Quarterly Investment Letter – Q3 2025

Tariffs, tensions, tightrope

The second quarter 2025 was marked by elevated volatility as **renewed trade tensions dominated economic and market dynamics.** The Trump administration's sweeping 25% tariffs on Chinese imports, steel and vehicles from the EU, as well as threats to Canadian and Mexican goods disrupted global trade and weighed heavily on corporate profit margins. **April saw sharp equity declines -** S&P 500 dropped nearly 10%, NASDAQ over 9% - led by cyclical, exporter, and tech sectors. However, **optimism returned mid-quarter** as **resilient US consumption**, **robust Q1 earnings**, **fiscal offset expectations**, and **supportive global stimulus** propelled equities higher. By June (quarter-over-quarter), the S&P 500 had rebounded to +8.6%, NASDAQ +15.1%, Euro Stoxx 50 +0.9%, and emerging markets +2.8%.

Chart 1: IMF cuts global real GDP growth forecasts on tariffs

Source: Alpinum Investment Management

On the macro front, **global GDP growth decelerated to around 3%**, with the US growing near 2% and the eurozone steadying on domestic demand. **Inflation remained moderate**, but sticky services and wage pressures kept central banks cautious. The **Fed paused rate adjustments** amid growth uncertainty, while **ECB and BoJ pursued diverging policy adjustments**. Geopolitical risks (e.g. Iran–Israel conflict) and policy uncertainty emerged as primary market drivers, overshadowing inflation concerns. **Trade policy proved the dominant catalyst** affecting macro conditions, central bank decisions, and equity and bond market trajectories.

Summary Points

- **Global GDP growth slowed to around 3%,** with the US expanding at approximately 2% and the eurozone stabilizing, supported by resilient domestic demand.
- Q2 2025 saw heightened volatility (Iran–Israel conflict) as **renewed US trade tensions** and 25% tariffs disrupted global trade flows, **dampening sentiment despite resilient US GDP growth.**
- **Equities sold off sharply in April -** S&P 500 and NASDAQ declined nearly 10% - driven by cyclical and tech weakness, before rebounding mid-quarter on resilient consumption, strong earnings, fiscal support expectations and global stimulus.
- The **Eurozone economy remained subdued**, with modest growth constrained by fading export momentum and persistent global trade tensions, particularly following renewed US tariff measures.
- **China's economy slowed from its strong Q1 pace**, as cautious policy, subdued private credit demand, and weakening industrial activity reflected persistent domestic fragilities and intensifying external headwinds.
- **Conclusion:** with a **severe recession unlikely**, the positive bias on risky assets persists, despite increased volatility and potential conflicts under the Trump administration in the coming months. **Active management is essential in a low-growth environment**, given heightened disparities across companies and sectors. Credit investments, particularly **loans and non-cyclical short-term high-yield bonds** offering 7–9% yields, are favoured. We maintain a positive stance on equities. The current market environment supports an absolute return strategy over a traditional relative value approach.

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United States

The US economy navigated an increasingly **complex macro-financial landscape**, marked by a pronounced divergence between soft data and hard economic indicators. While surveys signalled deteriorating sentiment, especially in the wake of newly imposed tariffs, **actual consumer spending and labour market resilience** suggested underlying strength. GDP growth decelerated to an annualized pace of 2%, driven by a widening trade deficit as importers rushed to front-run tariff impositions. Final domestic demand, however, remained solid. Nevertheless, **consensus growth forecasts for 2025 were revised downwards from 2.3% to 1.4%**, reflecting persistent policy uncertainty and tariff-induced headwinds to investment. The **labour market remained a pillar of support,** with steady job creation and low layoffs, but gains were narrowly distributed, raising concerns about sustainability. **Inflation trends proved erratic**; core PCE reaccelerated to over 3% in first quarter, complicating the Fed's policy stance.

