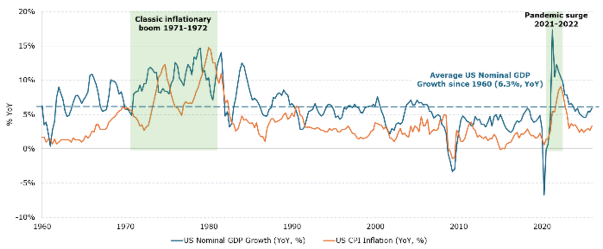
Quarterly Investment Letter – Q3 2026

The unfolding inflationary boom

Global macro conditions in Q2 2026 were defined by **resilient nominal activity**, **renewed inflation risk** and a **widening gap between modest real growth and buoyant capital markets**. Investors increasingly looked through Middle Eastern turmoil, as the Strait of Hormuz evolved from an acute supply shock into the key variable for inflation expectations and risk premia. The **preliminary US-Iran accord to halt the war and reopen the Strait** has reduced tail risks and pushed oil prices lower, but operational normalisation remains incomplete and dependent on implementation, shipping confidence and a durable truce. Strong fiscal impulse, firm labour markets and accelerating AI-related capital expenditure supported risk appetite, while higher oil prices challenged the disinflation narrative.

Chart 1: US inflationary boom phases (1960-2026)



Source: Alpinum Investment Management

The **"inflationary boom" interpretation gained credibility**: US growth remained serviceable rather than strong, employment softened only gradually, and the Federal Reserve maintained a restrictive bias, reinforcing the higher-rates-for-longer regime. In Europe, energy-sensitive inflation and weak activity left the ECB facing a difficult trade-off, partly cushioned by fiscal and defence spending. China remained the softest major pillar. **Equity markets advanced**, led by US technology, semiconductors, infrastructure and AI beneficiaries. **Bond markets stayed fragile**. **Stagflation, not recession, continues to be the central downside risk.**

Summary Points

- **Geopolitics remained central**, as the Iran conflict and disruption in the Strait of Hormuz lifted energy, freight and inflation premia, before a preliminary US-Iran accord reduced tail risks.
- **The US economy remained an inflationary expansion,** with resilient nominal demand, slower growth, firm labour markets, renewed price pressure and Fed policy anchored in higher-for-longer.
- **Europe weakened into a stagflationary policy dilemma,** as PMIs contracted, inflation reaccelerated, the ECB delivered an insurance hike, and defence spending partly offset energy sensitivity.
- **China remained bifurcated,** with China's domestic demand, property sector and credit appetite fragile, while exports, AI components, Taiwan and Korea's semiconductor cycle provided resilience.
- **Markets advanced**, led by US technology, semiconductors, infrastructure and AI beneficiaries, while Europe, China, bonds and broader cyclicals lagged, increasing dispersion across regions.

Conclusion: The **global environment increasingly resembles an inflationary boom.** Nominal growth remains resilient, real activity is moderate, inflation risks are persistent and stagflation is the main downside risk. **We therefore emphasise capital preservation**, **active rotation** and **selective opportunism**. Credit remains attractive, particularly **short-duration high yield** and **senior secured loans** offering resilient carry. In equities, we reiterate our positive bias, but elevated valuations argue against broad beta, while **rising dispersion and volatility** strengthen the case for **Liquid Alternatives as a source of alpha**.

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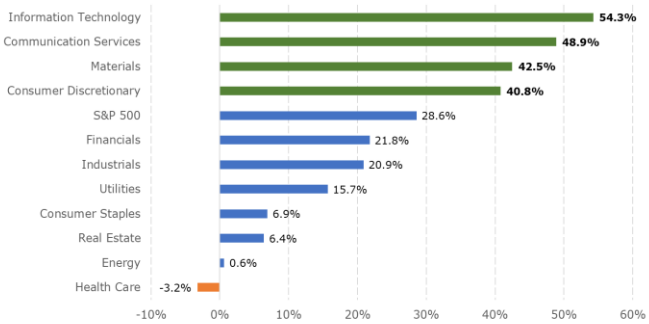
United States

