



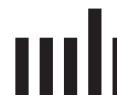
# Quarterly investment letter – 1<sup>st</sup> quarter 2026

## Content

Regional macroeconomic backdrop	2
Market consensus forecasts	5
Performance table	6
Key charts	7
Scenario overview 6 months	8
Asset class assessment	10
Asset class conviction levels	11
Disclaimer	12

## Summary points

- A higher nominal world has emerged, driven by persistent fiscal deficits, rising protectionism and competitive currency devaluations leading to a higher equilibrium for inflation & interest rates.
- In the fourth quarter, global activity remained resilient, holding up despite renewed tariff pressures and persistent geopolitical tensions.
- The US economy saw moderate growth, easing inflation pressures, rising policy and trade uncertainty.
- **European conditions improved modestly**, though recovery remained uneven amid trade distortions, tighter fiscal policy and industrial softness.
- China and Asia faced **late-cycle slowing growth and disinflation**, with China still tracking 5%.
- Despite persistent uncertainty, **2025 proved constructive for multi-asset investors**, with global equities posting strong double-digit gains, duration supported by peaking policy rates, and a weaker dollar boosting gold and non-US risk assets.
- **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. We emphasise **capital preservation** with opportunistic positioning, viewing **rising volatility** and **dispersion across markets and sectors** as catalysts for **active management to capture alpha**. Credit investments, particularly **loans and non-cyclical short-term high-yield bonds** offering 7–9% yields, remain preferred. We maintain a constructive stance on equities, where the current market environment favours an absolute return strategy over a traditional relative value approach.



## 1 Regional macroeconomic backdrop

### 2026: Will earnings back high valuations?

Global activity in Q4 2025 remained resilient despite tariff frictions and geopolitical flashpoints. In the US, softer but still positive growth, cooling inflation and Fed rate cuts, alongside the end of quantitative tightening, underpinned easier financial conditions even as data uncertainty from the record shutdown clouded the outlook. In Europe, modestly improving PMIs and German fiscal plans contrasted with weak earnings momentum, keeping the ECB on hold while peripheral spreads flickered wider. China continued to wrestle with weak domestic demand, property stress and consumer-price deflation, prompting targeted PBoC liquidity support but no wholesale stimulus, even as AI-linked equities and a partial tariff truce with Washington stabilised sentiment.

Against this backdrop of policy noise, AI exuberance, rich valuations and fears of recession, 2025 nonetheless proved a constructive year for multi-asset investors: global equities delivered solid double-digit gains, duration benefitted from a synchronised peak in policy rates, and a weaker dollar supported gold and non-US risk assets. Looking into 2026, concerns are greater – from potential inflation re-acceleration to a tiring consumer – yet the key question is whether earnings can ultimately justify elevated equity valuations, a theme we will revisit in this Quarterly Investment Letter.

Chart 1: Total returns on global assets by calendar year

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*
HY 14.8%	Equity 22.1%	Cash 2.0%	Equity 38.4%	Gold 24.8%	Commodity 40.4%	Commodity 26.0%	Equity 25.8%	Gold 27.1%	Gold 63.9%
Commodity 11.4%	REITS 13.9%	Loans 1.6%	REITS 21.7%	Equity 44.2%	REITS 23.1%	Cash 1.5%	Gold 13.8%	Equity 18.2%	Equity 20.6%
Loans 9.6%	Gold 12.6%	Govt 0.3%	Gold 18.7%	IG 10.3%	Equity 22.3%	Loans 13.4%	Loans 9.3%	REITS 14.7%	REITS 14.7%
Gold 9.0%	HY 10.2%	Gold 1.7%	Commodity 17.6%	Govt 9.2%	Loans 5.4%	Loans -1.1%	HY 13.4%	Commodity 9.2%	HY 10.3%
Equity 6.2%	IG 9.2%	HY -3.3%	HY 13.7%	HY 8.0%	HY 1.4%	HY -13.2%	REITS 9.5%	HY 7.5%	IG 10.2%
REITS 4.4%	Govt 6.5%	IG -3.5%	IG 11.4%	Loans 3.0%	Cash 0.5%	IG -16.7%	IG 9.5%	Cash 5.3%	Govt 6.7%
IG 4.4%	Commodity 5.8%	REITS 5.4%	Loans 8.2%	Cash 0.5%	IG -3.0%	Equity 17.7%	Cash 5.1%	IG 1.2%	Loans 5.7%
Govt 4.3%	Loans 4.4%	Equity 8.2%	Govt 5.5%	REITS 6.3%	Gold 4.0%	Govt 18.8%	Govt 3.6%	REITS 1.1%	Commodity 4.3%
Cash 0.5%	Cash 1.1%	Commodity 13.8%	Cash 2.3%	Commodity 23.7%	Govt 6.9%	REITS -22.8%	Commodity 4.3%	Govt 4.3%	Cash 4.0%

