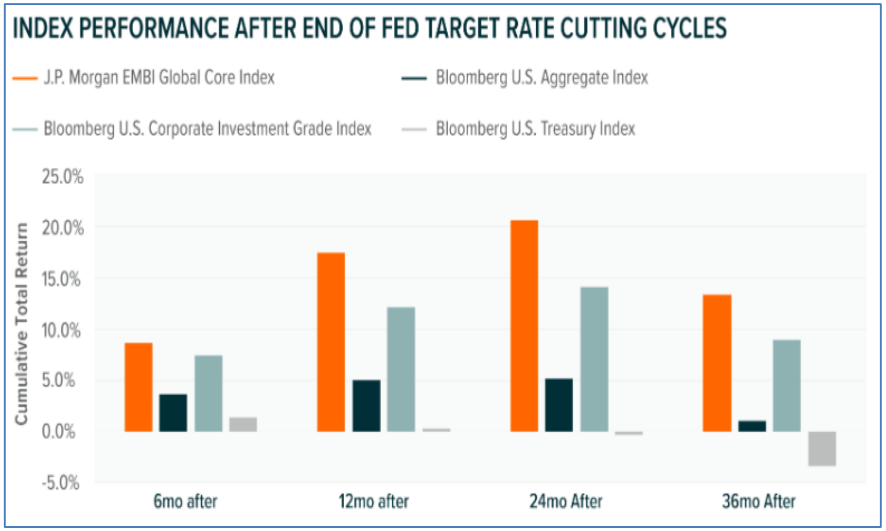
8. Thematic – EM - Fixed Income

- EM bonds tend to outperform in the period following the end of a Fed rate-cutting cycle. Lower interest rates across developed markets are fueling the global hunt for yield.

- In addition, real interest rates in EM have been rising steadily since 2023, encouraging investors to seek higher inflation-adjusted returns compared to developed markets.

- Falling inflation, which has been notably less sticky than in the US or Europe, combined with still-elevated nominal rates, has driven a significant increase in real yields.

EM Performance End of Rate Cutting Cycle



Source: Global X

Real Rates in EM

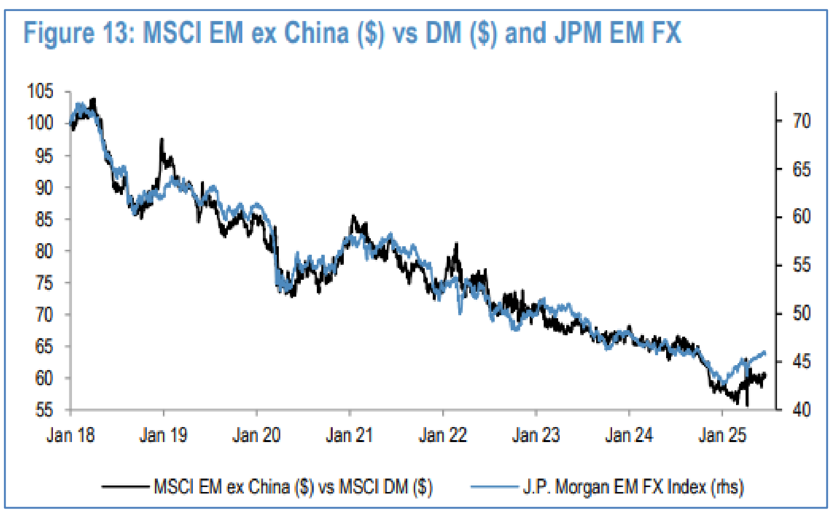
Source: FT

8. Thematic – EM - Equities

- EM have benefited from a weaker USD, which has eased pressure on local currencies. This has allowed central banks in these regions to lower interest rates, creating a more supportive environment for economic growth and equity performance.

