

GLOBAL OUTLOOK 2026

THE GREAT RECALIBRATION



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The Great Recalibration

GLOBAL OUTLOOK 2026

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The global economy and financial markets are navigating an episode marked by political dominance. This dynamic extends beyond the US, permeating major global and regional powers and reshaping the policy landscape. Monetary and fiscal policies, rather than counterbalancing, are now reinforcing each other—amplifying volatility and broadening the distribution of outcomes. In this environment, the central challenge becomes to properly recalibrate investments across asset classes and sectors. A globally diversified approach emerges as the cornerstone of a resilient, balanced portfolio. At Indosuez Investment Management, our mission is to deliver robust investment solutions that capture value. The analysis we offer in this Global Outlook 2026 is a comprehensive framework designed to decode complexity, guide allocation decisions, and empower resilient investment strategies in an era of political primacy.

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Peter DE COENSEL
Global Head of Investment Management

01

Editorial

THE GREAT RECALIBRATION



Alexandre
DRABOWICZ, CAIA
Global Chief
Investment Officer

Dear reader,

When we gave our 2025 Global Outlook the title ‘A Transforming World,’ we knew change was underway, but we could not have anticipated the sheer velocity of transformation we have since witnessed. Now, as we look toward 2026, one thing is clear: recalibration is needed across the board—central banks must rethink monetary policy, governments must address deficits, companies need to refine their investment strategies, energy systems must adapt to the demands of artificial intelligence (AI) and sustainability and we, as wealth managers, must adapt asset allocation to this shifting landscape.

DEGLOBALISATION VS. GLOBALISATION WITHOUT THE US

Over the past few years, global trade has hit a *plateau*, driven by a convergence of factors: supply chain disruptions, geopolitical uncertainty, and, of course, US tariffs. Yet, the World Trade Organization (WTO) projects global trade growth of 2.4% in 2025—albeit slower than 2024’s 2.8%—

before a sharp deceleration to just 0.5% in 2026 due to “unprecedented” uncertainty over trade policies. These figures seem counterintuitive, given the prevailing narratives of deglobalisation.

The truth, however, is less about deglobalisation and more about recalibration. Global trade is not shrinking—it’s evolving. Investments in AI are providing a significant boost, with Asia leading the charge as the US grapples with export restrictions. South Korea, Taiwan, and China are increasingly prominent players in this AI-driven recalibration. Meanwhile, the US is focusing on reshoring, seeking to reduce its trade deficit by bringing manufacturing and investment back home.

As the US retreats, a new wave of globalisation is emerging without it. China is ramping up its efforts to rival American influence by forging trade deals and investment partnerships in Africa, Latin America, and across Asia. Together, these regions represent 85% of the global population—a staggering figure that underscores the scale of this recalibration.

DE-DOLLARISATION VS. A NEW CURRENCY ORDER

As Henry Kissinger is often believed to have said, “He who controls the currency controls the world”. For decades, international investors poured trillions into US assets, often without factoring in currency risk. But 2025 marked a pivotal shift. While the US administration is not explicitly advocating for a weaker dollar, it is calling for a realignment of currency dynamics, citing manipulation as a barrier to fair competition. The irony? The very nations funding the US deficits are now realising they hold an overabundance of dollars.

The US dollar’s outsized role in global trade, reserves, and exchange markets is increasingly being challenged. Three emerging themes are reshaping currency dynamics and could define the next decade:

- First, central banks are doubling down on their diversification strategies. 2025 marked the fourth consecutive year of non-stop gold buying, signalling a clear intention to reduce reliance on the dollar.
- Second, China is attempting to position the renminbi as a viable alternative for international trade and reserves. Bilateral trade agreements and financial partnerships are proliferating, with Kenya being a notable example—it recently proposed issuing renminbi debt, cutting its borrowing costs in half. Other developing nations are likely to follow suit.
- Third, investors are adjusting their portfolios to hedge against dollar weakness. The sharp increase in currency hedging reflects a broader reassessment of exposure to the greenback. While US assets remain attractive, investors are recalibrating their approach to mitigate currency risk. Expect this trend to accelerate in 2026 as global portfolios undergo further refinement.

DEFICITS VS. INVESTMENTS

The ballooning deficits of Western governments remain a central concern. The US Congressional Budget Office estimates that total US debt will soar to 53 trillion dollars by 2035. Tariffs could offer a short-term fix, with Yale’s Budget Lab projecting 2.4 trillion dollars in tariff revenue over the next decade, but this approach is fraught with uncertainty and is far from a sustainable solution.

Meanwhile, Germany is adopting a bold strategy, committing 1 trillion euros to investment over the next decade. Rather than fixating on deficits, it is recalibrating fiscal policy to prioritise infrastructure, technology, and European strategic autonomy. This forward-looking approach is not only welcome but necessary, as it sets the stage for long-term growth and strategic autonomy.

Capital markets are undergoing a similar shift. For the first time, the issuance of “Yankee debt” (US-dollar-denominated debt by non-US corporates) is slowing, while “reverse Yankee debt” (euro-denominated debt issued by US firms) is rising. This presents a significant opportunity for Europe to assert a stronger role in global capital markets. Strategic government spending on long-term projects will attract private investment, creating a virtuous cycle of growth and recalibration.

LOOKING AHEAD

I invite you to explore the insights of our Chief Market Strategist, Jérôme van der Bruggen, in the next section, where he outlines our key messages for 2026. Be sure to delve into our “10 Surprises for 2026,” where investment heads across our international footprint share their perspectives on potential shocks—both positive or negative—and their implications for portfolio strategies.

This new edition of the Global Outlook is intended to serve as a valuable resource, helping you recalibrate your perspectives and shape your portfolio in this ever-evolving investment landscape. Together, we can navigate the complexities of this fascinating world of transformation and opportunity.

I hope you enjoy reading this new Global Outlook edition.

02

Key Messages

02

KEY MESSAGES

Five Key Investment Strategy Messages



Jérôme
VAN DER BRUGGEN
Chief Market Strategist

Starting the year with a well-articulated strategic vision is a decisive advantage for any investor. First it provides a necessary perspective to navigate market volatility and distinguish lasting trends from short-term movements. Second, a clear strategy promotes discipline in investment decisions, helping to avoid emotional reactions to short-term events. It also provides a framework for allocating resources coherently, in line with core convictions. Finally, it facilitates dialogue among stakeholders – managers, clients, analysts – by creating a common language around objectives and risks.

In our Global Outlook 2025, titled “A Transforming World”, we highlighted the structural shifts that we anticipated would shape financial markets in 2025. Our vision was built around five key strategic messages: (1) the continuation of the monetary easing cycle despite delays in rate cuts; (2) the exceptional resilience of the United States, underpinned by innovation and the depth of its markets; (3) the pivotal role of artificial intelligence (AI) and electrification in driving future growth; (4) the emergence of ASEAN amid China’s reform agenda; and (5) the relevance of multi-asset portfolios in combining performance with resilience. These messages served as our compass throughout 2025.

These five strategic messages outlined in advance allowed for anticipation of major market dynamics: a strong year for equity markets, particularly in the United States; renewed interest in intermediate-maturity bonds; the rise of investments in AI and electrical infrastructure; and the growing influence of Asian economies. By integrating these convictions into diversified portfolios, investors were able to seize opportunities while managing risks effectively. This success underscores the importance of starting each investment cycle with a clear vision, grounded in a thorough analysis of macroeconomic and geopolitical challenges.

We are now embarking on this exercise once again for 2026 – a year that, as suggested by the title of this edition, promises to be one of recalibration. While the endeavour may seem challenging, it remains crucial in guiding our investment choices.

A YEAR FAVOURABLE TO RISKY ASSETS

Bénédicte Kukla notes that the global macroeconomic environment remains supportive. The US Federal Reserve (Fed) is expected to continue its cycle of interest rate cuts, contributing to an overall accommodative monetary policy. Meanwhile, global growth remains resilient, underpinned by both solid consumption and growing investment. The Fed’s easing stance – and anticipated rate cuts – are putting downward pressure on the dollar, enhancing the appeal of risky assets. Against this backdrop, we maintain a positive outlook on equities, which are likely to benefit from favourable financial conditions and robust economic *momentum*.



COMPANIES ARE INVESTING AGAIN

Hans Bevers highlights a fundamental trend: after an extended period of underinvestment since the 2008 financial crisis, companies are once again pursuing ambitious projects. The acceleration of AI, particularly in its agentic or autonomous form, as illustrated by **Delphine Di Pizio Tiger** and **Humberto Nardiello**, is driving spending across sectors. Additionally, there is a pressing need to modernise infrastructure, especially in energy, transport, and defence. These deep transformations support our positioning on small- and medium-sized enterprises, which tend to be more agile and innovative, as well as on real assets and infrastructure, as presented by **Nicolas Renault**, **Remy Pomathios**, and **Matthieu Roumagnac**. We also favour companies that facilitate AI adoption or directly benefit from investments in defence. Both themes emphasise the growing importance of electrification, which, framed through the lenses of national security and energy independence, is set to remain a central strategic pillar for 2026 and beyond, as highlighted by **Ophélie Mortier** and **Fabrice de Sousa**.

A FAVOURABLE ENVIRONMENT FOR EMERGING MARKETS

Francis Tan examines the opportunities presented by emerging markets, particularly in Asia. The ongoing economic rebalancing in the region is creating fertile ground for investors. Furthermore, a weaker dollar plays a crucial role: it improves the solvency of local borrowers with dollar-denominated debt, facilitates credit access, and stimulates international trade. Meanwhile, foreign investors see their local currency assets appreciate, boosting their balance sheets and encouraging capital flows into these economies. This context supports our positive stance on emerging markets, which offer a compelling combination of growth potential and improving financial conditions.



PREPARE FOR POSITIVE SURPRISES

Our ten investment leaders share their expectations for 2026, and most converge around a central idea: the year could hold pleasant surprises. Whether it is unexpected rebounds in certain sectors, technological breakthroughs, or geopolitical resolutions, there are numerous signals. This openness to the unforeseen, encourages us to remain flexible in our allocations while maintaining the agility to respond quickly to emerging opportunities. Recent history has confirmed that, despite a complex geopolitical backdrop – as demonstrated by **Anna Rosenberg** – markets can positively surprise, as evidenced in 2025.

SEEKING BALANCE IN PORTFOLIOS

Finally, **Grégory Steiner**, **Jean-Marc Turin**, **Alexandre Gauthy**, and **Adrien Roure** emphasise the importance of seeking balance in portfolios. After three consecutive years of strong growth in risk assets, a careful approach is essential. This involves intelligent diversification, focusing on high-quality corporate debt, gold as a safe haven, and reduced exposure to the dollar. This pursuit of balance allows investors to combine performance with resilience, adapting to economic cycles and geopolitical uncertainties, while also meeting investor expectations, as **Lucas Meric** explains.

CONCLUSION: A STRATEGIC VISION AS A PERFORMANCE DRIVER

The year 2025 highlighted the importance of a well-structured strategic approach. The five key messages we identified largely materialised, offering investors solid guidance in a complex environment. In 2026, this approach is more essential than ever. It enables us to structure investment decisions, anticipate major trends, and remain agile in the face of market surprises. In a world undergoing recalibration, a clear strategic vision is not a luxury but a necessity to turn uncertainties into opportunities.

03

Macroeconomics



Bénédicte KUKLA
Chief Strategist

As we turn the page on 2025, the world economy enters a period of adjustment to a new normal. Inflationary pressures are easing, fiscal and monetary policy is recalibrating, and technological investment is accelerating. From US tariffs and artificial intelligence (AI)-driven growth to Japan's stimulus experiments and Europe's fiscal revival, 2026 promises a fragile shift – from crisis management to negotiations and rebuilding.

2025: A YEAR ECONOMISTS WILL REMEMBER

A New York Times article published in early July 2025, argued that after President Trump's sweeping tariffs kicked in—raising rates to 1933 levels—the “sky didn't fall” in a single, dramatic sense; instead, the actual impact has yet to play out and will most likely be more of a slow bleed. The global economy showed resilience, boosted by inventory shifts, accelerated shipments, and AI-driven investments (AI-related goods fuelled nearly half of early 2025 trade growth, according to the WTO).

US: BETWEEN THE OLD AND THE NEW

Heading into 2026, the US stands at a crossroads, balanced between the pull of the “old” – traditional protectionist policies – and the promise of the “new” – the transformative potential of AI. Consumption, which makes up 70% of GDP, remains robust on the surface, largely thanks to high-income households experiencing significant wealth gains, with stocks and mutual fund assets jumping by 4.6 trillion dollars in Q2 2025. Consumption is however likely to normalise going forward as prolonged inflation erodes real purchasing power notably for lower income groups. The core Consumer Price Index (CPI) (excluding food and energy prices) is expected to remain above 3% until mid-2026, driven by the impact of tariffs on the prices of goods and by demand-side pressures in the service sector. Nevertheless, the acceleration in prices is expected to remain temporarily, as corporate margins, while still elevated, face headwinds from higher material costs due to tariffs that have yet to fully take effect. The labour market shows signs of strain with few firings, but limited hiring which should prevent second round inflationary effects on wages. AI may also be playing a disinflationary role, as the rise in youth

unemployment has been partly linked to AI-driven shifts eliminating low-skilled jobs. This eases the impact from tightened immigration policies, reducing the influx of workers, which could place upward pressure on wages in key sectors like construction, agriculture, and hospitality, intensifying service-sector inflation.

Jerome Powell therefore had a lot of conflicting forces at play in 2025, not least the end of his term in May 2026. We expect the Federal Reserve (Fed) to gradually ease rates to 3.5% by late 2026, which is less than what some market analysts are hoping for. The Fed is indeed currently focusing on labour market weakness, but we expect the latter to improve going into 2026 as surveys point to improved hiring plans. After a year of heightened policy uncertainty, business investment should be boosted by fiscal stimulus from the “One Big Beautiful Bill Act” in 2026. AI and intellectual property investment is also expected to remain robust, supporting growth (non-residential investment increased GDP by over two percentage points in H1 2025). All in all, with the power of innovation in the US private sector helping to mitigate the impacts of protectionism and the resilience in domestic demand coupled with still accommodative policy, we expect GDP growth to deliver at least 2% in coming years. Inflation will be higher than we anticipated before Trump's inauguration, with tariffs having a temporary impact on inflation; this should recede in H2 2026 allowing inflation to decelerate towards 2.5% in 2027. On the political front, the November 2026 midterms could slow policy *momentum* as per the Brookings Institution: the president's party has lost ground in 20 of the last 22 midterms since 1938. A loss of either chamber in 2026 would dismantle the current Republican trifecta¹, stall Donald Trump's legislative agenda and mark a setback for his presidency.



20

of the last

22 MIDTERMS
the US President
has
LOST GROUND

1- Republican Party currently controls the White House and both the House and Senate in the US Congress.



BANK OF JAPAN
stands in a
DIFFICULT
POSITION

EURO AREA: HAVE WE HIT THE BOTTOM?

