Market **Update**

Cautiously optimistic

September 2025

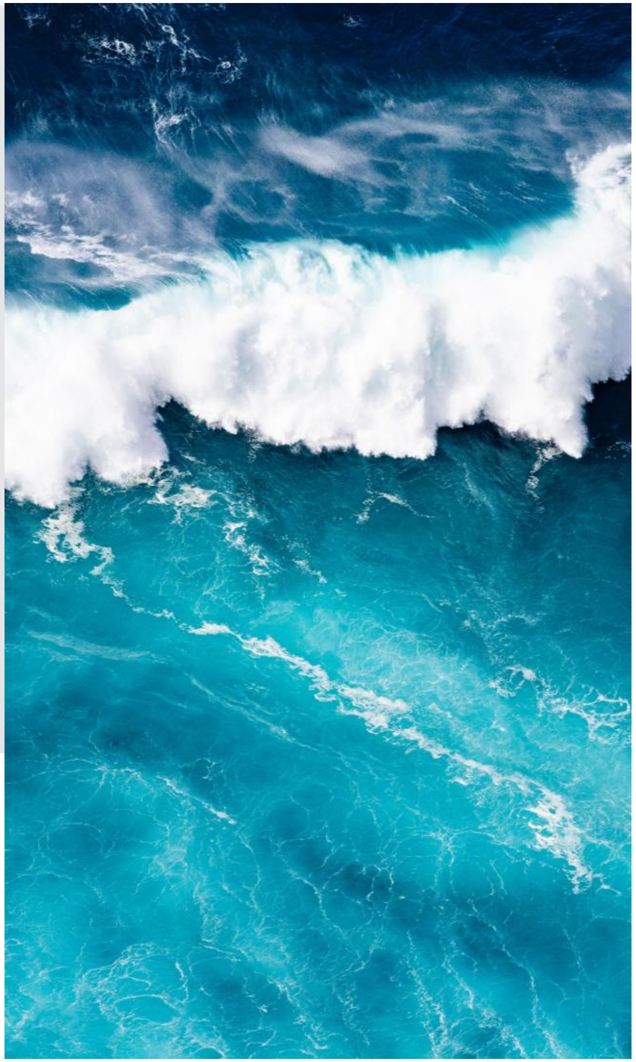
Editorial

August 2025 set the tone for a cautiously optimistic outlook as we move into the final months of 2025. Despite mixed signals in the U.S. labor market and political headwinds surrounding the Federal Reserve's independence, economic activity showed underlying strength, and markets leaned into the prospect of an initial 25 bps Fed cut in September after Jackson Hole signaled a shift in the balance of risks toward growth and employment.

The U.S. baseline tariff regime expanded in August, raising questions for supply chains and margins even if exemptions soften the immediate blow. While market reaction was contained, the policy overhang should eventually feed through prices and earnings with a lag. European markets experienced volatility due to political instability, yet maintained positive momentum overall.

Equity markets continue to be driven by a handful of AI leaders, which makes the current rally a bit fragile. While easing rate expectations are providing some support, there's still reason to stay cautious. The environment calls for balance, taking advantage of opportunities but being mindful of inflation, labor market trends, and tariff impacts that could create bumps ahead.

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



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Global **Markets**

Global	Last	YTD	MTD
MSCI World	4,177.7	14.1%	2.6%
MSCI ACWI	951.6	14.7%	2.5%
MSCI Emerging Markets	1,258.4	19.6%	1.5%
United States			
Dow Jones Industrial	45,544.9	8.3%	3.4%
S&P 500	6,460.3	10.8%	2.0%
NASDAQ 100	23,415.4	12.0%	0.9%
Russell 2000	2,366.4	7.0%	7.1%
Europe			
Euro STOXX 600	550.1	11.6%	1.0%
Euro STOXX 50	5,351.7	12.3%	0.6%
DAX	23,902.2	20.1%	-0.7%
CAC 40	7,703.9	7.4%	-0.9%
FTSE 100	9,187.3	15.6%	1.2%
Swiss Market Index (SMI)	12,187.6	8.3%	3.0%