Chart 2: Rare US yields and dollar divergence

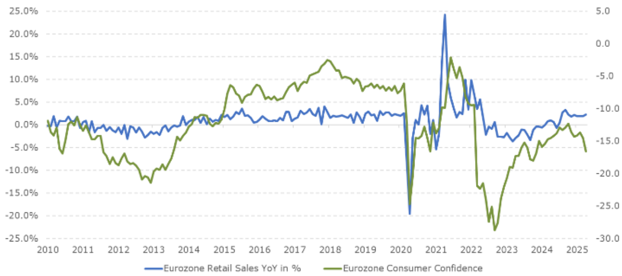
Source: Alpinum Investment Management

Despite market-implied expectations for multiple cuts, **FOMC projections now reflect a more cautious bias**, caught between elevated inflation risk and decelerating growth. Meanwhile, the long end of the **Treasury curve steepened**, influenced by both structural fiscal pressures and renormalizing global yield regimes. **US equities were volatile**, with the S&P 500 swinging sharply in April amid tariff shocks before rebounding strongly in May and June, buoyed by double-digit earnings growth and robust tech sector performance. Equity performance lagged global peers year-to-date, prompting concerns over the sustainability of US exceptionalism amid rising twin deficit pressures. **Credit markets exhibited resilience despite widening spreads in April**, aided by corporate balance sheet strength. The second quarter underscored a fragile equilibrium in which geopolitical friction, fiscal strain, and policy ambiguity collectively clouded the economic outlook.

Europe

In Q2, the **European economy remained under pressure from persistent global trade tensions**, especially stemming from renewed US tariffs. Eurozone GDP growth was modest - 0.6 % in Q1 and forecast at around 0.9 % for 2025 - dragged down by export headwinds after a tariff-driven surge in Q1 exports faded. **Sentiment surveys deteriorated** as trade uncertainty weighed on business and consumer confidence. Still, the **labour market remained resilient**, buttressed by steady employment and wage growth even as services hiring slowed. **Inflation declined steadily**, with headline HICP easing to 1.9 % in May and core below 2.3 %, driven by subdued energy and services price pressures. These disinflationary trends reinforced expectations of further ECB easing; **markets priced in additional rate reductions to deposit rates of 2.0%**, marking a cautious shift in monetary policy. ECB minutes signalled growing dovish consensus amid external uncertainties, while fiscal policy remained neutral to mildly expansionary - with Germany preparing significant infrastructural and defence spending initiatives.

Chart 3: Eurozone consumer confidence is recovering



Source: Alpinum Investment Management

European bond markets reflected this backdrop: **German two-year yields oscillated in response to tariff headlines** but trended lower towards quarter-end, while Italian spreads tightened following positive sovereign ratings. Equity markets responded favourably to the easing narrative; the **STOXX 600 nearly broke new highs** amid robust European corporate earnings - Q1 EPS exceeded expectations and forecasts for 6% growth in 2025 remained, though slightly downgraded. Geopolitically, trade negotiations remained volatile, **with US–EU tariff talks oscillating between escalation and "zero-for-zero" proposals**. That uncertainty, combined with cautious fiscal signals, led investors to **favour defensive bond positions** while equity investors awaited clearer signs of easing.

China and emerging markets (EM)

China's economic trajectory in the second quarter was defined by a deliberate, **cautious policy stance amid heightened external pressures and persistent internal fragilities**. Following a robust 5.4% year-over-year GDP print in Q1, momentum weakened into Q2, as April and May data revealed **anaemic private sector credit demand** and **softening industrial activity**. Manufacturing PMIs contracted more sharply than anticipated, while services momentum ebbed, underscoring a subdued post-pandemic recovery hampered by lingering disinflation and geopolitical friction. **Inflation remained erratic -** headline CPI briefly turned negative in February and has since hovered at low levels - limiting the People's Bank of China's (PBoC) capacity for broad-based easing without risking further RMB depreciation.

