
WEISSHORN
ASSET MANAGEMENT SA

Investment Committee Q4

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1. Market highlights

- In an environment of **economic resilience and inflation control**, Equities ended the year with excellent performances. The **AI theme was the main driver** of the rise in the second half of the year.

- **Liberation Day** did not ultimately have the catastrophic consequences that some had anticipated.

- **Geopolitical tensions**, which remain high, also **had a limited impact** on assets.

- Commodities such as Gold and Silver posted outstanding annual performances. **Demand** for these metals **is expected to remain strong**.

- Digital assets lagged behind in the fourth quarter. **The diversification effect in a portfolio remains**.

- The Fed will change its chair during the first half of 2026. At President Trump's request, his successor is likely to be more dovish...**beware of a potential monetary policy mistake**.

- Economic growth in the G20 countries is expected to reach 3.2% in 2025 and 2.9% in 2026 with inflation remaining subdued. **This scenario would favor risky assets if it were to materialize**.

- The **main risks** for 2026 remain **geopolitical** (the US intervention in Venezuela at the beginning of the year could give China ideas...), **monetary policy mistake** and the ability of Technology companies to **monetize massive investments in AI infrastructure**.

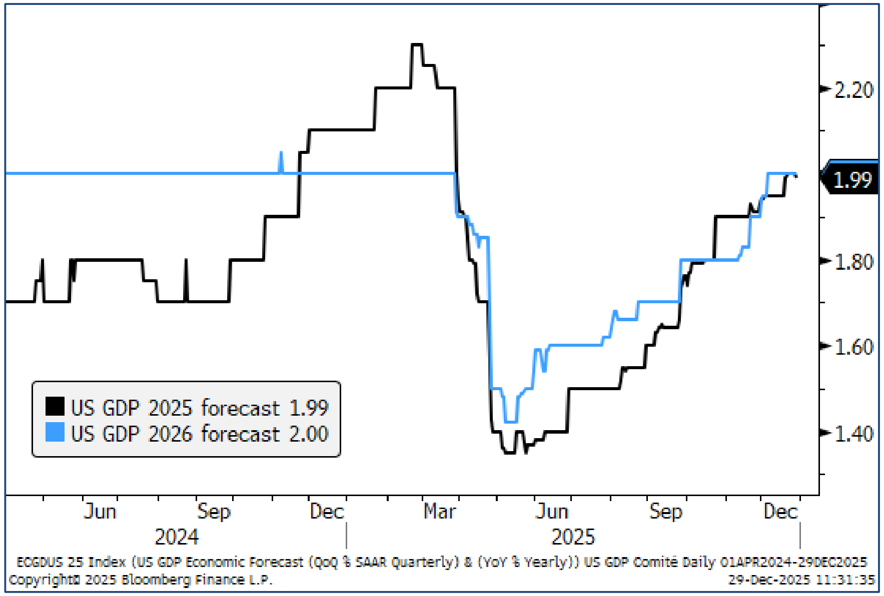
- Is AI in a valuation bubble? It should be noted that the PE ratio for the Technology sector is lower today than it was at the beginning of 2025. **The sector is not cheap and leaves little room for disappointment in terms of earnings**...but we cannot talk about a bubble at this stage.

2. Macro : US GDP

- The **US economy has proven more resilient** than initially expected. Ultimately, the tariffs implemented by the Trump administration did not trigger the anticipated slowdown in US growth. **Investment in artificial intelligence** has been a key driver of economic momentum, which explains why analysts have become increasingly optimistic about growth prospects since June.

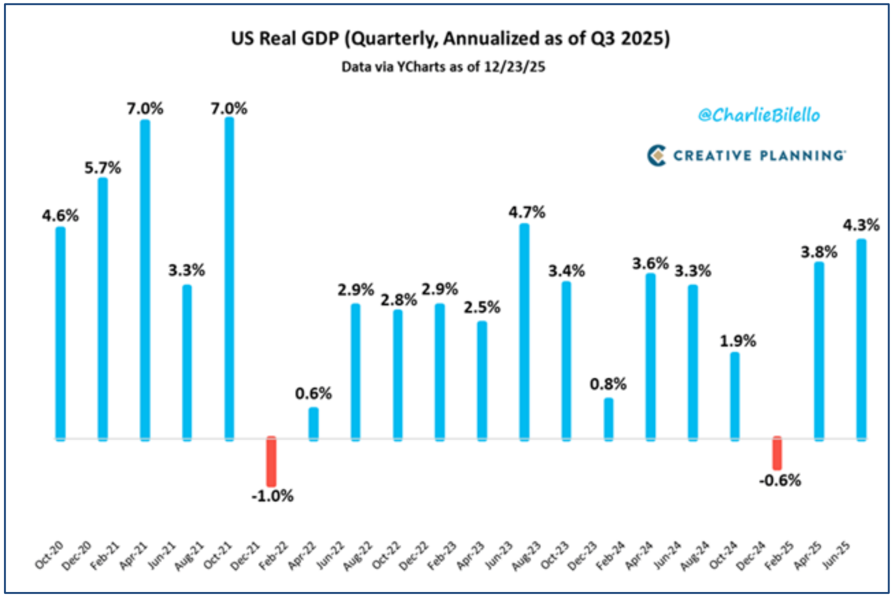
- As a result, GDP is expected to grow by around 2% this year and to maintain a similar pace into next year.

US GDP Forecast



Source: Bloomberg

US Real GDP Quarterly



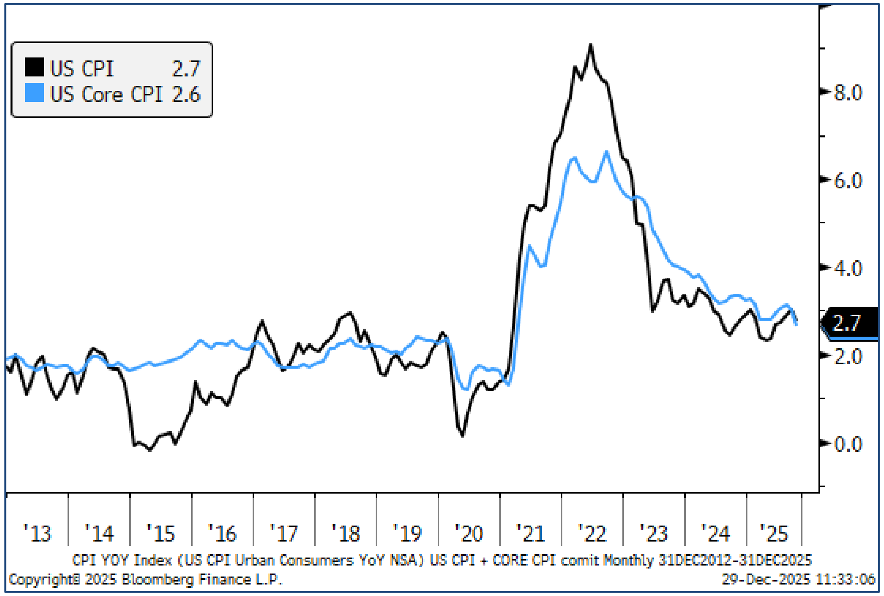
Source: Charlie Bilello

2. Macro : US CPI

- **The latest inflation figures** came as a positive surprise. While markets were expecting prices to rise at a pace close to 3%, inflation ultimately **came in at just 2.7%.** This outcome was significantly better than expected and helped restore investors confidence in a downward trajectory for interest rates.

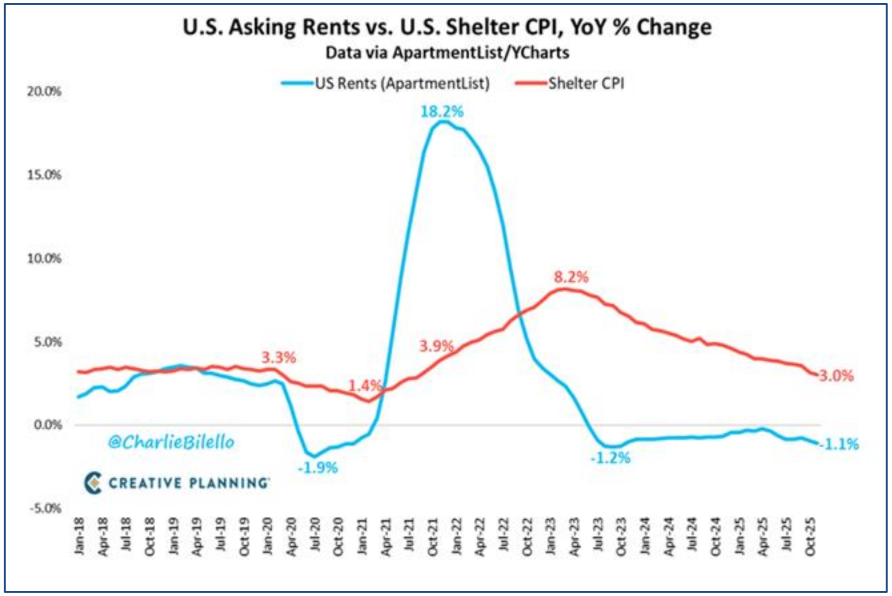
- Services inflation played a particularly important role, with housing-related costs showing a marked deceleration.

US CPI



Source: Bloomberg

US Shelter CPI & Rents



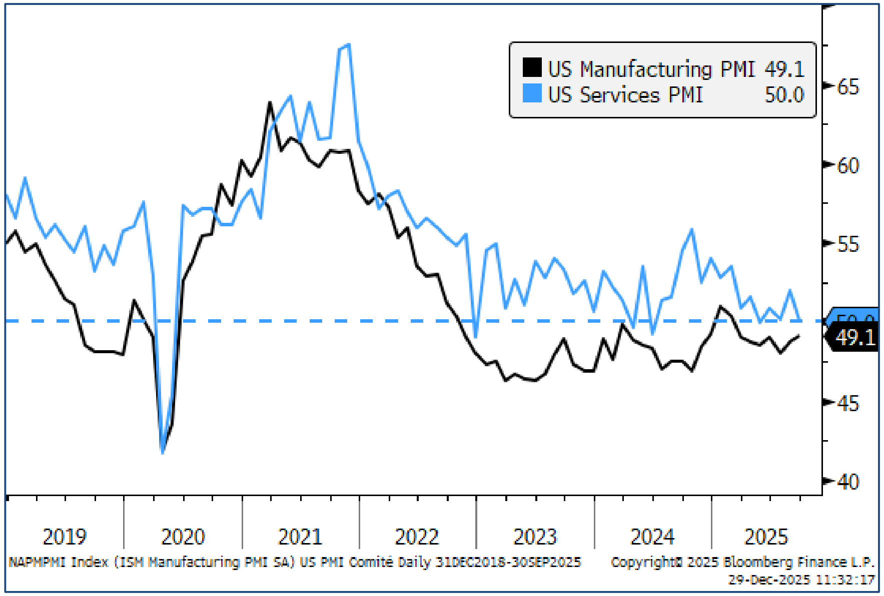
Source: Charlie Bilello

2. Macro : US Economic Indicator

- Despite growth data being more resilient than anticipated, not all economic indicators are sending positive signals. **US PMI readings remain mixed**, with manufacturing PMIs still firmly in contractionary territory, while services hover around the expansion–contraction threshold.

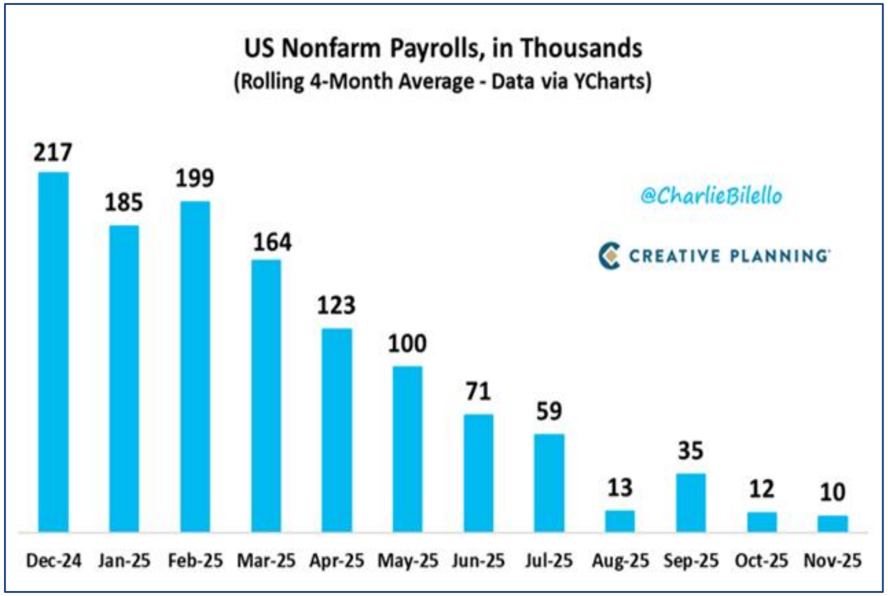
- In addition, the **labor market is showing signs of cooling**, as job creation has been steadily declining since the beginning of the year.

US PMI



Source: Bloomberg

US Nonfarm Payrolls



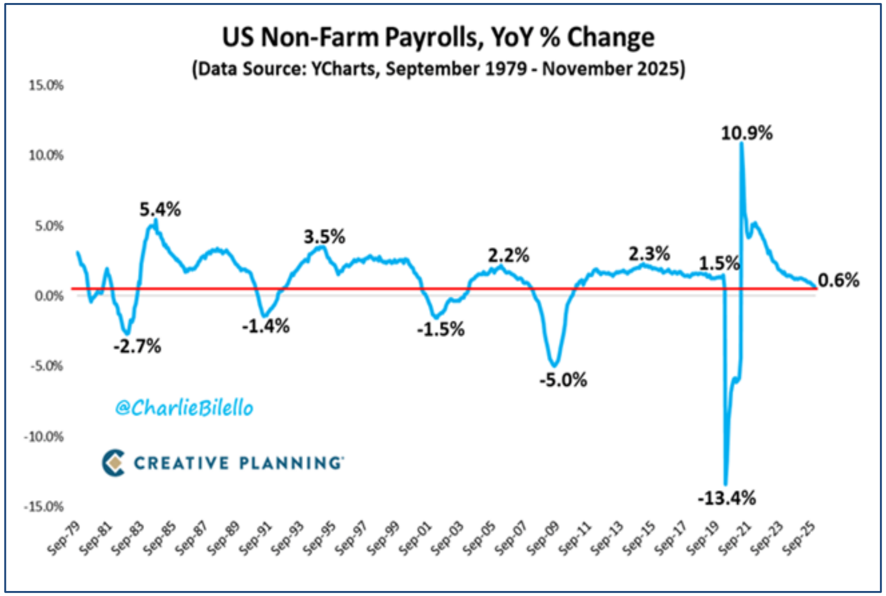
Source: Charlie Bilello

2. Macro : US Labor Market

- **Year-on-year employment growth is now close to turning negative**, which is traditionally a strong indicator of an economy entering a phase of deceleration. The unemployment rate has also increased, reaching 4.6%. **The latest figures should be taken with a grain of salt, due to the lockdown the quality of the labor statistics might be weaker than usual**.

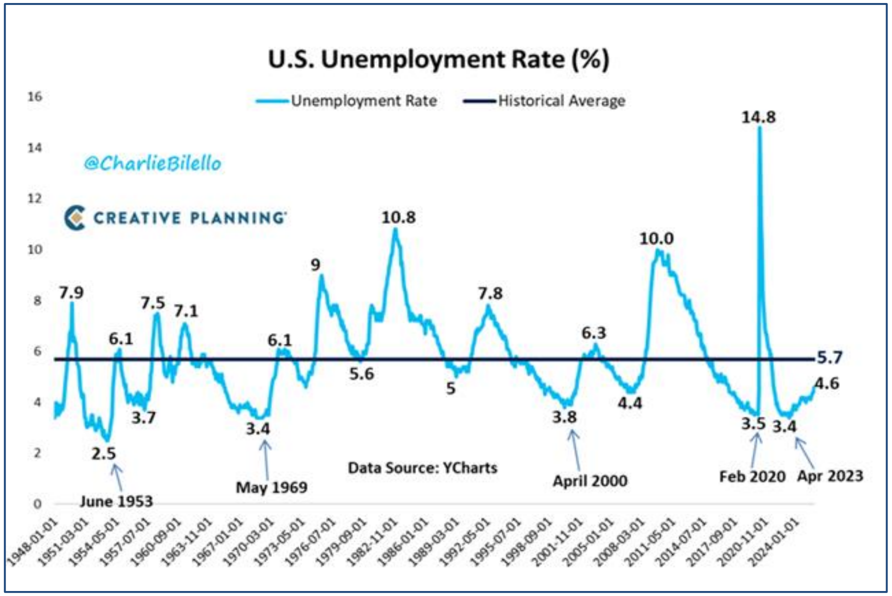
- While these figures may appear negative at first glance, they carry a positive implication for inflation dynamics. **A cooling labor market** alleviates concerns of economic overheating and **reduces the risk of inflation reaccelerating**.

US Nonfarm Payrolls YoY% Change



Source: Charlie Bilello

US Unemployment Rate



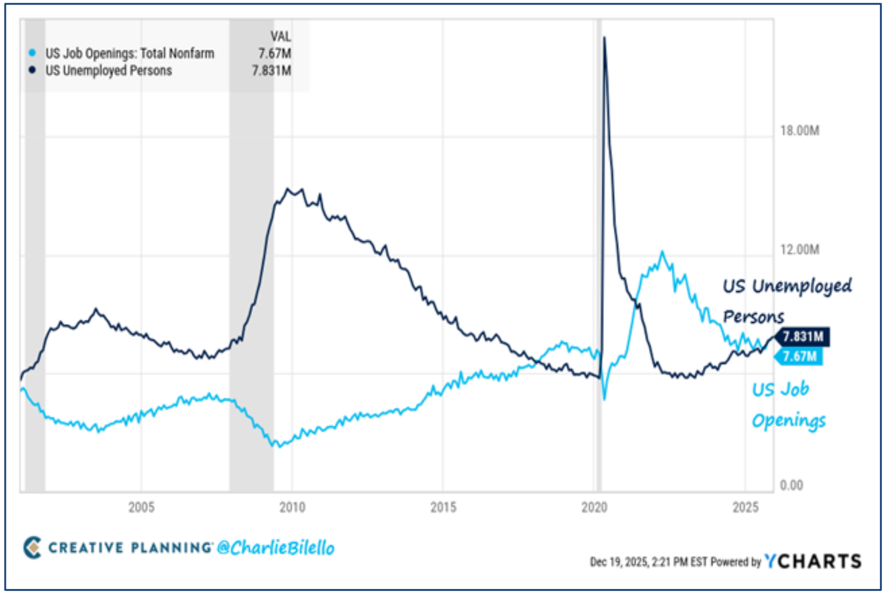
Source: Charlie Bilello

2. Macro : US Labor Market

- **The job openings curve and the number of unemployed individuals have now crossed**, a development not observed since 2019. At the same time, the number of voluntary quits has fallen sharply, reaching its lowest level since May 2020.

- This suggests that the labor market has become more challenging for job seekers and that fewer workers believe they can secure better opportunities elsewhere.

US People Unemployed vs Job Openings



Source: Charlie Bilello

US % Worker Quitting

Source: Charlie Bilello

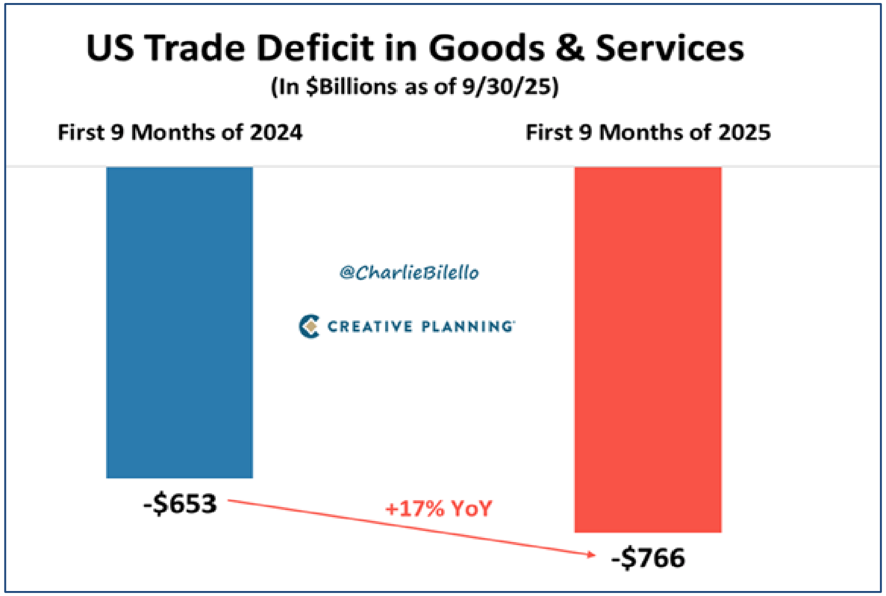
2. Macro : Custom Duties

- After five months of **tariffs** in place, an initial assessment yields somewhat surprising conclusions. These measures **have not delivered the expected impact on the trade balance**. The trade deficit has widened when comparing the first nine months of 2025 with the same period in 2024.

- This is likely explained by significant **inventory accumulation** earlier in the year, as companies anticipated the introduction of these tariffs.

