BERENBERG *Markets*

INVESTMENT COMMITTEE MINUTES

13 March 2025

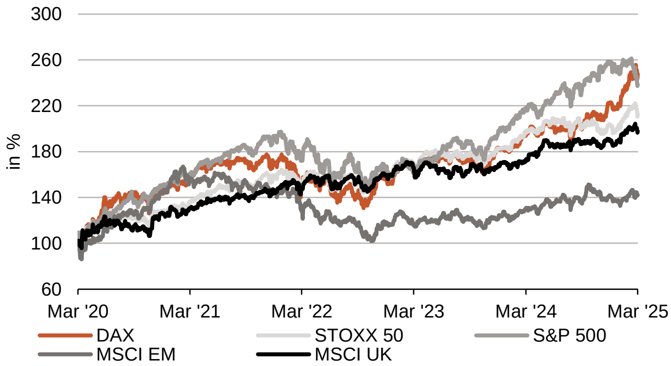
Managers of the Committee

Prof Dr Bernd Meyer
Chief Investment Strategist,
Chairman

Dr Holger Schmieding
Chief Economist,
Vice Chairman

The **Committee Members** are listed in the notes.

Development of selected equity indices



Source: Bloomberg, 12/03/2020 – 12/03/2025.

Most important assessments at a glance

Economics	• Planned spending package can strengthen German growth in conjunction with reforms. • President Trump's tariff policy is jeopardising the upturn in the eurozone and the domestic economy in the medium term. • Interest rate cuts by central banks are likely to come to an end soon - but uncertainty is high.
Equities	• US equities suffer from negative economic surprises and Trump's tariff policy. Selective opportunities due to correction. • European equities with a strong start to the year. Cyclical economic sectors are benefiting from several factors. • However, Europe has already come a long way and could consolidate for the time being.
Bonds	• Negative US economic surprises and the 'DOGE' austerity measures are causing US yields to fall. • Trump's policy agenda (tariffs, immigration, debt) increases the risk of inflation. We are keeping duration close to neutral. • High cash inflows and solid fundamentals continue to speak in favour of credit despite expensive valuations.
Commodities	• Gold remains supported in the medium term. However, the price is difficult to justify using standard valuation methods. • The supply of oil remains plentiful, but the price must be right. The downside risk should therefore remain limited. • Industrial demand for copper and aluminium remains stable. Infrastructure programmes are providing additional support.
Currencies	• Geopolitics and trade policy move the currency markets. • Europe and the euro emerge from their state of shock. • SNB tries to counter low inflation and strong franc.

Current market commentary

In the first few months of the year, the US stock markets reversed the trends of previous months and have been in negative territory since the beginning of the year. The glorious 7 from the USA in particular have lost well over 10 % since the start of the year in some cases. The combination of high interest rates, a strong dollar and high oil prices at the start of the year are currently causing negative economic surprises with a delay. In addition, Donald Trump's tariff threats and the 'DOGE' austerity measures are increasingly weighing on consumer sentiment. However, the depressed sentiment, below-average positioning and, in some cases, sharp price losses also offer selective opportunities again. By contrast, European equities performed significantly better, supported by the investment intentions of the new German government, a possible end to the war in Ukraine, the significant valuation discount compared to US competitors and positive earnings revisions. Cyclical economic sectors are likely to remain supported in this environment in the medium term. In the short term, however, Europe already seems to have come a long way. This, coupled with rebalancing flows at the end of the quarter, increases the probability of a technical countermovement in the relative performance between US and European equities. A hard escalation of the trade conflict that has so far failed to materialise, weaker US economic data and a loss of momentum in Treasuries led to a decline in yields in February. We continue to favour covered bonds over government bonds in Europe. In emerging markets, we favour the local currency segment and in hard currency government bonds over corporate bonds. We continue to maintain a neutral duration. Gold remains supported by fundamental factors, while oil is likely to continue its volatile sideways movement.

ECONOMICS

USA turns away - Europe reacts

Germany: planned spending package can strengthen growth in conjunction with reforms.
Trump's tariff policy jeopardises the recovery in the eurozone and other countries and is fuelling US inflation.
Interest rate cuts by central banks are likely to come to an end soon - but uncertainty is highs.

