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Investment Strategy Update

July 2025

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Multi-Family Office

Geneva & Singapore

I. H1 2025 Review

A « V » shape recovery

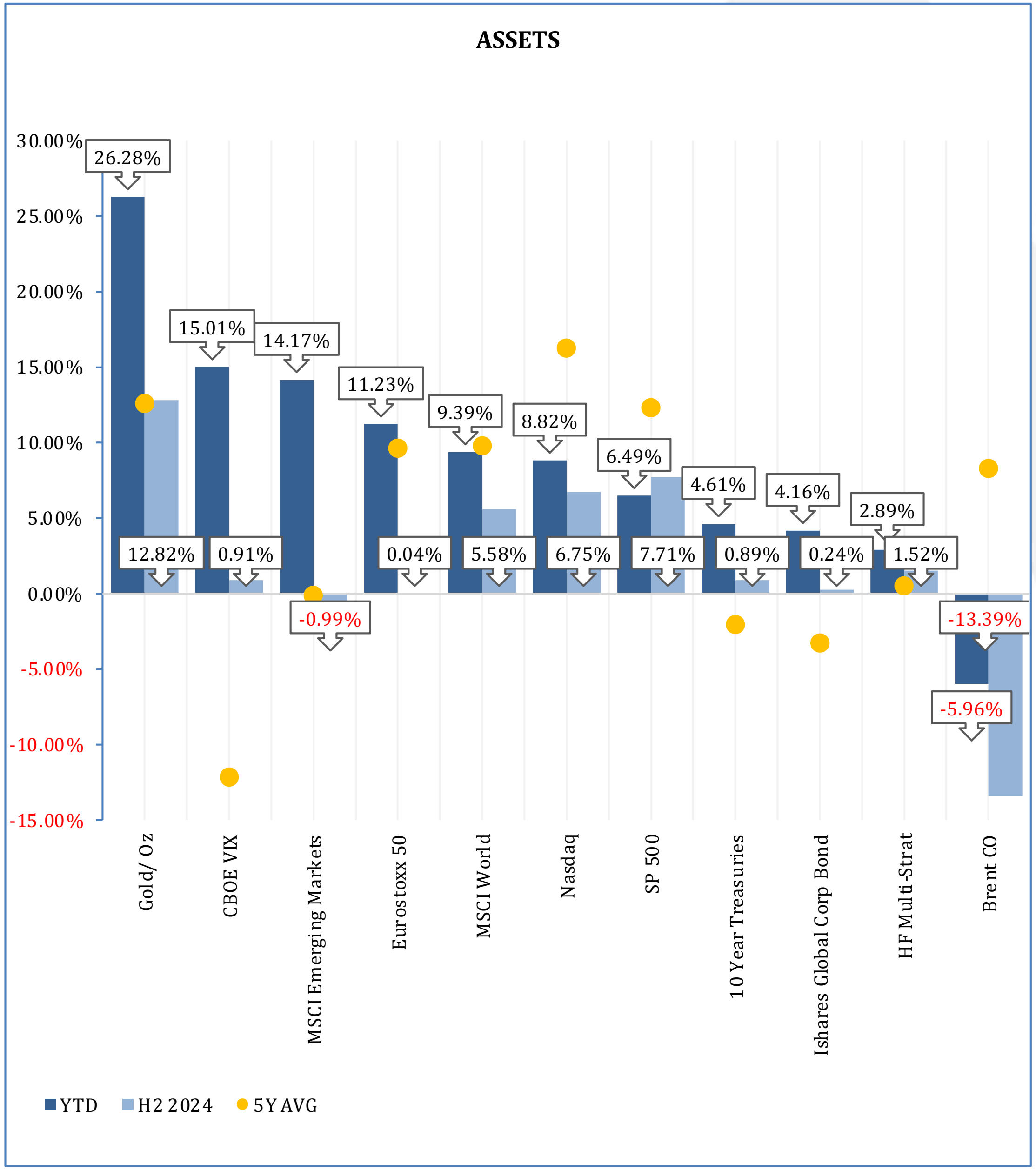
The first half of 2025 was shaped by **intense volatility,** unexpected policy shifts, and rising geopolitical risks. In April, markets were shaken by the surprise reintroduction of **aggressive U.S.–China tariffs**, sparking fears of a renewed trade war. The S&P 500 dropped sharply, **while the VIX posted one of its fastest spikes in years**, reflecting a rapid repricing of global risk. Sentiment was further tested by slowing growth and weak business confidence indicators across the U.S. and Europe.

Markets began stabilizing in May as trade tensions eased and earnings came in stronger than expected. **Mega-cap tech firms reported robust Q1 results**, reigniting optimism around AI and cloud infrastructure. At the same time, inflation moderated, prompting a dovish shift in rate expectations. By early June, futures markets were pricing in several Fed cuts starting in Q3, helping drive a broad equity rebound.

Mid-June U.S. **airstrikes on Iranian nuclear** sites drove oil sharply higher and revived demand for traditional safe havens. Gold surged above $3,300/oz, while the Swiss franc and Japanese yen saw strong inflows. Meanwhile, the U.S. dollar weakened across G10 currencies as fiscal concerns and reduced safe-haven appeal eroded support.

By late June, the S&P 500 had nearly recovered from its April drop, though gains remained concentrated in tech and growth stocks. Defensive and high-dividend segments lagged, reflecting a fragile recovery and ongoing investor caution amid macro uncertainty.

Impact on Asset Classes



Main asset movements during H1 2025:

- **Gold** surged over 28% YTD, driven by strong safe-haven demand amid rising geopolitical tensions and inflation concerns. Central banks, especially from emerging markets, continued aggressive gold accumulation. Prices briefly surpassed $3,300/oz in May.

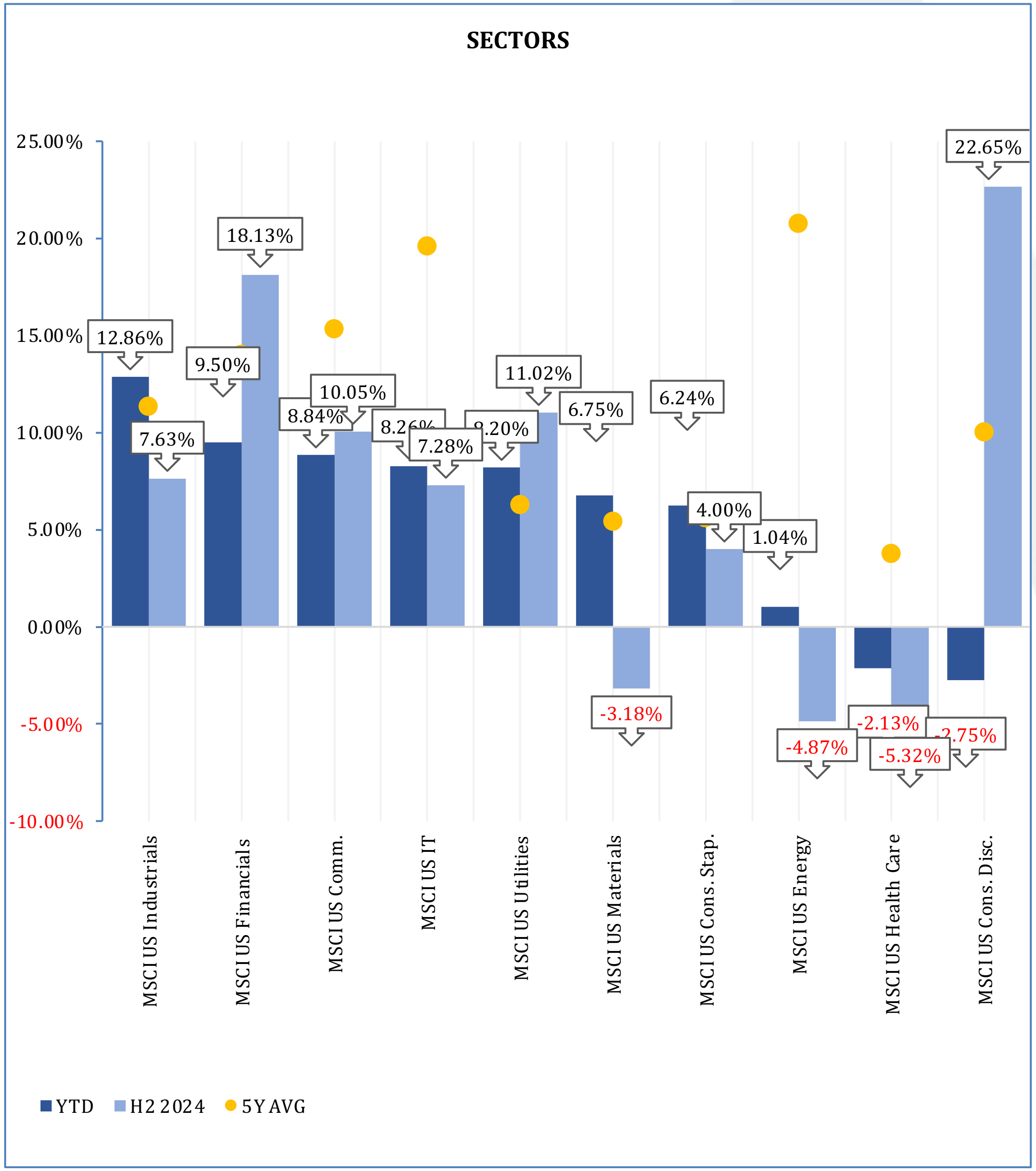
- the **VIX** saw a sharp 143% spike in just 4 days in early April due to market panic triggered by the unexpected U.S.–China tariff situation but gradually normalized as sentiment stabilized. It still sits slightly above its 5-year average, reflecting persistent geopolitical and macroeconomic uncertainty

- Both the **S&P 500 and Nasdaq** posted solid gains, driven primarily by strong earnings from mega-cap tech firms and sustained enthusiasm around AI. After a sharp drop in early April, the market sharply recovered, supported by aggressive buybacks and better-than-expected corporate results

- **Emerging Markets** delivered a strong performance of approximately +10%, rebounding from a weak 2024. Gains were led by Latin America and India, fueled by commodity strength, central bank rate cuts, and resilient domestic demand.

- **U.S. 10-year Treasury yields** experienced notable fluctuations, initially declining from around 4.8% to nearly 4.2% in early April as investors rushed into safe-haven assets following the tariff shock. However, yields rebounded in May and June amid concerns over increased Treasury issuance, sticky inflation, and fading hopes of near-term Fed rate cut

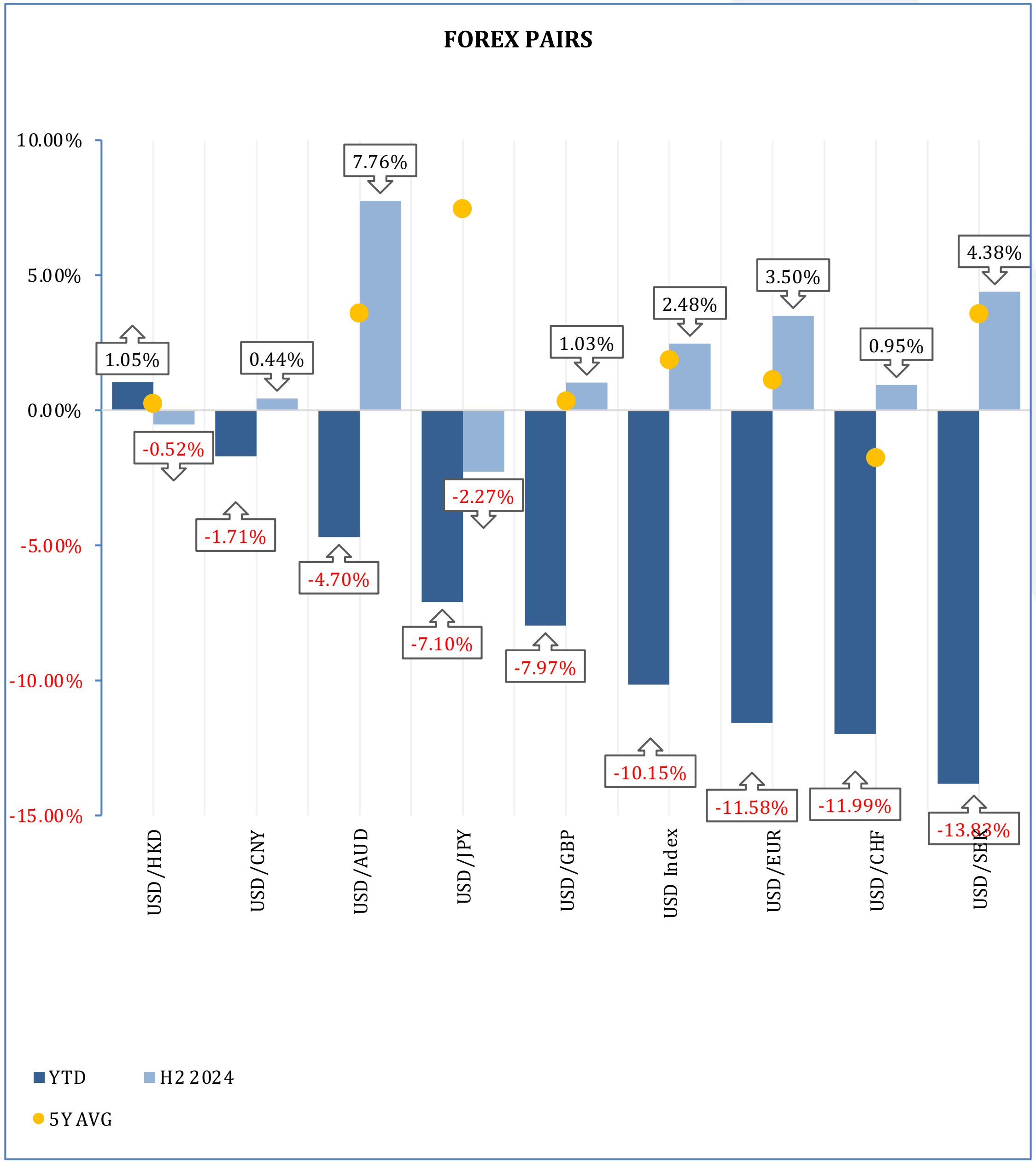
Sectors



Main sector movements during H1 2025:

- **Industrial** stocks advanced strongly, supported by increased infrastructure spending and defense-related flows amid rising geopolitical risks. Sub-sectors like aerospace and construction machinery were among the main outperformers.
- After a strong H2 2024, **financials** posted more modest gains in early 2025, as the sector faced mixed earnings and uncertainty around future rate cuts. While large banks reported stable net interest income, declining loan growth and cautious guidance weighed on sentiment
- **Utilities** delivered steady gains this year falling long-term yields improved the relative appeal of defensive, income-generating stocks. The sector also benefited from renewed investor interest during April's volatility, although rising input costs and regulatory delays capped further upside.
- After profit-taking in March amid market tensions and valuation concerns, **the tech IT** sector began a sharp rebound in April, driven by strong Q1 earnings and Trump's decision to delay the implementation of tariffs
- The **Energy** sector rebounded modestly this year, supported by a mid-year recovery in oil prices driven by geopolitical tensions in the Middle East and renewed OPEC+ production discipline. While crude briefly surged above $80 following U.S. strikes on Iranian infrastructure, overall gains remained moderate due to persistent demand uncertainty and high global inventories.
- **Discretionary** sectors lost steam in H1 2025 after a strong 2024. Discretionary stocks declined more sharply as tighter household budgets and rising credit costs weighed on demand, particularly in retail and e-commerce.

