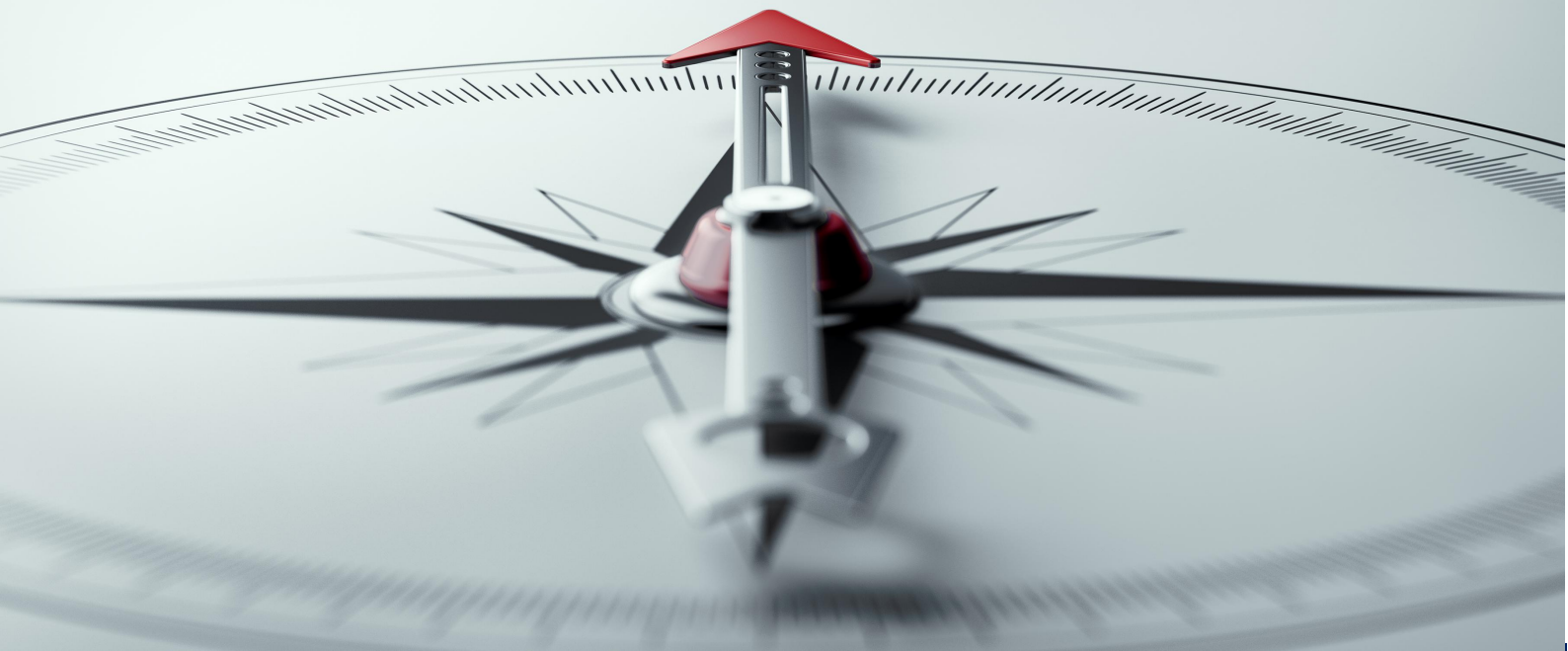


ECONOMIC UPDATE

JUNE 2026

AMS

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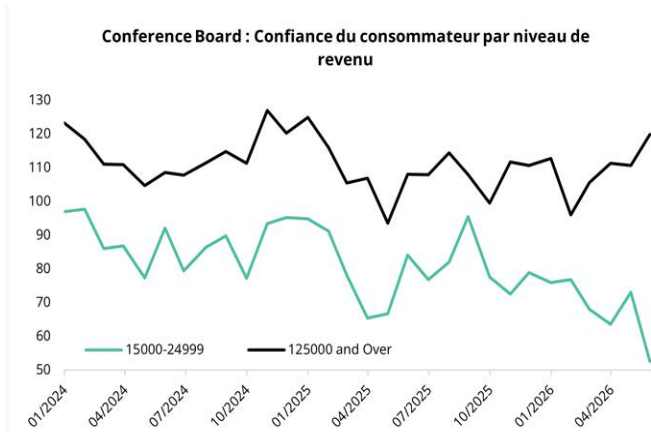
Asset management company authorised by FINMA on 9
February 2022

MACROECONOMIC SITUATION

UNITED STATES THE CONSUMER CONFIDENCE INDEX DOWN

Recent publications on the US economy point to a significant drop in the consumer confidence index to 44.8, according to surveys by the University of Michigan, a historic low.

