The month at a glance.

October 2026

A MACRO AND MARKET OVERVIEW, AND A FUND FOCUS!

THE RESURGENCE OF EUROPEAN BANKS



A banking sector backed by strong fundamentals

The European banking sector continues to demonstrate resilience, underpinned by positive operational trends that reflect a commitment to decoupling from interest rate cycles and a focus on operational efficiency and capital productivity. Bank profitability has reached its highest level since the 2008 financial crisis, bolstered by a favorable interest rate environment, ongoing revenue diversification, disciplined cost management, and low provisioning requirements. Indeed, the credit environment remains benign, with low non-performing loan (NPL) ratios on bank balance sheets. Finally, robust capital levels provide additional buffers against any potential macroeconomic deterioration, further enhancing the sector's stability.

The dynamic M&A activity within the European banking sector confirms its renewed strength. Buoyed by excess capital and robust valuations, with some Price-to-Book ratios nearing or exceeding 2x, banks are going on the offensive to drive market consolidation and optimize operational efficiency. Nevertheless, organic growth generally remains the preferred route, as acquisitions are subject to highly selective criteria, though Italy remains an M&A market to watch.

Growth remains on track, albeit with marked geographical disparities. **Specifically, several regions in Central and Eastern Europe stand out with more supportive dynamics in terms of economic activity, volume growth, and margins, whereas in France, political and fiscal uncertainty continues to weigh on the outlook.**

The New Frontier: Operational efficiency and the strategic use of AI

The sector's profitability model is undergoing a shift: revenue diversification, optimization of costs and risk-weighted assets (RWA), and the rise of scalable operational platforms. **The challenge is clear: to maintain high levels of returns by leveraging cross-selling, expanding customer ecosystems, and generating capital-efficient commissions.**

The banking sector is adopting AI cautiously, prioritizing productivity and risk management over workforce replacement. While this technology is essential, the required investments and governance constraints could limit its immediate impact on margins. **Its success will depend on security, user trust, and the regulatory framework.**

32%

The valuation discount of European banks relative to the Stoxx 600, based on earnings multiples.

Source: Bloomberg, data as of October 7, 2026



> **The 2022–2023 monetary cycle significantly bolstered the banking sector's profitability. While the upturn is broad-based, European banks are emerging as the big winners of this structural growth trend.**

Benjamin Pesquier, Portfolio manager of Tikehau Subfin Fund, Tikehau Capital

Identifying Value in Stocks: Restored Profitability, Strategic Discipline, and Rising Dividends

European banks currently present a particularly attractive investment profile. **Their profitability, at its highest level since the 2008 crisis, exceeds that of their U.S. counterparts.** The sector is becoming less sensitive to interest rate cycles by prioritizing operational efficiency and capital optimization, ensuring greater resilience in a favorable credit environment. Their strategies now favor internal investments and shareholder returns rather than external growth through acquisitions. Solid capital structures and increased profitability are freeing up significant excess equity to boost dividends, share buybacks, or special distributions. Since the beginning of the year, the European banking index has risen 16.64%, compared with 0.81% for its U.S. counterpart.[1]

Finally, in terms of valuation, the sector remains very attractive; European banks are currently trading at 11.5x earnings, compared with 16.8x for the Stoxx 600 index.[2] **This persistent discount offers an attractive entry point into a sector characterized by healthy balance sheets and solid growth profiles, according to our analysis.**

Identifying Value in Credit: Selectivity in a Mature Market

The European subordinated financial debt segment is now a mature market, with the AT1 segment stabilized at around €210 billion. This market is liquid, with average nominal amounts of approximately €800 million for AT1s and €600 million for Tier 2 bonds, and benefits from an efficient primary market: the €81.9 billion issued since the start of the year exceeds the five-year average of €74.4 billion.[3] Driven by strong demand and high oversubscription rates, these issuances provide issuers with attractive financing terms.

