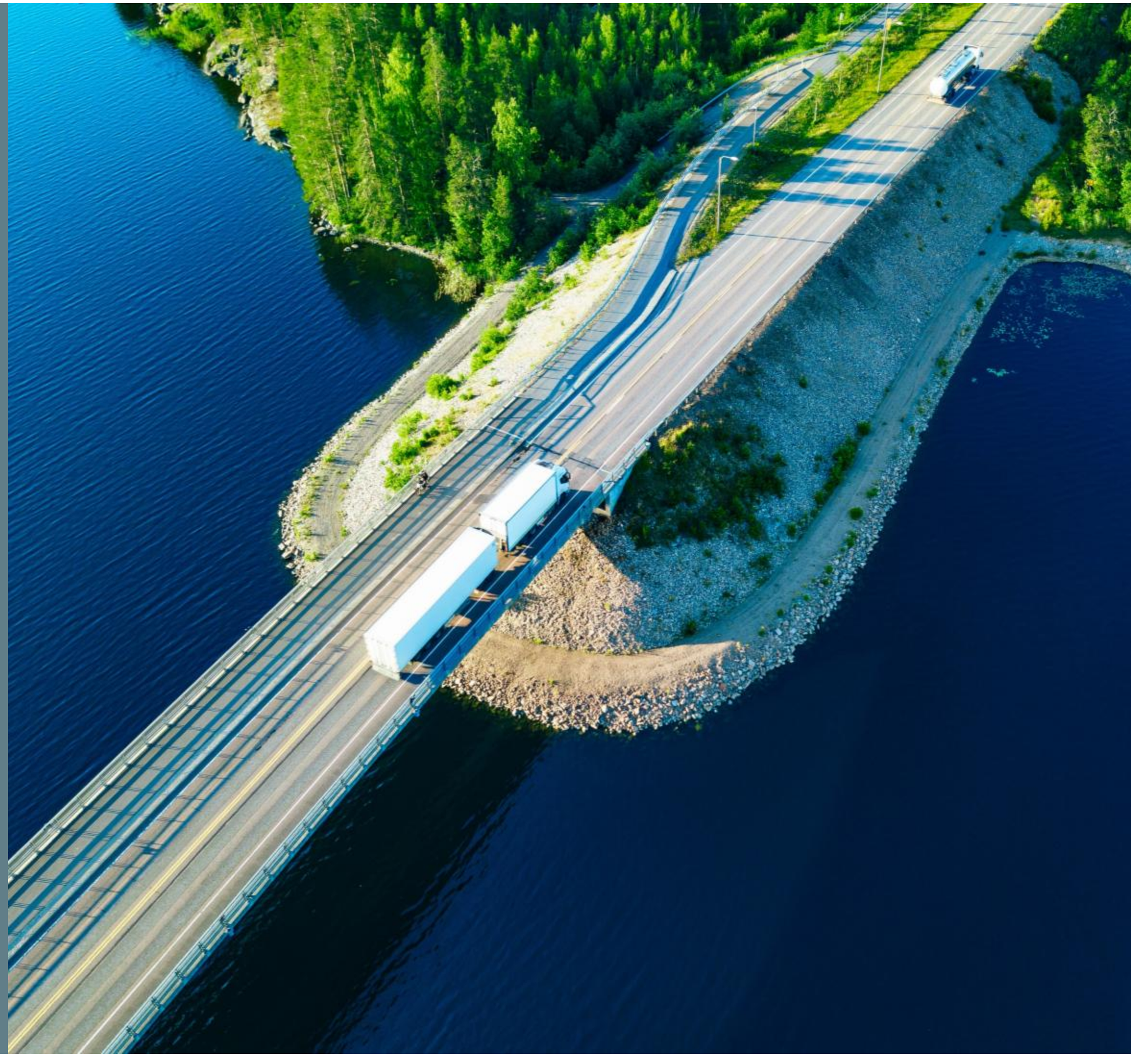
TELOMERE | Capital

Market **Update**

It's almost like the trade war never happened



August 2025

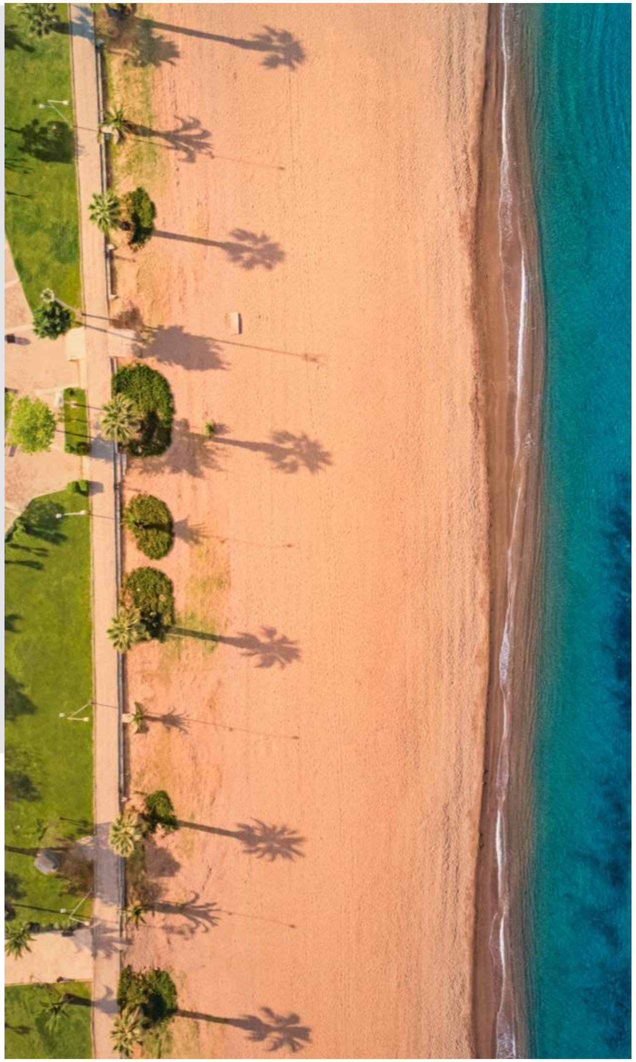
Editorial

July has shown us that markets can adapt to new realities, even when these involve heightened uncertainty and unconventional trade policies. Over the past month, markets have weathered the announcement of landmark trade agreements between the US, EU, and Japan, providing much-needed clarity on tariffs and the direction of global commerce. While the new 15% tariff rates are certainly being felt, investor sentiment has remained resilient thanks to the reduced risk of a full-blown trade war and renewed commitments to cross-border investment and supply chain stability.

Stronger-than-expected GDP and robust earnings, especially from technology leaders, helped to offset concerns about ongoing trade tensions. At the same time, central banks have taken a 'wait-and-see' stance, holding rates steady as they monitor how these evolving policies are feeding through to inflation and growth.

Not all economies have received equivalent treatment. Switzerland, for example, is contending with steep US tariffs, though the overall impact is softened by exemptions on key exports and the strength of the country's institutions. Meanwhile, investor appetite for risk remains strong, with high-volatility stocks outpacing their more defensive peers: a sign that opportunity is being embraced over caution, at least for now.

We hope you enjoy reading these updates and find them helpful for the month ahead.



Joan Bürgy
Investment Specialist

Jérôme Tobler, CIIA
Partner & Senior Financial Advisor

Global **Markets**

Global	Last	YTD	MTD
MSCI World	4,076.0	11.2%	1.3%
MSCI ACWI	929.6	11.9%	1.4%
MSCI Emerging Markets	1,243.2	17.9%	2.0%
United States			
Dow Jones Industrial	44,131.0	4.7%	0.2%
S&P 500	6,339.4	8.6%	2.2%
NASDAQ 100	23,218.1	11.0%	2.4%
Russell 2000	2,211.6	-0.1%	1.7%
Europe			
Euro STOXX 600	546.1	10.5%	1.0%
Euro STOXX 50	5,319.9	11.6%	0.5%
