



Asset Allocation Outlook

October 2026

- Geopolitical risk premium in oil price is justified
- Little upward potential for bond yields
- Underweight switched from credits to government bonds

When measured in euros, this year September doesn't appear to have lived up to its reputation as a difficult month on the markets. Apart from Europe, all the regions earned positive returns, albeit small ones. Yet those positive returns were the result of positive currency effects: the US dollar and Japanese yen both appreciated versus the euro. In local currency, equity returns were negative in all regions, which matches the picture of equities often having a tough time of it in September. Equities had to contend with rising bond yields and volatile oil prices. Bonds were of course also adversely affected by the higher yields, with government bonds falling slightly more in price than credits due to their higher sensitivity to interest rates. Real estate, also sensitive to interest rates, was the worst affected asset class.

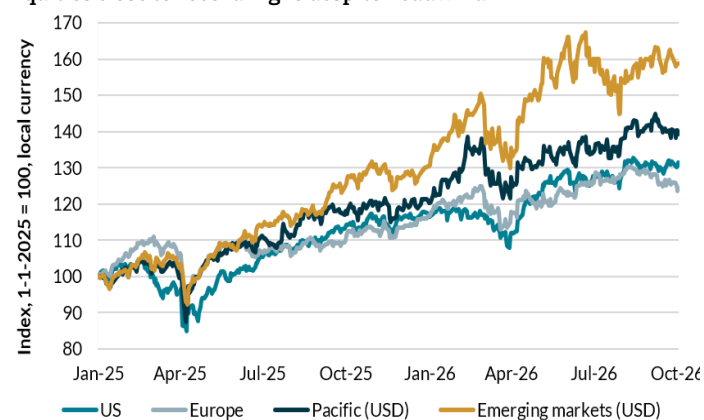
interest rates slightly. The robust earnings growth is especially positive for equities.

Within bonds, we've closed our underweight in investment grade credits listed in euros as spreads versus government bonds have widened slightly. We hold an underweight in Eurozone government bonds. While we don't expect bond yields to climb much higher, we prefer equities.

Turmoil on the oil market

The price of a barrel of Brent oil increased from 89 to 104 US dollars in September, an upturn of 16%. Stalled US and Iran negotiations aimed at reaching a deal meant there was a higher risk of the Strait of Hormuz staying closed for longer and this pushed up oil prices.

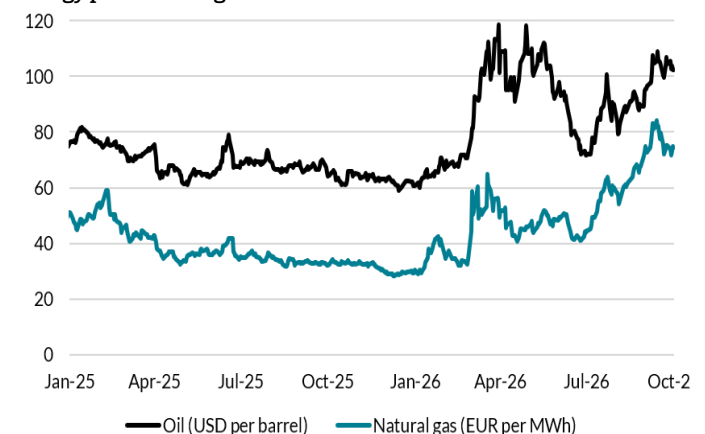
Equities close to record highs despite headwind



Source: LSEG, Van Lanschot Kempen

We've retained our equity overweight. We believe economic growth will be high enough to have a positive impact on equities, even if central banks raise their policy

Energy prices are high but not extreme



Source: LSEG, Van Lanschot Kempen

The price of oil for delivery in a year's time has also risen, which shows that oil markets are anticipating a prolonged

