



MT FORT
ADVISERS

Investment Strategy

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With the contribution of Prof. Michel Girardin

Multi-Family Office
Geneva & Singapore



I. H2 2025 Review

A recovery year driven by IA and Fed pivot

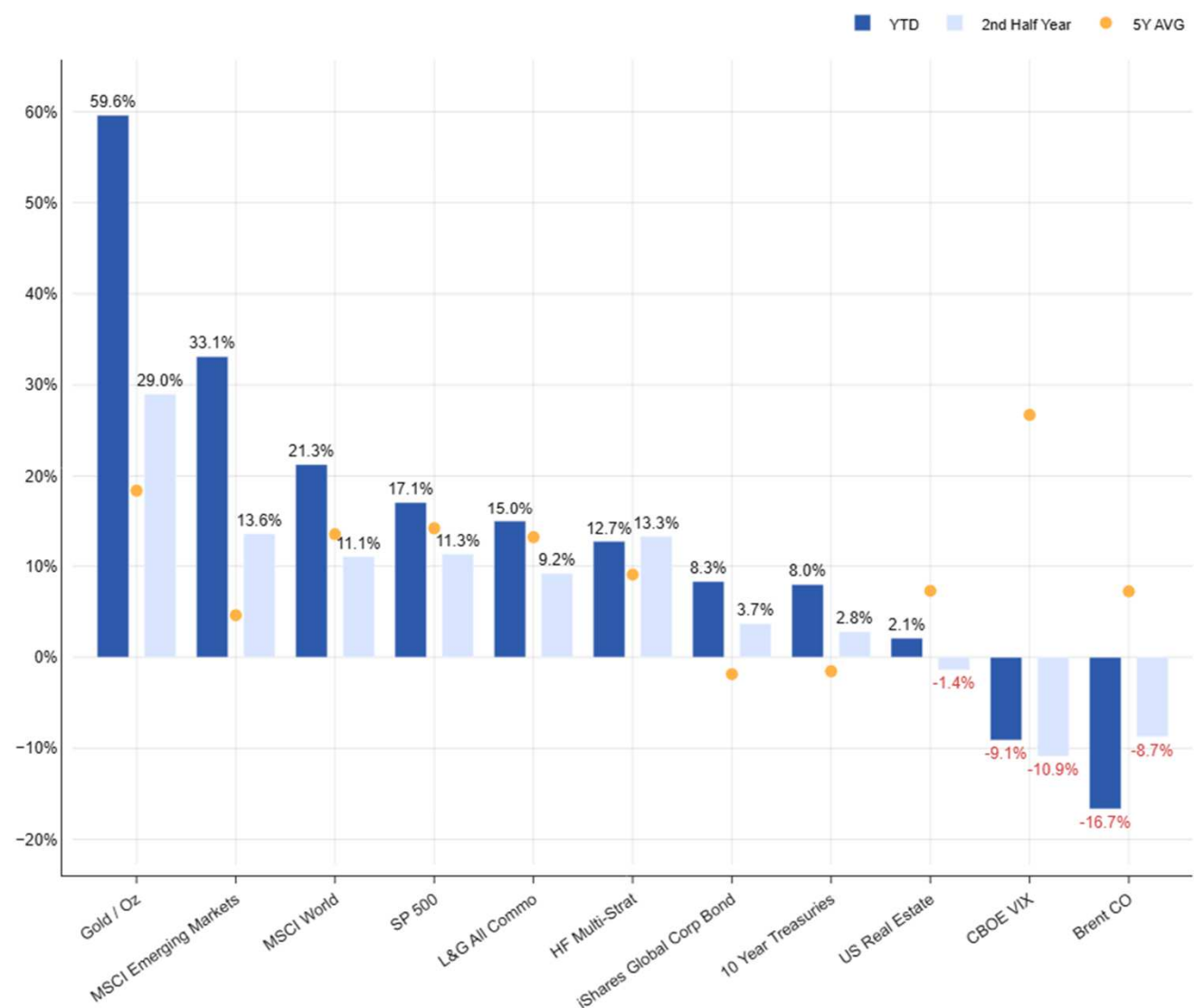


Global markets **erased their early-2025 losses by summer**, after the tariff shock over Liberation Day. As trade-war fears subsided and AI-driven earnings beat expectations, investor confidence returned. That momentum carried into autumn, fueled by optimism about macroeconomic conditions and central-bank policy, keeping equity performance firmly on track.

Around **mid-October**, a brief pullback emerged as investors locked in profits and reassessed stretched valuations in AI-linked sectors following a strong multi-month rally. A turning point arrived in late October as the Federal Reserve confirmed the easing cycle, cutting rates to 3.75%–4.00% and improving visibility on monetary policy. The cautious tone initially unsettled growth- and tech-heavy indices, but by mid-November, softer inflation and labour-market data renewed hopes for further easing. This restored investor confidence, lowered discount rates and fueled renewed demand for large-cap technology and AI-focused names.

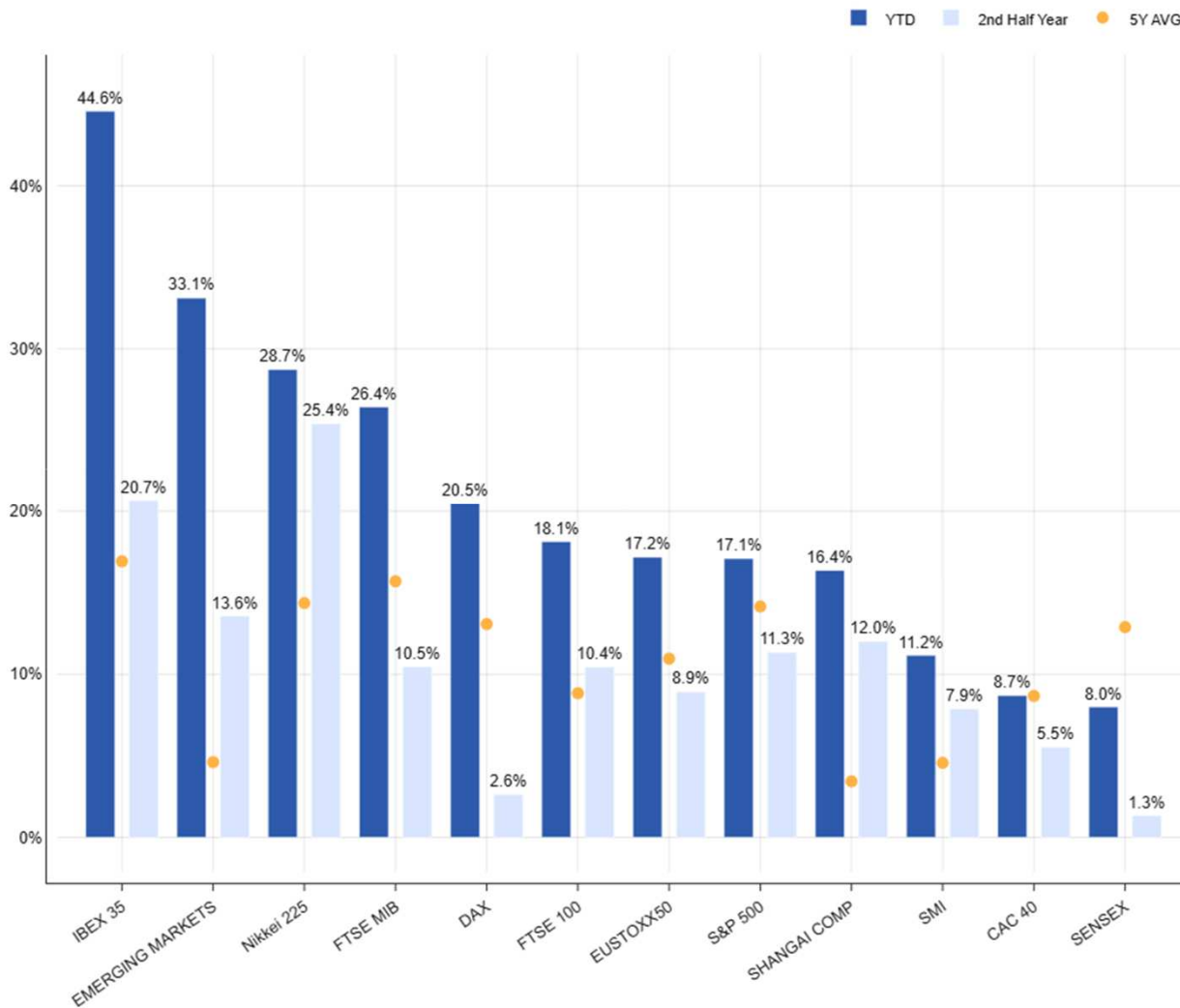
By the end of 2025, greater clarity on monetary policy, stabilizing macroeconomic indicators and ongoing enthusiasm for AI-driven productivity gains created a broadly positive, risk-on climate. Equity indices returned to their mid-year highs and in some cases, even surpassed them. Nonetheless, several analysts warned that valuations, especially in AI and mega-cap stocks, looked increasingly stretched, raising the risk of a speculative “AI bubble”.

Impact on Asset Classes



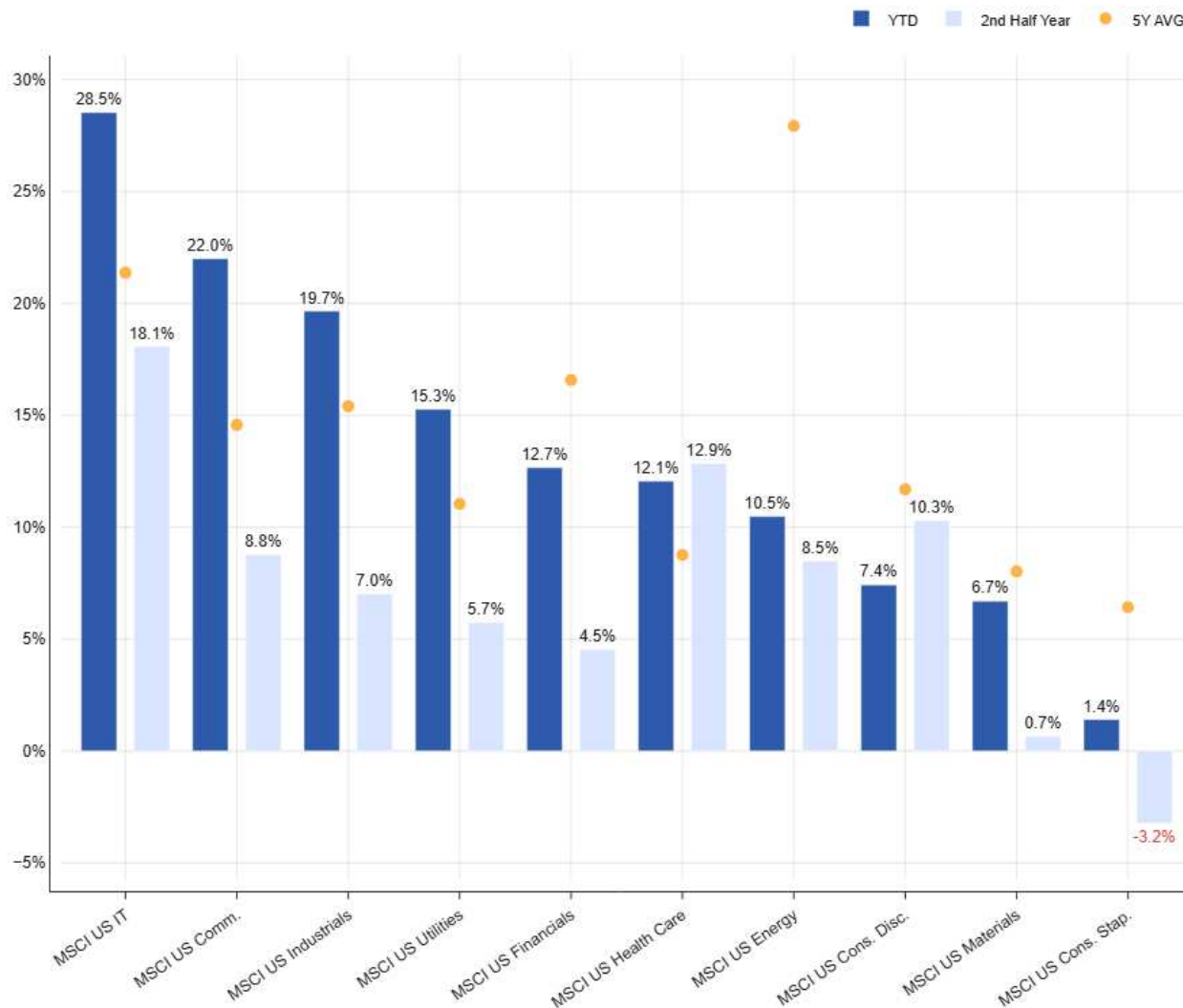
- **Gold** hit record highs above US\$4,300/oz in October as a weaker dollar, expected Fed rate cuts and macro uncertainty supported its safe-haven role. Central-bank demand remained strong, led by the PBoC, with global purchases above 1,000T for a third year versus roughly 3,661T of annual mine supply in 2024, while silver nearly doubled and platinum rose over 50% in H2 on tight supply and solid industrial demand.
- **Emerging-market** equities were a highlight in H2 2025. The MSCI Emerging Markets Index gained about 27% year-to-date, clearly outperforming developed markets. The rally was driven by a weaker U.S. dollar, more attractive valuations and improving earnings. Rising geopolitical tension between the U.S. and Venezuela added pockets of volatility, but overall resilience supported strong EM performance into year-end.
- In H2 2025, global equities advanced further, with **U.S. benchmarks** climbing back toward multi-year highs, supported by easing tariff tensions, Federal Reserve rate cuts, and strong earnings from tech and AI-driven leaders. **European indices** also delivered a solid rebound as better-than-expected economic data, falling energy costs, and a softer euro lifted both domestic sectors and exporters.
- **Oil** prices continue declining in H2 2025 as global demand growth disappointed, notably in China, while resilient US supply and limited geopolitical disruptions kept markets well supplied. As a result, Brent underperformed, reinforcing the broader easing in energy-driven inflation pressures toward year-end.

Countries & Regions

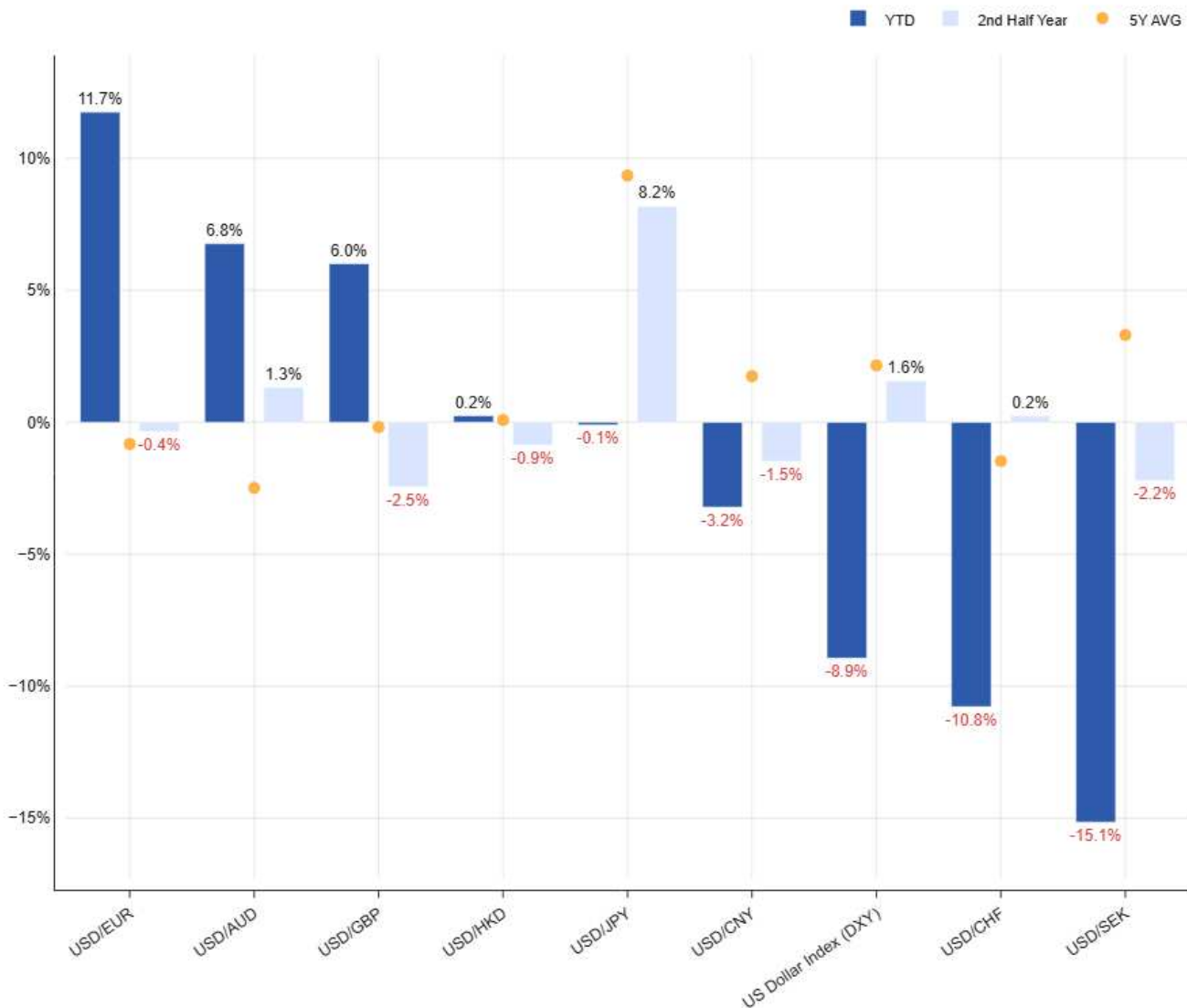


- **European equities** delivered an uneven but broadly constructive performance in H2 2025. Spain clearly outperformed, with the IBEX 35 supported by strong banking-sector earnings and resilient domestic demand, while core markets such as the DAX and the Euro Stoxx 50 improved more gradually on easing inflation, lower yields and stabilizing industrial activity. By contrast, the SMI and CAC 40 lagged, reflecting heavier exposure to defensives and continued pressure on luxury amid subdued Chinese demand.
- **Emerging Markets** were among the strongest performers in H2 2025, supported by synchronized EM rate cuts, improved global liquidity and renewed inflows into Asia ex-China, notably India and Korea. LatAm remained underpinned by stable macro frameworks and infrastructure demand, while China stabilized on targeted property support and a firmer yuan despite muted foreign participation.
- **Japan** was the strongest-performing developed market in H2 2025, with the Nikkei 225 delivering the best second-half return among major indices, supported by solid earnings momentum, record share buybacks, a weaker JPY and expectations of further fiscal expansion from new PM Takaichi.
- **U.S. equities strengthened** meaningfully in H2 2025, with the S&P 500 rally led by megacap technology as AI-related investment remained robust and tariff-related tensions eased. Earnings growth reached almost 14% as demand stayed resilient and margins expanded, while clearer Fed guidance toward additional rate cuts improved valuation support and reinforced a late-year risk-on environment.

