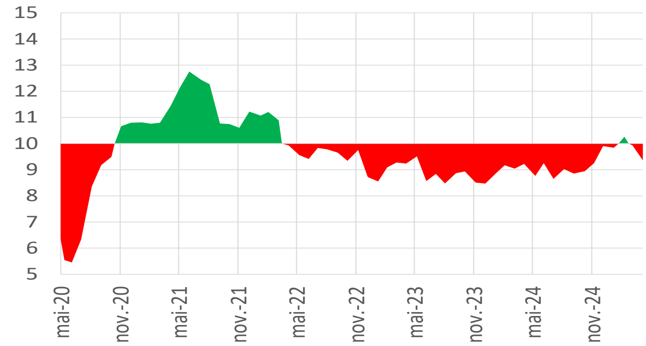
Investment Insight
April 2025

MACRO FOCUS : THE GLOBAL ECONOMY IS SLOWING DOWN AGAIN

by Cyriaque DAILLAND

The overall score of the Sanso Macro Screening (SMS) model has decreased from 9.9 to 9.4. This decline does not yet reflect Donald Trump's tariff announcements made on April 2nd, as the data only goes up to the end of March. As in the previous month, the deterioration is mainly driven by the "trend" component. Among the contributing factors, consumption has recorded a significant drop. Leading indicators continue their downward trajectory and have now fallen below the threshold of 10. Interestingly, the composite PMI has seen a slight rebound. However, in light of the protectionist measures announced by Donald Trump, a further decline in the overall score seems likely.

Overall Score of the Sanso Macro Screening (SMS)

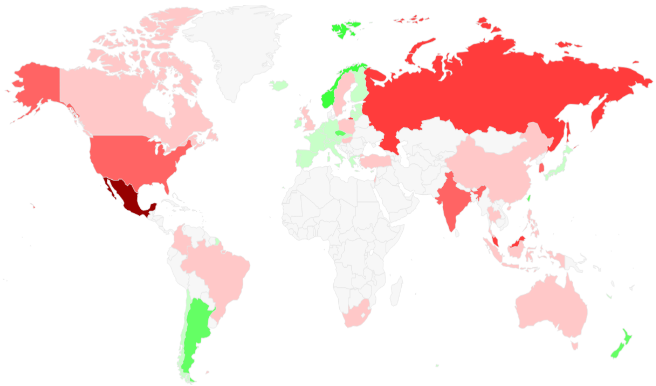


Source : Sanso Longchamp AM; Bloomberg

The U.S. score declined this month, falling from 10.2 to 8.8. The "trend" component saw a sharp correction. Even more concerning, the declines are mainly concentrated in leading indicators and, to a lesser extent, in consumption. This deterioration in the U.S. economy does not yet take into account D. Trump's announcements during his "Liberation Day" speech.

In China, the drop in the overall score is primarily due to a decline in consumption. In contrast, the eurozone shows a clear improvement, with the score rising from 8.5 to 10.8, supported by stronger leading indicators, as well as gains in consumption and real estate.

World Map of the Sanso Macro Screening (SMS)

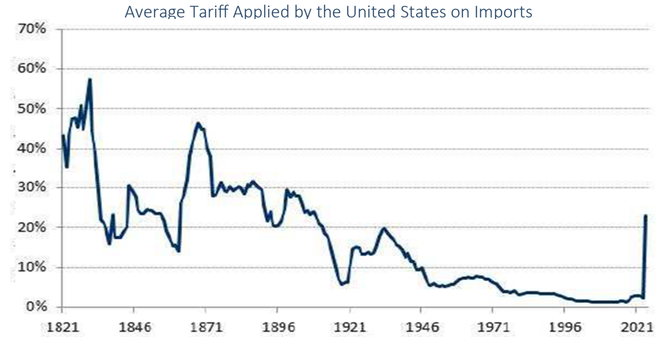


Source : Sanso Longchamp AM; Bloomberg

On April 2nd, Donald Trump surprised the markets by announcing a tariff level significantly higher than expected. While the most pessimistic forecasts anticipated a rate of 18%, the President ultimately announced a level exceeding 20%. This estimate remains unstable due to the volatility of adjustments such as the temporary suspension of surcharges for certain countries and rising tensions with China. Such a level of protectionism is unsustainable for the global economy, particularly for the United States. A gradual reduction therefore seems inevitable, although it may take time.

