KEYPRIVATE Quartely Update

Q2 2025

The second quarter of 2025 was characterised by increased volatility. It will come as no surprise that the roots of this greater volatility lie in the US. The new US President Trump announced significantly higher import tariffs at the beginning of April, causing stock markets to fall. However, as happened several times, Trump revoked these controversial import tariffs a few days later and added a delay in order to reach agreements with his trading partners. Our Keyprivate portfolios held up well In this volatile environment and we were able to close the first half of the year with positive net returns

Geert Van Herck
Chief Strategist KEYPRIVATE

Economic environment

INo-one doubted that President Trump's arrival in the White House would be associated with major upheavals. Economists and fund managers were queueing up to warn of a period of greater volatility. And we have certainly seen increased volatility: in economic terms, Trump has pursued a protectionist trade policy by imposing higher import tariffs on America's trading partners. This peaked on "Liberation Day" (April 2), when Trump imposed a massive increase in import tariffs on every country in the world. This has had an economic impact: we saw many US companies placing orders quickly in order to get in ahead of the higher rates. This can be seen in Figure 1 in the trend of manufacturing output: this has been moving upwards in recent months. It created a positive impact on industrial activity in the short term (orders needed to be produced quickly), but is disastrous over the longer term. After all, if US companies have full inventories, this additional demand will disappear and industrial production will drop to a lower level.

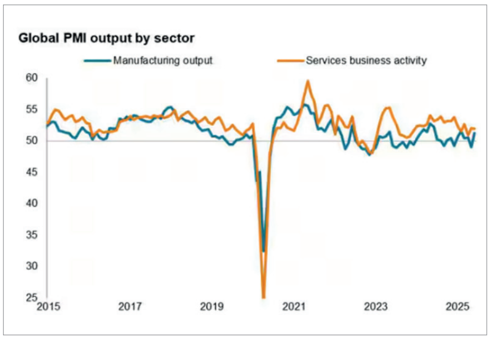

Figure 1: Global economic activity trend
Source : S&P Global

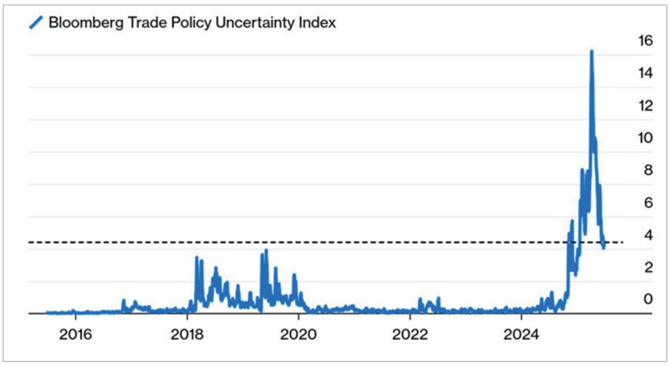

Figure 2: Bloomberg Uncertainty Index
Source : Bloomberg

However, Trump's new trade policy did not run smoothly: just a few days later Trump announced a 90-day delay to allow his government to initiate negotiations with the US' trading partners. This "stop and go" policy has created additional uncertainty for a large number of company managers. Uncertainty is a word we have heard frequently in recent months whenever economists and CEOs of listed companies have talked about the future. This is clearly shown in Figure 2 which depicts the change in the "uncertainty index" published by the economic news agency Bloomberg. This index has been rising sharply since Trump's election. Despite cooling off recently, this index remains at a historically very high level, even higher than during Trump's first term. This will inevitably weigh on global economic growth, as uncertainty definitely does not encourage business leaders to make major investments and create jobs.

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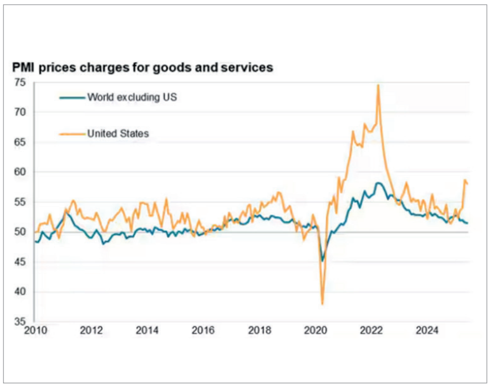

Figure 3: Global inflation figures trend
Source : S&P Global

However, Trump's actions have had a negative effect on US price levels: in Figure 3, we can clearly see that inflation numbers are rising in the US, whereas this is not the case in the rest of the world. The import duties that have already been announced for steel and aluminium do seem to have had the expected effect on price levels: steel is found in many household appliances, for example, and is a raw material that is also much used in residential construction. In addition, the US dollar lost a lot of its value in the first half of the year, which is now driving up the cost of imports for foreign goods. In short, higher inflation figures are not really favourable because this is taking tools out of the hands of the US central bank. This US central bank (the «Fed») has been cutting short-term interest rates for some time now to help support US growth. Higher inflation figures make it more difficult to continue this accommodative monetary policy, as an increase in inflation would more likely result in higher short-term rates...

