MARKETING
COMMUNICATION

Outlook & convictions

Asset Management | H2 2025

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Undaunted markets in a changing world

Benjamin Melman
Global Chief Investment Officer

The first half of the 2025 has been severely disrupted by major political issues, without the latter having much of an influence on market returns in H1 (notwithstanding a couple of weeks of high volatility), except for the dollar which fell sharply against the world's main currencies, and gold which continued to soar. In an increasingly chaotic environment, it would appear that the relative strength of the economy allowed capital markets to remain resilient.

American policy is upsetting the economic outlook. So are public deficits.

Nevertheless, on account of the implementation of tariffs in the United States, it is now written and expected that global growth will deteriorate in H2 while inflation will trend upwards in the US. **Fundamental support factors will be weaker. However, investors anticipate that the 2026 budget currently under discussion at Congress, and which includes a stimulus effect that would add 1% to GDP, will brighten the outlook and raise hopes of a merely temporary slowdown in H2.**

If the US bond market does not stage a rebellion – one cannot exclude a few tensions among non-resident investors, already highly exposed to the dollar and increasingly concerned over the currency – markets generally have the capacity to see beyond the trough that lies ahead of us today. However, this pattern works if the world moves on and leaves protectionism behind, which is possible but far from certain.

At the time of writing, we understand that talks with China could drag out and are looking tricky with Europe. **As a result, as we enter the second half of the year, we are maintaining our slight dollar and equity underweight (via US equities), particularly as duration and the dollar no longer shield portfolios from risks the way they used to.**

A deteriorating geopolitical environment

With a war in Europe opposing Russia and Ukraine with no signs of appeasement, tensions in the Middle East between Israel and Iran, and in Asia, growing concerns that China could invade

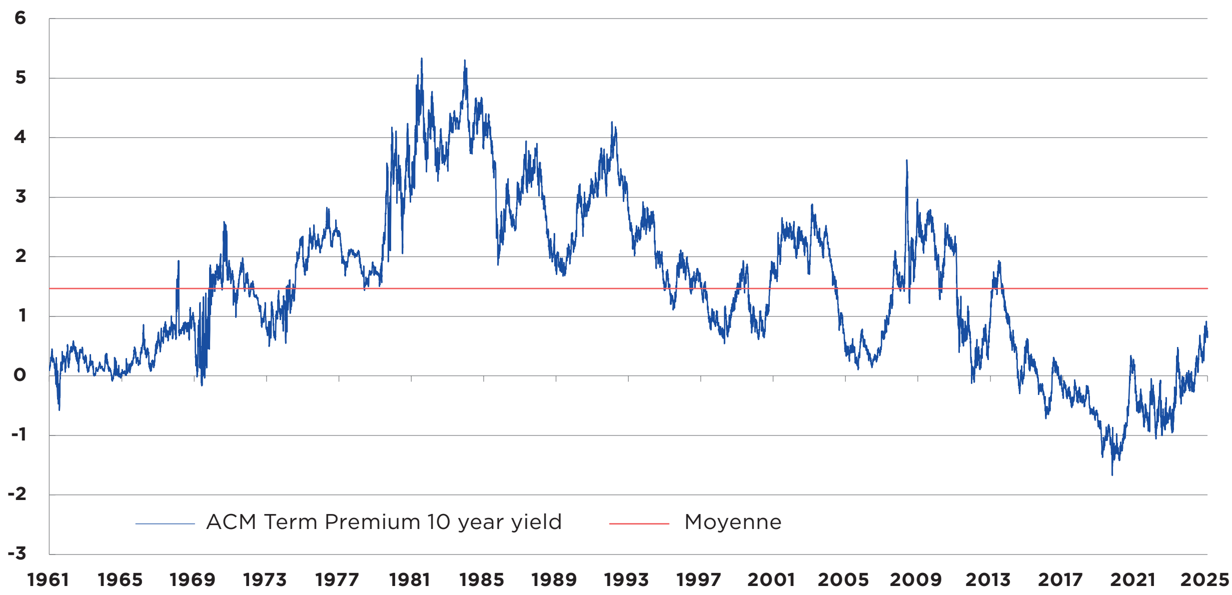
Taiwan by 2027, the US - the primary guarantor of global order - announced its intention to step back from upholding world security (NATO and Aukus Pact...). The geopolitical shift has tipped the world into instability. Naturally, this broad rise of uncertainty is negative for the global economic outlook and puts public finances under pressure. Governments are forced to strengthen their resilience and reassert their leadership as nations.

More structural headwinds on long-term rates

Long-term rates in the US are at risk owing to the government's intention to continue lowering taxes without truly offsetting the revenue loss with public spending cuts (the DOGE has drastically reduced its ambitions), causing deficits to drift further into the red.

In the rest of the world, **public investment needs are increasing substantially due to the geopolitical shift. Improving a country's national security, supply chains, and digital sovereignty comes at a cost.** Term premiums, which are on the rise, should continue to grow.

