

MACRO FOCUS : A GLOBAL ECONOMY WITHOUT A CLEAR TREND

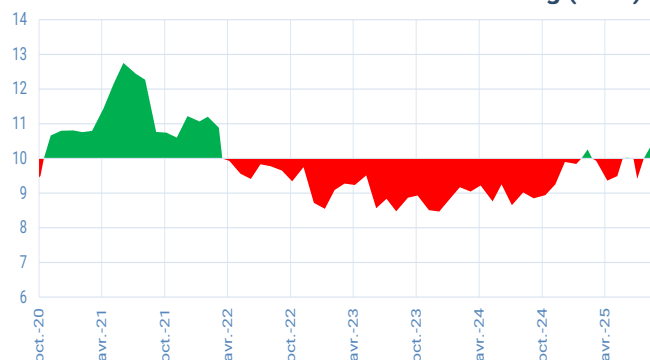
Cyriaque DAILLAND

The overall score of the Sanso Macro Screening (SMS) ¹ model declined from 10.3 to 10.0. On the components side, both trends and the overall levels weakened slightly. Among the factors, negative momentum intensified in trade, consumption, and activity. Conversely, the leading indicators factor continued to improve in August, reaching its highest level since August 2021. In the same vein, the global composite PMI kept rising, moving from 52.5 to 52.9. Thus, despite tariffs and an uncertain geopolitical environment, the global economy is sending reassuring signals.

The major economies (United States, China, the euro area, and Japan) posted remarkably similar scores in August, all hovering around 10. After a difficult first half of the year, the United States has experienced a marked improvement since the summer. Its score increased to slightly above 10, driven by a strong rebound in leading indicators and activity factors. In contrast, the scores of China and the euro area reflect a persistent slowdown in recent months, mainly due to activity and consumption factors. Finally, Japan's score has shown no clear direction since the beginning of the year, fluctuating around 10.

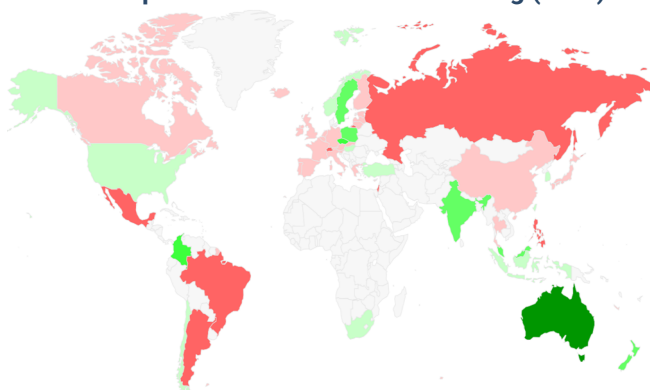
The inflation component of inflation-linked bonds, referred to as the breakeven inflation rate, is shown in the chart on the right. The curve depicts the evolution of 10-year inflation expectations in the United States. Investors expect U.S. inflation over the next decade to remain slightly below 2.5% on average. **This curve has not shown any significant increase in recent months... which confirms that the FED's credibility remains strong, with investors not anticipating a lasting inflationary drift.**

Overall Score of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

World Map of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

Chart of the Month

10-years U.S breakeven inflation rate



Source : Sanso Longchamp AM

The probability of the median scenario (moderate global growth) increased from 60% to 65%. This shift is mainly driven by the improvement in leading indicators, which are particularly effective in anticipating economic dynamics. For consistency, even though the probability of a negative scenario (sharp slowdown) remains real, it declined from 40% to 35%. Certain factors, such as U.S. inflation and the geopolitical context, still warrant close monitoring. Meanwhile, the positive scenario (significant rebound) continues to carry a zero probability.

¹ The Sanso Macro Screening model covers 1,200 economic data series across approximately 30 countries. The model enables monthly monitoring of the global economic environment through analysis of key economies. The scoring system, ranging from 0 to 20, aggregates statistically grouped data. Six factors are analysed based on both their levels and trends.