Chart 4: China consumer deflation extends to fourth month

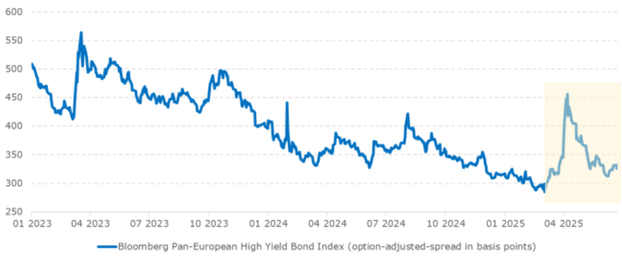
Source: Alpinum Investment Management

In this environment, **Beijing prioritized macroeconomic stability over stimulus-led acceleration**. April's disappointing credit expansion and restrained policy response suggested that authorities were intent on managing systemic risks, particularly within the property and shadow banking sectors, rather than triggering reflation. The **PBoC engaged in tactical liquidity injections** but **refrained from aggressive rate cuts**, especially as US-China tensions escalated. The imposition of sweeping US tariffs in April – which spiked briefly to 145% - fuelled volatility and undermined investor confidence. **Trade negotiations remained stalled**, with Beijing demanding tariff rollbacks as a precondition for engagement. Consequently, Chinese equities underperformed regional peers throughout Q2, with A-shares proving relatively more resilient than offshore listings. **Local currency Chinese government bonds attracted strong demand**, supported by muted inflation, soft domestic data and global risk aversion. **The renminbi appreciated** modestly amid broad dollar softness as investors anticipated dovish Fed guidance.

Investment conclusions

The **current macroeconomic environment** is **shaped by two major forces:** on one hand, a meaningful cyclical short-term slowdown in the US triggered by **trade policy-induced uncertainty**; and on the other hand, a structural long-term **higher nominal world** (higher inflation, moderate real growth), with complex implications for global growth, financial markets, and geopolitical realignment. These contradictory dynamics, further amplified by unpredictable signals from the US administration, have led to **pronounced market volatility and sentiment dislocation**. Looking towards 2026 provides a more coherent framework for interpretation. **Corporate uncertainty remains elevated**, yet investment activity is largely deferred rather than cancelled, indicating strategic positioning for future nominal growth. Consequently, **labour market resilience prevails**, mitigating the risk of widespread layoffs. This supports the prospect of stable private consumption, enhancing the plausibility of a successful transition into 2026. **Such expectations underpinned investor confidence and market stabilization** despite prevailing short-term headwinds.

Chart 5: High yield bond spreads widened sharply in April



Source: Alpinum Investment Management

Bonds: While near-term defaults tend to be modestly up, a major surge is not in the cards. Tight **credit spreads have room to widen somewhat,** but the post-2025 outlook is constructive. **We favour short-duration high-yield and loans**.

Equities: Equity markets face **near-term headwinds** from heightened US policy uncertainty, elevated rates, and margin pressures, yet resilient consumption provides support; beyond 2025, improved fundamentals underpin equities, prompting **selective rotation into non-US markets**.

The **tactical approach emphasizes balance**, with a slight **preference for value and cyclicals** amid resilient growth. **Duration is neutral**, maintaining a balanced view on IG bonds and USTs, while **favouring short-term HY, loans** and selective below-IG bonds and hybrids.

Market Consensus Forecasts

GDP growth (%)	2023	2024	2025e	2026e
World	3.3	3.0	2.7	2.8
United States	2.9	2.8	1.4	1.6
Eurozone	0.4	0.7	1.0	1.1
Germany	-0.3	-0.2	0.2	1.1
France	0.9	1.1	0.5	0.8
Italy	0.7	0.5	0.5	0.8
United Kingdom	0.4	0.8	1.1	1.2
Switzerland	0.7	1.3	1.2	1.4
Japan	1.5	0.1	0.8	0.7
Emerging economies	4.9	4.1	4.1	4.0
Asia Ex-Japan	5.1	4.7	4.4	4.3
Latin America	1.9	2.2	2.8	2.3
EMEA region	2.9	2.7	2.3	2.6
China	5.4	5.0	4.5	4.2
India	7.6	7.8	6.3	6.3
Brazil	3.3	3.4	2.2	1.6
Russia	4.1	3.7	1.4	1.2

Inflation (%)	2023	2024	2025e	2026e
World	6.7	4.2	3.9	3.5
United States	4.1	3.0	3.0	2.8
Eurozone	5.5	2.4	2.0	1.9
Germany	6.1	2.5	2.2	2.0
France	5.7	2.3	1.0	1.6
Italy	6.0	1.1	1.8	1.7
United Kingdom	7.4	2.5	3.2	2.3
Switzerland	2.2	1.1	0.3	0.6
Japan	3.3	2.7	2.8	1.8
Emerging economies	5.8	6.5	3.3	2.9
Asia Ex-Japan	1.7	0.8	1.3	1.7
Latin America	22.8	34.5	10.1	6.7
EMEA region	17.1	16.9	12.1	7.9
China	0.2	0.2	0.3	1.0
India	5.7	4.8	4.6	3.8
Brazil	4.6	4.4	5.3	4.4
Russia	6.0	8.4	9.2	5.5