Trend in the 10-year US term premium (1961 - 2025)



Source: Bloomberg. Data as of 16/06/2025

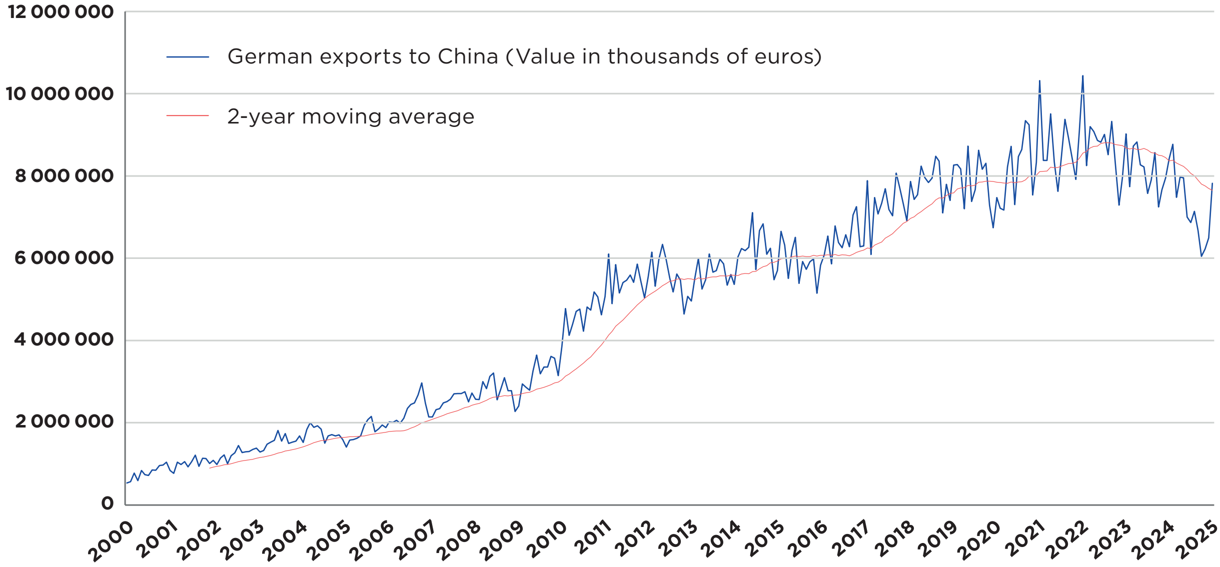
Furthermore, it has become clear that although inflation is still easing, duration no longer plays its protective role in the event of a shock. **The correlation between long-term rates and equity markets, for example, has remained highly unstable, including when tensions between Israel and Iran were rising.** It seems that only a recession will restore the bond market's attractive characteristics. The dollar also failed to play its traditional role, notably during the phase of rising geopolitical tensions.

Overall, **we prefer to steer clear of long duration bonds, as we feel the risk of a recession is moderate.**

Does the return of German leadership signal the return of the European Union?

Germany entered a period of stagnation/recession 3 years ago. The fundamental picture has changed a great deal for the country, and in little time. If one had to sum up Germany's business model since the start of the century, it would consist in importing commodities from Russia at a low price and exporting high value-added goods, notably to China, whilst operating under the American umbrella. **Needless to say, the German crisis has reached near existential proportions. In these troubled times, Europe must look to Germany: the country's response and the mechanisms it will put in motion have the potential to achieve considerable changes within the European Union.**

German goods exports to China since 2000



Source: Bloomberg. Data as at 16/06/2025

Since the recent elections in Germany, M. Merz's time in office has been about steadfast determination, sidelining entrenched taboos in the country, and a speed race: plans have already been made for a major public investment package focusing on defence and infrastructure, corporate tax cuts, and a more assertive positioning on foreign affairs (including Ukraine).

With the Chancellor claiming he intends to spend more than half of his time on international issues, the extent to which M. Merz will give the impetus for Europe to start implementing the recommendations made in the Draghi report - which he praised – is still unknown.

If this is the direction chosen, the European equity rerating observed since the beginning of the year will continue, notably because global investors are still underexposed to Europe.

