GROUP
Banque Richelieu

Investment Strategy

December 5, 2025

www.banquerichelieu.com

Executive Summary

MACROECONOMIC OUTLOOK

An expected choppy November has not questioned our positive global scenario. The shutdown in the US is now over and key statistical publications are gradually resuming outlining a robust economy. Weakness in the labor market has not worsened. It is mostly due to supply issues and uncertainty favoring hiring freezes over layoffs. **In Europe, the economy is still holding up well**. Germany's new budget, in line with the March 2025 recovery plan, will be a key driver in 2026. **In Asia, the real estate crisis is still weighing on China** where recent statistics have disappointed. **In Japan, fiscal loosening is the name of the game**, lifting the outlook for industrials whereas tourism may suffer from rising diplomatic tensions with China over Taiwan.

In December, we will be closely monitoring several potential market-movers:

- **Upcoming central banks' monetary policy committees**, in particular, the FOMC's (Dec. 10) and the BoJ's (Dec. 19). In the US, J. Powell's tone will be key as it may hint at what comes next in terms of cumulative easing. In Japan, any clear commitment to the continuation of tightening may fuel the sell-off in global sovereign rates, weighing in return on risky assets.
- **Potential appointment of Kevin Hassett as FED Chair.** Trump's decision could come before Christmas, confirming the rumor and boosting rate cuts expectations.
- **Supreme Court ruling on the use of the IEEPA to introduce reciprocal tariffs in the US.** Expected between the end of 2025 and January 2026, any decision to suspend could lift the term premium on long-term treasuries.
- **Gradual return of key statistics post shutdown in the US.** Two may weigh in particular : the Non-Farm Payrolls report (Dec. 16) and the CPI (Dec. 18) both for November.
- **2026 French Budget.** Two dates to watch closely: Dec. 19, the "Loi Spéciale" submission deadline; and Dec. 12, the Social Security Budget's final adoption deadline before enactment by decree ("ordonnances").
- **Ongoing ceasefire negotiations between Russia and Ukraine, sponsored by the US**, unlikely to succeed in the near-term in our opinion.

ASSET ALLOCATION

We are keeping our asset allocation, which is delivering positive returns YTD, unchanged in December. We are staying invested in both equities and credit, continue to watch out for FX risk (USD and JPY depreciation) and remain neutral on gold and crude oil given fundamentals and recent performance.

- **On equities our skew continues to go to the US and emerging markets** (neutral stance on Europe and Japan).
  - **In the US, technology** stocks are still a must but given their stretched technicals and the looming correction risk fueled by talks of a bubble, selectivity and caution should prevail. **Banks** (excluding US regional banks with their exposure to subprime credit) will keep on benefitting from steep yield curves, volatility (trading revenues), a robust economy (low default rates) and the ongoing deregulation (not least, eSLR recalibration). Geopolitical turmoil remains an **aerospace and defense** anchor. Trade tensions and polarization (in favor of the wealthiest households while the poorest face dire conditions) continue to weigh on staples.
  - **In Europe**, the same bias towards **banks** and **aerospace and defense** holds. On the latter however, watch out for volatility given the ongoing peace talks between Russia and Ukraine.
  - **In China, our positive call is not broad-based**, but rather focused on the ongoing battle for tech supremacy with the US. Hence, the focus is on **tech stocks** that are in direct competition with US counterparts but with lower valuations.
  - To end with **Japan**: Yen depreciation will continue to lift the outlook of **exporters**; **banks** may benefit from higher net interest margins (higher long-term yields) and **industrials** (nuclear energy, defense, tech) will be boosted by the new government's expansionary budget.
- **On fixed-income, we stay neutral on sovereigns** as rates are now at an equilibrium. We continue to favor investment grade corporate bonds over high yields given compressed spreads and pockets of vulnerability.

Our investment choices (1/4)

	POSITION	RATIONALE	RISKS
EQUITIES	**MAINTAIN**		
	Exposure to equities to overweight	Robust 3Q25 corporate earnings season, especially in the USA. In the Euro Area, yearly earnings growth have also surprised to the upside, even more so excluding the YTD Euro appreciation	• Stronger hit to growth & looming reflationary risks from the trade war • Higher term premia causing a repricing of long-term rates
	Exposure to US equities to overweight	• US economy continuing to surprise to the upside • Ongoing rate-cutting cycle • Trade deal with China • Lower long-term rates lifting valuations • Recent correction enabling interesting entry points	• Prolonged sell-off from stretched valuations, a more hawkish tone from the FED and the potential cancellation of reciprocal tariffs by the Supreme Court • Renewed trade tensions • Disappointing statistics as the delay in publications unwinds post shutdown
	Exposure to EU equities to neutral	• Unfavorable bilateral trade deal signed with the USA • Russia/Ukraine war still in full throttle	• French risk • Spillovers from the war in Ukraine • Disappointing use of the German recovery plan funds (current expenditures rather than productivity enhancing investments, military orders abroad rather than domestically sourced, etc.)
	Exposure to Japan equities to neutral	• Sanae Takaichi's expansionary fiscal policy now fully priced in • BoJ to resume rate hikes but more gradually	• Disappointing fiscal plan • Firmer BoJ in the face of inflation
	Exposure to Emerging Market equities	• Several trade deals between the USA and Asian countries • In China: bets of a domestic demand revival, low tech companies valuations & the five-year plan to be announced in March 2026 • Diversification from core geographies	• Structurally decelerating growth in China • Spill-overs to Chinese financial institutions from turmoil in the real estate sector • Confiscatory US retaliatory tariffs on India

Source: Richelieu Invest analysis

Our investment choices (2/4)

	POSITION	RATIONALE	RISKS
FIXED INCOME – SOVEREIGNS	MAINTAIN		
	Exposure to US sovereign bonds to neutral	Sovereign rates at an equilibrium • 2 year UST yield around 3,5% in anticipation of upcoming rate cuts • 10 year UST yield between 4 and 4,25% at times touching 4%, driven by lower key rates, or going back up towards 4,25%, driven by higher inflation, stronger growth, a more benign labor market outlook or a higher term premium linked to sovereign credibility considerations	• Stronger hit to growth driving rates lower • Sell-off in Treasuries due to a higher term premium • Unwinding of the Yen carry-trade triggering a sell-off in the global sovereign bond market • Fly-to-quality movement driving long-term sovereign rates lower (triggered by renewed geopolitical tensions or turmoil on some market segments)
	Exposure to EU sovereign bonds to neutral (avoid France)	Sovereign rates at an equilibrium • 2 year Bund yield around 2% as ECB rate-cutting cycle is now over • 10 year Bund yield between 2,5% and 2,75% at times touching 2,5% when growth disappoints, or going back up towards 2,75% driven by the sovereign debt supply glut anticipated to fund Germany's defense and recovery plan	• Stronger hit to growth driving rates lower • Sell-off in Treasuries due to a higher term premium • Unwinding of the Yen carry-trade triggering a sell-off in the global sovereign bond market • French political risk driving rates marginally higher in all of Europe • Fly-to-quality movement driving long-term sovereign rates lower (triggered by renewed geopolitical tensions or turmoil on some market segments)

