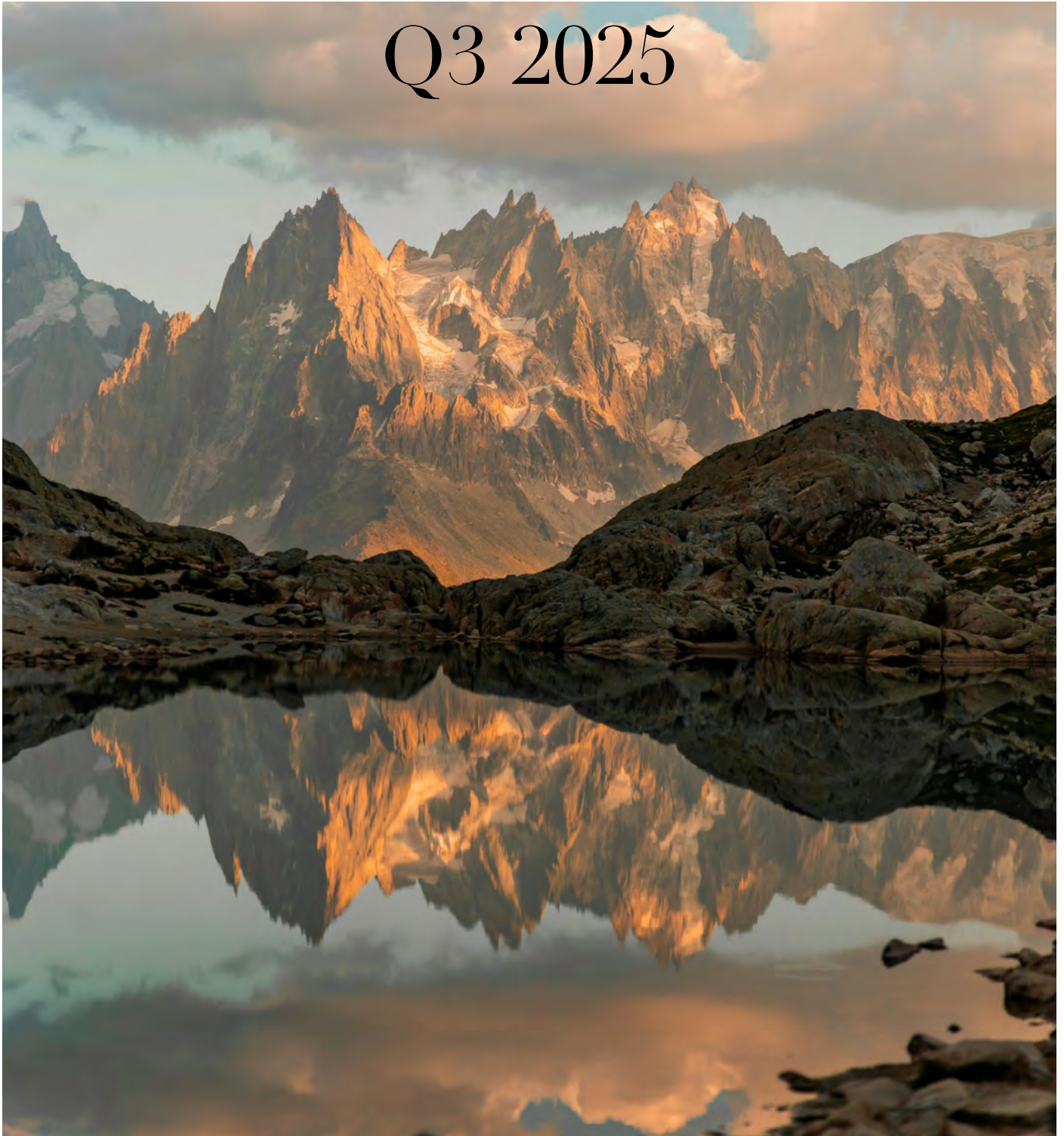
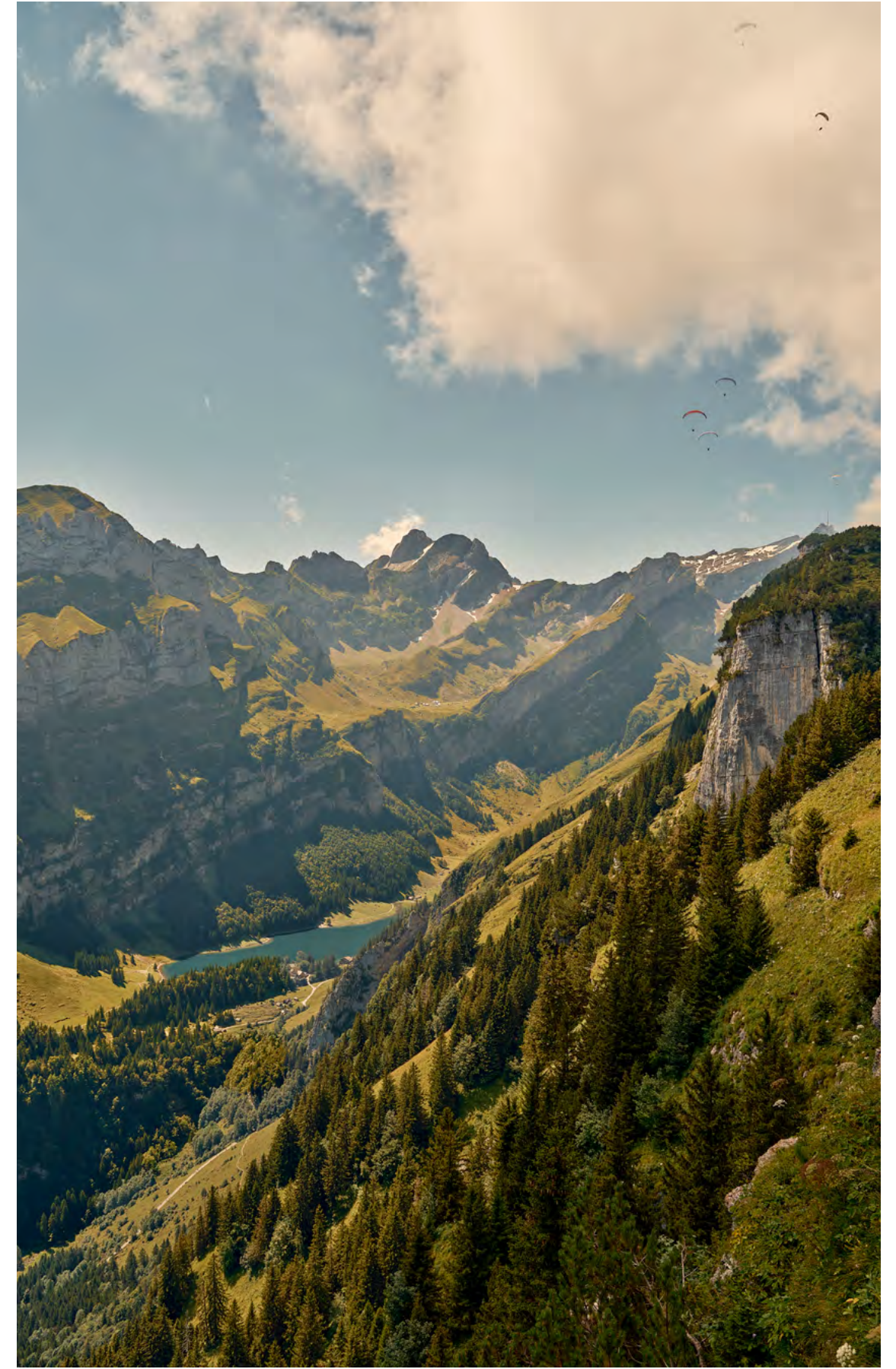


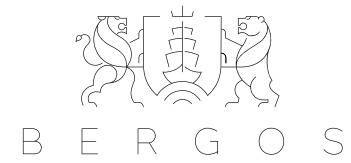
# Reflexions

Q3 2025





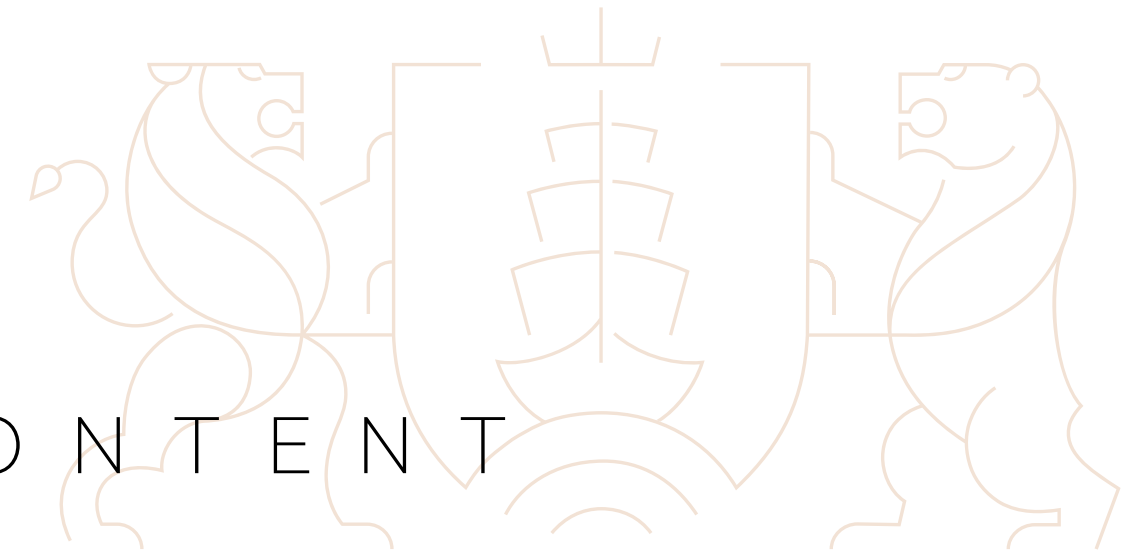




Bergos AG is an internationally operating, independent Swiss private bank with headquarters in Zurich and a branch in Geneva. We have been active in the Swiss financial center for over 30 years and can trace our history to the founding of Joh. Berenberg, Gossler & Co. KG in 1590. Our international team 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, JULY 2025  
ALL RIGHTS RESERVED  
EDITORIAL DEADLINE 30.06.2025

# 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 Hefe 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 has more than 18 years of experience in the financial sector, particularly in active portfolio management of bonds, and has been with Bergos since 2022. As a member of the Investment Committee, he is responsible for the company's top-down strategy for fixed-income investments and the resulting selection from its own bottom-up approach.