The US economy entered the second quarter with a rare combination of **resilient nominal demand**, **slowing real momentum** and **renewed inflation pressure**. Growth remained positive, with first-quarter GDP initially reported at 2% annualized and later revised to 1.6%, as softer consumption and inventories were offset by still robust business investment, particularly in AI-related equipment, data centres and digital infrastructure. **The labour market stayed firm but less uniform:** payroll growth remained positive, unemployment held at around 4.3%, job openings rebounded, and layoffs did not signal stress, yet participation, real income and lower-income spending showed increasing strain. **Inflation reaccelerated** as the Iran conflict and disruption in the Strait of Hormuz raised energy, transport and input costs, pushing CPI, PCE and ISM price indicators higher and reviving fears of second-round effects. Consequently, the **Federal Reserve** shifted decisively **away from a cutting narrative**.

Chart 2: Highest S&P 500 earnings growth rate since Q4 2021



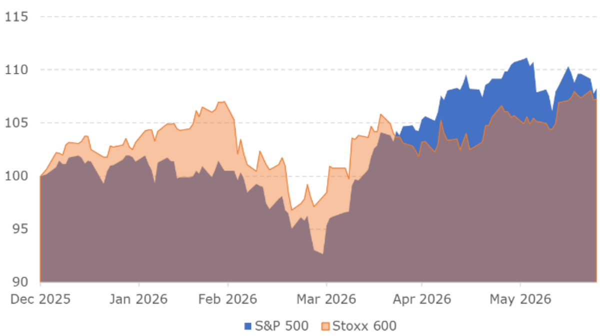
Source: Alpinum Investment Management

Fiscal policy, tax refunds and AI capital expenditure cushioned domestic demand, while geopolitics, tariffs and central-bank independence debates added political risk premia. **Equity markets** nevertheless **looked through much of the macro tension**. The S&P 500 and Nasdaq reached new highs, led by semiconductors, hyperscalers, infrastructure, software and selected industrial beneficiaries of the AI capex cycle, although market breadth remained narrow and dispersion elevated. **Bond markets were more fragile.** Treasury yields stayed volatile, term premia rose, duration protection weakened and credit spreads remained surprisingly well-behaved. The **quarter resembled an inflationary expansion rather than a recessionary shock**: nominal growth stayed alive and capital markets were powerful, but the macro downside increasingly shifted from recession to stagflation.

Europe

Across Europe, the **second quarter unfolded as a demanding test of economic resilience, policy credibility and market selectivity**. Eurozone activity slowed sharply: first-quarter GDP rose only 0.1% quarter-on-quarter and 0.8% year-on-year, while the composite PMI fell from 48.6 in April to 47.5 in May as services dropped to 46.4 and manufacturing eased to 51.4. Germany provided selective relief through firmer orders, defence spending and AI-linked engineering exposure, but confidence remained weak. **The dominant macro shock remained geopolitical**. Disruptions around the Strait of Hormuz lifted oil, gas, freight and input costs, exposing Europe's dependence on imported energy and **turning a benign slowdown into a stagflationary risk regime**. Euro-area headline inflation rose from 2.6% in March to 3% in April and 3.2% in May, while core inflation moved back to 2.5%. Against this backdrop, the ECB delivered a 25 bps insurance hike in June, lifting the deposit rate to 2.25%, while raising inflation forecasts and cutting its growth outlook. The Bank of England faced a similarly difficult trade-off between softer activity, sticky services inflation and higher household energy costs.

Chart 3: Europe's equity outperformance is fading



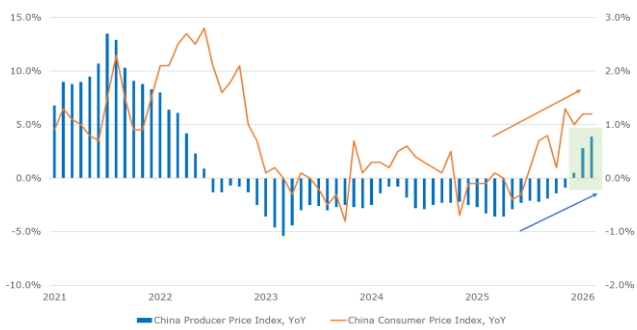
Source: Alpinum Investment Management

European equities recovered selectively but lagged the US technology-led advance. Earnings were better than feared, banks benefited from higher rates, defence stocks from rearmament, and semiconductor-equipment leaders from AI infrastructure demand. Broader cyclicals, autos, chemicals and consumer names were constrained by weak PMIs, margin pressure and soft consumption. **Bond markets were unsettled**: front-end yields rose on hawkish repricing, long-end yields reflected fiscal and term-premium concerns, while Bunds regained appeal as growth risks intensified and dispersion increased across European risk assets.

