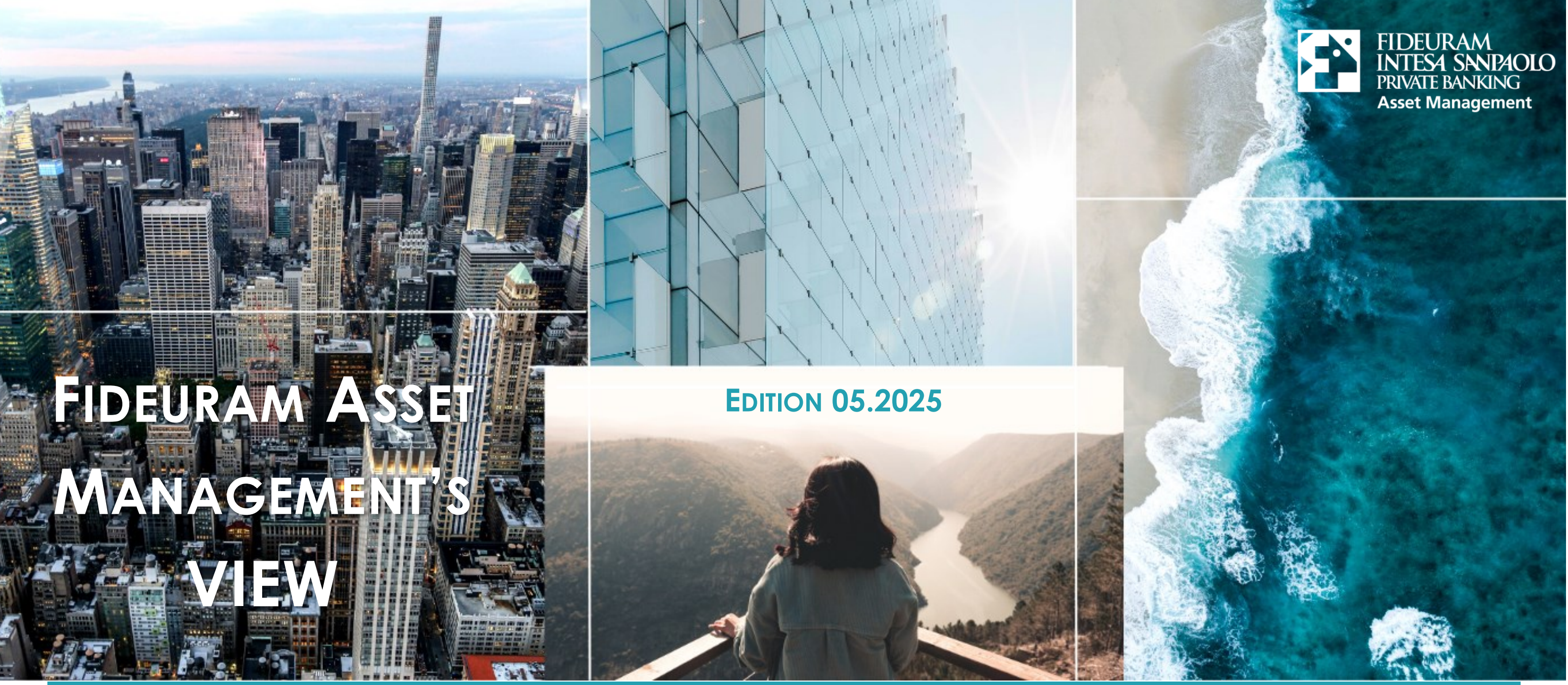


Fideuram Asset Management's View

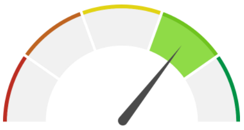
Edition 05.2025

FIDEURAM INTESA SANPAOLO PRIVATE BANKING Asset Management

Macroeconomic Scenario

We have revised our growth forecasts upwards, both for the US and the rest of the world, following the suspension of "reciprocal" tariffs in April and the US-China agreement in early May, which have significantly reduced the risk of a US recession, which has never been our baseline scenario anyway. We consider a new escalation of the trade war unlikely, particularly with the expiry of the "reciprocal" tariff suspension period in early July, but the risks in this regard are far from negligible. Our baseline scenario foresees two further rate cuts by the ECB and the Fed by the end of the year. In the case of the Fed, we have postponed the next move until the September meeting, with a very high risk that rates will instead remain unchanged for the rest of the year.

