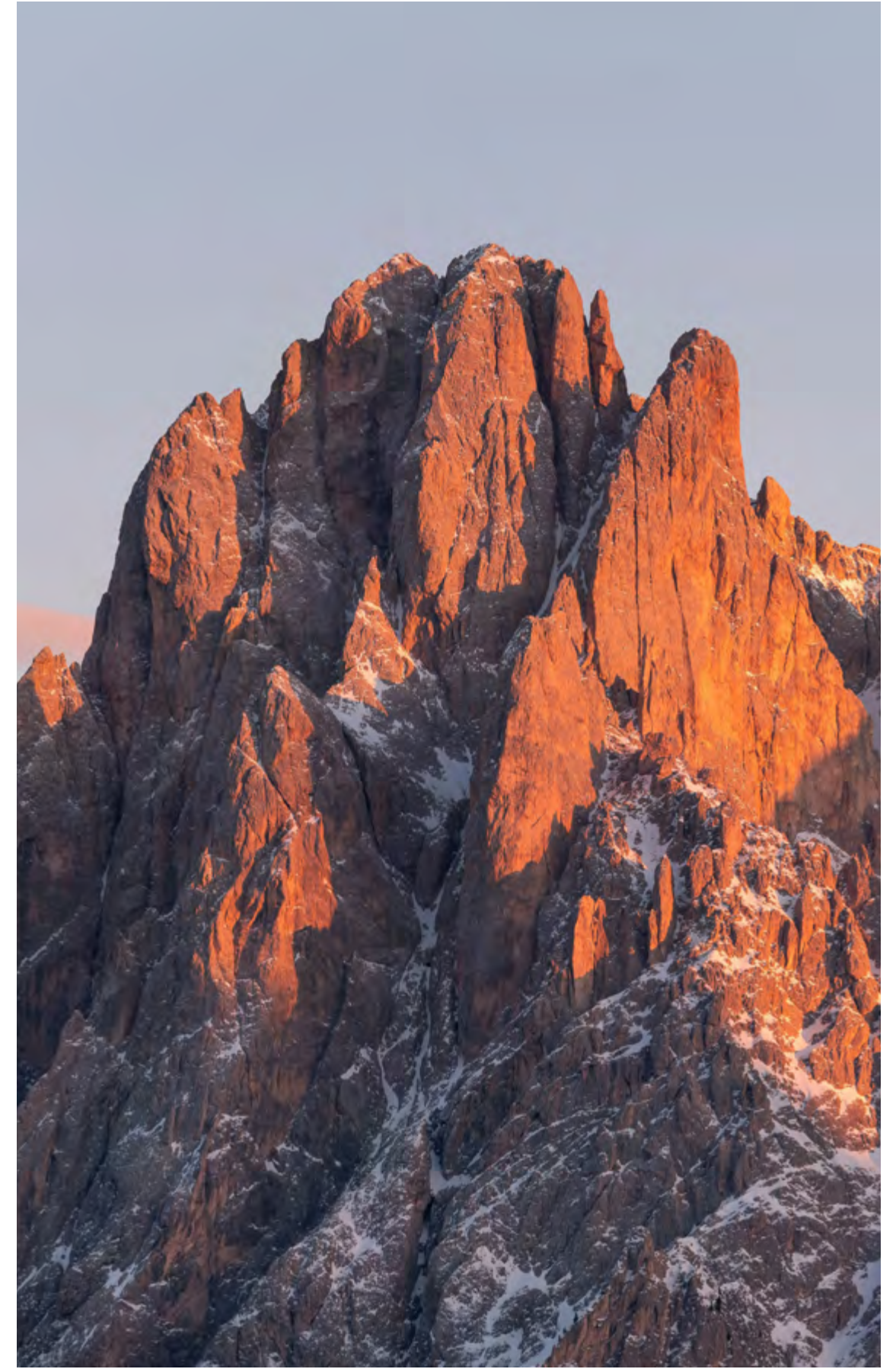


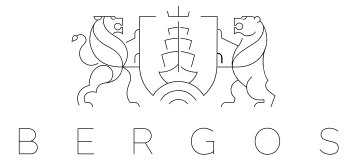
# Reflexions

## Q2 2025





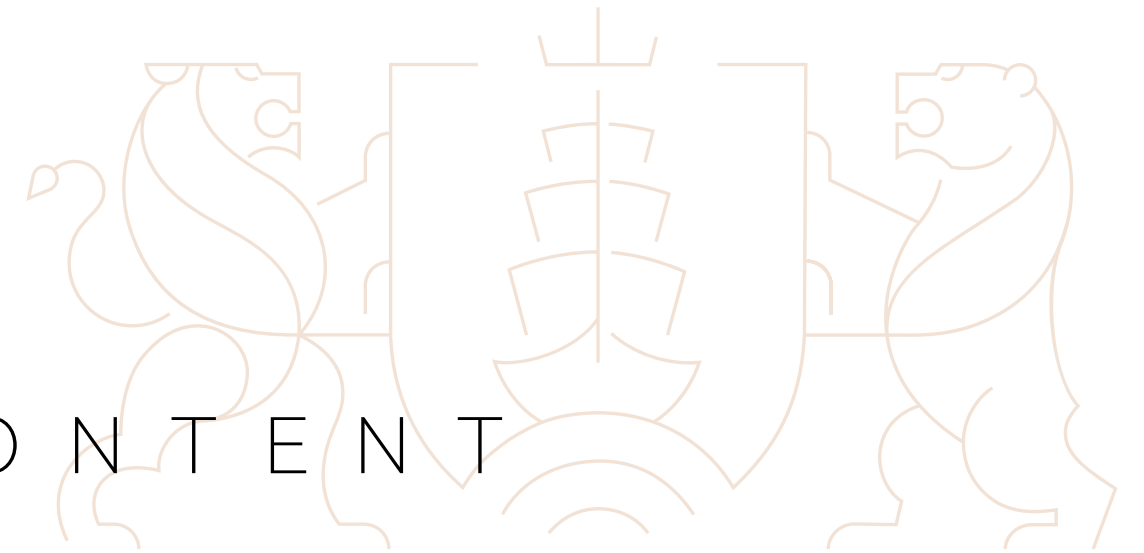




Bergos AG is an internationally operating, independent Swiss private bank with headquarters in Zurich and a branch in Geneva. We have been active in the Swiss financial center for over 30 years and can trace our history to the founding of Joh. Berenberg, Gossler & Co. KG in 1590. Our international team is dedicated to all aspects of wealth management and advisory, with a special focus on private individuals, family entrepreneurs, next generation and shipping clients. With a business model focused on pure private banking, we advise our clients on all liquid and non-liquid asset classes and alternative investments.

PUBLISHED BY BERGOS AG  
ZURICH, APRIL 2025  
ALL RIGHTS RESERVED  
EDITORIAL DEADLINE 31.03.2025

# C O N T E N T



10

**EXECUTIVE SUMMARY**  
MAXIMILIAN HEFELE

14

**COMPASS**  
TILL C. BUDELMANN

17

**MACRO**  
DR JÖRN QUITZAU

23

**EQUITIES**  
FREDERIK CARSTENSEN

29

**BONDS**  
CHRISTOPH JUNG

35

**ALTERNATIVE INVESTMENTS**  
OLIVER WATOL

41

**CURRENCIES**  
STEFFEN KILLMAIER

# THE AUTHORS

## MAXIMILIAN HEFELE CFA – DEPUTY CHIEF INVESTMENT OFFICER

Maximilian Hefele is Head of Asset Management at Bergos since 2003. He is responsible for all discretionary investment solutions offered by the bank. He is also Managing Director, Deputy Chief Investment Officer and member of the bank's investment committee.



## TILL C. BUDELMANN CHIEF INVESTMENT OFFICER

As Bergos's Chief Investment Officer, Till Christian Budelmann regularly comments on events in the international capital markets and examines them in the context of economic and political trends. Budelmann is a member of the bank's executive committee and heads the investment committee.



## DR JÖRN QUITZAU CHIEF ECONOMIST

Dr Jörn Quitzau is Chief Economist at Bergos AG and responsible for macroeconomic analysis. Previously, he worked 17 years for a German private bank in Hamburg.



## FREDERIK CARSTENSEN EQUITY STRATEGIST

Frederik Carstensen joined Bergos in 2015 as a portfolio manager and has since been responsible for various equity funds and mandates. As a member of the investment committee, he leads the top-down equity strategy and regularly comments on events in the international equity markets.



## CHRISTOPH JUNG CIIA, FRM, BOND STRATEGIST

Christoph Jung joined Bergos in 2022 and is responsible for the top-down strategy as well as the bottom-up approach for fixed income investments. As a member of the investment committee, he is responsible for the fixed income strategy.



## OLIVER WATOL ALTERNATIVE INVESTMENTS STRATEGIST

Oliver Watol started as a portfolio manager at Bergos Asset Management in 2013. Among other things, he is responsible for the top-down strategy and the bottom-up selection of liquid alternative investments. He is also a member of the Investment Committee of Bergos AG.



## STEFFEN KILLMAIER CURRENCY STRATEGIST

Steffen Killmaier joined Bergos in 2013. Among other things, he is responsible for the development of the top-down currency strategy and is a member of the bank's investment committee. Killmaier holds a degree in Banking and Finance from the University of Zurich.









# EXECUTIVE SUMMARY

---

## ABOUT OUR SPRING PUBLICATION

---

Dear Readers,

In this issue, we take a detailed look at the new political winds coming from Washington – or rather, Mar-a-Lago – which present a freezing headwind for us Europeans. I highly recommend the analysis by our Chief Economist, Dr Jörn Quitzau, on this pressing topic.

In this context, my brief introduction also addresses the key shifts in the capital markets that we had to experience in the turbulent first quarter. What is particularly interesting is the assessment of whether these new developments represent sustainable trend breaks or merely temporary counter-movements that have become more visible due to the calendar-year perspective.

Above all, the unusual weakness of large US growth stocks must be highlighted, which has burdened the major US stock markets and thus also the global stock markets. However, the market breadth, which had been lacking in recent years, has improved significantly outside the “Magnificent 7” stars. Notably, the relative strength of value stocks is a new development. Additionally, after years of disappointing performance, European and Chinese stocks have had a good run in the past three months.

The economic slowdown and increased market volatility are only partially reflected in US Treasury bonds. While yields on 10-year US Treasury bonds have come down somewhat,

they haven’t decreased to the extent that the strained sentiment in the capital markets might suggest. Also, the steepening of the US dollar yield curve is not typical in a declining growth environment. Both the bond market and the US Federal Reserve are caught in a dilemma between economic downturn on the one hand and persistent inflation and growing debt on the other.