DAX	24,065.5	20.9%	0.7%
CAC 40	7,772.0	8.4%	1.5%
FTSE 100	9,132.8	14.2%	4.3%
Swiss Market Index (SMI)	11,836.0	5.1%	-0.7%

Sectors (US)			
Communication Services		15.3%	2.1%
Consumer Discretionary		-1.8%	2.8%
Consumer Staples		4.0%	-2.5%
Energy		3.6%	2.7%
Financials		9.7%	0.2%
Health Care		-3.9%	-3.1%
Industrials		18.1%	4.0%
Materials		6.5%	-0.2%
Real Estate		4.5%	0.0%
Technology		13.4%	5.1%
Utilities		13.6%	4.9%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	3,289.9	25.4%	-0.4%
Silver (XAG)	36.7	27.0%	1.7%
Copper	435.5	8.1%	-13.4%
Currencies (USD)			
EUR	1.14	10.2%	-3.2%
CHF	0.81	10.5%	-2.4%
JPY	150.7	4.3%	-4.5%
BTC	116,491	24.3%	8.3%
Fixed Income			
US Treasury	2,368	3.4%	-0.4%
EUR Treasury	247	0.3%	-0.2%
Global Aggregate	490	5.7%	-1.5%
US Corporate	3,429	4.2%	0.1%
Global EM USD	1,322	5.9%	0.9%
Global High Yield	1,782	7.2%	0.4%

Interest Rates (US)		Last month	End 2024
3 Months	4.34%	4.29%	4.31%
12 Months	4.09%	3.97%	4.14%
5 Year	3.97%	3.80%	4.38%
10 Year	4.37%	4.23%	4.57%

Price / Earnings Ratios		End 2024	End 2023
S&P 500	26.87	26.53	22.87
Euro STOXX 50	16.01	14.27	12.59
Swiss Market Index (SMI)	17.92	18.11	18.18

Data at close of 31/07/2025

Macroeconomic **Indicators**

Central Banks Targets Rates	Last	Q2 2025	Q1 2025	Q4 2024
United States	4.50%	4.50%	4.50%	4.50%
Eurozone	2.15%	2.15%	2.65%	3.15%
Switzerland	0.00%	0.00%	0.25%	0.50%
Canada	2.75%	2.75%	2.75%	3.25%
Japan	0.50%	0.50%	0.50%	0.25%
China (3M SHIBOR)	1.56%	1.63%	1.92%	1.69%
India	5.50%	5.50%	6.25%	6.50%

Inflation (CPI - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.70%	2.70%	2.40%	2.90%
Eurozone	2.00%	2.00%	2.20%	2.40%
Switzerland	0.20%	0.10%	0.30%	0.60%
Canada	1.90%	1.90%	2.30%	1.80%
Japan	3.30%	3.30%	3.60%	3.60%
China	0.10%	0.10%	-0.10%	0.10%
India	2.10%	2.10%	3.34%	5.22%

Unemployment	Last	Q2 2025	Q1 2025	Q4 2024
United States	4.20%	4.10%	4.20%	4.10%
Eurozone	6.20%	6.20%	6.40%	6.30%
Switzerland	2.90%	2.90%	2.70%	2.60%
Canada	6.90%	6.90%	6.70%	6.70%
Japan	2.50%	2.50%	2.50%	2.50%
China	5.00%	5.00%	5.20%	5.10%