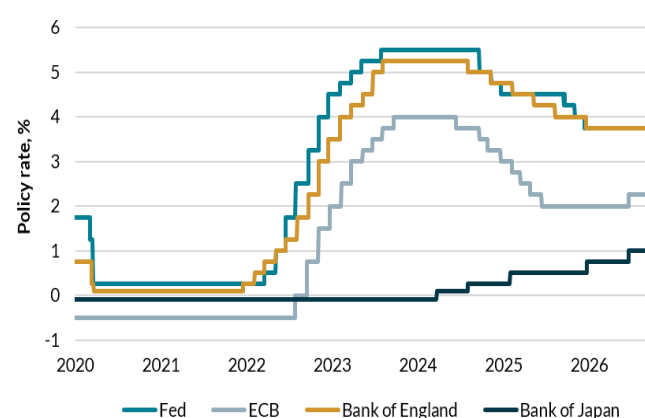
period of tightness. There are nevertheless encouraging reports. Ships are sailing through the Strait of Hormuz, with or without a US Navy escort. This means that a considerable portion of oil exports from the Gulf region should already be restored to the levels prior to the war between the US and Iran. The oil market remains tight, but the partial recovery also explains why oil prices aren't higher than they are. If the Strait of Hormuz were closed completely to shipping, oil stocks would have fallen faster, and oil prices would have climbed even higher. Conversely, oil prices contain a considerable risk premium if exports from the Gulf region have largely been restored. This means there's capacity for lower oil prices. At the same time, a geopolitical risk premium isn't unreasonable given the volatile situation. The global economy can withstand oil prices of about 100 US dollars per barrel, but they aren't positive. All the more so as the prices of refined products such as diesel, petrol and kerosene have risen more sharply than crude oil prices. For the time being, oil prices don't constitute a reason for us to adjust our outlook or investment policy, but they are something we need to keep an eye on.

Bond yields up

Higher oil prices lead to higher inflation. Based on current oil prices and futures for delivery in the coming months, inflation is expected to rise to about 4% in the US and Eurozone. US inflation stood at 3.4% in August; in September the rate for the Eurozone had already reached 3.8%. Although there are few signs of the high energy prices being passed on in the prices of other goods and services or in wages, the Fed, ECB and Bank of Japan have all raised their policy interest rates. In the US, Fed Chair Warsh couldn't really avoid an interest rate hike following his hawkish remarks at the annual Fed conference in Jackson Hole at the end of August. Fed policymakers even voted unanimously in favour of raising interest rates in September. More interest rate hikes will probably follow. After the interest rate decision, Warsh said he didn't think monetary policy was restrictive and that this interest rate hike only removes part of the accommodative policy. Warsh doesn't issue any projections himself, but his colleagues expect slightly higher growth and inflation. Most policymakers anticipate one further increase to interest rates this year, some two. The market for Fed funds futures has even priced in policy interest rates of 4.8% over the course of 2027, the equivalent of almost four interest rate hikes. We think this is slightly too many. Core inflation has been stable at 3% for months, but the annualised rate has been 2% for the last three months. This doesn't mean the Fed has achieved its target rate, but a downward trend is possible given the low level of wage growth. September's worse-than-expected job growth and an increase in wages of 3%, the lowest since January 2020, have almost certainly averted a further interest rate increase in October. Another

hike in December is likely, but after that we'll have to wait and see how market yields and oil prices evolve.

The Fed follows the ECB and Bank of Japan in raising interest rates



Source: LSEG, Van Lanschot Kempen

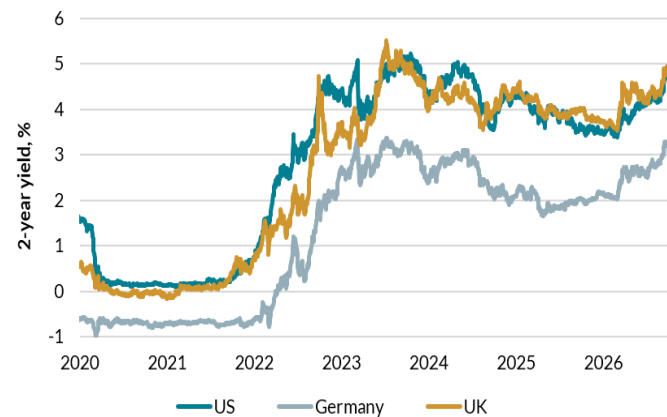
It didn't come as much of a surprise when the ECB raised interest rates in September. Here, too, there's now a higher chance of another interest rate increase later this year. This is because the ECB expects inflation to be above its target rate of 2% for longer. ECB President Lagarde called this interest rate hike a no-brainer. Furthermore, she didn't push back much against questions about future interest rate increases and the expectations the financial markets have priced in for these. The markets anticipate a further three interest rate hikes up to mid-2027. We find this on the high side.

