KEYPRIVATE Quarterly Update

Q3 2025

KEYPRIVATE

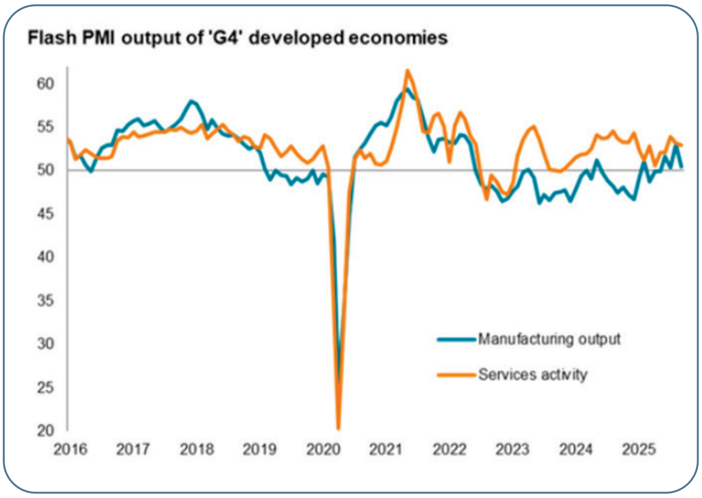
Next generation portfolio management

Trends for 2025 remained consistent in the third quarter, with non-US equities outperforming US equities and the gold price doing superbly. Needless to say, our Keyprivate portfolios are achieving very good net returns in these circumstances. This despite concerns regarding the health of the global economy, which is being battered by US tariffs. Renewed proof that the real economy and the financial economy are two separate things. This overview provides more details on the third quarter's economic and financial trends.

Geert Van Herck
Chief Strategist KEYPRIVATE

Economic environment

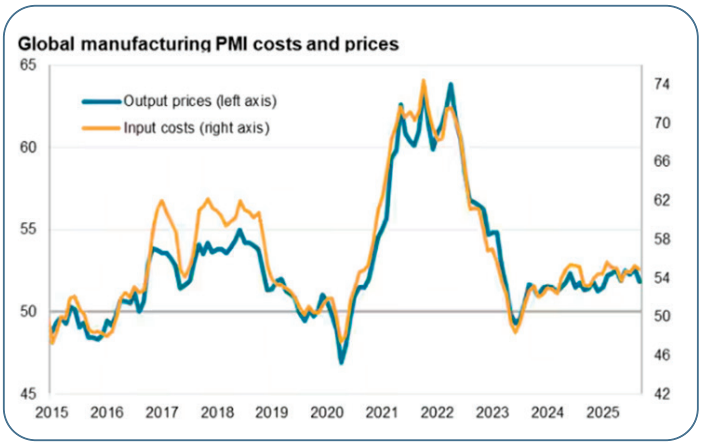
President Trump's announcing higher US import tariffs definitely affected global economic trends. To avoid these higher tariffs, many US businesses squeezed in more orders with European and Asian companies. Obviously, the short-term effects on industrial production were positive. While more global economic growth resulted initially, these effects appear to have reached an end. Graph 1 shows the current trend in global manufacturing confidence in the industrial and service sectors. Noteworthy is the sudden decline in manufacturing confidence in the processing industry. This serves as a clear sign that the positive short-term effects are past. As the following shows, American businesses' inventories have now been replenished. It is inevitable that this drop in demand will affect global economic growth negatively in the coming weeks and months.



Graph 1: Development of economic activity in G4 countries
Source : S&P Global

Graph 2: US manufacturing inventories
Source :Bloomberg

Looking at the figures for US manufacturing confidence, it is interesting to see a lot of American business managers stating that their inventories have been satisfactorily replenished. In other words, American warehouses are currently packed to the brim. This has everything to do with US President Trump's trade policy. Many economists assume that the US economy's growth will be slowing down. This will inevitably impact global economy growth as well. Furthermore, America's economic policy is encouraging a return to disparate economic blocs instead of a single, globalised market. The only glimmer of hope right now is the announcement of Germany's plans for significant investments in defence and infrastructure. That should help to rev up the Eurozone's economic engine and perhaps thereby provide a good boost to the global economy as well.