Source: Alpinum Investment Management

### United States

In Q4 2025, the US economy was characterised by slowing but still positive activity, disinflationary trends and intensifying policy and trade uncertainty. A record-long federal government shutdown delayed official data and weighed on confidence, while private indicators pointed to a softening labour market: payroll gains decelerated, unemployment rose to 4.4% and job cuts surged, even as jobless claims remained contained. Growth became increasingly two-speed, with higher-income households sustaining consumption, while weaker retail sales and plunging sentiment signalled fatigue further down the income distribution. Inflation data surprised benignly. September CPI and PPI prints undershot expectations, core goods and services disinflated and producer pipeline pressures eased, reinforcing the view that tariff-related cost shocks were compressing margins rather than reigniting a broad inflation upswing. The administration oscillated between aggressive tariff announcements and tactical truces, using tariff relief on selected goods to offset domestic inflation and to advance geopolitical objectives. Financial markets navigated this 'bad news is good news' equilibrium.

US equities extended year-to-date gains to high-teens percentages, although November saw rotation into defensive sectors as valuations and tech concentration drew greater scrutiny. The Federal Reserve cut rates by 25 bps in October and December to 3.50%–3.75% and formally concluded quantitative tightening. US Treasuries outperformed credit as disinflation, uncertainty around the shutdown's growth impact and rising expectations of additional 2026 easing drove a bull-steepening of the curve. Credit spreads traded sideways to become modestly wider, reflecting healthy, but no longer accelerating, earnings and growing investor focus on late-cycle risks and liquidity premia repricing.

Chart 2: Equity market volatility in 2025



Source: Alpinum Investment Management



## Europe

Economic conditions in Europe improved modestly, though the **recovery remained uneven** and **heavily influenced by external trade distortions, tightening fiscal stances and lingering industrial fragilities**. Eurozone activity indicators positively surprised early in the quarter, with the HCOB Composite PMI rising to a 17-month high of 52.5 in October as services strengthened meaningfully and manufacturing finally stabilised around the 50 threshold. However, momentum softened again into November, with the HCOB Manufacturing PMI easing to 49.6 returning to mild contraction, pressured by intensifying Chinese competition and the cumulative effect of US tariffs on high-value European exports. **Inflation continued its glide towards its target**. Eurozone headline CPI held steady, coming in at 2.1% in October and 2.2% in November, while core remained stickier, particularly in services, complicating the ECB's ability to guide markets towards a clearer easing trajectory. Nonetheless, resilient labour markets, improving new-order growth and expectations of German and Italian fiscal support helped maintain a cautiously constructive backdrop.

**Bond markets reflected the region's mixed macro signals**. Bund yields edged higher as rate-cut expectations receded, while peripheral spreads tightened on improving sentiment and contained political risk. **Equities advanced through October**, led by earnings resilience and easing trade tensions, but **stalled in November** as defensive sectors outperformed and valuation concerns resurfaced. Across Europe, the quarter ultimately reaffirmed a **fragile but stabilising growth trajectory** yet still constrained by tight financial conditions, external trade headwinds, and persistent structural disparities among member states.

