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The facts: The war against Iran continued to bring its flow of confusing announcements, but no tangible progress was made, which raised the likelihood of a problematic outcome. In this backdrop, the real surprise was the general resilience of corporations' results, and the strength of many economic indicators.

With traffic almost idled since the beginning of the conflict, the reopening of the Strait of Hormuz was the main concern for investors in recent weeks. Many countries were talking about the risk of oil shortages within months if the situation was not resolved swiftly, and the threat was even higher on emerging economies, which typically carry less reserves. In early April, Donald Trump was making this reopening the top objective of his war on Iran (as if he had forgotten that traffic had been perfectly smooth in that corridor until February 28), and threatened to send Tehran "back to stone age" if they did not comply. **A two-week ceasefire was announced on April 7, but it was all the more fragile as its exact conditions always remained unclear.** The various parties did not even agree on whether Lebanon was covered or not, and Israel launched massive operations against the Hezbollah in the south of the country. Negotiations between the USA and Iran were briefly held in Pakistan, but they soon collapsed, prompting the White House to announce ... a naval blockade of the Strait of Hormuz! Traffic anyway had not resumed, since it was not clear whether the shipping corridors were safe or needed mine clearance. The rest of the month went on similarly, as the US President kept oscillating between a threatening stance and the temptation to just leave and let the rest of the world deal with the problem. The ceasefire held despite occasional skirmishes, the White House even dropped its deadlines to "give Iran the time to submit its proposals" but very few ships managed to sail through the strait.

Things did not seem to be improving either on the domestic front for Donald Trump. Besides the shooting during the White House correspondents dinner, **the US administration was obliged to set up a complex system to reimburse many months of tariffs charged under an executive order which has since been invalidated** by the Supreme Court. Meanwhile, another ruling froze the construction of the new ballroom, one of the president's many whims to redesign the White House and, more generally, Washington, DC, to his taste. More importantly, though, it seemed that a growing number of influential people in the political, artistic and, to some extent, business circles, who had remained silent so far, were becoming more vocal about their concerns regarding the President's actions.

These multiple setbacks on the domestic and international fronts impacted opinion polls. According to Real Clear Politics' synthesis of all major surveys in the USA, **Donald Trump's job approval rate, which had initially resisted better than during his first mandate, saw its deterioration accelerate lately.** It now stands very close to its worst level ever.

Not all the news was bad, though, and some key economic indicators actually pointed to a better-than-expected trend. **Durable goods orders, job creations and retail sales all progressed strongly in March.** Excluding the volatile transportation equipment component, the former were up 0.9% month-over-month according to the Census Bureau,



which also found that retail sales had risen 1.7% overall, and 1.9% excluding automobile sales. Non-farm payrolls (up 178 000, including 15 000 in Manufacturing) posted an unexpected rebound after a weak reading in February. Should these numbers hold through the Bureau of Labor Statistics' future revisions, they would be the best on record since December 2024. As a result, the US unemployment rate was back to 4.3%, only marginally higher than a year ago, and down from its recent peak at 4.5% in November 2025. The preliminary estimate of GDP growth in the March quarter (2% on an annualized basis) also illustrated the improvement. Interestingly, **sentiment metrics, which are often considered leading indicators for economic trends, suggested that this strength might continue** in the foreseeable future. After its surprise recovery from 47.9 around the new year, the ISM Manufacturing index reached 52.7, a level slightly higher than in the previous two months. In Services, where optimism always prevailed in recent years except in exceptional, short periods, the ISM index was down sequentially to 54, but still comfortably above the neutral threshold. The Conference Board's Consumer Confidence index also trended in the right direction, with a third consecutive rise since its January low. The housing sector however did not seem to share that confidence. The NAHB index was back to 34, hardly above its lows of summer 2025, reflecting a sluggish momentum also illustrated by soft new home sales and building permits.

