Investment Insight

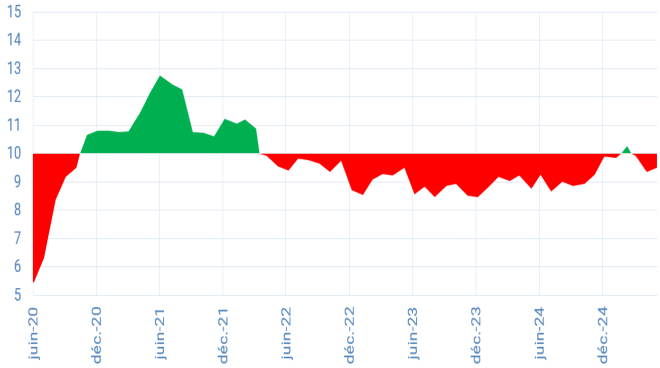
May 2025

MACRO FOCUS: THE GLOBAL ECONOMY SLOWING… NOT STALLING

By Cyriaque DAILLAND

The overall score of the Sanso Macro Screening (SMS)[1] model increased marginally from 9.4 to 9.5. At the component level, the trend has slightly improved. Among the underlying factors, momentum is mixed. On one hand, the trade component score has risen due to a surge in activity ahead of the launch of U.S. tariffs. On the other hand, the score for leading indicators continues to decline. The global composite PMI confirms this trend, falling from 52.1 to 50.8 in April. Even though D. Trump appears more open to negotiations today, the global economy is likely to be affected by the prevailing uncertainty.

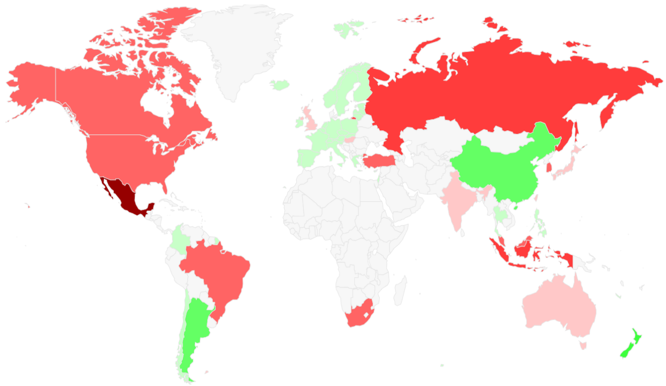
Overall Score of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM; Bloomberg

China's score rose significantly this month, increasing from 9.3 to 11.4. This score has been relatively volatile recently. The rise is mainly driven by all three factors: activity, trade, and consumption. In the eurozone, the decline is marginal, but the score remains above 10. Japan is following a similar pattern, although its score has now dipped below 10. Slightly worrying concerning is the continued deterioration of the U.S. score in April. This decline is primarily due to the activity factor, which dropped from 11.8 to 8.1. This correction reflects a slowdown in the U.S. economy though not a severe one.

World Map of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM; Bloomberg

In April, the IMF released its Global Economy outlook. **The analysis is relatively pessimistic, as it revises down its 2025 growth forecasts for nearly all countries compared to January.** The main reason behind this revision lies in the tariffs, which could reach levels not seen in a century. Moreover, the downgrade for 2025 is not offset by a rebound in 2026. Paradoxically the United States is likely to be the country most negatively affected by a global slowdown.

