

Pension funds letter

Building together smart solutions to face a challenging environment



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A rebooting world: Decoding the changing pension landscape



June marks the return of the annual Amundi World Investment Forum. As multiple conflicting and contradictory global factors converge, this year's event explored how these are **resetting world dynamics** and how **investors can adjust**. How do we interpret the wide ranging effects of the increasingly interconnected relationship between geopolitics and economics? To what extent is the face of diplomacy changing as coordinated decision-making becomes more complicated? How are the pressing climate issues, rapid technological advancements and demographic shifts impacting investment, and what are the **implications** for the way people **invest** or **save for retirement**? These are some of the questions we explored as we discussed the "*Reboot in progress: Playing by New Rules*".

Before the main event, the peer-to-peer sessions gathered together professionals from the same industry to discuss the main trends shaping their sector. As well as exploring the **main retirement themes in 2025**, the assembled pension funds dug deeper into the rising tensions and recent geopolitical developments with our in-house experts. Explore the highlights of the discussions in this edition of our Pension Fund letter.

Continuing the forward-looking focus, our second article shares Amundi's **investment outlook** for the second half of 2025 in this era of shifting geopolitics and policy, with a particular focus on the big themes that pension funds should look out for.

We wrap up the letter by **revisiting climate investing** and how it is evolving, looking in particular at how a public market approach to investing in climate solutions may offer investors diversification and alpha opportunities beyond traditional indexes.

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SOON**



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Sharing perspectives on a world in flux: Exploring retirement trends and geopolitical dynamics together

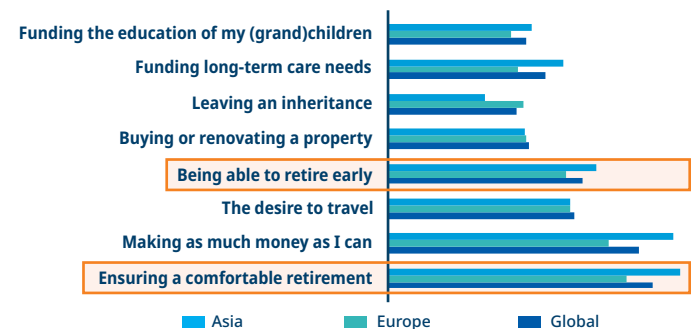
In late June, an exclusive group of professionals from 17 pension funds from around the globe gathered ahead of the annual Amundi World Investment Forum. It provided participants with an opportunity to connect, exchange ideas and participate in discussions on the pressing issues facing the pension industry as we face a world in flux.

Drawing on the results of Amundi’s “Decoding digital investments 2025” report, which surveyed retail investors across 25 countries, discussion kicked-off with taking a step back to look at retirement savings in general, where it ranks in importance for savers and their savings’ expectations.

Investment from individuals is driven by a wide range of factors – but **long-term financial security in retirement is the key motivation for investing globally**, regardless of geography and demographics.

Globally, an average of 41% of respondents cite securing a **comfortable retirement** as their **primary motivation to invest**. Overall, Asia and Scandinavia place greater emphasis on a comfortable and early retirement and funding long-term care needs.¹

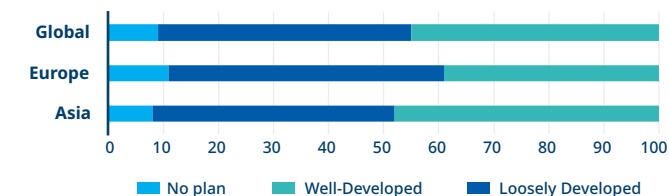
Figure 1: Why clients are saving



Source: Amundi Decoding Digital Investment Report 2025

Yet, despite this underlying incentive, the survey found that **individual investors are still underprepared for retirement**. Many investors hold unrealistic expectations about when they will retire and what income they will need for retirement. Despite the clear importance to investors of all ages to achieve a financially secure retirement, the study shows that only 46% globally have a well-developed long-term plan to achieve their goals (Figure 2).

Figure 2: What is your approach to longer-term financial planning?



Source: Amundi Decoding Digital Investment Report 2025

The study also finds that globally investors expect to require only **55% of their current household income in their retirement**. However, the data shows a **sharp increase in the expectations** from people aged 50+, as the proportion of expected income needed in retirement rises to 65%, reflecting perhaps an increasingly realistic viewpoint on expenditure as individuals near retirement age.

Insight into the trends driving retirement savings and member expectations allows pension funds to better support members in saving for retirement and assist them in better understanding their pension benefits.