In 2025, spurred by the US retreat on defence and trade, European integration has taken centre stage, driving a renewed focus on investment and coordination. Germany, long criticised for under-investment, is now expected to lead the charge. With the suspension of its constitutional debt brake, Germany plans to inject 900 billion euros (500 billion euros in infrastructure and 400 billion euros in defence) over 12 years (around 1% of GDP per year). While fiscal bottlenecks delayed the 2025 budget, 2026 looks more promising, with federal borrowing set to triple to 180 billion euros (the second-highest borrowing level in German history). In France, public spending cuts could pressure households and investment, restraining growth to below 1% in 2026. However, strong loan growth from the European Central Bank (ECB) rate cuts, a thriving aeronautics sector, high savings, and robust social buffers are expected to help France avoid an economic contraction. In Southern Europe, the deployment of NextGenerationEU funds will accelerate in 2026 before phasing out in 2027, demonstrating the power of fiscal stimulus (contributing over one percentage point to 2026 Spanish GDP growth). Overall, fiscal policy is expected to shift towards slightly expansionary in 2026, following several consecutive years of fiscal tightening.

2026 will likely be a year of divergence for the Euro Area, with GDP expected to grow 1.1% (Table 1), led by Germany and Southern Europe, with France lagging. On the price front, the German labour market could raise inflationary concerns going into 2027, but for 2026, inflation remains relatively stable and the ECB is “comfortable” to maintain a neutral policy as the recovery gains *momentum*.

JAPAN: CAREFUL DOSING AHEAD

2025 was pivotal for Japan as they navigated a leadership transition and the long-awaited exit from deflationary habits (inflation is near 2% and wages are rising). In 2026, the newly elected Sanae Takaichi will attempt to prioritise wage increases through tax incentives for small business, investment in green and digital infrastructure and selective deregulation. The Bank of Japan (BoJ) is in a difficult situation, as conventional wisdom calls for raising rates now that the era of deflation is over, but it also needs to align its monetary policy to the current government that should favour fiscal stimulus. As a result, the BoJ may only raise rates marginally in 2026.

EMERGING MARKETS: STRATEGIC REBALANCING

As the International Monetary Fund (IMF) highlights, emerging markets have shown strong resilience to financial shocks in recent years, supported by both favourable global conditions and better economic policies, including improved central bank credibility and less reliance on currency interventions. Public debt ratios are expected to average 73% of GDP in 2025 (versus 110% in advanced economies) and GDP growth to rise 4% per year over the next five years, more than double the pace of developed economies. India is set to become the world’s fourth-largest economy in 2025 and the third by 2028.

TABLE 1: MACROECONOMIC FORECAST 2025-2027, %

| | GDP | | | INFLATION | | |
|---------------|------|------|------|-----------|------|------|
| | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| United States | 2.1% | 2.4% | 2.0% | 2.9% | 2.8% | 2.5% |
| Euro Area | 1.3% | 1.1% | 1.8% | 2.1% | 1.8% | 2.1% |
| China | 4.7% | 4.5% | 4.3% | 0.2% | 0.6% | 1.3% |
| World | 2.9% | 3.0% | - | - | - | - |

Source: Indosuez Wealth Management.

Furthermore, as the Fed continues its gradual easing, emerging markets gain room to cut rates and stimulate growth. A softer US dollar reduces inflationary pressure by making imports cheaper, including oil. Crude prices are also falling as OPEC ramps up crude production despite weak global demand. This strategy aims to reclaim market share and deter investment in non-OPEC oil as well as batteries, even as OPEC members, notably Saudi Arabia, face mounting financial demands linked to the diversification of their economies into sectors like tourism, real estate, and high-tech manufacturing.

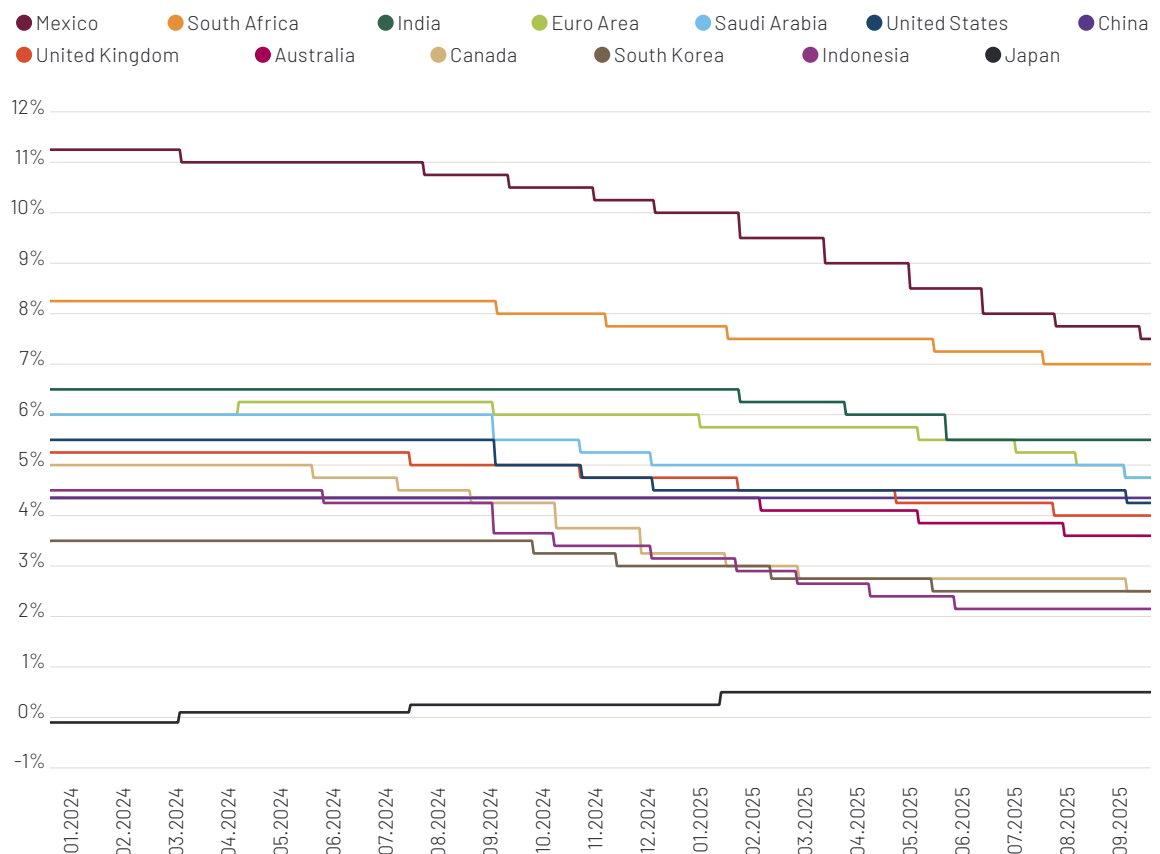
Meanwhile, China is increasingly relying on its service sector for growth (see Article: Asia: Rebalancing, Recalibrating, Transforming, page 31) while strengthening its economic ties with emerging markets, particularly in Asia and Latin America.

Colombia recently joined China's Belt and Road Initiative², becoming the latest of over 20 Latin American nations to participate, as the region balances multipolar diplomacy by embracing Chinese investment while maintaining US trade and security ties. Pressured by US tariffs, Mexico led global rate cuts in 2025 (Chart 1), but in 2026 the renegotiation of the USMCA³ will be crucial, with the US focusing on progress on border security and the increase of US content in Mexico-made goods.

As nations navigate new investment needs, trade dynamics and technological shifts, 2026 will be a year of recalibration, reshaping the global growth trajectory over the next decade.

With the contribution of the CIO Office.

CHART 1: JAPAN THE OUTLIER OF 2025 CENTRAL BANK RATE CUTS, %



Source: Macrobond, Indosuez Wealth Management.

2 - The Belt and Road Initiative (BRI), launched by China in 2013, is a global strategy aimed at strengthening regional connectivity and trade through infrastructure projects such as roads, railways, and ports. Often referred to as the New Silk Road, it spans across Asia, Europe, Africa, and beyond.
3 - The United States-Mexico-Canada Agreement.

04

Asset Allocation

04

ASSET ALLOCATION

Taming the Fire Horse



Grégory STEINER, CFA
Global Head of
Asset Allocation

2026, the year of the Fire Horse in Chinese horoscopes, symbolises passion and discernment. Markets should offer opportunities, but careful navigation is key to finding sustainable growth after three years of strong performance. Our 2026 convictions: constructive on equities, particularly US and emerging market equities, positive on corporate bonds, particularly in Europe, as well as emerging market local debt, and real assets like gold, while remaining cautious on the dollar.



Jean-Marc TURIN, CFA
Head of Patrimonial Funds

In our allocation scenario for 2026, we continue to favour equities, which are benefitting from the positive macroeconomic environment and accommodative financing conditions (Chart 2, page 16).

Historically regarded as protective assets within multi-asset solutions, government bonds have gradually seen their status erode due to recent fiscal and debt dynamics, coupled with the emergence of a new inflation regime in advanced economies. In light of these shifts, we now favour other segments of the bond market, particularly high-quality corporate bonds, which present more compelling risk-adjusted return opportunities.

To maintain an appropriate level of diversification within our portfolios, we believe it is necessary to increase exposure to assets that are uncorrelated with equities. Among these, real assets such as precious metals and alternative assets, which are capable of generating positive absolute returns in a variety of market conditions, stand out as particularly relevant choices.

Finally, in a context marked by persistent uncertainty – driven by societal forces such as rising protectionism, geopolitical rivalries and pressing environmental issues that are poised to amplify market volatility – the implementation of low-cost tactical option strategies⁴ could be very interesting.

DISCRIMINATE EQUITIES AND FOCUS ON PROFITS IN 2026

Against a backdrop of moderate but positive growth and abundant liquidity, 2026 should be a favourable year for equity markets. However, following the gains of the last three years, the potential for performance linked to multiple re-ratings is now more limited. In this context, the ability to identify recurring sources of earnings or dividend growth will become a differentiating factor. While recent years have been marked by high concentration within indices, we believe that active management could benefit from a return to dispersion in the markets. We therefore continue to adopt a balanced approach, combining the use of passive solutions⁵ designed to replicate financial indices with actively managed funds.



Identify
RECURRING
sources of
EARNINGS
GROWTH

4 - Option strategies are combinations of buying and selling one or more option contracts to achieve specific investment goals, such as profiting from a market trend, hedging risk, or generating income. These strategies range from simple, single-option trades to complex, multi-leg positions and are tailored to a trader's outlook (bullish, bearish, or neutral) and risk tolerance.

5 - Passive investing, a long-term strategy, aims to maximise returns by minimising frequent buying and selling. Unlike active investing, which seeks to outperform the market, passive investing involves holding a diversified mix of assets that mirrors specific market segments.

Within our equity allocations, US companies remain the cornerstone. Although their valuations remain high by historical standards, they are supported by the resilience of the economy and their ability to maintain margins, thanks, in particular, to productivity gains generated by the adoption of artificial intelligence (AI). The continuation of dynamic share buyback programmes and the unwavering support of US retail investors are further arguments in favour of this region. Our approach is once again based on a balanced positioning between two key segments: technology stocks, which continue to show strong earnings growth, and small- and mid-cap enterprises. After several years of underperformance, the latter could benefit from the current *momentum* in deregulation while taking advantage of the interest rate cuts expected in 2026.

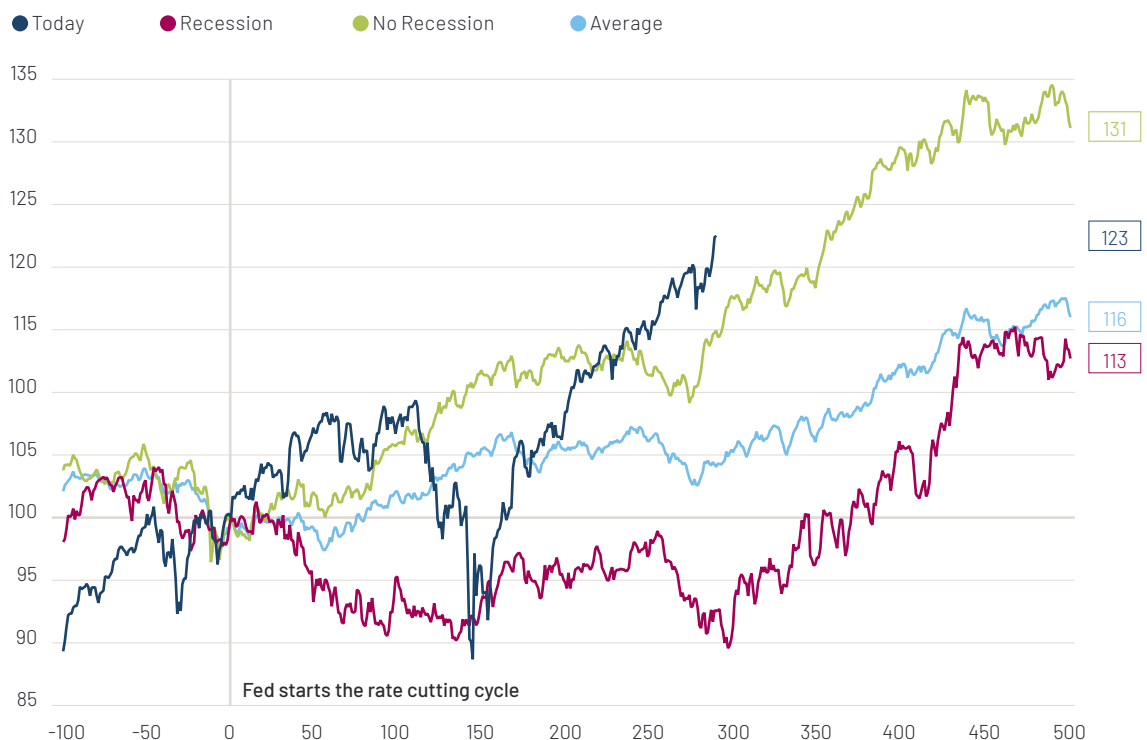
In Europe, we believe that the banking sector remains attractive. European banks, having strengthened their balance sheets in recent years, now have significant room for manoeuvre in terms of financing. The gradual consolidation of the sector, combined with improved profitability in a context where credit losses are expected to remain limited, is an additional catalyst for this segment. At the same time, European small- and mid-caps stand to benefit from the various stimulus plans targeting the defence and infrastructure sectors. The easing of financial conditions also enhances their appeal, particularly as potential targets amid the revival of the mergers and acquisitions (M&A) cycle.

We maintain our positive view on emerging market equities, which remain underrepresented in the major global indices. Several factors support this asset class: a weakening dollar, a still-high growth differential compared to developed countries, increased demand for diversification outside US assets, and subdued inflation, which gives central banks room to stimulate growth.



The
**WEAKENING
DOLLAR**
benefits
**EMERGING
MARKET**
assets

CHART 2: MONETARY EASING DURING ECONOMIC GROWTH BOOSTS RISK ASSETS (100 = 10.2025)



Note: S&P 500 evolution following the start of the Fed cutting cycle.
Source: Macrobond (data as of October 2025), Indosuez Wealth Management.

In addition, emerging markets should benefit from stronger trade links in the face of protectionist tendencies in the United States. Although the H2 2025 rebound is partly supported by a revaluation of multiples, the recovery in corporate earnings growth is a more stable and promising driver for supporting these markets in the long term.

