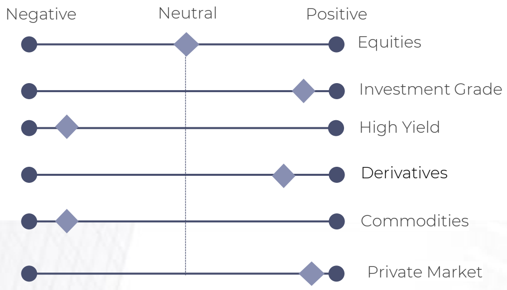
NORMAN K.

MONTHLY NEWSLETTER – February 2025

Jean-Philippe Petit
Founder - Chief Investment Officer

"After a strong start in January, markets adopted a more cautious stance in February, weighed down by the impact of Donald Trump's policy decisions, particularly the implementation of tariffs against Mexico, Canada, and China. At the same time, concerns over a slowdown in U.S. growth emerged, driven by weak macroeconomic data (PMI, employment, and retail sales). European markets have continued to outperform since the beginning of the year, supported by solid corporate earnings, optimism regarding a de-escalation in the Ukraine-Russia conflict, and a more accommodative monetary policy outlook compared to the U.S. All major fixed income sectors delivered positive returns over the month, benefiting from declining U.S. yields.
Our positioning in favour of bonds has been advantageous for portfolios, which have remained resilient despite the equity downturn. In our view, markets' volatility presents opportunities to invest in stocks with strong underlying fundamentals."

OUR MARKET VIEWS



POTENTIAL MARKET CATALYST

Monetary policy easing by central banks

Inflation easing more significantly

President Trump's pro-growth measures

Easing of geopolitical tensions / trade war

KEY INDICATORS

Equities (%)	Level	January	February	YTD
S&P 500	5 955	2,70	-1,42	**-0,66**
Nasdaq 100	20 884	2,22	-2,76	**-1,83**
Eurostoxx 50	5 464	7,98	3,34	**12,41**
FTSE 100	8 810	6,13	1,57	**6,27**
China SI 300	3 890	-2,99	1,91	**0,54**
Emerging markets	1 097	1,66	0,35	**3,73**

Bonds (rate spreads)	Level	January	February	YTD
		Spread change level		
10 year government bonds				
US	4,21	- 0,03	-0,33	**-5,77**
Europe	2,41	0,09	-0,05	**20,53**
Corporate – 5 years spread (change level)				
Investment Grade US	49	- 1,19	0,54	**-0,02**
Investment Grade Europe	95	-3,91	0,84	**-2,91**
High Yield US	309	-11,21	8,48	**1,64**
High Yield Europe	289	-25,18	0,76	**-6,92**

Currencies (%)	Level	January	February	YTD
EUR / USD	1,0375	0,08	0,13	**4,15**
GPB / USD	1,2577	-0,97	1,47	**2,84**
CHF / USD	1,1073	-0,39	0,87	**- 2,19**

Commodities (%)	Level	January	February	YTD
Gold	2 858	6,63	2,12	**10,38**
Brent	73	2,84	-4,66	**- 6,79**
Copper	455	6,27	5,25	**16,82**
Aluminium	2 621	2,61	0,69	**5,39**

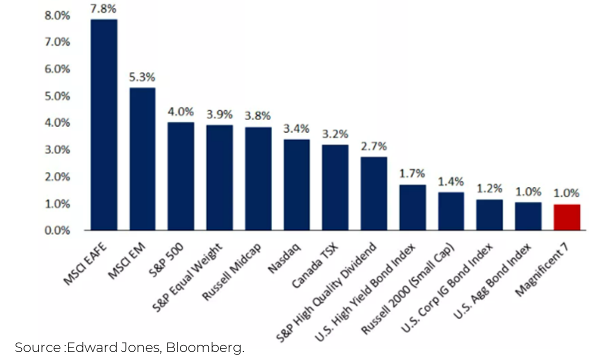
Volatility	Level	January	February	YTD
Euro Stoxx 50	19	-9,7	21,28	**28,63**
Nasdaq 100	20	-5,3	19,48	**33,37**

Cryptos (%)	Level	January	February	YTD
Bitcoin	84 212	8,96	-17,53	**-3,2**
Ethereum	2 224	-0,84	-32,98	**-31,7**

Sources: Bloomberg, Norman K. - Data as of February 28th 2025. Past performance is not a reliable indication of future performance. Non-contractual information.

CHART OF THE MONTH

Equities 2025: The Magnificent 7 turn into laggards after two years of outperformance



Source :Edward Jones, Bloomberg.

February 2025: Markets Lose Their Shine…

MACROECONOMICS

After a strong start to 2025, February saw a **shift in investor sentiment** as uncertainty over U.S. policy weighed on corporate and consumer confidence. Renewed **concerns about economic growth** pressured U.S. equities, dragging down broader developed markets and **increasing volatility**.

In contrast, **European equities outperformed**, supported by strong corporate earnings and growing optimism over a potential ceasefire in Ukraine. The **defence sector**, in particular, played a key role in driving market performance.

Despite lingering inflationary risks from potential tariffs and stronger-than-expected inflation data, **bond markets** remained focused on **economic slowdown concerns**. Business and consumer confidence weakened, with services activity and investment intentions declining, while consumer sentiment saw its sharpest drop since August 2021.

Large-cap tech stocks also **struggled**, with doubts over the sustainability of earnings weighing on sentiment, contributing to a decline in global growth stocks. Investors are increasingly concerned that U.S. mega-cap stocks may no longer generate sufficient future revenue, particularly given the substantial capital expenditures required for AI development. Once the key drivers of market performance over the past two years, these stocks have been among the **weakest performers since the start of the year**.

However, **sector rotation continued**, with consumer staples, energy, and real estate demonstrating resilience and delivering solid gains throughout the month.

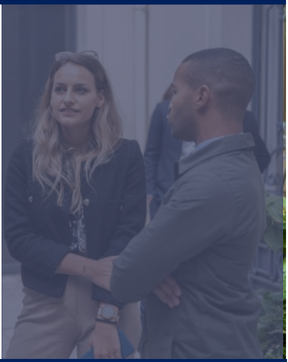
NK VIEW

We remain **neutral on equities**, but given the **volatility** driven by geopolitical tensions, **investment opportunities** are emerging in companies with strong fundamentals that are currently experiencing a downturn. **Attractive entry points are also appearing in the bond market,** as periods of rate volatility arise in response to political uncertainty and macroeconomic data.

In terms of **income strategies** (bonds, structured products, and private debt), the anticipated rate cuts could create **attractive opportunities**. Bonds remain compelling due to favourable yields, especially in USD.

The **private debt market** continues to expand, especially in **real estate financing**, as market participants aim to capitalise on falling rates.

Finally, we hold a positive outlook on private equity, expecting a **rebound in the IPO market**. This recovery will likely be supported by a more favourable rate environment.



WHICH OPPORTUNITIES IN THIS CONTEXT?

Equity market volatility

- In-depth analysis and selectivity
- Opportunities in fundamentally strong stocks

Rate cuts / geopolicital uncertainty

- Anticipate impacts on portfolios
- Currency diversification
- Real estate deals opportunities

Weaker macroeconomic environment

- Alternative investments
- Pre-IPO segment / private debt

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