

KATHREIN
PRIVATBANK

Investment Report

1 / 2026



EDITORIAL



NERVOUSNESS IS GROWING

2025 was a relatively good year for investors – albeit with a few scares. Our investment strategy, which overweighted Europe compared to the US, proved to be sound. Many European markets significantly outperformed the broad US index, even though Europe is struggling with numerous problems. Just think of the tariffs and the ongoing war in Ukraine.

However, the high valuations of tech companies are making investors nervous; as soon as corporate earnings are not exceptional, share prices fall. Whether the massive investments in artificial intelligence (AI) will ultimately pay off remains unclear. Given the now constructive environment, we are optimistic about 2026 and explain the reasons for this below.

Stefan Neubauer
CEO



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SUMMARY

Stock Market Events

Three aspects of stock market activity had a significant impact on the markets: the AI boom, the development of the US labor market, and the devaluation of the US dollar.

ARTIFICIAL INTELLIGENCE – NATURALLY HIGHLY VALUED

The fourth quarter of 2025 was marked by an AI boom, which on the one hand is not a bubble, but on the other hand has caused fears that this bubble could burst. The focus was on the investment carousel, which is intended to secure data centers, computing power, and the energy required for this. The sums that big tech companies are investing are considerable; companies with massive debt should be viewed with caution. In our view, current valuations are high, but not completely excessive. Large technology companies have sufficient financial resources to continue their extensive AI investments. These investments are not only an expression of optimism, but also necessary steps to create the infrastructure and capacity for the further development and use of AI. However, whether these investments will pay off economically is a legitimate question and remains open for the time being. The uncertainties lie in particular in how quickly and to what extent AI applications can be used productively and profitably in the real economy.

The history of technological innovation also shows that not every phase of hype necessarily ends in a

bursting bubble. While some technologies experience sustained adoption after being overvalued and disappointing, others fall short of expectations or disappear. In the case of AI, there is currently an imbalance between the expansion of infrastructure, such as data centers, and the monetization of the technology. However, the major tech companies are well positioned to survive possible market consolidation.

Nevertheless, there is a risk that some market participants are too optimistic, resulting in valuations that are not always supported by economic reality. The development should therefore be closely monitored; a cautious and differentiated assessment is called for.

US JOB MARKET – COOLED DOWN, BUT INTACT

The US job market continues to show clear signs of slowing down, but remains intact. The development therefore remains to be watched closely; a cautious and differentiated assessment is warranted.

The US labor market continues to show clear signs of weakening. The unemployment rate rose to 4.6 percent in November, reaching its highest level in more than four years. Despite job growth of 64,000 in November – more than the 50,000 expected by economists – 105,000 jobs were lost in October, complicating the overall picture. The data highlights the uncertainties facing the US Federal Reserve: after three interest rate cuts this year to a three-year low, it faces the challenge of balancing

the stabilization of the labor market with fighting inflation. Fed Chairman Jay Powell pointed out that actual employment figures may be overestimated by up to 60,000 jobs per month. Overall, the development reflects a labor market situation characterized by weaker employment dynamics, rising unemployment, and cautious sentiment on the part of employers. This is in line with previously observed trends of declining labor demand and labor market activity approaching its historical average (source: Financial Times, December 16, 2025). Labor market figures are usually considered a strong indicator of an impending recession – however, such fears are likely to prove exaggerated.

US DOLLAR – DEVALUATION CONTINUES

The US dollar has depreciated significantly in the course of 2025. The greenback is under increasing pressure as political and fiscal uncertainties, particularly in connection with the unpredictable trade policy of the US government and ongoing budget deficits, could reduce its attractiveness in the medium term. Against this backdrop, a moderate weakening of the US dollar against the euro, with a fair exchange rate based on purchasing power parity of around USD 1.29/EUR. We have therefore implemented careful currency hedging and vigilant management of currency risks in the portfolio, which has benefited our clients.