In China, although the property sector remains fragile, we are seeing encouraging signs of economic recovery, supported by a clear commitment from local authorities to stimulate domestic consumption. Furthermore, the Chinese government's recent commitment to supporting its stock market is boosting the attractiveness of domestic equities. The vast pool of Chinese household deposits highlighted by Francis Tan (see Article: Asia: Rebalancing, Recalibrating, Transforming, page 31), also represents a significant capital reserve that could be invested in the economy. Finally, the rise of local champions and major advances in innovation are driving growing optimism around China's technology sector.

FAVOUR CORPORATE DEBT AND MAINTAIN DIVERSIFICATION

We are maintaining moderate exposure to sovereign debt, favouring the short end of the yield curve, which is less vulnerable to fiscal trajectories in developed markets. In the current complex pricing environment and given the threats to the independence of the Federal Reserve (Fed), we believe that flexibility in positioning will be essential in order to take advantage of periods of volatility that are likely to emerge in government bond markets.

Conversely, European corporate bonds, whether in the investment grade or high yield segments, are benefitting from a constructive financial environment. Ambitious spending plans within the Euro Area and the search for more attractive yields compared to European monetary assets are boosting their appeal.



GROWING OPTIMISM around CHINA'S TECHNOLOGY sector



Finally, we see value in emerging market debt denominated in local currencies. This segment benefits from several supportive factors: a weaker US dollar, declining inflation in many emerging regions (particularly in Latin America) and significantly higher real yields compared to developed countries. These factors make this asset class a strategic component for diversifying and boosting bond exposure.

GOLD SHINES BRIGHTER THAN THE US DOLLAR

In the currency market, we anticipate a continuation of the downward trend of the US dollar against major international currencies, particularly the euro. This dynamic is supported by forecasts of interest rate cuts in the United States, persistent uncertainties surrounding the governance of the Fed and concerns about the US fiscal trajectory. Although these factors have already been partially priced in by the market, we are maintaining partial currency risk hedging on our US asset exposures in non-US dollar portfolios at this stage.

Beyond its role as a safe haven against the risk of currency depreciation and political and geopolitical uncertainty, **gold is emerging as the main beneficiary of the diversification of central banks' foreign exchange reserves.** Furthermore, the recent interest in gold among both private individuals and institutional investors, as evidenced by ETF purchase flows, is reinforcing the appeal of this asset class.

In parallel, the Swiss franc and Japanese yen could also offer attractive opportunities for decorrelation during periods of renewed market volatility.

With contributions from:



Alexandre GAUTHY
Senior Cross-Assets Manager /
Market Forex Strategist



Adrien ROURE
Multi-Asset Portfolio Manager



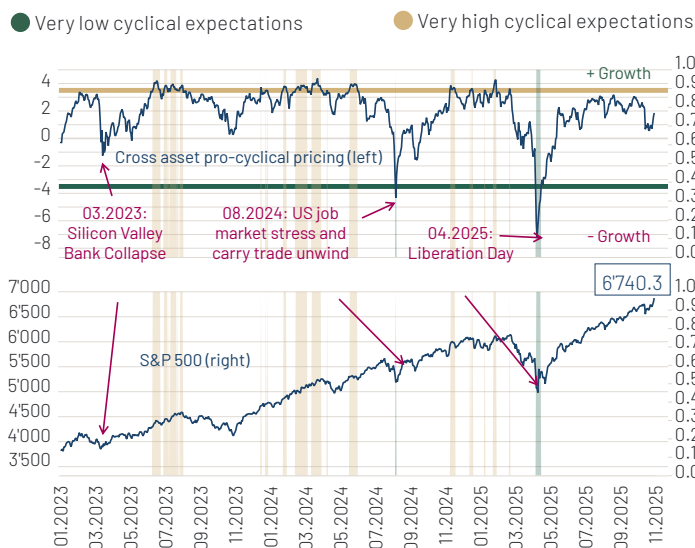
MARKET INDICATORS: NAVIGATE WITH INVESTOR EXPECTATIONS

"We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be". In 1936, the famous British economist John Maynard Keynes compared financial markets to a competition in which a newspaper reader wins by choosing, from among 100 portraits, not the most beautiful faces in his view, but those that would be the most popular among all the newspaper's readers. This analogy highlights the importance, beyond fundamentals, of market participants' expectations in establishing investment strategies: our macroeconomic assumptions matter but offer an incomplete picture without considering markets assumptions.

In this guessing game, growth expectations are key. In our strategic approach, we focus on these expectations by combining several macro proxies⁶ on main asset classes into an indicator that reflects changes in cyclical market expectations (Chart 3). Such an indicator is useful in two ways: 1) it allows us to identify when investor expectations diverge from our own assumptions, notably when we tempered multiple recession calls in recent years, 2) it identifies when market expectations reach extreme levels, whether optimistic or pessimistic, implying significant asymmetry in terms of future performance. This was for example the case during the episodes of stress in August 2024 (US Labour Market) and April 2025 (Trump's universal tariffs).

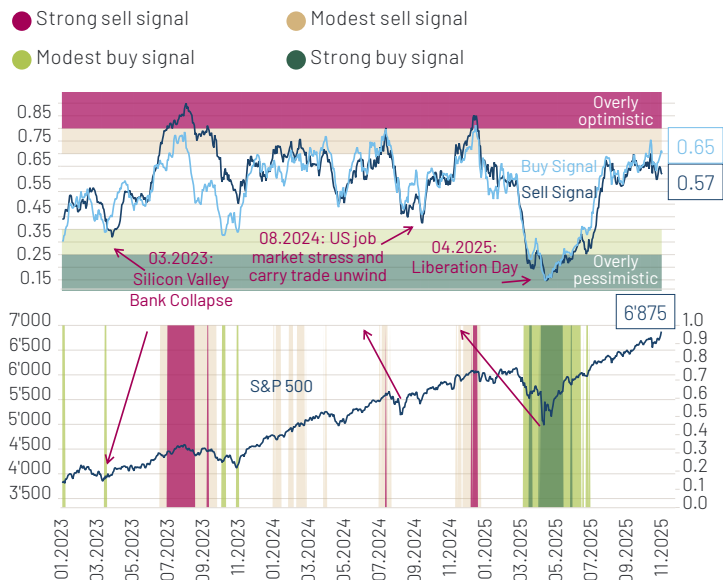
Beyond focusing on the information conveyed by price dynamics, market expectations are also reflected in sentiment and positioning dynamics. We have developed a model with indicators reflecting discretionary, systematic and optional positioning, as well as investor sentiment,

CHART 3: S&P 500 VS. MARKET'S GROWTH EXPECTATIONS



Source: Macrobond, Indosuez Wealth Management.

CHART 4: S&P 500 VS. SENTIMENT AND POSITIONING SIGNALS



Source: Macrobond, S&P Global, Indosuez Wealth Management.

which aims to identify configurations where an asymmetry in expected future performance appears to be emerging as investors are getting overly pessimistic/optimistic (Chart 4). However, mild positioning might not prevent corrections, as it is not the only force driving assets, as observed during "Liberation Day" in April 2025.

This episode illustrates the concept of extreme variations in both growth expectations and positioning, with our indicators reflecting strong market pessimism on both metrics following Donald Trump's announcements, which opened attractive entry points for investors at the time. A sequence highlighting the importance of understanding market participants' expectations and echoing the words of renowned investor Warren Buffett: 'Be fearful when others are greedy. Be greedy when others are fearful.'

These models help our Global Investment Committee in its asset allocation decisions. While not "bullet proof", they are central to helping us make more informed decisions and developing a mindset to review established opinions. We are convinced that this unique approach can bring value to our portfolio management solutions.



Lucas MERIC
Cross Asset Strategist

6 - For example: Equities versus Bonds, Cyclical versus Defensives stocks or on credit high yield versus investment grade.

05

| Focus



05

FOCUS

The Paradox: Trump’s America Remains Indispensable



Jérôme
VAN DER BRUGGEN
Chief Market Strategist

One year after Donald Trump’s return to the White House, the recalibration of the American economy orchestrated by his administration is clear: protectionist in terms of trade, interventionist in terms of industry. Yet, despite these shifts, global trade remains robust, with the United States continuing to serve as its nerve centre. This observation, which might seem paradoxical, reflects the structural strength of the US economy and its indispensable role in international trade and financial flows.

A MORE AGGRESSIVE ECONOMIC POLICY

Since early 2025, the Trump administration has implemented an aggressive tariff policy. Tariffs have been increased on a range of strategically important products – including copper, critical metals, heavy vehicles, and pharmaceuticals – with an overall rise projected to reach 15 percentage points by the end of 2026. This strategy not only aims to protect domestic industries but also serves as a fiscal lever: according to estimates, it could generate approximately 300 billion dollars annually for the US Treasury.

At the same time, the federal government has adopted a more hands-on approach to industrial policy. Unlike the previous administration, which focused on tax incentives, Trump’s administration has opted to take minority stakes in strategic companies, such as Intel and MP Materials. This approach, grounded in existing national security legislation, is redefining the relationship between the state and the private sector in an era of heightened geopolitical competition.

GLOBAL TRADE REMAINS RESILIENT

Despite this protectionist pivot, global trade flows show no signs of slowing. According to World Trade Organization (WTO) figures, the global merchandise trade is projected to grow by 2.5% in 2025, while the services trade is expected to expand by 4%. Far from becoming marginalised, the US continues to maintain a stable share of these flows, accounting for between 13% and 15% of global trade.

This resilience can be attributed in part to the enduring strength of the American consumer, who remains the preferred destination for global exports. Whether it is manufactured goods, digital services, or agricultural products, American demand continues to play a pivotal role in driving global economic activity.

THE DOLLAR: A PUZZLING DOMINANCE

The use of the dollar in international trade remains immense. According to the Bank for International Settlements’ (BIS) triennial survey in April 2025, the greenback was involved in approximately 89% of foreign exchange transactions, an increase compared to 2022. The daily average trading volume in foreign exchange markets surged by 28%, reaching 9.6 trillion dollars, with significant growth in hedging instruments such as forwards (+60%) and options (+100%)(Chart 5, page 22).

The dollar’s dominance is underpinned by two key factors: its exceptional liquidity and the depth of American financial markets. Even in periods of heightened volatility, such as during the tariff announcements of 2025, the dollar remained the ultimate safe-haven currency. It underpins global financial flows, facilitates transactions, and serves as the benchmark for price setting.



US DOLLAR:
approximately
89% OF
TRANSACTIONS
in the foreign
exchange market

CAUTION NECESSARY ON THE DOLLAR

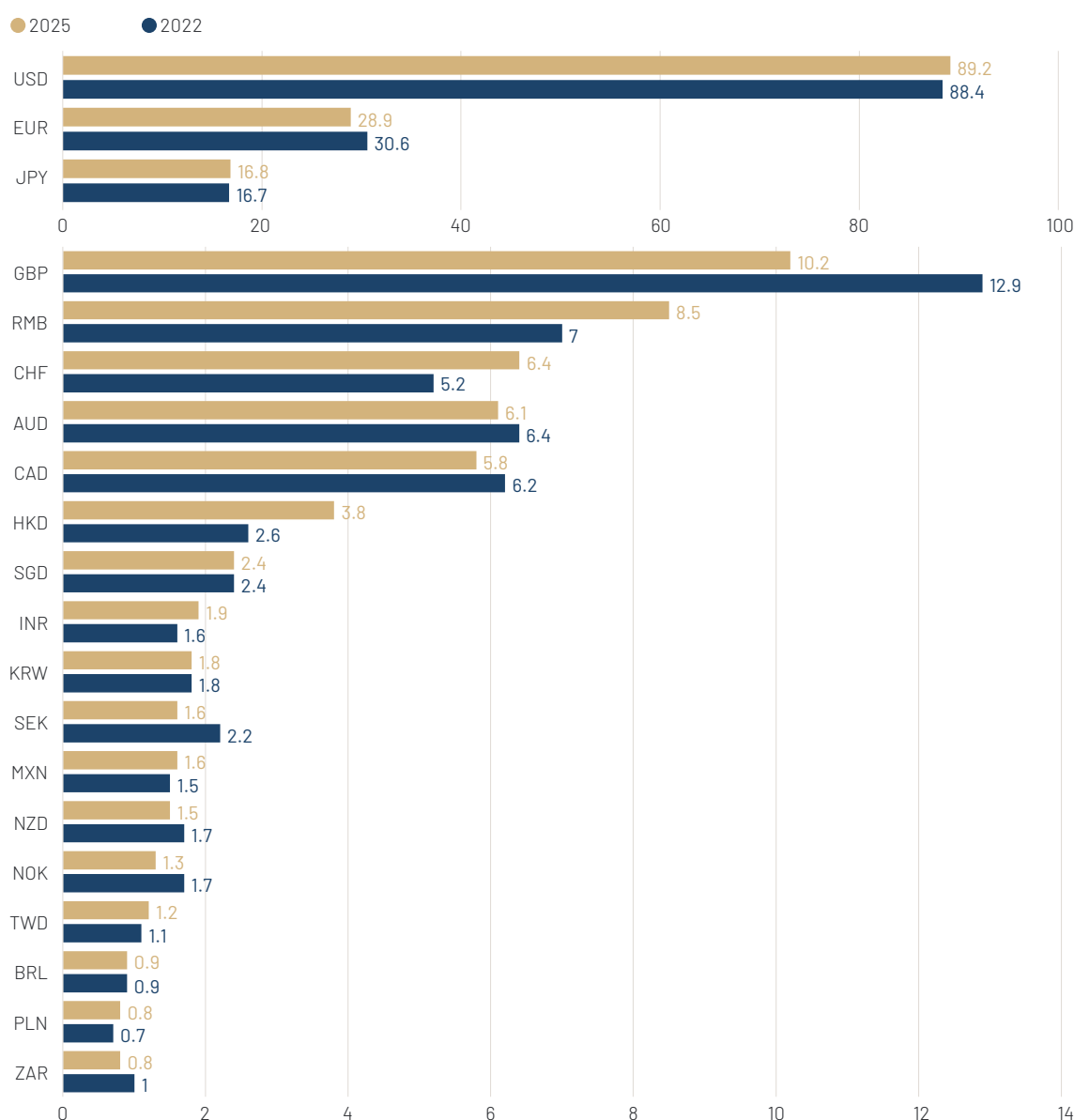
That said, we remain cautious about the dollar. While its dominance in global trade is undeniable, this does not preclude the possibility of a weaker dollar. This apparent contradiction – a currency that is both a global reserve and potentially weak – is well-documented in economic theory, known as Triffin's paradox. Belgian economist Robert Triffin argued that for a currency to serve as a global reserve, it must be abundant, which inevitably leads to external deficits and downward pressure on its value.

Thus, even though the dollar remains central to transactions, its value could weaken in an environment of accommodative monetary policy and persistent trade deficits.

THE ROLE OF THE CONSUMER

It is worth emphasising that the United States' central role in the global economy is not solely underpinned by the dollar's dominance. It also relies on the innovative capacity of American companies, the size of its domestic market, the strength of its financial institutions, and the flexibility of its economic system.

CHART 5: FOREIGN EXCHANGE MARKET TURNOVER BY CURRENCY AND CURRENCY PAIRS, %



Note: On a net-net basis, daily averages in April 2025, as a percentage of total turnover.

Source: BIS Triennial Central Bank Survey (2025), Indosuez Wealth Management.

The dynamism of the American consumer, in particular, remains a key factor: they absorb a significant portion of global exports, support the growth of multinational corporations, and influence consumption trends worldwide.

