



# Investment Committee Q3



1. Market Highlights
2. Macro
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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**.
- The slowdown in the US job market prompted **the FED to cut interest rates by 25 basis points** for the first time since the start of the year.
- The ECB, meanwhile, has **reached the end of its cycle of rate cuts**, assuming that the economic situation remains stable.
- With the exception of China, the **US's main trading partners have agreed to reduce tariffs to 15%**. Switzerland is among the losers, with tariffs remaining at 39%.
- For the time being, **no ceasefire agreement has been reached** in Ukraine or Gaza.
- **The political situation in France is worrying**, but this is having very little impact on the markets for the moment.

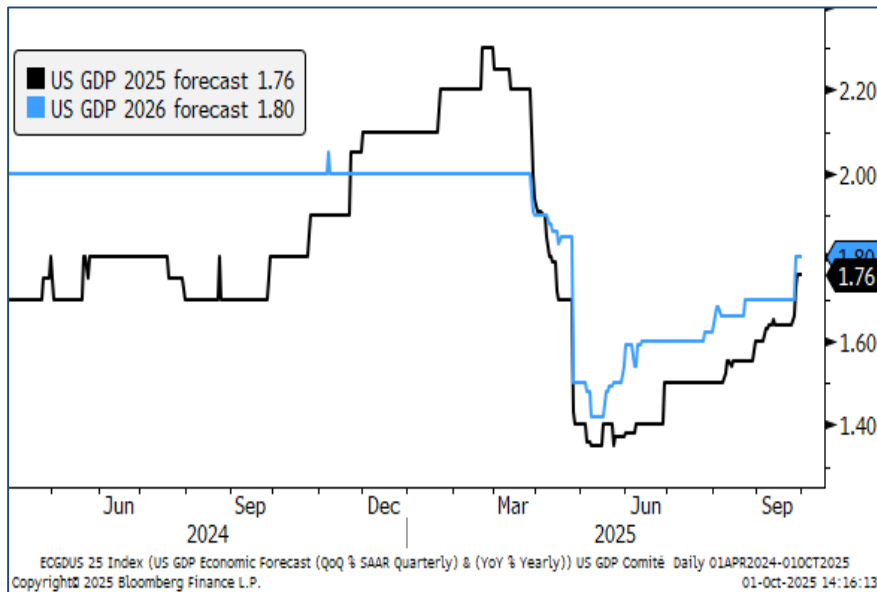
# 1. Market highlights

- In the US, **the Government shutdown is now effective**. So far, the market seem unaffected by the situation.
- Credit spreads remain at historically low levels, while **yield curves are slightly steepening**.
- The valuation of US equities is a cause for concern, but at this stage, **investors remain complacent**, mainly thanks to the future of AI.
- **“De-dollarization”** continues to weigh on the US dollar, which has fallen sharply since the beginning of the year. This is benefiting to Gold, which is reaching record highs.
- The **Genius Act** is set to revolutionize the world of **Stablecoins and blockchains**. Ethereum should be one of the big winners.

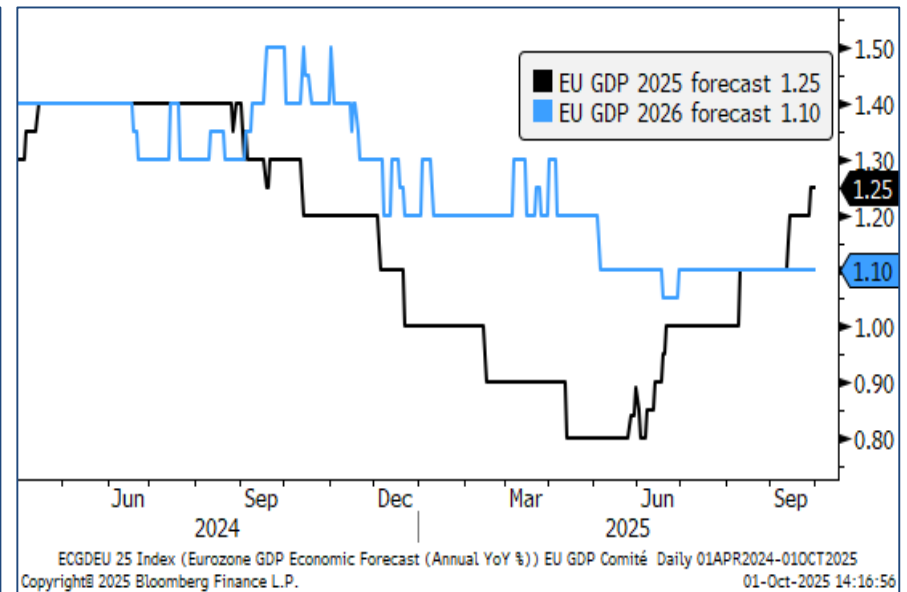
## 2. Macro : GDP Forecast

- After growth expectations were revised downward in April, temporary pauses on tariffs and lower-than-expected tax levels allowed **the economy to hold firm**. As a result, growth forecasts have been revised upward since May. **The U.S. economy is now expected to grow at just under 2% in both 2025 and 2026.**
- **In Europe**, the suspension of tariffs and the agreement on a 15% rate at the end of July led **economists to raise their forecasts for the current year**. However, uncertainty surrounding planned German spending and political **instability in France** prevent any significant upward revisions to growth for next year. Even though other EU countries like Spain have shown strong growth during the last quarters.

US GDP Forecast



EU GDP Forecast



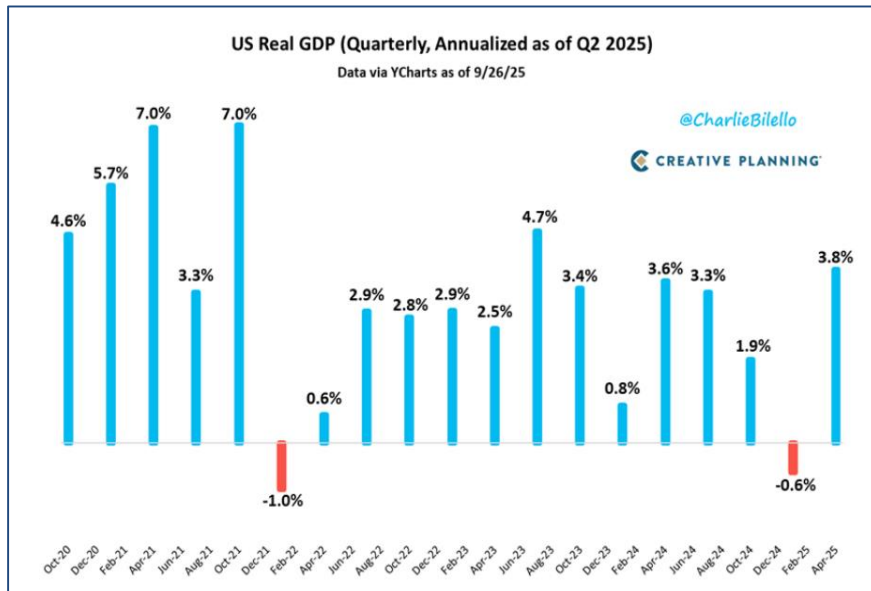
Source: Bloomberg

Source: Bloomberg

## 2. Macro : GDP Q3

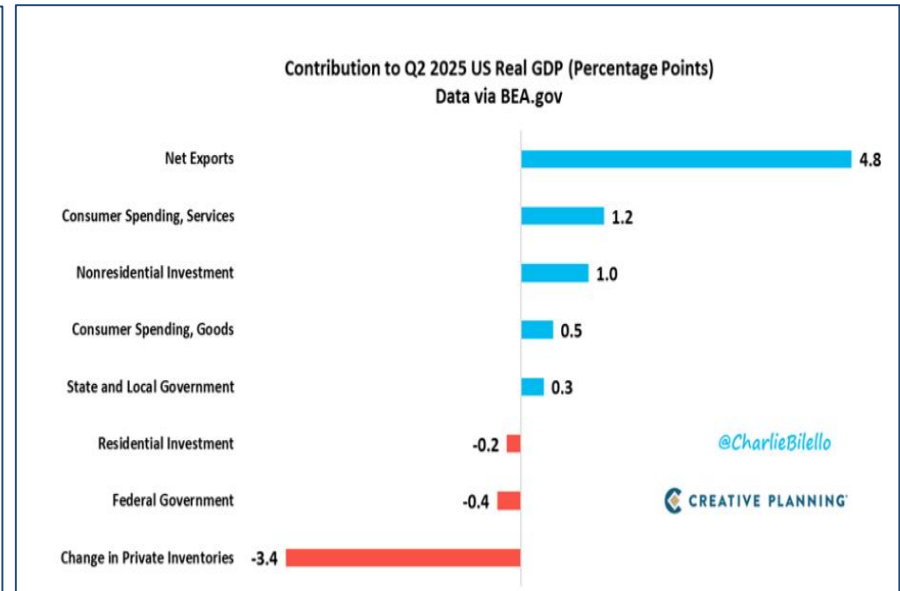
- The initial estimate of **U.S. GDP growth for Q2** stood at 3%. The first revision lifted it to 3.3%, and the second to 3.8%. These successive revisions have prompted economists to upgrade their full-year forecasts.
- Although the figure is impressive, it should be interpreted with caution, given that **Q2 growth benefited from a Q1 base effect**. Companies front-loaded imports ahead of tariff implementation, while imports fell sharply in Q2 as inventories were drawn down.

US GDP Q2



Source: Charlie Bilello

US GDP Q2 Contribution



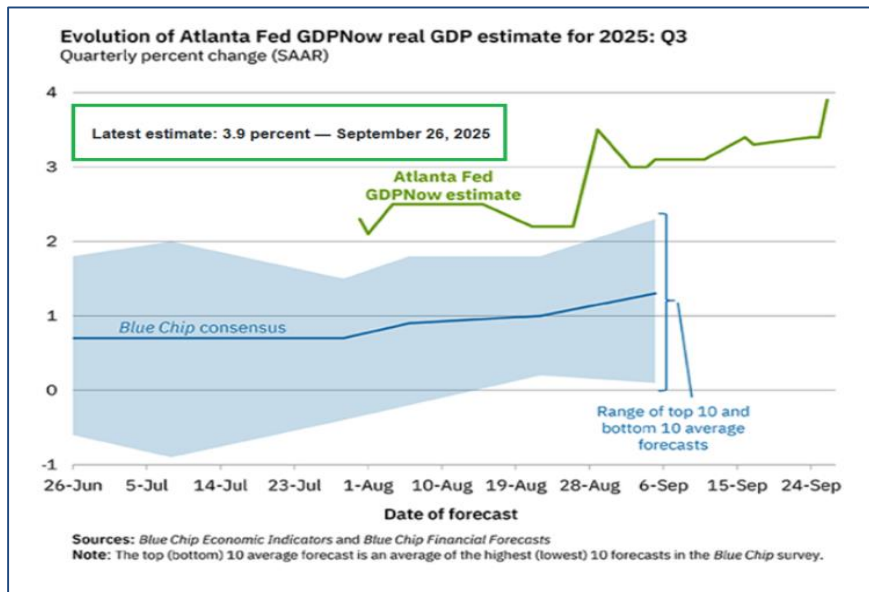
Source: Charlie Bilello



## 2. Macro : GDP & Recession Forecast

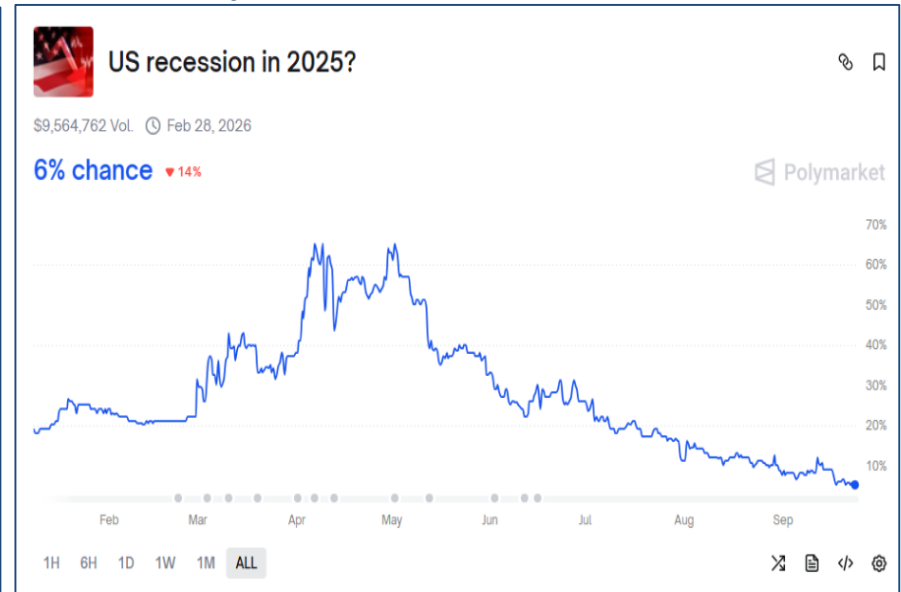
- For Q3 2025, the Atlanta Fed projects GDP growth of 3.9%, broadly in line with Q2. By contrast, **analysts remain more cautious, expecting growth of just 1.2%**. Historically, the final outcome tends to fall somewhere between these two estimates.
- In markets, very few now anticipate a recession in 2025, with Polymarket (US Bookmaker) pricing the **probability at just 6%**, compared to 60% between April and May. This highlights that **tariffs have not had the expected drag on economic activity, so far**.

### US GDPNow



Source: Atlanta Fed

### Polymarket odds of a US Recession



Source: Polymarket

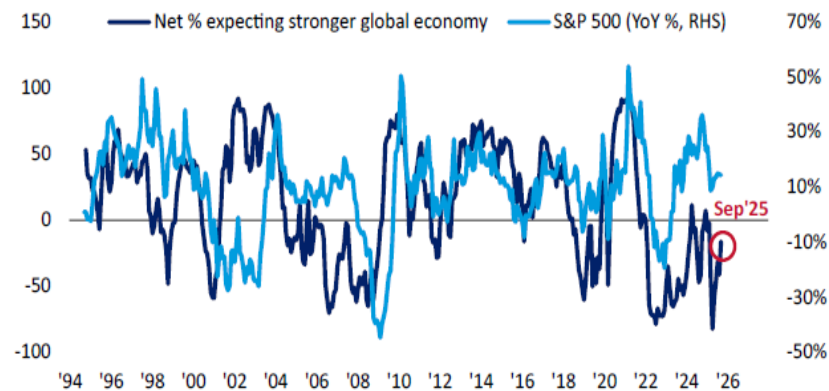
## 2. Macro : Asset Manager Expectations

- Among asset managers, sentiment has improved somewhat, though caution remains. More than **half of respondents still do not expect the economy to improve over the next 12 months.**
- **The prevailing scenario remains one of stagflation**, albeit with fewer supporters than in recent months. It is important to remember that **the inflationary impact of tariffs should be felt over a 12-month horizon** but is unlikely to persist beyond that.

### Fund Manager Survey % Expecting Stronger Eco.

**Chart 6: Biggest jump in growth expectations since Oct'24**

Net % expecting stronger global economy and S&P 500 (YoY %)



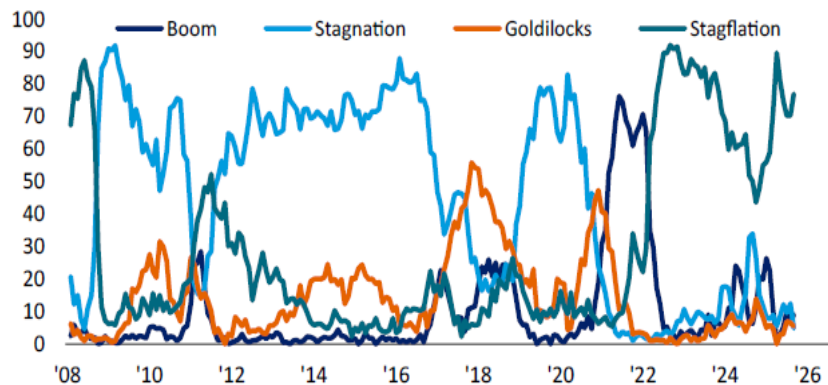
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

### Fund Manager Survey Economic Expectations

**Chart 26: How FMS investors would describe the global economy over the next 12 months**

FMS expectations for the global economy over the next 12 months?



Source: BofA FMS

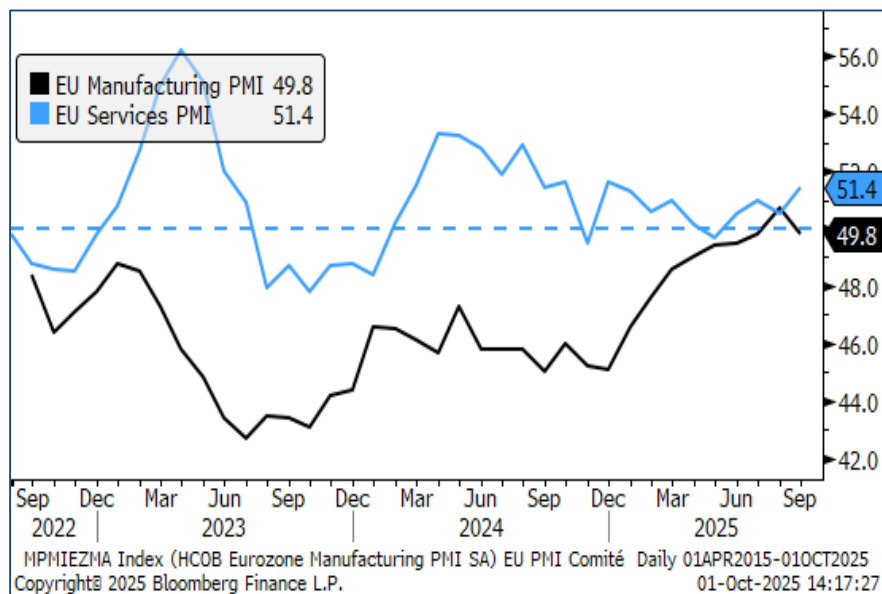


Source: BofA FMS

## 2. Macro : PMI

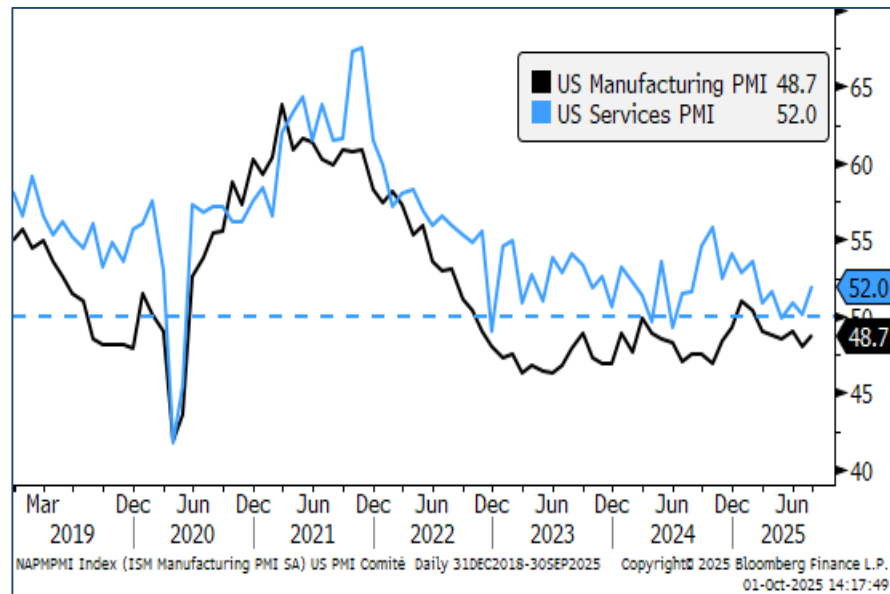
- Looking at leading indicators, **European PMIs remain near the 50 threshold**, with a surprise contraction in manufacturing PMI, which slipped back to 49.8.
- In the U.S., as in Europe, **services remain the main driver of growth**. Although the administration is trying to revitalize manufacturing and several major data center construction projects have been announced, these developments have yet to show up in economic indicators.