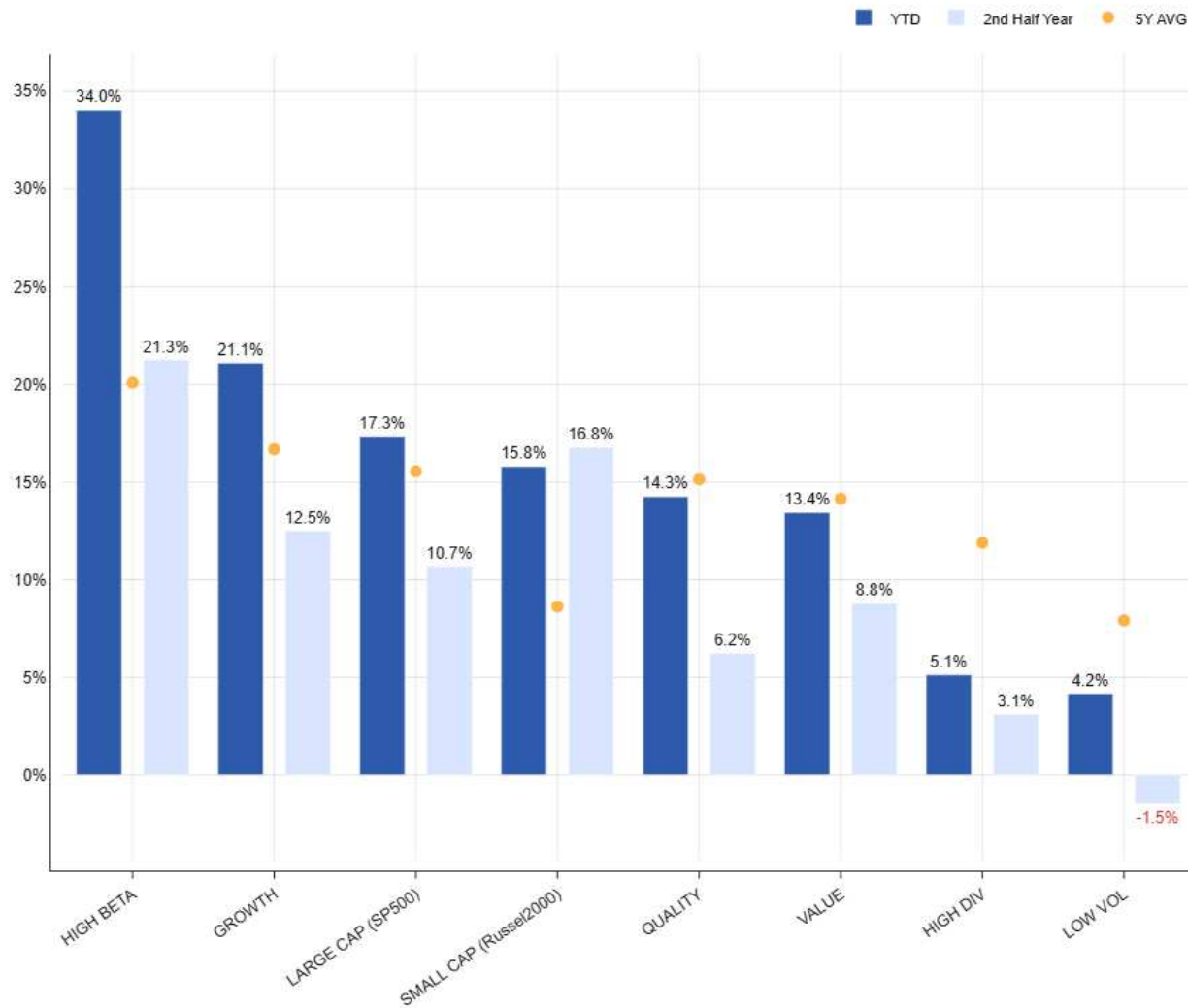
Sectors



- **Technology and Communication Services** led performance in H2 2025, driven by accelerating AI investment, strong semiconductor demand, and a recovery in digital advertising. Robust mega-cap earnings, expectations of Fed rate cuts, and record AI data-center capex announcements late in the year sustained demand for long-duration assets despite a brief October pullback.
- **Utilities** were among the few defensive sectors to post positive returns, supported by stable regulated cash flows, structurally higher electricity demand from AI data centers, accelerated grid-capex plans, and stabilizing bond yields. **Health Care** also held up well, underpinned by resilient large-pharma earnings and selective renewed interest in biotech following targeted M&A and positive late-stage clinical results.
- **Financials** posted a moderate rebound in H2 2025 as easing credit conditions and clearer visibility on rate cuts reduced pressure on funding costs, while loan quality remained broadly stable. **Energy and Materials** stabilized after earlier weakness, supported by improved demand expectations from infrastructure and energy-transition projects, with H2 marked by renewed capex guidance from mining and utility-linked commodity producers despite subdued spot price momentum.
- **Consumer** sectors were more mixed. Consumer Discretionary advanced but lagged the market leaders, with household spending remaining selective and competition intense in several industry groups. Consumer Staples underperformed due to margin pressure, less pricing power, and capital rotation toward higher-growth segments.



- Currency markets in H2 2025 were driven by shifting expectations around U.S. monetary policy. **While the U.S. dollar remained down about -8.8% YTD, it staged a rebound in H2** as U.S. growth proved more resilient than expected and rate-cut expectations were partially repriced. EUR/USD stabilized after its earlier rise, reflecting narrower interest-rate differentials and improved confidence in European economic and monetary stability, but with reduced upside momentum late in the year.
- In H2 2025, **the Japanese yen** offset its gain accumulated in H1, falling around 8%, with the continuation of yen-funded carry trades, thanks to still much lower interest rate differential and investors speculating on a less hawkish BoJ. By contrast, the Chinese yuan (USD/CNY -3.1%) benefited from targeted policy support, though structural growth concerns capped upside momentum.
- The **USD/CHF** and **USD/SEK** pairs saw the sharpest declines, down -11.0% and -14.5% respectively, as haven flows into the Swiss franc persisted and Sweden benefited from a recovery in European growth momentum.
- Commodity-linked currencies posted mixed results. **The Australian dollar** gained +6.2% YTD versus the USD, supported by stronger Asian demand and firming metals prices, while the **Canadian dollar** lagged somewhat due to softer oil pricing trends and domestic policy constraints. The British pound remained resilient, up +6.2% versus the USD, as improving UK economic surprises helped offset political uncertainty.



- **High Beta** clearly led the market in H2 2025 with a strong +21.3% gain, confirming a pronounced risk-on environment. Improving liquidity, easing financial conditions and stronger confidence in cyclical earnings drove a broad rotation toward higher-beta exposures throughout the second half.
- **Growth** delivered a solid +12.5% performance in H2, supported by continued AI-related investment and resilient earnings from technology leaders. However, upside was more measured as valuations became more demanding and leadership narrowed late in the year.
- **Small Caps** outperformed in H2, rising +16.8%, as improving liquidity, lower funding-cost pressure and stronger domestic growth expectations favored more cyclical and economically sensitive segments. The performance reflects a clear broadening of risk appetite beyond large-cap leadership.
- **Large Caps** also posted positive returns in H2 at +10.7%, supported by earnings resilience and balance-sheet strength, but lagged Small Caps as investors rotated toward higher-growth and higher-beta opportunities.
- **Value** advanced +8.8% in H2, benefiting from stable macro conditions and attractive valuations, particularly in Industrials and Financials. Expectations of lower policy rates reduced pressure on rate-sensitive business models, allowing Value to remain a steady contributor.
- **Quality** rose a more modest +6.2% in H2, while High Dividend gained +3.1%, both appealing to investors seeking income and earnings stability as long-term yields stabilized within a risk-on market.
- **Low Volatility** underperformed sharply in H2, declining -1.5%, as subdued volatility, fading macro risks and stronger growth confidence reduced demand for defensive positioning.

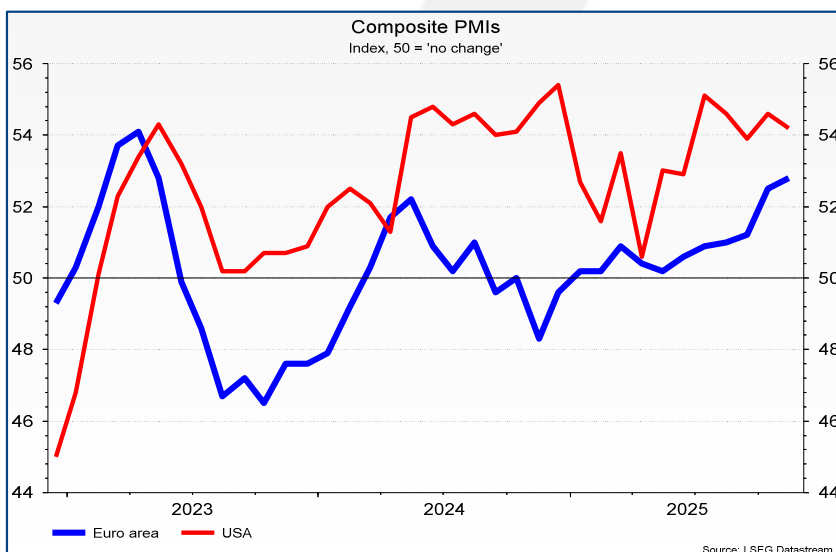
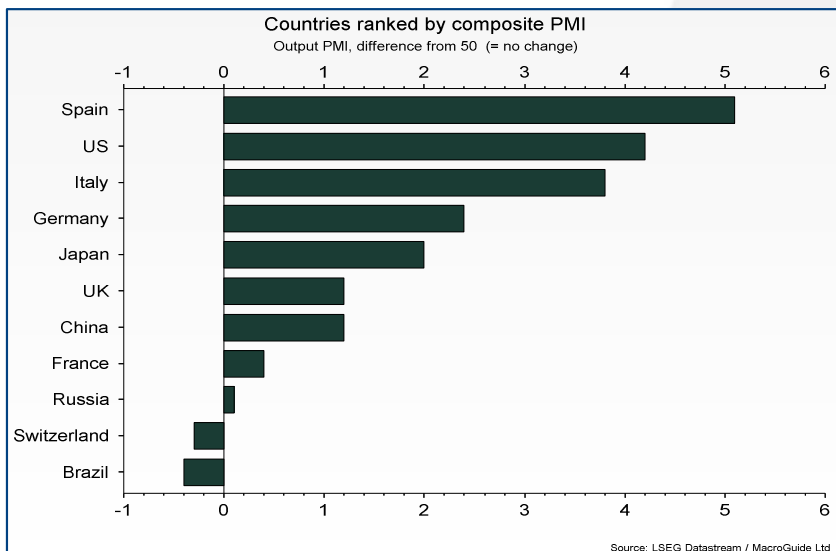
Appraisal of our June 2025 conclusions



- Recession risks are high, as trade war will only bring stagflation, especially in the US: **partly correct (more evidence of recession in the US, but inflation pressures receding)**
- Trade imbalances to be cleared through reducing Investment over savings stark imbalances in both US and China **correct**
- Central banks have room for manoeuvre and are / will be geared towards avoiding possible recessions **correct**
- Government bond yields face downside potential in Europe but upside risk in the US **incorrect**
- 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 **correct**
- Cautious on US denominated assets **incorrect**, bullish on Europe and EM equity markets as well as gold **correct**
- A balanced portfolio should be slightly underweight risky assets and overweight bonds (long dated in Europe, short-dated in the US) and cash **partly correct (risky assets did outperform bonds in absolute terms, but not on a risk-adjusted basis)**

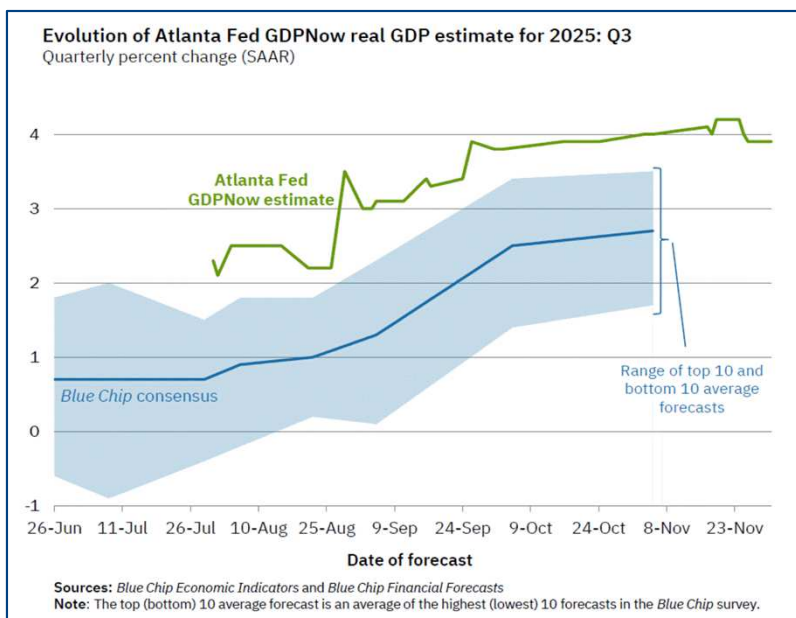
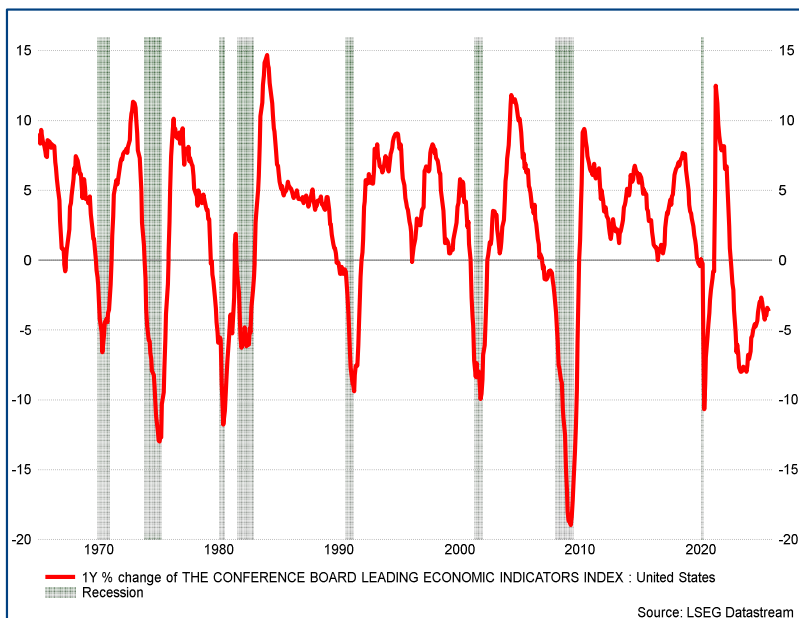
II. Macroeconomic outlook

Global manufacturing activity



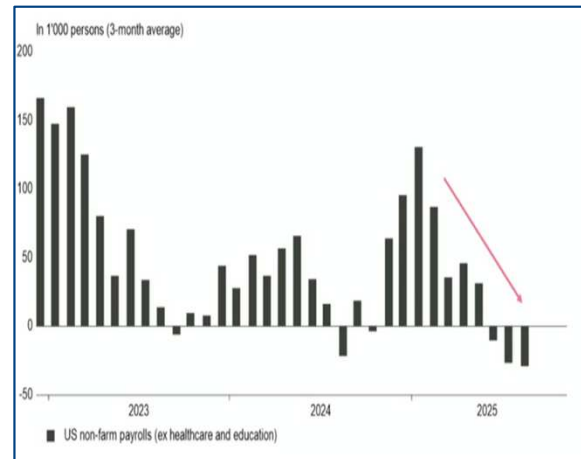
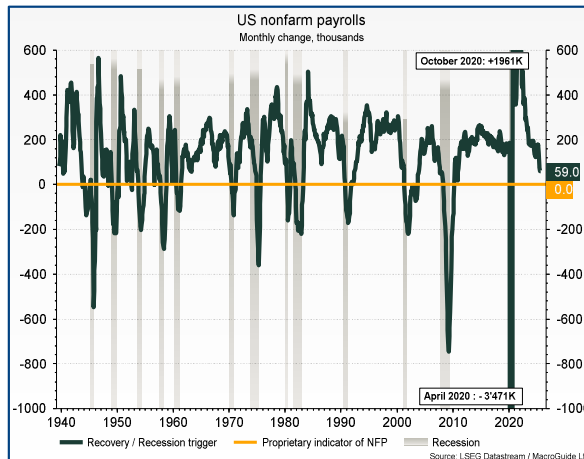
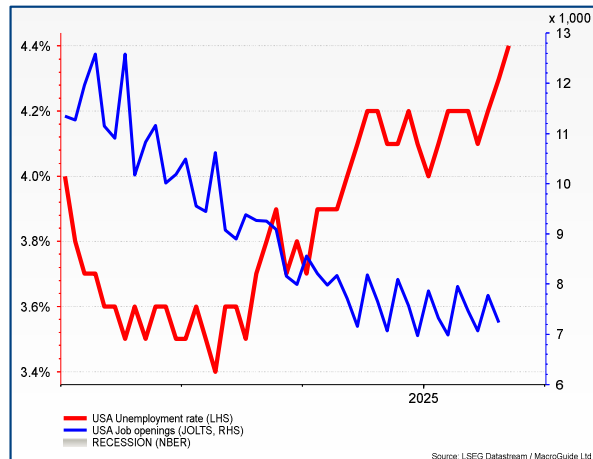
- The global manufacturing cycle pulled back into expansion, but growth remains somewhat fragile and uneven. For example, the U.S. saw its manufacturing PMI fall to 48.2 in November, in contraction territory. Booming service activity explains why the Composite PMI is well anchored above the 50 expansion threshold.
- There is a growing investment in “smart manufacturing”, with companies increasingly adopting digital technologies to boost competitiveness and resilience. This trend is expected to strengthen in 2026.
- For 2026, growth will likely remain uneven across regions. Advanced economies may see slower manufacturing momentum, whilst emerging markets – driven by domestic demand and lower labour costs - should do better.
- Gains in manufacturing activity are expected to come from structural changes (digitalisation, smart manufacturing) rather than a boom in output or trade volumes.