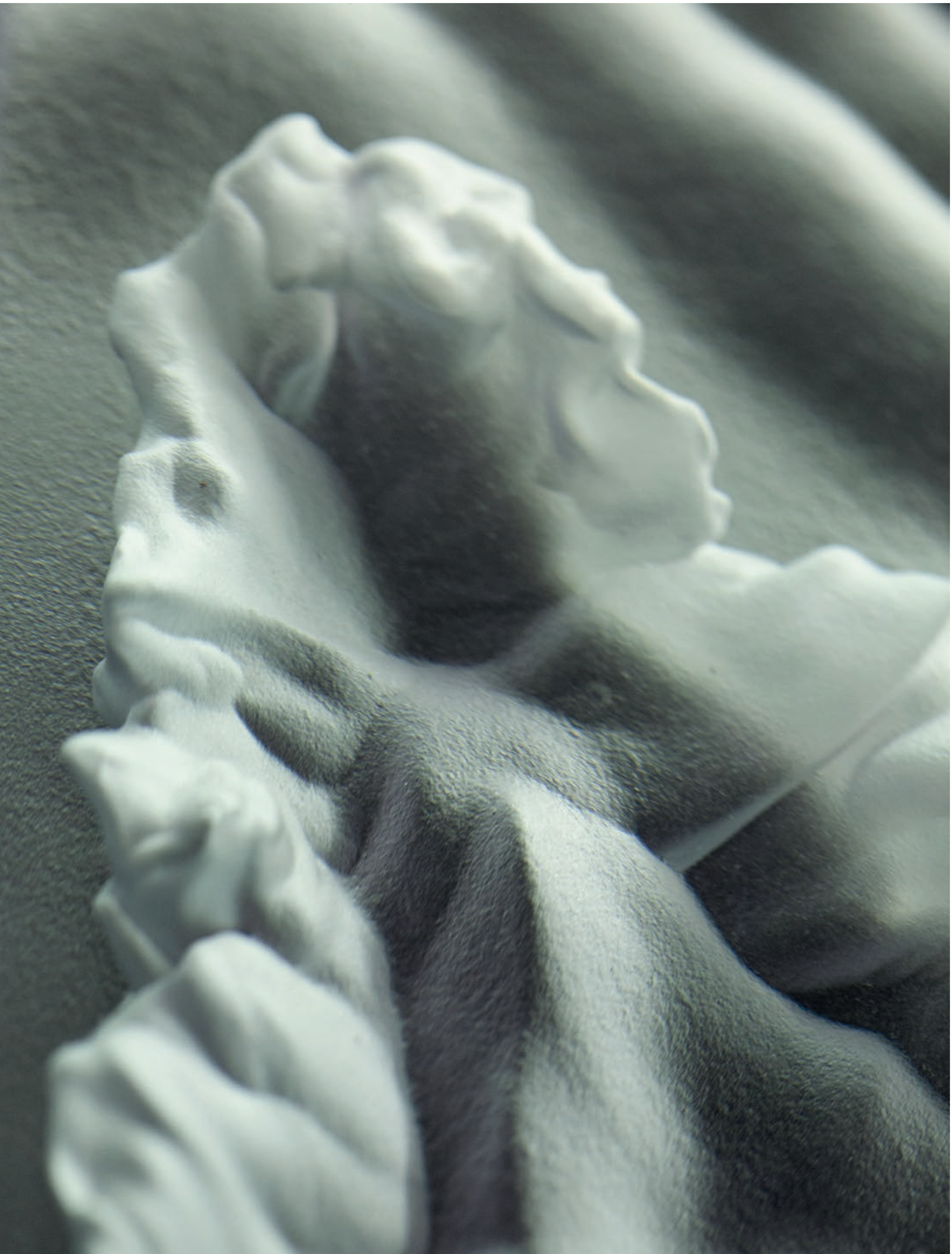
Generally speaking, **we are entering the second half of the year with a cautious bias, applied to US assets.** Among potential positive surprises: the Trump administration could generate tailwinds if it manages to move on from protectionism and introduce a deregulation and tax cutting programme.

Europe, which has been in turmoil due to recent events, has a plan (the Draghi plan) - the implementation of which would allow Europe to make up for some of its lag. Furthermore, AI could begin to produce positive effects for the economy via productivity gains, which currently remain marginal and non-macroeconomic. Other factors clearly call for caution: rich valuations, persistently high uncertainty on US policy, geopolitical developments and the economic outlook.

Markets are closely monitoring the US 2026 budget discussions in Congress, which propose a stimulus of 1% of GDP, offering hope for an economic rebound in the second half of the year.

US long-term interest rates remain threatened by efforts to maintain tax reductions without significant cuts in public spending, exacerbating deficits.

In response to geopolitical challenges, there is a growing need for public investments to strengthen security and sovereignty. In Europe, the Draghi plan and the resurgence of German leadership could help bridge the continent's gap and boost the growth of European equities.



The credit market, a new safe haven for investors!

Alain Krief
Head of Fixed Income

Uncertainties have been rising steadily since Donald Trump's election as US President. In just a few weeks, fears of a recession following the announcement of additional tariffs supplanted American exceptionalism and growth-employment. Tensions in India and Pakistan, and the conflict between Israel and Iran, added to the current uncertainty in Ukraine with Russia.

In Europe, shifting relations with the United States set Europe into motion; Germany raised many eyebrows when it turned its back on fiscal austerity. As a result, growth forecasts for the next few years have been reassessed and the European yield curve has shifted.

In this environment, the US Federal Reserve (Fed) is slow to act on interest rates and investors are expecting rate cuts in 2026, while in Europe, the European Central Bank's (ECB) rate-cutting cycle is drawing to a close.

In this period of great geopolitical turmoil blending politics and economics, how should investors best position their portfolios? Where is inflation heading as oil prices look increasingly uncertain? And what about global economic growth?

Let us remind readers that the gap between what is factored in by investors (consensus) and the unforeseen truly determines the direction in which capital markets are heading. Credit markets are driven by many factors, sometimes displaying low correlations. These include global growth – and its corollary, consumer spending, energy prices, inflation, interest rates etc… and at micro level, the impacts these factors have on a company's revenue and costs.

Let's start by analysing the impact of **macroeconomics on a global scale (growth, inflation, monetary and fiscal policy) on credit markets**.

As the year began, the global economy was knocked sideways when the US announced tariffs on exports from every single country. Risk aversion soared, as did fears of a potential recession likely to put an end to American exceptionalism.

The tariff war is far from over, but the worst seems to have been avoided, as even tensions between the US and China appear to be abating. However, the situation remains a durable source of uncertainty, as current negotiations will take time. Risk aversion rose when the first announcements were made in April, causing credit spreads to widen and then react negatively, despite Trump's prevarications, for example over the Eurozone. As the US administration is very difficult to read and anticipate, credit markets rather swiftly reassessed their overly pessimistic forecasts on the impact these tariffs would have on issuers over the mid-term. While some companies may indeed be heavily hit, the overall impact is likely to be rather limited.

Inflation readings now have a lesser impact on markets than they did a few years ago, or even at the start of last year, after falling dramatically since their soaring levels of 2022 and 2023. Inflation remains above 2% but is under 3% in most cases. This has allowed central banks to lower their rates and give a boost to the economies on either side of the Atlantic.

