

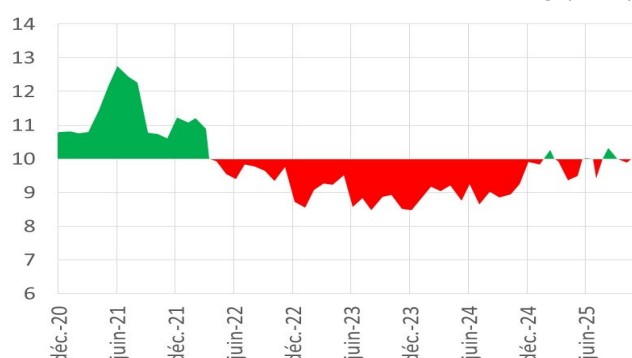
### MACRO FOCUS

## GLOBAL ACTIVITY CONTINUES TO DEMONSTRATE RESILIENCE

Cyriaque DAILLAND

The overall score of the Sanso Macro Screening (SMS)<sup>1</sup> model increased slightly from 9.9 to 10.0. It has now been nearly a year that the global score has hovered around 10, confirming a degree of resilience despite certain risk factors, such as customs tariffs. At the component level, both trend and level remain broadly stable. Among the factors, only forward-looking indicators show a notable improvement, rising from 10.1 to 11.3. The global composite PMI confirms this momentum, rebounding from 52.5 to 52.9. Month after month, the global economy—while not exuberant—continues to demonstrate resilience.

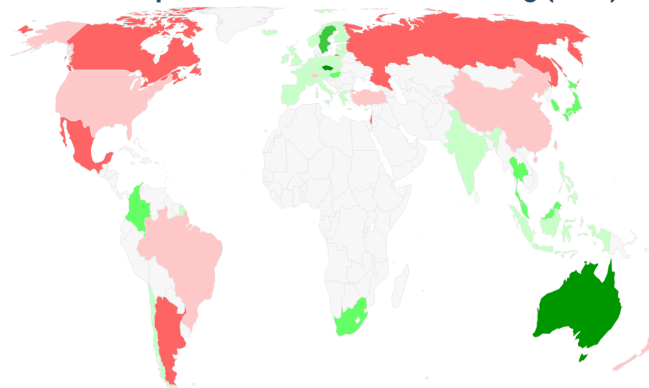
Overall Score of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

At the level of the main economies (United States, China, the euro area and Japan), the previously atypical convergence between these four regions has shifted. The scores for Japan and the euro area rose by more than one point in October, allowing both economies to move back into positive territory (scores above 10). For the euro area, this improvement is mainly driven by forward-looking indicators and activity factors. In Japan, the increase stems primarily from consumption, forward-looking indicators and trade factors. China and the United States posted slight declines, linked respectively to trade and consumption factors.

World Map of the Sanso Macro Screening (SMS)



Source : Sanso Longchamp AM

The euro area composite PMI stood at 52.5 in October, its highest level since May 2023. This positive momentum is driven primarily by Spain, which increasingly appears to be the engine of activity within the region. Germany and Italy also provide a supportive—though more modest contribution. France, by contrast, remains a clear laggard, with a composite PMI of 47.7. Political uncertainty is acting as a significant drag on the country. At the sector level, services are clearly driving the upward trend, while manufacturing continues to hover around the 50 mark.

Chart of the Month

Euro Area : Composite PMI



Sources : HCOB; S&P Global PMI

The probability of the median scenario (moderate global growth) remains stable at 65%. This has been the case for several months, the global economy continues to demonstrate resilience despite uncertainties that could have weighed on consumer or investor confidence, as well as on real activity. The probability of a negative scenario (marked slowdown) remains set at 35%. The US economy remains highly dependent on the AI theme, a factor to watch closely. The positive scenario (significant rebound) still carries a zero probability.

<sup>1</sup> 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.