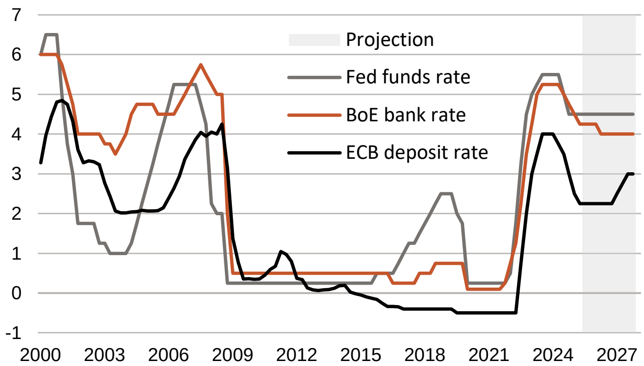
- **Germany is expanding its fiscal policy room for manoeuvre:** the federal government has launched a comprehensive fiscal package. The adoption of the reform of the debt brake and the special fund for infrastructure investments by the Bundestag and Bundesrat with a two-thirds majority is not a sure-fire success, but we believe this is likely. Although the fiscal stimulus is not likely to fully materialise in the real economy until 2026, it could then increase German GDP growth by 0.2 - 0.3 percentage points over five years. However, this assumes that the new German government will also introduce urgently needed structural reforms in addition to the spending package.
- **Trump is jeopardising growth in the eurozone and other trading partners:** The traffic lights in the eurozone have actually switched to green recently. France has passed a budget and Germany should soon have a functioning government again. The fact that the European Central Bank (ECB) is continuing to cut interest rates and that wages in the eurozone have been rising faster than prices for some time is also providing an economic tailwind. The upswing is jeopardised by global uncertainties, which have recently increased significantly. In recent weeks, the USA has turned away from Europe and Ukraine and towards Russia. In addition, Trump is swinging the tariff club and is now also targeting the European Union. An escalating trade conflict harbours the risk of the currently positive momentum in the eurozone coming to a halt again. The uncertain situation is also making it difficult for the ECB to form a clear picture of future economic and inflation trends. Although the monetary authorities cut the deposit rate by a further 25 basis points to 2.5% on 6 March, they kept all options open beyond this. The fact that the ECB is now describing its monetary policy as 'noticeably less restrictive' reinforces our view that it will stand still on 17 April before lowering its deposit rate for the last time to 2.25% on 5 June. However, if the growth prospects for the eurozone deteriorate significantly by then due to the trade conflict with the USA, the ECB could be forced to cut interest rates further.
- **Trump's policy harbours risks:** Even if individual companies have recently disappointed somewhat, the US economy remains quite robust overall. The new government is reducing regulations and wants to cut taxes. Both of these can further support the economy in the short term. However, the aggressive immigration and trade policy is causing unrest and harbours significant risks for the US economy in the medium term. In addition, the tariffs threatened by Trump would lead to noticeable inflationary pressure. This would be bad news for the Fed, as core inflation is already moving sideways at just over 3%. We therefore expect the Fed to leave the key interest rate range unchanged at 4.25 - 4.50 and not cut interest rates any further.

GDP and inflation forecasts (%)

		GDP growth			Inflation		
	Share	2025	2026	2027	2025	2026	2027
World	100.0	2.8	2.7	2.4			
USA	26.1	2.6	2.2	1.8	2.9	2.6	2.6
China	16.9	5.0	4.3	3.9	0.7	1.4	1.9
Japan	4.0	1.2	1.0	1.0	2.7	1.7	1.7
India	3.4	6.5	6.5	6.0			
Latin America	6.3	2.5	2.5	2.3			
Europe	24.3	1.2	1.6	1.5			
Eurozone	14.8	1.0	1.6	1.5	2.3	2.3	2.5
Germany	4.3	0.1	1.4	1.4	2.3	2.4	2.5
France	2.9	0.5	1.0	1.2	1.1	1.9	2.3
Italy	2.2	0.7	1.2	0.9	2.2	2.1	2.4
Spain	1.5	2.5	2.3	2.4	3.1	2.2	2.4
Other Western Europe							
United Kingdom	3.2	0.9	1.4	1.4	3.7	3.0	3.2
Switzerland	0.8	1.5	1.5	1.5	1.3	1.3	1.5
Sweden	0.6	1.6	1.8	2.0	2.2	2.2	2.5
Eastern Europe							
Russia	1.9	1.4	1.4	1.0	9.0	8.0	7.0
Turkey	1.1	3.0	3.0	2.5	28.0	28.0	20.0