Forex



Main FX movement during H1 2025:

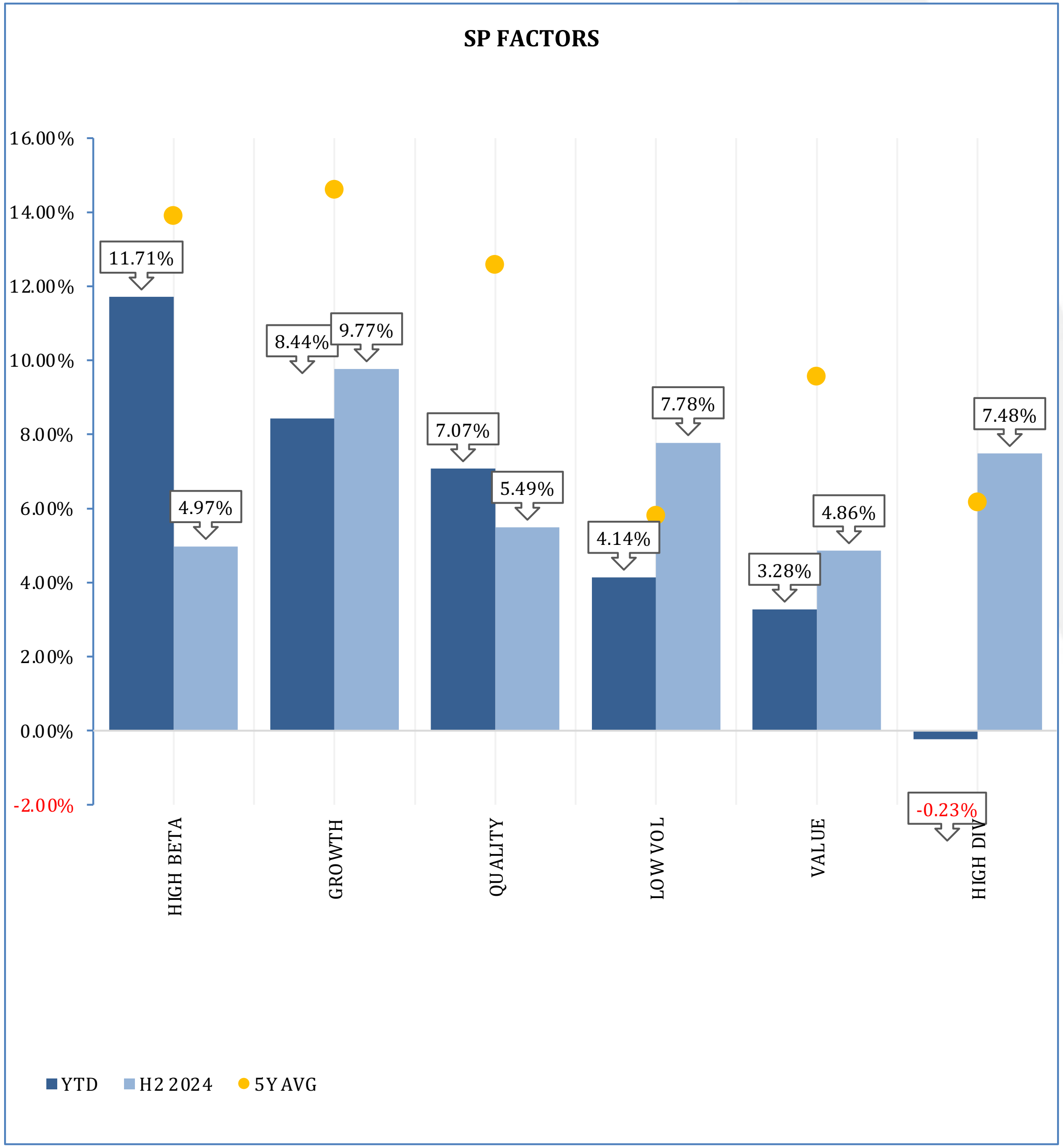
- The **U.S. dollar** fell sharply, with the DXY index down over 10%, marking its steepest six-month drop in decades. This decline was driven by growing expectations of Fed rate cuts starting Q3, softer inflation, and rising fiscal concerns tied to ballooning Treasury issuance, while investors increasingly turned to alternative safe havens such as the Swiss franc, Japanese yen, and gold, diluting the traditional dominance of the U.S. dollar in times of geopolitical stress

- The **euro** gained nearly 12% against the U.S. dollar in H1 2025, supported by a measured ECB policy stance and stronger-than-expected eurozone data. Following rate cuts of 0,25% in both March and June, the ECB adopted a more cautious, wait-and-see approach as core inflation remained persistent and business activity picked up in Q2.

- The **Swiss National Bank** further supported the franc by maintaining a prudent policy stance, avoiding early rate cuts, and signaling vigilance on imported inflation. In contrast to the dollar's eroding real yield advantage, the franc offered perceived stability without the baggage of ballooning sovereign debt or geopolitical entanglements, solidifying its role as a trusted alternative in times of stress.

- The **Swedish krona** surged over 12% against the U.S. dollar, making it the best-performing G10 currency over the period. This exceptional rally was driven by a combination of Sweden's sharply improving inflation outlook, which allowed the Riksbank to pause further rate cuts, and stronger-than-expected growth data in Q2, surprising markets that had priced in a deeper slowdown.

Factors



Main factor movements during H1 2025:

- **High beta** stocks outperformed in 2025, boosted by a sharp rebound in risk appetite following the April tariff-driven selloff. As markets stabilized, investors rotated back into cyclical and economically sensitive segments, favoring companies with higher earnings leverage and market sensitivity. These stocks captured more than 130% of the S&P 500's upside during the rebound, with particularly strong gains in semiconductors, consumer discretionary, and financials.

- **Growth** stocks continued to perform well, driven by enthusiasm around AI and tech innovation. Although some mega-cap names experienced profit-taking after a stellar 2024, segments like cloud infrastructure and cybersecurity remained strong, as earnings surprises and forward guidance supported valuation

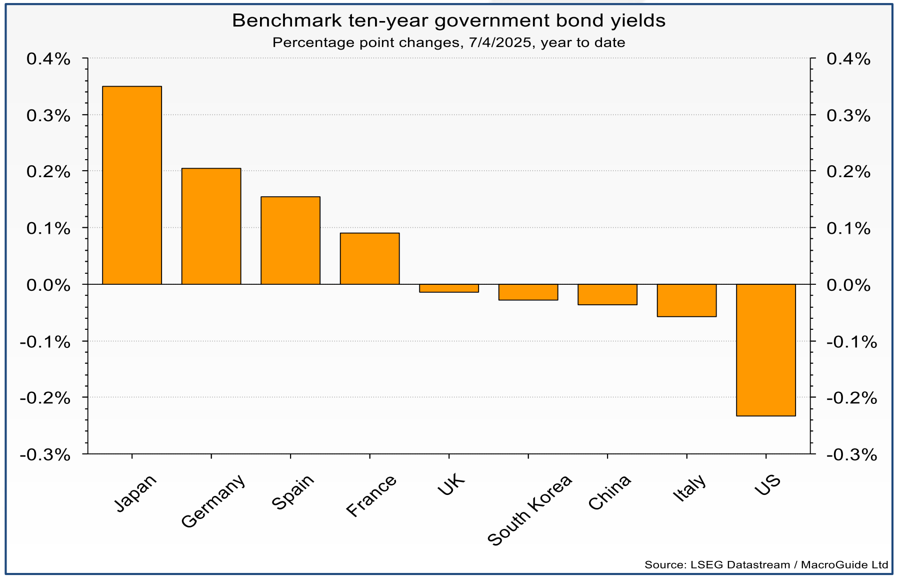
- **Value** stocks underperformed, as markets remained narrowly led by mega-cap growth names, particularly in tech and AI. Despite a decline in interest rates typically supportive for sectors like financials and industrials, value shares failed to gain traction due to weak earnings momentum and lack of positive economic surprises. The April tariff shock further dampened investor appetite for cyclical and valuation-sensitive stocks, pushing flows toward quality and growth instead.

- **High** dividend stocks underperformed the most, as investor preference shifted away from yield-focused strategies toward growth and quality exposures with stronger earnings momentum. Traditional dividend-heavy sectors such as energy struggled with soft fundamentals, limited pricing power.

Conclusion & Appraisal of our Dec 2024 meeting

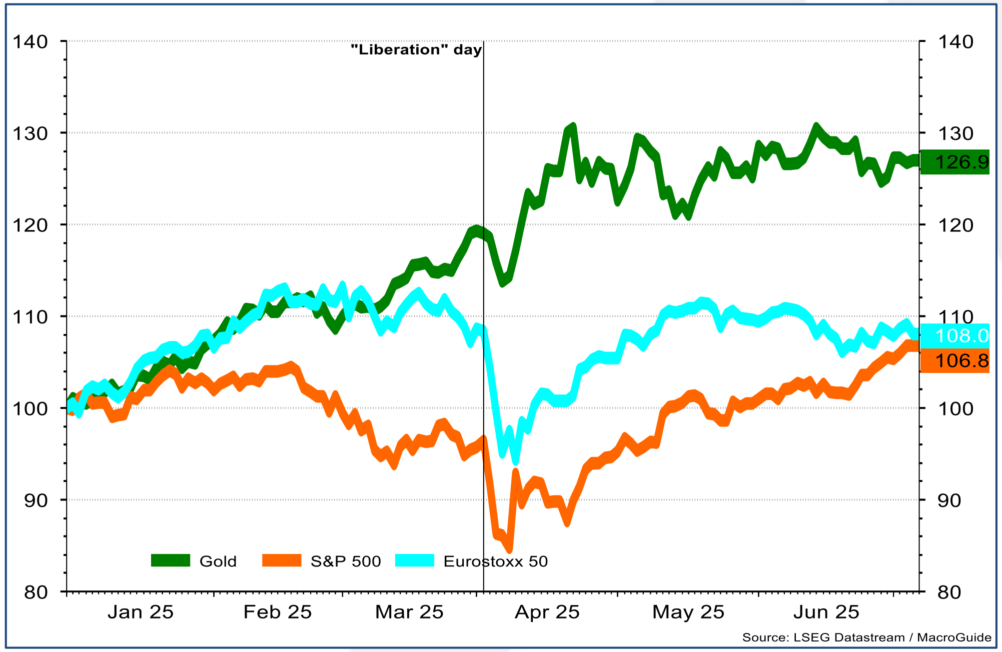
- Global manufacturing activity is easing, especially in Europe : **Correct**
- US economy to remain steady, boosted by consumer spending and tax cuts **mostly right**
- Inflation should keep rolling over but the hardest step will be "the last mile" to reach the 2% FED inflation target **correct**
- Abating bond yields are needed to ensure debt sustainability. Higher duration in government bonds is to be recommended, especially in Europe **partly correct: yields did ease in the US till April, then bounced up. In Europe, they decoupled (see next chart)**
- A return to neutral monetary policy should cushion risky assets in the first half of 2025, although growth stocks will most likely experience some profit taking. **mostly right**
- Nvidia is in the euphoria phase of the AI bubble. Being long AI stocks should be coupled with some hedging strategies **mostly right**
- Gold should extend gains on geopolitical tensions and Fed slowing easing policy: **correct** This should also benefit the USD **incorrect**, helped as it were by the loose fiscal stance in the US.
- Although the Chinese macro picture is not rosy, China Equities show tactical value at current depressed levels, and exposure to India is also to be recommended : **correct**
- Japanese stocks will most likely experience some volatility, and Emerging markets will underperform as the USD strengthens : **incorrect, the USD weakened**

Government Bonds decoupling



- US government bond market is decoupling from European ones as monetary policies are diverging:
- The ECB has signalled an end to its restrictive monetary policy, with plans for rate cuts through mid-2025.
- In contrast, the Fed is expected to maintain higher rates due to stronger nominal growth and inflation in the U.S.
- Also, growing distrust vis-à-vis the USD is increasing the risk premium at the long end of the yield curve
- Prospects for lower yields for long-dated government bonds are currently bigger in Europe than in the US

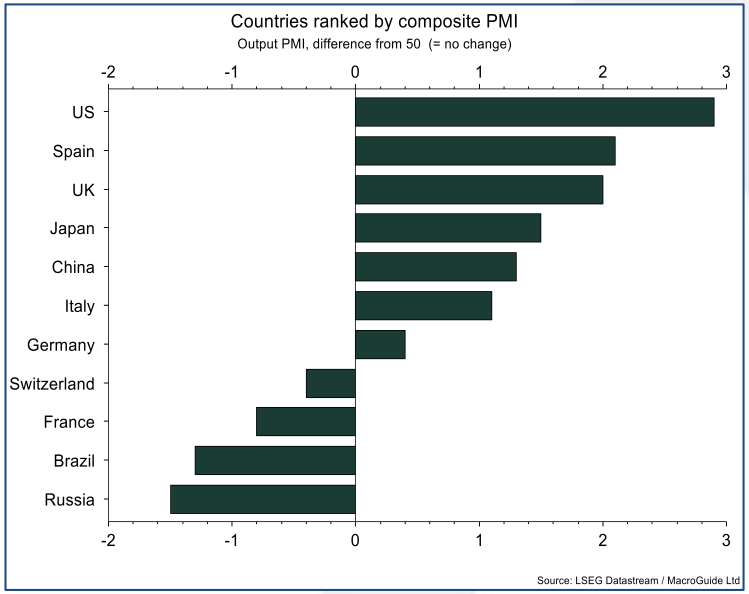
More decoupling… !

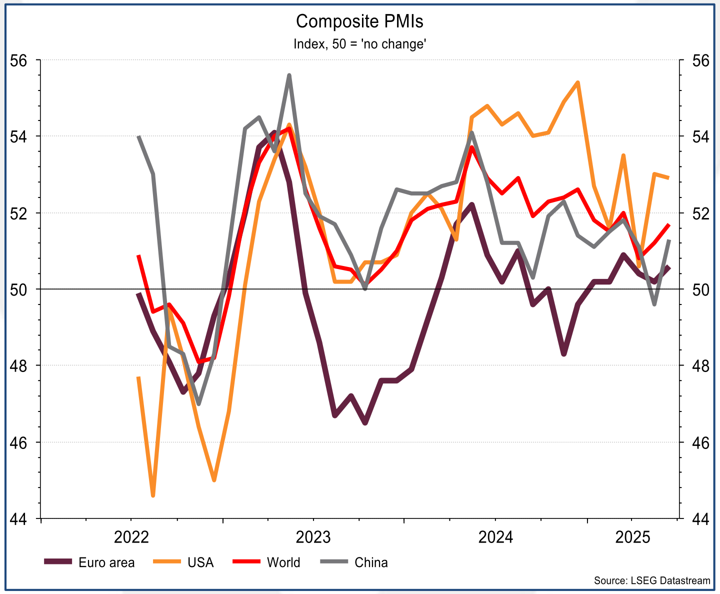


- Europe outperforming the US by such a wide margin for 6 months in a row ...: a massive change of paradigm is at play.
- The S&P 500 is only slightly ahead of the MSCI World, which, given the huge weight of the US in this index accounts for its relatively poor performance year to date.
- Given the lower value of the US dollar registered under the new Presidency in the US, the outperformance of Emerging markets in 2025 vis-à-vis the MSCI appears relatively modest, when we compared to that of European markets. Some catch-up is probably in the cards, in view of the US administration stance to weaken the USD further.

II. Macroeconomic Outlook

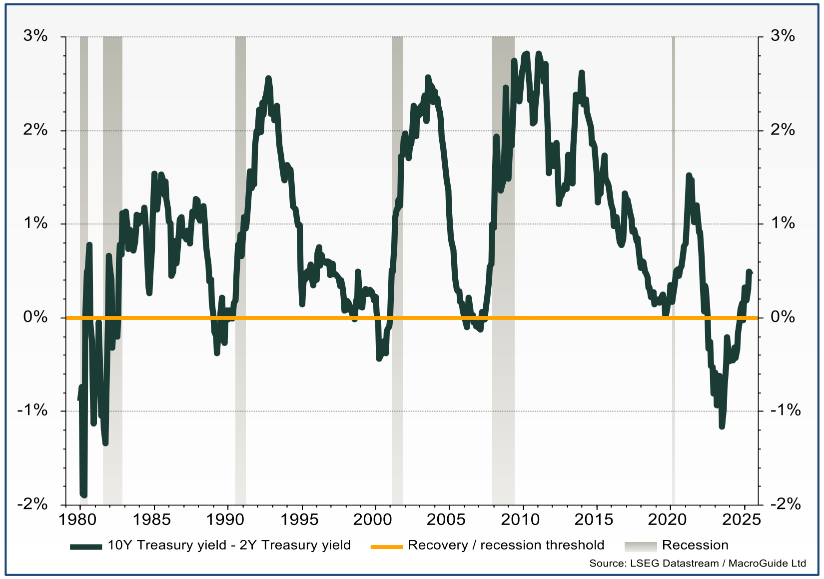
Global manufacturing activity trending down

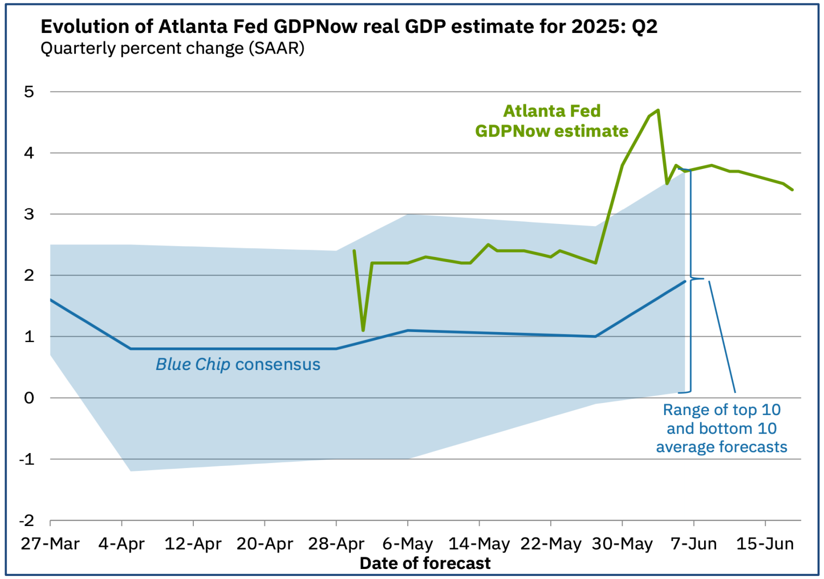




- What a turnaround in manufacturing PMIs ! Back in 2022, Switzerland was the country with the highest score in manufacturing activity. Now it is the one most deeply entrenched in the slowdown zone, although we are seeing some recovery over the last 12 months.
- US manufacturing activity displays the highest volatility but is globally trending down, alongside China (for the first time below the 50 threshold since 2022) and Europe.
- Global growth is projected to be around 3.3% for both 2025 and 2026. There are many risks to a steady growth outlook for World growth going into 2026, depending on how tariffs will play out…
- The global economic landscape is characterized by uncertainty, with potential impacts from geopolitical developments, as well as gyrating trade policies.