EU PMI



Source: Bloomberg

US PMI

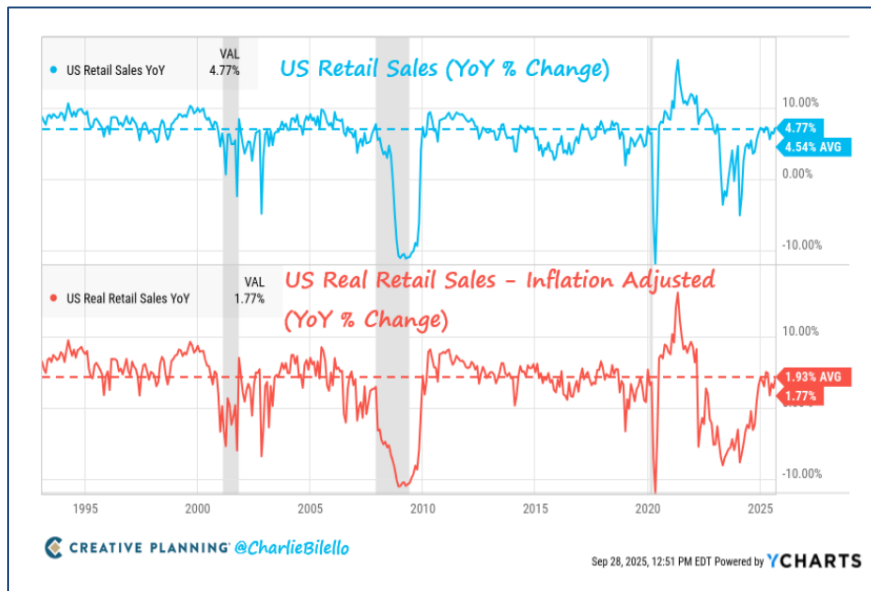


Source: Bloomberg

## 2. Macro : Retail Sales & Unemployment Rates

- Other indicators highlight the resilience of the economy. **Retail sales have continued to grow at healthy levels**, both in nominal and real terms.
- **The labor market also remains strong.** While unemployment in the U.S. has edged slightly higher over the past three years, conditions still effectively represent full employment. **In Europe, the unemployment rate continues to decline**, reinforcing this positive dynamic.

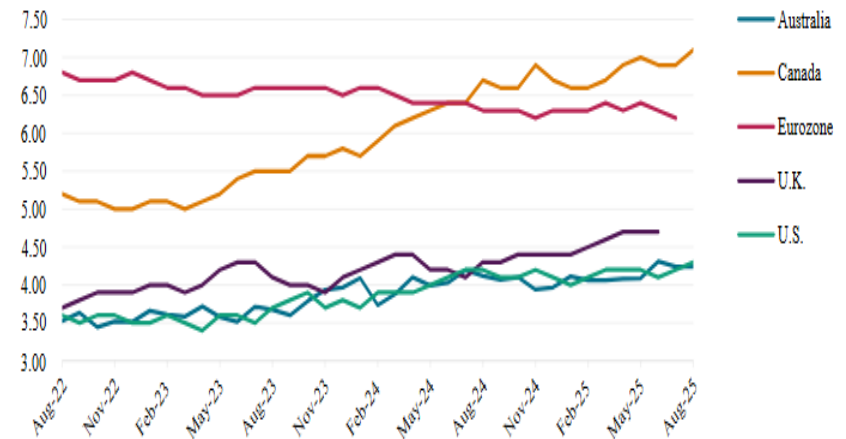
US Retail Sales



Unemployment Rate

Labor markets losing momentum

Unemployment rates (%)



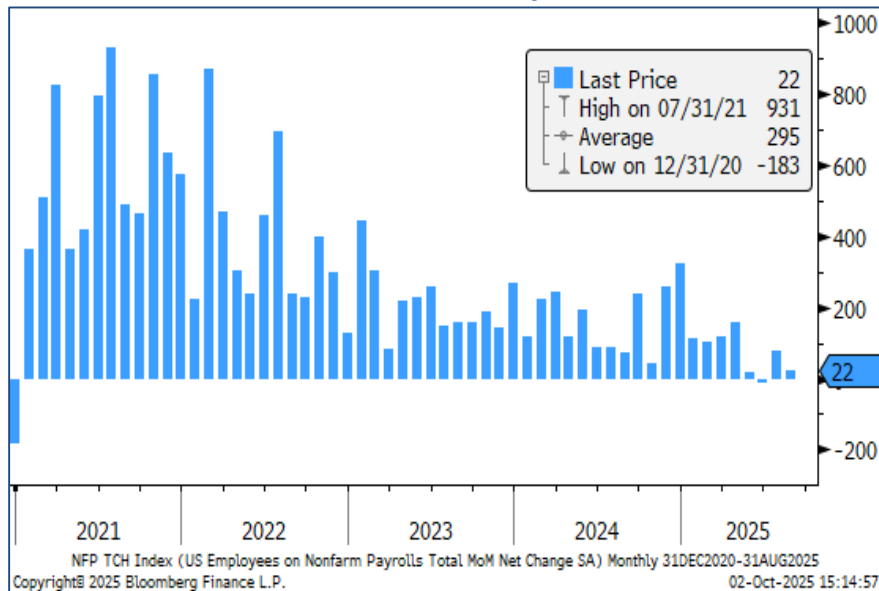
Source: Charlie Bilello

Source: Jane Street

## 2. Macro : US Labor Market

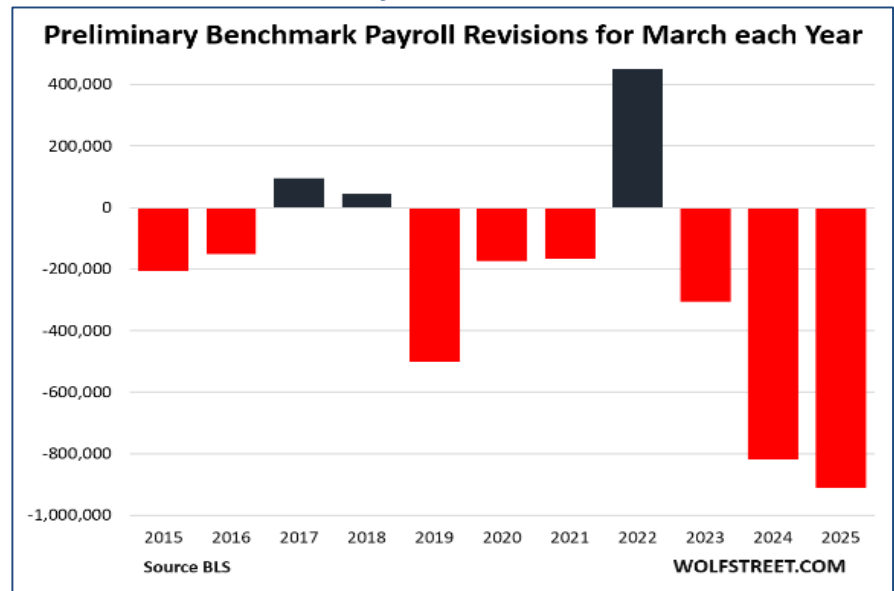
- Despite a stable U.S. unemployment rate, **job creation data suggests a slowdown is underway**. Following the sharp rebound in hiring in 2021 after the pandemic, **employment growth has trended downward for the past four years**.
- Moreover, these figures are subject to frequent revisions, often painting a more pessimistic picture. **According to the latest Bureau of Labor Statistics adjustments, 900,000 fewer jobs were created over the past year than initially reported.**

US Non-Farm Payrolls



Source: Bloomberg

US Payrolls Revision



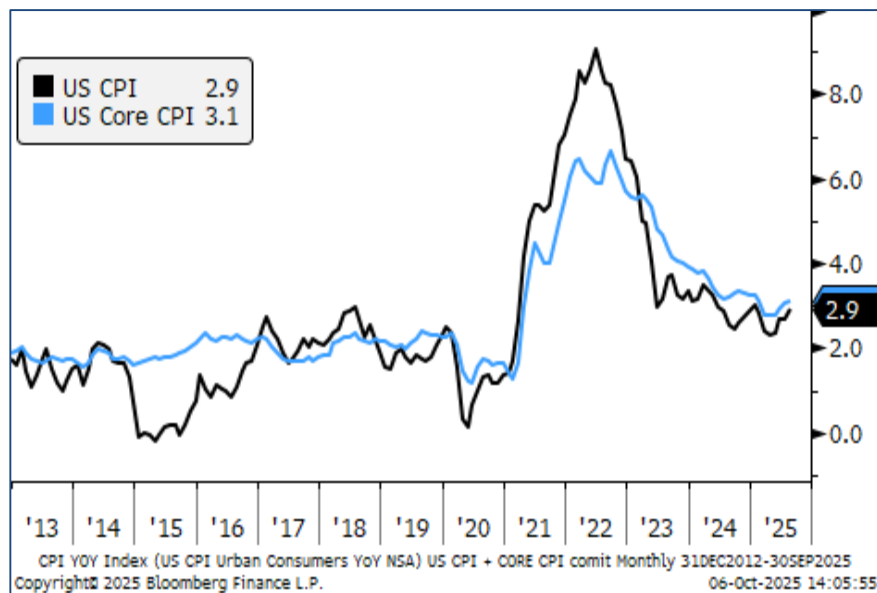
Source: Wolfstreet



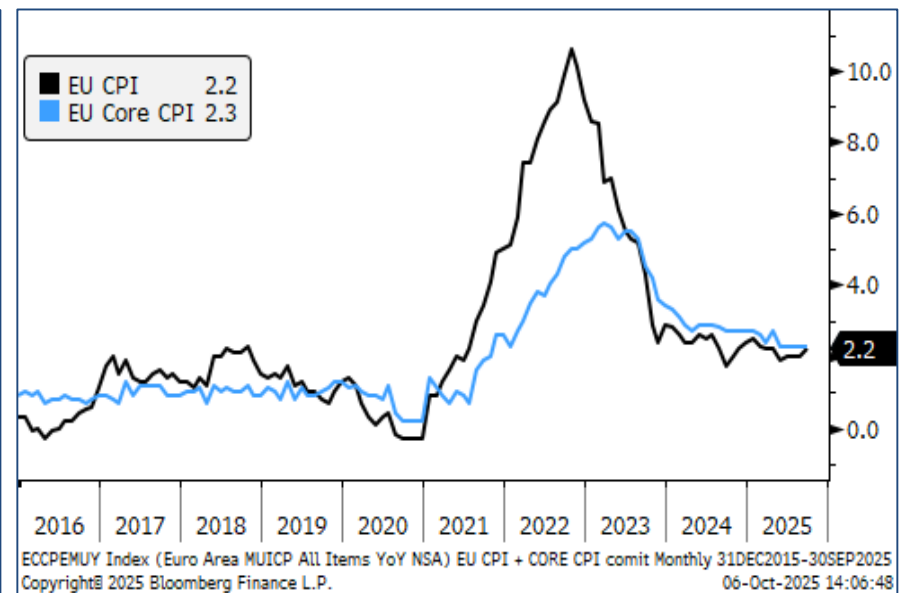
## 2. Macro : CPI

- Inflation in the U.S. does not appear to be out of control. **However, the downward trend toward the 2% target has stalled, with a slight increase in recent months**, likely reflecting tariff effects. This should prove transitory and is not a major concern for investors at present. **Currently the estimations are that consumers are feeling 40% of the tariffs impact so the other 60% are yet to come.**
- In Europe, price increases have stabilized around 2%. The only **potential sources of inflationary pressure are higher wages and Germany's investment plans**. For now, however, these do not appear to trouble the European Central Bank.

US CPI



EU CPI



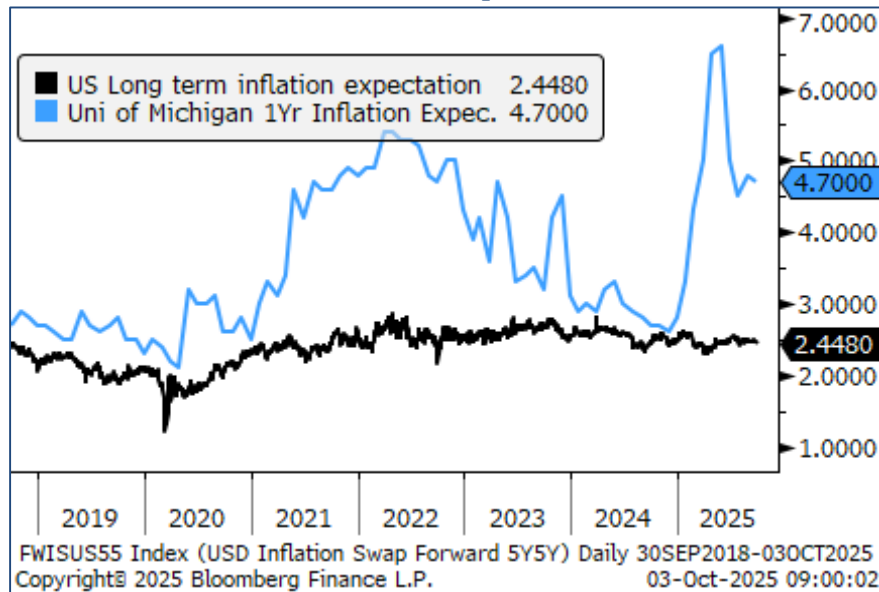
Source: Bloomberg

Source: Bloomberg

## 2. Macro : Inflation Expectations

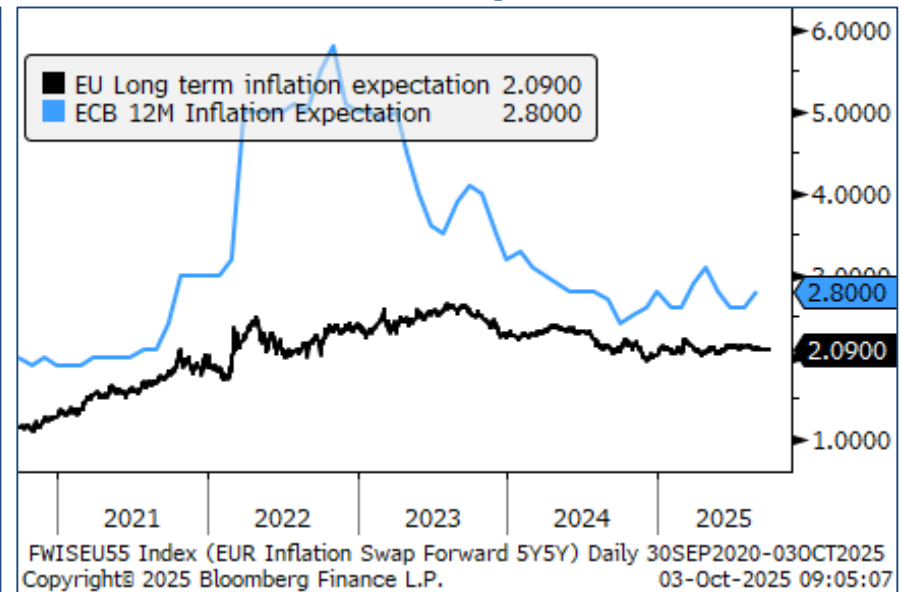
- On both sides of the Atlantic, **long-term inflation expectations remain stable**, providing reassurance to markets that do not anticipate a sustained resurgence in price pressure.
- In contrast, **one-year inflation expectations are far more volatile**. In the U.S., they have surged since the announcement of Liberation Day, with 12-month expectations now at 4.7%. In Europe, ECB measures show stability, as the economy is not experiencing a boom and faces limited inflationary pressures.

US Inflation Expectations



Source: Bloomberg

EU Inflation Expectations

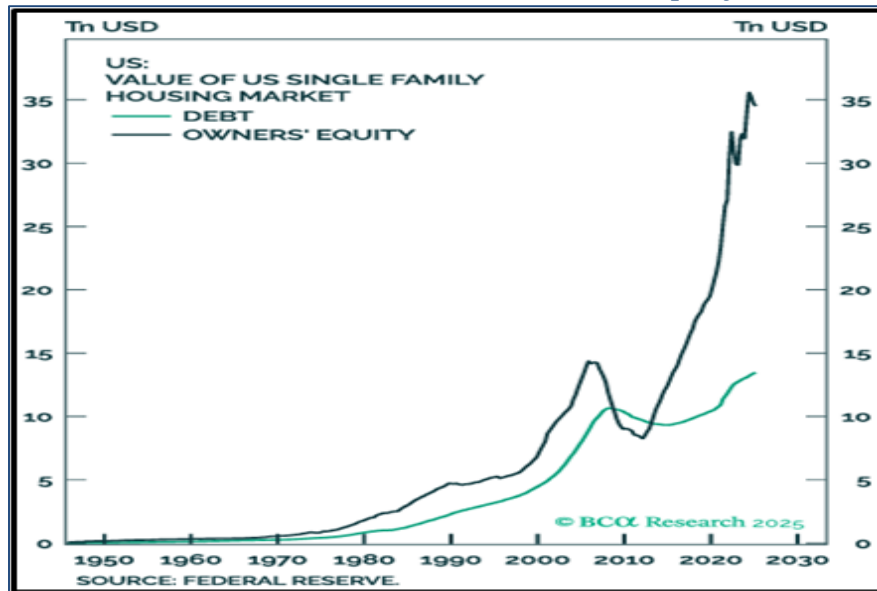


Source: Bloomberg

## 2. Macro : Mortgage Rates & Owner's Equity

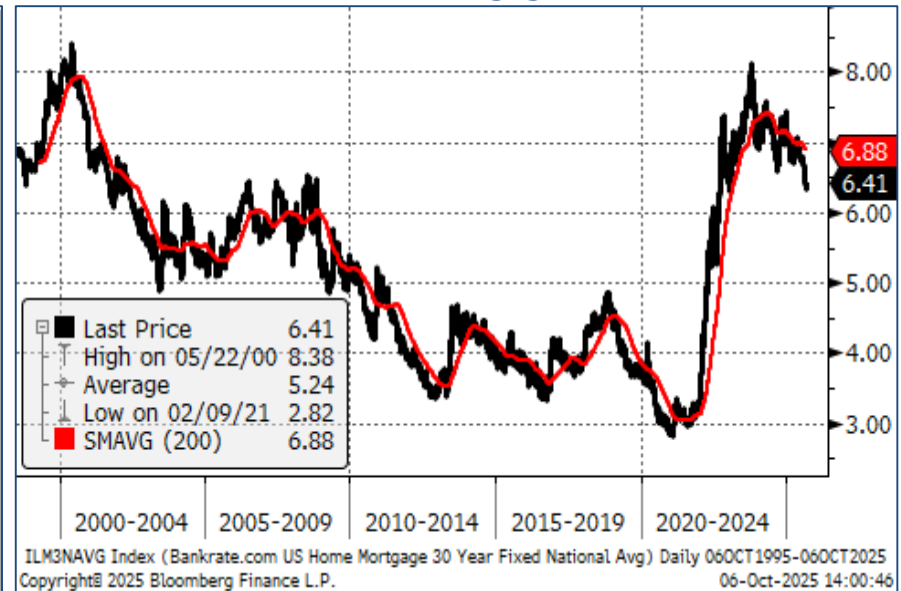
- The Real Estate market is **still no seeing many transactions due to high interest rates** on the long end of the yield curve. Once these rates finally come down if they do, we could see a boom in the Real Estate market.
- Even if a boom in the in Real Estate market doesn't happen, the fact that **house prices has increased during the last years is a good news for the US Economy**. If rates are lower many homeowner could make a new mortgage against their houses in order to keep consuming.