Gross Domestic Product (YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.00%	2.00%	2.00%	2.50%
Eurozone	1.40%	N/A	1.40%	1.50%
Switzerland	2.00%	N/A	2.00%	1.60%
Canada	1.20%	N/A	1.80%	2.20%
Japan	5.10%	N/A	5.10%	4.20%
China	5.20%	5.20%	5.40%	5.40%
India (Real GDP)	7.38%	N/A	7.38%	6.40%

Producer Price Index (PPI - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	1.90%	1.90%	0.80%	2.80%
European Union	-0.10%	N/A	0.30%	0.40%
Switzerland	-0.70%	-0.70%	-0.10%	-0.90%
Canada	1.72%	1.72%	4.46%	4.06%
Japan	2.90%	2.90%	4.30%	4.00%
China	-3.60%	-3.60%	-2.50%	-2.30%
India	-0.13%	-0.13%	2.25%	2.57%

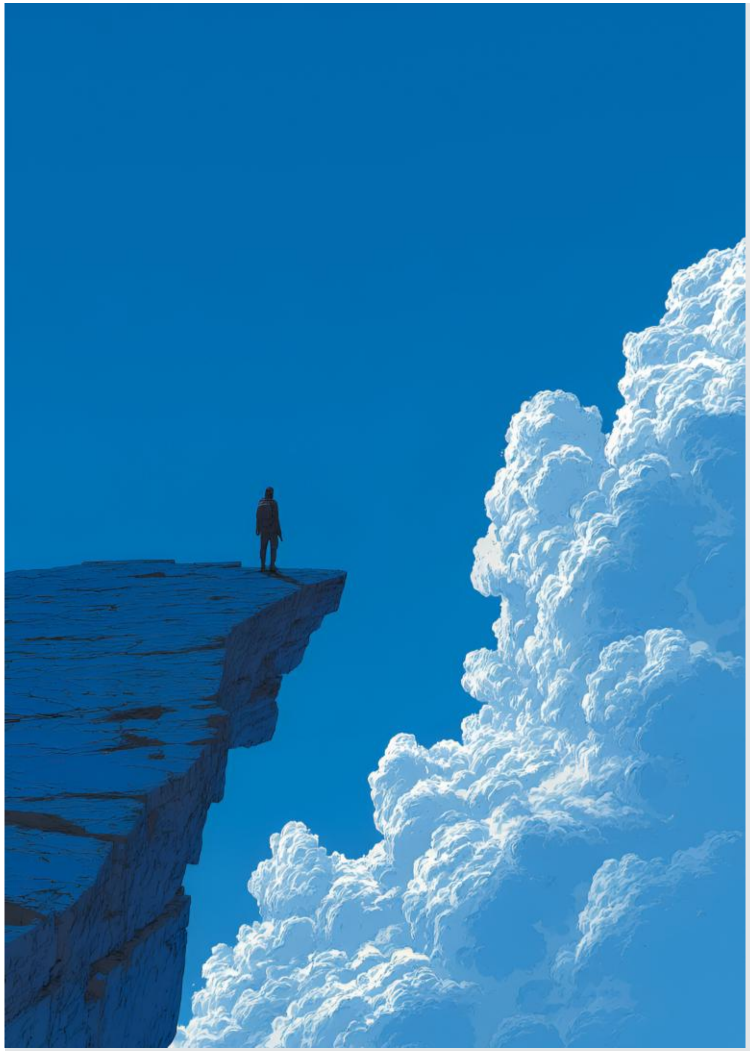
Purchasing Managers' Index	Last	Q2 2025	Q1 2025	Q4 2024
United States	48	49	49	49.2
Eurozone	49.8	49.5	48.6	45.1
Switzerland	48.8	49.6	48.9	47
Canada	46.1	45.6	46.3	52.2
Japan	48.9	50.1	48.4	49.6
China	49.3	49.7	50.5	50.1
India	59.1	58.4	58.1	56.4

Core Inflation (Core CPI - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.90%	2.90%	2.80%	3.20%
Eurozone	2.30%	2.30%	2.40%	2.70%
Switzerland	0.80%	0.60%	0.90%	0.70%
Canada	2.60%	2.60%	2.40%	2.10%
Japan	1.60%	1.60%	1.60%	1.60%

Consumer Spending (PCE - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.79%	2.79%	2.70%	2.86%

Data as of 05/08/2025
N/A: Not yet reported or Public Holiday

July **Macro News**



- After months of uncertainty, the US reached concrete agreements with key partners, most notably the EU deal at 15% tariffs and the Japan agreement also at 15%. This provided much-needed clarity after the initial deadline was postponed to August 1st.

- Major central banks adopted a coordinated "wait-and-see" approach, with both the Fed (4.25-4.50%) and the ECB (2.0%) holding rates steady amid trade uncertainties. The drama around Fed Chair Powell's position created volatility but ultimately reinforced the Fed's independence, with Trump's initial threats followed by his pullback

- Despite all the uncertainty, economic data surprised positively. US Q2 GDP jumped 3% quarter-over-quarter, while even the struggling Eurozone managed +0.1% growth, leading to upgraded forecasts.

- US CPI came in at 2.7% year-over-year, indicating that while disinflation is still largely intact, the recent trend has plateaued. What's particularly interesting is that tariff impacts on core goods prices are now materializing, and services inflation, rather than decelerating, has edged slightly higher.