US economy in a K-shaped recovery ?



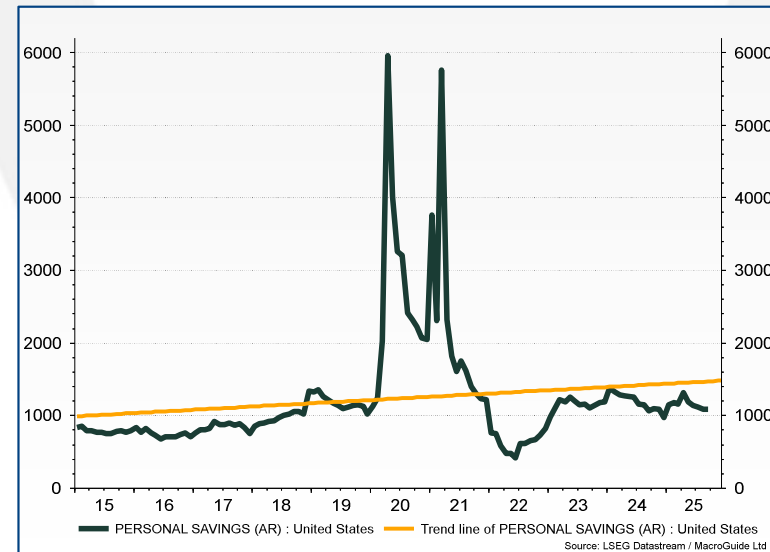
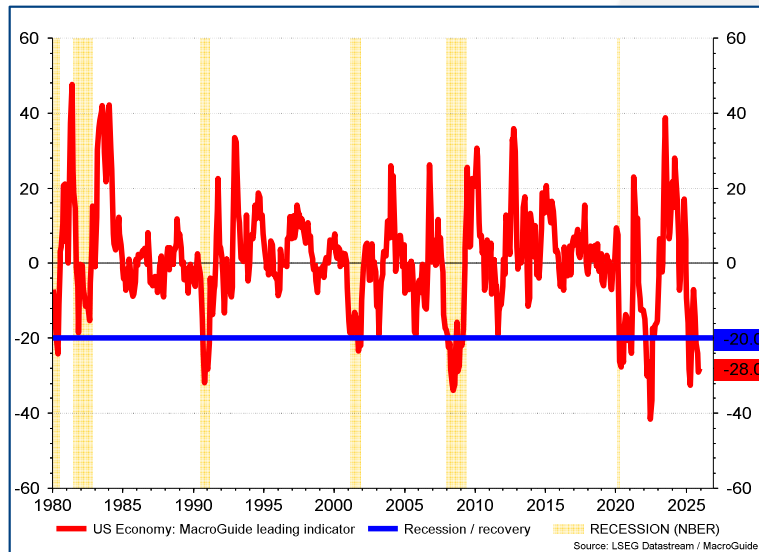
- The Leading Economic Indicator (LEI) on the left chart has been declining for 20 consecutive months. A YoY decline of more than -5% and a six-month decline has always preceded a recession in the post-WWII era.
- Weak Manufacturing and shrinking new orders are pulling the LEI down sharply, alongside falling consumer expectations. Consumers pessimism hinges on high prices for essentials, high interest rates and low housing affordability.
- Outside manufacturing, a forward-looking investment boom is taking place in AI, chips and green tech.
- We believe that the “Atlanta Fed GDPNow navigating at 4% overestimates the real growth, as it is based on quarterly annualized figures, as opposed to the Blue Chip consensus trending at a YoY 2,5%, much closer to reality.
- The US economy is in a K-shaped recovery, with Tech/advanced manufacturing surging as opposed to traditional industries still struggling. Likewise for booming services activity as compared to stagnating goods producing sectors.

US labour market cooling



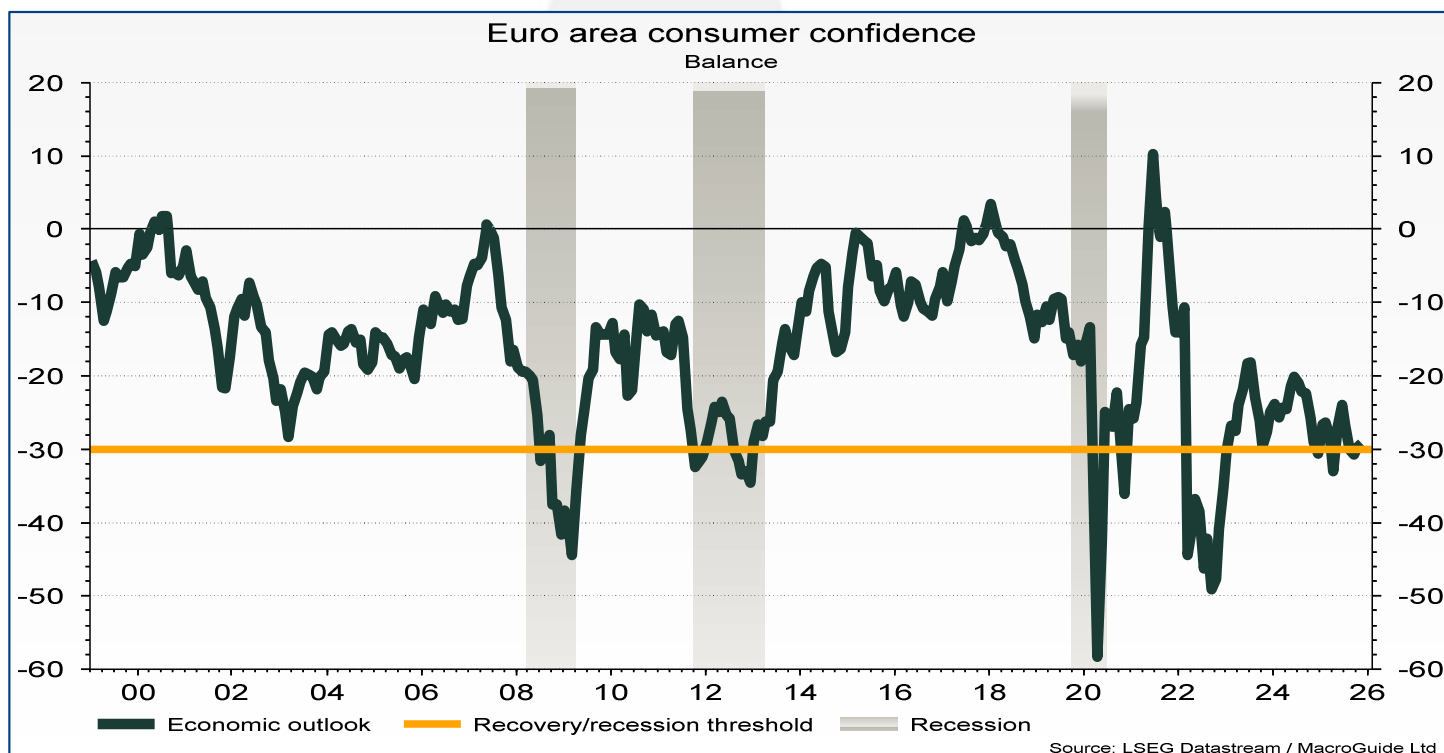
- Driven by a mix of demand-side and supply-side forces, the US labor market is cooling. On the demand front, job openings (JOLTS) have dropped sharply from their 2022 peak of 13 millions (blue line, left chart).
- Strong immigration post pandemic, rising labor-force participation, increase hour worked also explain the cooling of the labor market.
- Our preferred indicator is a moving average of non-farm payroll, shown on top-right chart. Along the chart on the right showing jobs destructions outside healthcare and education, both are pointing to cooling labor market.

US consumer confidence entrenched in recession territory



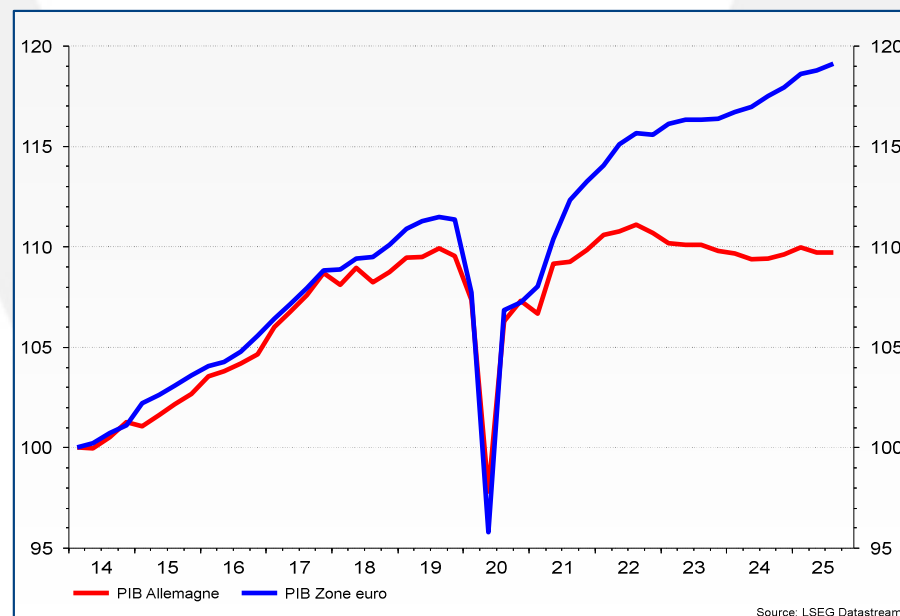
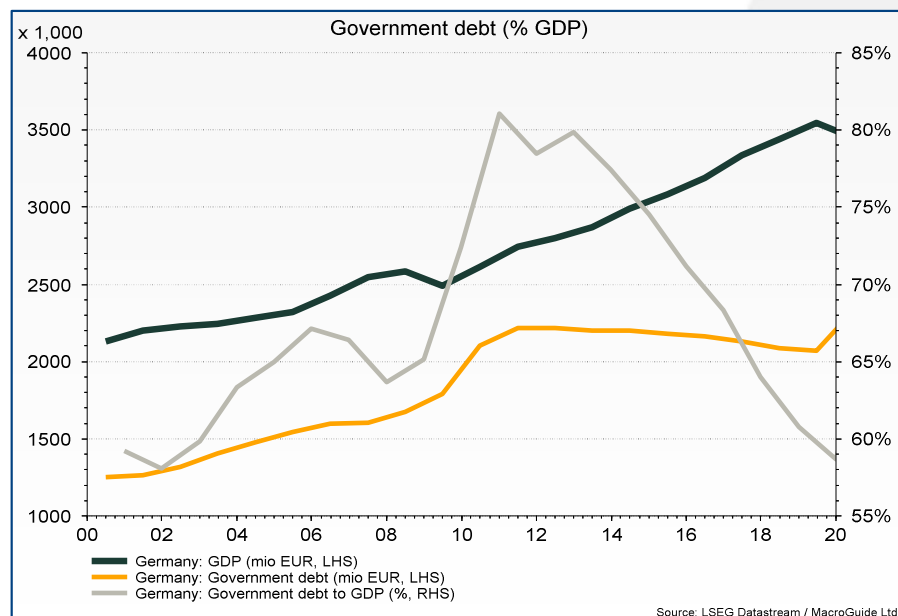
- Based on consumer confidence in the US, our proprietary indicator is currently well below the -20% threshold, which has always coincided with the beginning of a recession, indicated by the yellow vertical bars on the left chart.
- The consumption-led recovery hinges on some dissaving (total savings 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 4 years.
- Increasingly, economic growth in the US is shifting from consumption-led to investment-driven.

European growth slow but stable



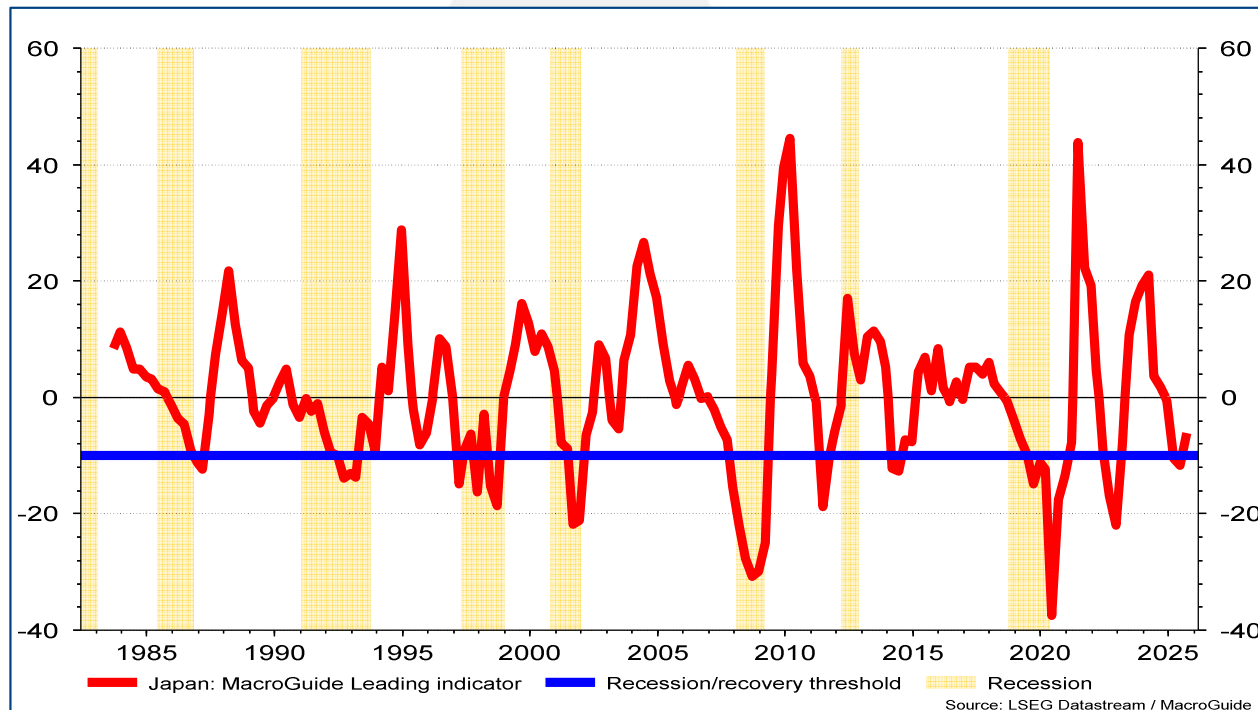
- Europe appears to have achieved a “soft landing” after the inflation and energy-price shocks earlier this decade. Growth will be soft but stable at 1,4% in 2026.
- Key drivers remain resilient private consumption and continued public investment (e.g. via Next Generation EU), and infrastructure spending.
- Global economic slowdown, uncertainty over trade policy (tariffs, supply-chain disruptions), and fallout from geopolitical tensions (e.g., war in Ukraine) weigh on export-oriented sectors.
- A declining growth in working-age population and slower labour-force growth will act as a headwind and lead to a gradual reduction in potential growth over the coming years.

Germany: high time for fiscal expansion !



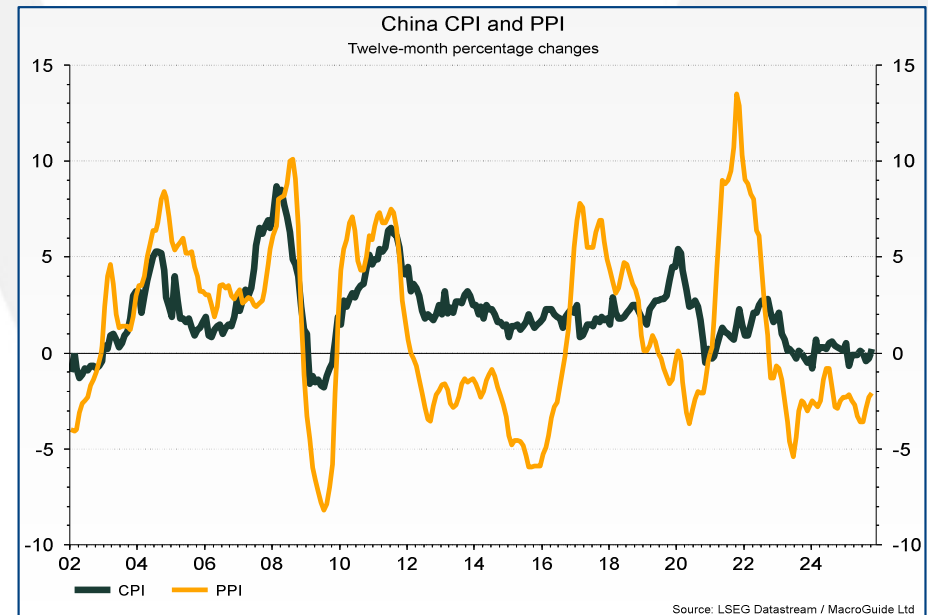
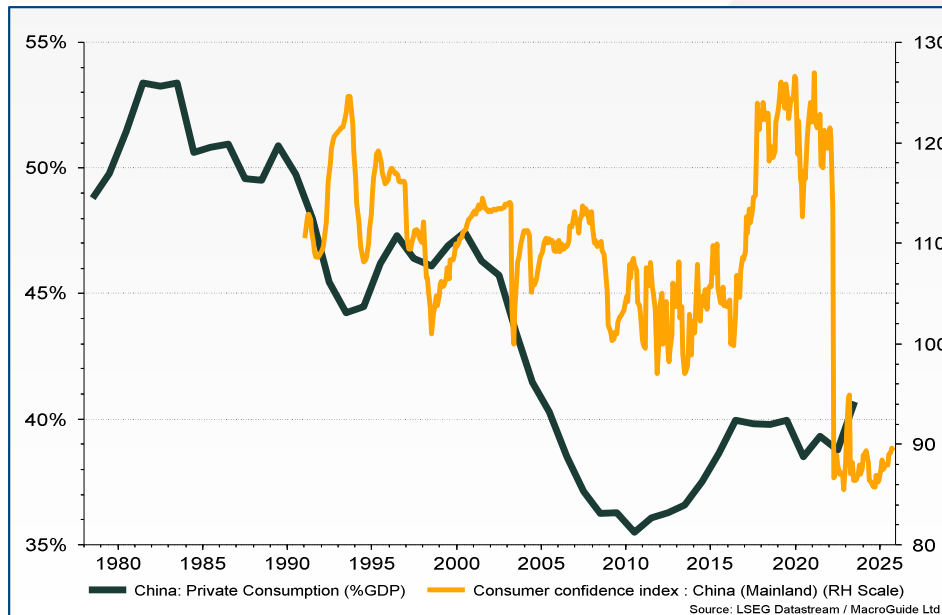
- Germany is no longer the locomotive of European growth. The country built its prosperity on cheap Russian gas and booming Chinese demand. Both engines have stalled. The auto sector missed the electric revolution; China didn't.
- An economy that is 50% exports cannot grow when its customers slow and its energy prices surge, like it did when the war in Ukraine broke out. Since then, growth has been lackluster and well below the Eurozone (left chart)
- Demographics are not Germany's best friend: with one retiree for every two workers, Germany's potential growth is shrinking.
- Hope springs from the recent initiative of a debt-financed special fund worth 500 billion euros for a wide range of infrastructure and climate neutrality projects over the next decade.
- The fund will be financed by bonds issuance and out of the legendary «debt brake» scope in place in Germany since 2009. Public debt to GDP will likely increase substantially from the current 58% to 85% in 10 years time, which would remain well below European average (right chart)
- The plan is a necessary condition for Germany to avoid a “Lost decade” à la Japanese style, but the jury is still out to ensure restauration of its locomotive role. More clarity is needed about the true “investment” vs “current” spending mix in the plan.

