INVESTMENT MANAGEMENT

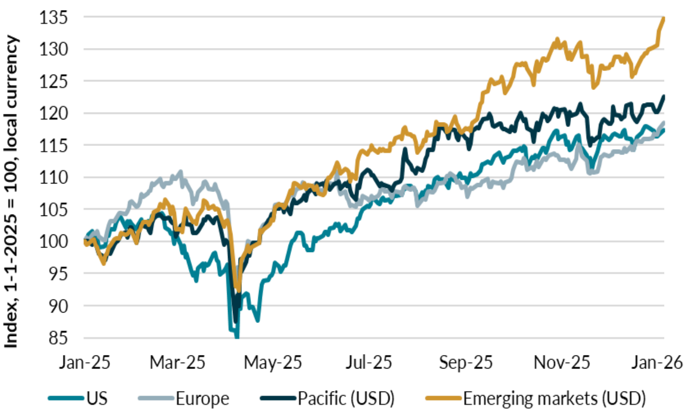
Asset Allocation Outlook

January 2026

– 2025 marked by import tariffs, resilient economies and a positive equity performance
– Ongoing growth in 2026, few cuts to interest rates
– Equity overweight retained

An end-of-year rally failed to materialise in the US in 2025. Although the S&P 500 managed to reach its 39th and 40th all-time high of 2025 during a brief rally around Christmas, at the end of the year the index was just 0.8% higher than it had been at the end of October. This while November and December are on average the two best months for the US equity index. The STOXX 600 also experienced a few positive days in the thin trading around Christmas and closed on 30 December at its 28th record of the year. This makes December a positive month for European equities at a performance of 2.7%. Emerging market equities ended a successful year by climbing as much as their European counterparts.

No year-end equity rally in the US



Source: LSEG, Van Lanschot Kempen

In the US, the yield curve steepened in December due to a downturn in short-term yields and upturn in long-term yields. The UK displayed the same picture, although the movements there were less marked. Both short and long-term yields climbed in Germany. In a calm investment climate, spreads tightened slightly on French, Italian, Spanish and Portuguese government bonds, among others. Spreads on credits likewise contracted marginally.

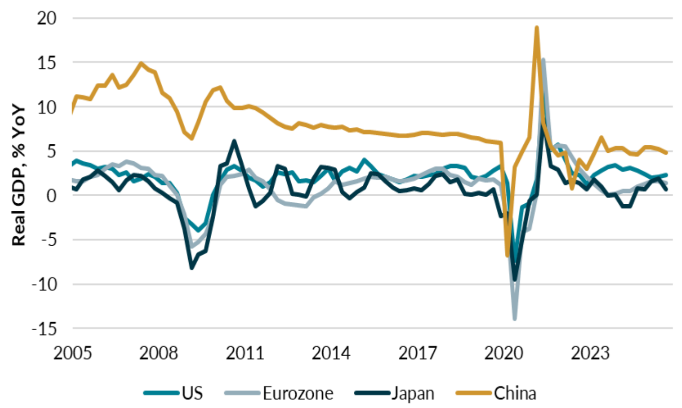
We've made no alterations to our investment policy. We expect growth and inflation to remain robust enough for earnings growth, especially in the US. Our equity overweight is also concentrated there. We believe that returns on equities will be higher than those on bonds. Especially in the US, we think there's a risk of higher yields at the long end of the yield curve. Incidentally, this shouldn't be so large as to impede equities.

What did we find most striking about 2025?

The global economy proved to be remarkably resilient in 2025. US President Trump's announcement of draconian import tariffs on 2 April – which he dubbed Liberation Day – caused us, and many others, to fear for global economic growth. The tariffs led to fluctuations in growth, but on balance the effects have so far been less negative than expected. In the first three quarters of 2025, the US economy grew by 1.9%. When converted to an annual basis, this rate comes out at 2.5%, which is not that much lower than the 2.8% over 2024. On the same basis, over the first three quarters of 2025 the Eurozone economy grew by 1.3%, the same rate as in 2024. China's growth stayed close to its target rate of 5%. We believe there are three reasons for the resilient global economic growth. Firstly, the trade war was less fierce than had been feared. The average effective tariff in the US stood at just below 11% in November, much lower than the rate announced on

Liberation Day. A considerable number of countries succeeded in negotiating lower tariffs and several product groups, including semiconductors and drugs, were excluded. With the exception of China, countries didn't implement countermeasures either, which meant that a full trade war was averted. Secondly, the AI boom really got going in the US. The upshot is that this year saw an extremely sharp increase in corporate investment, which not only contributed to growth in the US but also in Asian countries, especially South Korea and Taiwan. Thirdly, China was able to divert its exports. The exceedingly high tariffs imposed by the US have led to a sharp drop in Chinese exports to the US, but exports to Europe and emerging markets have increased significantly. Finally, financial conditions have also helped. Rising equity prices, declining US bond yields and tight spreads on credits have boosted the global economy.