Chart 3: Outperformance of value vs growth in Europe



Source: Alpinum Investment Management

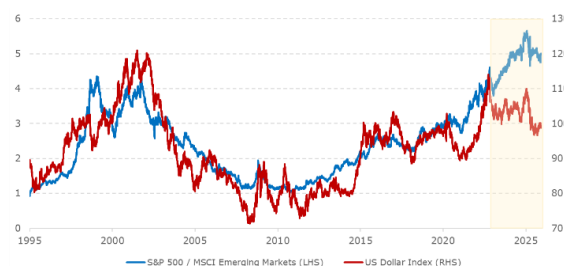
## China and emerging markets (EM)

In Q4 2025, China and broader Asia navigated a late-cycle environment characterised by **slowing but still positive growth, disinflation and increasingly policy-dependent risk sentiment**. China's economy remained broadly on track for 5% full-year growth after Q3 GDP expanded 4.8% year on year, even as sequential momentum cooled amid weaker domestic demand and persistent housing stress. Official and private **PMIs oscillated around the 50 threshold**, with manufacturing stuck in mild contraction and non-manufacturing slipping below 50 in November, underscoring services and construction activity despite resilient exports and supply-chain re-routing. Against this backdrop, the **PBoC maintained an accommodative stance**, keeping policy rates and the loan prime rate unchanged while relying on targeted liquidity injections, window guidance and incremental housing support to stabilise the property sector. **Deflationary pressures gradually moderated** as headline CPI returned to positive territory and producer price deflation narrowed, yet the inflation profile stayed benign relative to developed markets, reinforcing a bias towards further easing if growth disappoints.

Across regional markets, **Asia ex-Japan equities modestly outperformed global peers** over the quarter, supported by strong AI-related demand in Taiwan and Korea, solid earnings and renewed foreign inflows whenever US-China trade rhetoric de-escalated. **Mainland Chinese equities lagged behind broader Asia** as lingering concerns over property, local government debt and regulatory unpredictability kept risk premia elevated despite attractive valuations.

**Asian local-currency government bonds benefitted from subdued inflation** and a Fed easing bias, with onshore Chinese government bonds in particular supported by entrenched disinflation and a relatively firm renminbi, cementing their role as a regional duration and diversification anchor within multi-asset portfolios.

Chart 4: Historical correlation between EM and the US dollar



Source: Alpinum Investment Management



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## Investment conclusions

The **global economy continues to ‘muddle through’** with growth proving resilient despite trade frictions and policy uncertainty. The **base case remains unchanged** and the probability of a deep US recession is low. Looking ahead to 2026, a **moderate re-acceleration in global activity** could revive cyclical inflation, capping valuation upside and placing **greater emphasis on corporate earnings**, for which expectations remain constructive. A structurally **higher-nominal environment**, marked by persistent fiscal deficits, protectionism and currency realignment, will amplify dispersion and sharpen the divide between winners and losers. In this setting, **disciplined security selection** and **agile portfolio management** become essential. We prioritise **capital preservation** while using volatility and dispersion as fertile ground for **Liquid Alternatives to generate alpha**.

**Chart 5: Appealing environment for Liquid Alternatives**



**Bonds:** Near-term defaults may tick higher, but a major default wave is not in the cards. **Credit spreads, though tight, have modest room to widen**, potentially creating better entry levels. The outlook beyond 2025 is constructive, and **we maintain a preference for short-duration high yield and senior secured loans**, offering attractive carry with limited duration risk.

**Equities:** Equity markets face headwinds from US policy uncertainty, elevated valuations, and margin pressures, though resilient consumption underpins earnings. Into 2026, improving fundamentals support valuations and justify selective **rotation towards non-US markets, incl. EMs**.

Our **tactical approach emphasises balance**, with a slight preference for value and cyclicals amid resilient growth. **Duration is neutral**, maintaining a slightly underweight positioning in IG bonds and USTs, while **favouring short-term HY, loans** and selective below-IG bonds and hybrids.