Japan to face modest growth with some upward pressure on prices



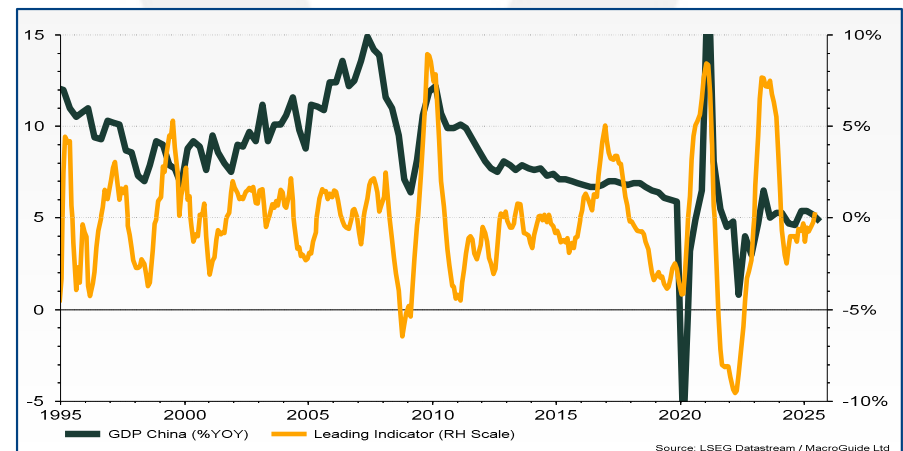
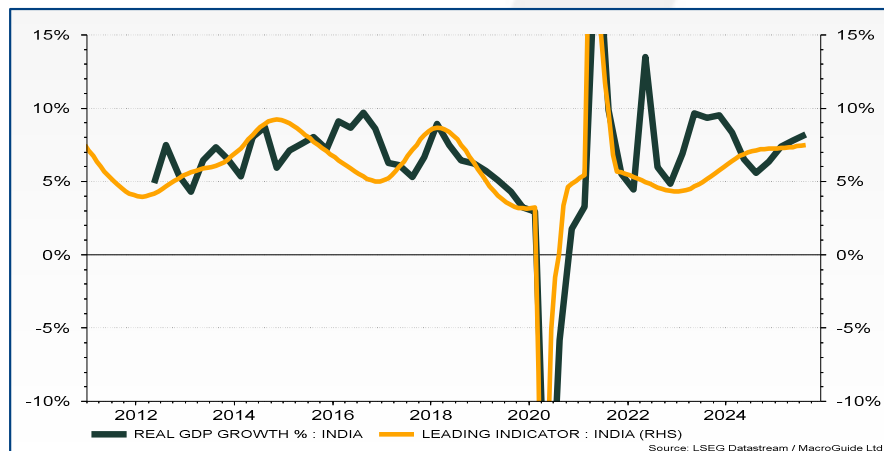
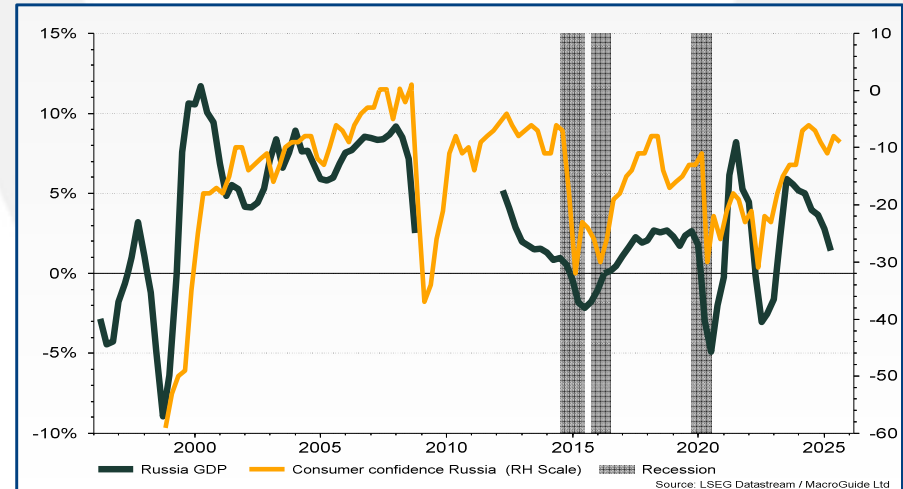
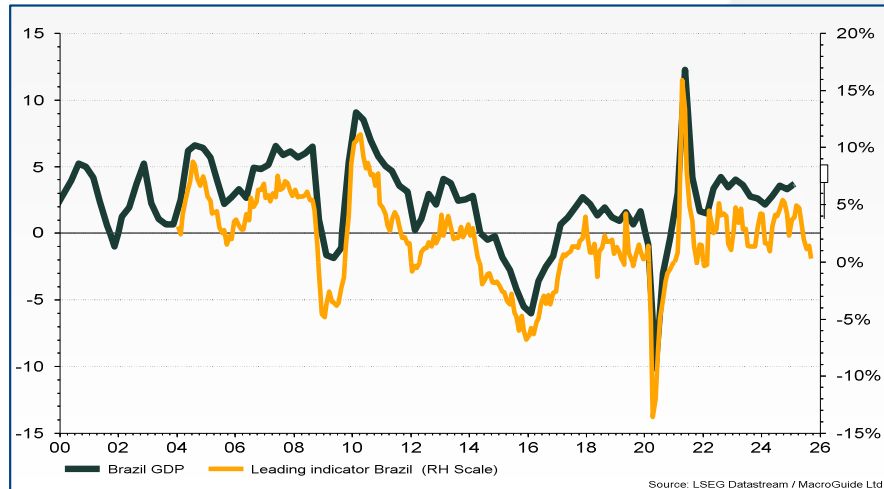
- Record wage increases over last 30 years support consumption, but households stay cautious after decades of deflation.
- Capex improves (automation, semiconductors, digitalization) but remains constrained by global uncertainty.
- Exports benefit from a weak yen, yet global demand—especially Europe—remains soft.
- Structural headwinds (aging, low productivity, limited immigration) cap potential growth

China: risk of “Japanization” gradually increasing

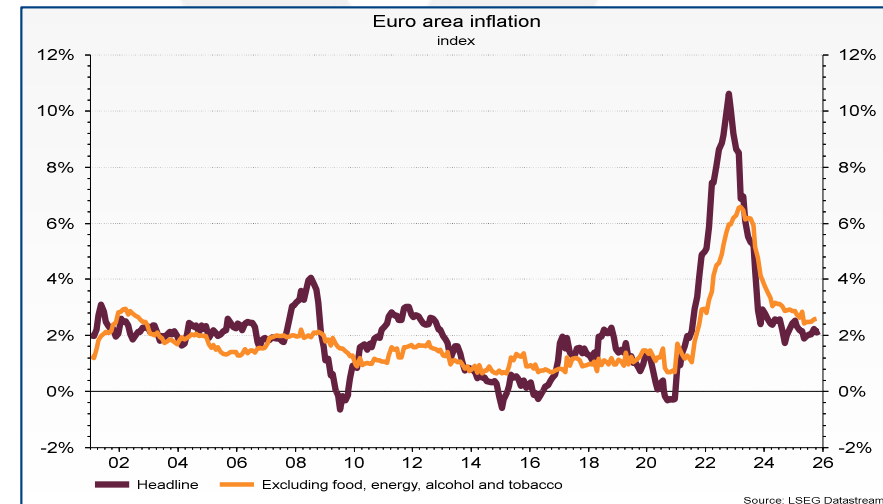
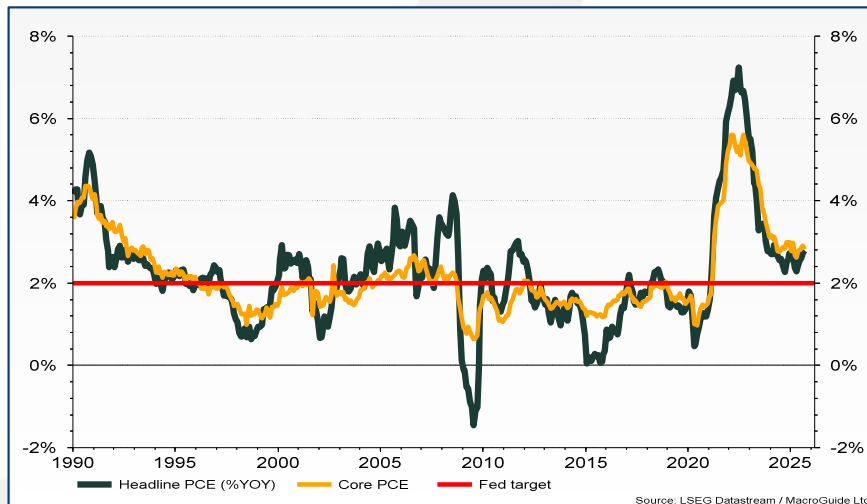
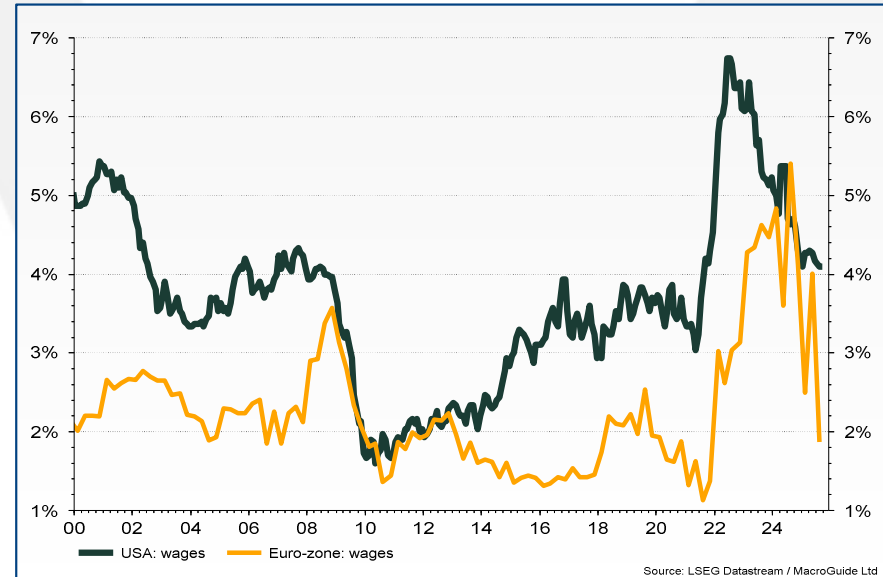
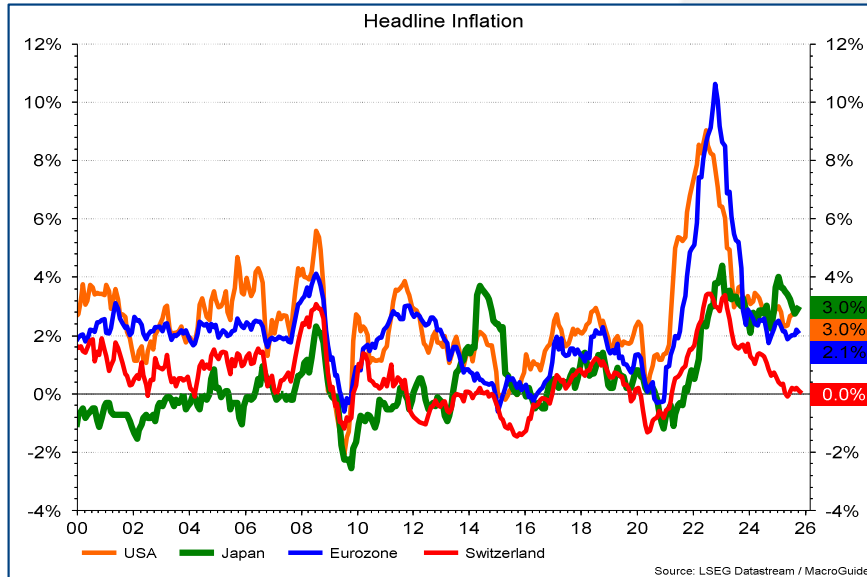


- Demographics collapsing: China now faces Japan-style aging and population decline, but at a much lower income level.
- Property & local-government debt overhang: a long balance-sheet repair cycle is already suppressing credit and growth.
- Productivity slowdown: diminishing returns on state-driven investment mirror Japan's post-1990 productivity stagnation.
- Chronic disinflation risk: weak demand, excess capacity, and high savings push China toward a deflationary trap (right chart)
- Policy can delay, not prevent: financial repression and capital controls buy time, but structural reforms remain the only escape.
- More than ever, China needs to shift away from Investment and export driven growth to domestic demand and consumption. This would also address the trade imbalances vis-à-vis the US. Little evidence of consumer revival so far: record low confidence keeps consumer spending at its minimum, and precautionary savings are at high levels.

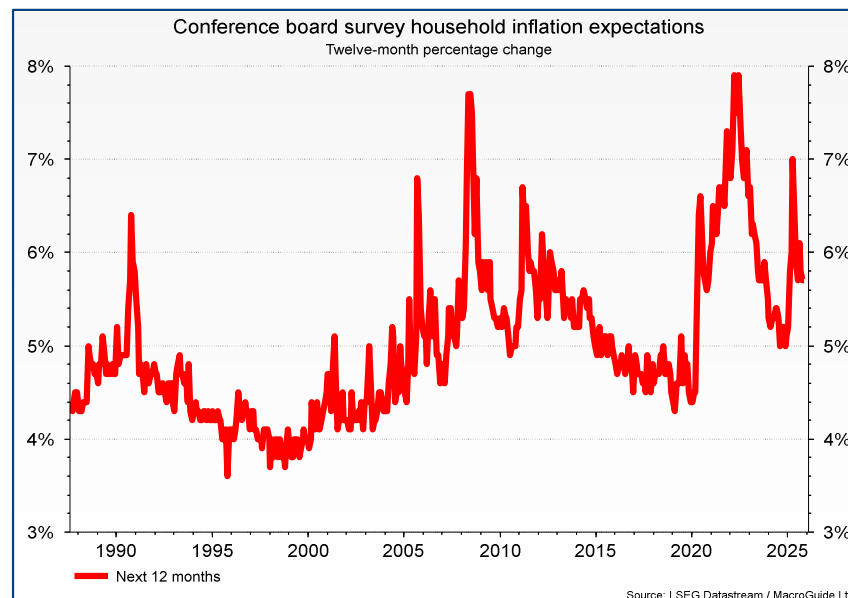
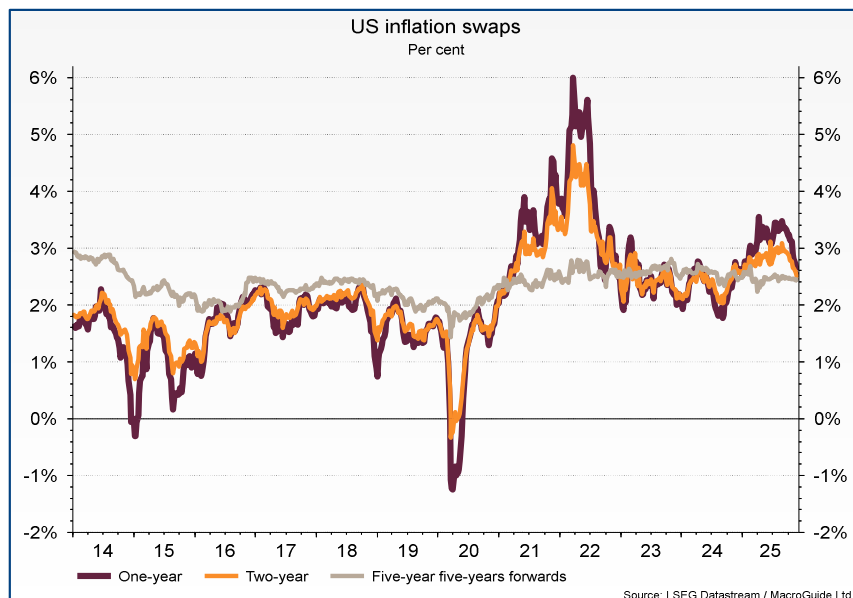
BRIC countries growth



Inflation rolled over...