The Bank of Japan has been working to normalise interest rates for slightly longer. Since March 2023, the BoJ has raised its policy interest rates six times, in September to 1.25%. In view of the growing inflationary pressure and solid wage growth, it will probably raise rates again. In the UK, the Bank of England left interest rates unchanged, but it only looks to be a matter of time before it implements another interest rate increase. Three policymakers voted in favour of raising rates and another four said they would want to raise rates if energy prices remain high. That is exactly what they have done since then.

Higher (expected) policy interest rates have an enormous impact on short-term market interest rates. In the US and UK, 2-year bond yields were up by about 0.5 percentage point in September, in Germany by 0.25 percentage point. In the US and Germany, 10-year bond yields were up by about the same amount as their 2-year counterparts. Only in the UK was the upturn in 10-year bond yields smaller than in 2-year bond yields, causing the yield curve to flatten. Ten-year bond yields have now reached levels we haven't seen for almost twenty years. To find the current level of US 30-year bond yields we need to go back as far as June 2002.

These higher levels reflect the higher policy interest rates, but in 2024 the policy interest rates of the Fed, ECB and BoE reached levels far above those currently forecast, while longer-term yields are in fact higher.

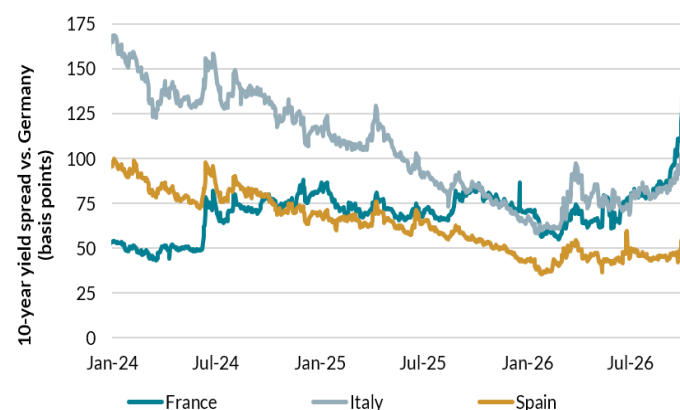
Bond markets expect further interest rate hikes



Source: LSEG, Van Lanschot Kempen

This means that something else is going on. Higher inflation forecasts aren't an issue here. The upturn in bond yields has been driven mostly by real interest rates. Inflation forecasts barely increased in the US and Germany in September and only did so by slightly more in the UK. Concerns about budget deficits play a role. Spreads between France and Germany have widened significantly. At 1.41 percentage points, these are at their highest since the 2009-2012 European debt crisis. France is also paying a higher rate of interest on new bonds than Italy and Spain, although yields have also risen more sharply there than in Germany.

Worrying increase in spreads between France and Germany



Source: LSEG, Van Lanschot Kempen

In the US, this is visible in higher term premiums, the additional yield investors demand for holding long-term bonds rather than short-term ones. It's worth noting here that the term premiums aren't very high. In this case, it looks more like a normalisation from the extremely low levels between 2015 and 2023, when the Fed did everything it

could to keep long-term yields down. Then there's the effect of the high demand for capital for investment in models and infrastructure for artificial intelligence (AI). That leaves us with growth. The US economy grew nominally in the second quarter, so including inflation by 6.3%. Other than during the coronavirus pandemic, this is the highest rate of growth since 2006. And higher bond yields are part of that picture. Nominal growth is less strong in the Eurozone and UK but yields here are in part being pushed upwards by the higher yields in the US.

