ROBECO
The Investment Engineers

MONTHLY MARKET MONITOR

Equity markets bounce back

June 2025

Investors rotate back into riskier assets as trade tensions ease

For equities, a strong US earnings season and a rebound in consumer confidence outweighed concerns over US fiscal vulnerabilities and stickier inflation. The story was less rosy within fixed income, as question marks linger about the long-term sustainability of rising government borrowing.

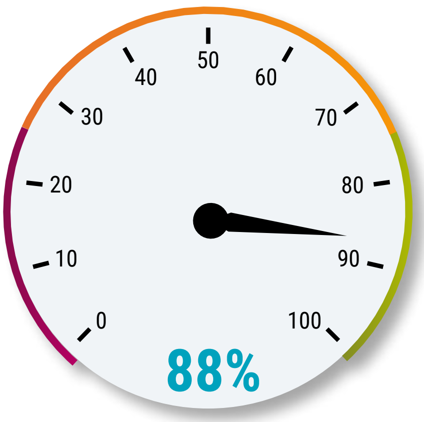
Highlights

Equities
US equities lead the way, supported by a strong recovery in the technology sector.

Bonds
Bond yields move higher as rate cut expectations fall.

Alternatives
Oil prices recover slightly but there are still concerns over OPEC+ increasing supply.

Robeco Bull & Bear indicator



Market's risk mode

=
0%
vs. last month

Buy or sell? Our highest conviction views

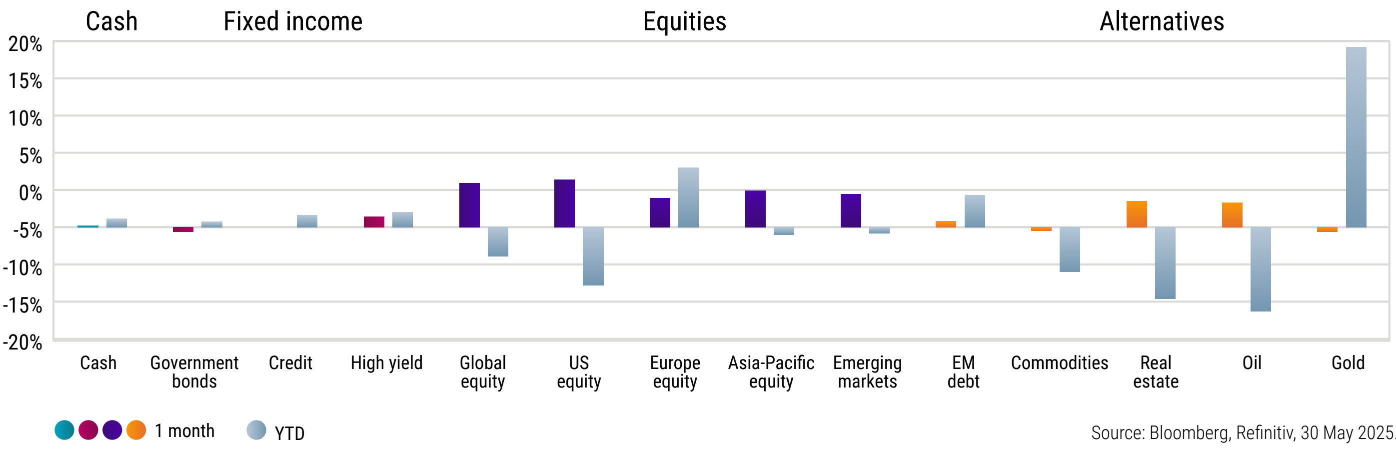
Reduced equity underweight
As the tariff storm clouds have cleared somewhat, we moderately reduced our underweight to equities. We did this by gradually increasing exposure to non-US markets, particularly emerging markets.

Underweight to high yield
High yield remains our preferred underweight. Valuations are stretched, and the upside potential appears limited, reinforcing our cautious positioning.

Long yen position continues
Our long yen view is supported by sound fundamentals. Inflation remains elevated, and regardless of the pace, the Bank of Japan appears inclined to continue policy normalization.

Asset classes compared

Asset class performance: May and YtD



Source: Bloomberg, Refinitiv, 30 May 2025.
Asset class returns are in euros.

