NPB CIO Outlook

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Quarterly Asset Allocation Views – Q3 2025 – exoUSD

Executive Summary

exoUSD

- Markets generally dislike excessive regulation, as seen in Europe over the past two decades. However, what they dislike even more is uncertainty–and a significant amount of that has just been introduced in the U.S. by a highly unpredictable administration.

- In this context, our key theme of the quarter is the US Dollar weakness, which we expect to continue after a short consolidation pause.

- Our equity forecast for low double-digit returns this year is on track, with the MSCI World up 7% in the first six months. However, as mentioned previously, we expect these results to be achieved in a highly volatile environment. Autumn offers itself as a 'traditional' pocket of volatility.

- In terms of regional equity preference, we continue to underweight US equities.

- In the fixed income space, we note that credit spreads of investment grade and high yield bonds are at historical tight levels. Hence, we prefer to implement an unconventional 'barbell' strategy, by buying longer-dated government bonds (roll-down yield) and shorter-date emerging market bonds (carry yield).

- Despite an apparent pause in the Gold rally, we recommend to carry at least a neutral exposure, as event risks remain to the upside. Platinum may offer a tactical opportunity.

- In the alternative space, we are getting increasingly excited about our commodity/materials overweight. Long/short and market neutral strategies for credit and equity remain a focus.

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CIO Office Global Scenarios

Geopolitical and macroeconomic assessment

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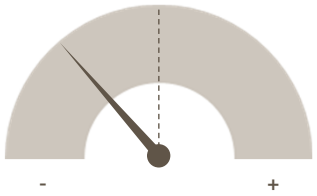
		Base Case	Best Case	Worst Case
Economy	Growth	Mid-cycle slowdown in US still ongoing, with further downside risk possible due to an erratic government. We prefer to look for growth outside the US market.	US policies have less impact than feared and current growth levels can be maintained. Global economies still better than the US.	Erratic policy behaviour increases economic uncertainty. Investment decisions are being delayed. Global economies are pushed into recession.
	Inflation	For now, inflation stabilizes at current, at or above target levels as tariff agreements are lower than expected.	AI-driven productivity increase leads to further disinflation, leaving room to central banks for more policy rate cuts.	Trade wars lead to higher inflation and lower growth, i.e. 1970s style stagflation returns.
Geopolitics	Trade Wars	On/off decisions keep global economic policy uncertainty elevated and volatile.	Tariffs result being more of a negotiation tool than a real threat as seen during Q2/2025. Investors get 'bored', and shift focus elsewhere.	Trade wars fully escalate, fuelling the roots of global segmentation further; highest geopolitical tensions in decades return.
	Middle East	With astonishing speed, the Israel-Iran war has come and gone! Our base case assumes the ceasefire will hold with no immediate further escalation.	Political will from regional and global powers lead to a more permanent truce keeping major players from using the region as a geopolitical chessboard.	Re-escalation leads to important energy infrastructure being disabled and/or the Strait of Hormuz being closed with global market implications.
	Russian War	Gridlock.	Diplomatic efforts are renewed and lead to peace talks with an at least temporary ceasefire.	NATO influence in the region diminishes due to internal infights; Russia wins overhand and Kiev falls.
Bedrock Highlight: – Trade Wars (Geopolitics)		Persistent tariffs and reshoring shape a fragmented world; capital flows into regional winners and strategic supply chains.	Tensions managed through diplomacy; selective regional growth emerges amid stable, adaptive global trade dynamics.	Escalating economic conflict triggers protectionism, inflation, and volatility; global trade and capital flows sharply contract.
Probability		*High*	*Highly unlikely*	*Tail risk; low probability*

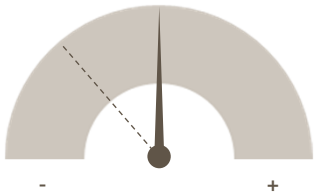
NPB Global Asset Allocations Views

6-12m Outlook



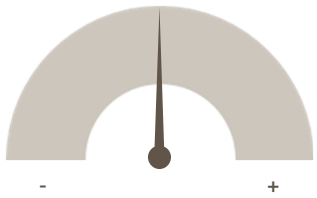
Cash & Money Market

Yield curves have steepened, and the outlook is for that trend to continue through rate cuts, especially in the US. We underweight cash in favour of taking Fixed Income back to Neutral.



