

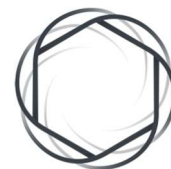


S.P. HINDUJA

BANQUE PRIVÉE

Global House View

December 2025



Thoughts of the CEO

“Luxury is the art of making the unnecessary irresistible”

As we close 2025, markets stand at a crossroads shaped by moderating inflation and a cautiously accommodative monetary stance. This year has offered a complex investment landscape: policy uncertainty receded across major economies, yet geopolitical tensions and cyclical divergences continued to introduce intermittent volatility. Our portfolios have generated alpha by capturing a number of attractive opportunities and recent tactical decisions, while remaining positioned to compound capital over the long-term.

In recent months, one recurring theme has been the resilience of high-quality franchises, particularly in sectors characterised by pricing power, brand scarcity, and global demand depth. Nowhere is this more evident than in luxury goods. The sector experienced a deceleration early in the year. Yet as 2025 concludes, luxury remains structurally robust, supported by aspirational consumption in emerging markets, and demographic shifts in wealth creation.

The purpose of this month's house view is to contextualize these developments and provide guidance on portfolio positioning amid the evolving macro backdrop. Our base case anticipates modest global growth, easing inflationary pressures, and central banks maintaining a gradual, data-dependent policy stance. While not immune to cyclical pullbacks, sectors exhibiting secular growth drivers, and the ability to protect margins through pricing, remain well positioned entering 2026.

From an allocation standpoint, we advocate a selective but constructive exposure to high-quality global equities, with an emphasis on companies whose value creation is grounded in brand equity, differentiated supply chains, and geographic diversification. Luxury companies, in particular, exemplify these traits. Their ability to command premium pricing, invest counter-cyclically, and expand through controlled distribution provides an attractive combination of

defensive characteristics and long-term growth. At the same time, investors should remain attentive to risks. Global luxury demand is still sensitive to travel flows, consumer confidence, and regulatory developments. Additionally, premium valuations in certain segments call for disciplined entry points and a willingness to concentrate allocations in companies with demonstrable execution strength. Diversification within the sector can also mitigate idiosyncratic risks.

Looking ahead to 2026, we see a multi-year opportunity set for well-positioned luxury houses. The widening wealth gap, the expansion of upper-middle-class consumers in Asia, and the integration of digital clienteling are reshaping the sector's long-term trajectory. Moreover, luxury's increasing correlation with lifestyle, experiences, and global cultural influence reinforces its strategic relevance within structural growth themes.

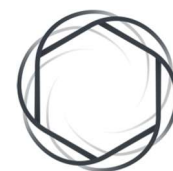
For investors, the objective is not simply to “own luxury,” but to understand how competitive moats, capital discipline, and brand heritage translate into financial performance. In the pages that follow, we provide a closer look at the luxury sector, examining its underlying economics, catalysts, and challenges. This analysis informs our broader investment strategy, enabling us to allocate capital with conviction while remaining mindful of evolving macro conditions.

As always, we remain committed to transparency, disciplined stewardship, and delivering sustainable long-term returns. Thank you for your continued trust and partnership.

Yours sincerely,

Fabrice d'Erm





Investment Positioning

We take a more cautious view of the disinflation process than markets imply following the latest US CPI release. While headline inflation has eased, core services, especially shelter, remain sticky, and renewed tariff adjustments alongside a tense geopolitical backdrop continue to threaten supply-chain stability and raise input costs. At the same time, US macro indicators point to slowing activity: credit growth has weakened, consumption is decelerating, and labour-market data show rising layoffs and a moderation in hiring momentum. These factors increase the risk that growth slows before inflation fully normalises, a backdrop that is typically challenging for equities. Within this, we favour Asia, particularly Japan, where policy and political dynamics remain supportive, while staying selective in the US and Eurozone. In fixed income, with substantial Fed easing already priced in, Treasury yields may have reached a near-term floor and could rise again if inflation surprises on the upside. We maintain an overweight allocation to alternatives, which we see as offering a more resilient risk-return profile amid persistent macro and geopolitical uncertainty.