Furthermore, the United States continues to attract international capital, not only due to the liquidity of its markets but also because of its ability to generate attractive returns. Foreign direct investments, portfolio flows, and sovereign bond purchases all reflect persistent confidence in the US economy.

A CENTRALITY THAT RESISTS ALTERNATIVES

Admittedly, alternative currencies are emerging. The Chinese renminbi is gaining ground in global trade finance, accounting for 7.6% of market share as of September 2025, according to SWIFT. The external renminbi holdings of Chinese banks have quadrupled over the past five years. However, these developments remain marginal on a global scale. The euro, yen, Swiss franc, and even cryptocurrencies have yet to challenge the dollar's role as the world's leading transaction currency.

The resilience of dollar usage, despite ongoing attempts at de-dollarisation, demonstrates the strength of the US financial system. It also highlights that America's central role in the global economy is not solely dependent on the trade or industrial policies it pursues but on a range of structural factors that grant it a unique position in the global economic order.

CONCLUSION: A LASTING STRUCTURAL POWER

Portfolios across the globe – including ours – are heavily invested in US assets. Since 2025, more and more of these portfolios are managing the currency risk resulting from their investment more actively and are hedging some of their dollar exposure. We expect this trend to continue into 2026, which in turn could – potentially – fuel further dollar weakness.

Yet, despite having become more protectionist and interventionist, the past year has reaffirmed that the United States remains the nerve centre of the global economy. Its role in global trade, its ability to attract capital, the resilience of the usage of its currency in exchanges, and the strength of its domestic demand make it an indispensable player. The paradox of a US economy that is becoming more closed yet remains central, illustrates the complexities of the global system.



RENMINBI

holds

7.6%

of trade finance

3 QUESTIONS FOR ANNA ROSENBERG

Anna Rosenberg is Head of Geopolitics at Amundi Investment Solutions. Following her presence at the annual meeting of the World Bank and the International Monetary Fund in Washington, we asked her three questions about her takeaways from her first visit since the US administration took office.

Alexandre Drabowicz: *Which do you consider the most important geopolitical issues to watch in 2026?*

Anna Rosenberg: Geopolitical risk will stay elevated as megatrends – the shift to multipolarity, US–China Great Power Competition⁷, and an escalating tech and arms race – continue. Ongoing conflicts (Ukraine, Middle East) and volatile Western politics add to that.

But the rise of AI, US political uncertainty, and efforts by governments to diversify their trade and security partnerships will also shape 2026. Questions about US exceptionalism will grow with democratic backsliding and high debt, even as AI spending and deregulation could boost productivity.

For me, the most important issues to watch are how these factors and hotspots will evolve, given there is more potential for accidents and flare-ups in a more contested multipolar world.

However, geopolitics will also create investment opportunities because geopolitical developments also shape trends, as we have seen with investments in tech and defence.

AD: *Can AI serve as a neutral ground between the US and China?*

AR: No, because both sides follow very different AI models. The US aims to keep AI infrastructure and control within its business ecosystem, only looping in select allies, while China wants to make it cheaper and widely accessible. The US is trying to keep infrastructure closely controlled, while China is trying to wean itself from its US chip dependency.

The Great Power Competition will continue to fuel investments in the AI race – a contemporary iteration of the tech and space race witnessed during the Cold War. Control over AI, quantum computing⁸ and high-end chips, is seen by the US and China as essential to secure superpower status. Investing in AI is therefore about

power and survival. The AI race will likely also redraw and reinforce geopolitical alliances as access to energy becomes critical too.

AD: *Where does Europe stand in this? How do you see Europe develop in 2026?*

AR: Despite the many risks facing Europe because of fractured domestic politics, the war in Ukraine and difficult relations with the US, European leaders have so far been able to stick together and have managed it so that Donald Trump broadly aligns with European security interests. The European Union (EU) has also made major progress in diversifying its trading relationships with Mercosur⁹, Indonesia, and India, to name a few examples. There are major developments in the defence space too.

This difficult backdrop is beginning to pave the way for reforms that could make the EU more competitive. Only recently, Germany's chancellor called for a European stock market, signalling German support for plans to unify the bloc's capital markets. Germany has hitherto been the main stumbling block to wider capital market integration. While the implementation of major reforms remains difficult, and will take time and effort, political momentum seems to be shifting.



Alexandre DRABOWICZ, CAIA
Global Chief Investment Officer



Anna ROSENBERG
Head of Geopolitics
Amundi Investment Solutions

7 - China's "Great Power Competition" refers to the rivalry between China and other major global powers, particularly the United States, for influence and supremacy in the international system.

8 - Quantum computing: is a revolutionary technology that uses quantum mechanics to solve complex problems faster than classic computers.

9 - Mercosur members are Argentina, Bolivia, Brazil, Paraguay, and Uruguay.



05

FOCUS

Corporate CapEx: The Shortfall and the Shift



Hans BEVERS
Chief Economist
Degroof Petercam

After nearly two decades of subdued business investment, capital expenditure (CapEx) has yet to return to its pre-crisis trajectory. However, the global investment landscape is now undergoing a profound transformation. This article highlights how past under-performance can be directly linked to the very recalibration in investment that is now spectacularly unfolding.

EXPLAINING THE SLOWDOWN

Since the Global Financial Crisis (GFC), investment growth across OECD economies has remained persistently weak. By late 2024, total investment volumes in advanced economies were about 20% below their pre-GFC trend and 7% below pre-COVID levels. Emerging markets also saw a shortfall, though less severe. The decline is mainly due to a sharp drop in business investment, which on average makes up around 60% of total investment. On aggregate, real business investment in OECD countries was 23% below its pre-GFC trend by early 2024.



OECD investment approximately **20%** below pre-GFC trend

According to OECD research, two cyclical factors explain much of this weakness. First, subdued aggregate demand has reduced incentives for firms to expand capacity, accounting for roughly one-third of the shortfall. Second, rising uncertainty – driven by geopolitical tensions, trade disputes, and volatile policy environments – has led firms to delay or cancel investment plans. Since 2016, economic policy uncertainty has risen steadily, with 80% of firms citing it as a major barrier to investment.

Together, these factors explain about half the decline in business investment since 2008. Interestingly, traditional drivers like the user cost of capital, profitability, and market valuations do not account for the weakness. Despite low borrowing costs and strong profits, many firms have opted to hoard cash or return capital to shareholders rather than invest in productive assets. In the US and Europe, acquisitions of existing assets have often replaced in-house investment.

We are also seeing the start of a more fundamental shift toward a digital and knowledge-based economy. Firms increasingly prioritise intangible assets – software, data, and Research and Development (R&D) – alongside supporting tangible investments like ICT hardware. Software investment has tripled since the Global Financial Crisis, while ICT hardware and R&D rose by 100% and 45% respectively. In contrast, machinery grew just 12%, and physical structures declined by 7% (Chart 6, page 26). On net, however, the surge in digital and R&D spending – typically faster depreciating assets – has been insufficient to offset the impact of weak tangible investment (still accounting for 60% of overall business investment).

Other structural factors exist. The rise of dominant (technology) firms has dampened business dynamism and curtailed investment. Moreover, demographic shifts – particularly ageing populations – and persistent labour shortages have been cited as key barriers. In fact, more than half of firms in both the European Union (EU) and the US report that difficulty in finding skilled workers is a major constraint on their investment plans.

INTENSIFYING INVESTMENT SHIFT

These challenges are now intersecting with a broader set of transformative forces that are reshaping where and how capital is deployed. In fact, it can be argued that these very constraints – from labour shortages to uncertainty and ageing infrastructure – are not just barriers but also catalysts for change. They are accelerating the shift toward digitalisation, automation, and smarter capital allocation, as firms seek to adapt and remain competitive in a rapidly evolving environment in which both security and sustainability have emerged as core priorities.

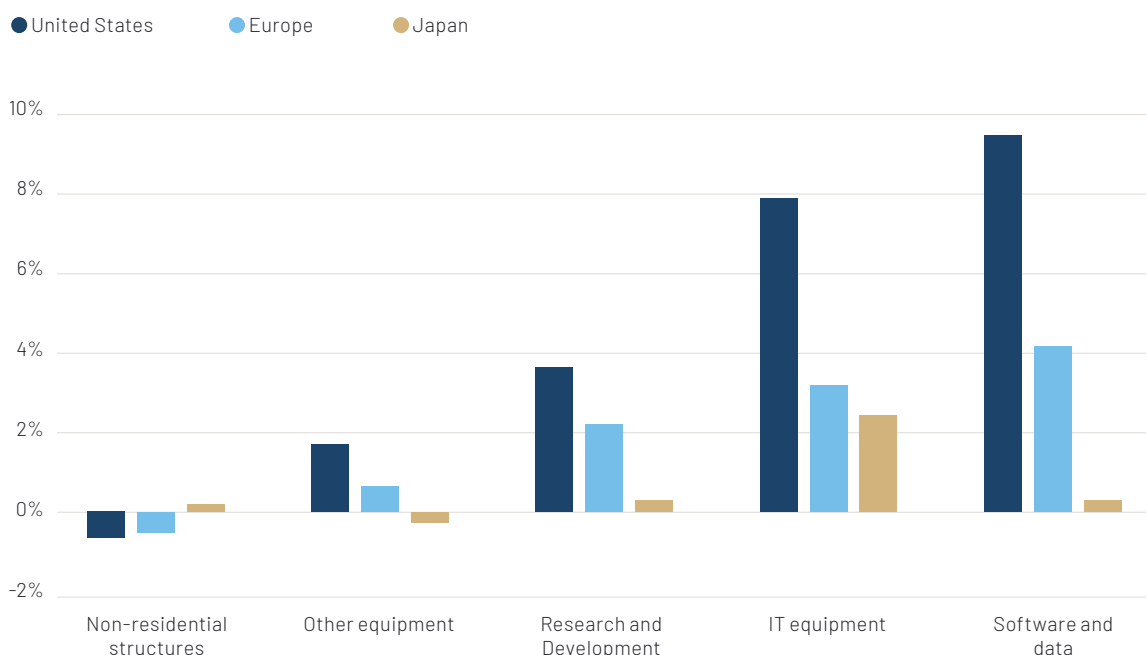
The rapid evolution of artificial intelligence (AI), cloud computing, and data infrastructure is driving cross-sector investment. According to Gartner Consulting, worldwide spending on AI hardware and software will amount to 2 trillion dollars in 2026, up from close to 1.5 trillion dollars in 2025, while Morgan Stanley thinks global investment in this area will reach 3 trillion dollars by 2029. True, a significant part of these projects, most of which are American in origin, will fail to pay off. It is abundantly clear, however, that technological advancement is redefining infrastructure itself, moving from centralised, asset-heavy models to modular, tech-enabled systems that integrate AI, Internet of Things (IoT), and data-driven operations. Compute infrastructure appears to be foundational for the economy of the future as companies are stepping up efforts to implement AI into the core of their business architecture.

The AI boom currently taking place is boosting demand for electricity while at the same time putting strains on rapidly ageing grids. Yet electrification extends far beyond AI. It is the central force propelling the broader energy transition underway, with solar and wind now dominating the growth in electricity demand. Global energy investment reached 3.3 trillion dollars in 2025, with 2.2 trillion dollars – twice the amount allocated to fossil fuels – flowing into nuclear, grids, storage, and renewables.

The case of China illustrates the economic stakes involved. China not only accounts for nearly one-third of global clean energy investment, but it is also the uncontested dominant producer of green technology, manufacturing more than 90% of the world’s solar modules and more than 80% of wind turbines last year. China’s lead also underlines the crucial role of policy support in the energy transition. Its cleantech surge lowers its energy costs domestically and boosts global reliance on its technology, powering its AI ambitions while strengthening its self-sufficiency and geopolitical influence.

Against the background of rising geopolitical tensions, many countries have come to realise that the so-called peace dividend is over, and higher defence spending is inevitable. It is undeniable that AI is rapidly changing the nature of warfare. Defence-related investment is expanding beyond traditional military hardware to include cyber defence, space technologies, and secure supply chains. While we can only hope that cooler heads prevail, NATO’s push to drastically raise defence spending reflects the current geopolitical reality, one that firms must also factor into their strategic decisions.

CHART 6: GROSS BUSINESS INVESTMENTS BY ASSET CLASS (AVERAGE REAL ANNUAL GROWTH, 2008-2022), %



Source: OECD National Accounts database; and OECD calculations (2025), Indosuez Wealth Management.



1'200 BILLION
EUROS
EU investment
needs
2025-2031

MARIO DRAGHI'S RELENTLESS PRESSURE

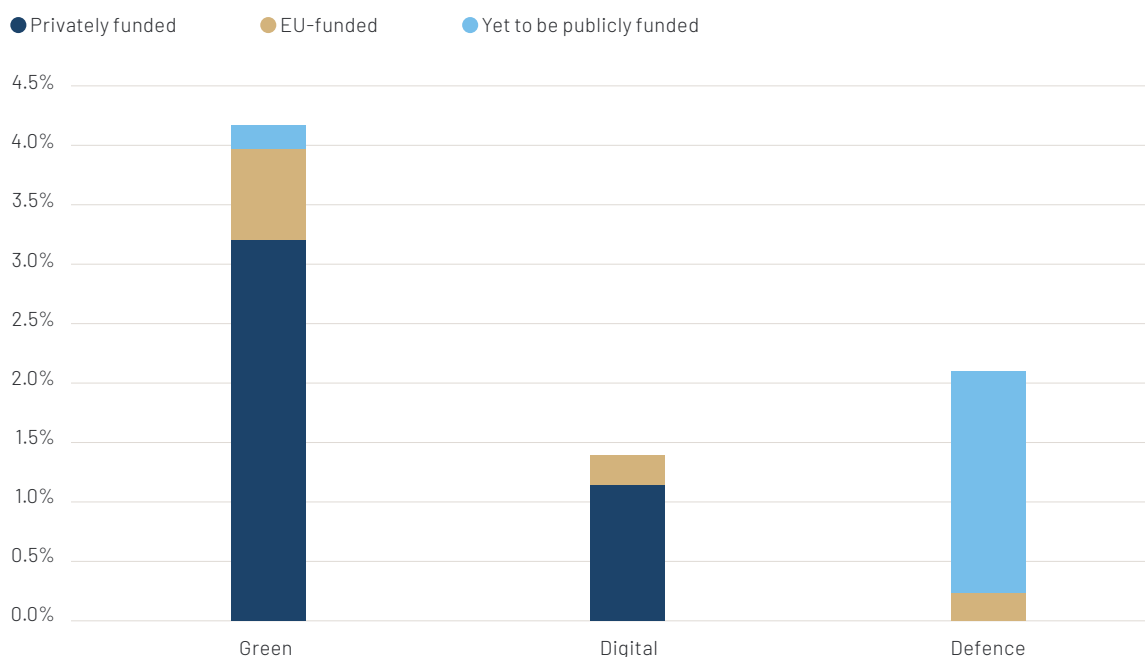
The broader shift outlined above is clearly reflected in Europe's investment ambitions. One year ago, the consensus was that the EU needed around 800 billion euros annually in additional strategic investment to support the green, digital, and defence transitions. However, EU and NATO sources now place this amount at nearly 1'200 billion euros on average over 2025-2031. While the sharpest increase stems from new defence commitments - the EU must secure around 320 billion euros in additional public funding each year to meet the target of 5% of GDP by 2035 - European investment needs for the green transition remain higher still than those for digitalisation and defence combined (Chart 7).