US yield curve pointing towards recovery … or stagflation ?





- Traditionally, the inversion of the yield curve - as highlighted here by the difference between the 10 year and the 2 year Treasury yield going negative - in the left chart - has always signalled a forthcoming recession, shown by the grey vertical bars.

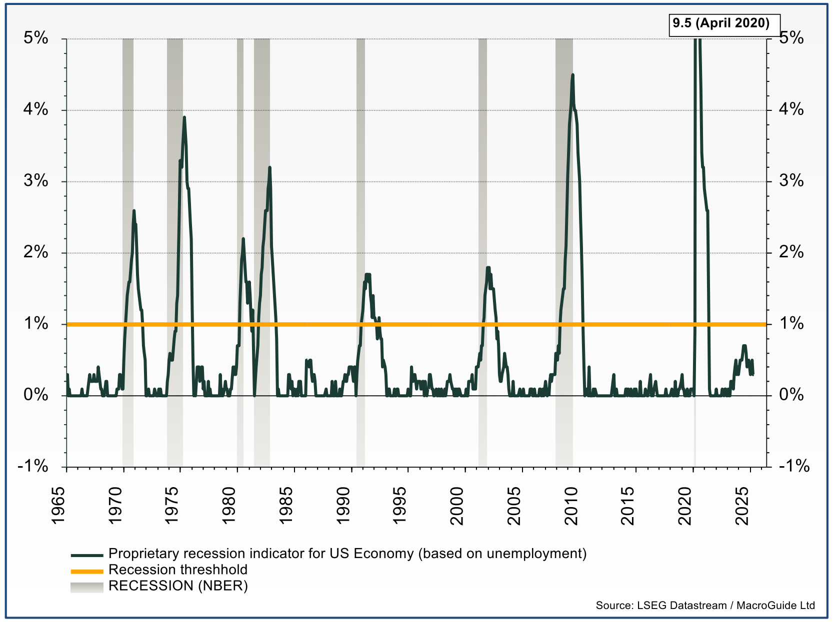
- We do not share this fear. Since central banks embarked on unconventional policies, the slope of the yield curve is distorted by the fact that the Fed controls not just the front-end of the yield curve, but also its long-end.

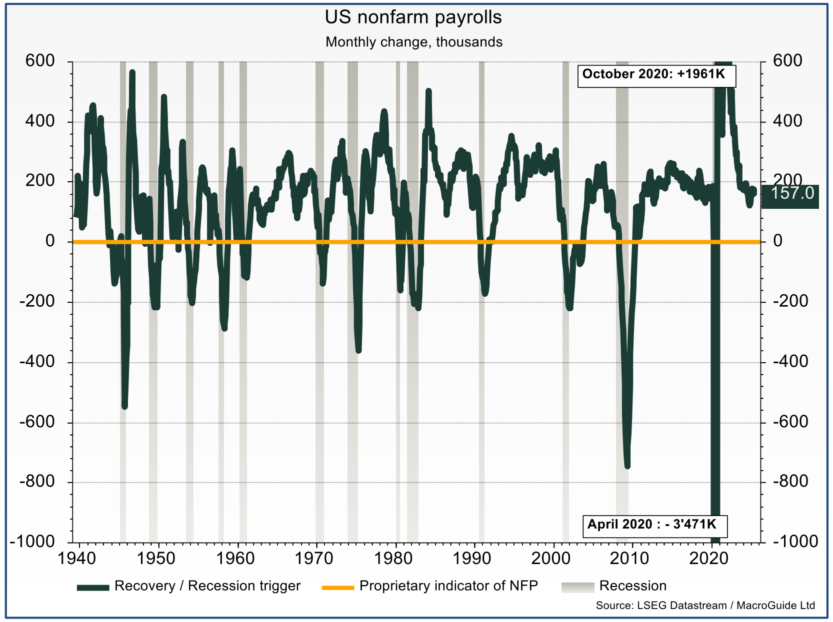
- The Fed estimates that 10 Year bond yields are approximately 150 basis points where they would be had the Fed not carried out its QE. The "true" yield curve is thus much steeper than it currently looks, pointing to low recession risks.

- Current steepening at the long end of the yield curve points to increased inflation fears as well as government debt overhang becoming unsustainable.

- The GDP now forecast points to a solid rebound of economic activity in 2025:Q2. If the Q2 estimate proves right, the recession fear generated from a negative Q1 GDP data will be invalidated.

US labour market cooling

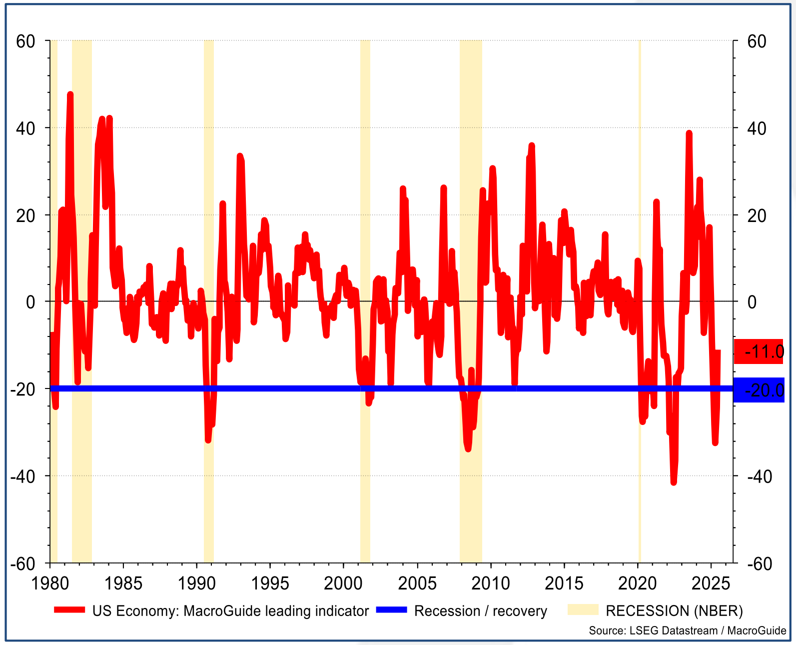


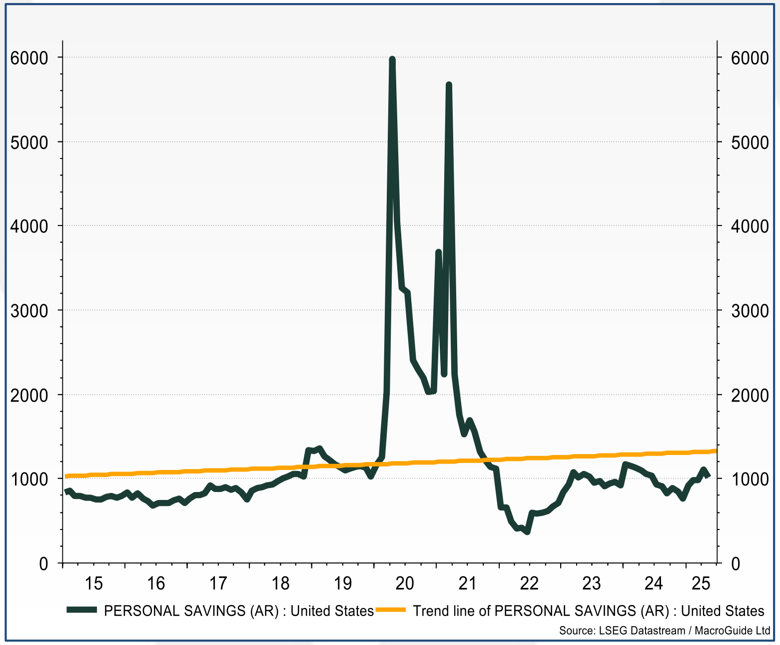


- Our proprietary indicator on the left shows that whenever the unemployment rate exceeded its 18-month low by more than 1.0%, this marks the beginning of a recession, indicated by the shaded vertical bars. The key is to be aware that it is not the level of the unemployment rate or the – related – consumer confidence, but rather its variation over time: a recession can occur whenever the unemployment rate goes from a low of 3.5% to more than 4.5% in 18 months, or in the hypothesis that consumer confidence falls by more than 20% over a year, regardless of the absolute levels of these two barometers. The current reading is in recession territory.

- The other proprietary indicator on the right shows that whenever the moving average of job creations (non-farm payrolls) hits the zero line, this marks the beginning of a recession, indicated by the shaded vertical bars. We are still in recovery territory, but the labour market is nonetheless cooling and gradually approaching the recession threshold.

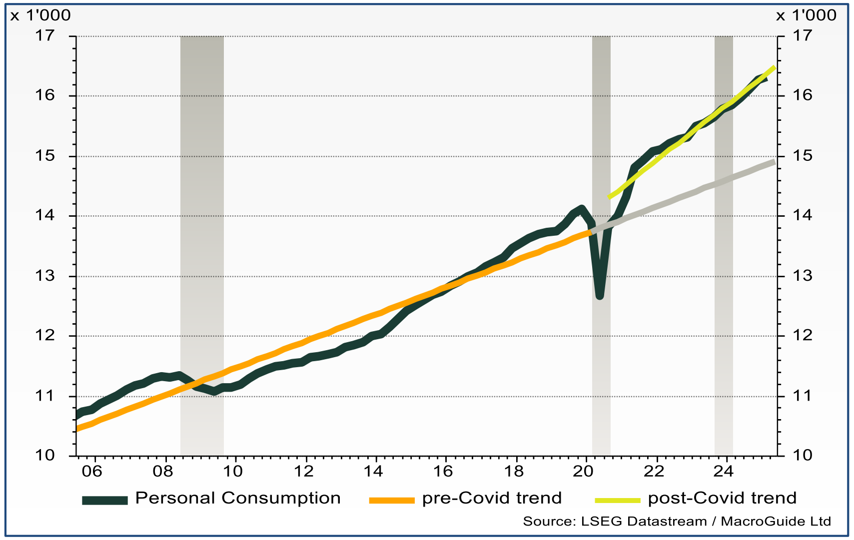
US consumer confidence in recession territory

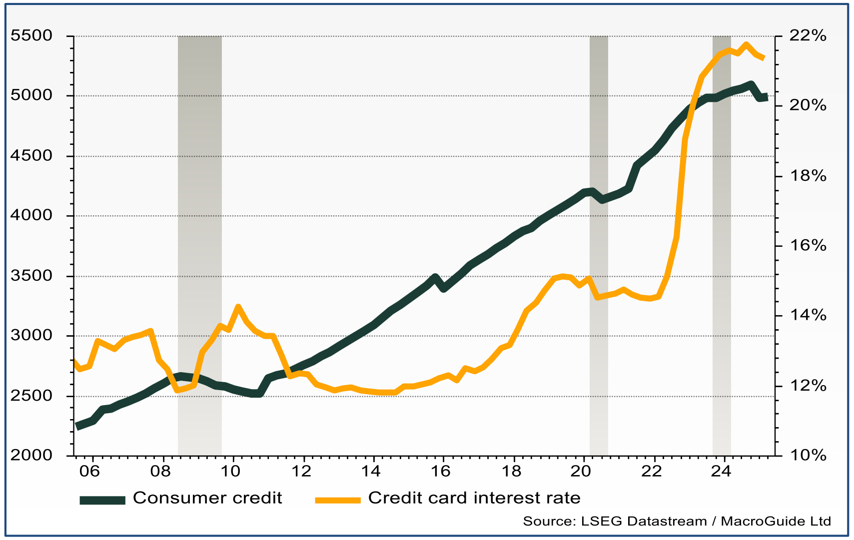




- Based on consumer confidence in the US, our proprietary indicator is currently below the -20% threshold, which has always coincided with the beginning of a recession, indicated by the great vertical bars.
- The consumption-led recovery hinges on some dissaving (total savings shown on the right chart) but the trend towards using the excess savings accumulated during the global pandemic is coming to an end, as total savings have been navigating below their trend line (yellow line) for the last 3 years.

US consumer strength to abate





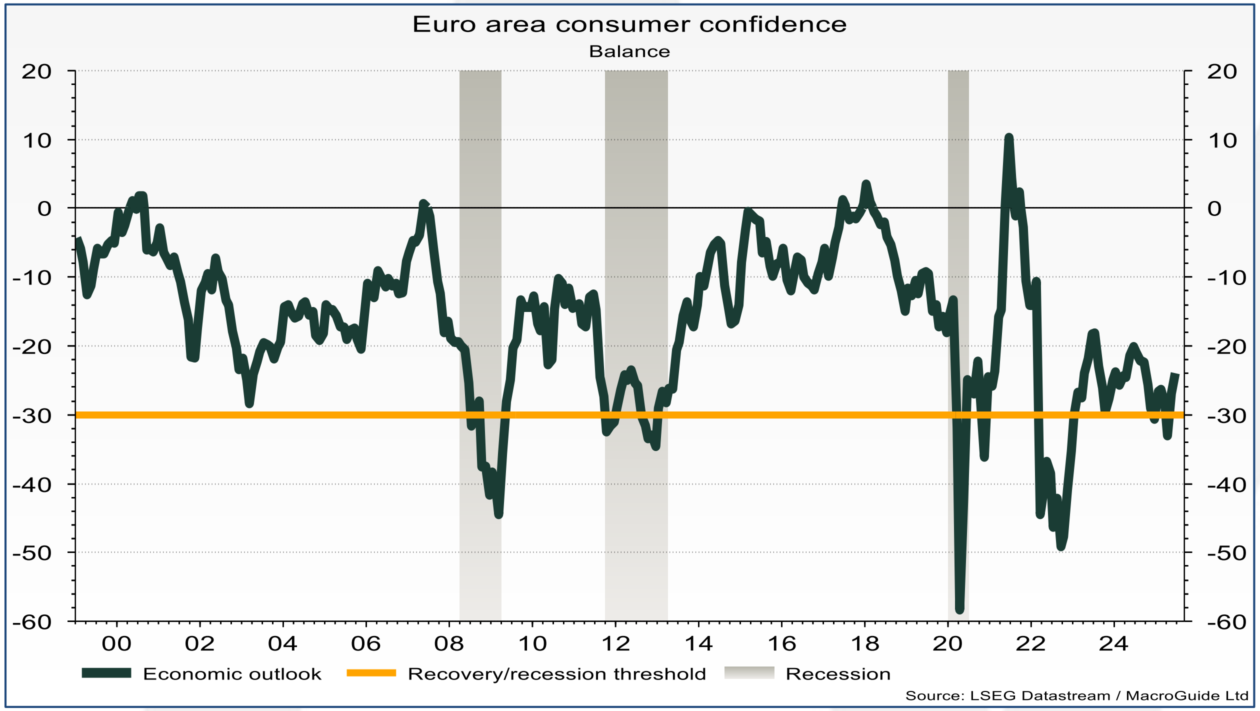
- Throughout the period of rising inflation and high interest rates, consumer spending has remained robust. Households have been leveraging new debt and utilizing savings accumulated during the pandemic. but this level of spending is not expected to be sustainable in the long term as excess savings are depleting.

- Inflation and geopolitical conflicts are major concerns that could impact future consumer spending. Higher prices for imported goods and energy due to ongoing conflicts and tariffs are expected to maintain inflationary pressures, potentially leading to a more cautious policy of the Fed in terms of easing the cost of credit, thereby negatively impacting spending behaviours.

- Consumer confidence falling by more than 20% year-on-year points to much increased uncertainty generated by Trump's gyrating policies on trade and immigration.

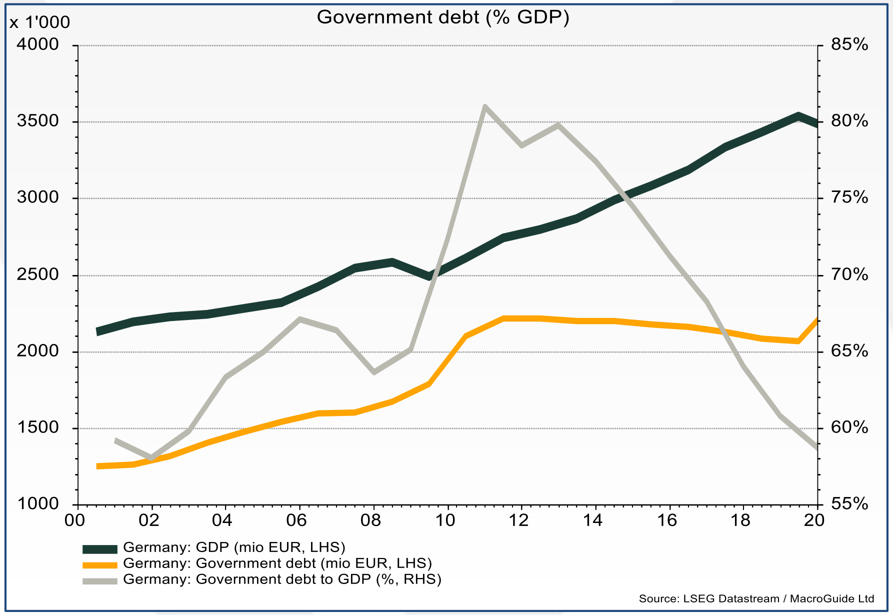
- Credit card interest rates in excess of 20% remains a burden to consumer credit, although Fed cautiously easing policy ahead is to provide some relief.

