

# KEYPRIVATE

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## Quarterly Update

Q1 2025



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A particularly interesting, not to mention volatile, first quarter of 2025 is now over. The period was dominated by the statements and whims of the new US president Donald Trump. The most interesting development of the first quarter was the rotation from US to non-US shares. The volatile character of 2025 took shape at the end of the first quarter, when Trump announced that crippling trade tariffs would be levied on the USA's key trading partners. Despite the unusual circumstances of the market, the Keyprivate Investment Committee managed to record a positive net return.

## Economic environment

At the start of 2025, people were, on the whole, very optimistic about the state of the global economy, with most economic indicators pointing towards expansion in the USA and recovery in Europe. Starting in March, however, the market became increasingly flooded with insecurity as the result of policies taking shape in the US. As the new president, Trump used his office to announce higher trade tariffs for key American trading partners – and did so on an almost daily basis. We then watched as companies around the world tried to offset the worst of the fallout, rushing to place orders for goods that would face higher import tariffs in the future. This is the reason why global industrial production increased (see Figure 1). We suspect that this is a short-term rise, not least because many economic observers assume the global economy is now on the verge of a recession in the wake of Trump's trade policy.

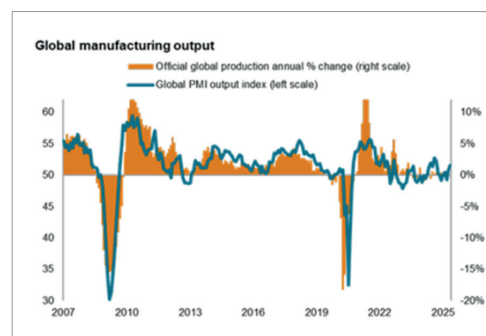


Figure 1: Evolution of global industrial production  
Source : S&P Global

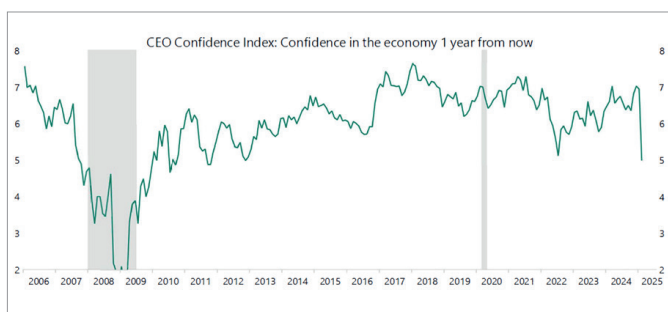


Figure 2: Evolution of confidence among US CEOs  
Source : Apollo

Our reasons for being cautious about the global economy over the next few quarters are twofold: the eroding confidence of business leaders in general and the fast-tracking of this among US business leaders. This downward spiral is clear to see in Figure 2, where we can observe that CEOs of major US firms are rapidly losing any and all confidence they once had. As can be imagined, this is having major effects on the US economy: a loss of confidence translates into a reduction in investments in new factories, new machines and equipment, etc. The outcome is clear, too: fewer jobs on the horizon. In short, it appears as though US business leaders are rapidly losing faith in the political minds currently steering the country. Up to the end of last year (just after the elections in the US), this confidence was still running high. Above all, the Keyprivate Investment Committee is curious to

see whether this loss of confidence could prompt the White House to change tack and adopt a more moderate stance towards the US's allies.

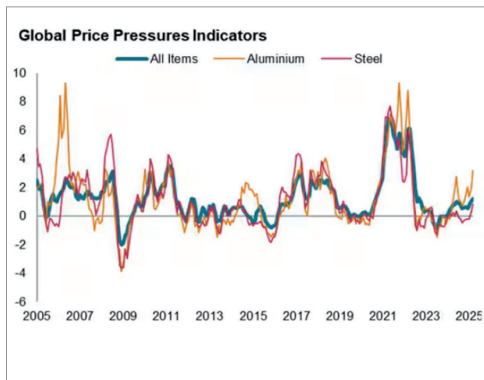


Figure 3: Evolution of global inflation figures  
Source : S&P Global

While things have been quiet on the inflation front in the past few months, it appears as though the US's new trade policy is set to turn up the volume once again. Among the measures floated by President Trump are import tariffs on basic commodities such as steel and aluminium – materials that are used to make a wide range of everyday products. There is no doubt whatsoever that US companies will start factoring these higher import tariffs into their sales prices, meaning the impact of the tariffs will be felt most keenly by US consumers when they have to shell out more on goods. Not only that, but countermeasures initiated by the US's trading partners are set to send the price of many goods and services sky high. With this in mind, it is only logical for economists to expect that a period of stagflation is on the way, where higher prices meet stagnating economic growth.