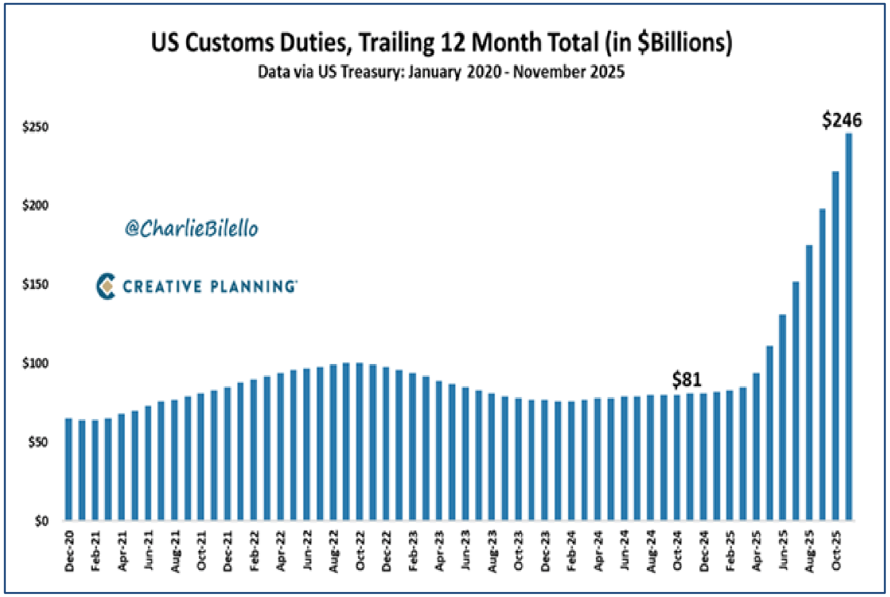
- That said, one positive aspect is that the **tariffs** have modestly **boosted government tax revenues**.

US Trade Deficit



Source: Charlie Bilello

US Custom Duties Revenue



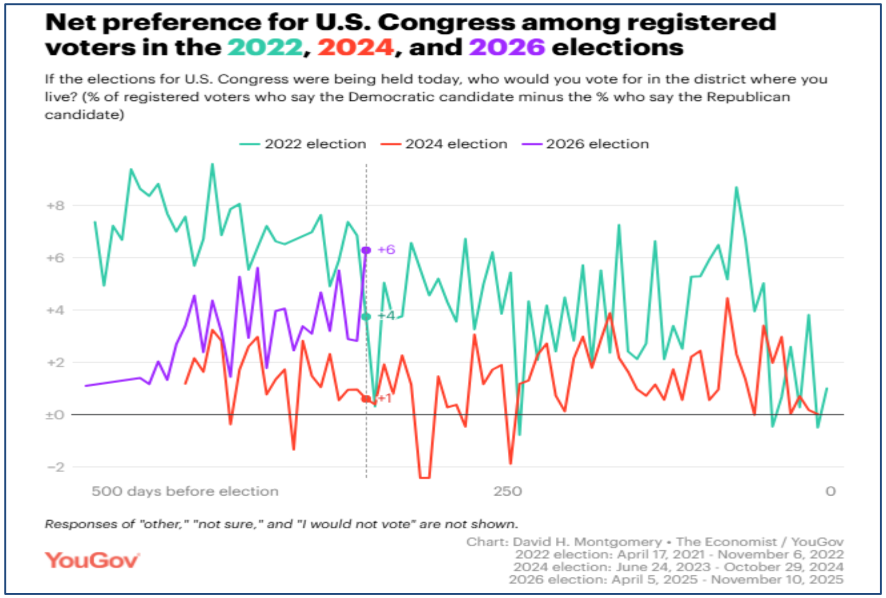
Source: Charlie Bilello

2. Macro : Midterm Election

- The year 2026 will mark the midpoint of President Trump's term, with midterm elections scheduled for November. While much can still change between now and then, current YouGov **polls suggest that the American electorate is increasingly inclined to vote for the Democratic Party**.

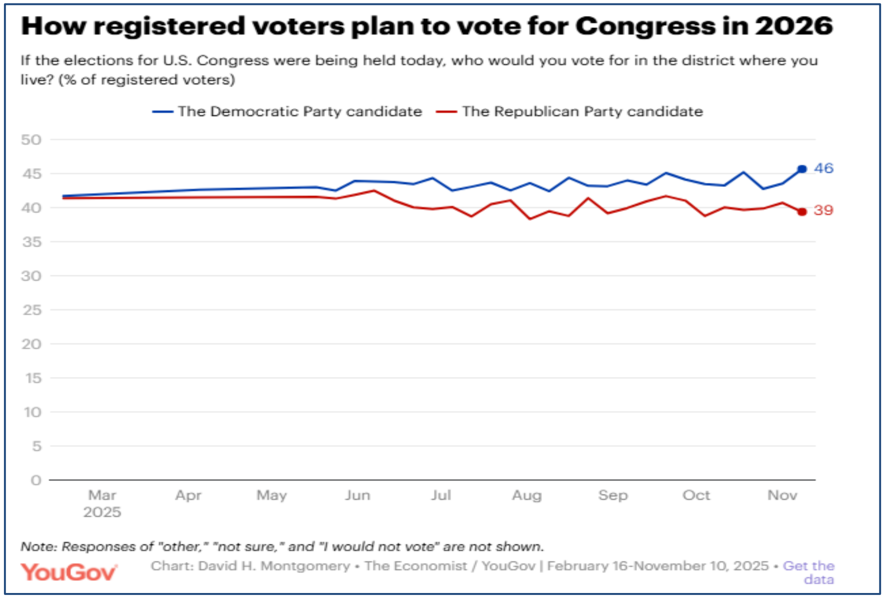
- As a result, Republicans could potentially lose their double majority.

Midterm Election Poll



Source: YouGov

Midterm Election Poll



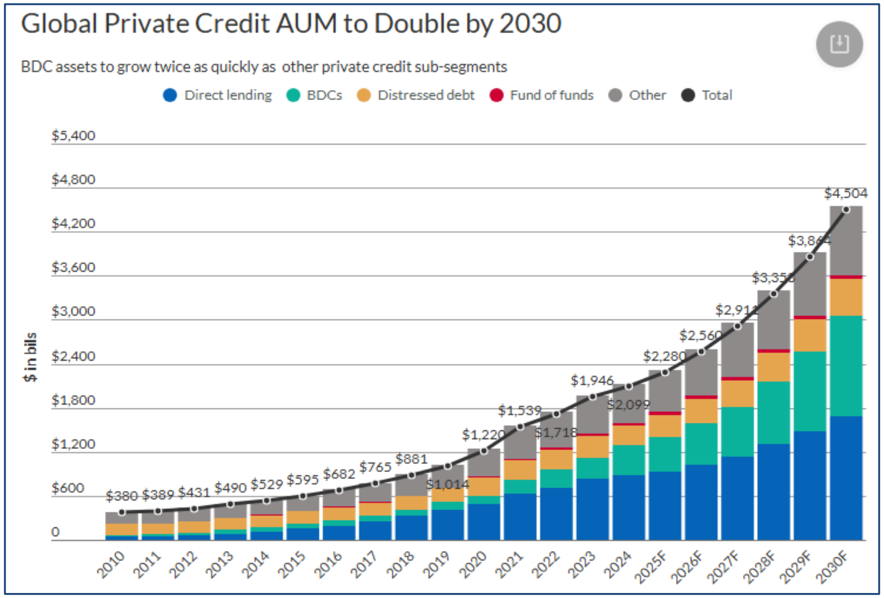
Source: YouGov

2. Macro : Private Credit

- Another risk that could materialize in 2026 relates to the private credit market. This asset class continues to attract investors in search of yields higher than those available in public markets. Currently, more than USD 2.4 trillion is invested in private credit, a figure expected to double by 2030.

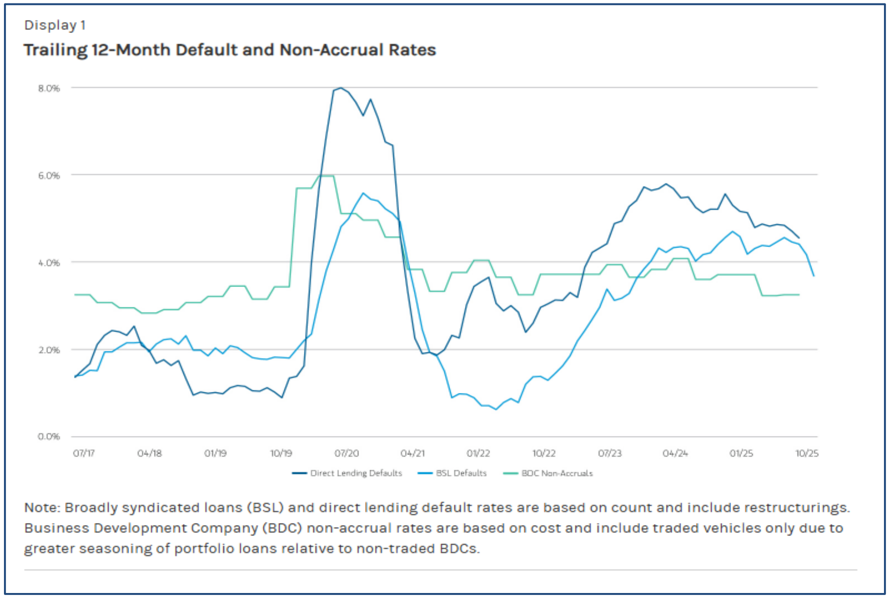
- While default rates have normalized from the lows observed in 2022, **credit risk cannot be ruled out for this asset class**, which now represents a significant component of the shadow banking system.

Private Credit AUM



Source: Fitch Ratings

Trailing 12 Month Default



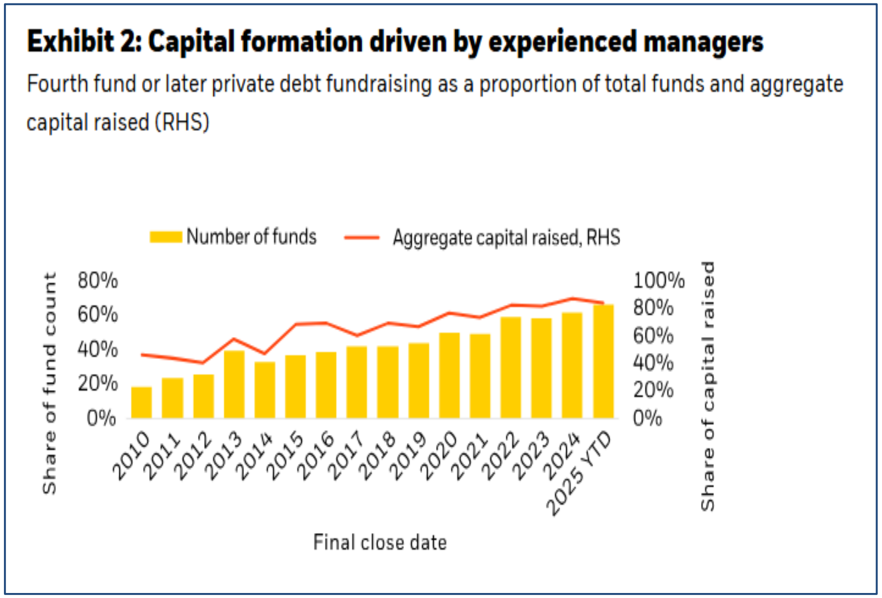
Source: Morgan Stanley

2. Macro : Private Credit

- An increasing number of investment funds are entering this segment, driven on the one hand by rising demand for alternative investment solutions and, on the other, by the fact that this asset class offers higher returns for investors as well as higher fee potential for managers.

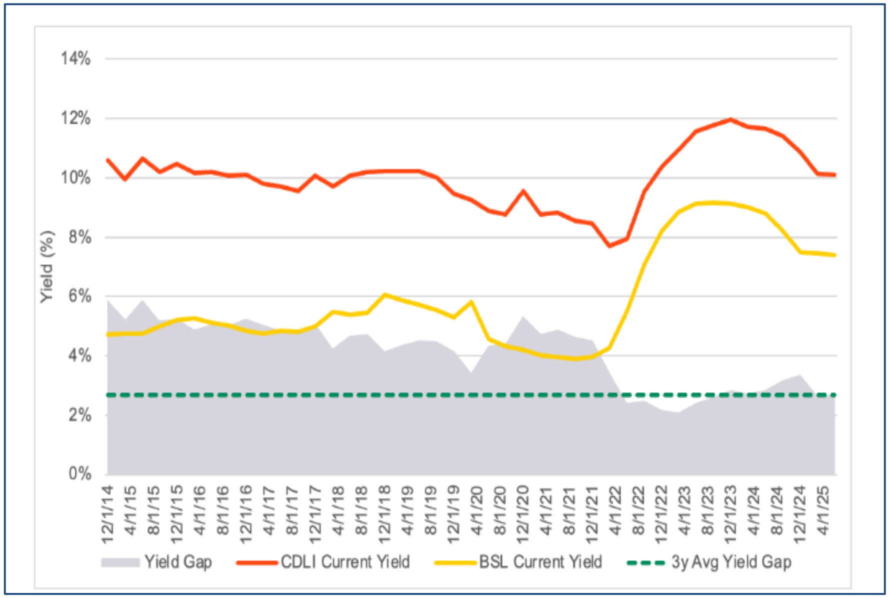
- However, this asset class provides significantly **less transparency and liquidity** than public markets, which increases underlying credit risk and could potentially act as the first domino in a broader credit event.

Private Credit Funds



Source: BlackRock

Private vs Public Credit Yield



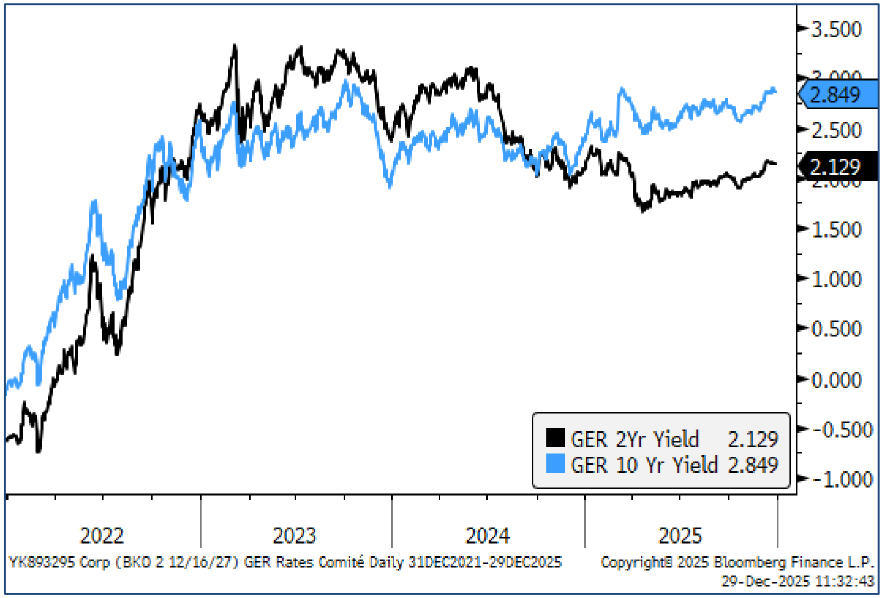
Source: BlackRock

2. Macro : Interest Rates

- On both sides of the Atlantic, **yield curves steepened in 2025**, with long-term rates now well above short-term rates. In Europe, rates initially declined amid concerns related to US tariffs, but have since rebounded. Now that the **ECB has effectively ended its rate-cutting cycle**, interest rates are expected to remain stable or even rise, provided economic resilience persists.

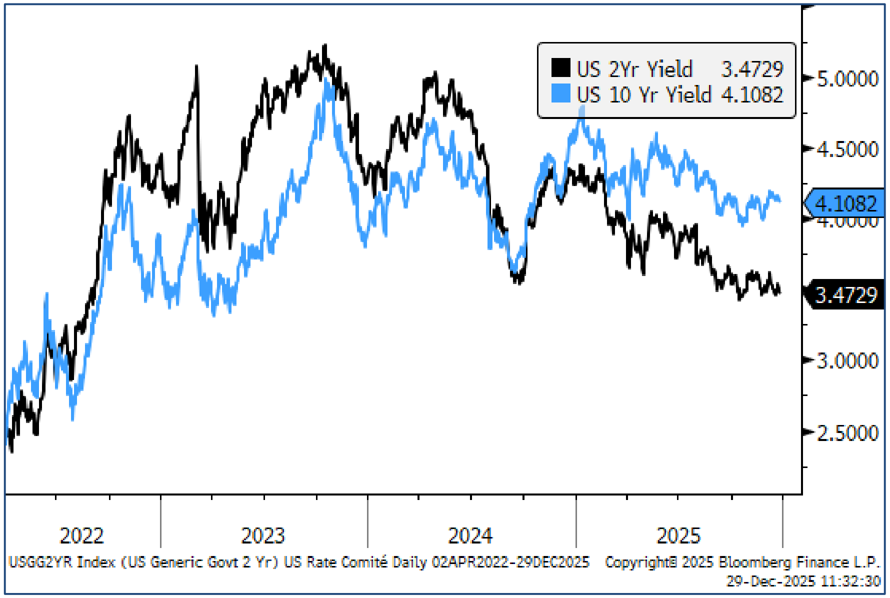
- In the US, after a pause lasting several quarters, **the Fed has resumed its rate-cutting cycle**. As a result, the downward trajectory in rates is expected to continue, as long as inflation does not show signs of reacceleration.

Germany 2Yr vs 10Yr Yields



Source: Bloomberg

US 2Yr vs 10Yr Yields

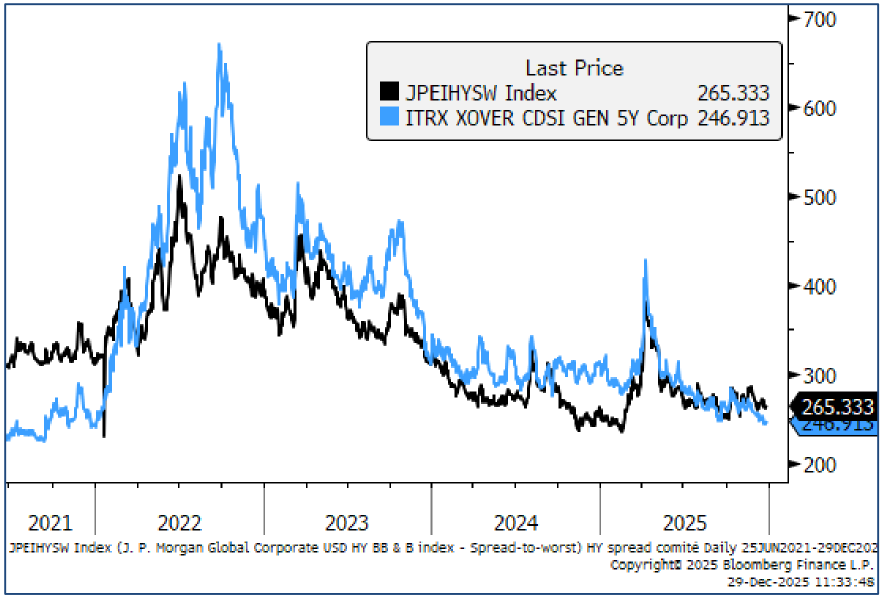


Source: Bloomberg

2. Macro : Credit Spreads

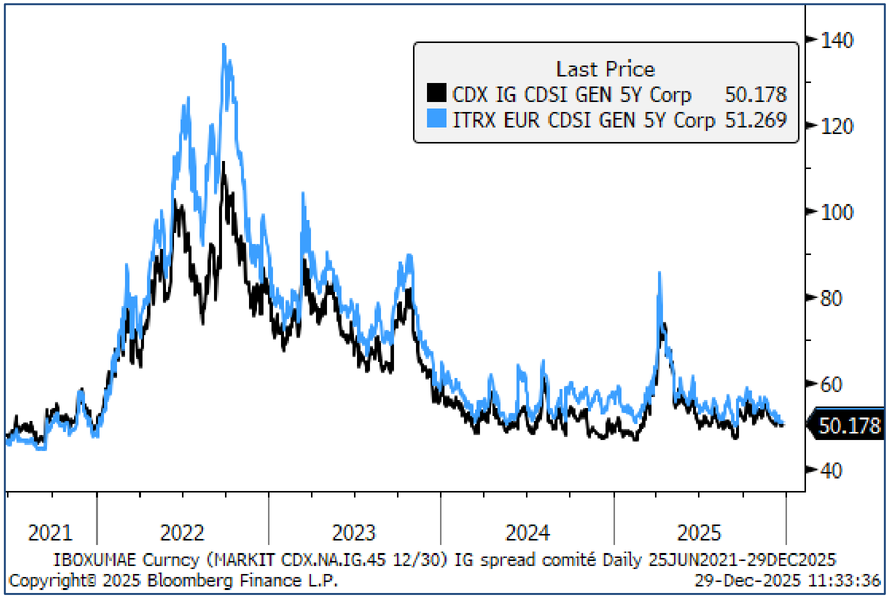
- Looking at credit spreads, while a more granular analysis of indices reveals some pockets of risk—particularly within US technology—**the overall credit market remains in very good shape**. Credit spreads are still at extremely tight levels, leaving limited room for further compression. As a result, **credit markets appear expensive at current valuations**.

US & EU HY Credit Spreads



Source: Bloomberg

US & EU IG Credit Spreads



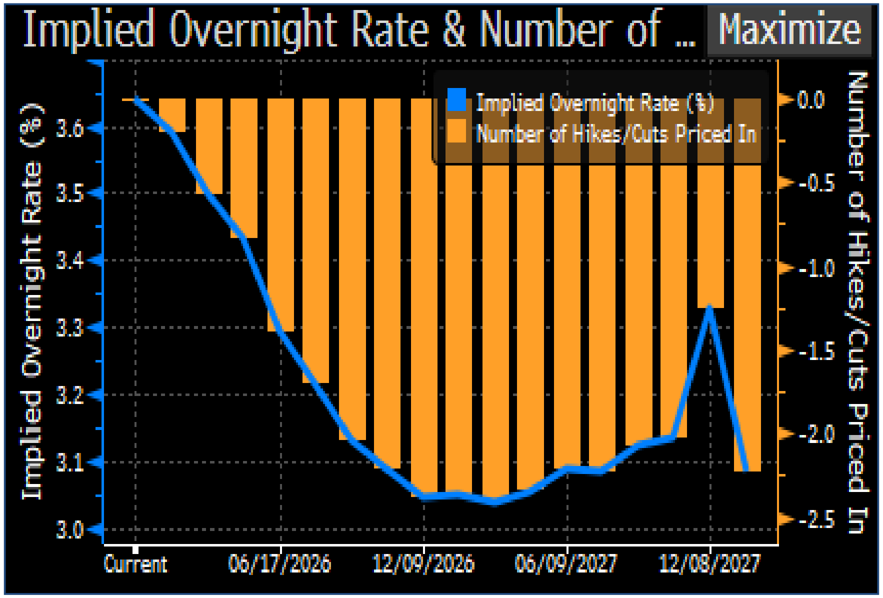
Source: Bloomberg

2. Macro : Interest Rates Expectations

- Market expectations for Central Bank policy rates clearly reflect a divergence between the Fed and the ECB. **Markets continue to price in two additional rate cuts in the US for 2026**, while **European rates are expected to remain unchanged**.

