Nothing is permanent except change

« Coming together is a beginning, keeping together is progress and working together is success. »
Henry Ford (1863-1947), American industrialist and founder of the Ford Motor Company.

A dramatic and irreversible revolution or "just" a change in ideological direction?

Charles BOK
Chief Executive Officer

Dear clients, friends and readers,

Donald Trump reclaimed the Oval Office on 20 January and, let's face it, he's been impossible to ignore across the media, politics, the economy, and everywhere else!
My intention is not to challenge or dispute anything, but rather to share some thoughts with you about the apparent or actual changes, whether temporary or permanent, in how the world might function, and their implications for the economy in general.

During the four years of Joe Biden's presidency, it became clear that Donald Trump was itching to take back the presidency and swiftly put into action the programme he has relentlessly championed to his voters and the rest of the world.
In a nutshell, his plan is to reduce or eliminate existing federal regulations in various sectors to stimulate the economy and strengthen executive power ("deregulation"), lower corporate taxes, cut government spending by reducing the federal workforce under Elon Musk, substantially tighten immigration restrictions to the United States and, last but not least, launch an all-out trade war by imposing tariffs on a long list of goods imported from many countries because he is furious that the United States' trading partners are not buying enough American products!
All of this is to "Make America Great Again".
Achieving peace between Russia and Ukraine is ostensibly one of his priorities, applying Machiavelli's principle of the end justifying the means.

I am passionate about geopolitics, but the real question is how the markets might react to the actions of the Trump administration.
To try to answer this, we need to recognise the element of bluffing in the American approach, because there is sometimes a gap between words and actions.
One day, President Trump announced 25% tariffs on all goods imported from Canada and Mexico. The next day, he postponed their implementation for more than a month, and the day after that he froze these taxes for the automotive sector under pressure from lobbies.

Since the beginning of the year, we have seen that the US stock market has suffered from the chaos created by the US executive, while the main European stock markets have come out on top, delivering strong performances.
By calling into question the principles of mutual assistance within NATO, the US President seems to have triggered a virtuous chain reaction for Europe, resulting in a record increase in the defence and infrastructure budget in Germany. This decision will be favourable for the European economy as a whole.

We all know that Donald Trump is heavily motivated by deal-making with his trading partners on a wide range of issues to obtain terms that are advantageous to him. And here we come to a crucial point: do you think President Trump is prepared to take the risk of causing an unprecedented global economic crisis and the ensuing financial crash?
History has taught us that a trade war is

In this edition:

Economy - Markets - Strategy: trends | 2
Asset allocation | 3
Indexes | 3
Investment school | 3

always disastrous for all parties involved, without exception.

If Donald Trump's ultimate and sincere goal is to restore strength and pride to the American nation, we could see bilateral trade talks in the coming weeks or months that allow everyone to save face while preserving the confidence needed to drive global economic growth.

We are not there yet, but the US President's obsession with making a success of his gamble and ensuring that the US economy retains its shine makes us cautiously hopeful.

Economy - Markets - Strategy : trends

Fabien PLANCQ
Senior Wealth Manager
Charles BOK
Chief Executive Officer

The first quarter of 2025 was marked by the inauguration of Donald Trump in January. The newly elected president hit the ground running, signing a series of major executive orders relating to his programme measures from his first day in office. Since then, not a day goes by without talk of his latest measures and sometimes completely outlandish ideas. He has also paved the way for trade wars with Canada, Mexico, China and the European Union by announcing tariffs and then postponing some of them depending on his mood and reactions from the countries concerned. This has led to increasing volatility in financial markets. So far, it is mainly the US markets and the dollar that have suffered from the US president's antics. Last year's big winners, the "Magnificent 7" (Alphabet, Amazon, Apple, Microsoft, Meta, Nvidia and Tesla), are experiencing significant sell-offs this year. Investors have returned to more traditional stocks with lower valuations. The European markets, which were also better, have made a comeback.

The clash between the US and Ukrainian presidents in the Oval Office, brought home to European leaders that Donald Trump was unreliable. The President of the European Commission, Ursula von der Leyen, has proposed a "Rearm Europe" plan, including investment of up to €800 billion to relaunch European defence. At the same time, Germany announced a €500 billion special fund to strengthen its military, modernise its infrastructure and stimulate its economy. These initiatives have boosted European markets, in particular the defence and infrastructure sectors. However, this has also led to a rise in long-term yields as market participants now anticipate a sharp increase in the supply of European bonds to finance these various plans.

