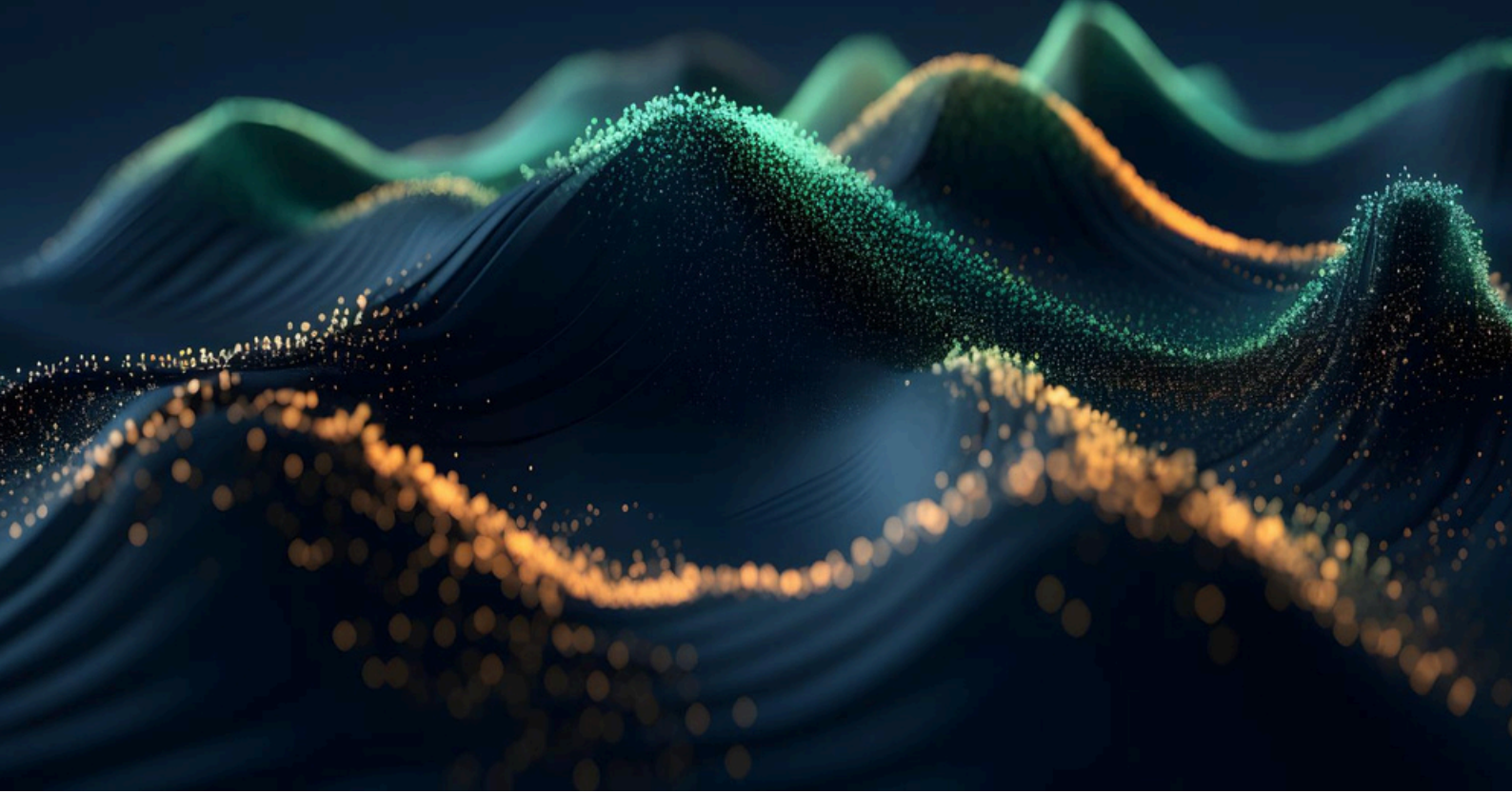


GENVIL

WEALTH MANAGEMENT & CONSULTING



MARKET INSIGHT

July 2025

The first half of the year was far from restful, and the second remains clouded by many uncertainties!

Looking back at investor positioning at the beginning of the year, the U.S. dollar's decline over the past six months must be considered a surprise.

From our point of view, this movement is a source of satisfaction, given our negative stance on the greenback for several quarters.

However, even though we had reduced our exposure to the currency of Uncle Sam in portfolios denominated in euros or Swiss francs, the dollar's decline impacted performance; conversely, USD-denominated portfolios benefited from our recommendation to diversify investments into European currencies.

This is not an excuse, but it is necessary to keep this in mind when evaluating the performance of financial assets and portfolios since January 1st.

Thus, while the global equity index in USD rose by more than 7% over the period, its counterparts denominated in euros or CHF posted a decline of around 4% over the same time.

The situation is not much more favorable on the global bond front (sovereign and corporate debt). While a dollar investor could have achieved a 7% return in six months, the same return converted into euros is a negative 7%! Clearly, the consequences of the dollar's "surprising" weakness are far from trivial.

Beyond economic fundamentals (a slowdown in activity and doubts over the sustainability of disinflation in the U.S.), a major reason behind the dollar's retreat can be found in the theory of the "end of American exceptionalism."



