



STRATEGY UPDATE • JULY 2025

Positioned for Resilience: Policy Support and Selective Overweights

KEY TAKEAWAYS

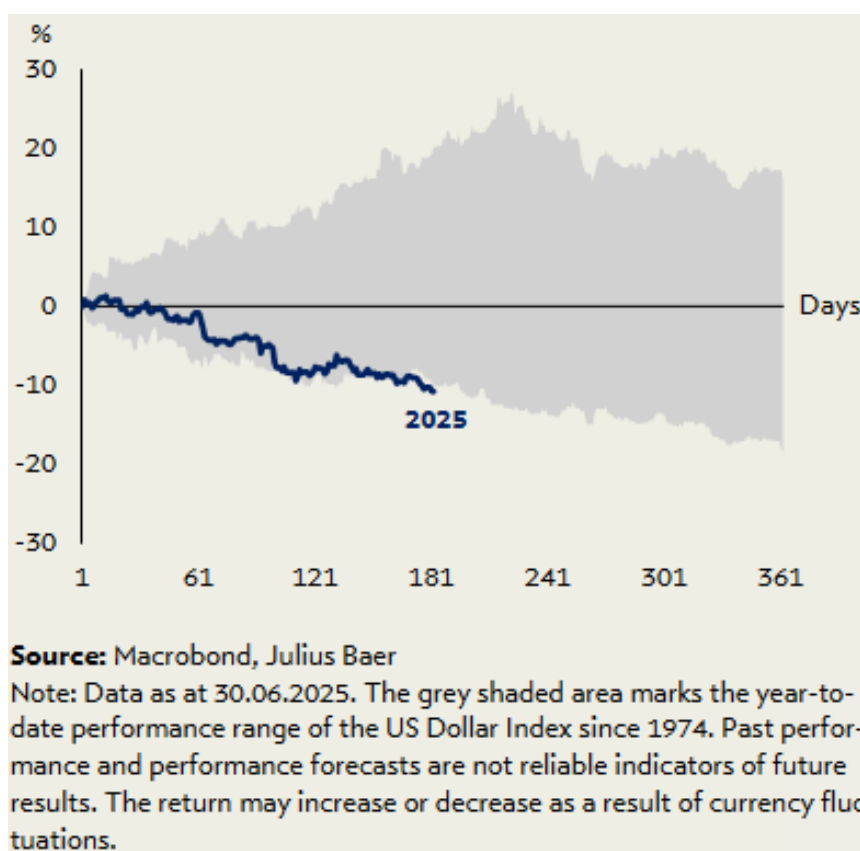
- We maintain an overweight in equities, with a clear tilt towards Europe and Emerging Markets.
- US policy signals – weaker dollar, tax cuts, and deregulation – point to higher liquidity and a supportive backdrop for risk assets.
- Inflation is normalising without repeat shocks, while the Fed is expected to cut rates in the second half.
- Fixed income offers limited value for now; we stay short duration and highly selective.
- Currency positioning favours selective non-USD exposure, especially in the euro and Swiss franc.

MARKET REVIEW

June closed on a strong footing for global equities, with most major indices reclaiming or pushing towards new highs. US markets remained the main reference point as the S&P 500 and Nasdaq touched record levels again, powered by large-cap tech strength and renewed appetite for cyclicals. Nvidia's rebound to the world's largest market cap was symbolic of investors' ongoing willingness to reward real earnings power, even in richly valued pockets. Europe, meanwhile, found support in signs of stabilization in its manufacturing engines and a clearer disinflation trend that helped lift sentiment. In Asia, optimism around India's structural momentum and tentative signs of a floor in China's industrial slowdown helped Emerging Markets to outperform broader expectations. On the geopolitical front, the announcement of a ceasefire between Israel and Iran brought a moment of relief to oil markets and broader risk sentiment, while the US administration's surprise progress on multiple trade deals has added another dimension to an already fluid policy landscape.

PORTFOLIO POSITIONING

Beneath the headlines, our broad positioning remains intact: we continue to hold an **overweight in equities**, with a deliberate bias towards Europe and Emerging Markets. This reflects both cyclical and structural considerations. On the policy side, the US continues to set the tone for global liquidity. The Trump administration's approach is delivering more stimulus than markets may have assumed just months ago. The much-discussed "beautiful bill" is expected to bring meaningful tax cuts, adding a fresh fiscal boost, while a broader deregulatory push – including possible adjustments to banks' capital and leverage requirements – promises additional liquidity. Although reserve requirements technically remain unchanged at zero since the pandemic, the overall easing of capital constraints under the wider regulatory reform points to more capacity for lending and market stability. For all the noise about policy conflicts, the thrust is clear: **more capital is being pushed into the system and the dollar is drifting lower**, by design. A weaker USD supports global trade, commodities and capital flows into selected non-US risk assets – a mix that tends to benefit European exporters and growth stories in Asia.