Sectors (US)			
Communication Services		19.5%	3.6%
Consumer Discretionary		1.7%	3.5%
Consumer Staples		5.7%	1.6%
Energy		7.3%	3.6%
Financials		12.7%	2.7%
Health Care		1.3%	5.4%
Industrials		16.9%	-1.0%
Materials		13.7%	6.7%
Real Estate		6.4%	1.9%
Technology		13.6%	0.2%
Utilities		12.1%	-1.4%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	3,448.0	31.4%	4.8%
Silver (XAG)	39.7	37.4%	8.2%
Copper	451.9	12.2%	3.8%
Currencies (USD)			
EUR	1.17	12.9%	2.4%
CHF	0.80	11.8%	1.5%
JPY	147.1	6.9%	2.5%
BTC	107,800	15.0%	-7.5%
Fixed Income			
US Treasury	2,393	4.5%	1.1%
EUR Treasury	246	-0.1%	-0.4%
Global Aggregate	497	7.2%	1.5%
US Corporate	3,464	5.3%	1.0%
Global EM USD	1,339	7.3%	1.3%
Global High Yield	1,809	8.9%	1.5%

Interest Rates (US)		Last month	End 2024
3 Months	4.14%	4.34%	4.31%
12 Months	3.83%	4.09%	4.14%
5 Year	3.70%	3.97%	4.38%
10 Year	4.23%	4.37%	4.57%

Price / Earnings Ratios		End 2024	End 2023
S&P 500	26.82	26.53	22.86
Euro STOXX 50	16.57	14.29	12.59
Swiss Market Index (SMI)	18.34	18.09	18.07

Data at close of 29/08/2025

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%
United Kingdom	4.00%	4.25%	4.50%	4.75%
Canada	2.75%	2.75%	2.75%	3.25%
Japan	0.50%	0.50%	0.50%	0.25%
China (3M SHIBOR)	1.55%	1.63%	1.92%	1.69%

Inflation (CPI - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.70%	2.70%	2.40%	2.90%
Eurozone	2.10%	2.00%	2.20%	2.40%
Switzerland	0.20%	0.10%	0.30%	0.60%
United Kingdom	3.80%	3.60%	2.60%	2.50%
Canada	1.70%	1.90%	2.30%	1.80%
Japan	3.10%	3.30%	3.60%	3.60%
China	0.00%	0.10%	-0.10%	0.10%

Unemployment	Last	Q2 2025	Q1 2025	Q4 2024
United States	4.30%	4.10%	4.20%	4.10%
Eurozone	6.20%	6.30%	6.40%	6.30%
Switzerland	2.90%	2.90%	2.70%	2.60%
Canada	7.10%	6.90%	6.70%	6.70%
Japan	2.30%	2.50%	2.50%	2.50%
China	5.20%	5.00%	5.20%	5.10%

Gross Domestic Product (YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	2.10%	2.10%	2.00%	2.50%
Eurozone	1.40%	1.40%	1.40%	1.50%
Switzerland	1.20%	1.20%	1.80%	1.60%
Canada	0.90%	0.90%	1.80%	2.20%
Japan	4.20%	4.20%	5.20%	4.10%
China	5.20%	5.20%	5.40%	5.40%
India (Real GDP)	7.81%	7.81%	7.38%	6.37%

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%	0.10%	0.30%	0.40%
Switzerland	-0.90%	-0.70%	-0.10%	-0.90%
Canada	2.58%	1.88%	4.53%	4.06%
Japan	2.60%	2.90%	4.30%	4.00%
China	-3.60%	-3.60%	-2.50%	-2.30%
India	-0.58%	-0.13%	2.25%	2.57%