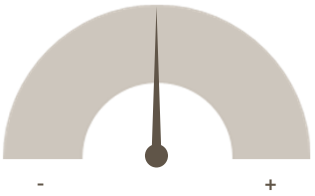
Fixed Income

We upgrade Fixed Income to Neutral due to its increasing attractiveness over cash. We apply an unconventional barbell strategy, combining longer dated Government bonds (roll-down) with shorter-dated emerging market bonds (carry).



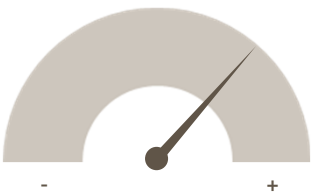
Equities

Our Equity downgrade to Neutral paid off well in terms of volatility reduction, albeit less in terms of absolute performance. We expect volatility to pick-up again after the summer months and will remain extremely agile with intra-meeting ad-hoc decisions.



Precious Metals

Since unwinding our tactical overweight in Gold, the yellow metal has indeed not made further advances. However, we stay with a minimum Neutral exposure, as event risks remain to the upside. Platinum could offer a tactical catch-up opportunity.



Alternatives

Given our longer-term (2-5 years) outlook, we increasingly will add to this asset class, mainly through long/short & market neutral credit and equity strategies. We also like commodities and other real assets.

Current view Previous view (if different)

NPB Global Tactical Views

6-12m Outlook

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Equities	View	Commentary
United States		Our relative (and currency adjusted) US underweight has paid well off so far. In an absolute game, the US equity market should continue to do well, especially if small- and mid-caps can take over leadership from expensive large caps.
Europe		US invested money is undoubtedly flowing back into Europe, as large non-US institutional investors start trying to avoid policy and market volatility. Plus, hedging is not always easy and nearly always expensive, so profit taking and repatriation is a viable alternative.
Switzerland		Given all the money flowing into the Swiss Franc recently and given the structure of the Swiss capital market (expensive bonds, cheap equities), the stock market should be much higher. However, it is one of Europe's lagging markets, which we put down to economic growth clouds on the horizon due to the strong Swiss Franc. We move neutral for now.
UK		Politically the country remains very challenged, and we prefer to continue to look at it from a neutrally weighted position until some clarity over direction emerges.
Japan		We continue to overweight Japan, with a slight preference for domestically focused stocks (i.e. small- & mid-cap), as we expect the Yen to strengthen over coming months.
Emerging Markets		Emerging markets equities are now fully reacting to the weakening US Dollar and the outlook has improved from a fundamental and technical point of view. We are pending a double overweight in the coming weeks.
China		Chinese markets are a tale of two stories. We keep an underweight over the entire Chinese equity complex but find Hong Kong stocks very interesting (if you can stomach the volatility).
India		The Indian equity market is about to hit new all-time highs, and we stay overweight.
Middle East		Apart from geopolitical challenges surrounding the wider region, we continue to see strong economic growth in the area. We prefer UAE over Saudi Arabia for now due to better (price) momentum.

Underweight | Neutral | Overweight | ● Previous view (if different)

NPB Global Tactical Views

6-12m Outlook

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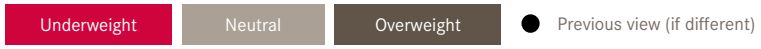
Fixed Income	View	Commentary
Government		We implement a barbell strategy using Sovereign bonds and emerging market bonds, to harvest roll-down yield from longer-dated Government bonds and carry yield from shorter-dated emerging market corporate hard currency bonds.
Investment Grade		Spreads over treasuries are extremely tight. However, we do not expect, absent any exogenous event, a spread widening, mainly due to solid balance sheet of IG companies around the globe.
High Yield		High yield over investment grade spreads are at historic narrow levels. Overweighing high yield here brings more risk than return.
Emerging Markets		We implement a barbell strategy using Sovereign bonds and emerging market bonds, to harvest roll-down yield from longer-dated Government bond and carry yield from shorter-dated emerging market corporate hard currency bonds.
Duration		We believe bond yields will remain range bound for now and prefer not to take a major bet in either direction at this point.