Chart of the Month

Average Tariff Applied by the United States on Imports



Source : Les cahiers verts de l'économie

The probability of the median scenario (moderate global growth) has decreased from 65% to 60%. Even though D. Trump is likely to seek negotiations over his tariff policies, the instability caused by these announcements is already dampening global economic momentum. Another possibility is that the U.S. President confirms his decision regarding the tariff levels. As a result, the probability of a negative scenario (actual slowdown) has increased from 30% to 40%. In this context, the positive scenario (significant rebound) currently has zero probability.

[1] The Sanso Macro Screening model covers 1,200 economic data series across around thirty countries. The model enables monthly tracking of the global economic situation through the analysis of key countries. The scoring system, ranging from 0 to 20, is an aggregation of statistically grouped data. Six factors are analyzed based on their level and trend.

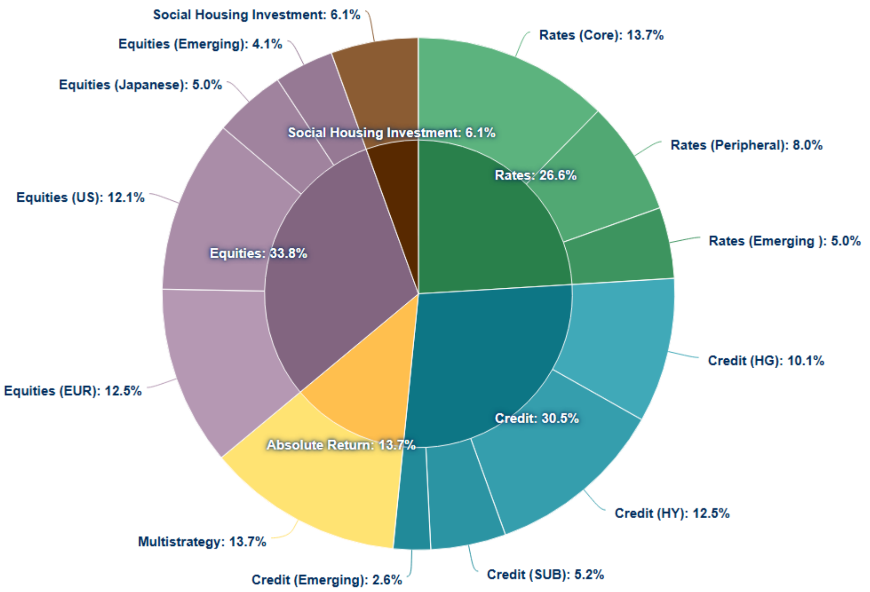
ALLOCATION FOCUS : D.TRUMP’S IMPACT ON ASSET CLASSES

by Cyriaque DAILLAND

Since Donald Trump’s arrival, U.S. asset classes have shown mixed performances. The S&P 500 has declined by more than 20% from its peak. Although the President now appears less sensitive to market fluctuations than during his first term, this correction clearly does not align with his objectives. As for interest rates, the drop desired by D. Trump did occur at the beginning of his term. However, the announcement on tariffs reversed this trend… At this stage, the U.S. President’s ambitions remain unfulfilled. The U.S. dollar, meanwhile, has seen a significant depreciation in recent weeks, having lost more than 10% against the euro. This is considered a success for the President, who has long believed that the dollar is too strong… Some are even mentioning a new version of the Plaza Accord. **In this context, the dollar is losing its appeal as a safe-haven asset, leading us to shift our strategic stance from positive to neutral.**

Positions as of 04/22/2025	Negative		Neutral	Positive		Evolutions	Strategies
	- -	-	=	+	+ +		
ASSET CLASSES							
		Monetary				⇔	
			Bonds			⇔	
				Credit		⇔	
			Equities			⇔	
BONDS							
			Core			⇔	United States (10 ans)
			Peripherals			⇔	Greece and Italy
			Emg Local			⇔	
			Emg Hard			⇔	
CREDIT							
			Invest. Grade			⇔	
				High Yield		⇔	Cross Over, Eurozone
				Subordinated		⇔	European Financials
			Emerging			⇔	Latin America
EQUITIES							
			Europe			⇔	
			United States			⇔	
			Japan			⇔	
			Emerging			⇔	
CURRENCIES vs EUR							
			USD			⇘	
				JPY		⇔	
			G10			⇔	
			Emerging			⇔	