Equity Markets



We maintain a moderate overweight in equities in the portfolios, slightly lower than in recent weeks as it was partially reduced following the rapid recovery achieved. Nonetheless, we still maintain a constructive stance on equity in the belief that the macroeconomic backdrop, however complex, is not evolving in the direction of a recession but rather allows for continuity in the path of earnings growth. Among the main geographical areas, we have refocused our attention on Europe and emerging markets in Asia. Europe sees earnings with room for surprise on the upside, lower valuations compared to the US, and fiscal support in Germany, while emerging Asia benefits from a more supportive macroeconomic backdrop following the reduction of tensions between the US and China. Finally, the perception of a higher political risk premium in the US suggests a neutral positioning towards the US market, despite technology earnings continuing to exceed market expectations. From a sector perspective, we favour growth (and technology) in the US and the financial sector in Europe.

Europe
SLIGHTLY POSITIVE

United States
NEUTRAL

Japan
NEUTRAL

Emerging Markets
SLIGHTLY POSITIVE

Bond Markets

The bond component of the portfolios shows a weight of government bonds and a duration substantially in line with those of the benchmarks but with a preference in geographical terms for European government bonds and in terms of curve positioning for intermediate maturities. The reduction in tariff tensions with China allows the Fed to be more wait-and-see and shifts its focus to US fiscal stimulus. In Europe, on the other hand, the attractiveness of government bonds is marginally higher due to a macroeconomic framework that is not yet brilliant, lower inflationary pressures or expectations of further central bank cuts in 2025. In credit, we continue to prefer higher quality, investment grade and financial subordinated components over those with lower ratings. Among emerging market bonds, we prefer those denominated in local currencies, rather than those in hard currencies. The improvement in the relationship with China suggests a stabilisation of currencies and an attractive carry offered by local debt.

Government
NEUTRAL

Corporate
NEUTRAL

High Yield
SLIGHTLY NEGATIVE

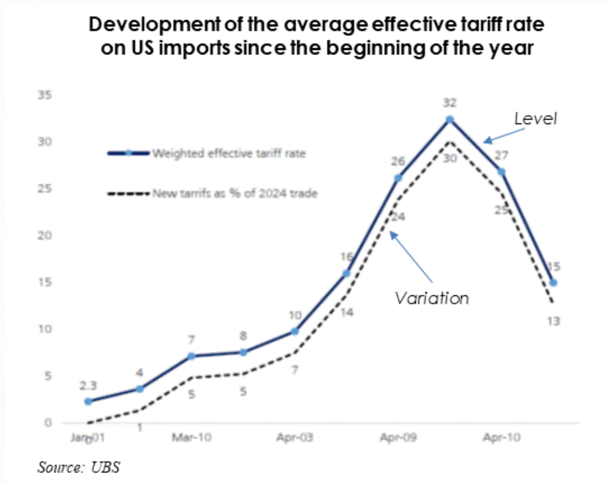
Emerging Markets
NEUTRAL

Content updated as of june 4th, 2025

US: Even more confusion on tariffs

We have revised upwards our growth forecasts for the US economy following the suspension of "reciprocal" tariffs decided on 9 April and then with the agreement between the US and China in early May, but the estimates remain lower than those prior to Liberation Day. The situation remains very uncertain, however, also in light of the decision of a New York Court to consider all the tariffs decided by the Administration illegal, apart from the sectoral ones. In contrast to business and consumer confidence, which suffered a sharp decline, the performance of economic activity remained robust, particularly in the labour market, but **we expect growth to slow in the second half of the year**, due to the impact of tariffs on consumption and increased uncertainty on investment, **with the Fed expected to cut rates again at the end of the year**.

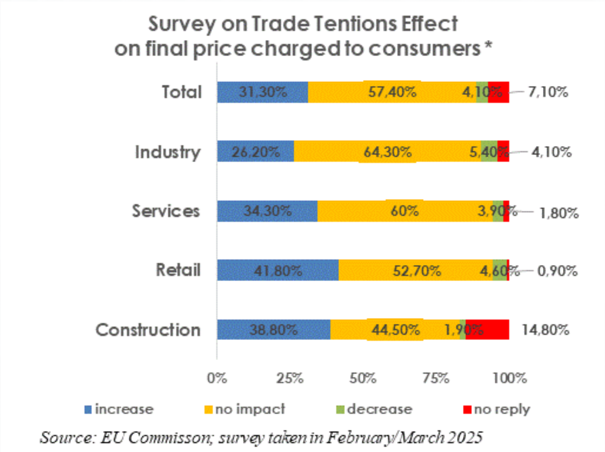
The average US tariff rate has fallen significantly from its peak in early April.