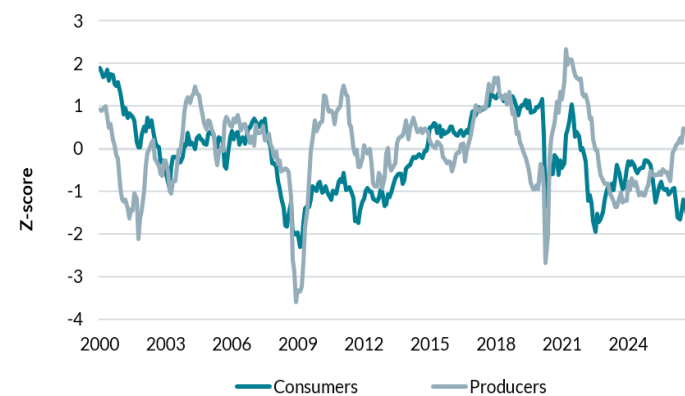
We think that higher bond yields fit the current economic climate of high growth and high demand for capital. Concerns about government budgets play a role here, the situation in France being especially worrying. The French government submitted a budget that aims to reduce the deficit to 5% of the Gross Domestic Product (GDP) in 2027. The question is whether it will succeed in doing so. The government doesn't hold a parliamentary majority, and the 2027 presidential elections are looming large over the debates. This is partly because the electoral power of the populist parties is making it difficult to get unpopular measures through parliament. France will therefore continue to be a source of uncertainty for some time to come. Globally, we think a quite aggressive monetary policy has already been priced in. We therefore believe there's little upward potential for bond yields in the US and Germany.

Global economy continues to grow

In the meantime, the global economy continues to grow as if there's nothing to worry about. In September, the global purchasing manager index (PMI) for industry climbed to its highest level since 2022, when the sector profited enormously from the high demand for consumer goods during the coronavirus pandemic. Industrial businesses are exceptionally positive, especially in the US and several Asian countries. This indicator likewise improved in the Eurozone and is now pointing to growth. In the service sector, sentiment in the US is excellent and the Eurozone has seen a sound improvement. Other leading indicators, such as the ISM indices in the US, Germany's Ifo index and the Economic Sentiment Index in the Eurozone, are similarly pointing to growth. The latter did fall marginally in September though. The scores conceal a striking divergence: manufacturing confidence is strong, but consumer confidence is weak. Consumer confidence was down in the Eurozone in September, although it remains above the recent low of February. This doesn't apply to the US. There, according to the Conference Board confidence fell to its lowest level since 2014. The survey by the University of Michigan shows that consumer confidence is in fact lower than it was when the dot-com bubble burst, during the 2008 financial crisis or the coronavirus

pandemic. The gap between manufacturers and consumers can largely be explained by the AI-related investment cycle and by inflation. Industry is profiting from the surge in investment. Inflation is eroding consumer purchasing power, while larger listed companies can often pass on higher prices. Both in the US and Europe, companies are therefore mostly succeeding in maintaining their profit margins or even increasing them.