European growth to bottom out



- Europe is currently facing 2 headwinds:
    1. Global trade policy uncertainty and new tariffs could weigh on euro area exports and investment.
    2. China serious slowdown shows in a massive curtailing of exports from Europe, in particular in the automotive sector
- We are more more optimistic that the European Commission's Spring 2025 Economic Forecast projection of real GDP growing at a modest 0.9% this year, in line with a a similar growth rate in 2024.
- Growth in the Eurozone should be stimulated by fiscal reflation plans in Germany and France as well as a clear stance of the ECB towards easing its monetary policy, when need be.

Germany: time for fiscal expansion !



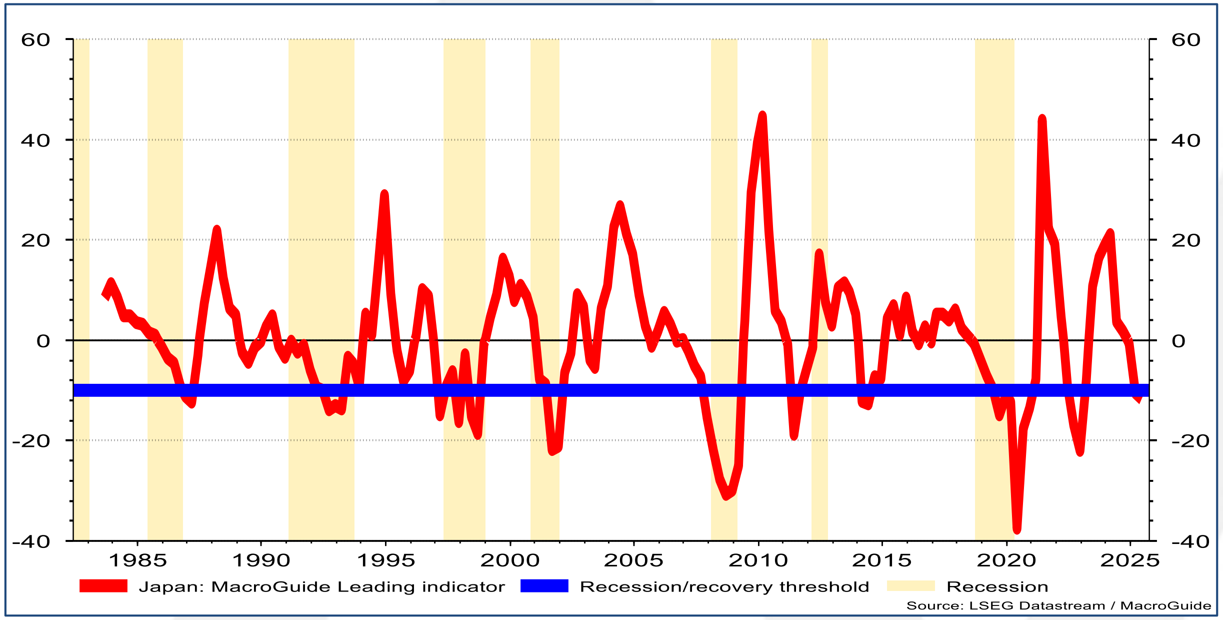
- Germany has made a historic decision to amend its national fiscal rule known as the "debt brake." This amendment allows for defence spending above 1% of GDP without being subject to borrowing limits. This change is expected to boost activity significantly, with estimates suggesting an economic boost of €10 billion in 2025 and €57 billion in 2026.

- The German government has announced fiscal measures which are expected to contribute to a growth spurt, particularly as the economy recovers from the impacts of the pandemic and high inflation rates.

- The government deficit ratio is expected to shrink from 2.5% in 2024 to 1.1% in 2026, indicating an improvement in public finances. This improvement is partly due to the expiry of fiscal crisis assistance measures, which will free up resources for other expenditures.

- Fiscal expansion plans include measures to strengthen domestic demand through continued consumption growth and a gradual recovery in investment. These measures will contribute to a projected growth rebound to 1.1% in 2026

Japan on the razor edge



- Japan faces several economic headwinds in 2025 and 2026 that could impact its growth and stability.

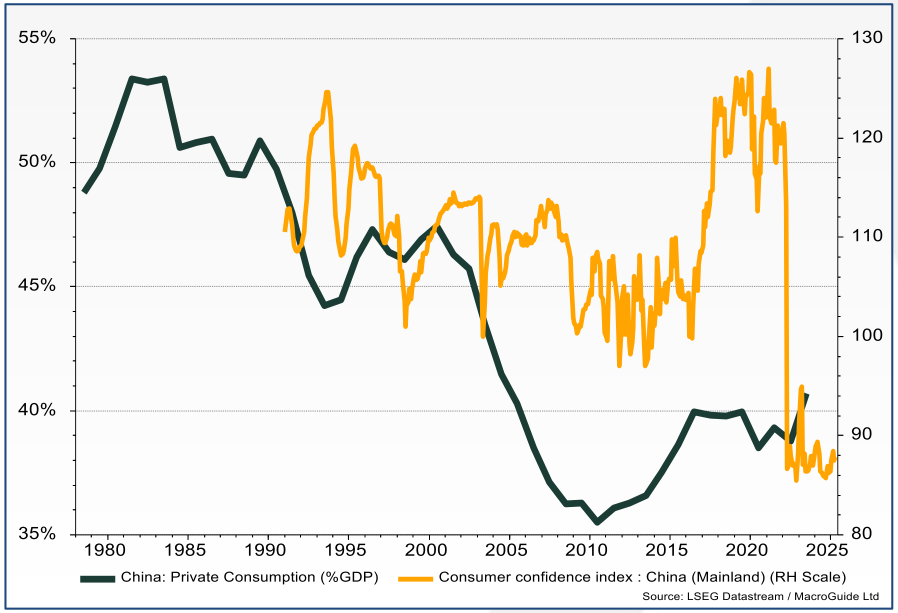
- Japan's export-driven economy is vulnerable to global trade dynamics. Trade barriers and geopolitical tensions, particularly between the U.S. and China, could limit Japan's export growth. The ongoing trade conflicts and potential tariffs could disrupt supply chains and reduce demand for Japanese goods.

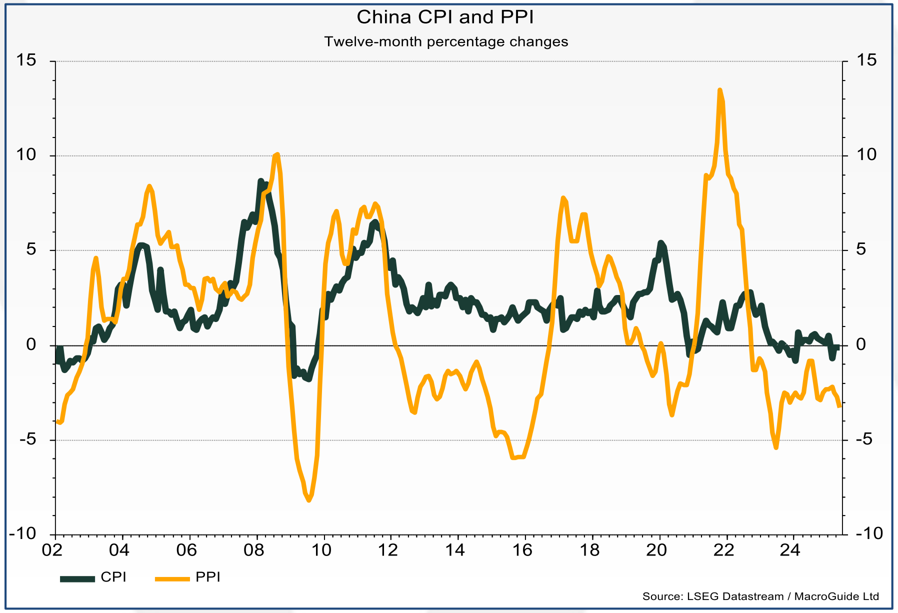
- Despite some positive signs in wage growth, domestic demand in Japan remains weak. Consumer sentiment is depressed due to rising costs in essential areas like food and energy, which have outpaced wage increases. This situation limits consumer spending power and overall economic growth.

- Japan's aging population and declining birthrate pose long-term economic challenges. These demographic trends lead to a shrinking workforce, increased healthcare and pension costs, and reduced domestic consumption.

- The Bank of Japan's monetary policy will be crucial in controlling inflation without stifling economic growth. Rapid increases in interest rates could threaten financial stability and fiscal sustainability.

China: High savings rate impairs domestic demand





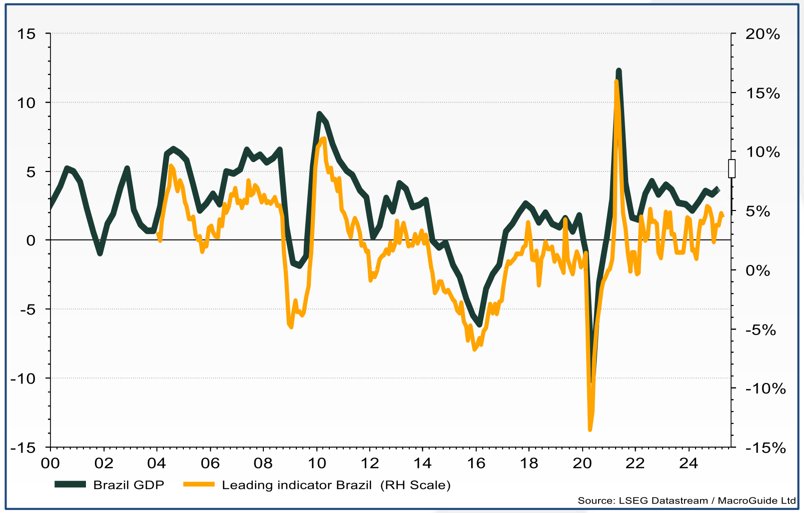
- China's main economic problem remains to reduce the reliance of investment and exports to boost economic activity and to increase that of domestic demand and consumption. At slightly above 40% of GDP, the later remains a far cry from the US consumption share of close to 70% of GDP.

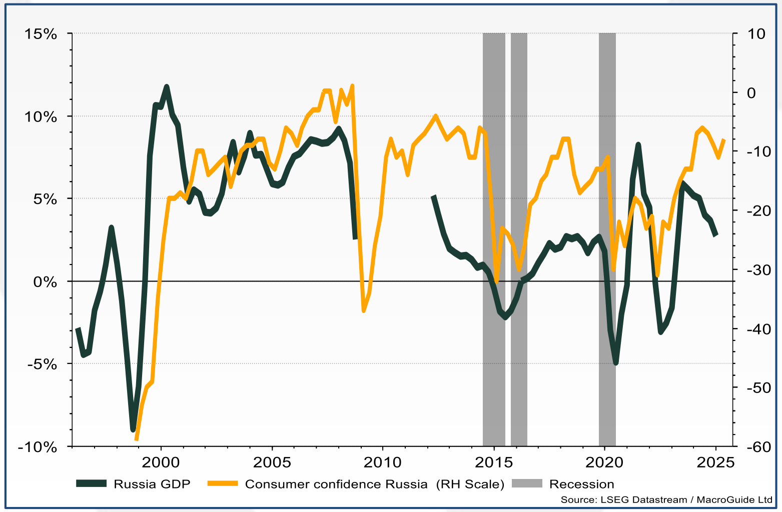
- The over-reliance of China on investment has resulted in excess capacity in virtually all sectors of activity, in key areas like the real estate and infrastructure sectors.

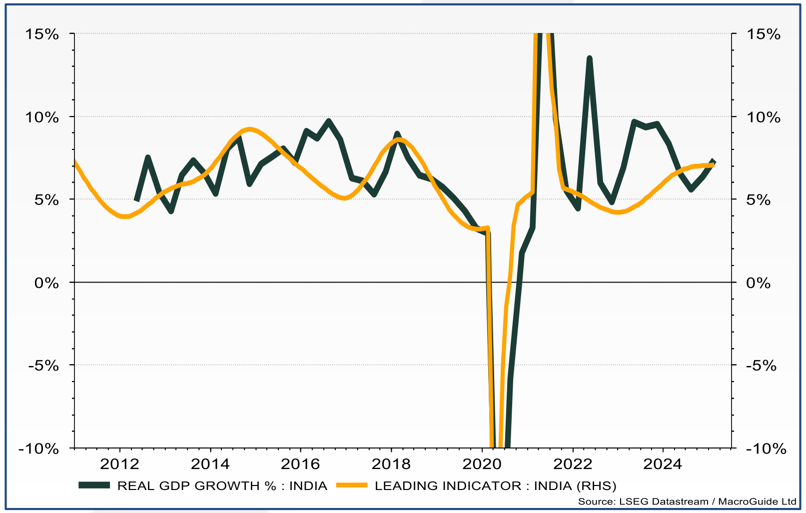
- To address these issues, policymakers in China have been trying to implement measures to encourage consumption and reduce the economy's reliance on savings and investment. These measures include reforms to the social safety net to reduce precautionary savings, policies to increase household income, and efforts to develop the consumer finance market to provide more options for households to manage their savings and spending.

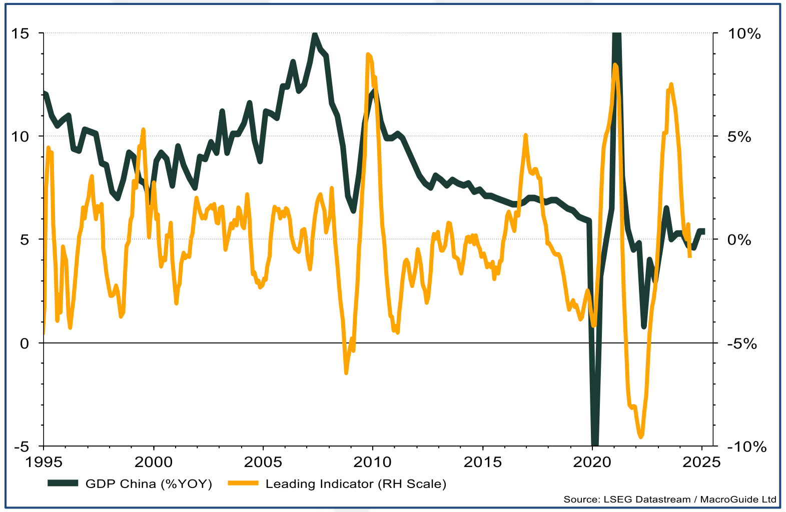
- But these measure are only gradually impacting domestic demand, largely impaired by a savings rate North of 40%.