- The Eurozone is in a better spot with CPI at around 2.0%, giving the ECB more breathing room, though they've essentially paused their cutting cycle after one final 25bp reduction in June.

Trade Deal **Momentum**

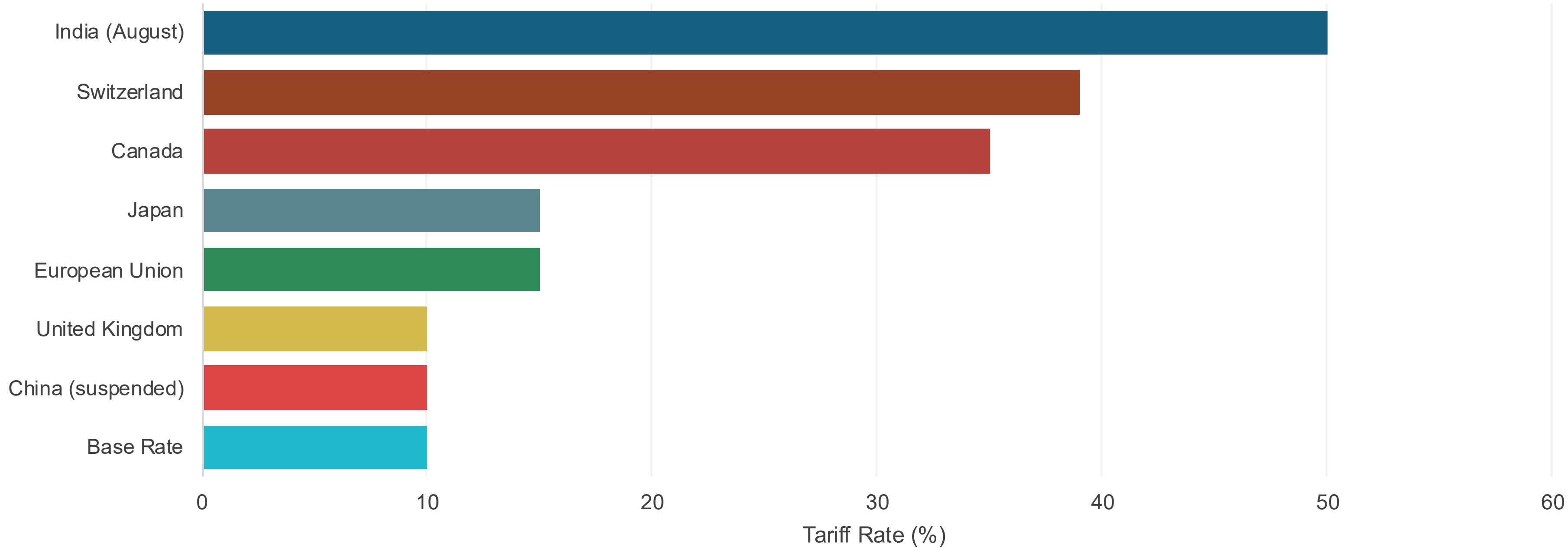
The month of July marked a significant turning point in US trade relations, with several major agreements finally coming to fruition.

The most notable deals include the US-EU agreement, where both sides settled on a 15% tariff rate for most European goods entering the US market. This represents a compromise from the initially threatened 30% rate, though it's still substantially higher than pre-2025 levels. As part of this deal, the EU committed to purchasing $750 billion in US energy products over three years and investing $600 billion in various US sectors by 2028.

The US-Japan trade agreement also finalized at a 15% tariff rate, with Japan committing to invest $550 billion in the United States. This deal covers automobiles, semiconductors, and pharmaceuticals, providing much-needed clarity after months of uncertainty. Japan has also agreed to increase rice imports by 75% and purchase 100 Boeing aircraft.

What's particularly encouraging is that these deals have moved markets positively, as investors appreciate the reduced uncertainty even if the tariff rates remain elevated. The agreements signal that while the US is maintaining its protectionist stance, there's still room for negotiation and mutual benefit.

However, not all countries have fared equally well. Switzerland, notably, faces a punitive 39% tariff rate, more on this subject on slide 9.



