JULY 2025

Sienna INVESTMENT MANAGERS

NEWSLETTER #30

US and European assets posted ***wide performance gaps*** *in June. US sovereign yields retreated sharply* ***in the wake of positive news flow on the trade and fiscal fronts.*** *This allowed equity indices to outperform, lifted by the powerful momentum around artificial intelligence. Renewed tensions in the Middle East only led to temporary disruptions for capital markets. We have maintained a* ***constructive view*** *within our allocations, including our preference for growth stocks offering* ***strong visibility and reasonable valuations****. Our positioning on regional assets has also remained stable. Finally, we are attentive to the decline of the dollar - and its impacts, as this* ***calls into question the credibility of US fiscal policy.***

David TAIEB, *Chief Investment Officer - Listed Assets*

SUMMARY

Growth

The World Bank has **lowered its global growth forecasts** for 2025 to 2.3%, down 0.4 point, owing to the persistent trade tenwsions weighing on businesses and investment. However, according to the institution, the odds of a global recession are less than 10%.

Inflation

In May, inflation throughout the world averaged 2.5% year-over-year, a 4-year low on account of weak oil and service prices. In France, **consumer prices rose 0.9% in June over 12 months**, up slightly compared to May (0.7%).

Monetary policy

After its 8th rate cut early June, the ECB could now **stabilise its monetary policy**. We believe the central bank will lower its rates one last time before Q4. The Fed is also expected to opt for stability, before announcing a cut to its key rates in September, and then in December.

SUSTAINABLE

The 1.5°C threshold has now been crossed - our climate pledge remains unchanged

IGOR IGNATIEFF,
Climate Analyst,
Listed Assets

The **latest international scientific report on climate change indicators (IPCC 2024)** has confirmed that the goal of limiting global warming to +1.5°C is **no longer achievable**. In 2024, with average temperatures +**1.52°C** higher than during the pre-industrial era, the planet crossed this symbolic threshold for the first time. Global warming is accelerating (+0.27°C per decade) and the carbon budget needed to remain below +1.5°C, with a 50% achievement probability, will have dried up within three years unless global emissions are drastically reduced.

Faced with this new scientific reality, and now that the 1.5°C limit has been crossed, we feel it is important **to reaffirm our climate pledge**. Our climate strategy, **approved by the Science-Based Targets initiative** (SBTi) in March 2025, is aligned with the +1.5°C objective. This is the highest goal recognised by the initiative, underpinning our continued efforts to **maintain this strategic pathway**.

SUSTAINABLE (continued)

The 1.5°C threshold has now been crossed our climate pledge remains unchanged

Our climate roadmap covers both our operations and our investments.

It is based on:

- **Ambitious cuts** to the emissions produced by our own operations and investments,
- The **systematic integration** of climate-related issues within our investment decisions,
- **Thorough tracking** of our progress using indicators aligned with the SBTi standards.

We are convinced that the transition towards a low-carbon economy is not only an **environmental necessity**, but also a **strategic opportunity**. Aligning our investments with the goals of the Paris Agreements clearly strengthens the resilience of our portfolios.

TREND

Tariffs are weighing on global economic growth

Several institutions have updated their economic outlook. The OECD expects global GDP growth **to slow considerably,** retreating from 3.3% in 2024 to 2.9% in 2025, and to remain stable in 2026. This slowdown affects advanced economies as well as emerging countries, and stems from **the rise of tariffs, high debt levels, and declining business and household confidence**. Growth in the United States should stand at only 1.6% this year, compared to 3.3% in 2024, while growth in the Eurozone should remain around 1%. Emerging countries, which have retained a positive momentum, are also facing headwinds. This is particularly the case in China, where the economy is impacted by geopolitical tensions and a weakened real estate sector.

In the Eurozone, according to the European commission's economic forecasts, GDP should grow at **a pace of 0.9% in 2025 and 1.4% in 2026**, down from earlier estimates of 1.3% and 1.6% made last autumn. Brussels believes that the economic outlook remains exposed to a **variety of risks** (trade tensions, financial crises, imported inflation, extreme climate events...) but that other factors also offer opportunities (easing trade relations, structural reforms, etc).

In France, the INSEE anticipates 0.6% growth for 2025, which is lower than the European average. This weakness stems notably from the country's **need to reduce its fiscal deficit.** The main growth driver in France should be **household spending**. Households have indeed enjoyed a considerable **rise in income and declining inflation**, but have not spent this excess revenue so far, and prefer to save.

TREND (continued)

Tariffs are weighing on global economic growth

In capital markets, **appetite for risk and volatility** have normalised rather too quickly, we feel. Asset prices do not seem to have factored in the possibility of a substantial slowdown in global activity. From now on, the potential upside on risk assets has fallen sharply. Washington has increased pressure on its trade partners, urging them to compromise and achieve a trade agreement. This could offer a breath of fresh air for economies affected by these tensions.

In this environment, we remain neutral on equities as an asset class. Valuations have resumed **high levels**, and the risk premium is compressed, meaning the asset class is **vulnerable to any negative shocks** (geopolitical or tariffs, in particular).

To summarise, global economic growth will slow down owing to **the impact of tariffs, even if the worst-case scenario has been avoided thanks to the de-escalation in recent weeks.**

CONVICTIONS

Every month, our Allocation Committee brings together our entire investment team to determine our asset allocation strategies, which are then implemented in the daily management of our funds.

EQUITIES

EUROZONE

European equities have outperformed their US counterparts by a wide margin since the beginning of the year. This trend could last. We have moved from neutral to positive on Eurozone stock markets.

UNITED STATES

Markets corrected by around 20%, in similar proportions to 2018, when Donald Trump started his first trade war. If the market follows the same pathway, the S&P 500 could recover in 2025. Nevertheless, we have maintained a neutral view on US equities.

EMERGING COUNTRIES

Chinese equities are trading lower than their global counterparts; however, technology could offer a catalyst for some re-rating. We remain positive on Chinese and Indian equities and neutral on Brazil.

FIXED INCOMES

SOVEREIGN BONDS

In the US, long-term yields have retreated slightly and should now stabilise. European rates, on the other hand, offer limited easing potential in the near-term. We remain neutral on the sovereign bond segment.

CREDIT

We believe that European long-term yields are more likely to ease than their U.S. counterparts. We expect European High-Yield and Investment Grade bonds to yield 5-7% and 3-5% respectively.

Change in view versus previous month.

\+ = − Investment team's asset class views.

CONVICTIONS (continued)

DEVISES EURO/USD

ToWe expect the EUR/USD to stand at 1.12 by the end of 2025. Our view on the single currency therefore remains neutral relative to the green back.

COMMODITIES

Gold hit record highs last month, we lowered our exposure to gold mining companies. Regarding oil, as Brent prices continue to fall, we have lowered our target and now expect a barrel at $60 Gold has become even more attractive on account of the geopolitical tensions, rising to around 3,400 dollars per ounce. Oil has rebounded sharply and seems to be trading at a fair price. We have upped our target price, with the barrel of Brent now expected at $65 at the end of 2025.

Change in view versus previous month.

Investment team's asset class views.

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