It is also interesting that, in these uncertain times, the US dollar is not behaving as a stable safe haven, as is usually the case. Instead, it has been depreciating dynamically in recent times. Could this already be the first results of the controversial Mar-a-Lago Accord, in which a depreciation of the US dollar is being pursued to enhance the competitiveness of the US export sector? The current negative capital flows are an early indicator. Overall, the unpredictability of US trade policy is a burdening factor for the US dollar.

The current weakness of the US dollar is another factor contributing to the dynamic appreciation of gold. In contrast to the described new developments, the current upward trend

in gold is solidifying. Furthermore, there are no clear signs of decreasing demand from financial investors and central banks at the moment.

In light of increasing uncertainties, it is advisable to align portfolios with a broad range of potential scenarios. To spread risks, we remain overweight in the conservative bond market and in gold. This increased allocation to diversifying asset classes is also one of the reasons why, after the valuation correction in the US stock market, we continue to maintain our current equity allocation. Even within equities, broad diversification is recommended in this environment. The times when investors only relied on the growth fantasies of the “Magnificent 7” stocks are over.

Despite all the global challenges, I wish you much enjoyment in reading the new issue of our Reflexions!

Best regards,

Maximilian Hefe  
Deputy Chief Investment Officer

---

MAXIMILIAN HEFELE CFA  
DEPUTY CHIEF  
INVESTMENT OFFICER  
AND HEAD OF  
ASSET MANAGEMENT

---







C O M P A S S

BASE-CASE SCENARIO

BY TILL C. BUDELMANN, CHIEF INVESTMENT OFFICER

US President Donald Trump has caused massive uncertainty around the world in recent weeks. Since the dispute in the White House (Trump/Zelensky), it is no longer certain whether the US is a reliable trade and alliance partner. This uncertainty overshadows the (global) economic data, which, in the US, remains solid in itself. The high level of employment and the ongoing expansionary fiscal policy are strengthening domestic demand. The economy is likely to cool cyclically over the course of the year. The slowdown will be exacerbated by erratic economic policy. In response to the Trump administration's behavior, Europe will massively increase defense spending. This will largely be funded through higher debt. As a result, fiscal policy will become more expansive, and the weakening eurozone economy will receive a positive boost without solving Europe's structural problems. Escalating government debt in the USA, as well as in some European countries, could become an issue for the financial markets in the longer term. Germany can afford the agreed debt, but the scope for helping other countries within the monetary union in an emergency is now becoming smaller. China can no longer fulfill its role as the growth engine of the global economy. However, the government and central bank are continuing to stimulate the economy in order to avert greater weakness.

Inflation remains above the central bank's inflation targets in many countries. Switzerland is an exception. Here, the inflation rate has been back within the target range (0-2%) of the Swiss National Bank (SNB) for almost two years. Many central banks still have a difficult task ahead of them. Added to this is the uncertainty over how US tariff policy will affect inflation. The US Federal Reserve has indicated that it considers the price increases resulting from the tariffs to be a transitory one-off effect. It would therefore not need to react to tariff-related price rises. The Fed considers two more rate cuts of 25 basis points each this year to be appropriate, while the markets even expect three. The ECB must reorient itself in view of the foreseeable more expansive European fiscal policy. Nevertheless, it is likely to cut its key interest rates twice more this year, each time by 25 basis points. The Bank of England will remain cautious due to the return of higher inflation. At best, a small interest rate cut is conceivable. Following the interest rate cut to 0.25% in March, the SNB is now close to zero.

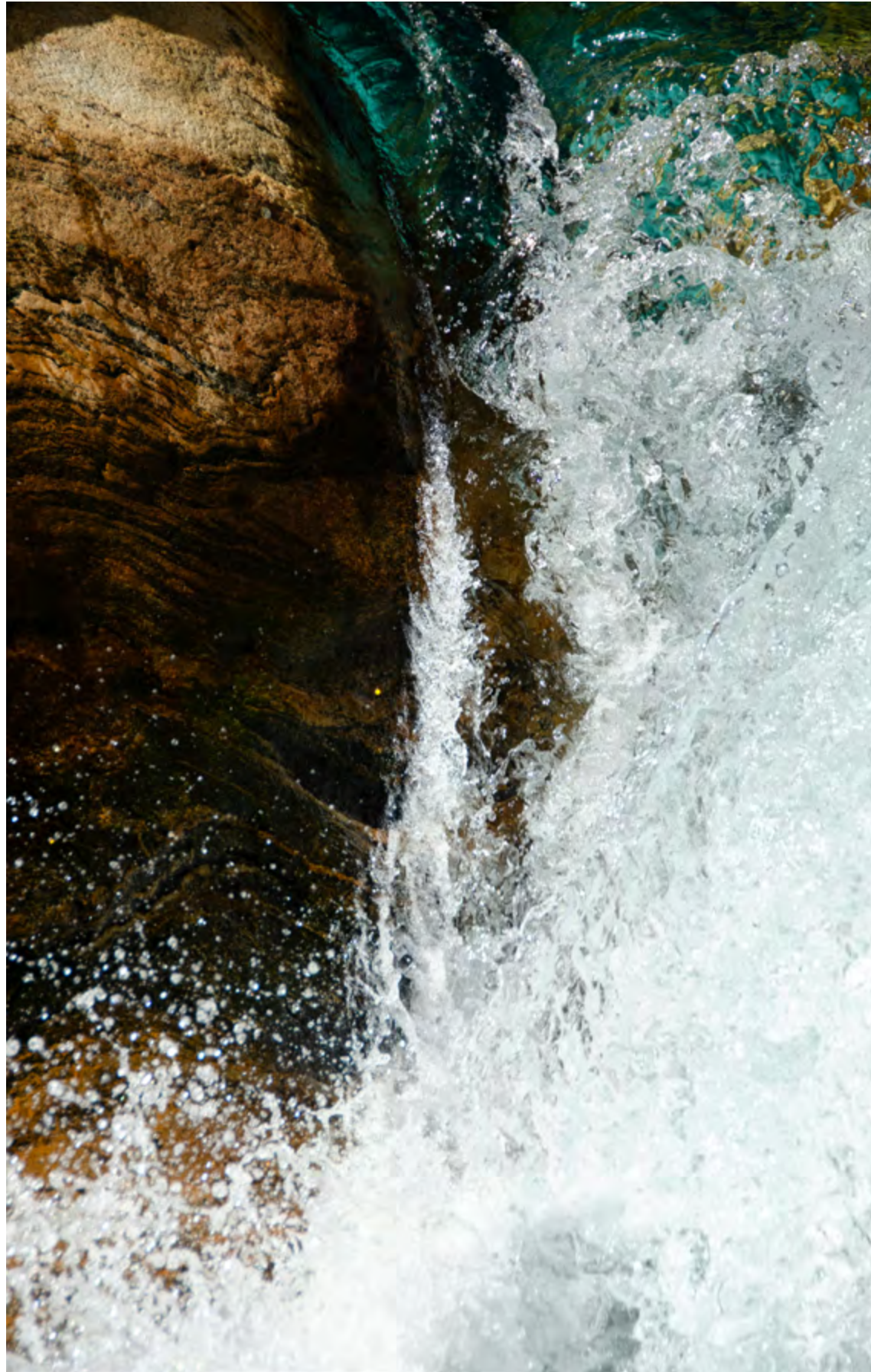
The world is full of tensions. The future foreign policy under President Donald Trump is hardly predictable. Trade policy is obviously also being used strategically. There has been movement in the peace talks over Ukraine. Economically, much depends on the terms on which peace can be concluded.

GDP ESTIMATES

INFLATION ESTIMATES (CPI)

UNITED STATES	2 0 2 4 :	+ 2.8%	UNITED STATES	2 0 2 4 :	3.0%
	2 0 2 5 :	+ 2.2%		2 0 2 5 :	2.7%
	2 0 2 6 :	+ 2.0%		2 0 2 6 :	2.6%
EUROZONE	2 0 2 4 :	+ 0.9%	EUROZONE	2 0 2 4 :	2.4%
	2 0 2 5 :	+ 1.0%		2 0 2 5 :	2.2%
	2 0 2 6 :	+ 1.5%		2 0 2 6 :	2.3%
GERMANY	2 0 2 4 :	- 0.2%			
	2 0 2 5 :	+ 0.2%			
	2 0 2 6 :	+ 1.1%			
SWITZERLAND	2 0 2 4 :	+ 1.3%			
	2 0 2 5 :	+ 1.4%			
	2 0 2 6 :	+ 1.5%			
GREAT BRITAIN	2 0 2 4 :	+ 0.9%			
	2 0 2 5 :	+ 1.2%			
	2 0 2 6 :	+ 1.4%			
CHINA	2 0 2 4 :	+ 5.0%			
	2 0 2 5 :	+ 4.6%			
	2 0 2 6 :	+ 4.5%			
JAPAN	2 0 2 4 :	+ 0.1%			
	2 0 2 5 :	+ 1.1%			
	2 0 2 6 :	+ 0.9%			





# M A C R O

---

A WORLD IN TURMOIL

BY DR JÖRN QUITZAU

---

The first quarter of 2025 can be considered historic – particularly in political terms. A new era began with Donald Trump's second presidency. Even at his inauguration in January, Trump's tone was not conciliatory but rather confrontational. The aggressive stance of his administration became even more pronounced in the weeks that followed. At the Munich Security Conference, it became clear that NATO allies – especially the countries of Europe – could no longer fully rely on the support of the United States. The dispute between Donald Trump and Ukrainian President Volodymyr Zelensky at the White House at the end of February marked a temporary high point – since then, the world has openly questioned

the USA's commitment to the alliance. During his first term in office, Trump had only called for NATO partners to increase their defense spending to 2% of gross domestic product (GDP). He is now demanding significantly higher levels of 3%, 4% or 5% of GDP, thereby casting doubt on the reliability of the United States and, ultimately, its overall commitment to the alliance.

Trump's behavior and his political actions are erratic and unpredictable. Nevertheless, if one were to identify a consistent theme in his approach, it would be the message: the USA no longer gives anything away for free. If you want something from the USA, you



have to pay a price for it. In this sense, the US is attempting to implement the principle of equivalence across all levels. There is little to object to in principle. Anyone who provides a service is entitled to expect something in return. However, in the interests of uncomplicated and smooth cooperation, it is usual among friends – and also among friendly states – not to immediately and rigorously attach a price tag to every action. And as always, the same applies here: it is the tone that makes the music. The harsh, confrontational tone that makes no difference between friend and foe is what is currently unsettling the world.