## 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 SUMMER PUBLICATION

---

Dear Readers,

The second quarter was marked by significant exogenous shocks. These included Donald Trump's market-hostile tariff policies, as well as the military escalation in the Middle East. At the height of trade and geopolitical uncertainty, there were plenty of reasons to reduce equity exposure in portfolios. However, investors who remained steadfast in this environment were rewarded from 8 April 2025 onwards – shortly after Liberation Day – with a remarkable equity market rally.

It appears that the capital markets are no longer placing much weight on the initially escalating trade policies. This is because it is widely

assumed that Donald Trump will eventually backtrack – something the press often refers to as “TACO” (“Trump Always Chickens Out”).

The interplay between growth and value stocks was also extremely dynamic. The headwinds facing growth stocks in the first quarter suddenly turned into tailwinds after Liberation Day, enabling US equities to regain their customary relative strength. The short-lived “Deep-Seek Moment”, which caused some uncertainty, is no longer an issue. Continued strong earnings and persistently high investment in the artificial intelligence ecosystem remain defining themes of our time and are fuelling current market performance.

In the forex markets, economic uncertainty – compounded by mounting concerns over US debt levels – has led to a persistently weak US dollar. The pace of this depreciation is notable, especially considering that the interest rate differential between the US dollar and the Swiss franc or the euro has continued to widen in favour of the US dollar. The surprisingly resilient US economy continues to support Jerome Powell's steadfast monetary stance, despite mounting pressure from Donald Trump to cut interest rates. Futures markets remain highly volatile, and their indications for rate cuts are anything but reliable. As a result, a potential rate cut in July is now off the table, and futures contracts are currently pricing in a cut for September.

By contrast, the European Central Bank and the Swiss National Bank have continued to lower interest rates. This has reduced the attractiveness of bonds in these currency areas. In Switzerland, interest rates have even returned to a zero-rate

policy. This has increased pressure within multi-asset portfolios to identify alternative sources of return, such as convertible bonds.

Falling interest rates are also reducing the opportunity cost of holding gold. Although the gold price has entered a volatile sideways trend since the end of April, underlying demand from emerging markets remains supportive. Against the backdrop of growing scepticism regarding the declining creditworthiness of the United States, gold continues to represent a sensible addition to a portfolio.

In this edition, our capital market experts will once again take a deeper look at the themes outlined above. I wish you much enjoyment as you read the latest issue of our Reflexions.

Kind regards

Maximilian Hefe  
Deputy Chief Investment Officer

---

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

---









# COMPASS

BASE-CASE SCENARIO

BY TILL C. BUDELMANN, CHIEF INVESTMENT OFFICER

The trade dispute escalated by US President Donald Trump on 2 April 2025 continues to overshadow the macroeconomic data. Following negative market reactions, Trump temporarily suspended some of the tariffs to allow time for negotiations. The deadlines, extended by Donald Trump, expire on 1 August 2025 – although in many cases, negotiations could be extended again before trade deals with more moderate tariffs are reached. However, further negative escalations remain possible in the meantime. The Trump administration’s economic policy is slowing down the economy. The Chinese economy is also suffering from the tariff dispute, although the US and China agreed in May to drastically reduce the exorbitantly high tariffs for at least 90 days. In Europe, fiscal policy is becoming more expansive, partly due to rising defense spending. This is providing a positive impulse for the weakening eurozone economy. However, structural problems remain, limiting Europe’s growth potential. Escalating government debt in the US – and also in some European countries – could become a concern for the financial markets, especially if Donald Trump further undermines confidence in US reliability.

Inflation is still not fully contained in many countries, but it is on the right track. Central banks must remain cautious. Switzerland is an exception: the inflation rate has been within the Swiss National Bank’s (SNB) target range (0-2%) for two years, and recently even slightly below it. Central banks now face the challenge of taking future tariff-related price increases into account in their decisions. Meanwhile, the pressure on Fed Chairman Jerome Powell remains high. Nevertheless, Powell once again resisted political pressure to ease monetary policy more quickly in June. If the economic data signals weakness, the Fed is likely to use its scope to cut interest rates. At present, another interest rate pause in July appears likely in the US, followed by a rate cut in September. Following its interest rate cut in June, the ECB is likely to pause for the time being and cut its key interest rates again later this year.

The escalation between Israel and Iran continues to keep the world on edge. A ceasefire was reached following US intervention, but the situation remains fragile. Under President Donald Trump, foreign policy has also become increasingly unpredictable. Peace efforts in the Russia-Ukraine war have so far failed to produce any tangible results.

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 :	+ 1.5%		2 0 2 5 :	3.0%
	2 0 2 6 :	+ 1.8%		2 0 2 6 :	2.7%
EUROZONE	2 0 2 4 :	+ 0.8%	EUROZONE	2 0 2 4 :	2.4%
	2 0 2 5 :	+ 1.2%		2 0 2 5 :	2.1%
	2 0 2 6 :	+ 1.4%		2 0 2 6 :	1.9%
GERMANY	2 0 2 4 :	- 0.2%			
	2 0 2 5 :	+ 0.3%			
	2 0 2 6 :	+ 1.5%			
SWITZERLAND	2 0 2 4 :	+ 1.3%			
	2 0 2 5 :	+ 1.2%			
	2 0 2 6 :	+ 1.5%			
GREAT BRITAIN	2 0 2 4 :	+ 1.1%			
	2 0 2 5 :	+ 1.2%			
	2 0 2 6 :	+ 1.2%			
CHINA	2 0 2 4 :	+ 5.0%			
	2 0 2 5 :	+ 4.1%			
	2 0 2 6 :	+ 4.0%			
JAPAN	2 0 2 4 :	+ 0.2%			
	2 0 2 5 :	+ 0.8%			
	2 0 2 6 :	+ 0.8%			





# M A C R O

---

## FOCUS ON US TARIFF POLICY

BY DR JÖRN QUITZAU

---

The second quarter began with a bang: US President Donald Trump announced massive tariffs against all countries in the world on April 2, his so-called “Liberation Day”. In addition to a basic tariff of 10%, there were to be country-specific “reciprocal” tariffs. These are intended to compensate for what Trump sees as the unfair trade practices of other countries towards the USA. In doing so, Donald Trump brought the tariff disputes he had already triggered in the weeks before to a climax.

This was followed by turbulent days on the financial markets. Donald Trump responded by temporarily suspending some of the tariffs in order to create a window of opportunity

for negotiations. However, Trump escalated the tariff conflict with China once again, only to later backtrack partially here as well. After Donald Trump extended the tariff break at the beginning of July until 1 August 2025 and announced individual new tariffs, the situation remains unclear. Our main scenario remains that, in the longer term – after some back and forth and further escalations – large parts of the reciprocal tariffs will be negotiated away, but the basic tariff will remain in place. This would still place a significant burden on trade. According to the American Tax Foundation, the average tariff rate had already risen from 2.5% to 8.4% since the beginning of the year, before April 2. This was the highest rate since 1946.



**Tariff policy has only had a moderate impact on the US economy so far**

The big question remains as to how trade policy will affect the economy and inflation. Inflation will not simply rise in line with tariff rates, as there are countervailing effects that slow down the upward price trend. Much depends on the scope for companies to pass on higher prices. In many cases, the tariff burden is unlikely to be passed on 1:1 to consumers, which would be to the detriment of corporate profits. The cooling economy is also likely to dampen price increases in the face of weaker demand. It is therefore quite possible that the US inflation rate will ultimately only rise by a few tenths of a point due to the tariff policy. Additional inflationary pressure will come from the weaker US dollar exchange rate. It is one of Donald Trump's declared aims to help American industry get back on its feet, including with a weaker dollar.

So far, the tariff policy has not really been reflected in the inflation data: In May, consumer prices rose by just 0.1% month-on-month. In a year-on-year comparison, the consumer price index rose only slightly from 2.3% to 2.4%. The core rate remains unchanged at 2.8%. At the same time, the economy is cooling only gradually. The labor market is still stable, with a low unemployment rate of 4.1%. In this macroeconomic environment, the US Federal Reserve is taking a wait-and-see approach for the time being and has so far withstood the considerable pressure from Donald Trump to quickly loosen monetary policy further. Based on the current situation, the Fed is likely to leave the key interest rate at its current level in July as well, before lowering it by 25 basis points to 4.00-4.25% in September.

**Europe with a slight tailwind**

In the second half of the year, US politics will continue to be a main topic and will have a significant impact on the economic environment for many countries. Meanwhile,

there are encouraging signs of an economic recovery in the eurozone. Many economic indicators are signaling a cyclical upturn. The rate cuts by the European Central Bank (ECB) are having an effect. In addition to monetary policy, fiscal policy is also becoming more expansive. This is also a consequence of the loss of confidence in the USA. Europe must become more independent and more capable of defending itself. Defense spending is largely financed by higher debt. Germany can be seen as a pioneer here. Now that the Bundestag has relaxed the debt brake, Germany can virtually draw on the full potential when it comes to defense spending. Overall, Germany is leaving behind the times of stability-oriented financial policy. The new financial possibilities show that the federal government wants to make sensible investments, but also aims to satisfy socio-political desires. In the longer term, the latter will restrict the budgetary leeway in Germany, but in the short term, it will stimulate demand and thus the economy.

This is reflected in improved sentiment. The ZEW Economic Sentiment Index rose from 25.2 to 47.5 points in June. The Ifo Business Climate Index also continued to brighten. The index rose to 88.4 points in June, up from 87.5 points in May. This was the sixth increase in a row. In addition to the more expansive financial policy, the business world also appears to be relieved that the erratic economic policy of the former government has come to an end. After five years of no growth in German economic output, the signs are now pointing to expansion again. Growth of around 1.5% could be possible in 2026 – similar to that of the eurozone as a whole.

Meanwhile, price pressure in the eurozone has eased further. The inflation rate has fallen to the ECB's target value of 2%. Low energy prices and the stronger euro are contributing to a moderate inflation environment. The ECB, therefore,

has no acute need for action and is likely to switch to a wait-and-see mode for the time being. The Swiss National Bank (SNB) lowered its key interest rate to 0.0% in June, after the inflation rate fell to -0.1% in May. However, a slide into a deflationary spiral is not to be feared. The SNB would therefore not need to loosen monetary policy any further. However, it will keep the option open to take further upward pressure off the franc.