Our investment choices (3/4)

FIXED INCOME - CREDIT

POSITION	RATIONALE	RISKS
MAINTAIN		
• Exposure to US HY credit to underweight • Exposure to EU HY credit to underweight	• Weakness in some market segments stemming from the ongoing polarization in the economy • Concerns on subprime and private credit (in the US especially) though events remain largely idiosyncratic for now • Low spreads not sufficiently rewarding the underlying risks • Contamination risks in a global risk-off environment	• Stronger hit to growth due to ongoing trade war • Prolonged technical correction on the equity markets • Unwinding of the Yen carry-trade triggering a sell-off in the global sovereign bond market and weighing on riskier assets • French risk
• Exposure to US IG credit to overweight • Exposure to EU IG credit to overweight	• Strong balance sheets on IG • Strong investor demand • Strong US economic outlook • European outlook surprising to the upside	• A more favorable macroeconomic environment and spreads kept in check would benefit credit for longer • On the contrary, a rapid deterioration of the macroeconomic outlook could trigger a repricing of corporate credit
Exposure to EM credit to neutral	• Diversification • Structurally weaker USD	• Prolonged period of stronger USD • Prolonged period of higher US rates from a more hawkish FED, renewed concerns on budgetary slippages or the unwinding of the Yen carry-trade once again weighing on riskier assets

Source: Richelieu Invest analysis

Our investment choices (4/4)

	POSITION	RATIONALE	RISKS
OTHER		**MAINTAIN**	
	Exposure to gold to neutral	• Lower US rates lowering the opportunity cost of detention • Recent fast and strong positive performance • Structural strength remains intact (emerging market central banks buying, geopolitical turmoil, inflationary risks, "de-dollarization")	Faster return to the structural strength trend (for example in the case of stronger rate cuts anticipations in the US and the de-anchoring of inflation expectations)
	Exposure to crude oil to neutral	Oil equilibrium prices at 65 USD/BBL (Brent) • OPEC+ is maintaining production quotas in the first months of 2026 • Still, practical production levels have failed to meet the quotas until now • Several countries rushing to benefit from cheaper oil prices to fill-up strategic reserves • Growth has surprised to the upside globally and should continue to do so in the US	• Lower demand or a more aggressive stance by the OPEC+ to lift production may further weigh on prices • An effective ceasefire between Russia and Ukraine would erase the geopolitical risk premium and weigh on oil prices • Conversely, the return of the Iran/Israel conflagration may lift the risk premium
	Exposure to USD to underweight	• The US administration's policies (weak State of Law, questioning of the FED's independence, trade, sharing the burden of the USD as the global reserve currency) • The FED's ongoing rate-cutting cycle whereas other central banks have reached their terminal rates (ECB, SNB)	Any pivot of the US administration from its ongoing policy imperatives may help alleviate the USD depreciation

Source: Richelieu Invest analysis

What if?

	IF THIS HAPPENS	WHAT WE SHALL DO
UPSIDE SCENARIO	EU growth durably surprises to the upside (faster and stronger impact from the implementation of the German fiscal package, more benign hit to global trade)	Increase EU equity exposure
	Ceasefire in Ukraine	Increase EU equity exposure
	Inflation subsides and the BoJ abandons rate hike plan	Increase Japan equity exposure
DOWNSIDE SCENARIO	Prolonged correction on the equity markets	Decrease equity exposure
	Spiraling of the trade war	Decrease equity exposure
	Lower growth or reflationary risks materialize in the USA	Decrease US equity exposure
	More restrictive stance from the FED	Decrease US equity exposure
	A liquidity crunch on segments of the US credit market	Decrease US HY credit exposure
	EU growth surprises to the downside (sluggish internal demand, delay in implementation of German fiscal plan)	Decrease EU equity exposure
	Chinese domestic demand fails to recover	Decrease EM equity exposure
	Higher term premia in Japan due to expansionary fiscal policy or to the BoJ abandoning its rate hike plan despite ongoing inflation	Decrease Japan equity exposure
	The Trump administration interferes with the FED on the conduct of monetary policy or further weakens the State of Law	Decrease USD exposure, Decrease exposure to US sovereign rates, Increase gold
	The French sovereign risk spirals out of control	Increase exposure to German sovereign rates (the ECB intervenes to calm markets)

