

CIO View Portfolio: Perspectives



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In our monthly Multi-Asset update we show the implementation of our CIO View in the CIO View model portfolio.

Idea of the month

Steepening curves have been the order of the day in the U.S. and the Eurozone in recent months. Fears of excessively lax fiscal policy and correspondingly high borrowing have spooked the bond markets. Since February 2025, the steepening trend has even accelerated, not least because of the German government's decision to relax the previously very strict debt rules. In the U.S., despite the threat of weaker data and the potential focus on tax cuts arguing for a steeper curve, flattening risks have increased given the risk of stagflation due to Trump tariffs. All in all, while the steepening bias remains dominant on both sides of the Atlantic, we see it slightly more pronounced in the euro curve.

Further curve steepening ahead, more pronounced in EUR



Source: Bloomberg Finance L.P., DWS Investment GmbH as of 5/7/25

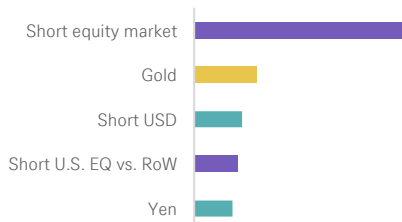
Our take on Duration & Risk

Risk

Economic uncertainty materially increased with expected negative consequences for economic and earnings growth, which are not adequately reflected in current valuations in our view. Given lower GDP growth estimates, consensus EPS, especially for U.S. equities, seem to be too high. Positioning and sentiment have not seen capitulation yet. Looking at technicals, we think equity markets are overbought after the latest rebound, and seasonality usually worsens for equity markets in May / June as well. Therefore, the relief bounce may falter if hard data converges towards weakish soft data.

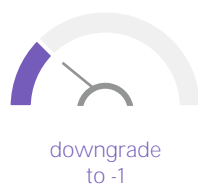
We reduce our risk preference to -1

Top 5 active risks



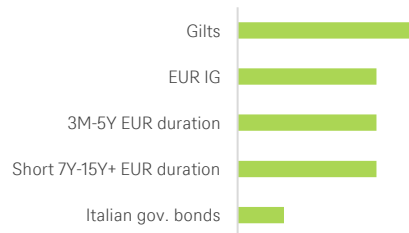
Source: DWS Investment GmbH as of 5/7/25

Overall risk

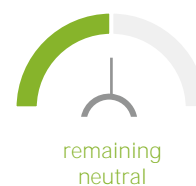


We stick to our neutral duration stance

Active rates risk contribution



Overall duration



Source: DWS Investment GmbH as of 5/7/25

Duration

European fiscal policy is likely to be looser for years, but any positive growth impact would be visible in 2026 at the earliest. Current trade war uncertainties also weigh on markets, supporting rates – particularly EUR duration. We stay neutral in Bunds but with a clear steepening bias. In Treasury yields, the recent decline seems mostly driven by self-inflicted damage to business confidence and, in particular, consumer confidence by the new administration. Overall, the current range of 4-4.5% has held so far, so we are looking for better opportunities when hard data hits screens in Q2.

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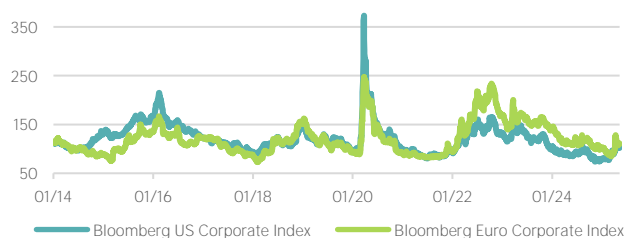
What's up in the segments?

