

**KATHREIN**  
**PRIVATBANK**

# Investment Report

2 / 2026





## **“GEOPOLITICAL RISK” BECOMES REALITY**

Recent developments clearly demonstrate how the often-cited “geopolitical risk” is becoming a reality. The attack on Iran is not only causing humanitarian suffering but is also having a significant impact on global capital markets. The Strait of Hormuz, a key chokepoint for approximately 20% of the world’s oil supply, remains in the spotlight. At the same time, the technology sector experienced a correction triggered by uncertainties regarding the monetization of artificial intelligence (AI). These dynamics are also reflected in our adapted investment strategy.

Stefan Neubauer, CEO



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## SUMMARY

# Stock Market Events Q1 2026

The first quarter of 2026 was dominated by two central themes: the reassessment of AI technologies and the conflict in the Middle East. The initial AI hype was tempered by doubts about the rapid and comprehensive monetization of AI applications. The thesis “AI eats software” led to a significant price decline in software companies that had previously been expected to benefit from productivity gains. For example, the MSCI World Software Index (in euros) fell by more than 26% from its last peak at the end of October 2025 to mid-March 2026, while the overall market corrected only moderately (Source: Bloomberg, 17.3.2026). However, fundamental data remain solid, with an average annual return of 6.85% over five years, indicating a consolidation phase. Uncertainty about the long-term integration of AI technologies continues to weigh on investor confidence.

Subsequently, geopolitical tensions in the Middle East came into focus. The attack on Iran and the blockade of the Strait of Hormuz, through which about 20% of global oil supplies flow, could have

long-term consequences. The medium-term development of oil prices remains to be seen. Historically, oil price fluctuations within a range up to USD 100 per barrel are not unusual; however, if oil prices remain significantly higher for an extended period, inflation forecasts would likely be revised upward, negatively impacting global economic growth.

Financial markets reacted to geopolitical tensions with increased volatility and regional differentiation. European and Asian markets faced pressure due to their higher dependence on oil deliveries from the Middle East, whereas the United States benefits from its largely self-sufficient energy supply. The US earnings season showed solid results despite political uncertainties, with earnings growth of over 12% in Q4 2025 and revenue increases across almost all sectors (Source: Bloomberg, 20.02.2026).

In summary, markets are currently characterized by a combination of technological change and geopolitical uncertainties, reflected in heightened volatility.

## **MONETARY POLICY AND CENTRAL BANKS**

### **Increasing Divergence Amid Geopolitical Conflicts**

The escalating conflict in the Middle East and the associated oil price shock—with prices surpassing USD 100 per barrel—are forcing global central banks to fundamentally readjust their monetary policies. Essentially, the energy shock shifts the risk balance for future price developments significantly upward, while simultaneously further clouding the already fragile economic outlook in Europe.

### **EUROPEAN CENTRAL BANK (ECB)**

#### **Balancing Act Against Imported Inflation**

The ECB faces a changed and highly uncertain environment. The sharp rise in commodity prices carries a tangible risk that the inflation rate in the Eurozone could again reach the 3.0% threshold. This has led to a remarkable paradigm shift in financial markets: Whereas investors had firmly priced in imminent interest rate cuts just weeks ago, markets are now even factoring in possible rate hikes later in the year. In the short term, however, the ECB is expected to proceed cautiously, keeping key interest rates unchanged and maintaining the deposit rate at 2.00% (Source: Bloomberg, 20.3.2026).

### **US FEDERAL RESERVE (FED)**

#### **Robust Economy Delays Rate Pivot**

In the United States, a similar picture emerges regarding interest rate expectations, albeit under very different macroeconomic circumstances. Renewed inflation fears have reduced confidence in imminent and extensive rate cuts by the Fed. However, the US economy, with its significantly more robust domestic demand and greater independence from energy imports, can better absorb this exogenous shock. This relative economic strength gives the Fed the monetary policy leeway to maintain its restrictive rate levels for the time being, aiming to sustainably neutralize price pressures.

### **BANK OF JAPAN (BOJ)**

The Bank of Japan occupies a distinct role in the global interest rate cycle. It had already initiated monetary tightening before the current crisis and is expected to continue this restrictive course consistently (Source: Bloomberg, 20.3.2026).



# Our Investment Strategy in the Kathrein Portfolio

We adjusted our investment strategy in the first quarter of 2026 in light of the changed geopolitical and economic conditions. The escalation in the Middle East and the resulting uncertainties regarding the global energy supply have altered our risk assessment.