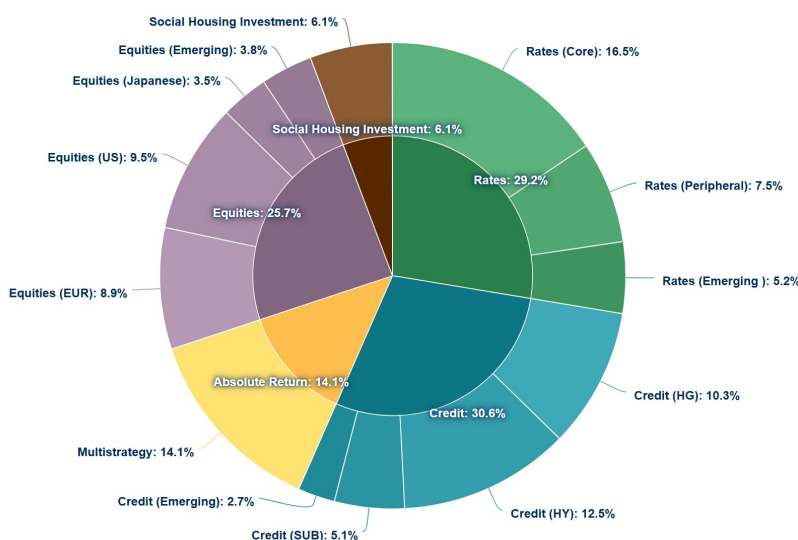
ALLOCATION FOCUS : HETEROGENEOUS DYNAMICS IN FIXED INCOME

Cyriaque DAILLAND

The yield spread between German and French government bonds remains a recurring subject of analysis. Its magnitude has stayed contained (between 65 and 85 basis points) since the initial shock of June 2024. By contrast, other yield spreads have shown much more significant variations. **Since the start of the year, the U.S. 10-year yield has declined by 0.5%, while over the same period the German 10-year yield has risen by 35 basis points. As a result, the spread between the two countries has narrowed by 0.85% in just nine months... a rare phenomenon over such a short timeframe.** This development is explained by Germany's adoption of large-scale stimulus plans, while the Fed is expected to begin new rate cuts in the second half of 2025. Since January, the country experiencing the strongest increase in 10-year yields has been Japan, with a variation of +0.45%. The BoJ intends to maintain its tightening cycle, moving against the trend of other central banks, but the domestic political environment is slowing this momentum.

Position as of 09.15.2025		Negative		Neutral	Positive		Evolutions	Strategies
		--	-	=	+	++		
ASSET CLASS (Absolute)								
	Money Market						↔	
			Bonds				↔	
					Credit		↔	
		Equities					↔	No geographical preference
BONDS (Relative)								
			Core				↔	United-States (10 years)
			Peripherals				↔	Greece & Italy
			Emg Local				↔	
			Emg Hard				↔	
CREDIT (Relative)								
			Invest. Grade				↔	
					High Yield		↔	Cross Over, Eurozone
					Subordinated		↔	European Financials
			Emerging				↔	Latin America
EQUITIES (Relative)								
			Europe				↔	
			United-States				↔	
			Japan				↔	
			Emerging				↔	
CURRENCIES vs EUR								
			USD				↔	
					JPY		↔	
			G10				↔	
			Emerging				↔	

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



MARKET FOCUS : FROM GRANDEUR TO DEBT : THE FRENCH SYNDROME

Michel MENIGOZ & Enzo PEREIRA

Twenty-five years after the creation of the euro, France still occupies a central place in the monetary union's architecture. As the region's second-largest economy and a major political power, it remains at the heart of European decision-making. Yet, something seems amiss.

France gives the impression of an economy on autopilot, lacking a clear fiscal path or a coherent reform agenda.

At a time when several former "weak links" of the European periphery (the PIGS) are surprising with their fiscal consolidation and economic dynamism, France's trajectory raises concerns: sluggish growth, persistent deficits, ever-rising public debt, and a fragmented political landscape.