The Trump administration also does not differentiate between friend and foe when it comes to trade policy either. In the second week of his new term of office, the US President announced tariffs on imports from neighboring countries Canada and Mexico: Goods from Mexico and Canada were to be subject to tariffs of 25% (reduced rate of 10% on Canadian energy supplies). Canada and Mexico are particularly vulnerable to high US tariffs because the United States is the most important trading partner of both countries. Around 80% of their total exports go to the USA. Mexico and Canada now face the threat of recession. The USA's neighboring countries suddenly found themselves in the same boat as China – Trump announced in the same breath that tariffs on Chinese products would be increased. Shortly afterwards, he rowed back, only to tighten the tariff screws again later. Things continued in this erratic manner until the end of the first quarter and beyond: as of 2 April, import duties of 25% on car imports will apply and further comprehensive tariffs are to be implemented. As a result, US trade policy remains very unpredictable. It remains an open question why Trump is pursuing his reckless tariff policy against the advice of practically all economists, as protectionism is a negative-sum game with no winners in the long run.

For Europe, the events of the past few weeks were probably the final wake-up call to restore its own defense capabilities. European countries could increase their defense spending by a high three-digit billion euro amount over the coming years. In addition, the German Bundestag, under the leadership of the presumably new Chancellor Friedrich Merz, has relaxed the debt brake, particularly for defense spending, and – detached from defense spending – adopted a debt-financed infrastructure program amounting to 500 billion euros. Friedrich Merz's 180-degree turnaround in fiscal policy should not be underestimated in terms of its impact on Europe and the eurozone. Until now, Germany has also stood for fiscal solidity at European level. Traditionally, Germany has put the brakes on other European countries' attempts to combat acute problems by increasing debt. As Germany is now going to be heavily indebted itself, it will be less able to credibly advocate fiscal discipline at European level in future. Overall, a looser fiscal policy will provide a tailwind for the European economy without being able to solve the structural problems of the European economies. As the coalition talks in Germany show, the opposite may even happen: If the economy is stimulated in the short term by deficit spending, there is less pressure to tackle long-term structural problems.

#### **Macroeconomic environment:**

##### **US recession or not?**

In contrast to the political turbulence, the economic environment was rather unremarkable during the first quarter. The US economy remained resilient, although the overall data points to an economic slowdown. The labor market, which is important for private consumption, remains robust with an unemployment rate of 4.1% in February. Looking ahead, however, the economy is now expected to cool down more sharply, primarily due to the aggressive trade policy. Higher prices are likely to weigh on the purchasing power of

American consumers. It remains to be seen whether the additional burdens caused by tariffs can be offset by lower income taxes. As things currently stand, the tariff policy is likely to dampen US economic output by more than one percent in the longer term. Depending on the retaliatory measures taken by the trading partners affected by the tariffs, the economic damage could also be even greater and the US economy could be pushed into recession.

In the eurozone economy, which is still struggling, the outlook has brightened somewhat in recent weeks. This is primarily due to the foreseeable more expansive fiscal policy. It should be borne in mind that the additional demand in many areas is being met with fully utilized capacities and a shortage of labor, which is driving up prices. Europe seems to be recognizing the extent to which regulation is hampering growth. There are tentative attempts (for example, with the so-called Supply Chain Act) to reduce the burden on companies somewhat. The potential new coalition government in Germany also wants to significantly reduce bureaucracy by 25%. So far, however, this is little more than a declaration of intent. On the negative side, Trump recently announced tariffs on cars, which will place a burden on European automotive companies. Overall, the basic picture remains the same: The USA is expected to grow more strongly than the eurozone.

##### **Difficult job for central banks**

The major Western central banks took different approaches in the first quarter in response to economic and inflation data. The US Federal Reserve left the key interest rate unchanged at both of its meetings, meaning that the Fed Fund Rates remain at 4.25-4.50%. The European Central Bank (ECB) has lowered its key interest rates twice by 25 basis points each. The deposit rate is now at 2.50%. The Bank of England (BoE) cut its key interest rate by 25 basis points

to 4.50% in February and left it unchanged in March. The Swiss National Bank (SNB) meets less frequently and cut its key interest rate by 25 basis points to 0.25% at its only meeting in March.

Central banks are already facing a difficult task in view of inflation rates that remain generally still too high. Now, the added uncertainties of trade policy are further complicating their work. Which tariffs will be levied by which countries? What impact will the tariffs have on the price development of the respective country? The central banks do not yet have any concrete answers to these questions, as Fed Chairman Jerome Powell acknowledged quite bluntly at the press conference following the FOMC (Federal Open Market Committee) decision in March. The US Federal Reserve tends to classify tariff-related price increases as transitory one-off effects. A central bank is not necessarily required to respond to such effects. This suggests that the Fed has a certain tolerance for inflation. The customs policy also brings new uncertainties for the economic and inflation outlook for the eurozone. In addition, the ECB is now facing a new situation because fiscal policy is taking a more expansionary course. Overall economic final demand is being strengthened, which is generating additional inflationary pressure.

In the midst of this turbulent world, one country seems to stand apart: Switzerland. The economy is developing solidly, and GDP growth of almost 1.5% is possible for 2025. When it comes to inflation, Switzerland is in a special position, as the inflation rate has been back within the SNB's target corridor for almost two years. In February, inflation fell to 0.3%, meaning the central bank is now more concerned about a slide into deflation than a resurgence of inflation. The very strong Swiss franc is contributing to the risk of deflation, with the result that the SNB has loosened



its monetary policy considerably in order to make the franc at least somewhat less attractive to international investors. However, in view of the multiple crises in the world, small changes in interest rates are unlikely to change Switzerland's "safe haven" status.







# E Q U I T I E S

---

DIVERSIFICATION REMAINS KEY THIS YEAR

BY FREDERIK CARSTENSEN

---

For investors, the new year began promisingly with a positive development in global stock markets. However, this changed with the inauguration of President Donald Trump, which brought political uncertainties and increased market volatility. Tariffs and trade conflicts in particular came into focus and fueled economic concerns – both in the United States and globally. The political unpredictability of the US government has recently weighed primarily on US equity markets. Since its all-time high in February, the S&P 500 has temporarily fallen by around 10% and is trading in negative territory for the current calendar year. By contrast, the winners in the first quarter include European equities and emerging market stocks – the market segments that lagged behind in the

previous year. Overall, after two years of strong equity market performance, which was mainly driven by mega-cap technology and AI sectors, diversification plays a central role in the portfolio strategy in 2025.

## **US markets are taking a breather**

Market participants are showing some concern, which is reflected in investor sentiment and positioning. Bearish sentiment, expectations that stock prices will fall over the next six months, has been at around 60% for several weeks. However, we do not necessarily see this figure as negative, but rather as a contrarian indicator: if the majority is pessimistic, this can often signal the start of an upward trend reversal – just as excessive optimism is often a



warning signal. What is often forgotten: A 10% correction occurs, on average, once a year and is a normal, even healthy market development – especially after two years of annual growth rates of above 25%. US equities are currently at a crucial technical point, battling for the 200-day moving average.

### US economy and corporate profits continue to show relative strength

Even if the US economy loses momentum in the short term, it continues to perform significantly better than the European economy. Fundamental factors also speak in favor of the US, as we expect stronger earnings growth there than in Europe. Incidentally, we see a similar trend in India, which also showed relative weakness until mid-March following its strong performance and higher valuation last year. Here, too, we remain convinced by the above-average (earnings) growth. After all, rising corporate earnings are the key driver for higher stock prices in the long term. In addition, valuations – especially for the “Magnificent 7” – have become more attractive again after the recent decline. Currently, there are strong indications that the US Federal Reserve will have to cut interest rates more than initially expected at the beginning of the year. This could also support the US equity market again from this point onwards.

### Developments in Europe and emerging markets are not sustainable

The recent outperformance of (neutrally weighted) European equities can be attributed to several key factors: Speculation about a possible resolution of the conflict between Russia and Ukraine has boosted European markets. In particular, fiscal policy (increased defense and infrastructure investments) and the easing of the debt brake in Germany have created short-term optimism – although much-needed structural reforms still seem to be lacking. Whether Europe can continue

its recent above-average performance depends on further political action and how it is perceived abroad.

The (underweighted) Chinese equity markets have also risen, as additional fiscal and monetary stimulus measures are expected to boost consumption and counter deflationary fears. However, the sustainability of these factors remains uncertain, and we assume that much of the positive news is already priced into markets. In the long term, we continue to see the US equity markets as having an advantage due to higher economic and earnings growth and remain overweight here. The anticipated slowdown in US growth is already partly priced in and things should look better again towards the second half of the year. Furthermore, the relative tailwind for European companies from lower interest rates and a weak euro has recently diminished significantly.

### Uncertainties remain – diversification remains key

Looking at our four dimensions – macro, micro, technical, and sentiment – the picture for the equity market is currently balanced: a supportive monetary and fiscal policy, solid corporate earnings and pessimistic investor sentiment are having a stabilizing effect. On the other hand, unattractive cross-asset valuations as well as geopolitical and political uncertainties remain. Therefore, we are maintaining our neutral overall allocation for now but remain constructive for global equity markets this year.

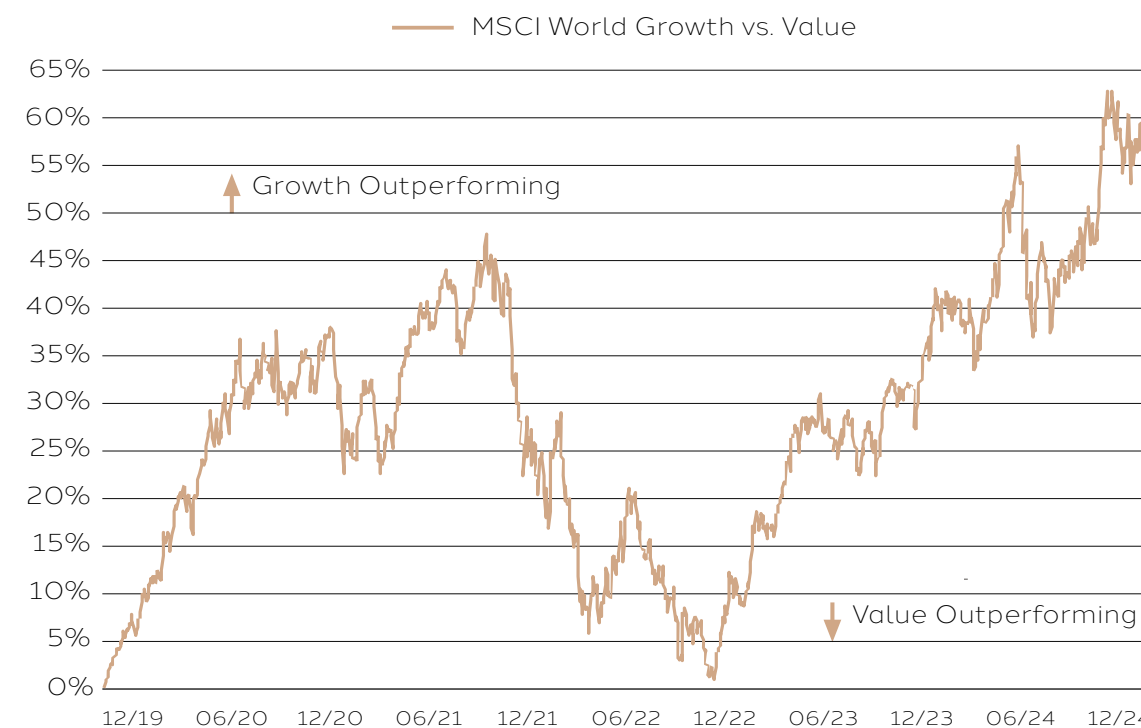
One positive aspect to highlight is the market breadth: despite the relative weakness of the “Magnificent 7”, the overall market remains fairly stable. This should continue to play a key role in portfolio positioning in 2025. Segments with more reasonable valuations have not only caught up but have also served as stabilizing factors on days of sharp sell-offs in higher valued mega-cap technology stocks.

