



APRICUS FINANCE

WEALTH MANAGEMENT

September 2025

Summer Markets and the Fed Pivot

July was a month of status quo for the Federal Reserve, Bank of Japan, and ECB. More interestingly, the post-election rise in Japanese long-term rates did not trigger a generalized sell-off in Western bond markets. Instead, investors focused on the prospect of key rate cuts after the summer break on both sides of the Atlantic. Growth in Europe remained sluggish, while the second quarter in the United States saw a rebound to 3% YoY. The number was completely distorted by the collapse in imports following the tariffs' introduction, while the inventories that had been built up before their introduction were materially drawn down: as a result, essentially no notable impact was seen on inflation figures.

That said, for the first half of the year, this still represents a material slowdown compared with 2024. Geopolitical risks, although still present, have had little influence on markets recently, and the trade war has de-escalated, allowing global markets to deliver strong returns.

For equities, the month of July was marked mainly by a rebound in U.S. technology stocks (AI and semiconductors), as hyperscaler capex remained high and overall earnings were strong. Japanese equities also enjoyed a euphoric July, driven by the trade agreement with the US, which allowed the region to outperform its European and American counterparts. The Chinese market also posted a very positive month, thanks to growing optimism about a tariff truce. On the second to last day of July, the US Federal Reserve's FOMC voted to hold the policy rate in a range of 4.25% to 4.5%, where it had been since December, with several dissenting voices. In the statement, accompanying the meeting, FOMC officials surprised market participants, including ourselves, as it stated that growth moderated in the first half of the year while it stuck once again to its hawkish conviction on inflation.

However, under increasing attacks from Donald Trump, an internal 'insurgency', and faced with a series of gloomy job reports, chairman Powell made a remarkable U-turn at the annual Jackson Hole meeting, (21-23 of August). He finally opened the door to rate cuts, as the balance of risks shifted from inflation to a weaker job market. The market is now discounting up to three cuts for the remainder of 2025.

Investors welcomed the shift. Global equities rose close to 2% for the month of August, with a significant broadening of the rally, as US small caps rose 7%, while the Magnificent 7 lagged and the Nasdaq 100 rose under 1%. In equities, the Chinese domestic market regained international visibility, as domestic retail investors poured into it, lifting it by over 10% for the month. In Europe, the French market was hit by political and fiscal uncertainties. Meanwhile, in the UK, where the government is also struggling with a deficit rising out of control, yields on 30-year gilts reached the highest level since 1998, further complicating the task of assembling a viable budget.

Gold, amid the global uncertainties and central bank buying, rose close to 5% for the month.



The State of the US Labor Market

We have been saying for months that the data on the job market was giving some conflicting signals and that cracks were appearing. Over the last two months, employment figures, both hard and soft, have worsened materially:

- First, the revision to the creation of jobs (payrolls) over the June quarter, which was followed by the firing of the head of the Bureau of Labor Statistics (BLS) by a furious Trump, along with the figures for July, showed that only just above 30 thousand jobs per month were created. This is far below what is necessary to compensate for the change in demographics, which needs around 100 thousand jobs per month before it impacts the unemployment rate.
- The big, but not quite so unprecedented, revision to the annual creation of jobs for the 12 months to March: about less than half previously announced or less than 80 thousand per month.
- Payrolls were marked down in nearly every industry and most states. Combined payrolls at wholesale and retail establishments led the downward revision, followed by leisure and hospitality. Professional and business services as well as manufacturing were also notably marked down.
- While benchmark revisions are carried out every year, they've garnered added attention this year with investors and Fed watchers looking for any signs that the labor market may be slowing faster than previously thought.
- Job openings are down to pre-pandemic levels.
- Job cuts are increasing.
- The 'Jobs hard to get' survey rose to its highest since 2017. This might be more a reflection of the job market itself: workers have been going from job 'hopping' 2021-2022, (the period known as the 'Great Resignation'), to job 'hugging', as the perspectives of doing a new or better paying job diminish rapidly. With less worker mobility, it is making it more difficult to find a job for new entrants, such as young college graduates.
- Similarly, indicators of 'jobs plentiful' and 'jobs not so plentiful' fell and respectively rose to levels last seen in 2017.
- Usually a leading indicator, the unemployment rate for Blacks and African Americans rose to 8%, a level last seen in 2018, from less than 6% before the summer, and just above 5% in 2019.