**Conclusion:** the widespread optimism kindled at the end of 2024 that global trade would continue to grow has been largely extinguished, with a much more muted outlook going forward. The most recent indicators show that the global economy should prepare for a recession, with Trump's trade policies having eroded the confidence of many economic stakeholders to the point of non-existence. Vigilance is now required, because we are also observing upward pressure on prices. The Keyprivate Investment Committee is closely following these developments and will adapt its investment strategy to this new reality (see below).

## The financial markets in Q1 2025



### Equity markets

Table 1 clearly shows that US shares were the biggest losers on the international stock markets. These shares comprise more than 70% of the MSCI World tracker. By comparison, Europe was able to post very good results, relatively speaking. The fact that this outcome was a massive surprise to investors is patently clear. At the start of the year, the overwhelming majority of investors remained convinced that the US's iron grip over the stock markets wouldn't loosen any time soon, especially given Trump's intention to pursue a policy of lower taxes and reduced government regulation. However, as so often happens when sentiment is riding high, this was followed by a trend reversal. We look at our strategy in the context of the evolution of net returns in the next section. Once again, the performance of the stock markets in the first quarter demonstrates the importance of diversification: while the MSCI World is often touted as a global investment tracker, it is actually dependent on the US share market in general and US technology shares in particular. European countries such as France and Germany make up 2.9% and 2.5% of the MSCI World tracker, respectively. In other words, their impact on potential returns is virtually non-existent. International diversification across different regions can help to prevent a downward spiral.

Stock tracker returns in Q1 2025 (in EUR)	
MSCI World	-6,67%
MSCI Emerging Markets	-1,82%
MSCI Europe	5,90 %
MSCI Europe small caps	1,24 %

Table 1: Returns on Keyprivate equity trackers – Q1 2025  
Source: Bloomberg





## Bond markets

In a repeat of 2024, the bond markets overcame a difficult first quarter. At the start of the year, long-term interest rates soared as many bond investors priced in a strong global economy. On top of these developments, the bond market marked the return of Trump with higher interest rates. After all, a reduction in investment is not good news for US coffers, while the budget deficit and government debt were already very high in the USA. As a result, many market participants reduced their exposure to long-term government securities. Over in the eurozone, the German government decided to raise the debt ceiling so it could invest further in defence and infrastructure. German fiscal orthodoxy is taking a turn for the worse in these challenging geopolitical times, putting pressure on European long-term interest rates. The high-yield bonds were able to limit the damage due to their strong correlation with the stock markets.

Bond tracker returns Q1 2025 (in EUR)	
Eurozone government bonds	-1,50%
high-yield bonds	-1,01%

Table 2: Returns on Keyprivate bond trackers in Q1 2025  
Source: Bloomberg



## Commodity markets

The commodities market was a clear winner in the first quarter of 2025, as is evident in table 3: both gold and industrial metals rose in value. There is a reason for this: gold profited from geopolitical uncertainty, while the prices for industrial metals (such as copper, nickel, aluminium and zinc) rose due to higher growth expectations surrounding the global economy. However, there were also analysts who attributed higher copper prices to advance purchases by major industrial consumers.

Commodity tracker returns in Q1 2025 (in EUR)	
Gold	15,35%
Industrial metals	6,80%

Table 3: Returns on Keyprivate commodity trackers in Q1 2025  
Source: Bloomberg

## Net returns of Keyprivate portfolios in Q1 2025

Table 4 shows the net returns achieved by our 10 Keyprivate profiles.  
A few observations on the evolution of net returns in the first quarter of 2025:

- The exposure to European shares as a result of a mandatory diversification rule in the Keyprivate portfolios played a key role in generating positive net returns in the first quarter of 2025. As far as the equity portion of Keyprivate is concerned, each profile has a maximum in which a stock tracker can be invested. This is 30% for profile 5 (the balanced profile). It is critical to avoid placing all our eggs in one basket. In the first quarter of 2025, the portfolios were invested in the MSCI World and the MSCI Europe trackers. We therefore benefitted from the international rotation to European shares. At the end of February 2025, the Keyprivate Investment Committee decided to reduce its exposure to the MSCI World tracker (which primarily invests in US shares) and to

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invest the proceeds of the partial sale in the MSCI Emerging Markets tracker. We continued to pursue this strategy at the end of March, as it is in line with the policy of limiting losses in portfolios by reducing exposure to the weakest markets.

- As for the bond portion of our Keyprivate portfolios, the Keyprivate Investment Committee chose to invest in European high-yield bonds. This was due first to the strong correlation with the evolution of the European stock markets and second to the interest rate risk of this bond class being lower than the tracker on Eurozone government bonds. The latter point means that the decline in high-yield bond rates is lower than the rates for government bonds issued by the eurozone. There was no rotation within the bond portion of our Keyprivate portfolios in the first quarter of 2025.
- As for the investments in the commodities portion of our Keyprivate portfolio, we can be brief: we invested in the tracker that tracks the price of gold, and we see no reason to change this now.
- A brief explanatory note regarding table 4: there is a small dip in the net returns from profile 4 to profile 5. This is due to the fact that profile 5 had a 5% higher investment in the MSCI World tracker, and therefore suffered the heaviest losses in March 2025 (around 7.9%).