1. Amundi Decoding Digital Investment Report 2025 - conducted with a total number of 11,355 retail investors surveyed across 25 countries spanning 4 continents during the period December 2024 to January 2025. Countries interviewed: Austria, Belgium, Brazil, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Netherlands, Poland, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, UAE and UK. <https://www.amundi.com/globaldistributor/article/embracing-new-digital-norm>

Main themes for retirement in 2025

Discussions moved to the themes influencing decision making and investment strategies for pension funds this year. When devising solutions for pension funds, Amundi's experts highlighted **six themes** that are recurrent in our discussions, analysis and planning:

Private markets democratization	Attractive for pension saving due to their long-term return potential, diversification benefits and direct exposure to global transformative trends, new investment vehicles are opening up private markets to retail investors
Decumulation	Individual needs differ and can materially change in retirement. Retirees need to develop a long-term plan to gradually spend down their assets that requires bespoke, dynamic and individualised decumulation solutions.
Longevity protection	Populations are living longer and the duration of retirement is rising. Retirement strategies need to offer individuals protection from running out of money, hedge inflation risk, but also allow individuals to maximise their income.
Personalisation	Individuals expect retirement solutions that fully cater to their needs. New methods must be developed to construct solutions based around an individual's retirement goals.
Government reform and tax incentives	Government reforms often aim to encourage private saving by offering tax incentives for voluntary pension contributions. Well-designed tax incentives can prove to be an effective tool to boost retirement contributions.
Increased need for advice	The shift towards defined contribution pensions transfers the decision-making, and risk, to the individual, highlighting the need for increased information, guidance and financial advice to ensure their retirement saving is sufficient.

Turning to the pension professionals in the room, we asked the attendees what their own **concerns** are for pension funds in this **unsettled environment**. Several themes arose:

- A major concern was the perceived **overallocation to the US**, as well as high idiosyncratic risk within the US allocation. For example, in the MSCI World, the individual weight of certain of the Magnificent Seven stocks exceeds the total weight in Japanese stocks.
- There was a perception that the c. 70% **allocation to the US** today **will not continue**, especially in light of **fast-growing emerging markets** and a European consumer market that rivals that of the US.
- **Private markets** are a **core building block** in the search for yield, but concerns are surfacing about future performance.
- The **transition to defined contribution** pensions, especially in Europe is ongoing and will have profound implications on the pension landscape.
- **Geopolitics takes a centre stage** in guiding investments, but a challenge remains on how to focus on long-term trends, while still managing short-term noise. The consensus was that we are shifting towards a multipolar world.

Geopolitical concerns appeared as a **common theme** from all the attendees, regardless of region, pension structure or provider type. The discussion turned to a deeper look at the geopolitical shifts that are underway, as our experts provided insights into what to look out for on the world stage for the rest of the year.

The Great Diversification is Underway

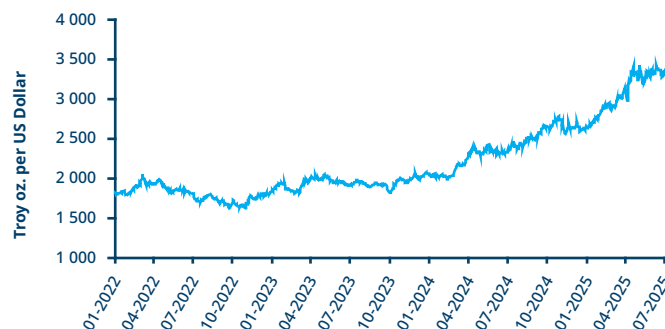
We are now in a riskier, messier, and more fractious world. Many of the shifts we are seeing are not short-term noise, but are **long-term trends**. While the US President is not the cause of the geopolitical shifts underway over the last few years, his administration is **accelerating some drivers**. For example, tariffs are intensifying economic friction, while the reduction of US commitments to Europe's security, and ambitions in space are contributing to a new arms race.

Figure 3: Uncertainty about trade policy has soared to unprecedented levels



Amundi Investment Institute, Bloomberg. Policy uncertainty indexes are from Baker, Bloom & Davis. Daily data as of 21 April 2025.

Figure 4: Gold effects this uncertain outlook



Sources: Based on ECB staff calculations and on data & methodologies from M.J. Kasing and P. Milionis 'Quantifying the evolution of world trade, 1870-1949', *Journal of International Economics*, Vol. 92, 1, January, 2014, pp. 185-197, and from K. Barbieri, O. Keshk and B.M. Pollins, *Trading Data: Evaluating our Assumptions and Coding Rules*, *Conflict Management and Peace Science*, Vol. 26, 5, November 2009, pp. 471-491.

