VAN LANSCHOT KEMPEN

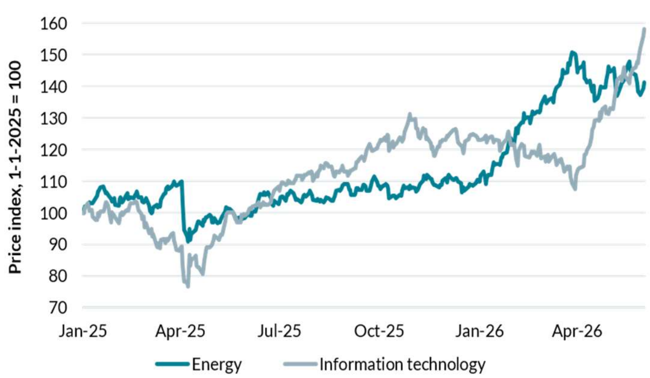
Asset Allocation Outlook

June 2026

- Financial markets dominated by Middle East and AI
- Rapid growth in AI investments but no overinvestment
- IT sector overweight expanded

Equities climbed in May, especially in emerging markets and the US. Oil prices dropped considerably, as a result of which US bond yields barely rose and their European counterparts fell. Spreads on credits tightened. These developments perfectly reflect the two themes dominating the financial markets: events in the Middle East and the rise of AI. The prospect of a truce between the US and Iran led to relief on the equity and interest rate markets. Meanwhile, the AI juggernaut just keeps on going. Equity returns in the US and emerging markets were strongly affected by this. The dominance of these themes was also visible in the performance of individual sectors in industrialised nations. The energy sector was down significantly, while the IT sector soared.

Energy market's upward trend stalls, IT carries on climbing



Source: LSEG, Van Lanschot Kempen

In our investment policy we've retained a neutral equity weight. We continue to view the uncertainty surrounding the Strait of Hormuz as high. However, we've tilted slightly more towards the theme of AI. Within equities, we've marginally expanded our overweight in the IT sector. We believe there's now a smaller risk of higher yields on government bonds and have raised our allocation in these from an underweight to neutral. We continue to hold an underweight in credits.

The Middle East...

The outcome of the conflict in the Middle East remains uncertain. Despite the ceasefire, the US and Iran carried out military strikes against each other. The ceasefire was supposed to be extended by 60 days, but neither the US nor Iran has confirmed this. The idea was that an interim deal would be struck in those 60 days and the Strait of Hormuz would reopen. Yet neither party has confirmed this either. Reaching agreement on the most important points, namely Iran's nuclear programme and the war between Israel and Hezbollah in Lebanon, will be difficult.

Oil prices fall due to hopes of a US-Iran deal

Source: LSEG, Van Lanschot Kempen

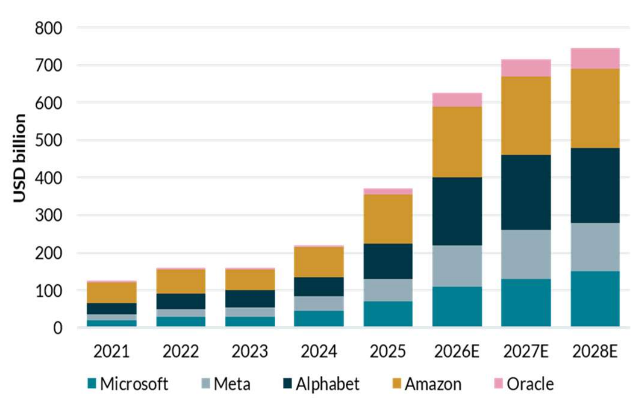
In the meantime, there are reports of ships sailing through the Strait of Hormuz, but numbers are extremely low compared to the situation prior to the conflict and not high enough to meet global demand for oil and gas. Oil reserves are falling fast and expected to reach critically low levels in mid or late July.

Yet the financial markets have a positive take on all this. Several equity indices stand at record highs, oil prices have dropped to about 95 US dollars per barrel, and bond yields have come down. Our basic scenario is that the conflict will be resolved before the world faces major shortages of gas and oil. Despite the frequently optimistic noises coming from the US about negotiations with Iran, we aren't entirely convinced that a deal will be reached before the energy markets face severe disruption. This is an important reason for our neutral position in equities.