BOND MARKETS – CAUGHT BETWEEN DIVERGING MONETARY POLICIES

The fourth quarter on the bond markets was marked by the dissolution of the global synchronisation of central banks. In the US, the ongoing cooling of the labour market – despite robust GDP growth (“above-potential growth”) – enabled the Federal Reserve to make the expected interest rate cut in December. A reduction of 25 basis points, accompanied by dissent in the Open Market Committee and a clear signal that the further path of easing in 2026 will be very gradual. This “calibrated” monetary policy led to some volatility at the long end of the US yield curve as markets had to revise their expectations of rapid interest rate cuts

In Europe, the picture was more mixed. While weak underlying economic fundamental dynamics and an inflation rate close to the target provided arguments for an accommodative monetary policy, late sentiment indicators (PMI) pointed to unexpected resilience in the eurozone. This limited the downside potential for yields, as the ECB signaled no rush for aggressive interest rate moves despite the disinflationary trend.

A notable counterpoint was the Bank of Japan, which in December—driven by solid fundamentals and fiscal stimulus—returned to the path of interest rate normalization (“green light for BoJ hike”), leading to a moderate rise in JGB yields.

Our Investment Strategy

in the Kathrein Portfolio

STRATEGIC PORTFOLIO ADJUSTMENTS Q4 2025

Based on our analysis of the macroeconomic environment for 2026, we made structural adjustments to the portfolio in the current quarter. The allocation was optimized to reflect the improved growth outlook on the one hand and, on the other hand, to integrate robust hedges against persistent inflation rates.

EQUITIES: CYCLICAL ORIENTATION INSTEAD OF DEFENSIVE.

As we consider recession scenarios for 2026 to be low and expect positive impulses from fiscal programs, we have reduced the allocation in defensive value stocks (-5%). This positioning was appropriate in uncertain market phases, but has now been discontinued in favor of broader market participation. The capital has

been reallocated to global equities (+5%) with the aim of benefiting more comprehensively from the forecasted global economic recovery and corporate earnings growth

BONDS: INFLATION PROTECTION AND CURRENCY OPTIMIZATION

On the bond side, we responded to the expectation of sticky inflation by shifting into real-interest investments. We built up positions in inflation-protected bonds in both USD (+1.5 %) and EUR (+1.5 %). At the same time, we reduced currency and credit risk in USD government bonds (-1 %), USD high-yield bonds (-1.5 %) and local currency bonds from emerging markets (-3 %). The funds released were reinvested in EUR high-yield bonds (+2.5 %). This increases the current interest rate in the home currency area and reduces dependence on volatile currency fluctuations.

ALTERNATIVE INVESTMENTS: STRATEGIC DIVERSIFICATION

In the area of alternative assets, we have made a strategic swap: we have divested ourselves of the “Max Return” position and instead invested in a listed private equity ETF. With this step, we have implemented the strategic decision to expand the portfolio by adding a segment that offers access to unlisted value chains while maintaining the liquidity of an exchange-traded instrument. This serves the purpose of long-term diversification and the development of potential new sources of income.

Private equity: The inclusion of private equity in our asset allocation in 2025 was a decisive step toward broadening the structural base of the fund portfolio. In 2026, the focus will again be on tapping into an attractive market segment rather than on timing.

THE BEST OF BOTH WORLDS

We deliberately focus on listed private equity companies that benefit directly from their investments, as otherwise it would not be possible to add them to our funds. This instrument offers us an advantage: it combines the long-term return opportunities of private markets with the daily liquidity of the stock market.