US Real Estate Debt vs Owner Equity



Source: BCA

US 30Yr Mortgage Rate



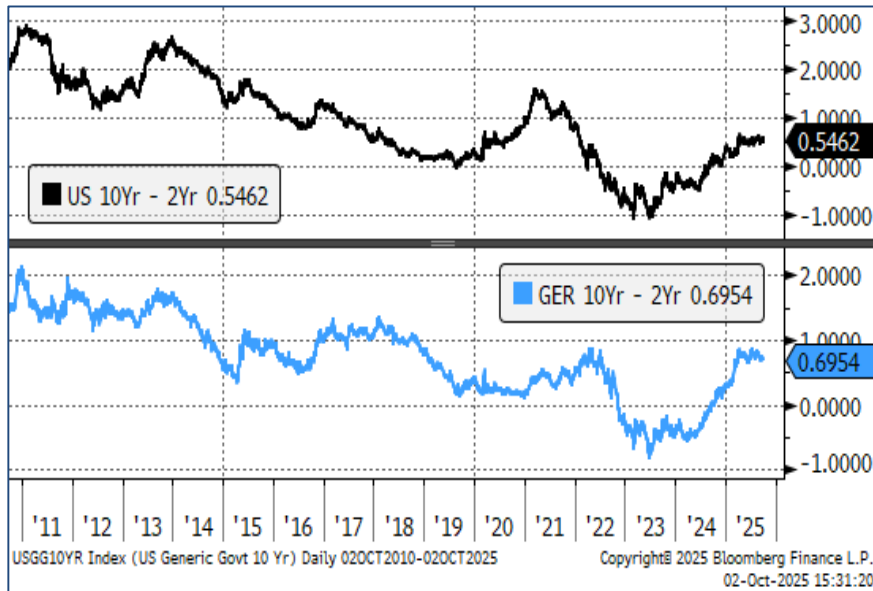
Source: Bloomberg



## 2. Macro : Curve Steepening

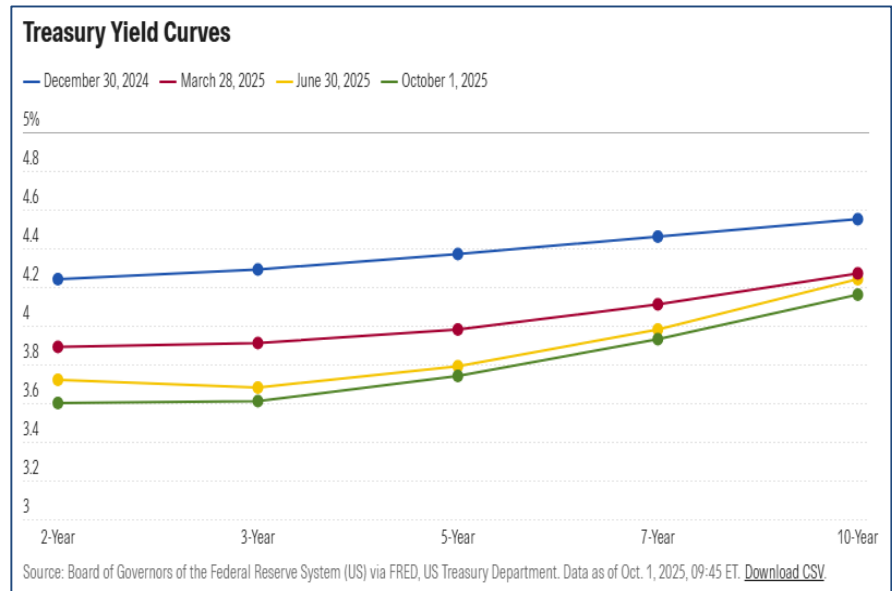
- The yield curve continues to normalize through a process of steepening. The spread between the German and U.S. 2-year and 10-year maturities has widened since the beginning of the year, reflecting investors' demand for a risk premium to hold longer-dated debt.
- However, these spreads remain relatively modest compared with historical averages. It is therefore possible that long-term yields will continue to rise while short-term yields decline, potentially pushing spreads up toward 1.5%.

US & EU 10Yr – 2Yr Spread



Source: Bloomberg

US Yield Curve



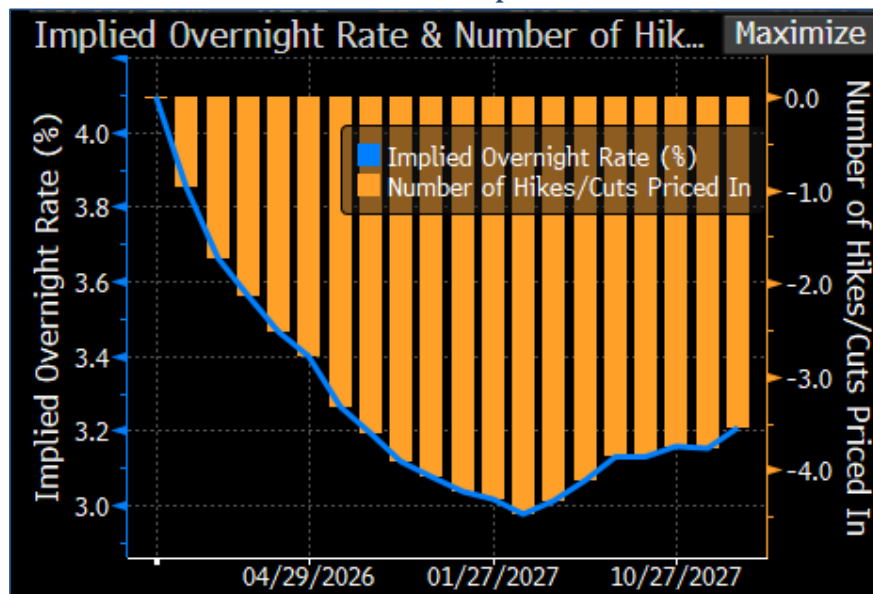
Source: Bloomberg



## 2. Macro : Rates Expectations

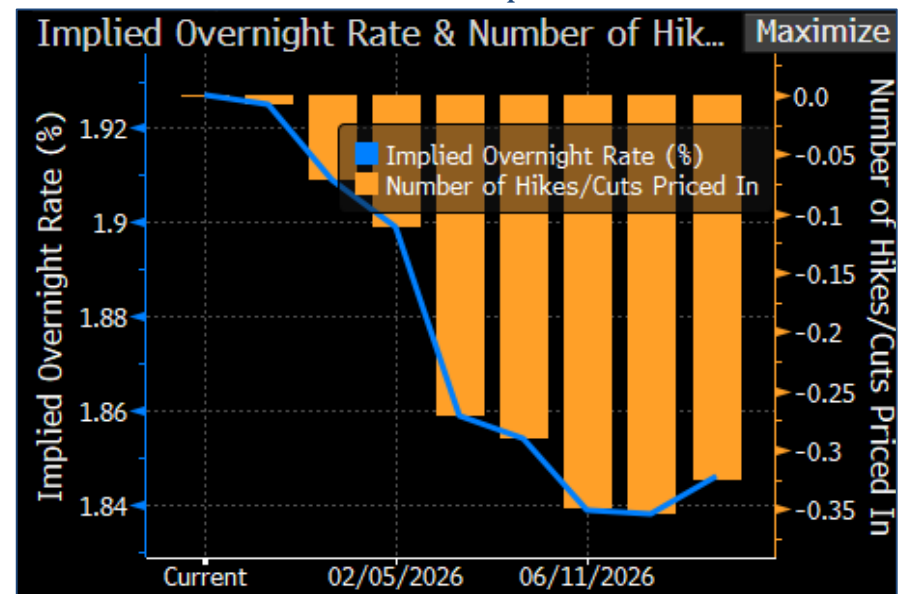
- Mr. Powell resumed his rate-cutting cycle after more than nine months of pause. **In September, the Fed lowered its policy rate by 25 basis points.** In his remarks, he emphasized that **the risk of higher unemployment had increased**, which, in his view, warranted a less restrictive monetary stance.
- In Europe, the ECB delivered exactly what markets expected—a pause. **The rate-cutting cycle appears to have run its course**, with little probability of further easing.

US FED Rates Expectations



Source: Bloomberg

EU ECB Rates Expectations



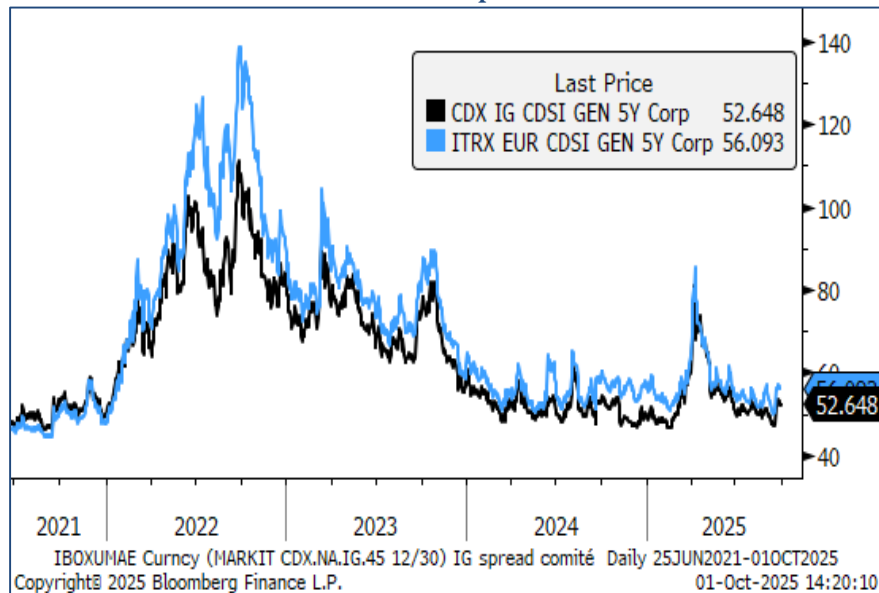
Source: Bloomberg



## 2. Macro : Credit Spreads

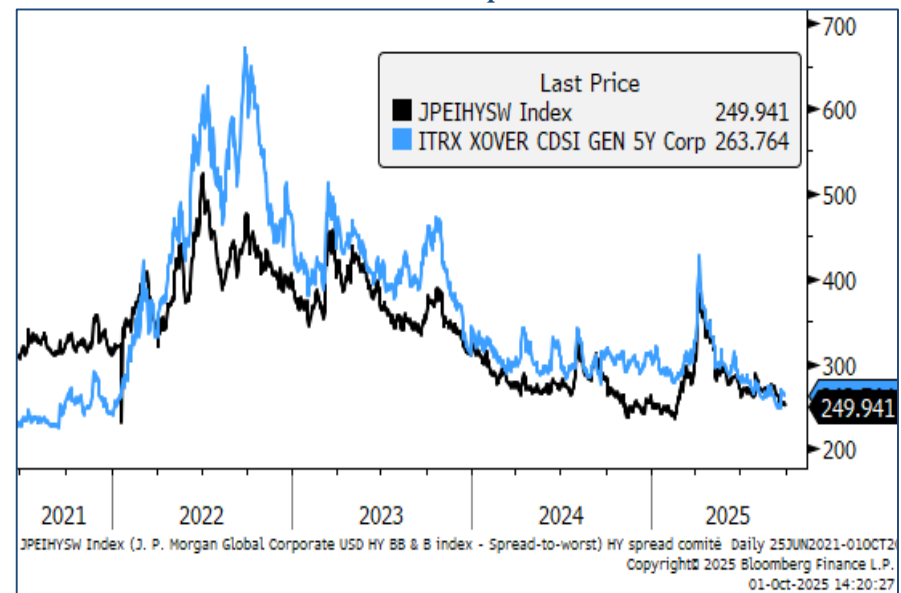
- Bond markets remain confident about the outlook. **Credit spreads were broadly unchanged over the quarter and remain at historically low levels.**
- In general, spreads are seen as leading indicators of economic expectations. **Their current stability suggests limited stress in the market.** That said, they appear to have behaved more as coincident indicators in recent quarters, perhaps signaling a degree of complacency.

IG Bonds Spreads



Source: Bloomberg

HY Bond Spreads



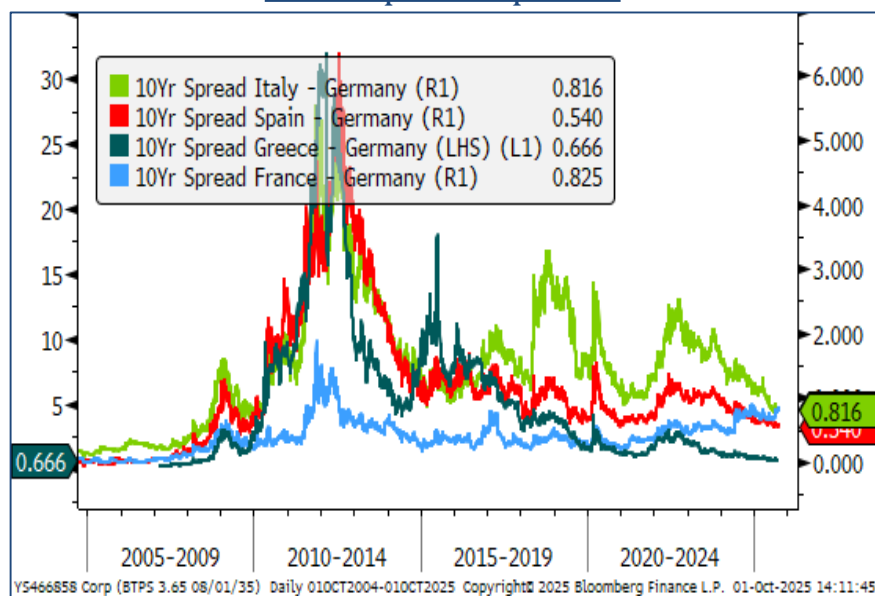
Source: Bloomberg



## 2. Macro : Europe Spreads and Debt

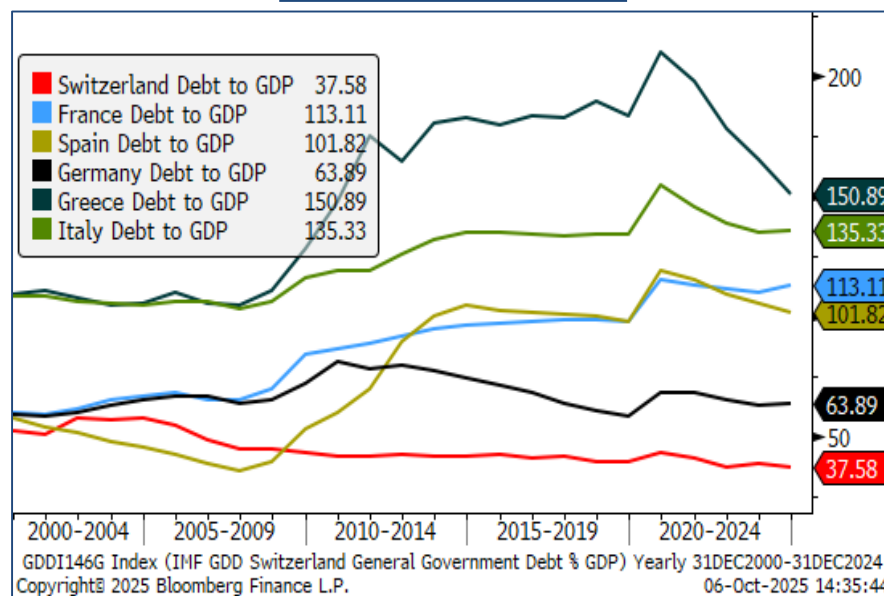
- In Europe, **peripheral spreads relative to Germany have continued to tighten—with the notable exception of France**. Rating agencies upgraded Spain and Italy in September, while France was downgraded.
- These revisions were driven by expectations of declining debt trajectories in Spain and Italy, in contrast to France, where public debt is projected to continue rising.

EU Peripheric Spreads



Source: Bloomberg

EU Debt to GDP ratios



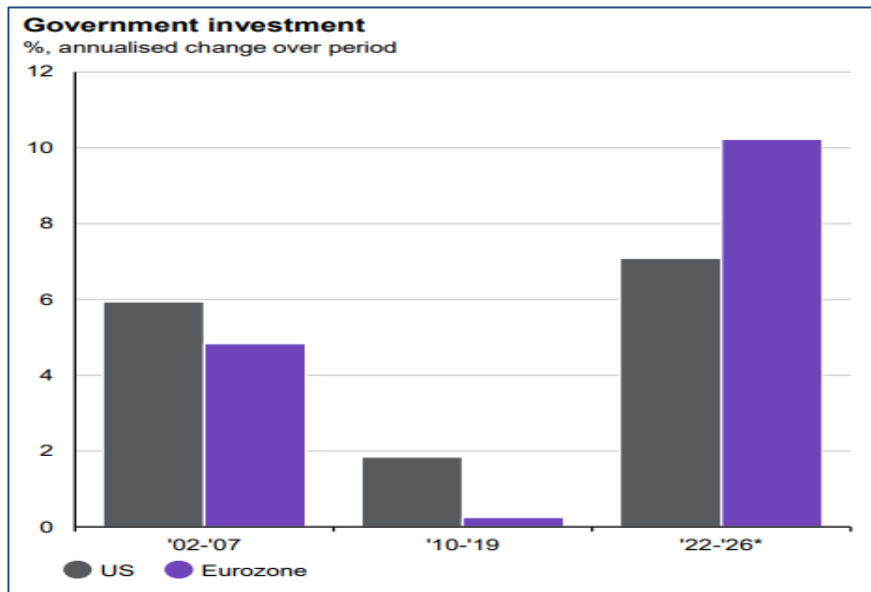
Source: Société Générale



## 2. Macro : Europe Gov. Investments

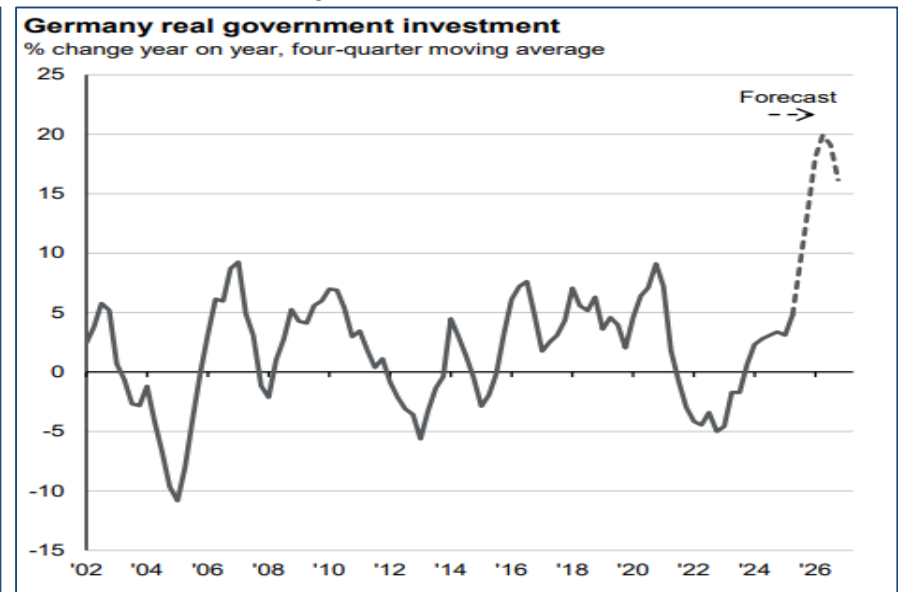
- Overall, Europe is expected to remain resilient despite a tense geopolitical backdrop. **Investment forecasts suggest a recovery in growth ahead.**
- **Germany leads in terms of announced investment plans.** However, the lack of clarity around the spending timeline has left investors uncertain as to when the promised funds will effectively flow through to the economy.