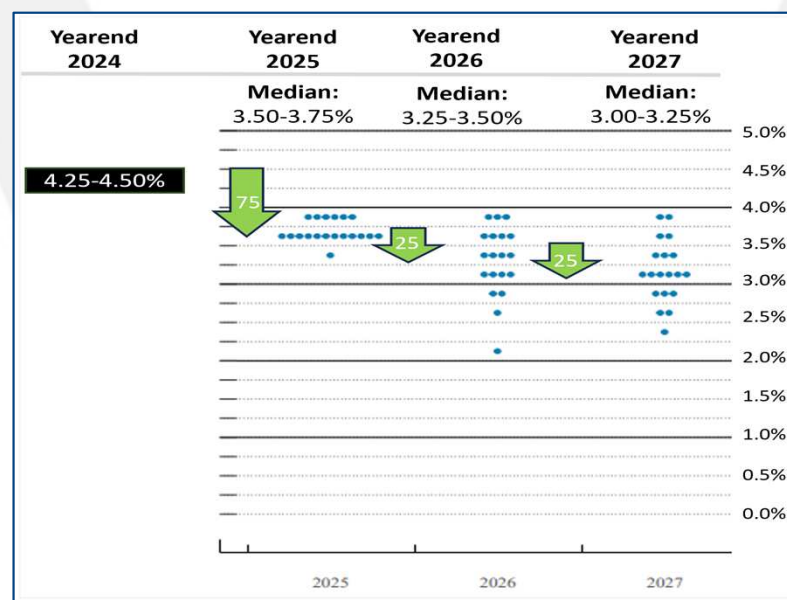
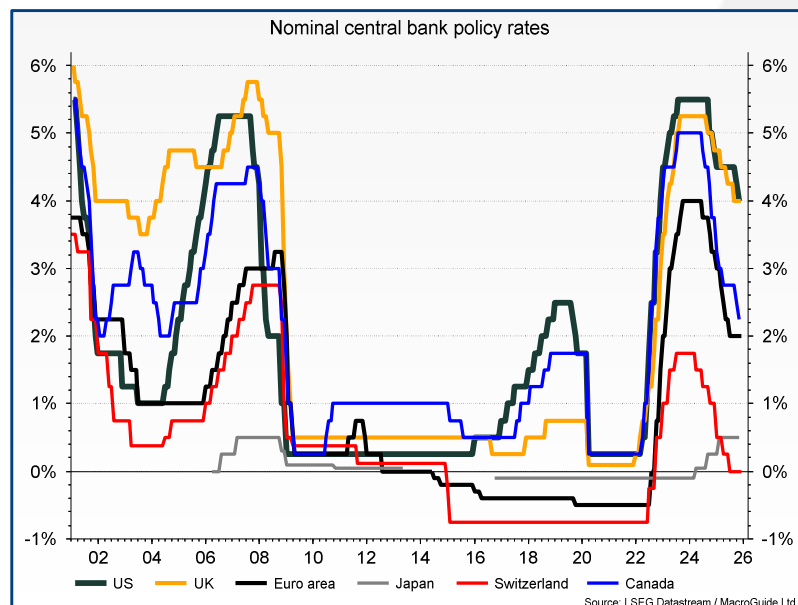


US: no fear of cost-pushed inflation



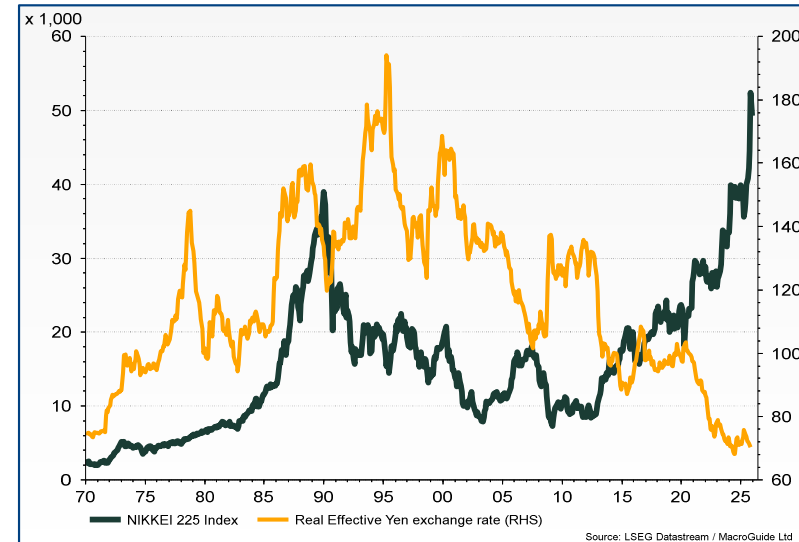
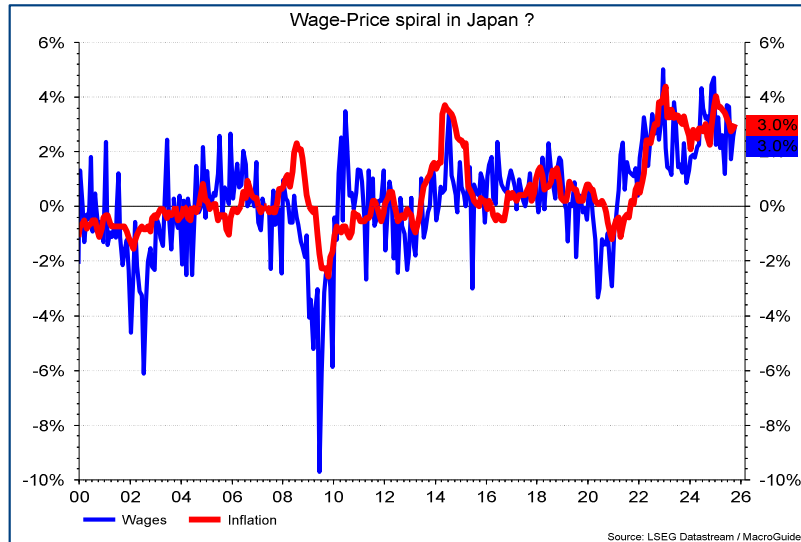
- Up until the December 10th Fed meeting, markets didn't seem to be utterly concerned about inflation, as can be witnessed by the swap market (left chart) as well as the Conference Board survey about household inflation expectations (right chart).
- The Fed was widely expected to cut rates for the third time this year, and it did. What was less expected were the hawkish comments by the Fed that tariffs would likely prove inflationary in 2026.
- Although the most likely scenario is one of tariffs having a one-off impact on prices into 2026, the jury is still out on whether this is to be the case. Many officials at the Fed – including the Chairman himself – appear concerned that tariff-induced inflation could be potentially more persistent.
- As a result, markets will probably become less complacent about the lack of inflationary pressures into 2026.

All but one central banks on easing mode ?



- With the noticeable exception of the BoJ (confronted with a very weak currency), central banks elsewhere will keep on reversing the massive tightening engineered in 2022.
- Following the Fed easing rates by 25bp on Dec 10, the US central bank will adopt a wait and see mode in 2026, monitoring the potentially inflationary impact of the trade tariff.
- Fed policy will continue to be data dependent as it monitors the tricky environment of stagflationary forces induced by trade tariffs.
- The “dot plot” chart on the right shows considerable divergence of the 19 members of the FOMC regarding expectations of where the Federal funds rate should be at the end of 2026, with views ranging from slightly higher rates in 2026, to substantially lower ones.
- The ECB has more room to ease than the Fed if needs be, if the fiscal reflation in Germany takes more time to materialize.

BOJ: to address ultra-weak JPY and risk of wage-price spiral

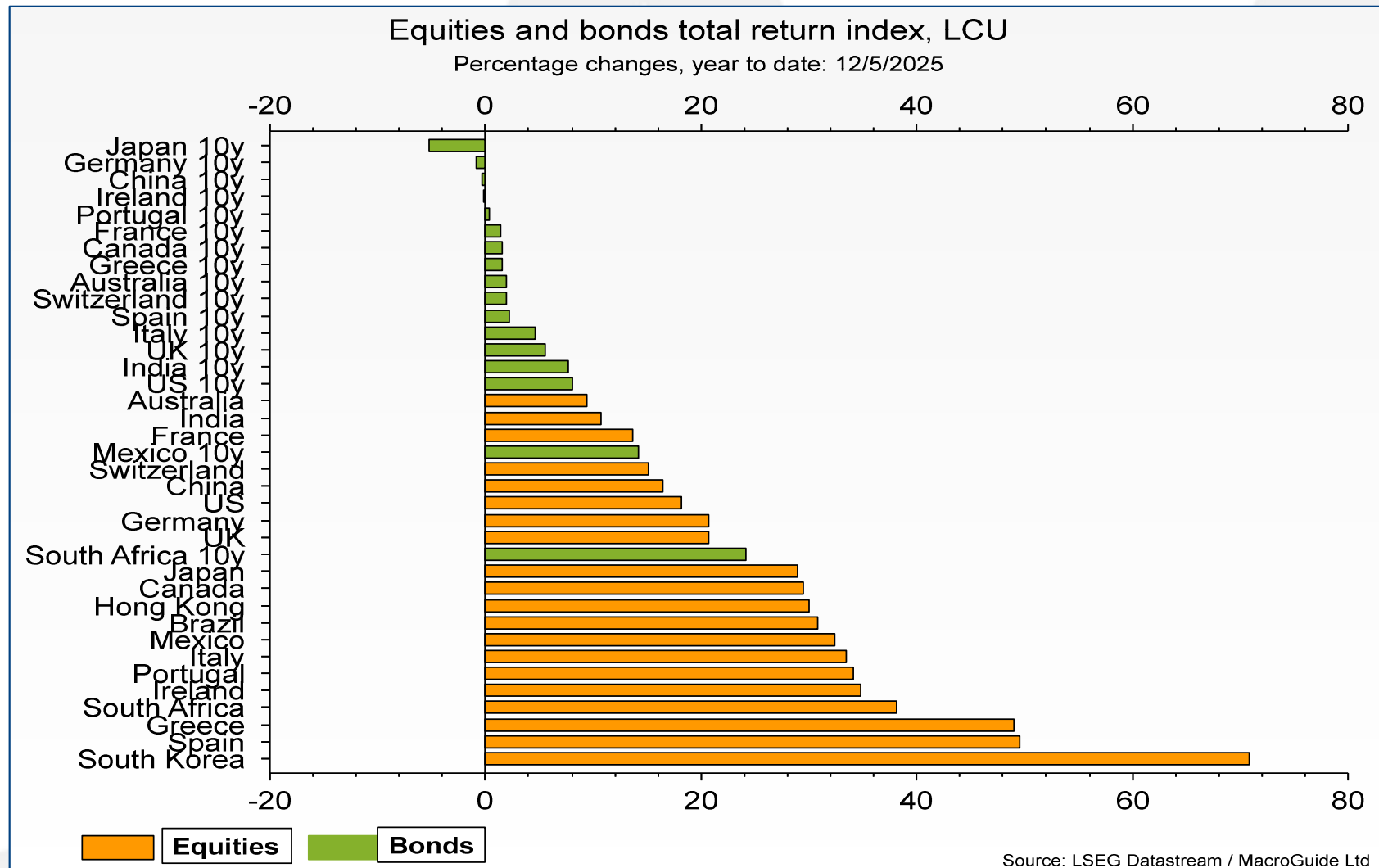


- At 3%, inflation is staying above the 2% target, giving BOJ confidence that price growth is now more durable (chart left).
- Wages are rising, supporting a sustainable wage-price cycle and reducing the need for ultra-easy policy.
- The yen has weakened and hovers at ultra-low levels, raising import costs and contributing to inflation, prompting BOJ to counter currency-driven price pressures (chart right).
- BOJ wants to restore more normal market functioning by reducing its bond-buying program and letting interest rates adjust naturally.
- Japan was the last major central bank with near-zero rates, and normalizing policy reduces financial imbalances and currency volatility.
- A normalizing BoJ will curtail – and possible reverse – the yen carry trade, thereby drying up a source of liquidity for higher yielding government bonds and risky assets.

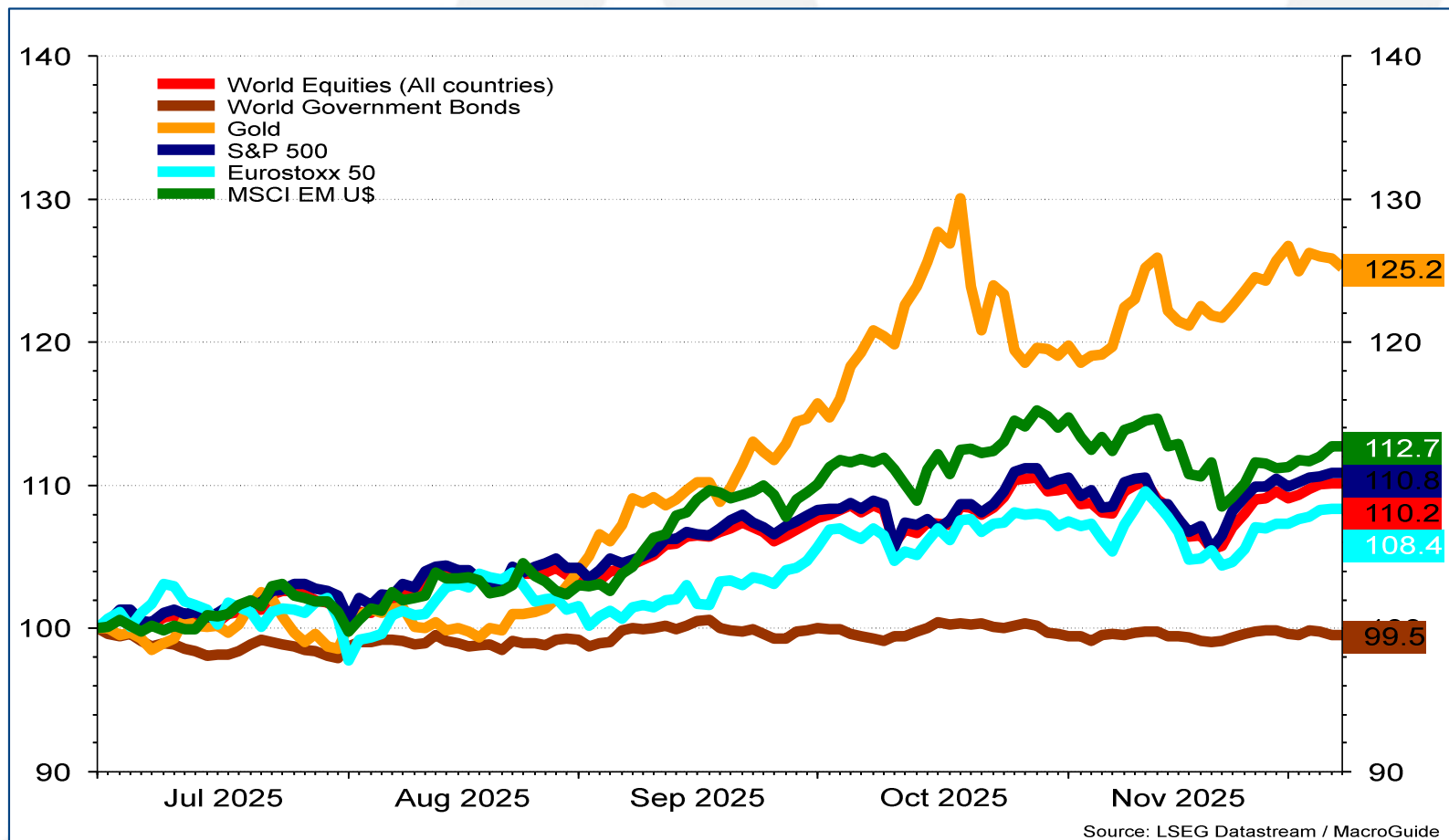


III. Financial Markets

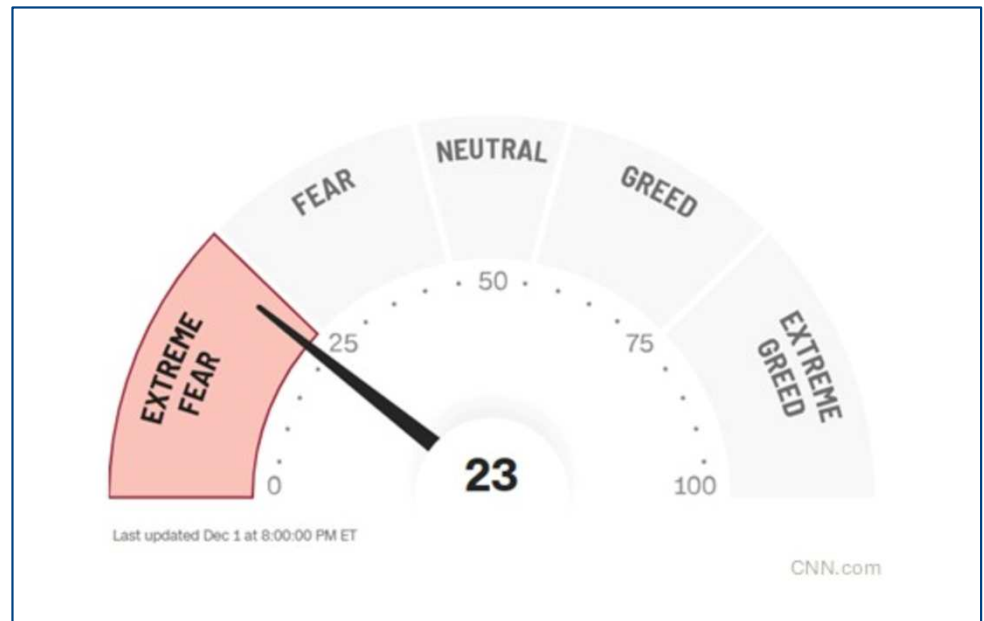
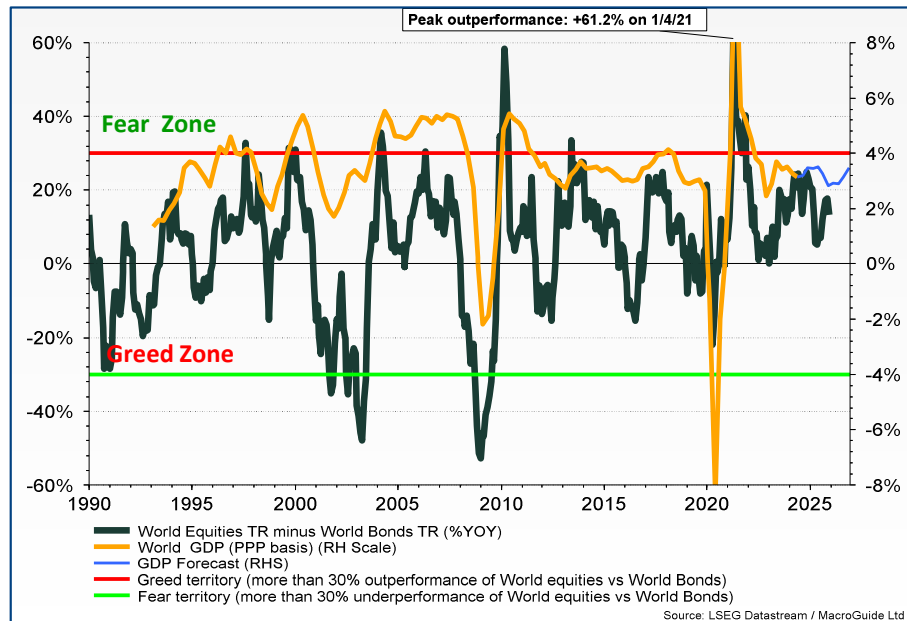
Another Equity year ... ?