Furthermore, the market is currently expecting further rate cuts by the ECB and the Fed in the second half of 2025. Investors expect the first to lower its rates until the benchmark rate drops to around 1.5% by Q2 2026, and the second to cut rates until they settle at around 3.25% by Q4 2026. The Fed has the unenviable task of having to balance out inflation and growth in times of high volatility caused by the US administration, particularly as it is also under pressure from the White House to lower its rates faster. But to sum up, central banks are keeping a close eye on the situation and their restrictive monetary policy remains effective.

For credit markets, these announced rate cuts imply returns on short and medium-term maturities. This performance will originate from lower risk-free rates, but also from lower credit risk premiums (spreads). Indeed, the latter boost the economy and are therefore positive for growth; they also allow companies to refinance at a lower cost. Short maturity High-Yield bonds, financial subordinated debt, and corporate hybrids fall within this "safe haven" category as they are protected by their high carry yield, the current business cycle, and their shorter duration.

Beyond tariff tensions and other economic issues (inflation and rates), conflicts continue to unfold in Ukraine and Israel, with so signs of resolution on the horizon. So far, fresh tensions between Israel and Iran have had a limited impact on oil prices, which remain in the lower end of their recent range, with the WTI and Brent now hovering around 65-75 dollars. In our view and in light of the situation as it stands today, geopolitical issues have already been factored in by the market and should not have a major additional impact on credit markets, unless events deteriorate drastically in the months ahead.

The financial health of companies – i.e. fundamental analysis, remains an important factor in credit markets as an idiosyncratic risk. Bond picking is therefore essential for investors to ascertain whether these issuers can withstand potential shocks affecting growth or commodity prices, for example. We have observed that following the recent earnings season, debt levels remained generally stable at low levels - close to those recorded over the past three years. This stable data should support current spread levels.

And while economic growth remains rather subdued and earnings do not rise substantially, we believe that companies will remain prudent with their spending plans. Furthermore, in such circumstances, low earnings growth would continue to support spreads. The final aspects that require careful consideration before investing are the strength of investor demand in credit markets (net flows) and naturally, the valuation of this debt.

Demand is a strong point for credit markets. Indeed, investor appetite for the asset class seems insatiable. The considerable primary issuance volumes year-to-date have in no way altered credit performances on the secondary market.

This enthusiasm is easy to understand: the yields currently on offer are highly attractive compared to their 10-year track record. Within the Investment Grade segment, these yields are driven by sovereign rates. In the High-Yield market, the sum of sovereign rates and spreads (even narrow) has reached very compelling absolute levels for retail investors, pension funds and insurance companies alike.

We shall end with credit market valuations. The fair price of a corporate bond is assessed based on the above-mentioned factors (among others): sovereign rates, inflation, growth, corporate fundamentals, supply and demand (net flows) etc... Should investors only look at credit spreads? Or at the total return generated by a corporate bond (sovereign rate + spread)?

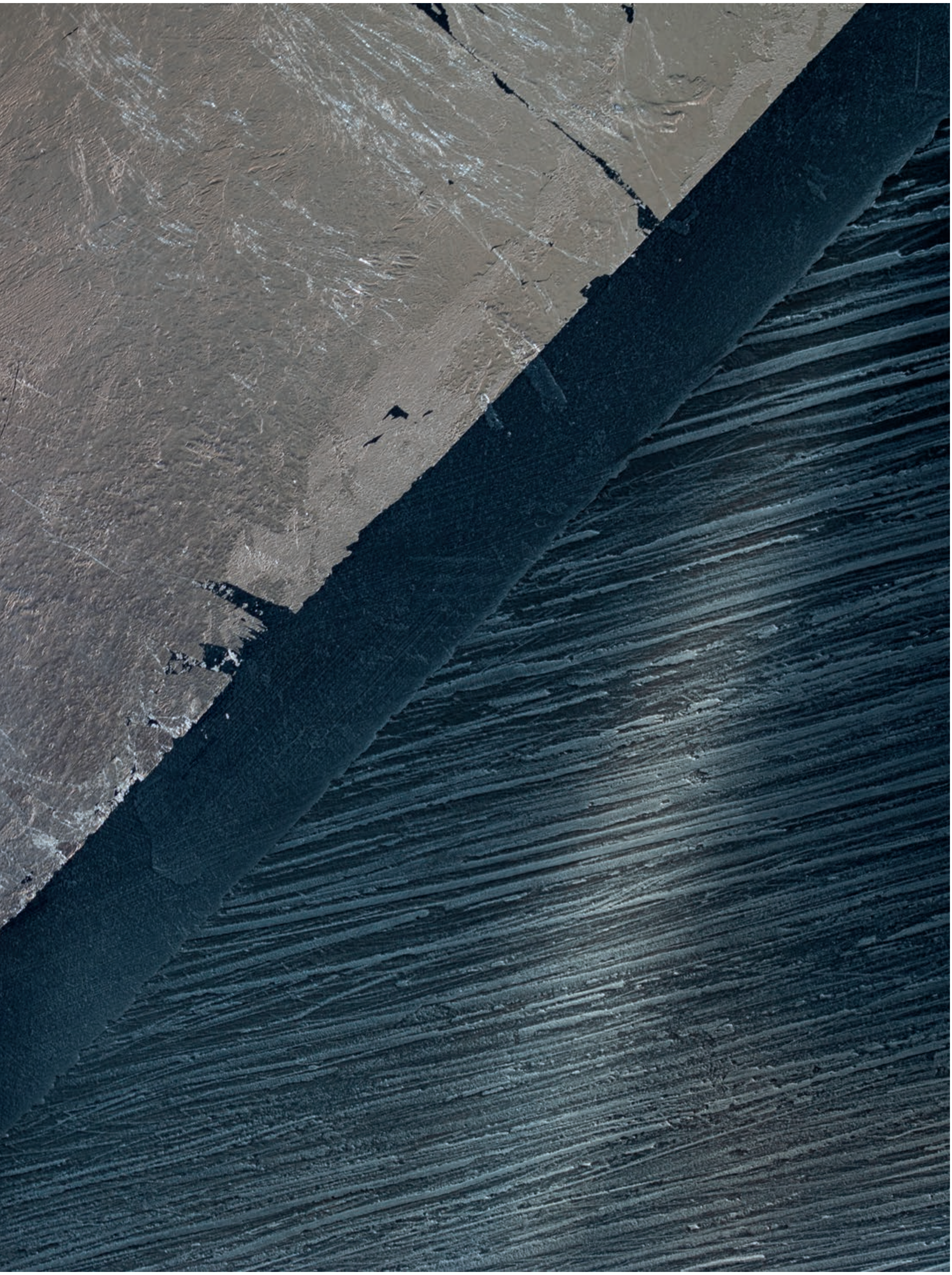
The answer is simple: they should examine both. Because buying a corporate bond clearly exposes investors to two risks that have changed and move in opposite directions: interest rate risk and credit risk. And assessing these two risks will determine the fair price - or the correct valuation. Spreads are generally at historical lows, in stark contrast with sovereign rates that current offer decent yields. This is why today, credit markets display high valuations and lower volatility relative to other asset classes.

