Political decisions in the United States have introduced a great deal of uncertainty*, with major implications for the global economy. We are adjusting our allocations in response to these events by applying* ***an additional risk premium on different asset class types****: Spread, Volatility and Equities. Nevertheless, the broad sell-off - notably in Europe - is a cause for concern. We* ***are waiting for markets to stabilise*** *before adding to our exposure through constructive re-weighting.*

David TAIEB, *Chief Investment Officer - Listed Assets*

SUMMARY

Growth

Donald Trump's trade policy has provoked a surge in uncertainty, prompting the OECD to lower its growth forecasts to +3.1% for 2025 and +3% for 2026. All the world's major nations are affected by this downward revision - the United States (+2.2% in 2025 and +1.6% in 2026), China (+4.8% in 2025 and +4.4% the following year), and the Eurozone (+1% and then +1.2%).

Inflation

Disinflation may be slowing down but it is still at work. The OECD expects global inflation to retreat from 3.8% this year to 3.2% in 2026. In France, notably thanks to the sharp drop in energy prices, consumer prices only rose 0.8% over 12 months - a two-year low.

Monetary policy

The **ECB has continued to lower its key rates, with a 6th consecutive cut**, bringing the deposit rate to 2.5% and the refinancing rate to 2.65%. In the United States, markets are expecting the Fed to hold its rates steady until September, before making 2 or 3 cuts before the end of the year.

SUSTAINABLE

SRI and defence: keeping a consistent approach in a changing environment

JEAN-MARIE PÉAN,
Director - Responsible Finance, Listed Assets

Recent events have put a **spotlight on the exclusion (or non-exclusion) of defence stocks by SRI** (Socially Responsible Investment) strategies in France.

While some call for the partial or full reintegration of the sector into SRI portfolios, others advocate much stricter positions.

In a changing environment, **the key tenets of Sienna IM's Listed Asset expertise have always remained clarity and consistency**.

Since our asset management firm was created, we have **applied a thorough SRI approach founded upon the selection of companies using strict environmental, social and governance (ESG) criteria**.

This long-term approach is based on strong convictions. In this area, we have always applied a **sector and norms-based exclusions policy**, avoiding companies involved notably in the development, manufacturing, trade, storage of weapons that do not comply with the international commitments signed by France and Italy (anti-personnel mines, cluster bombs, biological and toxin weapons, etc.).

SUSTAINABLE (continued)

SRI and defence: keeping a consistent approach in a changing environment

However, we **have not excluded the entire defence industry from our funds**. We believe that **some companies involved in the supply of security solutions compliant with international law and humanitarian conventions**, can play a legitimate role in safeguarding a nation's stability and protecting the population.

This nuanced position, a far cry from ideological stances, reflects our **determination to combine responsibility and realism, while factoring in current geopolitical issues**.

Our SRI policy, which has remained unchanged since the creation of the firm, is a testimony to our consistency. This policy is founded upon **thorough and transparent analysis** allowing us to build portfolios aligned with investors' expectations and the challenges of the contemporary world.

TREND

Stimulus measures in a high tariff environment

Growing uncertainty on tariffs and r**educed public spending are likely to stifle growth in the United States** and will weigh on U.S. stock markets. Conversely, **in Europe, several catalysts should support market indices**.

The European commission has recently unveiled the **"Rearm Europe" plan**, **which will mobilise 800 billion euros for defence-related sectors** (air defence, anti-missile, drones etc.). The commission also suggested lifting the public spending limits imposed by the EU when governments invest in defence. The region is benefiting from other positive factors, including fiscal spending in Germany, lower ECB interest rates, a possible ceasefire between Ukraine and Russia, and the Chinese stimulus plan that will support European exporting companies.

In **China**, the **government has raised the general fiscal deficit** target to 4% of GDP, (its highest level in decades), set its growth objective for 2025 at around 5%, and plans to create 12 million urban jobs. The governor of the central bank has stated that the PBoC will lower interest rates and the regulatory reserve ratio this year, as well as offer subsidised loans to stimulate spending in different areas.

TREND (continued)

Stimulus measures in a high tariff environment

In China still, the Central Committee and State Council have recently published the **"special action plan to boost consumption"** - a roadmap aimed at bolstering consumer spending and real income over the long term. The authorities are pushing on with their 2024 strategy, as stimulus measures to support consumption are bearing fruit. Indeed, retail sales and capex are rising; manufacturing has hit new records in March; and growth in services has reached a three-month high.

Investors are now realising that Chinese **companies can compete with many of their U.S. counterparts on the innovation and technological front**. Recent announcements made by DeepSeek in AI, or BYD in the automotive sector, are a testimony to the incredible efforts deployed by these companies. In almost every tech family, China is the leading innovator; and in many others, the country is at the cutting edge of knowledge.

Innovation – including new technologies, novel products or new business models - **is a driver for stock markets** and generates profits through additional revenue or improved profitability. Despite this leadership status in both technology and industry, the Chinese equity market is trading at 10 times earnings - half the price of the U.S. market. The MSCI China index is now trading at a historical discount relative to emerging markets, offering attractive opportunities and valuations for Chinese stocks - our preferred market in Asia.

Written on March, 31st 2025

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

Germany's spending plans, the ceasefire in Ukraine and a potential recovery in China are important catalysts that should continue to support European equity performances. However, our view remains neutral on the asset class.

UNITED STATES

Investors in U.S. capital markets are expressing concern over Donald Trump's measures. Signs of weakness are mounting, which could weigh on the capex momentum and trigger a correction for market indices. We now have a neutral view on US indices.

EMERGING COUNTRIES

China is spearheading innovation in almost every tech family; however, Chinese breakthroughs are poorly recognised by investors. We have maintained our exposure to Chinese indices and introduced a new position in Indian equities.

FIXED INCOME

SOVEREIGN BONDS

We took advantage of the recent rise in bond yields to raise the modified duration of our funds. Our approach continues to focus on carry in all segments of the European bond market. We have adopted a neutral stance on all sovereign debt.

CREDIT

wAfter a strong run over the past two years, the European High-Yield market should remain upbeat in 2025 and continue to attract yield-seeking investors. We have introduced a new position on European High-Yield.

Change in view versus previous month.

Investment team's asset class views.

CONVICTIONS (continued)

EURO/USD

The sharp rise of the Euro seems justified considering the European fiscal stimulus plans; however, the rally has been substantial - almost excessive. Investors now seem to be positioned aggressively. We have therefore shifted from positive to slightly negative on the Euro relative to the dollar.

COMMODITIES

Gold has reached the symbolic threshold of $3,000 per ounce - and even hit an all-time high of $3,200 - on account of its safe haven status in a period of high geopolitical and trade-related uncertainties. Oil, on the other hand, is weakened by the risks of a global economic slowdown. However, we have maintained our estimates of $70 to *75/bbl. for the end of 2025.

Change in view versus previous month.

Investment team's asset class views.

Sienna
INVESTMENT MANAGERS

SIENNA GESTION - Member of the SIENNA INVESTMENT MANAGERS group - French *société anonyme* governed by an executive board and a supervisory board with a capital of € 9,824,748 - RCS : 320 921 828 Paris – AMF Registration Number : GP 97020 on March 13th, 1997– EU VAT number : FR 47 320 921 828 - APE code : 6430Z - Headquarters : 21 boulevard Haussmann 75009 Paris France.

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