The US continues to **undermine its safe-haven status**, and the **diversification trend** is playing out across asset classes and geographies:

- Central bank reserve managers expect the share of the USD in global reserves to fall to around 55% in the next decade, while the renminbi's share is expected to increase to 5.6%.
- The renminbi has now surpassed the USD in China's cross-border transactions.
- Payment systems and platforms bypassing the USD and SWIFT are mushrooming in Asia and are being developed by BRICS members.
- Gold prices are at an all-time high.
- Demand for Eurozone bonds has been steadily increasing while European assets are attracting more capital flows.
- 64% of Chinese FDI was allocated to emerging markets in 2024, but 53.2% of China's investment in high-income countries was allocated to Europe.

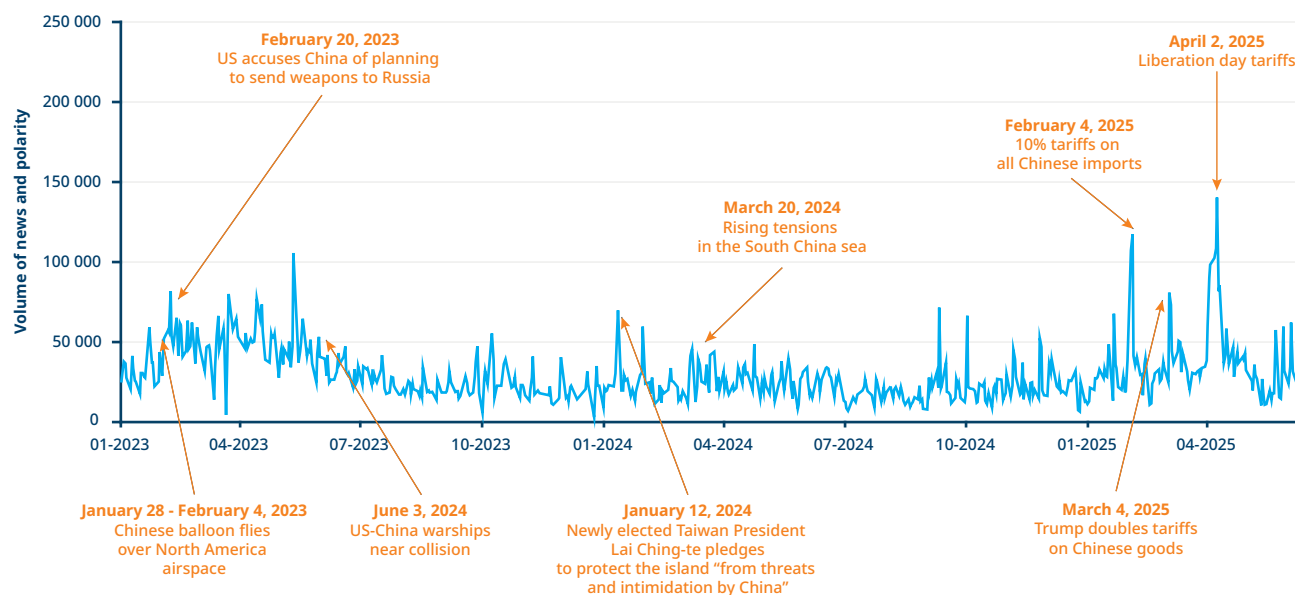
Source: Amundi Investment Institute, Bloomberg, OMFIF, Mercator Institute for China Studies.

The great-power competition with China continues

The US-China relationship will continue to decline for as long as China poses a strategic economic, military and technological threat to the US. Analysis comparing the US and China in various categories ranging from technology to industrial and military capabilities suggests that **China is 'catching up'** with the US in many areas and leading in others (e.g. rare earths).

2027 will be a pivotal year for China's military capabilities as this is when China could take on the US. The US is preparing for this, in particular a naval war.

Figure 5: The US/China Great Power Competition is heating up - US/China bilateral relations tracker



Sources: Amundi Investment Institute, Geopolitical Sentiment Tracker, Bilateral relations - Data as of April 2025

Winners and losers' will not be clear until tariff negotiations and the re-routing process are completed but **Europe is likely to remain a net winner** from US uncertainty. **While political risks remain, Europe is growing more united**, as leaders understand they are stronger together than as individual member states.

