KATHREIN PRIVATBANK

Investment Report

Q2 / 2026

SPACEX – INFINITE EXPANSES, INFINITE POTENTIAL?

SpaceX's record-breaking IPO has shown one thing: imagination is in high demand on the stock markets. The mix—which at first glance seems unusual—of commercial spaceflight, satellite infrastructure, defense, data transmission, and artificial intelligence strikes a chord with investors. The company's ambitious valuation—despite posting a loss of nearly $5 billion last year—and the small percentage of shares traded (only about 5%) have done nothing to dampen the hype. From a long-term perspective, however, numerous questions arise: Will the AI business—in which the company lags behind the industry leaders — actually be profitable? Is the governance structure tailored to Elon Musk a stumbling block? Will the company actually achieve a hundredfold increase in revenue in five years? SpaceX's stock market debut is a test of market sentiment, and the result has been positive so far, even though its first few days on the market were marked by high volatility.

Stefan Neubauer, CEO

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SUMMARY

Stock Market Events

Q2/2026

The stock markets were marked by an upward trend in the second quarter, which came as a surprise to many. Despite the attack on Iran and the blockade of the Strait of Hormuz, the stock markets trended upward. This was driven not only by Donald Trump's confusing statements—which suggested a limited conflict—but rather by the numerous positive surprises in U.S. corporate earnings.

CORPORATE EARNINGS: ABOVE EXPECTATIONS – TECH TITANS LEAD THE WAY

The current earnings season in the U.S. is proving surprisingly robust. More than 80% of S&P 500 companies have exceeded forecasts by an average of about 16%, accompanied by revenue growth of around 11.5% (Source: Bloomberg, June 30, 2026).
Large technology companies, in particular, stood out and were able to significantly boost their earnings. This reflects the ongoing momentum in the areas of digitalization and artificial intelligence.
In Europe, while earnings growth is also positive at around 11%, revenue growth is more moderate. The energy, communications, and financial sectors are posting above-average results, while healthcare and industrial stocks are less impressive (Source: Bloomberg, April 30, 2026). The earnings surprise rate in Europe stands only at about 53%. U.S. markets are benefiting more from AI-driven growth, while Europe is feeling the effects of the energy shock more acutely.

EMERGING MARKETS: CATCHING UP WITH CHIP POWER – CHINA'S DARK SIDE

Emerging markets have been experiencing a noticeable recovery since last year following a prolonged period of underperformance. This development is driven primarily by the global AI boom, which is fueling demand for semiconductors and memory chips. South Korea and Taiwan, in particular, are benefiting as key players in the chip value chain (Source: Bloomberg, May 28, 2026).

In contrast, the Chinese stock market continues to lag behind. The causes include the ongoing real estate crisis, a troubled banking sector, and weak consumer confidence. China's high dependence on exports makes it vulnerable to trade tensions. Furthermore, strong government influence over companies and highly unpredictable regulatory interventions complicate the investment landscape. These factors result in a structural risk premium for Chinese stocks. Against this backdrop, Kathrein Privatbank has not held any Chinese stocks in its portfolio since April 2022.

INFLATION AND INTEREST RATES: BETWEEN AN ENERGY PRICE SHOCK AND MONETARY POLICY CAUTION

After an optimistic start to the year, geopolitical tensions—particularly the blockade of the Strait of Hormuz—led to a renewed surge in inflation, especially in energy prices. Central banks face the challenge of controlling inflation expectations and preventing second-round effects.

In the eurozone, the one-year deposit rate remained stable at 2.00%, while the Federal Reserve kept its key interest rates at 3.75%. (Source: Bloomberg, June 29, 2026). The pronounced interest rate differential tends to support the U.S. dollar, although there is potential for a weakening in the long term due to purchasing power parity. In June, the ECB raised its key interest rates by 25 basis points. Markets expect the ECB to raise rates once more by the end of the year. The Fed is also expected to raise rates by the end of the year.

Yields on 10-year government bonds have risen significantly: Germany's stands at over 3.15%, and the U.S.'s at around 4.58%. After years of low interest rates, these levels mark a significant increase (Source: Bloomberg, June 29, 2026). In light of these developments, interest rate sensitivity was reduced over the course of the quarter to mitigate risks posed by impending interest rate hikes.

