FOCUS ON US MOMENTUM
Investing in the US market, differently

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> US equities are a core component of a strategic asset allocation. Yet the choice of a well-diversified US equity strategy is important to play the US exceptionalism.

It is important to remember that the US currently comprises roughly 65% of the MSCI All Country World index, and a simple rule of thumb is to allocate at least half of global equities to the US. Investors who are exposed below this level should potentially consider increasing the weight of US equities ahead of a period of expected relative outperformance versus Europe, according to our analysis.

We are not completely blind to the fact that the US equity market is currently facing some challenges ranging from elevated valuations and geopolitical tensions to shifting trade dynamics and signs of a cooling labour market. Market reactions to certain announcements (Oracle, AMD) have also sometimes been excessive, highlighting that volatility can arise at any time. Yet, despite these headwinds, the resilience and adaptability of the US economy continue to stand out globally.

As a consequence, it would be premature to turn away from US equities, in our view. The American economy remains underpinned by a large and diversified domestic market, a dominant services sector and corporate profitability that continues to surprise on the upside. According to our analysis, earnings growth forecasts remain solid for the coming months and for 2026, supported by strong balance sheets and sustained productivity gains.

> *«For investors, the question is therefore not whether to invest in US equities, but rather how best to do so.»*

On the policy front, recent fiscal measures and targeted deregulation are helping to cushion the impact of external pressures. Meanwhile, a more accommodative monetary stance from the FED (Federal Reserve) should continue to support liquidity conditions and market valuations for some time, according to our analysis.

In the long-term the United States remain the world's most dynamic and innovative economy, home to global technology leaders and pioneering companies across key sectors. 26 of the world's 30 largest capitalizations are American. To that extent, US Equities offer access to the sheer size, resilience and opportunities of a market that has consistently driven global growth for decades. From the "Magnificent 7" technology giants to world-leading industrials, healthcare innovators and consumer companies: the US market represents both the legacy of established enterprises from the "old economy" and the promise of emerging innovators from the "new economy". As a result, US equities have delivered attractive returns over the long-term compared to other regions and have proven to be

The examples mentioned in the document are not investment recommendations.

Sources: ODDO BHF AM, Bloomberg | Data as of 31/10/2025

a cornerstone of global portfolios. For example, the S&P 500 generated an annualized performance of 14.6% over the last 10 years whereas the Eurostoxx 50 and the MSCI Emerging Markets delivered "only" 8.3% and 7.7% p.a. respectively. The competition with the Chinese economy on several key sectors such as Artificial Intelligence, energy transition, etc. is further pushing the Trump's administration to support its companies to remain at the forefront of innovation.

For investors, the question is therefore not whether to invest in US equities, but rather how best to do so.

THE MOMENTUM EFFECT: MARKETS MOVE IN TRENDS WHICH CAN BE CAPTURED

One of the most effective ways to invest in US equities is to capture the so-called momentum effect via a systematic, trend-following investment strategy.

Momentum is the simple yet powerful observation that stock markets move in trends. Stocks that have outperformed recently tend to keep rising and those that have fallen tend to keep sliding. By systematically identifying and capturing these trends, a momentum investment strategy seeks to generate excess returns relative to the broader market. Momentum's appeal lies in its elegant simplicity and robust consistency. Over long periods, momentum strategies have shown an ability to outperform with remarkable persistence over time in various regions not limited to the USA, at least partly due to a special quality: momentum adapts. When value stocks dominate, momentum naturally tilts toward them; when growth stocks lead, it shifts in that direction. Unlike static style investing, momentum is fluid — it captures whatever theme the market is rewarding at any given time.

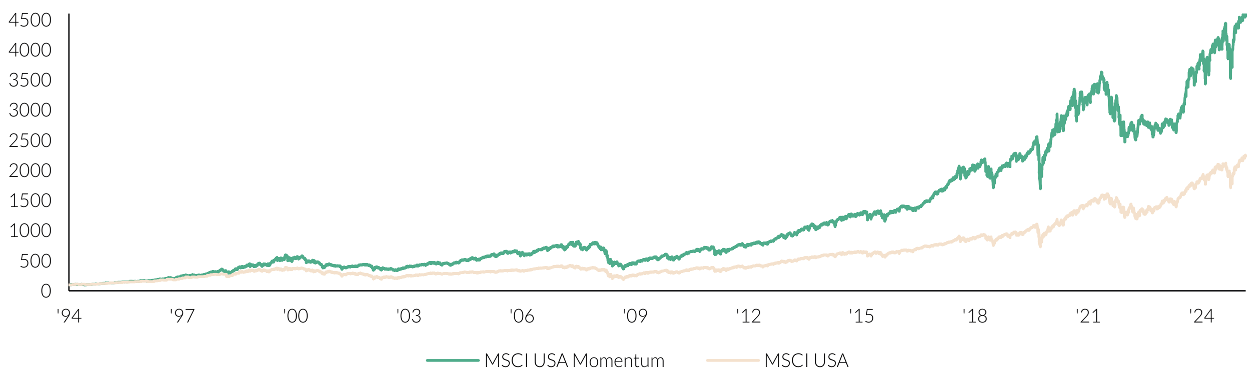
Decades of academic research suggest that behavioural biases such as anchoring, herding and overconfidence help explain why momentum persists. Markets are driven by human behaviour and people are predictably emotional. The result is a world where prices don't instantly reflect fundamentals — they move in trends, shaped by emotion and delayed recognition. Momentum investing, in essence, captures those trends or behavioural patterns in a disciplined and repeatable manner.