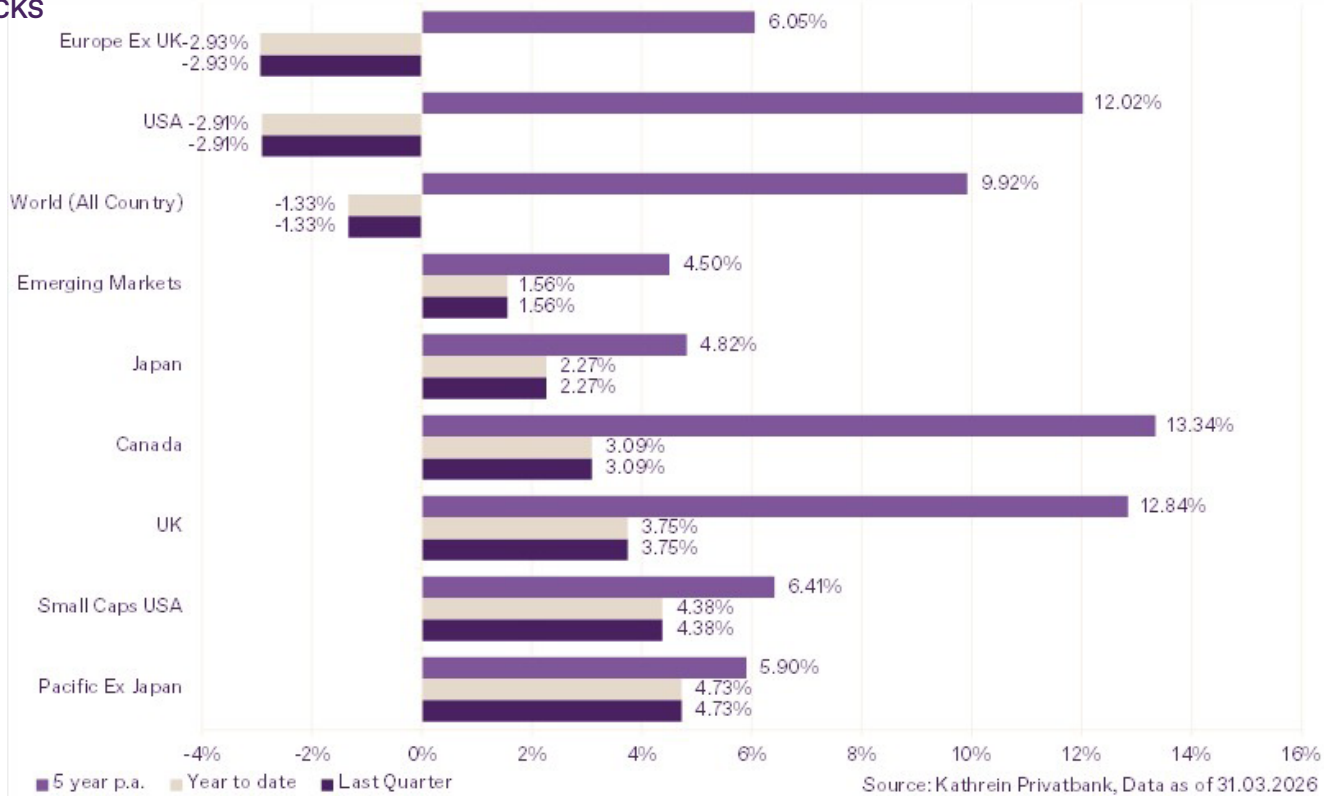
In the equity segment, the overall allocation was reduced from overweight to neutral at the beginning of March; on March 31, we decided to actively adapt our investment strategy once again and make it even more defensive. Both tactical reallocations were made based on deteriorating technical indicators as well as discretionary interventions. The previous overweight position in Europe was eliminated, and instead, a stronger allocation to the U.S. market was made. This reflects the U.S.'s lower dependence on energy imports from the Middle East and its potential relative economic stability. At the same time, a position in small-cap stocks was replaced with more defensive global stocks

to reduce risk in the technology sector, which is currently marked by uncertainties surrounding AI. In the bond segment, we are increasing our holdings of short-term government bonds to reduce interest rate risk. In addition, we are reducing the weighting of those bond segments that currently have greater downside potential, such as corporate bonds and bonds denominated in emerging market currencies.