Outside China, BRIC countries growth stabilizing

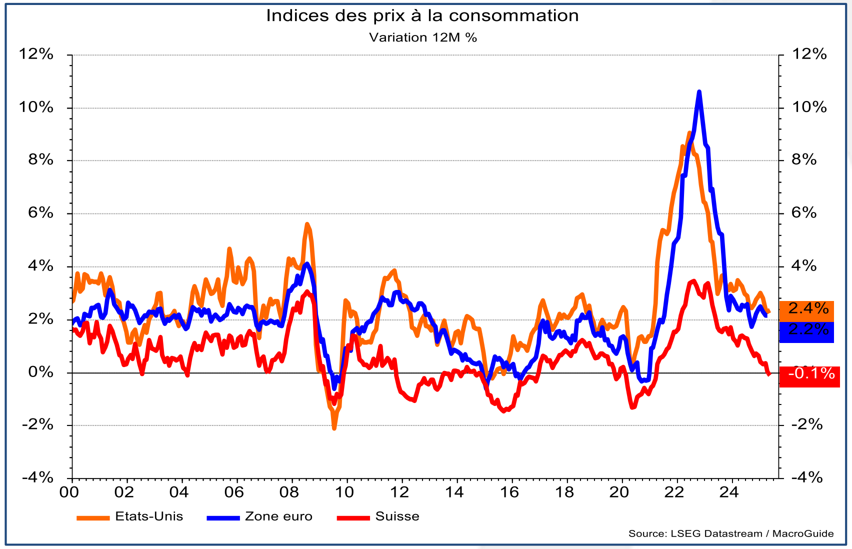


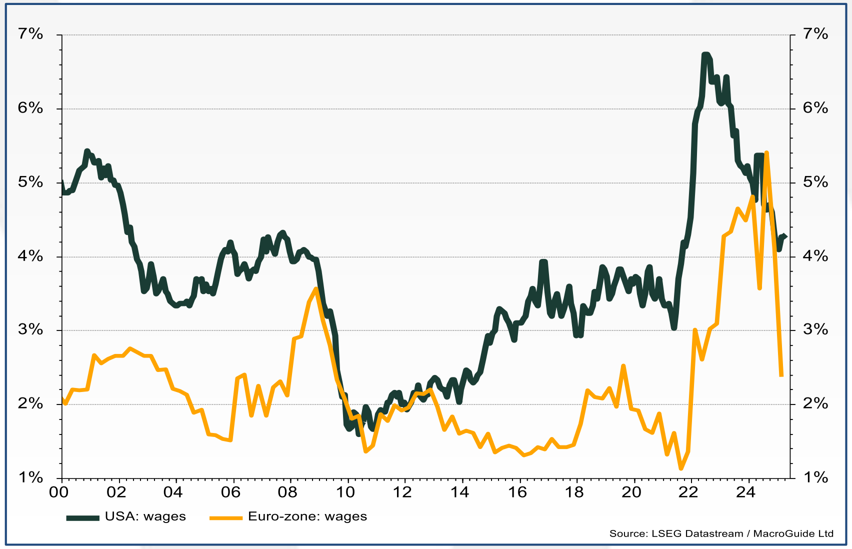


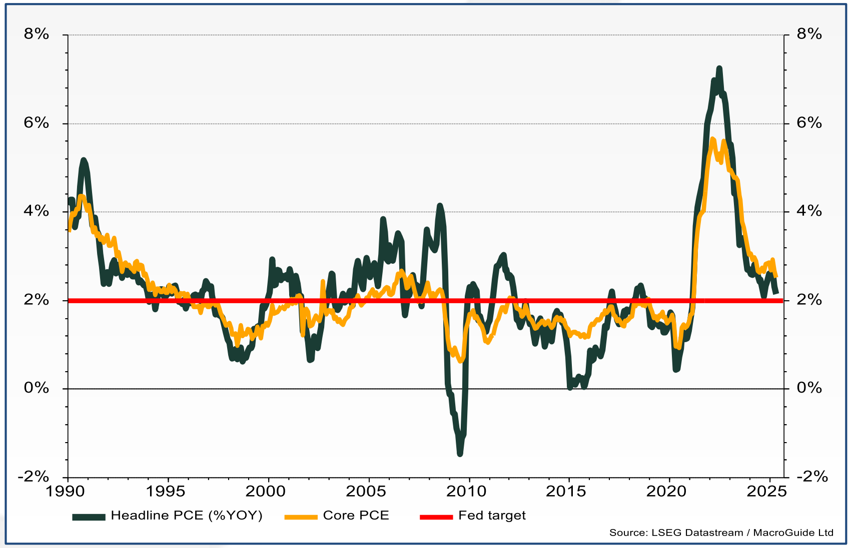


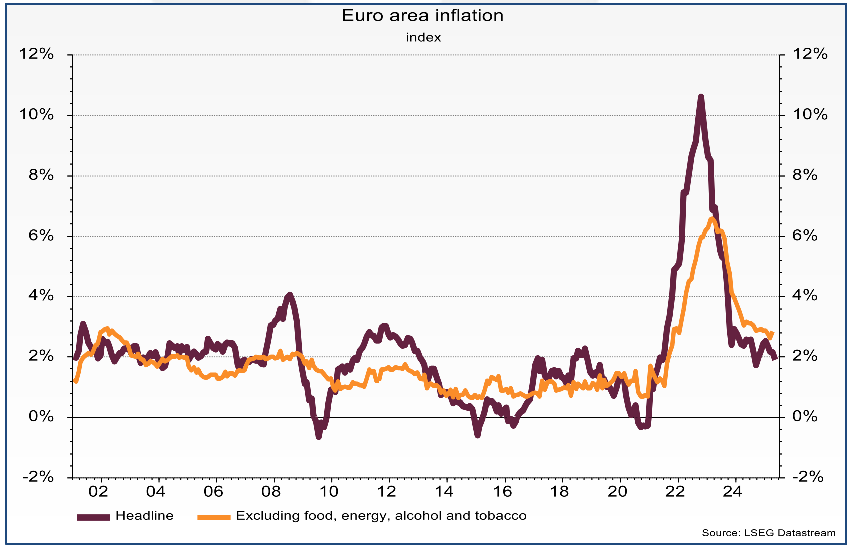


Inflation rolled over…

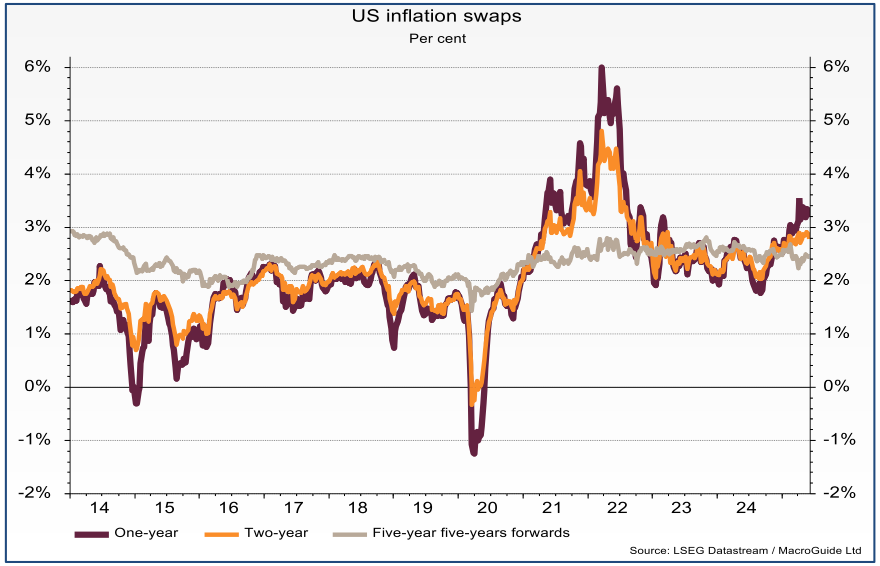


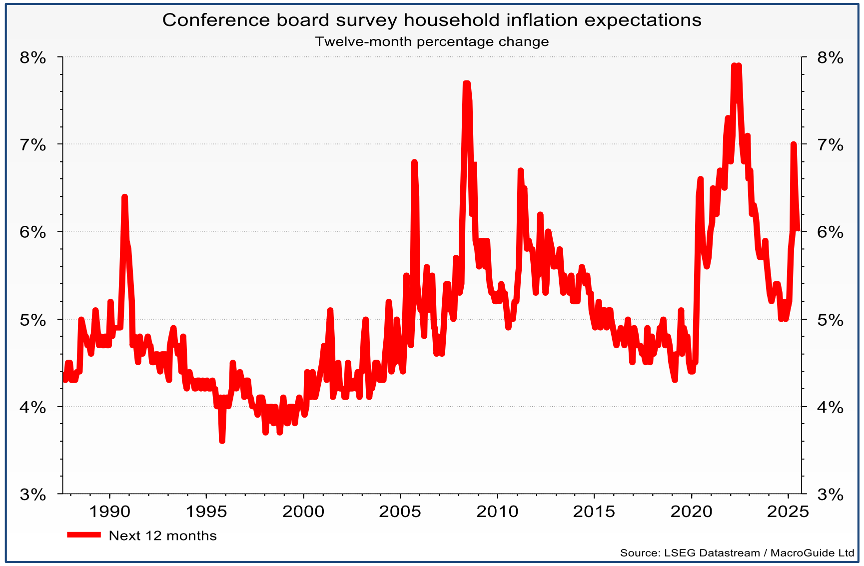






… but expectations of inflation in the US tell a different story





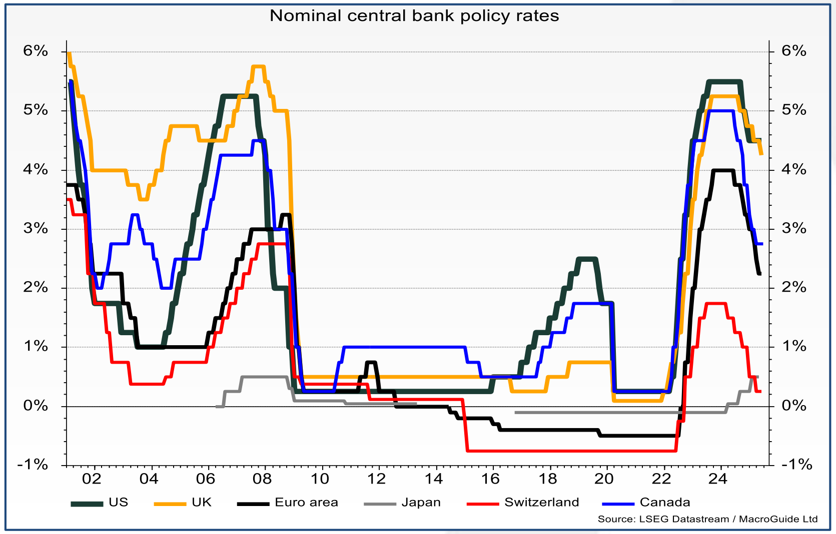
- Abating inflationary pressures are allowing most central banks to loosen their monetary policy, with the noticeable exception of the Fed, which errs on the cautious side and adopts a "wait and see attitude" towards Trump's changing plans to implement trade tariffs.

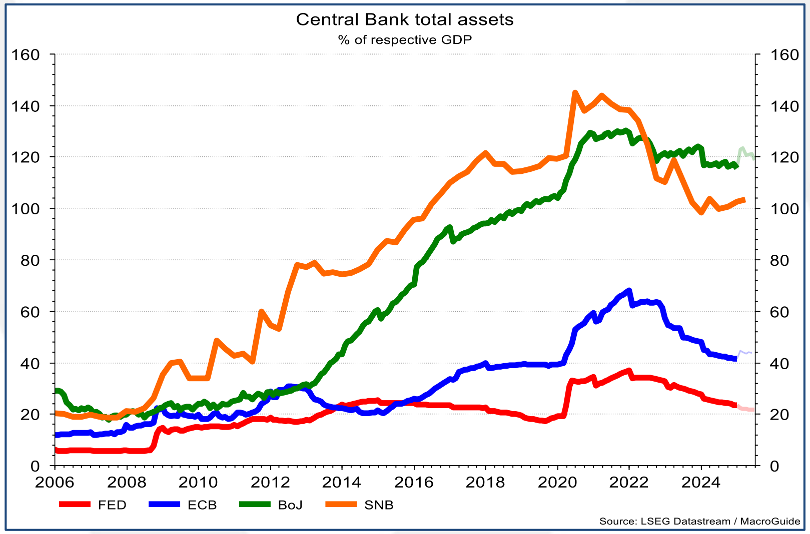
- Inflation expectations are on the rise in the US, as witnessed by the swap market as well as economic surveys from the Conference Board.

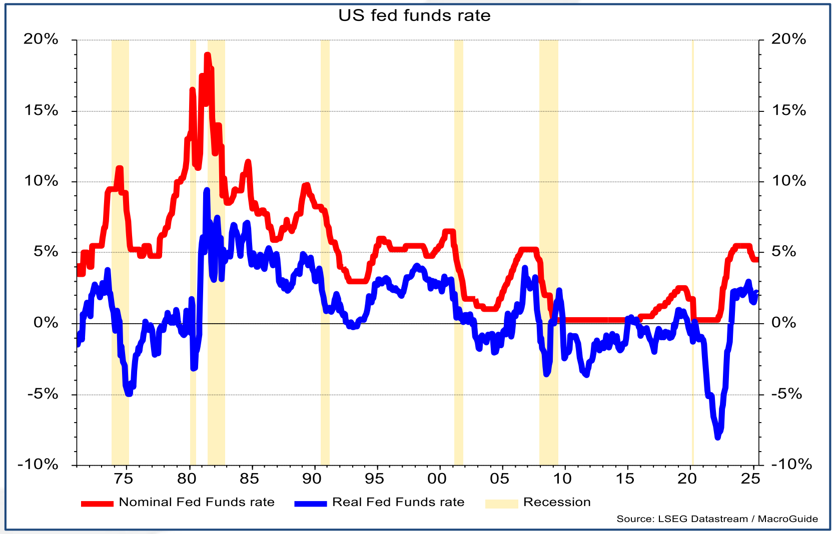
- Inflationary pressures will likely be of the "cost-push" variant rather than the "demand pull" one. The former is a cause of abating growth, the latter is the consequence of an overheating economy.

- When confronted to a producer price increase shock generated by trade tariffs and/or tensions in the oil price as a consequence of the escalating conflict between Israel and Iran, the Fed should be cautious not to exerting too much tightening of the monetary reins, as the cost-push inflation shock will prove recessionary per se.

Waiting for the Fed to follow …



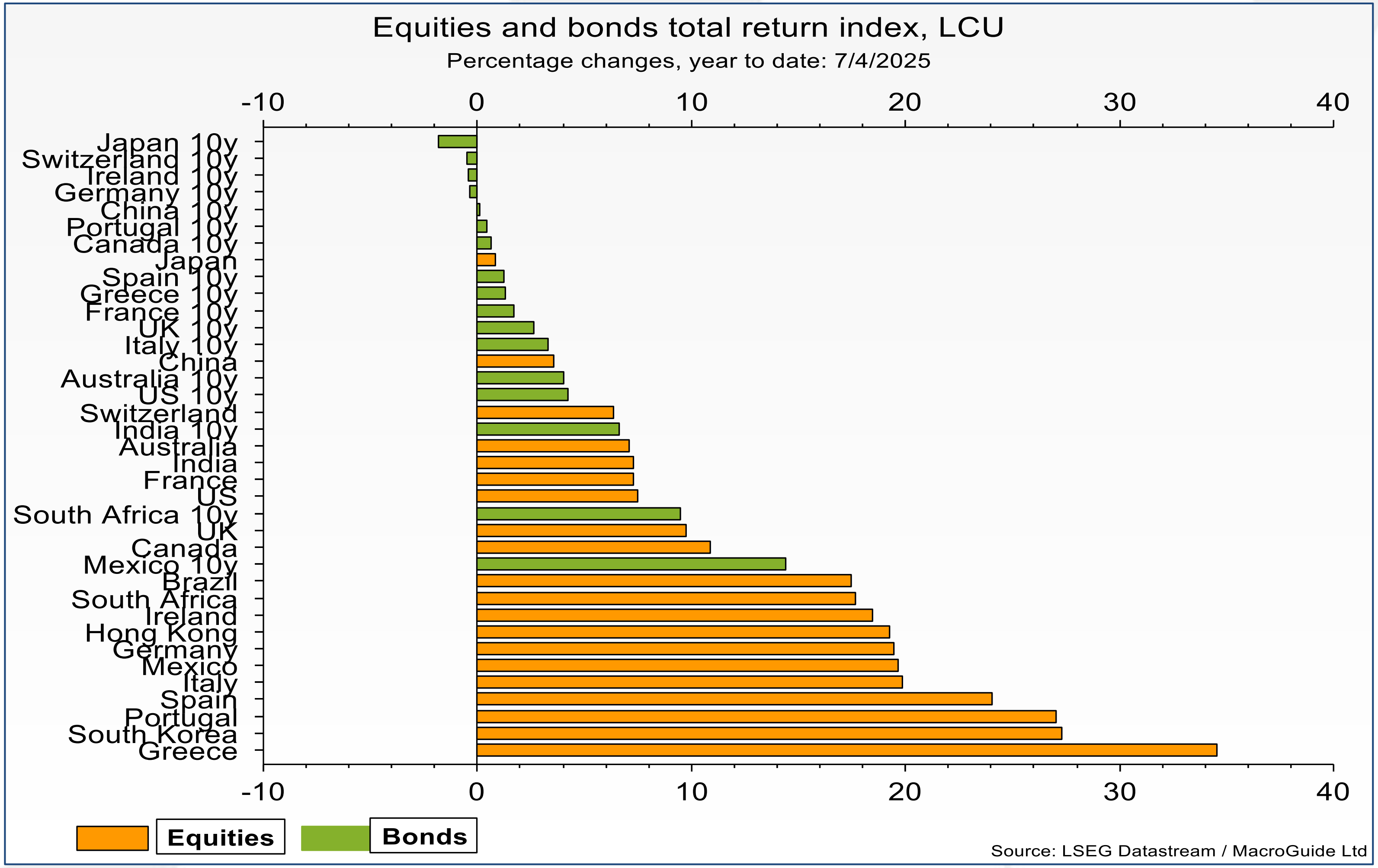




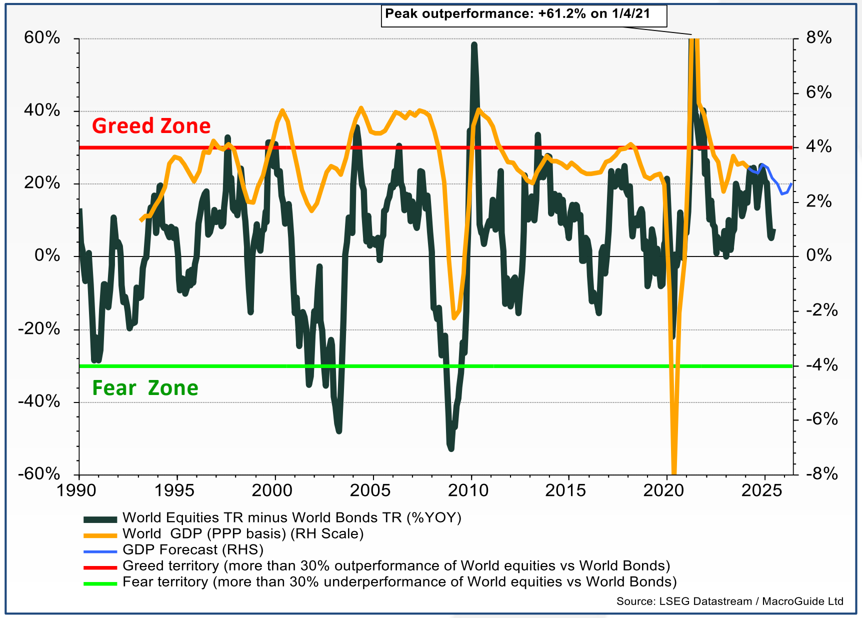
- With the noticeable exception of the BoJ (confronted to a very weak currency), and the Fed, which has to address higher inflation expectations generated by the likely introduction of trade tariffs, central banks elsewhere are now reversing the massive tightening engineered in 2022.
- The ECB has more room to ease, if needs be, if the fiscal reflation in Germany and France takes more time to materialize.
- The ultra strong CHF pushing inflation in negative territory will likely induce the SNB to return to negative interest rates.