Meanwhile, the earnings announcement season accelerated in the second half of the month, and both reported results and guidance indications were rather strong overall. As usual, banks were among the first companies to publish, and most of them exceeded expectations. Net interest margins were generally resilient, the message about investment banking pipelines was confident and, more importantly, provisions for credit risk remained moderate, with a reassuring tone in management comments. In the second half of the month, the news flow came from more diverse sectors, but generally remained favorable. As of the end of April, only 12% of companies that had reported had missed analysts' earnings estimates compiled by LSEG/IBES. As usual, that percentage was a little higher for revenue but, at 22%, it remained low by recent standards. Technology did particularly well in these announcements, and every index member that reported in that sector exceeded expectations so far. **AI-related stocks continued to grow particularly fast as investments in capacity drove demand for semiconductors (including CPUs, as Intel's results evidenced), servers and datacenter infrastructure.** Energy did not record any miss either, but a few companies, mostly involved in oilfield services, only met expectations, as the rise in barrel prices did not immediately translate into a resumption of drilling. Another category, Healthcare, also impressed by its results so far. Pharmaceuticals, biotechs and services players all exceeded consensus forecasts, but a few equipment manufacturers were penalized by supply chain issues.

The effects: The better-than-expected figures released in the period contributed to an amazing rally, and the S&P 500 index ignored geopolitical concerns to rise more than 10%. Our streak of positive monthly excess returns continued in April despite a difficult environment for active managers.

For some reason, the ceasefire appeared to be enough for investors to feel reassured. **Despite numerous warnings from energy experts about upcoming oil supply problems, they did not seem to worry about the absence of progress**

regarding traffic disruptions in the Strait of Hormuz. The strength of early corporate results did the rest, and the S&P 500 index gained 10.47% with net dividends reinvested.



It is fair to say, though, that the rally was not broadbased, and owed much to the effect of some of the largest capitalizations. **Only 116 of the benchmark's 500 constituents outperformed in April, and the equal-weighted version of the same index was far behind,** although it still managed to gain 5.94%. While this kind of large cap bias has been frequent in recent years, things were different this time, in that the gap did not come from the very largest "Magnificent Seven". Some of these did well, like Alphabet, Amazon and, to some extent, Nvidia, which benefited from their exposure to AI-driven demand, but Microsoft only performed in line as its growth in the cloud segment failed to impress and remained costly. In addition, Apple (which only reported after the month's last close) and Meta Platforms (whose investment spending plans worried investors despite strong reported results) were more than three percentage points behind the broad index, and Tesla (which again raised its capex plans to pursue its development into robotics) was even further down the performance ranking.

As a matter of fact, while Communication Services' top place among April sector returns was very largely due to Alphabet's 33.8% rise, Information Technology came just behind with a 17.5% gain, without much help from Nvidia and Microsoft, which had been the usual locomotives of the last few quarters. **The datacenter infrastructure theme continue to play out, and there were four storage-related names (Sandisk, Seagate, Western Digital and Micron) in the S&P 500's top eight performers of the month.** Dell, which has a large share of datacenter server sales, also did well. Meanwhile, the top two returns in the index came from Intel (+114.1%) and Advanced Micro Devices (+74.3%). The former was boosted by the announcement of Tesla as its first significant foundry client for the future 14A design. In addition, its results and comments highlighted that, while GPUs remained important for AI training, CPUs had a role to play in running models afterwards. This benefited to all other chipmakers whose products could be concerned by a similar use, like AMD, Intel's main rival in CPUs, but also application-specific (ASICs) chip designers.

Behind these two leading sectors, only one other group, Consumer Discretionary, outperformed the broad index. This came mainly from Amazon's 27.3% gain, because there was not much interesting news coming from the rest of the sector. Most retailers will report in May or June, apparel manufacturers like Nike and Lululemon were rather weak, and carmakers also underperformed as both the war and Chinese competition weighed. At the other end, Energy (which had been the strongest performer in March) and Healthcare (whose strong results were ignored by investors looking for more aggressive exposures) were the only two sectors posting negative returns, with respective declines of 3.5% and 0.5%. In-between, all other groups gained 2 to 9%. The most defensive ones (Consumer Staples, Utilities) were generally closer to 2%, whereas more cyclical categories like Industrials and Real Estate rose 8% or more. In the middle, Financials (5.5%) did not fully benefit from banks' solid results, as the outlook remained clouded by uncertainties on interest rates, private debt and delays in the investment banking deal pipeline.