Buy-the-dip mentality continues to dominate

- Q1 US earnings season was solid, further supporting investor confidence, though companies are revising down medium-term forecasts.
- Hard economic data has shown only sporadic signs of weakness, and continues to resist the softness evident in survey indicators.

Modest underweight

Bond market volatility remains high

- We still see selective value in government bonds. The US long end remains vulnerable, but 2-years and 5-years remain attractive.
- US high yield spreads narrowed over the month but we struggle to find value in current valuations.

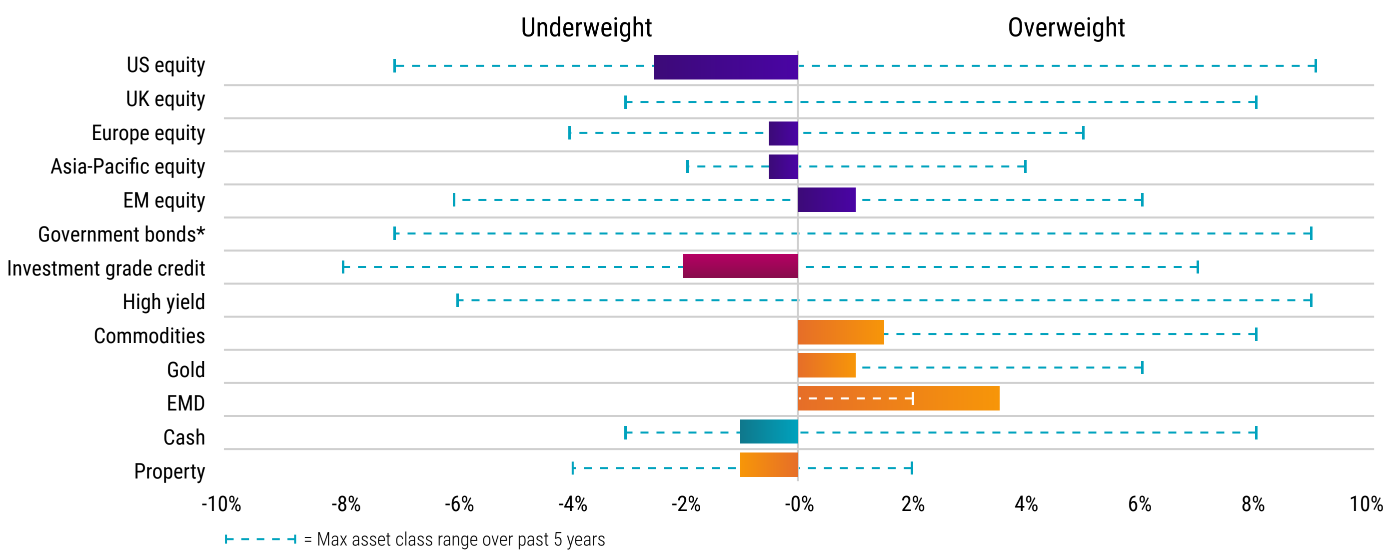
Retaining a high yield underweight

Property recovered some lost ground

- Gold currently appears overbought and may be entering a consolidation phase.
- Commodities continue to be impacted by tariff uncertainty and the potential macro impact.

Retaining a small position in gold

Current positioning



* Includes Treasury, MBS, ABS, Agency, non-corporates. Note reference benchmark is 50% MSCI ACWI & 50% Bloomberg Global Aggregate Index.