Central bank rates (%)	2023	2024	2025e	2026e
US Fed Funds	5.50	4.50	4.05	3.50
ECB Main Refinancing	4.50	3.15	1.90	1.95
China 1yr Best Lending	4.35	3.09	2.75	2.55
Bank of Japan Overnight	-0.04	0.30	0.70	0.90
UK Base Rate	5.25	4.75	3.75	3.30
Swiss 3mth CHF	n.a.	0.70	-0.10	-0.05

Commodities	2023	2024	2025e	2026e
NYMEX WTI oil USD/barrel	69	66	62	62
ICE Brent oil USD/barrel	73	67	65	66
Iron Ore USD/metric ton	138	96	89	86
Copper USD/metric ton	8559	9582	9640	9669
Gold USD/troy oz	2063	3244	3471	3690
Silver USD/troy oz	23.8	34.9	37.4	40.1

Major interest rates (%)	2023	2024	2025e	2026e
USA 3mth rate	5.6	4.4	3.9	3.5
USA 10yr gov't bonds	4.3	4.1	3.6	3.5
Eurozone 3mth rate	3.9	4.3	4.3	4.1
Eurozone 10yr gov't bond	3.9	2.8	1.8	2.0
China 3mth rate	2.4	2.0	1.8	2.0
China 10yr gov't bond	2.0	2.2	2.6	2.8
UK 3mth rate	2.5	1.8	1.4	1.4
UK 10y gov't bond	2.2	1.6	1.3	1.2
Swiss 3mth rate	2.6	1.9	1.6	1.7
Swiss 10y gov't bond	n.a.	0.5	0.9	1.1

Exchange rates	2023	2024	2025e	2026e
EURUSD	1.10	1.06	1.16	1.20
EURCHF	0.93	0.94	0.95	0.97
USDCHF	0.84	0.89	0.82	0.82
EURJPY	155.72	161.00	162.50	161.00
EURGBP	0.87	0.83	0.86	0.86
USDJPY	140.89	152.00	140.00	134.50
GBPUSD	1.27	1.28	1.36	1.38
USDCNY	7.10	7.20	7.20	7.10
USDBRL	4.86	5.75	5.80	5.84
USDRUB	n.a.	98.00	89.00	113.40

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	3958	9.1%	6.7%	1.9
MSCI World (USD) hedged	2155	7.9%	5.1%	n.a.
S&P 500	6092	8.6%	3.6%	1.3
Russell 1000	3335	8.8%	3.5%	1.3
Nasdaq 100	22191	15.1%	5.6%	0.7
Stoxx Europe 600	541	1.3%	6.6%	3.4
MSCI Emerging Markets	1212	10.0%	12.7%	2.9
Nikkei 225	38791	8.9%	-2.8%	2.1
China CSI 300	3904	0.4%	-0.8%	2.9

	Forward		EPS growth	
Equity market valuations	PE	PB	2025e	2026e
MSCI World (USD)	20.6	3.4	6%	13%
MSCI World (USD) hedged	n.a.	n.a.	n.a.	n.a.
S&P 500	23.5	4.8	9%	14%
Russell 1000	23.5	4.5	8%	14%
Nasdaq 100	29.3	7.6	17%	18%
Stoxx Europe 600	15.0	2.0	1%	11%
MSCI Emerging Markets	13.1	1.7	14%	13%
Nikkei 225	19.1	2.0	3%	4%
China CSI 300	13.6	1.5	15%	12%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	4.29	0.8%	4.8%	n.a.
10yr Euro gov't bond	2.54	2.6%	1.4%	n.a.
10yr German gov't bond	2.54	2.1%	0.3%	n.a.
10yr Italian gov't bond	3.46	4.1%	3.0%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	294	3.8%	6.7%	4.5
Barclays US Corporate IG	3409	1.3%	3.6%	5.1
Barclays Euro Corporate IG	263	1.8%	1.8%	3.1
Barclays Emerging Market USD	1303	2.0%	4.4%	6.4
Barclays US Corporate HY	2790	2.9%	4.0%	7.1
Barclays Pan-European HY	491	1.9%	2.4%	6.0