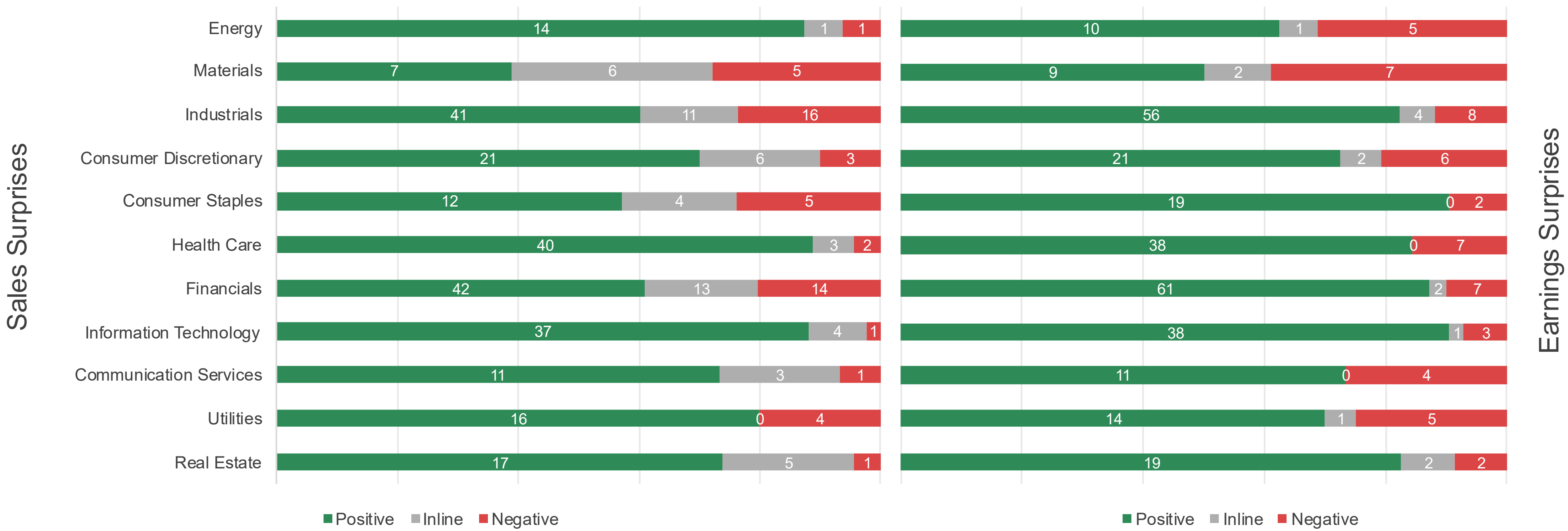
Earnings **Excellence**

With 75% of S&P 500 companies having reported, we're seeing 70% beating earnings estimates and an equal percentage surpassing revenue expectations. These figures are well above historical averages.

The standout performance comes from the technology-focused sectors, with companies like Alphabet, Amazon, Apple, Microsoft and META Platforms posting a significant earnings surprise and robust revenue growth. What's particularly noteworthy is that companies are maintaining healthy net profit margins at 13.09%, reaching their highest level in nearly 4 years.

However, markets have shown little patience for 2Q earnings disappointments, with price reactions turning increasingly unforgiving. S&P 500 stocks that missed both earnings per share (EPS) and revenue estimates dropped by an average of 9.45%, which is more than twice the historical norm. Furthermore, companies that exceeded expectations received only modest rewards. On average, those exceeding EPS rose 1.03%, those exceeding revenue rose 1.08%, and those exceeding both rose 1.54%.

For now, strong corporate performance is providing fundamental support for stock markets. However, we must remain vigilant, as the full impact of tariffs has yet to be felt.



Source: Bloomberg

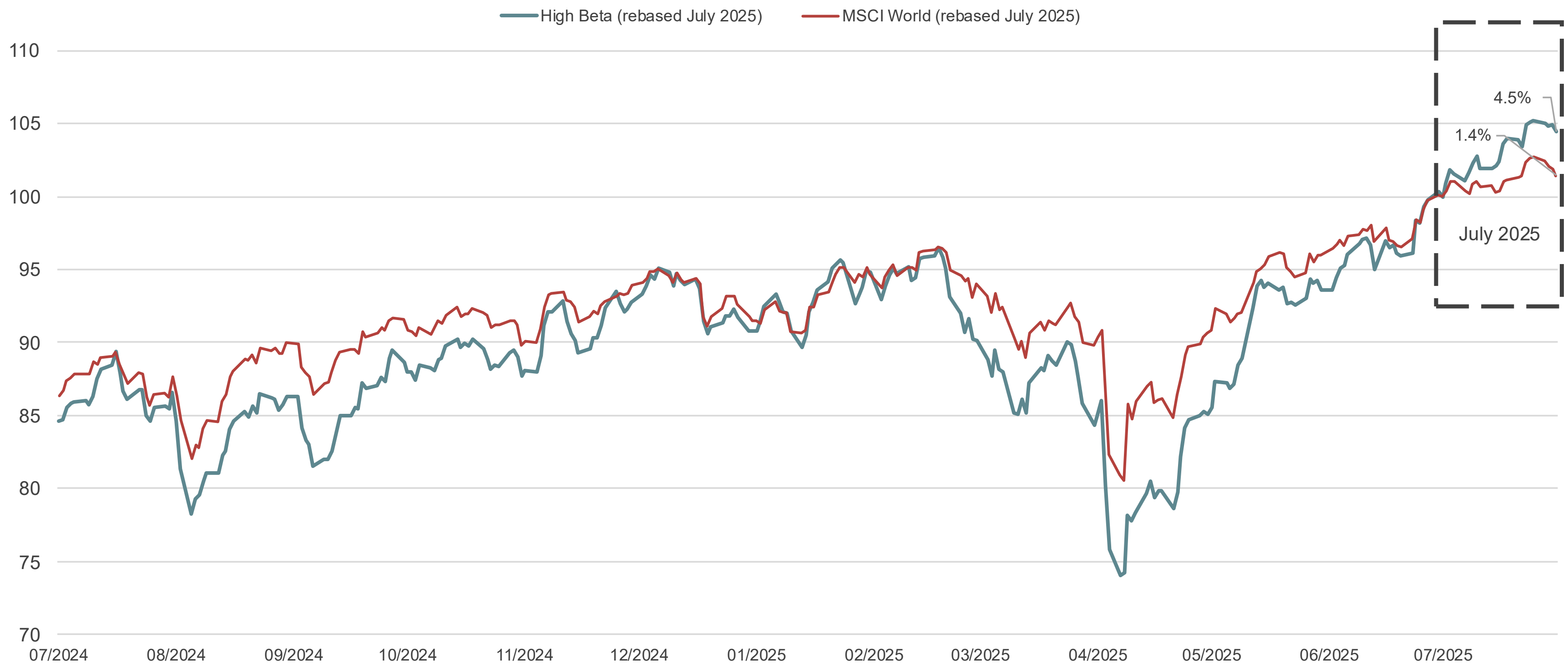
Volatility's **Winners**

July witnessed an interesting market dynamic where high-volatility stocks significantly outperformed their more stable counterparts.