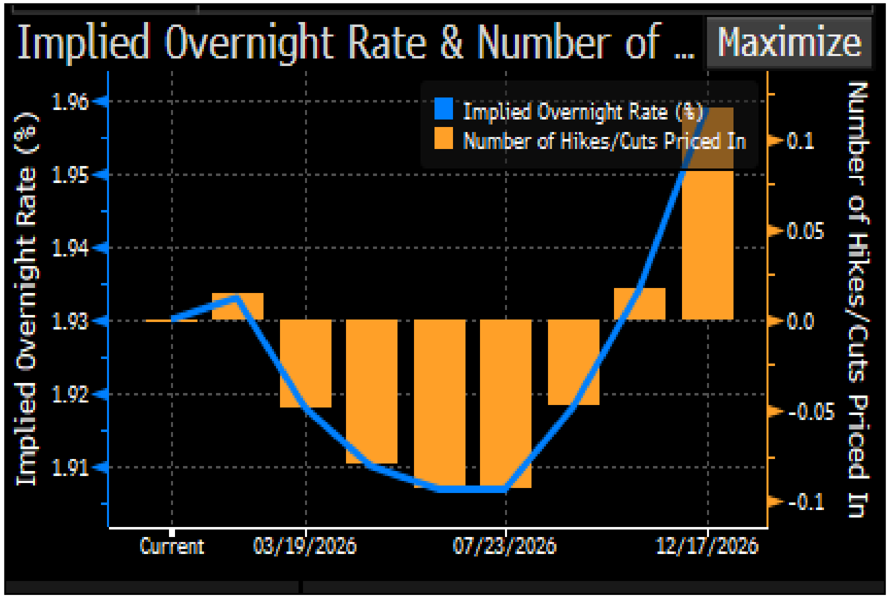
- Normally the Fed is leading the monetary cycle and says when to start cutting or raising rates or when to stop but this time it appears that **the Fed is lagging behind other major Central Bank** like the ECB.

US Interest Rate Expectations



Source: Bloomberg

EU Interest Rate Expectations



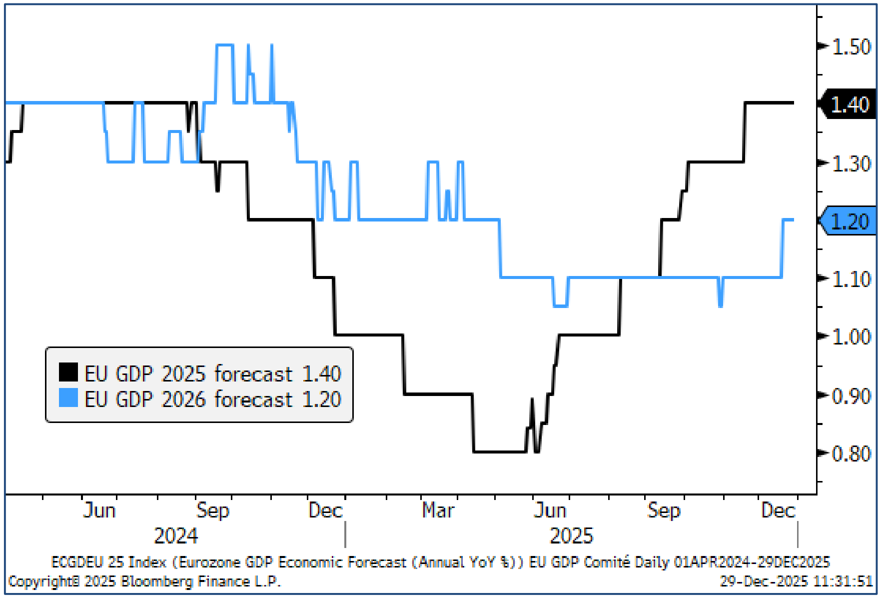
Source: Bloomberg

2. Macro : Europe GDP & PMI

- In Europe, growth forecasts have also improved, although not to the same extent as in the US. **Growth is expected to reach around 1.4% by the end of 2025**, before moderating to approximately 1.2% in 2026. German fiscal stimulus should help support growth across the region.

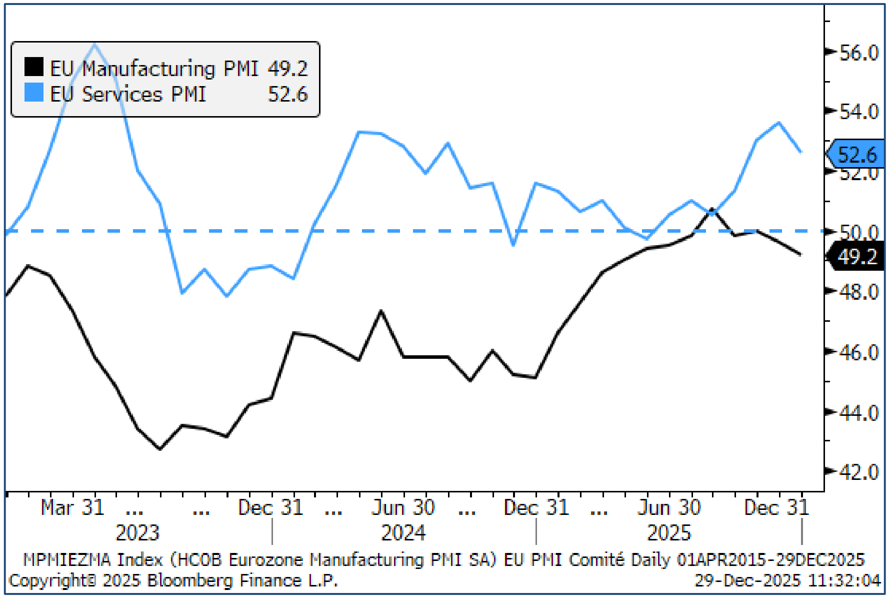
- As for PMIs, the **manufacturing sector continues to struggle** and remains in contractionary territory, while **services have rebounded strongly since September** and are now firmly in expansion at 52.6.

EU GDP Forecast



Source: Bloomberg

EU PMI

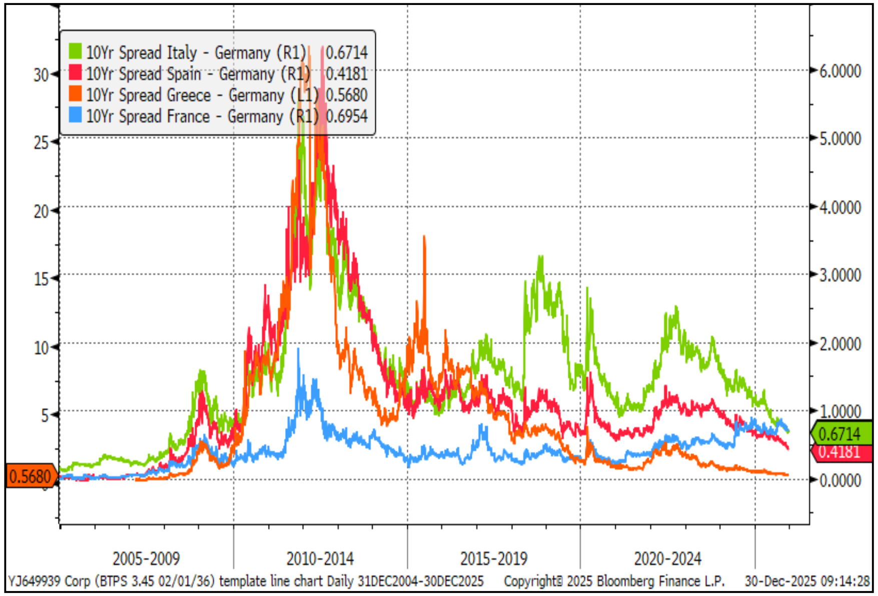


Source: Bloomberg

2. Macro : Europe Spreads and Debt

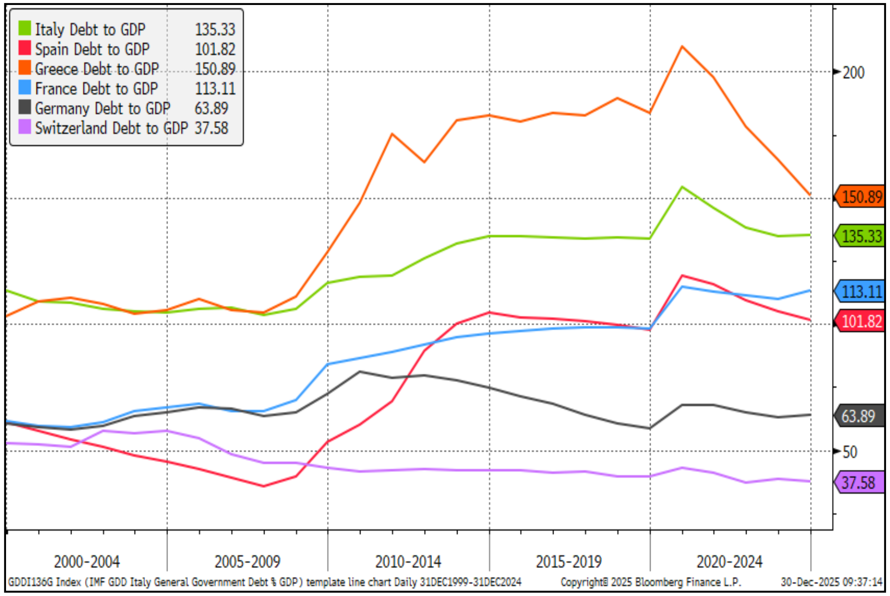
- **European peripheral spreads relative to Germany have continued to tighten**, with the exception of France. France spreads have widened beyond Italy's.
- While Southern European risk has stabilized or improved, investors are repricing French debt as riskier with ongoing political uncertainties.
- France debt-to-GDP ratio is the only one still rising, whereas Spain and Greece are deleveraging and Italy has flattened.

EU Peripheral Spreads vs Germany



Source: Bloomberg

EU Debt-to-GDP ratios



Source: Bloomberg

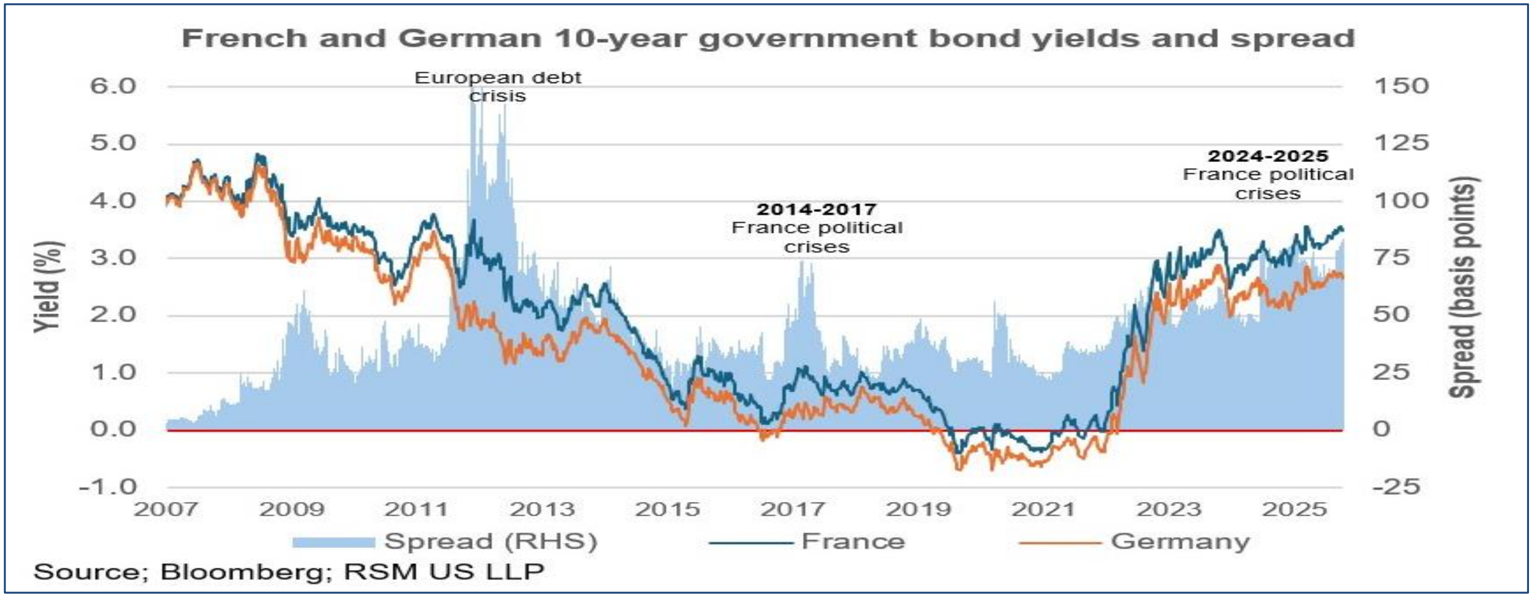
2. Macro : France

- Prime Minister Lecornu has remained in office after a turbulent period that included his resignation and subsequent reappointment by President Macron in October 2025.

- On December 23, Parliament approved a temporary budget rollover to avert a US-style government shutdown. **The lower house unanimously passed emergency legislation** extending 2025 spending limits into the new year, **ensuring continuity of essential public services.** The move is widely seen as a short-term fix ahead of renewed budget talks in January.

- **Political and fiscal uncertainties are expected to persist into next year**. Presidential elections are coming in April 2027.

French and German Govt Yields



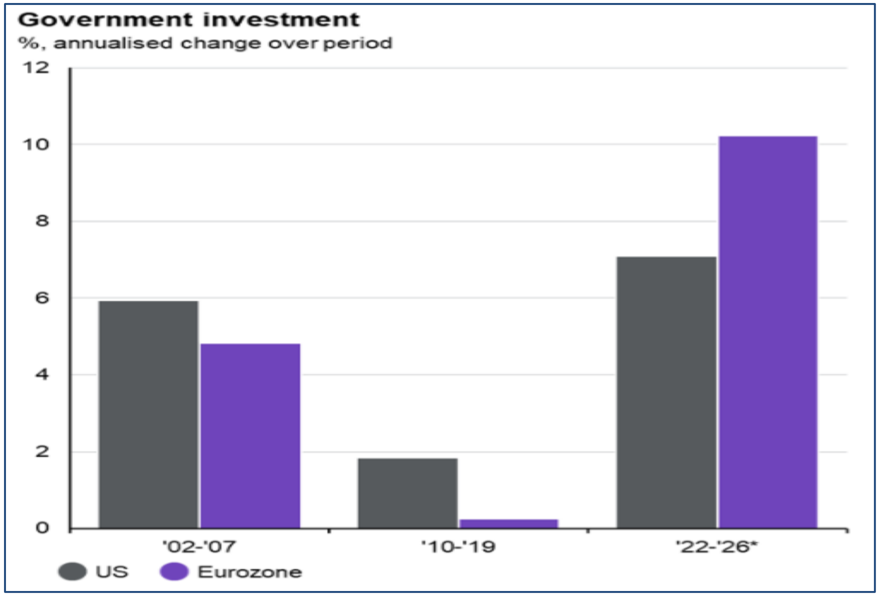
Source: Bloomberg

2. Macro : Europe Govt Investments

- In a reversal of the post-2010 austerity era, **Eurozone government investment growth is now significantly outpacing the US**. Europe has shifted to a significant fiscal expansion regime (Green Deal, Defense) that might be acting as a floor for economic activity.

- **German real government investment is projected to rise by around 20% year on year**, suggesting that the long-standing "debt brake" approach may be giving way to higher spending on infrastructure and defense. However, uncertainty over the pace and rollout of the spending, which may be spread over time, makes it hard for investors to assess the timing and scale of the economic impact.

US vs EU Govt Investment Growth



Source: JP Morgan AM

Germany Govt Investment Growth

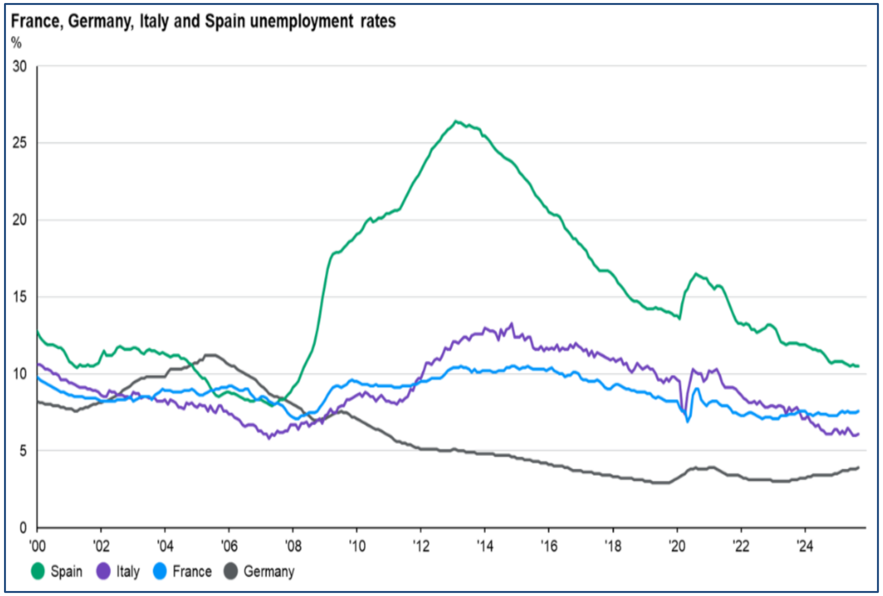
Source: JP Morgan AM

2. Macro : Europe Labor Market

- **Eurozone unemployment remains historically low** and has been broadly stable in recent months, suggesting no clear signs of a marked weakening in labor market conditions.

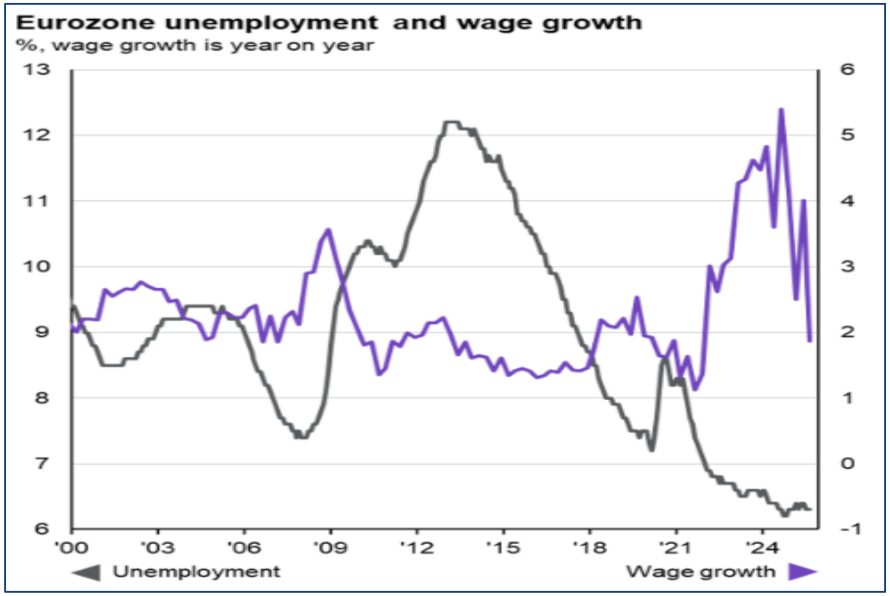
- On the wage side, growth is moderating after reaching a recent spike at almost 4% it decreased to less than 2% at the end of 2025. **Eurozone wage growth is expected to slow** and return to more normal levels next year, according to the European Central Bank's latest wage tracker, **supporting its view that inflation will remain close to the 2% target** in the years ahead.

EU Unemployment by Country



Source: Bloomberg

EU Unemployment and Wage



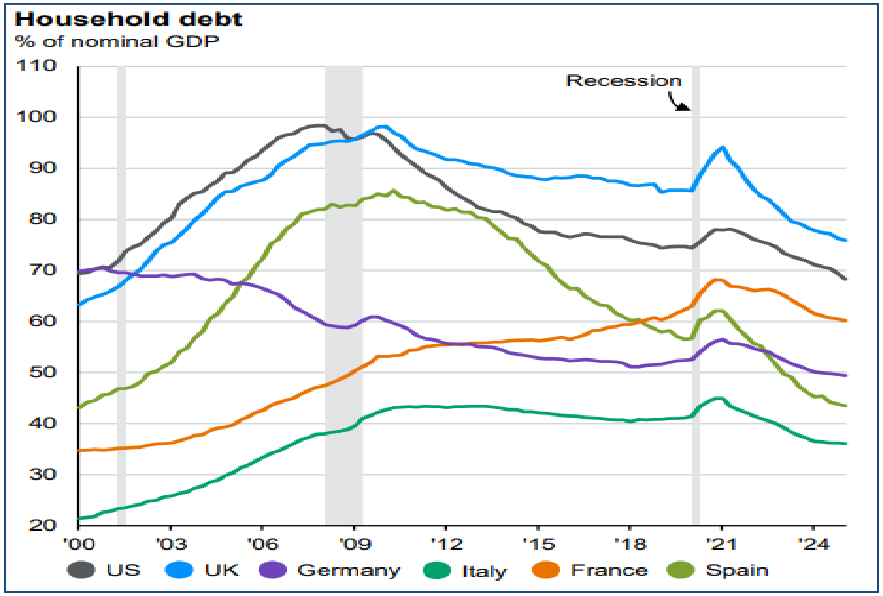
Source: Bloomberg

2. Macro : Europe Debt & Savings

- European household debt is on a favorable trajectory since 2021. **Spain and Italy have undergone significant deleveraging.**

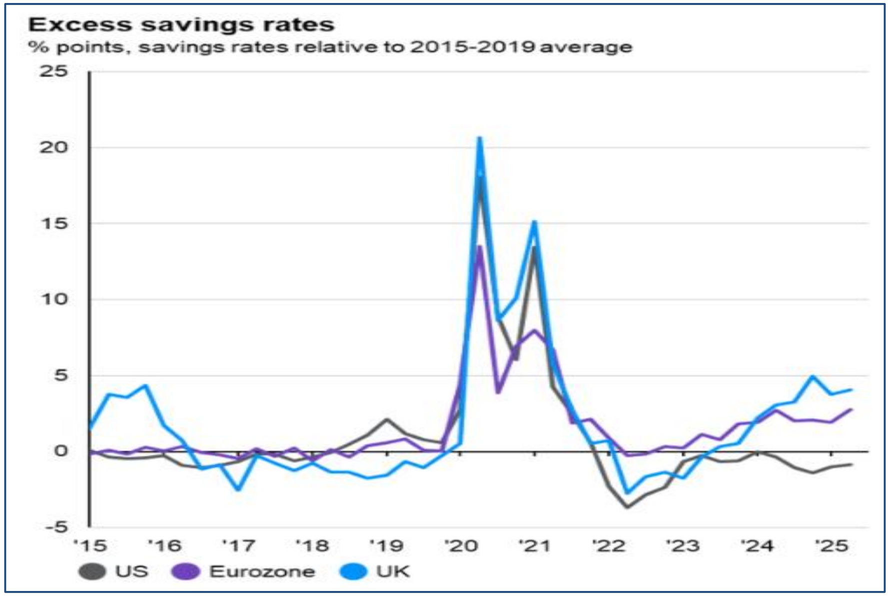
- While US consumers have drawn down savings to support spending (running a negative excess savings rate), Eurozone households continue to save significantly more than their pre-pandemic average.