Source: Richelieu Invest analysis

Underlying rates and currencies forecasts

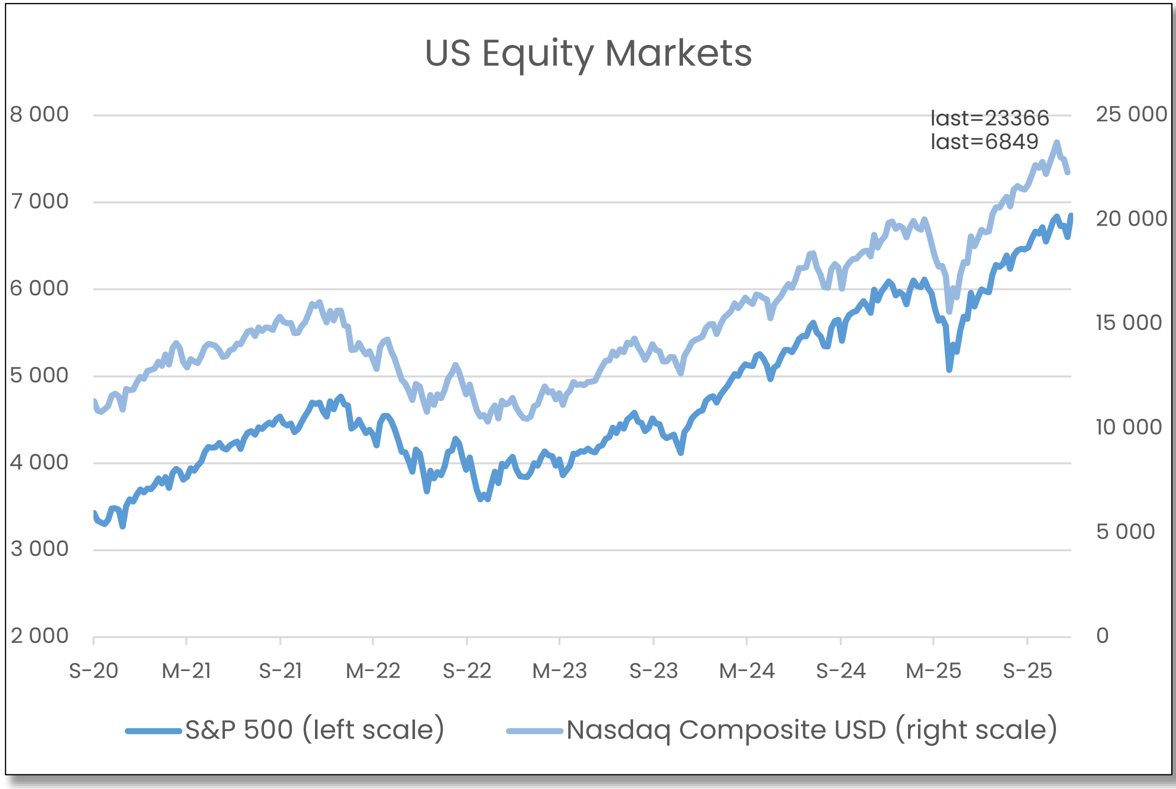
Rates & Currencies	2025 Now	2025 Last (if changed)	2026 Now	2026 Last (if changed)	Rationale and additional details
ECB Deposit Facility Rate	2%		2%		Stabilized inflation around the ECB's 2% target and balanced risks
2Y Bund yield	2%		2% / 2,25%		Shorter portion of the sovereign yield curve settling at the level of the anticipated key rate and then, gradually following the steepening driven by higher long-term rates in 2026
10Y Bund yield	2,5% / 2,75%		2,75% / 3%		Long-term rates at an equilibrium today. Expected slightly higher next year given the long-term debt supply glut (funding of the German plan)
BoE Bank Rate	3,75%	4%	3,5%	3,5% / 3,75%	Higher fiscal headroom from new budget (weighing on future growth). More benign inflation outlook in October. Enabling the BoE to resume its rate cuts earlier
SNB Rate	0%		0%		SNB price stability goal (annual CPI inflation lower than 2%) achieved
BoJ Rate	0,5%		0,75 % / 1%		BoJ to continue to tighten policy but more gradually given the pro-Abenomics new government
FED Funds Rate	4%		3%		FED reacting to a weakening labor market. Hypothesizing a benign inflation outcome from ongoing trade war. Trump's interference also helping drive key rates lower
2Y UST yield	3,5%		3,5%		Lower key rates almost entirely priced in today's short-term sovereign rates
10Y UST yield	4% / 4,25%		3,75% / 4%		10Y UST yield temporarily undershooting 4% in 1H26 in anticipation of upcoming rate cuts. But higher term premium (long-term debt supply glut) would soon kick-in
EUR/USD	1,15 / 1,17	1,13 / 1,2	1,2	1,13 / 1,2	Short-term temporary USD stabilization before structural depreciation returns
EUR/GBP	0,85 / 0,88		0,86 / 0,89		Lower BoE key rates (vs. stabilization in the Euro Area). Weaker economic outlook in the UK
EUR/CHF	0,93 / 0,94		0,93 / 0,94		ECB and SNB both reaching terminal rates levels. American pressure to appreciate, depreciation for inflation management cancelling out
EUR/JPY	178 / 188	173 / 178	181 / 187	173 / 178	Cross parity
USD/JPY	155 / 160	147 / 154	150 / 155	147 / 154	Pro-Abenomics policy weighs more on the Yen than pressure from the BoJ. In 2026, a delayed Yen re-appreciation may take place after the BoJ resumes rate hikes

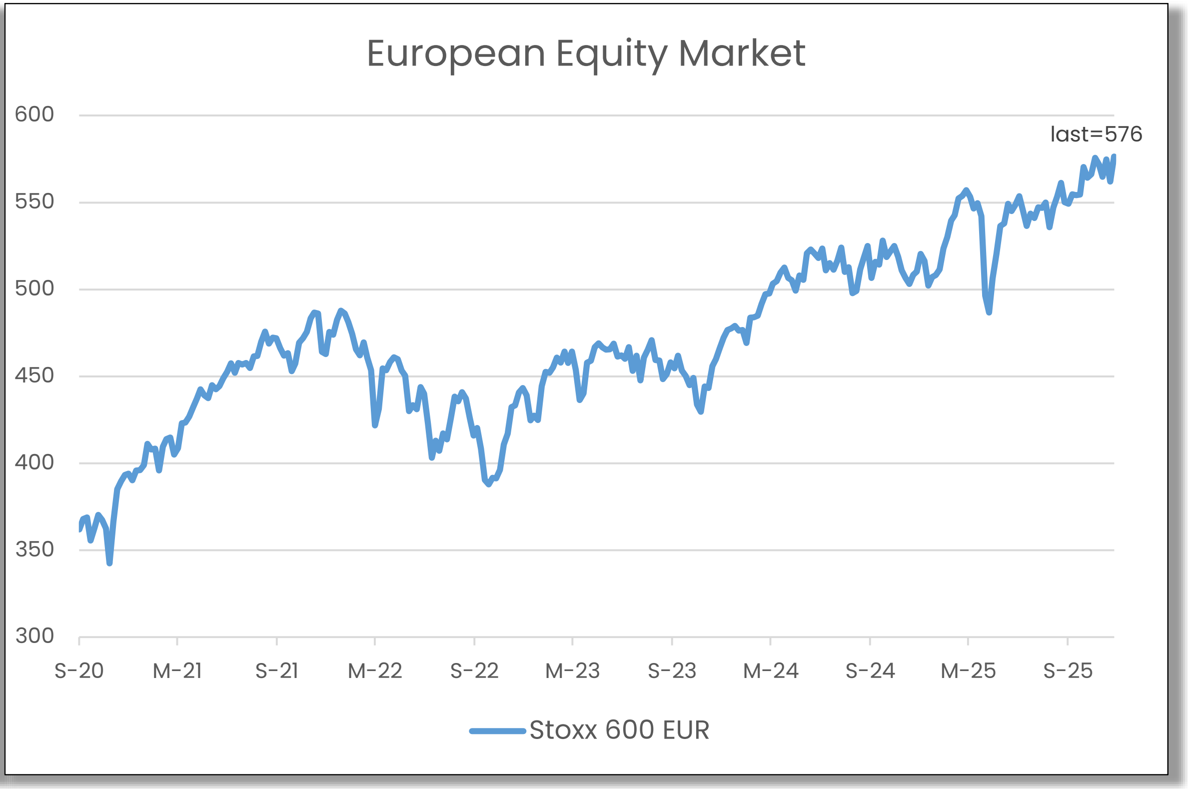
Source: Richelieu Invest analysis

Equities

Equity markets have rebounded sharply since mid April lows

- After a prolonged period of caution around and after "Liberation Day", we have gradually taken on more risks on the equity markets with a skew towards the US and emerging markets and have as such benefitted from the strong recovery to date
- We have maintained our neutral exposure to European equities because the EU/US trade deal is detrimental to European companies and the economic outlook is less rosy on the Old Continent, driven by hopes of investment in infrastructure and defense but prone to disappointment
- Given the vulnerabilities on the US market stemming from strong concentration on highly valued tech stocks, selectivity and a dynamic approach to portfolio management remain key