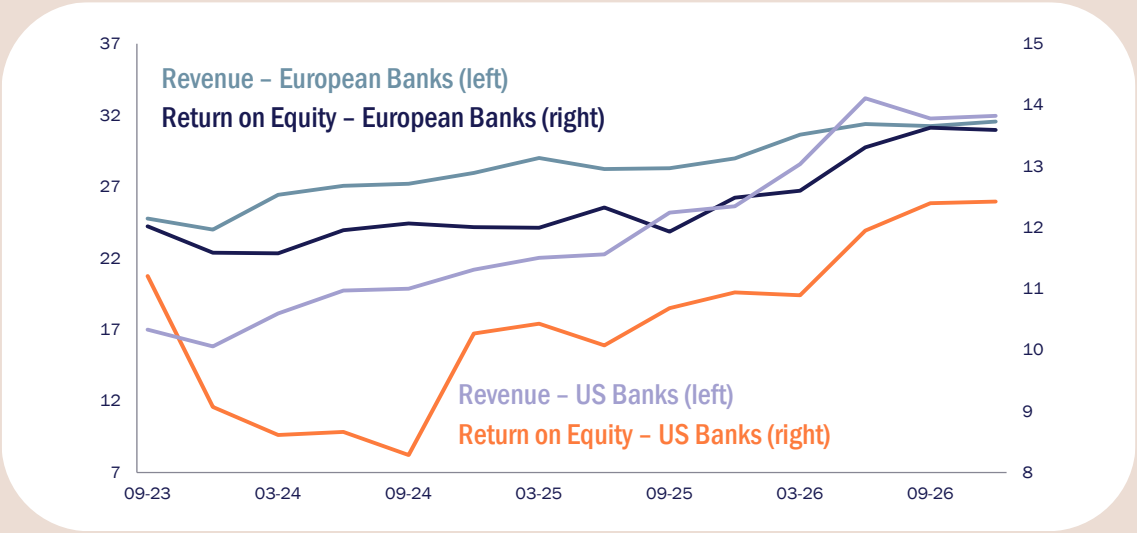
Over the past decade, the asset class has gained stability thanks to a clarified regulatory framework, a solid post-Basel III track record in the face of recent crises (COVID-19, Credit Suisse, Ukraine), and a diversified investor base. In our view, this environment has reduced the sector's intrinsic volatility relative to other credit segments.

Furthermore, **subordinated financial debt continues to offer attractive valuations,** still providing a yield premium (approximately 140 basis points for AT1 bonds)[4] relative to corporate bonds with the equivalent rating. However, following the recent tightening of spreads, we are maintaining a highly selective approach to best navigate interest rate volatility:

- **Additional Tier 1**: AT1s remain an attractive segment in terms of carry. We are currently focusing primarily on existing issuances denominated in euros that offer coupons and reset premiums considered high, with a moderate interest rate duration (first call not until 2031–2032), due to their relative resilience during periods of market stress.
- **Tier 2 and Senior Debt:** We see value in these segments, which are more defensive by nature, where market dispersion creates opportunities. This is particularly true for smaller local issuers that receive less market attention- for example, in Central and Eastern Europe- and/or for non-indexed bonds with smaller issuance amounts, which offer risk premiums that can be two to three times the index average.

Source: Banks' earnings reports, as of 06/30/2026. (1) Source: Bloomberg, data as 10/07/2026. (2) Source: Bloomberg, data asof 10/07/2026. (3) Source: Bloomberg, data as of 09/30/2026. (4) Source: Bloomberg, data as of 10/06/2027

Banks are benefiting in the long term from a higher interest rate environment



Source: Tikehau IM, Bloomberg, as of 09/09/2026.

Higher interest rates have bolstered banks' margins and profitability on both sides of the Atlantic. Despite their recent rise in value, banks remain significantly undervalued relative to the market.

The comments and analyses reflect TIM's opinion on the markets and their evolution, based on information known to date. This information has no contractual value and does not engage TIM's responsibility. It is based on sources that we consider reliable, but we do not guarantee that it is accurate, complete, valid or relevant, and it should not be considered as such, particularly for the purpose of making an investment decision.

Market evolutions

Past performance does not predict future returns

	Level as of 09/30/2026	1-month evolution	Year-to-date
EQUITIES			
S&P500 (United States, USD)	7 652	-0.35%	+12.73%
MSCI World (Global, USD)	4 903	-1.15%	+12.12%
Euro Stoxx 50 (Euro zone, EUR)	6 269	-2.22%	+11.00%
CAC40 (France, EUR)	7 965	-4.16%	+0.57%
SSE Composite Index (China, CNI)	3 842	-3.41%	-1.41%
CREDIT & RATES			
European Investment Grade (ER00®)	312	-1.37%	-1.24%
US Investment Grade (C0A0®)	3 487	-2.63%	-2.79%
European High Yield (HEC0®)	381	-1.79%	+0.06%
US High Yield (H0A0®)	1 868	-2.49%	+0.04%
German 10-year rate	3.59%	+26 bps	+73 bps
French 10-year rate	4.86%	+68 bps	+129 bps
US 10-year rate	5.28%	+53 bps	+112 bps
COMMODITIES			
Oil (Brent)	104	+14.41 %	+70.14 %
Gold (€/ounce of gold)[1]	3 673	-3.78 %	-0.50 %