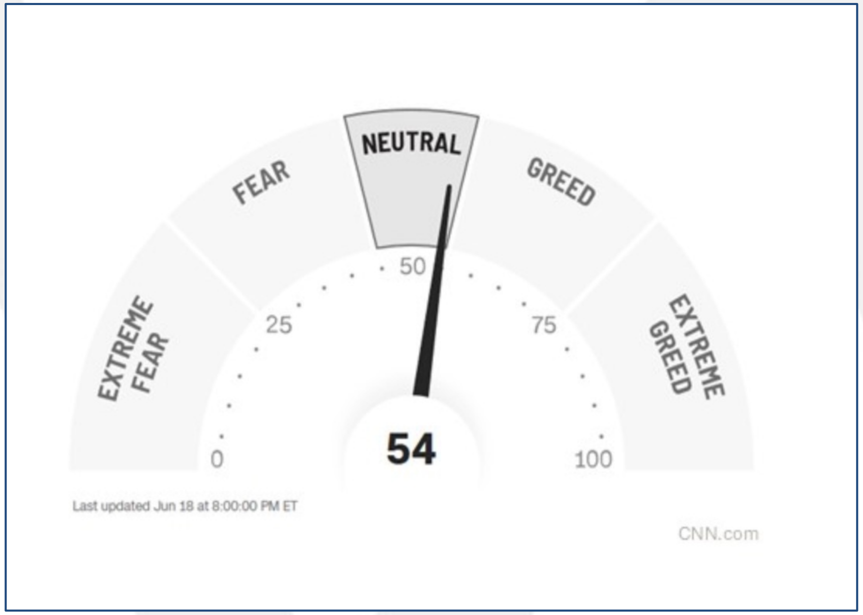
III. Financial Markets

Another Equity year … ?



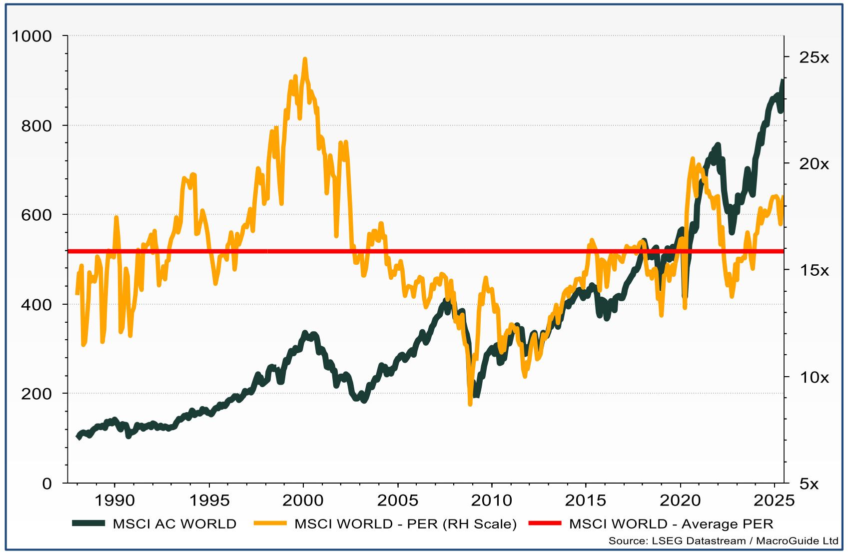
Equities outperformance far off greed zone, and rising tariff fears have reduced investors' risk appetite

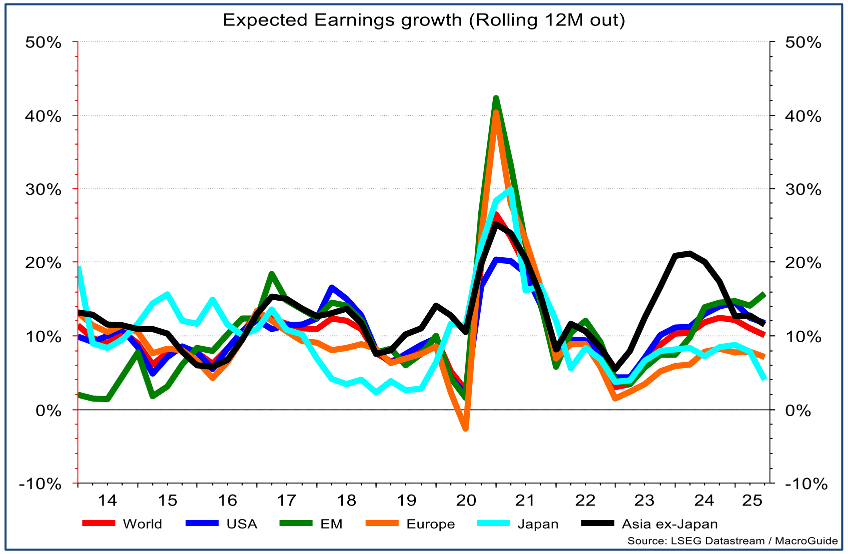


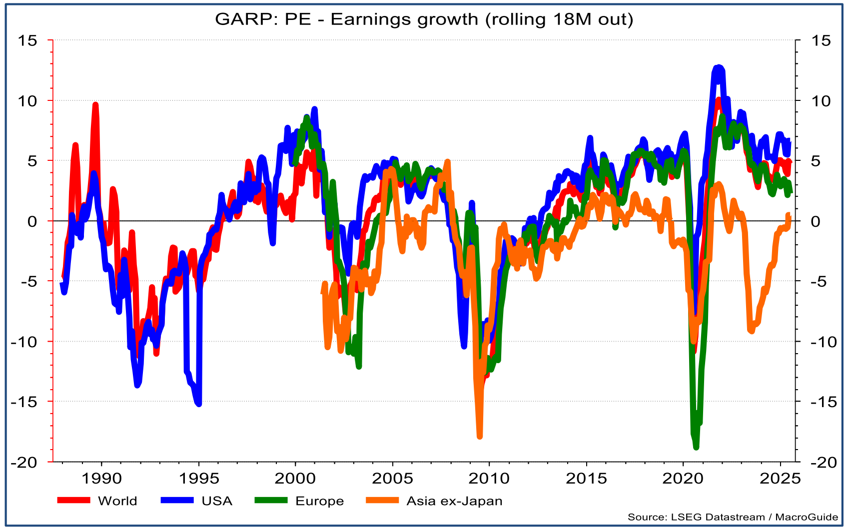


- The left chart left shows the performance gap between world equities and world government bonds. The red line at +30% marks the entry into the "Greed zone", where Equities outperform Bonds by 30% or more. The green line points to the opposite, when Bonds outperform Equities by 30% or more.
- At the current reading of an outperformance of Equities by 6%, we have moved far off the greed zone.
- In early June, investors sentiment was deeply entrenched in Greed territory. As of the middle of the month, sentiment as started drifting towards a neutral stance, on the back of renewed tariffs' fear.

Valuation of World equities reverting to mean

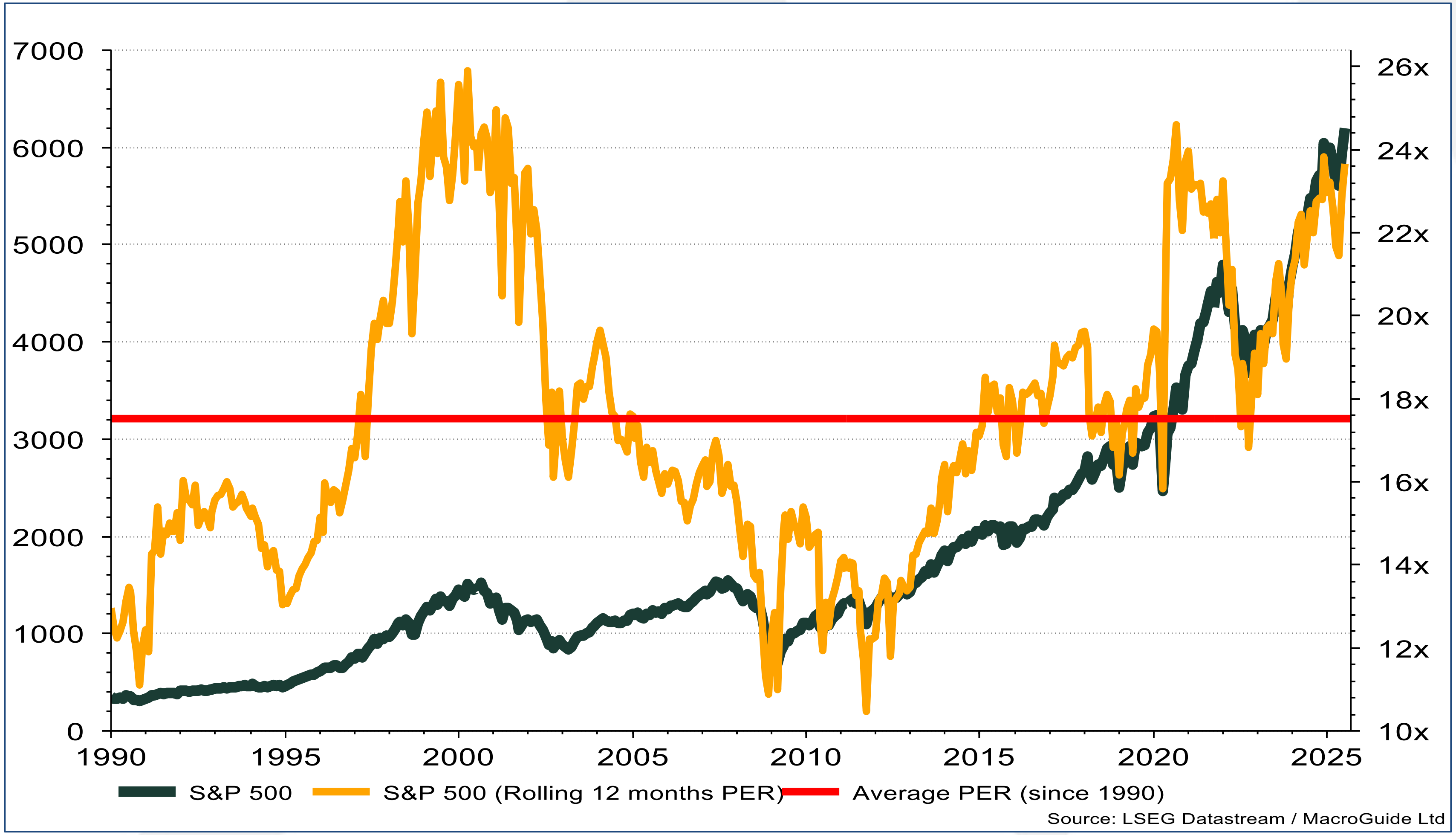




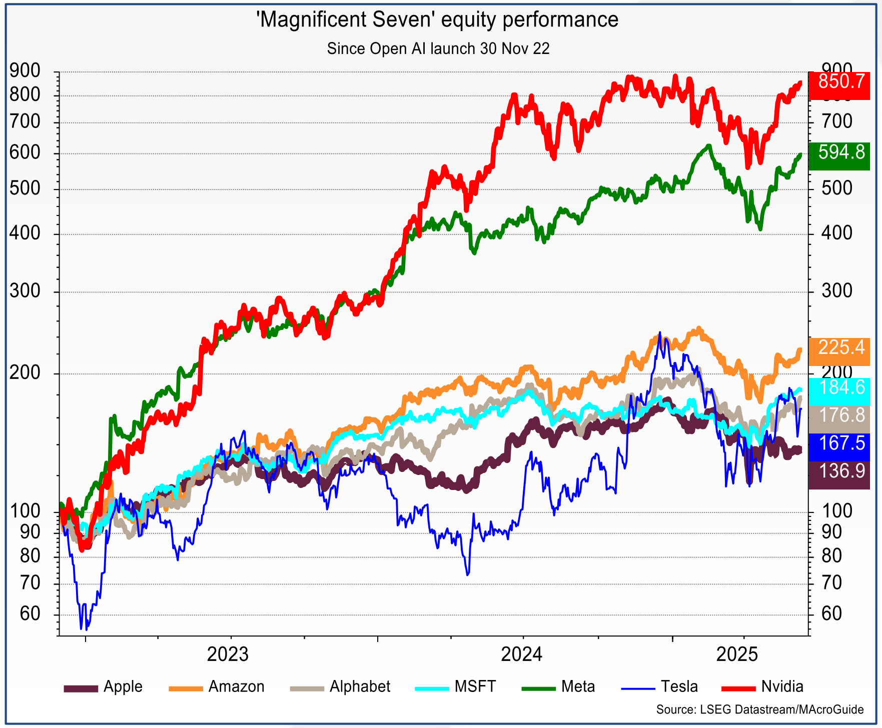


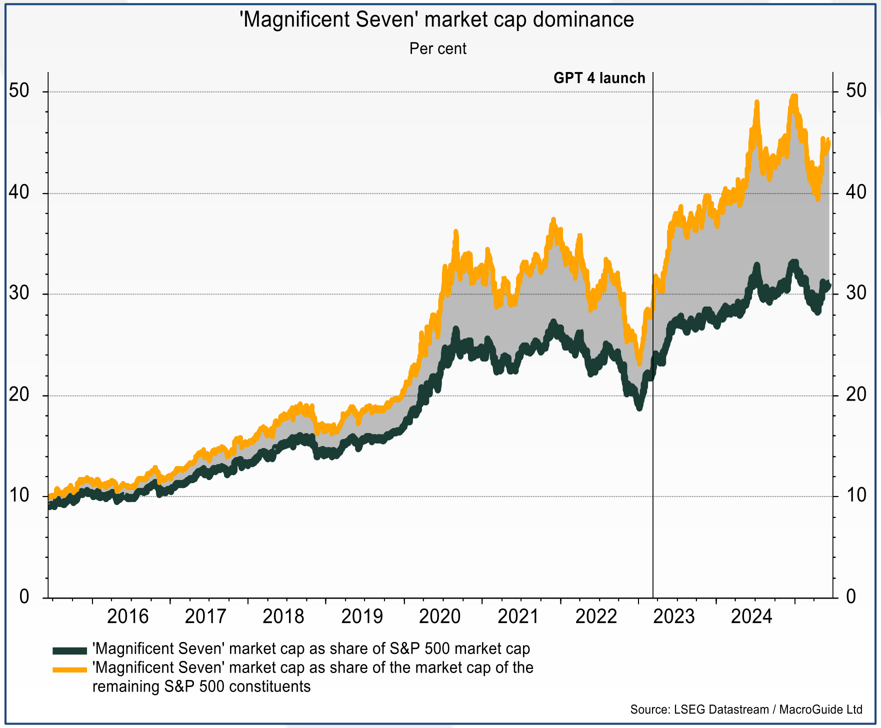
- Valuation of risky assets gradually returning to mean (top left) alongside stable earnings growth expectations (top right) slightly improve PE to growth yardsticks (bottom left)
- Lower Asian earnings expectations below the PE pushes alle the GARP measures in positive territory, impairing the attractiveness of the respective risky asset.
- Still, Asian equities display the best value for growth.