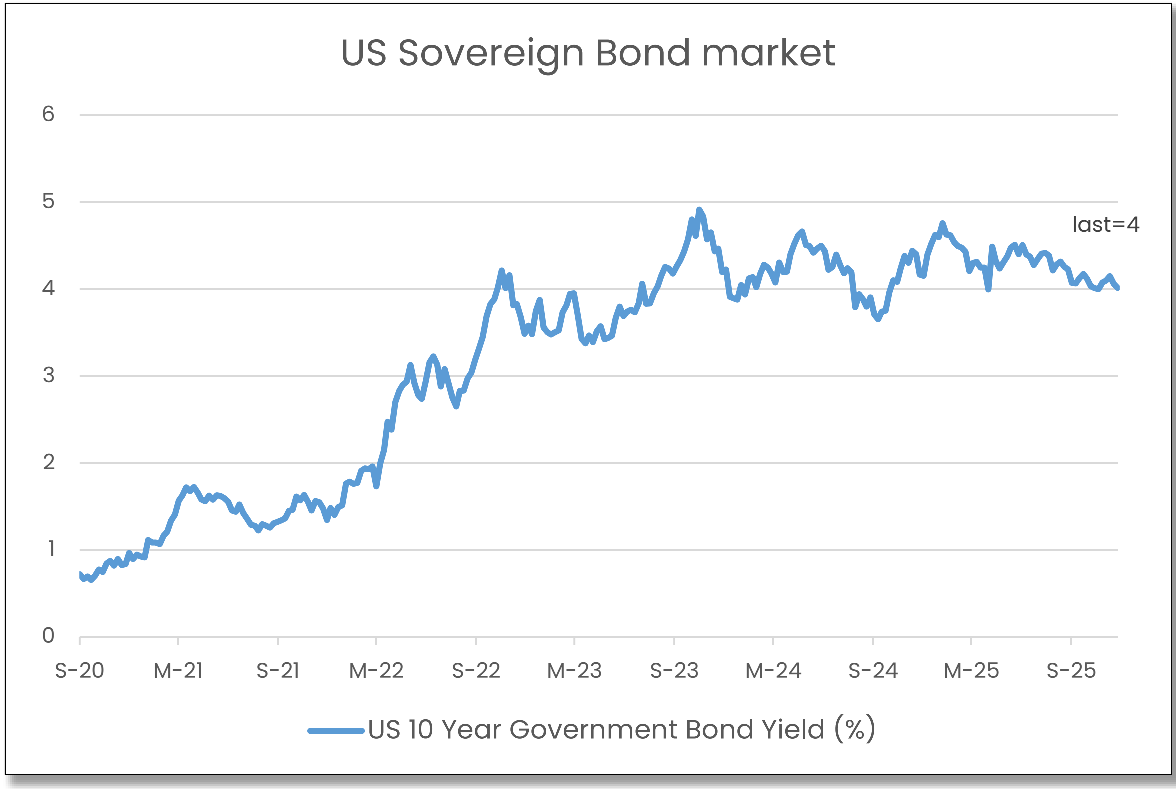


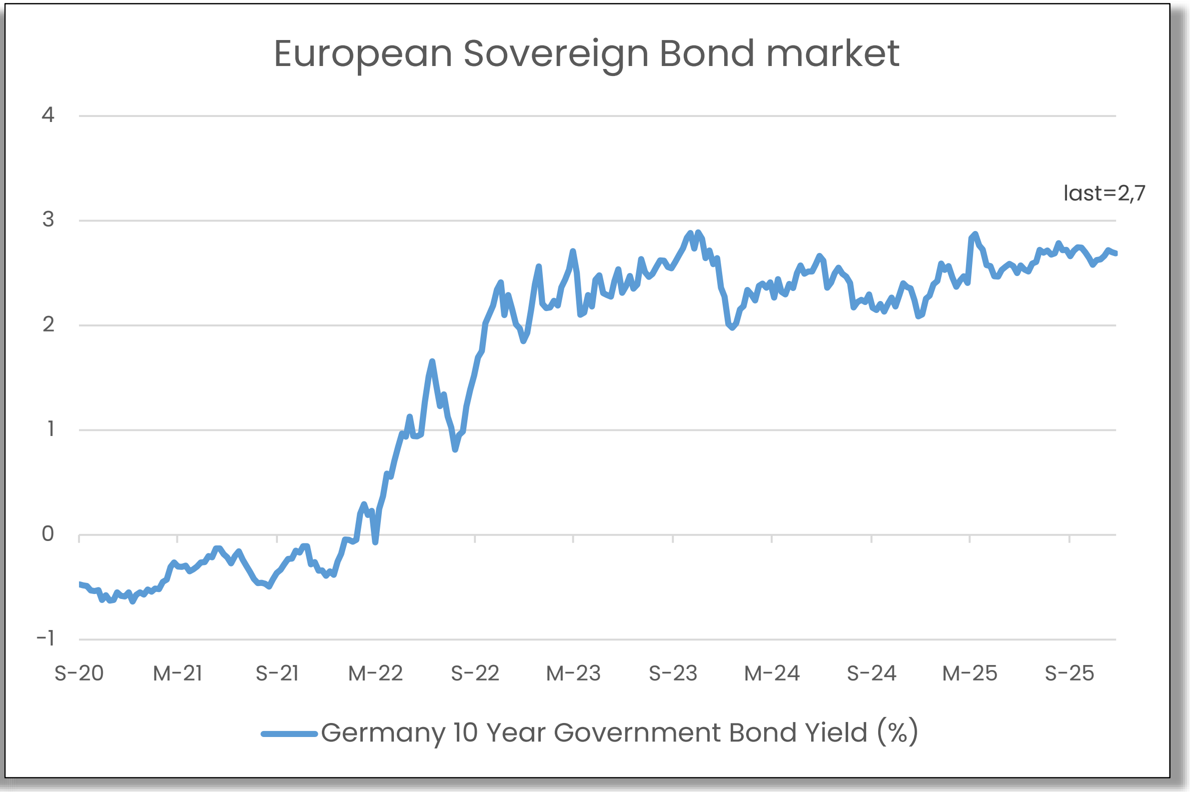
Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

