

Comment on the investment policy in the 4th quarter of 2025

Trump's work leaves clear traces

Do they allow initial conclusions?

The financial markets have been badly shaken up in the first half of Trump's presidency. Above all, he has frightened financial investors with the prohibitive reciprocal tariffs. Companies worldwide have lost around 15 percent of their value in a very short time. It was only this shock that prompted him to pause essential parts of the measures package. What will happen next is still open. With these poorly thought-out hasty exercises, a lot of confidence in the economic competence of this administration has been lost. Although share prices have recovered significantly, the dollar has lost around 10% of its value. The Swiss and Europeans have therefore suffered significant losses on their American investments.

Trump has made an enormous number of decisions in the first nine months of his second term. Many of them are difficult to understand, contradictory, hardly comprehensible and neither theoretically nor empirically sound. Nevertheless, the attempt to draw initial preliminary conclusions from this is daring.

On a political-ideological level, it has undoubtedly triggered a real culture shock. He has fundamentally questioned values that were considered irrefutable in the West. He has considerable doubts about democracy as a form of government. He considers it an abstract model of thought that is incapable of solving the problems of our time. He probably considers leadership models with clear hierarchical structures, as they are common in business, to be more efficient. This is reflected, among other things, in the benevolent assessment of autocratic statesmen and powerful entrepreneurs. He considers the democratic process with the involvement of the people and parliament to be a hindrance. That is why he governs largely with decrees, which he also signs alone. The fact that he has little regard for the constitution and laws is part of his understanding of leadership. He also considers other parties to be harmful. They hate America and he hates them. He will certainly do everything he can to prevent these creatures and their supporters in the media, universities and administrations from coming to power. He also represents this credo on the international stage. He no longer intends to comply with the prosperity-promoting agreements that have been developed by the international community over the last 70 years. They prevent the strong from developing. Power should replace law. Only in this way is it possible for him to promise his voters an America that stretches from the "Gulf of Mexico" to the North Pole. He considers collective agreements and organizations such as the UN, human rights, international law, the World Trade Organization or NATO to be superfluous or even obstructive.

Europe is severely affected by this U-turn by the USA. Because without the technological and nuclear shield of the Americans, Europe is difficult to defend. This also applies to Japan and South Korea.

He questions the international division of labor that brought enormous success to the world in the post-war decades. He sees America as the big loser of this order. The arbitrary criterion for the assessment is the commercial balance sheet. It is indeed strongly negative, as the US has made the transition from the industrial sector to services – highly successfully – ahead of its trading partners. Now the wheel is to be turned back. The workshops of the world are to be relocated back to the USA. Those who do not do so will be fined – i.e. – tariffs. He did not want to give time to adapt. It was only the collapse of the world's stock markets at the beginning of April that prompted him to postpone the matter.

In doing so, he confirms that he pays special attention to the value of companies. He considered this criterion for assessing his success to be central even in his first term of office. We can therefore assume that he will do everything he can to increase the development opportunities of companies. He has already taken a first big step with his "One Big Beautiful Bill Act". Companies receive tax cuts, which he partly finances through savings in the lower

part of the income pyramid and tax increases (tariffs) on imported goods. The rest is to be transferred to the next generation through debt.

Of course, the workers of the states that do the hard industrial jobs for the Americans are shocked by their moral disqualification. Quite a few of them will lose their jobs, as the tariffs will be imposed in the short term and not – as is customary internationally – over a longer-term period that would allow a gentler adjustment to the new framework conditions.

Although Trump's aggressive actions have shattered a lot of trust capital, the economic impact should not be overestimated. According to initial model calculations, they are rather modest. In its latest quarterly report, the BIS expects real growth to fall by around 1% for the USA, Canada and Mexico. In the rest of the world, growth is expected to fall by around 0.2% of GDP. The inflationary effects are only significant for the USA. The aforementioned study expects an additional price increase of around 3 percentage points. In the rest of the world, the impact is negligible and in the case of Mexico, it is even negative, as the high tariffs on exports lead to higher domestic supply. But even in the USA, a new price dynamic is not to be expected due to the tariffs, as they are likely to have a transitory character.