In terms of interest rate policy, the European Central Bank (ECB) cut its interest rates by 0.25% on two occasions during the past quarter (at the end of January and the beginning of March), taking them to 2.5%. The ECB has therefore already cut its interest rates six times since June 2024. This time, however, it has changed its language on its monetary policy, suggesting that the cycle of interest rate cuts is coming to an end as trade wars and rearmament cause the biggest upheaval in the continent's economic policy for decades.

As expected, the US Federal Reserve did not make any rate changes during the quarter. Rising consumer prices and trade wars are a cause for concern. The resilience of US inflation means that the Fed is likely to maintain its restrictive policy longer than expected, which could dampen the economy and weigh on corporate profits. The next interest rate cut is now expected to come in September, rather than June as previously anticipated.

On the commodities front, gold continued its 2024 momentum with an impressive 19% rise in the first quarter of this year. The yellow metal is popular with investors in the face of escalating trade wars and an uncertain geopolitical climate, while the terms of a ceasefire in Ukraine remain unresolved. Oil, on the other hand, fell slightly by 0.3%. In terms of currencies, the dollar fell by 4.5%.

We begin the second quarter of the year with a significant level of uncertainty about the economy. Part of this uncertainty stems from tariffs.

History has taught us that for a patient investor, timing isn't crucial to securing highly satisfactory returns over the long run.

Donald Trump is likely to end up negotiating trade deals with most of the United States' partners, which could reassure the markets.

Until then, however, we cannot rule out temporarily heightened volatility in the markets.

Recommended asset allocation for a MEDIUM risk investor in EUR

Asset allocation		Currency exposure	
Total individual equities and equity funds (including real estate)	**45%**	**EUR**	**85%**
European equities	22%	**USD**	**12%**
US equities	20%	**Autres**	**3%**
Emerging market and Japanese equities	3%		
Bonds and bond funds	**35%**		
AIFs	**7%**		
Miscellaneous (gold and other commodities)	**5%**		
Cash and money market funds	**8%**		
	100 %		**100 %**

Guidelines for our in-house policy. For many reasons, differences, sometimes substantial, may exist between different portfolios.
Drafting completed on 01/04/2025

Indexes

EQUITIES	2025 YTD
EURO STOXX 50	7,20%
STOXX Europe 600	5,18%
BEL 20	1,66%
S&P 500	-4,59%
S&P 500 Equal Weight	-1,08%
NASDAQ 100	-8,25%
NIKKEI 225	-10,72%
HANG SENG	15,25%
MSCI EMERGING	2,41%
MSCI WORLD	-2,14%

COMMODITIES (in USD)	Gold	Oil (BRENT)	Bloomberg Agriculture
As at 31/12/24	2.624,50	71,72	57,01
As at 31/03/25	3.123,57	71,48	57,55
%	19,02%	-0,33%	0,95%

BONDS	2025 YTD
Bloomberg Barclays Euro Aggregate Total Return Index	-0,90%
Bloomberg Barclays US Aggregate Total Return Index	2,78%
Bloomberg Barclays EM USD Aggregate Total Return Index	2,34%

CURRENCIES	USD	GBP	CHF	JPY
As at 31/12/24	1,0354	0,8275	0,9401	162,7800
As at 31/03/25	1,0816	0,8372	0,9564	162,2100
%	-4,46%	-1,18%	-1,73%	0,35%

Investment school: investing for your children's future: savings account or investment fund ?

Mathias Schmit

Professor of Finance, Solvay Brussels School of Economics and Management
Founder of Sagora Formations

Zoé Guelenne

Writer, Sagora
www.sagora.eu

When it comes to preparing for your children's future, your first instinct will often be to opt for low-risk solutions, such as a savings account. That's because it's a reassuring option with protection of up to €100,000 per person and per bank. But with returns on savings accounts struggling to keep pace with inflation, is this the best long-term strategy?

Savings accounts: not so child-friendly after all?