China and emerging markets (EM)

China's Q2 presented a bifurcated macro picture: **external manufacturing strength**, powered by AI and semiconductor demand, **contrasted with fragile domestic demand** and **uneven policy transmission**. First-quarter GDP expanded 5% year-on-year and 1.3% quarter-on-quarter, but subsequent indicators softened materially. The official manufacturing PMI eased from 50.3 in April to 50.0 in May, non-manufacturing slipped into contraction, retail sales rose only 0.2% year-on-year, and industrial production slowed to 4.1%, underscoring that household confidence, property weakness and weak credit appetite remained binding constraints. Exports, however, stayed resilient, rising 14.1% in April as factories front-loaded orders, rebuilt inventories and benefited from AI-linked component demand, while imports surged 25.3% despite lower oil volumes.

Chart 4: China's PPI rises for the first time since 2022



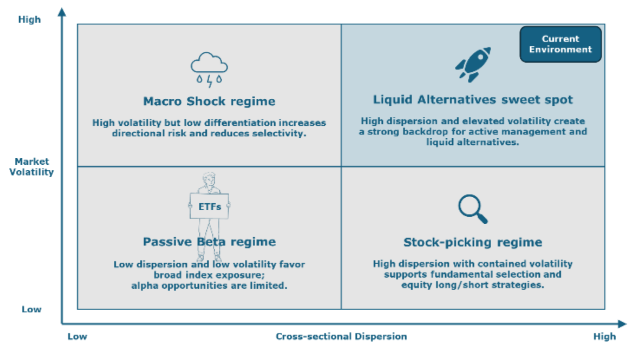
Source: Alpinum Investment Management

This mixed backdrop made the inflation composition especially important. **Producer prices moved in a positive direction for the first time since 2022**, rising 0.5% in March and accelerating to 2.8% in April. By May, the reflation signal strengthened further, with CPI holding at 1.2% and factory-gate inflation rising to its highest level in nearly four years. Yet this was not a classic demand-led reflation; it mainly reflected higher energy, commodities and logistics costs linked to Middle East disruptions and the Strait of Hormuz. **Policy therefore stayed targeted rather than aggressively reflationary**. The PBOC kept loan prime rates unchanged but allowed funding costs to ease and pressed banks to support credit. **Equity markets were similarly divided**: mainland indices lagged on domestic-growth concerns, while Hong Kong, Taiwan and Korea were supported by AI, chips and exports, albeit with rising concentration risk. **Asian bonds repriced around imported inflation**, with Japan and Korea leaning hawkish into early June.

Investment conclusions

The global backdrop increasingly resembles an **inflationary boom**: nominal growth remains resilient, real activity expands only moderately, and inflation risks are becoming more persistent. Middle East turmoil and energy-price sensitivity continued to shape expectations, yet markets **increasingly look beyond the conflict** and **focus on structural inflation** from geopolitical realignment, fiscal support and AI-driven investment. This combination keeps the **higher-for-longer rate regime firmly in place**, while the AI boom continues to lift technology, infrastructure and semiconductor leaders. **The main downside risk is stagflation** from renewed geopolitical escalation. Elevated dispersion makes **active selection crucial**, supporting Liquid Alternatives and resilient credit positioning.

Chart 5: Liquid Alternatives sweet spot



Source: Alpinum Investment Management

Bonds: Default rates remain slightly elevated, but a broad-based credit event is unlikely. **Spreads remain compressed** and may widen modestly amid heightened geopolitical risk and tighter financial conditions, potentially creating more attractive entry points. We continue to **favour short-duration high yield and senior secured loans**, where carry remains compelling and duration sensitivity contained.

Equities: We reiterate our positive bias. Beneath a resilient macro backdrop, markets are increasingly shaped by policy **uncertainty, geopolitical shocks and AI-driven disruption**. Elevated valuations and rising dispersion reinforce the case for selective exposure rather than broad beta.