Gold and risky assets to outperform bonds



Equities to climb the wall of fear ?



- 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 12%, we keep on navigating far off the greed zone.
- The ultra popular fear of an AI bubble is keeping investors sentiment into the fear/extreme fear zone, thereby lowering the likelihood of a stock market crash.

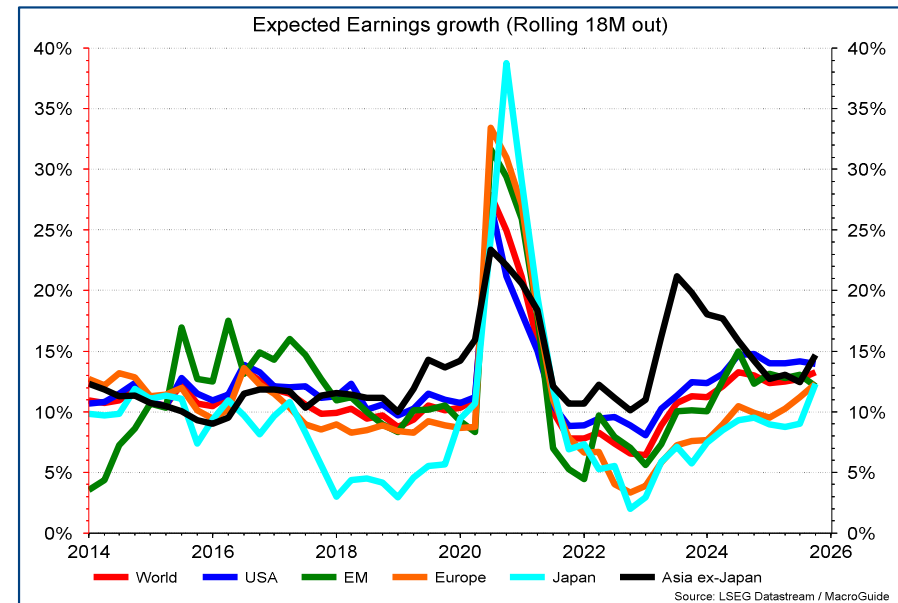
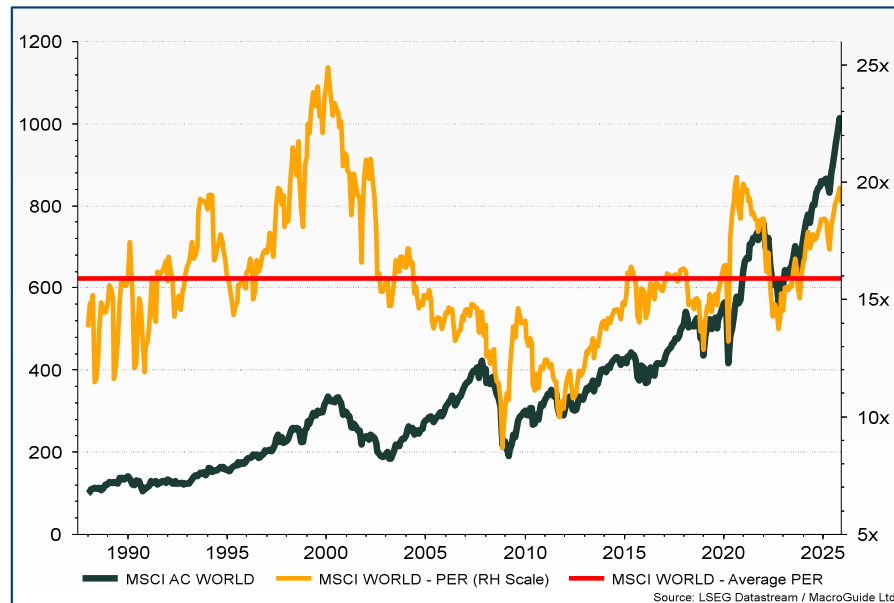


The S&P 500 remains in a well-defined medium-term uptrend, following a powerful rebound from the April lows. Price action continues to respect the rising trend channel, with higher highs and higher lows intact. The index is currently consolidating just below recent highs, suggesting a pause rather than a trend reversal after the strong H2 rally.

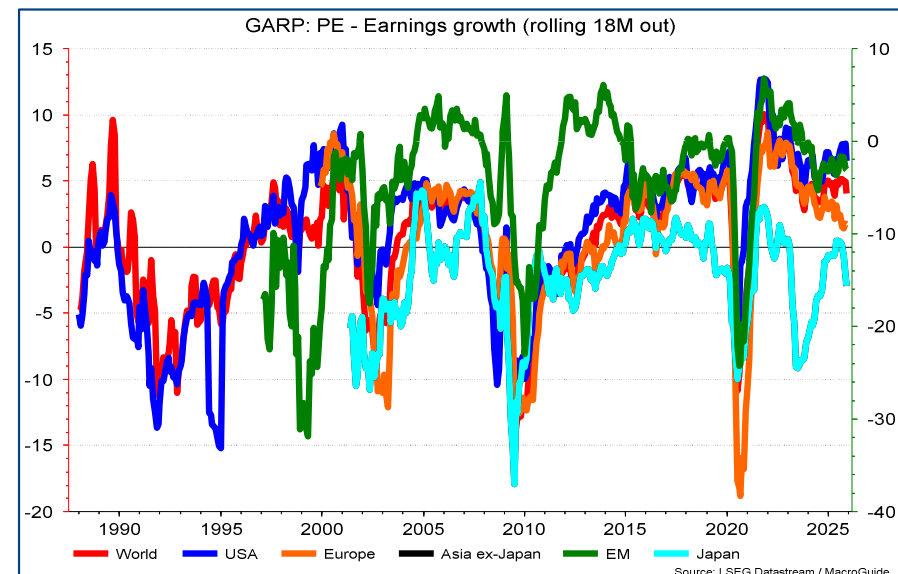
From a technical perspective, the 100-day moving average ($\approx 6,626$) has acted as a reliable dynamic support throughout H2, reinforcing the underlying bullish structure. The index is holding above key Fibonacci retracement levels, with the 0.236 level ($\sim 6,463$) marking an important medium-term support zone, while the 0.382 level ($\sim 6,178$) represents a deeper correction threshold that would still be consistent with a healthy uptrend.

Momentum indicators point to consolidation rather than exhaustion. The RSI (~ 53) has cooled from overbought levels and is now neutral, providing room for renewed upside if buying interest returns. A sustained break above the recent highs would confirm trend continuation, while a failure below the 100-day average would likely trigger a broader corrective phase toward lower Fibonacci supports.

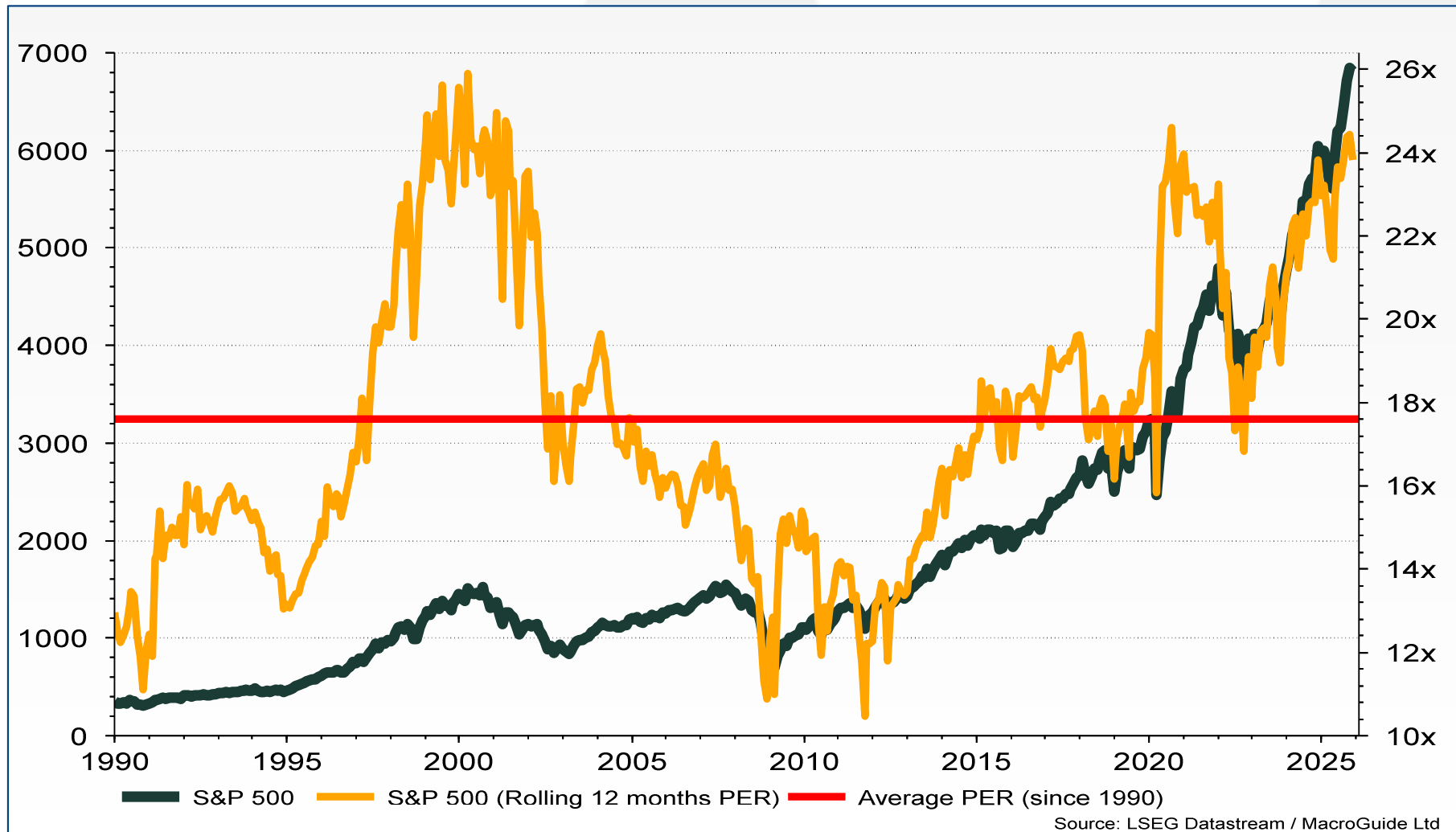
Valuation of World equities above mean



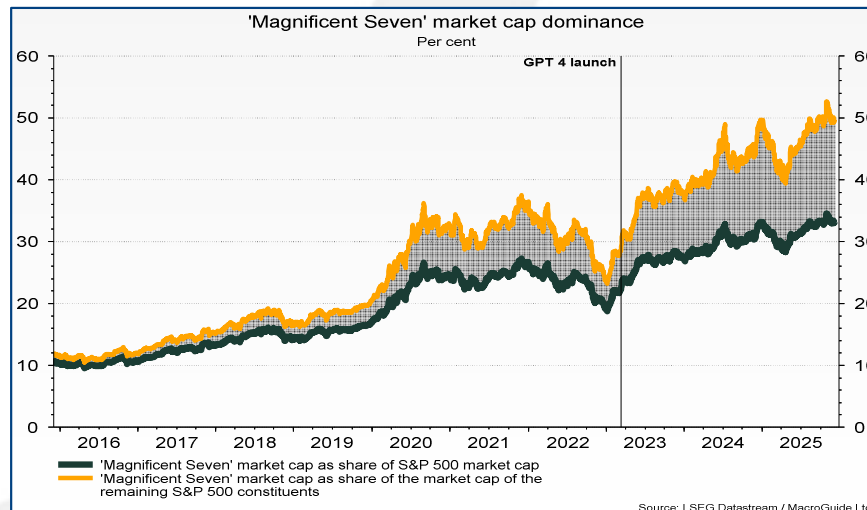
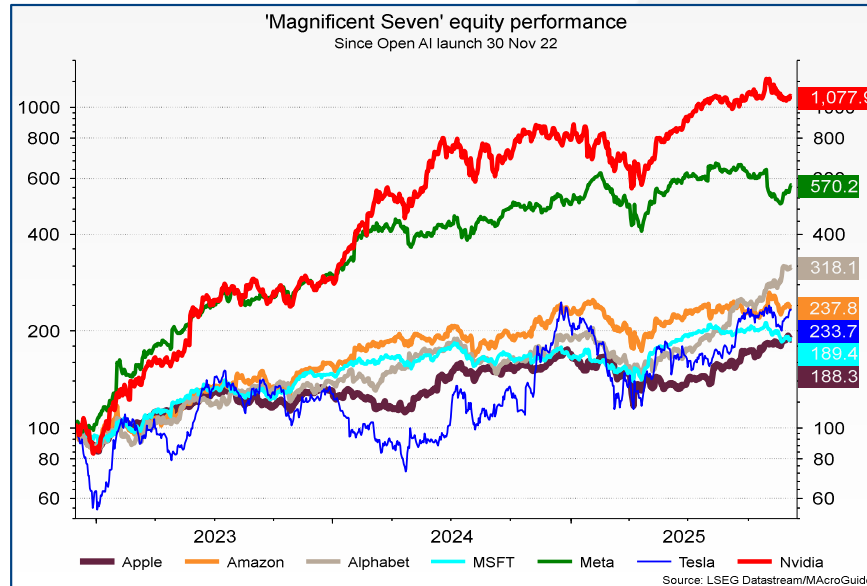
- Driven by the US stock market high earnings multiple, valuation of risky assets worldwide are exceeding their mean (top left).
- Expected earnings growth are recovering from their lows
- Asian equities display the best value for growth.
- Japan expected earnings growth exceed its PE multiple, pushing the PE gap into the ideal negative territory



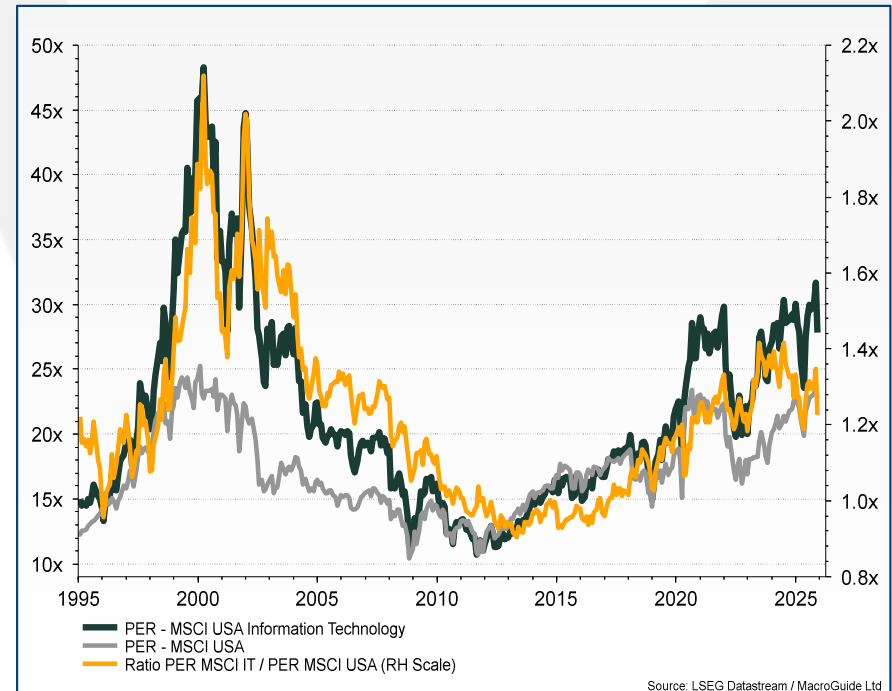
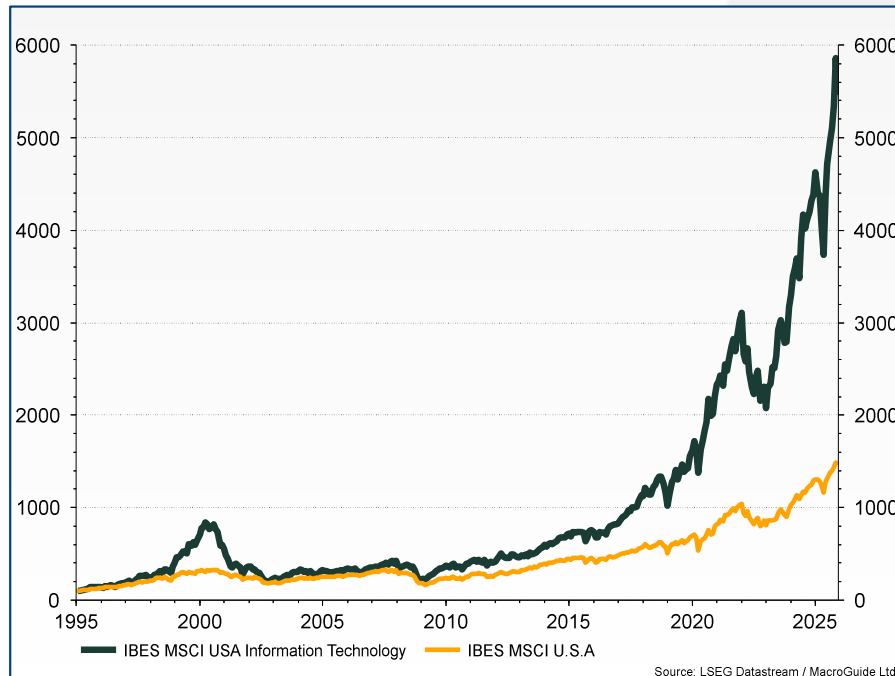
US equities in expensive territory