2025	Vs 2019	Vs 2021
France	18	4
Germany	7	-3
Spain	3	-15
Italy	3	-8
Greece	-42	-56

Debt-to-GDP evolution (in percentage points)

One of the most closely watched signals by the markets is the yield spread between French government bonds (10-year OATs) and German Bunds, which has risen to around 80 bps. Yet the most significant development is actually the narrowing spreads between France and so-called peripheral economies, now reflecting superior fiscal credibility.

While widening bond spreads already suggest a repricing of French sovereign risk, investor disengagement is also visible in equities, in a quieter but equally telling manner.

The French equity market remains heavily polarized around a small number of mega-cap companies operating in sectors that are not particularly representative of ongoing economic transformations. Luxury alone accounts for more than 20% of the CAC 40's market capitalization. Added to this are utilities, domestic banks, and telecoms, that tend to historically underperform over the medium term.

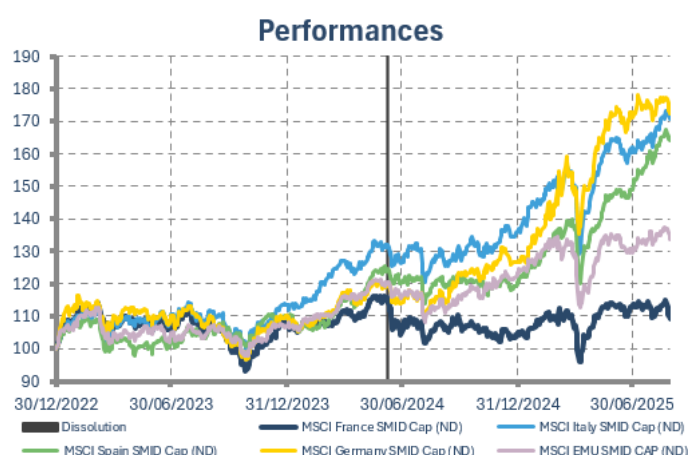
In contrast, technology, innovative healthcare, semiconductors, and the energy transition are very weakly represented. Yet these are precisely the sectors currently attracting thematic investment flows and shaping Europe's reindustrialization.

This sectoral erosion is compounded by a freeze in the primary market. Between 2021 and 2023, the number of IPOs fell from 64 to 15, with significantly lower amounts raised.

The year 2024 marks a slight rebound, supported by Planisware's IPO, though the climate remains uncertain. Beyond market factors, the prevailing instability has weighed on executive confidence, holding back listing projects.

This trend is also reflected in secondary flows. The share of French equities in the European index dropped from about 37.5% at the end of 2022 to 31% in the summer of 2025, a loss of 6.5 points in less than three years.

This decline is not merely a structural trend; it has clearly accelerated under the influence of political uncertainty and lack of visibility, prompting a gradual but significant withdrawal by investors.



The segment of French small and mid caps has not escaped this mistrust. Since the end of 2022, the French SMID Cap index has significantly lagged, underperforming the eurozone SMID index by more than 20 points, and its European peers by over 50 points. This widening gap, which accelerated after the dissolution, reflects a listed ecosystem short of momentum compared to more dynamic neighboring markets.

Still, nothing is set in stone. Several innovative projects such as Mistral AI, the French artificial intelligence unicorn, could embody a new impetus for the Paris stock market.

France has not disappeared from investors' radars, but it has changed status. From a core portfolio asset, it has become a satellite allocation something to monitor rather than to reinforce.

This dynamic could be reversed, provided the country regains a clear political direction, mobilizes industrial policy tools, and reinitiates a credible growth cycle.

ESG FOCUS : CLIMATE CHANGE AND ECONOMIC GROWTH

Edmond SCHAFF & Yaël LE SOLLIEC

Far from being only a long-term concern, climate change is already weighing on economic growth. According to a note published by Allianz Research in July 2025, the heatwaves that hit Europe, the United States, and China reduced GDP by 0.5 percentage points in Europe, 0.6 points in the United States, and 1.0 point in China—amounting to a total global loss of 0.6 points in 2025. Allianz highlights that a single day of extreme heat above 32°C is equivalent, in productivity terms, to “half a day of strike action.” These figures are a stark reminder that climate change is not merely an environmental issue but also translates into measurable economic impacts.

