

Commentary on the Financial Markets

01/26

Global stock markets stagnated in December, but rose strongly for the whole of 2025

The US S&P 500 index fell slightly by 0.05% in December 2025, while the broader MSCI World strengthened by 0.9%. The Christmas season brought the traditional "Santa Claus rally" – the S&P 500 index rose to a new all-time high of over 6900 points. For the whole of 2025, the S&P 500 gained an impressive 16.4%, MSCI World even 20.6% (in local currencies, source: Bloomberg). For Czech investors, however, the weakening of the dollar against the koruna by about 15% reduced real returns.

The FED cut its key interest rate to 3.75% p.a. in December 2025, as part of market expectations, and further rate cuts are expected later this year. The Fed's next meeting is scheduled for the end of January 2026, but no change in rates is expected at this meeting. The ECB and the CNB have not changed rates so far, and the ECB is likely to avoid a rate cut this year, while the CNB cannot rule out further rate cuts, in view of recent comments by Governor Aleš Michl.

The yield on the ten-year German government bond rose slightly to about 2.9% p.a., Czech bonds are around 4.6% p.a. In January and February 2026, we will have a Q4 2025 earnings season, which will bring key signals about the future direction of the market. Corporate earnings are expected to rise and the US rate cut cycle is expected to continue, which should support stock markets. In addition, the tax refund from the Trump Act will bring additional stimulus to the US economy.

Analysts predict that S&P 500 companies will grow their earnings by 15% and their sales will grow by 7.2% in 2026 (source: FactSet). The current P/E of 22.0 is above long-term averages, but still reflects the expected growth.

Transactions in RIS funds

In our RIS fund portfolios, we expanded our exposures in Czech government bonds with longer maturities, realized profits from emerging market bond ETFs, and strengthened higher-yield corporate bonds. On the equity side, we increased our holdings in the Vanguard S&P 500 ETF and Xtrackers MSCI EM Asia ETF, increasing our exposure to U.S. leaders and the dynamic Asian market. We have newly included Bayer shares, which offer interesting growth potential thanks to restructuring and

innovations in the pharmaceutical sector.

Investment strategy and outlook 2026

In 2026, we expect other significant events with an impact on the financial markets. This is mainly a replacement of the Fed chairman, which could bring looser monetary policy and lower interest rates. At the same time, this change could have a significant impact on the further direction of financial markets. The planned IPO of SpaceX, which may be the largest in US history, will also be an important event.

Financial markets will remain sensitive to corporate results and future outlooks, which may lead to higher volatility. At the same time, however, we expect the strong momentum of new technologies and the integration of AI into the real economy to continue to drive growth.

Undoubtedly, unexpected situations will arise, we live in a very dynamic environment, both from an economic and geopolitical point of view. However, any corrections in the markets may present interesting investment opportunities.

We continue to overweight stocks over bonds in our strategies. Regionally, we are weighting North America, reducing exposure in Europe and emerging markets, and slightly underweighting the Pacific. In sectors, we remain predominantly in growth sectors, particularly in Technology, Communications Services, Industrials, Finance and Dividend Equities. In our bond strategies, we maintain a slightly weighted duration in koruna and euro bonds and an underweighted duration in US dollars.

We wish you good health and much success in the new year 2026!

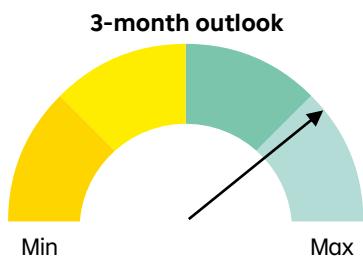
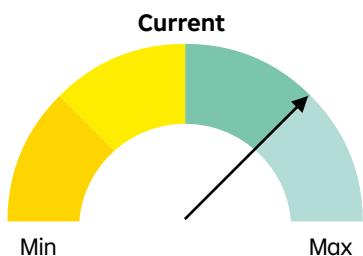


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Investment Strategy Summary

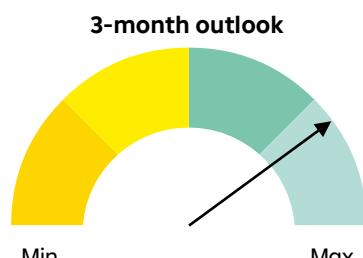
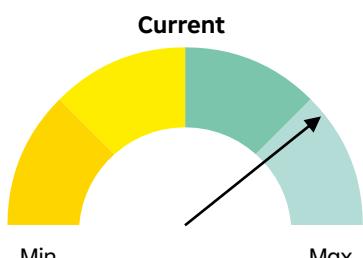
Tactical Allocation

Overweighting of stocks in portfolios



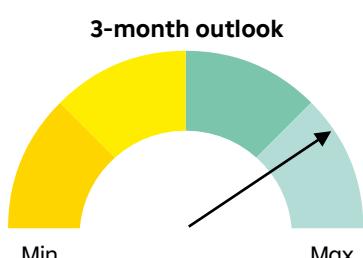
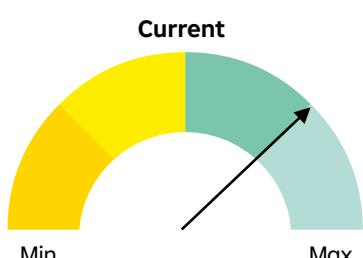
Interest Rate Risk

Average duration of bonds



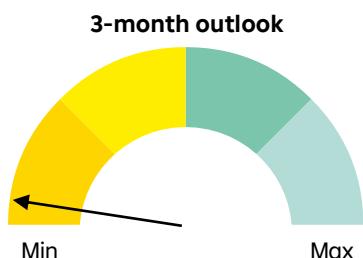
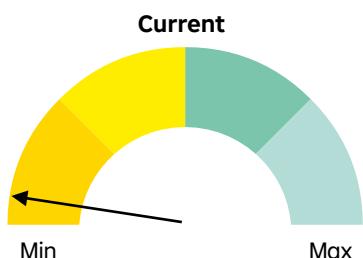
Credit Risk

Share of corporate bonds



Currency Risk

Unhedged positions in foreign currency



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