US vs EU Gov. Investment Growth



Source: JP Morgan AM

Germany Gov. Investment Growth



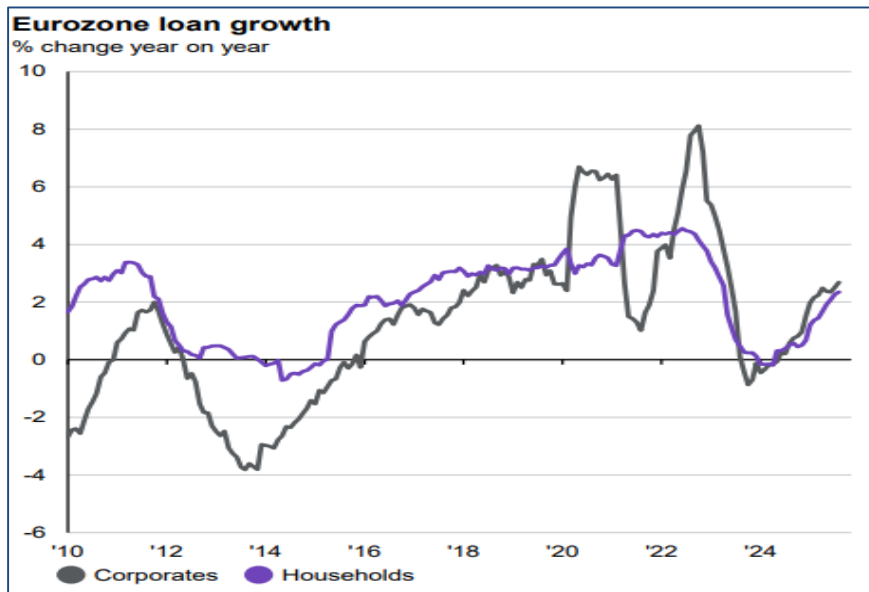
Source: JP Morgan AM



## 2. Macro : Labor Market & Loan Growth

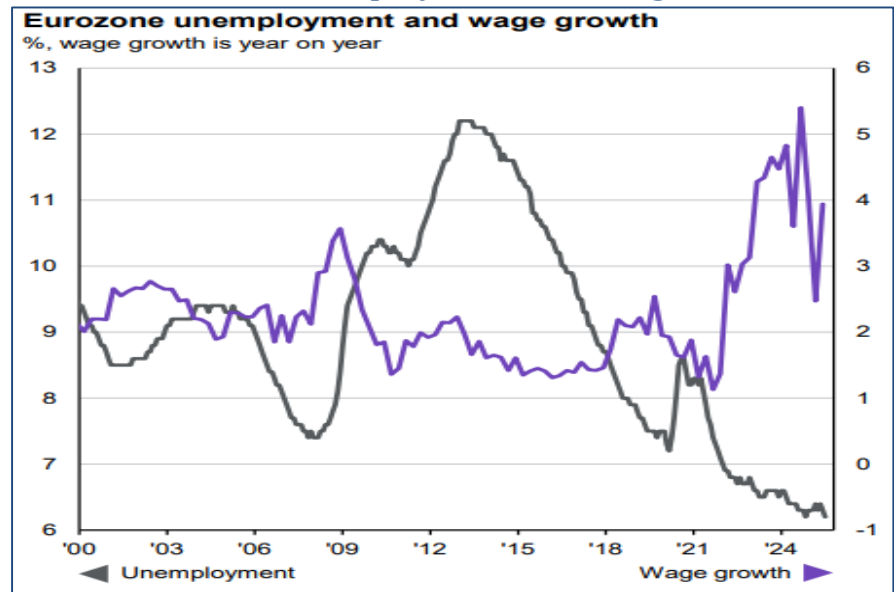
- Several economic indicators point to improving momentum in Europe. **Corporate and household lending has rebounded to respectable levels.**
- On the labor front, unemployment continues to fall while wages rise, **suggesting that stronger household purchasing power** will underpin future sales growth.

EU Loan Growth



Source: JP Morgan AM

EU Unemployment and Wage



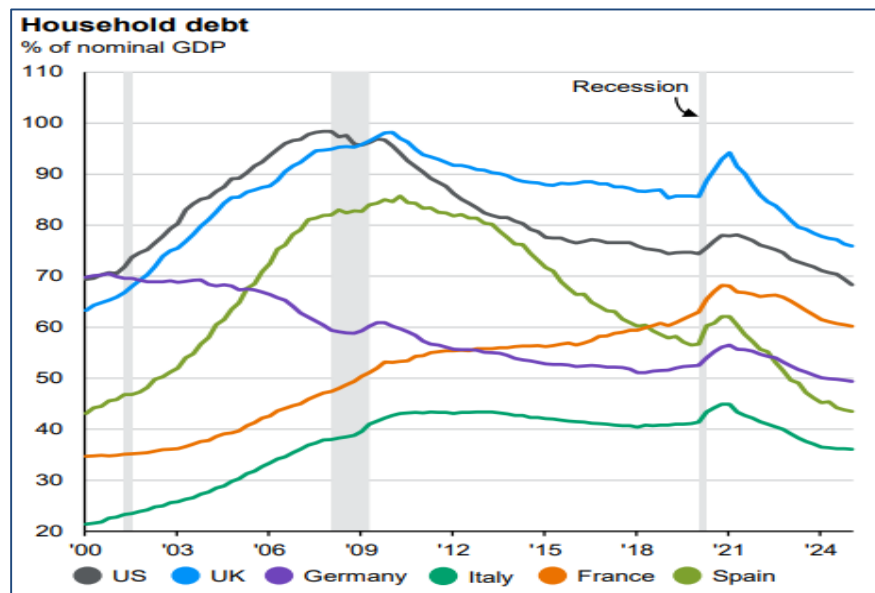
Source: JP Morgan AM



## 2. Macro : Europe Savings

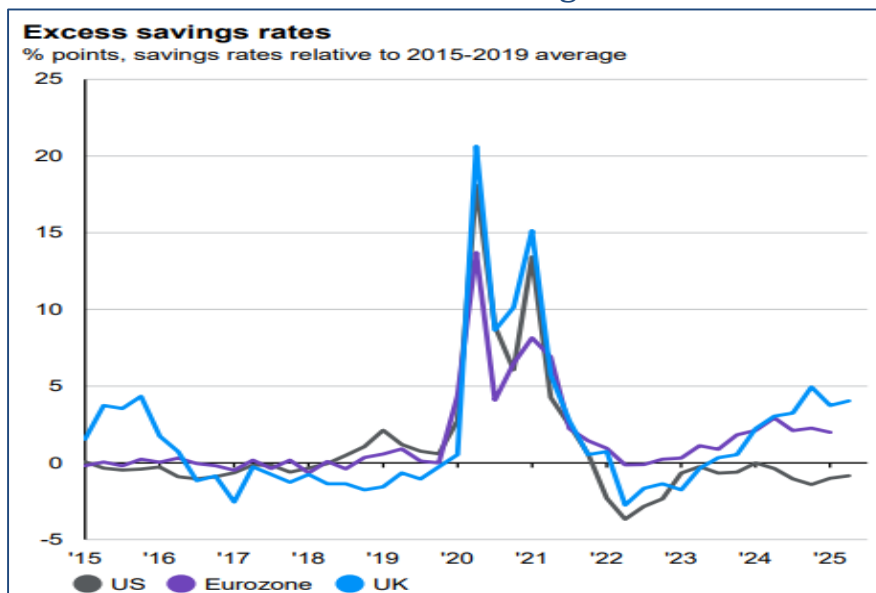
- European household debt is also on a favorable trajectory. Since the pandemic, **households have deleveraged**, with a transfer of debt burdens from the private sector to Governments.
- As a result, Europe retains an excess of savings accumulated during the health crisis. Combined with rising wages, this indicates that **once consumer confidence returns, substantial liquidity could be released into the economy**.

EU Household Debt



Source: JP Morgan AM

EU Excess Savings



Source: JP Morgan AM



## 2. Macro : China Economy

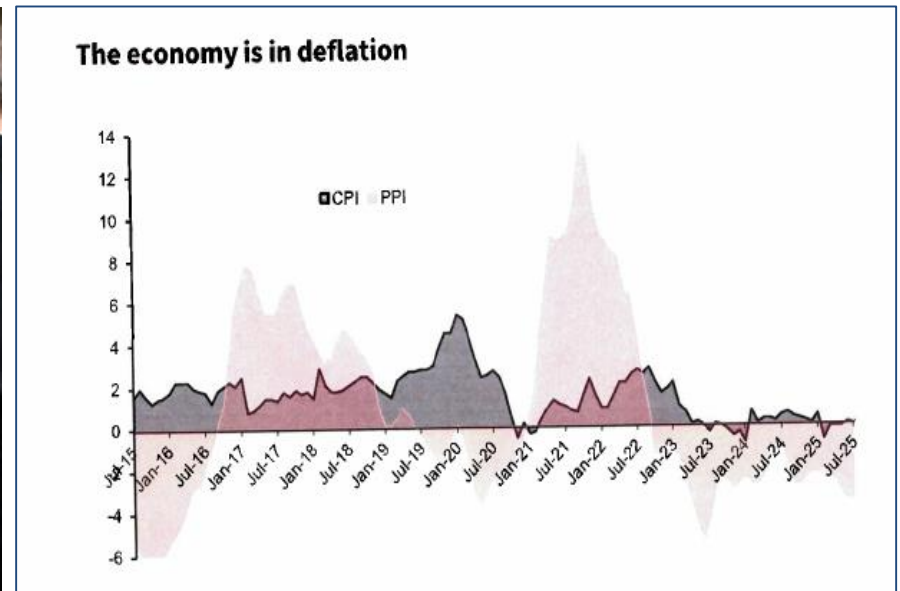
- China organized a parade to mark the 80th anniversary of the end of World War II. Notably, **none of its former allies were present, instead, the most prominent figures were Vladimir Putin and Kim Jong Un.** This underlined China's determination to distance itself from Western nations. China is still threatening to take military action against Taiwan which might happen in the next couple of years with the help of its new partners.
- Nevertheless, behind the smiles displayed at the event, the **Chinese economy** remains under strain. It **still needs to maintain trade with Western economies to sustain its own growth.**

China WW II 80Yr Parade



Source: Aljazeera

China Inflation



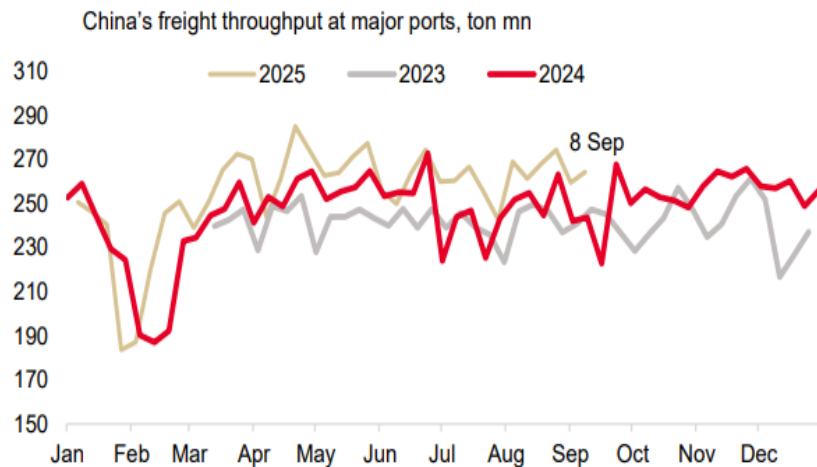
Source: Société Générale

## 2. Macro : China Exports

- Contrary to expectations of a collapse in Chinese exports following the tariff war with the U.S. during Q2, this has not materialized.
- While exports to the U.S. have declined somewhat relative to last year, overall exports have remained stable. This suggests that **China has successfully diversified its trading partners to absorb the surplus.**

### China Freight

#### **No major slowdown in China's freight throughput yet**

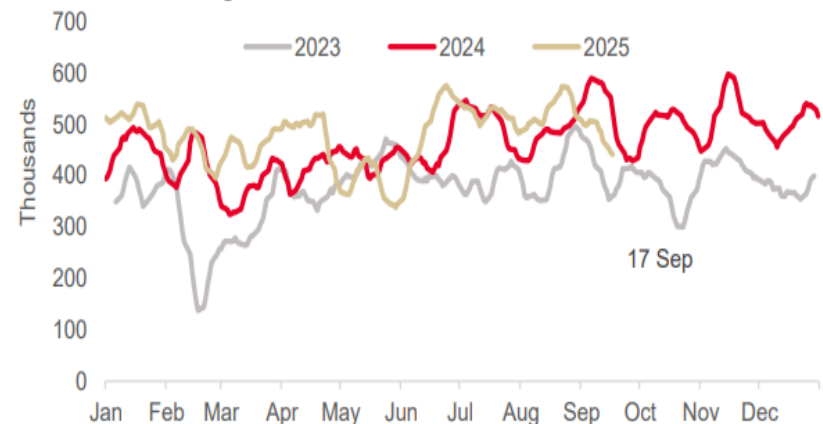


Source: Société Générale

### China Shipments to US

#### **US-bound shipments from China has moderated**

Container ship tonnage (TEU) - Departure from China to the US, 15d rolling

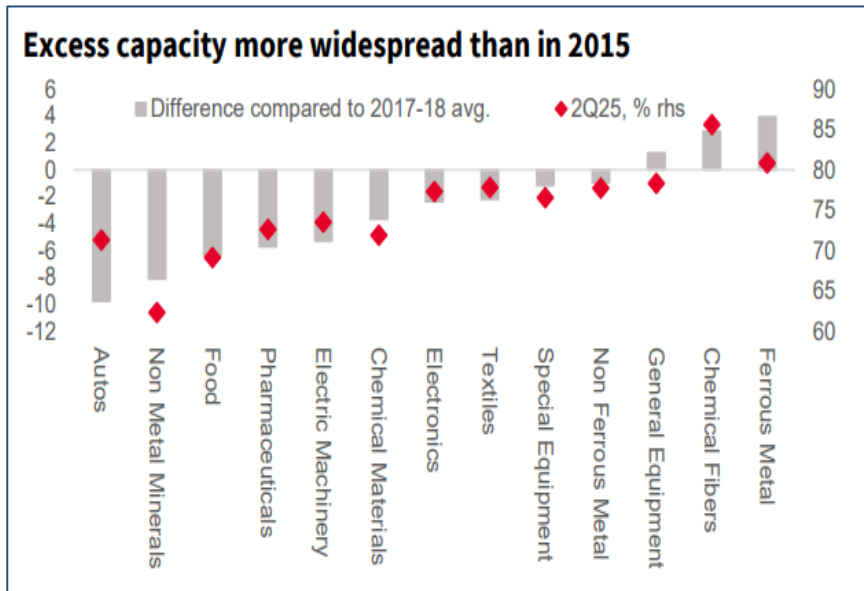


Source: Société Générale

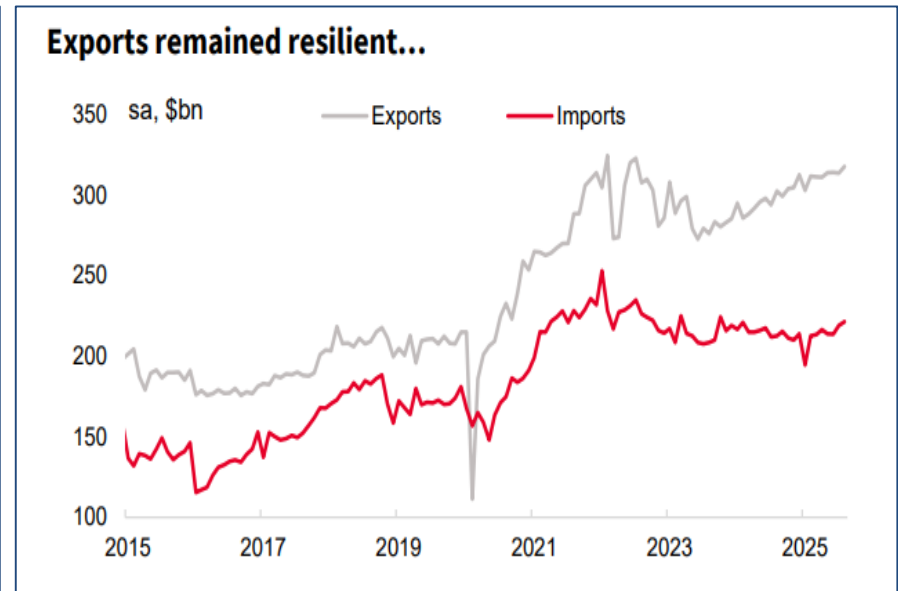
## 2. Macro : China Capacity and Exports

- While exports have continued to grow, **imports have stagnated for several months**. China can no longer afford to import large volumes of goods, as it already faces significant overcapacity.
- Indeed, nearly all Chinese manufacturing sectors are experiencing excess capacity, and **the long-awaited recovery in domestic consumption has yet to materialize** to absorb it.

China Excess Capacity



China Exports vs Imports



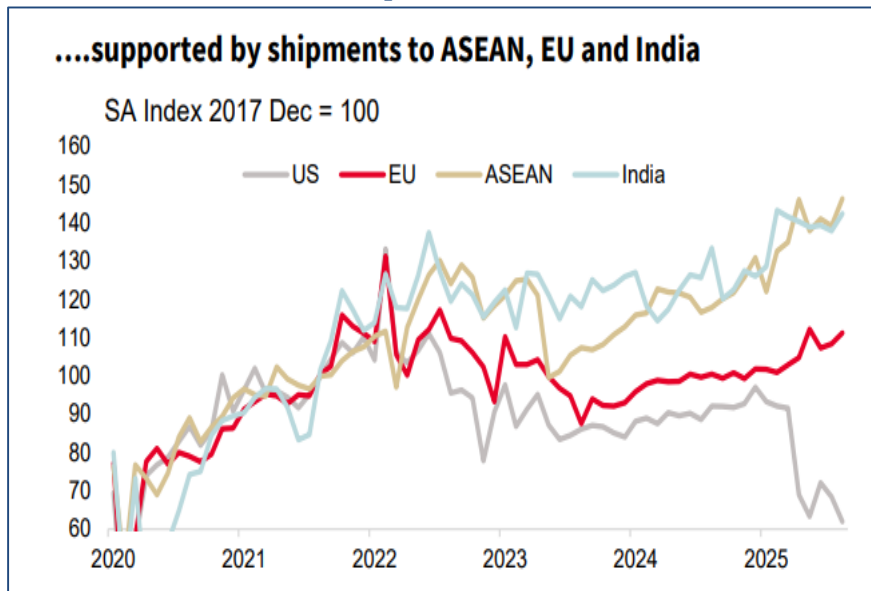
Source: Société Générale

Source: Société Générale

## 2. Macro : China Exports

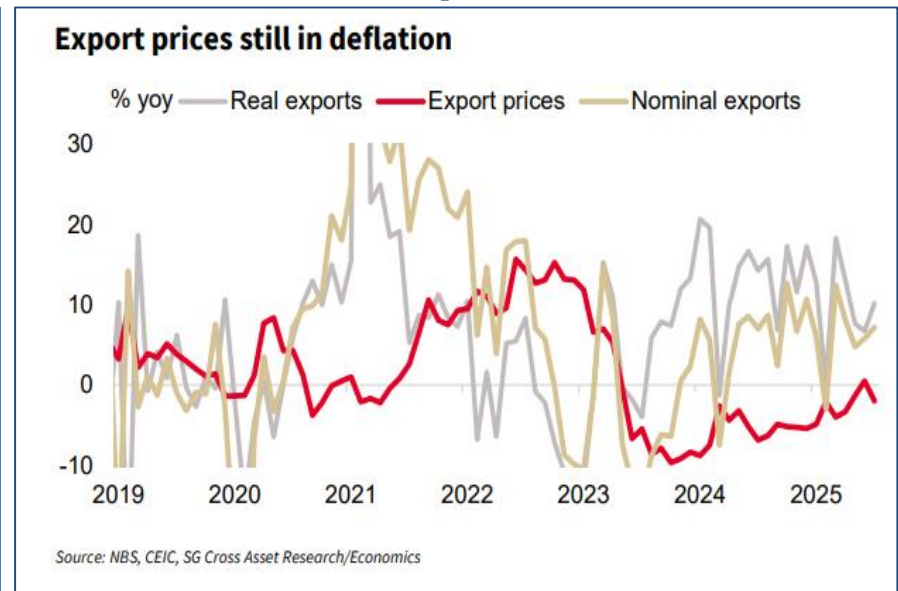
- Unable to channel exports to the U.S., China has turned to other trading partners. Most of these **flows have been redirected toward Asian economies and India**, with Europe playing a smaller role.
- However, given China's persistent production overcapacity and reduced trade with the U.S., export prices have fallen. This is likely to weigh on partner economies, which are receiving large inflows of Chinese goods at prices lower than their domestic production costs.