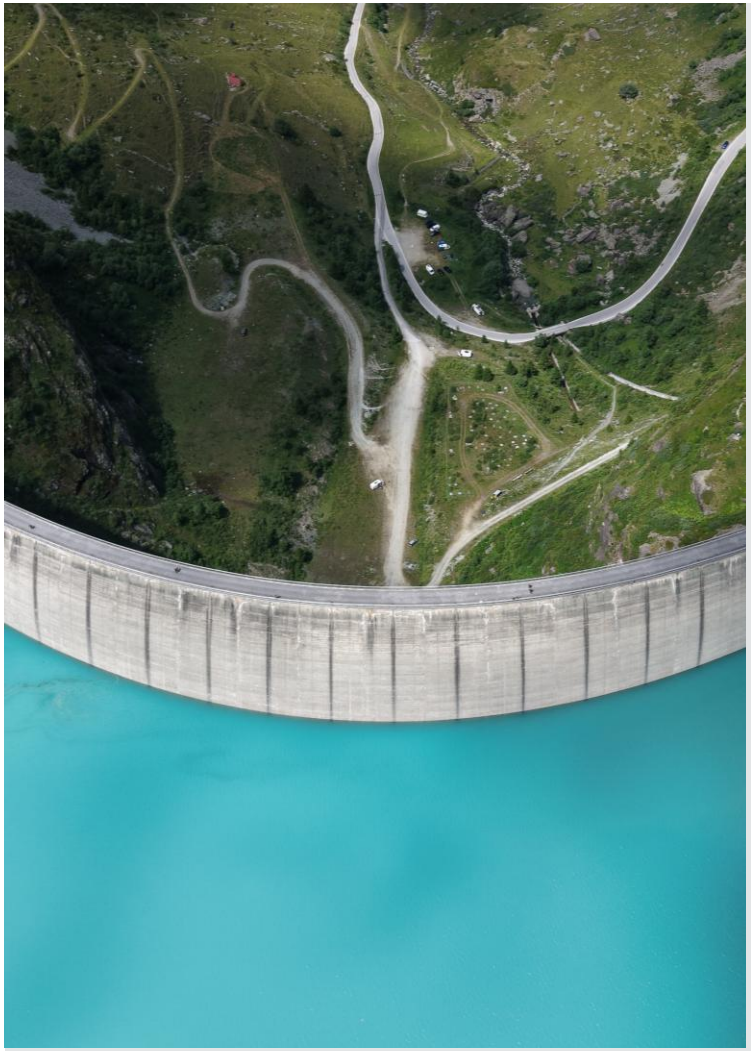
Purchasing Managers' Index	Last	Q2 2025	Q1 2025	Q4 2024
United States	48.7	49	49	49.2
Eurozone	50.7	49.5	48.6	45.1
Switzerland	49	49.6	48.9	47
Canada	48.3	45.6	46.3	52.2
Japan	49.7	50.1	48.4	49.6
China	49.4	49.7	50.5	50.1
India	59.3	58.4	58.1	56.4

Core Inflation (Core CPI - YoY)	Last	Q2 2025	Q1 2025	Q4 2024
United States	3.10%	2.90%	2.80%	3.20%
Eurozone	2.30%	2.30%	2.40%	2.70%
Switzerland	0.70%	0.60%	0.90%	0.70%
Canada	2.50%	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	2.88%	2.77%	2.70%	2.86%

Data as of 05/09/2025
N/A: Not yet reported or Public Holiday

August **Macro News**



- Market and policy focus centered on the imminent September FOMC meeting, where a 25 bps Fed rate cut became almost fully priced in after signals from the Jackson Hole Symposium and recent Fed communications. Central to the easing bias was increasing concern over the sharp slowdown in US private-sector job growth, even though wage and profit growth remained resilient.

- Unprecedented political intervention at the Federal Reserve escalated as President Trump attempted a "for cause" dismissal of Governor Lisa Cook, raising questions around central bank independence and US institutional stability.

- The ECB entered a "data-dependent" phase, looking for further disinflationary signals to justify an October rate cut. Euro area inflation moderated in July, supporting the case for easing if economic resilience continues.

- A baseline tariff of 10% was applied to most U.S. imports, while country-specific duties, including a 39% rate for Swiss imports, came into effect on August 7. While these were significant measures, they had a more limited immediate impact on markets than the sweeping Liberation Day actions.