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## 2 Market consensus forecasts

GDP growth %	2023	2024	2025e	2026e
World	3.3	3.0	3.0	2.9
United States	2.9	2.8	2.0	2.0
Eurozone	0.4	0.7	1.4	1.1
Germany	-0.3	-0.2	0.3	1.0
France	0.9	1.1	0.8	0.9
Italy	0.7	0.5	0.6	0.7
United Kindom	0.4	0.8	1.4	1.1
Switzerland	0.7	1.3	1.2	1.2
Japan	1.5	0.1	1.2	0.7
Emerging economies	4.9	4.1	4.2	4.2
Asia Ex-Japan	5.1	4.7	4.7	4.6
Latin America	1.9	2.2	2.7	2.3
EMEA region	2.9	2.7	2.3	2.6
China	5.4	5.0	4.9	4.5
India	7.6	7.8	6.4	7.1
Brazil	3.3	3.4	2.2	1.7
Russia	4.1	3.7	0.8	1.0

Central bank rates %	2023	2024	2025e	2026e
US Fed Funds	5.50	4.50	3.80	3.25
ECB Main Refinancing	4.50	3.15	2.00	1.98
China 1yr Best Lending	4.35	3.09	2.99	2.79
Bank of Japan Overnight	-0.04	0.30	0.72	0.97
UK Base Rate	5.25	4.75	3.77	3.28
Swiss 3mth CHF Libor	n.a.	0.70	0.00	0.00

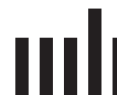
Major interest rates %	2023	2024	2025e	2026e
USA 3mth rate	5.6	4.4	3.7	3.2
USA 10yr Gov't Bond	4.3	4.1	3.5	3.3
Eurozone 3mth rate	3.9	4.3	4.1	4.1
Eurozone 10yr Gov't Bond	3.9	2.8	2.1	2.1
China 3mth rate	2.4	2.0	2.0	2.2
China 10yr Gov't Bond	2.0	2.2	2.7	2.9
UK 3mth rate	2.5	1.8	1.6	1.4
UK 10yr Gov't Bond	2.2	1.6	1.4	1.2
Swiss 3mth rate	2.6	1.9	1.8	1.7
Swiss 10yr Gov't Bond	n.a.	0.5	1.0	1.2

Inflation %	2023	2024	2025e	2026e
World	6.7	4.2	3.6	3.4
United States	4.1	3.0	2.8	2.9
Eurozone	5.5	2.4	2.1	1.8
Germany	6.1	2.5	2.2	2.0
France	5.7	2.3	1.0	1.3
Italy	6.0	1.1	1.7	1.4
United Kindom	7.4	2.5	3.4	2.5
Switzerland	2.2	1.1	0.2	0.4
Japan	3.3	2.7	3.1	1.9
Emerging economies	5.8	6.5	3.0	2.7
Asia Ex-Japan	1.7	0.8	0.5	1.2
Latin America	22.8	34.5	9.5	6.1
EMEA region	17.1	16.9	12.3	8.8
China	0.2	0.2	0.0	0.7
India	5.7	4.8	4.6	2.1
Brazil	4.6	4.4	5.0	4.2
Russia	6.0	8.4	8.8	6.0

Commodities	2023	2024	2025e	2026e
NYMEX WTI oil USD/barrel	69	65	56	57
ICE Brent oil USD/barrel	73	68	59	61
Iron Ore USD/metric ton	138	102	101	95
Copper USD/metric ton	8559	10050	11673	11561
Gold USD/troy oz	2063	3488	4445	4611
Silver USD/troy oz	23.8	41.1	67.7	69.9

Exchange rates	2023	2024	2025e	2026e
EURUSD	1.10	1.06	1.17	1.20
EURCHF	0.93	0.94	0.94	0.95
USDCHF	0.84	0.89	0.80	0.80
EURJPY	155.72	161.00	176.00	175.00
EURGBP	0.87	0.83	0.88	0.88
USDJPY	140.89	152.00	150.00	146.50
GBPUSD	1.27	1.28	1.33	1.36
USDCNY	7.10	7.20	7.10	7.00
USDBRL	4.86	5.75	5.40	5.50
USD RUB	n.a.	98.00	84.00	88.17

- Source: Alpinum Investment Management (additional sources in appendix)  
Note: Q4 = data as of 17 December 2025 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst



### 3 Performance table

Performance				
Global equity markets	Price	Q4	Ytd Q4	Div.yld
MSCI World (USD)	4352	1.1%	17.4%	1.6
MSCI World (USD) hedged	2395	1.6%	16.9%	n.a.
S&P 500	6721	0.5%	14.3%	1.2
Russell 1000	3669	0.4%	13.9%	1.2
Nasdaq 100	24648	-0.1%	17.3%	0.7
Stoxx Europe 600	580	3.9%	14.2%	3.1
MSCI Emerging Markets	1359	1.0%	26.4%	2.5
Nikkei 225	49512	10.2%	24.1%	1.6
China CSI 300	4580	-1.3%	16.4%	2.4

Forward		EPS growth	
Equity market valuations	PE	PB	2025e 2026e
MSCI World (USD)	22.7	3.8	8% 14%
MSCI World (USD) hedged	n.a.	n.a.	n.a. n.a.
S&P 500	25.2	5.2	12% 16%
Russell 1000	25.0	4.9	12% 17%
Nasdaq 100	30.6	8.3	25% 24%
Stoxx Europe 600	16.4	2.2	-1% 10%
MSCI Emerging Markets	15.3	2.1	11% 19%
Nikkei 225	20.6	2.4	22% -6%
China CSI 300	16.3	1.8	13% 15%

Performance				
Global gov't bonds	Yield	Q4	Ytd Q4	YtW
10yr US Treasury	4.15	1.0%	8.3%	n.a.
10yr Euro gov't bond	2.86	0.1%	1.3%	n.a.
10yr German gov't bond	2.86	-0.6%	-0.7%	n.a.
10yr Italian gov't bond	3.57	0.8%	4.1%	n.a.

Performance				
Global bond indices	Price	Q4	Ytd Q4	YtW
Barclays Global Corporate IG	303	0.5%	10%	4.4
Barclays US Corporate IG	3533	0.5%	7.4%	4.9
Barclays Euro Corporate IG	265	0.1%	2.9%	3.2
Barclays Emerging Market USD	1383	2.1%	10.8%	5.8
Barclays US Corporate HY	2897	0.7%	8.0%	6.7
Barclays Pan-European HY	501	0.4%	4.6%	5.8

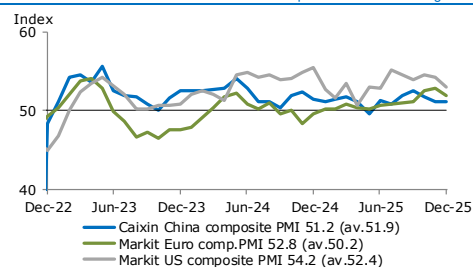
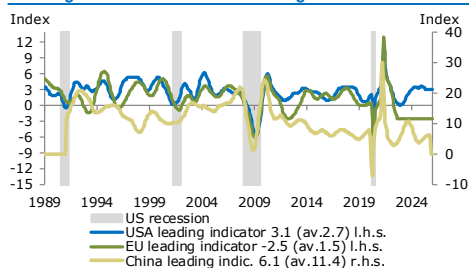
Performance				
Commodities and currencies	Price	Q4	Ytd Q4	YtW
Brent oil	60	-11%	-20.0%	
US Energy Services	73	11.1%	0.4%	
Copper	11753	33.7%	35.5%	
Gold	4338	12.4%	65.3%	
EURUSD	1.17	0.1%	13.4%	
EURCHF	0.93	0.0%	-0.6%	

- Source: Alpinum Investment Management (additional sources in appendix)  
Note: Q4 = data as of 17 December 2025 / PE=price-earnings / PB=price-book / EPS=earnings per share / YtW=yield-to-worst

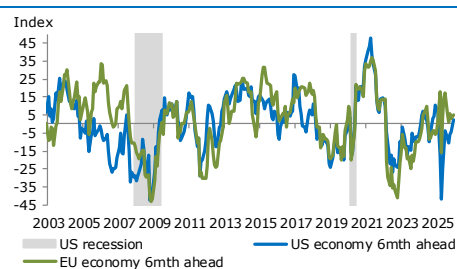
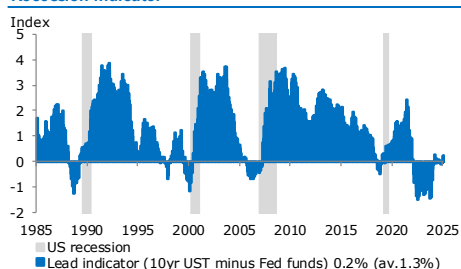