“Magnificent 7” deserve their name but weigh excessively on the stock market



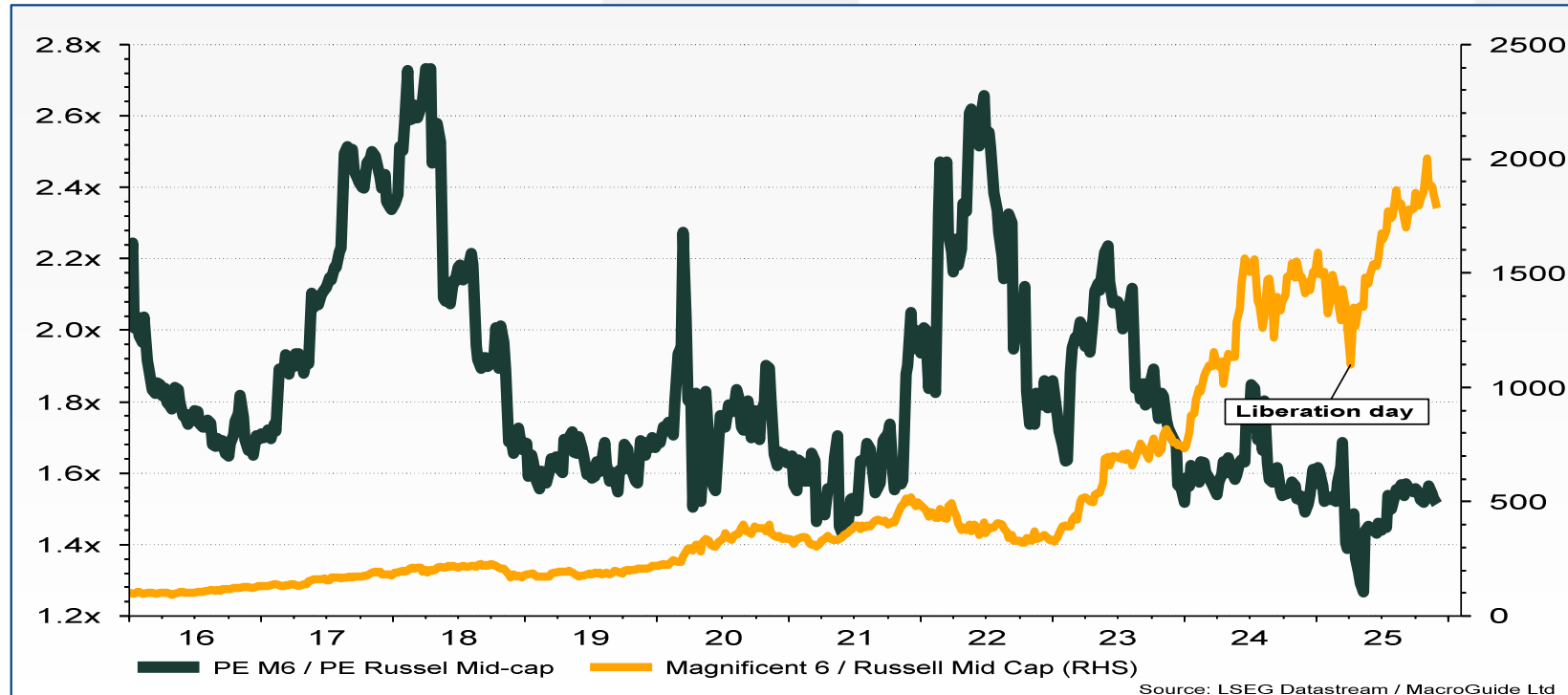
- The 'Magnificent Seven' companies (Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, Tesla) saw their stocks rally since the launch of OpenAI in November 2022.
- Nvidia is the winner among them, as the launch of ChatGPT soared the demand for its advanced graphics processing units, which are needed to build and train generative artificial intelligence models (top chart).
- In terms of market cap, the M7 companies now represent a staggering 50% of the remaining 493 companies of the S&P500 (bottom chart)
- In view of this extreme concentration of these tech-IA driven giants, optimal exposure to the S&P500 is best addressed by using an equally-weighted index.



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

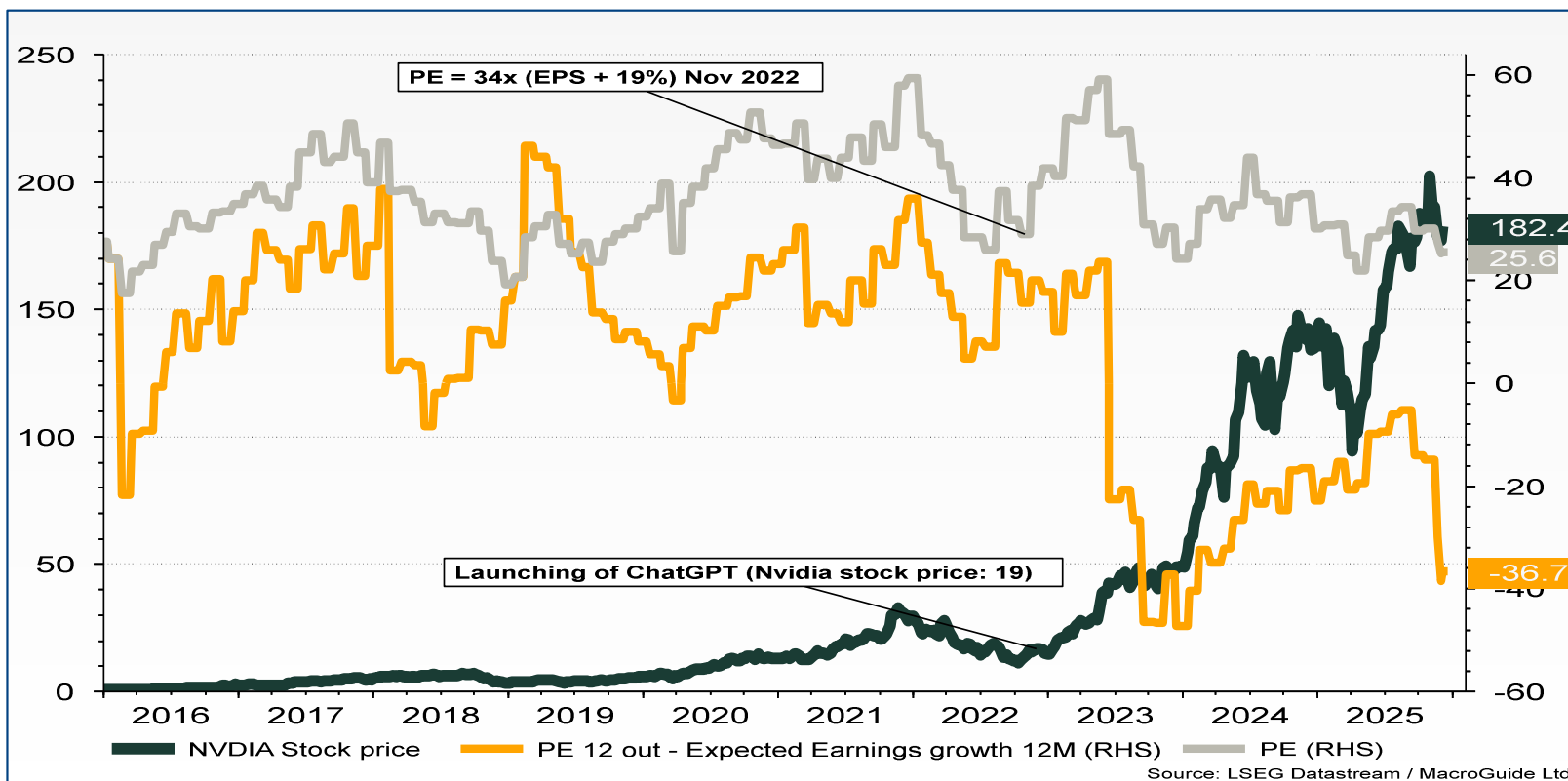
- The valuation of the IT Sector is not as stretched today as it was back in 2000 (PE nearly 50x in 2000, vs 28x today). Also, the PE premium to the market is less (2.1 in 2000 vs 1.34x today), as can be seen by the right chart.
- The internet bubble of the 90s was driven by a myriad of start-ups, most of them without any cash flows. 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.

Valuation of Magnificent companies remains in check



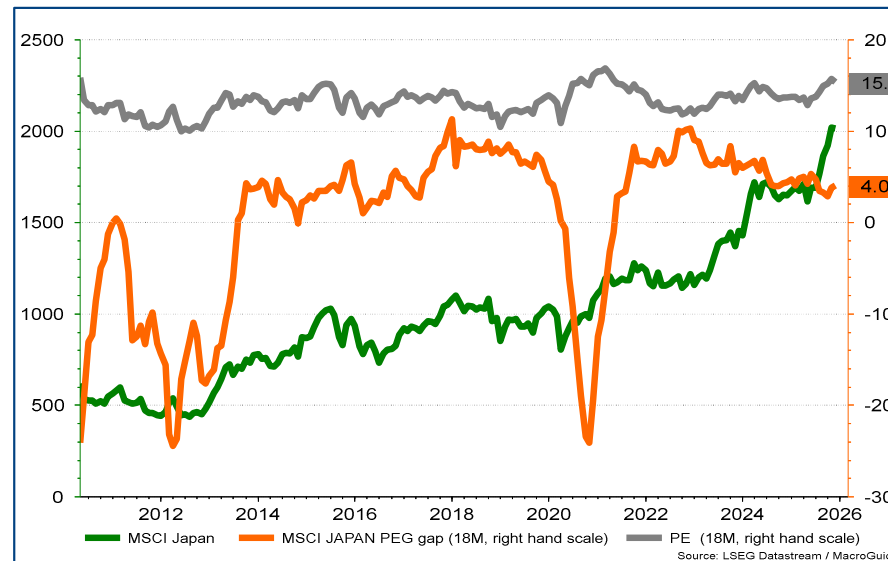
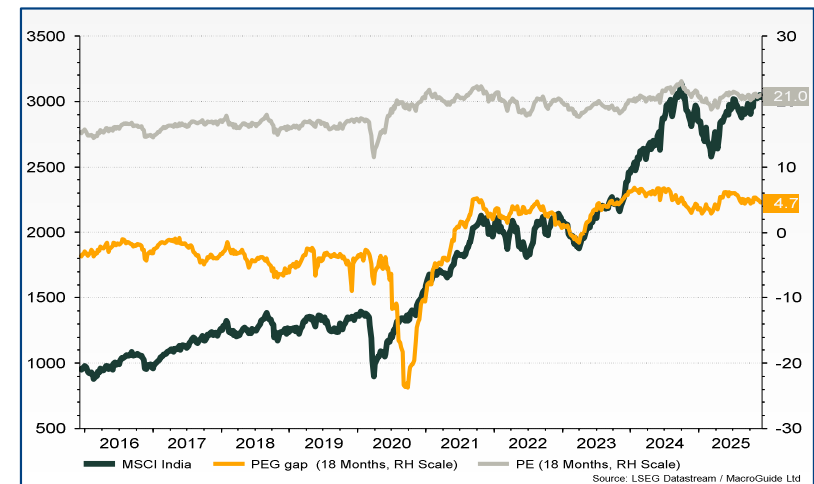
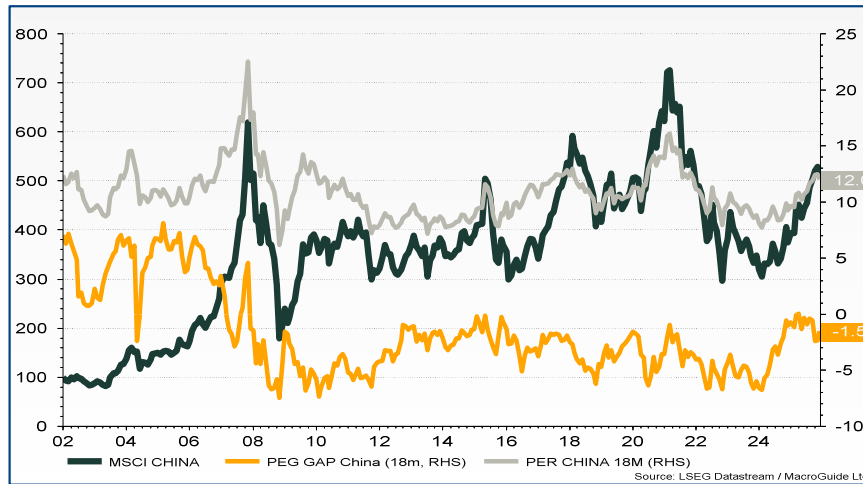
- We have devised a “Magnificent 6” index (M6), removing Tesla from the popular “Magnificent 7” index (M7) on grounds that Tesla’s earnings are too volatile to construct a reliable PE indicator.
- With the extremely high weight of the M6 companies in the S&P500 or the Nasdaq index, we need to compare 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 at 1,5x appears reasonable.

NVIDIA: cheaper now than before ChatGPT was launched

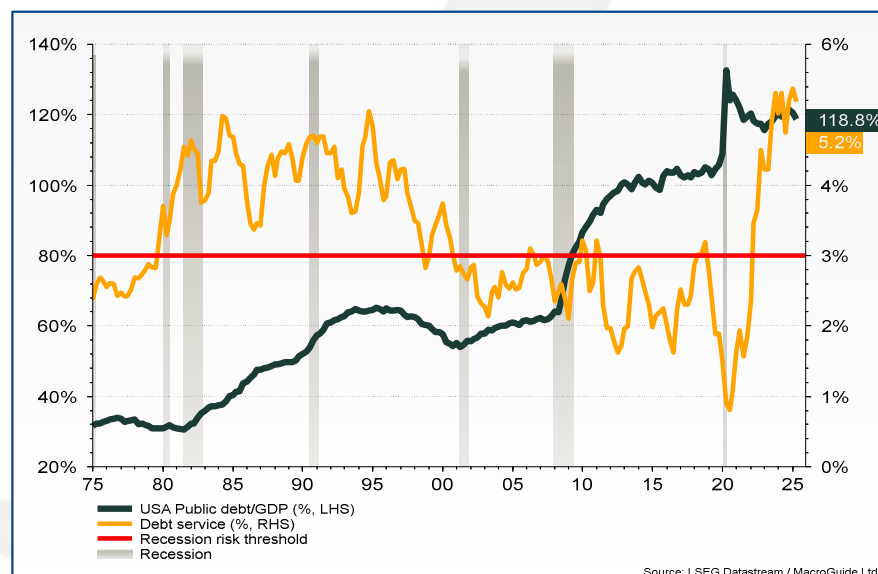
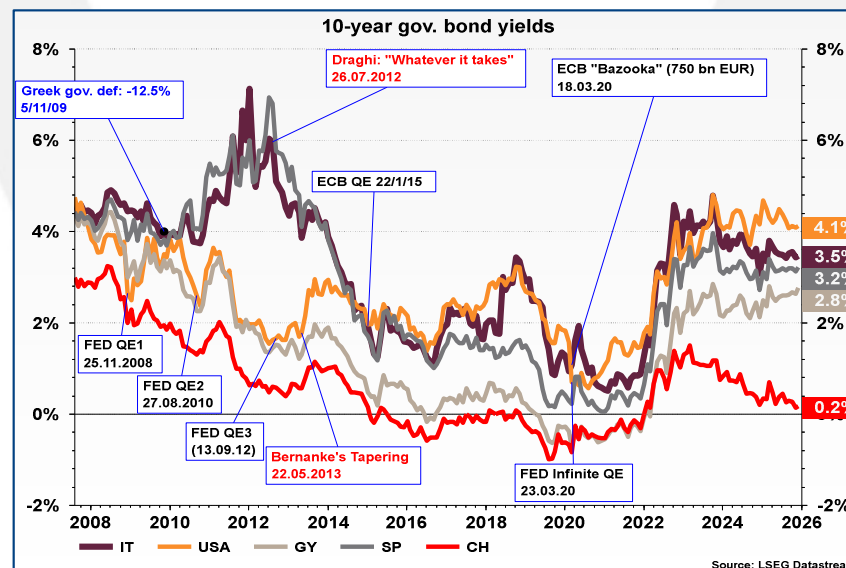
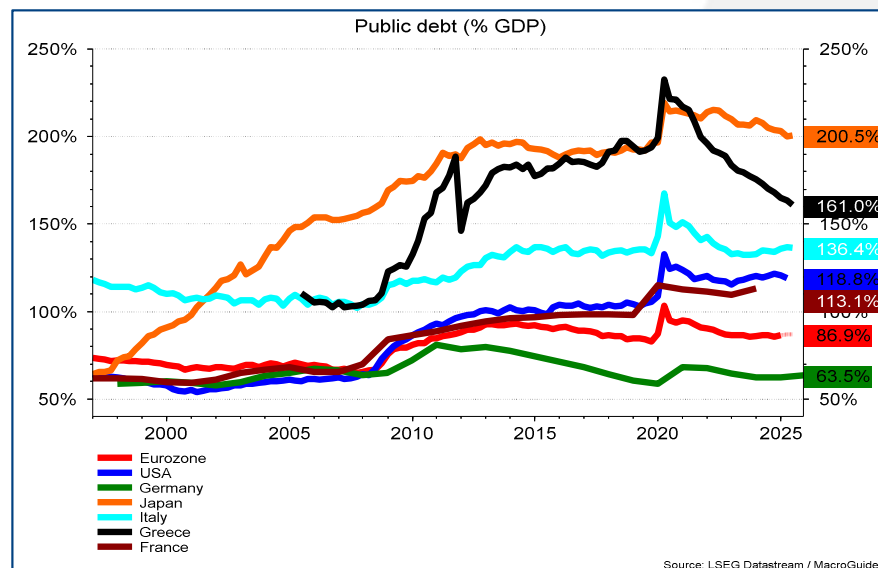


- Nvidia leads the performance race, as shown in dark green on the left-hand scale of the chart above. Yet its valuation would appear reasonable at both a PE of 25.7x (grey line on right hand scale) and, more to the point, a PE – expected growth of -36.5, indicating that earnings growth should reach 62.2% over the next 12 months.
- If we are to compare Nvidia current valuation to the one prevailing prior to ChatGPT inception (PE of 34x for earnings growth of 19%), in November 2022, when its price was at 19, we can claim that the Tech giant is cheaper today, following a “10 bagger” rally over just 3 years.