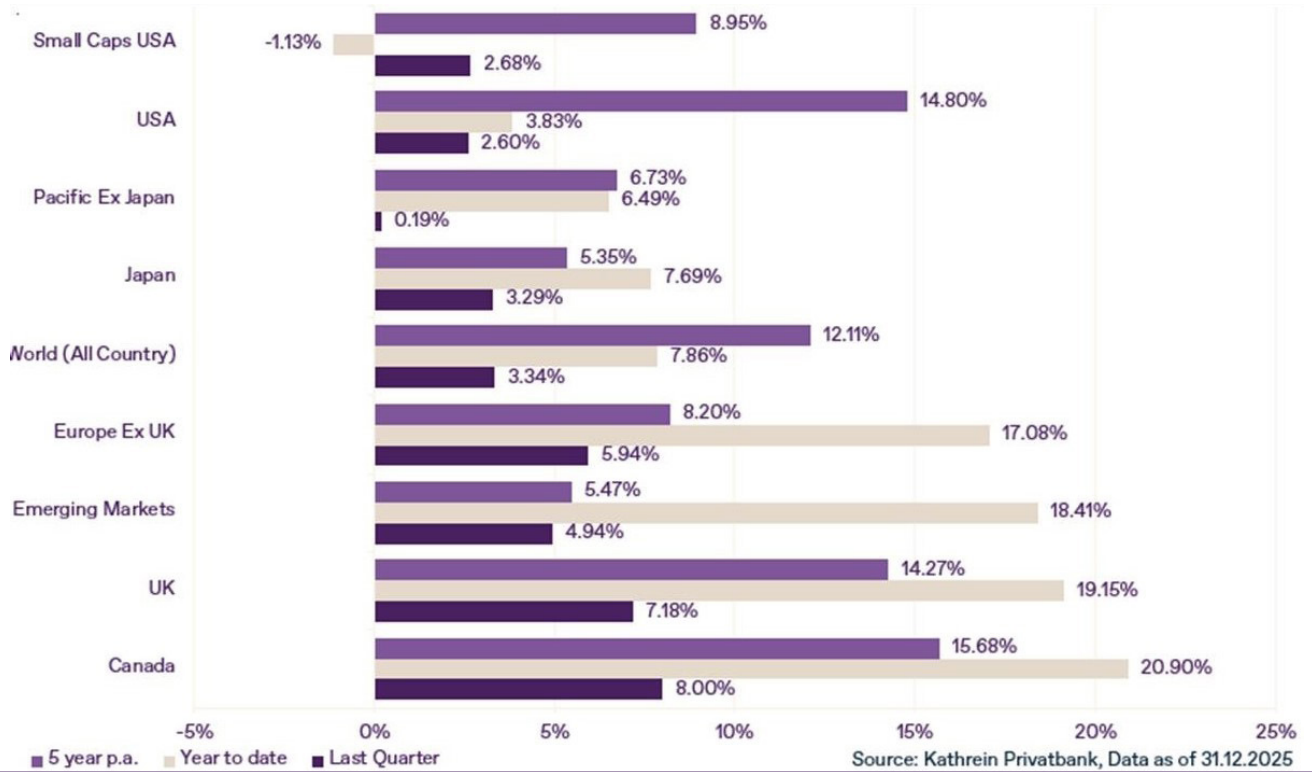
LONG-TERM PERSPECTIVE AND DIVERSIFICATION

Strategically, we are focused on access to “real value creation.” Private equity often correlates differently than traditional stock markets, as the value drivers here lie more in operational improvements and strategic realignments of companies than purely in market sentiment. For 2026, we see this segment as a stabilizing component. Although the changed interest rate environment requires a high degree of discipline in financing on the part of the underlying companies, this is precisely where the wheat is separated from the chaff: the top managers included in the index have the experience to increase value through operational excellence, even in challenging market phases