Improving EU-UK ties is a case in point. The EU is amplifying its trade relations, as recent deals with the UK and Mercosur, and progress on a trade deal with India, illustrate. There is **momentum towards single and financial market integration** and creating an environment that could make the euro more attractive.

Developments in the Russia-Ukraine war only emphasise the need for Europe to **step up its own defence**. Europe is rearming in the face of the threat from Russia, but funding remains an Achilles heel. Across developed markets, we will see continued fiscal expansion to fund defence capabilities, which add to stagflation risks.

Europe is vulnerable, stemming from increased geopolitical risk and debt concerns: both increase fragility. The EU will have to provide more clarity on how spending needs (e.g. defence, infrastructure, technology) will be funded despite constrained fiscal space. Reforms and reducing bureaucracy are essential to further integration, but political hurdles are abundant.

Conclusion

In a world marked by geopolitical shifts and economic diversification, pension funds must **rethink traditional strategies** to safeguard retirement outcomes. Embracing **private markets, personalised decumulation**, and **longevity risk management** will be key drivers in the years to come. Furthermore, **navigating regulatory reforms** and **enhancing member engagement through tailored advice** will help pension funds meet evolving retirement expectations and **ensure long-term financial security** for their beneficiaries.

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Pension funds themes for an era of geopolitical and policy shifts

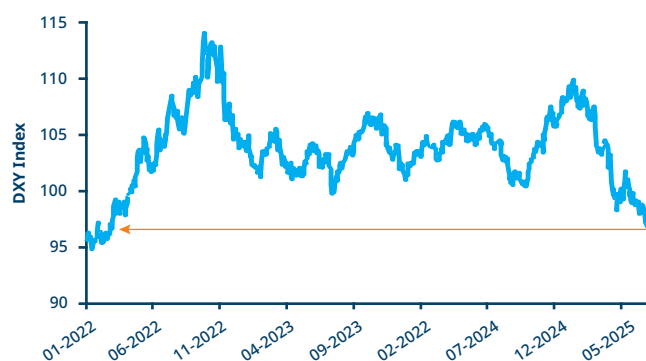
Our short-term outlook for the second half of 2025 highlights significant shifts in the global rewiring of trade and financial markets, alongside historic changes in tariffs and fiscal policy. These developments carry **important implications for long-term investors**, particularly pension funds, for which we see three key investment themes.

First, **inflation remains a central theme**. History shows inflation can be persistent and unpredictable, especially amid geopolitical tensions, shifting trade policies, and evolving fiscal stances. The impact of tariffs on prices is still uncertain, and with the Federal Reserve's data-dependent approach, interest rate easing may be delayed. For investors, it will be key to review the fixed income allocation favouring investment-grade credit in Europe, actively managing duration and exploring opportunities in inflation linked bonds.

Second, we observe a **structural shift in the US dollar's role** (Figure 1) and a likely moderation of US exceptionalism. The dollar's traditional safe-haven status is challenged amid rising uncertainty over long-term Treasury yields, driven by growing deficits linked to recent fiscal policies. This environment calls for a reassessment of geographic diversification and currency exposures within portfolios.

Global investors have already started to reconsider their hefty US exposure and are looking at hedging currency risks. We believe this trend is set to continue, as we expect a weak USD trend moving forward due to high financing needs and reduced appetite from foreign investors.

Figure 1: The dollar dropped to its lowest since 2022 in its worst first-half drop since 1973



Source: Amundi Investment Institute, Bloomberg. Data as of 15 July 2025.

Finally, the **shift toward alternative and private markets** has accelerated in past years and demand is set to remain strong. With substantial fiscal stimulus in Europe and the US, alongside rising investment needs for strategic autonomy and the energy transition, private capital will play just to avoid increasingly twice vital role, but selection is becoming increasingly relevant. Infrastructure and private debt are, in our view, the most appealing asset class in the private market space.

Pension funds that **anticipate and adapt to geopolitical and policy changes** will be better equipped to fulfil their fiduciary roles, ensuring **consistent, risk-adjusted performance** for their members.

Main Convictions for H2 2025



Monica DEFEND
 Head of Amundi
 Investment Institute



Vincent MORTIER
 Group Chief
 Investment Officer

1

The toll of tariffs and fiscal policy on the US economy

We expect US real GDP growth to slow to 1.6% in 2025, largely due to weakened private demand. Higher tariffs will raise prices, dampening consumer sentiment and spending, while uncertainty will weigh on investment. Although fiscal measures and deregulation may provide some relief, the impact is likely to be limited, with average tariffs around 15% (as per our base case) leading to economic losses and a temporary resurgence in inflation.