Sticky Inflation **Persists**

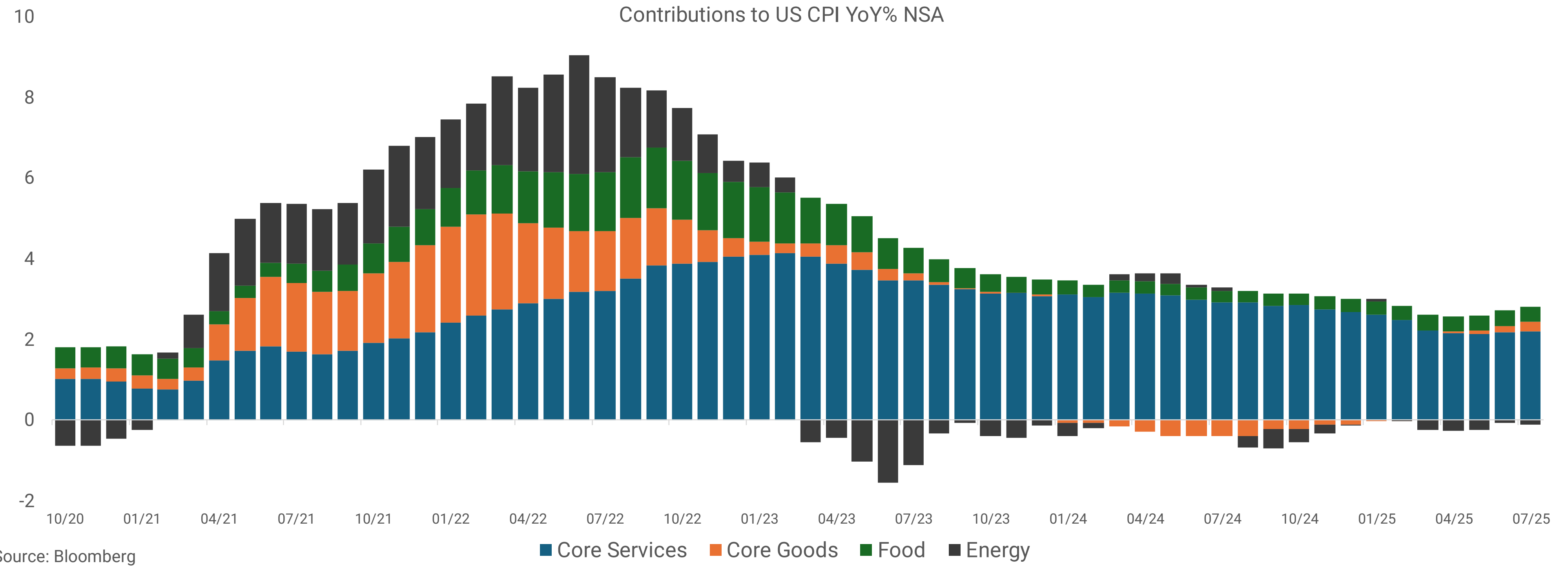
The Fed's battle against inflation continues to face headwinds as price pressures remain stubbornly above the central bank's 2% target.

July's core US Personal Consumption Expenditures (PCE) index rose 0.27% month-over-month, pushing the year-over-year rate to 2.9%, a notable increase from April's recent low of 2.6%. This uptick underscores what many have been observing: inflation appears to have found a sticky floor well above the Fed's comfort zone.

What's particularly concerning is the composition of this inflationary pressure. Core goods inflation has accelerated to 1.1%, representing a significant 1.5 percentage point increase compared to pre-pandemic averages. Meanwhile, core services inflation sits at 3.5% year-over-year, only moderately higher than historical norms but still elevated enough to keep overall inflation above target levels.

The Federal Open Market Committee (FOMC) meeting minutes from July revealed that many participants observed that overall inflation remained somewhat above the 2% target, indicating growing unease among policymakers.

Looking ahead, we must be prepared for a core CPI inflation to push above 4% annualized over the next three months, driven primarily by building tariff pressures. This persistent inflation backdrop continues to complicate the Fed's policy calculus, particularly as they balance price stability concerns against emerging labor market softness.