Our Investment Strategy

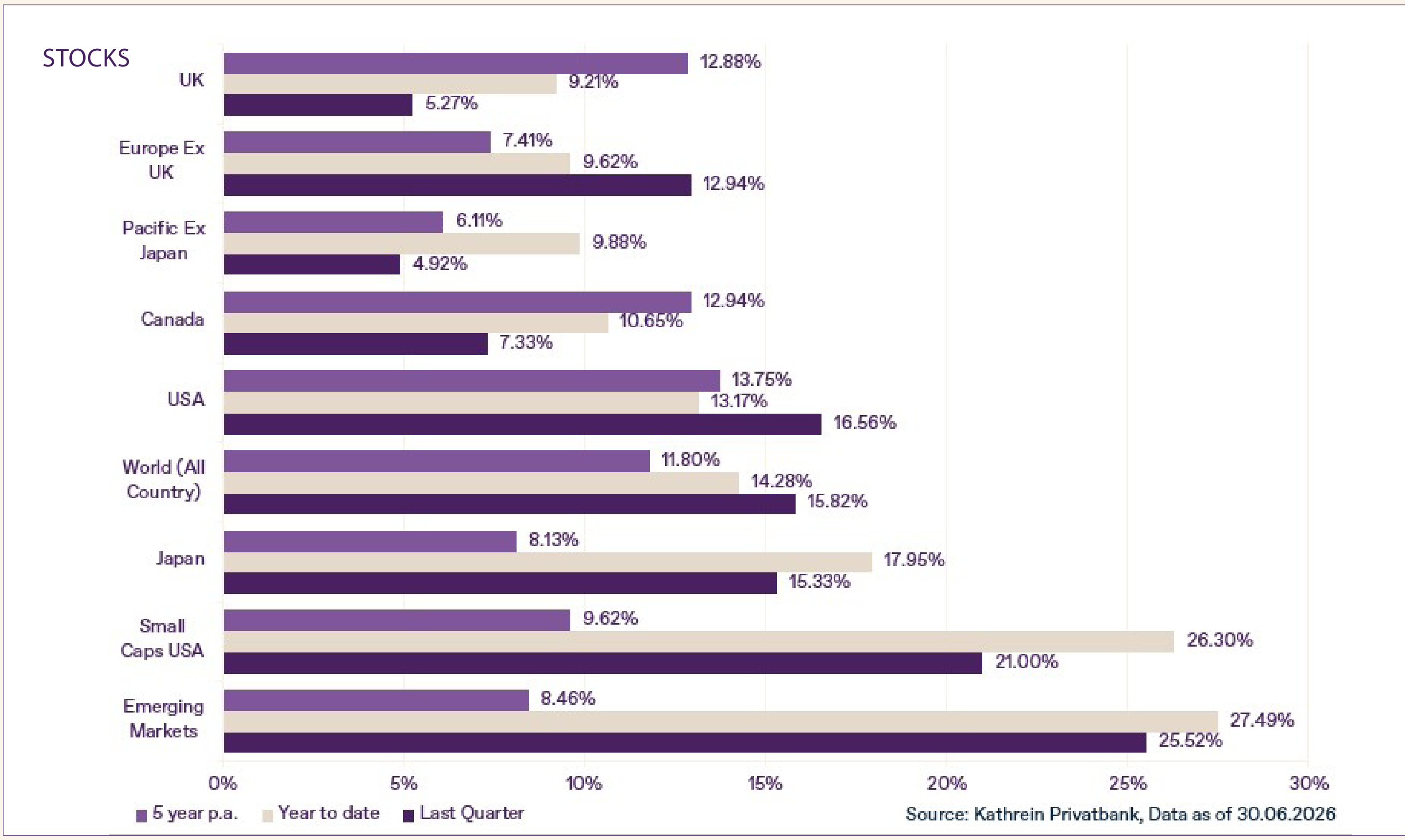
in the Kathrein-Portfolio

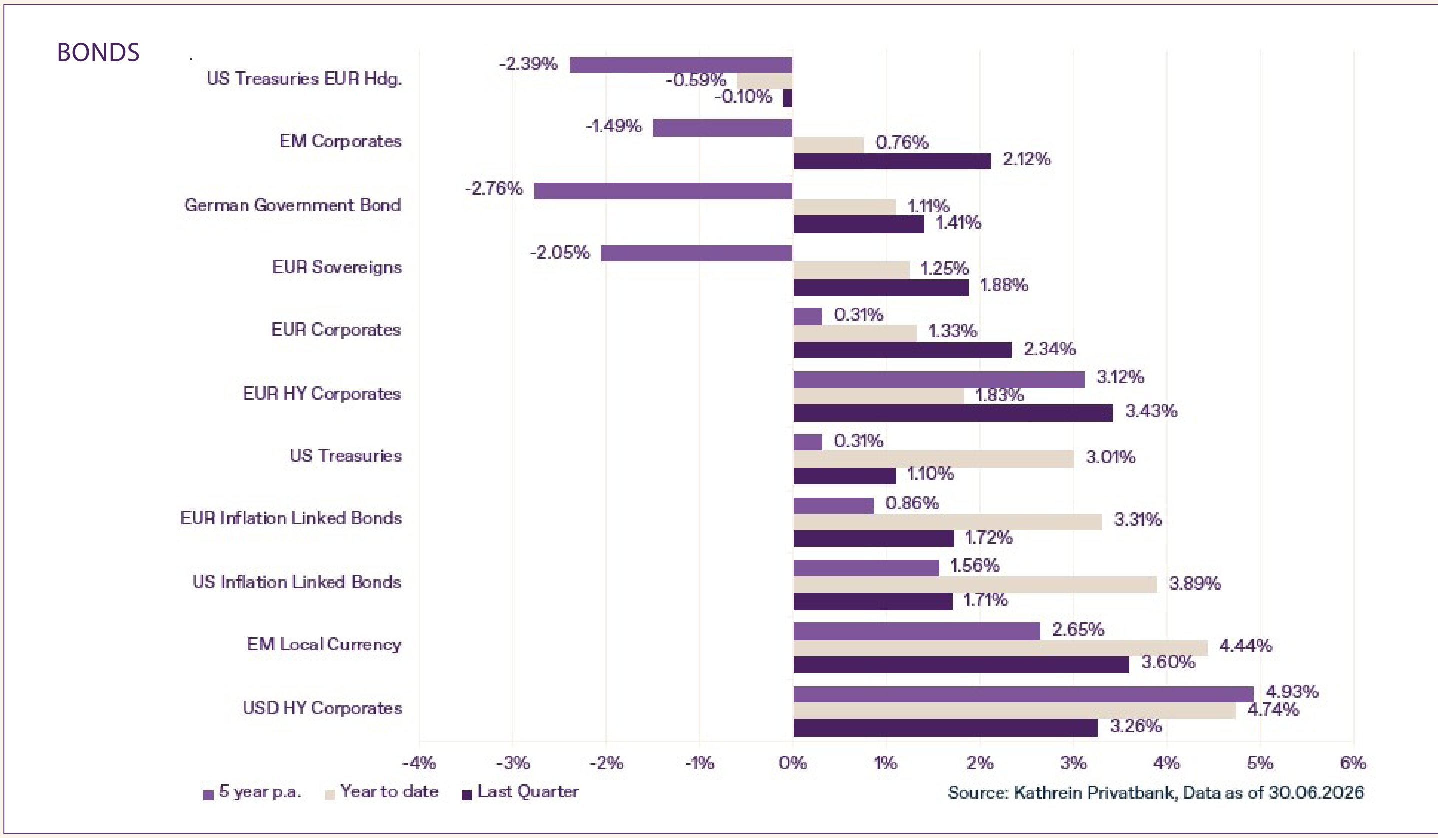
The resolution of the conflict between the U.S. and Iran and the resulting reopening of the Strait of Hormuz led to a significant decline in oil prices. As a result, electricity costs have also fallen, providing tangible relief to both businesses and households and increasingly stimulating consumption. Lower energy prices are also having an additional positive impact on structural growth sectors, particularly in the field of artificial intelligence, where energy-intensive infrastructure investments are gaining importance.

Against this backdrop, it can be assumed that inflation expectations will decline more rapidly than previously anticipated. Moreover, the most recent price increases have had little impact on core inflation, suggesting that price pressures are likely to ease further in the coming months. This reduces the pressure on central banks to raise key interest rates further, both in the U.S. and in the eurozone.

EQUITIES

In the equity market, the improved macroeconomic conditions are providing additional support for already positive earnings expectations. Falling energy costs should further boost margin growth and drive up earnings estimates, which are already at a high level. The energy sector is an exception here, as it is naturally weighed down by falling prices. Overall, earnings growth of around 15% is expected for 2026, followed by about 10% in 2027 (Ned Davis Research, June 25, 2026). Against this backdrop, the equity allocation has been raised from neutral to overweight, although geopolitical risks—particularly those surrounding the Strait of Hormuz—remain a significant source of uncertainty.