Conclusion: in economic terms, the second quarter was characterised by President Trump's sudden changes of direction. Uncertainty is currently very high and is already causing US companies to replenish their stocks quickly in order to avoid future higher import tariffs. This is good for economic growth in the short term, but has a negative effect in the long term. Rising inflation is causing further tension, as this could lead to an early end to the looser US monetary policy. There are therefore many signs pointing towards slightly lower economic growth over the coming months.

Financial markets second quarter 2025

Equity markets

The second quarter of 2025 was a good quarter for equity investors (despite Trump's antics). Of course, the quarter did not get off to a brilliant start: at the beginning of April, President Trump announced significantly higher import tariffs for America's most significant trading partners. The stock markets fell rapidly, but the announcement of a delay led to a rapid and spectacular recovery. The big winner in the second quarter was European small caps. These smaller-cap stocks are strongly linked to European economic growth. And thanks to Germany,, this growth has been revised upwards by many economic observers. Remember that Germany has announced major investments in defence and infrastructure! Looking at the performance over the first half of the year, we can see that the MSCI World tracker is still the negative outlier: a combination of US equities (which make up around 70% of the index) and the decline in the dollar. International diversification is still the name of the game on the equity markets!

Stock tracker returns in Q2 2025 (in EUR)	
MSCI World	-3,09%
MSCI Emerging Markets	3,74%
MSCI Europe	2,80%
MSCI Europe small caps	10,80%

Stock tracker returns in H1 2025 (in EUR)	
MSCI World	-3,78%
MSCI Emerging Markets	1,85%
MSCI Europe	8,86%
MSCI Europe small caps	12,17%

Table 1: Returns on Keyprivate share trackers Q2 2025/H1 2025- Source: Bloomberg

Bond markets

Bond investors were able to heave a sigh of relief in the second quarter: we saw positive performances from both eurozone government bonds and high-yield bonds. The fact that this latter bond category posted the best return in both the second quarter and the first half of the year is due to the high correlation between high-yield bonds and European equity markets. No wonder: if the European economy is doing well and the corporate earnings of listed companies are rising, this is good news for the European stock markets. It is also good news for issuers of "high yield" bonds: these are generally somewhat more "risky" companies whose repayment capacity increases as their profits and cash flows increase. "High yield" bonds also benefit from investors' risk appetite: when investors want more risk in their portfolios, they traditionally opt for more "high yield" and fewer defensive government bonds.

Bond tracker returns Q2 2025 (in EUR)	
Eurozone government bonds	1,64%
high-yield bonds	2,62%

Bond tracker returns H1 2025 (in EUR)	
Eurozone government bonds	0,12%
high-yield bonds	2,61%

Table 2: Returns on Keyprivate bond trackers Q2 2025/H1 2025- Source: Bloomberg

Commodity markets

Les investisseurs en matières premières ont eu moins de raisons de se réjouir au deuxième trimestre 2025. Tant l'or que les métaux industriels ont baissé. Mais nous devons considérer cela dans un contexte plus large : le prix de l'or est depuis longtemps dans une tendance à la hausse, il est donc nécessaire de temps en temps de faire une pause sous la forme d'une correction. Il en va de même pour les métaux industriels dans lesquels nous retrouvons notamment le cuivre et l'or. Si nous examinons les rendements sur les six premiers mois de 2025, nous constatons toutefois de belles performances. L'or continue de profiter d'un mélange de facteurs : les troubles géopolitiques, les achats par les banques centrales asiatiques et les investisseurs individuels qui prennent des positions initiales en or. Les métaux industriels ont quant à eux profité de l'amélioration des chiffres de croissance économique dans la zone euro et en Asie.