Graph 3: Global inflation trends
Source : S&P Global

Higher US import tariffs have not led to higher prices so far. Global inflation appears to be holding steady. Perhaps it is too early and there will be a gradual rise in prices due to the tariffs eventually. The main reason there has been no noticeable rise in inflation in Western industrialised countries may well be the lack of big price increases in oil, copper and other basic commodities. As long as international commodity prices remain stable, there is no need to fear a new surge in inflation. In this favourable environment, Western central banks can also continue to maintain more accommodating monetary policies. Many economists still anticipate a reduction in short-term interest rates in the United States and the Eurozone. This should provide the global economy with more breathing room and help to balance the higher trade tariffs. Central banks will be doing all they can to keep the economy's growth on track. As the third quarter nears its end, that fact should inspire both companies and investors to confidence.

Conclusion: The preceding graphs clearly indicate that the global economy is entering a phase of slower growth. We all know the main culprit behind this slowdown: the current US administration's new trade policy. The global economy will have to adapt to this reality. On a hopeful note, inflation has been staying under control. That gives Western central banks the flexibility to implement more accommodative monetary policies. It looks like investors are using this as an argument to stay optimistic and continue buying equities and other financial assets. The Keyprivate investment committee shares this optimism and currently sees no reason to adopt a more pessimistic and defensive investment approach.

Financial markets in Q3 2025

Equity markets

In the third quarter, European equities stayed behind those from outside Europe on international equity markets. The emerging markets tracker was the third quarter's star performer. American equities also did remarkably well this quarter, benefiting from the strong recovery of US technology stocks. American equities account for over 60% of the MSCI World tracker. Nevertheless, non-US equities have been the clear winners on international equity markets ever since the beginning of this year. With returns exceeding 12%, there is a significant difference compared to US equities. Increasingly, 2025 is shaping up to be a pivotal year. After years of American dominance, a cycle appears to be starting in which European and Asian equity markets can do well. The relative undervaluation of these markets is an important contributor.

stock trackers returns Q3 2025 (in EUR)	
MSCI World	7,10%
MSCI Emerging Markets	10,13%
MSCI Europe	3,57%
MSCI Europe small caps	0,67%

stock trackers returns 9M 2025 (in EUR)	
MSCI World	3,04%
MSCI Emerging Markets)	12,17%
MSCI Europe	12,74%
MSCI Europe small caps	12,92%

Table 1: Returns on Keyprivate stock trackers Q3 2025/9M 2025 - Source: Bloomberg

Bond markets

Bonds will not be producing any spectacular returns in 2025. Looking at the European bond market, we see that Germany's long-term interest rate began the year at approximately 2.40% and was around 2.70% at the end of the third quarter. In other words, the trend is mildly upward, resulting in miserable returns for long-term bonds. That makes it especially impressive that high-yield bonds have managed returns of 4.41% since the beginning of the year. This is due to their close correlation with European equity markets. High-yield bonds are traditionally somewhat riskier than more defensive government bonds, which is why they are expected to perform better than government bonds in 2025. Investors have clearly demonstrated a greater risk appetite this year, and high-yield bonds have reaped the benefits.

bond trackers returns Q3 2025 (in EUR)	
Eurozone government bonds	-0,24%
High-yield bonds	1,60%

bond trackers returns 9M 2025 (in EUR)	
Eurozone government bonds	0,01%
High-yield bonds	4,41%

Table 2: Returns on Keyprivate bond trackers Q3 2025/9M 2025 - Source: Bloomberg

Commodity markets

Regarding the international commodity markets, we can be succinct: gold is the standout performer, leaving all other important commodities trailing far behind. This strong performance is likely related to international geopolitical tensions, of course. Asian central banks, for example, are continuing to buy more gold to replenish their reserves. Furthermore, gold's strong performance is prompting many institutional and individual investors to get on board. This supports demand and creates a positive force. This force has yet to materialise for industrial metals, where concerns about global economic health have been affecting demand.

