

Syconvictions



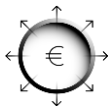
At a glance



We are diversifying our investments across AI players.



We have raised our exposure to the banking sector



We are more selective on corporate bonds.

Message from the CIO

As the year draws to a close, it is time to work on our strategies and clarify our investment convictions. Our view remains constructive on risk assets, which are still supported by the AI supercycle, monetary easing, and the gradual recovery of economic growth in the United States and in Europe.

In light of the positive environment we foresee, the question is not whether to invest in AI, but how. The amounts of capital expenditure are colossal: almost 500 billion dollars for the five largest hyperscalers. This added value, which had been concentrated for a long time, will now spread across the entire chain. Every single gigawatt of energy needed to develop capacitive computing requires 60 billion dollars of capital expenditure. 35 billion dollars for the chips, and 25 billion for power, buildings and infrastructure.

Investing across all players will diversify portfolios into energy, connectors and vital data center equipment, while lowering the technological obsolescence risk, recently

lowering the technological obsolescence risk, recently proven with the launch of Gemini 3 Pro, which has largely surpassed the most recent versions of other languages.

Europe is in a weaker position than the United States or China in terms of capital expenditure but holds a strong hand on usages. Productivity gains and the operating leverage will be decisive for low-margin, labour-intensive and data-hungry sectors: banks, telecom, and service companies operating large client bases.

This approach seems consistent with the innovation diffusion cycle and is fundamental for managing the risks caused by the extreme concentration of stock market returns.

Pierre-Alexis Dumont, Chief Investment Officer



Market weather

EQUITIES



European



American



Asian



SOVEREIGN BONDS



European



American



CORPORATE BONDS



Investment Grade



High Yield



CASH



Market environment

Over the past two years, the Magnificent Seven (Apple, Microsoft, Nvidia, Amazon, Google, Meta, Tesla) have propelled Wall Street to record highs and now weigh over **30% of the S&P 500 index**. The driver? **AI**. Investors are banking on colossal future profits...but for the time being, **spending is largely outweighing any gains**.

Warning signals

- Meta, Google and Microsoft are each planning to spend over \$100 billion in 2026, essentially in data centers and chips. Nvidia has pledged to invest \$100 billion in OpenAI, which is buying its chips... financed by Microsoft. **This “closed circuit” is causing some concern: it is keeping up the illusion of prosperity while in fact, profits remain slim.**
- Nvidia’s market capitalisation fell by \$450 billion in three days, despite strong earnings.
- OpenAI, priced at \$500 billion, has reported annual losses of \$12 billion.

Debt is soaring

To finance these investments, tech giants are raising massive funds: hyperscalers have raised \$121 billion in debt in 2025, which is **four times the average observed between 2015 and 2024**. Meta is borrowing \$30bn, Google \$25bn and Oracle \$18bn.

Goldman Sachs has warned of a **macro risk if returns are slow to pour in**, as some players - such as Oracle, are already reporting a negative cash flow. The consequence: the Nasdaq fell 5% in November, adding to **fears of a speculative bubble**.

But history is encouraging

The same pattern has applied to **every single technological revolution** (railways, electricity, internet): over-investment, debt, doubt... followed by soaring usages and profits 5 to 10 years down the road. Today’s investment spending is building tomorrow’s infrastructure: data centers and chips will be the “factories” of the 2030s. The first signs are already visible: Copilot has generated \$6 bn of recurring revenue for Microsoft; Google Cloud has become profitable; and spending in generative AI has risen 60% between 2024 and 2025. Valuations, after the correction in November, are now more reasonable (the Nasdaq’s forward P/E ratio is roughly 27x earnings compared to 35x at its peak).

We are living through an **uncomfortable period**: “Burning cash and debt before earnings”. But history has shown that holding on to investments in Amazon or Google after 2000 proved largely rewarding. For long-term investors, the current correction should be seen as an opportunity, rather than the end of the AI dream. **Yes to caution, no to panic.**

Asset allocation strategy

Volatility ran high in November, as markets were impacted by shifting forecasts on Fed rate cuts in December and by concerns over the profitability of the announced AI capex spending by US tech players.

The agreement to end of the government shutdown in the United States and the much-awaited and robust earnings reported by Nvidia failed to bring serenity to the market: the fear index - the VIX - remained stuck under 17, yet it had been largely below 15 in earlier calm and bullish periods.

On the **allocation and fixed income side, we have kept our positioning unchanged with a focus on diversification, notably into emerging debt. We have also become more selective on corporate bonds.**

As far as equities are concerned, we are convinced that AI will scale up and have sought to **diversify our investments across the theme, beyond the identified leaders, in order to gain exposure to the entire value chain** which is due to benefit from the \$500 billion of investments pledged by the top 5 hyperscalers.

This includes power suppliers, and we have **strengthened our investments in electricity producers and in providers of the connectors and IT architecture** critical to data centers. Another angle has been to **increase our exposure to the banking sector**, which continues to trade at a reasonable price and displays both high growth and upward revisions. Finally, **we are gradually returning to the consumer discretionary sector.**

Key dates



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