- **Equity markets fell slightly in September, whilst retaining a large proportion of their gains since the start of the year. US equities held up better, with only a modest decline in the S&P 500.**
- **The decline was more pronounced in Europe, particularly for the CAC 40, which is nearly flat year-to-date. The Euro Stoxx 50 nevertheless remains up 11% since January.**
- **The month was also marked by a sharp rise in long-term government bond yields, particularly in France and the United States. Against this backdrop, credit markets posted negative returns across both the Investment Grade and High Yield segments.**
- **Oil posted another sharp rise, with Brent crude rising by more than 14% over the month. Conversely, gold fell, erasing its gains since the start of the year.**

Source: Bloomberg, data as of 09/30/2026. Performance calculated with dividends reinvested (Total Return). EUR: Euro; USD: US Dollar; CNY: Renminbi; Bps: basis points.
(1) Based on the closing exchange rate of the London market (L160).

The fund **of the month.**

October 2026

TIKEHAU SUBFIN FUND

PORTFOLIO MANAGERS:



Benjamin Pesquier



Laurent Calvet

Main characteristics

ISIN CODE	SRI	MAIN RISKS*	INVESTMENT APPROACH
LU1585264176 RS-Acc-EUR	3/7	• Capital loss risk • Credit risk • Liquidity risk • Counterparty risk • Sustainability risk	Tikehau SubFin Fund is a conviction-based fund that invests in securities mainly issued by banks and financial institutions with fundamentals deemed robust. As agility and flexibility are at the heart of the fund's management, Tikehau SubFin Fund ensures a dynamic allocation to its various sub-segments (Legacy Tier 1, Tier 2, Additional Tier 1/CoCo, etc.). The result is a diversified portfolio, seeking to maximise the risk/return ratio.

*For a full description of the Sub-Fund's features, including its investment strategy, all risks and fees charged to investors, please refer to the KID and prospectus of the Sub-Fund, available on the management company's website.

Fund news

Tikehau SubFin Fund has a dual objective: to **generate alpha** through active bond picking whilst **managing the volatility** of the portfolio.

Exposure to **Additional Tier 1 (AT1)** bonds accounted for 59% of the fund as of end-September 2026, with a focus on euro-denominated issuances offering high coupons or reset levels we judge to be attractive, and with a moderate duration. Nearly 59% of this segment has a first call date within the next three years. The more defensive **Tier 2** and **Senior** segments account for 19% and 10% of the portfolio respectively, whilst **RT1** and **Legacy** securities make up around 10%.

The fund maintains an overweight position in Southern Europe (29%) and has increased its exposure to Central and Eastern Europe (19%), favouring banks in these regions which, in our view, **offer higher yields combined with attractive fundamentals**. Faced with new issuances that offer longer durations and resets deemed less favourable, the fund favours opportunities in the secondary market for AT1, Tier 2 and Senior securities.

Interest rate duration remains contained at around 2.5 years, in line with the fund's defensive positioning in an environment of high interest rate volatility. The cash allocation, at 1.2%, also contributes to the portfolio's resilience and preserves the flexibility needed to capitalise on more attractive entry points.

Past performance does not predict future returns

ROLLING PERFORMANCE	1 month	3 months	YTD	1 year	3 years	5 years	Inceptin
TSF RS-Acc-EUR	-1.5%	-1.5%	+0.6%	+1.2%	+26.0%	+10,5%	+929%

PERFORMANCES ANNUELLES	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
TSF RS-Acc-EUR	+1.7%	+10.6%	-5.3%	+10.8%	+3.5%	+2.8%	-15.0%	+11.4%	+10.1%	+5.9%
Prospectus performance objective*	+1.5%	+0.0%	+0.1%	+1.9%	+1.3%	-1.2%	-9.9%	+5.1%	+3.9%	+6.6%

Source: Bloomberg, Tikehau IM, data as of 09/30/2026. The Sub-fund aims to achieve annual outperformance of the composite benchmark, the 50% ICE BofA Contingent Capital Index® (hedged to EUR) + 50% ICE BofA Euro Financial Subordinated & Lower Tier-2 Index®, net of management fees, over an investment horizon of three years. The Sub-Fund is actively managed and refers to a benchmark indicator exclusively as an ex-post performance indicator and, where relevant, for the purpose of calculating the performance fee.