China Export Destination



Source: Société Générale

China Export Prices



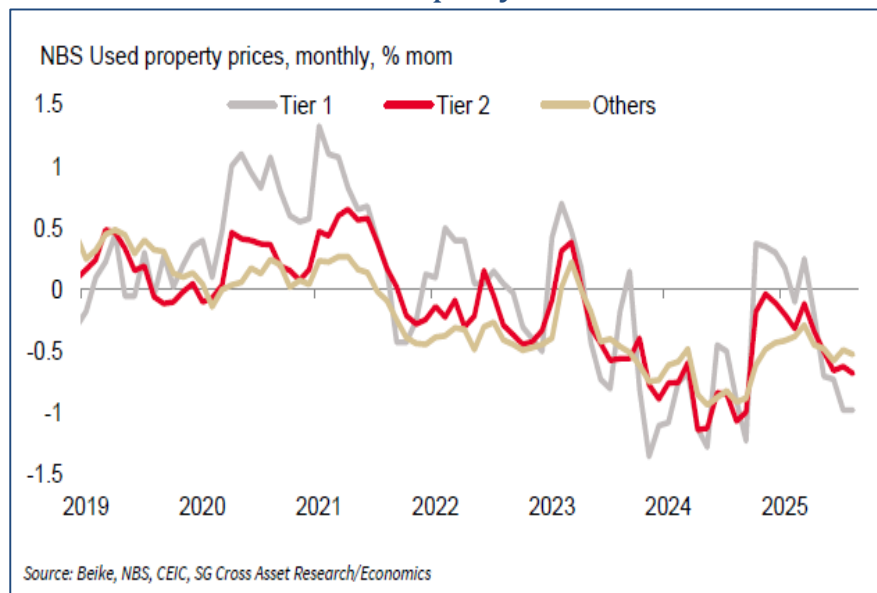
Source: Société Générale



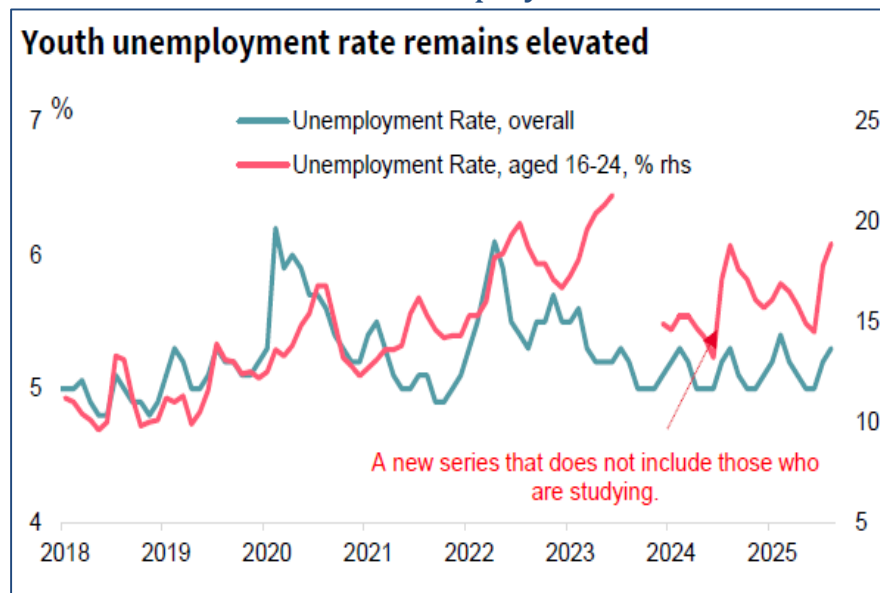
## 2. Macro : China Property Prices & Unemployment

- Even though Chinese export are not in a bad shape, the domestic economy is giving another picture. The Real Estate market is still in decline as property prices keep falling. **Housing represents almost half of the people's savings in China**, this means that the government has to do something in order to stabilize prices and raise consumer confidence.
- The **unemployment figures are also growing especially for the young population**. Knowing that China is facing an aging and declining population it's surprising to see youth unemployment rising. **If this trend doesn't revert, the domestic consumption will keep declining and deflation will prevail.**

China Property Prices



China Unemployment

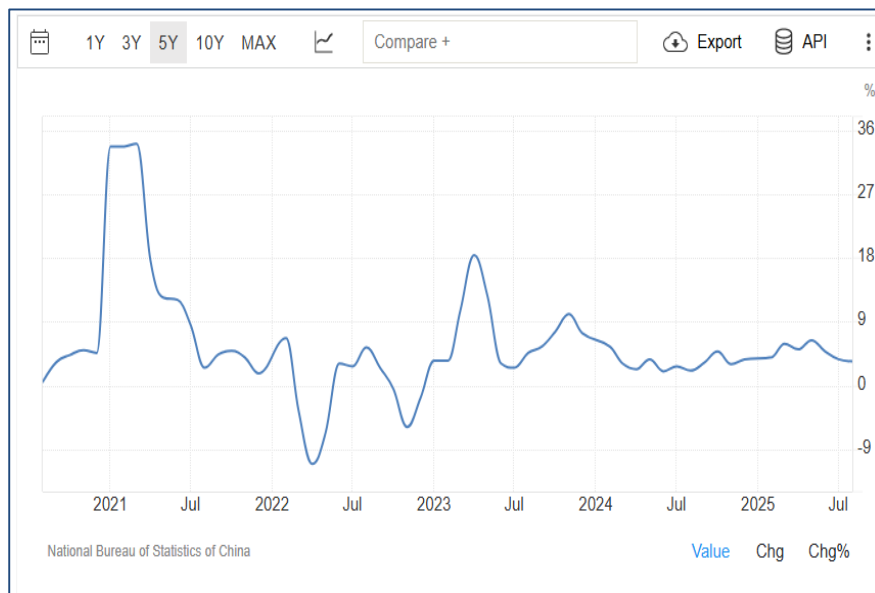


Source: Société Générale

## 2. Macro : China Retail Sales and Savings

- For the situation in China to improve, **domestic consumption must recover**. Yet recent months have seen continued disappointment. A revival in spending would require the Government to restore consumer confidence through fiscal stimulus.
- In the meantime, Chinese households continue to save as a precaution against further economic deterioration. **The country's October policy meeting**, dedicated to the five-year plan, **should provide clearer insights into Beijing's intended direction**.

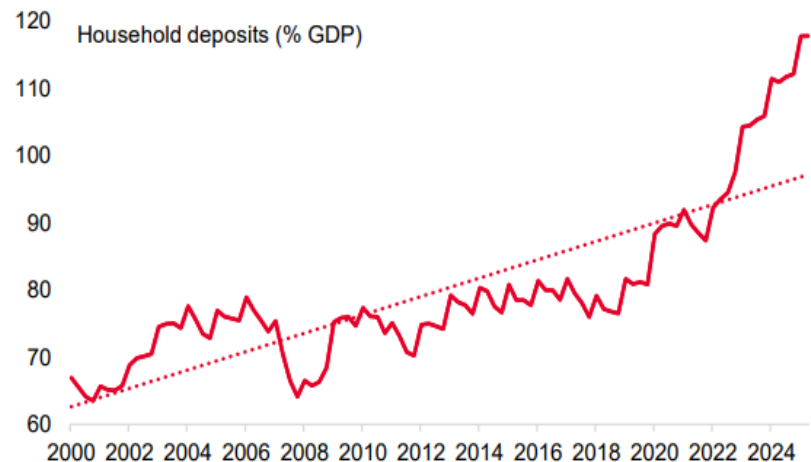
China Retail Sales



Source: Tradeeconomics

China Household Savings

### household savings remain elevated



Source: NBS, CEIC, Zhaopin, Bloomberg, SG Cross Asset Research/Economics

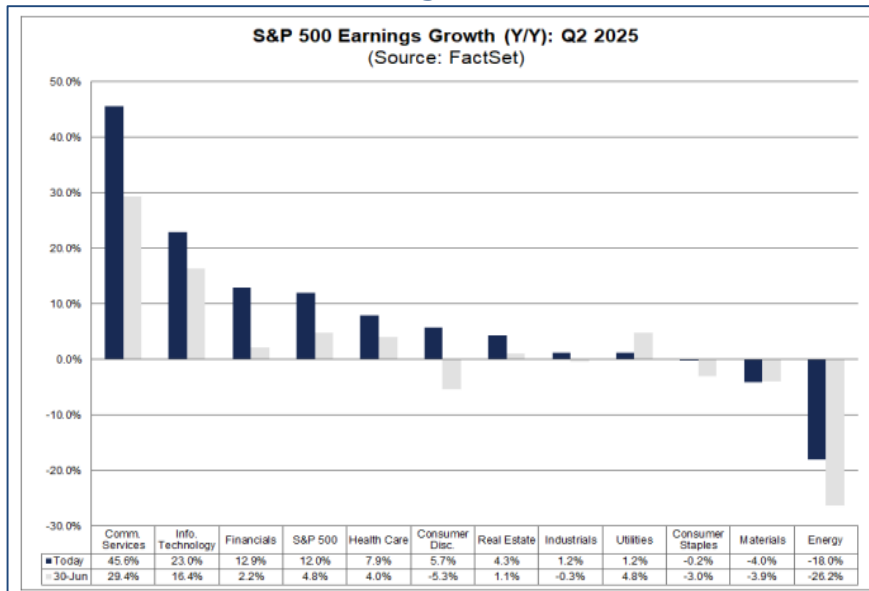
Source: Société Générale



### 3. Micro : S&P 500 Earnings

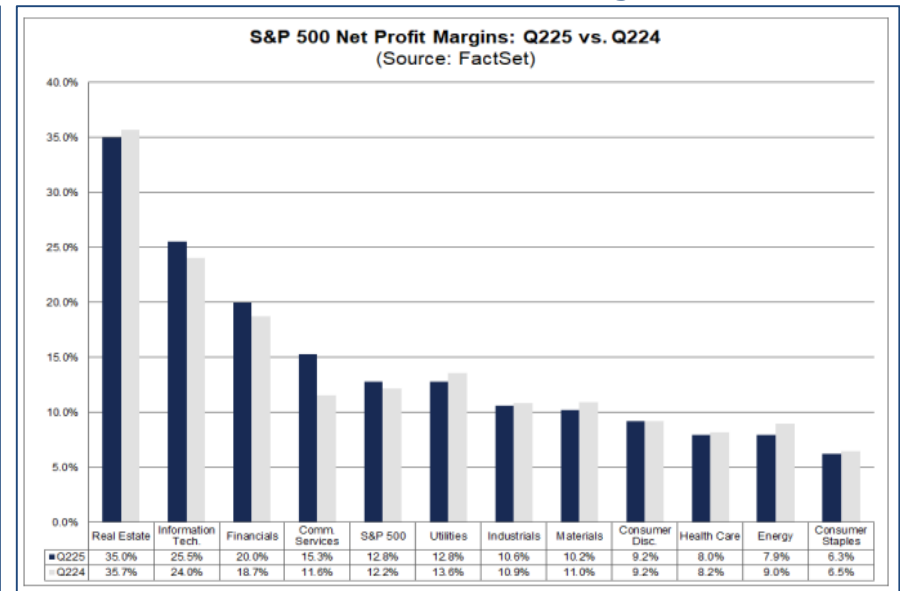
- Q2 2025 corporate results were solid. As is often the case, most companies beat analyst expectations. This reassured equity investors, who had feared tariffs would weigh heavily on corporate earnings.
- Margins also surprised to the upside. Despite the risk that higher tariffs could erode profitability, many companies had built up sufficient inventories to shield themselves from immediate impact.

S&P 500 Earnings Growth Q2 2025



Source: Factset

S&P 500 Net Profit Margins



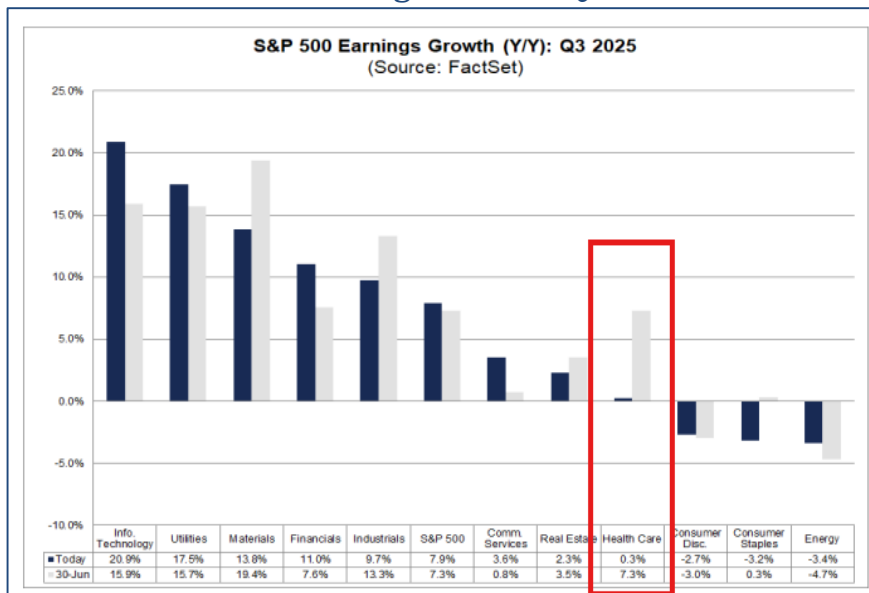
Source: Factset



### 3. Micro : S&P 500 Earnings

- Earnings growth expectations for Q3 have been revised slightly upward. For the S&P 500, projected earnings growth stood at 7.3% as of June 30, compared with 7.9% today. The most notable sector revision was in Healthcare, where forecasts fell from 7% growth to nearly zero, reflecting the administration's efforts to lower drug prices—a headwind for pharmaceutical firms.
- Globally, earnings forecasts have been raised across most indices, with the U.S. seeing the highest revision ratio. Once again, momentum remains stronger in the U.S.

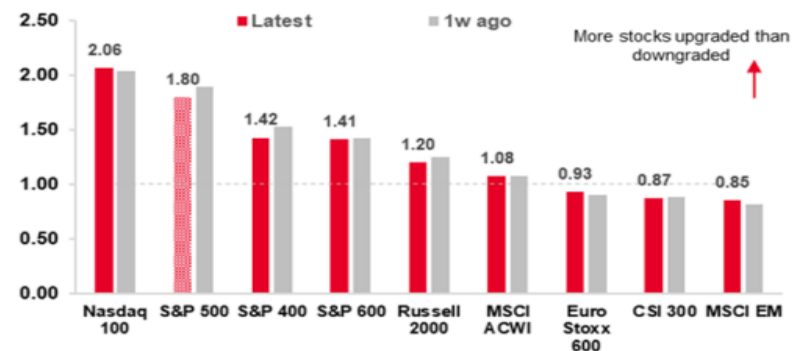
S&P 500 Earnings Growth Q3 Forecast



Source: Factset

Index Earnings Revision

**The profit cycle is broadening in the US, contrasting with the global equity profit cycle. Earnings momentum is positive for all US equity segments**



Source: Refinitiv, SG Cross Asset Research/Equity Strategy

Source: Société Générale



### 3. Micro : Rotation

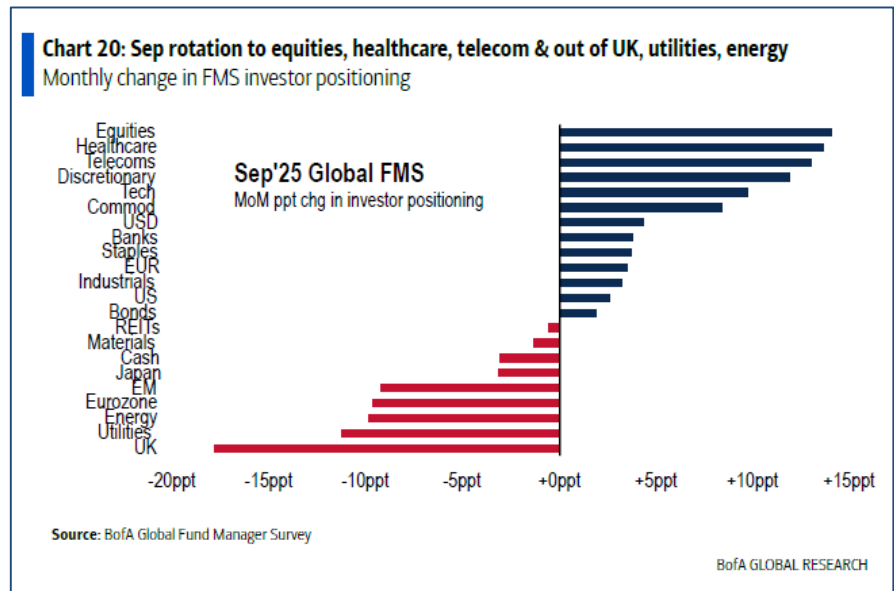
- At the start of the year, announcements from the new administration encouraged investors to rotate away from U.S. assets toward international markets. Those who did so were rewarded, as Europe and Emerging Markets significantly outperformed the U.S. in the first two quarters.
- However, this trend has reversed in recent months, with investors regaining confidence in U.S. markets and reallocating capital back into American assets.

#### Rotation Back to US Stock



Source: Bloomberg

#### FMS Investor Rotation

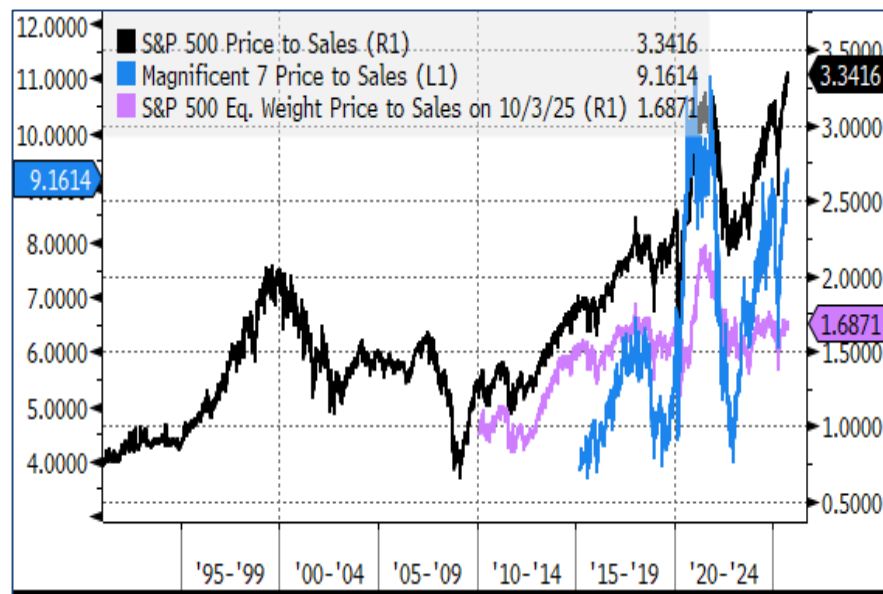


Source: BofA FMS

### 3. Micro : S&P 500 Valuation

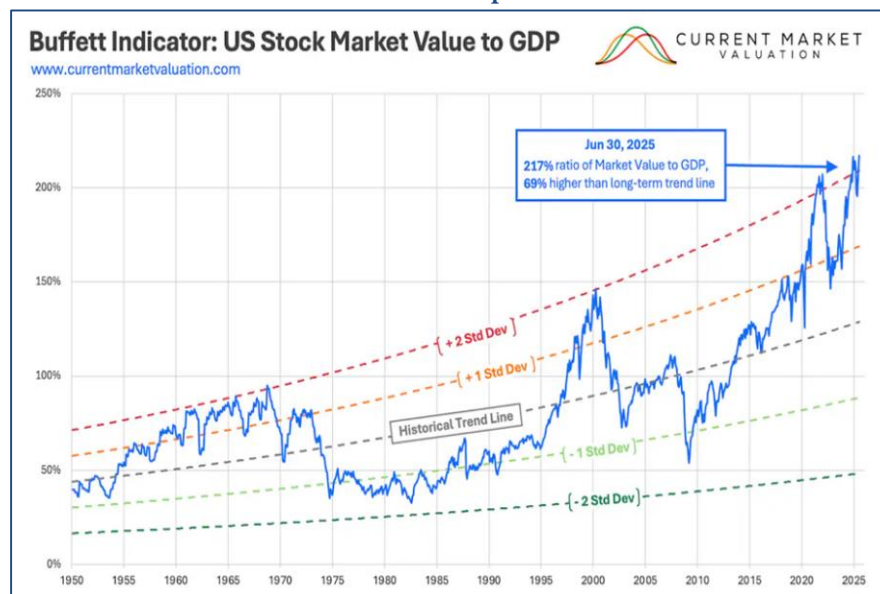
- Asset managers are increasingly questioning whether the bull market can continue at current valuation levels. The price-to-sales ratio has reached an all-time high, levels last seen just before the 2022 correction.
- Another indicator—the ratio of U.S. equity market capitalization to GDP—has risen to two standard deviations above its long-term mean, typically a signal of market turning points. That said, such imbalances can persist for several years before correction occurs.