EU Household Debt



Source: JP Morgan AM

EU Excess Savings



Source: JP Morgan AM

2. Macro : China 5 Years Plan

- China unveiled its five-year plan at its late-October meeting. **While the stated objectives appear broadly positive for the Chinese population, they have been received with caution by foreign investors**, who still lack clarity on how the government intends to materially improve the current economic situation.

- China has been seen as the factory of the world for many decades now but **the government plans to change it and wants now to fuel the growth with domestic consumption** and develop the services industry instead of manufacturing.

China 5Yr Plan

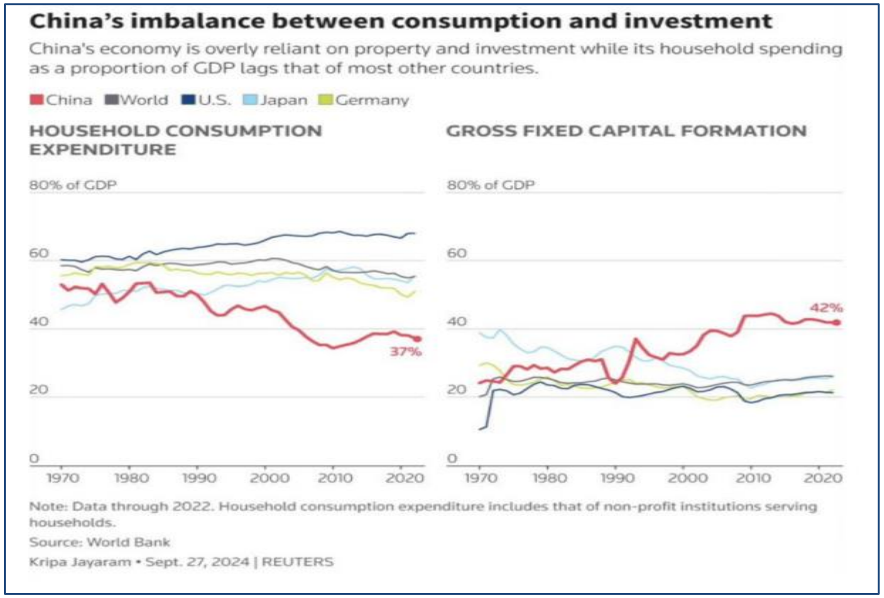
Source: pandaperspectives.substack.com

2. Macro : China Household Consumption

- **Domestic consumption remains a major challenge in China**. Chinese households continue to save rather than spend, reflecting a lack of confidence in the government and in future economic prospects.

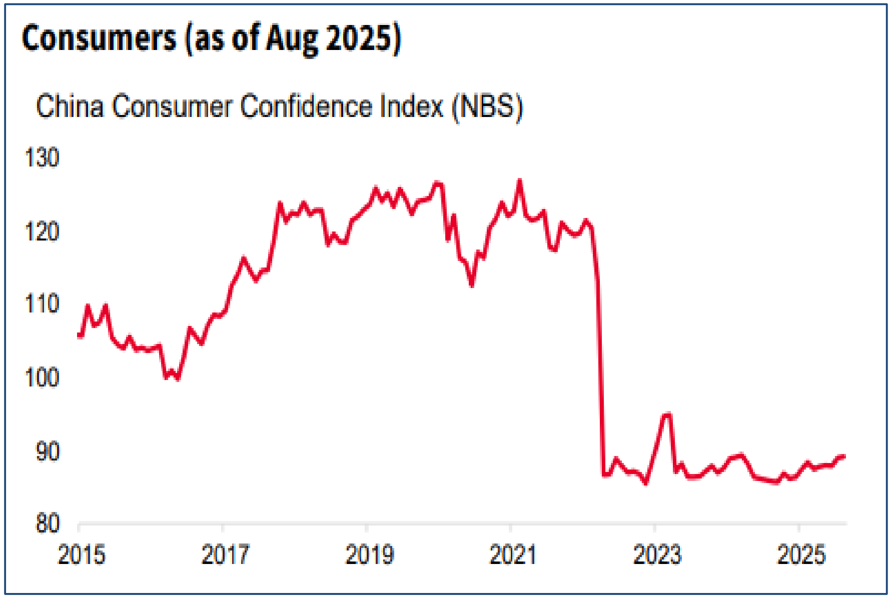
- **Household consumption accounts for only 37% of GDP**, compared with a global average closer to 50%. Unless the government succeeds in restoring consumer confidence, sustaining growth in an environment of ongoing trade tensions will remain difficult.

Household Consumption and Investment



Source: World Bank

China Consumer Confidence

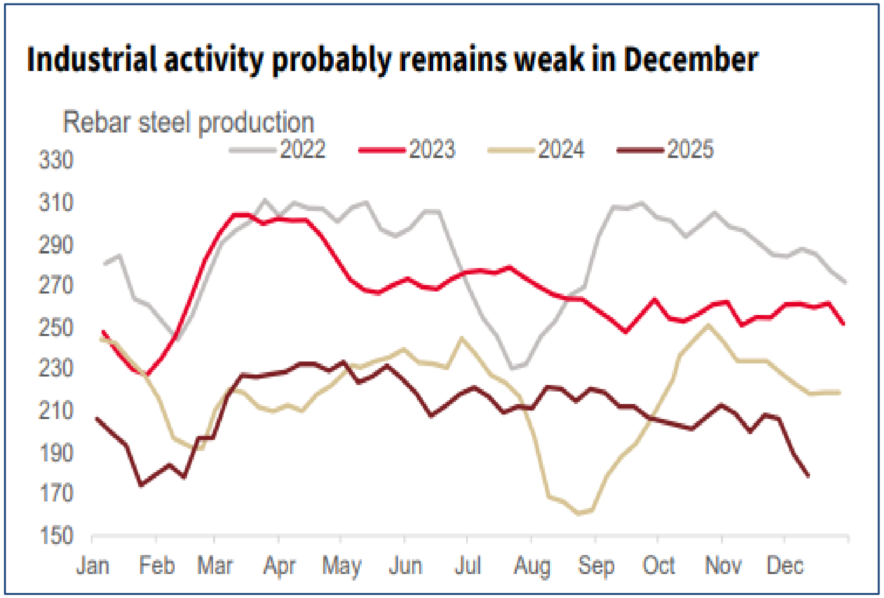


Source: Société Générale

2. Macro : China Industrial Production

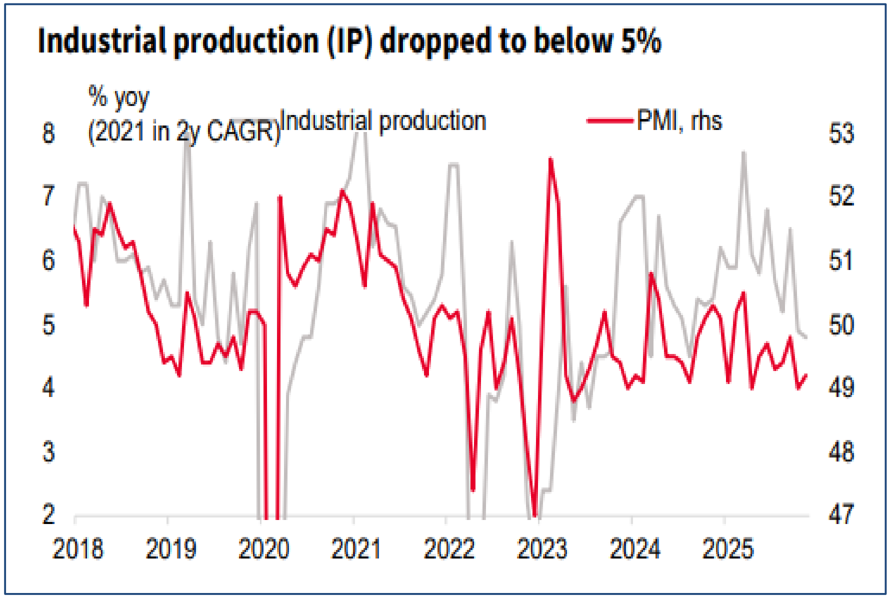
➢ Chinese **industrial production** is experiencing a pronounced **slowdown** due to several structural challenges that are difficult to resolve. The first is **excess capacity,** which currently appears hard to absorb. The second is the **trade war with the US**, which is forcing China to redirect exports toward other markets. The third is weak domestic consumption.

China Steel Production



Source: Société Générale

China Industrial Production



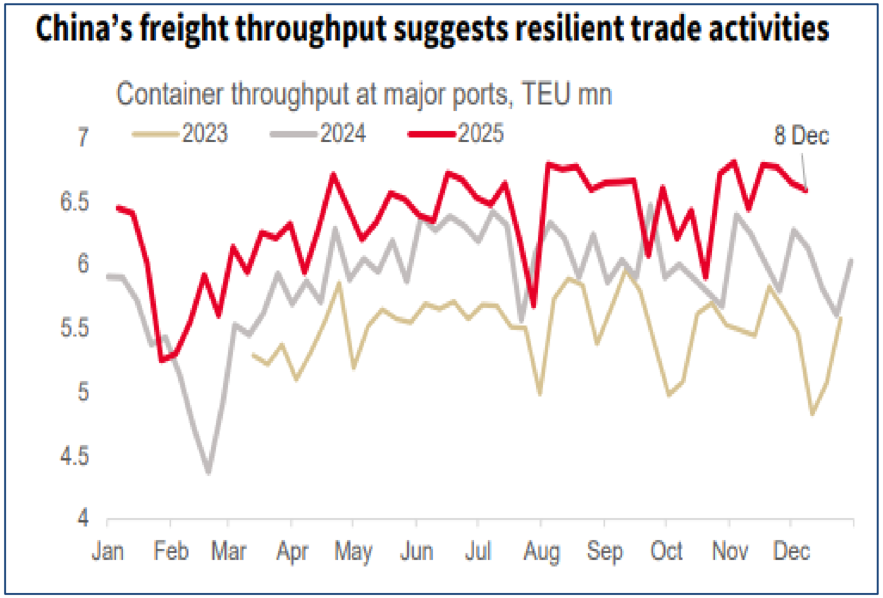
Source: Société Générale

2. Macro : China Export

- Despite rising tensions with the US since President Trump's return to power, **China has maintained export volumes broadly in line with recent years** and has even recorded modest growth.

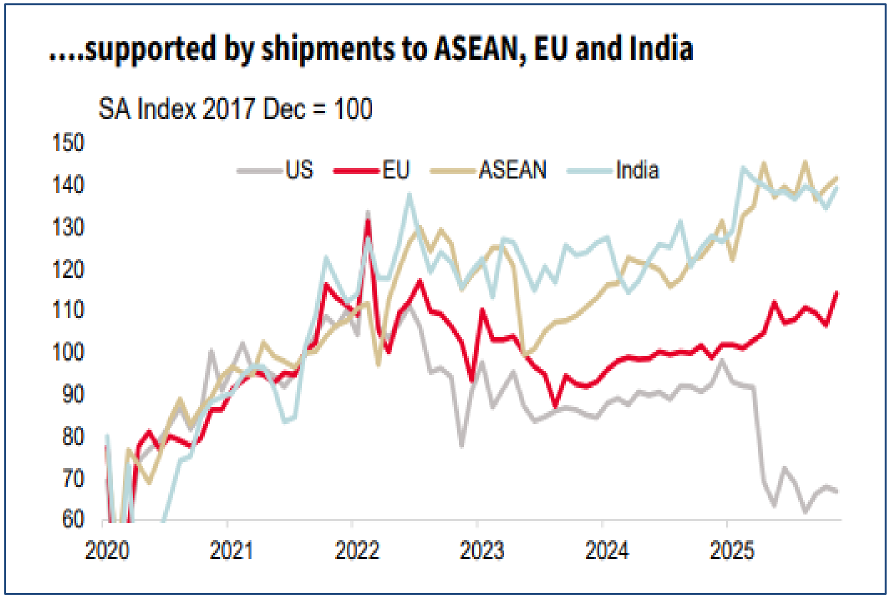
- This has been achieved by **redirecting exports toward other trading partners**, primarily Europe and Asia.

China Freight



Source: Société Générale

China Shipments



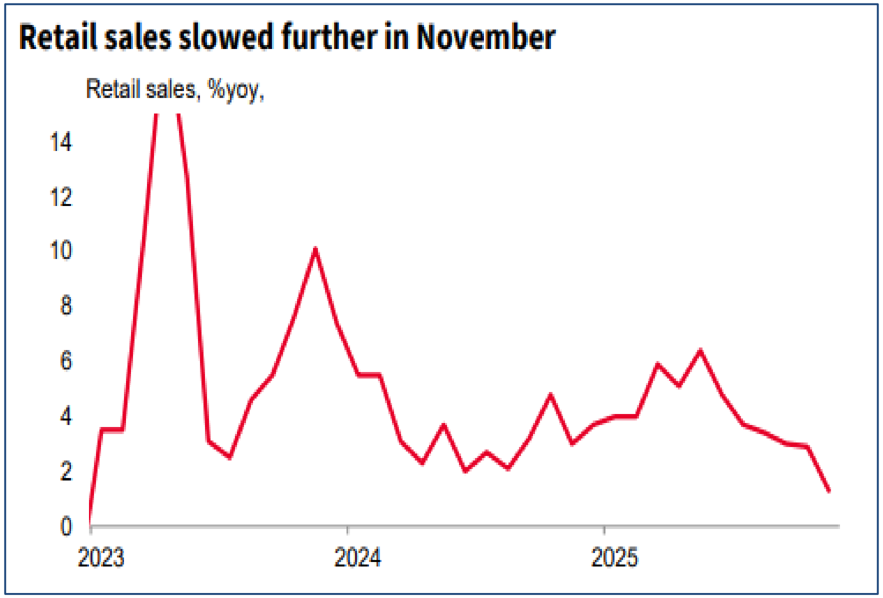
Source: Société Générale

2. Macro : China Retail Sales & Export Prices

- This slide summarizes the key challenges facing China discussed above. **Domestic growth has been at its weakest since 2023**, leaving the country with little choice but to offload excess production to its trading partners.

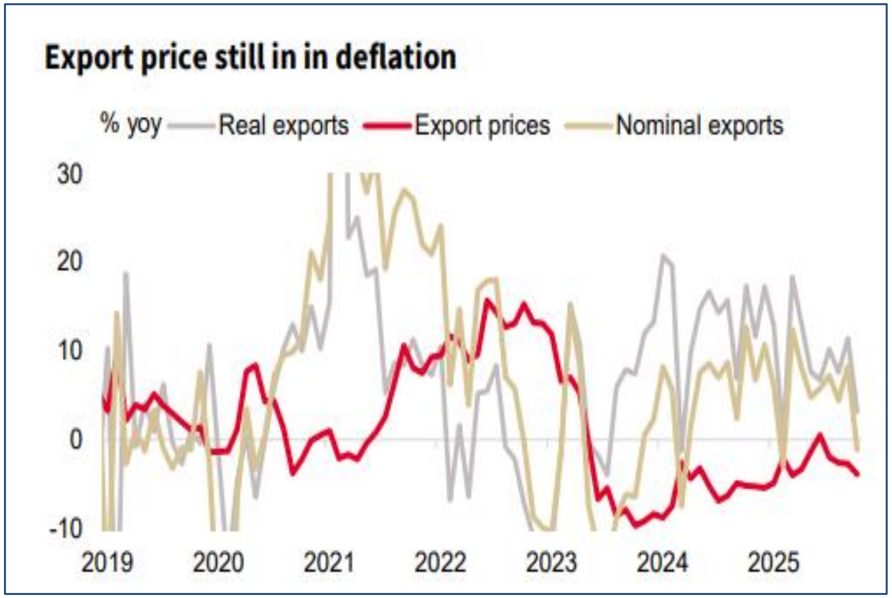
- However, in order to clear this surplus, **China has been forced to sell at heavily discounted prices**, leading to a sustained decline in export prices for nearly two years. This has increasingly frustrated some countries, which view China's low-priced exports as "unfair" competition for their domestic industries.

China Retail Sales Growth



Source: Société Générale

China Export Prices



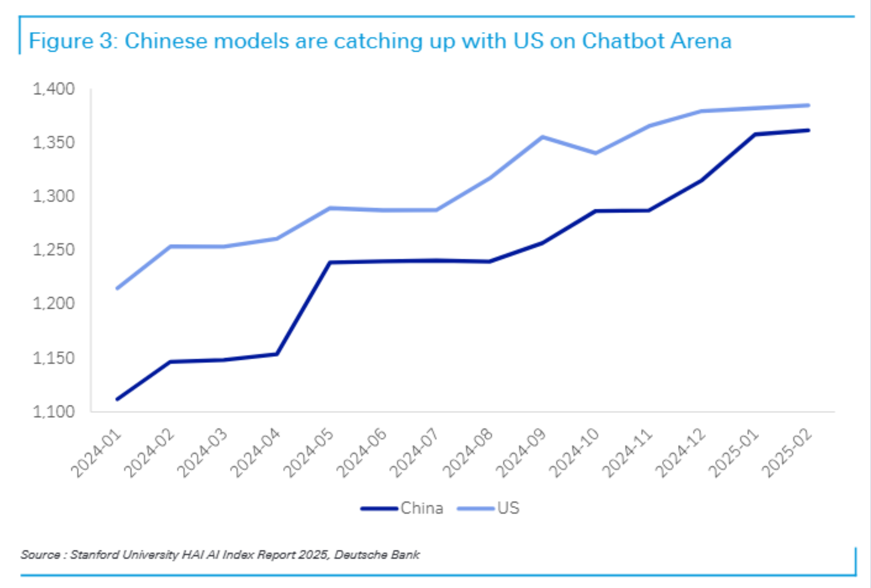
Source: Société Générale

2. Macro : China vs US AI

- Beyond its domestic challenges, China is also engaged in a technological rivalry with the US. The world experienced a “DeepSeek moment” in early 2025, when a Chinese company released a large language model capable of competing with ChatGPT, trained at a significantly lower cost.

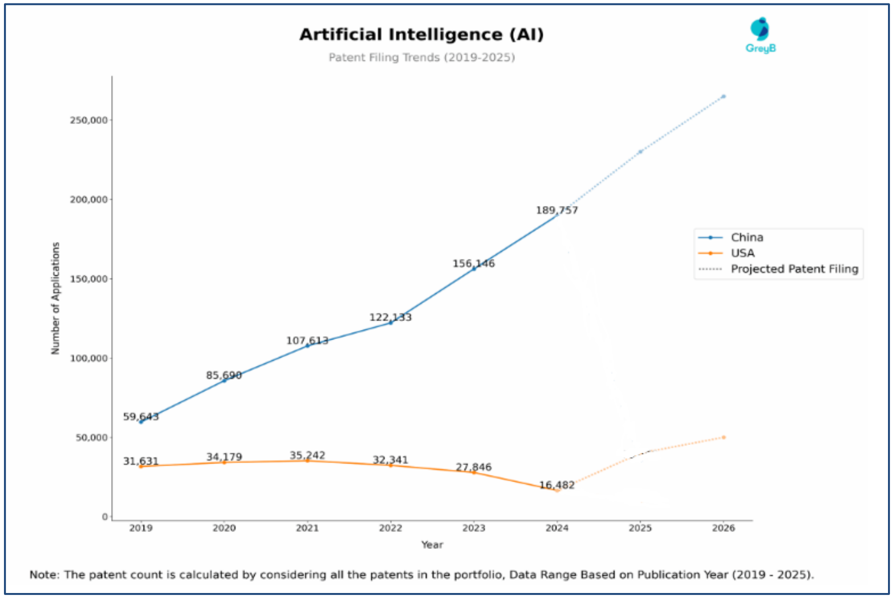
- At present, China still appears to lag behind the US in terms of innovation in artificial intelligence development. However, it is now **the country filing the largest number of AI-related patents**, and it may well close the gap with the US in the near future. The race between the two superpowers is very close, the CEO of Nvidia Jensen Huang famously said “ China is nanoseconds behind America in AI. It’s vital that America wins by racing ahead and winning developers worldwide”.