** The Reference Indicator used by the Sub-Fund until 10 July 2024 was "ICE BofAML 3-5 Year Euro Government Index® + 150 basis points". Since 11 July 2024, the Reference Indicator is "50% ICE BofA Contingent Capital Index® (hedged to EUR) + 50% ICE BofA Euro Financial Subordinated & Lower Tier-2 Index®".*

TIKEHAU CAPITAL

MARKETING COMMUNICATION
FOR PROFESSIONAL INVESTORS ONLY
Please refer to the Sub-Fund's prospectus and KID, and if necessary contact your usual financial advisor before making any final investment decision.

MAIN RISKS

The funds managed by Tikehau Investment Management invest in financial instruments that are subject to changes and uncertainties in the financial markets. Any financial investment in a fund involves risks, in particular those summarised below. For a full description of the risks to which the funds are exposed, please refer to the fund prospectuses. Please read the legal documentation for the funds presented in this document (prospectus and DIC) carefully before making any final investment decision.

Risk of capital loss: Capital is not guaranteed. Investors may not recover the value of their initial investment.

Risk of investing in speculative high-yield securities: The Fund should be considered as partly speculative and aimed more particularly at investors who are aware of the risks inherent in investing in securities with low or no ratings, and which may lead to a fall in net asset value.

Credit Risk: Credit risk is the risk that an issuer (or similar money market instruments) held by the Company may default on its interest and principal repayment obligations and the Company may not recover its investments.

Interest-rate risk : The Fund may, at any time, be fully exposed to interest-rate risk, as its sensitivity to interest rates may vary depending on the fixed-rate securities held, leading to a fall in its net asset value.

Discretionary risk : The discretionary management style is based on anticipating the performance of various markets (equities, bonds). There is a risk that the Fund may not be invested in the best-performing markets at all times.

Financial futures risk : As the Fund may invest in derivatives, its net asset value may fall by more than the markets to which it is exposed.

Counterparty risk: The risk of deterioration in the credit quality of the issuer or the default of a market counterparty, leading to a payment default. The default of a counterparty may result in a decrease in the NAV of the Fund. For a description of all risks, please refer to the Fund's prospectus.

Liquidity risk: The liquidity of some of the fund's assets may be low at times, particularly on over-the-counter markets. More particularly in turbulent market conditions, their prices may fluctuate significantly. It may sometimes be difficult to unwind certain positions on favourable terms for several consecutive days.

Sustainability Risks: It is expected that the Portfolio will be exposed to a wide range of sustainability risks. However, due to the broad diversification of the Portfolio, none of these risks individually is expected to have a material adverse financial impact on its value.

Risk associated with a change in tax policy : Any change in the tax laws of the countries where the fund is domiciled, registered for marketing or listed, could affect the tax treatment of investors. In this case, the Management Company assumes no liability to investors for payments to be made to any tax authority.

Equity risk : As the Fund may be exposed to equity markets, the net asset value of the Fund will therefore fall in the event of a decline in this market.

Volatility risk : Volatility is the measure of an asset's price variation over a given period. In other words, it describes the magnitude and speed of change in an asset's value. In a more volatile market, risk increases, i.e. the probability of a portfolio experiencing significant fluctuations increases.

Dividend risk : Dividend risk is the uncertainty as to the regularity or amount of dividend payments compared with market expectations. It arises from factors such as economic conditions, company performance and market volatility, all of which have an impact on the reliability of dividends for investors.

Currency risk : The Fund may be exposed to currency risk in respect of the portion of its net assets invested outside the euro zone that is not hedged against this risk, which may result in a fall in its net asset value.

Conflict of interest risk : The Fund may be invested in mutual funds managed by Tikehau IM or a related company, or in securities issued by such mutual funds. This situation may give rise to conflicts of interest.

Specific risks linked to the investment in contingent convertible bonds (« CoCos »):

Trigger level risk: Trigger levels differ and determine exposure to conversion risk as a function of distance from the trigger level.