Strong divergence in consumer and manufacturing confidence

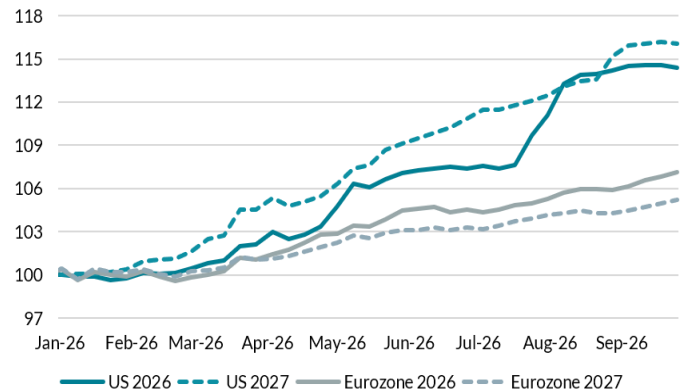


We needn't be too worried about the low consumer confidence. In many countries, consumers have spent more than you would expect based on such confidence levels. Stable job markets and low unemployment rates have helped in this respect. In the US, job growth was marginally worse than expected in September, but the monthly average for this year is much higher than it was last year. This is a boost to incomes, which have a much closer correlation with consumer spending than with confidence. Robust corporate earnings and high investment usually lead to strong employment growth, although this may apply less to investment in datacentres. Precisely because US consumers continued to spend more than initially estimated, growth over the second quarter was revised upwards: from 0.4% to 0.6% versus the first quarter.

Investment policy: preference for equities

Without new corporate results and with the headwind from higher energy prices and rising bond yields, equity markets had a tough time of it in September. We nevertheless anticipate further increases to earnings, thanks to sound real economic growth and in the US high nominal growth as well. While this probably won't be at the same rate as in the second quarter, it should be enough to shore up equity prices. It's telling that analysts in all regions continue to adjust their earnings expectations upwards. They are doing so by a large amount too. In the US, analysts have raised their earnings expectations for 2026 and 2027 by about 15% since the beginning of the year, in Europe by 7% and 5% respectively.

Analysts are raising expected earnings per share

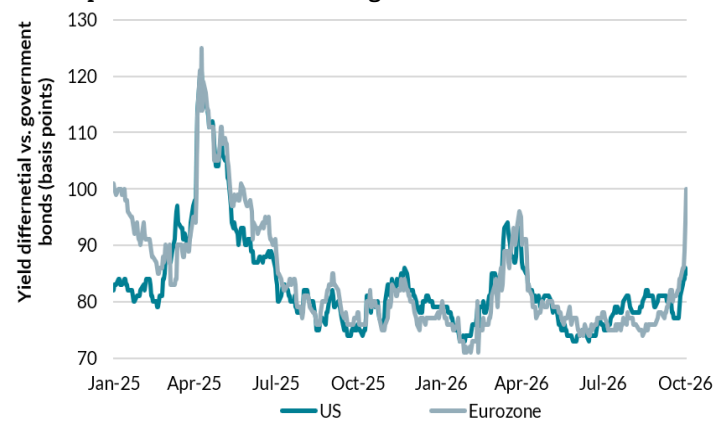


That may seem low, but this is a clear improvement after years of stagnating earnings. In emerging markets, earnings expectations for the coming twelve months are up by 80%. If we compare the growth in these earnings expectations to that of the market indices, we can see that expectations have risen faster than the indices. The upshot is a downturn in price/earnings ratios. Investors are therefore not necessarily projecting current earnings growth into the future. A variety of sentiment indicators aren't pointing to excessive enthusiasm among investors either.

Within bonds, we're shifting our underweight from investment grade credits to government bonds. Higher bond yields make bonds attractive, especially if those yields don't rise any further or even come down. However, given the current picture of growth, inflation, monetary policy, government finances and geopolitical uncertainty we don't anticipate that bond yields will fall significantly. We continue to hold a slight preference for equities over bonds.

The switch from an underweight in investment grade credits listed in euros to an underweight in government bonds listed in euros is prompted by the relative attractiveness of these two asset classes. Spreads between credits and government bonds have widened from less than 0.8 percentage point to slightly over 1 percentage point. We view this additional return as reasonable given our stable economic outlook, but the difference in yields isn't yet high enough to warrant holding an overweight in credits.