Historically, the private sector plays a crucial role in energy and digital investments, accounting for 76% and 85% respectively of overall efforts. In contrast, nearly 100% of defence spending is covered by public funding. That said, the upswing in military expenditure will also ripple across the business landscape as companies in defence, cybersecurity and infrastructure including mobility, energy and telecommunications, can be expected to invest more to secure government contracts.

One year after the publication of his famous report, former European Central Bank (ECB) president Mario Draghi is putting more pressure on the EU to close the innovation and productivity gap. While both increased public investment and joint borrowing are needed to enable pan-European projects in tech, defence and energy, cooperation with and implementation into the corporate sphere will prove critical.

Indeed, research finds that Europe's productivity and innovation gap with the United States is primarily explained by private R&D expenditures. Even if public R&D investment levels are similar in both regions, hovering around 0.75% of GDP, private R&D spending in the US (2.7% of GDP) is much higher than in Europe (1.5% of GDP). Without shifting and stepping up efforts in this respect, Europe will likely remain stuck in a cycle of sluggish productivity growth, weak competitiveness and insufficient autonomy to shape its own future.

CHART 7: ANNUAL STRATEGIC FINANCING NEEDS OF THE EU (2025-2031), % OF EU GDP IN 2024



Source: European Commission, NATO, European Investment Bank, ECB estimates (2025), Indosuez Wealth Management.

Agentic AI: The Age of Autonomous Intelligence



**Delphine
DI PIZIO TIGER**

Deputy Global Head of
Investment Management



Humberto NARDIELLO
Equity Fund Manager

In this interview, we dive into the next big leap in artificial intelligence (AI) – the rise of agentic AI. Forget copilots; these are autonomous agents ready to think, act, and execute on their own. We unpack how this shift could supercharge productivity, redefine work, and spark a new era where intelligence itself becomes the world’s most scalable resource.

Delphine Di Pizio Tiger explores the next great recalibration in AI – the shift from assistive to agentic systems. Through seven key questions, Delphine and Humberto unpack how the recalibration of AI toward agentic AI is redefining the boundaries between human and machine intelligence.

Delphine Di Pizio Tiger: *Starting from the beginning, what is agentic AI?*

Humberto Nardiello: In simple terms, it refers to AI systems that act autonomously as agents on our behalf, rather than merely assisting us. These AI agents are fundamentally different from today’s AI “copilots.” Whereas a copilot suggests or drafts content for a human to review, enhancing human work, an agent can independently carry out tasks in place of a human, but with the classic advantages of software: available 24/7 and infinitely scalable.

This distinction matters because it marks a shift from AI as a tool to AI as an autonomous actor. A traditional AI assistant (say, with a writing suggestion in your email) needs you in the loop. Agentic AI, in contrast, might receive a high-level goal and then execute it end-to-end, without constant human guidance.

DPT: *What does agentic AI mean for human progress?*

HN: Agentic AI matters because it changes the fundamental equation of human progress. For most of history, productivity gains came from tools that extended our physical abilities – from the plough to the steam engine. With AI agents, for the first time, we are extending our cognitive abilities in ways that compound over time.

This opportunity can be framed in terms of leverage on time. Humans are not limited in imagination or problem-solving ability – but limited by the sheer time it takes to translate ideas into reality. Consider humanity’s pursuit of fusion energy: we have been at it for over half a century and may need decades more before it becomes commercially viable. An agentic AI system, capable of analysing data, running experiments, generating hypotheses, and iterating around the clock, could compress this timeline drastically. The point is not that AI has abilities humans lack, but that it can apply intelligence at superhuman speed and scale, stripping away the bottleneck of time.

DPT: *Are we truly on the brink of another industrial revolution?*

HN: The steam engine did not invent new tasks; it allowed humans to perform existing ones – moving goods, powering machinery – with exponentially greater force and efficiency. The gains compounded when industrialists learned how to specialise: channelling steam into factory systems and, later, assembly lines, so that general-purpose energy could be converted into specific, repeatable outputs. What once required thousands of artisans was standardised, mechanised, and scaled. Productivity surged, and with it, living standards.

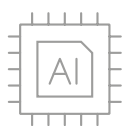
Agentic AI follows a similar path in the cognitive domain. At first, general-purpose models like ChatGPT were similar to the steam engine – a broad, flexible source of “cognitive power”. But just as early steam engines were not immediately useful for mass production, general AI models require specialisation to unlock their full economic potential. This specialisation imperative means that the next wave of startups and enterprises will focus on tailoring agentic AI to specific tasks – whether managing supply chains, handling medical records, or executing marketing campaigns.



Extending our
**COGNITIVE
ABILITIES**

What makes this shift so profound is the compounding effect of time leverage and specialisation. An agent that works continuously, learns from each iteration, and scales instantly across millions of tasks, does not just make existing jobs faster – it rewrites the economics of work. Tasks once considered too costly, slow, or complex for humans alone become feasible. Entire industries may reorganise around these capabilities, just as manufacturing reorganised around mechanised production.

Next-generation agentic AI will revolutionise industries by evolving from reactive to truly proactive technology. Comparable to the discovery of fire for early humans, this advancement marks a transformative milestone. Unlike traditional tools that respond to our needs, proactive AI will anticipate and act ahead of them, redefining how we interact with technology and unlocking a future of unparalleled innovation.



AI
has not plateaued

DPT: *How are tech companies shaping AI's role in our future?*

HN: The central debate in AI today mirrors an old philosophical split in tech. On one side are companies like Google and Meta, which see computers as tools that do things for you. This philosophy naturally extends into agentic AI: autonomous systems that do not just assist but actively perform tasks on your behalf. For Meta, this aligns with its ad-driven model—more engagement, more personalised services, more opportunities to monetise. For Google, embedding AI directly into Search, Gmail, and Docs carries the same promise, by improving clickable search results with perfect answers.

On the other side are Apple and Microsoft, which historically embrace the view of computers as “a bicycle for the mind,” coined by Steve Jobs. Their philosophy emphasises empowerment: tools that amplify human initiative rather than replace it. Microsoft’s Copilot branding says it all—the AI is the helper, not the driver. Apple, too, has been cautious, prioritising device sales and user control over deploying fully autonomous AI.

Meanwhile, OpenAI and Anthropic straddle the divide. OpenAI dominates the consumer space with ChatGPT, a tool most people still treat as an assistant, yet it is steadily expanding into more agentic behaviours. Anthropic is more explicit, focusing directly on agent workloads and building the scaffolding to make AI “replacement-level” in enterprise contexts. The tension between these philosophies—automation vs. augmentation—will define the next decade. Whether the future looks more like Meta’s vision of AI doing everything for you, or Steve Jobs’s bicycle for the mind, may depend less on raw capability than on which business models prove sustainable.

DPT: *Are we still underestimating AI's exponential growth?*

HN: The reality is that AI capabilities are still climbing steeply, and the benchmarks prove it.

A common confusion is between the capability of models and the post-training that makes them useful for specific domains. AI has not plateaued – it simply has not been optimised yet for every task. For example, models have not focused much on financial analysis because the total addressable market is smaller than software engineering, but in areas where AI researchers have invested, like coding, progress is clearly exponential.

METR, an organisation whose sole purpose is to study AI capabilities tracked how long a model can autonomously sustain a coherent line of work. In 2023, AI models could handle tasks measured in minutes. By 2024, Anthropic’s Claude Sonnet 3.7 was reliably completing one-hour tasks with a 50% success rate. Just months later, newer models already handled two-hour tasks (Chart 8, page 30). The curve is unmistakably exponential, with capabilities doubling roughly every seven months.

GDPval, introduced by OpenAI, measures performance across 44 professions with over 1'300 tasks sourced from seasoned professionals. The findings were even more striking: GPT-5 was already close to human parity, and Anthropic's Opus 4.1 surpassed it in some domains, nearly matching the performance of industry experts. This shows that AI is not only scaling in narrow tasks but also generalising across multiple industries.

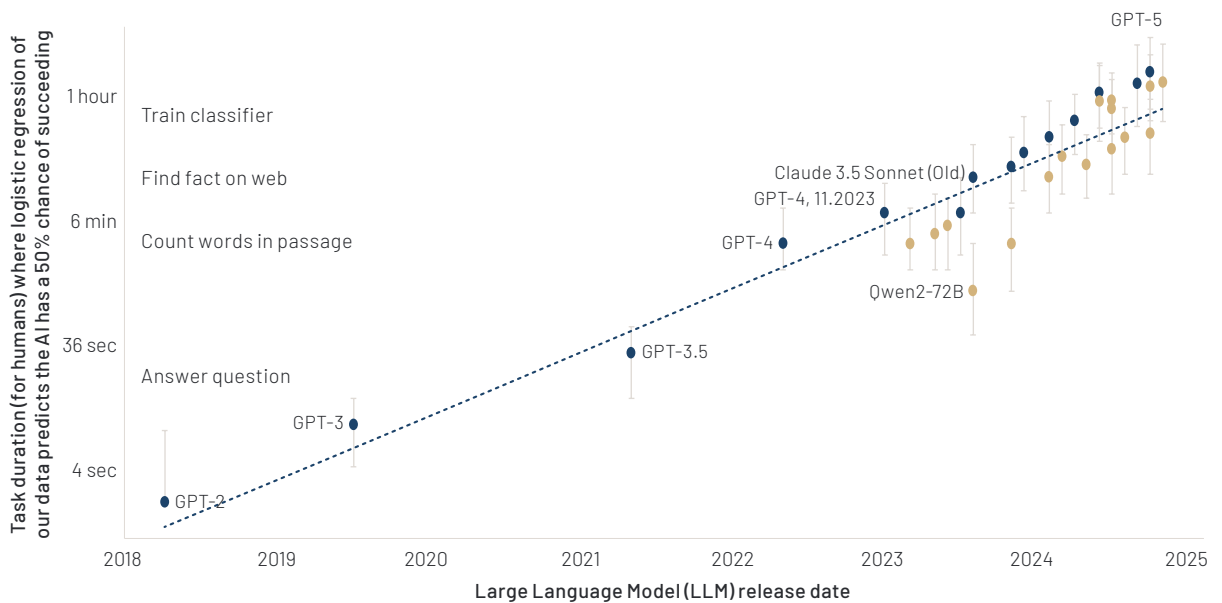
The outlook from these benchmarks is stark. By mid-2026, models are projected to sustain full eight-hour workdays autonomously. By 2027, they could routinely outperform experts across a wide range of industries. If these trends hold, the step from today's copilots to fully autonomous agents will come faster than most expect.

Agentic AI promises a future where intelligence – the scarcest resource in history – is abundant. A future where intelligence can be replicated, specialised, and scaled like any other form of capital. Just as earlier generations witnessed electricity or the internet quietly transform everyday life, we are poised to see AI agents become a background presence – working for us, with us, and sometimes in place of us.

DPT: A last word for investors?

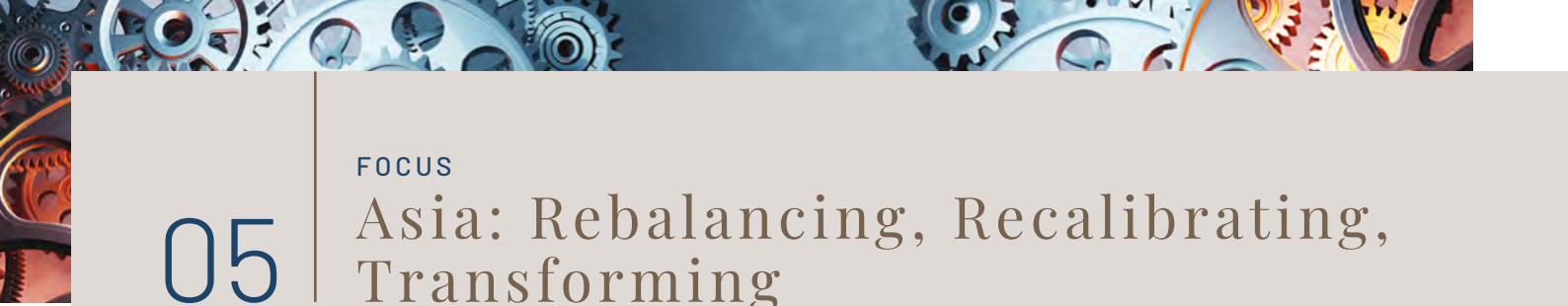
HN: We remain at the very start of AI adoption. Our current focus is on the enablers of this transformation – companies building the infrastructure that powers AI, from advanced chips to energy generation, transmission, and storage – while maintaining selective exposure to AI adopters. As consumer and enterprise usage continues to accelerate, with tangible return on investments, and AI products improve rapidly, we expect continued growth and capital intensity across the AI infrastructure layer, which remains the key bottleneck to scaling this technological revolution.

CHART 8: THE EXPONENTIAL AI CURVE



Note: The time-horizon of software engineering tasks different LLMs can complete 50% of the time.

Source: METR, Indosuez Wealth Management.



05

FOCUS

Asia: Rebalancing, Recalibrating, Transforming



Francis TAN
Chief Strategist Asia

Global trade in 2025 faced rising protectionism, with US tariffs impacting key sectors and trade partners. Despite challenges, Asian economies showed resilience, boosted temporarily by a US tariff pause. As China pivots production and markets to Southeast Asia, the region remains a focal point for navigating trade policy volatility and fostering long-term growth.

ASIA – A REBALANCING ACT AMID RISING PROTECTIONISM

Global trade entered a new era in 2025 characterised by heightened protectionism and economic nationalism. The United States has led this shift with transformative trade policies, including tariffs at levels not seen since the 1930s. Over recent years, the US has introduced a baseline 10% tariff on all imports, reciprocal tariffs of 15% – 50% for major trading partners with significant trade surpluses, and additional levies of 40% or more on transshipment goods and key sectors like steel, aluminium, and semiconductors. Countries such as Brazil and India face even higher tariff rates of up to 50% as of mid-2025 due to geopolitical tensions, while Canada and Mexico continue to navigate complex trade agreements under the USMCA.

US-China trade negotiations will not be a one-deal-fits-all, but multiple deals with long negotiations. Enforcing additional investment commitments as part of these agreements adds further complexity. This evolving trade landscape underscores the emergence of a new paradigm that is likely to extend well beyond the current US administration, creating both challenges and opportunities for global markets.

Despite these headwinds, Asian economies demonstrated surprising resilience. In 2025, a 90-day US tariff pause temporarily boosted export orders and manufacturing activity, supporting GDP growth across developed economies and Asia. However, the reinstatement of higher tariffs in the latter half of the year dampened momentum, with weaker import demand and private consumption in the US weighing on Asia's growth outlook.

As the global economy recalibrates in 2026, the focus will shift to balancing trade policy volatility with strategies for fostering long-term growth. The urgency for China is to shift its production base and expand market demand to the rest of Asia, especially into Southeast Asia (Chart 9, page 32).

CHINA'S 15TH FIVE-YEAR PLAN – AN EXAMPLE OF CONTINUOUS RECALIBRATION

China's 15th Five-Year Plan (FYP) (2026-2030) outlines an ambitious strategy to tackle domestic challenges, global uncertainties, and advance its long-term goal of socialist modernisation by 2035. Building on the 14th FYP, it emphasises high-quality growth, technological self-reliance, green development, and economic resilience, centring on the "dual circulation" strategy, which prioritises domestic consumption while reducing reliance on global markets. Policies aim to address weak consumer demand, income inequality, and urban-rural divides by raising wages, investing in healthcare, education, and rural infrastructure, and stimulating domestic demand. Fiscal spending is expected to grow, matching the 2025 record deficit of 4% of GDP¹⁰.