Moreover, non-technology sectors are expected to contribute more to S&P 500 earnings growth this year. Ultimately, both technology and non-technology companies could benefit from the potentially pro-growth policies of the new US administration.

In terms of investment styles, a more balanced positioning between growth and value stocks seems reasonable for the rest of the year – particularly in the US. We do not advocate a one-sided shift toward value stocks but rather a broader stylistic diversification. So far, market breadth has leaned more towards defensive sectors and value stocks rather than small caps. Over the course of the year, deregulation or

tax cuts could gain more focus, potentially benefiting US small-cap companies. US firms with high domestic revenues and local supply chains could gain additional momentum from a planned corporate tax reduction.

On a sector level, we see opportunities in health care and financials, which are less exposed to tariff uncertainty and offer attractive valuations. The financial sector should also benefit from potential growth-enhancing measures. One thing is clear in any case: volatility is likely to remain high due to the major macroeconomic shifts and the unpredictable political climate – particularly in connection with Donald Trump – and therefore offer opportunities.



Development of the Individual Investment Styles  
Source: Bloomberg, Bergos, Data as of 03/31/2025









# B O N D S

---

**BALANCING ACT BETWEEN RISING INFLATION EXPECTATIONS AND DECLINING GROWTH DYNAMICS**

BY CHRISTOPH JUNG

---

At the start of 2025, market expectations were that Donald Trump's presidency would lead to an economic revival in the US, with a trend of healthy economic growth accompanied by persistently high inflation. As a result, the consensus view was that the US Federal Reserve (Fed) was likely to keep rates on hold well into the year, and there were even rumors of possible rate hikes. This initially led to a rise in government bond yields and a decline in credit spreads, which were already at decade lows. The Fed stuck to its expected script, leaving key interest rates unchanged at 4.25% - 4.5% and signaling patience in dealing with inflation.

However, the initial optimism was quickly dampened by several events. In the tech

sector, the Chinese AI model DeepSeek caused market disruptions, challenging US tech giants and triggering a sharp sell-off, particularly in AI-related stocks. This development is likely to have long-term implications for all sectors of the economy. Another shock came from the uncertainty surrounding new US tariffs on Canada, Mexico, China, and even Europe. These tariffs were partially introduced, delayed, or increased, resulting in constant back-and-forth in the news and causing uncertainty. Historically, such protectionist measures can often lead to economic slowdowns. In the worst-case scenario, they could trigger escalating protective measures that disrupt existing value chains and ultimately lead to higher consumer prices.



Meanwhile, consumer confidence in the US has deteriorated significantly, while inflation expectations for the coming year as measured by the University of Michigan have risen to 5%, indicating growing concerns about price trends. At the same time, “hard” inflation data remained above the Fed’s target of 2%. The consumer price index rose more than expected month-on-month, while the Fed’s preferred inflation indicator, the PCE index, remained at 2.5%. At its last meeting in March, the Fed forecast a worsening trend: while interest rates remained unchanged, the GDP growth forecast for 2025 was lowered from 2.1% to 1.7%, while the core inflation forecast (excluding the volatile food and energy components) for 2025 was raised from 2.5% to 2.8%.

As a result, yields on US government bonds tended to decline due to growing uncertainties regarding future economic developments. The yield on 10-year US Treasuries fell from 4.5% at the beginning of the year to 4.2% at the end of March. At the same time, the yield on two-year US Treasuries dropped from 4.3% to 3.9%. The market now expects the Fed to cut interest rates three times in 2025. Interestingly, the yield curve began to steepen again toward the end of the quarter. Lower growth, combined with high fiscal deficits, strong government bond issuance and tariff-induced inflation are strong arguments that the term premium will continue to widen – and that the yield curve could steepen further.

#### Interest rate cuts and fiscal impulses in Europe

Across the Atlantic, the European Central Bank (ECB) began the year with a 25 basis point rate cut at its January meeting, bringing the deposit rate down to 2.75%. This move was primarily justified by weak growth prospects, as inflation in the eurozone remained at 2.4% in December 2024 – significantly above the target of 2%. Despite these challenges, the ECB

remained optimistic that inflation would return to target over the course of the year. On March 6, the ECB followed with another 25 basis point cut, reducing the deposit rate to 2.50%. ECB President Christine Lagarde emphasized that monetary policy was now “significantly less restrictive.” However, the ECB’s updated projections showed a slight increase in the inflation forecast for 2025, raising it to 2.3%.

While short-term yields were suppressed by monetary policy measures, long-term yields rose due to expectations of higher government spending and a potential economic revival. After Germany passed a massive €500 billion debt package for defense and infrastructure, the yield on 10-year German Bunds rose by 40 basis points to nearly 2.9% within a few days. This development reflected expectations of substantial borrowing and hopes for an economic recovery, and it had a contagion effect on the yields of all Eurozone government bonds, as shown in Figure. While the increase in government spending will certainly provide a short-term boost to growth, it also raises the debt burden – the interest burden relative to tax revenue in some Western countries is becoming an increasingly important concern for investors. Overall, European yield curves steepened considerably in the first quarter, reflecting that investors are pricing in higher long-term risks while short-term yields are kept low by monetary easing measures. We are beginning to find the slope of the yield curve and the current yield levels in EUR attractive, and have therefore increased the duration in our portfolios. During the quarter, the yield on 10-year German Bunds rose from 2.36% to 2.69%, while the yield on 2-year Bunds ultimately remained virtually unchanged at 2.05%.

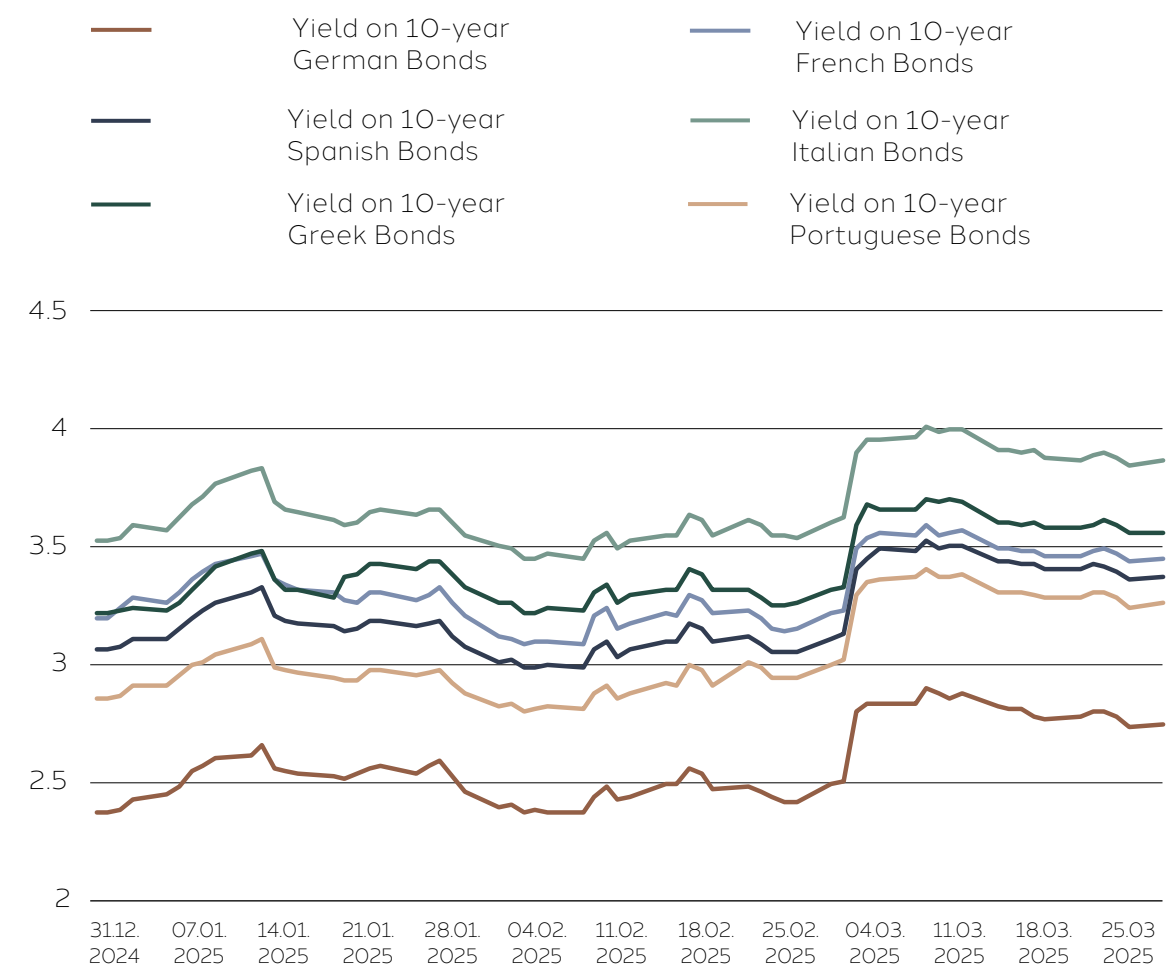
#### Emerging market bonds still attractive

Geopolitical risks remain a key source of uncertainty for emerging market bonds. US economic policy is particularly challenging

for exporters such as Mexico and Vietnam. Many countries are responding by pursuing diversified trade agreements, especially in Latin America and Asia — a process that takes time. However, long-term structural reforms and high real interest rates in selected markets remain compelling. Inflation is relatively well contained in many emerging economies, and the IMF estimates an average growth rate of 4.2%, significantly higher than the 1.9% growth rate projected for industrialized countries. Given the attractive absolute yield of 6.25%, as measured by the Bloomberg Emerging Markets Hard Currency Aggregate Index, opportunities for excess returns remain – though volatility is expected to increase.