Wider spreads between credits and government bonds in Eurozone



Source: LSEG, Van Lanschot Kempen

Tactical outlook

Asset class	
Equities	Overweight
The main reason for our equity overweight is the fact that we anticipate sound economic growth and robust earnings growth. The global economy has proved to be resilient to geopolitical tensions, and leading indicators point to continued growth. Higher energy prices have recently pushed headline inflation up slightly, but the growth in underlying inflation isn't so high that central banks need to intervene to a significant extent. We expect the major central banks to implement a couple of interest rate increases, which won't necessarily hinder economic growth, earnings growth and in turn further upturns in equity prices. Higher oil prices and rising bond yields form the principal risks for equities. We hold an overweight in all regions. Emerging markets are enjoying the strongest earnings dynamics, although this is highly concentrated in a handful of companies. The US and Europe reported comparable earnings growth in the second quarter. US equity valuations are less attractive, despite having improved somewhat recently. Europe and the Pacific region, which depend on e.g. the Middle East and US for their energy supply, have the most to gain from lower energy prices.	
Equity sectors	Overweight in IT Overweight in energy
We've retained our overweight in IT and energy. IT continues to score extremely well on equity price momentum. Earnings growth and revisions in this sector remain exceptionally high. We believe the development and application of AI as well as investment in it will continue. The IT sector enjoys attractive valuations thanks to its high and fast-growing earnings. The energy sector is profiting from the turmoil in the Middle East, especially from the high margins on the refinement of oil products. There's little prospect of an imminent solution to the war in the Middle East, but even when one is found it will take time to restore refinery capacity. Furthermore, demand for refined products will remain high if reserves need to be replenished.	
Government bonds	Underweight
Capital market yields have reached levels that we've not seen in years. There are several explanations for this, including the sound growth, high demand for capital for AI-related investments and a higher rate of inflation than in the period prior to the coronavirus pandemic. Yet deteriorating government finances and less clarity on the Fed's interest rate policy have also played a role. These factors haven't simply dissipated, meaning that the higher yields can largely be viewed as normalisation. We think that the central banks' fairly aggressive interest rate policies have already been priced in, which restricts upward pressure on yields from their current levels. Given the positive outlook for economic growth and corporate earnings, we nevertheless have a slight preference for equities. Within bonds, we find investment grade credits from the Eurozone more attractive than government bonds from the same region.	
Investment grade credits	Neutral
Spreads between investment grade credits and government bonds from the Eurozone widened recently. This makes credits more attractive in relative terms. As a result, we've switched our underweight in bonds versus equities from this asset class to government bonds. However, the difference in yields versus government bonds isn't big enough to warrant holding an overweight in our opinion. Corporate balance sheets are generally sound, and we don't expect these to deteriorate significantly, but the present spreads provide little in the way of a buffer against setbacks. We're marginally more cautious about this asset class in the US in light of the large number of credits being issued by big tech companies. This high demand for capital could push yields up slightly. Furthermore, spreads between investment grade credits and governments are tighter in the US than in the Eurozone. This means that investors there receive lower compensation for the higher risk.	
High yield credits	Neutral
Spreads between high yield bonds and government bonds have likewise widened, in both the US and the Eurozone. Higher government bond yields as well as the increased volatility of yields have made investors rather nervous of high yield credits. We believe this is justified. Companies in this asset class often have higher levels of debt in relative terms than those in the investment grade asset class. Rates for companies in the high yield class also tend to be variable, resulting in higher yields being passed on more quickly. In our view, the wider spreads between high yield credits and government bonds offer a reasonable amount of compensation for the higher risk and we've therefore maintained our neutral outlook.	
Emerging market debt	Neutral
Emerging market debt offers attractive interest compensation, even though spreads between bonds listed in US dollars and US government bonds are tight. Rising US bond yields pose a risk to this asset class, however. An appreciating US dollar is normally negative for this asset class too. Bonds listed in local currency have profited from interest rate cuts by central banks, but we expect a reversal here. On balance, we retain our neutral outlook for this asset class.	