China's 25 trillion dollars in household savings¹¹ could further drive domestic consumption, which is already exceeding historical trends. Innovation-driven growth is a key focus, with investment in AI, semiconductors, and advanced manufacturing aimed at enhancing technological self-reliance and reducing vulnerabilities to US tariffs. Initiatives like "AI Plus" and the "new whole-nation system" will foster collaboration to drive breakthroughs in core technologies.



CHINESE HOUSEHOLDS hold 25 TRILLION DOLLARS in deposits

10 - Previous high: 3.6% in 2020 during the pandemic.
11 - 12.4 trillion dollars at start of the pandemic.



Towards a
QUALITY-DRIVEN
economy

Demographic challenges¹², including a shrinking population and rising old-age dependency, have prompted efforts to unlock consumption potential for long-term sustainability. Green development remains critical, with China committing to peak carbon emissions by 2030 and to achieving carbon neutrality by 2060. Policies will shift towards carbon emissions control, supported by renewable energy investment, grid modernisation, and an expanded carbon trading market, underscoring China’s ambition to lead the global energy transition while balancing growth and environmental stewardship.

Key growth sectors include innovation-led industries like AI, semiconductors, clean energy, and healthcare, as well as consumer sectors such as e-commerce and fintech. The “Silver Economy” presents opportunities in elderly care and insurance. However, challenges persist, including weak demand in the real estate sector, oversupply in infrastructure and construction, and geopolitical risks for exporters. The People’s Bank of China is expected to cautiously approach interest rate cuts to avoid speculative real estate bubbles¹³.

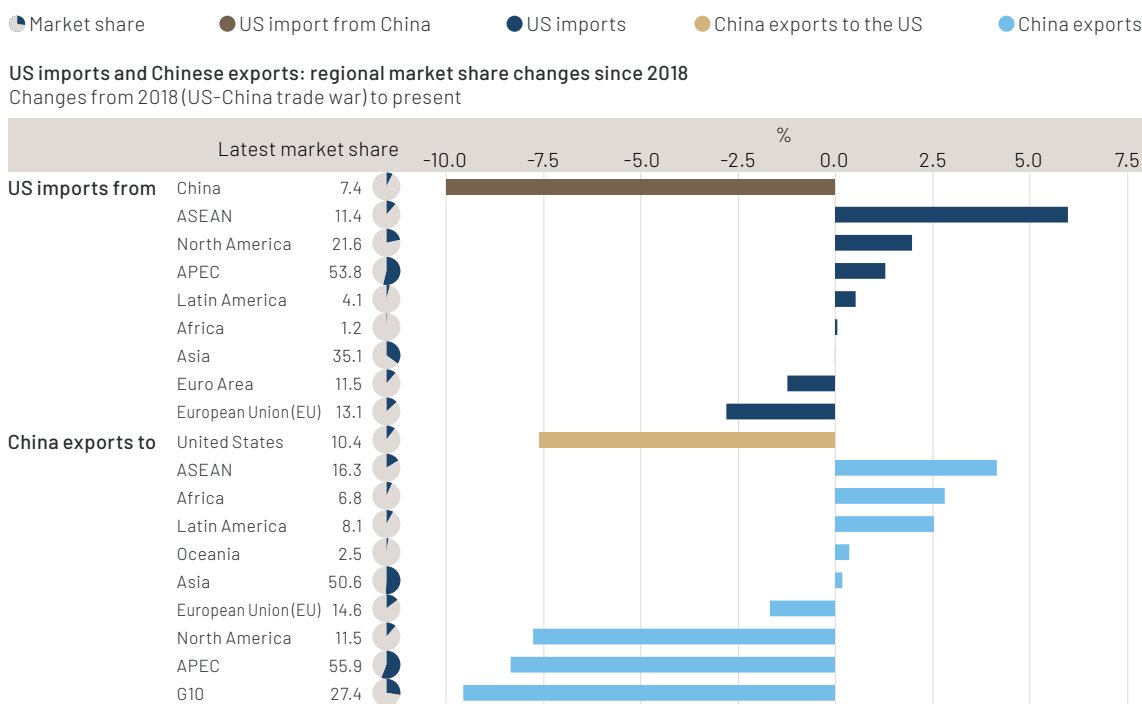
The government is also addressing overcapacity and excessive competition in sectors like electric vehicles and solar panels through stricter regulations¹⁴. Social policies, such as the “Double Reduction” education reforms, aim to alleviate pressures on students and create a more sustainable, quality-driven economy. Overall, the 15th FYP signals a bold vision for reshaping China’s economy, society, and global influence through resilience, innovation, and strategic growth.

CHINA - TRANSFORMING INTO A BRIGHT SPOT FOR INVESTMENT OPPORTUNITIES

Chinese equities offer compelling opportunities for portfolio diversification and exposure to the world’s second-largest economy. However, navigating policy risks, geopolitical tensions, and corporate governance issues will require a balanced and informed approach.

The global economic and investment landscape in 2026 is one of great recalibration. China’s strategies for self-reliance, green growth, and domestic resilience reflect its ambition to redefine its role in the global economy. For businesses and investors, understanding these shifts will be critical in order to navigate risks and capture opportunities in a rapidly evolving market.

CHART 9: THE EVOLUTION OF US-CHINA TRADE FLOWS SINCE 2018



Source: Macrobond, US Bureau of Economic Analysis (BEA), China General Administration of Customs (GAC); US Census Bureau (2025), Indosuez Wealth Management.

12 - Three main areas of focus: encouraging higher fertility rates; modernising public services for ageing population, promoting balance and sustainable economic growth.
13 - Past housing market risks and downturns make them cautious about deep rate cuts that may inflate asset prices and harm financial stability.
14 - The government aims to consolidate industries, reduce overcapacity, and build a unified national market to curb redundant local policies.

6 QUESTIONS FOR VIOLET WANG

China's stock markets have captured the attention of global investors in 2025, driven by the equity rally, targeted policy shifts, and evolving economic dynamics. We asked Violet Wang, General Manager at Amundi BOC Wealth Management in Shanghai for her views in 2026.

Francis Tan: *What factors are driving China's potential sector-specific bull market, and which industries present the most promising opportunities for global investors?*

Violet Wang: China may be entering a sector-specific bull market driven by policy stability, technological innovation, and a growing perception of its stock market as a pillar of economic stability. Key sectors like AI, robotics, advanced manufacturing, and high-end consumption aligned with China's long-term strategies, present strategic opportunities for global investors.

FT: *How is China's "anti-involution movement" impacting industries like photovoltaics and electric vehicles (EVs), and what potential risks or opportunities does it present for long-term growth?*

VW: China's "anti-involution movement" aims to reduce excessive competition in industries like photovoltaics, EVs, and lithium batteries, enhancing global competitiveness without relying on low prices. While early results are positive, the long-term impact is uncertain, requiring investors to assess whether these reforms will ensure sustainable growth or risk market disruptions.

FT: *How is the cultural shift between "Tang Ping" and "Nei Juan" influencing China's economic landscape and driving growth in sectors like tourism and entertainment?*

VW: China's economic landscape reflects a generational contrast between "Tang Ping" (relaxation) and "Nei Juan" (competition). While younger generations adopt a more laid-back lifestyle, older generations drive economic activity. This cultural shift has spurred growth in sectors like tourism and entertainment, with domestic tourism surging due to post-pandemic wealth effects and supportive policies.

FT: *How can international investors overcome concerns about transparency in China's markets and gain a clearer understanding of the investment landscape?*

VW: International investors often worry about transparency in China's markets, but onshore investors access diverse information. Local expertise and due diligence

are critical, as relying solely on mainstream media can distort market understanding. Partnering with local research teams and asset managers offers a clearer view of China's investment landscape.

FT: *Why is Hong Kong considered a crucial gateway for international investors entering China's markets, and how is its role evolving with rising interest from global investors?*

VW: Hong Kong serves as a key gateway for international investors into China's markets, offering a freer trading environment and access to diverse Chinese companies. Growing Initial Public Offering (IPO) activity and increased interest from American investors underscore its importance. While hedge funds are active in A-shares, rising interest from long-term funds signals broader acceptance of Chinese equities.

FT: *What are the key opportunities and risks for global investors in China's evolving structural bull market, and how can they navigate these challenges effectively?*

VW: China's structural bull market reflects resilience and transformation, with growth opportunities in technology and consumption aligned with long-term policy priorities. Institutional investor involvement adds stability, but risks like high valuations, geopolitical tensions, and sector-specific challenges require cautious navigation. For global investors, China's evolving markets offer significant opportunities, rewarding those who approach them with a balanced, informed, and long-term perspective.



Francis TAN
Chief Strategist Asia



Violet WANG
General Manager
Amundi BOC Wealth Management

Recalibrating: Green Investments amid Shifting Political Paradigms



Fabrice DE SOUSA
Head of Impact,
Portfolio Manager



Ophélie MORTIER
Member of the Board & Chief
Sustainable Investment
Officer, DPAM

In the face of political instability and new security challenges, green and Environmental, Social, and Governance (ESG) investment must demonstrate its capacity for adaptation and resilience. The credibility of transition pathways is becoming essential, as issues of sustainability, competitiveness, and innovation are redefining the priorities of European investors.

In recent years, the climate question has strongly influenced investment allocation towards sustainability, leading to rapid growth in climate thematic funds, green bonds, and collective commitments such as the Net Zero Asset Managers Initiative. Between 2020 and 2022, driven by institutional demand and regulatory frameworks like the SFDR and the European taxonomy, ESG funds accounted for more than half of European flows, while assets dedicated to carbon neutrality tripled.

But today, investors' expectations are evolving. It is no longer just about "ticking the boxes" of ESG: the credibility of the transition trajectory takes precedence, supported by forward-looking strategies, hybrid financial arrangements, and tangible outcome indicators. External shocks, notably the war in Ukraine, complicate regulatory coordination and redirect public budgets towards reindustrialisation and defence. ESG, once the cornerstone of sustainable finance, is now being questioned.

Nevertheless, relegating ESG to the background would be a strategic mistake. Risks persist including climate shocks, fragile supply chains and increased investor demands. Sustainability must be considered a central component of competitiveness and resilience, incorporating notions of risk, robustness, reputation, and performance. Companies with robust ESG data attract capital more easily and generate long-term value, demonstrating strategic intelligence and alignment with contemporary challenges.

The political context has become tougher: the climate is more contentious, discussions more cautious and, in some circles, ESG is seen more as a risk than as a lever for leadership. Yet, the climate crisis is accelerating; social and logistical vulnerabilities remain. Reducing dependency represents

an opportunity: strengthening a European local footprint, building resilient supply chains, charting a decarbonisation pathway, stimulating innovation, and optimising the management of human and natural resources.

The "E" in ESG remains undeniable, whether Environment, Emissions, Energy efficiency or Electricity. The latest report from the International Energy Agency (IEA) on renewables in 2025 forecasts more than a doubling of renewable energy capacity by 2030, with solar energy accounting for 80% of this growth. If the current deployment trend continues, renewables will dominate global electricity generation by the end of the decade.

On an international scale, China's climate industrial strategy, opaque but effective, raises questions about Europe's ability to preserve its technological sovereignty in cleantech sectors. In the face of China's growing ambitions for decarbonisation, Europe must redouble its efforts to modernise its infrastructure, particularly its electricity networks, and finance the transition through hybrid and innovative models.

GREEN FINANCE ADAPTING TO NEW CHALLENGES

Electrification put to the test

In the 2025 edition of the Global Outlook, we already presented the electrification of the economy as a new Eldorado in terms of investment. Today, electrification through renewable energy sources is even more central to debates, particularly in terms of capital allocation and the evolution of energy business models. Electrification, considered from the perspective of national security and energy independence, is even becoming one of the strategic pillars of the 21st century.



The
"E"
in ESG remains
UNDENIABLE

**Electricity consumption dynamics:
Is AI a disruptive factor?**

A long-term scenario envisaged for 2024-2025 anticipates a sharp increase in electricity demand, primarily driven by the rise of artificial intelligence (AI) and data centres (Chart 10). AI is increasingly becoming part of everyday life, with more companies integrating it into their processes. Meanwhile, the growing sophistication of requests (audio, image, video) is intensifying the pressure on energy consumption. For instance, generating videos uses around 1'000 times more energy than a large text-based model, according to the MIT Technology Review.

Analysts therefore estimate gross electricity demand at between 700 and 900 TWh by 2030 (for comparison, EU consumption in 2025 was around 2'800 TWh), exacerbated by the deterioration of photovoltaic installations, loss of battery capacity, and increased grid losses, particularly in the United States.

However, this surge in consumption could be mitigated by recent efficiency gains: AI servers now show an average improvement of a factor of 30 in their unit consumption (dropping from around 3 Wh to 0.2-0.3 Wh per request), which significantly reduces the expected additional net load.

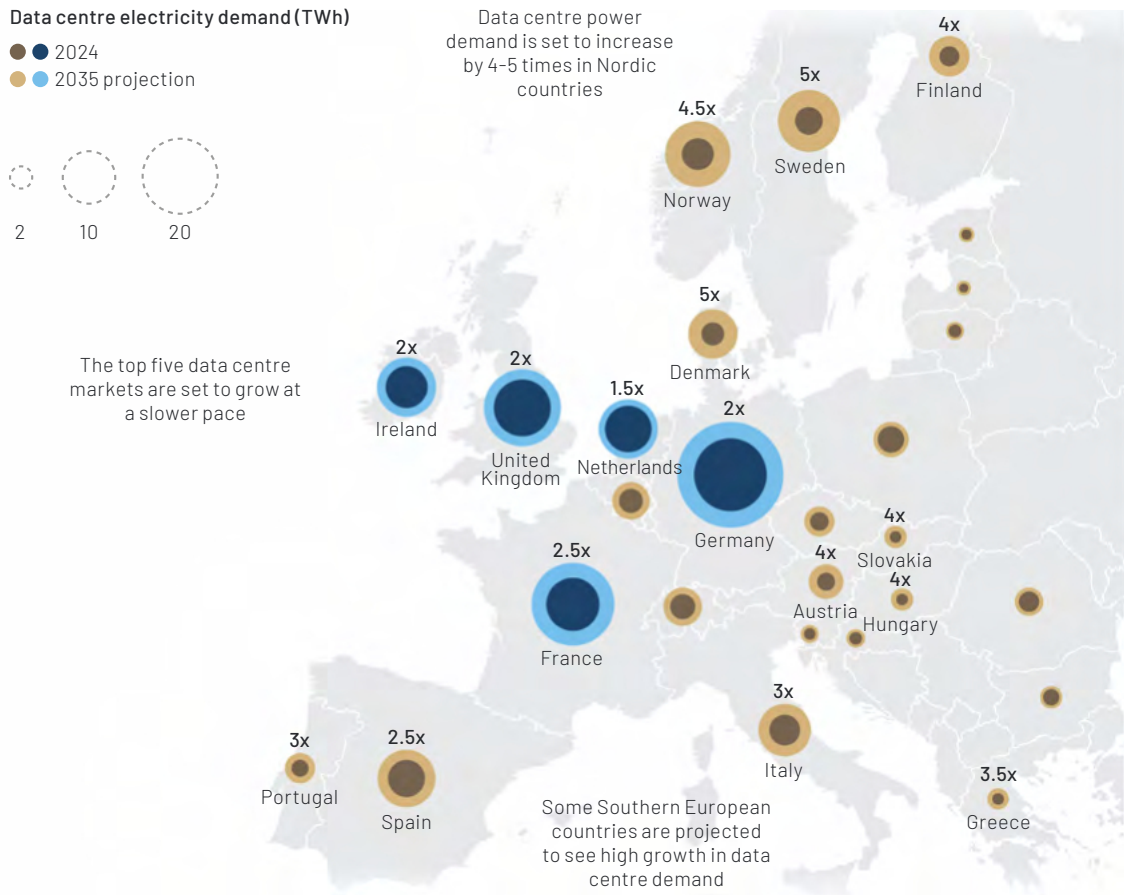
Electrification: Geopolitical challenge and sovereignty issue

The emergence of electrical uses (data centres, electric vehicles, smart grids, etc.) gives new importance to the production and management of electricity: whoever controls electricity controls critical segments of the digital, industrial, and military economy. This growing dependence makes securing the grid and diversifying sources (solar, nuclear, storage) a priority for both governments and businesses. The resilience of the electricity grid is now synonymous with the resilience of strategic infrastructure.