US equities back in expensive territory

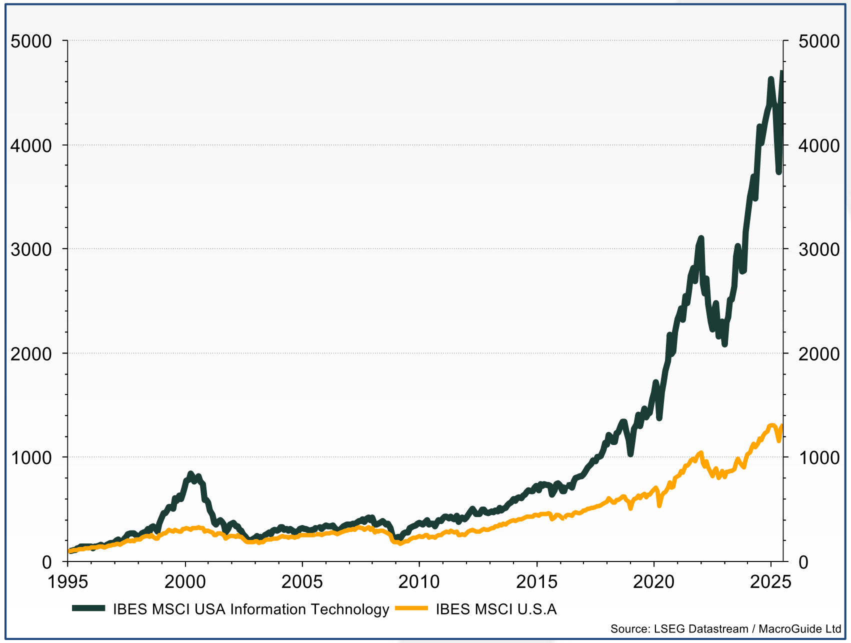


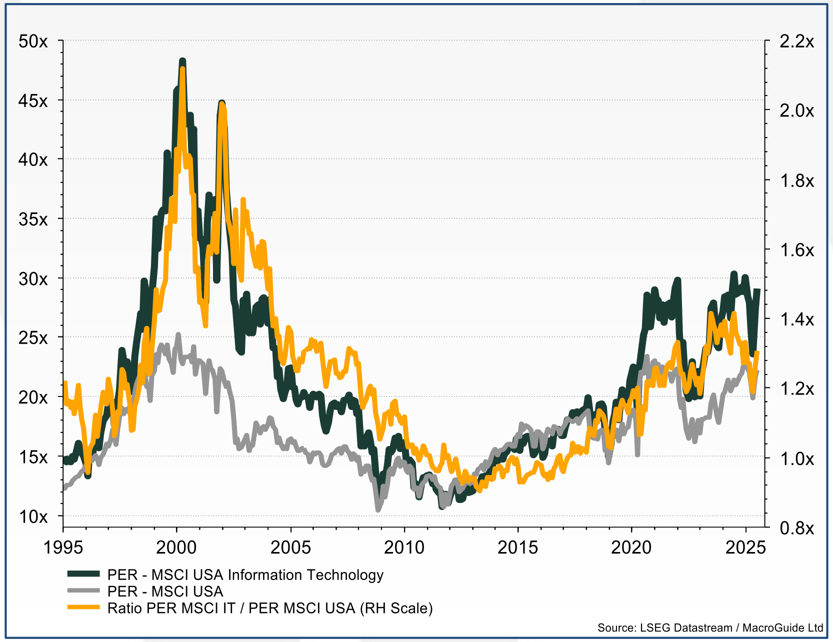
“Magnificent 7” return to be ... magnificent





AI vs Dot.com

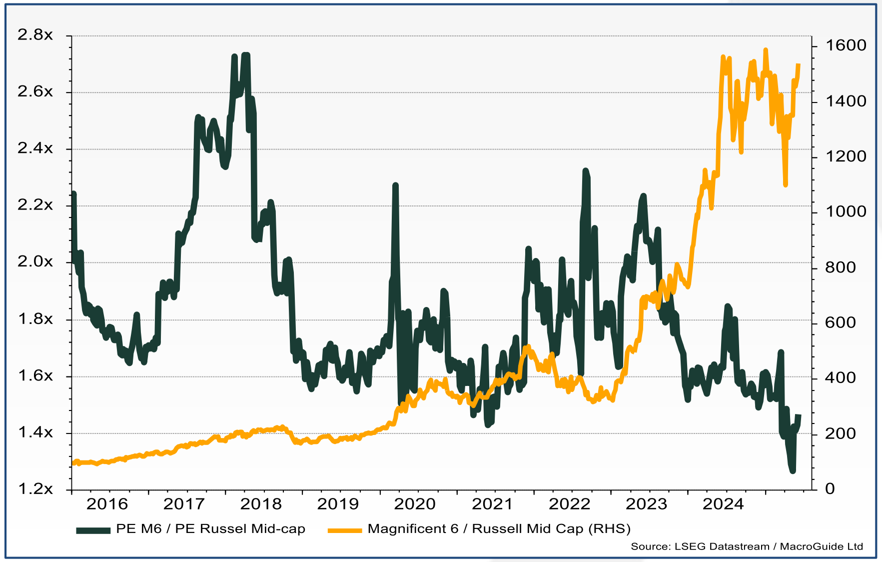


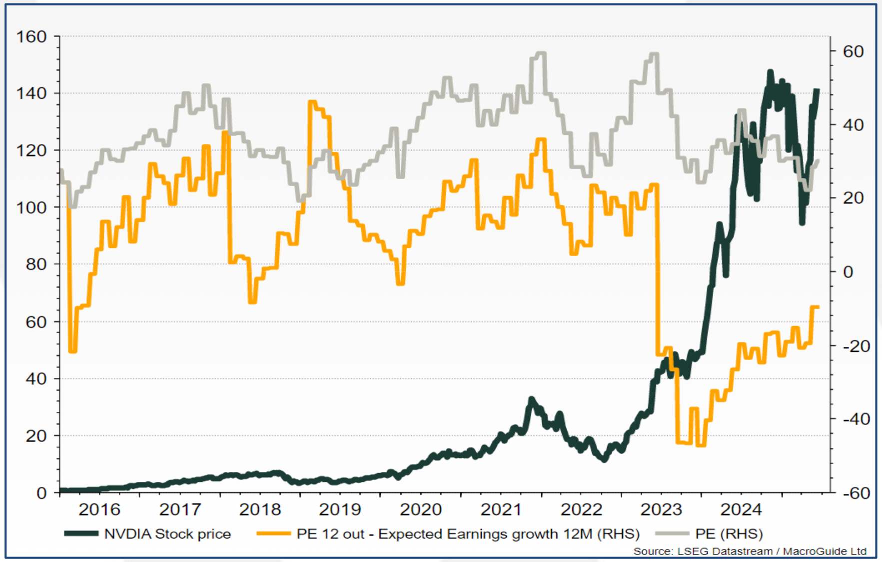


- There are 2 major difference between the current Tech euphoria and the Internet bubble of the late 90s:

  1. The valuation of the IT Sector is not as stretched today as it was back in 2000 (PE nearly 50x in 2000, vs 27x today). Also the PE premium to the market is less (2.1 in 2000 vs 1.35x today), as can be seen by the right chart.
  2. The internet bubble of the 90s was driven by a myriad of start-ups, most of them without any cashflows. The current enthusiasm in tech and AI is driven by a few Tech giants with solid balance sheets and cash balances that enable financing their investments.

How AI is the sky ?





- We have devised a “Magnificent 6” index (M6), removing Tesla from the popular “Magnificent 7” index (M7)on grounds that Tesla’s earnings are too volatile to construct a reliable PE indicator.

- With the extremely high weight of the M6 companies in the S&P500 or the Nasdaq index, we need to compare the valuation of the – cap weighted – M6 index to one which excludes the M6 companies. To this end, we chose the Russel Mid cap index.

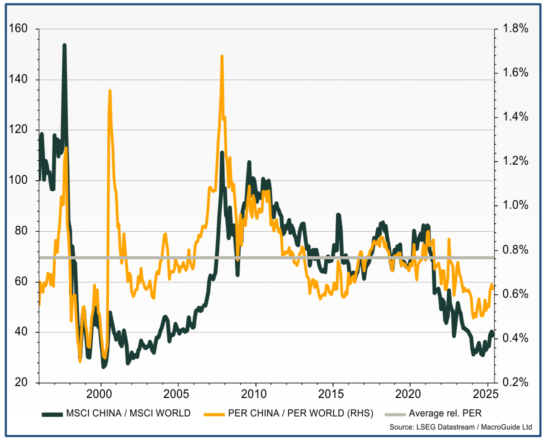
- The relative performance of the M6 index to the Russell Mid cap index is shown on the orange line, on the right-hand scale of the left chart. The relative outperformance of M6 shows a staggering 300% since the launch of Chat GPT in November 2022. Yet, the relative PE premium of M6 to the Russell Mid cap appears reasonable.

- Nvidia leads the performance race, as shown in orange on the left-hand scale of the right chart. Yet its valuation would appear reasonable at both a PE of 30x and, more to the point, a PE – expected growth of -10, indicating that earnings growth should reach 40% over the next 12 months.

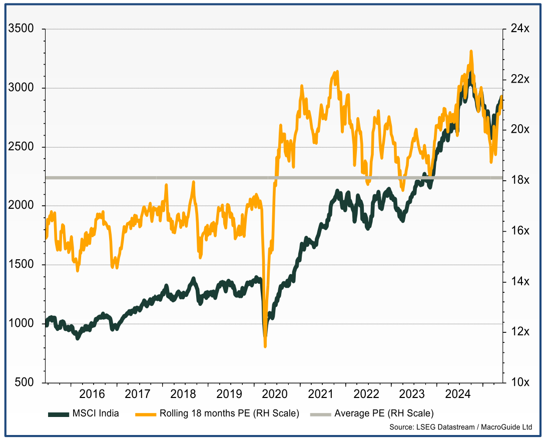
- Nvidia and Google are the only companies in the M7 space that remain attractive valuation wise.

China and Japan offer value, India less so

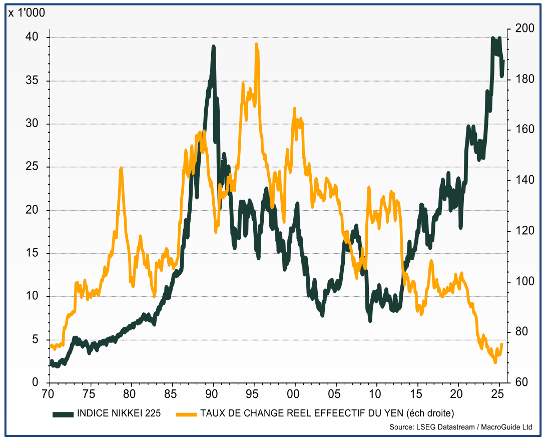
CHINA



INDIAN

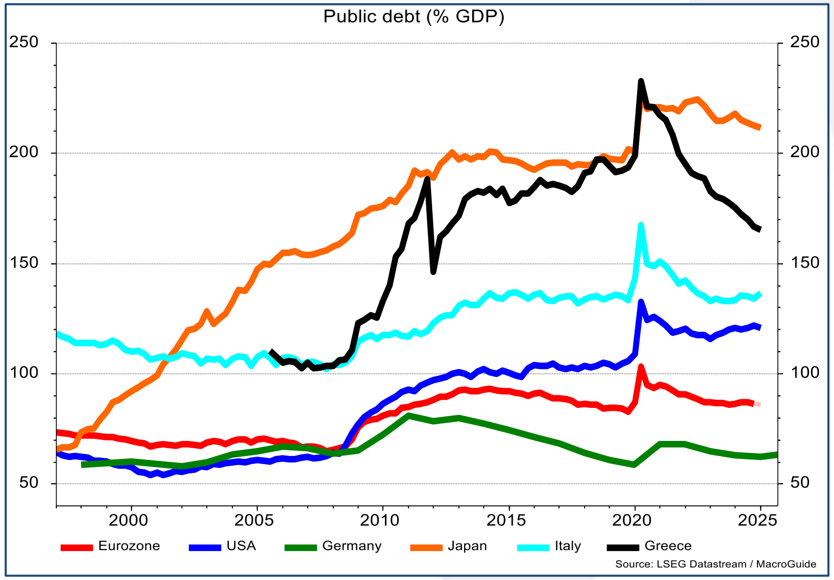


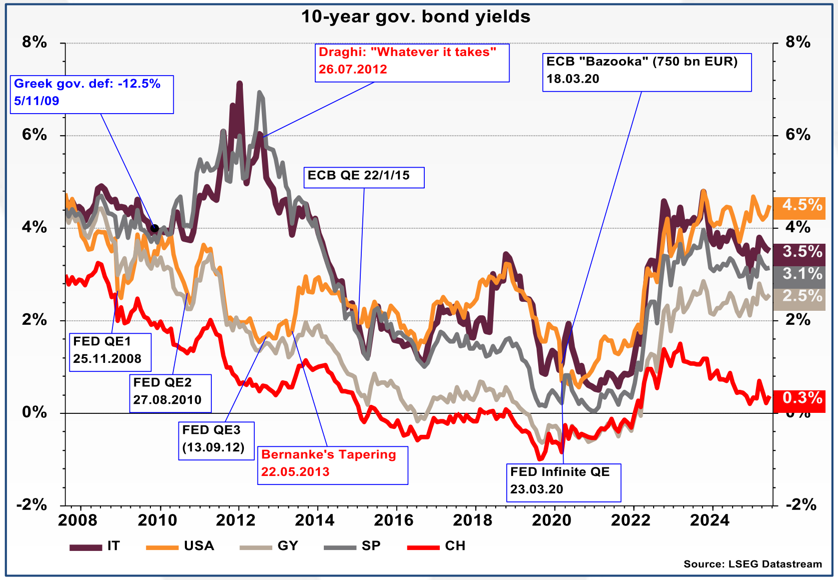
JAPAN

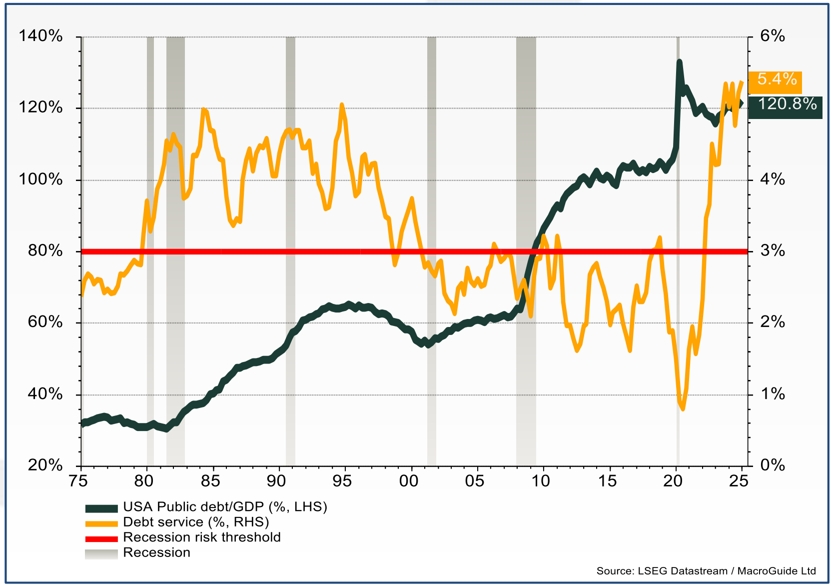


- Although attractive in terms of valuation both in absolute terms, and relative to the MSCI world, the Chinese stock markets fails to attract investors and remains lacklustre, as deflation fears deters investors to buy stocks.
- On a tactical basis, getting exposure to Chinese equities is to be recommend, although India and – to a lesser extend – Japan may qualify as alternatives to China exposure.

Bond markets need stabilising yields to ensure government debt sustainability

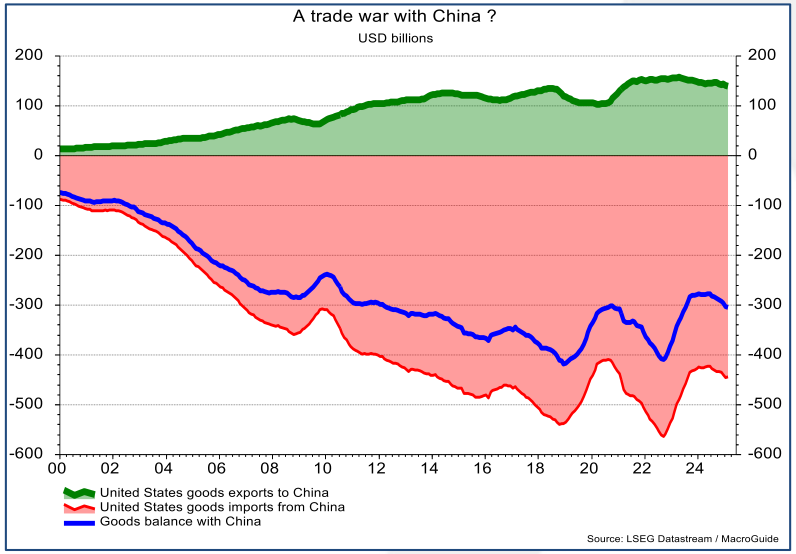


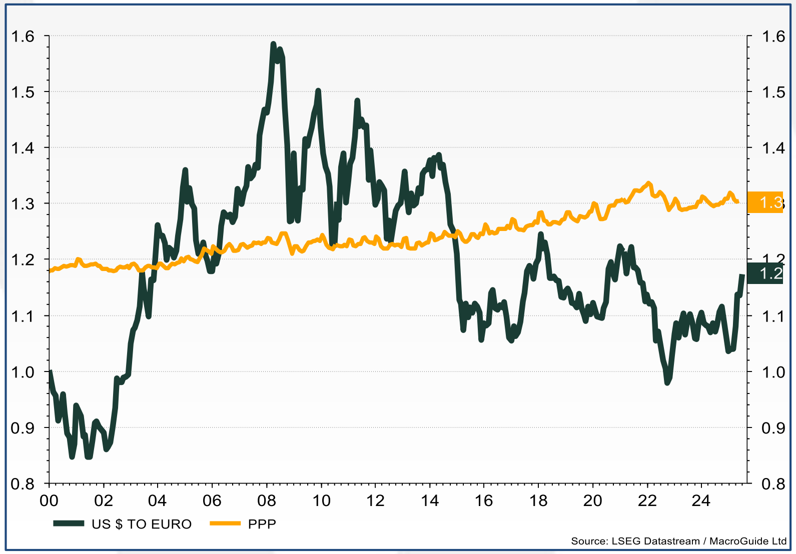


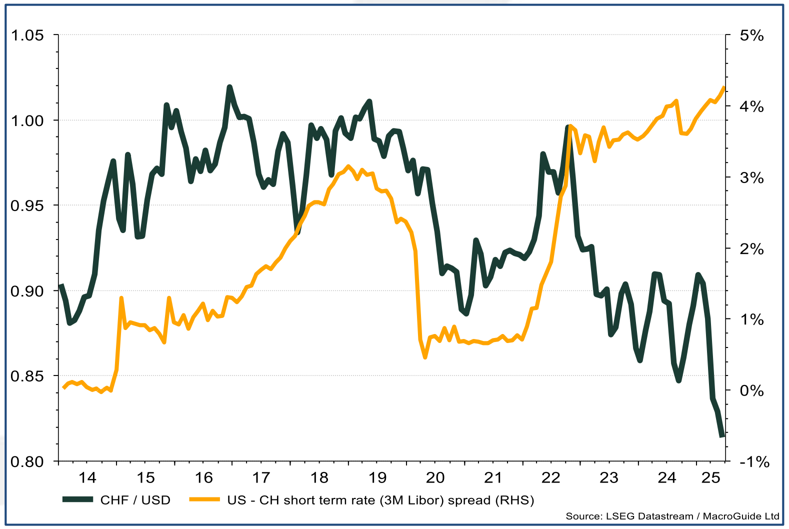


- Government debt remains sustainable as long as you can pay it. To this end, interest payments (top right) need to be kept as low as possible in relation to the size of the debt (to left).
- At 35%, Government debt in the US was very low in the early 80s but servicing costs were extremely high as the Fed was conducting an extremely tight monetary policy to fender off double digit inflation.
- At 120%, current government debt is sky high and bond yields are rising, placing US debt in unsustainable territory (bottom left).