**The risks remain high**

The geopolitical situation remains tense. There is still no end in sight to the Russia-Ukraine war, and it is uncertain whether the situation in the Middle East will remain calm after the interim escalation. The financial markets will continue to focus on US economic policy and, thus, also on the worryingly high level of US government debt. So far, the markets have taken a relaxed approach to the Trump government's fiscal policy. Should this change, and yields on US government bonds rise significantly, the Fed could be forced to buy government bonds again in an emergency.









# E Q U I T I E S

---

**EQUITY MARKETS AT RECORD HIGHS DESPITE SEVERAL (GEO)-  
POLITICAL UNCERTAINTIES**

BY FREDERIK CARSTENSEN

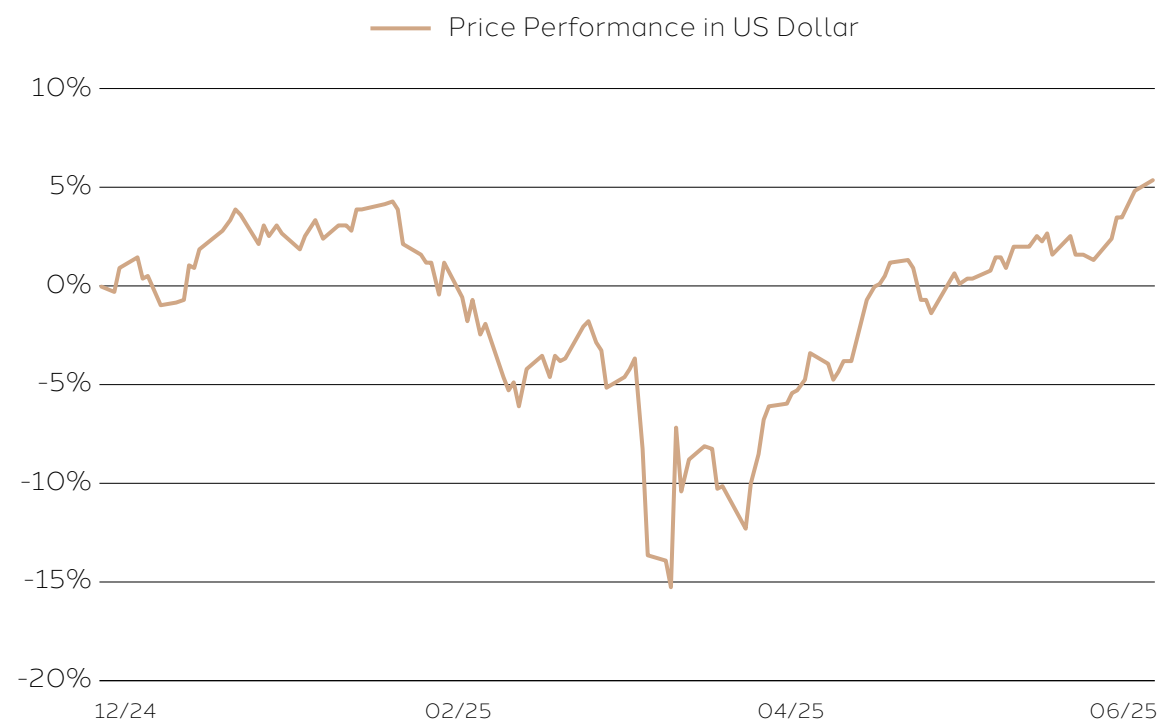
---

The first half of 2025 was marked by numerous (geo)political challenges. At the beginning of April, the announcement of comprehensive US tariffs caused uncertainty and fueled recession fears worldwide. As a result, the S&P 500 initially fell by almost 20%. However, with the subsequent easing of trade tensions – depending on the outcome of ongoing negotiations – the markets recovered surprisingly quickly. In addition to a partial calming of the (geo) political situation, the prospect of lower US interest rates and an above-average rally in mega-cap technology stocks have also contributed to

the recovery. Overall, the S&P 500 and the tech-heavy Nasdaq rose by just under 6% in the first half of the year, measured in US dollars.

It is indeed remarkable how robust the economy and capital markets appear, despite numerous global uncertainties. The war in Ukraine, the Middle East conflict, ongoing trade tensions, the unpredictability of the US government, and the debate around US debt sustainability – rarely has the global economy faced so many challenges at once. Although tariffs have declined from their peak, they remain a central





**V-Shaped Recovery: Performance of the S&P 500 in the first half of 2025**

Source: Bloomberg, Bergos, Data as of 06/30/2025

issue in US policy. With the impending end of the tariff suspension, political uncertainty could rise again. Nevertheless, we believe that the peak of political uncertainty is behind us.

#### US equities pick up again in the second quarter

Since 2010, the US economy – and consequently US corporate earnings – have grown faster than in other developed economies. As a result, US equities have outperformed in 12 of the last 15 years. This year, too, the US economy remains solid, supported by a robust, albeit slightly weakening, labor market. Since the low point on 8 April 2025, the broad S&P 500 Index has risen by about 20% – growth sectors such as technology and communication services have even outperformed this trend. Nonetheless,

a countermovement was observed in the first quarter of 2025: European equities showed relative strength, supported by expansionary fiscal policy in Germany and interest rate cuts by the European Central Bank.

Another factor was the significant decline of the US dollar, which supported relative strength outside the US. Emerging market equities also benefited from this. In the short term, this trend could continue, making broad international diversification all the more important.

#### Uncertainties remain, US interest rate cuts likely to be supportive

Several crucial decisions are due in the coming weeks. First and foremost, the imminent expiration of the suspension of the initial

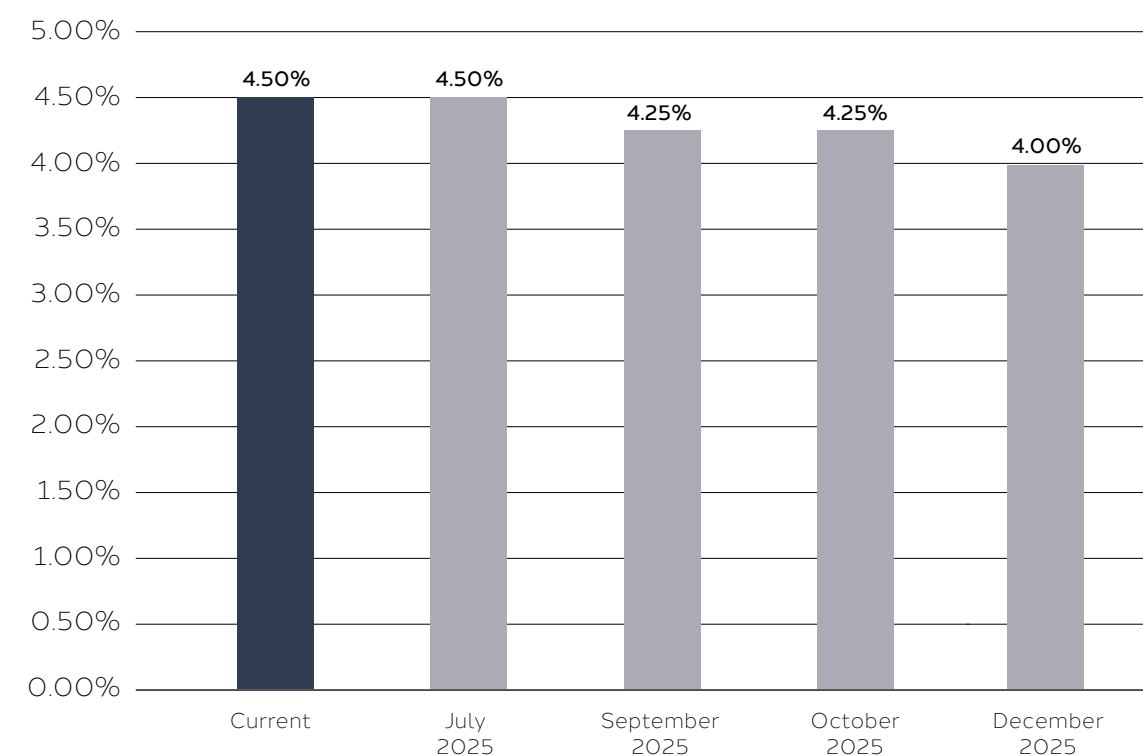
tariffs, as well as the reduced tariffs on Chinese imports. Investors should be prepared for increased volatility in the second half of the year. Contributing factors include lower liquidity during the summer months and Trump's erratic behavior. However, we do not expect the lows from April to be tested again, as investor sentiment and positioning are now less optimistic, which reduces downside risk.

Positive impulses are expected from central banks. Despite declining inflation, the US Federal Reserve has not yet cut its key interest rates, as it wants more clarity on the economic impact of the tariffs. At its June meeting, the Fed continued to signal two rate cuts for 2025, but only one for 2026 (instead of two previously).

This points to a more cautious easing path. We expect the Fed to resume its rate-cutting cycle in the fall. In the short term, markets appear overbought and valuations ambitious, which is why we remain neutrally positioned for now.

#### US equities remain favored; emerging markets upgraded to neutral

Regionally, we continue to favor US equities, which should benefit from a solid labor market, a possible further easing of trade tensions, and growth-promoting measures. The recently passed legislative initiative “One Big Beautiful Bill (OBBA)” is also expected to provide additional stimulus. Among other things, it includes an extension of the 2017 tax reform and new tax breaks.