Monthly Table

IMF Growth Forecasts

		Projections		Difference from January 2025 WEO *Update*[1]	
	2024	2025	2026	2025	2026
World Output	**3.3**	**2.8**	**3.0**	**-0.5**	**-0.3**
Advanced Economies	**1.8**	**1.4**	**1.5**	**-0.5**	**-0.3**
United States	2.8	1.8	1.7	-0.9	-0.4
Euro Area	0.9	0.8	1.2	-0.2	-0.2
Germany	-0.2	0.0	0.9	-0.3	-0.2
France	1.1	0.6	1.0	-0.2	-0.1
Italy	0.7	0.4	0.8	-0.3	-0.1
Spain	3.2	2.5	1.8	0.2	0.0
Japan	0.1	0.6	0.6	-0.5	-0.2
United Kingdom	1.1	1.1	1.4	-0.5	-0.1
Canada	1.5	1.4	1.6	-0.6	-0.4
Other Advanced Economies[2]	2.2	1.8	2.0	-0.3	-0.3
Emerging Market and Developing Economies	**4.3**	**3.7**	**3.9**	**-0.5**	**-0.4**
Emerging and Developing Asia	5.3	4.5	4.6	-0.6	-0.5
China	5.0	4.0	4.0	-0.6	-0.5
India[3]	6.5	6.2	6.3	-0.3	-0.2
Emerging and Developing Europe	3.4	2.1	2.1	-0.1	-0.3
Russia	4.1	1.5	0.9	0.1	-0.3
Latin America and the Caribbean	2.4	2.0	2.4	-0.5	-0.3
Brazil	3.4	2.0	2.0	-0.2	-0.2
Mexico	1.5	-0.3	1.4	-1.7	-0.6

Source : FMI

The probability of the baseline scenario (moderate global growth) remains stable at 60%. Last month, following D. Trump's shock announcements, the likelihood of this scenario had dropped by 5%. However, the stance adopted by the U.S. President since then confirms our initial assessment: while tariffs will have a real impact, it is expected to be limited on the global economy. The probability of a negative scenario (significant slowdown) also remains stable at 40%. The positive scenario (strong rebound) has a zero probability under current conditions.

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

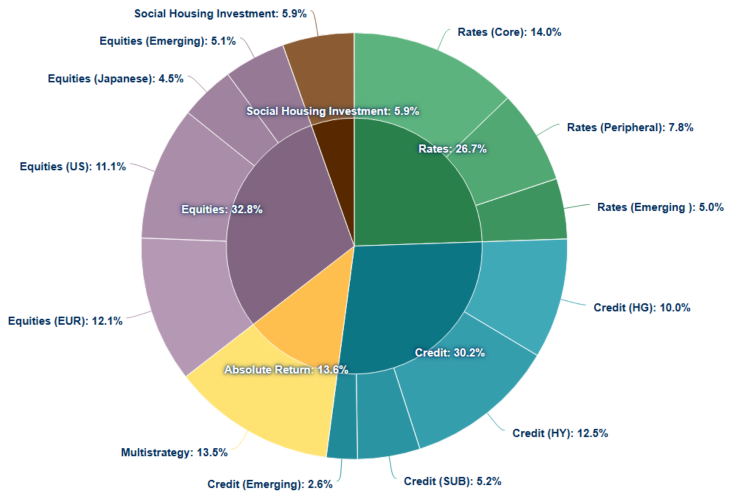
ALLOCATION FOCUS: HAVE TARIFFS ALREADY BEEN FORGOTTEN?

by Cyriaque DAILLAND

The VIX spiked above 60 at the beginning of April a level reached **only three times in the past twenty years**: in 2008, 2020, and 2024. Within just a few weeks, the VIX dropped sharply and recently fell back below 20. The behavior of implied volatility reflects investor sentiment. Risk assets such as equities and credit have largely, if not entirely, recovered from their recent losses. This suggests that the impact of tariffs has, to some extent, been “forgotten” by certain asset classes. However, the story is different when it comes to rates or the U.S. dollar, which are still far from returning to their pre-announcement levels. **In our view, macro factors? such as inflation risk or declining confidence in the Fed logically and directly weigh on these assets. But caution is warranted: equities and credit won't be immune if these risks materialize. In such a scenario, flexibility and responsiveness will be key to navigating allocation decisions.**

Positions as of 05.19.2025	Negative		Neutral	Positive		Evolutions	Strategies
	- -	-	=	+	+ +		
ASSET CLASS							
		Money Market				⇔	
			Bonds			⇔	
				Credit		⇔	
			Equities			⇔	
BONDS							
			Core			⇔	United States (10 years)
			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 built to reflect **a flexible and diversified approach, with the systematic integration of extra-financial criteria.**



MARKET FOCUS: SELL IN MAY AND GO AWAY ? MYTH OR REALITY?