GROWTH & REGIONAL OPPORTUNITIES

At the same time, the real economy continues to defy pessimists. Recent data in the US show pockets of weakness – softer housing numbers, mixed sentiment surveys – but the broader growth picture holds. GDP trackers still point to an expansion comfortably above stall speed. Where macro prints have undershot, rate cut expectations have stepped in to compensate. Markets now price in two to three Fed cuts by year-end, and the upcoming change at the Fed's helm is widely expected to entrench a more dovish, market-friendly stance into 2026. The message is simple: **short-term growth resilience is enough to avoid recession talk, but not enough to trigger fresh inflation worries.**

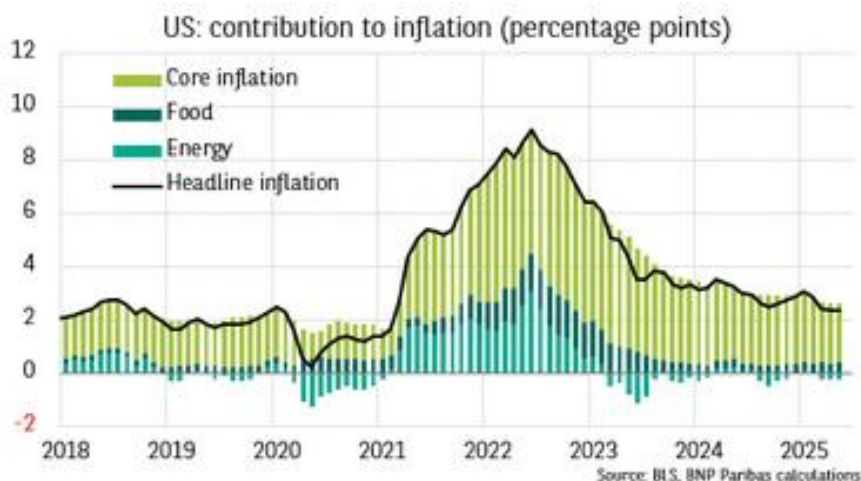
Europe, long seen as the laggard, has shown encouraging signs that its growth cycle is reawakening. Germany's composite PMI moved back into expansion territory last month, thanks in part to easing credit conditions and stabilizing energy prices. While parts of the Eurozone

continue to grapple with soft domestic demand, the policy mix remains supportive – headline inflation data in France and Spain ticked slightly higher but stayed comfortably manageable for the ECB’s forward path. In addition, our longstanding theme in European industrials and global defense remains firmly in place. Recent commitments made during the latest NATO meeting underline how defense budgets across Europe – and key allied markets – are set to expand further in the coming years, creating reliable multi-year visibility for leading defense contractors and related suppliers. This has already translated into strong performance for select names, and we continue to see scope for this trend to broaden. Against this backdrop, **our tilt towards European equities is justified**: valuations remain reasonable relative to history, and any pickup in industrial production or cross-border trade should feed through to earnings upgrades in the second half.

Turning to Emerging Markets, **India remains the standout**. Its domestic wealth generation story continues at full speed, with intergenerational capital transfers and new household formation driving incremental flows into equities and real assets. Family offices are mushrooming, entrepreneurial ventures are gaining scale, and the capital markets framework is modernizing quickly enough to channel this domestic liquidity. While occasional valuation worries will resurface, India remains one of the few large economies offering genuine structural growth without the same geopolitical headwinds that cloud sentiment elsewhere in Asia. China, by contrast, still shows pockets of fragility – new tariffs, deflation worries, and a lackluster manufacturing pulse persist – but even here, signs of stabilization and targeted policy easing keep the door open for selective opportunities.

INFLATION & FIXED INCOME

On the inflation side, the backdrop looks broadly supportive for risk assets. The days of runaway price shocks are behind us: services inflation remains sticky in parts, but the direction is clear – a return towards central banks’ targets rather than another sudden spike. The resilience of the global economy may cause occasional bumps in the disinflation path, but the overarching trend is one of normalization. This is exactly the environment in which equities can maintain a leadership role: no forced rate hikes on the horizon, policy leeway if growth softens, and an earnings base that still shows depth in many sectors.



Fixed income remains less compelling in this setting. Real yields offer limited protection given that nominal rates are likely to drift lower again once the Fed moves decisively. There is space for some tactical positioning in selective credit, but broadly speaking, we see little reason to increase duration or tie up capital in bonds that offer neither meaningful yield nor diversification benefits at this stage of the cycle.

ALLOCATION & OUTLOOK

Where does this leave us? Our current allocation framework stands: **overweight equities**, with a measured preference for Europe and Emerging Markets to capture both near-term cyclicity and longer-term structural drivers. Fixed income stays underweight, focused only on pockets where specific opportunities justify the risk. In currencies, we maintain an eye on a weaker USD bias, favoring selective exposure to the euro and CHF, while monitoring policy shifts that could reopen tactical windows in Asia.

Overall, the global economy continues to grow, fiscal and monetary levers remain net supportive, and the market narrative is increasingly aligned with our long-held view that liquidity and policy direction matter more than temporary data noise. This is a time for measured optimism and disciplined positioning – patient enough to hold through short-term volatility, flexible enough to capture the next leg higher as liquidity and policy do their work.

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GENERAL CONTACT · Acumentum AG · Stadthausquai 1 · 8001 Zurich · Switzerland
Tel. +41 43 497 27 42 · Fax +41 43 497 27 43 · info@acumentum.ch · www.acumentum.ch