Commodity tracker returns in Q2 2025 (in EUR)	
Gold	-3,07%
Industrial metals	-1,54%

Commodity tracker returns in H1 2025 (in EUR)	
Gold	11,80%
Industrial metals	-5,15%

Table 3: Returns on Keyprivate commodity trackers Q2 2025/H1 2025- Source: Bloomberg

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Net returns of Keyprivate portfolios in H1 2025

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

- With the exception of the highly defensive profiles, all Keyprivate portfolios achieved positive net returns in the first six months of 2025. This is a particularly strong performance, which was due to the diversification of our Keyprivate portfolios.
- This diversification had a major impact on the equity exposure in the Keyprivate portfolios. The Keyprivate investment committee's strategy was to underweight US equities (which have a heavy weighting in the MSCI World tracker). This increased the weighting in non-American equities, such as European equities and emerging market equities. This new strategy clearly paid off well. Towards the end of the second quarter, we saw the relative strength of European small cap equities: as a result, we took the decision to increase our exposure to European small cap equities from the beginning of June.
- The bond component of our Keyprivate portfolios put the brakes on performance in the second quarter: during the surge in volatility at the beginning of April, we decided to sell our exposure to high-yield bonds. These higher-risk bonds were likely to suffer the most from the tariff war. But here too, we saw a rapid recovery when President Trump announced a delay to the tariff war. As a result, we bought back this bond category a few weeks later at slightly higher prices. However, the Keyprivate investment committee has taken additional measures and added indicators to avoid situations like this in future.
- There were no rotations in the commodities component: the Keyprivate portfolios remained invested in gold. Towards the end of the second quarter, however, we could see that the price of copper was on the rise. If our indicators confirm this sufficiently, we will rotate into our industrial metal tracker here. The recovery of the Chinese economy is being cited as a key explanation for a further recovery in the copper price in the months ahead. If this scenario becomes reality, we will obviously not hesitate to adjust our Keyprivate portfolios to this new reality.

2025	
Profile	Net
1	-1,22 %
2	-0,42 %
3	0,66 %
4	1,23 %
5	1,14 %
6	2,43 %
7	3,40 %
8	4,00 %
9	4,64 %
10	4,63 %

Table 4: Net returns for H1 2025

Net returns 01/01/2016 – 30/06/2025											
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 %	0,66 %
5 -Balanced	100	4,63 %	4,64 %	- 4,84 %	5,02 %	-1,92 %	12,37 %	-10,20 %	9,36 %	8,38 %	1,14 %
7 - Dynamic	100	7,52 %	7,13 %	- 7,78 %	7,11 %	-1,44 %	15,12 %	-9,35 %	11,70 %	10,88 %	3,40 %
10 - Very agressive	100	5,47 %	8,99 %	- 8,84 %	6,17 %	1,16 %	16,62 %	-10,85 %	14,06 %	12,92 %	4,63 %

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

Which trends/developments will be most important for the Keyprivate investment committee over the next few weeks and months? A first focal point is the movement of the dollar. During the first six months of 2025, the dollar lost a lot of its value. This explains why investors and actively managed funds that had invested heavily in US equities did not perform so well in the first months of 2025. In the meantime, we can clearly see that sentiment towards the dollar has become particularly pessimistic. Figure 4 shows the number of institutional investors (such as pension funds, large funds, etc.) who stated that they have strongly overweight positions in the dollar in the monthly survey by the US Bank of America. You can clearly see that there is currently a major move away from the dollar. Positioning has never been this negative during the last 20 years! Of course, this has a lot to do with the fact that major investors have started to invest more in non-US equities. Nevertheless, we know from a survey of sentiment that extreme pessimism is often the precursor to a trend reversal or a technical recovery. That is why we are curious to see whether the dollar could start an upward trend during the next few weeks and months. If combined with a recovery in the US technology sector, this could result in a good performance for the MSCI World tracker. If we see this scenario materialising, we will not hesitate to increase exposure to the MSCI World tracker in our Keyprivate portfolios.