The USD is to be structurally weak

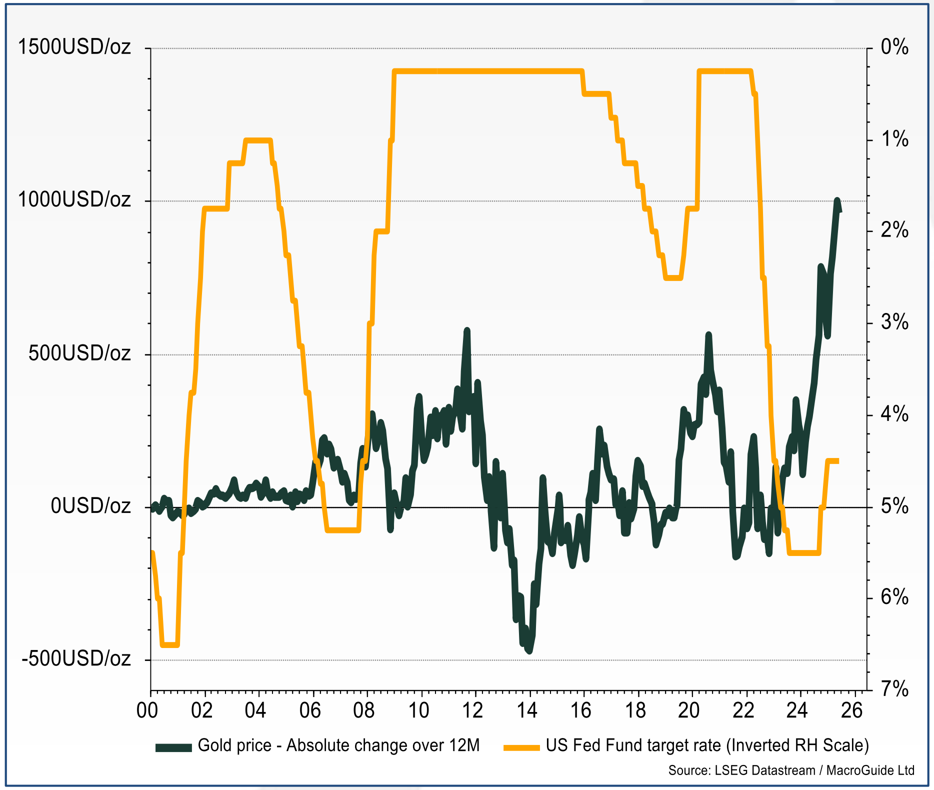






- According to "Mr. Tariffs" Stephen Miran, Trump's chief economic adviser, the humongous US trade deficit vis-à-vis China (top chart left) only has one cause: the USD overvaluation.
- The USD is overvalued vs the EUR (right chart), but fairly valued vs CHF.
- Miran's strategy is ambivalent as he advocates both a strengthening of the USD to mitigate the inflationary impact of tariffs, and a lower value of the greenback to curtail the US trade deficit.
- Something will have to give, and the most likely option will be a structurally weak USD, as evidenced from its fall and ignoring the favourable interest rate differential since 2023 (bottom chart)

Increased geopolitical instability, lower Fed fund rate and massive central banks buying to boost Gold prices further



- Central banks continue to hold favourable expectations on gold. Respondents of a recent survey by the gold council shows and overwhelmingly majority of respondents (95%) believing that global central bank gold reserves will increase over the next 12 months.

- In 2025, a record 43% of respondents believe that their own gold reserves will also increase over the same period. Interestingly, none of the respondents to the survey anticipates a decline in their gold reserves.

- Gold's unique characteristics and role as a strategic asset continue to be valued by central banks: its performance in times of crisis, ability to act as a store of value, and its role as an effective diversifier, continue to be cited as key reasons for an allocation to gold.

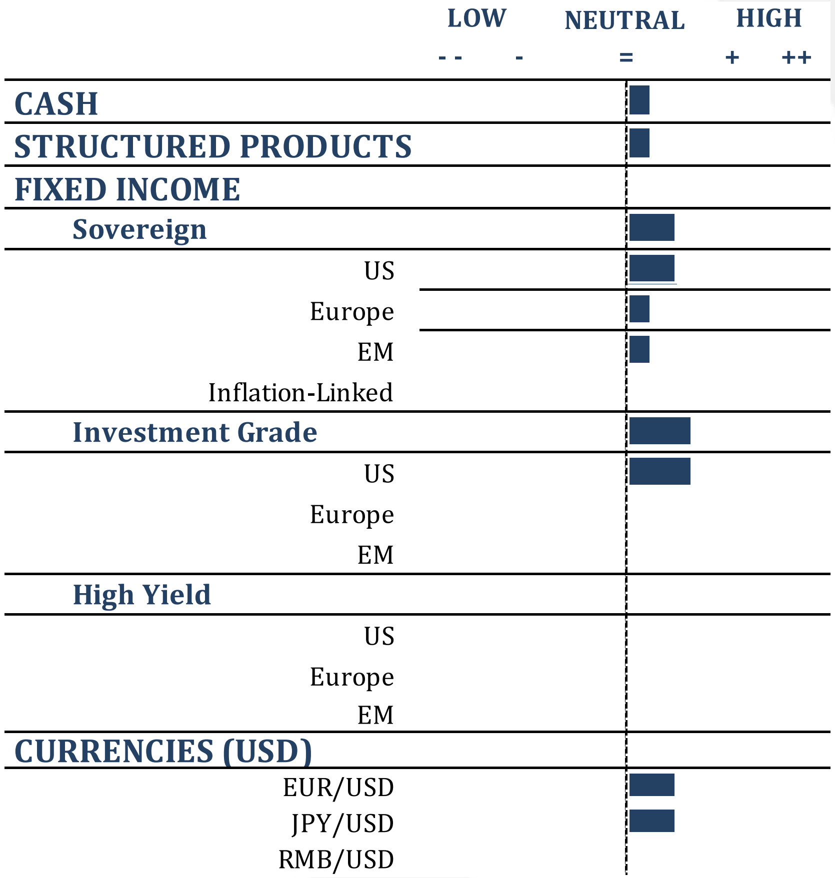
- Gold should remain attractive on the back of geopolitical tensions, helped as it were that the Fed will eventually start easing rates, when recession fears become too strong. This will reduce the opportunity cost of owning gold.

Conclusions

- **Recession risks** are high, as trade war will only bring stagflation, especially in the US
- Trade imbalances to be cleared through reducing **Investment** over **savings** stark imbalances in both US and China
- **Central banks** have room for manoeuvre and are / will be geared towards avoiding possible recessions
- Government **bond yields** face downside potential in Europe but upside risk in the US
- The Stock market is bound to become a **market of stocks**, with some stars like Nvidia still offering some value, but markets will remain **volatile** with Trump's gyrating policies on Trade and Immigration
- Cautious on **US** denominated **assets**, bullish on **Europe** and **EM** equity markets as well as **gold**
- A balanced portfolio should be slightly underweight risky assets and overweight bonds (long dated in Europe, short-dated in the US) and cash

IV. Asset Allocation

Asset Barometer



Cash: Neutral to positive

- ✓ With short-term deposit rates still elevated but declining, we maintain a strategic cash buffer to seize market opportunities in case of equity pullbacks
- ✓ Cash also plays a defensive role amid elevated geopolitical risks and persistent uncertainty over U.S. fiscal policy

Structured Products / derivatives: Positive

- ✓ Tactical hedging strategies remain relevant, especially bear put spreads, to manage downside risk in equities amid increased volatility and policy-driven market swings.

Fixed Income :

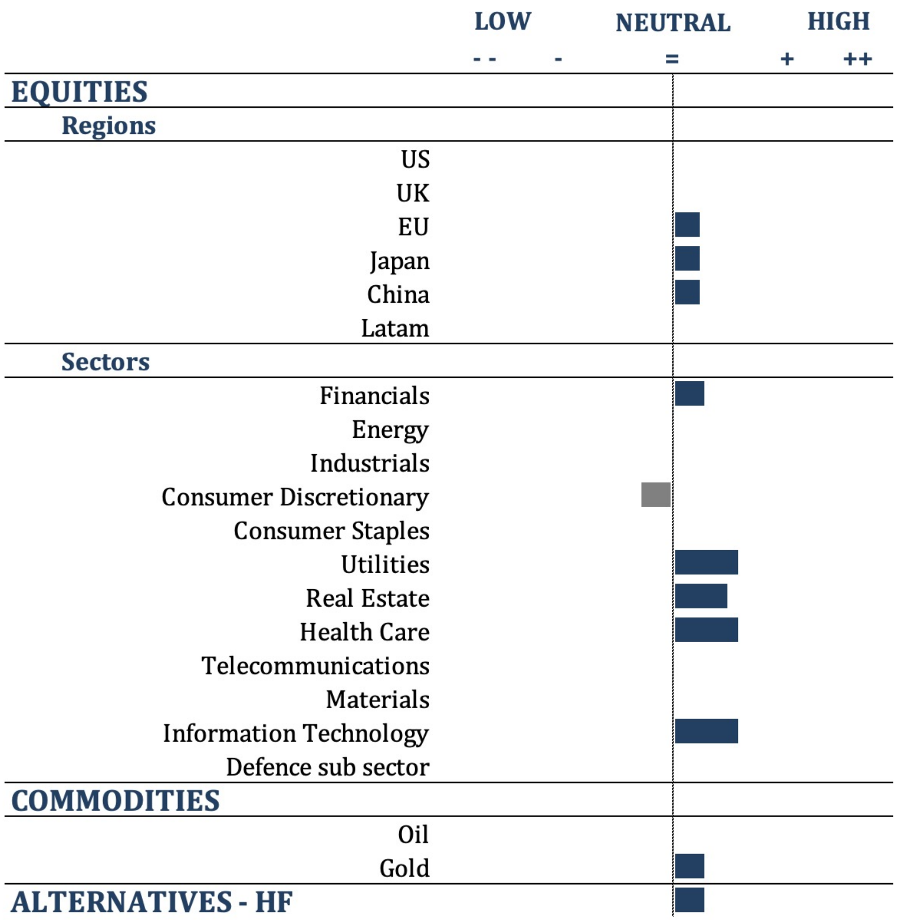
- ✓ We retain a diversified fixed-income allocation across Treasuries, Investment Grade, High Yield, and Emerging Markets.
- ✓ Despite stable Fed policy, long-term U.S. yields remain elevated due to fiscal concerns, while European sovereign and IG bonds benefit from ECB rate cuts.
- ✓ Chinese fixed income remains supported by continued monetary easing and targeted fiscal stimulus.

Currencies:

- ✓ USD: Under medium-term pressure due to widening fiscal deficits and concerns over long-term debt sustainability. A technical rebound may occur, but structural headwinds remain.
- ✓ JPY: Deeply undervalued on a purchasing power parity basis. Likely to benefit in a risk-off environment or renewed global volatility.
- ✓ EUR: Supported by policy divergence with the Fed, better valuations, and capital inflows into European equities..

* Relative to our latest positioning at the end of December 2024.

Asset Barometer



Equities: Neutral (with a tactical hedge)

- ✓ Despite the sharp recovery in H1 2025, U.S. equity valuations remain stretched (forward PE ~23x), and recent gains may have overshot fundamentals.
- ✓ We maintain a neutral equity allocation in line with our strategic targets while diversifying away from the U.S. towards Europe, Japan, and China—regions benefiting from monetary easing, cyclical exposure, and attractive valuations.
- ✓ We favour a barbell approach: growth sectors (notably tech and AI) on one side, and defensive/value plays (healthcare, utilities) and cyclicals (financials, industrials) on the other.
- ✓ A tactical hedge is reinstated on part of the equity exposure due to elevated valuation multiples, tariff-related uncertainty, potential earnings disappointments, and overbought technical conditions following the Q2 rally.

Commodities: Neutral

- ✓ China's stronger-than-expected recovery supports demand for energy and industrial metals.
- ✓ Gold remains a strategic hedge against USD weakness, benefiting from strong central bank demand and falling real rates.
- ✓ Oil prices remain volatile and sensitive to geopolitical tensions, especially in the Middle East (e.g., Strait of Hormuz risks).

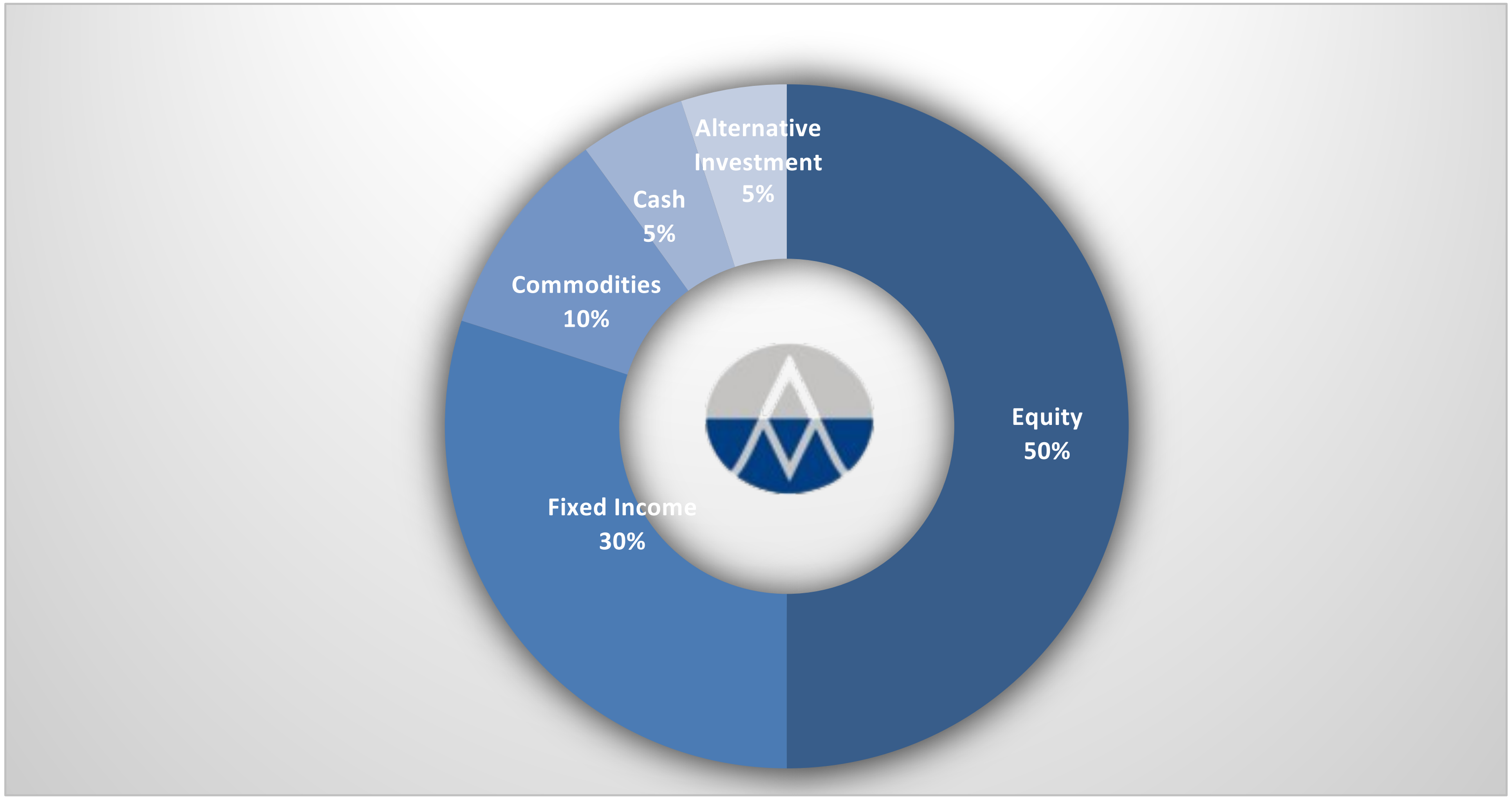
Alternatives - HF: Neutral

- ✓ Hedge funds can act as a risk diversifier in portfolios amid unstable fiscal conditions and geopolitical tensions, particularly those with long/short or macro strategies.

* Relative to our latest positioning at the end of December 2024.

Model Portfolio

(Liquid assets - Investment profile with 50% equity exposure at neutral, with ***a tactical HEDGE****)*



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