

Investments - Flash

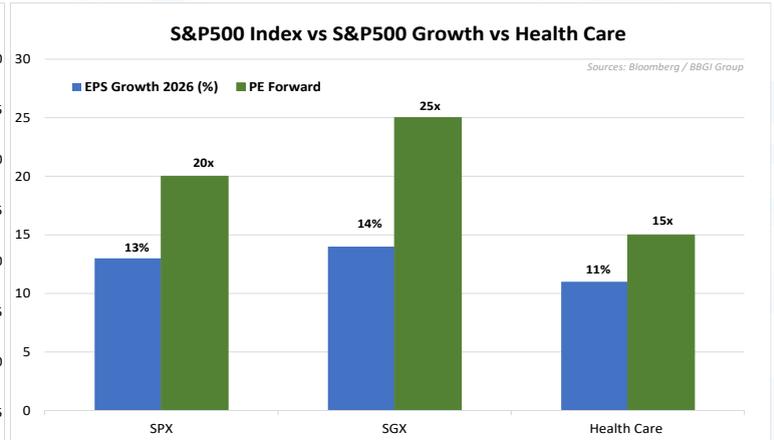
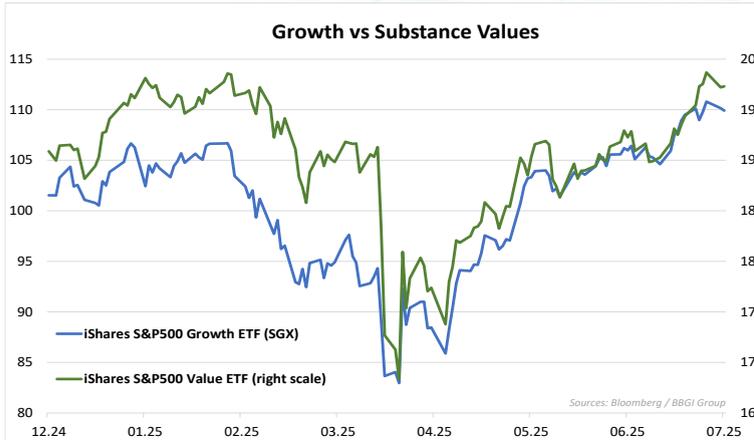
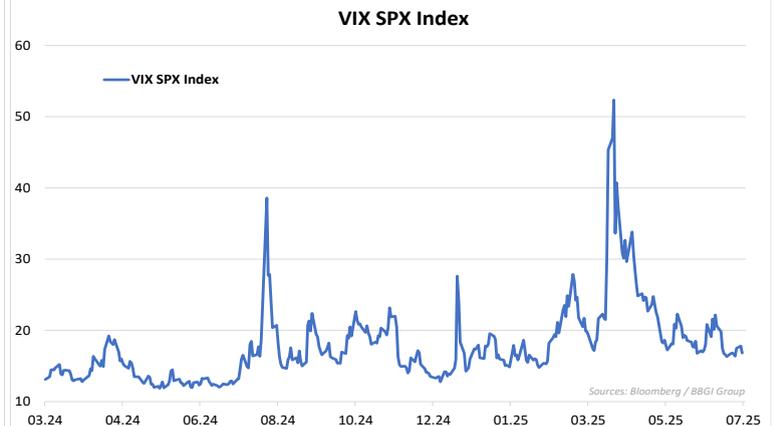


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REBALANCE EXPOSURE TO SUBSTANCE VALUES Punitive tariffs will rekindle uncertainty

The optimism that has driven the SPX and NDX indices up over the past 90 days in the hope of an agreement on tariffs may well be called into question in the next few days. Now known as punitive tariffs, these could well reverse the trend if no agreement is reached, and apply up to 25% to 30% for major partners. A reversal of the "risk-on" mode, which accompanied a +40% rise in growth stocks during this period, could well turn into a "risk-off" during the summer. The VIX index has meanwhile returned to its recent lowest point (17), suggesting that investors are becoming complacent in a highly uncertain environment. The SGX index exceeded its February peak by +4% and is up +9% year-to-date. The SPX's substance stocks rebounded by only +20% and are barely up +4% YTD. Less volatile than growth stocks, they were less penalized during the March-April decline in US stocks. In the current context, we believe that a positioning

in favor of this more defensive market segment is a more optimal strategy to take into account the growing risks of equity market consolidation. The stocks that were the most sought-after during the risk-on phase now seem riskier to us, and we suggest a rebalancing towards more defensive sectors such as healthcare. This sector was much neglected in 2025 and is still showing a negative YTD performance (-1.5%). The sector's earnings growth (+11%) in 2026 is similar to that of the SPX (+13%), while its PE valuation of 15x is significantly lower than that of the SPX (20x) or the SGX (25x). A rebalancing in favor of substance and healthcare stocks seems to us appropriate given the current risks.



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