Recent Investment Committee Decisions

We have moved our equities allocation to underweight to protect our YTD performances. Our current asset allocation and instrument selection proved particularly valuable in November. Most of our instruments outperformed their respective benchmarks. Specifically, our equity allocation to Japan, Switzerland and gold contributed significantly to the outperformance.

The Luxury Sector as an Investment Space

The luxury sector stands at the intersection of enduring brand equity, global wealth creation, shifting consumption dynamics, and expanding lifestyle-driven demand. As we enter 2026, the investment case for luxury remains compelling, supported by structural drivers such as premiumisation, demographic evolution, cultural influence, and the increasing convergence of luxury, technology, and experiential consumption. However, valuation sensitivity, China-related volatility, and changes in travel flows necessitate a selective and research-led approach. This section provides an examination of the luxury sector, its structural characteristics, long-term investment thesis, risks, catalysts, and portfolio implications.

Structural Overview of the Global Luxury Sector

The global luxury market, spanning personal luxury goods, hard luxury, beauty, high-end spirits, hospitality, experiential services, and select automotive, has expanded into a USD 1.7+ trillion ecosystem. Its structural pillars closely mirror those observed in other long-duration growth industries highlighted in our research.

Similar to how demographic-driven healthcare demand has proven structurally resilient (as discussed in November's House View), luxury brands benefit from rare pricing power, rooted in heritage, craftsmanship, and scarcity. Controlled supply, long waiting lists, and iconic products underpin a margin profile unmatched in consumer markets.

Demand is geographically diversified across the US, Europe, Japan, China, and increasingly Southeast Asia and the Middle East. Even during regional slowdowns, luxury consumption historically resurfaces rapidly as travel flows normalize, a pattern comparable to how demographic cycles reshape sectoral behaviour in predictable ways.

Conglomerates like LVMH, Richemont and Kering leverage multibrand synergies, supply-chain control, and global distribution. Their scale effect parallels pension-fund consolidation trends, where institutional capital concentration reshapes entire sectors.

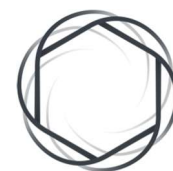
Luxury is expanding beyond fashion into beauty, wellness, spirits, hospitality, and automotive, mirroring how demographic shifts foster cross-sector expansion in healthcare and retirement services.

Digital clienteling, data-driven client relationship management, and hybrid retail formats are reshaping how brands interact with customers. Technology adoption enhances scale, personalisation, and operational efficiency.

The Long-Term Investment Thesis

The long-term investment case for the luxury sector becomes even more compelling when viewed through the lens of the

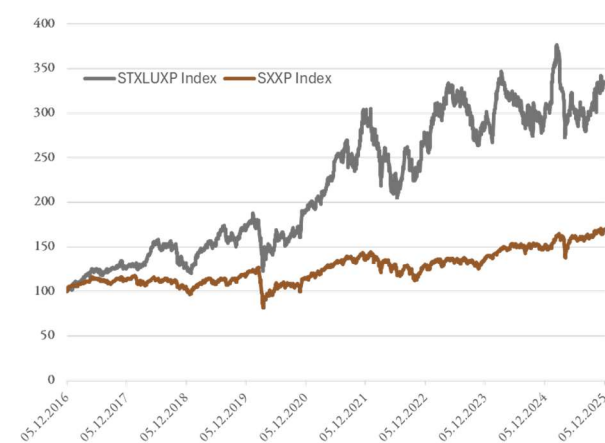




cyclical and structural dynamics observed across the US, China, and Europe during 2024–2025. While the sector has experienced periods of deceleration, the underlying demand framework remains intact, and in some areas, stronger than previously assumed. In particular, the expected sequential improvement in global growth from late 2025 into 2026 provides an important entry point for long-term investors. Over the last two years, the sector has navigated numerous macro-pressures, including consumer resistance to higher prices, a downturn in aspirational consumer purchasing, and persistent geopolitical risks. Crucially, however, none of these factors have materially compromised the sector's structural attractiveness for investors. Rather, they have created more realistic expectations, improved cost discipline, and widened the opportunity set for operational leverage.