#### Defensive strategies preferred in corporate bonds

The option-adjusted spreads of the Bloomberg US Corporate Investment Grade Index were at a record-low average spread of 80 basis points at the beginning of 2025. These narrow spreads currently offer investors only limited compensation for the higher risk associated with lower-rated issuers. A slight widening of credit risk premiums could wipe out the entire excess return over government bonds, which consequently increases the attractiveness of bonds with lower volatility and higher quality. In the current environment, we prefer investment-grade corporate bonds with higher ratings and shorter durations,



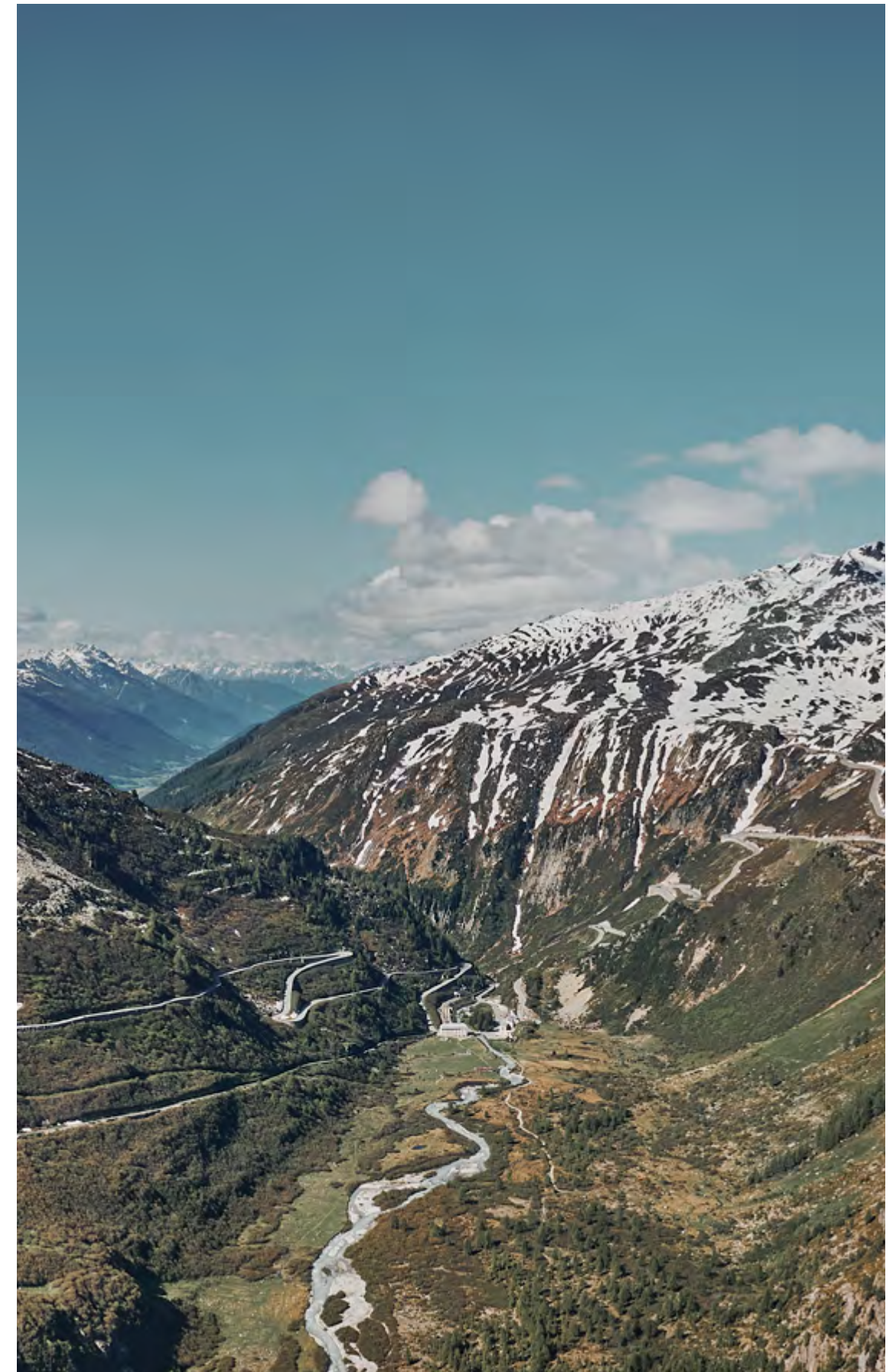
Yield development of selected 10-year EUR government bonds  
Source: Bloomberg, Illustration by Bergos



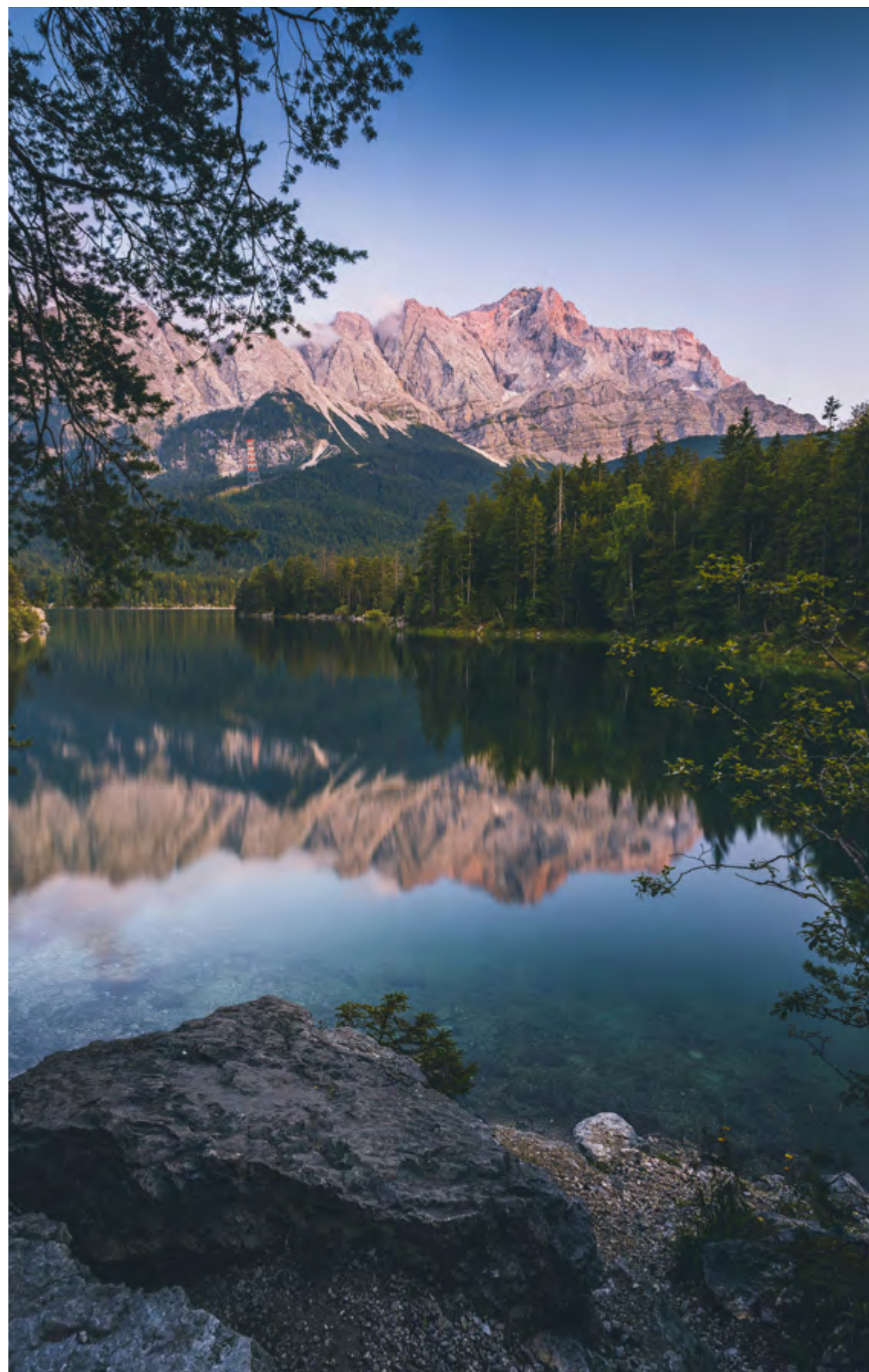
as they offer similar yields with significantly lower risk. Sectors such as healthcare, as well as banks and supranational organizations with top-tier ratings, are particularly noteworthy, as they often provide a defensive profile and are therefore less vulnerable to cyclical fluctuations. At the end of the first quarter, credit risk premiums for US companies rose slightly by 13 basis points, while in Europe they declined by a few basis points to 94 basis points over the same period.

High-yield bonds started the year on a positive note, supported by solid fundamentals and strong technical backing. However, significant regional and sectoral differences emerged over the course of the quarter. US trade policy under the Trump administration placed particular pressure on export-dependent sectors such as retail and the automotive industry, leading to a widening of risk premiums. In the final weeks of the first quarter especially, risk perceptions were recalibrated. While the spreads on US high-yield bonds widened from 287 to 340 basis points, the increase in European EUR high-yield bonds was more moderate, from 299 to 327 basis points on average. High-yield bonds now offer slightly higher yields, but we remain cautious overall.

Another interesting segment for us remains agency mortgage-backed securities and covered bonds, which often carry AAA ratings and very low credit risks. Their nominal yields and spreads are at least as high as those of many lower-rated corporate bonds, making them an attractive alternative.







# ALTERNATIVE INVESTMENTS

---

ALTERNATIVE INVESTMENTS: RESILIENCE IN UNCERTAIN TIMES

BY OLIVER WATOL

---

The early months of the Trump administration have been anything but boring and marked by volatility and shifting investor sentiment. While many entered 2025 with optimism, political uncertainty and polarizing rhetoric have weighed on market confidence. Global equity indices suffered especially in March, highlighting the widening gap between investor hopes and political reality. In this unpredictable environment, portfolio resilience has become more important than ever. Traditional diversification strategies, such as the classic mix of equities and bonds, remain a cornerstone of asset allocation. However, the events of 2020 made it clear that traditional diversification is not always enough. When correlations rise, equities

and bonds can fall together. To address this, alternative investments have become a vital part of portfolio construction. In the following section, we focus on the liquid segment of alternative investments. This area offers two clear advantages over its illiquid counterparts. Investors gain access to daily liquidity as well as the security of a robust regulatory framework through UCITS. At Bergos, liquid alternatives are a core component of our House View and are continuously evaluated for their investment potential. We currently hold an overweight position in three sub-segments that have proven their value in recent months and continue to offer attractive prospects: equity market-neutral UCITS strategies, gold, and global convertible bonds.