THE RISKS OF MOMENTUM INVESTING: WHEN TRENDS TURN

Momentum's strength lies in its ability to exploit persistent trends — but that also means naïve strategies can stumble when those trends abruptly reverse. Momentum investing can be powerful, but it also requires careful control of specific risks such as trend reversals or excessive concentration.

Naïve Momentum portfolios can end up heavily tilted toward whatever is currently in favour — whether technology stocks in the late 1990s, energy in the early 2000s or AI-related stocks today. When the tide turns, these portfolios can feel the full force of the reversal. Momentum performs best in stable, trending markets and can lag during abrupt regime shifts. The difference between naïve and more sophisticated momentum approaches lies in diversification and risk- control. It

MOMENTUM HISTORICALLY OUTPERFORMED THE BROAD MARKET IN THE USA



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is also seen in the difference between blindly chasing yesterday's winners and thoughtfully constructing a diversified momentum portfolio consisting of various trends supported by fundamentals. A naïve momentum strategy might simply rank stocks by recent performance and buy the top decile. Such strategies can work for a time, but they are vulnerable to trend reversals, news shocks and noise-driven rallies. They often mistake short-term exuberance for sustainable strength. A more refined strategy digs deeper. It recognizes that not all momentum is equal and especially addresses the momentum specific risks in the portfolio construction process.

OUR PROPRIETARY FULLY SYSTEMATIC AND RISK-CONTROLLED SMART MOMENTUM APPROACH

Our smart momentum strategy offers investors access to the growth potential of US equities through a disciplined, quantitative strategy built on momentum. The strategy invests primarily in US large and mid-cap stocks across sectors and industries, focusing on the S&P 500 universe via a proprietary quantitative model. Our investment process consists of two steps:

1. **The identification of high-quality trends:** We assign a momentum score to each stock in the investment universe based on both medium- and long-term trend characteristics, seeking stable outperformers across market conditions.

2. **Portfolio construction & risk management via a quantitative portfolio optimization:** We build a portfolio with a high momentum score while involving a strong focus on diversification and risk management by applying various constraints on sector, style or single-stock concentration and tracking error in order to avoid the classic pitfalls of momentum investing. On top we also limit the portfolio turnover with the aim of achieving greater stability in the portfolio and avoiding inefficient transaction costs.

The result is a broadly diversified and risk-controlled momentum portfolio with numerous portfolio positions covering various trends. By relying on a rule-based model rather than discretionary judgment, the strategy aims to avoid emotional biases and to ensure consistency across market cycles.

ONE STRATEGY, AVAILABLE IN DIFFERENT WRAPPERS: MUTUAL FUND AND ACTIVE ETF

Our proprietary smart momentum strategy was developed more than 20 years ago by Dr. Stefan Braun and Karsten Seier, who are still managing the portfolio today. Their deep understanding of quantitative finance, combined with their long-term experience across multiple market cycles, ensures continuity and expertise.

Investors who are seeking a potential long-term outperformance relative to the S&P 500 can access the strategy through two different vehicles now:

**ODDO BHF
Algo Trend US**

A mutual fund

**ODDO BHF US Equity
Active UCITS ETF**

An active ETF

Both funds are built on the same proprietary, risk controlled smart momentum framework — simply offering investors a choice regarding the envelop / format that best suit their investment needs.

MAIN RISKS

ODDO BHF Algo Trend US is exposed to these risks: Risk of loss of capital, Discretionary management risk, Equity risk, Modelling risk, Exchange rate risk, Counterparty risk, Currency risk, Volatility risk, Liquidity risk, Concentration risk, Risk associated with the use of derivatives, Sustainability Risk.

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ODDO BHF US Equity Active UCITS ETF is exposed to these risks: Equity risk, secondary market risk, concentration risk, emerging market risk, currency risk, risk related to ETF and non-ETF classes, environmental, social and governance standards, risk related to SFDR classification of sub-funds, selection risk, liquidity of investments, risk related to small and mid caps, political and/or legal/regulatory risk, regulatory restrictions and issuer-specific risk, risk related to the investment strategy, risk related to active management, risks related to the quantitative model.

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Established in the form of a simplified joint-stock company with authorised capital of €21,500,000.
Entered into the Paris Register of Trade and Companies under number 340 902 857.
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