The Conference Board's survey is less alarming but traces a significant divergence according to income level, as shown in the graph below; households with annual incomes above USD 125,000 benefit from the "wealth effect" of US equities while the poorest households, with less than USD 25,000 in income per year, suffer from higher energy prices and service prices.



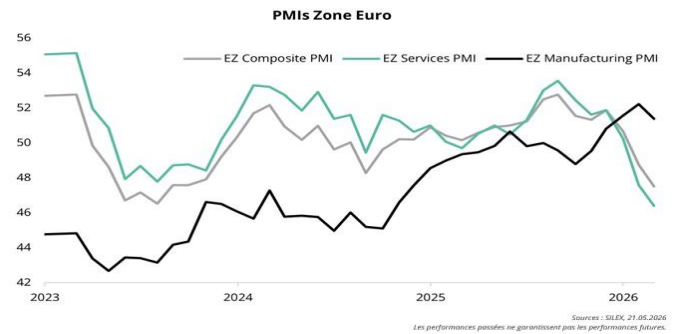
In this regard, let us recall the inflation figure in the United States, which reached **3.8% in April** against **+3.3% in March**, is analysed in more detail as follows:

- Non-durable consumer goods: +4.9%
- Consumer durables: +3.4%
- Services : + 3,5%
- Housing: +3.4%

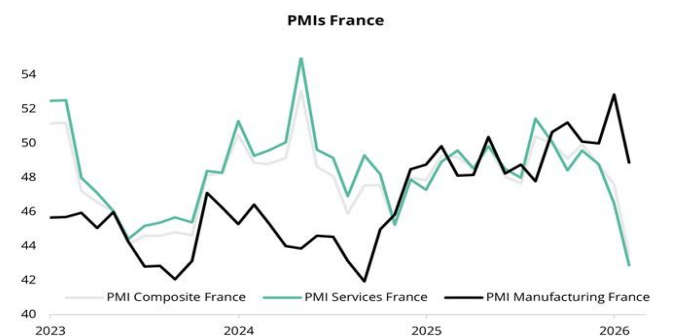
Recent statistics show that **credit card default and late payment rates** in the United States remain high (13.12%). This shows that low-income households are having difficulty repaying their consumer debts with the rise in energy and consumer goods prices.

EUROPE REVERSAL OF CONFIDENCE INDICES OF COMPANIES (PMI INDICES)

In Europe, there is a slowdown in growth due to **higher energy prices**. For the second month in a row, the purchasing managers' confidence indices in large companies - PMIs are down, both the composite PMI and the Services PMI. Only the manufacturing PMI is holding up thanks to the early build-up of inventories.



In France, the composite PMI fell to 43.5 against 47.7 expected by forecasters.



In Germany, the PMI came out at 48.6 against 48.4 expected.

THE ENERGY TRANSITION IS BECOMING AN ECONOMIC AND SOVEREIGNTY IMPERATIVE

The International Energy Agency (IAEA) estimates that **electricity demand is expected to grow at an annual rate of 3.6% between 2026 and 2030**; it is currently growing by 1.0% to 1.5%. For data centers specifically, this growth should be 5% per year.

The major players in AI - Alphabet - Meta - Amazon - want efficient, carbon-free solutions and demand optimized data centers in terms of electricity supply.

The crisis in the Middle East has also reminded us of our dependence on energy flows and fossil fuels; the Asian countries that have been particularly affected will most certainly accelerate their investments in nuclear and renewable energies. In Europe, most countries want to accelerate the electrification of buildings and strengthen their energy sovereignty.