**Expected Interest Rate Development of the US Federal Reserve**

Source: Bergos, CME FedWatch. Implied fed funds upper bound

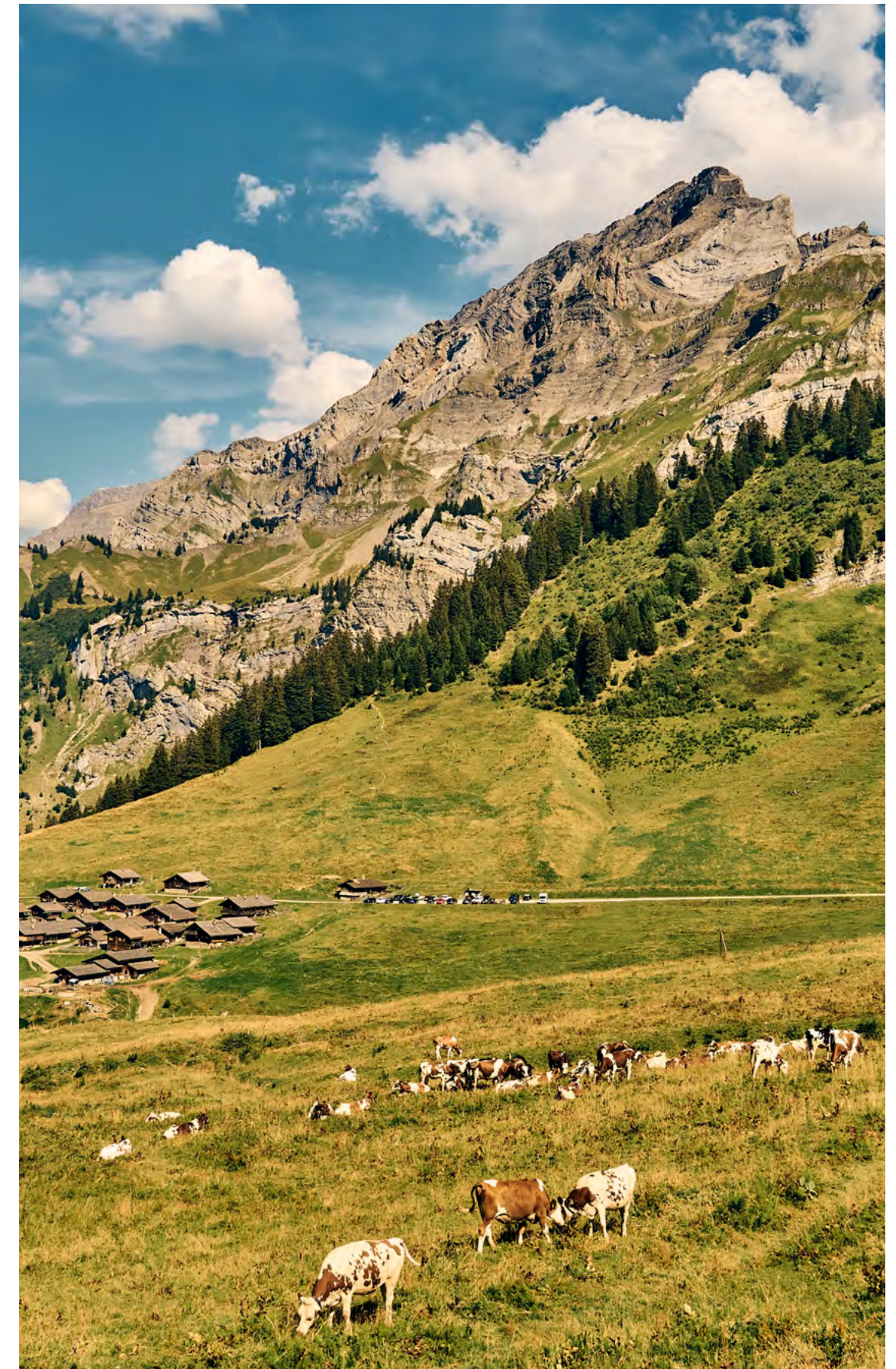


Despite narrowing growth differentials, we still expect above-average returns from US companies – supported by the AI boom and monetary policy tailwinds. Earnings expectations for the S&P 500 for 2025 have been revised downwards from 14% to 8% over the course of the year, reflecting a more realistic outlook given the cooling US economy. In contrast, earnings growth in the eurozone is expected to stagnate. US tariffs are likely to dampen demand for imports and thus weigh on earnings growth. Many positive developments are already priced into European share prices.

Emerging market equities could particularly benefit if the US dollar remains weak and trade relations stay stable. Solid earnings growth and relatively attractive valuations have led us to upgrade our long-standing underweight position in this segment to neutral. However, China remains underweighted due to structural challenges – such as the weak real estate market, declining domestic demand, and demographic trends. India, on the other hand, stands out with stable growth, above-average corporate earnings, and low dependence on the US trade conflict. In Japan, we remain cautious and underweighted.

#### **Balanced positioning, take advantage of setbacks**

Despite existing uncertainties, several factors support a cautiously optimistic outlook. Particularly positive is the willingness of many investors to re-enter the market after price setbacks (“buy the dip”). Investors should continue to focus on broad diversification – across growth and value stocks alike. Over the remainder of the year, deregulation and possible tax cuts in the US could also come into focus. Smaller US companies with low market capitalization are likely to benefit most from this.







# B O N D S

---

## A TARIFF-INDUCED SEISMIC SHOCK

BY CHRISTOPH JUNG

---

On 2 April 2025, the tariffs announced by US President Trump were made public on the so-called “Liberation Day.” In a ceremony in the White House Rose Garden, he signed the executive order titled “Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits.” The new tariffs originally meant a flat levy of 10% on almost all US imports. For key trading partners, even higher rates initially applied, which many market participants found difficult to comprehend. Thus, the second quarter of 2025 began with a seismic shock for global bond markets. Yields on US Treasuries initially declined sharply as investors sought safety. In contrast,

riskier bonds – such as emerging market, corporate, and especially high-yield bonds – came under pressure. Credit risk premiums, the surcharges for default risk, widened significantly. Investors anticipated rising default risks due to higher costs and growing uncertainty. For example, the average option-adjusted spread of the Bloomberg US Corporate High Yield Index rose from 3% to over 4.5%. Shockwaves were also felt in Europe: government bonds initially gained before succumbing to global volatility.

After the initial turbulence, the US government announced a 90-day suspension of the sharpest tariff increases on 9 April 2025. This ultimately contributed to market stabilization, although

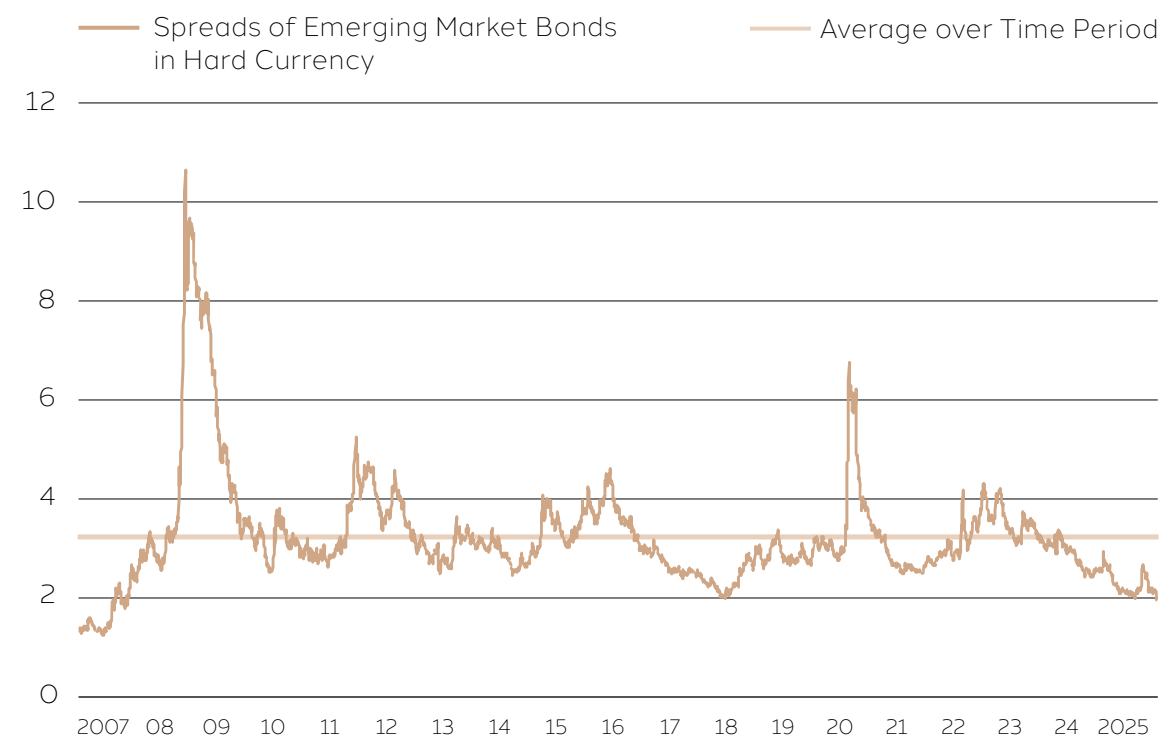


there was a lot of noise surrounding the issue. The suspension allowed both US and European bond markets to calm down and gave politicians time to resume negotiations. The focus shifted to current economic data. Within a few days, the yield on the 10-year US Treasury rose from around 3.9% by over 60 basis points. The previously briefly inverted yield curve, measured by 3-month Treasury bills and 10-year US Treasuries, normalized almost instantly, as term premiums – that is the additional yields for longer maturities – rose again. Credit risk premiums also eased. High-yield bonds even returned to new record low premiums, lower than at the end of March 2025. This occurred even though tariffs will have a noticeably negative effect on profits for some companies. The same was true for the spreads of emerging market bonds: after initial nervousness, they returned – measured by the

Bloomberg EM Hard Currency Aggregate – to levels last seen in 2008 before the financial crisis, as illustrated in the chart.

#### Farewell AAA and a new “Big Beautiful Bill”

After the initial turmoil in April, US Treasury yields did not calm down permanently. In May 2025, the yield on the 30-year US Treasury exceeded the 5% mark. The trigger was a complex mix of fiscal, credit-related, and trade factors. In the same month, Moody’s downgraded the US credit rating from the top grade of Aaa to Aa1, following in the footsteps of S&P and Fitch, which had already taken this step earlier. Moody’s justified the downgrade with the rapidly growing US budget deficit and an unsustainable long-term development of government debt. Net interest expenses are now consuming an ever-larger share of tax revenues.



Average option-adjusted spreads of the Bloomberg Emerging Market Hard Currency Aggregate Index in %  
Source: Bloomberg, Illustration by Bergos

In addition, political polarization in the US Congress is leading to gridlock, preventing sustainable fiscal reforms. Deficit reduction does not seem to be a on the agenda. Instead, debates about new government spending and tax cuts dominated – further heightening concerns about the deficit. The resulting increase in government debt unsettled investors. There were fears that the market would be flooded with additional bonds, pushing long-term yields even higher. This debate culminated in the recently passed “Big Beautiful Bill.” The market will closely monitor the development of government debt. It is likely that investors will continue to demand compensation for the increased risk. In our positioning, we have therefore been avoiding US Treasuries with long maturities for some time and prefer the short and medium segments of the yield curve.