This allocation is implemented in the **Sanso Convictions** fund. The portfolio is designed to reflect a flexible and diversified **approach, with the systematic integration of extra-financial (ESG) criteria.**



FOCUS MARKET : MAKE EUROPE GREAT AGAIN !

by Michel MENIGOZ and François FONTAINE

While we recently expressed concerns about the marginalization of European equity markets on the global stage, their performance in 2025 marks a spectacular turnaround. Although this momentum does not entirely erase the lag accumulated over several years compared to U.S. equities, it significantly narrows the gap. As anticipated in our December letter, only a major event could shift international investors' perception of Europe. That event materialized with Donald Trump's return to the presidency of the United States last January. This shock is not a one-off, but rather a lasting one: each day brings its share of statements—often contradictory—with new announcements and sudden reversals. And all signs suggest that this instability will persist for the next four years.

Beyond domestic policies, which are gradually affecting the American president's popularity, markets have reacted strongly to his stance on foreign policy, both geopolitically and economically. Europe has been forced to acknowledge that the U.S. is no longer a partner it can blindly rely on—nor a trade ally with which it can engage freely.

After years of fiscal orthodoxy, there is now a growing awareness of the need to invest—both to support growth and to ensure defense capabilities. Stimulus plans in this direction have been announced and were relatively well received by investors. As a result, Europe finds itself in a different position compared to the U.S., as it could benefit from this economic boost while, at the same time, U.S. government decisions are likely to weigh on both inflation and growth.

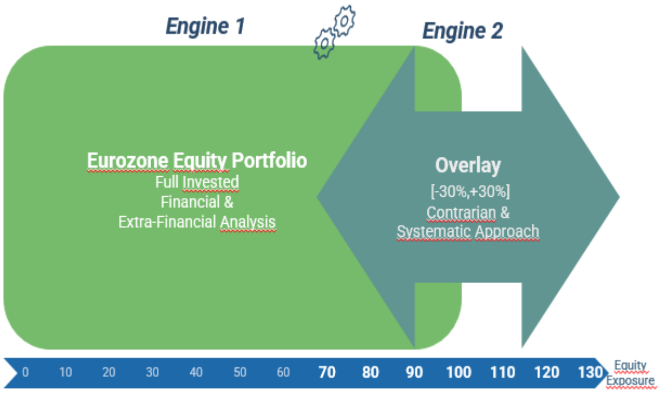
Many signs now point toward a continuation of European equities' outperformance. First, valuation remains a strong argument in favor of European stocks, which are still significantly cheaper despite recent market moves. Then, there is also the strong flow dynamic seen since the start of the year, as international investors have been pulling out of U.S. assets and reallocating to other markets, including Europe. Donald Trump's open desire for a weaker dollar is another factor working against U.S. assets. Moreover, central bank policy could work in Europe's favor in the coming quarters, with the ECB expected to remain more accommodative than the Fed for some time.

Investing in European equities remains a compelling idea, even though volatility will likely stay elevated due to the unpredictable and disruptive behavior of the U.S. president.

At Sanso Longchamp AM, we have maintained a European equity strategy that, admittedly, struggled to compete with thematic strategies—most of which were heavily invested in the "Mag7." But the world is changing. In 2024, our fund Maxima gained more than 20% without holding Nvidia or Meta, and in 2025, as of mid-April, it remains in positive territory despite a notable market decline. Maxima is making its way back into the spotlight.

Beyond its performance, what sets this fund apart is its investment process, which combines two quantitative engines: one systematic and one discretionary. The discretionary component involves a stock selection model based on multifactor analysis, enhanced by extra-financial (ESG) considerations. The systematic engine manages the portfolio's exposure using a dynamic, contrarian approach. We increase exposure when markets fall and reduce it when they rise, all within strict boundaries of +/-30%.

Maxima's Performance Drivers



In a normalized environment of inflation and interest rates, the stock selection model proves highly effective. It correctly identifies groups of stocks that tend to outperform. Last year, for example, the fund was quick to capitalize on the strong rallies of Rheinmetall, SAP, and southern European banks more broadly. The second engine, meanwhile, is particularly effective during turbulent periods like the current one—it helps cushion downturns and amplify rebounds. The combination of both engines provides an additional layer of diversification to the portfolio, resulting in better risk control overall.