## Leading indicators and manufacturing

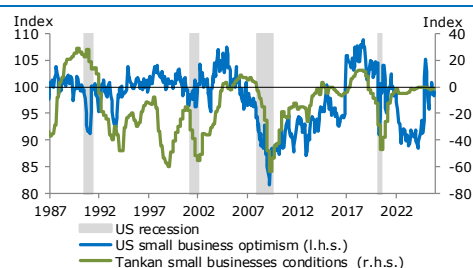
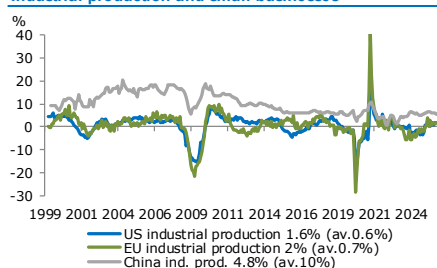
Source: Alpinum Investment Management



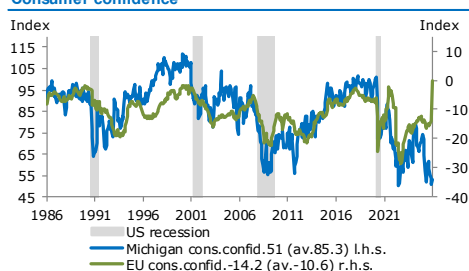
## Recession indicator



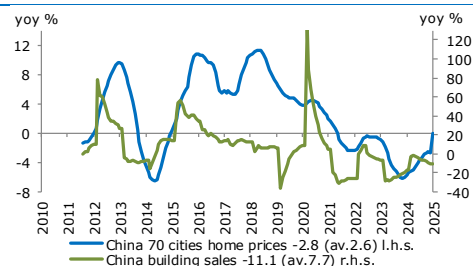
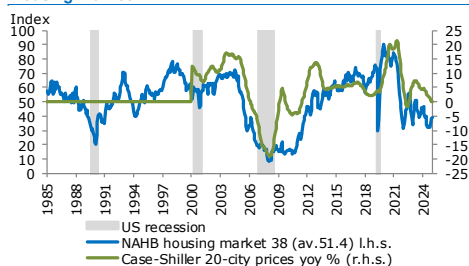
## Industrial production and small businesses



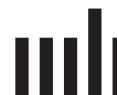
## Consumer confidence



## Housing market



Source: Alpinum Investment Management (additional sources in appendix)