## UK YIELDS: AN OPPORTUNITY?

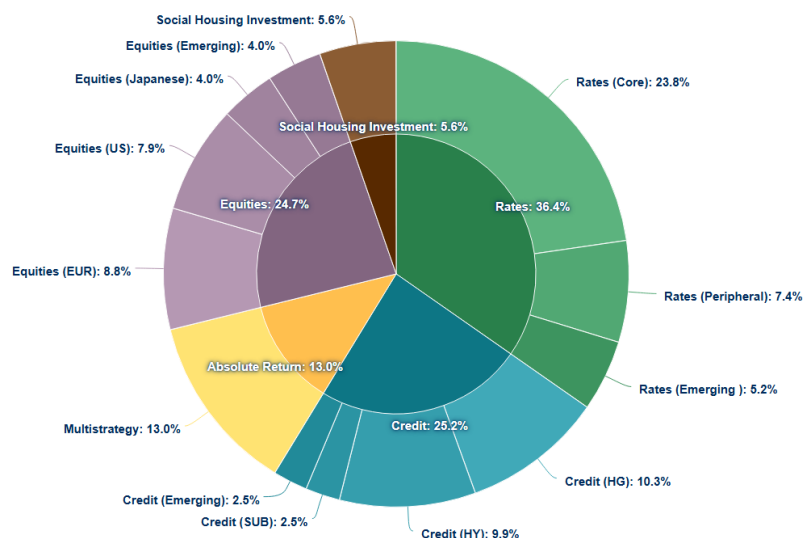
Cyriaque DAILLAND

UK 10-year government bonds currently offer a yield of 4.5%, the most attractive among G10 countries. This level is identical to that observed at the beginning of the year, even though US 10-year yields have fallen by 0.4% in 2025. The current level appears historically elevated, as one must go back to 2007 to find a yield of similar magnitude. Moreover, with weak growth, rising unemployment and inflation expected to normalise in 2026, UK yields should decline in the coming months. This analysis must be tempered by two factors. First, the Labour Party's political willingness to contain fiscal deficits is uncertain. Second, the currently high volatility in UK government bonds reduces the overall risk-return profile.

**In this context, regarding UK sovereign bonds, our strategic stance remains neutral, but we are buyers on a tactical basis.**

Position as of 11.17.2025	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			↔	
			Emerging			↔	Latin America
EQUITIES (Relative)							
			Europe			↔	
			United-States			↔	
			Japan			↔	
			Emerging			↔	
CURRENCIES vs EUR							
			USD			↔	
				JPY		↔	
			G10			↔	
			Emerging			↔	

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



# FACTORS: ESSENTIAL GUIDES FOR UNDERSTANDING THE MARKET

Michel MENIGOZ & Enzo PEREIRA

Since the beginning of the year, equity markets have delivered broadly positive performance. Major indices have advanced, investor sentiment appears confident, and volatility has remained contained. Yet behind this reassuring backdrop, certain signals warrant closer attention.

## The Factors

In equity management, style factors are powerful analytical tools. They allow companies to be classified according to fundamental or behavioural characteristics. Before the 2008 crisis, factor analysis was often limited to criteria related to valuation, growth or momentum. Quite logically, it later expanded to include considerations of profitability and risk.

The crisis indeed highlighted the importance of favouring, within portfolios, the most profitable companies—those with solid margins and sound capital management—while also favouring stable businesses offering visibility and low volatility.

Historically, these factors have all demonstrated their ability to generate long-term outperformance. However, in the short term, their effectiveness varies depending on economic cycles, monetary policy regimes and market behaviour.

	Quartile 1 Performance	Quartile 4 Performance	Difference
Profitability	+6.4%	+11.7%	-5.5%
Risk	+1.7%	+14.6%	-12.8%

This phenomenon can be explained by several dynamics:

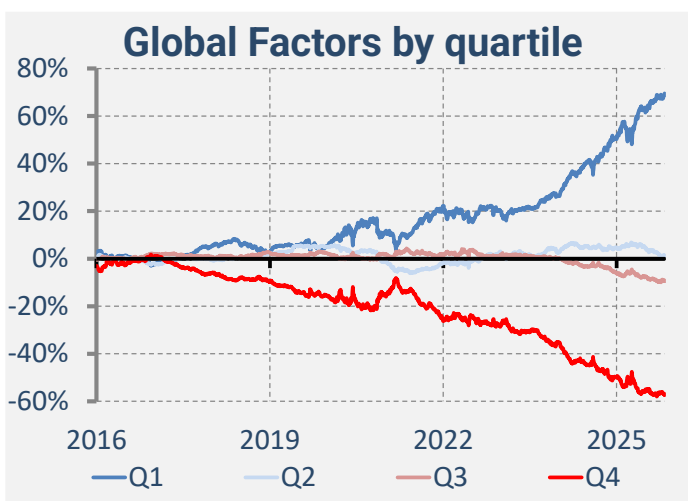
- Search for quick returns: in an environment where a handful of large technology stocks capture most of the performance, investors may be tempted to follow the trend, at the expense of fundamental analysis.
- Rising complacency: low volatility and the absence of recent shocks can create a false sense of security. This may encourage some investors to take on more risk, overlooking the quality of underlying companies.
- Herding and thematic effects: narratives around artificial intelligence or new technologies can overshadow traditional criteria such as profitability or financial robustness.