China vs US AI Model



Source: Deutsche Bank

AI Patents China vs US

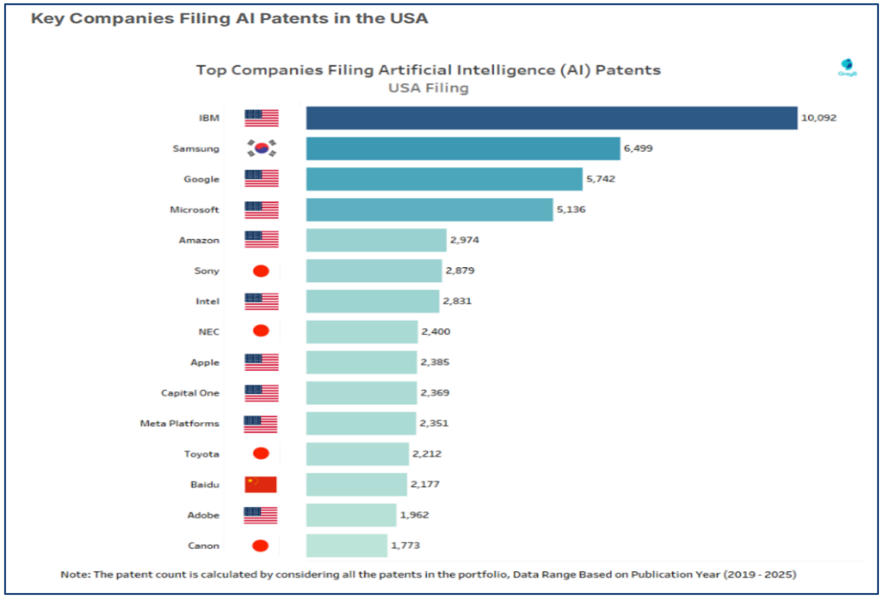


Source: GreyB

2. Macro : China vs US AI

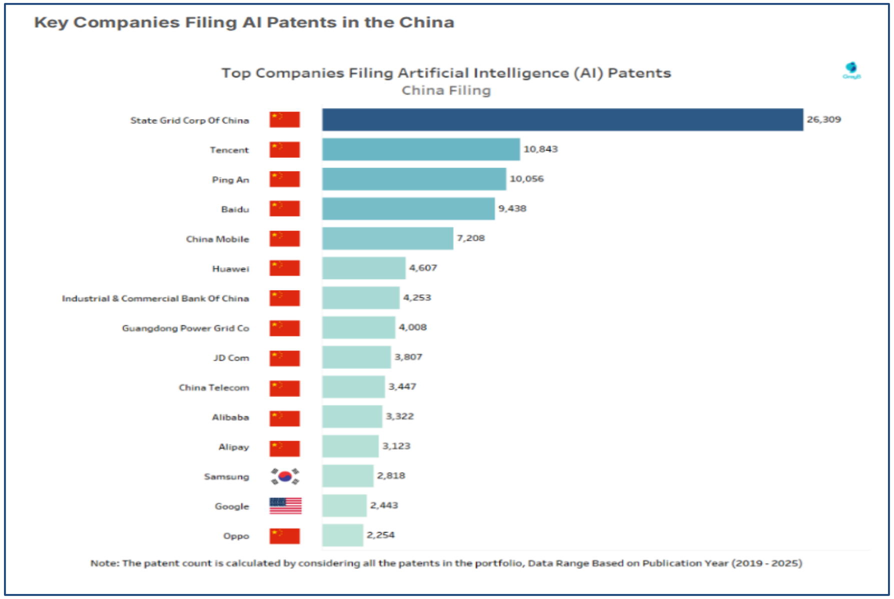
- **Chinese companies file nearly ten times more patents than their US counterparts.** In the US, IBM leads the field with more than 10,000 patents filed, while in China, State Grid Corporation of China—a state-owned utilities company—stands well ahead of its peers with more than 26,000 patents filed.

Company Filing for AI Patent in US



Source: GreyB

Company Filing for AI Patent in China



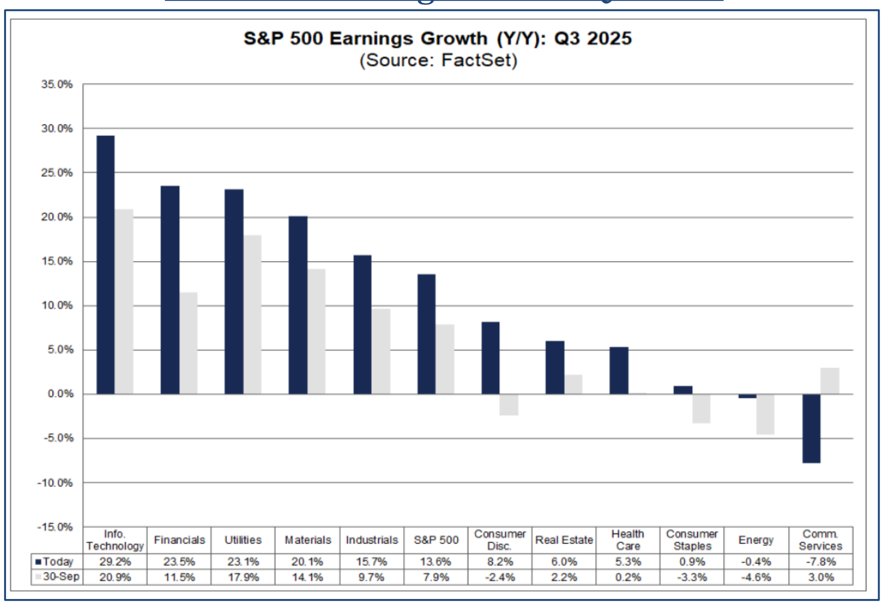
Source: GreyB

3. Micro : S&P 500 Earnings

- US third-quarter earnings were particularly strong, once again with companies beating analyst expectations on both margins and earnings growth.

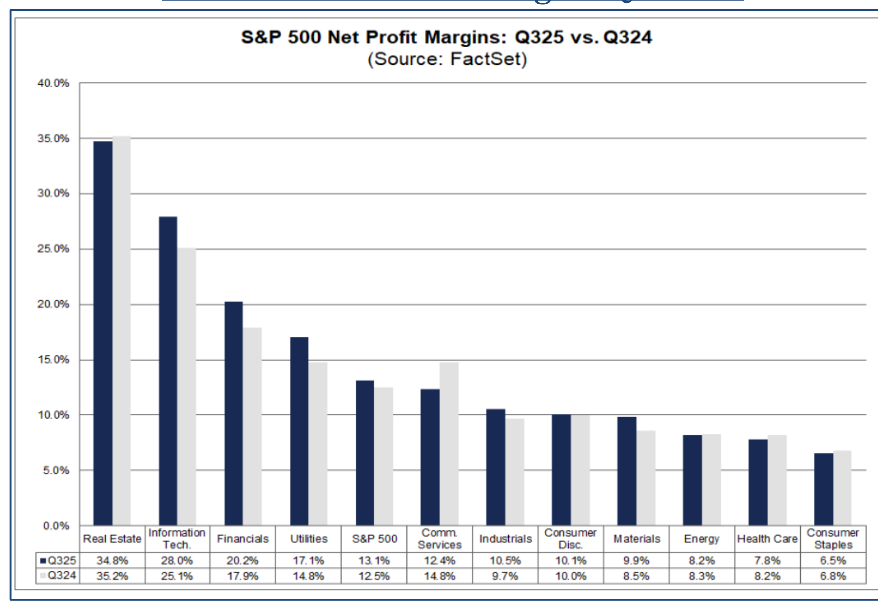
- Technology continues to lead the market and remains the primary contributor to S&P 500 EPS growth. As long as earnings momentum in this sector remains intact, it is difficult to envisage a meaningful sector rotation.

S&P 500 Earnings Growth Q3 2025



Source: Factset

S&P 500 Net Profit Margins Q3 2025



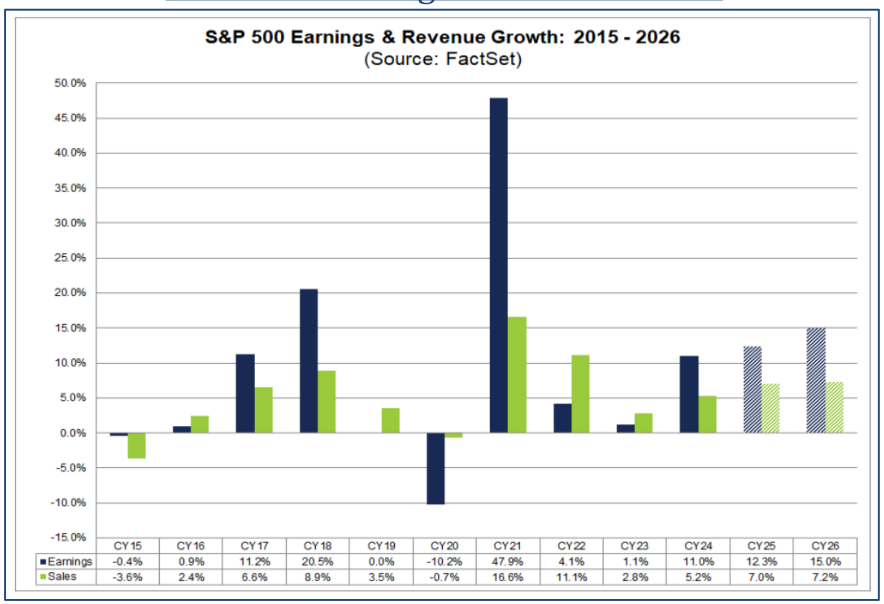
Source: Factset

3. Micro : S&P 500 Earnings

- For 2025, analysts expect total earnings growth of 12.3%, followed by an additional 15% increase in 2026. Even though S&P 500 valuations are in the upper range of historical levels, as long as the index continues to deliver double-digit earnings growth, a severe market correction appears unlikely.

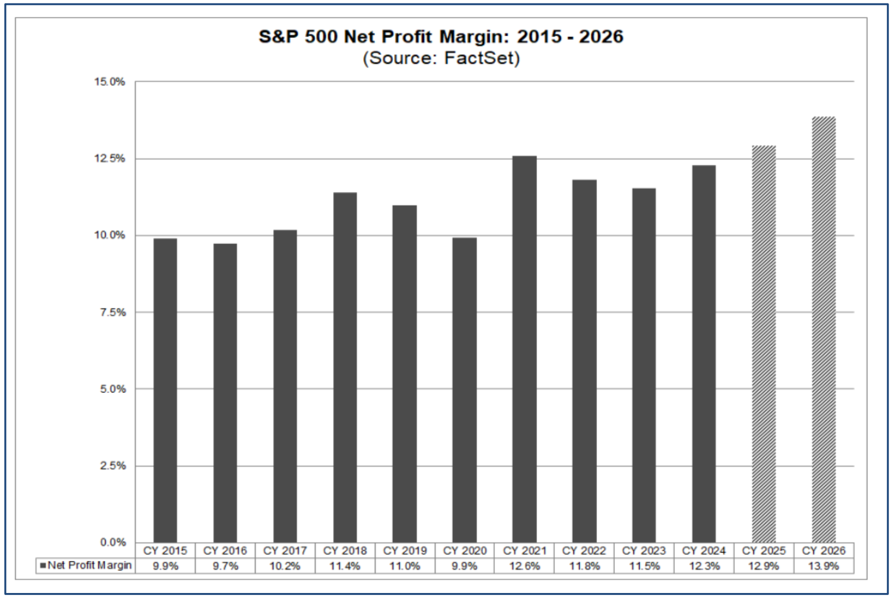
- Profit margins are also expected to continue improving, thereby justifying the elevated valuation of the S&P 500. These companies might also be benefiting from a weak dollar as they export many goods and services abroad.

S&P 500 Earnings Growth Forecast



Source: Factset

S&P 500 Net Profit Margins Forecast

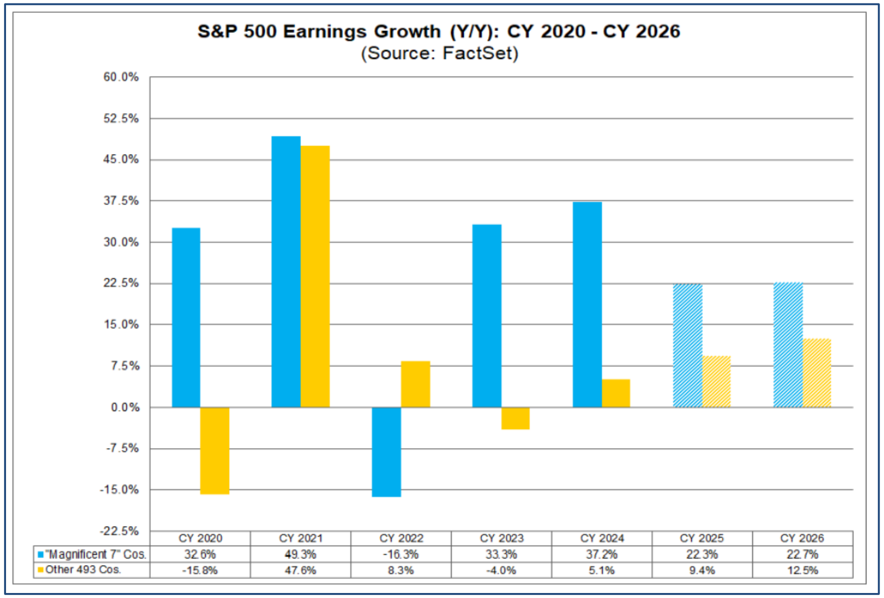


Source: Factset

3. Micro : S&P 500 Earnings & AI Valuation

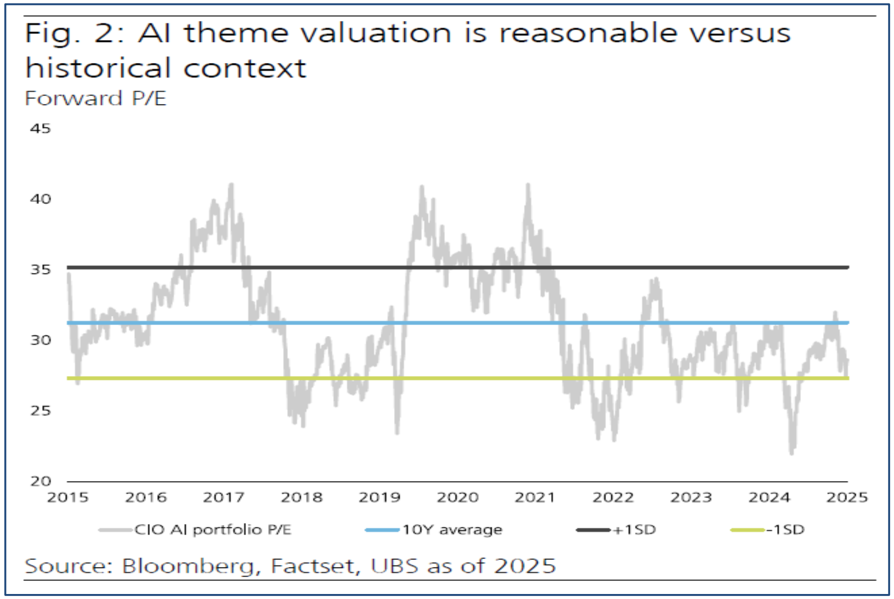
- While the "Magnificent Seven" remain well ahead of the rest of the market in terms of earnings growth, the remaining S&P 500 constituents are expected to post growth rates closer to those of the Mag 7 in 2026. This could broaden market participation and support overall performance. The Tech and Communication Services sector will be the most important sector to watch as they represent 45% of the S&P 500.
- Although AI-related stocks are often perceived as expensive, when compared with their own historical valuations they remain priced above the broader market but relatively attractive versus their own long-term averages.

S&P 500 Earnings Growth MAG7 vs S&P493



Source: Factset

AI Stocks Valuation



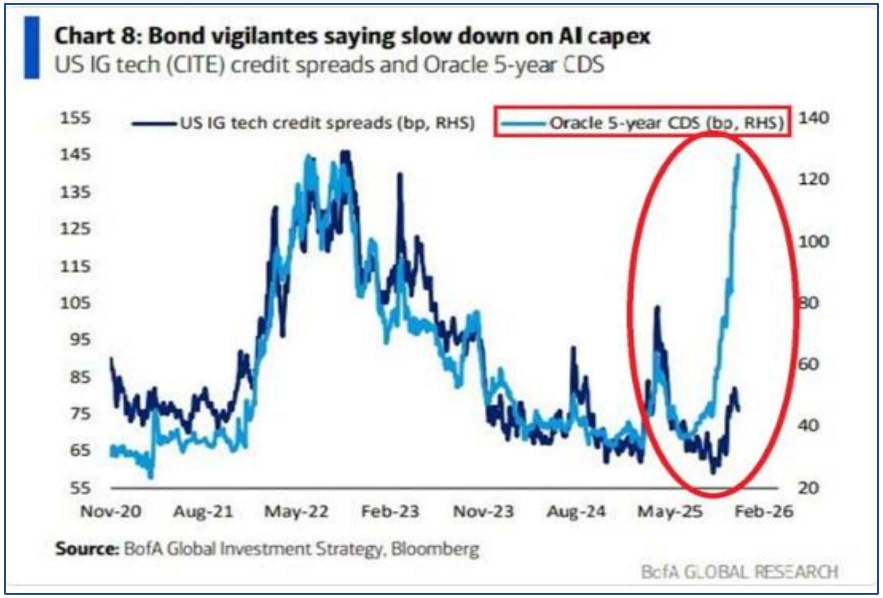
Source: UBS

3. Micro : Tech CDS

- While AI-related investment is currently supporting growth across the economy, pockets of risk are beginning to emerge. These risks are reflected in credit default swap (CDS) spreads, which have widened sharply for certain US technology names, such as Oracle. This development highlights investor concerns regarding the ability of some companies to effectively monetize AI investments.

- These concerns extend beyond US hyperscalers, as CDS spreads on SoftBank have also surged following the announcement of its significant investments in the US.

US Tech & Oracle 5Yr CDS



Source: Bank of America

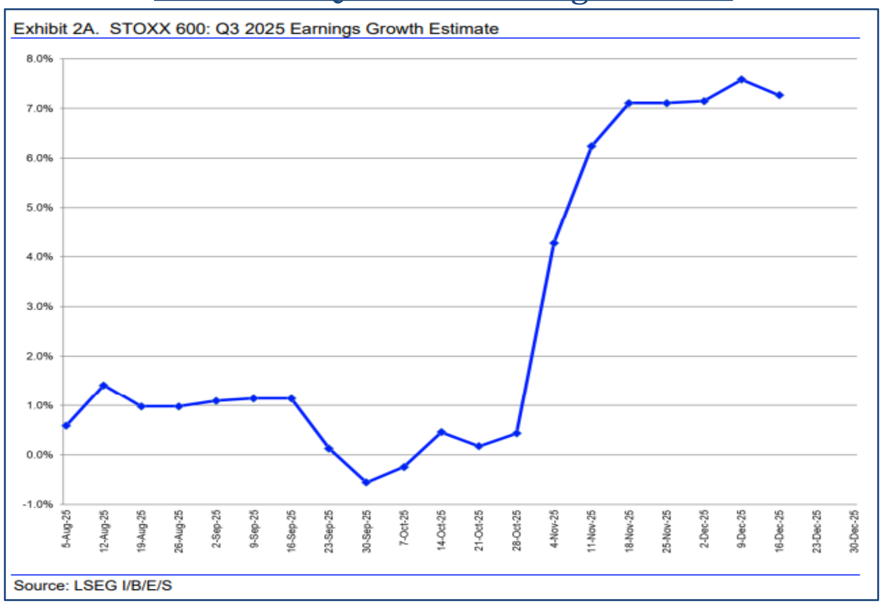
SoftBank 5Yr CDS

Source: Bloomberg

3. Micro : Stoxx 600 Earnings

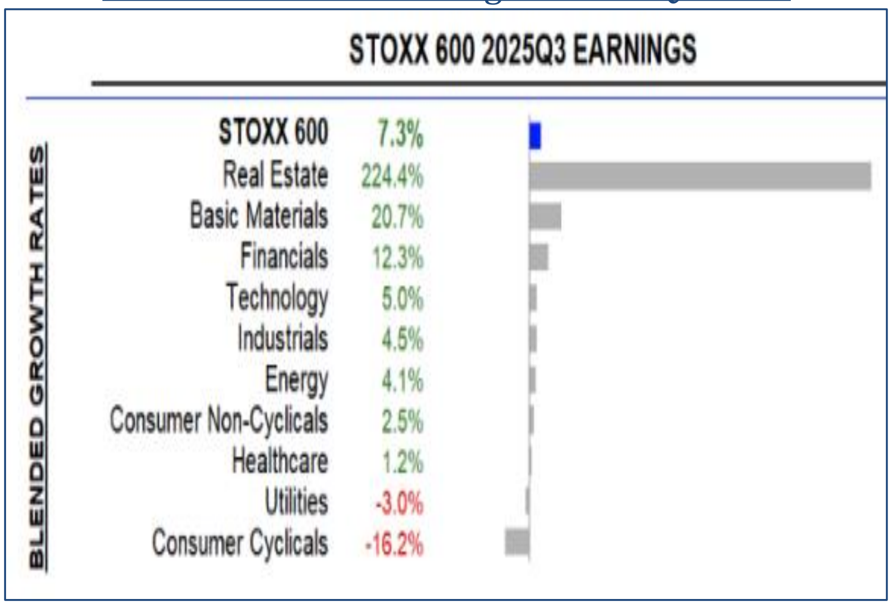
➤ In Europe, third-quarter earnings growth reached 7.3%, representing a significant upside surprise compared with the 1% growth expected at the start of the earnings season. That said, this performance should be viewed in context, as it was largely supported by the real estate sector, which benefited from base effects and accounting revaluations.