Coupon cancellation risk: Coupon payments on AT1 instruments are entirely discretionary and may be cancelled by the issuer at any point, for any reason and for any duration.

Yield/estimation risk : Cocos' often attractive yields can be seen as a complexity premium.

Risk of non-repayment: Cocos AT1-type instruments are perpetual, redeemable at predetermined levels only with the approval of the competent authority.

Liquidity risk : Like the high-yield bond market, the liquidity of CoCos can be significantly affected in turbulent market conditions.

The Synthetic Risk Indicator (SRI) of each share class is available in the dedicated KID of each share class onto the Company Management's website. Please refer to this document to obtain the associated detail.

WARNING: This material is intended as marketing instrument and does not satisfy the statutory requirements regarding the impartiality of a financial analysis, and the financial instruments concerned are not subject to any prohibition of trading in advance of the publication of this presentation. This document has been prepared by Tikehau Investment Management, approved by the French Autorité des marchés financiers under the number GP-07000006, and its affiliates ("Tikehau Capital") for information purposes only. It does not create any obligation on the part of Tikehau Capital. This document has not been approved by any regulatory body.

The undertaking for collective investment referred to in this presentation – Tikehau SubFin Fund - falls within the scope of the UCITS V Directive (2014/91/EU) (the "UCITS") and is intended for non-professional or professional investors as specified in its regulatory documentation. This UCITS is managed by Tikehau Investment Management.

The disclosure of any document or information relating to the UCITS managed by Tikehau Capital may be limited or restricted in certain states or jurisdictions. It is not intended that this document be disclosed to or used by any person or entity, wherever located, in any jurisdiction where such disclosure or use would be contrary to the regulations applicable in that jurisdiction.

The UCITS may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US "Regulation S" and/or FATCA.

The recipient declares and acknowledges that he is aware of and undertakes to comply with all applicable laws or regulations relating to the UCITS mentioned in this document and to the dissemination of information relating thereto.

Recipients should consider the investment objectives, risks, charges and expenses of the UCITS carefully and should review their constitutional documents prior to making any investment decision.

The risks, costs and recommended investment period of the UCIs presented are described in the KID ("key investor document") and the prospectus available on Tikehau Capital's website. The KID must be given to the subscriber prior to subscription.

The contents of this document are for informational purposes only and do not constitute investment advice nor a recommendation to invest. Statements regarding specific companies or sectors do not constitute a recommendation for investment. Past performance is not a reliable indicator of future performance. Investors may lose some or all of their capital, as the capital in the UCITS is not guaranteed. Tikehau Investment Management may not be held liable for any investment decision based on this document. Any decision to invest in the UCITS should be based solely on a careful and accurate review of its documentation and professional advice, and not on the basis of this document.

The KID, the prospectus, as well as the latest annual and semi-annual reports, are available on the management company's website (https://www.tikehaucapital.com/en) and also free of charge:

In Belgium, from the representative agent of CACEIS Belgium, avenue du port, 86c B320, B-1000 Brussels.

In France, from the French centralizing correspondent, CACEIS France 89 Rue Gabriel Péri, 92120 Montrouge, France.

In Italy, from the Italian correspondent, ONLINE SIM SPA, Via Piero CAPPONI, 13.

In Luxembourg, from the Luxembourg centralizing correspondent, CACEIS Bank, Luxembourg Branch, 5, Allée Scheffer, L-2520 Luxembourg, Grand Duchy de Luxembourg.

In Spain, from the Spanish local representative, Allfunds C/ de los Padres Dominicos, 7, 28050, Madrid.

In Switzerland, from the Swiss Representative and Paying Agent, which is for the SICAV Tikehau Fund: CACEIS SA, Route de Signy 35, CH-1260, Nyon, Suisse ; and for French funds: CACEIS Investor Services Bank S.A., Esch-sur-Alzette, succursale de Zurich, Bleicherweg 7, CH 8027 Zürich.Suisse.

Source ICE Data Indices, LLC is used with permission. ICE® is a registered trademark of ICE Data Indices, LLC or its affiliates and BofA® is a registered trademark of Bank of America Corporation licensed by Bank of America Corporation and its affiliates ("BofA"), and may not be used without BofA's prior written approval. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third-party suppliers and, along with the ICE BofA trademarks, has been licensed for use by Tikehau Investment Management. ICE Data and its Third Party Suppliers accept no liability in connection with the use of such index data or marks. See relevant documents for a full copy of the Disclaimer.