GDP loss due to the number of days above 32°C

	Number of days with temperature higher than 32° (01/05 - 14/07)	Payroll cost (%)	GDP cost (pp)
Southern and Central Europe			
Greece	43	1.7	1.1
Spain	52	2.1	1.4
Italy	44	1.8	1.2
France	12	0.5	0.3
Germany	5	0.2	0.1
Romania	23	0.9	0.6
Bulgaria	16	0.6	0.4
US	24	1.0	0.6
China	38	1.5	1.0

Over the longer term, the consequences will be even more severe. The World Economic Forum and the Boston Consulting Group estimate in their report *The Cost of Inaction* (December 2024) that, under a warming trajectory of around +3°C, global GDP could shrink by 16% to 22% by 2100, compared with a counterfactual “no-climate” scenario. By 2050, the loss would already amount to around 4%. This study also translates climate risks into financial terms for companies: under an inaction scenario, certain sectors could see 5% to 25% of their annual EBITDA at risk by 2050.

The most exposed sectors are those reliant on heavy infrastructure or complex supply chains.

Conversely, an orderly transition scenario limits these losses and creates additional margins for proactive players.

Average annual financial impact of carbon pricing by 2030 under different scenarios

	Rapid transition						Slow transition					
	Materials	Metal & mining	Chemicals	Utilities	Industrials	Oil & gas	Materials	Metal & mining	Chemicals	Utilities	Industrials	Oil & gas
Europe	>50%	20-30%	20-30%	10-20%	5-10%	5-10%	>50%	20-30%	10-20%	10-20%	1-5%	<1%
North America	30-50%	30-50%	20-30%	30-50%	5-10%	5-10%	1-5%	1-5%	1-5%	1-5%	<1%	<1%
South America	>50%	20-30%	10-20%	5-10%	5-10%	5-10%	1-5%	<1%	<1%	<1%	<1%	<1%
Asia-Pacific	>50%	30-50%	10-20%	30-50%	1-5%	5-10%	20-30%	1-5%	1-5%	1-5%	<1%	1-5%
Africa & Middle East	>50%	30-50%	>50%	>50%	5-10%	1-5%	<1%	<1%	<1%	<1%	<1%	<1%
Sector average	>50%	30-50%	30-50%	30-50%	5-10%	5-10%	20-30%	5-10%	1-5%	1-5%	<1%	<1%

The report emphasizes that annual investments of 2% to 3% of global GDP in mitigation and adaptation would prevent 10% to 15% of cumulative losses, implying a positive return on investment: every dollar invested in resilience generates between \$2 and \$19 in avoided losses. This proactive logic demonstrates that climate action is not just a constraint but a rational economic lever.

In a study published in 2024, the National Bureau of Economic Research (NBER) reinforced the conclusions of the WEF and BCG, showing that warming could cost up to 12% of global GDP per additional degree, and estimated the social cost of carbon at more than \$1,000 per ton.

More recent research, which systemic effects related to climate change, has reached more pessimistic conclusions than older studies such as the OECD’s 2016 analysis. The latter suggested relatively limited losses between 2% and 10% by 2100 because it focused only on conventional channels (agriculture, labor productivity, coastal areas, tourism).

At Sanso Longchamp AM, we believe that, beyond their differences, these studies convey a common message: inaction costs more than action.

As a result, companies’ exposure to climate risk and their management of these risks are at the heart of the investment process of our Sanso Smart Climate fund.

These issues are also fully integrated into our broader responsible investment policy, particularly our voting and engagement strategies.

Letter written on 17 september 2025

sanso-longchamp.com

+33 1 84 16 64 36 – 17 rue de Chaillot, 75116 Paris

Sanso Longchamp Asset Management, SAS with a capital of €563,673, registered with the Paris Trade and Companies Register under No. 535 108 369. A management company authorized by the AMF under No. GP-1100033 – www.amf-france.org. Past performance and achievements are in no way a guarantee of current or future performance. This data is provided to help you assess the market context in which the FCP is managed and should not be considered as benchmark indices. The flexibility of the strategies implemented in the FCP makes any comparison with a fixed market index irrelevant.