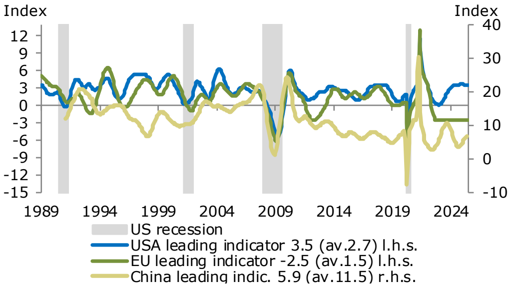
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	67	-10.2%	-10.0%
US Energy Services	59	-12.5%	-19.3%
Copper	9730	10.7%	12.2%
Gold	3324	6.4%	26.6%
EURUSD	1.16	7.3%	12.1%
EURCHF	0.93	-2.2%	-0.5%

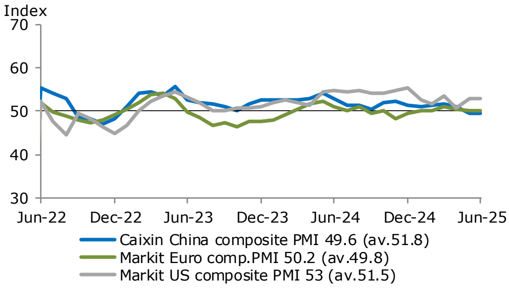
Source: Alpinum Investment Management (additional sources in appendix)
Note: Q2 = data as of 25 June 2025 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