## 5 Scenario overview 6 months

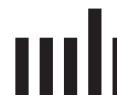
Base case 75%	Investment conclusions
<ul style="list-style-type: none"><li>▪ <b>US:</b> Low real GDP growth of ~2% with solid 4-5% nominal growth. Need to look through imposed tariffs. Uncertainty holds back some short-term private investments, reduces consumer confidence and puts inflation pressure up. Uncertainty from erratic government policy and confrontation remain key concerns, but deregulation &amp; lower taxes are positive for corporates and keep profit margins high. High house prices and ~4% YoY-wage growth keeps private consumption up. Government spending (on energy/defence), new foreign investment plans support growth.</li><li>▪ <b>Eurozone:</b> Stagnation turns into mild growth ~1% and will accelerate throughout 2026. Impulse programs (defence, infrastructure, AI) provide some sort of growth acceleration amid former austerity programmes. Inflation worries (&gt;2%) remain modest.</li><li>▪ <b>China:</b> GDP grows just above 4% thanks to government support incl. various credit impulse measures.</li><li>▪ <b>Oil:</b> Military conflicts drive prices, but US increases output, which keeps prices mostly in check.</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Equities:</b> Positive tilt, but geopolitics pressure highly valued US equities. 'RoW-equities' (Europe, Asia) experience positive net fund flows. Profit margin pressure in some sectors (inflation, wage growth, tariffs). US equities lack a large upside potential with an S&amp;P forward P/E multiple of ~23. We recommend a balanced approach for equity style.</li><li>▪ <b>Interest rates:</b> 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.</li><li>▪ <b>Credit:</b> 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.</li><li>▪ <b>Commodities/FX:</b> Despite a recent weakening, the USD is still highly valued. Geopolitics supports gold. New (US) supply pressures gas/oil, but structural higher inflation supports the commodities bloc.</li></ul>
Bull case 15%	Investment conclusions
<ul style="list-style-type: none"><li>▪ <b>US:</b> GDP growth rate of &gt;2% (&gt;5% nominal). Fed succeeds and inflation trends at &lt;3%. Consumer spending remains robust, supported by continued wage increases of 4% (+1% real growth). Energy prices remain in-check; tax cuts start to boost capex. Economy transitions into a new era/cycle.</li><li>▪ <b>Europe:</b> Positive feedback loop from fiscal measures on corporate investments and consumer sentiment leads GDP growth from ~0% to &gt;1% in 2026. 'Standing together' spirit holds.</li><li>▪ <b>China/EM:</b> Chinese government stimulus gets more momentum, stabilising private consumption. Easing monetary policy provides support for manufacturing &amp; property sector. No major escalation with the West.</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Equities:</b> Corporates adapt to challenging growth prospects to maintain earnings strength. Firms favour capital over 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.</li><li>▪ <b>Interest rates:</b> Rates move up with a bear flattening curve move; inflation pressure persists.</li><li>▪ <b>Credit:</b> Corporate default rates are slightly below long-term averages. Credit in general (incl. EMD) and short-term HY bonds/loans benefit.</li><li>▪ <b>Commodities/FX:</b> Bid for cyclical commodities/metals. EUR and selective EM FX rates rally.</li></ul>
Bear case 10%	Investment conclusions
<ul style="list-style-type: none"><li>▪ <b>US:</b> Mild recession caused by distorting US policies and imposed tariffs (higher inflation, less consumer spending, investments held back), but still with positive nominal GDP growth. Unemployment rate below 5% combined with sticky inflation kicks off a slight wage-price spiral. Fed in fear to tighten (a bit) again.</li><li>▪ <b>Europe:</b> Continued stagnation due to war/geopolitics/tariffs. Peripherals &amp; France suffer from yield increases, but German impulse programs are a strong positive counterweight.</li><li>▪ <b>China/EM:</b> Chinese regulators fail to ease credit and regulatory measures enough, leading to &lt;4% GDP growth and disappointing exports. Emerging markets (ex-commodity exporters) suffer as global trade is held back. EM FX weakness.</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Equities:</b> Equities fall double digits. Highly priced US equities and cyclical will lead the correction, followed by Europe.</li><li>▪ <b>Interest rates:</b> Long-term rates drop the most (yield curve inverts anew), but limited potential apart from US rates. Support for high-quality assets (treasuries, A/AA bonds, agency bonds). Cash is king!</li><li>▪ <b>Credit:</b> 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.</li><li>▪ <b>Commodities/FX:</b> Negative for cyclical commodity prices. USD, CHF and JPY act as a safe haven again.</li></ul>