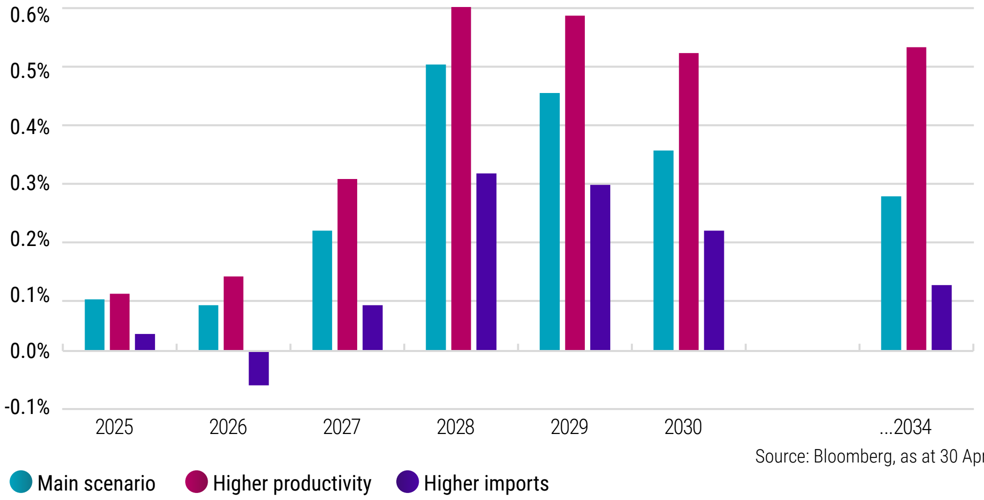
Theme of the month

Green shields: Harmonizing defense and sustainability investments

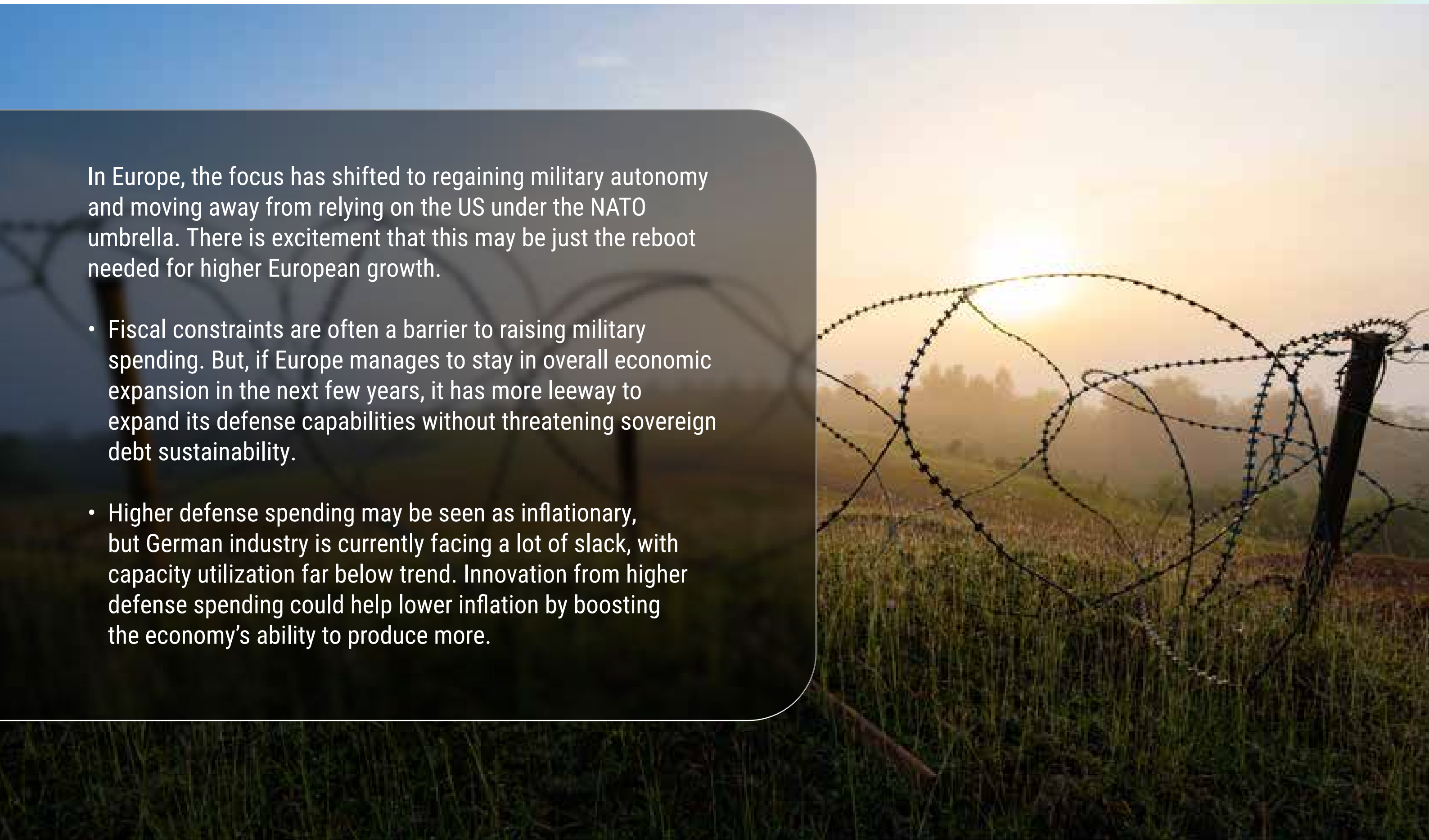
"At the upcoming NATO summit, expectations are high for defense spending commitments to reach 3.5% of GDP. This seismic policy shift could boost areas supporting defense-related activities like cybersecurity and infrastructure, outside the traditional aerospace and defense sector.