Source: Berenberg

Key policy rates



Upper limit of Fed funds target rate, BoE bank rate, money market rate for ECB until 2017, deposit rate thereafter. Sources: ECB, Fed, BoE, Berenberg projections.

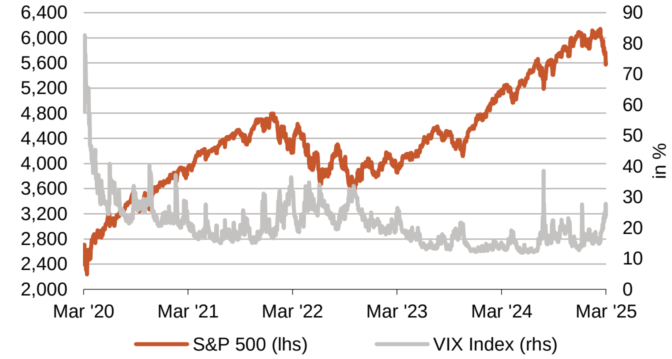
EQUITIES

Europe with further outperformance potential in the medium term

US equities suffer from negative economic surprises and Trump's tariff policy. Selective opportunities due to correction. European equities with a strong start to the year. Cyclical economic sectors benefit from several factors. However, Europe has already come a long way and could consolidate for the time being.

- In the first few months of the year, the stock markets reversed the trends of previous months and years. In particular, the Glorious 7 from the USA, which have contributed significantly to the index performance of recent years, have lost well over 10 % since the beginning of the year in some cases. As a result, the US stock market has also been trending well into negative territory since the start of the year. The combination of high interest rates, a strong dollar and high oil prices at the start of the year are now causing negative economic surprises with a delay. In addition, Donald Trump's tariff threats and the 'DOGE' austerity measures are increasingly weighing on consumer sentiment. Nevertheless, the current setback should also offer selective opportunities again due to the sharp drop in sentiment, below-average positioning and the sometimes sharp price losses.
- While US equities therefore had a weak start to the year overall, European equities made a strong start to the year and performed significantly better. They were supported by the investment intentions of the new German government, a possible end to the war in Ukraine, the significant valuation discount compared to US competitors and positive earnings revisions. Cyclical economic sectors are likely to remain supported in this environment in the medium term. In the short term, however, Europe already appears to have come a long way. Coupled with rebalancing flows at the end of the quarter, this increases the probability of a technical countermovement in the relative performance between US and European equities.

Performance and volatility of the S&P 500 Index



Source: Bloomberg, 12/03/2020 - 12/03/2025.

Overview of equity markets (short/medium term)

Regions	Old	New
US	↗	↗
Europe	↗	↗
Emerging markets	↗	↗

		Total return in local currency				
	As of 12/03/2025	ytd	1-year	3-year	P/E	Dividend yield
DAX	22,676	+13.9%	+26.2%	+66.4%	15.2	2.8%
SMI	4,113	+10.5%	+10.7%	+14.6%	18.4	3.0%
MSCI UK	2,441	+5.6%	+14.1%	+33.9%	12.2	3.8%
EURO STOXX 50	5,359	+9.8%	+11.1%	+60.9%	15.1	3.2%
STOXX EUROPE 50	12,117	+6.9%	+7.2%	+42.1%	15.0	3.4%
S&P 500	10,652	-4.6%	+9.2%	+37.6%	20.8	1.5%
MSCI Em. Markets	1,111	+3.7%	+9.0%	+12.1%	14.6	2.6%