More than a safe haven, credit markets offer many attractive return opportunities, simply because the global environment, rife with uncertainty, is creating these opportunities and these attractive yields. A fact that investors hoping for a degree of prudence are aware of, let there be no mistake.

The impact of new transatlantic relations has prompted Germany to reconsider its fiscal austerity, a major shift that could influence future growth projections and reshape the European yield curve.

The expected rate cuts in the coming months signal good performance for short and intermediate maturities. This performance is driven by the decline in risk-free rates and credit risk premiums (spreads).

Short-term high-yield debts, financial subordinated instruments, and corporate hybrid debt are considered safe havens for investors, protected by high carry, the ongoing economic cycle, and their short duration.



European equities, a powerful new narrative

Caroline Gauthier
Co-Head of Equities

European stock markets are back on the front stage. After several years of doubt, investors are now rediscovering a continent that is undergoing deep transformation, driven by new political and economic ambitions. The turnaround in investor sentiment was spectacular during the first half of the year: +12% for Eurozone equities (+25% in dollar terms). This sharp rebound reflects the emergence of a new narrative as Europe is forced to transform to regain control over its economic destiny. As investors revise their reading of global markets, Europe, where the growth regime is about to shift, is now a credible option.

For Europe, rebuilding sovereignty and competitiveness is no longer an option

Investors are drastically reassessing their perception of Europe. Until the end of last year, the market had made its choice: American exceptionalism rather than the unprecedented pessimism looming over Europe. In just a few months, market sentiment shifted.

Investors are increasingly questioning the negative consequences of Donald Trump's policy on the US economy and are realizing that it is time to diversify their portfolios in response to the weakening dollar.

The Draghi plan had laid the foundations for renewed awareness last September, but Europe set plans in motion in response to external pressure and Donald Trump's disruptive announcements. Faced with these challenges, European governments have no other option but to strengthen their sovereignty and rebuild their competitiveness.

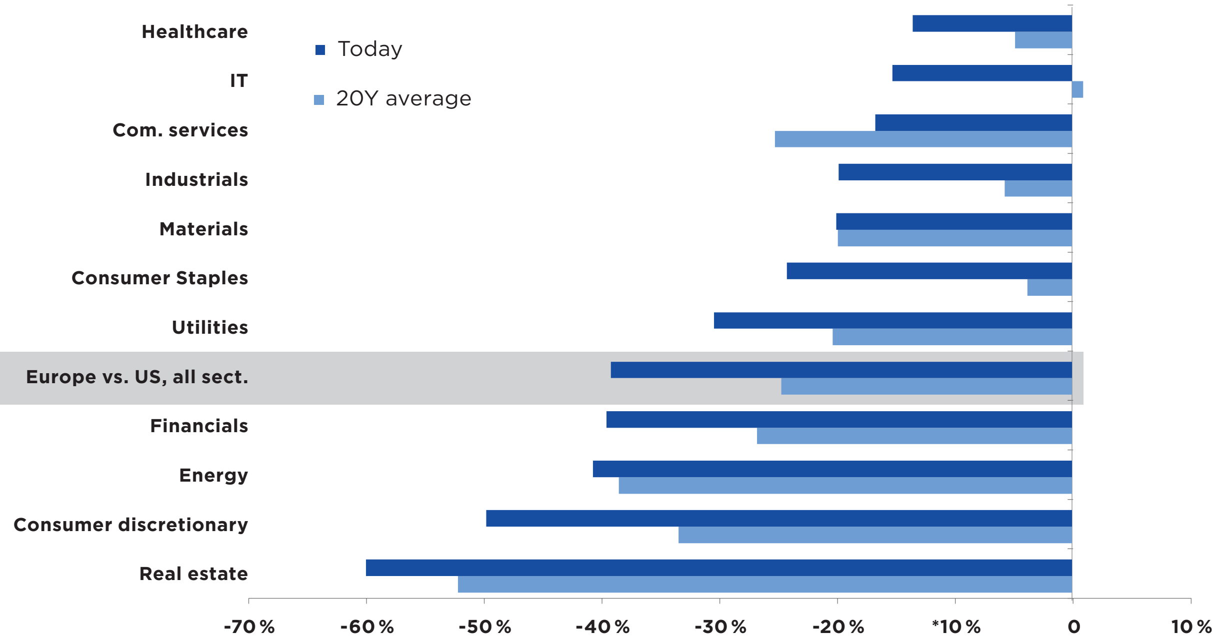
Germany is at the forefront of this transformation, with a fiscal plan on a historical scale: massive increase in defence spending, vast investments in infrastructure, stimulus plan for the housing market, and tax cuts. These cumulated efforts are expected to add 1 to 2% to the country's GDP over the next 10 years. This new deal, in conjunction with other ReArm Europe plans and the ECB's rate cut, should allow economic growth to gain momentum in the Eurozone from 2026.