Source: Bloomberg

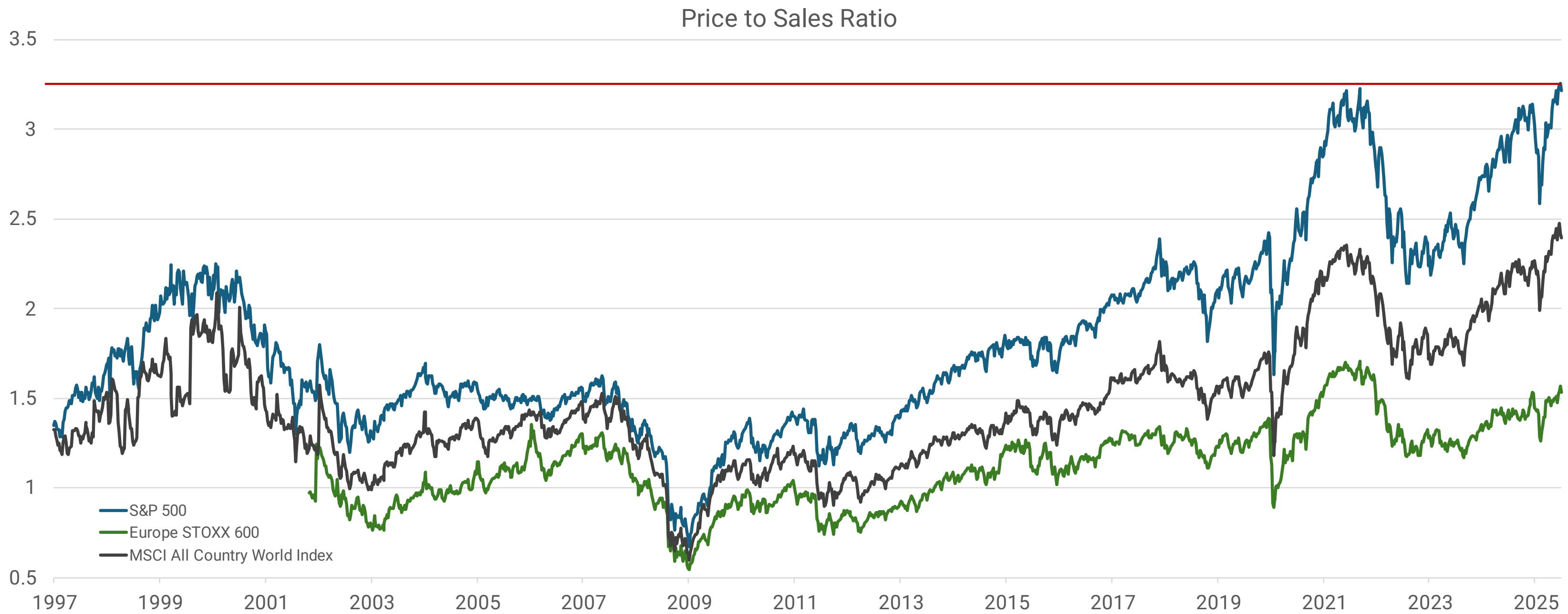
Valuations Reach **Extremes**

The artificial intelligence revolution has propelled U.S. stock valuations to unprecedented territory, with the S&P 500's price-to-sales ratio reaching an all-time high of 3.26x.

This metric, which compares market capitalization to revenue, now stands well above historical norms and raises important questions about the sustainability of current market levels. The concentration of market value in AI-related companies has created a scenario where the performance of a handful of technology giants increasingly dictates broader market direction.

Market concentration in AI leaders has created a fragile ecosystem where individual company disappointments could trigger broader market corrections. The technology sector's outsized influence means that any reassessment of AI investment returns or timeline expectations could have cascading effects across equity markets, particularly given current valuation levels.

The concern isn't necessarily that AI won't transform the economy - it likely will. Rather, the worry is about timing and magnitude. The gap between current valuations and potential long-term returns has widened significantly, meaning investors purchasing at today's levels may face years of subpar performance even if the underlying AI thesis proves correct. This creates what we call "valuation risk" - where being right about the story but wrong about the price can still result in disappointing investment outcomes.



Source: Bloomberg

China's Trade **Resilience**

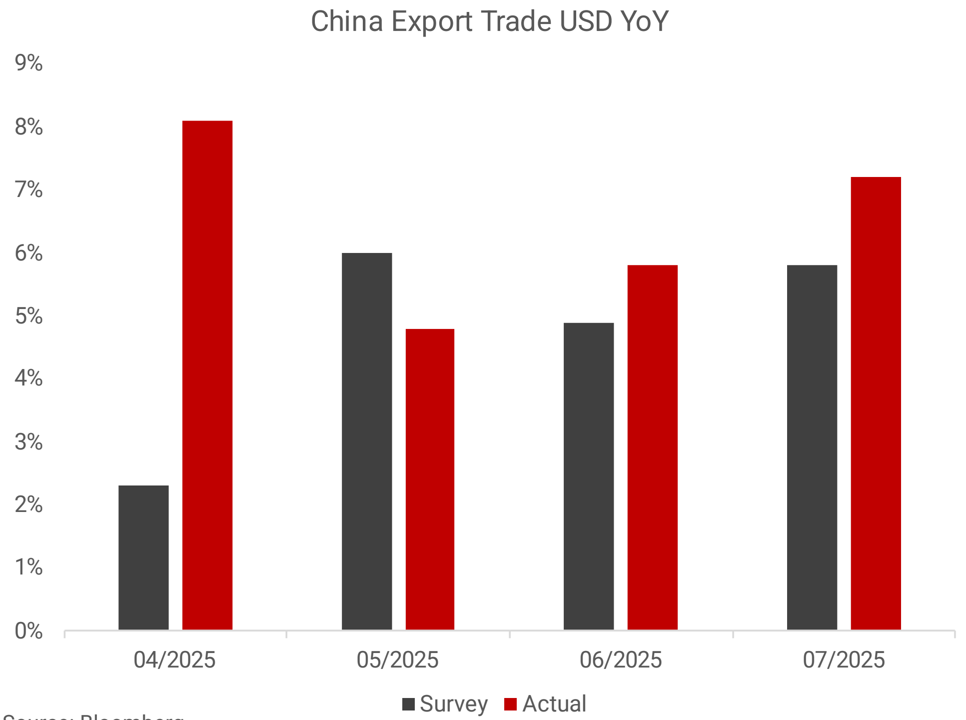
China's trade performance in August has captured significant market attention, defying many expectations of a sharper downturn.