We therefore emphasise **active rotation** and **capital preservation**, with a measured preference for **value, cyclicals and non-US opportunities**, while keeping **duration broadly neutral** and maintaining a slight underweight in investment-grade bonds and US Treasuries.

Market Consensus Forecasts

GDP growth (%)	2024	2025	2026e	2027e
World	3.3	3.2	2.9	3.1
United States	2.8	2.2	2.1	2.0
Eurozone	0.9	1.5	0.6	1.2
Germany	-0.5	0.3	0.6	1.1
France	1.2	0.9	0.6	0.9
Italy	0.8	0.7	0.6	0.7
United Kingdom	1.1	1.4	1.0	1.1
Switzerland	1.4	1.2	1.1	1.4
Japan	-0.2	1.2	0.6	0.8
Emerging economies	5.1	4.3	4.1	4.2
Asia Ex-Japan	5.1	4.7	5.0	4.5
Latin America	2.4	2.8	2.3	2.4
EMEA region	3.1	2.3	2.2	2.7
China	5.0	5.0	4.6	4.4
India	7.2	6.4	7.5	6.6
Brazil	3.4	2.3	1.9	1.8
Russia	4.9	0.9	0.9	1.4

Inflation (%)	2024	2025	2026e	2027e
World	5.8	3.4	4.0	3.6
United States	3.0	2.7	3.5	2.4
Eurozone	2.4	2.1	2.9	2.2
Germany	2.5	2.2	2.7	2.3
France	2.3	0.9	2.3	1.9
Italy	1.1	1.7	2.9	2.0
United Kingdom	2.5	3.4	3.2	2.6
Switzerland	1.1	0.2	0.6	0.7
Japan	2.7	3.2	2.1	2.1
Emerging economies	6.7	2.8	3.5	3.1
Asia Ex-Japan	1.3	0.5	1.7	2.0
Latin America	35.7	9.8	7.7	5.9
EMEA region	17.0	12.4	9.9	7.6
China	0.2	0.0	1.2	1.1
India	5.0	4.6	2.0	5.0
Brazil	4.4	5.0	4.6	4.0
Russia	8.4	8.8	5.5	4.5

Central bank rates (%)	2024	2025	2026e	2027e
US Fed Funds	4.50	3.80	3.73	3.35
ECB Main Refinancing	3.15	2.00	2.47	2.27
China 1yr Best Lending	4.35	2.99	2.94	2.88
Bank of Japan Overnight	0.23	0.72	1.20	1.43
UK Base Rate	4.75	3.75	3.86	3.34
Swiss 3mth CHF	n.a.	0.00	0.03	0.15

Commodities	2024	2025	2026e	2027e
NYMEX WTI oil USD/barrel	67	76	67	66
ICE Brent oil USD/barrel	71	82	71	70
Iron Ore USD/metric ton	105	101	96	94
Copper USD/metric ton	8768	13113	13106	13104
Gold USD/troy oz	2625	4339	4179	4633
Silver USD/troy oz	28.9	68.4	60.6	72.4

Major interest rates (%)	2024	2025	2026e	2027e
USA 3mth rate	n.a.	3.7	3.5	3.3
USA 10yr gov't bonds	4.2	3.5	3.7	3.6
Eurozone 3mth rate	4.6	4.1	4.3	4.2
Eurozone 10yr gov't bond	2.7	2.1	2.5	2.3
China 3mth rate	2.1	2.0	2.5	2.4
China 10yr gov't bond	2.4	2.7	3.0	3.0
UK 3mth rate	1.7	1.6	1.4	1.3
UK 10y gov't bond	1.1	1.4	1.3	1.3
Swiss 3mth rate	1.7	1.8	1.8	1.8
Swiss 10y gov't bond	n.a.	1.0	1.5	1.6

Exchange rates	2024	2025	2026e	2027e
EURUSD	1.04	1.17	1.18	1.20
EURCHF	0.94	0.94	0.93	0.95
USDCHF	0.91	0.80	0.79	0.78
EURJPY	162.91	176.00	184.00	179.50
EURGBP	0.83	0.88	0.88	0.88
USDJPY	157.24	150.00	155.00	149.00
GBPUSD	1.25	1.33	1.35	1.37
USDCNY	7.30	7.10	6.74	6.63
USDBRL	6.18	5.40	5.20	5.13
USDRUB	113.51	84.00	76.53	93.00