Markets currently are worrying that Trump will now install a 'puppet' at the BLS, undermining faith in official data and, by extension, the US economy as a whole.

Worse still, the president could be viewed as launching a power grab, that would allow him to massage data in a way usually reserved for autocrats, such as in Turkey a couple of years ago.



Our Take on the AI Frenzy

We acknowledge that AI is having, and will have, widespread adoption across industries, from medical in radiology, to legal, to finance or agriculture, just to cite a few easy examples. We are thus currently riding the 'AI train' in our portfolios.

What we worry about are the increasing similitudes and parallels between AI infrastructure spending and what happened to the telecom sector 25 years ago.

The 2000 telecom infrastructure excess represents one of the largest capital misallocation events in modern financial history, with the industry's overinvestment in fiber optic networks and telecommunications infrastructure creating massive overcapacity that took years to absorb. In 2000, companies were forced to invest in networks, as without it, they could not attract new clients and thus more data: in the end everybody was forced to expand.

For example, a lot of money was invested in transatlantic fiber optic cables based on optimistic data traffic forecasts, but when demand failed to materialize and technology improvements increased data transfer capacity per cable, significant excess capacity was created.

Similarly, in 2025, everybody, led by the technology megacaps, is forced to expand in data/cloud/ai, the numbers involved in infrastructure spending are huge and run into the hundreds of billions. Without having capacity, companies would be at risk of being obsolete, so everybody wants and needs to be as big, and as fast, (data, cloud computing) as possible.

But when we hear that a company such as Meta proclaims that it would spend hundreds of billions of dollars on developing artificial intelligence products soon and, to that end, is constructing a 5 gigawatt data center, planned to be nearly the size of Manhattan, we wonder whether the world will ever use all of that capacity, knowing that other companies are striving to do the same.

When is there too much infrastructure? When will there be too many Large Language Models?

Again, we are not experts, however in our doubts we have recently been joined by OpenAI CEO Sam Altman, who said last month that he sees parallels between the AI investment frenzy and the dot-com bubble. (Again, we think more telecom rather than dot-com).

The parallels between the companies investing today in AI infrastructure and back then in the telecom space may in fact stop here. There is a huge difference: back then the telecom companies were hugely indebted, and many were losing money. Today most companies investing in infrastructure are hugely rich and cash-generative companies. The same cannot be said of the companies (mostly private) involved in AI projects.

A Massachusetts Institute of Technology initiative released a report indicating that 95% of generative AI projects in the corporate world have failed to yield any profit.

While we do not seriously envisage, at all, that the 'serious compounders' (many of the Magnificent 7 companies) will fail such as many telecoms did back then, some of them are seriously priced for perfection, and, every day, even more so. A simple slowdown in the growth of infrastructure spending, and thus a plateau in earnings growth, even at a high level, would mean their valuation is simply too high.

Monetizing AI will also be a challenge, as for example ChatGPT users, which is widely used by the younger generations instead of traditional search engines, today circumvent traditional business models based on advertisements.

Many, we have concluded, wonder whether all their AI hype has proved, is that if you give something away, people will take it. So, do these companies think that some actual willingness to pay will emerge for some form of AI? Are they just hoping, or is there a chance that all this will pay off?

Short term violent upside reactions in certain stocks such as Oracle, which is obviously not a small cap, reinforce our view that probably many late comers (investors) are coming to the AI party, and are probably joined by retail investors: this is possibly a sign that markets are becoming increasingly frothy.