Commodity tracker returns Q2 2025	(in EUR)
Gold	16,88%
Industrial metals	-0,91%

Commodity tracker returns 9M 2025	(in EUR)
Gold	30,68%
Industrial metals	4,19%

Table 3: Returns on Keyprivate commodity trackers Q3 2025/9M 2025 - Source: Bloomberg

Net returns of Keyprivate portfolios 9M 2025

Table 4 shows the net returns achieved by our 10 Keyprivate profiles. Below are some observations on changes in net returns in the first nine months of 2025

• On international equity markets, US equities have been lagging behind the rest of the world since the start of this year. The equities component of our Keyprivate portfolios has concentrated on international equities ever since the first quarter. There was a particular focus on European equities and equities from emerging countries. During the summer, we decreased the exposure to large European equities in favour of smaller European equities ("small caps"). Unfortunately, these smaller equities failed to establish a significant lead over the larger ones. We therefore reinvested in larger European equities at the end of the third quarter. Nevertheless, we remain very happy with our strategy of overweighting non-US equities. This strategy is a key driver of the impressive net returns we have achieved since the beginning of the year.

• The bond portion of our Keyprivate portfolios continued to favour high-yield bonds in the third quarter of 2025. We did halve this exposure: the difference in interest rates between European high-yield bonds and government bonds has been shrinking month by month. According to the members of the Keyprivate investment committee, the average interest rate on high-yield bonds cannot fall below the rate on government bonds. This did lead to a bit of defensiveness in the form of very short-term European government bonds. The latter bond category is a hedge against a potential increase in financial market volatility.

2025	
Profile	Net
1	1,66 %
2	2,89 %
3	4,44 %
4	5,32 %
5	5,57 %
6	7,63 %
7	9,13 %
8	10,05 %
9	10,71%
10	10,75 %

Table 4 :
Net returns 9M 2025

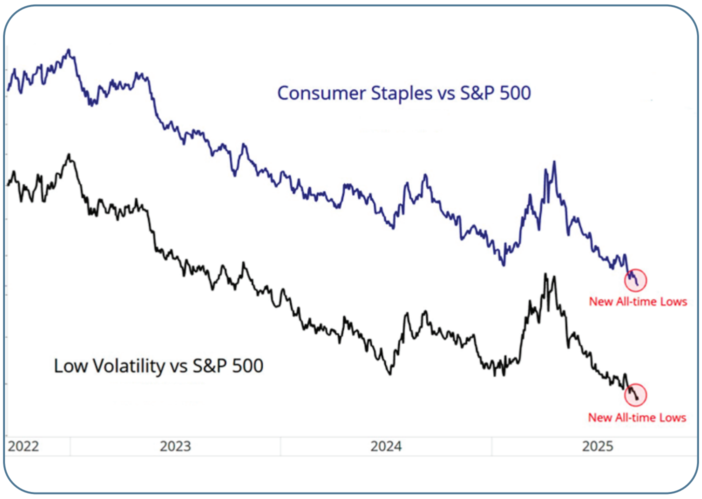
• There were no rotations in the commodities component: the Keyprivate portfolios remained invested in gold. Obviously, the gold price is proving a standout performer this year. This investment is also an important factor in the Keyprivate portfolios' splendid net returns. We see no indication of an impending end to the gold boom at present. A rotation away from gold toward industrial metals is certainly not to be expected.