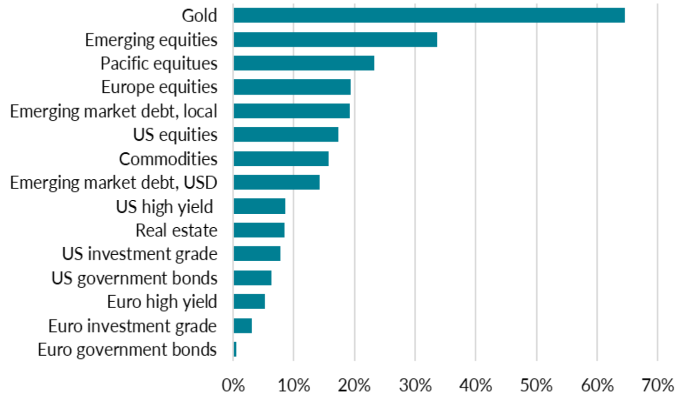
Resilient global economy in 2025



Source: LSEG, Van Lanschot Kempen

The second striking aspect for us is the sharp upturns on the equity markets. The MSCI global equity index rose substantially for the third year in a row. After climbing 20.1% in 2023 and 15.7% in 2024, the index noted an upturn of 20.6% in 2025. The cumulative upturn of 67.4% is the index's strongest three-year performance since 2000. Incidentally, these percentages are all in US dollars. In euros the global index was up by 6.3%. The regional performance is worth noting too. After many years of underperformance, emerging markets were far ahead of other regions this year. The MSCI index for this region shot up by no less than 30.6%. The upturn in Taiwan was particularly spectacular at nearly 80%, but equities soared in China, South Korea, Brazil and Mexico as well. When it comes to regional performance, it was likewise remarkable that European equities outperformed their US counterparts in 2025. In local currency this was only by a tiny amount: 16.7% for Europe versus 16.3% in the US. Nevertheless, it was only the second time in ten years that Europe had managed to do this. When converted into euros the difference was much bigger, as US equities only earned an upturn of 2.6%. It must be remembered, however, that the higher European equity prices were almost entirely due to higher valuations. Realised earnings declined slightly in Europe in 2025, while expected earnings were only marginally higher. In the US, earnings growth over 2025 was much more in line with the performance.

Gold shined in 2025



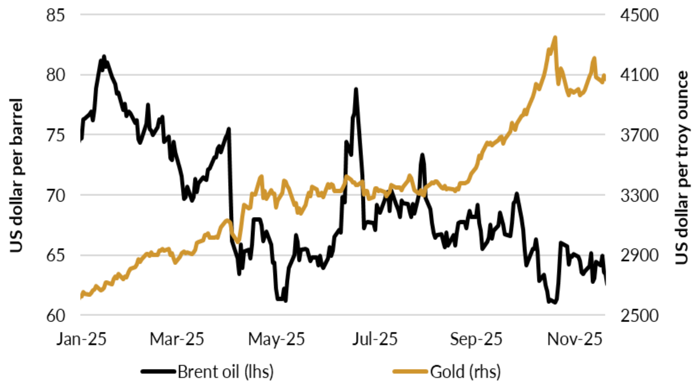
Source: LSEG, Van Lanschot Kempen

Finally, the growth in commodities stands out. The upturn in the Bloomberg general commodity index of 15.8% is robust but not exceptional. The underlying trends are, however. Despite the resilient global economy, the price of a barrel of Brent oil dropped by 18.6%. The abundant supply of oil is a combination of a decrease in demand because of the rise of alternative energy sources, such as wind and solar power, lower growth in China and the fact that OPEC countries have increased their production levels. Contrasting with the lower oil prices are the higher prices for certain metals. Copper, at a weight of almost 5% in the general index, was up by 43.9%. The energy transition means that demand for copper is high. Yet gold, which accounts for more than 13% of the index, stole the show at an upturn of 64.7%. The price of gold is far higher than values that can be justified by fundamental factors, such as interest rates, the global money supply or the relationships between gold and other commodities. We believe that the rally in the gold price started because several central banks have shifted their foreign exchange reserves towards gold. The reason for this is the freezing of the Russian central bank's US dollar reserves following Russia's invasion of Ukraine. We subsequently saw private and professional investors move towards gold. The higher gold price is also attributed to the geopolitical uncertainty but if that were the case, it would be hard to explain why equities are at or close to record highs and spreads generally tight. And if the price of gold has risen due to fears of higher inflation, then inflation forecasts ought to be higher, which isn't the case.