#### Weak US consumer sentiment and a cautious Fed

The strong consumer confidence that characterized the end of 2024 continued to wane. In June 2025, there was a modest recovery in the Michigan Consumer Sentiment Index: the index rose by 16.3% to 60.7, marking the largest monthly increase in over 30 years. Nevertheless, the level remains historically low. The US Federal Reserve (Fed) found itself caught between the dangers of persistent inflation and slowing growth. At its meetings in April and June, it left the key interest rate unchanged at 4.25% to 4.5%. The tone of the Fed became more restrictive than expected; officials signaled that only two rate cuts were likely for the rest of the year – a clear contrast to previous market expectations.

This cautious stance is understandable. Inflation has remained particularly stubborn in the service sector. The Fed’s preferred measure of inflation, the core personal consumption expenditures index, is now estimated by the market to average just under 3% in 2025. This is

a significant increase on the forecasts from three months ago, partly due to the potential impact of tariffs. In addition, the labor market remains robust. The unemployment rate fell to 4.1% in June. However, employment growth slowed, particularly in the public sector, as budgets became tighter and may remain so in the future.

#### The ECB continues its rate-cutting cycle

The European Central Bank (ECB) took a different course. After several interest rate cuts, it continued its easing path in April and June, lowering key interest rates by 25 basis points in each case. The interest rate on the deposit facility now stands at 2%. Although inflation risks remain, the signs of disinflation and slowing wage growth have given the ECB confidence. It indicated that a further interest rate cut was possible before the end of the year to support the fragile recovery. Inflation expectations appear to be well anchored. The break-even inflation rates for ten-year European inflation-linked government bonds are around 2% – a good sign.

#### Mixed rating migration in corporate bonds

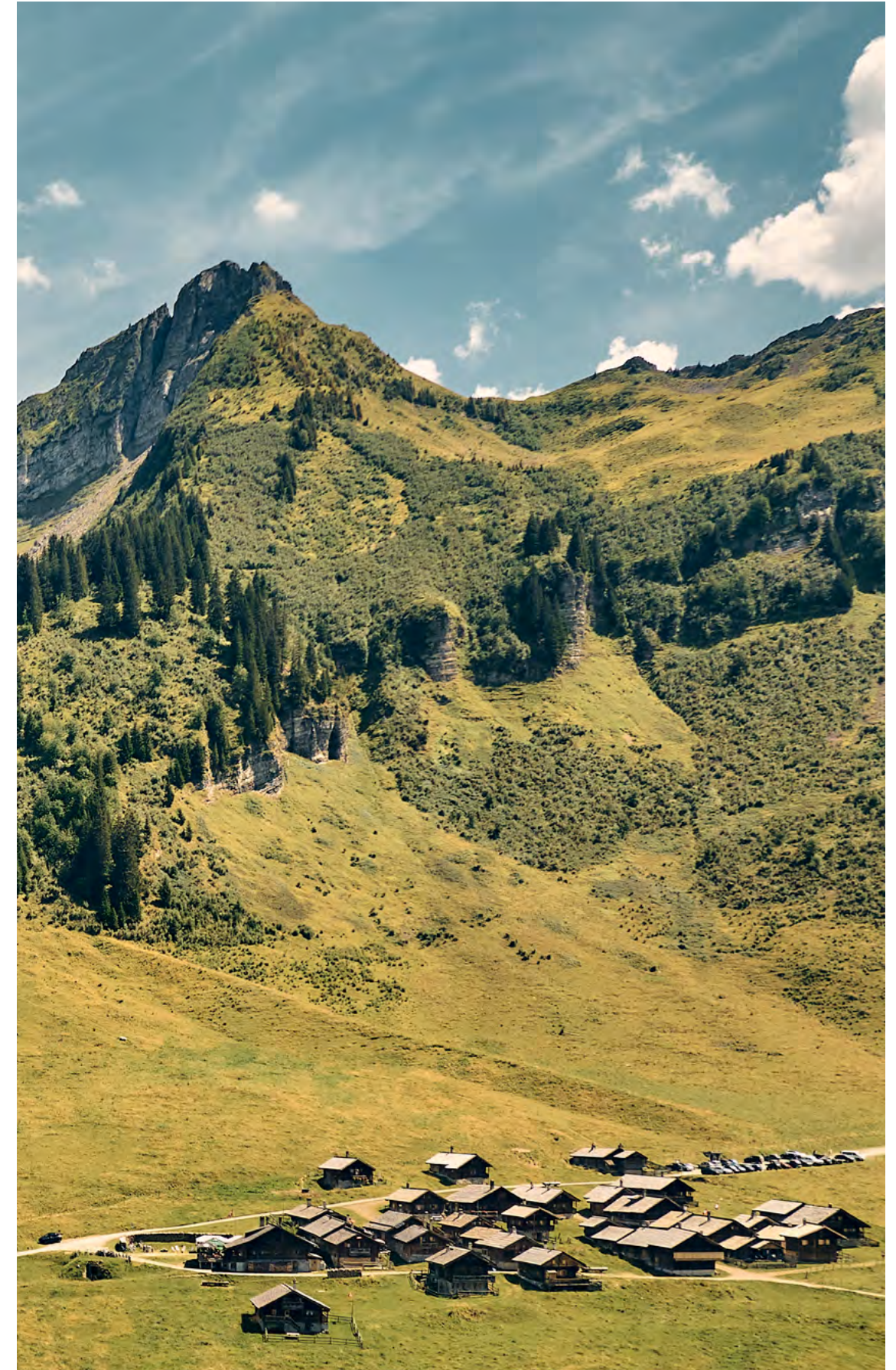
Despite the volatility, the fundamental health of most investment-grade companies remains robust. Many have adapted to the higher interest rate environment, refinanced debt early, and built up liquidity reserves. In the second quarter, rating agencies reported more upgrades than downgrades among investment-grade companies. The opposite was true in the high-yield sector. High-yield issuers faced a more challenging environment, as tighter financing conditions and economic uncertainty increased default risk. In our positioning, we prefer high-quality corporate bonds in EUR within the investment-grade segment. We underweight riskier high-yield bonds in EUR and USD, as in our opinion, much positive news is already priced in, and credit risk premiums only partially reflect the negative trend in rating developments.



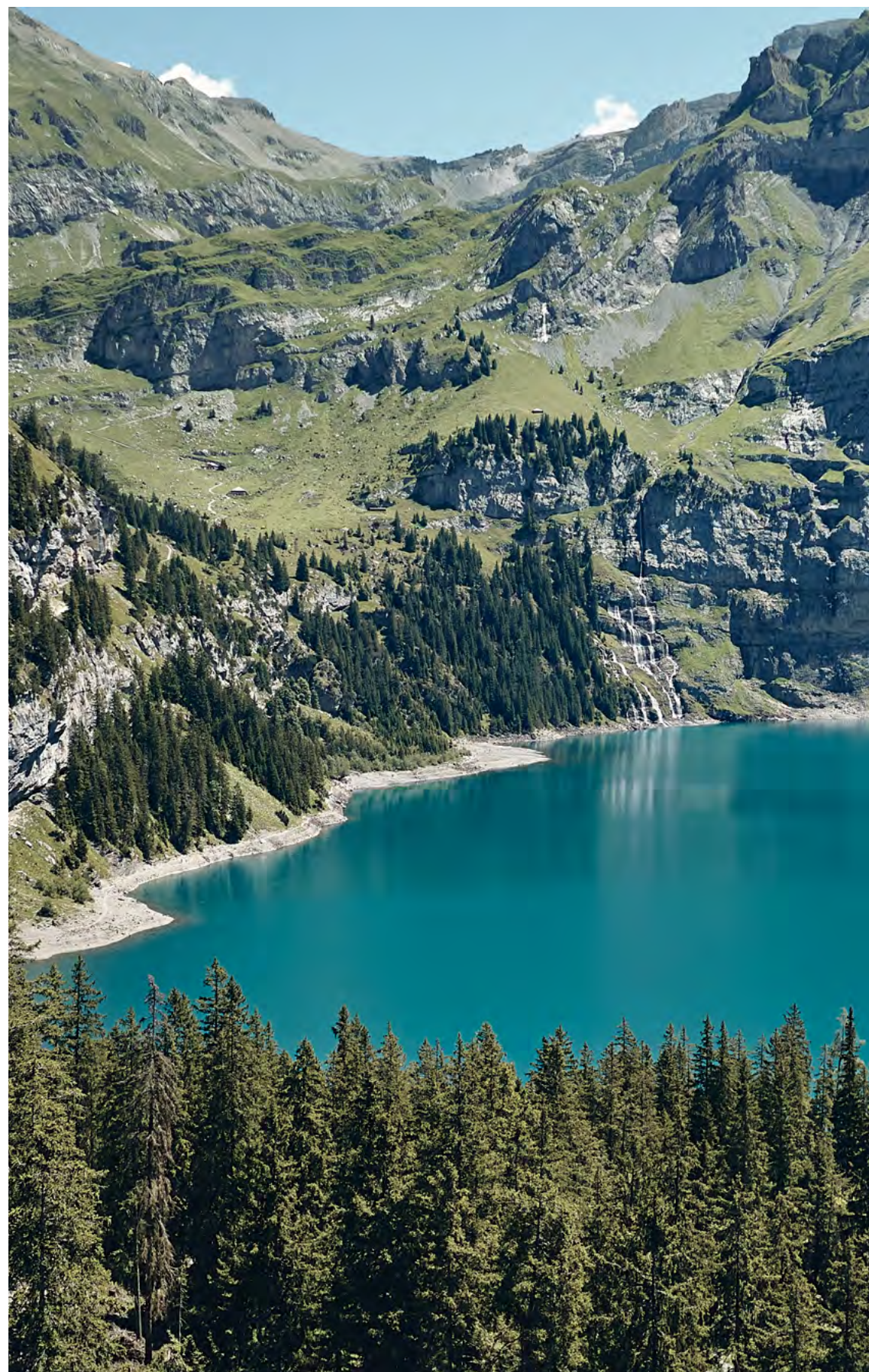
## Outlook

For the second half of 2025, the outlook remains cautiously balanced. Much will depend on the development of trade policy and the ability of central banks to strike a balance between promoting growth and controlling inflation. In the US, the Fed's room for maneuver remains limited as long as inflation does not decline significantly. In Europe, the recovery remains fragile – vulnerable to external shocks and reliant on continued fiscal support. Geopolitical risks should not be underestimated, though they are difficult to predict. The immediate reaction of the bond market to the US airstrike on Iran, for example, was relatively modest. Normally, a decline in yields would be expected as investors seek safety. This time, however, concerns that higher oil prices could fuel inflation prevailed. Even that assumption proved short-lived.