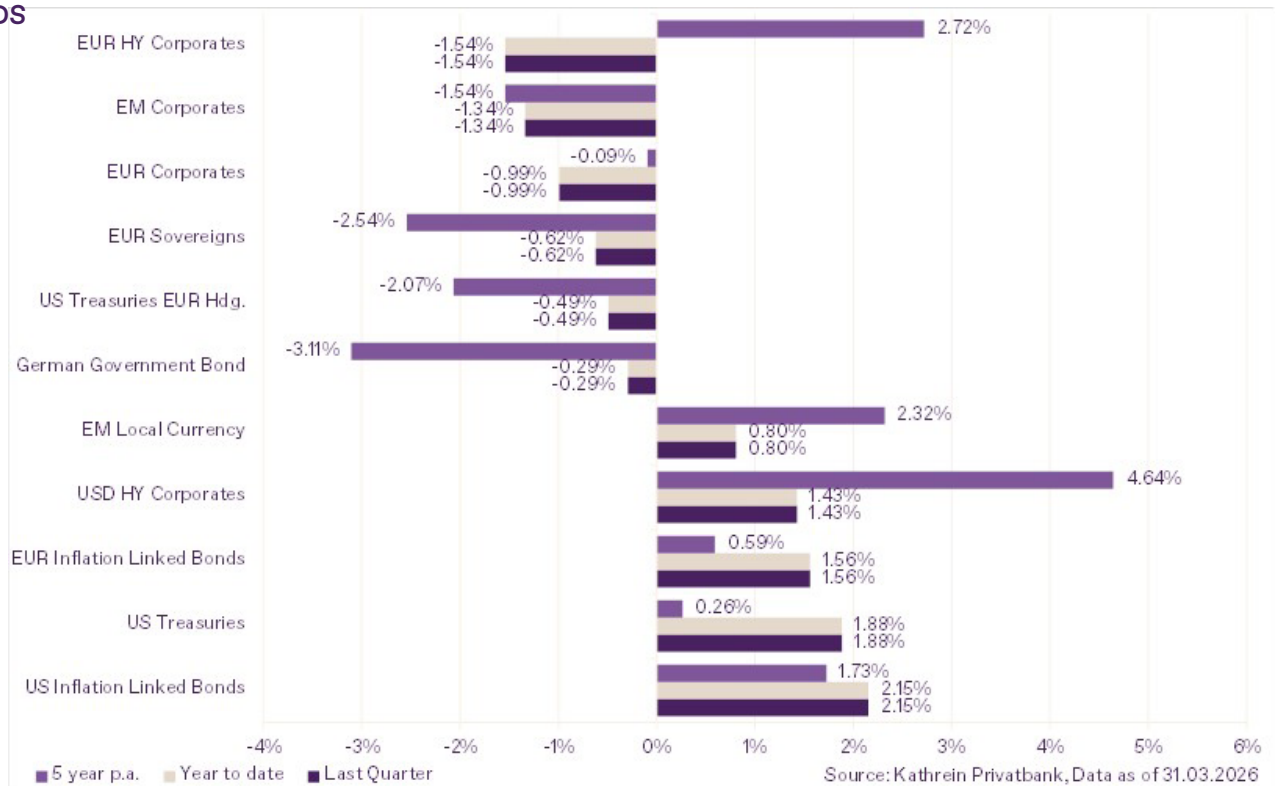
This serves to increase liquidity and minimize risk in light of geopolitical and monetary policy uncertainties. Inflation-protected bonds continue to be viewed as a potential hedge and are part of our government bond portfolio.

These adjustments aim to ensure a balanced portfolio focused on quality and liquidity that can both capitalize on long-term opportunities and cushion against short-term risks.

## STOCKS



## BONDS



All values are based on euros. Past performance is not a reliable indicator of future performance of financial instruments.



## Market Outlook

For the remainder of 2026, the geopolitical situation in the Middle East remains a key source of uncertainty. The duration and intensity of the conflict, as well as developments surrounding the Strait of Hormuz, will significantly influence energy prices and, indirectly, inflation and economic development in energy-dependent regions.

The technology sector is expected to continue exhibiting differentiation. While short-term growth expectations remain subdued due to skepticism about AI monetization, there is long-term potential for companies that build sustainable competitive advantages in AI and software development. The integration of AI into business models could prove complex and time-consuming, requiring selective and fundamental analysis.

Central banks are likely to adjust monetary policy depending on inflation and growth developments (Source: Bloomberg, 20.3.2026). In Europe, rising energy prices could influence inflation expectations, while the US benefits from a more stable energy supply. Macroeconomically, moderate growth is anticipated, accompanied by uncertainties from geopolitical tensions and potential supply chain disruptions (Source: Bloomberg, 20.3.2026).

Overall, a cautious, diversified, and quality-oriented investment approach appears appropriate, considering both opportunities from technological innovation and risks arising from geopolitical developments. Investors should be aware of existing uncertainties and align their portfolios accordingly.

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