### Equity market-neutral: When you want the returns – not the volatility

In today's uncertain market, equity market-neutral strategies have been a reliable way to earn returns, gaining a solid +9.1% over the past 18 months, based on the AH Market Neutral UCITS Index. Looking ahead, the case for these strategies remains compelling, offering stable, uncorrelated performance at a time when such qualities are increasingly valued by investors.

### Uncorrelated alpha, not market beta

Market-neutral strategies are particularly well-suited for today's environment. Policies are unclear, global tensions are high, and markets are unstable. These strategies thrive when single-stock dispersion and sector rotations are high. Especially in dynamic areas like technology and consumer discretionary, where the gap between winners and losers is widening. This creates fertile ground for long/short equity positioning and alpha generation. Unlike traditional equity investments, market-neutral strategies do not rely on rising markets to perform. By balancing long and short positions, they aim to generate returns from stock-specific insights rather than market beta. This design results in low volatility, limited correlation to mainstream asset classes, and valuable diversification benefits, making them a strong complement to traditional portfolios. In addition, higher interest rates today provide another benefit: they increase short rebate income, which can help improve returns. At a time when equity indices still hover near all-time highs, market-neutral strategies offer a prudent way to participate in equity markets while safeguarding capital in volatile periods. UCITS regulation has made market-neutral strategies more accessible than ever. At Bergos, we maintain an overweight position, given their continued upside potential. For investors seeking equity exposure with reduced volatility, now may be the right time to take a closer look.

### Gold's record rally: Why gold remains a long-term investment for all seasons

On 14 March 2025, spot gold shattered the key resistance level of USD 3,000 per ounce, breaking through a level long viewed as unbreakable. Notably, the move from USD 2,500 to USD 3,000 occurred in just 210 days, a stark contrast to the average 1,700 days historically required for similar USD 500 advances. We believe this powerful rally is more than a technical breakout. It's a reflection of deep, structural shifts supporting gold over the long term.

### Tailwinds too strong to ignore

Gold is currently benefiting from a powerful alignment of supportive forces. Inflation expectations are rising again, an environment in which gold has historically outperformed, especially over longer time horizons. Meanwhile, the US-dollar is losing strength. In March alone, the US-dollar index fell by more than 3%. At the same time, political and economic tensions are rising. Global deficits are growing, and risk assets are becoming more volatile. These trends are increasing gold's appeal as a safe haven. Yet, two dominant forces are currently setting the tone: unprecedented central bank demand and the renewed wave of inflows into gold-backed ETFs, supported by lower US real interest rates.

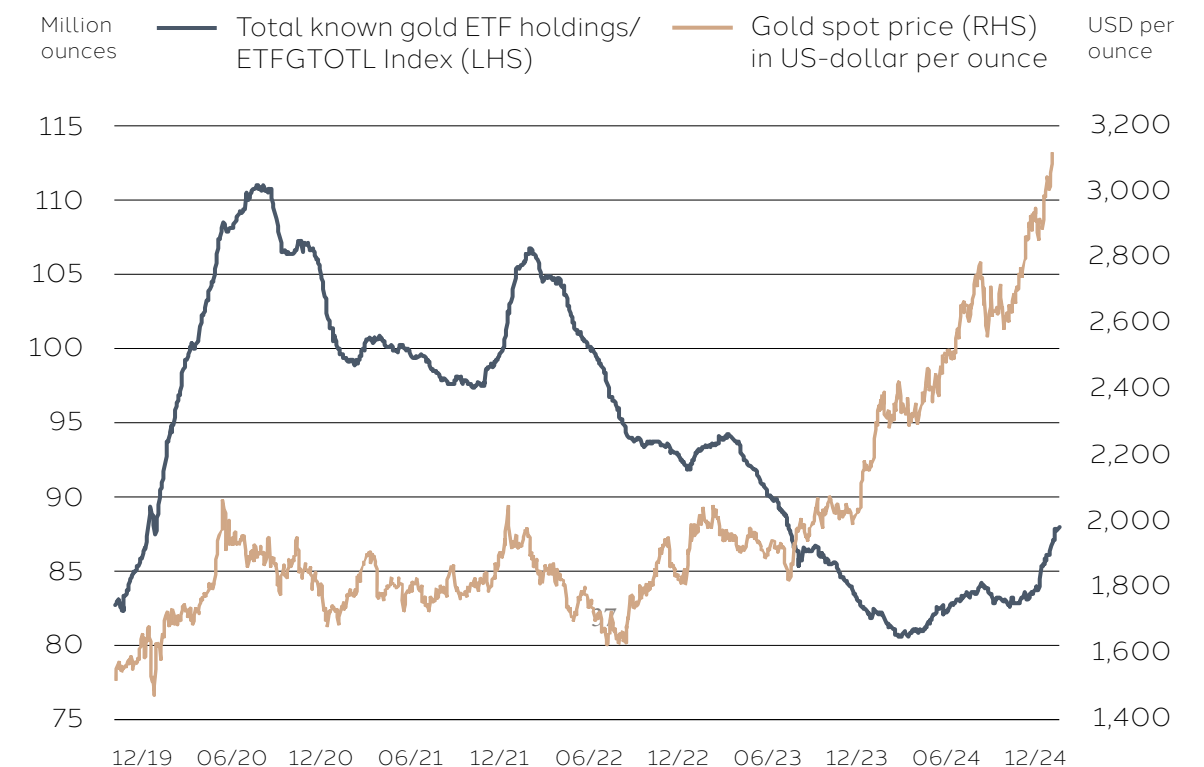
In the early 2000s, central banks were consistent net sellers of gold. That changed after the 2008 financial crisis and has accelerated further since the outbreak of the Russia-Ukraine war. Central banks, once cautious and price-sensitive buyers, have transformed into decisive, price-insensitive super-buyers. From 2022 to 2024, central banks purchased more than 1,000 tonnes of gold annually. This was more than double the historical average and the highest level on record. This strategic accumulation has underpinned gold's price strength, even during periods of rising US real yields. In our view, this trend is not yet over. Structural factors

such as de-dollarization, reserve diversification, and geopolitical hedging are likely to sustain robust central bank demand, probably for years to come.

### ETF demand:

#### Reawakening a sleeping giant

Another compelling shift is occurring among private investors. For three consecutive years (2021–2023), rising US real yields pulled capital away from gold-backed ETFs, as investors chased higher-yielding alternatives. But with US real rates now softening, the tide is turning. By the end of 2024, global gold ETF holdings had stabilized for the first time since 2020. This renewed interest carried into 2025, and we believe it marks the beginning of a new, longer-term trend of investors reallocating into gold.



#### Gold reaching \$3,000 in record time

Source: Bloomberg, Bergos, Data as of 03/31/2025



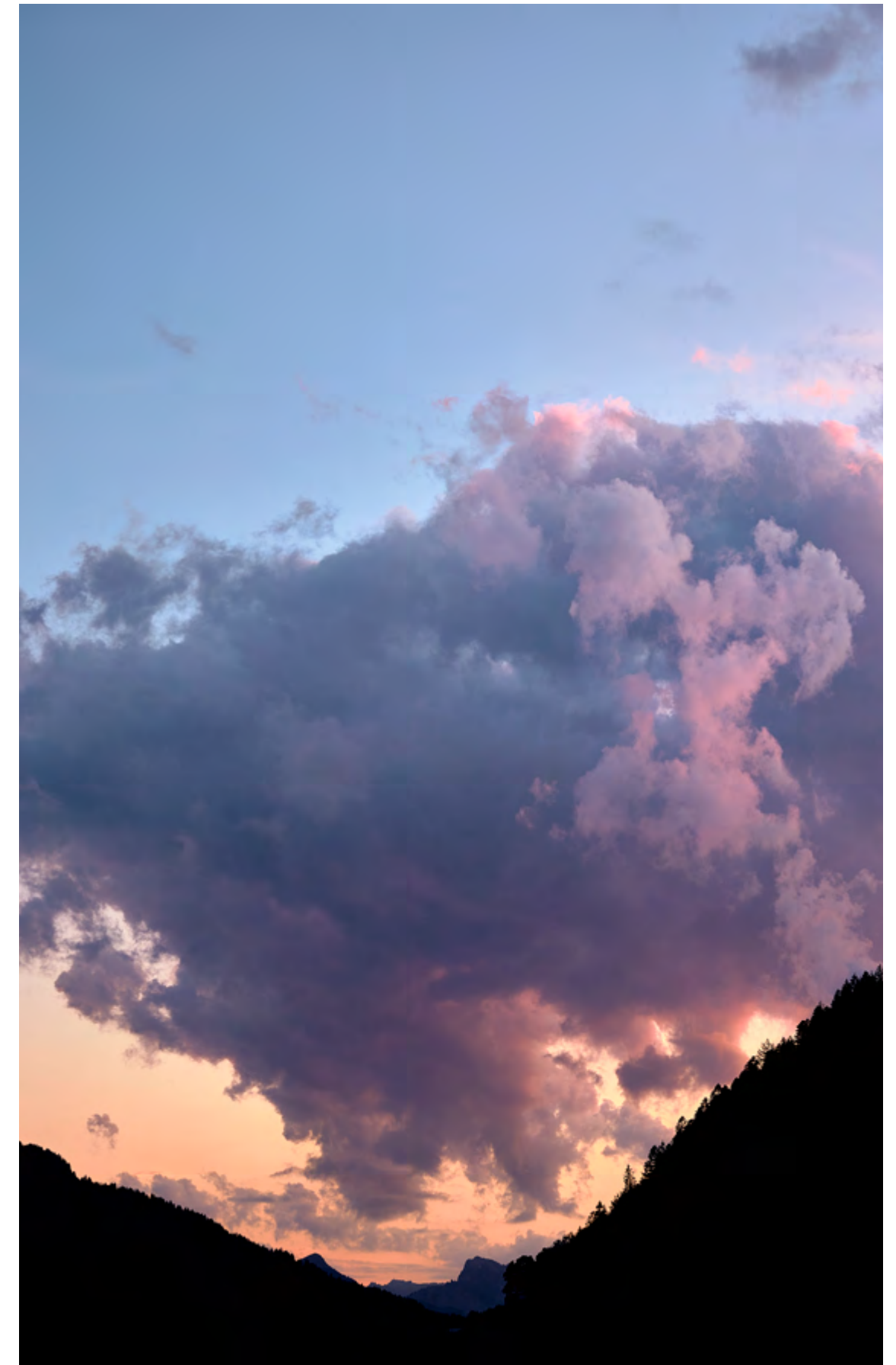
**Convertible bonds:****The Swiss Army knife of investing**

Convertible bonds work for investors the way a Swiss Army knife works for adventurers. They offer flexibility and help navigate changing environments. Blending the income stability of fixed income with the upside potential of equities, convertibles offer a powerful combination of steady returns and the flexibility to participate in rising share prices. In a fast-moving and uncertain environment, this dual character is more valuable than ever.