One of the most significant pillars of the long-term thesis is the behaviour of the US luxury consumer. Consumer confidence has been the key determinant of luxury-sector performance in the US, with notably strong correlations between confidence levels and sales growth. Historical patterns indicate that when US consumer confidence rebounds, luxury spending accelerates meaningfully, as seen in 2017, when luxury sales posted a sharp recovery alongside improving sentiment. The current environment points to near-term pressure through late 2025, but scenario analysis suggests that investors should treat US weakness as an attractive entry point. This is rooted in the observation that the best moments to invest in luxury historically have coincided with two conditions: at least two regions showing positive growth and an inflection in consumer sentiment, a dynamic now increasingly likely heading into 2026.

Fig 1: Performance: Stoxx Luxury vs Stoxx 600



Source: Bloomberg

at least two regions showing positive growth and an inflection in consumer sentiment, a dynamic now increasingly likely heading into 2026.

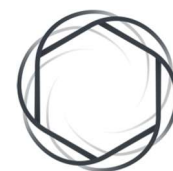
China's role in the long-term investment thesis remains pivotal. We expect sequential improvements in Chinese luxury spending from the third quarter of 2025 and into 2026, driven by easier comparatives, improving consumer psychology, and the partial recovery of outbound travel. Importantly, the report dispels the notion of an existential shift in Chinese demand. Rather, it points to evolving consumer sophistication: luxury purchases that were initially transactional, signals of wealth and success, are transitioning toward experiential, emotional, and identity-driven consumption, especially among Gen Z cohorts. This shift is central to the long-term thesis because it strengthens the emotional moat around brands, enhances pricing resilience, and creates deeper customer lifetime value.

European dynamics add further nuance. While Europe is experiencing softer US tourist inflows and muted Chinese tourism due to currency effects, particularly EURUSD and EURCNY strength, local demand remains relatively stable, and the region continues to benefit from brand heritage and affluent domestic consumers. Over the long term, Europe is expected to regain its role as a key beneficiary of travel-led luxury spending once currency pressures ease, reinforcing the multi-regional diversification inherent to the sector.

Operational leverage is another major structural driver. The sector has undertaken significant cost rationalisation in response to recent sales slowdowns, including tighter OPEX management, lower marketing spend, and structural efficiency gains across retail networks and supply chains. As sales recover, these leaner cost bases create powerful margin expansion opportunities. This is especially evident in companies like Burberry, Zegna, and LVMH, where expansions of EBIT margins are expected to be substantial as top-line growth normalises through 2026. The combination of disciplined cost structures, delayed rehiring, and improved store productivity underpins a multi-year margin recovery story that supports long-term valuation re-rating. Without adequate institutions and infrastructure, a demographic dividend can easily become a liability.

Finally, the long-term thesis is reinforced by the sector's **ability to innovate** its way through cyclical downturns. The rotation of creative directors across leading maisons, combined with a renewed focus on product excitement and widened price architectures, including more accessible entry-level products, suggests that the product cycle is turning





positively for 2026 and beyond. Historically, fresh creative direction has preceded multi-year brand revitalisation and top-line acceleration. Taken together, these macro, behavioural, and operational insights enrich and validate the long-term investment case: luxury remains a structurally advantaged sector with deep global demand pools, strong emotional engagement, high pricing power, and powerful margin leverage on the horizon.