Stoxx 600 Q3 2025 Earnings Growth



Source: Refinitiv

Stoxx 600 Sector Earnings Growth Q3 2025



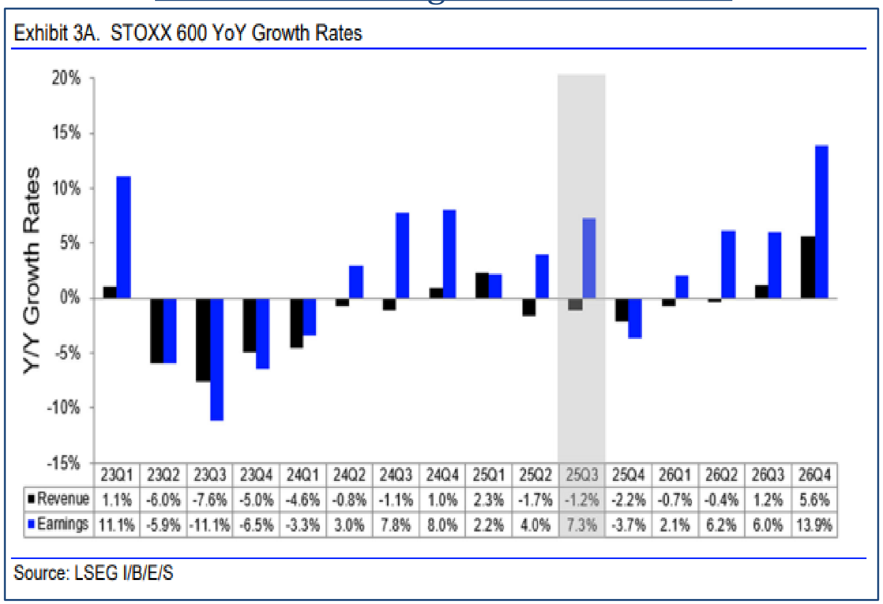
Source: Refinitiv

3. Micro : Stoxx 600 Earnings & Valuation

- For the final quarter of the year, earnings for the Stoxx 600 are expected to contract, before returning to growth from the following quarter onward.

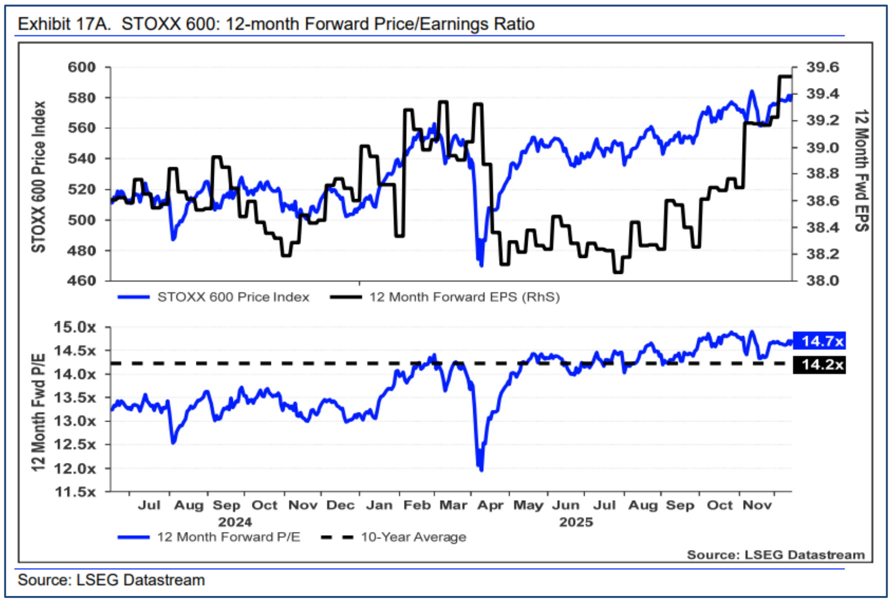
- From a valuation perspective, the Stoxx 600 is trading in line with its historical average and therefore appears neither cheap nor expensive. The ongoing steepening of the yield curve continues to benefit financials and should help support earnings growth for the Stoxx 600 next year.

Stoxx 600 Earnings Growth Forecast



	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4
Revenue	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	-0.8%	-1.1%	1.0%	2.3%	-1.7%	-1.2%	-2.2%	-0.7%	-0.4%	1.2%	5.6%
Earnings	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	3.0%	7.8%	8.0%	2.2%	4.0%	7.3%	-3.7%	2.1%	6.2%	6.0%	13.9%

Stoxx 600 Valuation



Source: Refinitiv

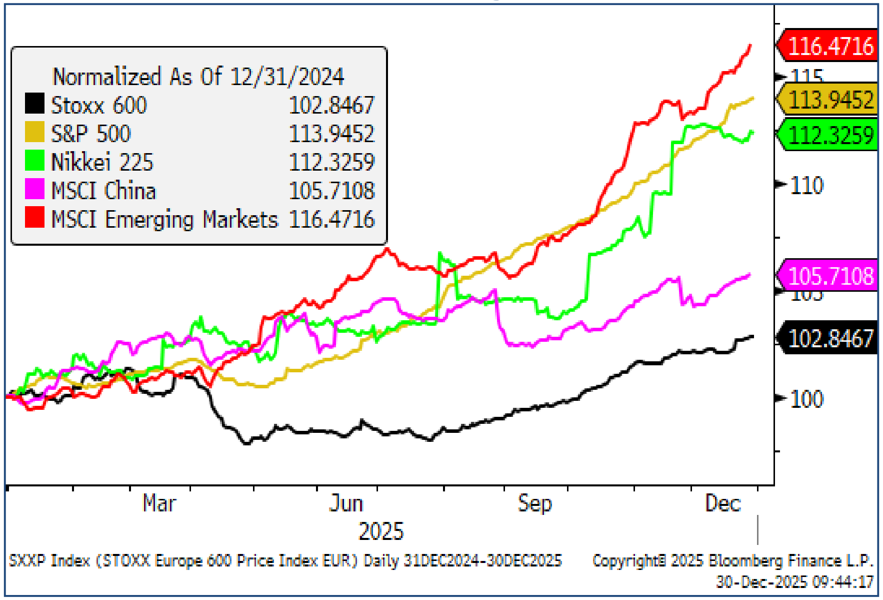
Source: Refinitiv

3. Micro : Global Earnings & Valuation

- Globally, earnings momentum remains strongly positive across markets. While AI-driven growth continues to support the S&P 500, emerging markets have seen the largest upward revisions to earnings expectations, benefiting in particular from a weaker US dollar.

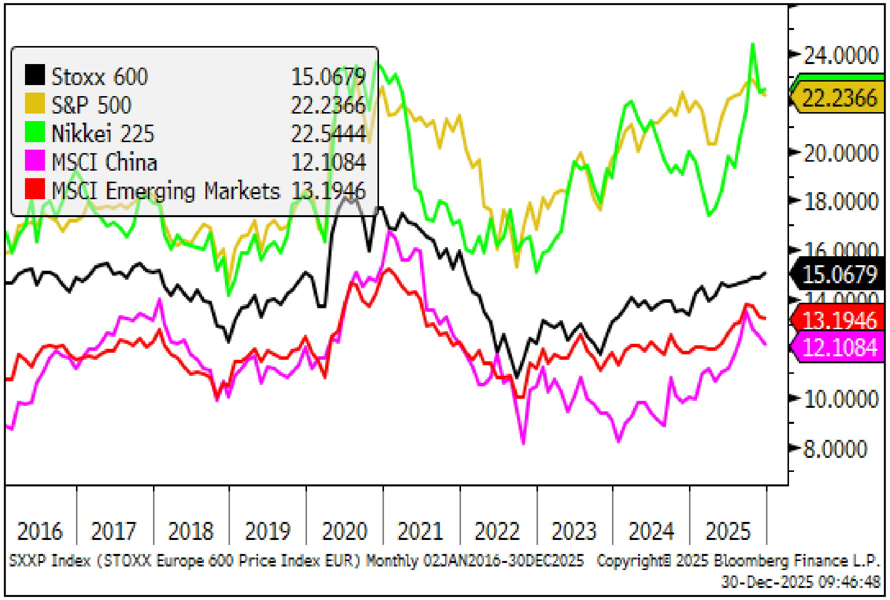
- China and Europe are lagging but still show a positive trend in earnings revisions. In valuation terms, the US and Japan are trading at elevated levels, while the rest of the world remains broadly in line with historical averages.

Global Index Earnings Momentum



Source: Bloomberg

Global Index Valuation Forward PE



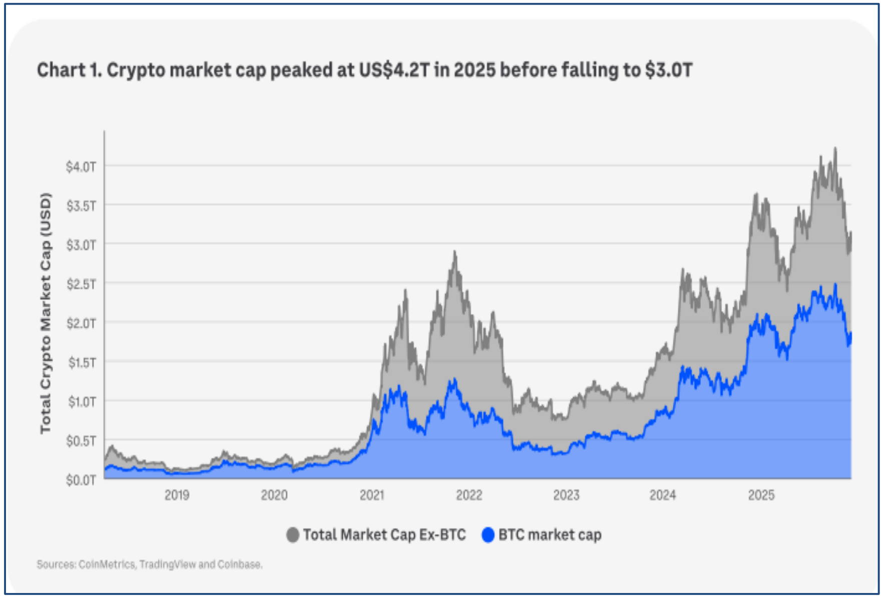
Source: Bloomberg

4. Cross Asset : Digital Assets

- Digital assets benefited from a bull market following President Trump's election victory at the end of 2024. However, this rally proved short-lived, with most of the gains unwound toward year-end following the October crash. The comment from MSCI proposing to exclude companies whose digital assets make up at least 50% of total assets from its Investable Universe didn't help the sector.

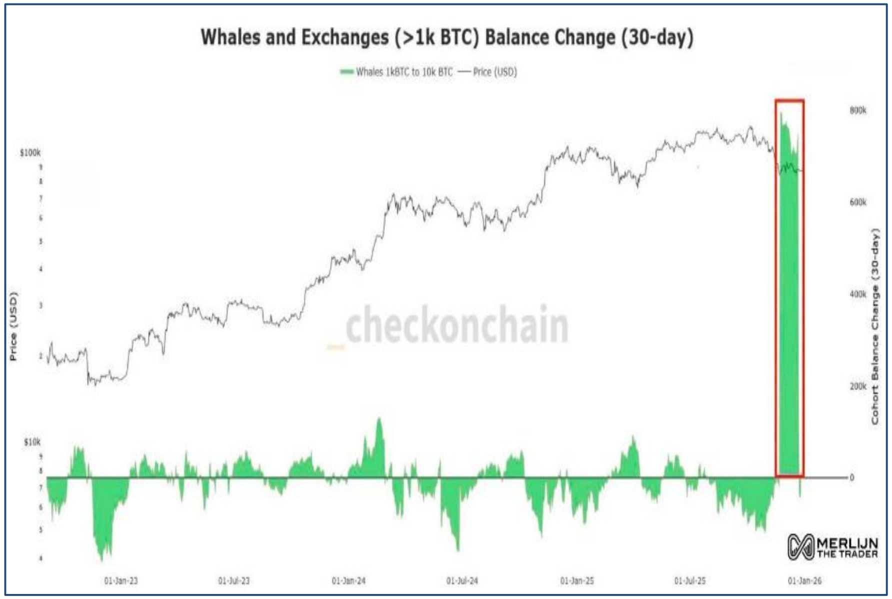
- Since the October crash, the Crypto market has not strongly rebounded but a few positive signs are coming like the bitcoin whales (holders of more than 1'000 bitcoin) have started to buy bitcoins again. We still think that bitcoin is a great diversifier in a portfolio.

Crypto Market Cap



Source: Coinbase

Bitcoin Whales Buying Activity



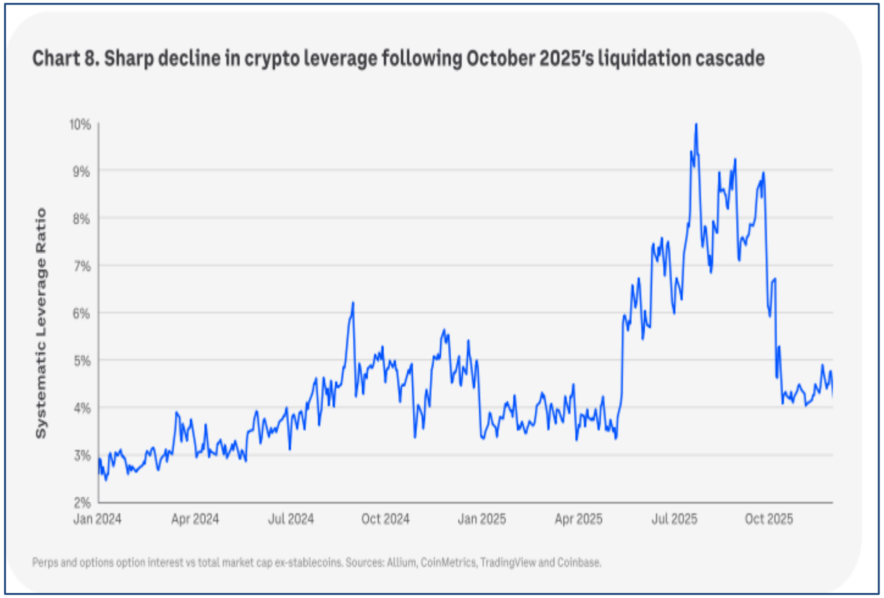
Source: Merlijn the Trader

4. Cross Asset : Digital Assets

- In October, a flash crash in the crypto market triggered forced liquidations across several leveraged portfolios. This significantly weighed on crypto performance, leaving investors cautious in the aftermath of the event.

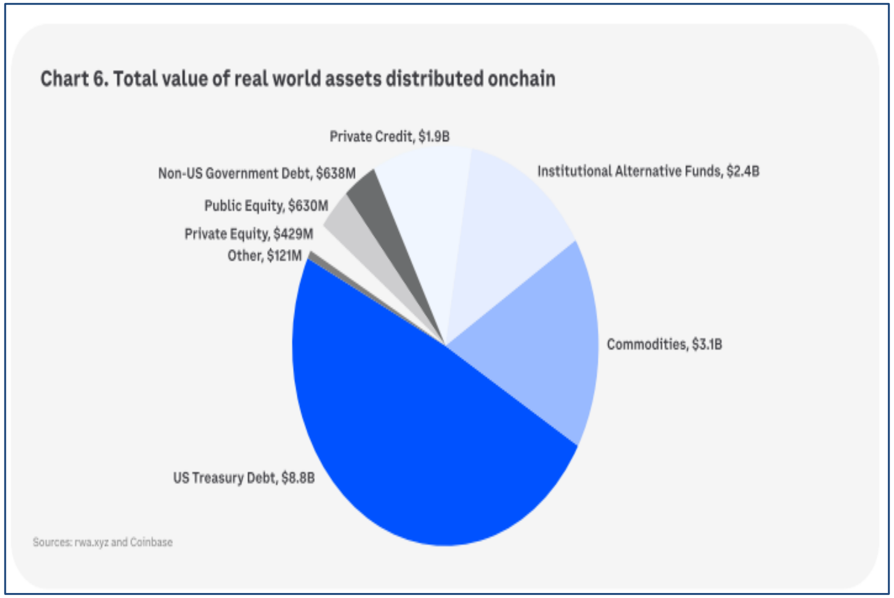
- At this stage, investor positioning in the asset class appears firmly risk-off.

Crypto Leverage



Source: Coinbase

Global Assets Tokenized



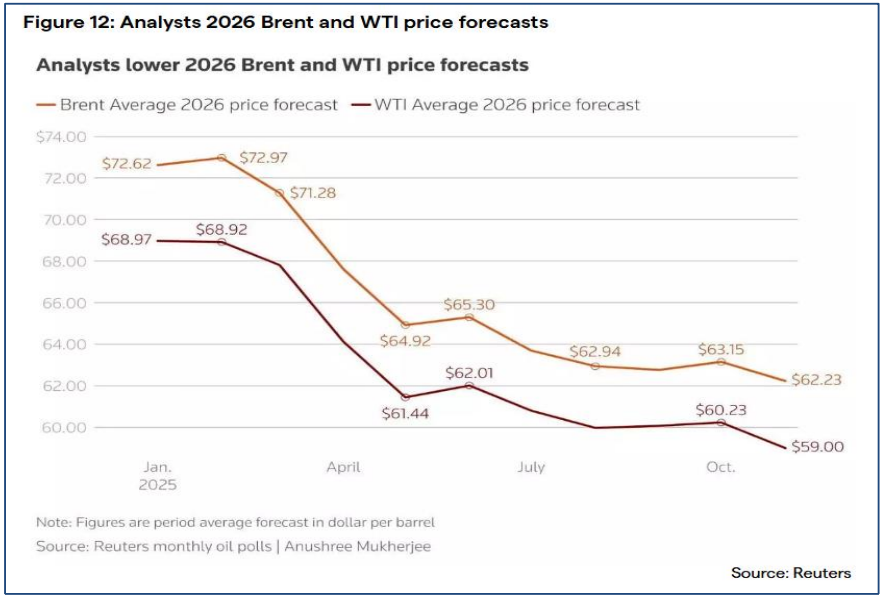
Source: Coinbase

4. Cross Asset : Crude Oil

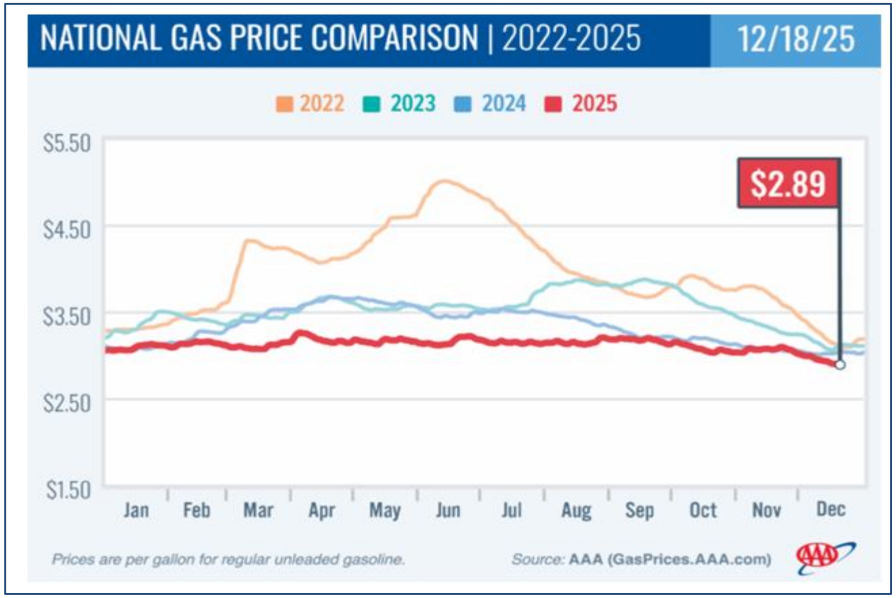
- Oil prices declined throughout 2025, playing a meaningful role in the disinflationary process. For now, analysts do not anticipate a near-term rebound.

- That said, geopolitical tensions—such as those in Venezuela—as well as OPEC production quotas could reintroduce volatility into the oil market.

Oil Prices Forecast



US Gasoline Average Price



Source: Reuters

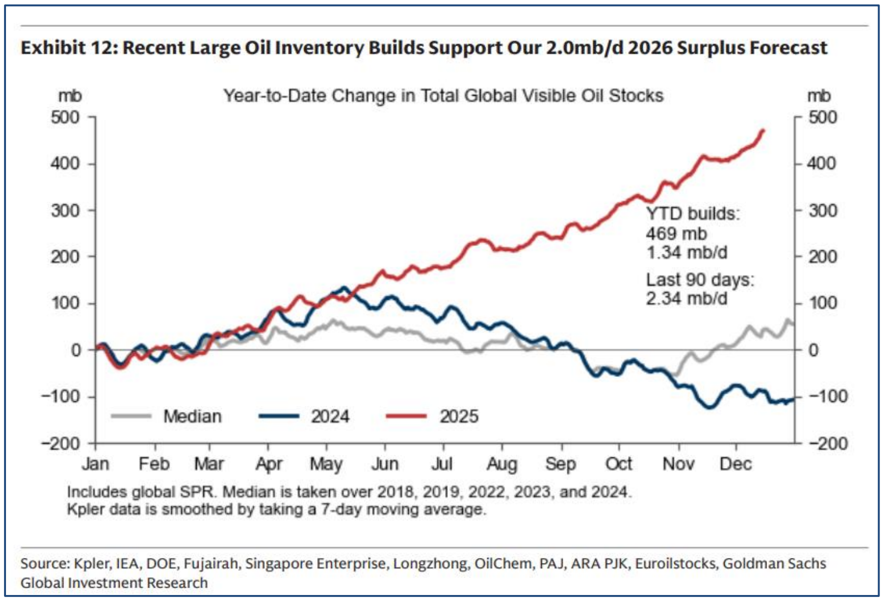
Source: AAA.com

4. Cross Asset : Crude Oil

- Oil inventories were rebuilt over the course of 2025 and now stand well above their historical average, suggesting a potential slowdown in demand growth in 2026.

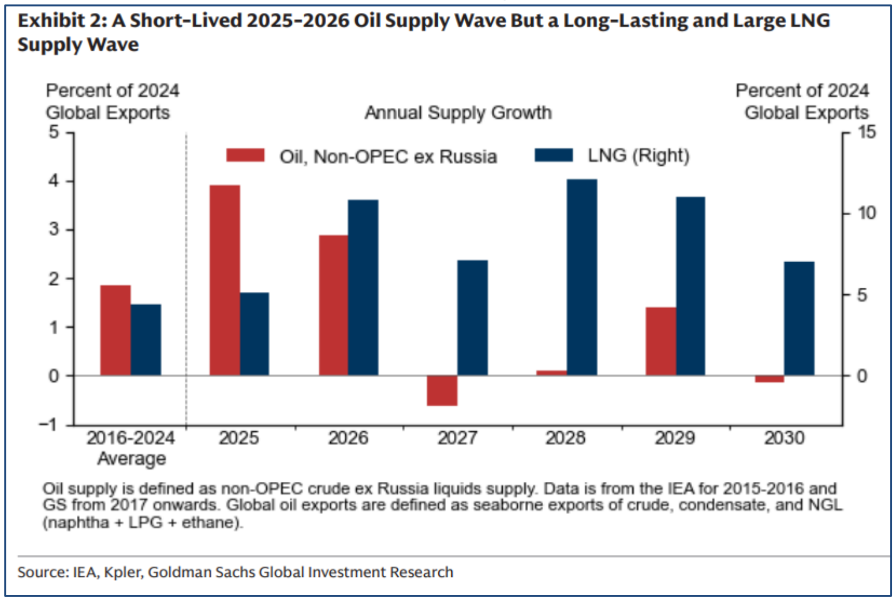
- In addition, production capacity is expected to continue expanding at least through 2026. Softer demand combined with higher supply should therefore continue to weigh on oil prices in the near term.