2025	
Profile	Net
1	1,08 %
2	1,10 %
3	1,28 %
4	1,28 %
5	0,94 %
6	1,92 %
7	2,17 %
8	2,12 %
9	2,43 %
10	2,39 %

Table 4: Net returns for Q1 2025

## Net returns 01/01/2016 – 31/03/2025

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 %	1,28 %
5 -Balanced	100	4,63 %	4,64 %	- 4,84 %	5,02 %	-1,92 %	12,37 %	-10,20 %	9,36 %	8,38 %	0,94 %
7 - Dynamic	100	7,52 %	7,13 %	- 7,78 %	7,11 %	-1,44 %	15,12 %	-9,35 %	11,70 %	10,88 %	2,17 %
10 - Very aggressive	100	5,47 %	8,99 %	- 8,84 %	6,17 %	1,16 %	16,62 %	-10,85 %	14,06 %	12,92 %	2,39 %

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 net returns calculation includes annual management fees and all taxes.

## Looking to the future

The key development in the past few months is, without a doubt, the rotation from US to non-US shares. We have referred to one many times in previous quarterly reports, but a trend reversal does finally seem to be underway – and it is an exceptional one given where people's sentiments lie right now. Following the elections, there was jubilation on Wall Street at the notion of Donald Trump once again becoming the president: US shares rose steeply due to the belief that businesses would benefit from lower taxes and less government regulation. What's more, investors questioned whether it was worth the additional effort to invest in

non-US shares. The movement of capital investments towards trackers that tracked the S&P 500 and the Nasdaq increased sharply. All signs pointed to investors being hugely optimistic about the markets' future. Alas, as tends to happen when things seem to be going so well, the fortunes were about to be reversed. The first quarter of 2025 saw this trend reversal play out, with non-US shares performing much better than US shares. The Keyprivate Investment Committee is keen to see whether this trend will continue over the next few months: at the end of the first quarter, exposure to US equities had already been reduced significantly, while European equities carried the largest weighting in terms of equity in the investment portfolios.

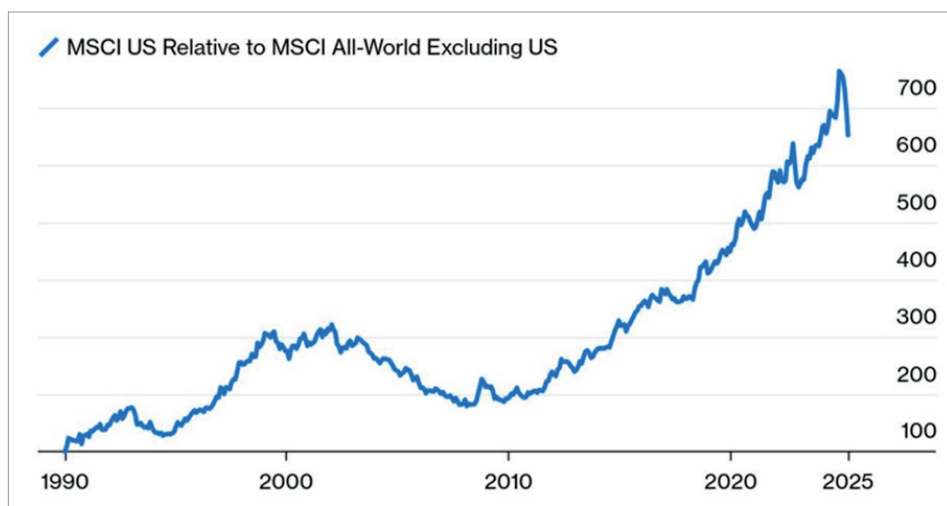


Figure 4: MSCI USA vs MSCI All-World ex-USA index  
Source : Bloomberg

**Conclusion:** on a macro-economic level, we are in for a difficult 2025. The tariff policies of Donald Trump are stoking insecurity among business leaders, making them less inclined to invest in new projects. This could significantly impede the growth of the global economy. In the meantime, the prices of basic commodities are rising due to higher US import tariffs. We await the impact of the US inflation figures and the response from the bond market with keen interest. In the financial markets, the tariff war ushered in a correction at the end of the first quarter. In the Keyprivate portfolios, we were able to limit the fallout by reducing the weighting of US shares (comprising 70% of the MSCI World tracker) and shifting investment into shares in growth countries. Given the overall picture, the European stock markets performed fantastically well in the first quarter of 2025. The number one development in the financial markets was the rotation from US shares to non-US shares. We are well positioned to observe whether this trend continues into the second quarter of 2025.

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