Listed real estate	Neutral
We hold a neutral outlook for this asset class. Vacancy levels are slightly higher in the US than in Europe. In the long term, however, rental growth in real estate will be boosted by a smaller supply of new properties. There appears to be relatively little potential for higher capital market yields. Both the Fed and the ECB may raise interest rates further, but this has already been priced in.	
Commodities	Neutral
The outlook for oil prices remains very uncertain and depends greatly on developments in the Middle East. The high oil prices, extreme weather and El Niño have driven up agricultural prices. The reason oil prices are still below the peak of over 120 US dollars reached in the spring is that a substantial portion of oil supplies is still getting through, the market is counting on diplomatic solutions in the long term, and oil reserves are for the time being providing enough of a buffer against major shortages. Oil prices contain a substantial geopolitical risk premium, but we believe this to be justified by the huge amount of uncertainty. At current price levels, we see no reason to buy gold. Geopolitical uncertainty, concerns about government budgets and purchases by central banks are positive for gold, but higher bond yields make gold less attractive versus bonds. Although in the shorter term a slowdown in Chinese economic growth will have a downward effect on demand for metals and on prices, copper looks especially well positioned in the longer term for structural trends such as the energy transition and AI.	
US dollar – euro	Neutral
The US dollar can profit from its role as a safe haven at times of uncertainty. Interest rate hikes by the Fed could also prop up the US dollar, but we only expect the central bank to take limited action. Concerns about US government finances and the US dollar's role in the global economy could lead to it depreciating. We continue to see enough capital flowing towards the US in the shape of short-term and long-term investments to shore up the US dollar. Nevertheless, given the high US budget deficit and sizeable trade deficit, we don't anticipate an upward trend for the US dollar. On balance, we anticipate a sideways movement in the rate.	

Market review

Equities

	Index	Past month	Past 3 months	From 31-12-2025
Global (MSCI AC)	1135	0.9%	2.4%	17.2%
Developed markets (MSCI World)	4903	0.8%	2.6%	15.9%
Emerging markets (MSCI EM)	1705	1.6%	0.4%	27.9%
United States (S&P 500)	7652	1.6%	3.0%	16.6%
Eurozone (EURO STOXX 50)	406	-3.0%	-0.7%	10.1%
United Kingdom (FTSE 100)	10606	-1.8%	2.6%	11.9%
Japan (Topix)	4109	4.0%	8.1%	26.9%
Netherlands (AEX)	1115	0.3%	4.0%	19.9%

Government bonds (10-year)

	Yield (%)	Past month	Past 3 months	From 31-12-2025
United States	5.3	-0.7%	-3.2%	-0.7%
Japan	3.1	3.3%	2.0%	-1.3%
Germany	3.6	-1.9%	-3.9%	-2.8%
France	4.8	-4.1%	-6.4%	-5.1%
Italy	4.6	-2.7%	-4.8%	-3.8%
Netherlands	3.7	-2.0%	-3.7%	-2.5%
United Kingdom	5.4	-1.3%	-1.9%	0.2%

Investment grade credit

	Yield (%)	Past month	Past 3 months	From 31-12-2025
United States	6.1	-0.5%	-3.1%	0.5%
Eurozone	4.3	-1.5%	-2.6%	-1.2%

High yield bonds

	Yield (%)	Past month	Past 3 months	From 31-12-2025
United States	8.4	-0.3%	-1.2%	3.4%
Eurozone	6.7	-1.8%	-1.8%	0.1%

Emerging market debt

	Yield (%)	Past month	Past 3 months	From 31-12-2025
Hard currency	7.1	-1.3%	-3.2%	2.7%
Local currency	6.5	1.8%	0.4%	5.6%

Real estate

	Past month	Past 3 months	From 31-12-2025
Global	-4.4%	-5.8%	3.7%
North-America	-4.5%	-6.3%	10.8%
Europe	-8.2%	-9.2%	-9.3%

Commodities

	Past month	Past 3 months	From 31-12-2025
Bloomberg index	3.8%	17.0%	37.4%
Base metals	0.9%	5.0%	15.0%
Brent oil (USD per barrel)	103.56	18.5%	42.9%
Gold (USD per troy ounce)	4164	-6.6%	3.8%

Currencies

	Past month	Past 3 months	From 31-12-2025
USD per EUR	1.14	-2.3%	-0.7%

Unhedged returns in EUR as of 30 September 2026. Source: LSEG, Van Lanschot Kempen

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