Performance table

		Performance		
Global equity markets	Price	Q2	Ytd Q2	Div.yld
MSCI World (USD)	4744	11.4%	7.1%	1.6
MSCI World (USD) hedged	2659	12.3%	9.0%	n.a.
S&P 500	7358	12.7%	7.5%	1.2
Russell 1000	4010	12.4%	7.4%	1.2
Nasdaq 100	29220	23.1%	15.7%	0.6
Stoxx Europe 600	635	8.9%	7.3%	3.1
MSCI Emerging Markets	1730	23.8%	23.2%	2.3
Nikkei 225	69175	35.5%	37.4%	1.4
China CSI 300	4943	11.1%	6.8%	2.4

	Forward		EPS growth	
Equity market valuations	PE	PB	2026e	2027e
MSCI World (USD)	20.2	3.8	20%	14%
MSCI World (USD) hedged	n.a.	n.a.	n.a.	n.a.
S&P 500	21.7	5.0	26%	16%
Russell 1000	21.5	4.7	26%	16%
Nasdaq 100	26.5	8.0	42%	26%
Stoxx Europe 600	15.6	2.3	14%	9%
MSCI Emerging Markets	12.8	2.3	57%	23%
Nikkei 225	24.0	3.0	24%	3%
China CSI 300	15.9	1.8	17%	16%

		Performance		
Global gov't bonds	Yield	Q2	Ytd Q2	YtW
10yr US Treasury	4.39	0.3%	0.2%	n.a.
10yr Euro gov't bond	2.86	2.3%	1.4%	n.a.
10yr German gov't bond	2.86	1.8%	1.2%	n.a.
10yr Italian gov't bond	3.59	3.2%	1.1%	n.a.

		Performance		
Global bond indices	Price	Q2	Ytd Q2	YtW
Barclays Global Corporate IG	304	1.4%	0.1%	4.7
Barclays US Corporate IG	3585	1.7%	1.1%	5.2
Barclays Euro Corporate IG	269	2.3%	1.3%	3.5
Barclays Emerging Market USD	1414	3.4%	2.0%	6.0
Barclays US Corporate HY	2966	2.3%	1.8%	7.2
Barclays Pan-European HY	511	3.3%	1.7%	6.2

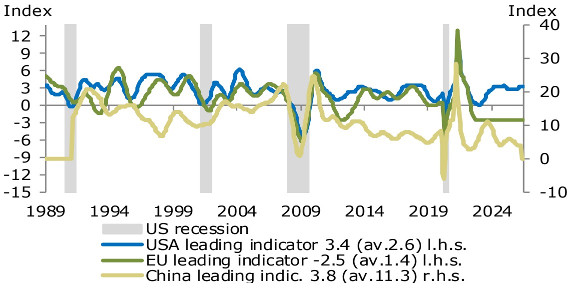
		Performance	
Commodities and currencies	Price	Q2	Ytd Q2
Brent oil	74	-37.7%	21.2%
US Energy Services	88	-10.0%	20.2%
Copper	13063	48.6%	4.8%
Gold	3999	-14.3%	-7.4%
EURUSD	1.14	-1.7%	-3.3%
EURCHF	0.92	-0.1%	-0.9%

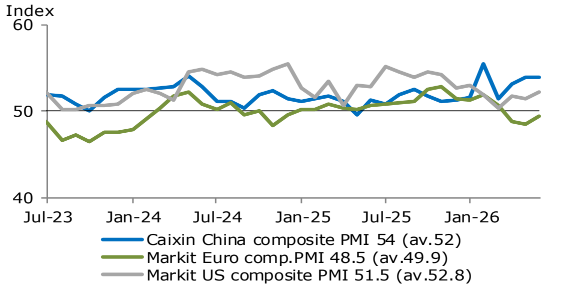
Source: Alpinum Investment Management (additional sources in appendix)
Note: Q4 = data as of 24 June 2026 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