**Strong momentum and positive outlook for 2025**

The asset class has entered 2025 with strong momentum. Global convertible bonds delivered solid performance in the first quarter, even as US equities, the largest regional component, faced headwinds. Notable gains came from both Asia and Europe. In Europe, Rheinmetall AG's EUR 1 billion dual-series convertible bond issuance has more than doubled in 2025, echoing the sharp rise in its stock amid surging demand in the defense sector. In Asia, Alibaba's

USD 5 billion convertible, issued in May 2024 and the largest USD-denominated deal since 2008, has climbed over 35% this year, backed by strong Chinese equity markets. Other Chinese companies have joined in, showing growing interest in convertibles within Asia's tech sector. Looking ahead, the case for convertibles remains strong. As equity market leadership broadens beyond the mega-cap names, convertibles, dominated by mid- and small-cap issuers, are well positioned to benefit. Companies may gain further as the Trump administration rolls out its growth-focused policies, including tax cuts and deregulation. These measures could boost US firms that dominate the convertible space and rely mainly on domestic revenues. Finally, demand for convexity remains high. Convertibles naturally deliver this, offering equity upside in "risk-on" environments and downside resilience in "risk-off" phases. In short, we view convertible bonds as a smart, forward-looking addition to diversified portfolios in 2025. They offer a rare combination of participation and protection, making them one of the most compelling tools in an investor's toolkit.







# C U R R E N C I E S

---

## EURO GAINS GROUND AGAINST THE US DOLLAR

BY STEFFEN KILLMAIER

---

Developments in the currency markets in the first quarter of 2025 were primarily politically driven. The inauguration of President Trump brought political uncertainty and led to increased volatility on the markets. Trade policy, in particular, came to the forefront and fuelled economic concerns. The political unpredictability of the US government has recently weighed on the US dollar. For Europe, the events of recent weeks were probably the final wake-up call to massively increase its own defence spending. In Germany, the Bundestag also loosened the debt brake and passed a debt-financed infrastructure programme. The European single currency benefited from the planned economic stimulus. Safe-haven assets such as the Swiss franc remained in demand in

the first quarter due to ongoing global (geo) political uncertainties.

### **US dollar suffers from trade policy and economic concerns**

After the US dollar showed strength at the beginning of the year and reached a two-year high on a trade-weighted basis, there has recently been a countermovement. In the US, the Trump administration's initial priorities have focussed more on what the markets consider to be growth-inhibiting (above all trade policy) than on business-friendly plans such as deregulation and tax cuts. Added to this is the confrontational stance of the US government, which is increasingly raising the question of whether the US is still a reliable





**Development of the EUR/USD exchange rate**  
Source: Bloomberg, Bergos, Data as of 03/31/2025

trade and alliance partner. This is causing significant uncertainty globally. In contrast to the political turbulence, the economic environment was rather unremarkable during the first quarter. However, the solid US economic data is currently being overshadowed by Trump's behaviour and political measures, which is clouding the economic outlook. This means short-term headwinds for the US dollar. In Europe, on the other hand, a massive increase in defence and infrastructure spending is planned. This will largely be achieved through higher debt. The weakening economy in the eurozone will receive a positive boost as a result, but inflation is also likely to rise.

The changed outlook on both sides of the Atlantic has recently led to a reorientation of the major central banks. At the moment, there are many indications that the US Federal Reserve is likely to cut interest rates more this

year than was expected at the beginning of the year. While at the beginning of the year there was still the question of whether the Fed would cut key interest rates at all this year, the market now expects three US interest rate cuts by the end of the year. At its last meeting, Jerome Powell also spoke of only 'transitory' higher inflation as a result of trade tariffs. This suggests that the Fed has a certain tolerance for inflation. In the eurozone, on the other hand, only two interest rate cuts are likely to follow before the end of the year. The change in interest rate expectations favours a further appreciation of the euro against the US dollar, at least in the short term. When we take interest rate parity and purchasing power parity into account, we also consider the US dollar to be fundamentally overvalued.

These developments recently prompted us to adjust our short-term outlook for the EUR/

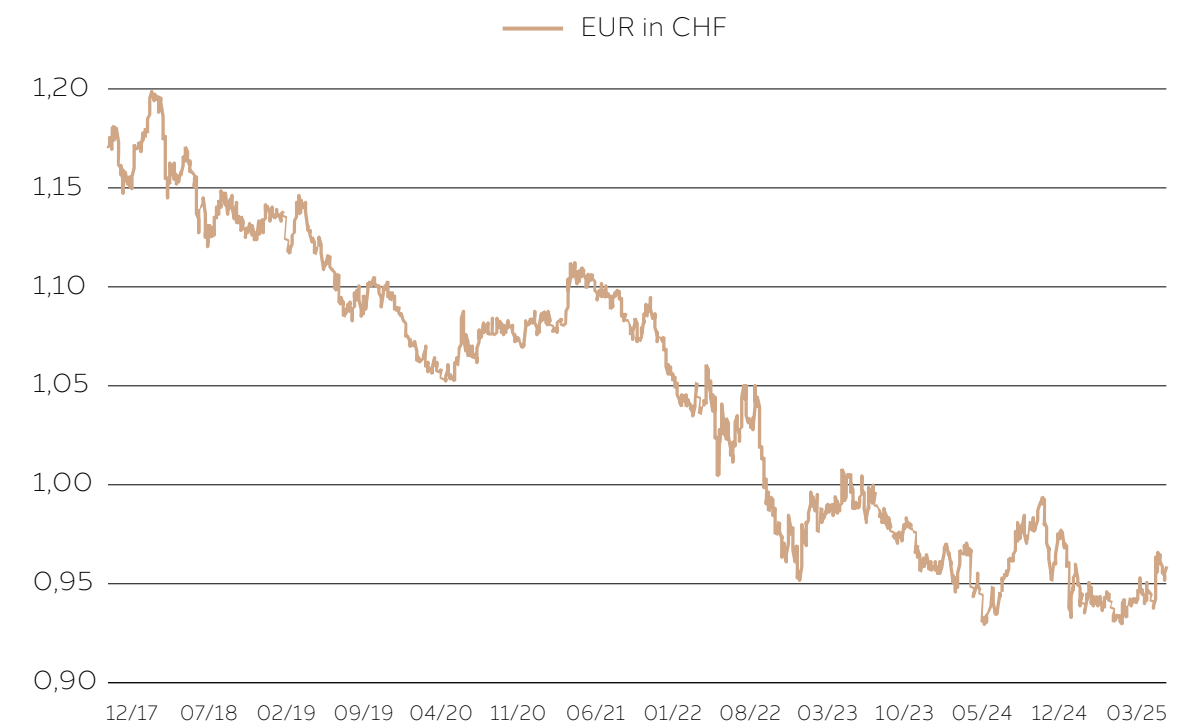
USD currency pair. We now expect the euro to appreciate against the US dollar over a 3-month horizon. However, the more expansive European fiscal policy will not solve Europe's structural problems (e.g. bureaucracy, skills shortages, and energy security), which are likely to weigh on the eurozone in the longer term. We also expect deregulation and tax cuts to take centre stage in the US soon, which should have a positive impact on the US economy. We therefore remain neutrally positioned on the EUR/USD currency pair in the long term.

#### Switzerland continues to move towards zero rates

In Switzerland, the economy continues to develop solidly, and inflation has been back within the target corridor of the Swiss National Bank (SNB) for almost two years. This puts Switzerland in a special position within the western world. In February, the inflation rate

was still at a low 0.3%, meaning that the central bank now fears a slide into deflation rather than a return of inflation. For the SNB, the strong Swiss franc remains a burden, as it contributes to the risk of deflation and also puts pressure on export-oriented companies in Switzerland. To counteract the strong franc, the SNB lowered key interest rates in March for the fifth time in a row to 0.25%. The SNB is likely to continue trying to weaken the strong Swiss currency in the future, although the room for manoeuvre is becoming smaller after the latest interest rate cut. Direct intervention on the currency market is also conceivable.

However, the Swiss franc could continue to benefit from its role as a safe haven. The world remains full of (geo)political uncertainties. This is all the more true given that President Trump's foreign policy is almost impossible to predict. Due to Switzerland's economic and political



**Development of the EUR/CHF exchange rate**  
Source: Bloomberg, Bergos, Data as of 03/31/2025

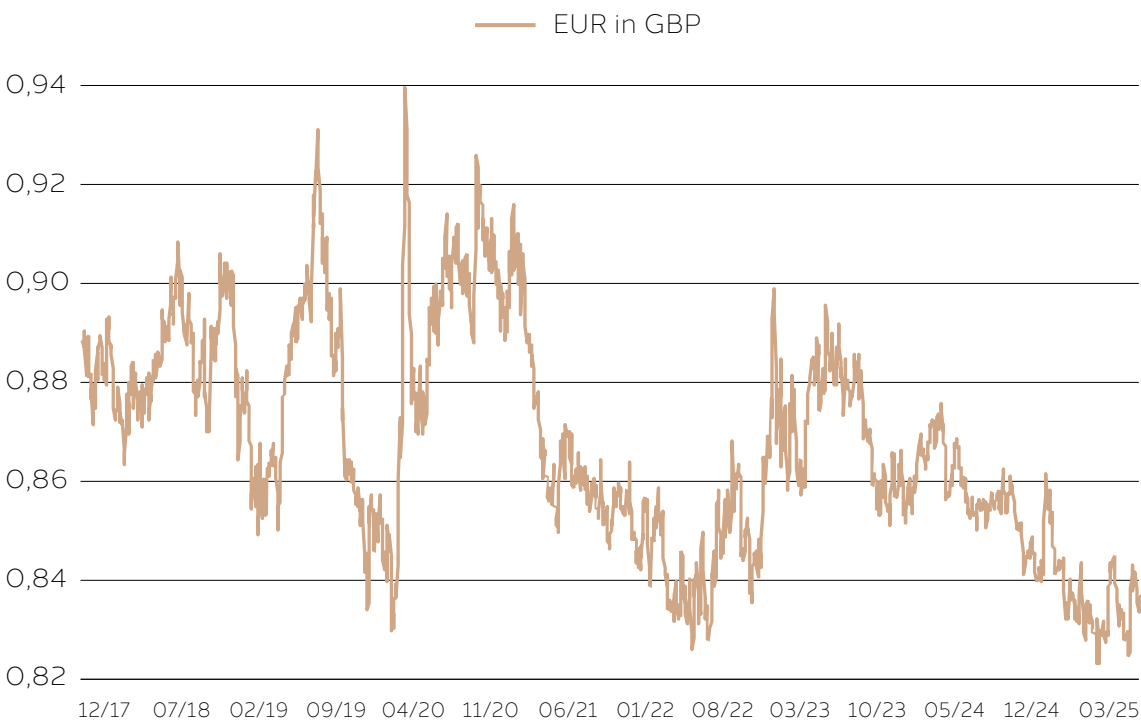


stability, the Swiss franc should therefore remain in demand. We do not expect the Swiss franc to appreciate or depreciate significantly against the euro in either the short or long term.

