Markets & Convictions

RJ Management

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In a world where geopolitics is reshaping economic balances, our convictions remain clear and structural. We stay away from an overvalued and "militarized" tech sector, convinced that energy and commodities offer the best risk/return profile.
The current oil shock, combined with massive U.S. debt, makes any "classic" response of raising interest rates to fight inflation impossible: bullish on gold, bearish on the dollar. Europe and emerging markets complete a balanced allocation designed to face increased volatility.

Artificial Intelligence: A Militarized Revolution with Underestimated Market Implications

• The AI revolution is a technological certainty: advances are becoming more impressive and impactful every day.

• A fundamental shift has taken place: with the conflicts in Ukraine, Gaza, and now Iran, **AI has become a first-order military technology**. A striking example ➔ drones, far less expensive than an F-35, are much more effective in many situations.

• This race for AI has now become **existential**. It is no longer only an economic advantage that is at stake: it is much more than that.

• It strongly recalls **the space race** between the United States and the USSR during the Cold War: a competition where political priorities override optimal capital allocation.

• Historically, sectors under strong political "influence" tend to **underperform on markets**, and our experience confirms this pattern.

• The CAPEX phase currently undertaken by the MAG7 (Apple / Microsoft / Amazon / Alphabet / Meta / Nvidia / Tesla) is unprecedented, and returns on investment are likely to be **dilutive** at least in the initial stage… cf graph below.

• Combined with the extreme concentration of U.S. indices around this theme, the 10 largest companies in the S&P 500 represent more than **35% of total market capitalization (almost all in the same sector)** ➔ we believe this sector may disappoint.

• **We remain very lightly exposed to this tech sector, as we have been for several years**, and prefer to play this AI revolution through our position in energy.

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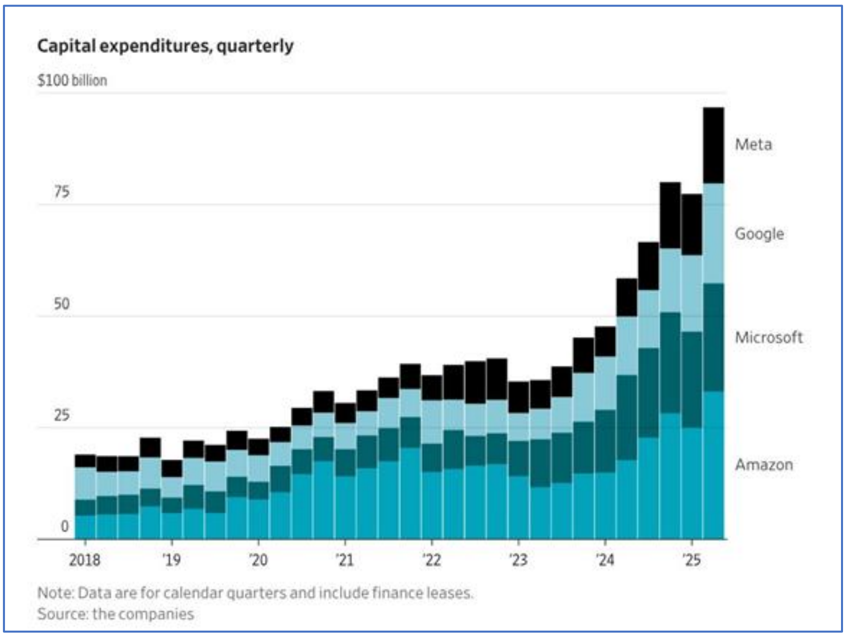
[Investment amounts by tech companies are impressive — but what about their profitability?](#)



Energy & Commodities: Our Core Conviction, Stronger Than Ever

• The thesis is simple but powerful: **the ESG theme has created massive underinvestment** in energy and commodities for many years, diverting institutional capital away from these sectors.

• The result is mechanical: in the absence of additional supply, **the price of the commodity becomes the only adjustment variable**.

• Geopolitics has taken the lead again since "Trump 1": Europeans are discovering with concern their energy dependence, the impossibility of a full electric transition by 2035, and the shortage of materials required for this transition. This "physical" reality reminds our election-driven politicians that their decisions can have catastrophic economic consequences: latest decision of the commission on fuel-powered cars.

• We were led to believe that fossil fuels would gradually disappear… The reality is very different: **our dependence on oil has increased**, not decreased. The barrels consumed today have become very difficult to replace.

• An energy source must meet three essential criteria — and in this order: **security of supply / abundance / attractive price** ➔ renewables struggle to meet these three requirements simultaneously.

• **Nuclear power remains, in our view, the best available solution** for the energy transition that is more necessary than ever (a theme present in several of our investment vehicles since 2023).

• The closure of the Strait of Hormuz, impossible to anticipate, accelerates and confirms our conviction: it **revives a security premium on fossil fuels**. States will increase stockpiles and regulate exports during crises, as China does by restricting exports of refined products (LINK), or Russia by cutting gas supplies to Europe (LINK).

• The contrast is striking: the energy sector today represents **only 3% of U.S. stock market capitalization**, compared with more than 50% for tech and services. During the oil crisis of the 1970s, energy represented **25%**…

• **We strongly believe that markets have massively over-allocated capital to tech at the expense of energy**, and this distortion should correct over time.