Key Economic Charts

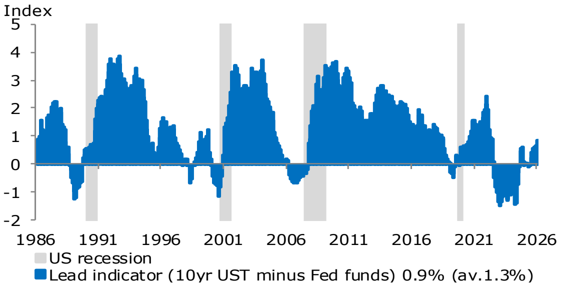
Leading indicators and manufacturing

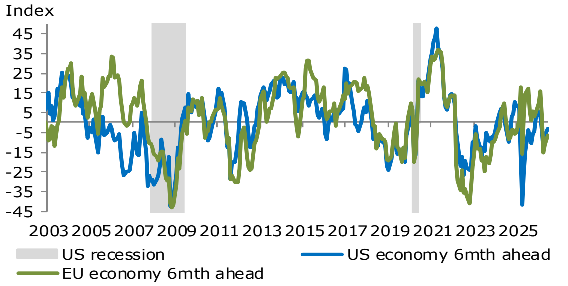
Source: Alpinum Investment Management



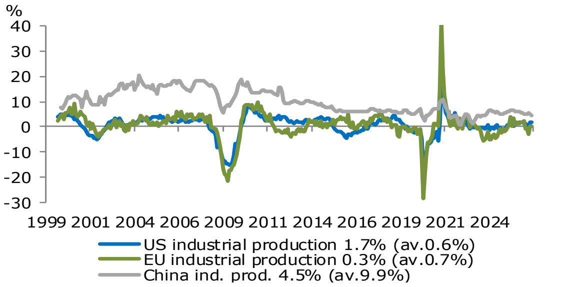


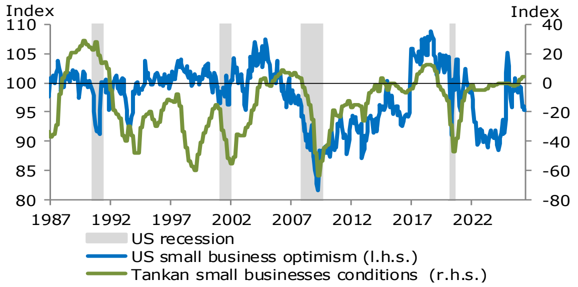
Recession indicator



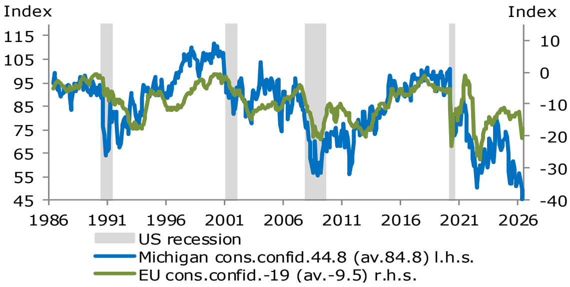


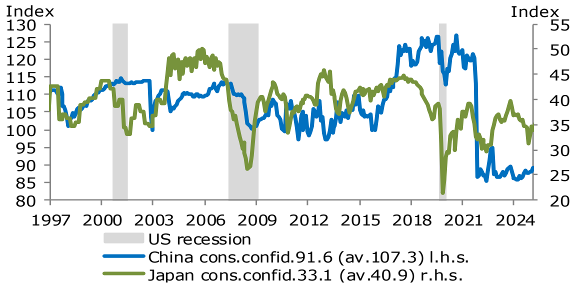
Industrial production and small businesses



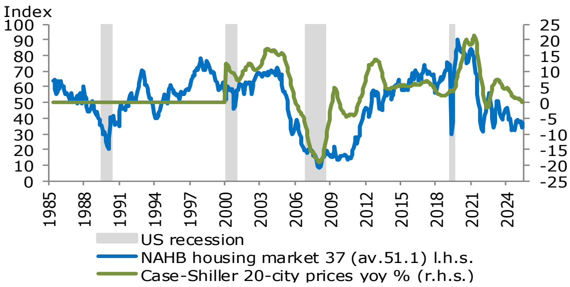


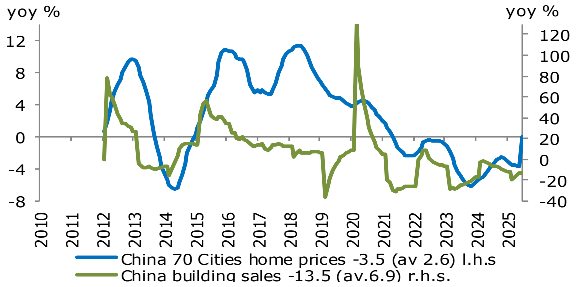
Consumer confidence





Housing market





Source: Alpinum Investment Management (additional sources in appendix)