... versus AI

Offsetting the negative effects of the turmoil in the Middle East are the positive effects of the investments in AI models, software and infrastructure. It's not a complete exaggeration to say that everything that's going well in the global economy and on the financial markets is related to AI. Whether it's economic growth in the US, Korea and Taiwan or the upturn in equities and emerging markets (also mostly Korea and Taiwan).

Enormous growth in investments by hyperscalers



Source: Absolute Strategy Research, Van Lanschot Kempen

AI investments have already taken on dizzying dimensions and the big companies in the chain, especially US hyperscalers such as Alphabet, Amazon, Meta, Microsoft and Oracle, are falling over each other to announce new and bigger investments. This begs the question of whether too much money is being invested. We don't think this is the case, especially not at hardware manufacturers such as TSMC, SK Hynix, Samsung, Broadcom, Nvidia or ASML. We're seeing a sharp rise in earnings and high free cashflows at these companies. They can barely keep up with demand for their products.

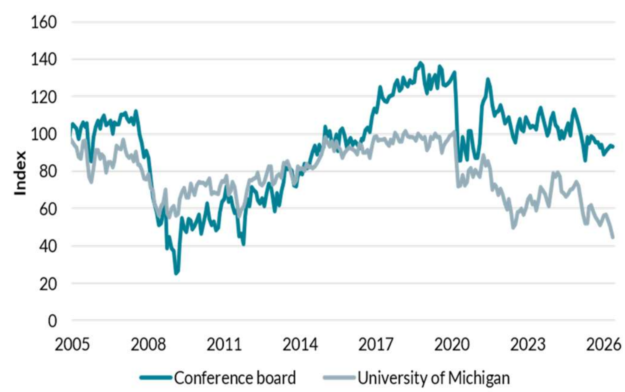
Free cashflows at hyperscalers have decreased substantially due to the enormous investments they're making. Yet here, too, we can see that a demand is being met, namely the fast-growing demand for AI from all kinds of companies in a wide variety of sectors. Occupancy levels are high at data centres, and there's no pressure on the rental prices of servers in these data centres.

We therefore believe that the positive effect of AI will persist for the time being, although the rate of growth will gradually decrease. We've consequently slightly expanded our overweight in the IT sector. Price momentum is strong in the sector, as are earnings dynamics. On top of this, we think the sector valuations are attractive.

Concerns

There's frequent talk of a K-shaped economy in the US. The upward arm of the K consists of positive trends, including the investments in AI, rising equity prices and the high-income groups that benefit enormously from this. The downward arm consists of companies that aren't profiting from the investments in AI and of Joe Sixpack, the average US consumer who's facing job insecurity and high inflation. Our concerns about US consumers haven't dissipated in recent weeks. Both leading indices for consumer confidence were down in May.