However, other effects of Trump's economic policy are likely to be of greater importance for the financial markets.

In the short-term area, the president's pressure on the central bank has had a particular effect. Market participants' expectations that the central bank chief will have to cut interest rates faster than previously forecast have given stock markets a strong boost in recent months.

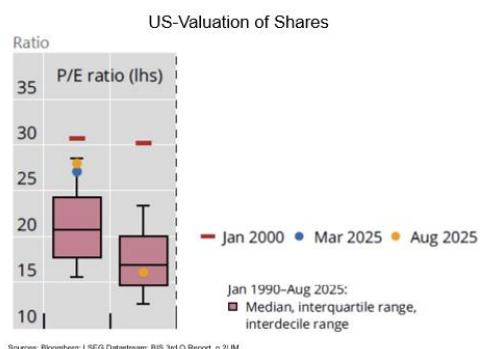
In the medium term, however, regulatory and democratic policy decisions are likely to be of greater importance.

In particular, the reduction in staff in areas of state supervision is likely to significantly expand the companies' room for manoeuvre. Above all, the cost-intensive requirements in the environmental sector are unlikely to be implemented according to the Biden administration's roadmap. There is also a great deal of freedom in the application of competition law. A significant relaxation is to be expected. The large market-dominant companies hardly have to reckon with competition proceedings anymore. On the contrary. They are even likely to expand their monopoly area in order to be able to maximize monopoly profits abroad. Foreign states that seek proceedings against US companies are also likely to be punished by Trump personally. But profitable agreements are also likely to enjoy greater popularity again in the medium-sized corporate sector. He has also massively reduced the number of staff in the areas of consumer protection and workers' rights. This opens up new opportunities in pricing, product and wage design. Cryptocurrencies with liberal framework conditions are intended to bring entrepreneurs and private individuals more freedom and less state surveillance. This can be used to punish the banks, which are also part of the hated complex of the "Deep State" in the right-wing scene, like many newspapers, TV stations, film studios, universities, museums and the bureaucracy. Tariffs also have the potential to induce higher profits. They increase the demand for domestic products, whose prices and margins rise as a result. Where tariffs have a prohibitive character, supply interruptions are likely. Price increases are the result.

The reduction of the state, the dismantling of democratic structures and the deliberate disregard for existing law create freedom for companies that were probably only found in revolutionary phases in history. For the last time, probably as part of the "Wild West".

Trump's autocratic power allows him to solve the problems of illegal immigration, which have dragged on for decades, ruthlessly in the interests of his electorate. He also takes the epidemic crime in the cities – invoking emergency law – by the hand with the military.

It is quite possible that this decisive action will earn him considerable sympathy in next year's midterm elections.



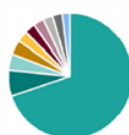
Financial market participants also appreciate the orientation of economic policy to the needs of their own companies. With the exception of the faux pas of April (tariffs), the associated options have been continuously incorporated into the valuations of the companies.

Along with optimistic expectations for AI, American markets have reached valuation levels not seen in over two decades.

The European markets are quite different. Their valuations are even below the long-term average. This extraordinary outlier of the American market upwards has led to a global distribution of equity assets that is second to none: around two thirds of the market assets are located in the USA. The next largest stock market is Japan with 6%, the UK with 3.6% and China with 3.3%. The shares of the other countries are less than 2%.

FTSE World Index Asset Allocation

Vanguard ETF All World ETF Country Weights



United States	62.0%
Japan	6.0
United Kingdom	3.6
China	3.3
France	2.5

Overall, the prospects for companies remain positive. This applies not only to the US, where further interest rate cuts are supporting valuations, but also to Europe, where – starting in the US – entrepreneurial freedom is also likely to be created. In addition, the major investment packages in the security and infrastructure sectors are now being launched. In this sense, the expected returns outside the US are no less significant. However, we think it makes sense to slightly underweight the US in favour of Europe for risk reasons. We are responding to the long-term expectation that global valuations will converge more strongly with a wealth distribution that is more diversified than the global equity portfolio.

You can receive the detailed documentation on the decision-making process from your advisor.

Best wishes, Prof. Dr. Josef Marbacher & CORUM Investment Committee



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