A change of trajectory that remains under-estimated

If the German fiscal turnaround is confirmed and if the Eurozone manages to steer clear of the political hurdles, a durable rerating is a possibility across European equity markets. This is a scenario that investors cannot ignore, as diversification is the new watchword for portfolio allocations.

Despite the recent rebound, valuations in Europe remain attractive. The Stoxx 600 index continues to trade at a 35% discount relative to US equities, or 25% when adjusted for sector weightings. This valuation gap, almost two standard deviations compared to the historical average, suggests that the potential upside remains substantial: **if all European sectors were merely to reverse to their historical relative average, the market would rerate by 15%.**

Discount/premium on 12 m forward P/E – European sectors vs. peers in the US



Source: EDRAM-Datastream

However, the road ahead will not be linear. Without speculating on the outcome of trade agreements on tariffs, the uncertainty that these threats have already created and their impact on business sentiment suggests that our scenario is likely to be J-shaped. **In Europe, the economy and corporate earnings could suffer a sharper slowdown during the year, before recovering from 2026.**

We believe that the market will be able to adapt to this later timescale and look ahead to 2026, when the earnings momentum will recover its upwards trend, supported by the first effects of the fiscal plans and as European economic growth gradually converges with the US.

After years of under-exposure to Europe, the gradual return of capital flows, boosted by a weaker dollar and the search for diversification, should offer durable support to the market.

In terms of positioning, after the impressive market run enjoyed by European equities during H1, we expect higher market discrimination in H2. The key will be to apply an active, selective approach focusing on the most promising structural investment thematics.

Small Caps: at the forefront of Europe's renewal

In this transformative environment, **Eurozone Small Caps offer a particularly attractive potential. They are in the best position to benefit from the re-acceleration cycle expected in 2026**.

Owing to their more domestic profile, they are partly shielded from trade-related tensions and volatility on the dollar. Their exposure to the business cycle also implies greater sensitivity to the recovery of domestic demand. Finally, they lie at the heart of Europe's production base and industrial innovation.

Historically, small caps have always outperformed when investors hope for an economic recovery in Europe. The current trend shows potential: **after lagging for three years, Eurozone Small Caps have already rallied +16% in H1. Since mid-February and the election of a pro-business government in Germany, small caps have outperformed large caps by 10 percentage points.**

Yet their potential upside is far from exhausted: based on their Price/Earnings ratio, small caps continue to trade at a 15% discount relative to their larger counterparts, compared to a 22% premium historically. A simple return to the average would, in theory, lead to excess performance of around 40%.

The depth and sector diversity of the small cap universe, which includes many niche players, enables investors to gain exposure to domestic themes currently supported by powerful tailwinds (defence, construction, energy infrastructure, low-carbon, digitalisation) as well as innovative companies with international reach.

This structural momentum has been strengthened by a market environment favourable to M&As. The Small and Mid-Cap segment remains a pool of quality, often undervalued companies, that are attracting growing interest from industrial players and Private Equity funds. Renewed M&A activity could also offer an additional performance driver in the months to come.

Europe is back on global investor radars owing to a political and geopolitical bedrock that is undergoing deep change. While risks should not be under-estimated – notably political uncertainties in France and geopolitical tensions globally – deep structural levers are at play. Within the next 12 months, European equities, and small caps in particular, could be back among main performance drivers within a diversified allocation.

The return of capital flows into Europe reflects a deep and durable change of perception.

As long as political traps are avoided, Europe can recover its status as a strategic asset class in global portfolios.

European Small Caps combine attractive valuations and exposure to sovereign investment themes, while leveraging the business cycle.

The world's largest Casino

Jacques-Aurélien Marcireau
Co-Head of Equities

"The last who spoke is always right" in capital markets - a reference to the "mark to market" rule, whereby the latest recorded trading price sets the value of the security for the entire community. Hyperactive retail investors have regularly had the final say in recent years in US markets, thereby dictating the value of listed companies . Excess post-Covid savings were offloaded beyond measure, driven by two trends: the ability of tech platforms to make on-line trading addictive and the Trump administration's ability to generate constant news flow, punctuated by twists and turns, creating plenty of windows for entering or exiting the market.