US consumer confidence being squeezed

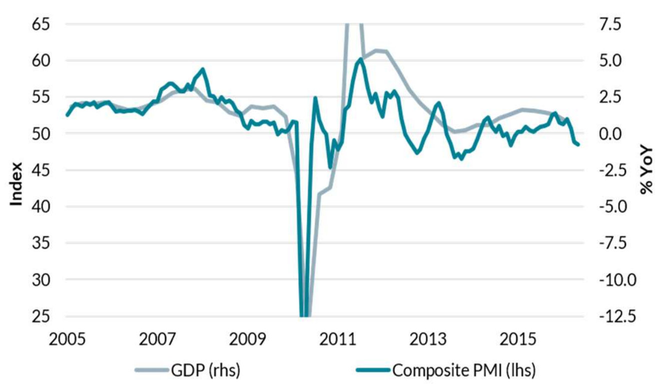


Source: LSEG, Van Lanschot Kempen

According to the University of Michigan survey, consumer confidence has fallen to the lowest level ever recorded – and the survey has been conducted since the 1950s. If this survey is to be believed, consumers are more pessimistic than during the deep recession in the 1970s, the 2008 financial crisis and the coronavirus pandemic. We shouldn't take this too literally though. If this were the case, consumer spending would already have plummeted. The other survey on consumer confidence, by the Conference Board, is a better match with current consumer spending levels. It's nevertheless not heading in the right direction. What matters more to consumer spending though is income growth. The slowdown on the job market has caused hourly wage growth to decline. So much so that this growth is now below the rate of inflation. Real disposable income fell for the fourth consecutive month in April and in doing so was 1.1% lower than in April of last year. In that time, consumer spending grew by 2.1%. This is only possible if consumers are saving less. The savings rate dropped to 2.6% in April, an extremely low level in historical terms. Rising equity prices lead to increased assets, but defaults on credit cards are also growing. A K-shaped economy par excellence. GDP growth was adjusted downwards slightly in the US, in part due to the weaker consumer spending growth. We think this will continue in the coming months. However, strong labour market data in the three months up to May should stop Joe Sixpack completely throwing in the towel.

Another concern is the Eurozone. At the beginning of the year, we anticipated sound growth, shored up by consumers whose purchasing power had improved, who had substantial savings and greater confidence in the future. Added to this were higher levels of government expenditure in Germany and increased spending on defence. Consumer confidence has taken a severe hit from the geopolitical tensions and rising oil prices. It rallied a little in May but stands at its lowest level since January 2023, when Europe was recovering from the coronavirus pandemic. And consumer confidence isn't the only leading indicator to fall recently. The composite purchasing manager index (PMI) for industry and services dropped to its lowest level since October 2023 in May. The index is pointing to a contracting economy.

Eurozone PMI pointing to contraction



Source: LSEG, Van Lanschot Kempen

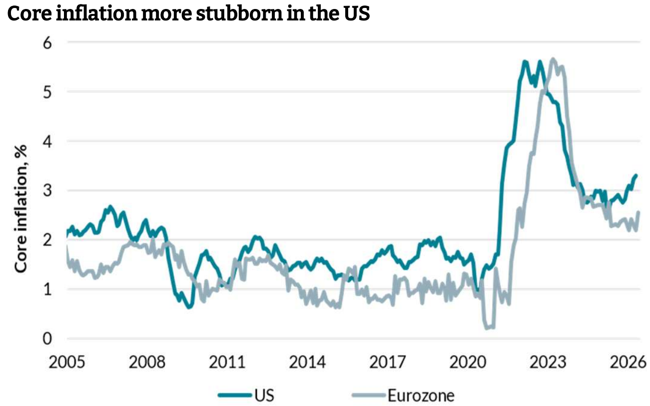
As growth in the Eurozone was already moderate even before the outbreak of the conflict in the Middle East, we cannot rule out a contraction in the second quarter.

Warsh at the helm

In the US, Kevin Warsh has taken over from Jerome Powell as chair of the Fed. Overall, Powell was a reliable, balanced Fed chair who refused to be swayed by politics. He has, however, been criticised for not having intervened sooner and raised interest rates when inflation soared in 2021. By the time the Fed started raising rates in March 2022, inflation had already exceeded 8%. Powell remained a member of Team Transitory for too long; in other words, he was one of those who assumed the surge in inflation would be temporary. And in retrospect he wasn't entirely wrong, as inflation quickly reverted to reasonable levels because it largely derived from a temporary supply shock. Ultimately, it took a series of interest rate hikes of more than 5 percentage points to keep inflation from getting out of hand.

Kevin Warsh is traditionally more of a hawk than a dove, i.e. a supporter of strict monetary policy. A shift was recently visible though when he said that AI will lead to robust growth in labour productivity, which ought to push down inflation and facilitate a less restrictive monetary policy. Warsh was appointed by President Trump to cut interest rates. On nominating Warsh, Trump said that Warsh wouldn't have been considered if he'd advocated raising rates. Trump also recently claimed that interest rates will come down quickly. At the same time, Trump said that Warsh will need to be totally independent. The latter comment was probably a bid to reassure the markets. Or because cuts to rates simply aren't an option right now. Inflation is too high for a start.