Sovereign Bonds: US and Germany

US and EU sovereign yields are set to keep on hovering near the equilibrium levels recently reached

- We remain neutral on sovereign bonds, as our central scenario is for long-term interest rates to stay muted until the end of 2025
- In 2026, both in the EU and the US, a stronger sovereign debt supply will eventually lift longer-term yields
- In the US, this trend may be blinded by the FED's rate-cutting cycle and 10Y UST yields may temporarily undershoot the 4% mark



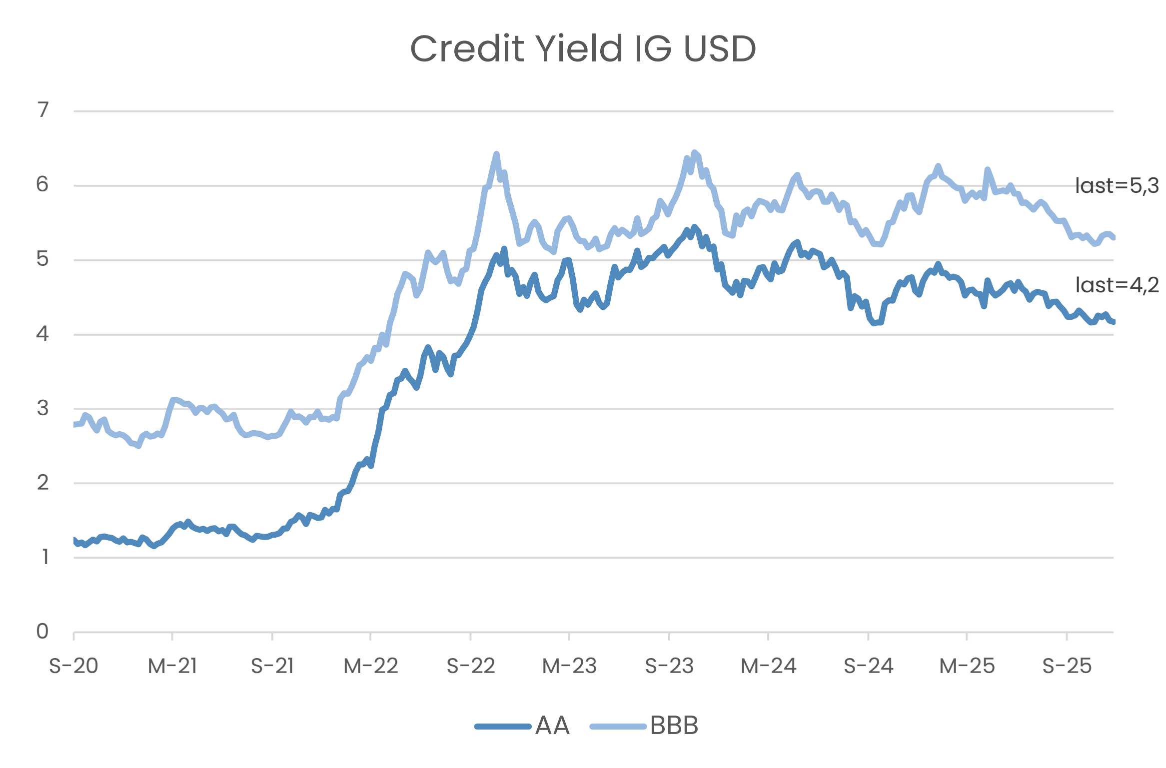


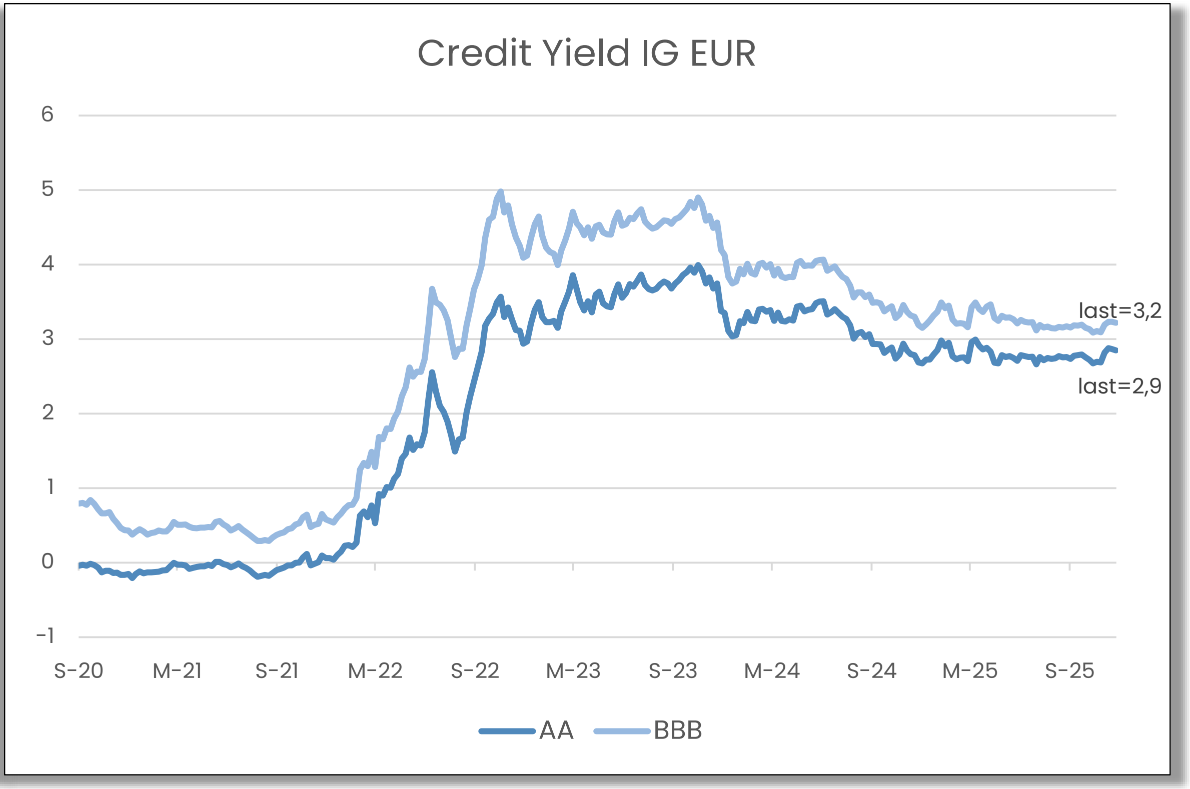
Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