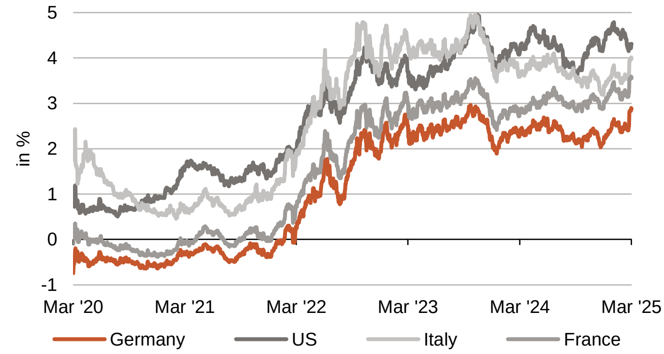
FIXED INCOME

US recession fears cause US yields to fall.

Negative US economic surprises and the 'DOGE' austerity measures are causing US yields to fall.
Trump's policy agenda (tariffs, immigration, debt) increases the risk of inflation. We are keeping duration close to neutral.
High inflows and solid fundamentals continue to speak in favour of credit despite expensive valuations.

- The latest 'DOGE' austerity measures, weaker US economic data and declining momentum in Treasuries led to a fall in US government bond yields in February. The probability of a (slight) economic slowdown in the US has recently increased, favoured by the lagging effects of the strong US dollar and high US interest rates in December/January, the new US government's austerity measures and increased political uncertainty. The yield on 10-year **US government bonds** has fallen from 4.5% at the end of January to 4.3% recently. In Europe, the announcement of a German economic stimulus package and Germany's demand for the European Union to relax fiscal rules and increase defence spending caused yields to rise, with the result that the yield on 10-year **German government bonds** recently rose to around 2.9%.
- The **high-yield** and **IG segments** continue to be supported by solid balance sheets and cash inflows, while new issues continue to be very well received by the market. However, due to the historically low spreads, the risk of valuation corrections has recently increased. The recent increase in the probability of a recession in the USA and the high correlation of EM spreads with US growth are a warning to be cautious with regard to issuers with low credit ratings within **emerging market bonds**.
- In the case of safe bonds, we continue to favour **covered bonds** over government bonds. In Europe, we are primarily focussing on good qualities from the IG segment. In **emerging markets**, we favour the local currency segment and in hard currency government bonds over corporate bonds due to the higher spreads and attractive carry. Due to the increased interest rate volatility, we continue to leave the duration at the overall bond level at neutral.

Yields on 10-year government bonds



Source: Bloomberg, 12/03/2020 - 12/03/2025.

Overview of bond markets (medium term)

Orientation	Old	New
Duration	Neutral	Neutral
Government bonds	→	→
Corporate bonds	↗	↗
High-yield bonds	→	→
Emerging market bonds	↗	↗

Yields (10-year)	Old	New
Germany	→	→
UK	→	→
US	→	→

		Performance in index currency		
	As of 12/03/2025	ytd	1-year	3-year
Government bonds (iBOXX Europe Sovereigns Eurozone)	221.31	-2.2%	+0.3%	-9.6%
Covered bonds (iBOXX Euro Germany Covered)	190.76	-0.4%	+3.2%	-2.7%
Corporate bonds (iBOXX Euro Liquid Corporates 100 Non-Financials)	151.29	-0.7%	+3.5%	-1.1%
Financial bonds (iBOXX Euro Liquid Corporates 100 Financials)	162.30	-0.4%	+4.4%	+4.7%
Emerging market bonds (J.P. Morgan EMBI Global Diversified unhedged Return EUR)	626.62	-2.8%	+8.0%	+13.2%
High-yield bonds (ICE BofA Global High Yield Index)	492.26	+2.4%	+8.7%	+17.0%