Despite facing substantial headwinds from U.S. trade tensions, Chinese exports exceeded expectations in July, falling less than anticipated. Alternative data suggests a notable rebound in August. This recovery appears to be primarily driven by strengthened demand from non-U.S. markets, which illustrates China's successful diversification of its export destinations.

China capitalized on the 2025 global capital expenditure uptick through strategic transshipments and increased sales to alternative markets. This strengthens its evolving role in global supply chains as a hub for indirect trade flows.

Industrial profit declines narrowed to 1.7% year-over-year in the January-July period compared to 1.8% in the first six months, suggesting that Chinese manufacturers are maintaining profitability despite challenging external conditions.

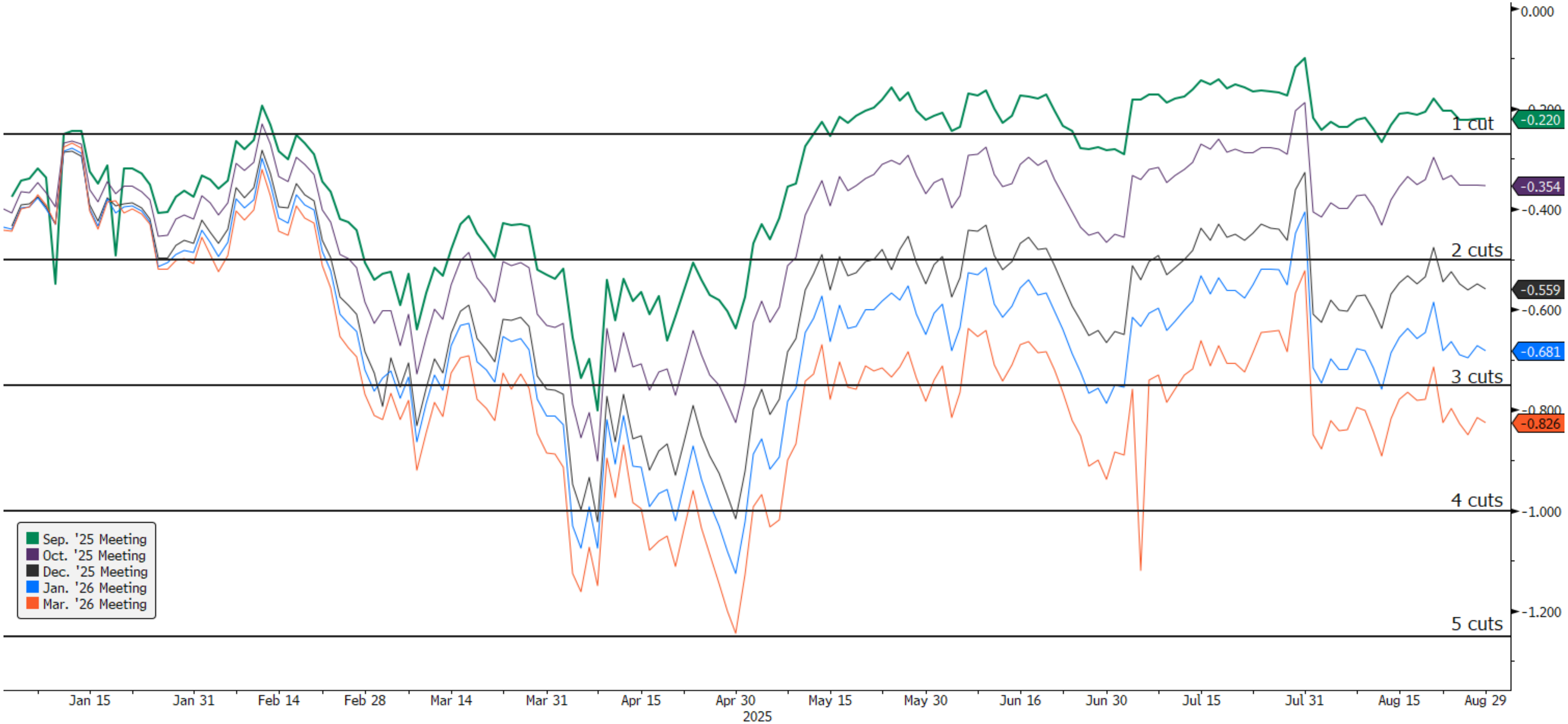
These trade and profitability dynamics have been reinforced by the strong performance of China's equity markets, which have reached multi-year highs and surpassed most global benchmarks. Robust activity in the technology and AI sectors, a surge in retail investor participation, and supportive policy measures have helped lift Chinese stocks to levels not seen in over a decade.