Credit Investment Grade

Credit spreads are still low, hovering at the lower end of their historical range

- The primary market has been very active for several months now, with cover ratios exceeding 4x across sectors, maturities, and ratings
- Investor optimism is supported by expectations of lower short-term rates, easing trade tensions, and fairly solid corporate earnings
- A low equity risk premium in the USA is also helping favor credit markets
- Recently, investors seem to have become more strict on the returns they expect to obtain especially on the high yield segment
- We have therefore maintained our preference for investment-grade corporate bonds over sovereigns and high yield
- Moody's projects the global default rate to reach 3.5% by the end of 2025, declining to 2.6% one year forward





Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

Credit High Yield

Credit spreads are still low, hovering at the lower end of their historical range

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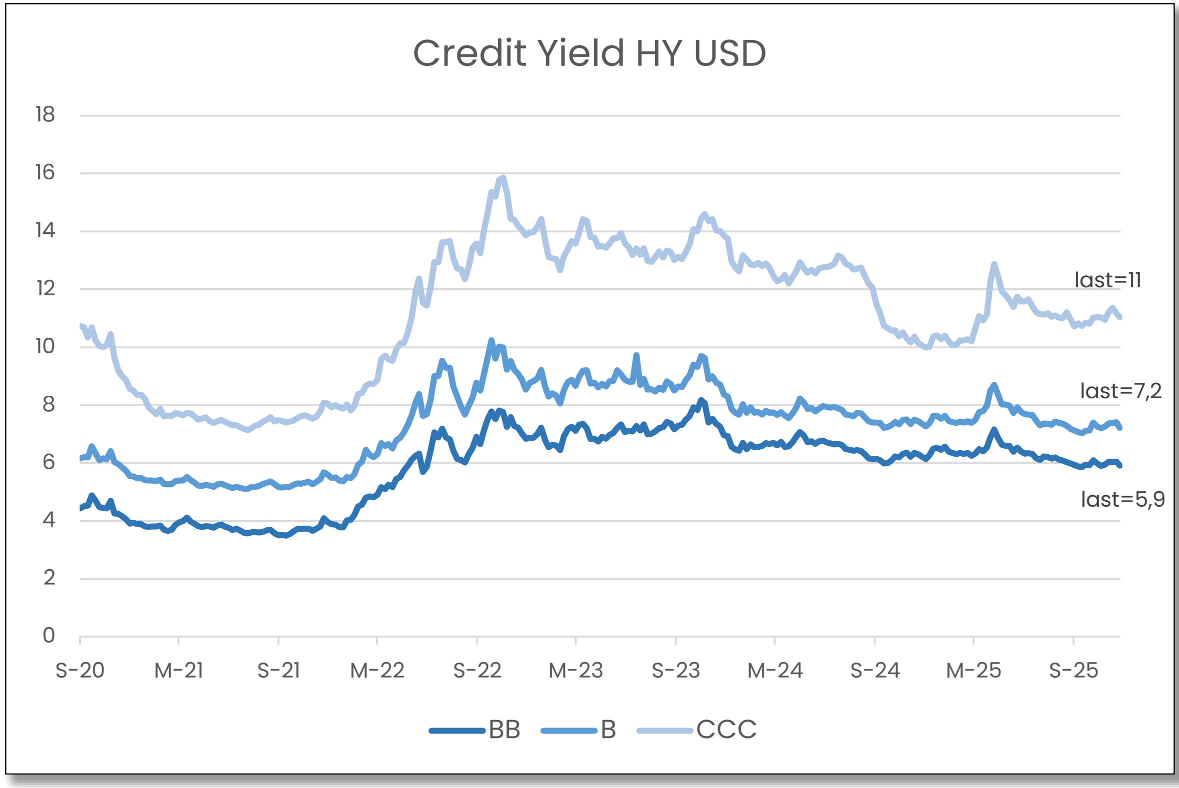
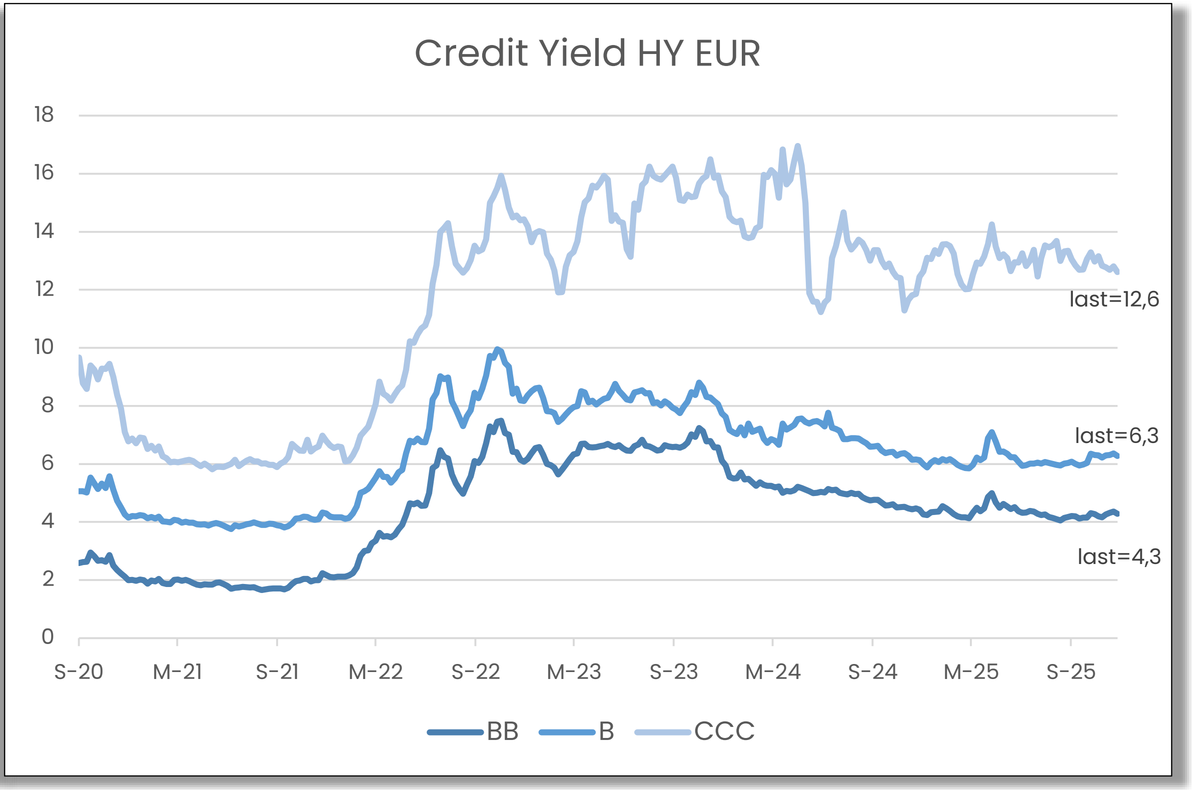