Sub-Sector Deep Dive

The diversity of the luxury universe warrants a closer examination of its key segments, each of which contributes differently to the industry's growth profile, margin structure, and sensitivity to cyclical trends. Soft luxury, fashion, leather goods, and accessories, stands at the centre of the category's expected recovery. The soft luxury segment faced clear challenges over the past few years, including price fatigue, weak aspirational demand, and slowing momentum in certain flagship brands. These headwinds are cyclical rather than structural. The entry of new creative directors across multiple maisons, Gucci, Loewe, Balenciaga, Dior, Jil Sander, and Bottega Veneta, marks the beginning of a new product cycle, one historically associated with revitalised consumer interest and stronger sell-throughs once collections fully land in stores. The renewed focus on innovation, design relevance, and storytelling is expected to put soft luxury back on a positive growth path as early as 2026.

Hard luxury, watches and jewellery, has demonstrated even greater resilience in recent years. Jewellery demand remained stable across regions, supported by the enduring nature of high-end pieces and the relative insulation from price elasticity.

Watches have faced pressures from currency dynamics and gold-price movements, particularly for Swiss maisons, yet the disciplined supply behaviour and long waiting lists continue to anchor long-term desirability. While margins may face temporary pressure, especially due to elevated gold prices, the sector's disciplined approach to pricing and production suggests a recovery in profitability as cost pressures abate and tariffs potentially decline. This positions hard luxury as a defensive component of long-term luxury portfolios.

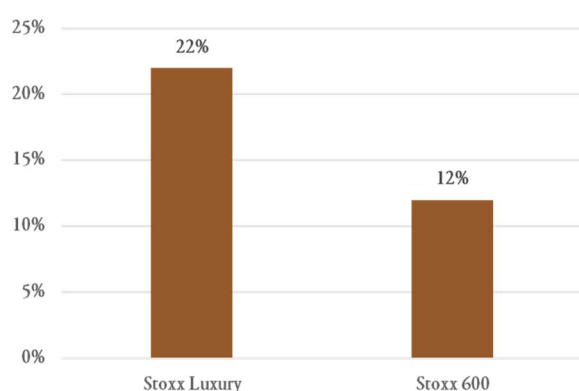
Beauty remains one of the most structurally attractive sub-sectors, serving as the gateway to luxury for younger and more diverse consumers. Prestige skincare, fragrances, and cosmetics saw stabilisation during 2024–2025, with particularly strong performance in local markets unaffected by tourist flows. Beauty's resilience is supported by frequency of purchase and emotional relevance, mitigating some of the cyclicity seen elsewhere in the sector. It also benefits from brand loyalty formed at an early age. As luxury houses expand their beauty portfolios and integrate cross-category brand ecosystems, beauty's contribution to long-term growth and margin stability is expected to increase materially.

Wines, spirits, and gastronomy represent another important area of renewal. After multiple years of normalisation following pandemic-era distortions, we expect wine & spirits to enter a steadier growth phase. Categories like champagne and cognac remain tied to experiential consumption, premium hospitality, and social rituals, which are projected to strengthen alongside improving global mobility and tourism. Despite temporary softness in certain geographies, the long-term fundamentals of scarcity, heritage, and celebratory use remain intact.

Experiential luxury has emerged as one of the most structurally transformative areas of the industry. Insights into Gen Z and the evolution of Chinese luxury consumers reveal a decisive shift toward emotional satisfaction, cultural meaning, and personal identity in luxury purchases. Experiences, from flagship exhibitions to branded cafés, immersive retail concepts, and bespoke travel, are becoming key differentiators. This segment sits at the intersection of luxury and lifestyle, offering brands opportunities to deepen engagement, expand customer lifetime value, and build defensible cultural relevance.

Lastly, luxury automotive continues to mirror luxury economics more than traditional auto dynamics. Controlled production volumes, high levels of customisation, and strong

Fig 2: EBIT margin – average 2010 to 2024



Source: Deutsche Bank research





order books reinforce scarcity and pricing resilience. As electrification reshapes the broader automobile market, luxury auto brands maintain the flexibility and desirability needed to protect margins and brand equity. The long-term growth of this sub-sector will be supported by its ability to merge technology, performance, and craftsmanship, attributes highly valued by the global affluent consumer.