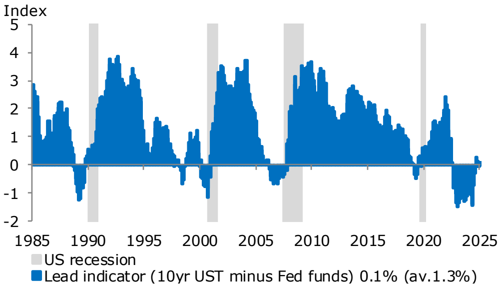
Leading indicators and manufacturing

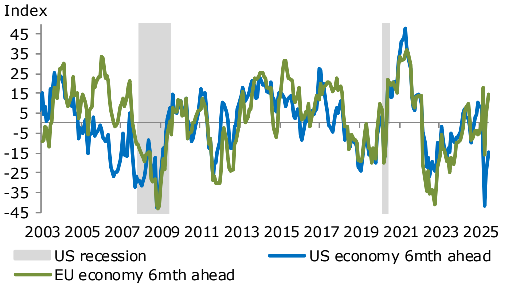
Source: Alpinum Investment Management



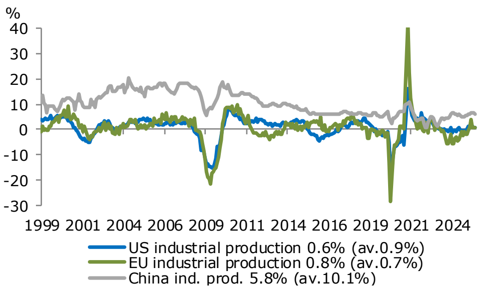


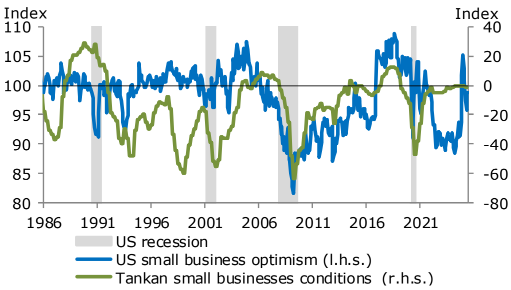
Recession indicator



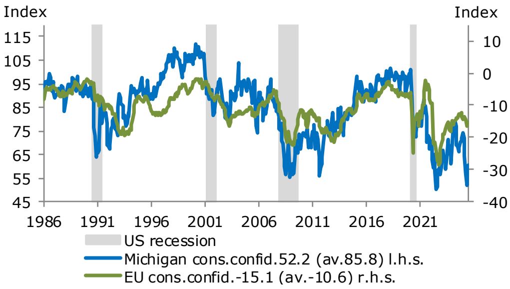


Industrial production and small businesses

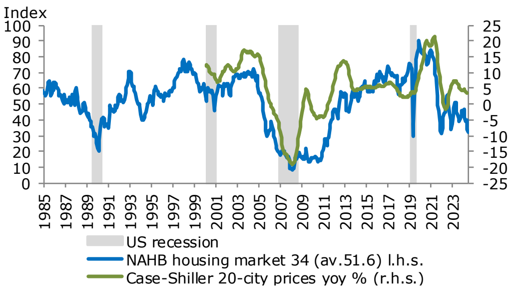


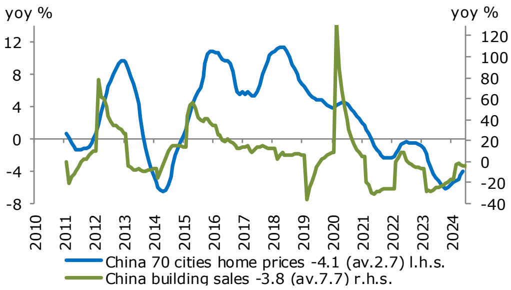


Consumer confidence



Housing market





Source: Alpinum Investment Management (additional sources in appendix)

Scenario Overview 6 Months

Base case 65%

- **US:** Low real GDP growth of 1-2% with solid 4-5% nominal growth. Need to look through erratic tariff announcements. Uncertainty holds back short-term private investments, reduces consumer confidence and puts inflation pressure up. Policy uncertainty and high capital costs are a key concerns, but expected deregulation & low(er) taxes are positive for corporates and keep profit margins high. High house prices and 4% YoY-wage growth keeps private consumption up. Government spending (i.e. energy/defence) and new foreign investment plans support growth.
- **Eurozone:** Stagnation turns into mild growth <1% and will further accelerate in 2026. New impulse programs (i.e. defence, infrastructure, AI) provides growth boost amid former austerity programs. Inflation worries (>2%) will return.
- **China:** GDP grows around 4.5% thanks to government support incl. various credit impulse measures.
- **Oil:** Middle East conflict drives prices, but US increases output, which keeps prices mostly in check.

Investment conclusions

- **Equities:** Positive tilt, but geopolitics pressure highly valued US equities. "RoW-equities" (Europe, Asia) experience positive net fund flows. Profit margin pressure in certain sectors (inflation, wage growth). US equities lack a large upside potential with an S&P forward P/E multiple of ~21. We recommend a balanced approach (for equity style).
- **Interest rates:** Neutral outlook on rate exposure, but a second wave of inflation is a risk. US duration exposure serves as a valuable diversifier and tail hedge in case of an evolving (severe) recession.
- **Credit:** Credit spreads are tight to fairly priced and remain selectively attractive, corporate default rates are moderate with ~3%. We prefer loans, short-term HY/IG, senior exposure in structured credit and selective Emerging Debt local exposure.
- **Commodities/FX:** Despite recent weaking, the USD is still highly valued. Geopolitics supports gold. New (US) supply pressures gas/oil, but structural higher inflation supports the commodities bloc.

Bull case 20%

- **US:** GDP growth rate of >2% (>5% nominal). Fed succeeds and inflation trends at <3%. Consumer spending remains robust, supported by continued wage increases of ~4% (+1% real growth). Energy prices remain in-check, tax cuts, firms start to boost capex. Economy transitions into a new era/cycle.
- **Europe:** Positive feedback loop from fiscal measures on corporate investments and consumer sentiment leads GDP growth from ~0% to >1% in 2026. "Standing together" spirit holds.
- **China/EM:** Chinese government stimulus gets more momentum, stabilizing private consumption. Easing monetary policy provides support for manufacturing & property sector. No major escalation with the West.

Investment conclusions

- **Equities:** Corporates adapt to challenging growth prospects to maintain earnings strength. Firms favour capital vs. expensive labour to increase (keep) profitability. If a de-escalation in the Russia-Ukraine /US conflict is reached, markets will experience a rally. However, inflation pressure and high rates keep valuations in check. Further upside potential.
- **Interest rates:** (Long-term) Rates move up, bear steepening curve; inflation pressure persists.
- **Credit:** Corporate default rates are slightly below long-term averages. Credit in general (incl. EMD) and short-term HY bonds/loans benefit.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates rally.

