APRICUS FINANCE

WEALTH MANAGEMENT

July 2025

Geopolitical Risk Retreated As Quickly As It Appeared

Another front of the war in the Middle East was opened by Israel in attacking Iran, with the United States joining for just one day, bombing Iran's nuclear sites. However, the markets were relieved as Iran's answer was very muted, and subsequently the White House essentially imposed a truce on both Israel and Iran.

The S&P rose over 4%, (out of +5% for the month), during just the last week of the month. The Iranian attack on the American Al Udeid Air Base outside of Doha, Qatar's capital, on June 23, came as a response to the American bombing. No casualties, and minimal damage, was recorded: Iran had notified the United States in advance that it would respond. Also, no 'regime change' was sought for the country.

Without a worsening, and/or broadening, of the conflict in the Middle East, stock markets, particularly the US one, reacted extremely positively.

Consequently, the US markets far outpaced the rest of the world over the month, pulled higher by Nvidia, Meta, Microsoft and Amazon, all up by between 7% and 17%, while performance for the other 3 Magnificent 7 was rather muted, and Tesla even fell 8% as the relationship between Trump and Musk continued to worsen.

In Asia, Korean equities were the star performers: the Kospi index rose 14%, in local currency, and over 16% in USD terms: similarly to the US market, it was driven higher by its technology giants. It also led our Asian technology basket higher, as it rose by over 5% for the month, and is up over 24% for the year as at the time of writing.

In addition, during the passage of the budget at the US Senate, the famous 'revenge tax' on foreign investors, that would have taxed dividends and capital gains, got scrapped, with much relief in the US market, which could have seen an exodus of foreign investors.

The US Dollar continued to fall versus major currencies and the Euro gained more than 3% over the month. The attacks on Federal Reserve chairman Powell by The White House intensified. On top of the usual accusation of him being too late to cut rates, this time, he was accused of the mismanagement of the $2.5 billion project to renovate two Federal buildings in Washington. The fear in the market is that Trump could find a way to dismiss him for 'cause', for the (mis) management of the above-mentioned projects.

Last month, we talked about trading the acronyms, such as the now famous "TACO Trade". The reality over the last few weeks has been that markets have been ignoring the barking on tariffs from the White House. They would, however, not ignore the firing of Powell, as it was made clear by the jolt experienced last week as some rumors about it circulated out of The White House.

Trump's latest salvo on tariffs comes as countries across the world deepen their trade and diplomatic relations in the face of US policy volatility. Even India and China are talking to each other in this respect. Just as we expected would happen in a previous edition of the monthly comment.

India's External Affairs Minister Subrahmanyam Jaishankar held talks with his Chinese counterpart during his first visit in more than five years, as the Asian neighbors strive to repair relations strained by the deadly 2020 border clashes. Jaishankar also met with President Xi the following day.

A special note on metals. First on copper: Trump announced a 50% tariff on imports. Since the US imports 50% of the copper it uses, the market instantly adjusted its price in the US: copper is now 25% more expensive in the US than in Europe.

Also in commodities: China just approved a massive 200-billion-dollar infrastructure project: a mega-dam, (three times larger than the already massive Three Gorges one), for a river in Tibet. It lifted - amongst other commodities - iron ore, to a 5 months' high. While obviously being positive for domestic companies, it also lifted global stocks in mining, cement and steel production.

After The German Budget: 'Made For Germany'

First the German budget: it suggests a frontloaded fiscal boost:

- The budget draft for 2025, and the headline numbers for 2026-2029 passed by the German cabinet on June 24, imply a substantial increase in the Federal deficit in the coming years. The government plans a deficit of 3.3% in 2025 and 3.6-3.8% in the following years. This is substantially more than expected, particularly in 2025 and 2026.

- Defence spending is set to increase rapidly to 3.4% of GDP in 2029 - above what was suggested by recent government commentary.

- Budgeted investment spending is meaningfully higher than in the previous medium-term plan.

- Accounting for some under-execution in investment spending, economists are now expecting a growth rate of 0.4% in 2025 and 1.4% in 2026. An alternative scenario, with full execution of investment spending, would deliver an even larger increase in the deficit and a stronger growth boost.

- Their recently approved infrastructure fund, worth €500bn, is comparable to the amount spent on new investment in the US's Infrastructure Investment and Jobs Act in 2021. The key difference is the $550bn in US investment represented just 2.3% of the US economy at the time, while Germany's spending amounts to a massive 11.6% of its economy.

The corporate Initiative 'Made for Germany'.

Just days ago, as part of the initiative — led by top executives, including the heads of Deutsche Bank AG and Siemens AG and coordinated with Chancellor Friedrich Merz's government, members have committed to over 100 billion Euros of new investment in Germany by 2028, according to a statement. The group met with Chancellor Merz to detail the plan.

Together, with money already allocated - the total amount for the period, of €631 billion, that includes both planned and new capital investments, research and development expenditures, as well as commitments from international investors - is meant to send "a strong, positive signal" following outflows in recent years amounting to hundreds of billions of euros.