Across all sub-sectors, the common threads emerging are renewed product cycles, stabilising macro conditions, and powerful operational leverage. Together, they support a multi-year recovery in growth, profitability, and valuation across the luxury industry.

Key Risks

Several structural risks merit close monitoring, starting with China concentration risk, where regulatory changes, macroeconomic volatility, or geopolitical tensions could severely impact demand. Relatedly, valuation sensitivity is a factor, as luxury names frequently trade at premium valuations, meaning a macro slowdown can trigger sharp multiple compression. Furthermore, foreign exchange movements and travel-flow cycles present a risk, as currency strength, especially in the Swiss Franc or US Dollar, can affect tourist spending and mirror pressures noted in sovereign markets. Finally, ESG and supply-chain integrity are markets increasingly important, with rising expectations for sustainability requiring ongoing investment to maintain brand reputation and ethical standards.

Portfolio Implications and Conclusion

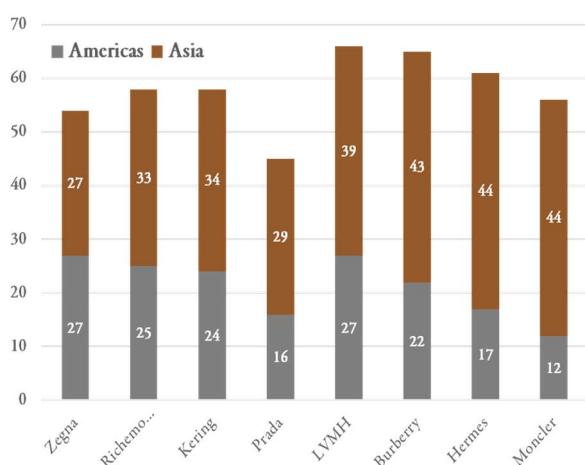
Luxury provides a mix of defensive characteristics and long-duration growth. We recommend focusing on diversified geographic exposure, strong pricing power, controlled distribution and robust balance sheets.

We also favor conglomerates (vs. pure plays), which offer resilience. However, pure-play brands tend to offer growth optionality. Furthermore, cross-sector exposure incorporating beauty, hospitality, and spirits helps diversify cyclicality.

The global luxury sector remains one of the most structurally compelling investment universes entering 2026. Its combination of brand equity, pricing power, structural demand, and cross-sector expansion mirrors many of the durable themes explored in our broader House View framework.

As always, disciplined selection, valuation awareness, and focus on long-term competitive advantages remain critical when allocating capital to this unique and evolving sector.

Fig 3: Americas vs Asia sales mix – 2025 estimate



Source: Deutsche Bank research





Macroeconomic estimates (in per cent)

	GDP Growth		Inflation		Interest Rates	Fiscal Balance
	2024	2025E	2024	2025E	Current	Current
USA	2.8	2.0	2.95	2.8	4.00	-5.9
Eurozone	0.7	1.4	2.4	2.1	2.15	-2.8
UK	0.8	1.4	2.5	3.4	4.00	-5.4
Switzerland	1.3	1.2	1.1	0.2	0.00	0.6
Japan	0.1	1.3	2.7	3.1	0.50	-2.0
China	5.0	4.9	0.2	0.0	3.00	-4.8
Brazil	3.4	2.2	4.4	5.0	15.00	-8.2
India	7.8	6.4	4.8	4.6	5.50	-4.9
Russia	3.7	0.8	8.4	8.8	16.50	-3.0
World	3.0	3.0	4.2	3.6	-	-