The world's retail investors are active in the US market which offers the best liquidity and a rich narrative. Some observers welcome this accelerated, widespread access to stock markets and its corollary: greater liquidity. Others worry about the consequences for the wider investment ecosystem. Indeed, despite the lower fees, hyper-active on-line trading may not actually benefit investors over the long-term – quite the opposite...

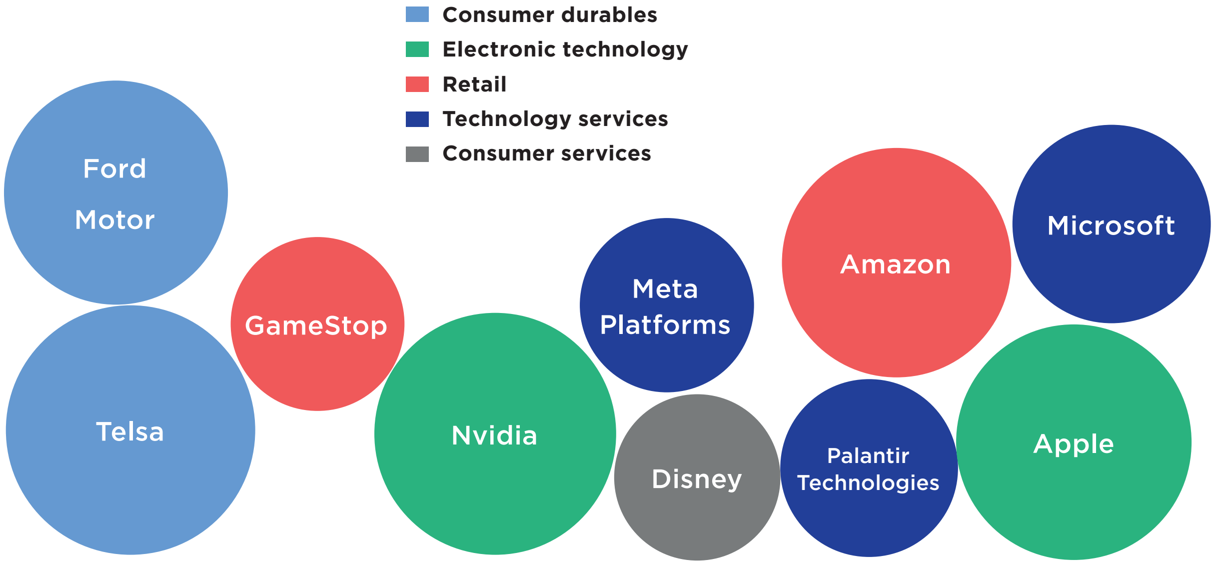
Furthermore, the second-round effects on pricing and the messages sent out to company executives are not always constructive. Valuation anomalies and incongruous stock market returns, such as those recorded by Palantir, CoreWeave and AppLovin are more Gamestop 2.0 cases ready to happen. They are also a stark reminder that retail investors and ETFs account for almost the entirety of trading volumes.

One of the world's most prestigious US investment banks recently claimed that as retail investors have proven their ability to anticipate the market on many occasions, it might be wise to view them as leading indicators, in stark contrast with the popular saying: "sell when your taxi driver starts giving you stock tips".

We do not agree with this call for intellectual surrender. Even if the fashion today is to advocate horizontality and point out that all opinion and decisions are worthy. Even if it is obvious that modern finance still fails to fully incorporate mass psychology and collective beliefs. Even if the time horizon is shortening for a growing number of investors; this only mirrors a growing observation: there have never been so many opportunities for investors with principles, who accept the proper timeframe of an investment and remain disciplined. This applies to the corporate world; it also applies to capital markets in the medium-term.

At the time of writing, markets seem unstoppable. Risk factors are blown away in just a few weeks: historically rich valuations, overinvestment risk in AI, Trump's tariff policy, fiscal uncertainty in the US, high interest rates or geopolitical risks in several strategic areas.

The most popular companies on RobinHood in the United States



Source: Robinhood June 2025 report.

Sooner or later, investors will have to refocus on essential and durable themes, including resilience, healthcare, or continent-nations such as India. Each in their own way, these trends will shape the future. Like slow-moving tectonic plates, they are neither visible to the naked eye nor discussed in daily tweets. But they are clearly structural over a recommended investment horizon.

Since the pandemic, retail investors have been very active on the markets, driven by addictive trading platforms and the constant flow of news generated by the Trump administration, creating numerous entry and exit opportunities in the markets.

The accelerated democratization of equity markets has enhanced liquidity, but it raises concerns about the long-term effects on savers, particularly due to valuation distortions.

Ultimately, markets should refocus on themes such as resilience and health, which are major structural trends that will profoundly shape the global investment landscape.

Mission sovereignty : resilience in action

Aymeric Gastaldi
Portfolio Manager – International Equities

Anthony Penel
Portfolio Manager – European Equities

For a long time, sovereignty has referred to a nation State's ability to defend and maintain its borders. However, recent crises have considerably expanded this concept. The Covid pandemic, the war in Ukraine, climate change and growing geopolitical tensions have unveiled the major vulnerabilities our nations are having to face. In this respect, the concept of sovereignty as we knew it has been toppled. Today, sovereignty is no longer just about military defence, it extends to a nation or a region's ability to resist and adapt in situations of crisis or conflict. The notion of "total defence" emerged against this backdrop. This concept that extends beyond mere physical security to encompass economic, technological, heath, and energy security. A continuum aimed at strengthening our resilience to exogenous, complex and unpredictable shocks and thereby guarantee the effective running of the State in all circumstances.

