



# Syconvictions

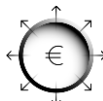
## At a glance



We have **softened** our **positive conviction** on **European equities**.



We have a **constructive** view on **corporate bonds**.



For **corporate and financial bond** investments, we still have a preference for **Europe**.

## Message from the CIO

The summer was characterised by low volatility across equity markets, robust corporate earnings, inflation now under control, and the prospect of rate cuts in the United States. As a result, US equity markets rose by over 4%, smashing their previous records, and valuations are moving closer to the all-time highs recorded in 1999-2000.

To paraphrase Warren Buffet: “be fearful when others are greedy”. In times such as these, it is important to survey the potential risks that will need to be managed, as well as the opportunities. At Sycomore, we have chosen to focus on the extreme index concentration and stock dispersion observed in and around the technology sector in the United States and defence and banks in Europe, by actively researching new pools of investment ideas. Now that visibility has improved with the end of the trade negotiations, we feel the time is right to re-examine the European export company segment, which has under-performed domestic companies by a wide margin since the beginning of the year.

Within US technology, the software segment - which is lagging semiconductors, yet remains critical to the adoption of AI - has been one of our core concerns. Other areas also call for vigilance: volatility, long-term rates in Europe and in the US, and the repeated challenges to the Fed’s independence. This environment has led us to focus our analysis on cash flow momentum and corporate debt.

Such are the tangible applications of our convictions for 2025, namely the search for diversification and much-needed flexibility in our portfolio positioning.

Pierre-Alexis Dumont  
Chief Investment Officer



## Market weather

EQUITIES		SOVEREIGN BONDS		CORPORATE BONDS		CASH	
European		European		Investment Grade			
American		American		High Yield			
Asian							

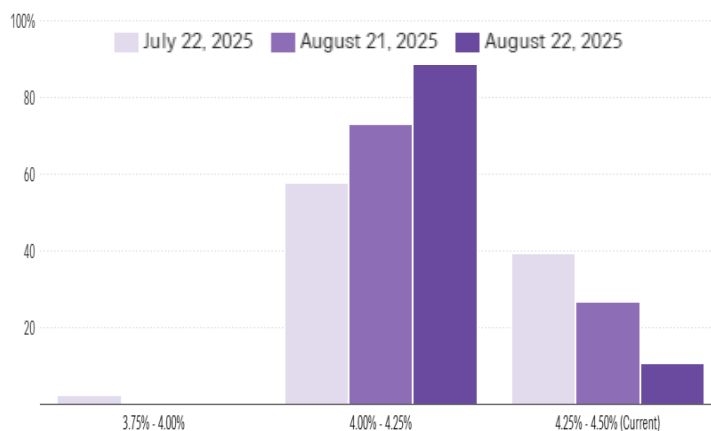
## Market environment

**Jerome Powell's message at Jackson Hole** was strong enough to reassure investors in the short-term, while also allowing himself some room for manoeuvre. He told us that the US economy is slowing down: GDP growth has been halved, and the job market is running out of steam. Inflation, though still above 2%, has moved much closer to the target, thereby lowering any upside risks.

Faced with this change in "the balance of risks", **he opened the door to a rate cut as early as September**, though remains reliant on data. This had an immediate effect on rate cut expectations for the month of September. However, investors looking for more visibility on future monetary policy priorities after repeated threats to the Fed's independence were left wanting.

While the Fed's governance means it will be difficult for the country's executive power to take over fully (long mandates, Senate approval, termination "for cause" only, regional Chairs appointed locally, decision-making based on a majority vote by the 12 members of the Committee, independent funding), **a loss of independence would have deep and long-running effects on the dollar and on cost of funding for the United States**. We shall no doubt have to wait until February 2026 - and the partial re-appointment of the Board - to have clearer information on this issue. Until then, volatility is here to stay.

FORECASTS FOR FED RATES AFTER THE MEETING OF SEPTEMBER 17th 2025



Source: CME Fedwatch tool.

## Asset allocation strategy

Despite seemingly calm markets in August, we have observed some stock dispersion with investors reacting very strongly to disappointing earnings publications. The **return of "France risk"**, after the call for a vote of confidence to be held on September 8th, is now a burning issue in economic and financial news. Political risk is generally rising in the Eurozone.

After European leaders agreed to Donald Trump's demands, visibility improved a little for companies in the Old Continent. Nevertheless, the 15% tariffs will weigh on economic growth, which is already rather subdued in the region.

Considering this factor, we have softened our positive conviction on **European equities** and have moved to a more **neutral view relative to US equities**, which will benefit from lower tariffs, stronger growth and likely support from the central bank during the fourth quarter.

The same observation can be made for small and mid-caps, as the trade agreement signed between Europe and the United States may prove more beneficial to exporting companies than to domestic players. On the equity front, we shall keep a close eye on currency variations. If the Fed takes a more accommodative stance, the dollar could continue to decline relative to the Euro. In the **corporate bond** market, credit spreads continued to narrow, despite some volatility observed on sovereign bonds, notably in Europe. Our view remains **positive on the asset class**, as it was at the start of the summer, with a focus on the carry.

To sum up, we have reverted to greater geographical neutrality on the equity side, with a moderately cautious exposure as we do fear volatility spikes looking forward. As far as sovereign bonds are concerned, we would tend to lower European risk in favour of US sovereign debt. Finally, **we continue to prefer Europe for corporate and financial bond investments**.

## Key dates



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