S&P 500 Price to Sales



Source: Bloomberg

US Market Cap vs GDP

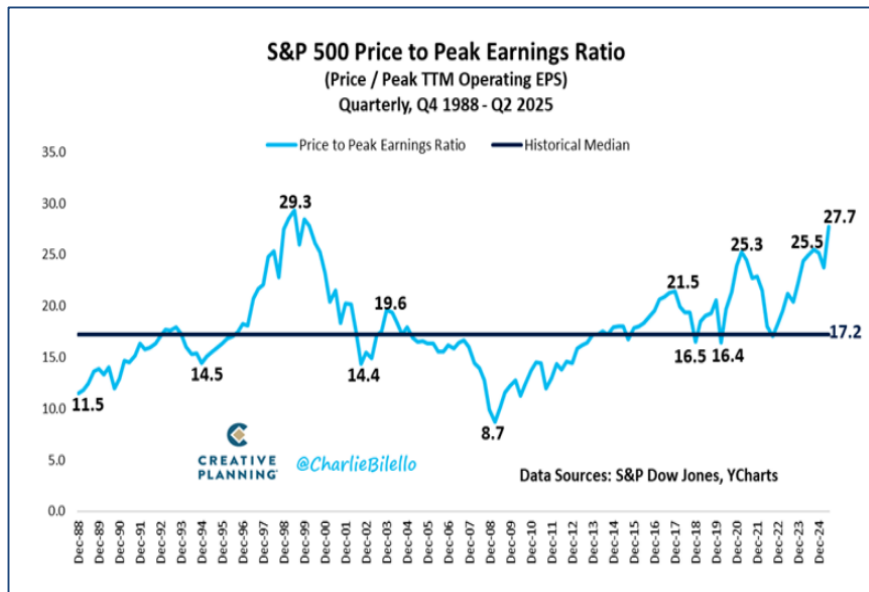


Source: Current Market Valuation

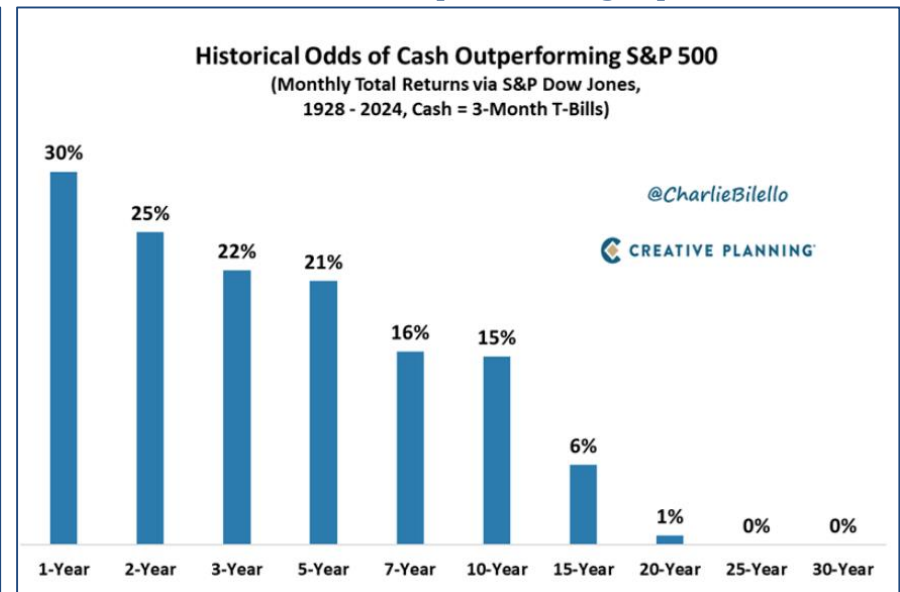
### 3. Micro : Valuation & Relative Performance

- The P/E ratio is also near record highs, comparable to levels reached in 1999. Some investors now warn of a potential bubble in artificial intelligence that could burst at any moment.
- While a correction is always possible, we emphasize the importance of remaining invested. Historical data clearly shows that with a sufficiently long investment horizon, equities tend to outperform cash, making short-term volatility largely irrelevant.

S&P 500 PE



Odds of Cash Outperforming Equities



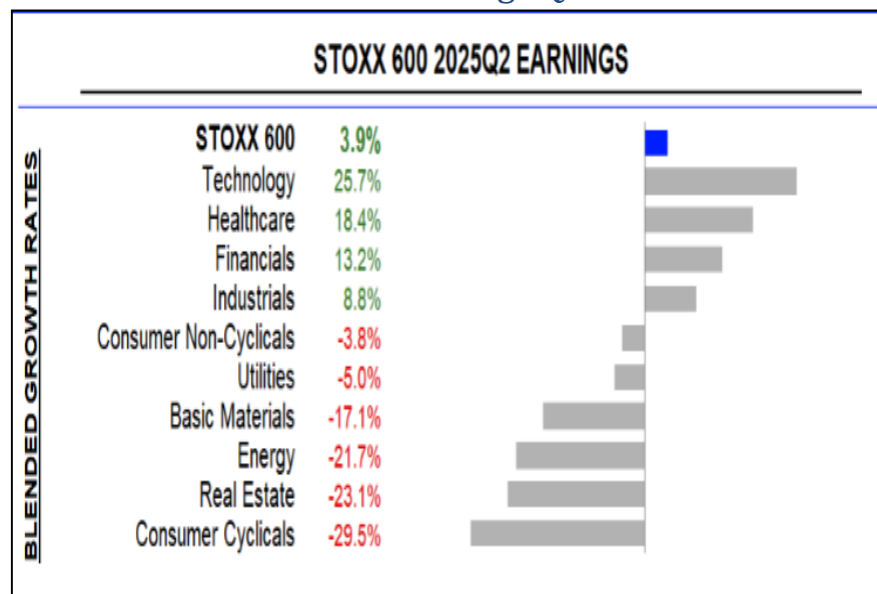
Source: Charlie Bilello

Source: Charlie Bilello

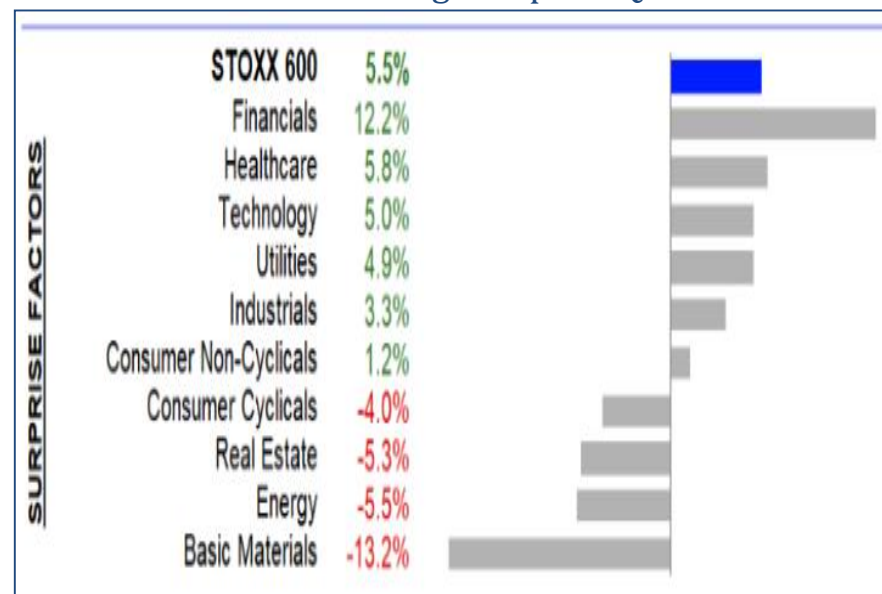
### 3. Micro : Stoxx 600 Earnings

- European earnings were also solid, though less striking than in the U.S. Technology, Healthcare, and Financials delivered double-digit growth, while Consumer Cyclicals, Real Estate and Energy saw profits decline by more than 20%.
- Financials produced the largest positive surprise relative to expectations, largely due to Banks maintaining stronger-than-anticipated profitability, supported by the steepening of the yield curve.

Stoxx 600 Earnings Q2 2025



Stoxx 600 Earnings Surprise Q2 2025



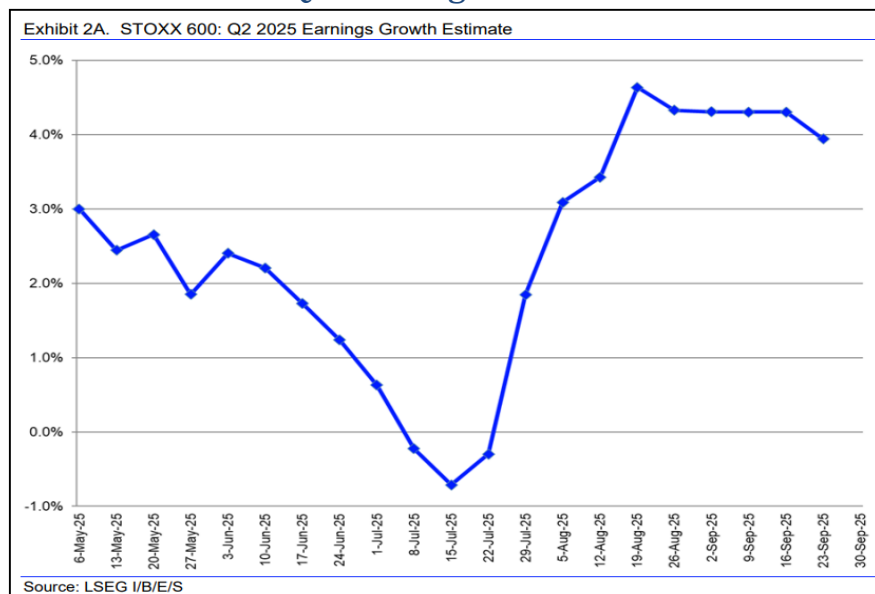
Source: Refinitiv

Source: Refinitiv

### 3. Micro : Stoxx 600 Earnings

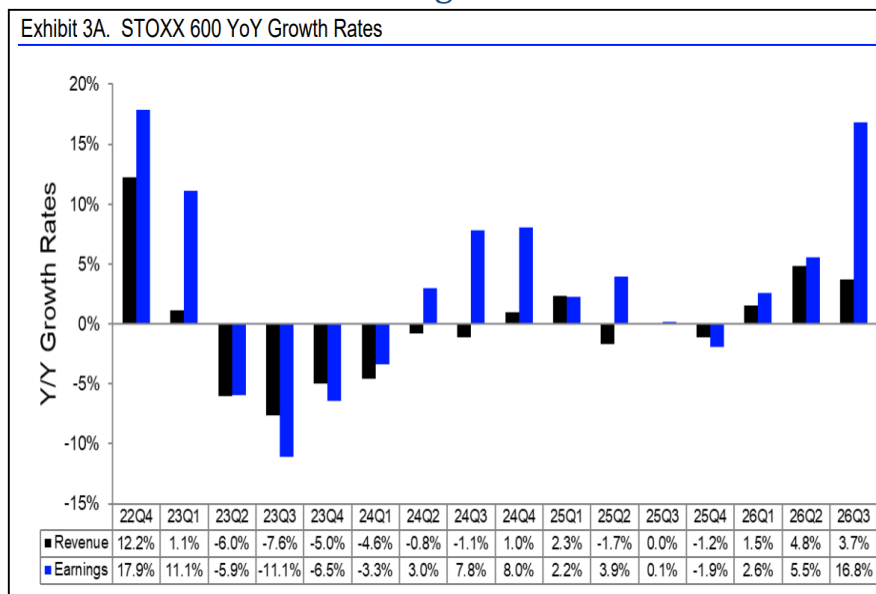
- At the start of earnings season, European companies were expected to deliver less than 1% growth. Ultimately, they achieved 3.9% growth.
- The next two quarters are likely to reflect the challenges of trading with the U.S. Flat growth is expected in Q3, followed by a contraction in Q4.
- In Europe, valuations are also stretched compared to the historical average but relative to the US, the valuation is cheap.

#### Stoxx 600 Q2 Earnings Growth Estimates



Source: Refinitiv

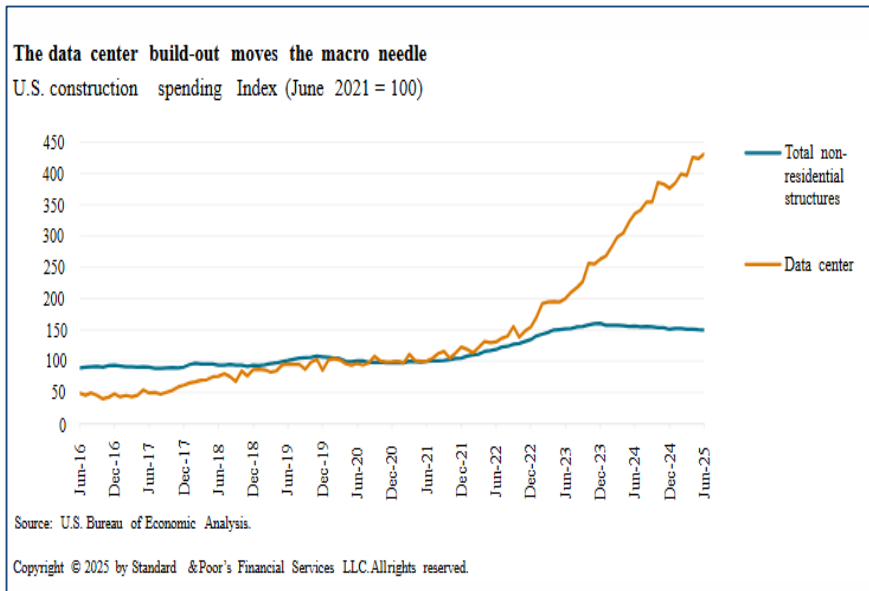
#### Stoxx 600 Earnings Growth Forecast



### 3. Micro : AI Investments

- Artificial intelligence, along with the investments it generates and the productivity gains it promises, has been a key driver of markets reaching new highs in recent years. Since 2022, new data center announcements have been made almost daily.
- In total, more than USD 6.7 trillion is expected to be invested in AI development by 2030. If realized, this would benefit a broad range of companies, with Nvidia standing out as one of the current frontrunners.

#### US Data Center Construction

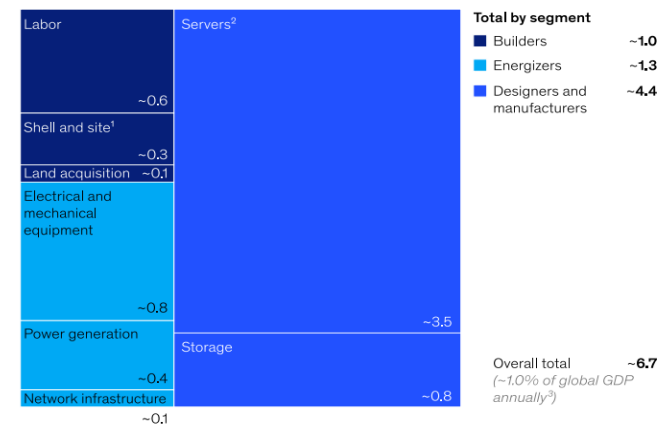


Source: S&P

#### Global Capex in Data Center by 2030

**\$6.7 trillion of capital expenditure will be cumulatively deployed in data center infrastructure through 2030.**

**Global distribution of capital investments across data center value chain segments, 2025–30, \$ trillion**



<sup>1</sup>Includes mechanical, electrical, and plumbing.

<sup>2</sup>Including graphics processing units (GPUs) and central processing units (CPUs).

<sup>3</sup>Global GDP: \$106 trillion (2023).

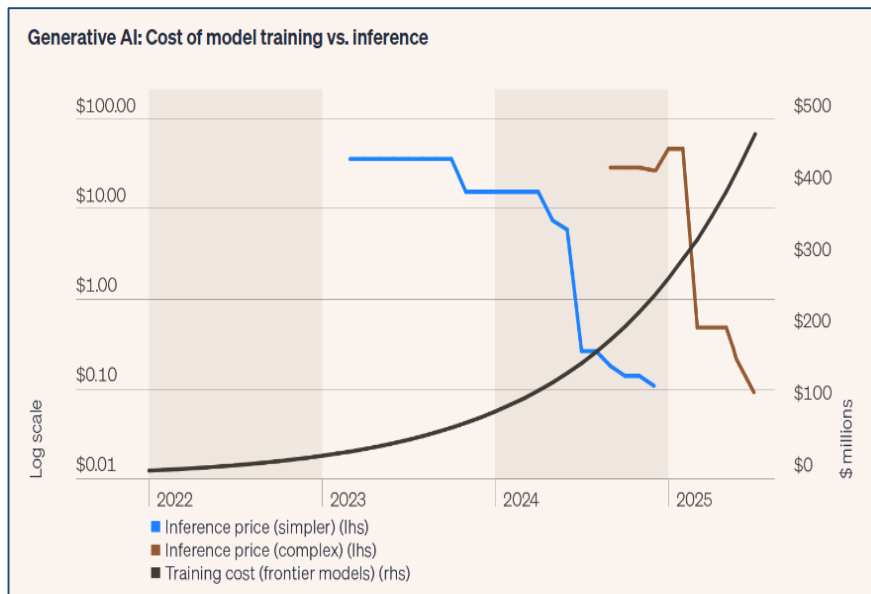
Source: Goldman Sachs; S&P Capital IQ; McKinsey Data Center CAPEX TAM & Demand model; analyst reports; expert interviews

Source: McKinsey

### 3. Micro : AI Investments

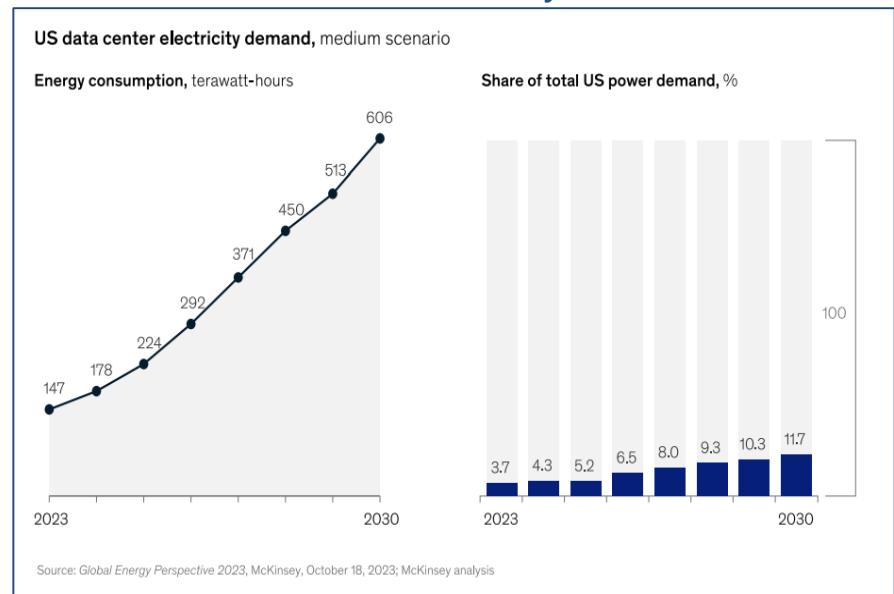
- The key question is whether all this new infrastructure is truly necessary. AI models are becoming increasingly complex, raising training costs, though the cost of using them is steadily declining. DeepSeek also had a huge impact as China has proven to be able to build competitive AI Technology that consumes less computing power than US. It's a step forward to the technological independence of China.
- These models also consume vast amounts of electricity, which could drive demand for power higher and push up energy prices unless sufficient infrastructure is built in the coming years.