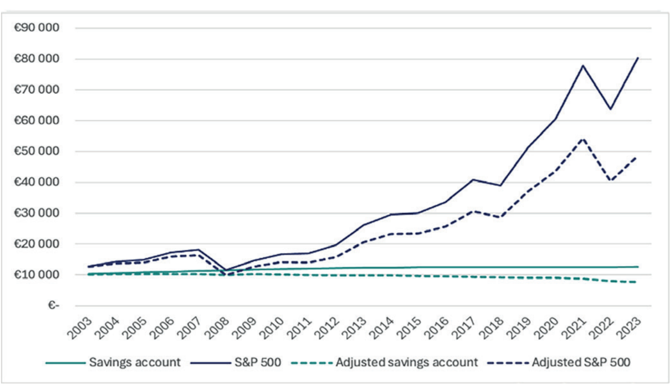
In Belgium, more than 70% of families opt for savings accounts for their children, compared with just 10% who look into alternative solutions such as investment funds. Yet, between 2003 and 2023, the average annual return on savings accounts was a paltry 1.11%, while inflation reached 2%. In other words, savings were not enough to offset the

rise in prices over this period, resulting in a loss of purchasing power.

Poor financial education in Belgium that is costly for savers
The reluctance to explore other savings options is largely down to a lack of financial education. A Febelfin study (2024) found that a lack of knowledge was the second biggest factor holding back investment. Financial concepts are barely touched on in schools and remain vague for many savers, who do not understand the markets and are overly fearful of making a loss.

Case study: how Aunt Agathe invested and beat inflation

Figure 1 – Growth in a €10,000 investment in a S&P 500 fund and in a savings account (2003-2023) compared with inflation-adjusted growth

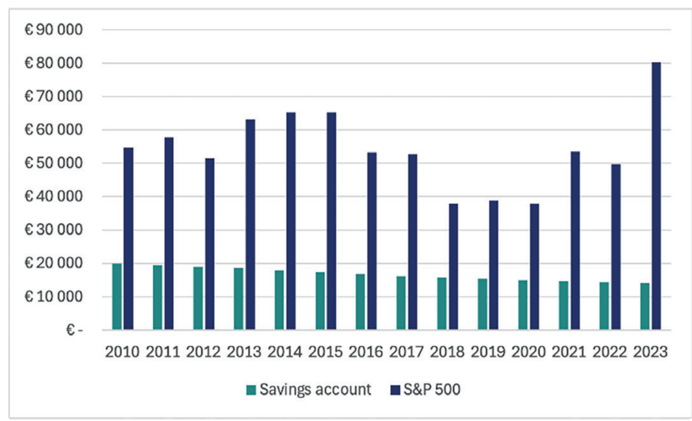


Take the example of Aunt Agathe and Uncle Seraphim. In 2003, each of them set aside €10,000 for their grandchildren: Agathe invested the money in an index fund replicating the S&P 500, while Seraphim put his money in a savings account.

Twenty years on, in 2023, Agathe's investment was worth €80,000, while Seraphim's had barely grown to €14,000. Taking inflation into account, the sums invested in the savings account lost purchasing power, while the stock market investment significantly outperformed the market[1] **(Figure 1)**.

Looking to the long term and diversifying: the keys to success [2]

Figure 2 – Comparison of the 20-year return on a €10,000 investment in a savings account and in the S&P 500 (1990-2003)



Aunt Agathe's success is based on a tried-and-tested strategy that involves investing over the long term and diversifying your investments – both in terms of assets and over time[3]. Volatility is worrying, but is less of a factor in long-term investments. For example, an investment of €10,000 just before the 2008 financial crisis in a fund replicating the S&P 500 would have recovered its value in four years. Moreover, over 20 years, this type of investment systematically outperforms a savings account. While the results vary depending on the first investment year, on average the fund provides an annual return of 10%.

Conclusion: don't let fear and inflation eat away at your returns
The market offers potential to be exploited, but you must first familiarise yourself with its workings and understand your risk profile to take full advantage of it.

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1 *Based on annual returns on Livret A passbook accounts (France), for which historical data is readily available. However, it is important to keep in mind that the average annual return on Belgian savings accounts is even lower than on Livret A accounts (1.11% versus 1.64% on average).*
2 *All investment funds, particularly European ones, which have not necessarily delivered comparable performances. For example, it took more than 16 years for the Euro Stoxx 50 to return to the levels seen before the 2008 financial crisis.*
3 *This temporal diversification, while omitted from our example, is essential to mitigate losses from market fluctuations.*

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LUXEMBOURG
Rue d'Arlon 6 - 8399 Windhof
Telephone +352 45 16 36 1
www.createrra-finance.com

BELGIQUE
Rue du Tabellion 66 - 1050 Bruxelles
Telephone +32 2 346 26 76

For more information
createrra@createrra-finance.com

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Member of
IRIS Finance International Group