

# Syconvictions



OCTOBER 2025

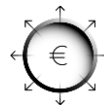
## At a glance



We are **constructive** on equities.



Spotlight on **defence and discretionary spending**.



We continue to **overweight credit**.

## Message from the CIO

The frenzy around AI, combined with the proven adaptability of companies, have continued to fuel earnings growth across US equity markets. As was the case during the rise of Internet, the only question is how far and how fast AI will spread. The signals are all positive.

AI is spreading throughout the corporate world and is enabling significant productivity gains, though admittedly in limited areas. Examples include shorter processing times for insurance claims (by several hours or even days), or shorter R&D time for certain phases of drug development. And there is more. The effects are multiplied as AI extends geographically.

After the United States, Asia has now made AI an investment priority, with a dual goal: to remain competitive and innovative, and importantly, address the sovereignty and independence issue.

China is deploying its usual strategy: centralised steering, industrial execution, and investment spending across the entire value chain. The latter ranges from data centres, with Alicloud - a subsidiary of Alibaba, to Baidu, which is relying on AI for most of its research, using GPUs to compete with Nvidia, including Kunlun 3.0 by Baidu and Huawei Ascend.

Two rivals, two strategies: one is based on research, the other on usages and consumption. At this stage it is difficult to say which company will emerge as the leader, but one thing is certain. Investments are massive, and opportunities abound.

**Pierre-Alexis Dumont**  
Chief Investment Officer



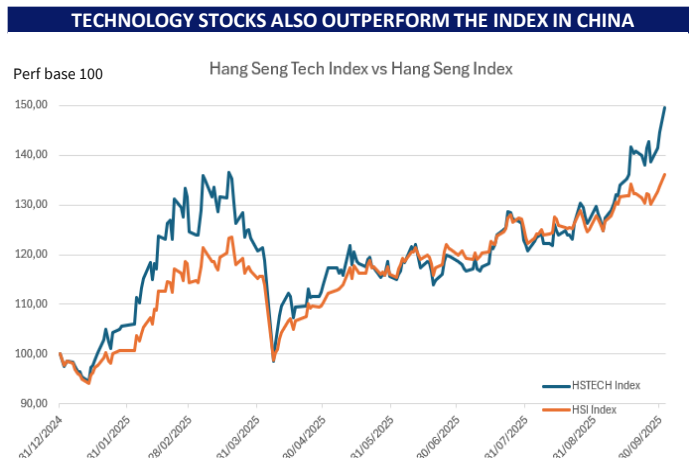
## Market weather

EQUITIES		SOVEREIGN BONDS		CORPORATE BONDS		CASH	
European	☁️ ↑	European	☔️ ↓	Investment Grade	☀️		☔️
American	☁️ ↑	American	☔️ ↓	High Yield	☀️		☔️
Asian	☀️ ↑						

## Market environment

During the summer, and particularly in the second half of August, Asian markets - notably China - staged a major comeback. **The play on artificial intelligence**, and more generally on technology stocks, **has now largely spread to Asia**. The reason: Asian stocks are much more attractively valued than their US counterparts, which are now trading at very high prices. As shown in the graph, since Liberation Day on April 2nd, 2025, the Hang Seng index has gradually recovered its losses, and the Tech component of the index is rising in similar proportions. It was only from mid-July that the Hang Seng Tech began to outperform sharply, with a 13-point lead over the broad index. We believe that the market still offers some **upside potential**. Chinese stocks appear to be coming out of the doldrums after several years of under-performance.

The valuation gap between US and Chinese stocks - which was justified when China was deemed “uninvestable” - now belongs in the past, **with the Government supporting the country’s stock market**. We believe that the acute interventionism deployed by the Chinese authorities is now over, leaving investors with greater visibility. Finally, the latent dispute between the United States and China has led to both sides seeking more independence, and therefore, **to the fast growth of AI-related companies in China**. A long-term agreement between both countries would call this rapid growth into question, but this is not yet the case. We shall therefore continue to enjoy the momentum.



## Asset allocation strategy

In the **United States**, Donald Trump and Jerome Powell’s differences seem to have put aside since Jackson Hole. Markets didn’t even respond to the shutdown. In this environment, we are maintaining exposure around the break-even point in our equity allocation strategies.

The regional mix has changed marginally, with a greater allocation to Asian equities (mostly Japan and China). The Valuation factor argues in favour of a pause for US stock markets, but the momentum seems to be just as strong.

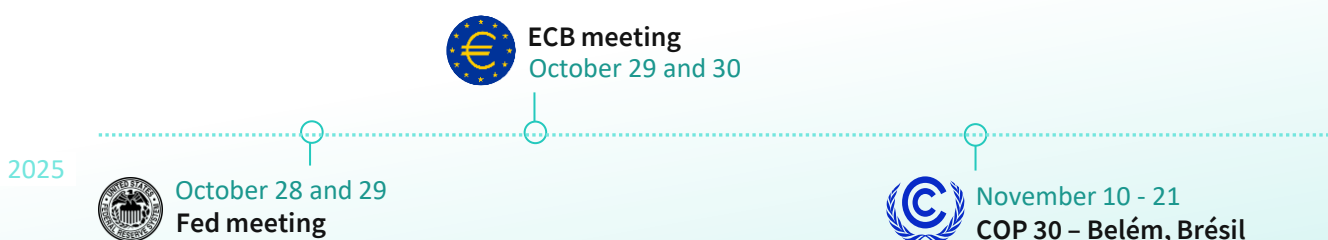
We have therefore kept our positions but have opted for a rather more cautious approach over the next few weeks.

In **Europe**, despite the resurgence of political risk, the economic data is rather satisfactory.

The geopolitical environment has triggered a rebound for defence stocks, while the resilience of consumer spending in the US, and the (timid) recovery in China, are lifting consumer discretionary stocks, and notably the luxury segment. We are taking advantage of this trend by strengthening exporting companies - including luxury stocks - within our European strategies, now the tariff agreements have been signed between Europe and the United States.

On the **credit** front, we are benefiting from the carry yield. Spreads have continued to narrow, to the extent that many companies are able to issue debt that is priced at lower rates than sovereign debt. This makes sense, considering that corporate debt is much better managed than sovereign debt - particularly in France. We therefore continue to overweight credit.

## Key dates



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