2

Higher geopolitical risks call for greater diversification

A more contentious geopolitical environment, with the US administration contributing to rising tensions through tariffs and reduced commitments to European security. This could further unify Europe, with leaders recognising the benefits of collective negotiation as they seek to diversify trading partners through new trade agreements. The US-China relationship is set to deteriorate further, though both nations will seek to avoid escalation. In this environment, diversification away from US assets is set to continue, favouring European assets.

3

Asset allocation: mildly pro risk, adjusted with inflation hedges

Despite the sub-par growth outlook, we do not anticipate an earnings recession, as businesses show resilience. This, coupled with the Fed's anticipated rate cuts, supports a mildly constructive asset allocation with inflation protection. Global equities favoured with a focus on valuations and pricing power, along with commodities, gold, and hedges against growth and inflation risks stemming from geopolitical uncertainty. Infrastructure investments can offer stable cash flows. Currency diversification will be crucial amid shifting correlations.

4

Tipping point in bonds will favour European credit and EM bonds

Investors will demand a higher premium for US Treasuries, amid uncertainty on trade policies, rising public debt, and substantial bond supply. In developed markets, long-term yields will remain under pressure. Central Banks cutting rates will continue to support short-dated bonds, driving yield curve steepening. Investors will seek diversification across markets, favouring Europe and EM debt. Continue to play quality credit, with a preference for euro investment grade (financial and subordinated credit).

5

For equities, tariff impacts will drive sector selection

Equities may generate low single-digit returns in the second half, but rotations will continue. Europe's appeal is likely to become a structural theme, favouring also small- and mid-caps, where valuations remain highly attractive. Globally, sector selection will be key. We favour domestic and service-orientated sectors to reduce the risk from tariffs, with a focus on themes such as US deregulation, European defence and infrastructure.

6 | India and EM are winners from the rerouting shift

Emerging market equities will be favoured in H2 2025, driven by recovering macro momentum and stabilising inflation. As US exceptionalism fades, India and ASEAN are emerging as key beneficiaries of the global supply chain rerouting. With a focus on domestically-orientated sectors, these markets are not just manufacturing hubs but dynamic growth engines, poised to capitalise on structural shifts and expanding consumer bases.

7 | Keep on diversifying with real and alternative assets

Extra selectivity is required given the surge of capital being invested in these segments. Overall, a challenging geo-economic backdrop will boost diversification through private assets, benefitting resilient domestic stories. Private debt and infrastructure are expected to remain the most attractive.

Private diversification still attractive

With **Jean-Baptiste BERTHON**, Senior Investment Strategist, Amundi Investment Institute and **Dominique CARREL-BILLIARD**, Global Head of Real & Alternative Assets.

While noise from policy shifts may decrease after the summer, we expect uncertainty to remain high, leading to above-par volatility. Tariffs might become more targeted, potentially denting global growth. However, a **recession is likely to be avoided due to the shift toward more business-friendly policies in the US** as Trump starts to eye the mid-term elections. Inflation is likely to remain uncertain due to policy changes in trade, fiscal stance, and immigration. This may delay Fed easing, while other central banks should have more flexibility to act.

We thus anticipate increased corporate activity and deal flow, albeit constrained, with a gradual recovery in corporate risk appetite. Liquidity and credit conditions are expected to stay healthy, although US interest rates could remain elevated longer than in other regions. **Investors will likely become more selective, with differentiation between segments affected by policy shifts and those that remain insulated. Investors will continue seeking enhanced portfolio diversification, benefiting private assets.** We expect the industry to further adapt to growing demand with new means, such as evergreen funds or secondaries, to provide more liquidity and dynamic allocations. Selectivity will be the name of the game amid huge capital flows into these markets.

Private Markets views for H2 2025

	Infrastructure	Private equity	Private debt	Real Estate
2025 outlook	+	=	+	+/=
Inflation protection	++	=	++	+
Diversification benefit	+++	+	+	++

Source: Amundi Investment Institute, as of 11 June 2025.

Emerging markets

With **Alessia BERARDI**, Head of Emerging Macro Strategy, Amundi Investment Institute and **Debora DELBÒ**, Senior EM Macro Strategist, Amundi Investment Institute.

Equities

We maintain a **positive outlook**, driven by recovering macro momentum, stabilising inflation, and central banks on an easing path. While growth remains positive and earnings decelerate to low single digits, the key narrative is the fading US exceptionalism, highlighted by a weakening dollar and declining trust in US policy, which enhances the attractiveness of emerging markets (EM) through repatriation and diversification flows.