Euro Area: Complicated Negotiations

Negotiations have begun for a trade agreement between EU and the US, to be reached by 9 July (to avoid a further 10% increase in tariffs, on top of the 10% already in place), but **the positions are still very far apart.** President Trump recently threatened to raise tariffs on goods exported from the Euro Area to **as much as 50%** starting 1 June, before postponing the decision until 9 July. The uncertainty is very high: We expect GDP growth to slow in the current quarter from 1.3% to 0.5% q/q annualised and to stall in the next, but the distorting effects of tariffs could lift growth in the short term. **Inflation is meanwhile moderating in line with expectations,** thanks also to the appreciation of the euro (it fell to 1.9% in May, with the *core* at 2.3%). **The ECB will cut rates again in June and will follow up** with at least one more cut in September, bringing rates below 2%.

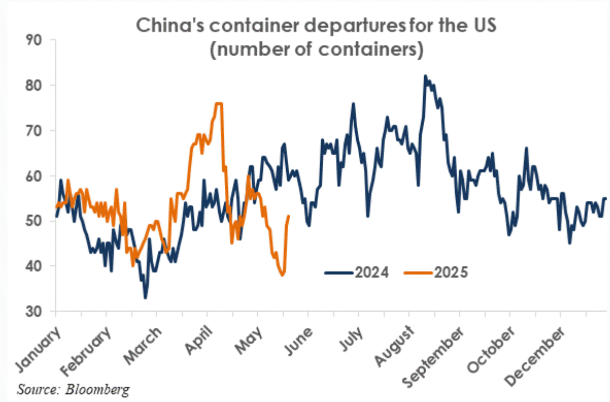
The businesses will try to absorb the increase in costs associated with the trade war into their profit margins.



China: tariffs yes or no?

At the beginning of May, the US and China decided to reduce tariffs on Chinese exports to the US from 145% to 30% (20% related to Fentanyl and 10% "reciprocal") for a period of 90 days. Uncertainty remains extremely high: it is not clear what will happen at the end of the 90-day suspension, nor what the final judgement on the tariffs will be from the US Court of Appeals (or the Supreme Court). In light of the agreement between China and the US and the assumption that the level of tariffs will not be increased again at the end of the suspension period, **we have brought our GDP growth forecasts back to pre-Liberation Day levels**, that is, 4.5% for 2025 and 4.0% for 2026.

In recent days, there has been a rebound in shipments to the US after the sharp drop in May.



Fideuram Asset Management Economic Forecast

	GDP			Inflation			Monetary Policy Rate		
	2024	2025*	2026*	2024	2025*	2026*	2024	2025*	2026*
US	2,8	1,6	1,8	3,0	3,0	3,4	4,38	3,88	3,63
Eurozone	0,8	0,9	1,0	2,4	2,0	1,8	3,00	1,75	1,75
Japan	0,2	0,9	0,7	2,7	3,0	2,0	0,25	0,75	1,00
China	5,0	4,5	4,0	0,2	0,3	1,2	1,50	1,20	1,20

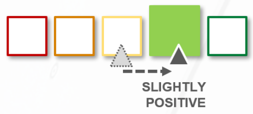
Annual average growth, monetary policy rates are end of period. Depo rate for ECB.

** Fideuram Asset Management Forecasts*

INVESTMENT VIEW

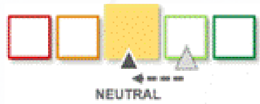
Equity Markets

Europe



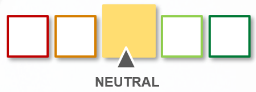
While we are aware of the risks associated with tariff negotiations, we maintain an overweight position in European markets, which we see supported by an improving earnings path and attractive valuations. The fiscal stimulus supports the industrial sector and, at least in part, reduces the negative impact of tariffs and the appreciation of the euro. Despite the good recent performance, we continue to favour investing in the financial sector, which is characterised by solid fundamentals and high shareholder returns. We expect the ECB to continue on its path of rate cuts.