What do we expect for 2026?

In geopolitical terms, 2026 will undoubtedly be another turbulent year. Things got off to an early start in this respect with the US arrest of Venezuelan President Maduro. US interventions in other Latin American countries cannot be ruled out. Yet we shouldn't exaggerate the impact of such geopolitical events on financial markets either. Only if oil production or the manufacture of strategic goods is at risk (such as semiconductors from Taiwan in the event of an invasion by China) could financial markets come under pressure. Venezuela possesses the largest oil reserves in the world but only produces 1% of the total oil supply. Moreover, the US hasn't attacked the oil infrastructure in Venezuela and President Trump appears to be intent on increasing Venezuelan oil production. This is why the response from the financial markets was one of indifference. In short, a tempestuous geopolitical year won't necessarily hold the financial markets back.

Markets largely indifferent to developments in Venezuela



Source: LSEG, Van Lanschot Kempen

We expect economic growth in the US and Eurozone to be about the same as it was in 2024, with slightly weaker growth in the US early in the year than from the summer onwards. The delayed effects of the tariffs will gradually make way for the positive effects of Trump's tax legislation, the One Big Beautiful Bill Act. As the tax cuts apply with retroactive effect from 2025, families will receive higher tax reimbursements than normal in the spring. Furthermore, financial conditions continue to be expansionary around the world. The Eurozone economy will receive a boost from the German government's investments and to a certain extent from the increased defence spending. This spending will need to be offset by cuts to other budgets in some countries though. Yet the fact that the composite purchasing manager index (PMI) for industry and services stayed above 50 each month in 2025 is also a reason for optimism. This hasn't happened since 2018. The index did decline marginally in December 2025 but closed the year with its strongest quarter since the second quarter of 2023. In this type of climate, unemployment remains low in the US and Eurozone, which is propping up wage growth and consumer spending.

Eurozone composite purchasing managers index points to growth

Source: LSEG, Van Lanschot Kempen

In China, we expect growth to decrease somewhat. The country continues to face major domestic problems, with the real estate crisis deepening and households apparently losing all faith in a speedy resolution. Fierce competition is pushing down producer prices, and many businesses are struggling to make a profit. The economy runs on exports, but it remains to be seen whether China's trading partners will continue to tolerate the influx of cheap Chinese products. As far as growth is concerned, in emerging markets we're looking mainly to countries that form a link in the AI cycle, such as Taiwan or Korea, countries that are profiting from production being shifted from China, such as Vietnam, Malaysia and to an extent India, or to commodity producers, including Latin-American countries.

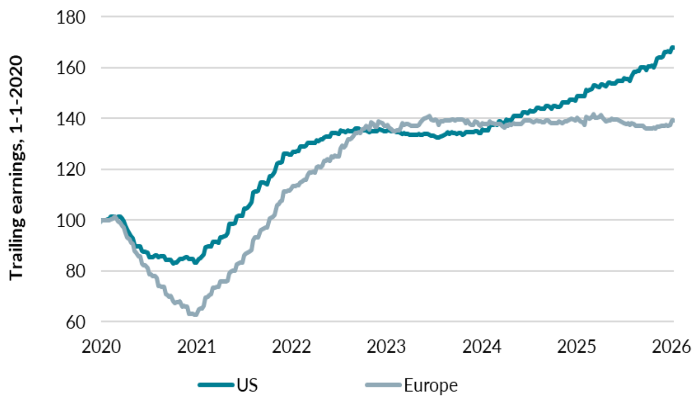
As for inflation, we expect it to remain rather stubborn in the US for the time being. We believe that companies will pass on more of the tariffs to consumers. Moreover, with migration at a standstill, the job market is relatively tight, which restricts the potential for lower wage growth. US inflation displayed a remarkable downturn in November. Headline inflation fell to 2.7%, from 3.0% in September. No data were published over October because of the federal government shutdown. Core inflation declined to 2.6%, its lowest level since March 2021. These data are nevertheless distorted downwards by the shutdown that threw data collection into disarray. We expect inflation to come down in the Eurozone, although we must admit that data from recent months haven't supported this. In November, headline inflation stood at 2.2% and core inflation at 2.4%. Overall, Eurozone inflation hasn't dropped further since the spring of 2025. This is related to the wage growth that was high up to the end of 2024 and afterwards gradually started to decline. Lower wage growth in 2026 will enable inflation to come down slightly more as well.