Alternatives to China exposure

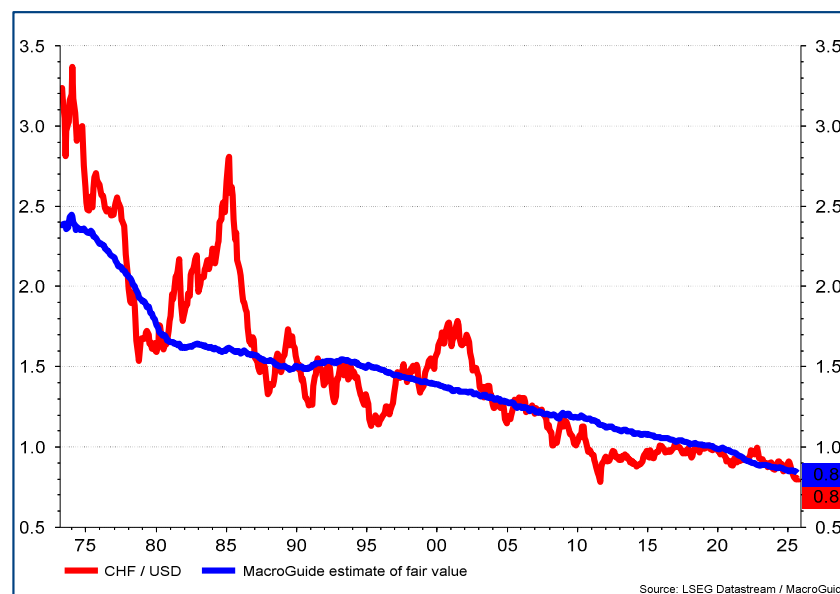
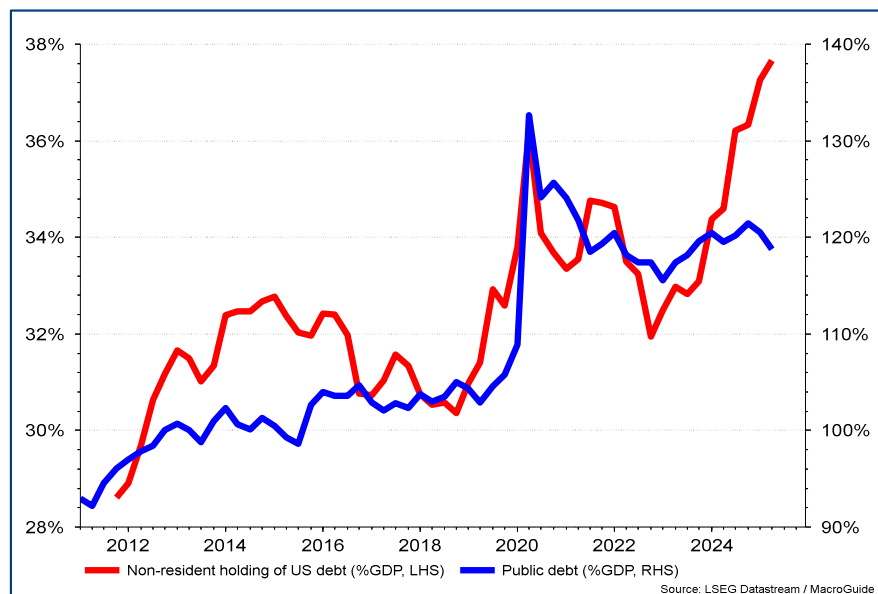


Governments need receding yields for debt to be sustainable



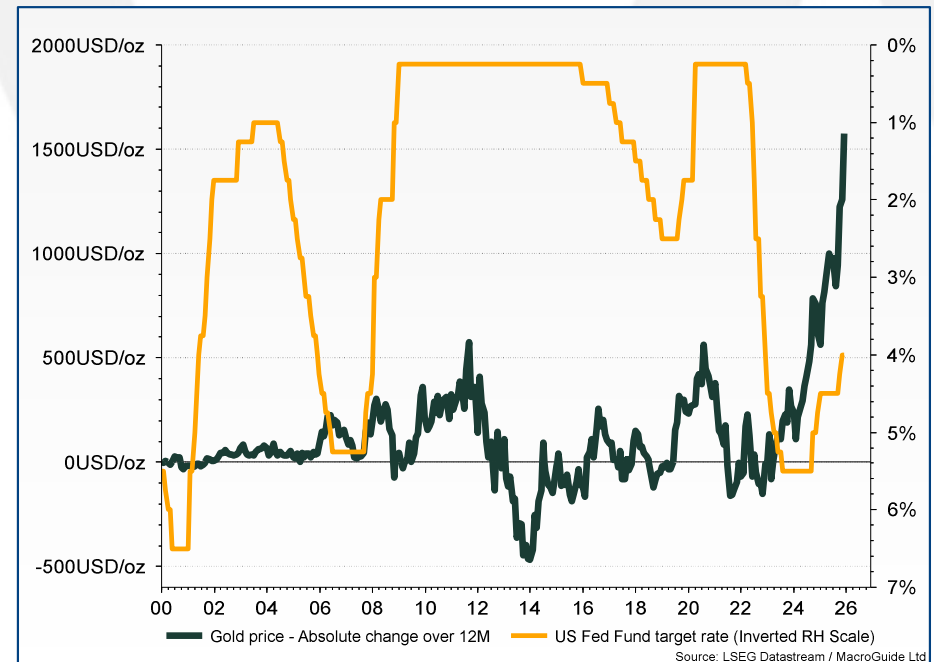
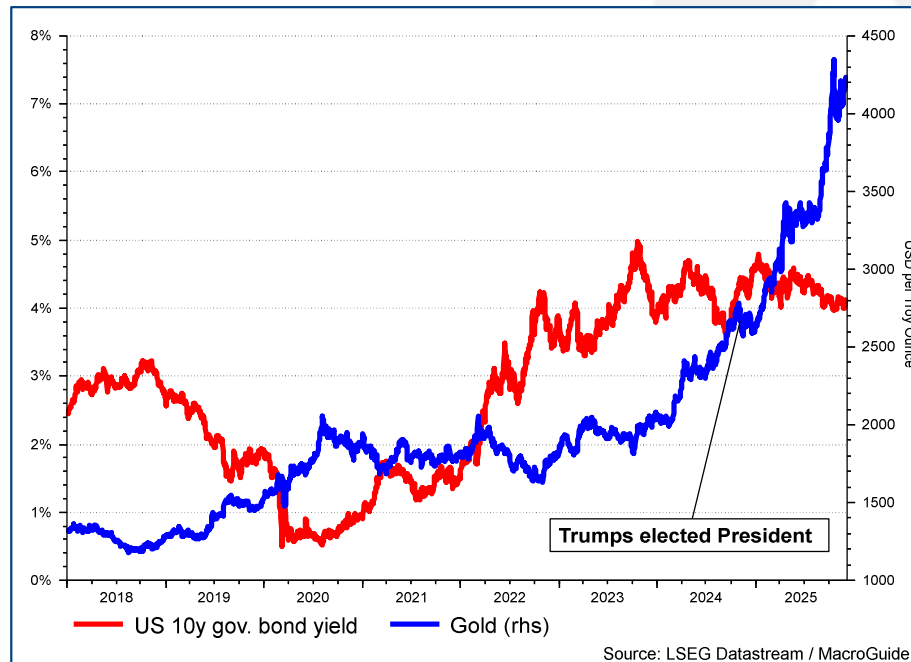
- Debt to GDP ratio appears elevated everywhere, with the exception of Germany (top chart left).
- Government bond yields have stabilized, but need to recede for debt to become sustainable.
- When factoring the debt service, the US Government debt is in unsustainable territory: less debt, more growth and /or lower bond yields are needed to restore sustainability.

US to lose its exorbitant privilege ?



- Privilege stems from its **international currency status**, which leads to “automatic” demand from official investors (central banks, sovereign funds...) for safe assets and currency reserves.
- At 38%, the share of US debt held by non-residents is rather high (red line on chart), although lower than the 54% registered in France, or the more than 80% accounted for in Greece before the European debt crisis in 2010. The higher the share of non-resident holders of government debt, the stronger the pressure to adopt reforms to enhance the sustainability of the debt.
- The US will keep talking the US dollar down in a strive to curtail global trade imbalances (chart right).

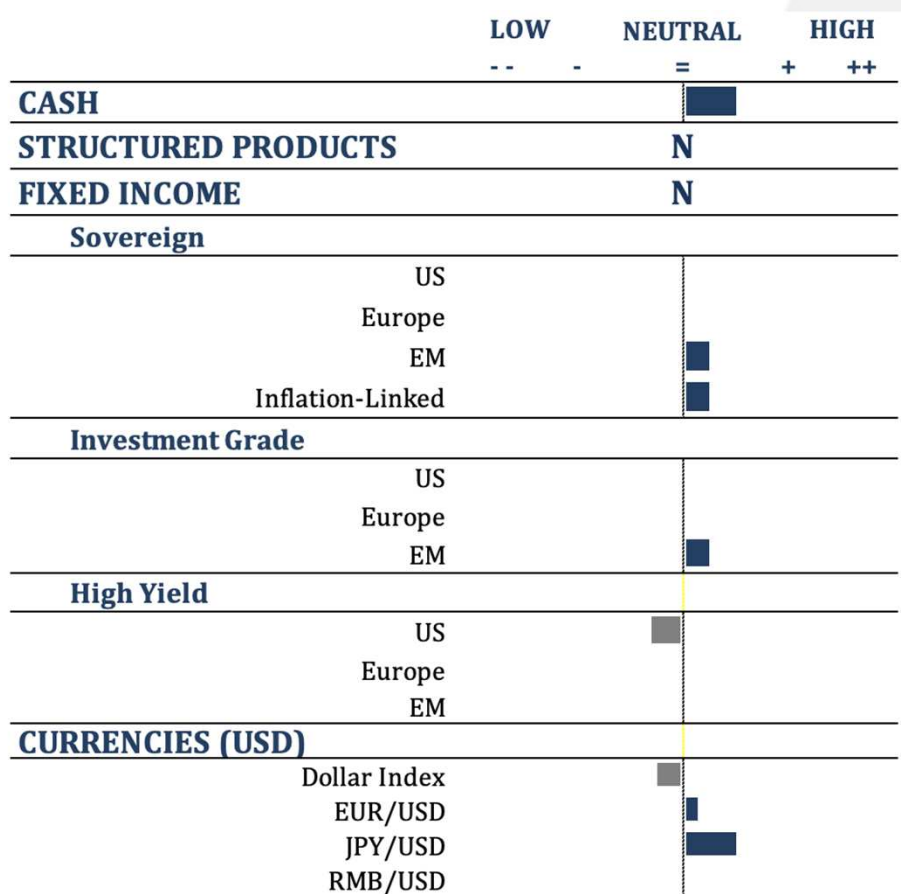
- Lower Fed fund rates and massive central banks buying gold as the new safe haven to boost its price further



- ✓ US growth remains steady, but the recovery is K-shaped : AI Investment to drive both economic growth and stock market returns, at the expense of consumption and other non-AI driven sectors.
- ✓ Trade imbalances to be now addressed by Trump's policy geared at US firms "reshoring" and foreign companies massively investing in the US.
- ✓ Central banks to ease further, especially in Europe. Fed will err on the cautious side. Japan will tighten its policy slightly to normalize it in the face of steady inflation pressure and yen extreme weakness.
- ✓ Government bond yields need to recede to ensure debt sustainability.
- ✓ The bubble in AI is more visible in the myriad of "relatively" smaller companies which surf on the AI wave, rather than the AI leader of NVIDIA: still, the ultra-heavy weight of the Tech giants warrants some caution.
- ✓ Cautious on US equities, bullish on Europe and EM equity markets as well as gold.
- ✓ A balanced portfolio should be slightly underweight risky assets and overweight cash with bonds on neutral.



IV. Asset Allocation



- **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, as a more liquid alternative to gold.

- **Structured Products/Derivatives: Positive**

- ✓ Higher expected volatility might favour optionality tactically instead of outright long underlying positions.
- ✓ Tactical hedging strategies remain relevant, especially bear put spreads, to manage downside risk in equities amid increased volatility and demanding valuation levels.

- **Fixed Income : Neutral**

- ✓ We retain a diversified fixed-income allocation across Treasuries, Investment Grade, High Yield, and Emerging Markets.
- ✓ Fed policy should remain dovish, but less than expected by the market. US long-term yields might stay muted, torn between fiscal concerns and unexpected inflationary pressure. Go long TIPS.
- ✓ Chinese fixed income remains supported by continued monetary easing and targeted fiscal stimulus.

- **Currencies:**

- ✓ USD: Should remain under pressure due to widening fiscal deficits, concerns over long-term debt sustainability, and lower interest rates. But no flight out of the USD yet.
- ✓ JPY: Deeply undervalued on a purchasing power parity basis. Rising Japanese yields might trigger a possible unwinding of the JPY carry trade.
- ✓ EUR: Better valuations, and capital inflows into European equities.

* Relative to our latest positioning at the end of June 2025.

		LOW	NEUTRAL	HIGH
		--	-	= + ++
EQUITIES				
Regions				
	US			
	UK			
	EU			
	Japan			
	China			
	Latam			
Sectors				
	Financials			
	Energy			
	Industrials			
	Consumer Discretionary			
	Consumer Staples			
	Utilities			
	Real Estate			
	Health Care			
	Telecommunications			
	Materials			
	Information Technology			
	Defence sub sector			
COMMODITIES				
	Oil			
	Gold			
ALTERNATIVES - HF				
			N	

- Equities: Neutral to Underweight (with a tactical hedge)**

- ✓ Demanding valuations (forward PE ~24x) will not be forgiven. Expect more choppy markets in 2026.
- ✓ Maintain exposure to large growth caps using an equally-weighted index, to reduce concentration, while diversifying exposure to more defensive sectors, such as health care and utilities. Still long cyclicals, such as industrials, defence and financials.
- ✓ Diversify exposure to emerging markets, European and Japanese equities.
- ✓ Tactical hedge using bear put spreads to protect some equity exposure.

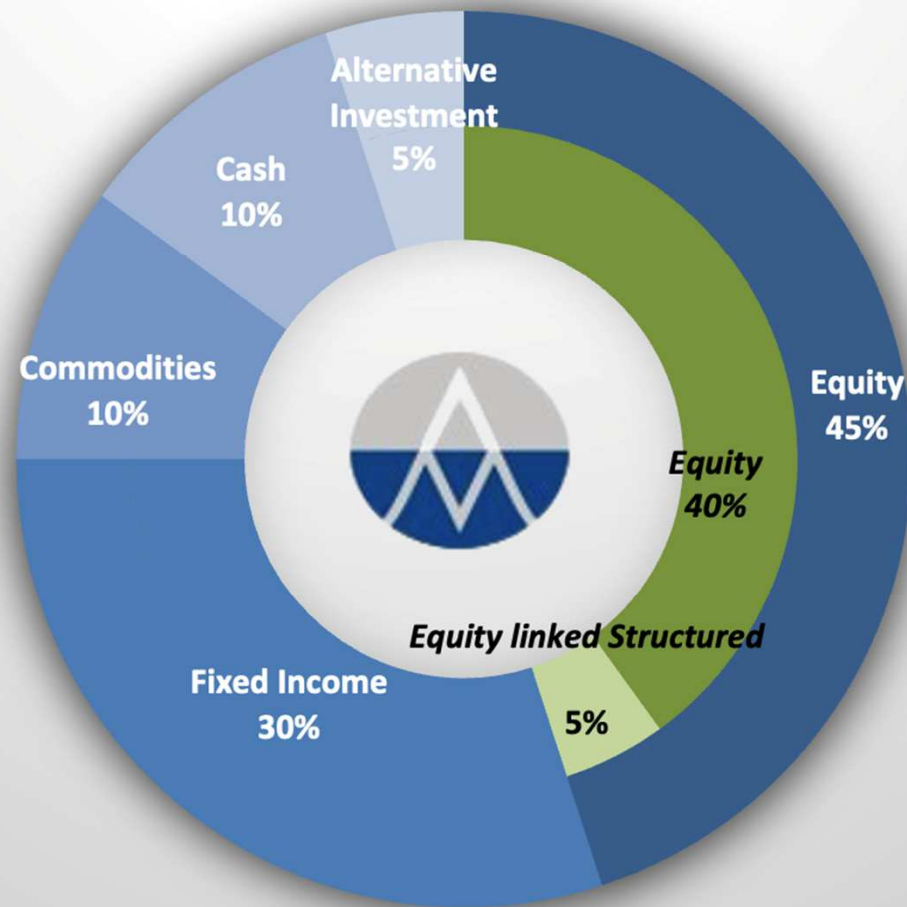
- Commodities: Neutral**

- ✓ Gold remains a strategic hedge against de-dollarisation and fiscal concerns. Should benefit from lower US rates. Central banks should remain key buyers.
- ✓ Oil prices remain volatile and sensitive to geopolitical tensions. Might find a floor around 55 and could flare up in case of new tensions arising.

- Alternatives - HF: Neutral**

- ✓ Elevated macro uncertainty and wider performance dispersion across regions and sectors create a favourable environment for active alternative strategies.
- ✓ 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.

*(Liquid assets - Investment profile with 45% equity exposure at neutral, with a **tactical HEDGE**)*





Multi-Family Office

Geneva, Singapore

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