Aliki Rouffiak, CFA,
Portfolio Manager, Robeco Investment Solutions

The impact of higher defense spending on real EU GDP



Source: Bloomberg, as at 30 April 2025



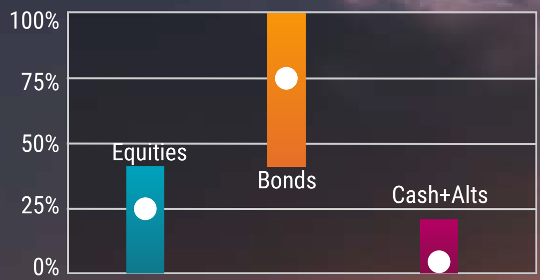
In Europe, the focus has shifted to regaining military autonomy and moving away from relying on the US under the NATO umbrella. There is excitement that this may be just the reboot needed for higher European growth.

- Fiscal constraints are often a barrier to raising military spending. But, if Europe manages to stay in overall economic expansion in the next few years, it has more leeway to expand its defense capabilities without threatening sovereign debt sustainability.

- Higher defense spending may be seen as inflationary, but German industry is currently facing a lot of slack, with capacity utilization far below trend. Innovation from higher defense spending could help lower inflation by boosting the economy's ability to produce more.

Robeco Multi-Asset strategies

Sustainable Income Allocation

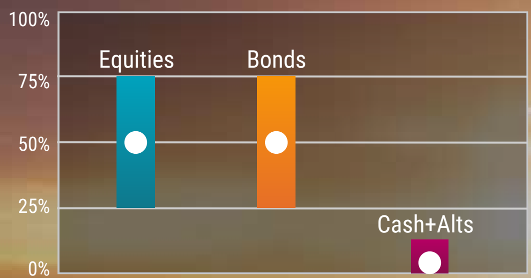


Duration ranges 3.0-6.0

Income ≥ **5%**
Volatility **7%**

- Stable income + capital appreciation
- Focus on downside protection
- 3-star Morningstar rating

Sustainable Diversified Allocation

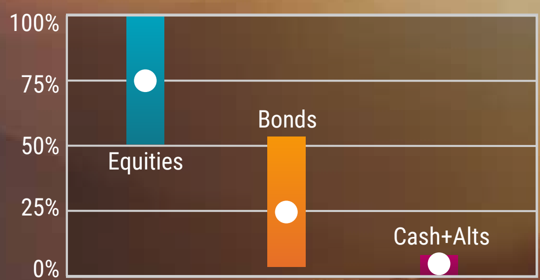


Duration ranges 2.5-4.5

Return ≥ **6%**
Volatility **10%**

- Stable capital growth over long term
- Balanced mix of bonds and equities
- 4-star Morningstar rating

Sustainable Dynamic Allocation

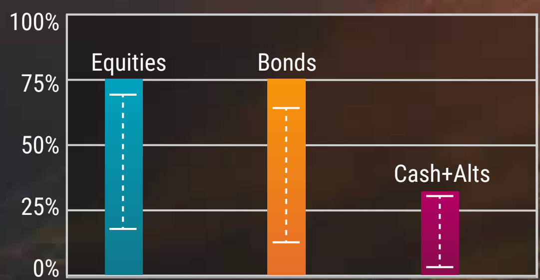


Duration ranges 0-3.0

Return ≥ **7%**
Volatility **12%**

- Equity-like growth with less volatility
- Capital growth focus
- 5-star Morningstar rating

Flexible Allocation



Cash **+4%**
Volatility **6-12%**

- Total return approach
- Active allocation from '5y Exp. Returns'
- Flexible alpha hunting strategy

● Bandwidth ○ Benchmark weight ⊢ - - - ⊣ Max 5-year range

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