by Michel MENIGOZ & François FONTAINE

This is the time of the year when the old Wall Street adage resurfaces : *Sell in May and Go Away!*

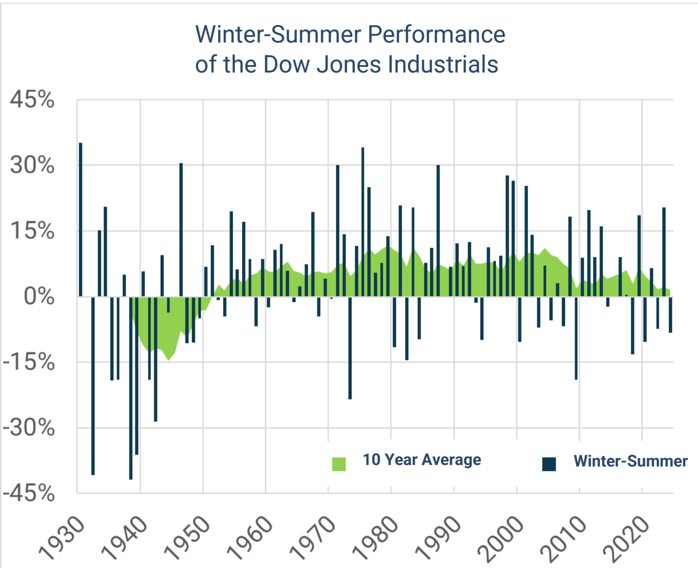
This proverb suggests that equity returns are historically weaker from May to October compared to the November to April period. The logic is clear: investors should, in theory, reduce exposure to risky assets in spring and reallocate capital in autumn.

The origin of this idea dates back to the historical practices of London's financial district, where bankers would leave the City for summer holidays, significantly reducing market volume and liquidity. The full version is actually: *"Sell in May and go away, and come back on St. Leger's Day."*

In this view, a savvy investor might enhance returns by stepping back from the markets in spring and re-entering in autumn, simply due to reduced summer activity and weaker seasonal performance.

But what about today, in an era of globalized, digital, and nearly 24/7 markets?

A first analysis over a very long period, using the Dow Jones Industrial Average as a benchmark, is already quite telling. As shown in the chart below, it appears that since the 1950s, winter has indeed been more favorable than summer in terms of stock market returns.



Winter *(January,February,March,April,November,December)*
Summer *(May, June, July, August, September, October)*

It may seem ironic, since it is precisely during this period that the adage was first mentioned in the *Stock Trader's Almanac*, even though the performances at the time did not yet show this seasonality. Since then, the superiority of winter over summer is hardly in doubt: over nearly a 100 years history, winter's performances have been higher than summer's in 60 cases, with an average gap of nearly 4%, which is considerable over six-month periods. However, this should not be seen as a foolproof strategy, as some years have contradicted the adage. This was notably the case in 1973 (first oil shock) and in 2009 (recovery after the financial crisis), when it was better to be invested in the summer. A downward trend in the performance gap has also been observed in recent years, with a kind of regular alternation over the past 10 years.

Overall, it is clear that a simple strategy of investing in the U.S. market only during the winter months and opting out the rest of the year would have been significantly more profitable than a fully invested, passive approach.

To go into more detail, we extended the analysis to other markets over a full 36-year period, from 1988 to 2024.

Index (*)	S&P500	Stoxx600	CAC40	Topix
Winter	7.1%	7.5%	8.3%	4.2%
Summer	2.6%	-1.1%	-2.2%	-1.7%
Success	64%	72%	78%	61%
Worst Case	-14.7%	-14.4%	-12.5%	-36.5%

** Average performance in local currencies, excluding dividends, from 1988 to 2024 — a 36-year period.*
Winter: January,February,March,April, November & December
Summer: May, June, July, August, September, October
Success Rate: (Number of years where Winter > Summer) / 36
Worst Case: Minimum value of (Winter – Summer) over the 36-year period

The results confirm the seasonal effect. In the United States, the S&P 500 delivered returns nearly three times higher in winter than in summer. Elsewhere, the contrast is even more striking, with negative summer returns observed in Europe, France, and Japan. The success rate, which measures the percentage of years in which the adage holds true, is well above 50%and reaches nearly 80% for the CAC 40!