* * *

Alongside the energy suppliers (opposite), the beneficiaries will be the players in the electricity distribution sector exposed to the growth of data centers:

SCHNEIDER ELECTRIC, in addition to its smart buildings business, provides power distribution, cooling circuits and energy management software for data centers. Major contract in progress with Japan's **SOFTBANK**

VERTIV provides power, batteries and liquid cooling for data centers.

LEGRAND supplies cabling, low-voltage power distribution and equipment for computer rooms.

SCHNEIDER ELECTRIC is certainly the broadest and most complete offer, **LEGRAND** is more diversified between residential buildings and data centers, while the American **VERTIV** is very focused on the offer for data centers. **ABB** - **EATON** and **SIEMENS** should also benefit from the strong increase in demand.

COMPUTING POWER BECOMES DEPENDENT ON ENERGY POWER

The rise of data centers - especially those related to generative AI - is creating an unprecedented power demand shock. The companies that will benefit from this will be those that are able to provide:

- Stable electricity 24 hours a day
- Cooling solutions
- Carbon-free energy

The energy demand for data centers will double by 2030 in the United States.

By way of example, the beneficiaries include:

- **CONSTELLATION ENERGY**, the leading US nuclear producer; the company already has agreements with the main data centers.

- **NEXTERA ENERGY**, the American leader in renewable energies, has a huge solar + wind + battery park; the company is present in the states where the datacenters are located.

- **DOMINION ENERGY** has a strong presence in Northern Virginia, the world's largest data center hub. (NextEra offer to buy in progress)

- **SOUTHERN COMPANY** The South of the United States attracts data centers thanks to low land prices, cheap energy and favorable regulations.

- **VISTRA Corp** has a strong presence in Texas

* * *

In Europe:

- **IBERDROLA**, very well positioned in renewable energies.

- **RWE** is also active in renewable energies.

- **NATIONAL GRID** transmits high-voltage electricity, operates high-voltage lines, pylons, cables, electrical substations and subsea interconnections. Present in the United Kingdom and North-East of the United States

FIXED INCOME MARKETS

UNITED STATES FIRST MEETING OF THE FOMC, CHAIRED BY KEVIN WARSH

Faced with the risk of imported inflation resulting from the rise in energy prices, what will be the policies of Western central banks, and more specifically the Fed and the ECB?

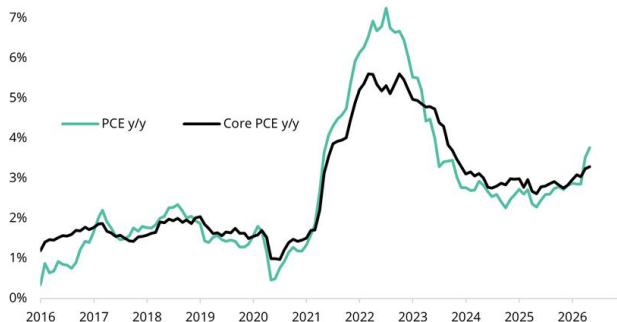
The situation of the United States and that of Europe are of course radically different; the US economy is still growing with a low unemployment rate; in Europe, growth is close to zero and unemployment is on the rise.

However, US consumer sentiment is at an all-time low (44.8 according to University of Michigan surveys) and consumption accounts for more than 2/3 of US GDP. In addition, the default rate on credit cards has risen to more than 13%, a high level.

* * *

The FOMC meeting on June 17 will be closely followed by investors; the markets expect a status quo and the statement of the new president, Kevin Warsh, will be listened to.

An inflation figure of +3.8% for the month of April is confirmation that inflation is settling in at a high level. What will be the decision of the FOMC members?



* * *

EUROPE WILL THE ECB ANTICIPATE A RISE IN SECOND-ROUND INFLATION?

The ECB is likely to raise its key interest rates in June unless a favourable outcome of the US-Iran conflict brings energy prices to a lower level.

The ECB's fear is imported inflation that spreads through a repercussion on the prices of products sold by companies, this price increase leading to wage demands and therefore a PRICE - WAGES - PRICE loop.

To date, this is not yet the case, companies have not managed to pass on cost increases in their selling prices, but the ECB could well anticipate this movement and raise its key rates.