United States



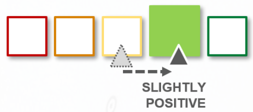
In favour of the US equity market, we see the strength of earnings, especially thanks to the contribution of technology, and the forward-looking support of fiscal and deregulatory policy. Conversely, higher valuations and the perception of a higher risk premium on US assets deriving from increased macro volatility and uncertainty in the conduct of economic and trade policy make a neutral stance appropriate, following the rapid recovery of recent weeks. We have repositioned the portfolios more in line with the index structure, thereby increasing exposure to the technology and semiconductor sectors.

Japan



Compared to Europe and emerging markets, the Japanese market seems less interesting to us due to the expectation of earnings growth and a less brilliant macroeconomic framework. If rising interest rates benefit the financial sector, the high volatility of long-term bonds makes the market vulnerable to the reintroduction of risk premiums. Valuations are overall relatively low, and corporate profitability is improving thanks also to the balance sheet restructuring process.

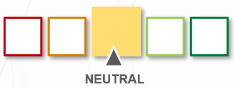
Emerging Markets



We have increased our exposure to emerging countries, particularly those in the Asian area. The agreement between China and the US on tariffs, while temporary, takes pressure off emerging assets and improves their growth prospects. These developments are also favourable for currencies that do not have to absorb the impact of tariffs and benefit from an improvement in the relative perception of risk. Among emerging markets, we confirm our overweight stance on China, due to the government's more supportive stance towards the private sector (particularly in the technology sector) and the expectation of a more expansionary fiscal policy in the coming quarters

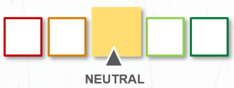
Bond Markets

Government



We maintain an overall neutral positioning towards government bonds, with a preference for the European component compared to the US one mainly due to the ECB's more defined path towards lowering interest rates. We continue to favour intermediate maturities over long maturities to limit the effect of the increase in the risk premium along the curve linked to fiscal policy and macroeconomic uncertainty.

Corporate

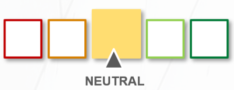


High-quality corporate bonds represent a relatively attractive instrument for obtaining excess returns compared to government bonds, despite historically compressed spreads and the context still characterised by some macroeconomic and political uncertainty. In particular, the European component benefits from the support of German fiscal policy and an overall improving income context. The financial sector continues to be a segment in which we have a favourable view.

High Yield

The ongoing macroeconomic slowdown, uncertainty stemming from tariff negotiations and market volatility introduce elements of vulnerability to lower-quality corporate bond spreads. Still, default rates are still relatively low, albeit an the rise, and we believe they will not increase significantly. However, despite attractive expected returns over time, we remain underweight and favour a combination of investment grade corporate credit, financial subordinated debt and equities.

Emerging Markets



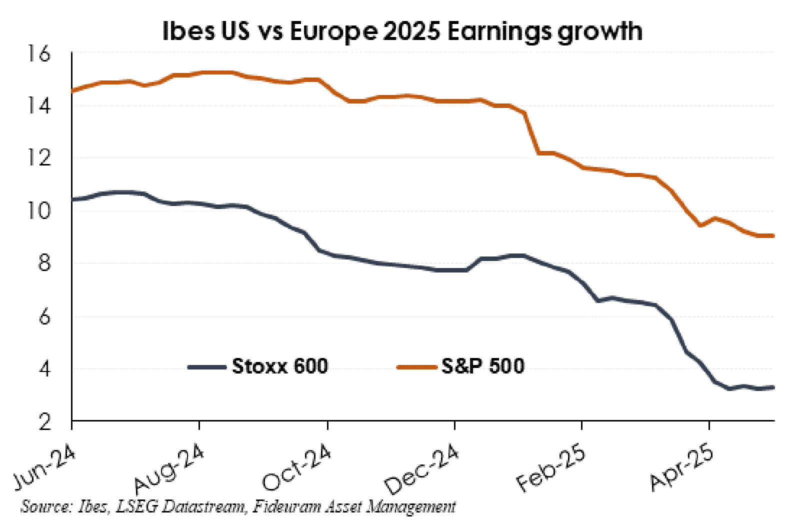
The currently favourable evolution of relations with China on tariffs leads us to increase exposure to emerging market debt in local currency. The containment of tariff and cyclical risks suggests a stabilisation of currencies and an attractiveness of the carry offered by local debt. In relative terms, we prefer the local component to the hard currency one, also due to the ongoing upward pressure on the long-term part of the US curve.

