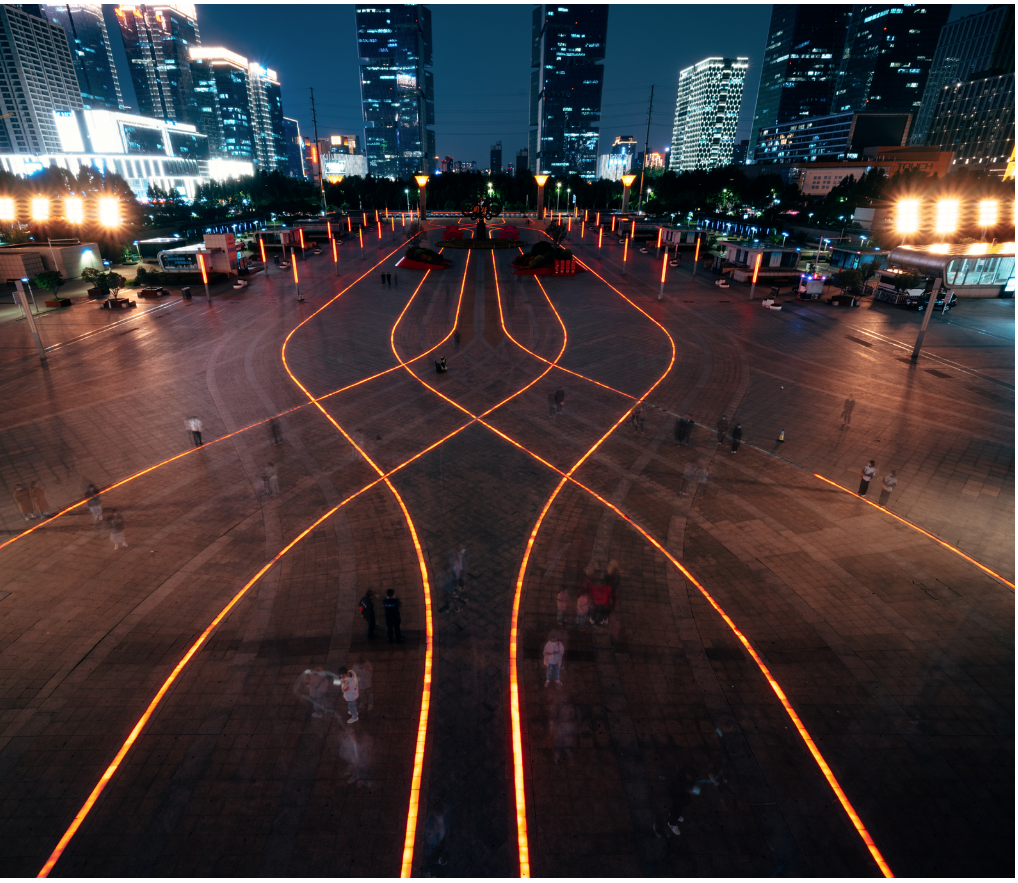
THEMATICA OUTLOOK | MAY 2025

When things get tough, the tough get going!

Global equities had another volatile month in April and May. Stocks initially plummeted amid fears that the global response to President Donald Trump's "Liberation Day" tariff offensive would plunge the global economy into recession but recovered most of their earlier losses when the president announced an abrupt U-turn to provide scope for trade negotiations. Trump's subsequent attack on Federal Reserve (Fed) Chair Jay Powell for not cutting interest rates heightened concerns over the central bank's independence and prompted a renewed sell-off, although easing tariff tensions and optimism around first-quarter corporate earnings releases brought some welcome respite near month end which continued over the course of May. The given uncertainty regarding the implementation of tariffs created a pull effect on the demand side leading many companies especially in the US building up significant levels of inventory again. At a sector level, energy was the weakest sector in the MSCI All Country World Index, dragged lower on falling oil prices. Meanwhile, consumer staples and utilities delivered positive returns as investors rotated into defensive names. Information technology and communication services stocks also staged a partial comeback near month end on optimism around corporate earnings releases and continuing growth. Especially after the US and China reached a temporary solution in the trade war all companies depending on global trade and global value chains started to gain in share again.

Some light at the end of the tunnel?

It seems hard to become overly optimistic given the current headwinds the global economy is facing. Nevertheless, there is always light at the end of the tunnel. Assuming this is not a train running the opposite direction lets have a look what could drive stock markets along the bumpy road we are currently on. Current geopolitical risks like the war between Russia and Ukraine as well as India and Pakistan showing some signs that peace is not that far away than we might have though a year ago. This could especially boost the development in markets like Europe which over proportionally suffered from the war. Along with the recent political stabilisation in Europe after the German election and the large stimulus programs for Infrastructure and Defence related spending programs this could boost the European economy which recently suffered from the post Covid depressions. This offers some interesting investment opportunities in Europe as well which has been an area that has been less whitnessed by global investors. On the other side of the globe China's economy in 2025 shows signs of moderate recovery amid structural challenges. While consumer spending and high-tech manufacturing are rebounding, the property sector remains weak, weighing on growth. Government stimulus and monetary easing aim to boost domestic demand, as youth unemployment and local government debt persist as concerns. Export performance is mixed due to global uncertainties and trade tensions. Beijing's pivot



toward innovation, green energy, and self-reliance offers long-term potential, though short-term momentum is fragile. Overall, China's economy is expected to grow modestly, with policymakers balancing reform and stimulus to navigate a complex post-pandemic global landscape. The U.S. economy shows resilience with steady growth, strong job creation, and cooling inflation. Investment in technology and infrastructure remain high, while consumer spending remains at robust levels. Certain pre buying effects stabilized the overall consumption trends as well. We do not expect President Trump is risking a severe US recession in front of the mid term election in 2026 given his weak poll data currently. Although the tariffs remain above the levels compared to the Biden era markets are currently expecting inflation remaining a bit stickier going forward creating a pleasant scenario for equities overall even if the economy overall remains

In a scenario like this, global equites can be an asset class which could remain very attractive. The overall easing of the global economy is offering more different sources of growth trends leading to a broader development of the equity markets going forward after the high level of concentration we have seen over the recent years. Inflation rates above historical averages could favour equities over bonds in the mid term. Despite this, we maintain full confidence in our current thematic selections and their underlying beneficiaries. We believe these business models are well-positioned to navigate and adapt to the new tariff environment, as they are driven by structural trends rather than cyclical ones. We also anticipate that markets may overreact to the present uncertainty.

As such, we will continue to monitor thematic corrections closely and may consider them as potential buying opportunities during this period of adjustment.

Themes in focus

"**Infrastructure**" enabling companies are poised to benefit over the next months due to increasing demand for robust digital and physical solutions. Growth in cloud computing, 5G deployment, and smart city projects drive need for specialized infrastructure solutions. Additionally, global supply chain adjustments and investments in renewable energy bolster demand for reliable power and logistics infrastructure. Governments and corporations prioritize resilience and sustainability, creating opportunities for infrastructure service providers. This environment fosters increased revenue, innovation, and strategic partnerships, positioning these companies for substantial growth. Overall, demand for advanced, scalable infrastructure solutions is set to rise, offering significant prospects for companies in this sector.

The theme "**Intelligent Machines**" offers potential too as various manufacturing industries are increasingly adopting automation to reduce costs and improve productivity. Technological advancements in AI, along with smarter machines and humanized robotics, enhance capabilities and expand applications going forward. The overall global need for automation along with the new setup of global supply chains makes robotics and automation related companies in the hardware and software segment to experience increased demand and growth opportunities in the near term.

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