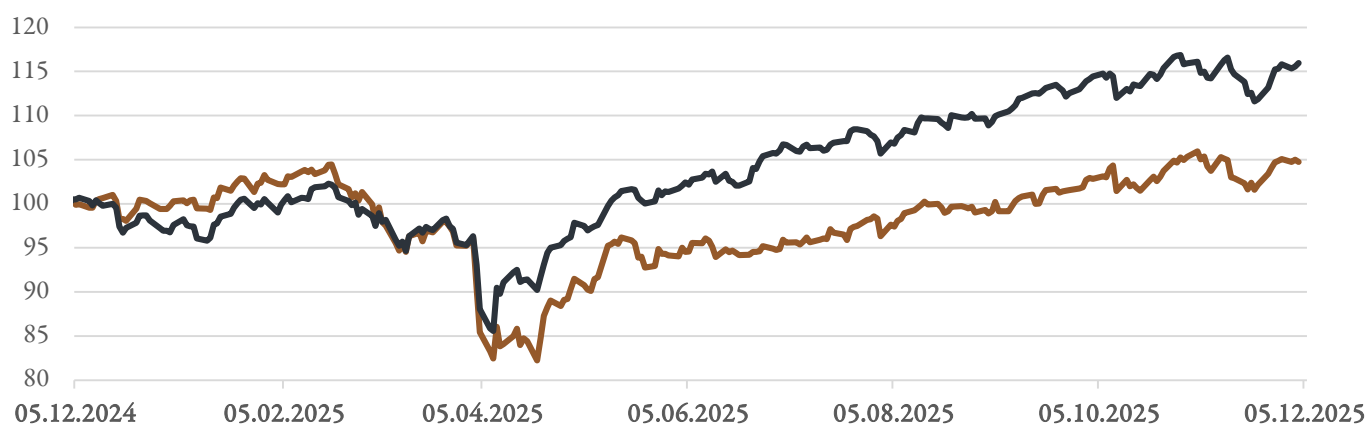
SOURCE: Bloomberg

Financial Markets

MSCI All Country World Index

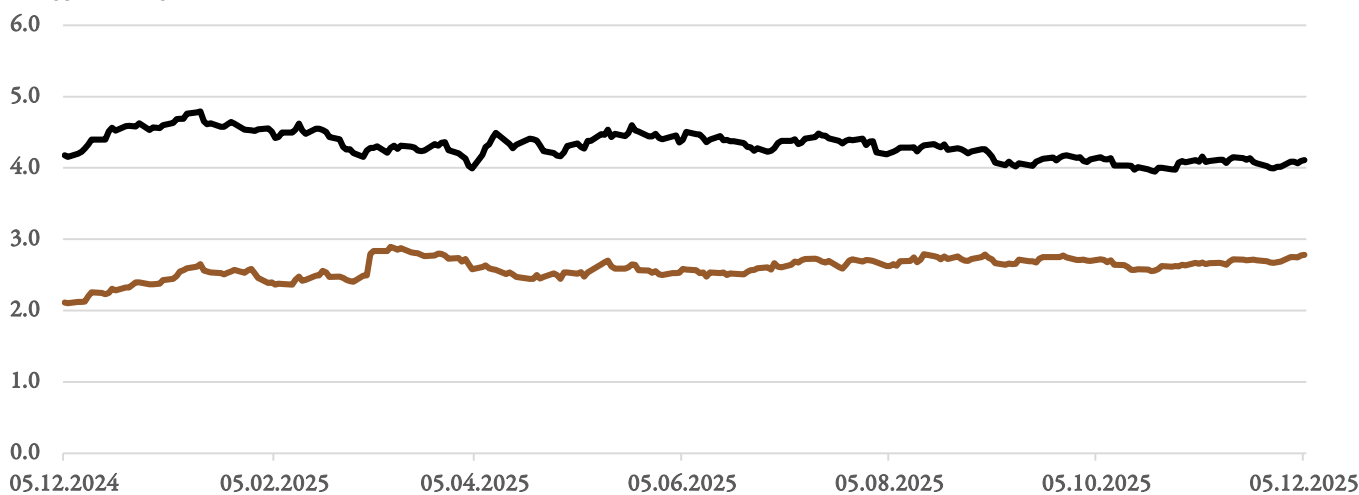
Indexed Performance (01.01.2024 = 100):