The return of volatility favors agile and robust strategies, such as the one we implement in Maxima. More than ever, selectivity and responsiveness in portfolio management are essential.

SRI FOCUS : PHYSICAL CLIMATE RISKS & COMPANIES

by Edmond SCHAFF and Yaël LE SOLLIEC

According to Copernicus, the European Union's flagship climate change monitoring program, 2024 was the hottest year ever recorded since the beginning of the industrial era, and the first to exceed the 1.5°C threshold above the average temperature during the 1850–1900 reference period.

Global warming is driving an increase in extreme weather events, whether long-lasting—such as rising sea levels or extreme heat—or sudden, like cyclones, torrential rainfall, or wildfires.

While the wildfires in California that caused damages currently estimated between $250 and $275 billion in January cannot be directly attributed to global warming, the probability of such events occurring has increased by 35% due to climate change, according to World Weather Attribution.

In a recent report, S&P Global estimates that the cost of extreme climate events linked to climate change will continue to rise in the coming decades and could reach $1.2 trillion per year for companies in the S&P Global 1200 index, which represents around 70% of global market capitalization.

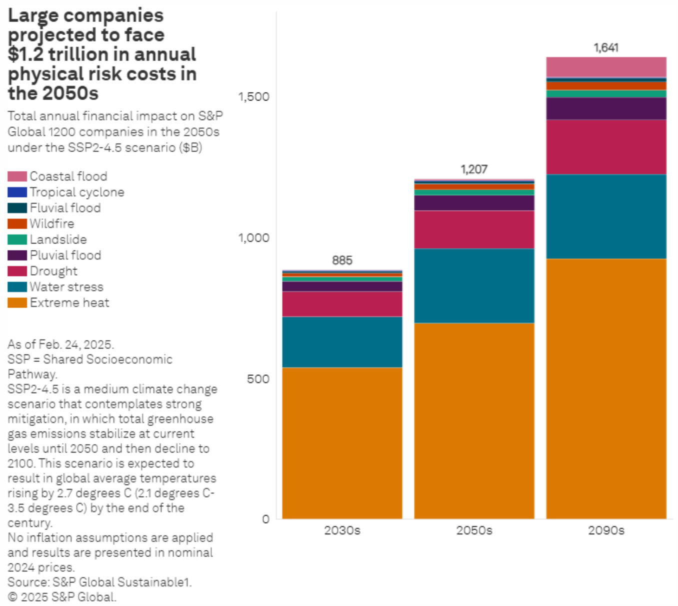
This figure is based on the "Physical Climate Risk" service by S&P Global Sustainable[1], which combines the location of 3 million assets owned by 20,000 companies with climate data across nine major risks, including extreme heatwaves, water stress, rising sea levels, and landslides.

The estimate is based on a climate scenario involving a 2.7°C global temperature rise by the end of the century, aligned with United Nations projections based on current national commitments and the assumption that no adaptation measures are implemented.

91% of the $1.2 trillion in costs stem from extreme heat, water stress, and drought. Though less dramatic than wildfires or tropical storms, these types of climate impacts are more costly because they are global in scale, affect almost all sectors, and are long-lasting.

Extreme heat conditions, for example, can reduce productivity, increase cooling-related expenses, and even cause disruptions in supply chains.

The financial impact of these climate events varies significantly depending on the industry and the location of a company's assets.



According to S&P Global, the utilities sector is likely to be the most affected by physical risks, with an average annual cost per company of $4.6 billion, compared to $1 billion on average for the entire index.
This sector is particularly vulnerable to water stress, which can lead to temporary shutdowns of certain power plants.

That said, S&P Global notes that companies in the utilities sector are among the most advanced in assessing their exposure to physical risks from climate change, with more than 60% of them quantifying the potential financial impacts.

In line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we have been integrating S&P Global's physical risk data into the investment process of our Sanso Smart Climate fund since 2020. This data is one of the key components of our climate risk exposure score for companies a central element in our stock selection process.

Drafted and finalized in Paris, on April 22, 2025.

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