Given the above return distribution, **the Growth investment style was clearly ahead of Value in April,** with a gap varying between nine and thirteen percentage points, depending on which family of style indices was used for the comparison.

Our strategy posted another strong result in April, as our month-to-date gross excess return remained in positive territory most of the time, and ended the period at 131 basis points. This was 585 bps ahead of the equal-weighted index, whose return can be considered as "level 0" of stock-picking value-added, since a monkey playing darts to select holdings from the universe would statistically obtain that return. **Our Growth style bias contributed, but it was mainly the quality of our stock picking which accounted for this achievement.** As explained above, the small percentage of outperformers within the index created an adverse environment for active managers holding a concentrated portfolio, but two points helped us overcome this headwind: that percentage was much higher in our portfolio



(34% vs 23%), and we happened to hold some of the very best contributors.

Although only 19 of our holdings reported their results in April, earnings announcements certainly played a role, as none missed EPS forecasts and all but one exceeded them, with 13 beating consensus by more than 10%.

Only three sectors were net detractors to our excess return. Healthcare, where we lost about 80 bps, had the largest impact for various reasons: it was the second weakest group in the market, we were over-exposed as a result of our many holdings in the segment, and our selection did worse than sector average. Hospital operator HCA was our only holding so far that only met expectations but did not beat them, as winter storms and a benign flu season weighed on business. Its guidance was in line too, and the stock was our worst performer in April with a -8.2% return. Iqvia was soft too, on continuing fears that AI might allow drugmakers to run a larger part of their research and testing internally, but even pharmaceuticals reporting solid results (like Eli Lilly) or promising trial outcomes did not outperform. Similarly, we did not have any significant

problem in Consumer Discretionary, but our underweight stance on Amazon caused a negative effect. Industrials was the third detrimental category, mainly because of Huntington Ingalls, which went down with most other defense-related stocks when the ceasefire was announced.

Fortunately, these adverse effects were more than offset by several positive factors. Technology contributed about 90bps. **We held three of the market's top 20 performers, including Intel, which we had to trim on several occasions as part of our discipline to keep every holding within tolerance** from its assigned target weight. Onsemi (+62.8%, whose strong execution and exposure to datacenter infrastructure are beginning to attract investor attention) and many other names exposed to the less obvious, less overbought effects of the AI wave also did well. In a different area, our single stock in Materials, steelmaker Nucor, added about 60bps to our excess return, after reporting strong results and forecasting growth in all of its three segments in the second quarter, on the back of volumes, pricing power or both. Financials, Energy and Communication Services also contributed about 30 to 40bps each, almost entirely driven by stock selection.

Our decisions: After three months without any trade other than weight adjustments due to market movements or clients' in/outflows, we liquidated a position for the first time in 2026. Raymond James Financial was sold following several unconvincing quarterly results announcement, and the proceeds went to a reinforcement.

The figures published by Raymond James Financial were not particularly bad. Many were even slightly above consensus forecasts, like revenue, but the company's net income fell short of expectations, and only share buy-backs saved EPS from also missing targets. **Results overall looked a little disappointing compared to those reported by most other financials**, despite the Wealth Management business delivering a strong growth. The stock's performance had been in line with that of the index over the four years since it was bought, and we did not have a sense of urgency when

it showed up as a Sell recommendation in our quantitative screening, but we did not find any serious reason to keep it.

The proceeds were reallocated to an existing position whose outperformance had caused its (fixed) target exposure to be caught up by its weight in the index.

For more details about our recent stock picks, please refer to the fund's detailed report or contact us.

As a result of these trades, **our portfolio is down to 43 holdings, but remains consistent with our sentiment that**



the lack of visibility requires focusing on stock selection and avoiding large sector deviations from the benchmark.