700-900 TWH
gross electricity
demand by
2030

CHART 10: INCREASE OF 150% IN DATA CENTRE POWER DEMAND IN EUROPE BY 2035



Source: Ember Analysis (data ICIS, 2025), Indosuez Wealth Management.

The transition towards decarbonised electricity through solar, wind, nuclear, and storage must meet three challenges: the physical reliability of the grid, technological sovereignty (domestic manufacturing of key components), and protection against external threats, cyberattacks, shortages, commercial volatility. Furthermore, the revival of nuclear energy, notably through Small Modular Reactors (SMRs)¹⁵ to power data centres, helps secure future electricity needs. This reflects the desire to reduce reliance on imported fuels and maximise energy availability within territories, while remaining carbon neutral. For their part, companies, which themselves have carbon emission reduction targets, are increasingly signing long-term electricity purchase agreements with renewable energy producers to guarantee and secure their supply.

CONCLUSION

The current landscape underscores that green investment and ESG considerations remain crucial, even as political and security uncertainties reshape priorities. The shift towards electrification and renewable energy, accelerated by technological advances and rising energy demands from sectors like AI, presents both significant opportunities and complex challenges. Ensuring resilience, technological sovereignty, and robust infrastructure is now imperative for Europe to maintain competitiveness and deliver on sustainability goals. Ultimately, credible transition strategies and innovative financing will be essential to navigate these changing dynamics and secure a sustainable, carbon-neutral future.

THE ELECTRIFICATION VALUE CHAIN: WHERE TO INVEST?

The electrification value chain is increasingly complex and segmented:

- **Upstream:** Extraction and refining of critical raw materials (lithium, graphite, copper, etc.).
- **Midstream:** Manufacturing and assembly of key components (batteries, solar panels, converters), optimisation software, active management systems.
- **Downstream:** Integration into customer solutions (residential solar installations, connected batteries, smart grids), maintenance, recycling, and consumption management.

Market Focus: Investment and value creation are concentrated midstream and downstream, driven by technological expertise, rapid adaptation to regulatory/commercial changes, and vertical integration.

- **Residential Solar:** Prepaid leasing models are emerging to reduce household financial risk; significant demand is expected post-2026, depending on continued tax incentives.

- **Utility-Scale Solar:** Growth is supported by low-cost energy, storage-solar synergy, and software innovation, but faces risks from regulatory instability and reliance on Asian panels.
- **SMRs:** Fission reactors, typically with a capacity of less than 300 MW per unit, designed to be manufactured in factories and transported for modular installation at locations where they are required. Identified as a strategic response to the rising demand for electricity and the need to enhance grid security.
- **Storage (batteries, regulation software):** Is central for grid flexibility, especially as US states invest to power local data centres. Leading players are those who can quickly integrate vertically and ensure system reliability.

15 - Small Modular Reactors (SMRs) are fission nuclear reactors with a power output of up to 300 MW per unit, designed for factory assembly and then transported and installed modularly wherever they are required.

Private Markets in 2026: Towards a Rebound in Transactions?



Nicolas RENAULD
Global Head of Private
Markets

The start of 2025 was marked by renewed optimism for private markets, building on the first signs of recovery observed in 2024. However, after a solid first quarter, sentiment quickly shifted as *momentum* was significantly challenged by “Liberation Day” and the introduction of tariffs by the Trump administration. This new policy reignited uncertainty across markets and once again slowed down deal activity.



Remy POMATHIOS
Head of Private Markets
Investments

AN M&A MARKET NAVIGATING THROUGH TURBULENCE

The global mergers and acquisitions (M&A) market in 2025 experienced a notable divergence between overall deal volume and deal count. In the first half of the year, total deal value rose by 25% to approximately 2 trillion dollars, driven primarily by strong activity in the large-cap segment. However, the number of deals declined, with the total deal count falling 16% year-on-year to over 16'000, following a particularly weak second quarter¹⁶. This disparity can be partly attributed to the introduction of new tariffs, which led many companies to delay transactions as management teams evaluated their potential impact. The tariffs were especially detrimental to mid-market firms, where smaller and less flexible operations were more exposed to financial volatility and policy uncertainty. Headline dollar figures were skewed upward by a small number of mega-deals, even as broader mid-market activity stayed muted because of elevated caution and uncertainty.



Matthieu ROUMAGNAC
Head of Real Assets
Investments

The dynamic underlined in Q3 2025 data, indicating a robust rebound in deal volume year-on-year, was once again supported by a resurgence of mega-deals exceeding 10 billion dollars. One notable highlight was the record-setting leveraged buyout (LBO) of Electronic Arts, with a take-private transaction valued at approximately 55 billion dollars and led by a consortium headed by Silver Lake.

Looking ahead, we believe the recovery should continue into 2026 with a rebound also expected in the number of deals, driven by improving financing conditions, stabilising tariff policies, and easing US interest rates. As market participants adapt to the evolving environment, sentiment appears cautiously optimistic, bolstered by ample dry powder¹⁷ and a renewed appetite for strategic transactions.

A BUYOUT INDUSTRY UNDER PRESSURE

Looking at the buyout segment, a similar pattern has emerged. After years of disruption from COVID-19, supply chain instability, inflationary pressures, geopolitical tensions, and rising interest rates, fund managers (GPs¹⁸) are adapting to a more volatile and capital-constrained environment.

While deal timelines have lengthened, investment activity persists for high-quality assets with strong fundamentals, solid growth prospects, resilient cashflows, and limited tariff exposure. Nonetheless, significant pressure persists on capital deployment, with roughly 1.2 trillion dollars in buyout-focused dry powder, about a quarter of which has been held for four years or more¹⁹, creating the urgent need for deployment as funds reach maturity.

Meanwhile, we see investor pressure intensifying on the exit front, as liquidity remains below long-term averages, underscoring the challenge of sustaining a lasting robust deal flow across the M&A landscape. We also note that the median holding period for exited deals over H1 2025 was approximately six years – about one year longer than the historical average – highlighting the slowdown in exits over the past three years.

This shortage of liquidity has been a major pain point for Limited Partners (LPs), who require distributions to recalibrate their portfolios and reinvest in newer vintages – particularly now, as market conditions present comparatively attractive entry valuations relative to the elevated pricing of the late 2010s. However, this lack of exit not only constrains LP cashflows but also pressures GPs to hold portfolio companies longer than planned, stretching resources and delaying new investments – especially for 2019-21 vintage funds, where assets were acquired at the peak of the market.



INVESTOR PRESSURE

intensified on the exit front

¹⁶ - Dealogic - M&A Highlights report H1 2025.

¹⁷ - In finance, dry powder refers to unallocated cash or liquid assets that investors, such as venture capital and private equity firms, have available for future investments.

¹⁸ - General partners/leads in private equity deals.

¹⁹ - Bain & Company - Private Equity Midyear Report 2025.

As a consequence of the slower distribution pace, fundraising has remained challenging, with timelines still longer than historical norms. On the other hand, GPs who successfully execute exits in this environment are being strongly favoured by investors relative to peers. All in all, we expect 2025 global private markets fundraising to reach approximately 1.3 trillion dollars (Chart 11), broadly in line with 2024 levels.

In summary, despite continued investment and exit activity, the rebound in private markets expected for 2025 has been postponed due to a volatile macroeconomic environment. We do however believe that the industry is still poised for increased activity in upcoming quarters, supported by ageing dry powder, available credit, lower valuations, and falling interest rates.

same high-quality deals in a slow 2025 M&A market did not help either. A normalised asset class is also inevitably subject to market stress and market noise as statistically more deals can go wrong.

Nevertheless, we believe private credit's risk/return is still very attractive and will remain so. Spreads - and base rates - have compressed but so have public markets and the illiquidity premium of private credit is still there. Defaults remain contained and are, to some extent, a welcome reminder for investors that selection and granularity are paramount.

We strongly believe that private credit is still in its early age and will continue to grow, driven by borrowers seeking strong relationships with their lenders and investors attracted by the robust income generation capacity. According to Preqin, private credit's global AuM is forecast to increase to 4.50 trillion dollars by the end of 2030, at an annualised rate of 13.6% over the period.

PRIVATE CREDIT STILL AN ATTRACTIVE SOLUTION

Private credit normalised in 2025 as it cemented its status as a driving force of private markets with rising assets under management (AuM) well exceeding the 2 trillion dollars mark.

Normalising also means facing the challenges of a grown-up asset class. Top of the list is increased competition, including from traditional banks, which has been compressing spreads. The fact that most private credit players were chasing the

INFRASTRUCTURE, THE ALL-WEATHER ASSET CLASS

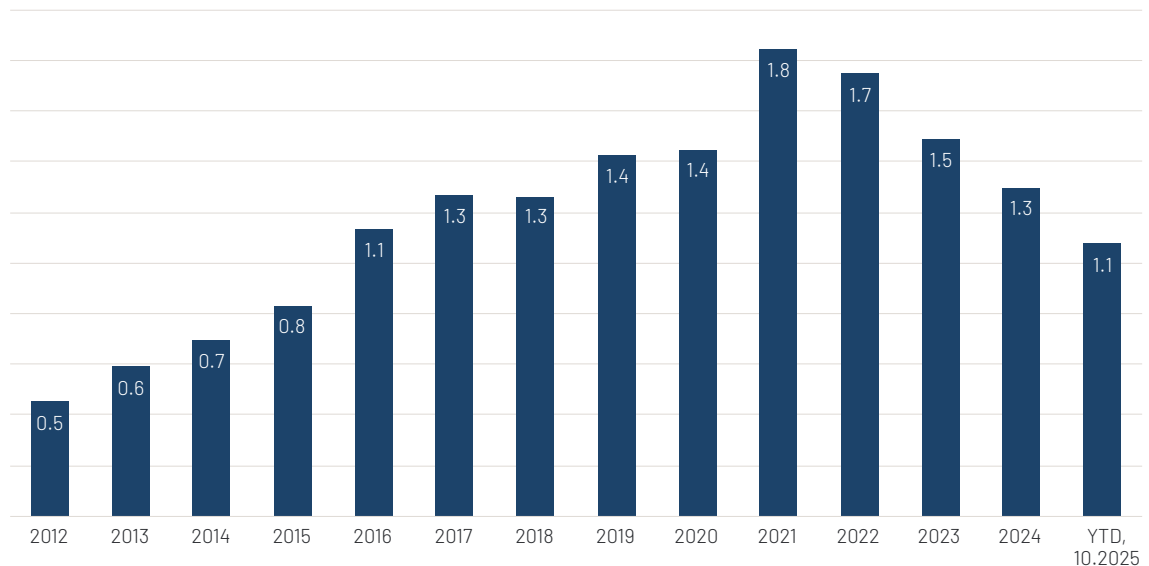
With 200 billion dollars raised during the first nine months, compared to 120 billion dollars for the full year 2024, 2025 is already set to go down as a record year for infrastructure fundraising well-ahead of the already outstanding 2021 and 2022 vintages.



200 BILLION DOLLARS

in the first 9 months of 2025

CHART 11: GLOBAL PRIVATE MARKETS CAPITAL RAISED, TRILLION DOLLARS



Source: Preqin Database, YTD as of 26.10.2025, Indosuez Wealth Management.

As a sign of confidence from investors, core-plus and value-add strategies keep growing at the expense of core strategies which represent only 9% of capital raised during 2025's first three quarters compared to more than 20% in 2024.

However long-term optimism for this asset class should not hide the need for recalibration and the sector's challenges. These include renewables valuations in a world where political shifts can slow-down the decarbonisation agenda and how to bring sufficient power to both the energy-hungry AI revolution and the unstoppable electrification of transport.

In this changing environment, where expertise is scarce, the consolidation trend of infrastructure managers shows no sign of halting with large managers regularly acquiring infrastructure specialists.

We believe that infrastructure, with its proven resilience across economic cycles, must remain an essential part of a private markets' portfolio. While we support a global approach with a mix of mid and large funds, we believe an overweight towards mid-cap strategies and Europe currently makes sense.

THE SECONDARY MARKET, ON ITS WAY FOR ANOTHER RECORD YEAR

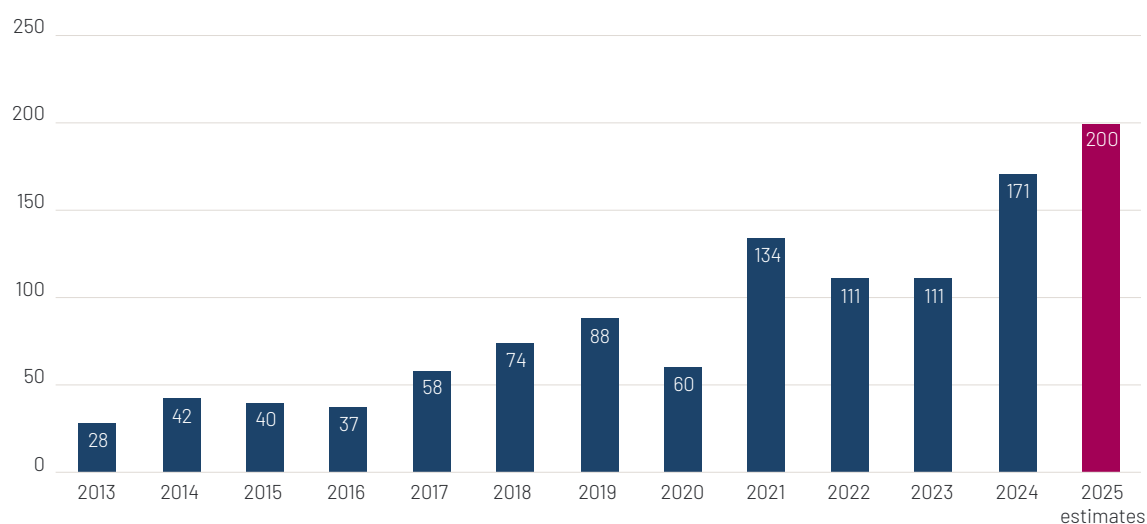
After a record 2024 with total transaction volume reaching approximately 171 billion dollars, the secondary market is on its way to set another all-time high with volumes expected to land at around the 200 billion dollar mark in 2025 (Chart 12) after a very strong first semester.