As well as Deutsche Bank and Siemens, most of Germany's biggest companies have signed up, including BASF SE, Bayer AG, BMW AG, Commerzbank AG, Deutsche Telekom AG, Mercedes-Benz Group AG, SAP AG and Volkswagen AG.

Boosting private-sector investment is critical to reigniting growth in Germany and ending three years of stagnation. The country's key industries, including automotive, chemicals and machinery, have long been contending with high energy costs relative to foreign rivals, as well as bloated bureaucracy both domestically and at the European Union level. Siemens CEO Roland Busch emphasized that the program includes not only both large corporations and financial institutions, but also small and mid-sized companies — which he called "hidden champions" — and startups.

We think this monumental change in direction for Germany will provide a significant tailwind for the whole European economy over the next decade. An additional macroeconomic driver is Europe's easing bias of monetary policy. What is good for Germany is good for Europe.

Taiwan

We mentioned in a previous edition that some of the USD weakness could come from Asia, most notably Taiwan.

With its 12% advance, the Taiwan dollar is Asia's best performer this year. The surge comes as foreign investors snapped up local shares and exporters ramped up their selling of the greenback amid concerns the US currency would keep falling. Repatriation of funds from the island's asset managers also played a role.

The almost unprecedented rally is posing a risk to the island's export-reliant economy and putting pressure on the life insurance industry, which has massive exposure to dollar assets. It's also taking a toll on the island's biggest company, a mammoth whose market capitalization has now grown to 1.2 trillion US dollars — Taiwan Semiconductor Manufacturing Co., which is set to inject $10 billion in capital to shore up currency hedging operations.

Because of the sharp currency appreciation, the island's life insurers are facing significant losses as the move drives down the nominal value of their approximately $786 billion in foreign-currency assets.

As a result, regulators have taken steps to give life insurers more flexibility in using their reserves to cushion the impact. Equally, the central bank has asked foreign speculators to exit bets on the local dollar that have been taken via exchange-traded funds.

Strategy

We continue to prefer Eurozone equities over the US, and are overweight Asia, ex-Japan and ex-Australia.

The Trump administration's policies, including tariff hikes, tax cuts, and pressure on the Federal Reserve, are driving investors away and contributing to the dollar's decline.

Analysis of equity flows shows that international investors are continuing to diversify away from the United States.

At the beginning of the year, we stated that in 2025 we would have had to actively manage the exposure to the Magnificent 7, and that some dispersion in performance was likely in the group. So far this year, as a group, they are lagging the S&P 500 by over 2%. Their performance is not uniform: Nvidia, Microsoft and Meta are up over 20%, Amazon and Alphabet are lagging behind, as Apple and Tesla are down respectively 15% and 19%.

What is now very clear, is that this year you couldn't afford to be wrong on currencies either. At Apricus Finance, we always took an active approach to currency exposure via foreign exchange forward overlays. In this respect, in April, at the start of the trade war, in non-dollar portfolios we cut our exposure to the US dollar down to an insignificant percentage, while dollar portfolios have a significant net exposure to the Euro and other European currencies, such as the Swiss Franc.

We wouldn't obviously go 'net short' a currency, as we are a long-only asset manager.

Equity

We are neutral. We keep an overweight in Eurozone and Asian ex Japan equities versus the US.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt.

Foreign Exchange

The Japanese YEN and the US Dollar exposure is mostly hedged.

Gold

We continue to keep our allocation to Gold.

Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, JPY hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, Health Improving Technologies and Services, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit.

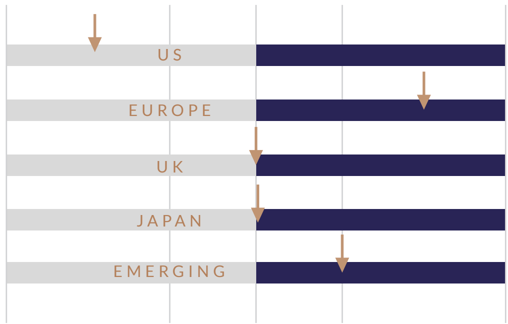
Currencies: Long Turkish Lira against Euro.

Commodities: Overweight

Long Gold.