Do we think we are in a phase where investors as a whole are overexcited about AI? Our opinion is yes. Do we think that AI will eventually have a role in the economy? Yes indeed. Will it be easy to monetize? Difficult to answer. Will AI find itself in the same stage as internet search was 25 years ago: well, users took it for granted that it would be free!



The US Economy

Similarly to the US stock market, the US economy is increasingly dependent on fewer engines, or rather two: increasing data center investments and (diminishing) consumer spending, that now contribute the same to GDP growth.

Currently, as highlighted above, while nominal rates seem ok, it is complicated to understand where we really stand in terms of economic growth, because of all the fog that tariffs have created.

While we touched on data centers above, the evolution in consumer spending from a societal and economic perspective is maybe equally worrying, (source Moody's analytics):

- Wealthy consumers account for a growing share of US consumer spending, with the top 10% of the income distribution accounting for 49.2% of total spending in the second quarter, up from 35% 30 years ago.

The economy has thus remained afloat amid a decline in hiring and rising debt delinquencies, with the spending of wealthy consumers helping to explain this trend.

Inflation-adjusted consumer spending, which accounts for about two-thirds of US economic activity, actually fell in the first half of the year, while the Federal Reserve's preferred price gauge sticks at close to 3%.

Trump is happy about a rising stock market, so are we, however the number of individuals/households concerned about equities is relatively limited. Only 70 million people have retirement accounts out of a population of 340 million, with an average balance of 128'000 USD.

And, for the record: equity ownership is extremely concentrated at the top of the US wealth ladder, with the top 10% owning around 90% of US equity holdings.

The rate-setting FOMC is thus walking a narrow path between the risk of a serious economic downturn and sharply weakening job market, and the risk of entrenchment of high inflation in the economy, particularly for everyday essentials for most of the population. Wonder who is worried about next year's midterm elections?



Strategy

Last month, we reduced our positive market drift in equities back to neutral.

We continue to see several areas supportive of European stocks, such as improving European economies in 2026 and 2027, low positioning (especially by domestic investors) inexpensive valuations vs. other assets, and a growing desire to diversify away from US exposure - due to dollar weakness, concentrated positions in technology stocks, Trump administration's policies - including tariffs, tax cuts, and pressure on the Federal Reserve.

Why do we continue to consider the mega caps, (recently joined by Oracle), as a separate group from the rest of the S&P 500, and thus the US, and that they should be managed separately. Consider this:

- Amazon: online sales are 268 billion revenues, cloud is 127 and advertising is 66, (all in US Dollars).
- Alphabet: 219 billion revenues from search, 56 from cloud and 40 from YouTube.
- Microsoft: 129 billion revenues from its core business, 86 from cloud and 55 from personal computing.
- Apple: 313 billion revenues from hardware and 111 from services.

Now consider this:

- The median S&P firm is expected to generate revenues this year of only \$14bn. (source Goldman Sachs)
- Since April 2025, revisions to 2026 EPS for the Magnificent 7 are up close to 4%.
- Also since April 2025, revisions to 2026 EPS for the S&P 493 are down 2%. (source KKR)

Equity

We are neutral. We keep an overweight in Eurozone and Asian ex Japan equities versus the US.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt.

Foreign Exchange

The US Dollar and the Japanese YEN exposure is entirely hedged.

Gold

We continue to keep our allocation to Gold.



Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, JPY and US Dollars hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, Health Improving Technologies and Services, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit.

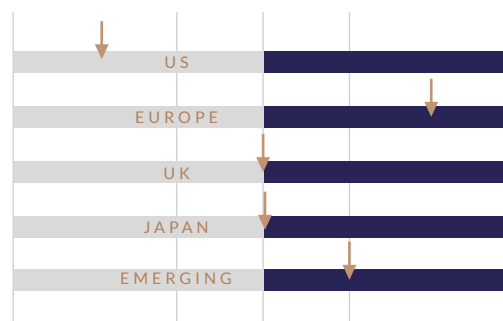
Currencies: Non USD-referenced portfolios are fully hedged against USD and YEN. USD-referenced portfolios are long EUR.