Source: Bloomberg

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. However, the tone shifted at the Jackson Hole symposium, where policymakers acknowledged that the recent softening in labor market data may warrant a sooner-than-expected start to monetary easing.



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.

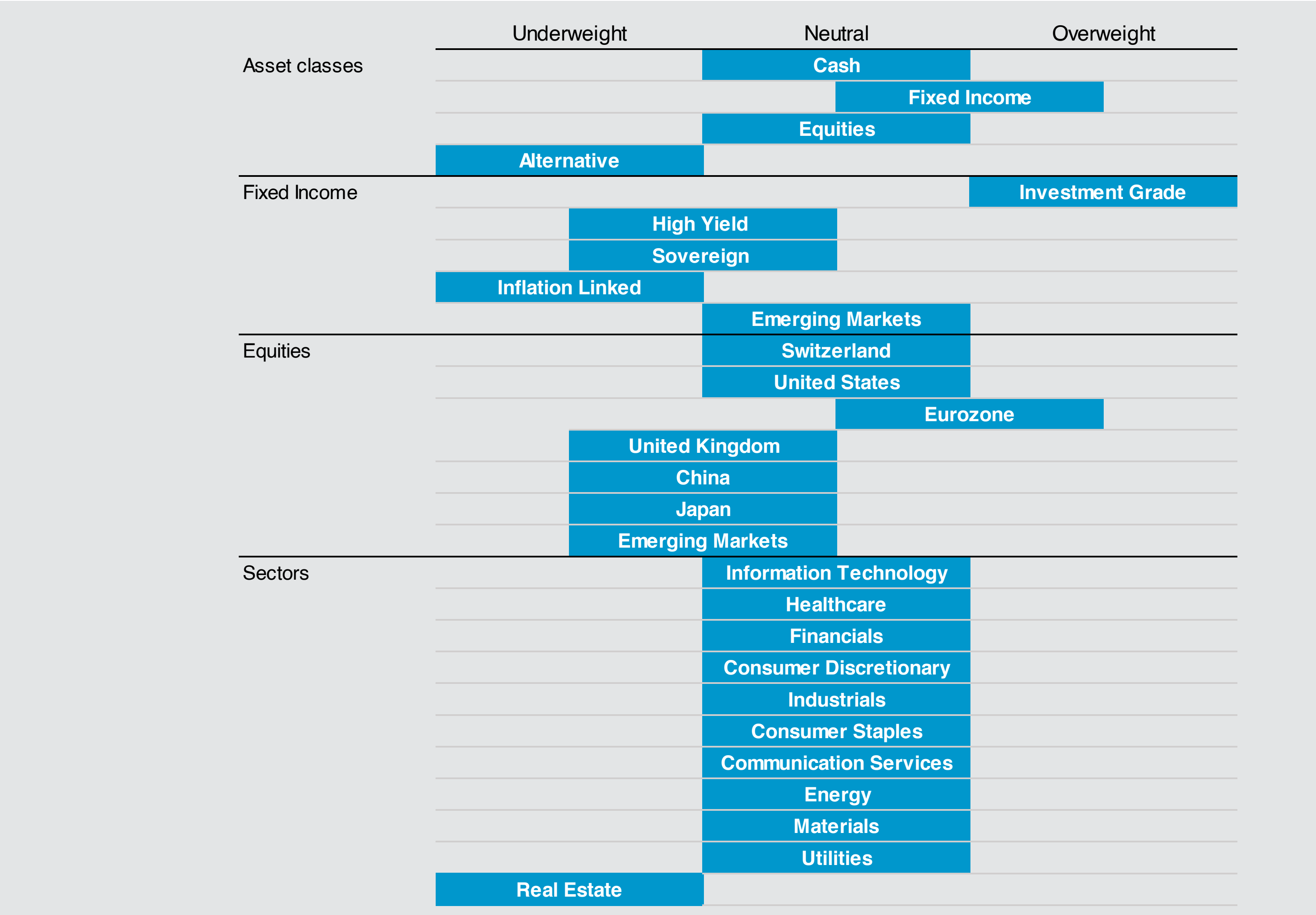
- The inflation target could well become the floor in this new economic cycle, with core inflation expected to remain above the 2% target by the end of 2025 but its trajectory is highly uncertain as it could be revived by the ongoing tariff war.