Oil Stocks



Source: Goldman Sachs

Oil & LNG Supply Growth



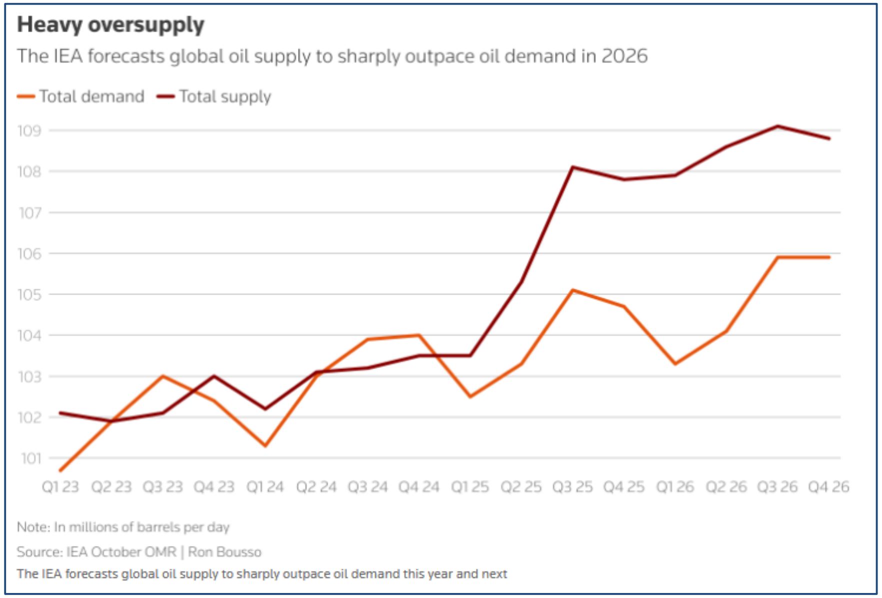
Source: Goldman Sachs

4. Cross Asset : Crude Oil

- According to IEA estimates, total oil demand in 2026 is expected to be around 3% lower than total supply. While numerous events could still disrupt these projections, the most likely scenario at present is for oil prices to remain broadly stable or drift slightly lower next year.

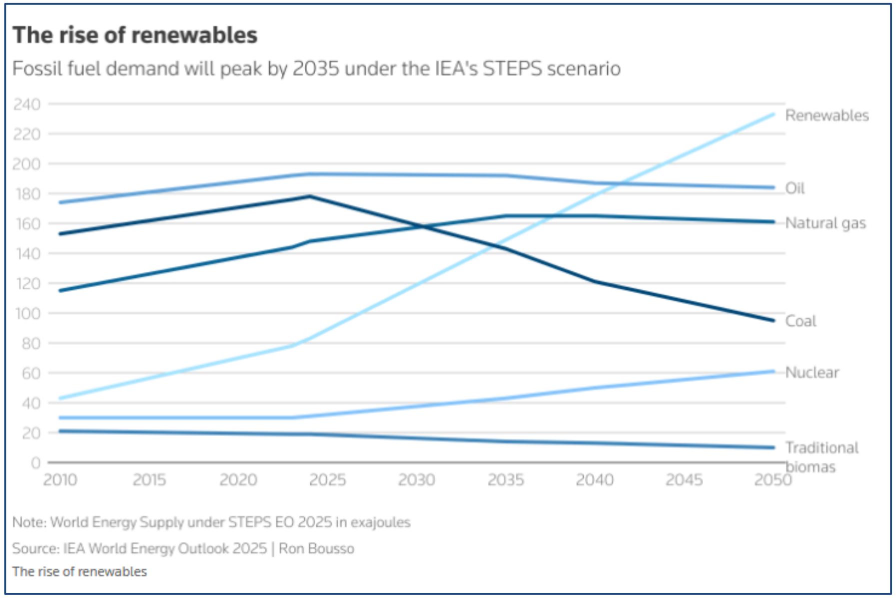
- On a more positive note for environmental considerations, the IEA also estimates that demand for fossil energy has likely reached its peak, with renewable energy and nuclear power expected to take over as the main drivers of energy growth in the coming years.

Oil Supply vs Demand Forecast



Source: IEA

Energy Supply Forecast



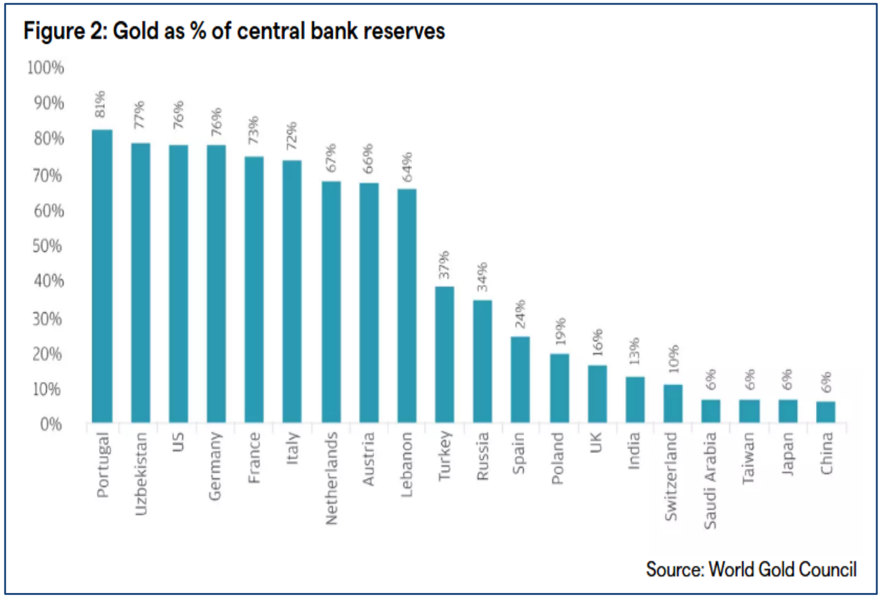
Source: IEA

4. Cross Asset : Gold

- Gold delivered a stellar performance in 2025. Beyond Central Banks, CTAs, asset managers, and retail investors also significantly increased their exposure.

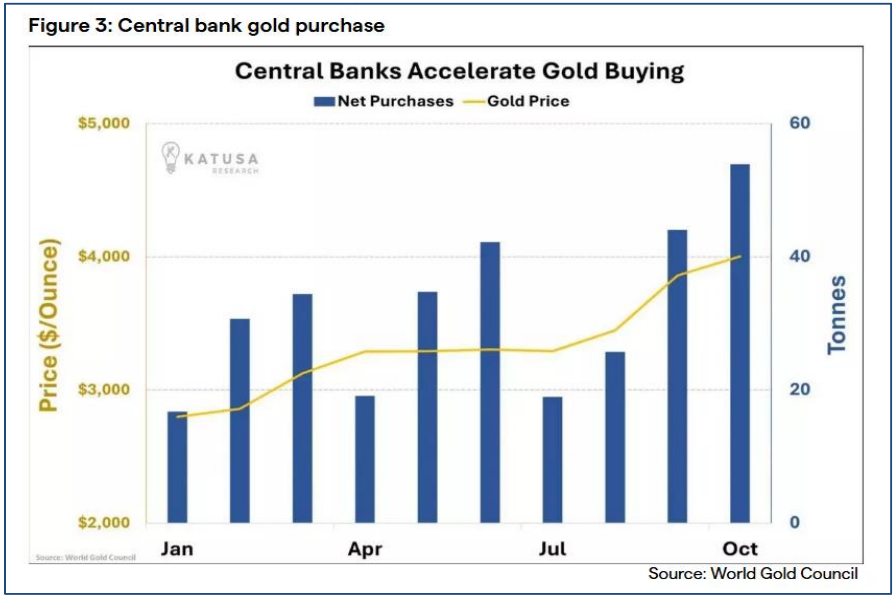
- We believe the positive trend in gold could continue as long as Central Banks remain net buyers. For now, there are no signs of a reversal, with Central Banks purchasing an additional 40 tons in October alone. Moreover, one of the largest buyers—the People's Bank of China—currently holds gold at only around 6% of its total reserves, leaving ample room for further accumulation.

Central Bank Gold Reserves



Source: World Gold Council

Central Bank Gold Buying



Source: World Gold Council

5. Market Review: Equity Performance

- 2025 was a strong year for all major equity indices. It's one of the rare occasion were the rest of the world has outperformed the US by a large margin.

- Emerging markets have benefited from the weakness of the USD and posted large gains in 2025. The old continent also posted strong performance mainly due to the financial sector being very supportive.

Equity Indices	% YTD in USD	% YTD in EURO	% 3M in USD	% 3M in EURO
MSCI WORLD	19.5%	7.6%	2.9%	2.8%
S&P 500	16.4%	4.5%	2.3%	2.2%
NASDAQ	20.4%	8.5%	2.6%	2.5%
BRAZIL	44.9%	33.0%	6.9%	6.7%
Euro Stoxx 50	31.7%	18.3%	4.8%	4.7%
Stoxx Europe 600	30.1%	16.7%	6.2%	6.1%
FTSE 100	29.2%	16.2%	6.4%	6.3%
CAC 40	23.9%	10.4%	3.3%	3.2%
DAX	36.5%	23.0%	2.7%	2.6%
IBEX	62.7%	49.3%	11.9%	11.8%
MIB	44.9%	31.5%	5.3%	5.2%
SMI	27.0%	15.4%	10.0%	10.0%
NIKKEI 225	26.5%	13.1%	6.1%	6.0%
HANG SENG	27.6%	14.1%	-4.6%	-4.7%
SHANGHAI	22.7%	9.9%	4.1%	4.2%
VIX	-13.8%	-25.7%	-8.2%	-8.3%

Source: Bloomberg 31/12/25

5. Market Review : Sector Performance Review

- For 2025 all sector whether it's in Europe, in the US or globally, they all posted positive performances. In Europe the steepening of the yield curve was supportive for Financials (the biggest sector of the index) which returned 46.3% to investors.

- In the US it's still the Technology sector (with Tech and Communication Services representing 45% of the index) that were supported by the heavy investment in AI and returned 23% for Tech and 32% for Communication Services.

Sector performance	Europe % YTD	Europe % 3M	USA % YTD	USA % 3M	World % YTD	World % 3M
Consumer Discretionary	2.1%	5.3%	5.3%	0.5%	8.4%	0.8%
Consumer Staples	6.9%	4.3%	1.3%	-0.7%	8.7%	1.4%
Energy	12.1%	5.8%	5.0%	0.7%	13.3%	2.0%
Financials	46.3%	10.2%	13.3%	1.6%	28.7%	4.7%
Health Care	7.3%	11.4%	12.5%	11.2%	14.8%	10.6%
Industrials	24.7%	1.7%	17.7%	0.5%	24.9%	1.5%
Information Technology	10.3%	3.7%	23.3%	1.3%	23.5%	1.4%
Materials	12.1%	7.4%	8.4%	0.6%	25.8%	5.2%
Telecommunication Services	6.2%	-6.1%	32.4%	7.0%	32.0%	4.8%
Utilities	33.6%	10.9%	12.7%	-2.1%	24.8%	2.3%

Source: Bloomberg 31/12/25

5. Market Review : FX and commodities performance

Currencies		
	Against USD	
	YTD	3M
EURO	13.4%	0.1%
JPY	0.3%	-6.0%
GBP	7.7%	0.2%
CHF	12.7%	0.5%
CNY	4.3%	1.9%
HKD	-0.2%	0.0%
CAD	4.6%	1.4%
AUD	7.8%	0.9%
	Against Euro	
	YTD	3M
USD	-11.9%	-0.1%
JPY	-13.0%	-6.0%
GBP	-5.3%	0.1%
CHF	1.0%	0.4%
CNY	-8.5%	1.9%
HKD	-13.7%	-0.1%
CAD	-8.2%	1.3%
AUD	-5.2%	0.8%
	Against CHF	
	YTD	3M
EURO	-0.9%	-0.4%
USD	-14.5%	-0.5%
JPY	-14.1%	-6.5%
GBP	-6.3%	-0.3%
CAD	-9.3%	0.9%
AUD	-6.2%	0.4%
HKD	-14.7%	-0.5%

- In the currency market, the USD was the surprise of 2025 losing almost 10% of its value against other major currencies.

- In the commodity market, most commodities benefited from the low USD while the main performer were precious metals especially Silver catching up Gold.

	% YTD in USD	% 3M in USD
WTI Crude Oil	-19.9%	-7.9%
Brent Crude Oil	-18.5%	-9.2%
Gasoline	-14.8%	-13.6%
Natural Gas	4.1%	-7.4%
Gold	64.6%	11.9%
Silver	148.0%	53.6%
Platinum	127.0%	30.8%
Palladium	77.5%	28.4%
Aluminum (LME)	17.4%	11.8%
Copper (LME)	41.7%	21.0%
Corn	-4.0%	6.0%
Wheat	-8.1%	-0.2%
Soybean	3.2%	2.9%
Coffee	9.1%	-7.0%
Sugar	-22.1%	-6.8%
Cotton	-6.0%	1.5%

Source: Bloomberg 31/12/25

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.

- CDS on certain Tech names like Oracle have started to rise which might be a sound of alarm in the sector.

	Perf November	Perf YTD	Perf last 3 months	Yield	Duration
Global					
Global Aggregate	0.3%	8.2%	0.2%	3.5	6.4
Treasuries	0.1%	6.8%	-0.4%	3.2	7.0
Credit	0.3%	10.5%	0.8%	4.2	6.1
USA					
U.S. Universal	-0.1%	7.6%	1.2%	4.5	5.8
U.S. Aggregate	-0.1%	7.3%	1.1%	4.3	6.0
U.S. Gov/Credit	-0.3%	6.9%	0.9%	4.2	6.2
U.S. Treasury	-0.3%	6.3%	0.9%	3.9	5.9
Government-Related	-0.1%	7.9%	1.1%	4.3	5.6
Corporate	-0.2%	7.8%	0.8%	4.8	6.9
U.S. MBS	0.2%	8.6%	1.7%	4.6	5.6
Pan Europe					
Pan-Euro Aggregate	-0.3%	1.3%	0.7%	3.2	6.4
Euro-Aggregate	-0.5%	1.2%	0.2%	3.0	6.3
Asia Pacific					
Asian-Pacific Aggregate	0.6%	1.1%	3.8%	2.2	7.1
High Yield					
Global High Yield	1.0%	12.1%	2.2%	6.5	3.7
U.S. Corporate High Yield	0.6%	8.6%	1.3%	6.5	3.0
Pan-European High Yield	0.4%	4.9%	0.7%	5.8	2.9
Other					
Global Inflation-Linked	0.4%	9.1%	0.7%		
Municipal Bond Index	0.1%	4.2%	1.6%	3.6	6.2
Emerging Markets					
EM USD Aggregate	0.4%	11.1%	2.4%	5.7	6.1
Sovereign	0.5%	13.1%	3.6%	5.9	7.0
Corporate	0.5%	8.1%	0.9%	5.8	4.8
High Yield	1.3%	13.9%	4.9%	7.2	5.4

Source: Bloomberg 31/12/25

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 45.5% Risky Assets*, 28.8% 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, Europe & Japan). • Emerging Markets, China.	
	Investment style, stock selection	• Global growth themes. • EU & CH 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, Copper & Uranium. • Decorrelated Strategies.	

* 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 but remain a potential black swan.
- Demand for metals used in the energy transition is expected to remain strong.
- Our favorite themes remain the same: (selective) technology and companies that pay solid and sustainable dividends.
- Diversification, which we regularly emphasize, is more important than ever.

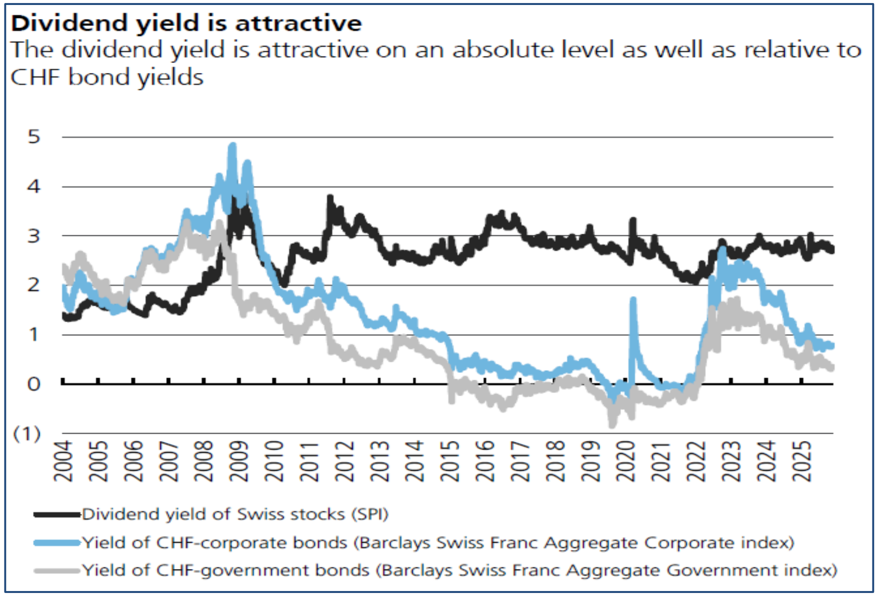
Thematic : Swiss Dividend

- With Swiss interest rates back at 0% and bond yields offering little to no real return, generating meaningful income in the Swiss market has become increasingly difficult.

- Swiss dividend yields have reached attractive levels in absolute terms and relative to Swiss bond yields. However, equities remain more volatile and carry higher risk than bonds.

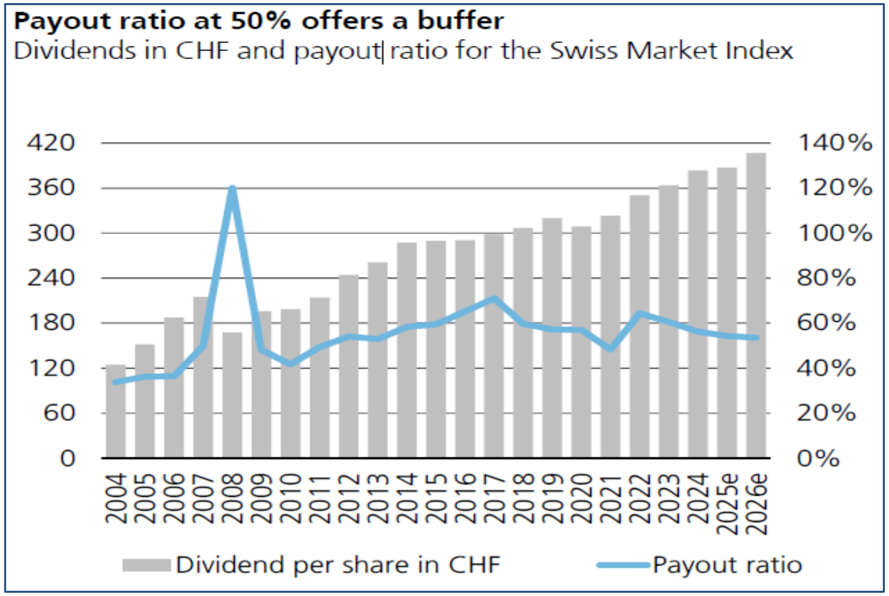
- Historically, Swiss dividends have been appealing thanks to the defensive and stable nature of the Swiss equity market, as well as the CHF, which has long been, and remains, one of the strongest currencies in the world.

Swiss Dividend Yields vs Bond Yields



Source: UBS

Dividend & Payout ratio of SMI



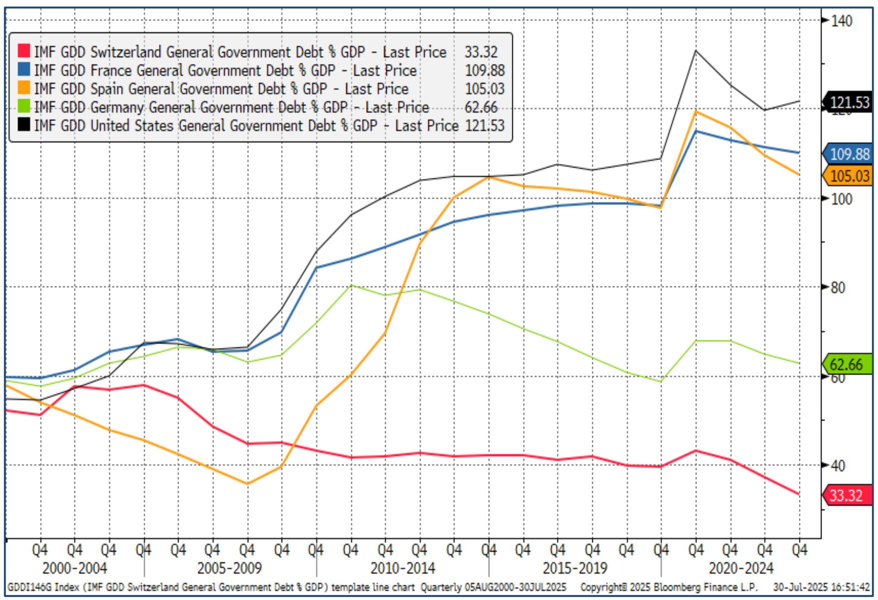
Source: UBS

Thematic : Swiss Dividend

- Swiss markets exhibit lower volatility compared to global peers, reflecting economic stability and investor’s confidence.