This is why our model portfolio remains within +/- 300bps from the S&P 500's GICS sector exposures in all categories except Healthcare, where our excess weight is closer to five percentage points.

The outlook: Admittedly, we were puzzled by some of the robust figures we saw in April but, although we knew the US economy would be less impacted than others, we don't think the current turmoil on commodity markets is compatible with a durable improvement of the economy. Uncertainty thus remains high.

We have always stressed that, while the war in the Middle-East would have an impact throughout the world, the United States may not suffer as much as other countries. As evidenced by almost every past crisis, the proactive way the US government, the Federal Reserve and companies' top management teams unite to address issues swiftly and pragmatically is a particularly valuable asset. **Even though we are not sure to which extent we should count on the government this time, we believe that the other two pillars are trustworthy (but the market will need to get used to a new Fed Chairman, starting from the next meeting).** Moreover, given the specific nature of the current crisis, being independent as far as energy supply is concerned is a strong advantage, which neither China nor Europe are able to rival.

However, a comparatively better resilience is by no means a complete immunity, and we are struggling to understand how economic indicators could resist so well. Time will tell if this continued in April but US households usually don't like wars, and neither they nor company managers should be happy to pay their energy 50 to 100% more than before. In addition, **the current situation is obviously transitory, for as long as countries have reserves.** It will lead to even higher prices, as well as more restrictions, if the Strait of Hormuz does not reopen very soon. Given the time it takes for supply chains to normalize when they are free to do so, it is already probably too late for the disruption to be fully

As regards the compared characteristics of our portfolio and its benchmark with respect to growth and valuation parameters, the relationship remains generally similar to previous months, with a higher growth, more favorable revision dynamics and a cheaper profile.

absorbed by existing buffers. Even more importantly, no one knows when this normalization process will be able to start. **A complex situation is therefore building up, in which every supplier of the country has a growing risk of being hit by a lack of energy, materials or components, while customers are increasingly prone to slowing their demand.**

We were particularly surprised to see that companies' executives sounded rather upbeat during the first wave of results announcements, and did not seem to be factoring in the negative scenarios for the Middle-East. Admittedly, most of them belonged to the same few sectors, and things may be less easy in the remainder of the season. Many were just focusing on AI's benefits for their business (and most of the Mag7s also announced job cuts which were officially a consequence of these developments), but we do not think that investors fully appreciated the risks to that ideal scenario. Everyone wants to believe that the Strait of Hormuz will reopen soon but the fact is, it has been closed for two months, and there is no sign that this will change in the foreseeable future: the parties' standpoints are too far apart for negotiations to lead anywhere, and the ceasefire probably prevents such standpoints from evolving. We are likely in a bog down scenario, leading sooner or later to a major economic slowdown, which the AI hype alone will not be able to avoid. **To make things more complex, though, Donald Trump's character and the pressure he has from**



the upcoming mid-term elections leave possibilities open, that would not exist in a more rational environment.

We thus believe that it would be extremely risky to take a clear-cut investment stance at the moment. Not only it is almost impossible to reliably predict the outcome of the current crisis, but the market's reaction to such outcome is more likely to be guided by short-term considerations than longer-term logics. This is what happened in April, and it could happen again, with very different consequences, in the next few months. In front of this challenging backdrop, we trust that the best strategy consists in avoiding top-down views, which cannot capture the irrational aspects that characterize both political leaders' and investors' reactions. History is full of absurd situations that lasted well beyond the patience of those who had taken a bet on their correction. This is why, when visibility is low, we keep our approach even more focused on bottom-up analysis and long-term drivers than we normally do. **A well-thought product or service, supported by a sensible strategy and a consistent execution by a strong management team, will overcome most adverse environments and generate profit growth.** This is why we feel equally confident in the potential of the carefully selected technology stocks, which drove our recent performance, and the much more defensive healthcare or industrial names, which looked out of favor lately. As long as we have the patience to let our analysis come to fruition, and the discipline to trim or replace holdings that no longer meet our criteria, regardless of their short-term momentum, we trust that we won't be completely wrong, whatever the economic environment may be.

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