EQUITY MARKETS

Reduced US exposure to neutral, preference for Europe and emerging Asia

The overall equity positioning remains slightly overweight, although with a more moderate intensity compared to the higher levels assumed during the market downturn. Following the rapid recovery of the S&P 500 to pre-Liberation Day levels, in a still uncertain macroeconomic context, we have partially reduced the American component, bringing it back to a neutral level. In parallel, the overweight equity exposure was reoriented towards Europe and emerging markets, particularly towards the Asian component.

European earnings estimates have already undergone significant downward revisions

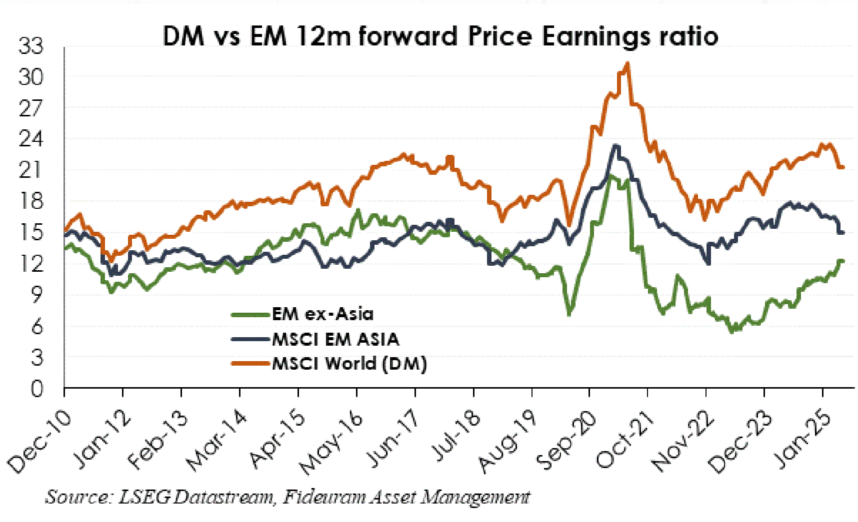


Source: Ibes, LSEG Datastream, Fideuram Asset Management

In Europe, valuations remain attractive, especially when compared with those of other developed markets. The negative earnings revisions recorded in recent weeks appear consistent with the weakening of the macro framework and may have anticipated, and therefore already partly discounted, a worsening of fundamentals. Furthermore, the recently approved tax reform in Germany supports the industrial sector, while the expectation of further cuts by the ECB favours the sectors most sensitive to interest rate performance.

In the United States, the reduction in exposure reflects a combination of factors: still high valuations, uncertainties related to the federal budget and a tariff framework that, although easing, has not yet become completely clear. On the other hand, the scope for the US market to decline is limited both by the sensitiviness and responsiveness of the US administration to stock market trends and by strong fundamentals, especially in the technology sector. We have therefore repositioned the portfolios more in line with the structure of the indices, thus more exposed to the technology and semiconductor sectors, sectors that continue to offer solid earnings performance.

The easing of relations between the United States and China is rekindling interest in an area characterised by compressed valuations and good growth prospects



Source: LSEG Datastream, Fideuram Asset Management

In emerging markets, exposure has been progressively increased, particularly focusing on the Asian area. The easing of relations between the United States and China has contributed to a reduction in risk premiums, rekindling interest in an area characterised by more contained valuations and good growth prospects. China, while grappling with structural weaknesses in the real estate sector, is benefiting from looser macroeconomic policies on the margin, positive signals on its earnings trajectory and renewed interest from global investors. Other Asian economies, such as India, Taiwan and Korea, offer access to structural trends linked to technology and domestic growth, in a context of greater currency stability and monetary manoeuvring space.

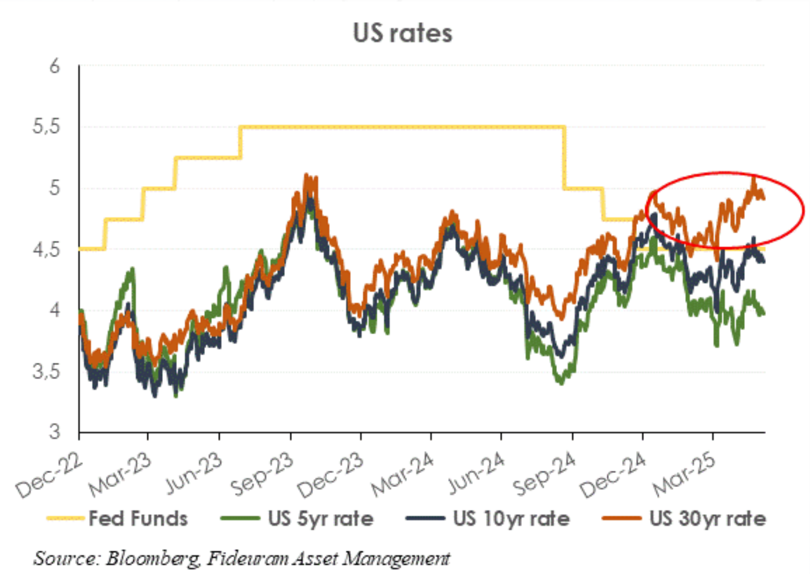
FIDEURAM INTESA SANPAOLO PRIVATE BANKING Asset Management