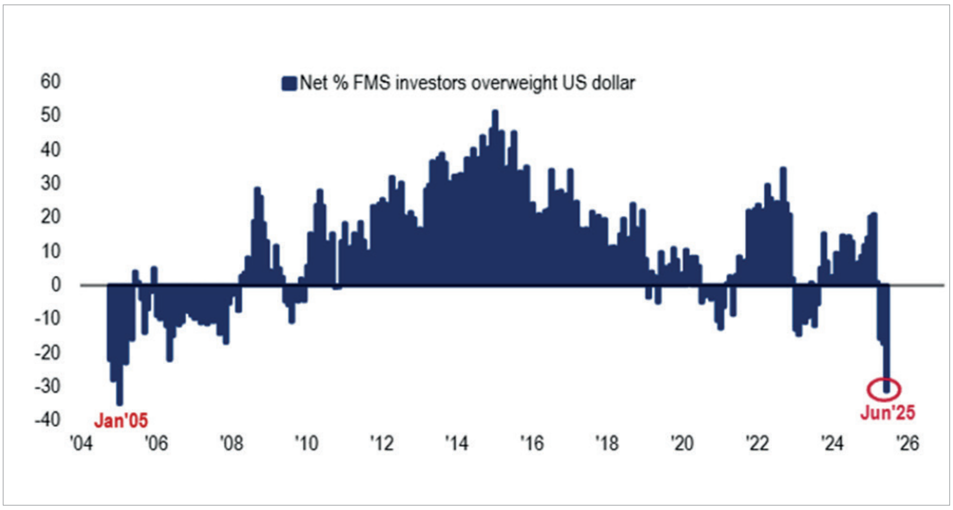

Figure 4: Dollar positions among institutional investors
Source :BofA Global Fund Manager Survey

In addition to the dollar, the Keyprivate investment committee is also focussing on the commodities market. The gold

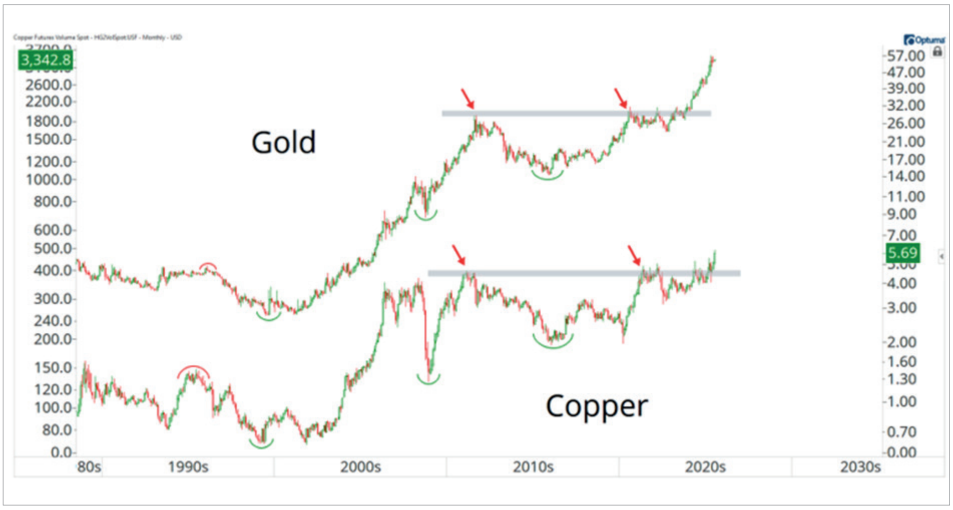

Figure 5: Gold price vs copper price
Source :All Star Charts

price has already delivered a massive performance in recent years, and maybe the copper price will also rise over the next few weeks and months. Figure 5 shows the close correlation between the trends for gold and copper prices. We can see that the gold price has already started to rise nicely, and this trend now also seems to be appearing in the copper price graph. Notice how copper is breaking upwards through its horizontal resistance line! We are curious to see whether, after the upward breakthrough, we will then see the same price acceleration as for gold. If this scenario materialises, we will not hesitate to reduce the gold position in our Keyprivate portfolios and build up our position in the industrial metals tracker (where we have a 40% exposure to copper).

Conclusion: the global economy is having to live with the uncertainty surrounding Trump's trade policy. Companies, especially American ones, are still rapidly building up their stocks in order to get ahead of higher import tariffs. The result is a positive effect in the short term, but there are less favourable effects in the long term due to the expected drop in demand. Nevertheless, the stock markets are anticipating an economic recovery, as they assume that everything will go well and Trump will keep coming back to measures announced previously. The international stock markets experienced a remarkable event in the first half of the year: non-US equities performed much better than US ones. Regionally diversified portfolios (such as our Keyprivate portfolios) performed best in this environment. For the remainder of 2025, we will be looking at the progress of the dollar (a rising dollar could lead to a recovery in the performance of US equities) and how the price of copper moves.

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