#### Cost of AI



Source: McKinsey

#### Data Center Electricity Demand

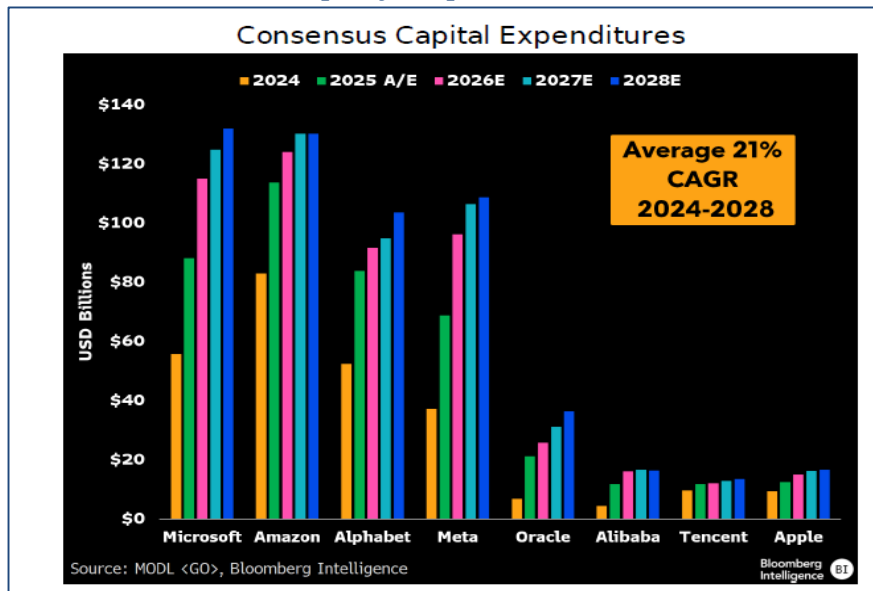


Source: McKinsey

### 3. Micro : AI Investments

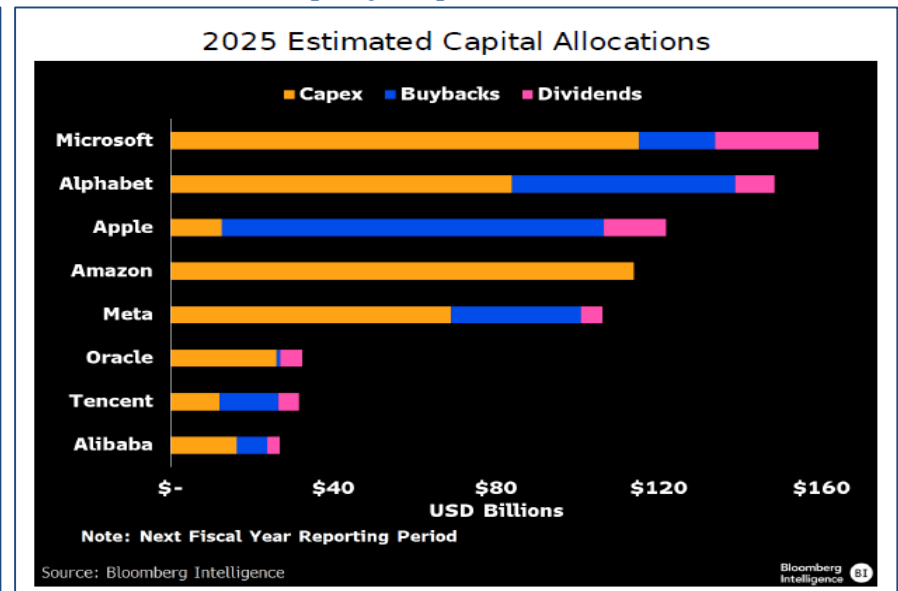
- Among companies, it is the major U.S. tech players that plan to invest the most heavily in this industry. Much of their capital allocation will be directed toward capex, at least through 2028.
- However, markets still lack clarity on the monetary benefits to be derived from these investments. Will revenues come from advertising when users query ChatGPT, from productivity gains, or from something else altogether? For now, there is little consensus on how these significant capex outlays will generate sustainable returns.

Company Capex Forecast



Source: Bloomberg

Company Capital Allocation



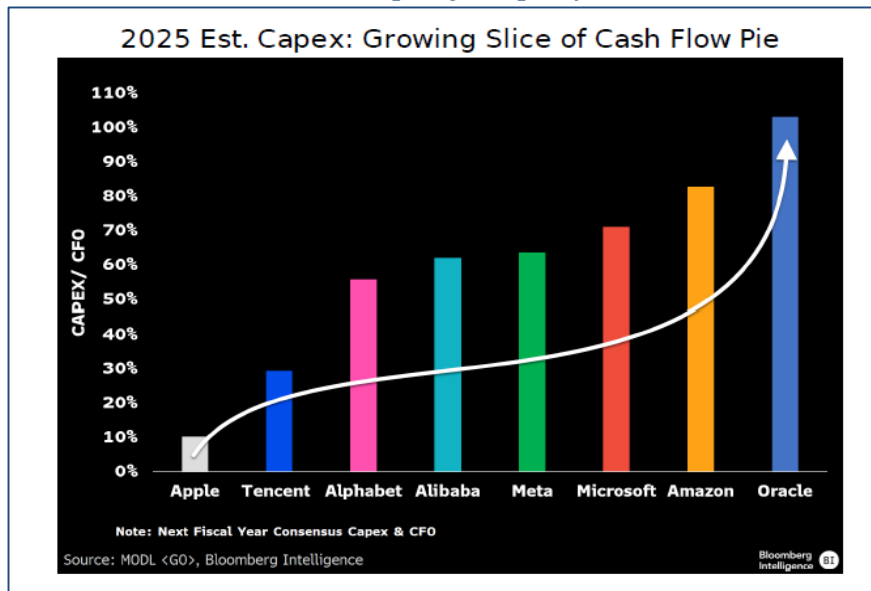
Source: Bloomberg



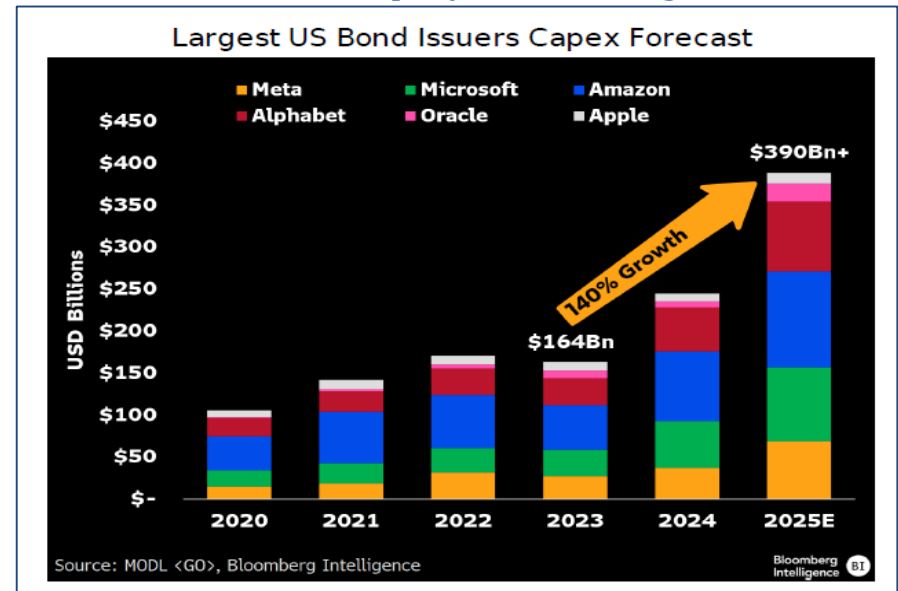
### 3. Micro : AI Investments

- The firms announcing the largest investments currently enjoy strong balance sheets with minimal debt. Yet the scale of these projects is such that most future cash flows will be absorbed, potentially forcing them to raise additional debt.
- The challenge will be to monetize these investments before their balance sheets come under strain from excessive, unproductive spending.

Tech Company Capex/CFO



Tech Company Debt Raising



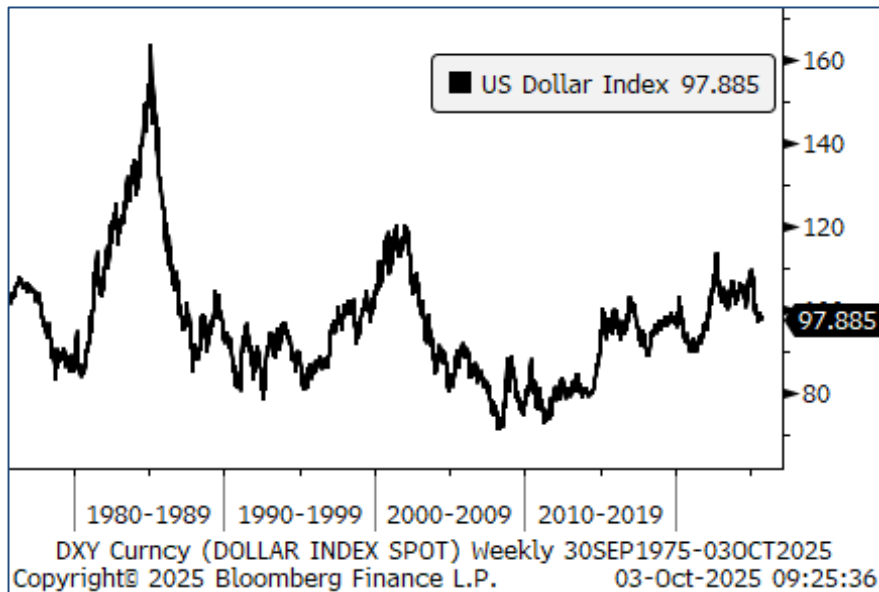
Source: Bloomberg

Source: Bloomberg

## 4. Cross Asset : USD

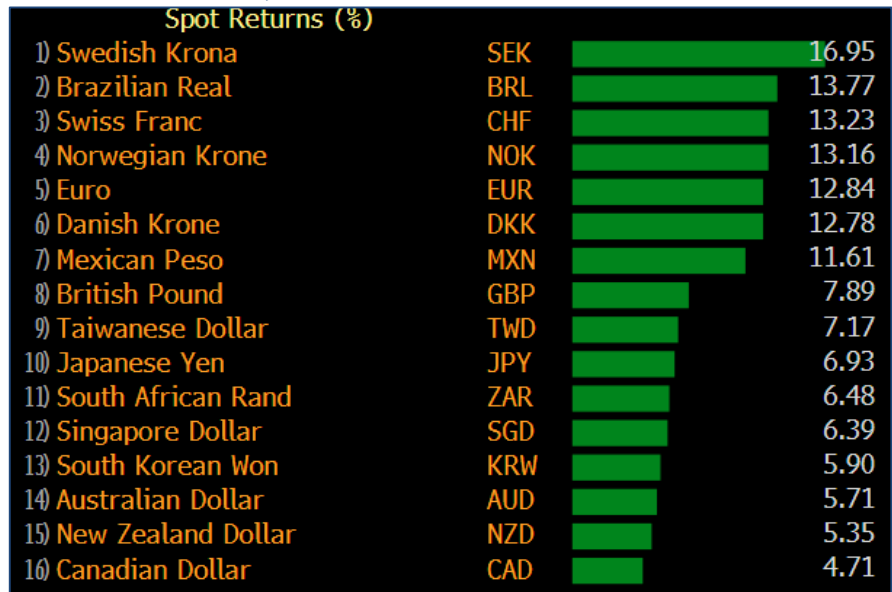
- Since the start of the year, the USD has depreciated against all major currencies. This reflects U.S. tariffs, possible erosion of investor confidence in the U.S. Government, the Fed's renewed rate-cutting cycle, the Fed's decreasing independency from the government and the de-dollarization by countries such as China and Russia.
- Over the long term, the Dollar Index remains in the upper part of its historical range. However, if current dynamics persist, further depreciation appears likely.

US Dollar Index



Source: Bloomberg

Major Currencies vs USD YTD



Source: Bloomberg



## 5. Market Review: Equity Performance

- Q3 performance was strong across all indices, with the U.S. catching up after lagging earlier in the year.
- China also stood out, as several large Chinese tech companies began to rival their American peers, drawing investors attention to Chinese equities trading at significantly lower valuations.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	16.2%	4.4%	7.0%	7.4%
S&P 500	13.7%	2.0%	7.8%	8.3%
NASDAQ	17.3%	5.6%	11.2%	11.7%
BRAZIL	35.4%	23.9%	7.3%	7.8%
Euro Stoxx 50	26.3%	12.9%	3.8%	4.3%
Stoxx Europe 600	23.3%	10.0%	2.7%	3.1%
FTSE 100	21.8%	8.9%	4.6%	5.1%
CAC 40	20.3%	7.0%	2.6%	3.0%
DAX	33.3%	19.9%	-0.6%	-0.1%
IBEX	46.8%	33.5%	10.2%	10.6%
MIB	38.3%	25.0%	6.9%	7.4%
SMI	16.6%	5.0%	1.2%	1.6%
NIKKEI 225	18.5%	6.0%	8.3%	8.8%
HANG SENG	33.7%	20.3%	12.4%	12.9%
SHANGHAI	18.3%	5.1%	13.3%	13.6%
VIX	-6.2%	-17.9%	-2.7%	-2.2%

Source: Bloomberg 30/09/25



## 5. Market Review : Sector Performance Review

- Sectoral performance underscores the divergence between the U.S. and European economies. In Europe, Financials—representing a substantial share of indices—drove performance.
- In contrast, U.S. markets were lifted primarily by Technology companies, buoyed by AI-related investment, which enabled them to close the performance gap.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	-3.1%	4.7%	4.7%	9.4%	7.5%	8.3%
Consumer Staples	2.5%	-1.3%	2.0%	-2.9%	7.2%	-2.0%
Energy	5.9%	5.1%	4.3%	5.3%	11.1%	6.2%
Financials	32.7%	8.5%	11.5%	2.9%	22.9%	5.4%
Health Care	-3.6%	1.3%	1.2%	3.3%	3.8%	3.0%
Industrials	22.6%	4.5%	17.1%	4.6%	23.1%	4.7%
Information Technology	6.4%	2.5%	21.7%	13.0%	21.8%	12.3%
Materials	4.3%	2.3%	7.7%	2.6%	19.6%	8.5%
Telecommunication Services	13.1%	-4.6%	23.7%	11.8%	26.0%	10.8%
Utilities	20.5%	-0.1%	15.1%	6.8%	22.0%	5.2%

Source: Bloomberg 30/09/25



## 5. Market Review : FX and commodities performance

Currencies		
Against USD		
	YTD	3M
EURO	13.3%	-0.4%
JPY	5.9%	-2.7%
GBP	7.4%	-2.1%
CHF	12.2%	-0.4%
CNY	2.4%	0.6%
HKD	-0.2%	0.9%
CAD	3.2%	-2.3%
AUD	6.9%	0.5%
Against Euro		
	YTD	3M
USD	-11.8%	0.5%
JPY	-6.6%	-2.2%
GBP	-5.5%	-1.7%
CHF	0.6%	0.0%
CNY	-10.7%	0.8%
HKD	-13.5%	1.3%
CAD	-9.7%	-1.8%
AUD	-6.0%	0.9%
Against CHF		
	YTD	3M
EURO	-0.6%	0.0%
USD	-13.9%	0.4%
JPY	-7.2%	-2.2%
GBP	-6.0%	-1.7%
CAD	-10.3%	-1.8%
AUD	-6.6%	0.9%
HKD	-14.2%	1.3%

- In currency markets, the euro gave back part of its Q3 gains, reflecting a stronger U.S. economy and renewed capital flows from Europe back into U.S. assets.
- In Commodities, Gold and Silver outperformed, posting gains of 17% and 30%, respectively.

	% YTD in USD	% 3M in USD
WTI Crude Oil	-13.0%	-4.2%
Brent Crude Oil	-10.2%	-0.9%
Gasoline	-1.4%	-5.1%
Natural Gas	-6.7%	-17.1%
Gold	47.0%	16.8%
Silver	61.4%	29.2%
Platinum	73.6%	15.9%
Palladium	38.2%	13.9%
Aluminum (LME)	5.1%	3.2%
Copper (LME)	17.1%	4.0%
Corn	-9.4%	-1.2%
Wheat	-7.9%	-3.9%
Soybean	0.4%	-2.2%
Coffee	17.2%	22.2%
Sugar	-16.4%	4.0%
Cotton	-7.4%	-4.5%

Source: Bloomberg 30/09/25



## 5. Market Review : Fixed Income Performance

- Fixed-income indices have all delivered positive performance year-to-date.
- Credit spreads, both in Investment Grade and High Yield, remain at historically low levels, leaving credit markets relatively unattractive. As long as recession risks remain low, spreads are likely to stay tight.
- We continue to expect further steepening of the yield curve, which makes the belly of the curve the most attractive positioning.
- Big companies like First Brands has filed for bankruptcy with 10Bn of liabilities. This didn't impact credit spreads so far.

	Perf August	Perf YTD	Perf last 3 months	Yield	Duration	Spread
<b>Global</b>						
Global Aggregate	0.7%	7.9%	0.6%	3.5	6.5	52
Treasuries	0.4%	7.3%	-0.2%	3.1	7.1	9
Credit	1.1%	9.6%	1.8%	4.2	6.1	70
<b>USA</b>						
U.S. Universal	1.1%	6.3%	2.1%	4.5	5.9	91
U.S. Aggregate	1.1%	6.1%	2.0%	4.3	6.1	27
U.S. Gov/Credit	1.1%	5.9%	1.9%	4.2	6.3	26
U.S. Treasury	0.8%	5.4%	1.5%	3.9	6.0	0
Government-Related	1.0%	6.7%	2.2%	4.3	5.6	40
Corporate	1.5%	6.9%	2.6%	4.8	7.1	73
U.S. MBS	1.2%	6.8%	2.4%	4.6	5.6	28
<b>Pan Europe</b>						
Pan-Euro Aggregate	0.3%	0.6%	-0.1%	3.2	6.5	42
Euro-Aggregate	0.4%	1.0%	0.2%	2.9	6.4	48
<b>Asia Pacific</b>						
Asian-Pacific Aggregate	0.3%	-2.5%	0.7%	2.0	7.3	6
<b>High Yield</b>						
Global High Yield	0.7%	9.6%	2.6%	6.7	3.8	334
U.S. Corporate High Yield	0.8%	7.2%	2.5%	6.7	3.1	269
Pan-European High Yield	0.4%	4.2%	1.8%	5.7	3.0	281
<b>Other</b>						
Global Inflation-Linked	0.7%	8.3%	0.0%			
Municipal Bond Index	2.3%	2.6%	3.0%	3.6	6.3	
<b>Emerging Markets</b>						
EM USD Aggregate	1.1%	8.5%	3.4%	6.0	6.2	202
Sovereign	1.2%	9.2%	3.6%	6.3	7.2	227
Corporate	0.6%	7.1%	2.8%	6.0	4.9	213
High Yield	0.3%	8.7%	3.1%	7.9	5.4	400

Source: Bloomberg 30/09/25



## 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 45.8% Risky Assets\*, 29.2% 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, Europe &amp; Japan).</li> <li>Emerging Markets, China.</li> </ul>	
	<b>Investment style, stock selection</b>	<ul style="list-style-type: none"> <li>Global growth themes.</li> <li>EU &amp; CH 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, Copper &amp; Uranium.</li> <li>Decorrelated Strategies.</li> </ul>	



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

# 7. Conclusion

- Risky assets are trading at historic highs. Beware of excessive complacency.
- Geopolitical tensions no longer seem to be affecting investor sentiment.
- “De-dollarization” is allowing Gold to reach new highs.
- The use of digital assets continues to become more widespread.
- Diversification, which we regularly emphasize, is more important than ever.