The pending sectoral tariffs present risks, but they also fuel localised supply chain initiatives that benefit EM.

We favour **selective positioning in domestically-orientated sectors across regions**: Turkey and South Africa offer compelling domestic consumption plays in retail and automotive, while undervalued Asian markets like South Korea, Indonesia, and Philippines present opportunities, with the latter two backed by young demographics and expanding middle classes. Commodity price stabilisation limits support for Latam exporters, reinforcing our preference for **domestic industries that benefit from reduced foreign competition**.

The rerouting of global supply chains continues to shape EM dynamics and underscores the importance of EMs not just as **manufacturing hubs but as dynamic markets with growing consumer bases**. Against this backdrop, EM equities are well-positioned to benefit from structural shifts, provided investors focus on resilient sectors and countries adapting to global economic realignments.

Bonds

EM bonds to **benefit** from the emerging-developed market **growth differential** and **dollar weakness**.

The outlook for both **hard currency and local currency**, is **cautiously optimistic for the next six months**. Several factors, including moderating inflation, improving economic momentum and easing monetary policy, are expected to maintain a favourable environment for these assets. A weaker US dollar is also expected to benefit EM. However, challenges such as geopolitical tensions and trade tariffs continue to pose significant concerns, through a reacceleration of inflation.

Hard currency bonds are likely to **benefit from the growth gap between EM and Developed Markets (DM)**. EM bonds still offer **yields that exceed those of DM**, providing a **buffer against the volatility of US Treasury yields**, which is on the rise. Although the spread between EM yields and US Treasuries is tight, the high **carry environment offers some protection against potential losses**. **Default rates** are expected to **remain contained**.

Favoured countries are those with strong fiscal discipline, stable political conditions, and improving credit profiles. Average inflation in EM is expected to stabilise in H2 2025, with a potential peak in the first quarter of 2026 due to base effects. This scenario could support bonds issued by Brazil, Mexico, Colombia, and South Africa, where real interest rates are attractive.

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Looking beyond the headlines: Climate investing can unlock opportunities and diversification

The election of Donald Trump may have been accompanied by significant media and political narrative around climate initiatives, but many institutional investors continue to assess the extent to which their portfolios are exposed to climate risk, or conversely, whether alpha opportunities exist in investing in companies providing solutions to climate risk.

Box 1 Pension Funds push forward on climate goals despite backlash

“ At a time of resistance to environmental, social and governance goals, pension funds have become a bulwark against efforts to sideline climate risks.

In the past few months, some of the largest banks and asset managers in the United States have quit net zero networks, the climate groups that encourage their members to set ambitious carbon reduction targets and collaborate internationally on sustainability efforts.

At a time of growing backlash to environmental, social and governance goals and investment strategies, **pension funds, particularly in blue states and Europe, have emerged as a bulwark against efforts to sideline climate-related risks.**

The funds, which sit at the top of the investment chain, have stepped up engagement with asset managers and companies on climate goals and have kept public commitments to use their fiscal might to reduce carbon emissions. In some cases, that has meant shifting to European asset managers, which have not backed off on climate commitments as much as their American counterparts have. ” *

* New York Times. Published March 29, 2025. <https://www.nytimes.com/2025/03/29/business/dealbook/pension-funds-climate-esg.html>

Concurrent with this has been a **surge in demand** for climate-related **private market** investments. The lure of the ‘illiquidity premium’ and a correlation differential to traditional asset classes is driving this and some of our peers (asset managers) continue to pivot their business models to private investments (credit, equity, infrastructure, etc.).

Private markets however come with many **complex considerations** (fees/costs, excessive valuations, tough exits, high levels of dry powder and drawn out calls on capital, etc.). At KBI, we continue to advocate for a **public market approach to climate investing**, given the diverse benefits offered to investors. A climate allocation in the public market space can improve **diversification** as well as introduce **differential sources of return** for pension funds. This is a fast and efficient way of **aligning** investment portfolios to the **climate** or **sustainability goals** (see Box 2) held by a large cohort of institutional investors, primarily public and large corporate pension funds.

Diversification does not guarantee a profit or protect against a loss.

Box 2 The Public Market Diversification Dilemma

“ A growing majority of large asset owners incorporate sustainable investment goals into their investment policies. Seven in 10 large asset owners (70%) now incorporate sustainable investment goals into their investment objectives, a seven-percentage-point increase since last year. **Large asset owners with more than US\$20 billion in AUM are more likely to incorporate sustainability goals, with 81% including them in their investment policies.** Among smaller asset owners, 64% have incorporated sustainable investment goals.