Core inflation more stubborn in the US



Source: LSEG, Van Lanschot Kempen

According to the Fed's favourite, the PCE index, headline inflation climbed to 3.8% in April. Core inflation rose to 3.3%. Both are far above the Fed's target rate of 2%. Whereas weak job market data could have formed a reason to cut interest rates a few months ago – the Fed has a dual mandate, after all – this is no longer the case. Unemployment remained stable at 4.3% in April and May and monthly data from businesses show that job growth was sound in March, April and May. Employees are marginally less optimistic about that job growth, but a low level of jobless claims points to stability. Most of the Fed's policymakers aren't in favour of cutting interest rates either, as demonstrated by recent speeches. Warsh would therefore have to convince them otherwise, not something he's currently likely to target in his policies. In fact, a rate *hike* by the Fed has become more likely with the recent improvement in the labour market. Warsh is an advocate of cautious communications from central banks, so the coming months will focus mainly on that. This may mean less certainty about Fed policies and in turn greater volatility on the interest rate markets.

In the Eurozone, headline inflation climbed to 3.2% in May, core inflation to 2.5%. It's no surprise that headline inflation is rising given trends in oil prices, but this was core inflation's highest level in over two years. Higher inflation in the service sector is especially remarkable. Perhaps higher energy prices are being passed on in the prices of services after all. Remarks by influential policymaker Schnabel on the scale and ongoing nature of inflation certainly point to interest rates being raised. According to Schnabel, higher energy prices are pushing up general prices and inflation forecasts. She believes looking through the surge in inflation is no longer an option. In Schnabel's view, interest rates need to be raised in June, despite the geopolitical détente. Given comments by other ECB policymakers, an interest rate hike in June is now almost certain. Officially, the ECB only has a single needle in its compass and that's inflation. Based on that rate of inflation, the ECB could well increase interest rates again after June, but a further interest rate hike is far from certain if the economy slows in line with leading indicators.

Will mega IPOs affect market sentiment?

It's been on the cards for some time but is finally about to happen: a couple of big players in AI and space travel are heading for the stock exchange. SpaceX, the company founded by Elon Musk, mainly earns its money via satellite network Starlink. SpaceX uses this to fund a large portion of its activities in space travel, AI and social media. The total market value of SpaceX is estimated at approximately 1,800 billion US dollars. In addition to SpaceX, Anthropic, developer of the Claude AI models, and OpenAI, known for ChatGPT, have far-advanced plans to launch themselves on the stock exchange. Both companies are estimated to be worth around 1,000 billion US dollars. Such sums raise the question of whether the market can easily absorb all this. The S&P 500, in terms of market capitalisation the largest index in the US, has a total market capitalisation of about 65 trillion US dollars. If these three companies launch listings for their full market value, they would account for nearly 6% of the total market. Other companies are issuing new shares too. Alphabet, for instance, has announced plans to issue 80 billion US dollars in new shares to finance investments in AI. All told, these are enormous sums to be processed within a short time.

The number of market listings has been relatively low in recent years though, which should create some capacity for new candidates. Moreover, listed companies have long been net buyers of their own shares. For 2026, US companies have announced share buyback programmes amounting to 860 billion US dollars. Yet the important thing is that the companies now scheduled for a listing don't want to put their full share capital on the stock exchange. SpaceX wants a listing worth 75 billion US dollars. The amounts for Anthropic and OpenAI aren't yet known, but for Anthropic it's said to be 60 billion US dollars. The market will probably be able to absorb these sums. Stock market listings in the US totalled 261 billion US dollars in 2021. It didn't stop the S&P 500 from rising by 25% in that same year. In short, we believe that market sentiment will be largely unaffected by these sizeable new listings.