— in USD — in CHF



Government 10-year Yield

— US — EU



SOURCE: Bloomberg





Global Asset Allocation Preferences

Global Asset Allocation Preferences					30 November 2025
Asset Class	Opinion	Constituents	Most Preferred	Least Preferred	Commentary
Cash	=				We remain neutral in view of growing macro uncertainties surrounding risk assets and economic growth. Cash is still offering ca. 4% yield in USD.
Fixed Income	=	Segments	Core fixed income and IG credit	Convertibles	We are rather neutral on core fixed income as policy looks near neutral. Upside inflation risks are still in view. In addition, term premium is rebuilding gradually as markets demand more compensation for holding duration risk. We thus continue to remain comfortable with a shorter stance in duration.
		Duration	Short-term		Likewise, we are cautious on long-duration IG credit. Although spreads have become tighter and further spread compression is limited, we recognize a sweet spot from a carry perspective. Besides, the demand for US IG credit remains robust, partly explained by rising sovereign risk. We recommend maintaining a moderate exposure, favouring intermediate maturities say 3-5 years. Look for quality businesses and low refinancing risks. We also favor some exposure to HY bonds.
Equities	-	Markets	Neutral to overweight in EZ and slightly underweight in US. Long-term India, and Japan	Rest of EM and UK	We shifted to a slightly underweight equities stance as a short-term tactical measure to protect year-to-date performance. In the US, we observe a positive and rare combination of upward earnings revisions and expectations of rate cuts. However, we believe markets remain in the early stages of a structural tariff adjustment, US consumer confidence is not sending a clear signal, and the broader geopolitical backdrop has been unsupportive.
		Styles/Sectors	High quality. Value Europe. Dividend growers. Financials. Utilities. Cash-flow resilient sectors.	Small Caps, Cyclical, Consumption and Basic Resources	The US presents the highest earnings momentum, the highest RoE and the power of the Mag-7 but are aware of the limited surprise factor going forward. We remain constructive on Japanese equities benefiting from earnings upgrades and a supportive scenario of rate normalization. EZ requires more selectivity and we have a preference for satellite countries as core Eurozone markets will take some months to shift the sentiment on earnings. Meanwhile, we view Swiss equities as a stabilizing element within equity portfolios, offering the added benefit of the Swiss franc's strength. We are neutral on emerging markets though with regional disparities (underweight China and overweight India).
Alternatives	+				On a global basis, we favor high-quality stocks, dividend stocks, with a particular tilt toward value opportunities in particular in Europe. Our preferred sectors include banks, insurance, utilities, infrastructure and selective technology software.
			Infrastructure, Gold. Hedge Funds.	Commercial REITs.	Despite gold's strong recent outperformance, we maintain a constructive view. The asset class continues to stand to benefit from ongoing geopolitical and global trade uncertainties which, together with mounting US debt levels, are likely to sustain central bank buying. The ongoing positive correlation between equities and fixed income is supportive. That said, recent gains also make a case for taking some profits.
					Infrastructure assets, particularly in transport and energy, remain attractively valued and could perform well across a variety of market conditions. We are constructive on selective private credit strategies given their potential for diversification and resilient income. We continue to avoid commercial REITs.

Opinion legend: (--) very unattractive; (-) unattractive; (=) neutral; (+) attractive; (++) very attractive.



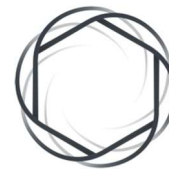


Figure of the Month

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This is the percentage of Asia's market share in the consumption of luxury goods, driven by rising disposable incomes, access to global luxury brands, and increasing consumption by middle-class and working women across China, India, and Southeast Asia (source: www.fortunebusinessinsights.com).

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Founded in Geneva in 1994 by Srichand Parmanand Hinduja with a vision to provide clients with a bridge between East and West, our institution remains the only Indian-owned Swiss bank in history. With an active presence in Switzerland, India, UAE and the UK, S.P. Hinduja Banque Privée offers its clients the reliability of Swiss regulatory oversight, while providing specialized access to high-growth markets.

We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

The future of banking is emerging at the intersection of profit and purpose.

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