In terms of monetary policy, this means that the Fed continues to find itself in a tricky situation. Uncertainty surrounding trends on the job market could justify interest rates being cut by a small amount, but the rate of inflation doesn't. The Fed's cut to interest rates in December wasn't exactly wholehearted. A single extreme policymaker voted in favour of a bigger cut than the 0.25 percentage point that was implemented, but two policymakers didn't want to cut rates at all. According to the meeting minutes, this cut was a close call for several of the policymakers, and they could also have accepted a decision not to cut rates. The market anticipates two cuts to interest rates in 2026, but the Fed could well take it more slowly than that. No interest rate cuts are expected for the ECB. We think this is realistic, but an interest rate increase, because of the slightly stubborn inflation, and an interest rate decrease, if inflation falls quickly in the coming months, are both possible. The market is wavering between one and two cuts to interest rates for the Bank of England. UK purchasing managers have been marginally more optimistic recently but given the ailing economy and inflation that finally looks to be coming down, we're more inclined to anticipate two to three cuts.

On the US bond market, the downturn in 10-year bond yields stood out in 2025 given the persistently high growth and stubborn inflation. The fact that the Fed nevertheless cut interest rates contributed to the lower 10-year bond yields. US 10-year bond yields mostly fell during the first half of the year. From September, these yields moved between 4.0% and 4.2%. We think that persistent growth, stubborn inflation and a cautious Fed could exert upward pressure on US capital market yields. In Germany, a sizeable spurt led to 10-year bond yields reaching 2.9% at the end of last year. This is close to the upper limit of the 2.5 – 3.0% bandwidth we see as reasonable. We don't anticipate a structural upturn in German capital market yields in 2026.

Real growth of about 2% and inflation of around 3% translate into nominal growth of roughly 5% in the US. Earnings growth at businesses is strongly driven by nominal growth, with earnings growing by more than revenues as costs don't increase at the same rate. In the past, nominal growth of 5% in the US has generated growth in earnings per share of 8%. This is lower than the consensus forecast of 13%. Earnings growth may be slightly higher than the historical average because of the high concentration of tech companies in the US that are generally realising earnings growth. Yet even if earnings are slightly lower than the consensus, US equities could still climb further in our outlook for 2026. As in 2025, the upturn will be in line with earnings growth and could potentially be marginally lower on an annual basis. For the Eurozone we anticipate nominal growth of just above 3%. When viewed historically, this points to an increase in earnings per share of approximately 5%. This is significantly different from the 12% consensus forecast. Given that European businesses have struggled to increase their earnings in recent years and the market priced in a sizeable portion of the earnings growth in 2025, we currently hold a neutral outlook for European equities.

Stronger earnings growth in the US



Source: LSEG, Van Lanschot Kempen

Tactical outlook

Asset class	
Equities	**Overweight**

At a gain of 0.9% (in US dollars) in December, the MSCI global equity index closed 2025 with a positive performance. The index noted a gain of 20.6% across the whole year. In global terms, emerging markets performed significantly better than industrialised nations at 30.6%. And in local currency, Europe managed to beat the US by a small margin. The strong depreciation of the US dollar led to things looking quite different for euro investors. In euros European equities noted the biggest gain (16.7%), followed by emerging markets (15.1%). The S&P 500 only climbed by 2.6% in euros in 2025. We've retained our overweight in equities. This is concentrated in the US. In the other regions, we've kept our exposure to equities at the same level as the strategic weight. US equities are expensive, but valuations are less important in tactical asset allocation and moreover can partly be explained by the high earnings growth in the tech sector. We don't think the big tech companies are overvalued. We believe that US growth may weaken somewhat in the US in the short term but don't foresee a contraction. Over the course of 2026 we anticipate growth picking up, in part thanks to the expansionary financial conditions and tax cuts. Earnings dynamics are strong in the US and investor sentiment is cautious. From a contrary perspective this is positive. Equities in Europe, the Pacific region and emerging markets are less expensive than in the US, but the tech sector is also less dominant in these regions. In Europe, we expect growth to pick up marginally but for it to be lower than in the US. Earnings dynamics are weaker than in the US, especially in Europe.