BOND MARKETS

BALANCE ON DURATION AND CREDIT, OPPORTUNITIES FOR CARRY IN LOCAL EMERGING BONDS

In the bond segment, we maintain an overall neutral stance on government duration, with a preference for intermediate maturities over the longer ends of the curve and for European bonds over US ones. This approach stems from the idea of having to face a phase in which rate volatility is increasing and investors' attention has shifted to the issue of fiscal sustainability, particularly in the United States.

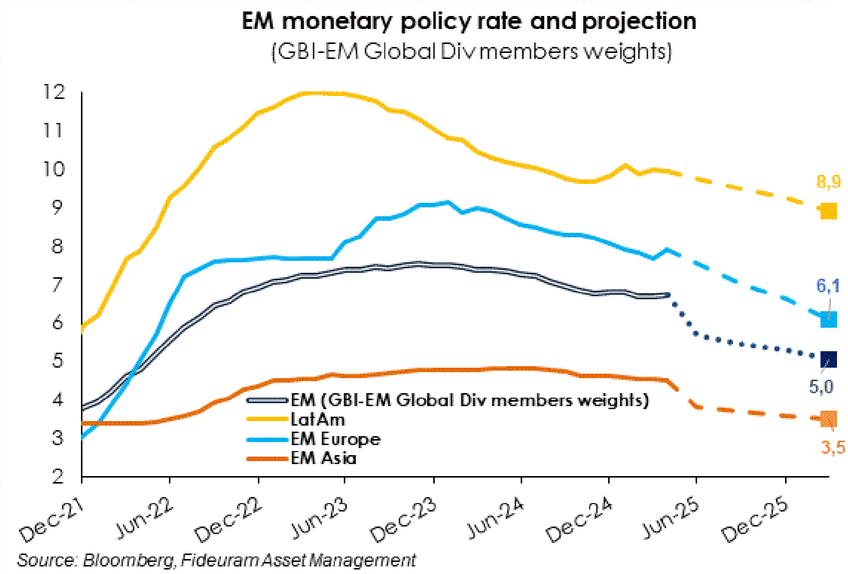
In the USA, lower cyclical risk and fiscal impact are reflected in yields at the longer end of the government curve.



The improvement in US-China trade relations has reduced the risk of a cyclical contraction, shifting attention to the US fiscal issue and making expansionary intervention by the Fed less imminent. Against this backdrop, we prefer European government bonds over US Treasuries, especially in the middle of the curve, where expectations of further ECB rate cuts and gradually slowing inflation offer a better risk/return profile. We remain more cautious on the long end of the US curve, where the risk premium reflects the growing political and fiscal uncertainty.

In the corporate credit segment, we maintain a preference for quality issuers and financial subordinated, which offer a higher yield than the government component. However, the current spread levels suggest limited scope for narrowing even in favourable macroeconomic scenarios. In the high yield segment, the combination of still solid fundamentals, low duration and high absolute return has so far supported flows, but the greater sensitivity to political and macroeconomic volatility calls for caution.

The mix of growth and inflation and the weakness of the dollar leave greater room for manoeuvre for banks in emerging countries



In the emerging area, we have increased exposure to local currency debt, which we consider more attractive than hard currency debt. The less tense climate on the tariff front, the weakness of the dollar and inflationary conditions under control provide room for local central banks to accommodate policies, strengthening the attractiveness of the yields offered. In particular, we favour Asia excluding China, as it is more exposed to the benefits of global normalisation and less subject to idiosyncratic dynamics. Conversely, we are more cautious on dollar-denominated emerging market debt, where there is a combination of volatile US rates and compressed spreads.

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