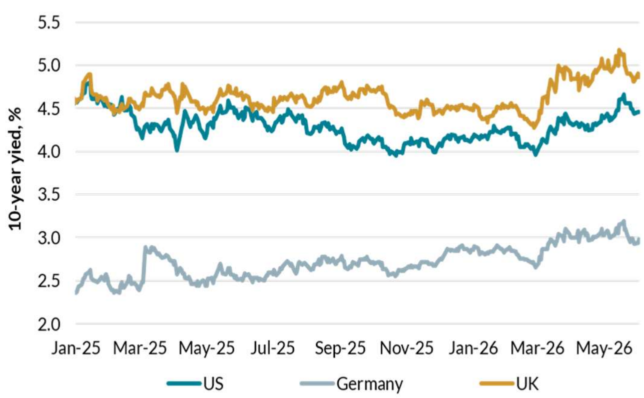
Alterations to investment policy

We're making a couple of adjustments to our investment policy. Although we're keeping the equity weight neutral, this does require us to act. The strong performance of equities meant that the current allocation within our diversified portfolios was higher than it should be. We're selling some equities and taking profit to restore the neutral weight. It's primarily the uncertainty surrounding the Middle East that prompts us to hold a neutral position but to a certain extent also the concerns described above. Earnings dynamics are extremely strong in the US. The overwhelming majority of analysts is adjusting earnings upwards, and they're doing so by large amounts. Earnings dynamics are by far the strongest in the energy and IT sectors but also solid in the basic industrial, communications services and financial services sectors. We need to wait and see whether the expected earnings growth of 23.5% over the whole of 2026 will be achieved. Shrinking household savings are a considerable boost for corporate earnings, but this effect will decline. Yet even if the expected earnings growth doesn't fully materialise, we don't view this as negative. Analysts are often excessively optimistic. Earnings are also being adjusted upwards in Europe, which surprises us somewhat given the disappointing economic data. Earnings growth of 13.8%, as expected for 2026, would be exceptional for Europe in light of the stagnation in earnings in the last few years. If economic growth turns out to be worse than forecast, then such expectations would seem to be ambitious to say the least.

Within equities, we've marginally increased our overweight in the IT sector. We believe that the strongly positive trends surrounding AI have yet to peak. Robust price momentum, strong earnings dynamics and attractive valuations are positive for the sector. We've kept our overweight in the financial services sector unchanged.

We've expanded our allocation to government bonds from an underweight to neutral. We believe there's now a lower risk of higher bond yields. Rising inflation is no longer a surprise. Moreover, most of the upturn in energy prices is already visible in inflation data. The turmoil in the Middle East could push oil prices higher, but they're unlikely to rise by as much as they did in March. Like the market for Fed funds futures, we anticipate no changes to policy interest rates this year. In the Eurozone, markets have already priced in two to three interest rate hikes by the ECB, which we think is on the aggressive side. If economic growth slows slightly and the ECB raises rates by less than expected, we think it unlikely that market interest rates will rise.

Bond yields no longer climbing



Source: LSEG, Van Lanschot Kempen

We believe it's too risky to respond to declining bond yields by adopting an overweight in government bonds. If the situation in the Middle East worsens and oil prices rise, this could lead to negative returns on government bonds.