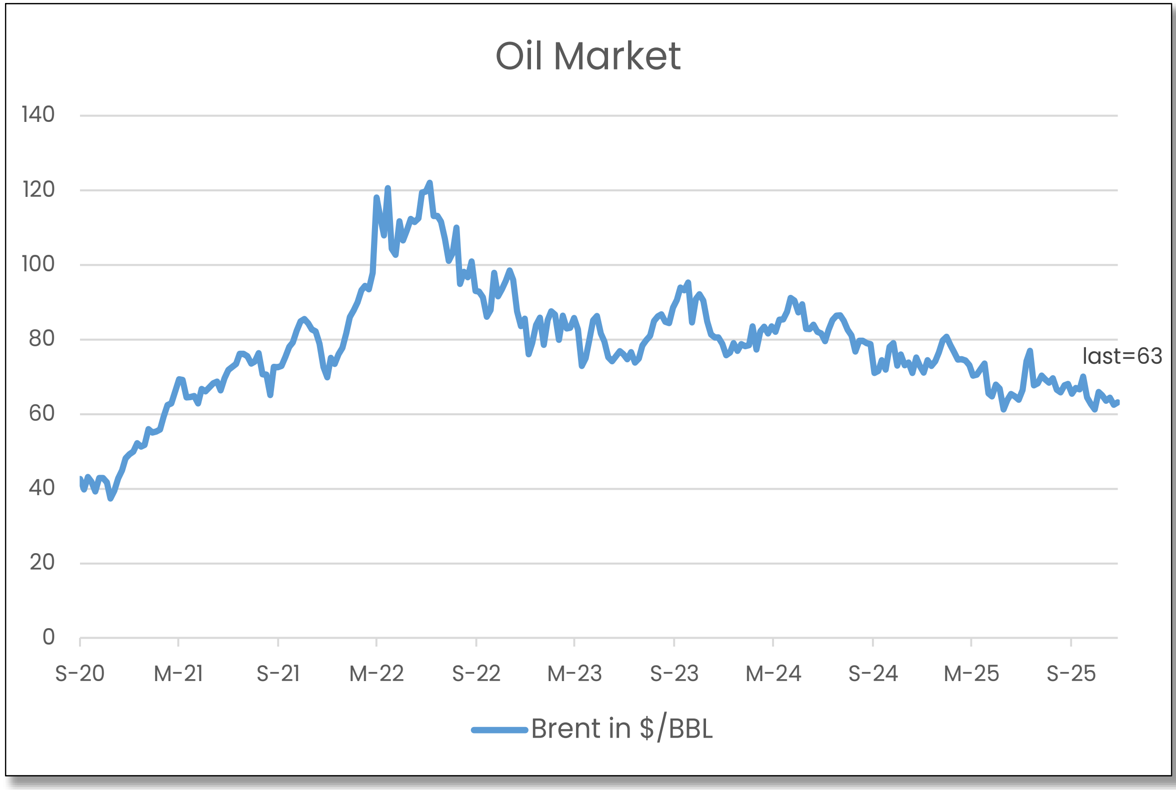


Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

Commodities

In November, oil prices have decreased as the geopolitical risk premium has faded, while gold has kept on reaching new highs

- According to the IEA, long-term oil demand is still expected to grow, while the breakeven price for US shale remains around $60. Overall, oil prices continue to act as a tailwind for the global economy
- The structural upward momentum in gold prices is supported by the structural USD weakness given the disruptive nature of the Trump Administration policies, easing interest rate expectations lowering the opportunity cost of detention, emerging market central banks buying trend and heightened geopolitical tensions