Large asset owners are still materially increasing their allocations to sustainable and impact-focused funds, even though the rate at which large asset owners are increasing their allocations has fallen year over year. In sustainable funds, 24% of large asset owners say they intend to increase their allocations over the next 12 months versus only 8% that intend to decrease allocations. Twenty-nine percent say they expect to increase their exposure to impact strategies versus only 1% that expect to decrease. **European large asset owners are much more likely to invest, with 32% expecting to increase allocations, compared with 13% that expect to decrease theirs.** ”*

* Mercer Investment's Large Asset Owner Barometer 2025, a survey covering 74 large asset owners, collectively \$2trillion of assets, from more than 16 countries.

Many investors have become increasingly **concerned** about **concentration risk** in their global equity portfolios in recent years. The objective of asset allocation is to balance risk and return by diversifying investments across different styles, strategies and assets. The ability to achieve diversification is challenging given the extent to which equity market cap indices have been **dominated** by a small cohort of **Tech stocks** in recent years. The same IT/Consumer Discretionary/Commercial Services stocks dominate the MSCI World Index, MSCI Quality Index, Growth Index and, at various times, Momentum Index.

As the tech stocks have low scope 1 & 2 carbon emissions, these names also dominate the Climate Change Indices. Yes, investors can lower their portfolio carbon emissions by increasing exposure to these names, but that comes with two caveats:

1. It **increases concentration risk** which runs contrary to improving diversification.
2. Most of these companies are **not providing** actual **climate solutions**.

That concentration risk will have worked well for investors in recent years. As a result, any ex-post analysis done today may well suggest that it is a good allocation decision to, for example, add exposure to a tracker of the MSCI World Climate Change Index. An ex-ante analysis may not be as positive. Either way, it runs counter to the concept of incorporating different sources of return into your portfolio.

Companies providing **climate solutions have long-term tailwinds** driving their business models. They are **under-analysed** by the research community and hence offer more **inefficiencies for active management to exploit**. These companies are typically **under-represented** in market cap weighted indices and as a result, it is KBI's conviction that an allocation can **improve** the overall **risk-adjusted return profile** of a portfolio.

Our approach at KBI

Twenty-five years ago, KBI, identified the world's **most critical resources** being at the fore of climate-related impact, that is the nexus of **food, water and energy**. As our most critical resources, identifying companies **providing solutions to these supply/demand imbalances** seemed an opportune way to identify the potential winners. KBI's Global Solutions Strategy allocates across this nexus and today **offers investors exposure to multiple end-markets**, many of which are at the forefront of **climate mitigation, adaptation, resiliency and remediation**. Not only does this provide an alpha opportunity, it also offers exposure to **differentiated sources** of return. The strategy provides diverse exposures across styles and market-cap, whilst being underweight mega-capitalised sections of the market.

Diversification does not guarantee a profit or protect against a loss.

KBI Global Solutions Case Study

What the strategy delivers	Balanced exposure to solution providers active in the areas of water, clean energy, energy efficiency and food. Also provides exposure to climate mitigation & adaptation, sustainability and impact.
Client	Pension fund of global intergovernmental organisation
Mandate requirements	Climate impact allocation within global equity portfolio. Segregated mandate. Knowledge-sharing and customised screening on impact issues.
Benchmark	MSCI ACWI
Process	Multiple meetings leading to invitation-only extensive RFP. On site due diligence completed June 2024.
Other types of current searches where we see interest in GRS	<ul style="list-style-type: none"> – Global Thematic Equity for alpha generation purposes – Climate Action – Impact – Sustainable
Sample current institutional clients/ investors invested in GRS	<ul style="list-style-type: none"> – Sub advisory mandates for Canadian (Thematic Alpha) mutual funds sold in all channels including institutional – Allocations from several Foundations who are attracted to ESG credentials and impact – Pension Funds – Shortlisted by SWF Climate Action Mandate – Strong engagement from several public pension plans

There is a strong pipeline of activity and leads for the five KBI climate strategies – from China to South America to Europe. The products are highly rated, differentiated and managed by a specialist team renowned in the Climate Impact space, resulting in a strong conversion rate where relevant opportunities arise.