This phenomenon reveals important insights about current market sentiment and positioning. Stocks with beta coefficients in the highest quintile delivered substantial gains, while defensive, low-volatility names lagged.

This performance pattern suggests that investors are embracing risk rather than seeking safety, which is quite remarkable given the ongoing trade uncertainties. The driver appears to be a combination of FOMO (fear of missing out) as markets reached new highs and a belief that higher-risk stocks offer better opportunities in an environment where traditional economic relationships are being disrupted.

Interestingly, macro and quant hedge funds significantly reduced equity long exposures around July 2025. Their S&P 500 sensitivity dropped close to zero, signaling that they were not participating in the rally alongside other market participants. This suggests that much of the volatility premium is being driven by retail investor enthusiasm.



Source: Bloomberg

Swiss Situation **Explained**

The news about Switzerland facing a 39% US tariff has understandably raised concerns, but it's important to view this through the proper lens. The situation is currently in the news, with developments expected in August.

This is likely more of a negotiating tactic than a permanent policy shift. Switzerland was caught off guard by this development, having been in productive discussions with US officials and expecting a much more favorable outcome.

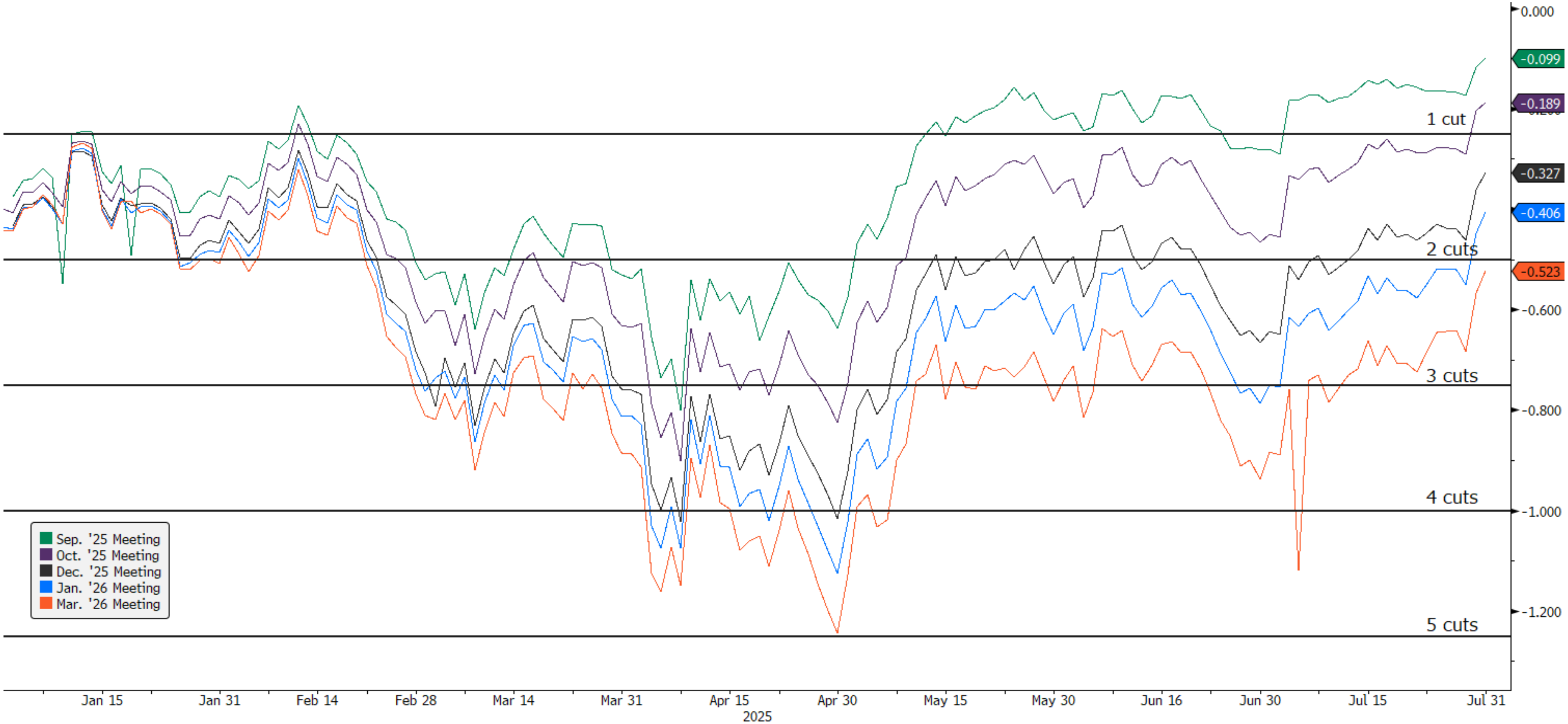
The Swiss government has already announced they're preparing a "more attractive offer" and will continue negotiations beyond the August 7 deadline. What's encouraging is that key Swiss exports like pharmaceuticals remain, for now, exempt from these tariffs, which significantly reduces the economic impact since pharmaceuticals account for about 60% of Swiss exports to the US.

Several factors suggest this situation will be resolved favorably: Switzerland ranks as the sixth-largest foreign investor in the US, Swiss companies employ around 400'000 Americans, and Switzerland has already eliminated virtually all tariffs on US goods. These are strong bargaining chips that demonstrate the mutual benefit of a healthy economic relationship.