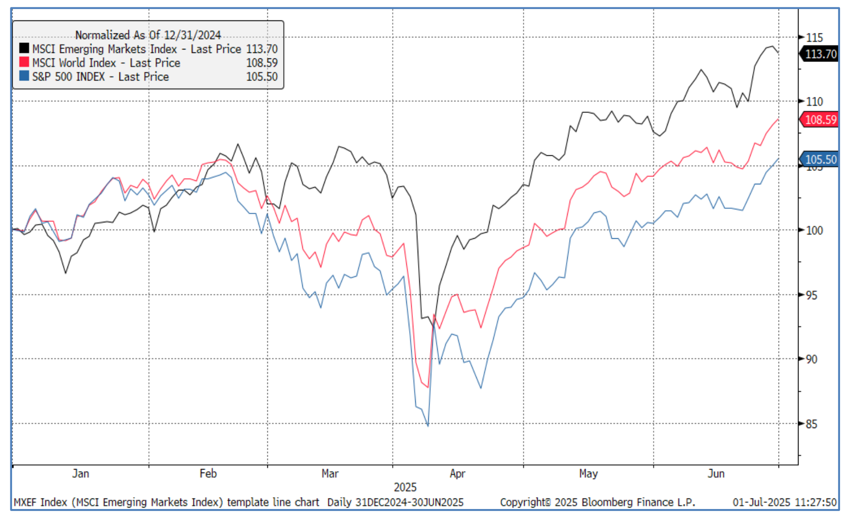
- After a prolonged period of underperformance, Emerging Market equities have strongly outperformed in early 2025. The MSCI EM Index is up 13.7% YTD, compared to 8.6% for MSCI World and 5.5% for the S&P 500.

MSCI EM vs DM and Dollar index



Source: JP Morgan

MSCI EM vs MSCI World vs S&P500 YTD



Source: Bloomberg

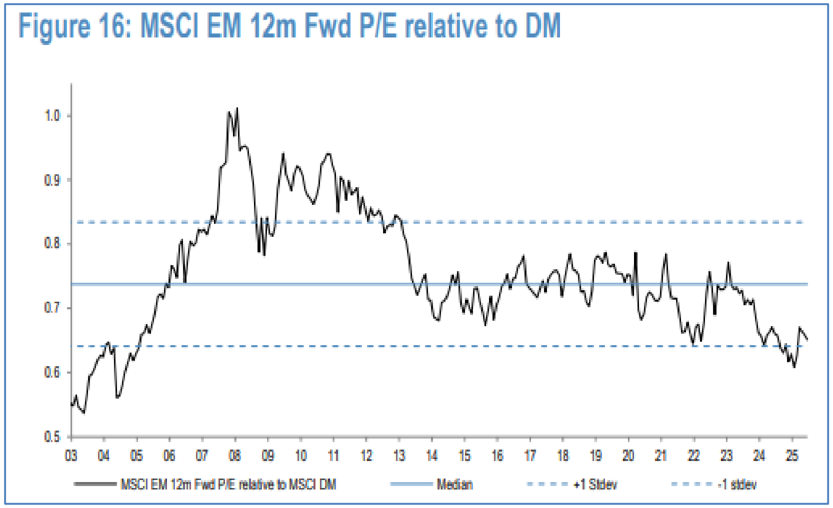
8. Thematic – EM - Valuation

- Valuations remain compelling, with the MSCI EM index trading at a significant 35% discount to its 20-year historical average vs developed markets, although growth forecasts are substantially higher.

- EM remain underowned in global portfolios. Given the smaller size of the asset class, even a modest reallocation can have an outsized impact: a 1% shift out of US equities equates to roughly a 20% inflow into EM, underscoring the potential for meaningful upward pressure on EM asset prices.

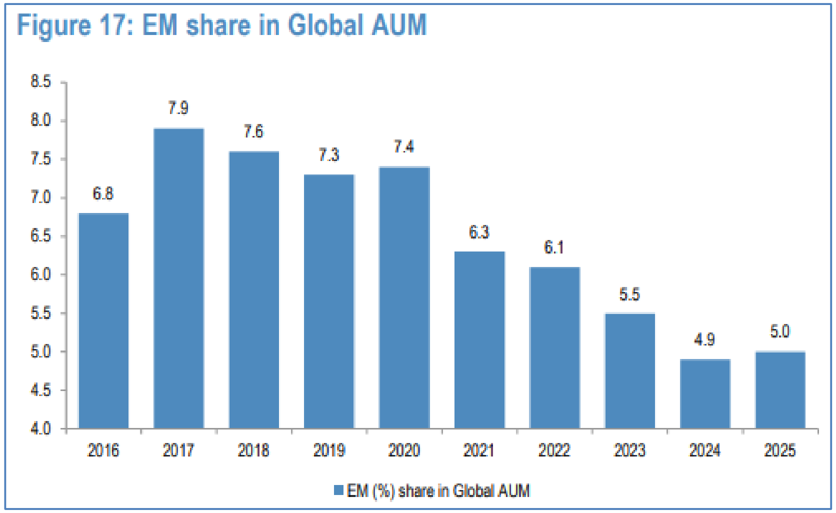
- As a result investor interest in EM is gaining momentum, driven by discounted valuations and years of under-allocation.