## 8. Thematic – Genius Act

- In July, Donald Trump signed the Genius Act, marking the first comprehensive federal regulation of stablecoins.
- This legislation establishes a formal framework for stablecoin issuers, requiring them to hold equivalent dollar reserves, disclose their holdings, and comply with anti-money-laundering regulations.
- In essence, it seeks to: strengthen stability and confidence, ensure greater transparency for investors and regulators, mitigate systemic risks stemming from inadequate reserves and facilitate the integration of stablecoins into the broader financial system.

Trump holding Genius Act

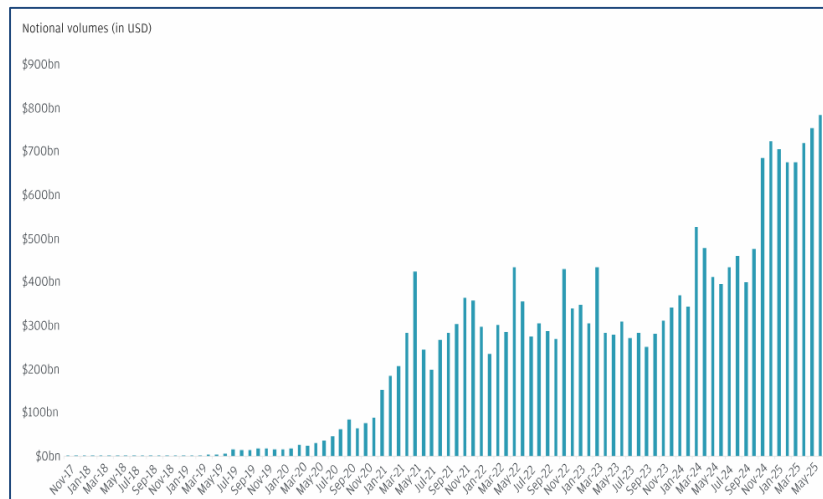


Source: World Economic Forum

## 8. Thematic – Strong growth

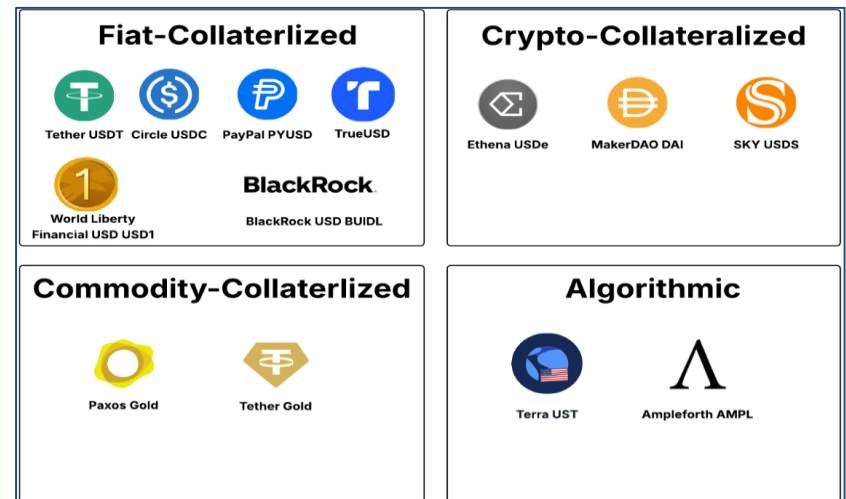
- In recent months, stablecoins have taken center stage. From the signing of the Genius Act to the IPO of one of their largest issuers, Circle, these digital assets have gained unprecedented visibility.
- Adoption is accelerating worldwide, drawing the attention of Governments, Banks, and Tech giants and reshaping how money moves across the global financial system.
- The stablecoin market has expanded to a capitalization exceeding USD 250 billion today and, according to JPMorgan, could reach USD 500–750 billion in the coming years.

Stablecoins Volume Growth



Source: Visa Onchain Analytics, Allium Labs

Main Stablecoins



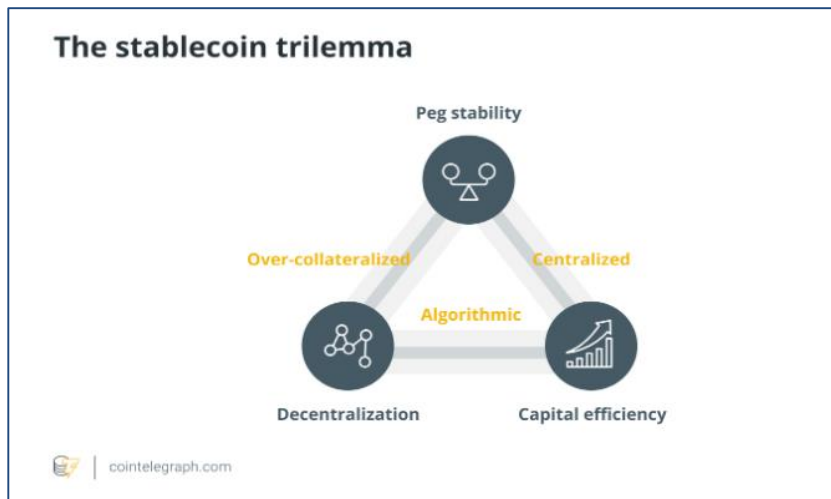
Source: Certik



## 8. Thematic – Definition

- A stablecoin is a blockchain-based digital currency whose value is anchored to real-world assets like fiat currencies (USD, EUR) or Commodities (Gold), ensuring price stability.
- **Centralized stablecoins** (USDT, USDC): each token is backed by fiat currency (typically USD) held in reserve by a private company, making users reliant on trust in that issuer.
- **Decentralized stablecoins** (DAI): backed by cryptocurrency reserves and governed by smart contracts, without reliance on a central authority.
- **Algorithmic stablecoins** (AMPL): use algorithms to maintain their peg, but tend to be highly risky and prone to instability.

### The Stablecoin Trilemma



### Stablecoin Types

	Centralized Stablecoin	Decentralized Stablecoin	Algorithmic Stablecoin
Collateralization	Fiat currency (USD, EUR)	Cryptocurrencies	Algorithm and cryptocurrencies
Advantages	Simple structure, widely adopted  Transparency varies by issuer  Often available on multiple blockchains	Censorship resistance  Over-collateralization as a safety mechanism  Full transparency via blockchain	Fully decentralized and automated system  Full transparency of code and mechanisms
Disadvantages	Dependence on a private company  Risks of censorship or frozen funds	Dependence on volatile cryptos like ETH  Often limited to a single blockchain	High instability risk, especially during market stress  Requires massive adoption to remain viable

Source: Cryptoast

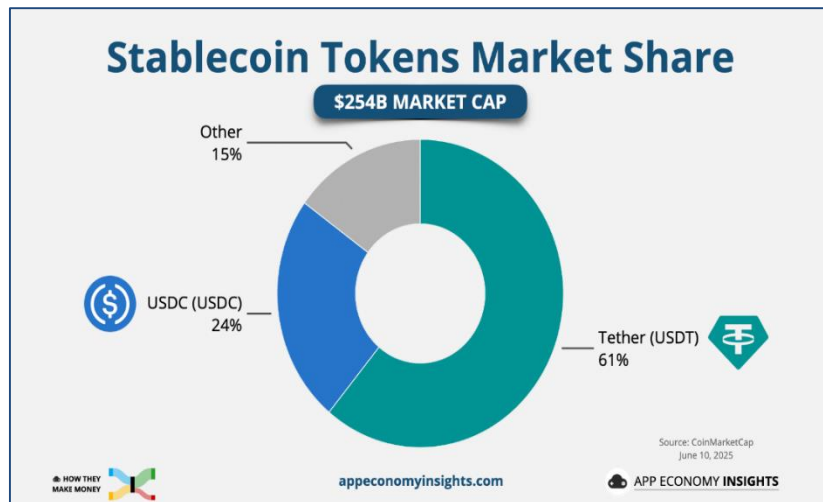


Source: Cointelegraph

## 8. Thematic – Main players

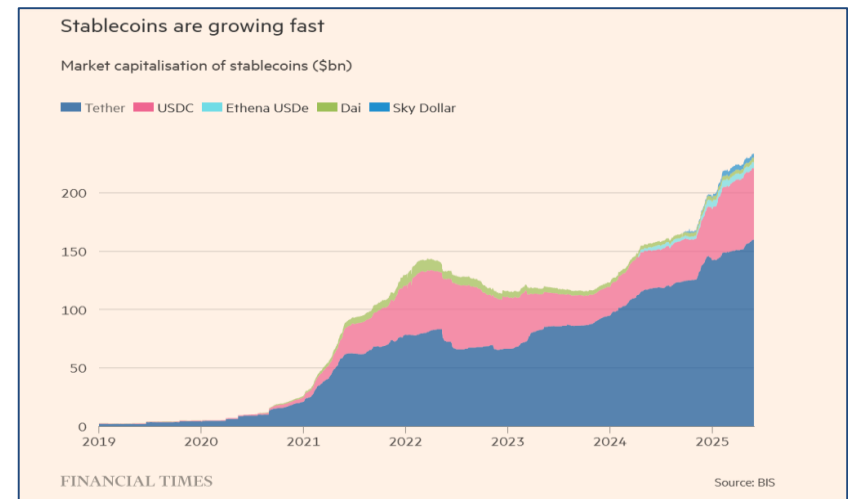
- Tether (USDT) remains the dominant issuer, with a market capitalization of about \$175 billion, representing over 60% of total market share.
- Circle (USDC) ranks second, with \$75 billion in circulation (over 20% market share) and sustained growth, particularly after its IPO, which further strengthened investor confidence.
- By contrast, decentralized stablecoins such as DAI represent barely 2% of the market, while algorithmic models have become largely marginal.
- This effective duopoly between Tether and Circle poses significant challenges for Governments, both in terms of regulation and monetary sovereignty.

Stablecoin Market Share



Source: App Economy Insights

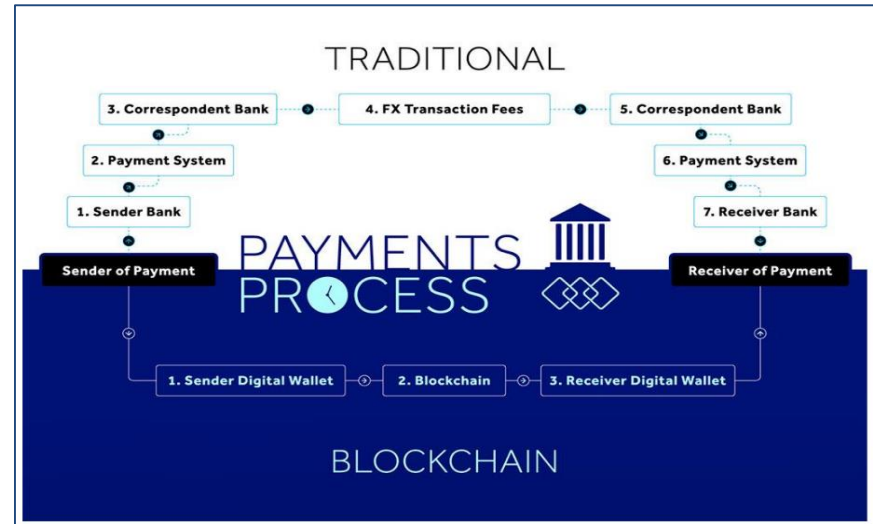
Stablecoin Growth by Issuer



Source: FT

## 8. Thematic – Benefits

- **Speed:** Cross-border payments via traditional rails often take a few business days to settle vs nearly instant for stablecoins.
- **Lower costs:** Legacy networks rely on costly intermediaries. Stablecoins reduce middlemen, making transfers far cheaper.
- **Transparency:** Legacy infrastructure makes it difficult to track routing and payment status. Stablecoins are recorded on public blockchains, offering full transparency.
- **Availability:** Banking systems operate only during business hours, excluding nights, weekends, and holidays. Stablecoins are fully operational 24/7.
- **Inclusion:** Millions of people remain underserved or excluded due to strict KYC rules and ID requirements. Unbanked and underserved population can have access to stablecoins.



Source: Barclays

	Legacy payment rails	Stablecoin
<b>Speed</b>	<ul style="list-style-type: none"> <li>1–5 business days</li> </ul>	<ul style="list-style-type: none"> <li>Nearly instant settlement</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>International wire: \$15–\$50 per transaction</li> <li>Automated clearing house: \$0.2–\$1.5 per transaction</li> <li>Credit card: 1.5%–3.5% of transaction</li> </ul>	<ul style="list-style-type: none"> <li>&lt;\$0.1 per transaction</li> </ul>
<b>Cross-border</b>	<ul style="list-style-type: none"> <li>Relies on correspondent or domestic banking system; additional foreign transaction (FX) fees</li> </ul>	<ul style="list-style-type: none"> <li>Borderless, minimal, or nonexistent FX fees</li> </ul>
<b>Automation and programmability</b>	<ul style="list-style-type: none"> <li>Manual interventions, settlement frictions</li> <li>Limited API and programmability capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Fully digital, smart-contract-enabled programmability</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>Established banking standards</li> <li>Employs technology to mitigate fraud risk</li> </ul>	<ul style="list-style-type: none"> <li>Cryptographically secure and irreversible but catastrophically vulnerable to wallet or key theft risks</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>Limited visibility into transaction steps</li> </ul>	<ul style="list-style-type: none"> <li>Fully transparent transaction reporting on blockchain</li> </ul>
<b>Settlement risks</b>	<ul style="list-style-type: none"> <li>Intermediary or correspondent dependency risks</li> </ul>	<ul style="list-style-type: none"> <li>Peer-to-peer, with no intermediary risks</li> </ul>
<b>Availability</b>	<ul style="list-style-type: none"> <li>Banking hours or days constraints</li> </ul>	<ul style="list-style-type: none"> <li>Fully operational 24/7/365</li> </ul>

Source: McKinsey & Company

## 8. Thematic – Use Cases

- Cross-border payments: stablecoins allow for fast, borderless transactions available 24/7, typically costing only a few cents.
- Access to USD in Emerging Markets: in countries with high inflation or volatile currencies (Argentina, Lebanon, Nigeria, ...), they provide a secure digital alternative to hold value.
- Micropayments: stablecoins make it feasible to send tiny amounts, for instance a few cents to read an article online, something impractical with traditional banking.
- DeFi: enable users to lend, borrow, and provide liquidity directly on-chain, without relying on traditional banks or intermediaries.

### Use Cases

#### **Stablecoin use cases for ecosystem players, nonexhaustive**

##### **Consumer and retail**

- Peer-to-peer instant transfers
- Cross-border payments
- Merchant payments and checkout
- Loyalty programs
- Crypto yields and savings
- Programmable lending

##### **Enterprise and merchant**

- B2B payments
- Embedded finance for marketplaces
- Treasury and cash management tools
- Financing for small and medium-size businesses

##### **Institutional and infrastructure**

- Stablecoin-as-a-service
- Real-world asset tokenization
- Interbank settlement
- On-chain foreign transactions
- DeFi (decentralized finance) lending
- Real estate loans

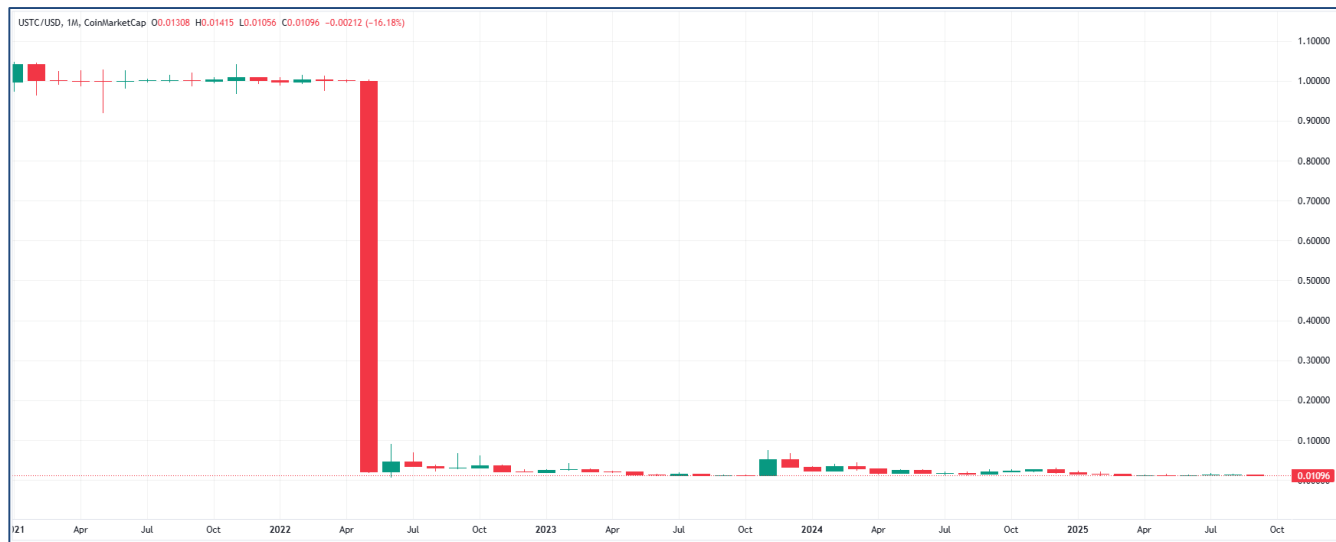


Source: McKinsey & Company

## 8. Thematic – Risks

- Stablecoins may seem safe, but their stability depends heavily on their design and the nature of their reserves.
- Tokens backed by currencies such as USDT or USDC are generally more reliable. In contrast, those backed by other cryptocurrencies, such as DAI, remain exposed to significant volatility.
- Algorithmic stablecoins, such as TerraUSD (UST), have already shown that even a simple imbalance can trigger a sudden collapse.
- In the event of a confidence crisis or a liquidity shortfall, certain types of stablecoins may suffer a sudden loss of value.

TerraUSD price



Source: CoinMarketCap



## 8. Thematic – How to invest in this thematic?

Investors can gain exposure to this thematic in different ways:

- Exposure can be achieved via issuers themselves. These issuers manage the tokens and generate substantial income from the interest earned on their reserves, usually by investing them in short-term US Treasuries .

*Ex: Circle Internet (CRCL)*

- One can also invest in intermediaries and exchanges that facilitate stablecoin activity. These platforms enable individuals and businesses to buy, sell, and store stablecoins, while earning revenues from fees and the growing demand for stablecoin payments.

*Ex: Coinbase (COIN), Robinhood (HOOD), ...*

- Investors can also gain exposure through the technological infrastructure that supports stablecoins. For example, Ethereum processes over 50% of all stablecoin transactions.

*Ex: Ethereum (ETH), Tron (TRX), ...*

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