For investors, the message from the second quarter remains clear: flexibility and a keen eye for relative value are essential to navigate the uncertain road ahead.







# ALTERNATIVE INVESTMENTS

---

2025: THE SEARCH FOR PORTFOLIO RESILIENCE

BY OLIVER WATOL

---

The second quarter of 2025 brought notable shifts across financial markets. A sharp policy turn in April, marked by sweeping US tariff announcements, triggered a brief but severe equity correction, with the S&P 500 and Nasdaq falling over 10% before rebounding to new highs. Meanwhile, the US dollar experienced one of its steepest first-half declines in decades, helping fuel a strong rally in gold as investors sought stability. Regional equity performance varied widely, reflecting growing market fragmentation and divergence. These developments highlight the importance of preparing for dislocations. A forward-looking

investment approach demands diversification, disciplined risk management, and exposure to uncorrelated return sources. Allocations to gold, actively managed alternative strategies, and convertible bonds can contribute meaningfully to portfolio resilience and long-term stability.

## **Commodities:**

### **Diversify broadly, trust gold**

Commodities such as energy resources or industrial metals can offer diversification benefits, particularly during periods of elevated inflation or geopolitical uncertainty. Their low correlation to equities and bonds supports



their role as a potential hedge in volatile market phases. That said, commodities come with notable challenges. These markets tend to be highly volatile and are driven by a broad mix of unpredictable factors, including policy changes, extreme weather, and global supply disruptions. Unlike equities or bonds, commodities don't generate income, and their returns are purely price-based, often cyclical and sentiment-sensitive. Let's be honest: Commodities can be unpredictable, and going all-in on a single commodity isn't for everyone. It takes experience and a high tolerance for sharp price swings. That's why we believe most investors are better off with diversified commodity baskets. You sidestep the worst of the volatility and still get the exposure. Our overall view on commodities: neutral – with one major exception: Gold.

#### Gold extends gains amid shifting global dynamics

Gold continued to perform well in the second quarter of 2025, though at a slower pace than during its strong start to the year. In April, gold briefly reached a record high of around USD 3,500/oz, driven by escalating trade tensions between the US and China, a weakening US dollar, and renewed investor demand for safe-haven assets. Toward the end of the quarter, prices began to consolidate. The easing of tensions in the Middle East, in particular, led to a partial unwinding of the geopolitical risk premium that had built up earlier. Overall, gold gained 5.7% in Q2, bringing its year-to-date performance to just under 26% in US dollar terms.

#### Central banks are buying gold – so are we

Although gold has retreated from record highs in recent weeks, we continue to see gold as an attractive source of diversification. Gold's structural bull market remains well-supported amid persistent geopolitical tensions, weakening global growth, and renewed stagflation risks.

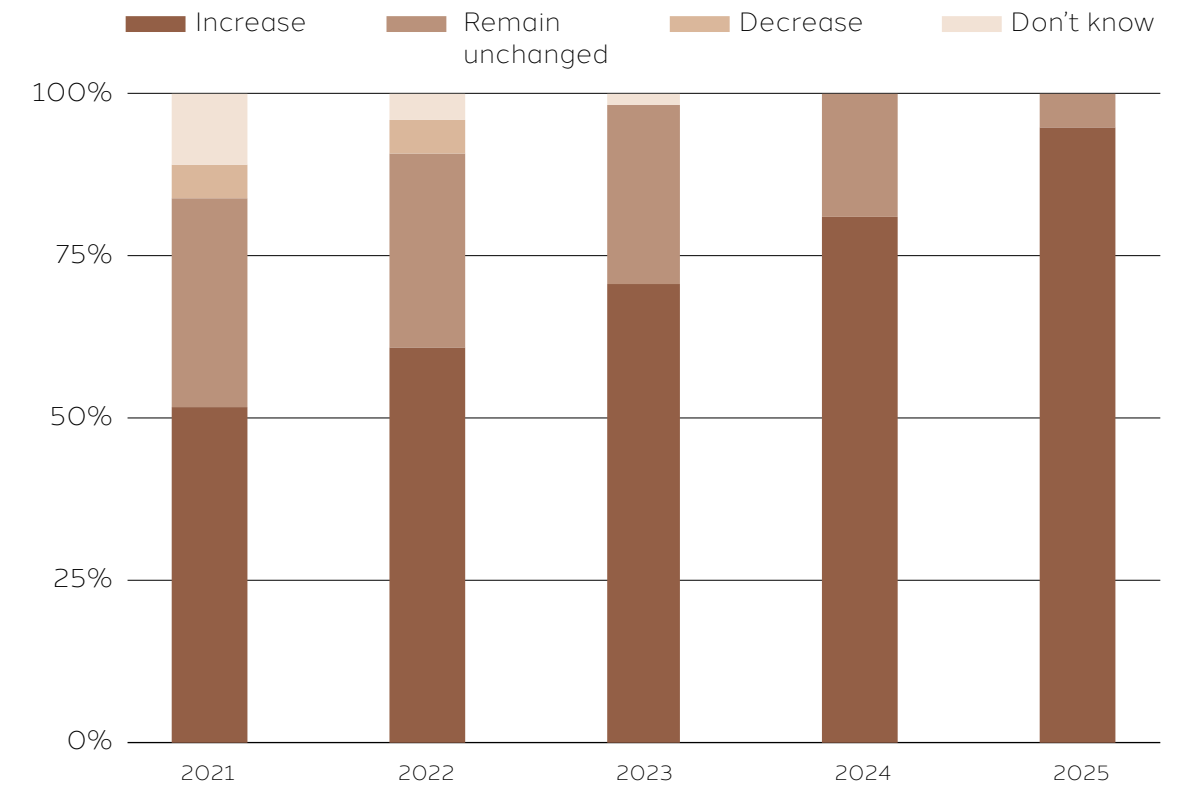
The macro backdrop continues to favor gold as a strategic asset, both for central banks and private investors.

Central bank demand remains a key pillar of support. Since the freezing of Russian reserves in 2022, gold has taken on an even more important role as a neutral reserve asset amid growing policy and geopolitical uncertainty. This trend is expected to continue, particularly among Asian central banks. According to the latest World Gold Council survey, 95% of central banks expect global gold holdings to rise in the year ahead, up from 81% last year. 43% of central banks plan to increase their own gold reserves – the highest level since 2018. Notably, none anticipate reducing holdings.

The Official Monetary and Financial Institutions Forum (OMFIF) arrives at the same conclusion. A survey carried out between March and May 2025 of 75 central banks showed that one in three central banks intends to buy more gold over the next two years. 40% of respondents intend to purchase gold over the next 10 years, representing the highest share among all asset classes. Diversification and protection against geopolitical risk are cited as the primary motivations for this decision.

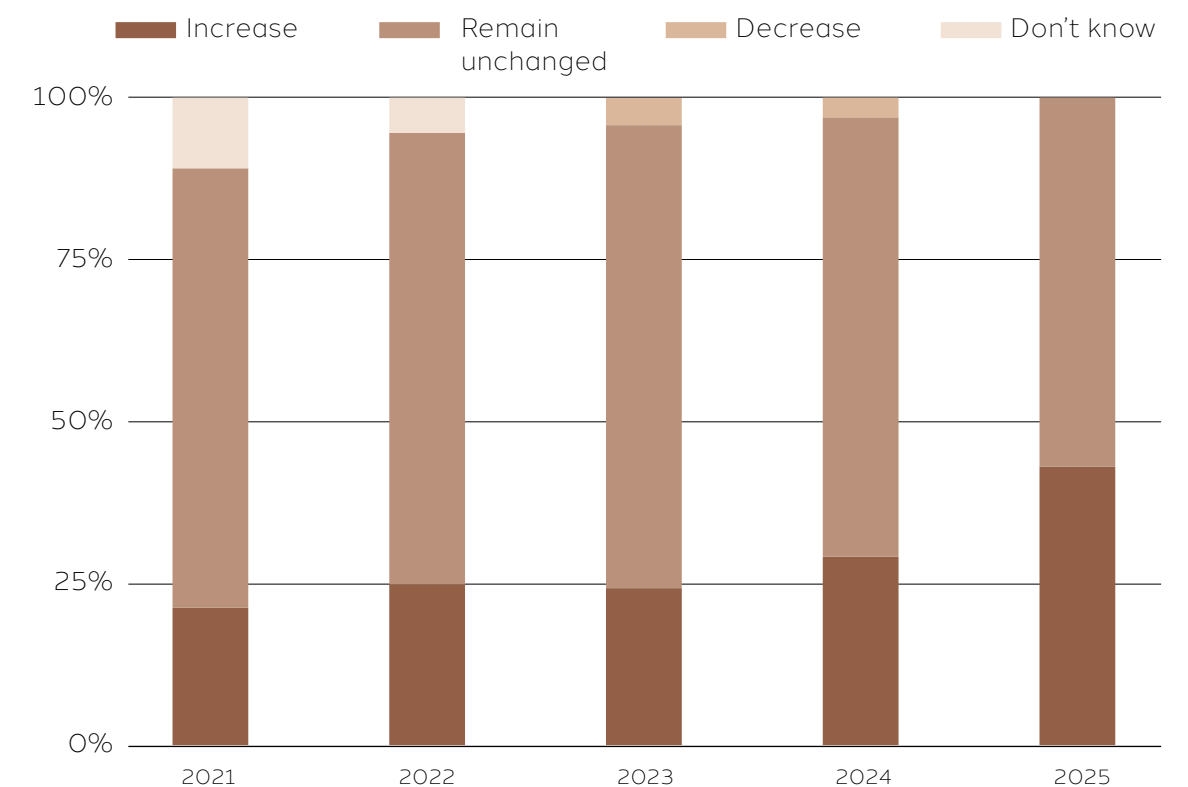
Unlike equities, bonds or currencies, gold is not a claim on someone else's productivity or promise. It simply is. In times of crisis, that matters. When confidence breaks down, gold endures. It's a rare constant in a world full of uncertainty, offering protection against stagflation, recession, currency risk, and unpredictable US policy.

How do you expect global central bank gold reserves to change over the next 12 months?



95% of central banks see gold reserves rising – none expect a drop.

How do you expect your institution's gold reserves to change over the next 12 months?



Source: World Gold Council. The 2025 Central Bank Gold Reserves survey was conducted between 25 February and 20 May 2025. The 2025 base includes all central banks (71); advanced economy (14); emerging markets (57). "Don't know" was removed as a option from the 2023 survey onwards.