Commodities: Overweight

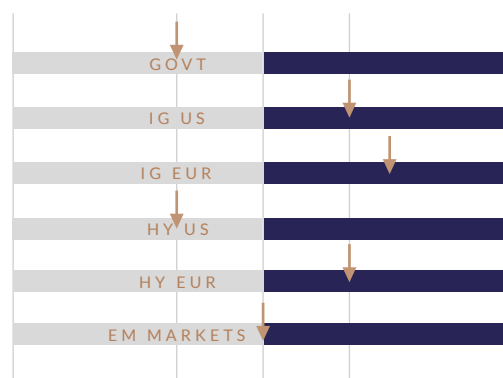
Long Gold.

Conviction thermometer

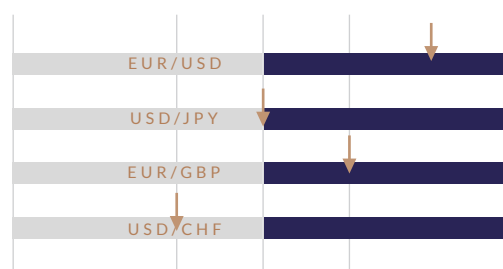
Equities



Bonds



Currencies



Commodities



■ Negative view

■ Positive view



Market overview as of 31st August 2025

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED USD	2 281,68	-0,37%	2,13%	11,34%
US S&P500	6 460,26	-0,08%	2,03%	10,78%
MAGNIFICENT 7 (CAP WEIGT.)	187,69	-0,05%	1,42%	11,10%
NASDAQ 100	23 415,42	-0,34%	0,92%	11,98%
EUROPE EURO STOXX 50	5 351,73	-2,48%	0,65%	12,31%
GERMANY DAX	23 902,21	-1,89%	-0,68%	20,06%
FRANCE CAC40	7 703,90	-3,34%	-0,88%	7,44%
BELGIUM BEL20	4 798,55	-1,02%	3,50%	15,62%
SWISS MARKET INDEX	12 187,58	-0,63%	2,97%	8,27%
UK FTSE100	9 187,34	-1,41%	1,21%	15,56%
RUSSELL 2000	2 366,42	0,22%	7,14%	7,05%
JAPAN TOPIX	3 075,18	-0,80%	4,52%	11,95%
MSCI EMERGING	1 258	-0,62%	1,46%	19,59%
MEXICO MEXBOL	58 708,86	-0,87%	2,41%	21,63%
HONG KONG HANG SENG	25 077,62	-1,00%	1,34%	28,37%
CHINA CSI 300	4 496,76	2,77%	10,51%	16,81%
INDIA SENSEX	79 809,65	-1,84%	-1,55%	3,31%
KOREA KOSPI	3 186,01	0,60%	-1,71%	34,80%
HANG SENG TECH	5 674,31	0,50%	4,09%	28,20%
AUSTRALIA ALL-SHARE	4 972,79	-1,48%	0,90%	14,39%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	400,45	0,71%	3,58%	17,91%
CONSUMER DISCRETIONARY	1 860,03	-0,52%	3,40%	2,02%
CONSUMER STAPLES	887,23	-1,67%	1,59%	5,54%
ENERGY	686,39	2,46%	3,64%	7,49%
FINANCIALS	896,53	0,77%	3,12%	12,54%
HEALTH CARE	1 598,13	-0,56%	5,38%	0,81%
INDUSTRIALS	1 284,04	-0,76%	0,01%	16,12%
INFORMATION TECHNOLOGY	5 234,57	-0,07%	0,34%	14,04%
MATERIALS	584,18	0,07%	5,76%	11,64%
REAL ESTATE	265,17	-0,12%	2,17%	5,67%
UTILITIES	426,24	-2,00%	-1,58%	13,00%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 681,44	-1,93%	2,68%	0,67%
CONSUMER GOODS	3 891,64	-1,12%	3,05%	6,43%
CONSUMER SERVICES	1 411,76	-1,00%	1,85%	-6,31%
FINANCIALS	1 384,98	-3,49%	1,56%	31,96%
HEALTH CARE	3 495,15	-0,96%	4,14%	-1,47%
INDUSTRIALS	4 832,64	-1,39%	-0,96%	18,16%
OIL & GAS	1 565,67	-0,47%	1,21%	15,18%
TECHNOLOGY	1 872,42	-1,60%	-2,49%	-1,87%
TELECOMS	677,58	-0,91%	1,99%	14,29%
UTILITIES	2 297,70	-3,05%	-1,56%	20,14%