Currencies	View	Commentary
Swiss Franc		On paper (i.e. PPP) the Helvetic currency is overvalued against just about any other currency. However, its unique "safe-haven" positioning warrants it an at least neutral rating given global economic and political uncertainty.
Euro		We upgrade the Euro to overweight, believing that the good start to the year will continue, especially versus the US Dollar. However, a better level of entry might offer itself over the coming weeks, as the EUR is somewhat overbought just now.
US Dollar		Our Dollar underweight has fully paid off and rather than taking profit we are toying with the thought of a further downgrade (see exoUSD). Timing-wise, the greenback is due for a bounce, but the mantra is "sell the rally", not "buy the dip".
British Pound		The Pound may have seen most of its gains, as political quarrels take overhand again in the country. Stay neutral for now.



NPB Global Tactical Views

6-12m Outlook

Alternatives	View	Commentary
Commodities*		Our conviction for commodities remains elevated given the ongoing global segmentation which should further fuel re-shoring, near-shoring and the connected hoarding of natural resources. The weaker US Dollar should be the long- awaited catalyst. We prefer to "play" the commodity narrative via materials equities.
Hedge Funds		We keep our exposure to the hedge fund realm to overweight as we increasingly seek less directionality for our equity and credit exposure.
Private Equity		Our exposure to private equity is left at neutral, however, we would highlight the need for selectivity. Avoid large cap/mega-deal necessary PE exposure and focus on small- to mid cap managers, preferably with semi-liquid solutions.
Private Debt		We have grown very concerned regarding private debt, mainly due to the sheer size this shadow-banking sector has grown to. A widening in corporate credit spreads could quickly lead to not-so-good event in the private space. Avoid.
Infrastructure		Considering European (German) spending plans, we believe an overweight to this asset class is justified.

*Commodities ex precious metals

Underweight | Neutral | Overweight | ● Previous view (if different)

NPB Bedrock*

Themes for the Long-Run

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Demographics

> Aging populations and lower birth rates in many regions will lead to shifts in labor markets and consumption patterns, likely favoring sectors like healthcare, pensions, and age-targeted goods and services. Implications on regional asset allocation should be considered.

Longevity

> Longer lifespans are reshaping retirement planning and healthcare demands, driving growth in biotech, pharmaceuticals, and sectors focused on wellness, creating opportunities in preventative care and life extension technologies.

Climate

> The transition to a low-carbon economy and increasing regulatory and societal pressure on climate action will shift capital towards sustainable technologies, renewable energy, and climate-resilient infrastructure.

Energy Transfer

> Recent experiences have shown that the Energy Transition to most intermittent renewable energy carries its own challenges. This will likely lead to more capital allocated to alternative energy solutions such as nuclear and/or natural gas in the intermediate term.

Geopolitics

> Geopolitical tensions and shifting alliances are likely to impact global trade and supply chains, encouraging investments in localized production, defense industries, and cybersecurity as nations prioritize resilience.

Technology

> Rapid technological advancement, especially in AI, blockchain, and automation, will continue to disrupt traditional industries, necessitating long-term investments in innovation-driven sectors to capture outsized returns.

* The term **bedrock** originates from geology, where it refers to the solid layer of rock found beneath soil, sand, and other superficial materials on Earth's surface. Bedrock is considered the foundational layer that provides structural support for the land above it. In investing, **bedrock** refers to core trends that form the basis of long-term decision-making. Just like the geological bedrock underpins the land, these principles provide stability and guidance for navigating the financial landscape.

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