For investors, two possible responses to a single sovereign ambition

With the emergence of heightened geopolitical risk, nation States have to rethink their defence strategy and their ability to operate in periods of stress. This requires anticipating risks such as natural disasters, health threats, access to strategic resources and cyberattacks. Investments in cybersecurity, public health, and critical infrastructure are tangible examples of how governments can prepare to withstand shocks.

Investing durably in defence is just as crucial. NATO countries seem to have understood the need for investment, with military spending due to rise by at least 75% in the very near term (5% of GDP, including 3.5% dedicated to military spending stricto sensu, compared with 2%). Recent warnings from Mark Rutte (NATO General Secretary) on the possibility of an armed conflict on European soil within five years have confirmed this crucial need to reinforce the foundations of our societies.

By investing in these key areas, that had been overlooked for so long, governments will be able to build up their resilience and guarantee the well-being and safety of their populations.

Following a similar logic, economic sovereignty is just as critical. This is particularly true in Europe, where strategic independence has become essential. The Draghi report sets out a vision focusing on competition, innovation and an industrial and technological upgrade. The emphasis is on investing massively in critical value chains, promoting disruptive innovation and supporting the energy transition, for Europe to recover its status and influence on the world stage.

This strategy aims at building an economic framework able to withstand geopolitical change and guarantee an active role for Europe on the international playing field. Regaining control in these key sectors is essential if Europe is to avoid dependencies that could hinder future growth and stability.

Protection and competitiveness are two imperatives that share a common goal: to reinforce sovereignty by combining resilience and economic might. Investing in defence guarantees safety and a stable environment, which are conducive to innovation and forward-looking investments. By coordinating defence and economic sovereignty, nation States can be prepared and successfully navigate a geopolitical environment set to be durably unstable.

Resilience and power: the two pillars of “total defence”

Interlocked crises – war in Europe, global pandemic, climate change, technological dependencies – have rendered sector or sequential assessments of sovereignty obsolete. These require a systemic and proactive approach, blending immediate protection and long-term projections. This is the concept of “total defence”, based on two inseparable pillars: resilience and power.

For investors, addressing matters of sovereignty implies recognising that the issue goes beyond diplomacy or strategic doctrine, but is rather a new investment framework that requires rethinking the allocation of capital, as systemic risks continue to multiply throughout the world.

Resilience is the first line of defence: responding to emergencies, unforeseen events, the acceleration of “physical risks”. This is about ensuring the continuity of vital functions for society, avoiding system breakdowns – energy, food, digital or health related – and safeguarding the stability of institutions.

Resilience refers to the ability of a given nation State or bloc to withstand shocks without collapsing. Resilience investing will focus on key sectors that will maintain the vital functions of society - defence, cybersecurity, healthcare, critical infrastructure, logistics, or technology for detection and protection purposes.

But without economic, technological and industrial might, resilience alone is not enough. The second pillar of sovereignty is the ability to build durable independence and look to the future over the very long term: bolstering competitiveness, ensuring value chains are secure, financing innovation and tomorrow’s infrastructure. This involves structural investing, founded upon a strategic understanding of the dependencies we bear and of the levers able to wield influence.

Rather than being at cross-purposes, these two rationales are deeply complementary. One protects the present, the other builds the future. One stabilises, the other transforms. Together, they combine protection and ambition, the short-term and a strategic vision. Resilience secures the foundation; power erects the pillars of a renewed sovereignty.

In Europe, this approach is particularly crucial, as the recovery can only play out over one generation. Reclaiming our autonomy – military, energy, industrial – calls for simultaneous efforts on both fronts. Defending the present to avoid relinquishing our future. In today's world, where crises have become systemic, failing to invest in sovereignty puts our countries at risk of strategic obsolescence.

Towards sovereignty as an investment theme

Sovereignty is no longer an exclusive field for politicians; it has become a structural investment theme at the crossroads of economic, geopolitical and societal issues. No longer limited to military matters, sovereignty has now spread to energy, healthcare, data, innovation and critical infrastructure. These sectors form the bedrock of our collective autonomy.

In this environment, allocating capital has become a sovereign act. By directing investments to sectors that are key to our resilience and competitiveness, investors can have a real impact and help their governments and economies address the challenges of the century. Resilience and economic might are not alternatives but the two sides of the same coin: durable sovereignty, able to protect and anticipate.

Far from being cyclical, the theme also introduces deep transformation dynamics likely to be deployed over several years. It also calls for a strong extra-financial pledge: to contribute, as an investor, to the resilience and freedom of our democracies, and thanks to market mechanisms, unlock positive externalities by lowering the cost of capital for critical companies, thereby facilitating the transition towards more resilient societies.

Investing in sovereignty is about blending financial returns and societal accountability. To quote Antonio Gramsci, sovereignty reasonably combines the "pessimism of the intellect and the optimism of the will".

The interlocking nature of crises makes a sectoral or sequential assessment of sovereignty obsolete, and calls for a systemic and proactive approach to sovereignty, based on resilience and power - one protects the present, the other builds the future.

Resilience enables societies to address the acceleration of physical risks by ensuring the continuity of vital functions through key investments: defense, cybersecurity, health, critical infrastructure, etc.

Complementing resilience with economic strength requires investing in competitiveness, innovation, and energy transition, particularly in Europe where strategic autonomy becomes imperative.

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