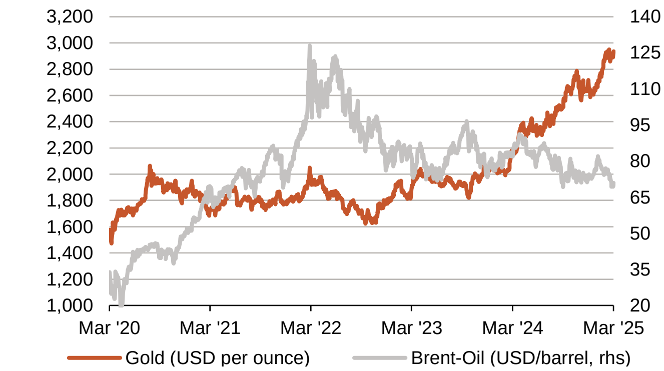
COMMODITIES

Mid-term support for precious and industrial metals

Gold remains structurally supported.
Crude is likely to continue its volatile sideways movement.
Industrial metals are benefiting from rising demand.

- **Gold:** Following a rally since the beginning of the year, the price of gold is consolidating near the USD 2,900 per ounce mark. Increasing economic policy uncertainty, a weaker US dollar and lower real interest rates are seen as the most recent price drivers. However, it is becoming increasingly difficult to justify the current price using standard valuation methods. In the medium term, however, central bank and ETF purchases should continue to support the gold price.
- **Crude oil (Brent):** After an initially positive start to the year, the oil price has recently trended significantly weaker. On the one hand, it is likely to remain supported by the producers' break-even point of USD 60 to 70 per barrel. On the other hand, demand is entering a seasonal phase of weakness and supply is likely to remain plentiful in the medium term.
- **Industrial metals**: Demand for copper and aluminium remains stable and, in addition to rising demand from green technologies, is now also being supported by potential defence and infrastructure spending.

Price development



Source: Bloomberg, 12/03/2020 - 12/03/2025.

Overview of commodities (short/medium term)	Old	New
Gold	↗	↗
Oil (Brent)	→	→
Industrial metals	↗	↗

		Performance		
	As of 12/03/2025	ytd	1-year	3-year
Gold USD/ounce	2,935	+11.8%	+36.0%	+47.6%
Silver USD/ounce	33.2	+15.0%	+37.7%	+28.5%
Copper USD/pound	482.1	+19.7%	+22.8%	+4.4%
Brent USD/bbl	70.95	-4.9%	-13.4%	-37.0%

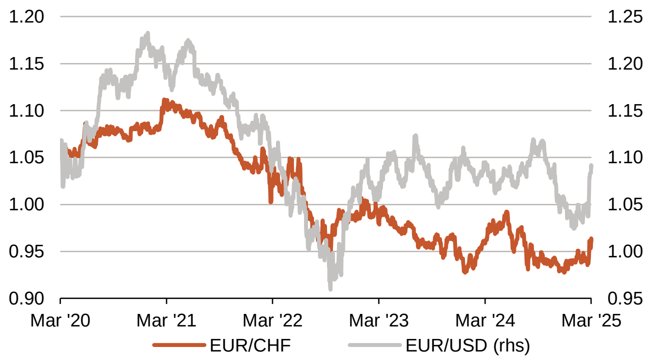
CURRENCIES

Politics moves the currency markets

Euro gains significant ground.
Common currency could gain further.
SNB no longer has much room for manoeuvre.

- **Euro appreciates significantly against the dollar:** On the one hand, this is due to the fact that the currency market is increasingly asking itself how many trading partners President Trump can take on at the same time without damaging the US economy. On the other hand, the planned fiscal packages in the eurozone have given the euro a tailwind, partly due to a narrowing interest rate differential. The ongoing economic recovery in the eurozone should also help. However, much will also depend on the further course of the trade conflict.
- **SNB tries to counter low inflation and strong franc:** To this end, the key interest rate could be lowered again by 25 bp to 0.25% on 20 March. After that, however, the room for manoeuvre is limited. Direct intervention in the foreign exchange market harbours the risk of being labelled a currency manipulator by the USA. However, as the ECB is only likely to cut its key interest rate once more, we expect the euro-franc exchange rate to move sideways at around the current level in the medium term.

Exchange rates



Source: Bloomberg, 12/03/2020 - 12/03/2025.