Tactical outlook

Asset class	
Equities	**Neutral**
The equity rally continued into May; as in April, the US and Europe only noted negative performances on seven days. The absence of large-scale military operations in the Gulf region and declining oil prices boosted the positive sentiment. Trends relating to AI likewise left a clear mark on the equity markets: the IT sector was far by the biggest climber in industrialised nations. The lack of a truce between Iran and the US and continued closure of the Strait of Hormuz lead us to maintain a neutral opinion of equities. We've taken profit on an overweight that arose from equities outperforming other asset classes. Trends relating to AI are positive, but even if the war in the Middle East ends quickly it will lead to lower economic growth, higher inflation and problems in energy supplies. Yet as these effects would abate in the near future, equity markets would look past them and ultimately breathe a sigh of relief. The situation will be different if the conflict lasts for longer and energy supplies from the Gulf region are halted for an extended period. In this case the negative effects for growth, inflation and corporate earnings will quickly become visible. Central banks would raise interest rates, which would also be negative for equities. This isn't our basic scenario but given the huge amount of uncertainty we've retained our neutral equity weight. We also hold a neutral regional allocation.	
Equity sectors	**Overweight in IT** **Overweight in financial services**
The IT sector again outperformed other sectors as well as the equity index for industrialised nations by a significant margin in May. The sector is enjoying the strongest price momentum and extremely robust earnings dynamics. Earnings are being adjusted upwards by large amounts and across a broad spectrum. Sector valuations are below the average for the past five years and therefore compare favourably to the general market. Investments in AI are rising sharply, but we don't think the sums involved are excessive. They will consequently continue to work in the IT sector's favour for the time being. On balance, the financial services sector remained virtually unchanged and in doing so underperformed versus the general market. We continue to see sound earnings momentum for this sector and strongly positive revisions to earnings by analysts on balance, even though valuations are almost the same as those for the general market. In the US, increasing activity in new stock market listings and mergers and acquisitions is positive, while sound lending growth is positive in Europe. The energy sector has recently been scoring well on price and earnings momentum. Revisions to earnings are nevertheless not as broadly supported and sector valuations are rather high. We haven't adopted a position in the sector, primarily because oil prices could come down in the long term.	
Government bonds	**Neutral**
US 2-year and 10-year bond yields climbed in May, although the upturn in long-term yields was small. Yields fell in Germany and the UK. In all three regions, capital market yields remain higher than prior to the conflict in the Middle East. Recent trends on the bond markets reflect the military détente in the conflict. This reduces the risk of oil prices soaring and inflation surging. The difference between the US on the one hand and the UK and Germany on the other derives from differences in inflation and growth. Inflation is much more stubborn in the US than in Germany. Furthermore, US growth is higher than that of either Germany or the UK. This means there's less room for bond yields to come down in the US. For the US, where no changes to interest rates are expected, markets have priced in monetary policy reasonably well in our opinion. In the Eurozone, we view market expectations of two to three interest rate increases as rather aggressive. If fewer interest rate hikes are ultimately required, this could lead to bond yields falling. Yet the conflict in the Middle East and possibility of higher oil prices pose a risk to government bonds. On balance, we've altered our allocation from an underweight to neutral.	
Investment grade credits	**Underweight**
Spreads on US and Eurozone investment grade credits tightened in May. All in all, the conflict in the Middle East has so far had little impact on this asset class. The peak in spreads is well below the peak reached when the US announced trade tariffs last year, and that peak was small from a historical perspective. This is a sign of how resilient this asset class is. In our basic scenario in which the war in the Middle East ends within a few weeks, we anticipate little damage to corporate balance sheets and in turn no further widening of spreads. The tight spreads nevertheless offer little in the way of a buffer against setbacks.	
High yield credits	**Neutral**
Spreads on US and Eurozone high yield credits likewise tightened in May, by slightly more than those on the safer investment grade credits. Eurozone spreads tightened by a larger amount but not enough to completely cancel out the increases in March. US spreads are now much tighter than they were just before the US-Iran conflict, while those in the Eurozone have tightened to the same levels noted then. We've retained our neutral outlook for high yield credits. At reasonable economic growth in the US and Europe, we don't expect spreads to widen. The spreads generate a reasonable additional return versus government bonds. The tight spreads lead us to believe that there's little upward potential for high yield credits, while the downside risks in the event of poor economic growth are growing.	
Emerging market debt	**Neutral**
A small upturn in the underlying bond yields on US government bonds and spreads tightening by slightly more on emerging market debt listed in US dollars resulted in a minor downturn in yields for this asset class. Yields on bonds listed in local currency likewise declined slightly. On balance, this asset class has been one of the best-performing bond classes this year, although the results are totally eclipsed by the spectacular results on the market for emerging market equities. Emerging market debt offers attractive interest compensation, even though 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. Bonds listed in local currency have profited from interest rate cuts by central banks, but we expect a reversal here. On balance, we retain our neutral outlook for this asset class.	

Listed real estate	Neutral

Listed real estate remained reasonably stable worldwide and in all regions in May. After rallying in April, levels stayed roughly the same in May. This is despite the ongoing Middle East conflict and resulting persistent pressure on rising bond yields. The US earned marginally better returns than other regions such as Europe and Asia. As energy importers these regions are affected more by the Middle East conflict. We hold a neutral outlook for this asset class. Vacancy levels are slightly higher in the US than in Europe. 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. While the conflict persists, there's a risk of rising inflation forecasts and higher long-term bond yields. The altered market expectations for policy interest rates look set to stay: in the US, the Fed has adopted a wait-and-see stance; the market anticipates multiple interest rate increases in Europe. We think global developed listed real estate valuations are expensive compared to interest rates, while Europe has a neutral valuation.