The ECB will indeed redouble its vigilance with regard to inflationary risks, which for the moment do not seem to be abating. For the month of May, the figures indicate a further increase to 3.20% against 3.0% in April and 2.6% in March.

The main inflationary pressures come from:

- Energy: +10.9% in May
- services: +3.5% in May

Too radical decisions on the part of the ECB could plunge the eurozone into recession; with economic growth close to zero in the eurozone, the ECB cannot afford to make a monetary policy mistake.

The credit spread between the German Bund (2.97) and the French OAT (3.64%) is 67bp; it would not be surprising, given the situation of public finances in France, if this spread rose to the 80bp-85bp zone. This comes as the rating agency S&P has maintained the A+ rating for sovereign debt with a stable outlook.

Equity market performance since the beginning of 2022	
US action	Ytd
S & P 500	+ 10,73%
Dow Jones	+ 6,18%
Nasdaq Comp.	+ 16,05%
Indices Europe	Ytd
EuroStoxx 50	+ 4,47%
EuroStoxx 600	+ 5,71 %
European actions by country	Ytd
DAX	+ 2,51%
CAC 40	+ 0,42%
FTSE 100	+ 4,81%
IBEX 35	+ 6,10%
MIB	+ 11,33%
SMI	+ 2,22%
Asia Equities	Ytd
NIKKEI 225	+ 31,76%
Shanghai Composite (SSE)	+ 2,51%
Hang Seng HK composite	- 3,81%
Brent Oil (USD 111.35)	+ 83,00%
Once d'Or	+6,45%

Government bond yield					
Currency	Country	2 years	5 years	7 years	10 years
Dollars US	United States	4,04%	4,19%	4,32%	4,49%
	Germany	2,54%	2,63%	2,75%	2,97%
Euro	Portugal	2,46%	2,71%	3,05%	3,33%
	Spain	2,64%	2,83%	3,01%	3,38%
	France	2,73%	3,01%	3,28%	3,64%
	Italy	2,69%	3,00%	3,27%	3,68%
Pound Sterling	United Kingdom	4,27%	4,28%	4,59%	4,91%

Indices PMI					
		April		May	
United States	Manuf.	54,5	United States	Manuf.	55,3
	Services	51,0		Services	50,9
	Composite	51,7		Composite	51,7
Eurozone	Manuf.	50,1	Eurozone	Manuf.	51,4
	Services	47,6		Services	46,8
	Composite	48,8		Composite	47,5

	Inflation « Headline »	%	Inflation « Core »
	MARCH Year-over-year		APRIL On a rolling year basis
USA (Global)	3,3 %		3,8 %
USA(core)	2,6 %		2,8 %
Eurozone (global)	2,6 %		3,0 %
Zone Euro (core)	2,3 %		2,2 %

Prices as of May 31, 2022

IN CONCLUSION

Today, the PMIs, as we have shown, describe a situation of sharp slowdown.

In this environment, the earnings per share of the "magnificent 7" are growing at impressive rates; the entire US technology sector has also delivered exceptional results, which explains the rise in these stocks since the beginning of the year. However, **American investors, who are very exposed to this sector, are aware of the need to diversify their investments sector and geographically.**

Should we keep tech stocks?

The industrial revolution that is unfolding before our eyes consists of transforming electricity into intelligence. Should electricity producers be bought? Semiconductor manufacturers? from memory? of optical fiber? The hyperscalers who make this artificial intelligence available to companies or the commercial or industrial companies that will benefit from it?

We believe that at every step of the process, many companies will benefit from this major change.

* * *

The impact of the energy shock we are experiencing will gradually spread through the economy through transport costs, logistics chains, raw materials to reach consumer goods. In recent decades, we have experienced very deflationary forces: globalization and geopolitical stability. Today, the energy transaction and reindustrialization are inflationary forces that come on top of the energy shock.

At the same time, the productivity gains associated with the development of AI in companies can help to contain this movement, but the structural factors are too powerful.

The return of inflation will become an important element to take into account in our investment decisions.

In this context, we will be keeping a close eye on the private equity and private debt sectors, which could suffer from rising interest rates on both sides of the Atlantic.