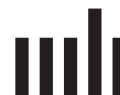
#### Tail risks

- 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.
-



## 6 Asset class assessment

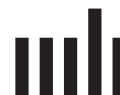
Equities	Comment
<ul style="list-style-type: none"><li>With the outlook for lower short-term rates and the pro-business economic policy from the new US administration, corporate profit margins will be bolstered on average. An increase of (US) M&amp;A activity in 2026 is highly likely and acts as another support.</li><li>Positive wealth effect for the private sector driven by elevated equity market valuations, higher wages and robust house prices.</li><li>A negative factor for equities remains the 'competition' of other asset classes, namely the positive real rates of US Treasuries or HY bonds yielding &gt;6.5% p.a.</li><li>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 gets new legs.</li></ul>	<ul style="list-style-type: none"><li>Current elevated S&amp;P P/E ratio of ~23 translates into an earnings yield of only 4.3%. If negative earnings surprises come up, US equities will fall double digits.</li><li>Market consensus estimates that US earnings will grow around 10% in 2025 and 14% in 2026, which poses a risk for disappointment.</li><li>Great power competition/conflicts lead to more structural inflation pressure (less globalisation/productivity, less efficient/safe supply chains, more protectionism).</li><li>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.</li></ul>
Credit / Fixed Income	Comment
<ul style="list-style-type: none"><li><b>Rates:</b> We have entered a new interest rate regime with the yield spike in 2022/23. 'Duration' as an asset class &amp; 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.</li><li><b>IG:</b> 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 limited exposure.</li><li><b>High Yield:</b> Loans and high yield bonds offer fair relative and attractive absolute yields. Overall, we favour selective US short-term non-cyclical bonds, European loans &amp; senior/mezzanine CLO tranches.</li><li><b>Emerging Debt:</b> Weaker USD is a strong support for EMD in general, however, selectivity is key. We keep a close eye on fund flows. Selective local EM currency bonds are gaining more weight in our allocations in years due to USD-softness.</li></ul>	<ul style="list-style-type: none"><li>With cyclical risks and uncertainty about US policy, borrowing costs and bank lending are still slightly elevated.</li><li>Further rate cuts for 2026 are priced in for the Fed rate to reach levels close to 3% by mid-2026, whereas the ECB rate is expected to hover around 2%.</li><li>Credit spreads are 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.</li><li>We like the structured credit market, such as selective US non-agency RMBS or European CLOs.</li><li>Consider harvesting the illiquidity premium from direct loans (corporate/mortgage-backed loans).</li><li>With PE exposure already high and public equity valuations high, 2026 could mark an increase in interest for well-run hedge funds. Selection is key!</li></ul>
Alternatives	Comment
<ul style="list-style-type: none"><li>Credit long-short strategies identify plenty of relative value trades, both long and short.</li><li>Equity long-short/even-driven strategies benefit from uncertainty and high performance dispersion.</li><li>Alternative lending as an asset class is in the spotlight as yields have entered a higher yield regime.</li></ul>	<ul style="list-style-type: none"><li>Active managers benefit from the current fragile economic environment. Moreover, innovative disruption &amp; geopolitics lead to more price dispersion among single securities, industries, regions etc.</li><li>Global macro managers benefit from sharp market movements in either direction (i.e. rates/FX).</li></ul>
Real assets	Comment
<ul style="list-style-type: none"><li>Commodities benefit partly from de-globalisation (protective measures), supply-side constraints and the outlook for a cyclical economic uptick in 2026.</li><li>Gold benefits when real and/or nominal interest rates fall &amp; vice versa; currently a tailwind for gold. Aggressive Trump policies also supports a gold rally.</li><li>Crypto currencies get support from the Trump administration's aspiration to become the leading crypto hub, as evidenced by the stablecoin bill.</li></ul>	<ul style="list-style-type: none"><li>Elevated inflation is beneficial for commodity prices, but a softer economy is negative. Chinese growth hopes have yet to materialise as an additional support level for commodities.</li><li>Supply-side disruption has faded on a global scale.</li><li>Friendly environment for digital assets with new regulation and firmer guidelines. But large rate cut hopes are not realistic as a factor to push prices higher.</li></ul>



## 7 Asset class conviction levels

Equities	Underweight	←	Neutral	→	Overweight
North America	□	□	■	□	□
Europe	□	□	□	■	□
Switzerland	□	□	■	□	□
China	□	□	■	□	□
Japan	□	□	■	□	□
Asia – Emerging Markets	□	□	□	■	□
Others – Emerging Markets	□	□	□	■	□
<b>Fixed Income</b>					
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	□	□	■	□	□
<b>Commodities</b>					
Gold	□	□	□	■	□
Oil (Brent)	□	□	■	□	□
Digital Assets	□	□	■	□	□
<b>Hedge Fund: Strategies</b>					
Equity Long-Short	□	□	□	□	■
Credit Long-Short	□	□	□	■	□
Event-Driven Corporate Actions	□	□	□	■	□
Global Macro	□	□	□	■	□
<b>Hedge Fund: Regional Focus</b>					
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 of the relative expected return of an asset class versus well-recognized benchmarks such as BarCap Global aggregate (for bonds) and MSCI World (equities) but does on the other hand also partly incorporate our view of 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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