Government bonds	**Neutral**

US and UK 2-year bond yields hardly moved in December, while their German counterparts climbed by 13 basis points. Ten-year yields were up in the US and Germany but remained virtually unchanged in the UK. These movements brought to a close a year in which short-term yields in the US, UK and the Eurozone declined thanks to central banks cutting interest rates. Conversely, the Bank of Japan raised its policy interest rate twice. Long-term bond yields displayed a mixed picture. A sharp upturn in Japan of almost 100 basis points and an increase in Germany of nearly 50 basis points contrasted with the small downturn in the UK (10 basis points) and a larger downturn in the US (41 basis points). The upturn in Germany was mostly due to the announcement of large-scale fiscal plans, the downturn in the US to the Fed cutting interest rates further. We anticipate things looking quite different in 2026. Short-term yields could come down slightly further in the US, while we think there's little potential for this in the Eurozone. We see upward potential for 10-year bond yields in the US given our outlook of persistent growth, stubborn inflation, a small number of interest rate cuts by the Fed and the high budget deficit. For Germany we hold a neutral outlook. Reasonable growth but low inflation could prompt the ECB to make an additional cut to interest rates. Yet the large supply of bonds and declining demand from pension funds will restrict the downward potential of long-term yields in the Eurozone.

Investment grade credits	**Underweight**

What stands out most on the market for investment grade credits is the sense of calm, with spreads again remaining virtually unchanged in December. Spreads did widen slightly in April, after Trump announced high import tariffs, but even then they only widened by a small amount. In 2025, spreads in the US and Europe tightened for the third year in a row. The higher return on US credits of 7.8% (in US dollars) than the 3.0% noted in the Eurozone (in euros) was mainly due to US government bond yields coming down. We think this effect may be reversed in 2026. From our economic outlook we anticipate little change to spreads on credits, but rising government bond yields do pose a risk to the total return, especially in the US. We think spreads on credits in US dollars in particular are too tight and have therefore retained our underweight in the US. In the US, we prefer equities to investment grade credits. In the Eurozone, spreads are less tight in relative terms and on top of this spreads account for a larger portion of the total interest compensation. Moreover, corporate balance sheets are slightly more robust in the Eurozone and balance sheets in the European banking sector have also improved. This is why we still prefer investment grade credits to government bonds in the Eurozone. The underweight in the US is bigger than the overweight in the Eurozone and we therefore hold an underweight overall in this asset class.

High yield credits	**Underweight**

High yield credits closed 2025 with spreads tightening, by 14 basis points in the US and 13 basis points in the Eurozone. Across the year, spreads tightened for the third consecutive year: by 41 basis points in the Eurozone and 11 basis points in the US. The larger contraction of spreads in the Eurozone enabled Eurozone high yield credits to keep up slightly better with their US counterparts than was the case for investment grade credits. The US nevertheless outperformed the Eurozone in the high yield asset class at a return of 8.6% (in US dollars) versus 5.3% (in euros). The higher coupon rate in the US and lower government bond yields helped the US to earn a higher return. Spreads are historically tight in both the US and Eurozone, far below the average of the past five years. Even if the US and European economies continue to grow over the coming quarters, we still view the spreads as too small. This is because companies will also face higher interest charges. The default rate has declined in Europe but remains high when viewed historically. There have recently been signs of a deterioration in credit quality in the US. Furthermore, we know that if the solid sentiment on this market deteriorates, the liquidity of these bonds will quickly dry up and spreads will widen. The tight spreads mean there's also less upward potential for high yield credits than for equities.

Emerging market debt	Neutral

This asset class ended a strong year with downturns in yields on emerging market debt issued in US dollars and in local currency. Bonds in US dollars earned a return of 14.3%, those in local currency 19.3%. Emerging market debt offers an attractive rate of return, although spreads on bonds listed in US dollars are tight. We view rising yields in the US as a risk to this asset class. The desire for a weaker US dollar isn't negative, but US tariffs could lead to weakening growth dynamics. Bonds listed in local currency have profited from interest rate cuts by central banks, but we think these are coming to an end. On balance, we retain our neutral outlook for this asset class.