**Bank of England likely to remain cautious**  
In the UK, the inflation rate rose significantly again in the first quarter. As the upward pressure on prices is broad-based, we expect the inflation rate to continue rising in the coming months. Following a small interest rate cut in February, the Bank of England (BoE) left key interest rates unchanged at a still very high 4.50% in March. The BoE is likely to remain cautious in the future due to the inflation trend and may cut interest rates no more than once this year,

while the ECB and the Fed are expected to cut rates several times. The higher yield in the UK continues to support a strong British pound in the coming months.

In addition, economic growth in the UK remains robust. Economic data in the first quarter largely surprised to the upside. The UK is also likely to be less exposed to tariff risks under Trump than other European countries. We expect economic growth in the UK this year to exceed market expectations and surpass that of the eurozone. This should have a positive impact on the British pound. We expect the British pound to appreciate against the European single currency in both the short and long term.



**Development of the EUR/GBP exchange rate**  
Source: Bloomberg, Bergos, Data as of 03/31/2025



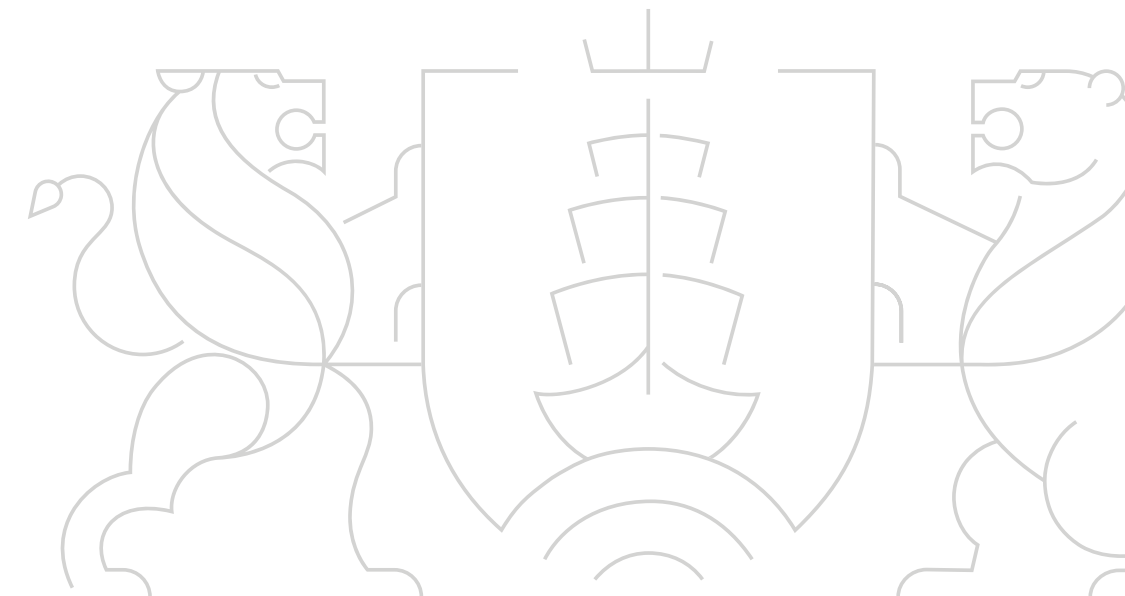


# BERGOS VIEW

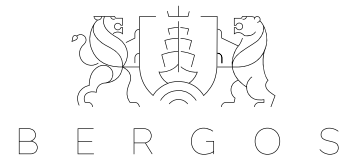
BANK VIEW	--	-	0	+	++
<b>EQUITIES</b>	○	○	●	○	○
<b>NORTH AMERICA</b>	○	○	○	●	○
CONSUMER DISCRETIONARY	○	○	○	●	○
CONSUMER STAPLES	○	●	○	○	○
ENERGY	○	○	●	○	○
FINANCIALS	○	○	○	●	○
HEALTH CARE	○	○	○	●	○
INDUSTRIALS	○	○	●	○	○
INFORMATION TECHNOLOGY	○	○	●	○	○
MATERIALS	○	○	●	○	○
REAL ESTATE	○	●	○	○	○
COMMUNICATION SERVICES	○	○	●	○	○
UTILITIES	○	○	●	○	○
<b>EUROPE</b>	○	○	●	○	○
CONSUMER DISCRETIONARY	○	○	○	●	○
CONSUMER STAPLES	○	○	●	○	○
ENERGY	○	○	●	○	○
FINANCIALS	○	○	●	○	○
HEALTH CARE	○	○	●	○	○
INDUSTRIALS	○	○	●	○	○
INFORMATION TECHNOLOGY	○	○	●	○	○
MATERIALS	○	○	○	●	○
REAL ESTATE	○	●	○	○	○
COMMUNICATION SERVICES	○	●	○	○	○
UTILITIES	○	●	○	○	○
<b>JAPAN</b>	○	●	○	○	○
<b>EMERGING MARKETS</b>	○	●	○	○	○

	--	-	0	+	++
<b>FIXED INCOME</b>	○	○	○	●	○
<b>DENOMINATION US-DOLLAR</b>	○	○	●	○	○
DURATION	○	○	●	○	○
SHORT TERM	○	○	○	●	○
MEDIUM TERM	○	○	○	●	○
LONG TERM	○	●	○	○	○
SOVEREIGNS	○	○	●	○	○
COVERED BONDS/ AGENCY MBS	○	○	○	●	○
CORPORATES INVESTMENT GRADE	○	○	●	○	○
CORPORATES HIGH YIELD	○	●	○	○	○
<b>DENOMINATION EURO</b>	○	○	●	○	○
DURATION	○	○	○	●	○
SHORT TERM	○	○	○	●	○
MEDIUM TERM	○	○	●	○	○
LONG TERM	○	○	○	●	○
SOVEREIGNS	○	○	●	○	○
COVERED BONDS/ AGENCY MBS	○	○	○	●	○
CORPORATES INVESTMENT GRADE	○	○	●	○	○
CORPORATES HIGH YIELD	○	●	○	○	○
<b>EMERGING MARKETS</b>	○	○	○	●	○

	--	-	0	+	++
<b>ALTERNATIVE INVESTMENTS</b>	○	○	●	○	○
<b>COMMODITIES</b>	○	○	●	○	○
ENERGY	○	○	●	○	○
INDUSTRIAL METALS	○	○	●	○	○
PRECIOUS METALS	○	○	○	●	○
<b>HEDGE FUND STRATEGIES</b>	○	●	○	○	○
LONG/SHORT	○	○	●	○	○
RELATIVE VALUE	○	○	○	●	○
MACRO	○	○	●	○	○
EVENT-DRIVEN	○	○	●	○	○
<b>CONVERTIBLES</b>	○	○	○	●	○
<b>ALTERNATIVE CREDIT AND PRIVATE DEBT</b>	○	○	○	●	○
<b>REAL ESTATE</b>	○	○	●	○	○



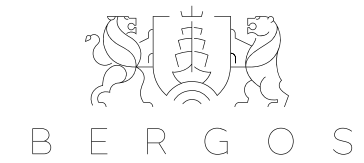
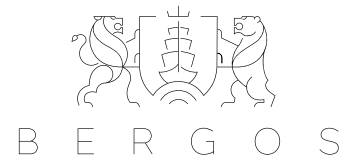




This publication only serves information and marketing purposes. The information provided is not legally binding and does not constitute a financial analysis, nor a sales prospectus, nor an offer for investment transactions, nor asset management, nor investment advice, and is not a substitute for legal, tax, or financial advice. Bergos AG (referred to hereinafter as “Bergos”) reserves the right to change the offering of services and products, as well as prices, at any time without prior notice. Bergos assumes no responsibility for the topicality, correctness, or completeness of the information. Bergos refuses any and all liability for the realization of the forecasts or other statements concerning returns, price gains or other asset appreciation contained in this publication. This publication was not prepared in compliance with the Directives on the Independence of Financial Research and is also not subject to the prohibition of trading after the dissemination of financial research. The investment suggestions and investment ideas stated herein have not been tailored to your personal circumstances. Investment decisions should always be made on the basis of a given portfolio and consideration should always

be given to your personal situation, risk appetite and risk tolerance. Because investment suggestions and investment ideas can exhibit different risk characteristics, we ask that you read the specific product information and brochure entitled “Risks Involved in Trading Financial Instruments” and consult your client advisor if you have any questions. It is possible that Bergos itself or its directors or employees have invested, currently invest, or will invest in investment instruments concerning which this document contains information or opinions. It is also possible that Bergos has provided, currently provides, or will provide services to the issuers of such investment instruments. It can also not be ruled out that employees or directors of Bergos have worked, currently work, or will work for the issuers of such investment instruments. Therefore, Bergos itself or its directors or employees could have an interest in the future performance of investment instruments. This information is only intended for use by the recipient and may not be forwarded to third parties. The present information may not be copied in part or in full without the written consent of Bergos.





COPYRIGHT

**BERGOS AG**

ALL RIGHTS RESERVED  
ZURICH, APRIL 2025

**Editor**

Maximilian Hefe, CFA  
Deputy Chief Investment Officer  
and Head of Asset Management

**Authors**

Maximilian Hefe, CFA | Deputy Chief Investment Officer  
Till Christian Budelmann | Chief Investment Officer  
Dr Jörn Quitzau | Chief Economist  
Frederik Carstensen | Equity Strategist  
Christoph Jung CIIA, FRM | Bond Strategist  
Oliver Watol | Alternative Investments Strategist  
Steffen Killmaier | Currency Strategist

**Managing Editor**

Sarah Thalmann | Head of Communications  
Ana Varvodic | Communications Manager

**BERGOS AG**

HEADQUARTERS

Kreuzstrasse 5  
8008 Zurich • Switzerland

Phone +41 44 284 20 20

GENEVA OFFICE

29, Quai du Mont-Blanc  
1201 Geneva • Switzerland

Phone +41 22 308 59 00

[www.bergos.ch](http://www.bergos.ch)  
[info@bergos.ch](mailto:info@bergos.ch)