MSCI EM Valuation vs DM



Source: JP Morgan

MSCI EM Share in Global AUM



Source: JP Morgan

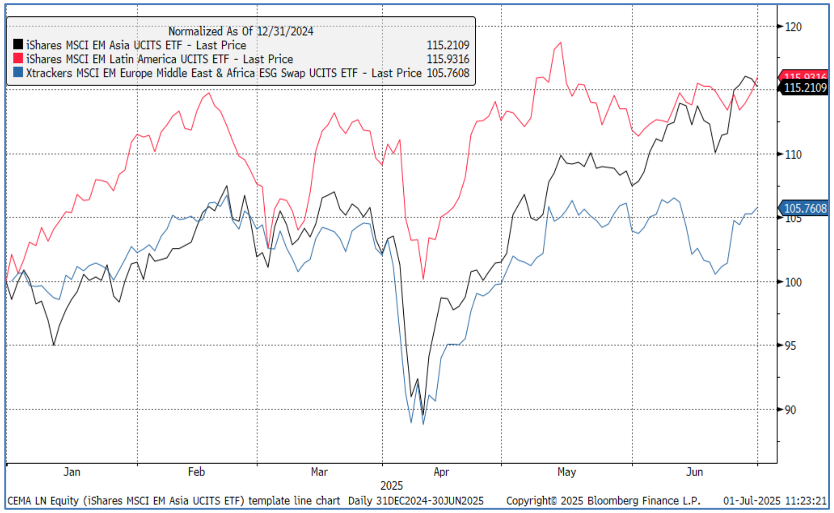
8. Thematic – Markets

- Emerging Markets are supported by distinct regional catalysts: EM Asia is benefiting from strong foreign direct investment and a booming tech sector. Latin America is driven by demand for critical commodities, improving monetary conditions, and relatively low geopolitical risk. Meanwhile, EM Europe is undergoing industrial transformation, bolstered by substantial EU funding.

- As shown on the left chart within EM market, EM Asia (+15.2%) and EM Latam (+15.9%) outperformed EMEA (+5.8%).

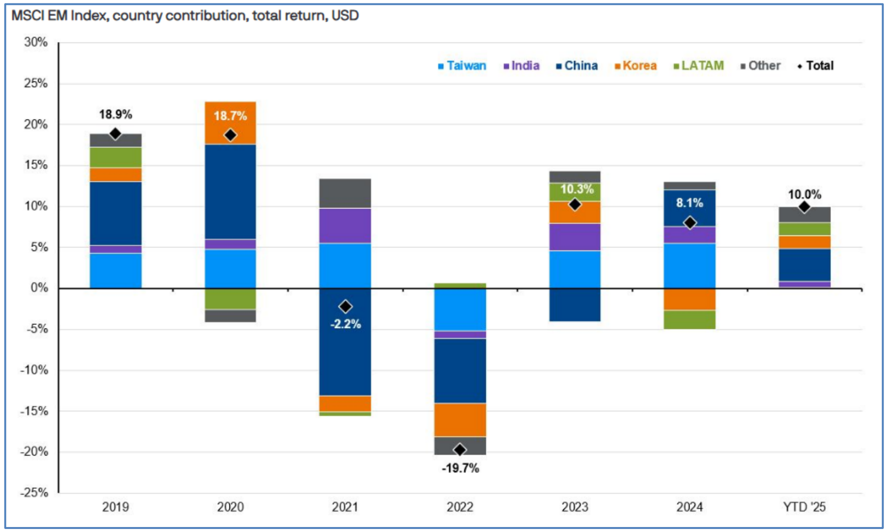
- China, Korea and Latam have been the main contributors to MSCI EM since beginning of the year.

EM Asia vs EM LATAM vs EM EMEA



Source: Bloomberg

MSCI EM Contribution by Market YTD (May)



Source: JP Morgan

8. Thematic – Conclusion

- After a decade of underperformance relative to the S&P 500, EM markets are uniquely positioned to outperform over the next cycle.

- A weaker US dollar, uncertain US policies, lower interest rates in developed economies, improving fundamentals, and a trade war that, so far, has proven less disruptive than feared, are all contributing to a more favorable macro backdrop.

- While looming sectoral tariffs still pose risks, they are also accelerating the development of localized supply chains. A structural shift that could ultimately benefit EM economies.

- Historically EM rallies have often lost steam, largely because they were driven by short-term macro catalysts. However the actual setup points to be more durable.

- The question remains whether this time will prove different.

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