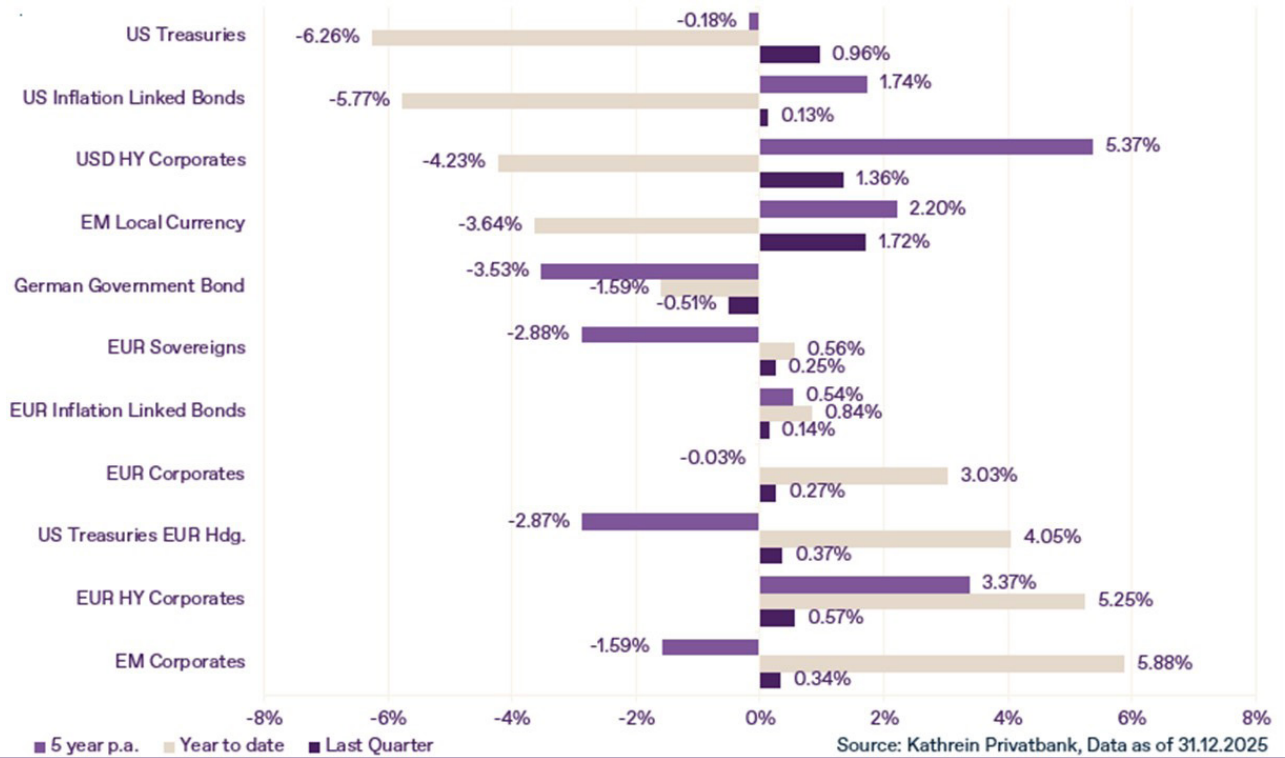
CONCLUSION

With this realignment, we have adjusted the portfolio to the tension between growth opportunities and inflation risks. We are thus focusing on stability through broad diversification without sacrificing the return potential of global markets.

STOCKS



BONDS



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

Market outlook 2026

We expect the environment for equities to remain positive in 2026. Fears of recession are a thing of the past. The market is pricing in two interest rate cuts in the US, which could potentially provide positive impetus for US equities. In addition, the “One Big Beautiful Bill Act” could further stimulate the economy and trigger a surge in investment.

However, persistent inflation in the US remains a risk that we must keep an eye on. The development of the US labor market will also be crucial, as the labor market plays a major role in the Fed’s decisions, unlike the ECB.

In Europe, where equity markets performed very well in 2025, the ECB has already ended its cycle of interest rate cuts. The effects of the investment programs remain to be seen. However, positive developments in the peace negotiations in Ukraine could further stimulate the European markets.

Gold and silver both reached record highs in 2025, for different reasons. Gold was driven by central bank purchases, while silver was more of a free rider and is usually much more volatile than gold due to its main industrial application. We consider physical gold to be a sensible addition to one’s portfolio, depending on risk appetite.

CONCLUSION: REALISM INSTEAD OF HOPE

Geopolitics will remain a constant companion in 2026. Investors should not harbor any illusions: the probability that the Supreme Court will overturn US tariffs is low. It is important to work with the circumstances rather than betting on their disappearance. 2026 will not be a year for autopilot, but for active management.

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