The Swiss franc's relatively muted reaction (+0.3% against the dollar) suggests markets view this as a temporary negotiating position rather than a fundamental breakdown in relations. While some job losses in export-oriented sectors are possible in the short term, Switzerland's diversified economy and strong institutional framework provide resilience against temporary trade disruptions.

Short Term Rates **Expectations**

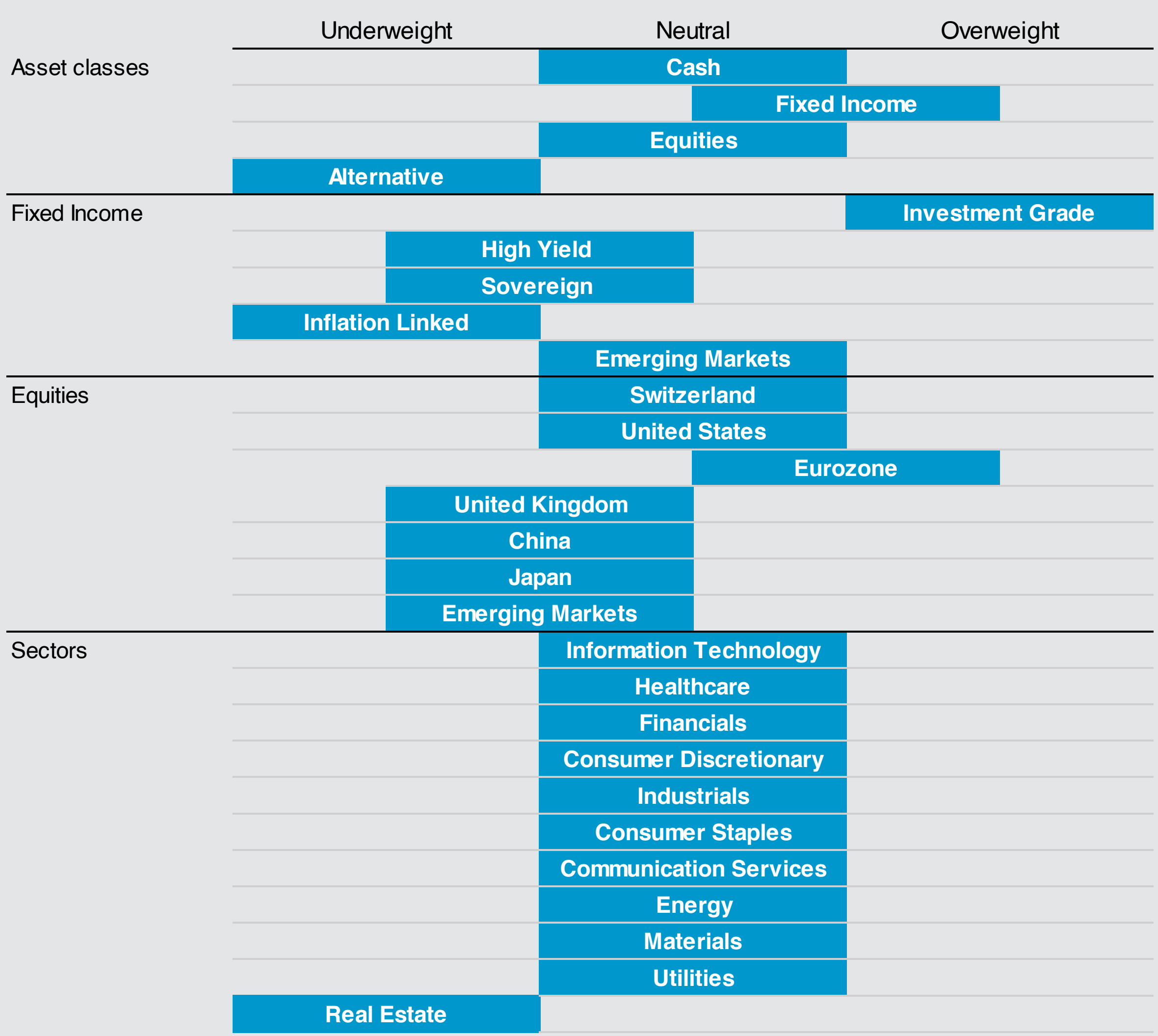
Powell and the Federal Reserve continue to maintain a wait-and-see approach, citing the need to assess the full impact of tariff policies on inflation before making rate adjustments. At the end of July, market were pricing between 1 and 2 cuts until the end of the year.



Key **Investment Themes**

- Uncertainty over trades policies and the volatility spikes that can accompany disappointing market releases on top of high valuations reinforce our conviction that **diversification is a core strategy** - particularly important as geopolitical uncertainties persist, whether in the Red Sea, the Middle East, Ukraine or Taiwan.
- The inflation target could well become the floor in this new economic cycle, with core inflation expected to remain above the 2% target by the end of 2025 but its trajectory is highly uncertain as it could be revived by the ongoing tariff war.
- Our recommendation is to focus on **quality stocks** with solid balance sheets and a long-term vision.
- On the **fixed-income** side, corporate bonds are facing higher interest costs overall, and potentially refinancing difficulties in the high-yield segment. Our preference at this stage of the cycle is **for higher-rated companies** rather than high yielding issuers. Note that we recently increased the duration of our selection.
- In the current interest-rate environment and within the broader policy dynamics of central banks in developed markets, our approach remains focused on carry strategies via bonds. We therefore maintain an **underweight in the alternative class**, capitalizing on the stability and predictable returns offered by bond instruments. However, we remain attentive to the opportunities offered by alternative investments, with their potential for returns uncorrelated with traditional markets.