« Energy seems to us a compelling medium-term theme. »

FRANÇOIS SAVARY, CIO

GENVIL SA

The chaotic trade environment, the prospect of a budget law showing blatant and deliberate disregard for medium-term public finance management, and erratic moves from the new U.S. administration have all fueled (lasting) distrust toward the American currency.

Enough to satisfy Steffen Miran (Trump's advisor) and his at best "unorthodox" economic theories. But beware of playing sorcerer's apprentice by "opening Pandora's box" with currency games, which have not necessarily benefited the economy and financial markets in the past.

Keeping a close eye on the greenback's behavior remains a major priority in the months ahead, after a decline of more than 10% against other currencies since January 1st!

Still, the dollar's performance was only one of the challenges we had to face over the past two quarters.

To this, we could randomly add: the strong rise in gold (on which we remain overweight), bond market volatility (our underweight in sovereign

evidence that while the worst expected is possible, it is not necessarily probable.

Still, the international situation remains fluid, and there is every reason to believe the next six months will bring more surprises — all within a context where investors have clearly adopted a "risk-on" stance in recent weeks.

Were we too cautious in recent months? Perhaps. But we believe that our risk management philosophy partly explains our decisions amid the unexpected events that have marked recent months.

We won't revisit the correct decisions we've made since January 1st.

However, we do have one regret as summer begins: not having dared to take more equity risk during the April correction.

That said, we have not been inactive in our equity portfolio. We initiated positions in Indian equities and emerging markets more broadly during the second quarter.

Indeed, these markets should benefit from a

« The game of pressure and concession in recent months could have led to far less favorable outcomes than what we've seen »

debt in favor of credit remains intact), and, last but not least, the shocks to equities during the period (from which we failed to fully take advantage of) — all developments that demanded constant attention.

Not to mention geopolitical tensions that severely tested nerves, especially toward the end of the period!

In short, the first half of 2025 delivered many "surprises" that will not vanish with the arrival of summer. As a reminder, Trump's "big beautiful bill" still awaits congressional approval, and the trade truce is set to expire (permanently or not) on July 9th.

At the close of H1 2025, visibility on the economic and financial cycle remains limited, even though the likelihood of a "major shock" (i.e., recession) has diminished. This is yet more

persistently weak U.S. dollar (our year-end targets have been revised to 1.20–1.22 against the euro and 0.77 against the CHF), in a global macroeconomic context where we have lowered the probability of a U.S. recession to 15% and that of temporary stagflation to 25%.

In this regard, we introduced a scenario of U.S. growth reacceleration in 2026 (15% probability), driven by tax cuts likely to be ratified by Congress and a monetary easing from the Fed starting in the fall.

Another recent adjustment to our equity exposure: we introduced a diversified and dynamic investment on the energy theme. With this, we aim to capture the rising demand fueled by AI developments, industrial reshoring, climate change, and energy security needs.

Thus, we end the semester with an overweight position in equities in our investment frameworks, particularly for balanced and growth profiles. Moreover, our recent adjustments have increased the cyclical sector bias in our allocations.

The aforementioned currency movements and a form of European awakening to the challenges of the new world order are leading us to maintain our geographical bias toward European equities. In addition, relative valuations still appear supportive of European stocks.

On the fixed income side, we have maintained since the start of the year our overweight in credit risk at the expense of sovereign debt.

We see no reason to challenge this assumption — especially if the U.S. slowdown proves temporary and if inflation rebounds by year-end.

As credit spreads with sovereign bonds have narrowed, we decided to slightly reduce our high-yield exposure in recent weeks.

This decision does not change our repeated recommendation over recent months to control the overall duration of bond portfolios.

Our recent choice to cut high-yield risk should be considered alongside our increased equity exposure. In our view, this reflects sound risk management.

All in all, we close the first half with a positioning that favors equities and liquid alternatives (including gold) over cash and bonds. This is particularly true for balanced and growth profiles.

However one chooses to interpret the economic, political, and financial developments

of H1 2025, it seems reasonable to assume we have entered a different world.

The challenges facing the global economy (at all levels) have not radically changed since January 1st; however, the way to address them has taken a marked turn.

Less cooperation and more confrontation — that seems to define the period we've entered. Some go even further, speaking of the rise of a "great global disorder."

The game of pressure and concessions (with varying degrees of danger) in recent months could have led to far less favorable outcomes than we have seen.

So much the better — but let's not kid ourselves! Nor should we be naive: this "new" dynamic in intra- and interstate relations will likely continue to influence the coming months. Our focus on preserving our clients' capital may have led us to "miss out" on some opportunities in recent months — we admit it. Yet we remain convinced that the global situation does not justify easing our vigilance over the medium term.

After months often marked by stress, reflection, and hesitation on how to guide asset allocation, we must admit we are relieved to welcome a well-deserved summer break.

We therefore wish you a beautiful summer and hope the markets will let us enjoy the sunshine — whether urban, alpine, or coastal.

For those seeking to mix "dolce far niente" with reading, we recommend two books that resonated with us and echo many of the themes in this commentary.

First, “Un secret si bien gardé” by Anne Lauvergeon, which delves into energy issues, particularly nuclear.

Second, “La guerre mondiale n’aura pas lieu” by Frédéric Encel, which offers insightful reflections on the geopolitical questions now top of mind everywhere.

Geneva, July 1st, 2025

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