Scenario Overview 6 Months

Base case 70%

- **US:** Low real GDP growth of 1.5-2.5% with solid 5% nominal growth. Strait of Hormuz at least selectively open with Brent $70-90. Fed looks through short-lived oil-led inflation bump. Economic uncertainty and high costs of living/oil prices hold back some private investments, but high house prices and ~4% YoY-wage growth keeps "K-shaped" private consumption afloat. US administration minimises new escalations abroad, limiting further damage ahead of mid-terms. Deregulation and lower taxes are positive for corporates.
- **Eurozone:** Stagnation turns into mild growth of ~1% and will accelerate in H2 2026. Impulse programmes (defence, infrastructure, AI) provide some sort of growth acceleration amid former austerity programmes. Inflation worries, but ECB acts moderately.
- **China:** GDP grows ~4% thanks to government support incl. various credit impulse measures.
- **Oil:** US-Iran conflict keeps prices elevated and asks for a risk premium. Prices fall in H2 2026 <$80 bbl.

Investment conclusions

- **Equities:** Short-term Middle East hopes and secular AI wave drive equities; valuations are stretched, but momentum remains positively biased.
- Earnings growth rates are strongly up and companies' margins high. Upside potential is "real" despite the recent rally. Non-US equities will benefit the most when situation in the Middle East calms down. Value advantage of RoW equities vs. US. We recommend a balanced approach for equity style.
- **Interest rates:** Neutral to positive outlook on rate exposure, but 2nd round inflation effects pose a risk. US duration exposure serves as a valuable diversifier and tail hedge in case of an evolving recession.
- **Credit:** Credit spreads are tight. Opportunities exist in the highest risk bucket. Corporate default rates remain moderate with <3%. We prefer loans, short-term HY/IG and selective structured credit (CLOs).
- **Commodities/FX:** USD remains attractive in the short-term, but softer outlook for 2027. Gold will face renewed demand after price correction.

Bull case 15%

- **US:** GDP growth rate of >2% (5-6% nominal). Strait of Hormuz opens fully and US-Iran negotiations become successful with oil price <$70 on average for H2 2026. Consumer spending remains robust, supported by a healthy employment market. Tax cuts boost broader corporate capex. Economy resumes upwards trend and accelerates into mid-term elections.
- **Europe:** Geopolitical tensions ease and inflation spike is only temporary; ECB acts moderately. Fiscal support measures lift GDP growth to >1% in 2026.
- **China/EM:** Chinese government stimulus gets more momentum, stabilising private consumption. Easing monetary policy provides support for manufacturing & property sector. No major escalation with the West.

Investment conclusions

- **Equities:** 10%+ upside from current levels. Corporates adapt to challenging growth prospects to maintain earnings strength. Firms favour capital over expensive labour to increase (keep) profitability. De-escalation in geopolitics incl. Russia-Ukraine conflict provides further upside. However, inflation pressure and high rates keep valuations in check.
- **Interest rates:** Short-term positive for duration assets (lower energy prices), but a stronger economy leads to more sticky demand-driven inflation.
- **Credit:** Corporate default rates are slightly below long-term averages. Credit in general (incl. EMD, AT1s; "dis-/stressed") and HY bonds/loans benefit.
- **Commodities/FX:** Bid for cyclical commodities/metals. EUR and selective EM FX rates rally.

Bear case 15%

- **US:** Mild (real) recession caused by the (partial) closure of the Strait of Hormuz (high oil prices; severe supply chain disruptions) and a potential re-escalation of the US-Iran conflict after mid-terms. Inflation is sticky, leading to lower consumer spending and higher unemployment. A slight wage-price spiral kicks off. Fed becomes more hawkish.
- **Europe:** Continued stagnation due to war/geopolitics/tariffs. Peripherals and France suffer from yield increases, but German impulse programmes are a strong positive counterweight.
- **China/EM:** Supply chain disruption, weak private consumption, insufficient fiscal stimulus lead to GDP growth <4%; weak exports. EMs (ex-commodity exporters) suffer as global trade is held back; FX weak.