SUMMARY OF THE INVESTMENT STRATEGY

Equity portfolios

We are diversifying our portfolios a little more focused on technology stocks by gradually taking our profits on certain technology stocks in the United States and Europe, which we consider too expensive. **We are strengthening the industrial sectors as well as the health sectors.**

A rise in interest rates in the United States and Europe, as a result of imported inflation in the West, could indeed penalise the technology sector.

Bond portfolios

In the United States and Europe, we are extending the maturities of our bond portfolios a little, while still sticking to investment grade corporate bonds.




On USD issuance, we believe current levels are buying opportunities.

We are still staying away from sovereign debt, with budget deficits that continue to rise in most developed countries.

Absolute return strategies

We continue to diversify our allocation to absolute return funds by looking for new strategies - even driven, for example - or new geographical areas - Asia.

OUR SCENARIOS

	 <p>SCENARIO 1 30%</p>	 <p>SCENARIO 2 50%</p>	 <p>SCENARIO 3 20%</p>
BACKGROUND INTERNATIONAL	<p>The war in IRAN ended with an agreement, even one that was unfavorable to the United States. Gradual reopening of the Strait of Hormuz</p> <p>Oil price stabilizes USD 90 - USD 110</p>	<p>The Strait of Hormuz remains closed but no resumption of hostilities Negotiations are protracted</p> <p>Oil is gradually rising in a range of USD 120 to USD 130</p>	<p>Resumption of hostilities and destruction of the energy capacities of IRAN and the Gulf countries.</p> <p>Sharp and rapid rise in the price of oil in USD 140 - USD 160</p>
MACROECONOMIC CONSEQUENCES	<p>No inflation in Europe</p> <p>Very slight impact on the global economy</p>	<p>Slight rise in inflation in Europe and the United States</p> <p>Reduced growth compared to forecasts at the beginning of the year</p>	<p>Very significant rise in inflation in Europe and the United States</p> <p>Recession likely and shortage in Europe (not in the United States)</p>
BOND MARKETS	<p>After raising its key rates in June, the ECB will reverse course</p> <p>EDF: stability of key rates</p> <p>Invest on maturities of 5 to 7 years</p>	<p>ECB to raise key rates 1-2x by the end of 2026</p> <p>EDF: stable rates</p> <p>Avoid high-yield bonds due to likely deteriorating economic conditions</p> <p>Do not invest in long maturities</p>	<p>ECB to raise key rates 1-2x by the end of 2026</p> <p>Fed: Perhaps a rate hike if core inflation accelerates</p> <p>Focus on short-dated bonds - Stay away from high-yield bonds</p> <p>Do not invest in long maturities</p>
MARCHES ACTIONS	<p>Overweight European and US equities</p> <p>Overweight China equities</p>	<p>Reducing exposure to small and mid-caps that could be weakened</p> <p>Underweight equities</p>	<p>Reducing exposure to equity markets</p> <p>Increase liquidity in equity portfolios and hedging strategies</p>
ABSOLUTE RETURN FUNDS	<p>Reduced allocation to absolute return funds</p>	<p>Stable allocation to absolute return funds</p>	<p>Increase the share of portfolios invested in absolute return funds on the AMS list</p>

Important information

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The analyses contained in this document should not be construed as investment recommendations by AMS,

Glossary

The consumer price index "CPI" measures the average change in the prices of products consumed by households,

The Basic Consumer Price Index (PCE) measures the change in the prices of goods and services purchased by individuals excluding food and energy products.

The "PMI" stands for "Purchasing Manager's Index"; it is a survey carried out among purchasing managers in large companies that allows a better appreciation of the economic situation of a sector of activity.

Investment grade bonds refer to bond securities issued by companies whose risk of default is considered very low (AAA) to moderate (BBB-) according to the rating of Standard & Poor's, for example,

High yield bonds are bonds issued by companies with a higher risk of default than investment grade bonds; in return, they generally offer a higher coupon to investors.

Duration is the average life of a bond discounted across all flows (interest payments and principal repayments)

The "spread" refers to the difference between the actuarial rate of return of a bond and that of a risk-free loan of the same maturity; the spread for French debt is, for example, the difference in profitability between the French OAT and the German Bund at the same maturity; for a company, the "spread" measures the difference in interest rates with that of the sovereign debt of its country of origin.