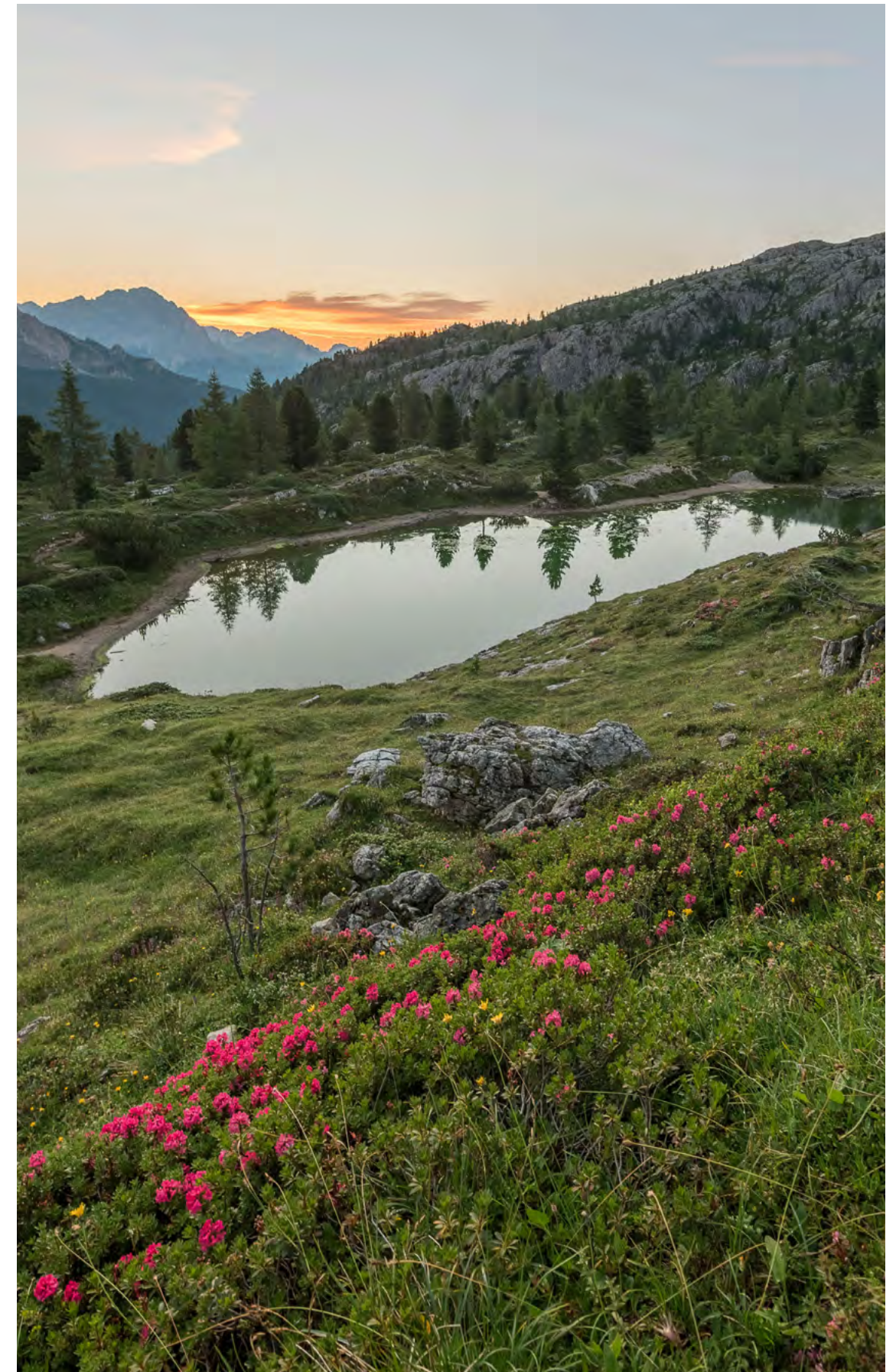
### **Convertible bonds shine in 2025**

The strong run in convertibles continues. US convertibles, for example, climbed 8.9% last quarter (ICE BofA All US Convertible Index), capturing much of the S&P 500's 10.9% gain. Year-to-date, global convertibles are up 8.6% (FTSE Qualified Global Convertible Index), beating broad fixed income (Bloomberg Global Aggregate Index), and nearly matching the return of global equities (MSCI World Index).

### **Looking ahead: Why we remain constructive on convertible bonds**

Despite the recent market rally, US small and mid-cap equity valuations remain reasonable. The median P/E ratio of convertible bond issuers is still below that of broad equity indices, especially compared to the tech-heavy Nasdaq, pointing to continued upside potential. The still-elevated interest rate environment, particularly in the US, continues to support convertibles. Higher borrowing costs make equity-linked financing more attractive, keeping issuance robust. Additionally, what makes convertibles stand out is their access to a unique opportunity set. Many issuers are growth-focused innovators in sectors like clean energy, digital infrastructure, AI, and healthcare – areas often underrepresented in traditional bond or equity indices. Through convertibles, investors can tap into these long-term megatrends with a built-in risk buffer. The primary market is another bright spot. Issuance is on track to match the elevated volumes of 2024. After USD 23 billion in Q1, May alone added another USD 19 billion across 18 new deals, highlighting continued demand from issuers seeking flexible, cost-efficient capital for refinancing, M&A, and balance sheet optimization. Convertibles also enhance diversification. With stretched equity valuations in some regions and renewed pressure on bond yields, especially in Switzerland, they offer a timely alternative.

We believe convertible bonds are made for uncertainty. They let investors stay engaged without taking on the full risk of equities or the limitations of bonds. For those seeking resilient, cycle-tested performance – with downside protection and upside participation – convertibles remain a smart, strategic choice for the second half of 2025 and beyond.







# C U R R E N C I E S

---

## LOSS OF CONFIDENCE PUTS PRESSURE ON THE US DOLLAR

BY STEFFEN KILLMAIER

---

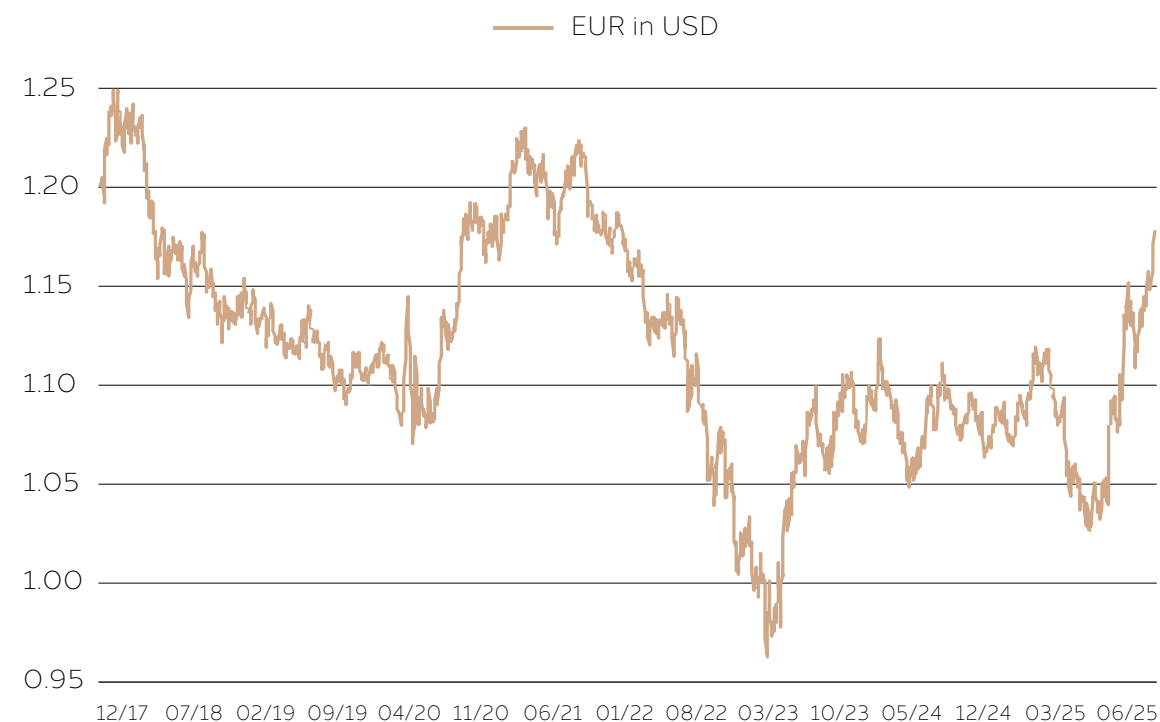
The first half of 2025 was marked by political turbulence and geopolitical tensions in the currency markets. While there was a sense of optimism at the beginning of the year, April brought a severe setback with “Liberation Day”. With US trade policy, a less business-friendly topic came to the forefront. Trump’s aggressive tariff rhetoric also triggered considerable uncertainty. The past few months have also been extremely turbulent in geopolitical terms. The escalation in the Middle East had the world holding its breath. However, a quickly agreed ceasefire provided a certain amount of relief. Nevertheless, the situation remains fragile. In view of the persistently high (geo)political and economic risks, we also expect increased

volatility in the currency markets during the third quarter.

### **US dollar continues to lose strength**

In the past quarter, the US dollar extended its downward trend, recording its weakest first half of a year since 1973. The main reason for the significant depreciation was an increasing loss of confidence in the US. The reasons for this lie in the erratic economic policy of the US government, its tensions with the US Federal Reserve, and concerns about soaring US government debt. The “Liberation Day” proclaimed by President Donald Trump at the beginning of April attracted particular attention. He caused considerable uncertainty





**Development of the EUR/USD exchange rate**  
Source: Bloomberg, Bergos, Data as of 06/30/2025

with his announcement of far-reaching tariffs against almost all trading partners, which were barely comprehensible in substance. Even if we assume that this day marks the peak of the trade conflict, the situation remains unclear, and uncertainty remains high. With the expiration of the “tariff pause”, trade policy is likely to remain at the centre of attention in the short term and continue to cause uncertainty. This is likely to put further pressure on the US dollar in the coming months. In addition, the recent escalation in the Middle East has also shown that market participants are not currently looking to the US dollar as a safe haven. This is unlikely to change in the near future.