Bear case 15%

- **US:** Mild recession caused by uncertain US policies and new tariffs (higher inflation, less consumer spending, investments held back). However, still positive nominal GDP growth. Low unemployment rate combined with resilient inflation kicks off a slight wage-price spiral. Fed in need to tighten a bit again.
- **Europe:** Continued stagnation due to war/geopolitics/tariffs. Peripherals & France suffer from yield increases, but German impulse programs are a strong counterweight.
- **China/EM:** Chinese regulators fail to ease credit and regulatory measures enough, leading to <4% GDP growth in 2025 and disappointing exports. Emerging markets (ex-commodity exporters) suffer as global trade is held back. EM FX weakness.

Investment conclusions

- **Equities:** Equities fall double digits. Highly priced US equities and cyclicals will lead the correction, followed by Europe.
- **Interest rates:** Long-term rates drop the most (yield curve inverses anew), but limited potential apart from US rates. Support for high-quality assets (treasuries, A/AA bonds, agency bonds). Cash is king!
- **Credit:** Corporate default rates climb and approach the higher end of long-term average levels. Severe default cycle is avoided, but credit markets suffer. Favour short dated high-quality bonds and cash.
- **Commodities/FX:** Negative for cyclical commodity prices. USD, CHF and JPY act as a safe haven again.

Tail risks

- Liquidity shock due to external event/bank failure.
- Italian/French sovereign debt crisis, EUR break up.
- Military conflict in the South China Sea.
- Pandemic crisis re-emerges/new virus variants.
- Nuclear escalation resulting in World War III.
- Emerging market meltdown similar to 1998.

Asset Class Assessment

Equities	Comment
▪ With the prospect of a pro-business economic policy from the new US administration corporates' profit margins should be bolstered on average. Significant boost of (US) M&A activity in Q4 2025/26 is possible when "chaos-policy" fades and uncertainty eases. ▪ Positive wealth effect for the private sector driven by elevated equity market valuations, higher wages and increased house prices. ▪ A negative factor for equities remains the "competition" of other asset classes, namely the positive real rates of US Treasuries or HY bonds yielding >7% p.a. ▪ Non-US equities ("RoW") trade with more attractive valuations and should outperform, especially in case of a de-escalation in the Ukraine conflict, a lower USD and if the "US chaos" policy sustains.	▪ Current elevated S&P P/E ratio of ~21 translates into an earnings yield of only 4.7%. If negative earnings surprises come up, US equities will fall double digits. ▪ Market consensus estimates that US earnings will grow around 7% in 2025 and 14% in 2026, which poses a risk for disappointment. ▪ Military conflict leads to more structural inflation pressure (less globalization/productivity, less efficient/safe supply chains, more protectionism). ▪ US equities incorporate advanced valuations compared to other regions. However, the economy is also more resilient, less impacted by the Ukraine & Middle East conflict and supported by big tech earnings. Hence, a certain valuation premium is justified.

Credit/Fixed Income	Comment
▪ **Rates:** We have entered a new interest rate regime with the yield spike in 2022/23. "Duration" as an asset class & diversifier is back on track. Fed funds are grinding a bit lower, but inflation is not yet fully tamed. We have a neutral stance on duration. Duration acts again as a valuable portfolio diversifier. ▪ **IG:** We hold minimal US investment grade bonds and only selective European IG bonds. A number of EM/Asia IG bonds look attractive, but we hold only limited exposure. ▪ **High yield:** Loans and high yield bonds offer fair relative and attractive absolute yields. Overall, we favour selective US short-term non-cyclical bonds, European loans & senior/mezzanine CLO tranches. ▪ **Emerging debt:** Selective opportunities exist, but caution is still warranted. We keep a close eye on fund flows. Current softness in USD is very supportive for selective local EM currency bonds.	▪ With cyclical risks and the stress in the banking system in H1 2023 including the provoked regulatory actions, borrowing costs are still slightly elevated. ▪ Further rate cuts in 2025 are priced in for the Fed rate to reach levels slightly below 4% and 2% for the ECB rate. ▪ Credit spreads are slightly tight to fairly valued in general. Current spread levels compensate for a slow growth economic outlook, but not for a recession. Corporate default rates will average between 2 and 3%, but no spike is in the cards. ▪ We like the structured credit market, such as selective US non-agency RMBS or European CLOs. ▪ Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans). ▪ We also identify attractive yield in new alternatives, but selection and a proper liquidity management are paramount.