2025 Mid-year Outlook Main and alternative scenarios

SCENARIOS FOR 2025	PROBABILITY 20%	PROBABILITY 70%	PROBABILITY 10%
	DOWNSIDE RISK SCENARIO Fragmented stagflationary environment	AMUNDI MAIN SCENARIO Sub-par growth with sticky inflation	UPSIDE RISK SCENARIO More disinflation with productivity gains
Scenario	Geopolitical and/or trade war escalation (back to Liberation Day), severe supply chain disruptions, profit recession, and impact on labour markets. Upside risk to the US deficit due to further deterioration from lower growth.	Although in a significantly higher tariffs world (with average US tariffs at 15%), policy uncertainty subsides over time, with an orderly relocation of supply chains. Growth decelerates without major setbacks. US deficit around 6.5%.	Policy uncertainty subsides significantly, driven by a recovery in global trade dynamics; disinflation enables monetary policy normalisation. (With average US tariffs below 10%). Downside risk to the US deficit due to stronger growth.
World GDP	2.6-2.8%	2.8-3.0%	3.1-3.3%
US GDP	1.0%-1.3%	1.4%-1.8%	1.9%-2.1%
Euro GDP	0.3%-0.7%	0.8%-1.0%	1.2%-1.5%
China GDP	3.5%-4.0%	4.0%-4.5%	4.6%-5.0%
US CPI	3.2% - 3.5%	2.8% - 3.3%	2.4% - 2.7%
Euro CPI	1.5%-1.8%	1.8% - 2.2%	1.8% - 2.2%
China CPI	(-0.7%) - (-0.4%)	(-0.4%) - 0%	0% - 0.5%
Fed rate	3.00%	3.75%	3.75%
ECB rate	1.0%	1.5%	1.50%
Investment Implications	<ul style="list-style-type: none"> • Risk off • Inflation linkers • Gold • Cash 	<ul style="list-style-type: none"> • Mildly risk on • Positive on equity, credit IG, cautious HY • Tactical on duration 	<ul style="list-style-type: none"> • Risk on • Positive on equity, credit IG and HY • Neutral duration

Amundi Investment Institute, IMF, Bloomberg. The table shows reference projections based on information available as of 10 June of 2025. Assumptions on tariffs as of 10 June of 2025, at face value, tariffs are 10% universal, 30% on China (20% Fentanyl and 10% reciprocal); under the section 232, 25% sectoral tariffs on Auto & Auto Parts, 50% on Steel and Aluminum (since the 4th of June). Sectoral tariffs on Canada and Mexico only for non-USMCA-compliant imports.

Factors to monitor



Credit stress
due to policy lag effects leading to defaults



Liquidity risk
in private credit amid rising complexity, deregulation and strong bank and non-bank linkages



Real estate stress
on commercial banks and consumers



Volatility spikes
for valuation reset and/or carry trade reversal

Amundi asset class views

Asset Class		---	--	-	-/=	=	=/+	+	++	+++
EQUITY PLATFORM	United States				◆◆					
	US equal weighted					◆ →				
	Europe							◆		
	Japan						◆			
	China					◆ →				
	EM ex China						◆ →			
	India						◆ →			
FIXED INCOME PLATFORM	US Duration					◆ →				
	EU Duration						◆			
	UK Duration							◆		
	Japan Duration			◆						
	US IG Credit					◆				
	US HY Credit			◆						
	EU IG Credit							◆		
	EU HY Credit					◆				
	EM bonds HC							◆		
	EM bonds LC								◆	
OTHER	Gold						◆			
	Oil					◆				
	Currencies (USD vs. G10)				←◆					

◆ Stance at June 2025

→ Expected direction of views for H2

Source: Summary of views expressed at the most recent global investment committee (GIC) and updated as of 11 June 2025. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. FX table shows absolute FX views of the GIC.

To go further: The Amundi Research Center

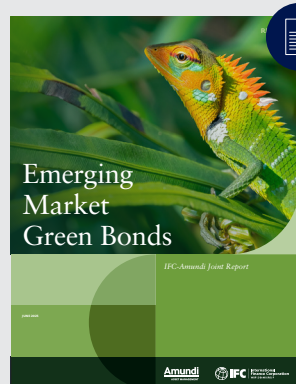


Amundi Investment Institute, our story

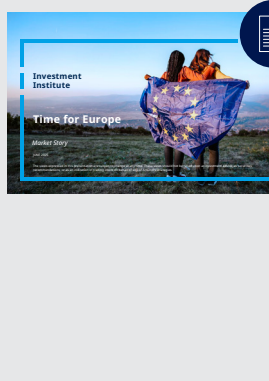
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2025 H2 Outlook



IMPORTANT INFORMATION

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