Commodities	Neutral

The Bloomberg general commodity index came down marginally in May. Rumours of a potential deal between the US and Iran pushed oil prices to below 100 US dollars per barrel. The Strait of Hormuz remained closed and negotiations continue. How prices evolve will depend chiefly on the length of the conflict and how much it spreads. There's still considerable uncertainty about this. The closure of the Strait of Hormuz in particular could have implications for oil and gas prices. In our basic scenario, we assume that the conflict will last weeks rather than months, with the expectation that prices will fall again - albeit for the time being to a higher level than prior to the start of the conflict, The longer the conflict lasts, the longer the negative effects will be visible, including expected higher energy prices. The price of gold has so far not proved to be a safe haven during the Middle East conflict and remained relatively stable at about 4,600 US dollars per troy ounce as of the end of May. Gold can be a refuge for investors at times of (geopolitical) uncertainty. However, factors such as rising bond yields and profit-taking by investors (the gold price was historically high with a heightened speculative nature) have to date outweighed the geopolitical turbulence. 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.

US dollar – euro	Neutral

While the US dollar acted as a safe haven during the escalation of the conflict in the Middle East, the ceasefire and prospect of a solution to the conflict led to the US dollar weakening versus the euro. The US currency reached its highest level of 1.14 US dollars per euro on 13 March but had weakened to 1.16 US dollars per euro at the end of the month. This restores the US dollar to the level we saw in the second half of 2025. The US dollar was almost unchanged versus the euro in May. After German 2-year bond yields declined and their US counterparts climbed, the difference in yields has increased in favour of the US. This could potentially lead to a stronger US dollar. Furthermore, the US dollar isn't particularly cheap in fundamental terms. We continue to see enough capital flowing towards the US in the shape of short-term and long-term investments to shore up the US dollar. Nevertheless, given the high US budget deficit and sizeable trade deficit, we don't anticipate an upward trend for the US dollar. On balance, we anticipate a sideways movement in the rate.

Market review

Equities

	Index	Past month	Past 3 months	From 31-12-2025
Global (MSCI AC)	1131	5.5%	8.3%	12.2%
Developed markets (MSCI World)	4865	4.9%	8.0%	10.5%
Emerging markets (MSCI EM)	1752	10.1%	10.1%	25.6%
United States (S&P 500)	7580	5.7%	11.5%	11.4%
Eurozone (EURO STOXX 50)	626	2.4%	-1.2%	5.7%
United Kingdom (FTSE 100)	10409	0.0%	-3.2%	5.7%
Japan (Topix)	3957	5.0%	-0.3%	15.0%
Netherlands (AEX)	1035	2.1%	0.8%	8.8%

Government bonds (10-year)

	Yield (%)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	4.44	4	47	27
Japan	2.66	13	54	58
Germany	2.93	-10	28	8
France	3.54	-15	32	-2
Italy	3.66	-21	38	15
Netherlands	3.05	-4	32	8
United Kingdom	4.82	-20	52	34

Investment grade credit

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	73	-8	-12	-6
Eurozone	77	-3	-4	-1

High yield bonds

	Risk premium (bp)	Past month (bp)	Past 3 months (bp)	From 31-12-2025 (bp)
United States	272	-11	-38	-9
Eurozone	268	-12	-1	-2
Emerging markets (USD)	237	-11	-22	-16
Emerging markets (Local currency)	205	-18	-25	-9

Real estate

		Past month	Past 3 months	From 31-12-2025
Wereld		-0.5%	-2.2%	7.8%
Noord-Amerika		0.2%	2.8%	13.2%
Europa		-0.2%	-10.4%	-0.7%

Commodities

		Past month	Past 3 months	From 31-12-2025
Bloomberg index		-3.1%	13.4%	25.8%
Base metals		5.7%	10.6%	16.1%
Brent oil (USD per barrel)	93.77	-17.4%	30.8%	55.1%
Gold (USD per troy ounce)	4591	-0.1%	-11.6%	6.8%

Currencies

		Afgelopen maand	Afgelopen 3 maanden	Vanaf 31-12-2025
USD per EUR	1.17	-0.5%	-1.2%	-0.6%

Returns in EUR
bp = basis point (0.01%)
Data as of 31 May 2026
Source: LSEG, Van Lanschot Kempen

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