Alternatives	Comment
▪ Credit long-short strategies identify plenty of relative value trades, both long and short. ▪ Equity long-short strategies benefit from high volatility and elevated performance dispersion. ▪ Alternative lending as an asset class is in the spotlight as yields have entered a higher yield regime.	▪ Active managers benefit from the current fragile economic environment. Moreover, innovative disruption leads to more price dispersion among single securities, industries, regions etc. ▪ Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).

Real Assets, Digital Assets	Comment
▪ Commodities benefit partly from de-globalization (protective measures), supply-side constraints and the outlook for a cyclical economic uptick in 2026. ▪ Gold benefits when real and/or nominal interest rates fall & vice versa; currently a tailwind for gold. Aggressive Trump-policies supports gold rally too. ▪ Crypto currencies get support from the Trump administration's aspiration to become the leading crypto hub - evidenced again with stablecoin bill.	▪ Elevated inflation is beneficial for commodity prices, but a softer economy is negative. Chinese growth hopes have yet to materialize as an additional support level for commodities. ▪ Supply-side disruption has faded on a global scale. ▪ Friendly environment for digital assets with more regulation and hopefully clearer guidelines ahead. A major negative factor has transformed into positive.

Asset Class Conviction Levels

		Conviction Level over 6 Months			
Equities	**Underweight**	←	**Neutral**	→	**Overweight**
North America	☐	☐	☑	☐	☐
Europe	☐	☐	☐	☑	☐
Switzerland	☐	☐	☑	☐	☐
China	☐	☐	☑	☐	☐
Japan	☐	☐	☑	☐	☐
Asia - Emerging Markets	☐	☐	☐	☑	☐
Others - Emerging Markets	☐	☐	☐	☑	☐

		Conviction Level over 6 Months			
Fixed Income	**Underweight**	←	**Neutral**	→	**Overweight**
US - Treasury Bonds	☐	☐	☑	☐	☐
Euro - Government Bonds	☐	☑	☐	☐	☐
US - Investment Grade Bonds	☐	☐	☑	☐	☐
Europe - Investment Grade Bonds	☑	☐	☐	☐	☐
US High Yield	☐	☐	☑	☐	☐
US Short Term High Yield	☐	☐	☐	☐	☑
US Loans	☐	☐	☐	☑	☐
US Municipal Bonds	☐	☐	☑	☐	☐
European High Yield	☐	☐	☑	☐	☐
European Short Term High Yield	☐	☐	☐	☑	☐
European Loans	☐	☐	☐	☐	☑
US/EUR Preferred Securities	☐	☐	☐	☑	☐
US/EUR Asset Backed Securities	☐	☐	☑	☐	☐
Emerging Market Local Currency	☐	☐	☐	☑	☐
Emerging Market Hard Currency	☐	☐	☑	☐	☐
Emerging Market High Yield	☐	☐	☑	☐	☐

		Conviction Level over 6 Months			
Commodities	**Underweight**	←	**Neutral**	→	**Overweight**
Gold	☐	☐	☐	☑	☐
Oil (Brent)	☐	☐	☑	☐	☐
Digital Assets	☐	☐	☐	☑	☐

		Conviction Level over 6 Months			
Hedge Fund: Strategies	**Underweight**	←	**Neutral**	→	**Overweight**
Equity Long-Short	☐	☐	☐	☑	☐
Credit Long-Short	☐	☐	☐	☐	☑
Event-Driven - Corporate Actions	☐	☐	☑	☐	☐
Global Macro	☐	☐	☐	☑	☐

		Conviction Level over 6 Months			
Hedge Fund: Regional Focus	**Underweight**	←	**Neutral**	→	**Overweight**
Hedge Fund: North America	☐	☐	☐	☑	☐
Hedge Fund: Europe	☐	☐	☐	☑	☐
Hedge Fund: China / Japan	☐	☐	☐	☑	☐
Hedge Fund: Emerging-Markets	☐	☐	☑	☐	☐

Note: The above conviction table reflects on the one hand our view on the relative expected return of an asset class versus well-recognized benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities), but on the other hand also incorporate our view on the absolute expected return versus cash.

Appendix: Data and Price Sources

Alpinum Investment Management
Bank of America Merrill Lynch indices
Bloomberg
Federal Housing Finance Agency
Federal Reserve Bank of St. Louis
J.P. Morgan
Markit CDS indices
Moody's Investors Service
Palmer Square indices
Preqin
S&P
The Federal Reserve
US Census Bureau

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