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

BONDS

In the bond market, declining inflation expectations point to a easing of monetary policy. Yield levels remain in our view attractive, which is why the allocation to lower-rated bonds was increased in June. In addition, duration in the bond portfolios was increased again for the euro-denominated segment, while it remains reduced for the U.S. dollar-denominated segment.

CURRENCIES

In the currency segment, we maintain a stronger position against the U.S. dollar. The robust U.S. economy, continued solid corporate earnings, and higher interest rates in the U.S. point to sustained support for the dollar in the short term. At the same time, given the still-dynamic economy, the Fed is likely to have significantly less room for interest rate cuts than was expected at the beginning of the year.

Conclusion

Even though valuations on the stock markets remain high, the fundamental earnings trend continues to be convincing. The elimination of the acute risk surrounding Iran, the reopening of the Strait of Hormuz, and the significant decline in oil prices further improve the macroeconomic outlook. Lower energy prices are providing relief to companies and consumers, dampening inflation expectations, and reducing pressure on central banks. As a result, the environment for risk assets has improved, although significant uncertainties remain, particularly with regard to geopolitical developments and valuation levels. The recent adjustments to our positioning have taken this changed outlook into account.

Market Outlook

The outlook for the coming months has improved due to the easing of tensions in the Middle East. Falling energy prices provide relief to companies and consumers, support consumption, and reduce inflationary pressure. Since the recent surge in prices has so far had little impact on core inflation, inflation rates are likely to decline further in the coming months. This also reduces the pressure on central banks to raise key interest rates further.

THE U.S. REMAINS THE DRIVING FORCE

The environment for the stock markets therefore remains fundamentally positive. Earnings momentum remains intact, particularly in the U.S., where a robust economy and solid corporate earnings are supporting the markets. At the same time, the growth gap between the U.S. and Europe remains a key issue. While the U.S. economy continues to be driven by a strong labor market, high levels of investment, and momentum in the technology sector, economic development in Europe remains more subdued. Germany, in particular, continues to show signs of weakness, as structural headwinds and slower investment growth are holding back the recovery.

Valuations in the stock markets remain high, and expectations for many companies are already ambitious. This is particularly true in the field of artificial intelligence. Criticism of the AI boom is growing, especially as resource bottlenecks in energy, chips, and computing capacity are coming more sharply into focus. Companies must now demonstrate that artificial intelligence translates not only into revenue projections and rising investment budgets, but also into sustainable earnings. It will therefore be crucial to see whether the enormous expenditures on data centers, hardware, and infrastructure can actually deliver the expected increases in productivity and profits.
Another barometer for the state of the stock market is the increasing activity in the primary market. Af-

ter a prolonged period of subdued initial public offerings (IPOs), there are signs of renewed momentum in the technology sector. Anticipated IPOs from companies such as OpenAI and Anthropic could provide fresh impetus and further test investors' risk appetite. If these companies succeed in commanding high valuations in the market, this would be a clear signal of continued strong confidence in the technology sector and the AI investment trend. At the same time, however, such IPOs also carry risks, as they can further raise already high expectations and increase volatility in a market segment that is already ambitiously valued.

MIDTERMS ON THE HORIZON

In addition to these fundamental issues, political and geopolitical risks persist. Historically, the U.S. midterm elections often serve as a test for stock markets, as political majorities frequently shift at the expense of the incumbent president's party. This can limit the ability to take political action and temporarily lead to greater uncertainty. Furthermore, the trade conflict with China remains a structural headwind, particularly for sectors that are heavily dependent on global supply chains, semiconductors, and technology transfers.

The geopolitical environment also remains fragile. Although the war in Ukraine has recently receded somewhat into the background, it remains a significant source of uncertainty. Furthermore, Taiwan and the situation in the Middle East—particularly the tensions between Israel and Lebanon—continue to harbor considerable potential for conflict. A renewed rise in geopolitical risks could quickly weigh on the recently improved market sentiment, especially if energy prices or supply chains come under pressure again.

CONCLUSION

Overall, however, the improved macroeconomic conditions currently prevail. Falling oil prices, declining inflation expectations, and reduced pressure for interest rate hikes are supporting the outlook for risk assets. At the same time, high valuations, ambitious expectations for the AI sector, political risks in the U.S., the trade conflict with China, and geopolitical uncertainties remain key risk factors. The environment therefore continues to call for a constructive but selective positioning. Risk assets remain supported, but the bar for corporate earnings, capital discipline, and the actual profitability of new growth themes is rising significantly.

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