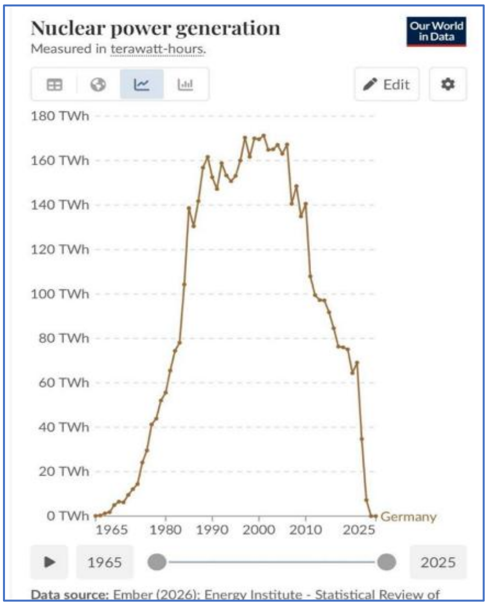
• Our investment vehicles on this theme:

Energy Discovery *(launched in 2024)* — Certificate focused on small and mid-sized energy producers, largely overweight at the end of 2025 | Perf 2025: +19.05% | 2026 YTD: +20.51%

VOLTA — Long/short equity fund on the energy transition, managed by a team of experts | Perf 2025: +19.92% | 2026 YTD: +5.22%

Westbeck Energy Opportunity — Long-term structural vision combined with short-term trading expertise in fossil energies | Perf 2025: +5.56% | 2026 YTD: +7%

The choice of our politicians in one striking image: nuclear energy production in Germany



Gold & Gold Mining: A Confirmed Paradigm Shift

• Since 2022, we have been concerned about the issue of **U.S. debt**: more than 120% of GDP, a structural deficit impossible to reduce at around -6% per year, a dollar held by the entire world for the past 40 years, and equity markets that global investors have been overweight for more than a decade.

• This combination explains the positions we built from **2023 in gold and gold mining companies**, which were then considered somewhat esoteric. After a difficult start, we benefited from a strong rally, especially in 2025.

• **Gold is now trading at USD 5,000 per ounce**. Mining companies have just reported exceptional results for Q4 2025, while gold traded on average at USD 4,150 per ounce during that period: **much more to come**!

• Our selected fund **IXIOS Gold** remains a strong conviction, and the potential still appears very significant to us.

• Our overall exposure to gold remains unchanged: this move reflects **a deep paradigm shift**, from the Pax Americana toward a new multipolar balance. Gold is its most reliable barometer.

Dollar & Europe: The Decline of the Dollar, a Structural Conviction

• We maintain **a structurally bearish view on the U.S. dollar**: foreign overinvestment in the United States should gradually ease.

• The comparison with the 1970s is instructive, but it mainly highlights **how fundamentally different, and far more fragile**, the U.S. situation is today. During the first tensions with Iran and the oil shock of that period, U.S. federal debt represented **32% of GDP**. Today it exceeds **120%!!!**

• Given the inflationary pressures that this oil shock (as well as gas/ammonia, etc...) will create, **the United States will not be able to reproduce Paul Volcker's remedy**, raising interest rates to 20% in the late 1970s. The current debt burden makes such a scenario impossible!!!

• To finance this now "monstrous" debt in a high-interest rate environment, the acronyms **QE (Quantitative Easing)** and **QT (Quantitative Tightening)** will inevitably reappear, with all the implications this carries for the real value of the dollar.

• **All of this reinforces and consolidates our two core convictions: bullish on GOLD and bearish on the USD**. In this scenario, these two positions reinforce each other.

• Investors are beginning to see opportunities in Europe, notably supported by the German stimulus plan and European rearmament.

- We express this conviction through:

Short Duration Certificate — Emerging market corporate bonds / High Yield | Perf 2025: +6.65% | 2026 YTD: +3.5%

Recovery Certificate — our core value/sector equity strategy | Perf 2025: +61.28% | 2026 YTD: +11.27%

Arkaim EM Corp and Vontobel EM Corp — emerging market corporate bonds

Eleva / Berenberg / Sturdza — European equity positions that we maintain

Private Equity & Private Credit: A Bubble We Are Watching Closely

- For several years, we have expressed **our scepticism about the valuations in Private Equity and Private Credit**, and tensions now seem to be materializing.

- The significant decline in the software sector is visible through players such as **Blue Owl** and other exposed funds. (LINK)

- The stock market valuations of asset managers are alarming. Performance from their respective highs over the past three months: **Apollo -32%, Blue Owl -58%, BlackRock -20%, Partners Group -26%.**

- It will be crucial to monitor the evolution of these asset classes and their **potential impact on markets as a whole**.

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Interesting to read & listen

Very interesting article on AI and its impact on the labor market: LINK

A rare interview with one of the most impressive asset managers, Stan Druckenmiller: LINK

The commodities SuperCycle with Jeff Currie: LINK

Please feel free to contact us to discuss our macroeconomic views, the management of our portfolios, or our dynamic certificates.

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