Asset **Allocation**



Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

Equities

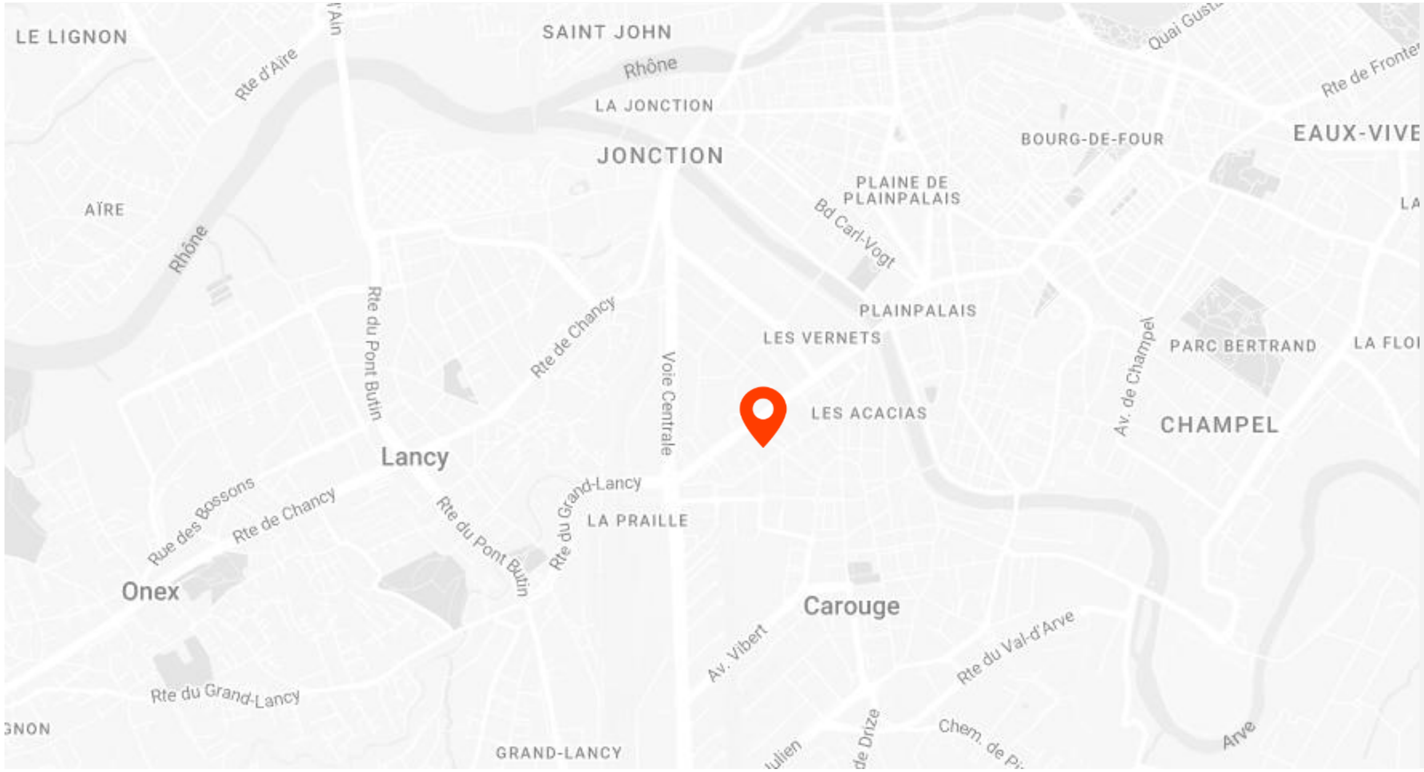
The different scenarios lead us to a more neutral approach to equities, where sector and regional diversification is more important than ever. We return to a more neutral stance on the United States following the turbulence caused by the new administration and increase our allocation to Europe.

Alternative investments

In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments. Nevertheless, we remain attentive to opportunities offered by alternative assets, given their potential for returns uncorrelated with traditional markets.

Contact

A DIFFERENT APPROACH TO WEALTH MANAGEMENT



Wealth Management
Family Office
Wealth Planning

Route des Acacias 54
1227 Carouge

Geneva, Switzerland
+41 22 318 58 80

Legal **Notice**

This publication constitutes marketing material and is not the result of independent financial research. Therefore the legal requirements regarding the independence of financial research do not apply. The information and opinions expressed in this publication were produced by Telomere Capital SA, as of the date of writing and are subject to change without notice. This publication is intended for information purposes only and does not constitute an offer or an invitation by, or on behalf of, Telomere Capital to make any investments. Opinions and comments of the authors reflect their current views, but not necessarily of other entities or any other third party. Services and/or products mentioned in this publication may not be suitable for all recipients and may not be available in all countries. Clients of Telomere Capital are kindly requested to get in touch with the local Telomere Capital entity in order to be informed about the services and/or products available in such country. This publication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, investors should consider the suitability of the transaction to individual circumstances and objectives. Any investment or trading or other decision should only be made by the client after a thorough reading of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of the securities or other financial instruments. Nothing in this publication constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate for individual circumstances, or otherwise constitutes a personal recommendation for any specific investor. Telomere Capital recommends that investors independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences. Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. The investor may not get back the amount invested. Although the information and data herein are obtained from sources believed to be reliable, no representation is made that the information is accurate or complete. Telomere Capital SA, its subsidiaries and affiliated companies do not accept liability for any loss arising from the use of this publication. This publication may only be distributed in countries where its distribution is legally permitted. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such publications are prohibited. This document may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch and other similar rating agencies. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.