This strong dynamic has continued to be driven by both (1) GPs seeking to generate liquidity for their investors compensating for the sluggish M&A market and holding their best performing assets for longer through continuation funds and (2) LPs taking liquidity into their own hands by selling a portfolio of funds on the secondary market in order to rebalance their portfolio towards newer vintages.

The impact of "Liberation Day" was limited on pricing which remained relatively in line with 2024 levels across all private markets strategies, but buyers have been mostly focused on high quality assets given the abundance of deal flows.

We believe secondary strategies should become increasingly attractive in the coming quarters in light of the current environment, as already observed in the resilient fundraising numbers for this segment of private markets.

CHART 12: SECONDARY MARKET VOLUME, BILLION DOLLARS



Source: Greenhill - Global secondary market review H1 2025, Indosuez Wealth Management.

06

10 Surprises for 2026

In this new section, our investment heads from around the globe share their bold, thought-provoking predictions—unearthing unexpected developments that could shape the financial landscape. These surprises, both positive and disruptive, challenge conventional wisdom and inspire fresh perspectives, encouraging us and our clients to think beyond the obvious as we navigate the year ahead.

“ The Next Frontier in Health

The healthcare sector could deliver disruptive advances in 2026, driven by the convergence of biotechnology, immunotherapy, and data analysis. Collaboration between pharmaceutical companies, startups, and academic laboratories is accelerating the development of treatments, with costs falling thanks to the application of artificial intelligence (AI) in clinical research. This type of innovation would have a transformative effect not only on patients' quality of life, but also on the allocation of resources within the health-care system. With regard to the allocation of this sector in portfolios, the emergence of new sub-sectors and current valuations could generate attractive opportunities, favouring both emerging players with the capacity to scale up quickly and large pharmaceutical companies.



Ricardo ALONSO
Head of Discretionary
Portfolio Management
Madrid, Spain

“ "Magnificent 7" to "Lux-7": Luxury Becomes a Fashionable Investment

The luxury sector, once unloved by investors after years of underperformance and multiple derat-ings, could stage a comeback in 2026. Momen-tum has been improving since mid-2024, fuelled by resilient US consumption and a recovery in China's GDP. As consumers adapt to the post-COVID "new normal," demand for luxury goods is returning.

However, competition is heating up as high-quality domestic Chinese brands challenge European luxury leaders. Even so, the sector's outlook is bright. Rising consumer confidence, robust economic growth in key markets, and attractive valuations could drive earnings growth, margin expansion, and improved sentiment. Once out of favour, luxury may soon be back in vogue, with the potential to hit new highs in 2026.



Livio DALLE
Head of Asset Management
Lugano, Switzerland

“ Quantum Awakening

A quantum computing boom could emerge following an unexpected breakthrough, much like the AI boom materialised years after its concept first appeared. This “Quantum Utility” moment would unlock real-world applications once deemed impossible, driving massive capital inflows into quantum tech and related sectors like biotech and advanced materials, sparking a broad market rally. While promising a new era of productivity growth, this leap could render current cybersecurity measures obsolete, leaving cryptocurrencies vulnerable if their ecosystems fail to adapt. If not in 2026, such advancements seem increasingly likely in the years ahead, driven by accelerating progress, particularly in AI.



Julien DESCOMBES
Head of Discretionary
Portfolio Management
Geneva, Switzerland

“ Trumpflation: A New Era of High Rates

In 2026, the US economy could face persistent inflation fuelled by Donald Trump’s expansionary policies. Tax cuts increased public spending, and efforts to boost domestic production would drive strong demand. While this dynamic would support economic growth, it would also heighten price pressures. The Federal Reserve (Fed), concerned about overheating, would then be prompted to tighten its monetary policy through stable interest rates. Bond markets would adjust to this new environment, with investors anticipating higher long-term yields. In this context, the US 10-year yield could approach 5% by the end of 2026 versus a consensus at 4%. In this context, equity volatility is to be expected to increase, with downward pressure on technology valuations benefitting equally weighted indices and defensive sectors.



Sebastien FILLAUT
CEO CFM Indosuez Gestion
Monaco

“ Europe Unites: The Fiscal Union Breakthrough

The EU already issues common debt, like the NextGenerationEU fund, but only for specific programmes. A true fiscal union would mean permanent joint borrowing, a centralised budget, and unified tax policies. Under relentless Russian pressure, 2026 could become Europe’s moment of reckoning. What began as a security crisis could trigger a historic fiscal union: shared borrowing, a permanent EU treasury, and nascent tax powers. Such a breakthrough could transform Europe’s identity—from a market bloc to a political union forged by necessity, resilience, and the will to endure together. Key challenges include North–South policy divergences, domestic political constraints, and the need for treaty reform. Yet, as Mario Draghi warns, “the cost of inaction would be far greater”, especially in a heightened geopolitical risk environment. This would be positive for the Euro Area, with increased convergence in European rates.



Andrea GERMANI, CFA, CQF
Head of Markets & Investment Solutions
Milano, Italy

“ Deepseek: Episode 2

We could witness a reality check on China’s level of progress in several strategic areas. China’s rapid progress up the industrial value chain means that the country now dominates multiple key industries. US policymakers have already realised that the whole of US industry, including the US armaments industry, is now dependent on Chinese rare earths and magnets. The areas in which China is advanced range from electric vehicles, robotics, AI, drone and aircraft technology, nuclear technology...

There could be, in 2026, another “Deepseek” moment in one of the areas mentioned above. This would be another wake-up call signalling China’s technological advancement. This could encourage investors to continue to reallocate more towards China and increase the (still low) multiples of Chinese stocks.



Tanguy KAMP
Head of Investment Management
Luxembourg

“ AI and the Great Job Revolution

Automation and AI have the potential to disrupt global employment significantly. In the US and Europe, service-oriented jobs may face instability, while in Asia, outsourcing could be replaced by automated solutions. This shift might weaken consumer spending and heighten social tensions, pushing governments to increase investments in support programs and workforce training—potentially at the cost of rising debt levels. Traditional industries such as banking, insurance, and consumer goods are likely to experience mounting pressure, whereas technology companies and AI leaders stand to gain considerable advantages. Central banks may also need to adopt more flexible monetary policies to facilitate this transition. The ripple effects of this technological evolution will reshape economies and demand proactive strategies worldwide.



Didier RIBEIRO
Portfolio Manager
Paris, France

“ King Dollar Returns

Today, the consensus is almost unanimously cautious on the US dollar. While it is a reasonable base case, foreign exchange is a relative trade, and the euro could end up being even weaker. Possible triggers are the complicated political situation in some Euro Area countries, difficulties in implementing defence spending programmes or superior growth in the US. The US economy, on AI steroids, showed once more its remarkable resilience while inflation might remain sticky. If the Fed resists Presidential calls to cut rates immediately, it will pass the stress test and prove the strength of US institutions, only reinforcing the credibility of the United States.



Jean-Marc TURIN, CFA
Head of Patrimonial Funds
Brussels, Belgium

“ China’s Currency "Liberation Day"

China could surprise the world in 2026 with unexpected market liberalisation measures, such as advancing the internationalisation of the renminbi (RMB) by increasing its offshore use in trade and finance and expanding currency swap agreements with major economies. The promotion of the digital yuan (e-CNY) for cross-border transactions could position it as a competitor to the US dollar in global trade. Additionally, reforms like easing restrictions on foreign ownership in protected industries, could attract global investors, fuelling economic growth and innovation. These steps would demonstrate a commitment to globalisation and counter perceptions of economic decoupling.



Qian SU
Head of Investment Management Asia
Singapore

“ The Blockchain Takeover

Global blockchain adoption is accelerating as regulators introduce clearer rules, legitimising digital assets as a new global asset class. Ongoing monetary debasement fuels demand for decentralised stores of value, while industries from finance to logistics embrace blockchain for transparency and efficiency. Central banks exploring Central Bank Digital Currency (CBDC) further validate the technology, bridging traditional and digital finance. As cross-border payments, identity verification, and smart contracts shift onto blockchain rails, the technology evolves from niche innovation to systemic infrastructure—powering programmable, borderless markets and redefining how value is created, transferred, and stored in an increasingly digital and interconnected global economy. Productivity gains will likely be gradual but compounding – like early internet adoption. The Growth style would benefit near term as innovation and infrastructure plays capture CapEx.



Filip VERSTREKEN
Head of Private Banking
Investment Solutions
Brussels, Belgium

07

Meet the Team

Meet the global editorial team at Indosuez Wealth Management, devoted to effectively communicating the investment strategies developed by our experts worldwide, all with the aim of providing exceptional service to our clients.



**Delphine
DI PIZIO TIGER**
Deputy Global Head of
Investment Management



**Alexandre
DRABOWICZ, CAIA**
Global Chief
Investment Officer



**Jérôme
VAN DER BRUGGEN**
Chief Market Strategist



Bénédicte KUKLA
Chief Strategist



Hans BEVERS
Chief Economist
Degroof Petercam



Lucas MERIC
Cross Asset Strategist



Francis TAN
Chief Strategist Asia



Alexandre GAUTHY
Senior Cross-Assets Manager /
Market Forex Strategist



Grégory STEINER, CFA
Global Head of
Asset Allocation



Jean-Marc TURIN, CFA
Head of Patrimonial Funds



Adrien ROURE
Multi-Asset Portfolio Manager



Mafalda DOS SANTOS
Content Marketing

Artificial intelligence (AI): Technology that enables machines to perform tasks that typically require human intelligence, such as learning, problem-solving, and decision-making.

ASEAN: Association of Southeast Asian Nations.

Basis points (bps): 1 basis point = 0.01%.

Belt and Road Initiative (BRI): Launched by China in 2013, is a global strategy to boost regional connectivity and trade through infrastructure projects like roads, railways, and ports. Often called a modern Silk Road, it spans Asia, Europe, Africa, and beyond.

Blockchain: A technology for storing and transmitting information, taking the form of a database that is simultaneously shared with all its users and generally does not depend on any central authority.

CBO (Congressional Budget Office): Congressional Budget Office of the United States.

China Great Power Competition: China's "Great Power Competition" refers to the rivalry between China and other major global powers, particularly the United States, for influence and supremacy in the international system.

Deflation: Deflation is the opposite of inflation. Contrary to inflation, it is characterised by a sustained decrease in general price levels over an extended period.

Deglobalisation: Refers to the process of reducing interdependence and integration between countries, particularly in areas like trade, investment, technology, and cultural exchange. It's essentially the opposite of globalisation. This can involve a decline in global trade, the reshoring of manufacturing to domestic markets, stricter immigration policies, or the prioritisation of local industries over global supply chains.

Dry powder: In finance, dry powder refers to unallocated cash or liquid assets that investors, such as venture capital and private equity firms, have available for future investments.

Duration: Reflects the sensitivity of a bond or bond fund to changes in interest rates. This value is expressed in years. The longer the duration of a bond, the more sensitive its price is to interest rate changes.

ECB: The European Central Bank, which governs the euro and Euro Area member countries' monetary policy.

ESG: Environmental, Social, and Governance: A framework used to assess a company's practices and performance in three key areas: environmental impact, social responsibility, and corporate governance. Environmental criteria evaluate how a company manages its impact on the planet, social criteria consider how it treats people, including employees, customers, and communities, and governance criteria assess the quality and transparency of its leadership and internal controls.

Exchange-traded fund (ETF): Is a type of pooled investment security that operates much like a mutual fund. Their objective is to replicate the performance of the underlying assets (indices or assets).

Fed: The US Federal Reserve, i.e. the central bank of the United States.

GDP (Gross Domestic Product): GDP measures a country's yearly production of goods and services by operators residing within the national territory.

General Partners: Are professional investment managers responsible for managing private equity, venture capital, or other types of private investment funds.

Generative AI: A type of artificial intelligence that focuses on creating new content, such as text, images, music, or other media, by learning patterns and structures from existing data. It uses models like generative adversarial networks (GANs) and transformers to produce original outputs that mimic human creativity and innovation.

High yield: A category of bonds, also called "junk" with ratings lower than "investment grade" rated bonds (hence all ratings below BBB- in Standard & Poor's parlance). The lower the rating, the higher the yield, normally, as repayment risk is higher.

IEA: International Energy Agency.

IMF: The International Monetary Fund.

Limited Partners: Investors in a partnership, typically in private equity or venture capital funds, who contribute capital but have limited liability and involvement in the management of the fund. Their financial risk is restricted to the amount of their investment, and they typically receive returns based on the fund's performance.

Mercosur: Members are Argentina, Bolivia, Brazil, Paraguay, and Uruguay.

NextGenerationEU: Is a temporary recovery instrument created by the European Union (EU) to help rebuild and strengthen the economies of EU member states in response to the COVID-19 pandemic. With a budget of 800 billion euros (in current prices), it is one of the most ambitious recovery plans ever launched by the EU. The aim is to promote economic recovery, foster resilience, and drive green and digital transformations across Europe.

OECD: Organisation for Economic Co-operation and Development.

OPEC: Organisation of the Petroleum Exporting Countries.

Quantitative easing (QE): A monetary policy tool by which the central bank acquires assets such as bonds, in order to inject liquidity into the economy.

Quantitative tightening (QT): A contractionary monetary policy tool applied by central banks to decrease the amount of liquidity or money supply in the economy.

Recalibration: Refers to the process of adjusting or updating financial models, strategies, or systems to reflect new data, changing market conditions, or updated assumptions. It ensures that financial tools, investments, or forecasts remain accurate, relevant, and aligned with the current economic or market environment.

Secondary markets: Secondary markets, also known as secondary financial markets, are platforms where investors buy and sell securities they already own. Unlike primary markets, where securities are issued and sold for the first time (such as during an initial public offering, or IPO), secondary markets facilitate the trading of existing securities. Examples of secondary markets include stock exchanges like the New York Stock Exchange (NYSE) and NASDAQ, where stocks, bonds, and other financial instruments are traded among investors. The liquidity provided by secondary markets is crucial because it allows investors to easily buy and sell their securities, thus promoting investment and contributing to the overall stability and efficiency of the financial system.

SFDR: Sustainable Finance Disclosure, a European regulation specifying the new obligations of collective investments integrating extra-financial approaches. This regulation defines two categories of products in particular: Products that promote environmental and/or social characteristics (so-called "Article 8" products) and; Products that have sustainable investment as their objective (so-called "Article 9" products). Products that do not fall into these two categories are "Article 6" products.

Small Modular Reactors (SMRs): Are fission nuclear reactors with a power output of up to 300 MW per unit, designed for factory assembly and then transported and installed modularly wherever they are required.

Spread (or credit spread): A spread is the difference between two assets, typically between interest rates, such as those of corporate bonds over a government bond.

SRI: Sustainable and Responsible Investments.

Stagflation: Refers to an economy that is experiencing simultaneously an increase in inflation and stagnation of economic output.

USMCA: The United States-Mexico-Canada Agreement.

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With 215 billion euros in client assets at the end of December 2024, Indosuez Wealth Management is one of Europe's leading wealth management companies.

Find out more at <https://ca-indosuez.com/>



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