For equities, we lowered our risk preference from neutral to -1

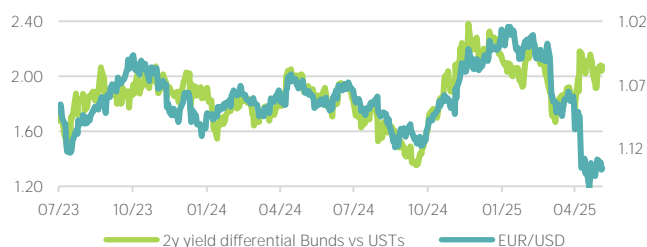
In equities, time has come for tactically lowering our risk preference. We defended a neutral stance early April. Since then, we had a nice "bear-market rally." Especially U.S. stocks, which suffered in the prior March/April correction, benefited from a positive earnings season as well as a more balanced discussion around tariffs. But now, we have again elevated valuation levels in the U.S. combined with weaker economic fundamentals and growing recession/stagflation risks. A prolonged market correction in 2025 is not unlikely. In a seasonally weak May/June, we downgrade our risk preference from 0 to -1. We stick to our "defensive" sector positioning but change our recommendation for communication services from +1 to neutral. The overall market environment for equities remains volatile, especially after the recent run, so we eliminate our style barbell and change "value" from +1 to neutral. MinVol remains at +1. In credit, despite tight spreads and expensive valuations across the board, we still prefer EUR investment grade as fundamentals and demand remain strong at all-in yields above 4%. We stay neutral USD high yield and have upgraded EUR high yield from -1 to neutral. In the currency space, the correlation of USD to economic indicators has broken down after the market questioned the credibility of the U.S. which led to asset reallocation from the U.S. into Europe and Japan. It has become a flow story. We keep our long euro vs U.S. dollar position. On USD/JPY we remain short, as the BoJ policy is still supportive for the yen even after the market has priced out some rate hikes.

Euro and EUR credit remain our favorites

Consider EUR carry, fundamentals and valuations more attractive

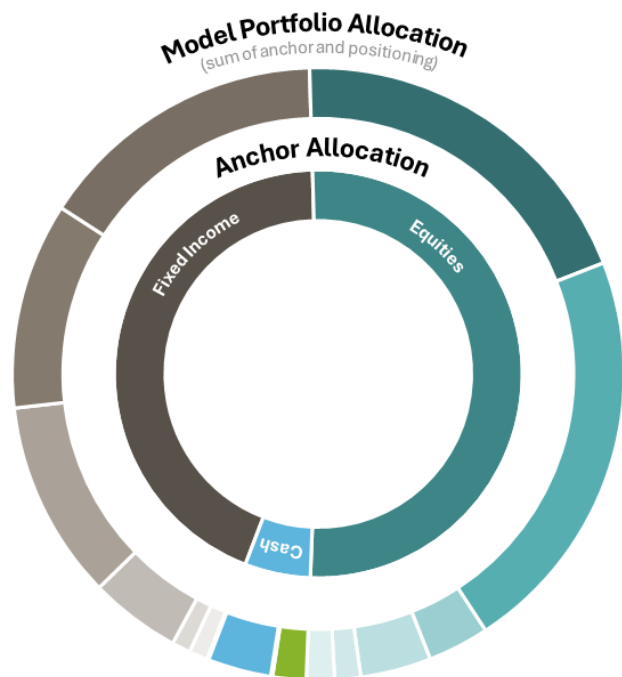


EUR/USD shows itself detached from yield differential



CIO View Model Portfolio positioning vs. anchor

This allocation shows how we implement the above-mentioned CIO View into a Multi-Asset portfolio of liquid securities



Source: DWS Investment GmbH as of 5/7/25

¹ Deviation of portfolio allocation from 100% due to derivatives exposure.

² Including derivatives. This allocation may not be suitable for all investors and can be changed at any time without notice.

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	Anchor	Positioning	Allocation ¹
Equities²	49.4%	-5.3%	44.1%
U.S. equities	24.0%	-5.7%	18.2%
European equities	16.9%	-2.3%	14.6%
Japanese equities	4.1%	1.7%	5.7%
Emerging market equities	4.5%	-1.5%	3.0%
World Healthcare	0.0%	2.0%	2.0%
World Minimum Volatility	0.0%	0.6%	0.6%
Fixed Income	42.9%	2.4%	45.3%
European government bonds	12.0%	-6.2%	5.8%
U.S. Treasuries	11.0%	0.0%	11.0%
EUR IG corporate bonds	11.5%	5.9%	17.4%
USD IG corporate bonds	5.0%	-0.2%	4.8%
EUR high yield bonds	1.0%	-0.1%	1.0%
USD high yield bonds	1.4%	0.1%	1.5%
Asia credit	0.0%	1.0%	1.0%
Global emerging market bonds	0.9%	-0.9%	0.1%
Fixed income derivatives	0.0%	2.9%	2.9%
Commodities	0.0%	2.2%	2.2%
Gold	0.0%	2.2%	2.2%
Ethereum	0.0%	0.0%	0.0%
Cash & currency	7.7%	12.1%	19.8%

Important information – EMEA, APAC, LATAM & MENA

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