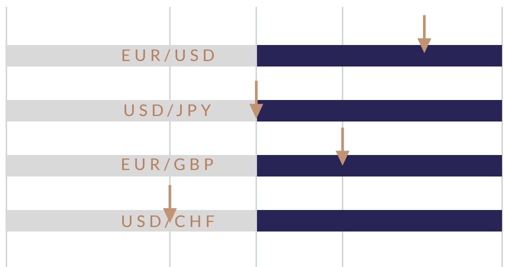
Conviction thermometer

Equities



Bonds

Currencies



Commodities

Negative view Positive view

Market overview as of 30th June 2025

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED USD	2 188,73	2,69%	3,84%	6,80%
US S&P500	6 204,95	3,00%	5,08%	6,20%
MAGNIFICENT 7 (CAP WEIGT.)	173,51	4,25%	7,57%	2,65%
NASDAQ 100	22 679,01	3,77%	6,34%	8,35%
EUROPE EURO STOXX 50	5 303,24	1,56%	-1,10%	11,07%
GERMANY DAX	23 909,61	2,75%	-0,37%	20,09%
FRANCE CAC40	7 665,91	1,70%	-0,86%	6,81%
BELGIUM BEL20	4 476,02	0,80%	-0,23%	7,85%
SWISS MARKET INDEX	11 921,46	0,56%	-2,48%	5,91%
UK FTSE100	8 760,96	0,10%	0,05%	9,45%
RUSSELL 2000	2 175,04	2,05%	5,43%	-1,79%
JAPAN TOPIX	2 852,84	3,45%	1,96%	3,82%
MSCI EMERGING	1 223	3,56%	6,12%	15,52%
MEXICO MEXBOL	57 450,88	2,42%	-0,57%	18,57%
HONG KONG HANG SENG	24 072,28	1,75%	4,10%	22,85%
CHINA CSI 300	3 936,08	2,39%	3,32%	1,37%
INDIA SENSEX	77 414,92	2,26%	2,98%	7,87%
KOREA KOSPI	3 071,70	1,91%	13,88%	29,63%
HANG SENG TECH	5 302,82	2,32%	2,99%	19,68%
AUSTRALIA ALL-SHARE	4 772,78	0,41%	0,48%	9,05%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	377,94	5,69%	7,28%	11,14%
CONSUMER DISCRETIONARY	1 753,81	1,69%	2,23%	-3,87%
CONSUMER STAPLES	897,10	-0,44%	-1,89%	6,40%
ENERGY	648,68	-1,62%	4,85%	0,77%
FINANCIALS	871,95	3,10%	3,19%	9,19%
HEALTH CARE	1 572,52	2,02%	2,05%	-1,11%
INDUSTRIALS	1 249,13	2,58%	3,57%	12,72%
INFORMATION TECHNOLOGY	4 964,64	4,63%	9,77%	8,05%
MATERIALS	556,09	1,18%	2,32%	6,03%
REAL ESTATE	260,30	-1,48%	0,16%	3,52%
UTILITIES	414,79	0,52%	0,31%	9,41%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 622,32	0,54%	-3,94%	-1,94%
CONSUMER GOODS	3 847,16	-2,43%	-6,02%	4,81%
CONSUMER SERVICES	1 399,33	1,48%	-4,90%	-7,27%
FINANCIALS	1 303,17	2,62%	-1,07%	23,73%
HEALTH CARE	3 406,32	-0,75%	-3,08%	-4,26%
INDUSTRIALS	4 784,96	3,57%	1,25%	16,88%
OIL & GAS	1 487,28	-2,88%	3,83%	8,44%
TECHNOLOGY	2 012,73	2,14%	0,86%	5,31%
TELECOMS	673,43	0,03%	-3,16%	13,21%
UTILITIES	2 369,61	-0,92%	1,52%	22,31%

Market overview as of 31st May 2025

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	217,12	0,07%	-0,02%	1,94%
Euro Aggregate	245,81	-0,18%	-0,09%	0,84%
Pan-Euro HY Hedged Eur	465,26	0,10%	0,38%	2,59%
Global Inflation hedged EUR	237,38	-0,16%	1,03%	1,87%
US Corp High Yield	2 264,90	0,89%	1,84%	4,57%
EM USD Aggregate TR	1 260,87	0,94%	1,91%	4,94%
EM Aggregate TR Local Ccy	159,34	1,25%	1,79%	7,09%
EUR Banks CoCo Tier 1	167,06	0,63%	1,46%	4,46%
EU GOVT HEDGED EUR	215,15	-0,22%	0,06%	0,73%
Global Aggregate Hedged EUR	2 554,99	0,29%	0,75%	1,83%

Commodities	Level	5D	MTD	YTD
GOLD	3 303,14	-1,94%	0,42%	25,86%
COPPER	503,00	3,72%	7,54%	24,92%
OIL WTI	65,11	-4,96%	7,11%	-9,22%
OIL BRENT	67,61	-5,41%	5,81%	-9,42%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,1787	1,81%	3,88%	13,84%
GBPUSD	1,3732	1,54%	2,03%	9,72%
USDJPY	144,0300	-1,45%	0,01%	-8,38%
USDCHF	0,7931	-2,41%	-3,56%	-12,60%
AUDUSD	0,6581	1,87%	2,33%	6,35%
EURCHF	0,9348	-0,63%	0,17%	-0,56%
USDCNY	7,1638	-0,21%	-0,49%	-1,86%
USDKRW	1 471,95	1,64%	-2,09%	
USDBRL	6,1774	1,76%	3,45%	-7,55%
USDTRY	39,8135	0,50%	1,57%	12,61%
BITCOIN	107 606,61	3,66%	2,88%	14,82%

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