- 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.

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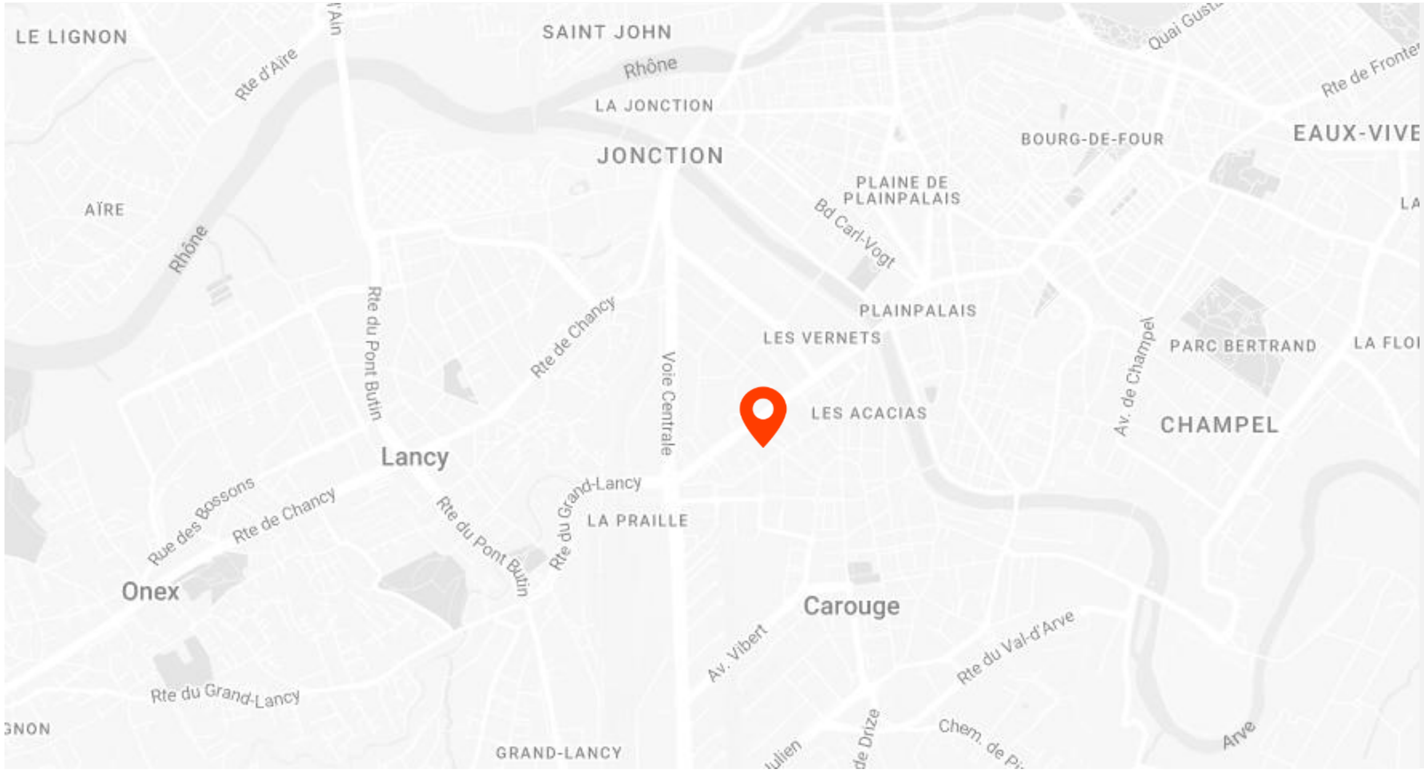
A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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