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 modestly while short-term rates remain elevated. 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. Neutral for gold as short-term rates elevated.

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

- Markets look through Middle East conflict. Focus is on AI infrastructure glut, which stimulates growth, drives tech earnings and supports high valuations.
- However, the Strait of Hormuz remains in focus and is still a source of volatility near- and long-term.
- Should US-Iran peace talks be successful, markets get new stimulus driven by lower inflation expectations for 2027 and "unlocking" private investments.
- Demand-driven (moderate) inflationary boom replaces supply-driven stagflation woes.
- Pro-business economic policy from the new US administration and high corporate profit margins are positives. Increase of (US) M&A activity in H2 2026.
- Positive ("K-shaped") wealth effect for private sector due to rising equity market levels, elevated house prices and solid wage growth.

Comment

- Elevated S&P P/E ratio of ~22 translates into an earnings yield of just 4.5%. If earnings growth disappoints, US equities will fall double digits.
- Market consensus estimates that US earnings will grow >20% in 2026 and >10% in 2027, which poses a risk for disappointment.
- Great power competition/conflicts lead to more structural inflation pressure (less globalisation/productivity, less efficient/safe supply chains, more protectionism).
- US equities incorporate advanced valuations compared to other regions. However, the economy is more resilient, less impacted by the Ukraine and Middle Eastern conflicts and supported by big tech earnings, justifying a certain valuation premium.

Credit/Fixed Income

- **Rates:** Inflation pressure from the oil price spike dominates short-term direction of rates. We have entered a new interest rate regime with the yield spike in 2022/23. "Duration" as an asset class and diversifier is back on track. Fed funds are priced for at least a rate hike; however, oil-price led inflation is transitory. We have a neutral stance on duration, which acts as a valuable portfolio diversifier.
- **IG:** We hold minimal investment grade bonds. Credit spreads are tight, but nominal interest levels are attractive.
- **High yield:** Loans and high yield bonds offer good relative and attractive absolute yields. Overall, we favour selective US short-term non-cyclical bonds, European loans and mezzanine CLO tranches.
- **Emerging debt:** Emerging debt has suffered from the oil price spike, the increase of US rates and stronger USD. Risk premia is tight and the pressure remains on oil-importing countries. We hold limited and selective exposure in EM/Frontier markets.

Comment

- Fed is focused on core inflation (ex-energy, food) and will largely look through the short-term spike of energy and CPI headline inflation.
- Fed targets to anchor long-term inflation, which is what keeps long-term rates in check and has postponed FED rate cut-hopes far out.
- ECB wants to play "safe" and envisages a potential further hike in H2 2026 until energy prices are in-check.
- Credit spreads are tight, justified by corporate default rates of just 2 to 3%. No spike is on the cards, but weak credits will leave the market.
- 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).
- With PE exposure lagging and public equity markets volatile, 2026 could mark an increase in interest for well-run hedge funds. Selection is key!

Alternatives

- Credit long-short strategies identify plenty of relative value trades, both long and short.
- Equity long-short/event-driven strategies benefit from uncertainty and high performance dispersion.
- Alternative lending as an asset class benefits from wider spreads and attractive risk-free rates.

Comment

- Active managers benefit from the opportunities in AI-spending, the energy market shock and supply chain disruption. Moreover, innovative disruption and geopolitics lead to more price dispersion among single securities, industries and regions.
- Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).

Real Assets, Digital Assets

- The (partial) re-opening of the Strait of Hormuz has tamed energy prices. Forward price curve assumes much softer prices for 2027 and beyond.
- Long-term effect of the crisis leads to more "near-shoring" and diversification of the supply chains in major economic blocs, which makes it crucial to understand the local/regional markets.
- After gold sell-off, valuations look attractive again.

Comment

- Elevated inflation is beneficial for commodity prices, but a softer economy is negative.
- Supply-side disruption in oil is at a new high.
- After a price decline in digital assets, our outlook is positively biased, in particular, should rates peak in H2 2026. New regulations and firmer guidelines are another positive factor.

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-recognised benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities), but on the other hand also incorporates 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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