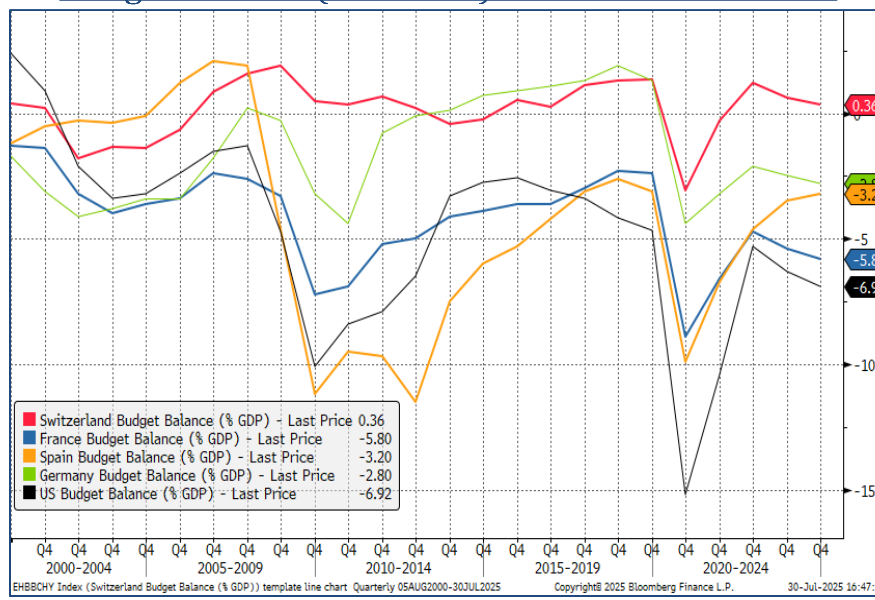
- The country maintains one of the lowest unemployment rates among advanced economies, hovering around 2.5%, supported by a strong labor market and specialized industries. Another key point is that it shows a low debt-to-GDP ratio and consistently maintains a strong fiscal balance, underscoring its disciplined public finances.

Debt-to-GDP of Selected Countries



Source: Bloomberg

Budget Balance (% of GDP) of Selected Countries



Source: Bloomberg

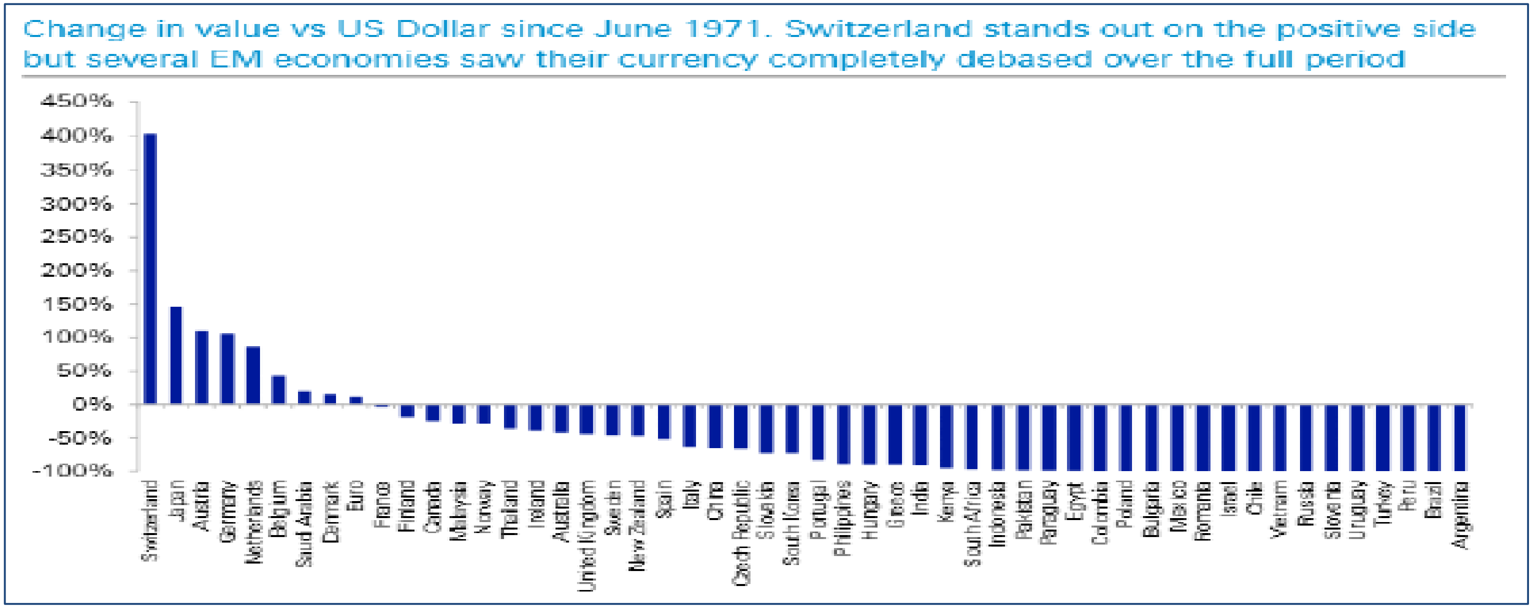
Thematic : Swiss Dividend

- CHF is a proven safe-haven currency, supported by Switzerland's stable economy and strong governance.

- Since 1971, the CHF has gained more than 400% against the US dollar, outperforming all major currencies.

- In uncertain times investors turn to the CHF. This trend is not expected to reverse anytime soon…

Change in Value of Global Currencies vs USD since 1971

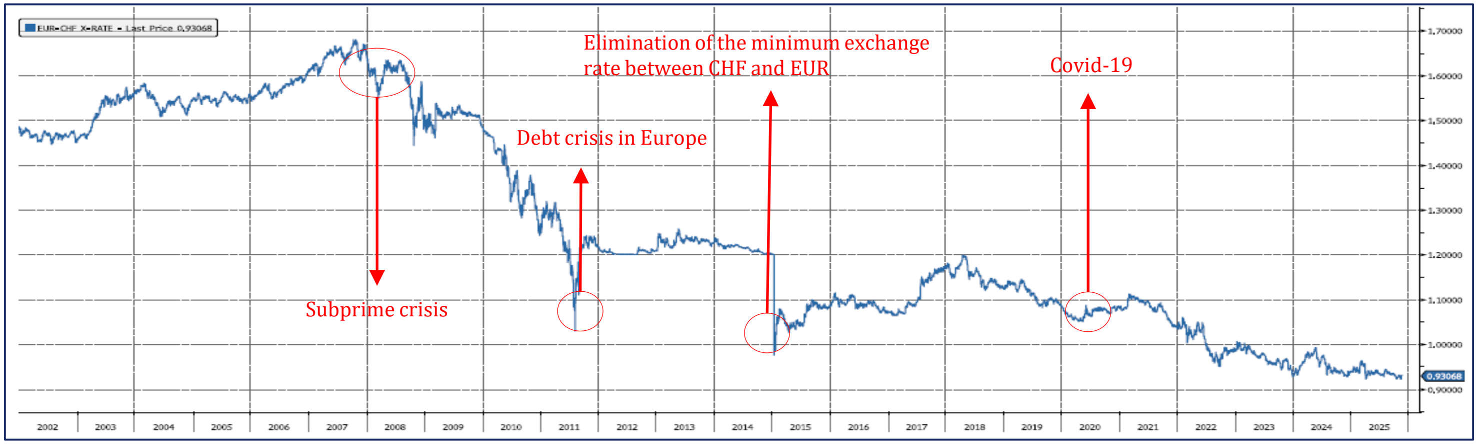


Source: Deutsche Bank

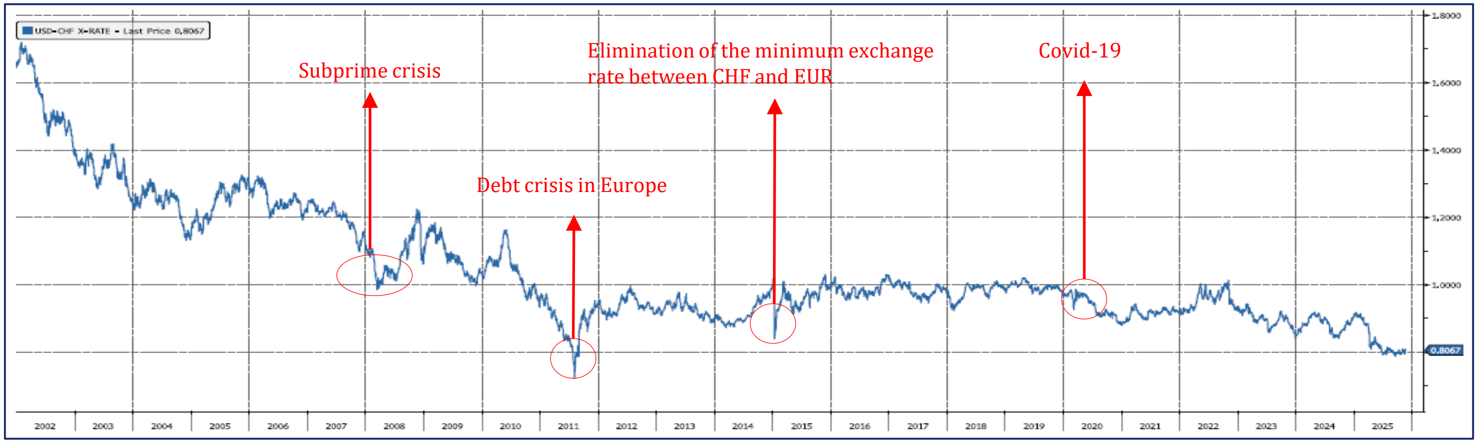
Thematic : Swiss Dividend

- Both the Euro and the US dollar have depreciated against the Swiss franc since the Euro entered physical circulation on 01.01.2002.

EUR vs CHF since 2002: a decrease of roughly 37%



USD vs CHF since 2002: a depreciation of roughly 51%



Source: Bloomberg

Thematic : Swiss Dividend

- Dividends as high quality when they are sustainable and growing. This shows the ability of a company that can continue paying dividends even during periods of economic uncertainty.

- Choosing the right high-dividend company requires discipline, focusing on businesses with a long-term dividend track record, a growing and resilient business model, a strong balance sheet, and sustainable operations that can remain profitable over the long term

- In the table below, years when dividends increased are marked in blue, remained the same in white, and decreased in red.

Quality High-Dividend Portfolio Example

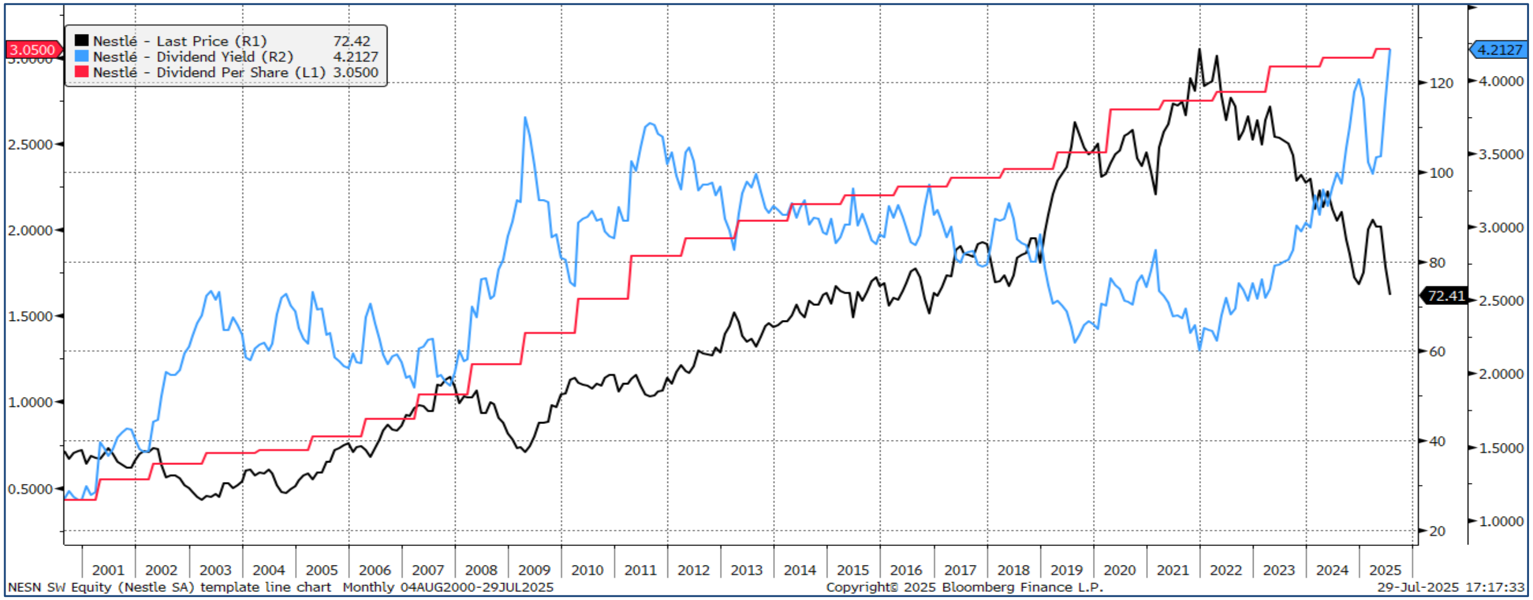
Name	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PARTNERS GROUP HOLDING AG	0.0	0.0	0.0	0.0	2.7	4.3	4.3	4.5	5.0	5.5	6.3	7.3	8.5	10.5	15.0	19.0	22.0	25.5	27.5	33.0	37.0	39.0	42.0
ZURICH INSURANCE GROUP AG	1.0	2.5	4.0	7.0	11.0	15.0	11.0	16.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	18.0	19.0	20.0	20.0	22.0	24.0	26.0	28.0
SWISS LIFE HOLDING AG-REG	0.0	0.0	4.0	5.0	7.0	17.0	5.0	2.4	4.5	4.5	4.5	5.5	6.5	8.5	11.0	13.5	16.5	20.0	21.0	25.0	30.0	33.0	35.0
BANQUE CANTONALE VAUDOIS-REG	0.0	0.2	0.3	0.5	0.7	4.7	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.5	3.6	3.6	3.7	3.8	4.3	4.4
SWISSCOM AG-REG	19.9	12.9	13.9	15.9	17.0	20.0	19.0	20.0	21.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
KUEHNE + NAGEL INTL AG-REG	0.6	0.7	0.9	1.1	1.5	4.4	2.3	2.3	4.3	3.9	3.5	5.9	7.0	5.0	5.5	5.8	6.0	4.0	4.5	10.0	14.0	10.0	8.3
NOVARTIS AG-REG	1.0	1.0	1.1	1.2	1.4	1.6	2.0	2.1	2.2	2.3	2.3	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0	3.1	3.2	3.3	3.5
SGS SA-REG	0.3	0.4	0.5	2.0	0.8	1.4	2.0	2.4	2.6	2.6	2.3	2.6	2.7	2.7	2.8	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.2
NESTLE SA-REG	0.7	0.7	0.8	0.9	1.0	1.2	1.4	1.6	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.7	2.8	2.8	3.0	3.0	3.1
FLUGHAFEN ZURICH AG-REG	0.0	0.0	0.0	0.2	0.6	0.9	1.0	1.5	1.4	1.9	1.9	2.0	2.7	6.2	6.4	6.5	6.9	0.0	0.0	0.0	3.5	5.3	5.7
HOLCIM LTD	0.8	1.0	1.1	1.4	1.7	2.9	0.0	1.4	1.4	1.0	1.1	1.2	1.2	1.5	2.0	2.0	2.0	2.0	2.0	2.2	2.5	2.8	3.1
ROCHE HOLDING AG-GENUSSCHEIN	1.5	1.7	2.0	2.5	3.4	4.6	5.0	6.0	6.6	6.8	7.4	7.8	8.0	8.1	8.2	8.3	8.7	9.0	9.1	9.3	9.5	9.6	9.7
LOGITECH INTERNATIONAL-REG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.2	0.3	0.5	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.3
GALENICA AG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7	1.8	1.8	2.1	2.2	2.2	2.3
EMMI AG-REG	0.0	0.0	1.6	2.6	2.6	2.6	2.6	3.0	3.4	3.4	3.6	3.8	3.8	4.9	5.9	10.0	9.0	12.0	13.0	14.0	14.5	15.5	16.5
CIE FINANCIERE RICHEMO-A REG	0.5	0.6	1.6	1.7	2.1	1.2	0.3	0.4	0.5	0.6	1.0	1.4	1.6	1.7	1.8	1.9	2.0	1.0	2.0	3.3	3.5	2.8	3.0
GIVAUDAN-REG	7.7	14.5	15.4	16.6	17.8	18.4	9.4	20.6	21.5	22.0	36.0	47.0	50.0	54.0	56.0	58.0	60.0	62.0	64.0	66.0	67.0	68.0	70.0
VONTOBEL HOLDING AG-REG	0.8	1.1	1.2	1.6	2.0	2.0	1.2	1.4	1.4	1.1	1.2	1.3	1.6	1.9	2.0	2.1	2.1	2.3	2.3	3.0	3.0	3.0	3.0
ENEL SPA	0.3	0.6	0.5	0.6	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.5
ENGIE	0.0	0.0	0.5	0.7	1.1	2.1	2.2	1.5	1.5	1.5	1.5	1.2	1.0	1.0	0.9	0.7	0.8	0.0	0.5	0.9	1.4	0.8	1.5
ENI SPA	0.8	0.8	1.4	1.3	1.3	1.4	1.2	1.0	1.0	1.1	1.1	1.1	1.0	0.8	0.8	0.8	0.8	0.6	0.7	0.9	0.9	1.0	1.0
TOTALENERGIES SE	1.0	1.8	1.5	1.7	2.0	2.2	2.3	2.3	1.1	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	1.7	1.5	3.1	3.3
FDJ UNITED	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.9	1.2	1.4	1.8	2.1

Source: Bloomberg

Thematic : Swiss Dividend

- Here is an example of a company having dividend with attractive characteristics: Nestlé.
- Nestlé has increased its dividend consistently for more than 20 years (red line).
- This highlights the dividend's low sensitivity to economic cycles, as its growth has remained resilient through economic slowdowns and other crises.

Nestlé share price and dividend per share vs dividend yield

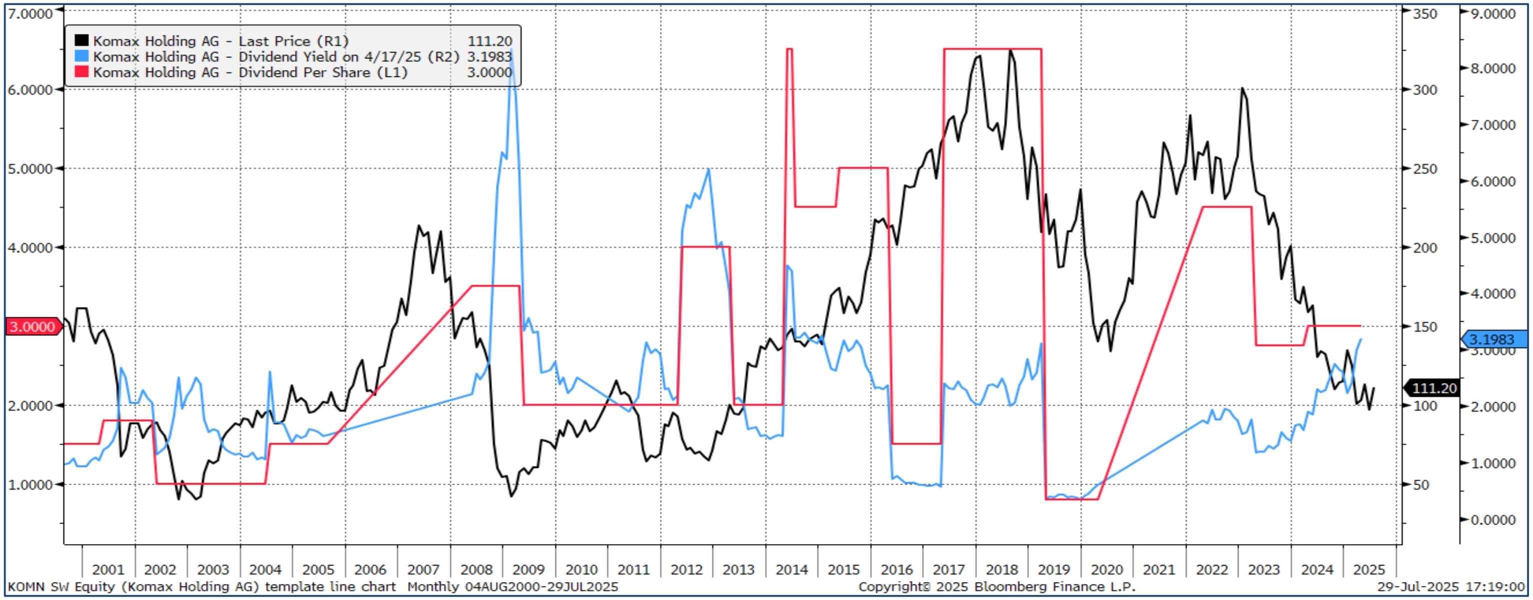


Source: Bloomberg

Thematic : Swiss Dividend

- High dividends are sometimes not sustainable: example of Komax Holding AG.
- As the graph shows, Komax's dividend per share (in red) has been particularly volatile over the years, alternating between significant increases and sharp declines.
- Frequent or unpredictable variations may reflect sensitivity to economic cycles, dependence on annual results, or a lack of a clearly defined dividend policy

Komax Holding share price and dividend per share vs dividend yield



Source: Bloomberg

Thematic : Swiss Dividend

In summary, a Swiss dividend strategy can offer investors:

- Exposure to the Swiss market, which is high-quality and has historically exhibited lower volatility than most of countries.

- Currency diversification through CHF, widely regarded as one of the world's strongest and most stable currencies.

- An attractive risk-return profile, supported by the defensive nature of high-dividend-paying companies and their relatively limited downside risk.

- Strong income potential compared with the broader Swiss equity market.

- Long-term capital appreciation, driven by the compounding effect of consistent dividend payments.

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