One might even joke that the French are more prone to switching off during the summer...That said, the worst-case years serve as a reminder to keep the phenomenon in perspective: this seasonal pattern, while statistically significant, is far from infallible.

The adage *"Sell in May and Go Away"* is a statistical curiosity that highlights a form of seasonality in the markets. Closely linked to traditional patterns like the year-end rally or the January effect, the summer period often appears more challenging for investors than the rest of the year. However, as is often the case, this effect is neither universal nor systematic and certainly shouldn't prevent us from enjoying the summer with peace of mind.

CLIMATE FOCUS: ASSETS MAY LEAVE, BUT PROBLEMS REMAIN

by Edmond SCHAFF & Yaël LE SOLLIEC

On April 28, Carmignac announced the merger of the Climate Transition sub-fund of its SICAV *Carmignac Portfolio* into the *Tech Solutions* sub-fund. This decision is symptomatic of a broader trend: the sustained decline in assets under management for global equity funds focused on climate themes.

Over the past three years, assets in about twenty global equity funds—managed by various European and North American firms and featuring the word "climate" (or similar) in their names have fallen from €27.5 billion to €20 billion. Based on historical AUM and NAV data, we estimate that nearly the entire decrease is due to outflows.

Our calculations show that three-quarters of the funds have experienced redemptions ranging from 10% to 50% of their initial assets. Only two funds posted net growth, thanks to new subscriptions.

This trend may seem paradoxical at a time when the effects of climate change are more visible than ever and when 2024 was the hottest year on record since the beginning of the industrial era, according to *Copernicus*, the leading European climate monitoring program.

Part of the explanation likely lies in the disappointing performance of these strategies.

While the MSCI World index rose 27% over the period, the twenty climate-focused funds posted returns ranging from +27% to –43%, with an average of +1% and a median of +5%.

Many of these strategies invest the most of their assets in equities of companies developing solutions for the energy transition: renewable energy, electric vehicles, insulation materials, etc.

However, most of these sectors have been through a rough patch in the stock market, amid rising interest rates, logistical issues, overcapacity, and of course, the evolving U.S. political context—to name just a few unfavorable factors.

The S&P Clean Energy index, focused on renewable energy, recorded a 40% decline over the period, while the FTSE Environmental Opportunities index, which covers broad environmental solutions, rose by 15%, a level still well below that of the MSCI World.

Other strategies, fewer in number but more resilient in terms of performance, invest not only in companies that offer products or services facilitating the energy transition, but also in those that implement advanced measures to reduce their greenhouse gas emissions and manage the full range of climate-related risks whether related to potential new regulations, shifting consumer preferences, or the increasing frequency of extreme weather events.

This is the case with our Sanso Smart Climate fund, which objective is to deliver a risk/return profile close to that of the MSCI World, while standing out significantly on climate and ESG metrics.

	Sanso Smart Climate	MSCI World	Difference with the index
Carbon intensity (Scope 1, 2 et 3, teCO2/MUSD CA)	439	827	-46,9%
Green revenue (%)	12,8%	7,9%	62,0%
Climate Risk Exposure Score	6,8	6,0	13,3%
Climate Risk Management Score	7,8	6,1	27,9%
ESG score (industry adjusted)	7,01	5,00	40,2%
Sustainable investments (SFDR)	81,6%	42,4%	92,5%

To achieve these goals, the portfolio managers rely on proprietary climate, ESG, and financial models for stock selection, and construct a highly diversified portfolio with limited biases in terms of style, region, or sector.

This approach is made possible by the complementarity of the team, which brings together experts in the field of ESG, climate, quantitative corporate financial analysis, data science, and with the development of proprietary decision-support tools.

This disciplined and rigorous approach, implemented for nearly five years in an institutional framework and since 2021 through an open-ended fund, has enabled us to achieve the 3rd best 3-year performance among the group of 20 funds mentioned earlier.

As such, it can offer a relevant solution for investors looking to stay exposed to this theme while limiting significant deviations from the global market.

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

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