Net returns 01/01/2016 – 30/09/2025											
profile		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3 - Very cautious	100	2,37 %	2,24 %	- 6, 65 %	4,90 %	-1,90 %	10,29 %	-10,10 %	7,38 %	6,92 %	4,44 %
5 - Balanced	100	4,63 %	4,64 %	- 4,84 %	5,02 %	-1,92 %	12,37 %	-10,20 %	9,36 %	8,38 %	5,57%
7 - Dynamic	100	7,52 %	7,13 %	- 7,78 %	7,11 %	-1,44 %	15,12 %	-9,35 %	11,70 %	10,88 %	9,13 %
10 - Very aggressive	100	5,47 %	8,99 %	- 8,84 %	6,17 %	1,16 %	16,62 %	-10,85 %	14,06 %	12,92 %	10,75 %

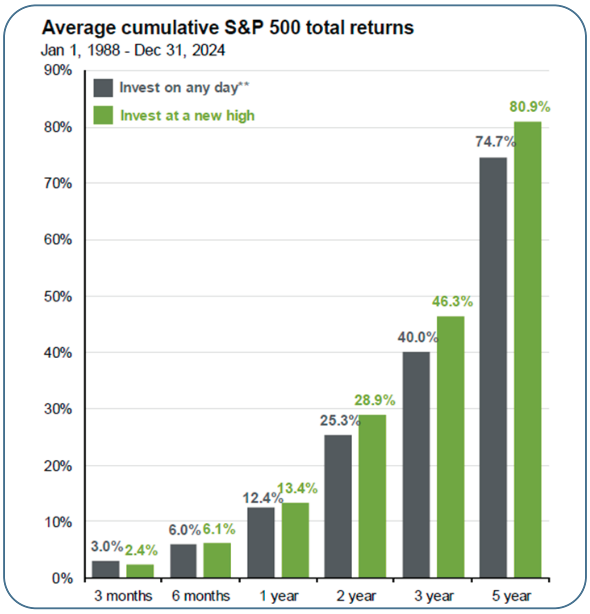
These net returns were calculated based on real portfolios established on 4 January 2016 (the first trading day of 2016). These portfolios have therefore been through every re-balancing process. The calculation of net returns includes annual management fees and all taxes.

Looking to the future

Investors are getting more scared of heights. The most important stock market indices in the United States and Europe have been reaching new record highs. Investments in artificial intelligence are a key factor in the positive state of affairs in the US. This has led some analysts to fear that a bubble is underway. Our investment committee is also wary. But are there any signs yet that investors are starting to shift from an offensive strategy to a defensive one? Not at all, as Graph 4 shows. What does this graph tell us? The graph shows the relative performance of two defensive asset classes ("consumer staples", or food and beverage stocks, and "low volatility" stocks, shares in large companies with strong balance sheets, a healthy cash flow and low debt) compared to the S&P 500, the most important index for US equities. The trend is clearly downward, with these defensive asset classes performing poorly compared to the broader stock market index. In other words, investors are not yet adopting a defensive strategy, and as long as that holds true, we will continue to implement an offensive, dynamic strategy in our Keyprivate portfolios.



Graph 4: Defensive equities vs S&P 500
Source : All Star Charts



Graph 5

Source : JPMorgan – Guide des marchés T4 2025

Another concern for investors is whether investing in shares is still worth it when prices are hitting new records almost daily. When we take a closer look at the studies available on investing at the top, we can only conclude that this is actually a sound strategy. After all, when an equity index reaches a new short price record, it is definitely undergoing an upward trend. And when the trend is rising, it is indeed a good idea to invest in shares. The results of Graph 5 support this reasoning. Green represents investments in equities made when US benchmark index S&P 500 reached a new record high. The grey bars indicate investments made on other random days. Again, it is clear that investing during record highs will produce better returns in the long term than investing on random days. This stands in stark contrast to the oft-heard advice for investors to "wait for a correction to make a move." When the correction fails to materialise, these investors miss out. Don't be deterred by record highs on European and US markets; these are excellent times to buy shares. That is also why the Keyprivate investment committee still considers the current stock market environment a healthy one.

Conclusion: As we approach the end of 2025's third quarter, we can only conclude that there is a divergence between global economic trends and the state of financial markets. Even though some economic indicators are pointing towards a slowdown in growth, investors remain positive. The equity market is trending upward, a fact to which the Keyprivate investment committee attaches great importance. We made the right choices for our portfolios in light of this year's two major financial trends, namely non-US stocks outperforming US stocks and a soaring gold price. We see no reason to change this strategy and remain very happy with the net returns achieved in 2025.

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