Market overview as of 31st August 2025

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	217,68	0,06%	0,24%	2,21%
Euro Aggregate	245,33	0,12%	0,20%	0,64%
Pan-Euro HY Hedged Eur	472,17	0,02%	0,26%	4,12%
Global Inflation hedged EUR	236,56	0,05%	0,09%	1,52%
US Corp High Yield	2 264,90	0,45%	1,25%	6,35%
EM USD Aggregate TR	1 260,87	0,05%	1,33%	7,32%
EM Aggregate TR Local Ccy	159,65	0,41%	1,04%	7,30%
EUR Banks CoCo Tier 1	170,39	0,02%	0,42%	6,54%
EU GOVT HEDGED EUR	213,44	0,22%	0,53%	-0,08%
Global Aggregate Hedged EUR	2 554,99	0,06%	0,35%	1,87%

Commodities	Level	5D	MTD	YTD
GOLD	3 447,95	2,26%	4,80%	31,38%
COPPER	451,85	1,33%	3,77%	12,22%
OIL WTI	64,01	0,55%	-7,58%	-10,75%
OIL BRENT	68,12	0,58%	-6,08%	-8,74%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,1686	-0,27%	2,37%	12,86%
GBPUSD	1,3504	-0,16%	2,25%	7,89%
USDJPY	147,0500	0,07%	-2,45%	-6,46%
USDCHF	0,8005	-0,12%	-1,45%	-11,78%
AUDUSD	0,6540	0,77%	1,79%	5,69%
EURCHF	0,9355	-0,41%	0,88%	-0,48%
USDCNY	7,1308	-0,51%	-0,96%	-2,31%
USDKRW	1 471,95	1,64%	-0,25%	
USDBRL	6,1774	1,76%	3,45%	-7,55%
USDTRY	41,1446	0,44%	1,27%	16,38%
BITCOIN	107 800,31	-7,90%	-7,46%	15,03%



This document has been prepared by Apricus Finance SA. It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a document.

This document is provided for information purposes only and does not constitute an offer or a recommendation to purchase or sell any security. It contains the opinions of Apricus Finance SA, as at the date of issue. These opinions do not take into account individual investor circumstances, objectives, or needs. No representation is made that any investment or strategy is suitable or appropriate to individual circumstances or that any investment or strategy constitutes a personal recommendation to any investor. Each investor must make his/her own independent decisions regarding any securities or financial instruments mentioned herein. Before entering into any transaction, an investor should consider carefully the suitability of a transaction to his/her particular circumstances and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences.

The information and analysis contained herein are based on sources believed to be reliable. However, Apricus Finance SA does not guarantee the timeliness, accuracy, or completeness of the information contained in this document, nor does it accept any liability for any loss or damage resulting from its use. All information and opinions as well as the prices indicated may change without notice. This document may contain articles from other financial sources. These sources are always mentioned when included.

Past performance is no guarantee of current or future returns, and the investor may receive back less than he invested. The value of any investment in a currency other than the base currency of a portfolio is subject to foreign exchange rate risk. These rates may fluctuate and adversely affect the value of the investment when it is realized and converted back into the investor's base currency. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.

This document has been issued in Switzerland by Apricus Finance SA. Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States or given to any US person.