Central bank policy also favours a further depreciation of the US dollar against the European single currency in the third quarter. After the US Federal Reserve left key interest rates unchanged in June, market participants are currently expecting up to three interest

rate cuts by the end of the year. The European Central Bank (ECB), on the other hand, is only expected to cut interest rates once more, also because there are encouraging signs of an economic recovery in the eurozone. Many economic indicators are signalling a cyclical upturn. The ECB’s interest rate cuts are having an effect. In addition to monetary policy, however, fiscal policy is also becoming more expansive as a result of the loss of confidence in the US. Europe has to become more independent and more capable of defending itself. This has recently provided a certain tailwind for the European single currency.

We had already changed our positioning for the EUR/USD currency pair in March 2025 and underweighted the US dollar. We expect the US dollar to depreciate further in the coming months. In the long term, however, the pressure on the greenback should ease somewhat, as more pro-business policies such

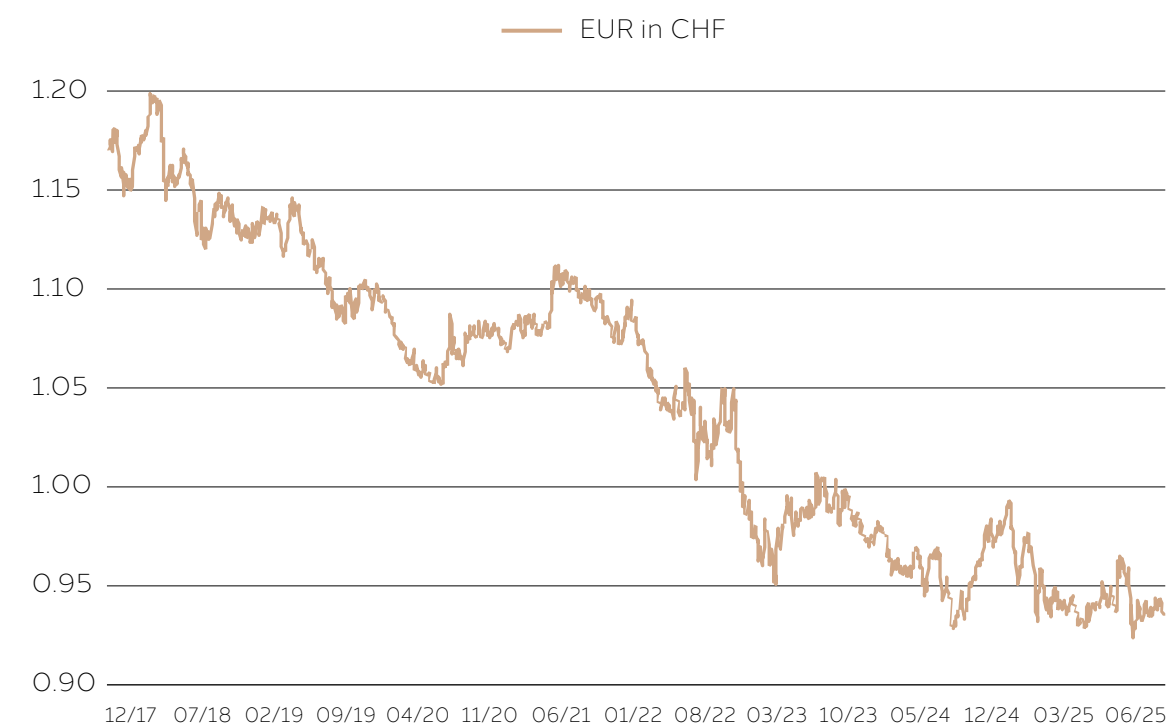
as deregulation and tax cuts increasingly take centre stage in the US. In addition, the more expansive fiscal policy in Europe will not solve the many structural problems that are likely to weigh on the eurozone in the longer term. We are therefore neutrally positioned for the EUR/USD currency pair in the long term.

#### Swiss franc as a safe haven

In a world filled with economic and political risks, the Swiss franc benefits from its role as a safe haven. Switzerland is in an excellent economic and political position and enjoys a first-class international reputation. The country’s advantages over many others can be quantified. The purchasing power of the franc is stable: while the central banks of many other countries have still not finally brought inflation under control, inflation in Switzerland can be considered defeated. Most recently, inflation even fell back into negative territory (-0.1% in May). The economy is not growing exuberantly,

but it is solid. At around 38% of GDP, the government debt ratio is exceptionally low by international standards. Switzerland also stands out in other economic indicators, such as the tax and contribution ratio. This all explains the structural strength of the Swiss franc. Currently, the appreciation pressure is also high because the image of the US dollar has been damaged.

However, the strong franc poses a problem for Swiss companies, as the high exchange rate increases export prices and thus makes it more difficult to sell products abroad. The Swiss National Bank will therefore continue its efforts to counter the upward pressure and prevent the franc from strengthening further. In the current environment, however, a lasting reversal of the trend seems unlikely. Following the interest rate cut in June, the key interest rate is back at 0.0%, leaving limited scope for further monetary easing. For a real turnaround with



**Development of the EUR/CHF exchange rate**  
Source: Bloomberg, Bergos, Data as of 06/30/2025



significantly lower franc exchange rates, the world would probably have to exit crisis mode – which does not appear imminent. We expect the volatile sideways movement seen in the EUR/CHF currency pair this year to continue and are neutrally positioned for the currency pair on a 3-month and 12-month horizon.

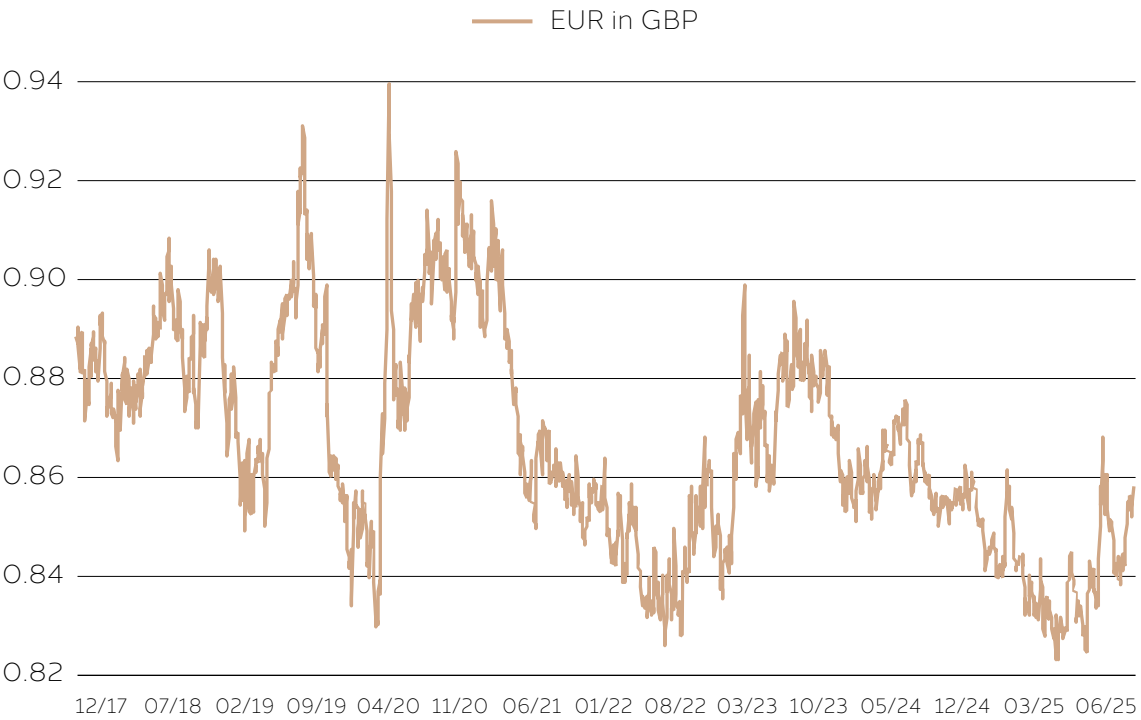
**Bank of England caught between economic concerns and inflationary pressure**

The British pound has struggled against the European single currency in recent months. In the first quarter, the British economy grew by a surprisingly strong 0.7% compared to the previous quarter – the strongest growth since the beginning of 2024. However, the economic data for the second quarter has so far failed to impress. Falling retail sales and a rising unemployment rate point to a slowdown in economic momentum.

Accordingly, the Bank of England (BoE) is currently in a difficult position. The recently

weakening economy contrasts with inflation that remains significantly too high. In May, inflation in the UK stood at 3.4% compared to the previous year, which is still 1.4 percentage points above the BoE’s inflation target. Due to the persistently high inflation and global uncertainties, the BoE left key interest rates at a high 4.25% in June. The further course of action will now depend heavily on the economic data published in the coming weeks. The market is currently expecting up to two further interest rate cuts this year. Should the economic data surprise to the upside, the BoE could quickly become more careful again regarding further rate cuts, which would support the pound.

In addition, the UK is somewhat less exposed to trade tensions than many other economies. In the event of renewed tariff stress, the British pound could benefit accordingly. We are slightly positive for the British pound and expect it 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 06/30/2025





# BERGOS VIEW

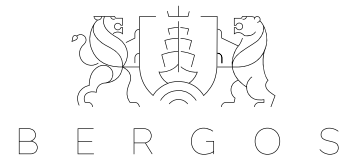
BANK VIEW	--	-	0	+	++
<b>EQUITIES</b>	○	○	●	○	○
<b>NORTH AMERICA</b>	○	○	○	●	○
CONSUMER DISCRETIONARY	○	○	●	○	○
CONSUMER STAPLES	○	●	○	○	○
ENERGY	○	○	●	○	○
FINANCIALS	○	○	○	●	○
HEALTH CARE	○	○	○	●	○
INDUSTRIALS	○	○	●	○	○
INFORMATION TECHNOLOGY	○	○	●	○	○
MATERIALS	○	○	●	○	○
REAL ESTATE	○	●	○	○	○
COMMUNICATION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



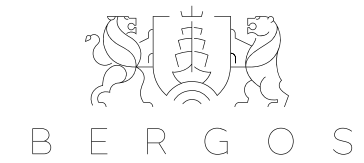
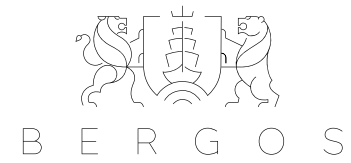




This publication only serves information and marketing purposes. The information provided is not legally binding and does not constitute a financial analysis, nor a sales prospectus, nor an offer for investment transactions, nor asset management, nor investment advice, and is not a substitute for legal, 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, JULY 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)