## Why is this cause for concern?

Historically, periods during which markets ignore company quality often end with a sharp return to reality. When investors favour risky or low-profitability stocks, the market becomes more vulnerable to a reversal, as it rests on fragile foundations.

This disconnect between overall market performance and that of fundamental factors can therefore be interpreted as a sign of complacency. This is not a prediction of a market crash, but rather a reminder that caution remains warranted—especially when performance drivers diverge from fundamentals.

In this year 2025, during which momentum, earnings momentum and even valuation factors have all demonstrated their relevance, profitability and risk factors have, by contrast, behaved irrationally. Maintaining diversification across selection criteria therefore remains essential to better navigate these phases of the market, which can appear somewhat irrational from certain angles. Moreover, closely monitoring these factors also helps to better understand market dynamics, particularly during turning points. The first half of November appears revealing in this respect.



Relative performance of factors by quartile

## A worrying paradox: the market is rising, but the strongest companies are being penalized.

What is striking today is that the Profitability and Risk factors are significantly lagging, even as markets continue to advance. In other words, the most profitable and least risky companies are being disregarded, while more fragile—and often more speculative—stocks are attracting inflows. This is illustrated in the table below, which shows the respective performances of the first and fourth quartiles of each of these two factors across a global universe.

## SFDR 2.0: A STRUCTURAL REFORM

Edmond SCHAFF, Yaël LE SOLLIEC & Léa CITERNE DEBAENE

The European Commission is preparing an overhaul of the Sustainable Finance Disclosure Regulation (SFDR), for which a preliminary draft recently leaked, while the official reform proposal is theoretically due to be published on Wednesday, 19 November.

After several years of application, the limitations of the current framework have become clear: excessive complexity, particularly for end-clients; heterogeneous practices among asset managers, especially regarding the definition of sustainable investments; divergent interpretations among national regulators; and the transformation of Article 8 and Article 9 categories into quasi-labels, far beyond their initial purpose.

The published draft therefore aims to simplify the framework, enhance product comparability and reduce greenwashing risks.

Under this proposal, the existing Article 6, 8 and 9 categories would be replaced by a new classification system built around three categories:

- products with a transition objective (Article 7),
- products integrating sustainability factors beyond simple risk management (Article 8),
- and products pursuing an explicit sustainability objective (Article 9).

In addition, an “impact” category would be introduced, defined as a subset of transition or sustainability products when they target measurable impact, along with a hybrid category combining multiple approaches, intended notably for fund-of-funds. The corresponding definitions are provided directly in the new Articles 7, 8, 9 and 9a.

A minimum threshold of 70% of investments aligned with the requirements of the selected category would be required across all new categories. This development would mark a shift from an essentially declarative system to a framework with a more meaningful impact on the actual composition of portfolios.

The reform would also introduce a harmonised set of exclusions, intended to replace the current approach based on the “Principal Adverse Impacts”. Transition and integration products would be required to exclude certain sectors considered incompatible with sustainability objectives (controversial weapons, tobacco, serious breaches of UNGC/OECD principles),

while products with a sustainability objective would be subject to even stricter exclusions, notably covering the coal, oil and gas sectors.

These exclusions, based on those already applied in “Climate Transition” and “Paris-Aligned” indices and in the “Fund Naming” directive, would be written directly into Articles 7 to 9 and would constitute a new way of operationalising the “Do No Significant Harm” (DNSH) principle.

The text would remove several obligations considered burdensome or redundant under SFDR 1.0, notably entity-level PAI disclosures and the definition of sustainable investment.

Conversely, the requirements to publish pre-contractual and periodic documents relating to the fund’s sustainability strategy and the results achieved would be maintained.

Finally, new transparency obligations concerning the data and estimates used would be introduced.

The implementation of this reform would likely lead once again to product reclassifications. This possibility is already widely discussed among industry participants, particularly for diversified funds or those combining multiple approaches, whose structure makes adjustments more challenging.

Naturally, future clarifications regarding eligibility conditions for the different categories will be absolutely critical for asset managers and will strongly influence the extent of reclassifications resulting from the reform.

Overall, even though the text may still evolve, this reform could mark an important turning point for sustainable finance in Europe by improving the clarity of product categories through the introduction of common rules. It would also eliminate obligations that appear to provide limited value to end-investors.

At Sanso Longchamp AM, this reform would represent an opportunity to reaffirm the rigor of our responsible investment approach. By operating within this new framework, we would continue to offer strategies aligned with our convictions and clearly positioned within a regulatory environment that promotes comparability among asset managers.