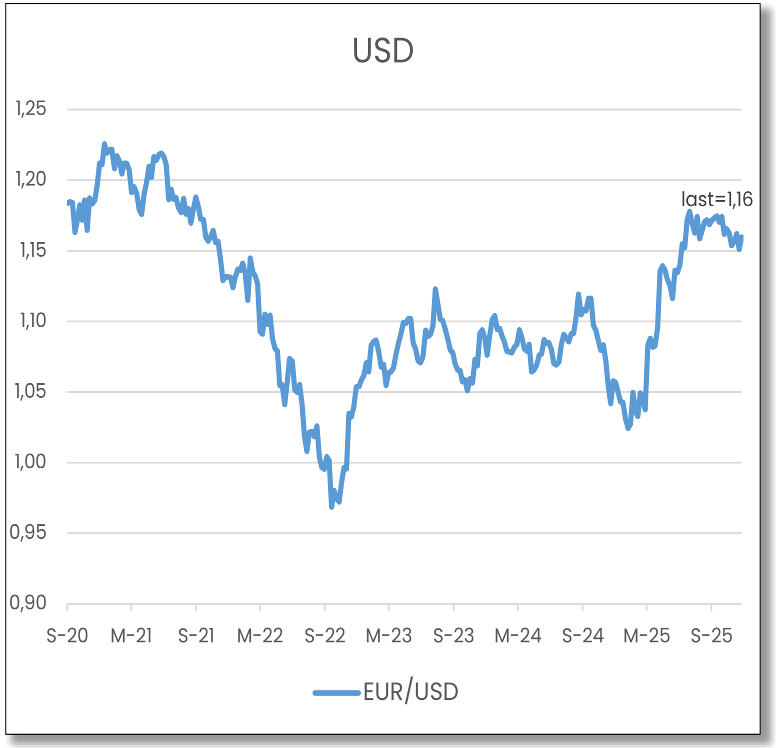


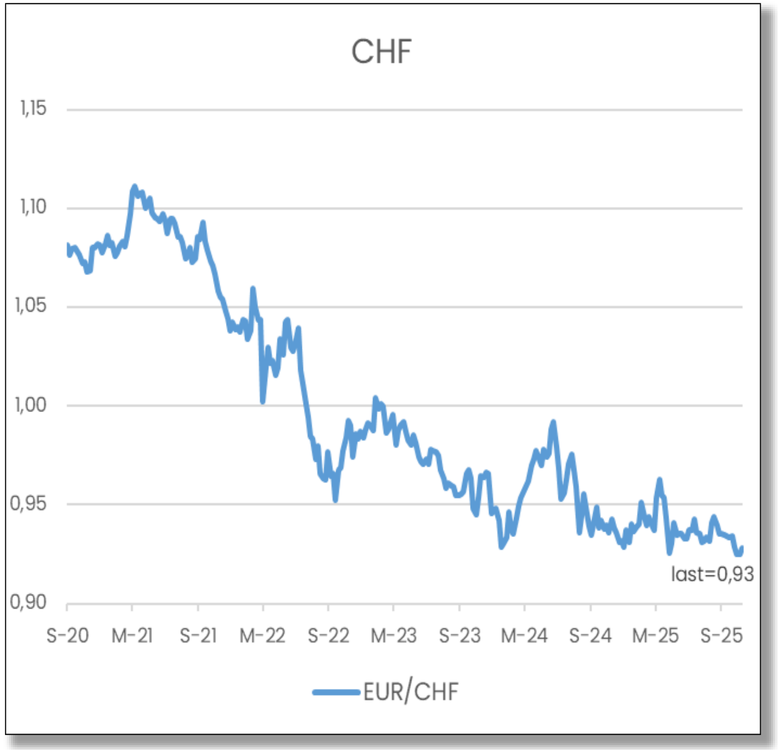
Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

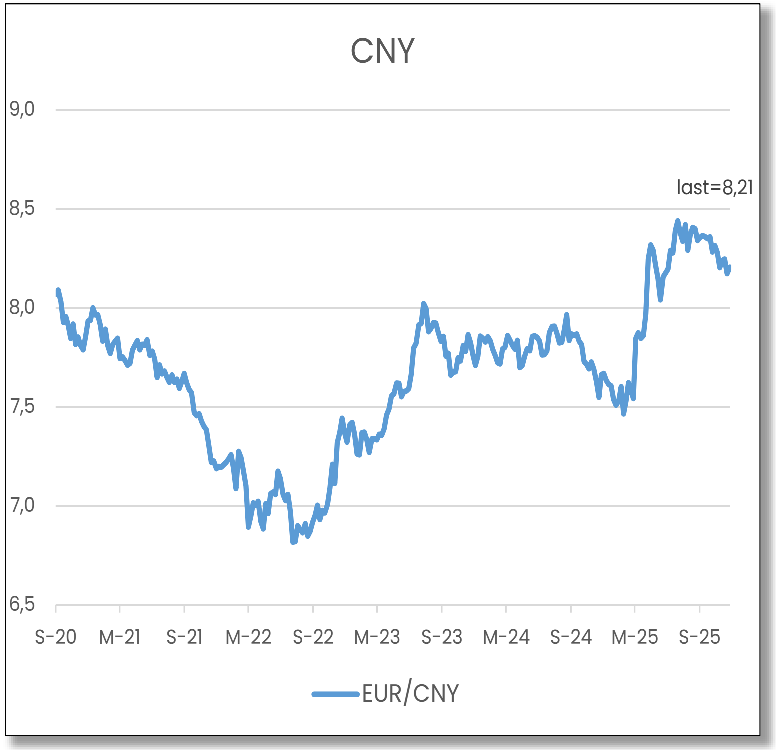
Currencies

USD depreciation is expected to amplify in 2026 after near stabilization at the end of 2025

- Any attempt by the Trump administration to weigh more heavily on the FED to lower key rates could trigger a more pronounced USD depreciation
- The appointment of a pro-Abenomics government in Japan, led by Sanae Takaichi, is heavily weighing on the Yen, more so than the BoJ's pressure to resume rate hikes
- As a result, foreign exchange rate risk management remains key for Euro investors looking to diversify on the US or Japanese markets
- EUR/CHF should remain stable around its current level as the ECB and SNB rate-cutting cycles are over and as Switzerland faces contradicting forces (pressures to appreciate the FX rate from the Trump administration, and at the same time, the will to use FX as a mean to stabilize prices)







Source: Bloomberg, as of 11/28/2025. Richelieu Invest analysis.

Investment recommendation

Three funds to favor in this context: Hugau Moneterme / Hugau Obli 1-3 & Hugau Obli 3-5

Hugau Obli 1-3 & Hugau Obli 3-5 (Part I)

1 **Selection of issuers (good credit quality)**

- Focus on credit quality rather than seniority: for example, prefer a Total or BP hybrid bond to a high-yield bond with the same maturity.

2 **Selection of issues offering optimized risk/return profiles**

- Foreign currency bonds (main countries) hedged against currency risk with a premium.
- Positions in bonds with a high probability of call, primary market and market opportunities.
- Non-index-based management allowing for a wider choice of issuers.

3 **Active duration management**

- Hedging of interest rate risk (forecast or in the event of a shock) in order to control volatility.
- Arbitrage between fixed and variable rates based on the ECB's monetary rate forecasts.

	Cumulative performance					Annualized performance		
Dates	1 month	3 months	6 months	YTD	3 years	1 year	3 years	5 years
Hugau Obli 1-3 I	0.01%	0.89%	2.00%	4.1%	17.7%	4.36%	5.58%	3.16%
Hugau Obli 3-5 I	-0.11%	0.93%	1.98%	3.98%	17.93%	4.23%	5.65%	3.09%

Hugau Moneterme (Part I)

Holding strategy: Focus on short-term corporate issues	**Diversification** 45 issuers / 80 lines
Attractive yield (preferred sectors: telecoms, energy, healthcare, etc.)	**Controlled exposure** No structured products
Credit analysis Internal analysis of each issuer	**High credit quality** A+ minimum

	Cumulative performance					Annualized performance	
Dates	1 month	3 months	6 months	YTD	3 years	1 year	3 years
Hugau Moneterme I	0.18%	0.54%	1.12%	2.33%	10.43%	2.61%	3.36%

Fund		Anticipation Flat performance for 2026	Reminder: Performance 2025 acquired as of 11/30/2025
Hugau Moneterme I - FR0013267663	★★★★★ Notation Quantalys	**Ester Capi +20bp**	2.33% (bench + 27bp)
Hugau Obli 1-3 I - FR0010613521	★★★★★ Notation Quantalys	**2.75% / 3**	4.1% (bench + 186bp)
Hugau Obli 3-5 I - FR0010731513	★★★★★ Notation Quantalys	**3.5% / 3.75%**	3.98% (bench + 119bp)

Source: Richelieu Invest Analysis & Quantalys as of 11/30/2025

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