Overview of currencies (short/medium term)	Old	New
EUR/USD | Euro/US dollar	→	→
EUR/CHF | Euro/Swiss franc	→	→
EUR/GBP | Euro/Sterling	→	→
EUR/JPY | Euro/Japanese yen	→	↘

		Performance		
	As of 12/03/2025	ytd	1-year	3-year
EUR/USD	1.09	+5.2%	-0.4%	-0.2%
EUR/CHF	0.96	+2.1%	+0.2%	-5.8%
EUR/GBP	0.84	+1.5%	-1.7%	+0.3%
EUR/JPY	161.40	-0.8%	+0.0%	+26.1%

IMPORTANT NOTES

Members of the Investment Committee

Prof Dr Bernd Meyer | Chief Investment Strategist, Chairman
Dr Holger Schmieding | Chief Economist, Vice-Chairman
Matthias Born | Head Portfolio Management Equities
Ulrich Urbahn | Head Multi Asset Strategy & Research
Dejan Djukic | Head Portfolio Management Multi Asset
Oliver Brunner | Head Multi Asset Income & ESG
Christian Saalfrank | Equities
Wei Lon Sung | Fixed Income
Ludwig Kemper | Commodities
Dr Konstantin Ignatov | Minutes
Mirko Schmidt | Minutes

Disclaimer

This information is a marketing communication. This information and references to issuers, financial instruments or financial products do not constitute an investment strategy recommendation pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendations pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014, both provisions in connection with section 85 (1) of the German Securities Trading Act (WpHG). As a marketing communication this document does not meet all legal requirements to warrant the objectivity of investment recommendations and investment strategy recommendations and is not subject to the ban on trading prior to the publication of investment recommendations and investment strategy recommendations. This document is intended to give you an opportunity to form your own view of an investment. However, it does not replace a legal, tax or individual financial advice. Your investment objectives and your personal and financial circumstances were not taken into account. We therefore expressly point out that this information does not constitute individual investment advice. Any products or securities described may not be available for purchase in all countries or only in certain investor categories. This information may only be distributed within the framework of applicable law and in particular not to citizens of the USA or persons resident in the USA. The statements made herein have not been audited by any external party, particularly not by an independent auditing firm. Any future returns on fund investments may be subject to taxation, which depends on the personal situation of the investor and may change in the future. Returns on investments in foreign currencies may increase or decrease due to currency fluctuations. The purchase, holding, conversion or sale of a financial instrument, as well as the use or termination of an investment service, may give rise to costs that affect the expected income. In the case of investment funds, you should always make an investment decision on the basis of the sales documents (key investor document, presentation of past performance, sales prospectus, current annual, if applicable, semi- annual report), which contain detailed information on the opportunities and risks of the relevant fund. In the case of securities for which a securities prospectus is available, investment decisions should always be made on the basis of the securities prospectus, which contains detailed information on the opportunities and risks of this financial instrument, otherwise at least on the basis of the product information document. An investment decision should be based on all characteristics of the fund and not just on the sustainability-related aspects . All the aforementioned documents can be obtained from Joh. Berenberg, Gossler & Co. KG (Berenberg), Neuer Jungfernstieg 20, 20354 Hamburg, Germany, free of charge. The fund sales documents and the product information sheets for other securities are available via a download portal using the password »berenberg« at the Internet address https://docman.vwd.com/portal/berenberg/index.html. The sales documents of the funds can also be requested from the respective investment management company. We will be pleased to provide you with the specific address details upon request. A fund investment involves the purchase of shares in an investment fund, but not a specific underlying asset (e.g. shares in a company) held by that fund. The statements contained in this document are based either on own company sources or on publicly accessible third-party sources, and reflect the status of information as of the date of preparation of the presentation stated below. Subsequent changes cannot be taken into account in this document. The information given can become incorrect due to the passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. For important disclosures and information on index- and market data, see https://www.berenberg.de/en/legal-notice/license-notice/. Past performance, simulations and forecasts are not a reliable indicator of future performance. Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document. Date 13/03/2025

Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg
Telephone +49 40 350 60-0
www.berenberg.de
MultiAssetStrategyResearch@berenberg.de