Listed real estate	Neutral

Global listed real estate in developed countries earned a higher return at 1.5% (in euros) than global equities in November. This asset class climbed in both the US and Europe, with a slightly more marked upturn in the US as bond yields came down slightly. After cutting interest rates in September and October, last month a debate arose as to whether the Fed would cut rates again in December. This cut to rates became more likely at the end of November after comments by several Fed governors. For now, the Fed seems to be looking more closely at the slowing job market than at inflation, which is above the Fed's target rate of 2%. This generated a tailwind for US listed real estate. The return was more modest in Europe and in line with general equities. Bond yields climbed slightly in Germany. We hold a neutral outlook for this asset class. Vacancy levels have risen slightly, especially in the US. In the long term, however, rental growth in real estate will be boosted by a smaller supply of new properties. In both the US and Europe, we see little potential for yields coming down from present levels. In the US this is because multiple cuts to interest rates by the Fed are already forecast and in Europe this is due to the more expansionary German budgetary policy with high levels of investment in 2026. We think global developed listed real estate valuations are expensive compared to interest rates, while Europe has a neutral valuation.

Commodities	Neutral

Commodities enjoyed a relatively stable month in December, closing a strong year that was primarily driven by the price of gold. In December, the gold price climbed to over 4,300 US dollars per ounce, in part due to the cut to US policy interest rates and ongoing geopolitical instability and, earlier in the year, uncertainty surrounding the position of the US dollar caused by Trump's fickle policies. We believe that the price of gold is mainly being shored up by the gold purchases of central banks, in addition to extra gold purchases by investors (via ETFs). It's impossible to predict how long this will persist or what the correction will look like. Gold is an interesting investment at times of uncertainty but given its high price a large amount of uncertainty and/or lower interest rates have already been priced in. Oil prices fell slightly further in December to just over 60 US dollars per barrel of oil (Brent). Although geopolitical risks could push up the price of oil in the short term, in the long term we expect a downward effect on oil prices from structural trends, such as higher production by OPEC+ countries and a slowdown in the global economy and trade. The US miliary action in Venezuela isn't aimed at the oil infrastructure and will therefore have little impact on oil prices. Metal prices climbed in December. Although in the shorter term a slowdown in (Chinese) economic growth will have a downward effect on demand for metals and on prices, copper looks especially well positioned in the longer term for structural trends such as the energy transition and AI.

Market review

Equities

	Index	Past month	Past 3 months	From 31-12-2024
Global (MSCI AC)	1015	0.9%	3.0%	20.6%
Developed markets (MSCI World)	4430	0.7%	2.9%	19.5%
Emerging markets (MSCI EM)	1404	2.7%	4.3%	30.6%
United States (S&P 500)	6846	-0.1%	2.3%	16.4%
Eurozone (EURO STOXX 50)	592	2.7%	6.1%	16.7%
United Kingdom (FTSE 100)	9931	2.2%	6.2%	21.5%
Japan (Topix)	3409	0.9%	8.6%	22.4%
Netherlands (AEX)	951	0.8%	0.9%	8.3%

Government bonds (10-year)

	Yield (%)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	4.16	14	2	-41
Japan	2.07	27	42	99
Germany	2.85	16	14	49
France	3.56	15	3	37
Italy	3.51	10	-5	-2
Netherlands	2.97	13	9	37
United Kingdom	4.47	3	-23	-10

Investment grade credit

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	79	-3	3	-3
Eurozone	78	-2	0	-23

High yield bonds

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2024 (bp)
United States	281	-14	1	-11
Eurozone	270	-13	-2	-41
Emerging markets (USD)	253	-17	-31	-72
Emerging markets (Local currency)	215	-15	-4	13

Real estate

		Past month	Past 3 months	From 31-12-2024
Global		-1.6%	-1.4%	6.6%
North-America		-2.9%	-2.6%	-0.9%
Europe		-0.3%	1.5%	2.3%

Commodities

		Past month	Past 3 months	From 31-12-2024
Bloomberg index		-0.7%	4.8%	11.1%
Base metals		6.1%	11.0%	16.4%
Brent oil (USD per barrel)	60.85	-3.8%	-9.3%	-18.6%
Gold (USD per troy ounce)	4325	3.0%	12.8%	64.7%

Returns in local currency
bp = basis point (0.01%)
Data as of 31 December 2025
Source: LSEG, Van Lanschot Kempen

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