PFI Monthly

Delivering Knowledge That Matters.

4 April 2025

Analyst team

Lukáš Baloga
Martin Bosák
Andre Chelhot, CFA
Adam Friedl
Diana Hricišáková
Ondřej Koňák
Matěj Kumstýř
Radek Jirků
Tamara Lorencová
Michal Mesík
Adrián Páleš
Tomáš Pfeiler, CFA
Štěpán Pírko
Jana Přílučíková, PhD
Michael Schulz, CFA
Martin Skákala
Michal Stupavský, CFA
Vojtěch Šikl
Lukáš Štieber
Peter Šulan
Ilona Švihlíková, PhD

Editors

Jonáš Kotyza
Chairman of the Board of Directors

Tomáš Somogyi
Vice-Chairman of the Board of Directors

Prague Finance Institute

Content

Financial markets monthly dashboard

Source: Bloomberg; Michal Stupavský, CFA

	March	1st quarter	12 months change	Last value
Dollar index DXY	-3.2%	-3.9%	-0.3%	104.21
EUR/USD	4.3%	4.5%	0.2%	1.082
EUR/CZK	-0.2%	-0.9%	-1.3%	24.97
USD/CZK	-4.0%	-4.8%	-1.4%	23.08
Global stock markets (MSCI All Country World)	-4.1%	-1.7%	5.6%	
Developed stock markets (MSCI World)	-4.6%	-2.1%	5.6%	
Emerging stock markets (MSCI Emerging Markets)	0.4%	2.4%	5.6%	
Frontier markets (MSCI Frontier Markets)	3.0%	5.9%	3.3%	
Global stock markets - Value (MSCI All Country World Value)	-1.3%	4.2%	6.1%	
Global stock markets - Growth (MSCI All Country World Growth)	-6.9%	-7.0%	5.0%	
Global stock markets - Large Cap (MSCI All Country World Large Cap)	-4.4%	-1.9%	6.3%	
Global stock markets - Mid Cap (MSCI All Country World Mid Cap)	-2.8%	-0.4%	1.7%	
Global stock markets - Small Cap (MSCI All Country World Small Cap)	-3.5%	-4.4%	-2.2%	
US (S&P 500)	-5.8%	-4.6%	6.8%	5612
US (Magnificent 7)	-10.2%	-16.0%	19.7%	
US (S&P 500 Equal Weighted)	-3.6%	-1.1%	2.2%	
US (NASDAQ)	-8.2%	-10.4%	5.6%	
Non-US stocks (MSCI All Country World ex-US)	-0.6%	4.6%	3.5%	
Europe (STOXX Europe 600)	-4.2%	5.2%	4.1%	
Japan (MSCI Japan)	-1.5%	-5.4%	-5.2%	
Emerging Asia (MSCI Asia ex-Japan)	-0.2%	1.4%	9.1%	
China (MSCI China)	2.0%	14.8%	35.6%	
India (MSCI India)	6.8%	-3.3%	4.2%	
Latin America (MSCI Latin America)	4.3%	11.4%	-18.6%	
Central Europe (CECEEUR)	3.1%	20.5%	25.1%	
Czech Republic (PX)	6.6%	19.7%	39.0%	2107
Global bond markets (Bloomberg Global-Aggregate)	0.6%	2.6%	3.0%	
Global government bonds (ICE BofA Global Government index)	0.6%	2.6%	1.9%	
US Treasuries (Bloomberg US Treasury index)	0.2%	2.9%	4.5%	
US Treasuries with maturity over 20 years (Bloomberg US Treasury 20+ Year index)	-1.2%	4.6%	0.1%	
Global investment grade corporate bonds	0.6%	2.8%	4.8%	
Global speculative grade corporate bonds (high-yield)	-0.3%	1.8%	8.9%	
EUR investment grade corporate bonds	-0.9%	0.2%	4.4%	
EUR speculative grade corporate bonds (high-yield)	-1.0%	0.6%	7.6%	
Czech government bonds (Bloomberg Czech Govt All > 1 Yr Bond)	-0.6%	1.0%	3.0%	
Average global bond yield (Bloomberg Global-Aggregate Yield To Worst)	0.08%	-0.06%	-0.12%	3.62%
US 10 year government bond yield	0.00%	-0.36%	0.00%	4.21%
US 2 year government bond yield	-0.11%	-0.36%	-0.74%	3.88%
Germany 10 year government bond yield	0.33%	0.37%	0.44%	2.74%
Germany 2 year government bond yield	0.02%	-0.03%	-0.80%	2.05%
Czech Republic 10 year government bond yield	0.24%	0.07%	0.27%	4.29%
Czech Republic 2 year government bond yield	-0.06%	0.02%	-0.33%	3.48%
Average global investment-grade credit spread	0.07%	0.08%	-0.03%	0.97%
Average global high-yield credit spread	0.53%	0.48%	-0.04%	3.77%
Global commodity markets (Bloomberg Commodity Total Return)	3.9%	8.9%	12.3%	
Crude oil Brent	2.1%	0.1%	-14.6%	75
Copper	3.4%	11.6%	10.1%	9679
Gold	9.6%	18.2%	40.8%	3123
Silver	10.9%	18.4%	38.9%	34.6

Interview

Tomáš Kozubek, Founding Partner, TARPAN Group

Your company, TARPAN Group, has been on the market for more than 15 years, continues to grow, and your plans remain ambitious. What's the secret? And can it be replicated?

I don't have a magic wand. But thanks to TARPAN, I do have a wealth of business experience that I'm happy to generalize into lessons others can apply.

We started from scratch 15 years ago with a vision to build something different from the standard large consulting firms — different from a corporation. We aimed to create an environment for entrepreneurship, self-realization, and real freedom for a group of strong and diverse individuals. We wanted to focus on what we each excelled at and enjoyed, while maintaining independence. We've succeeded in doing that, and today, we probably represent a unique model in the market. Our firm isn't for everyone, but if someone shares our DNA, they won't find a better place.

Did you have a clear vision from the outset?

We started with distress and restructuring projects, which remain a key part of our work. Over time, we expanded into M&A transactions and financing. TARPAN Legal, our law firm, provides legal services in cooperation with other teams internally as well as to external clients. We've also added management consulting and interim management, with a focus on mid-sized, often owner-managed businesses.

While our scope has broadened, one thing has stayed the same: we build our business on long-term relationships and trust. It may sound clichéd, but we genuinely live by those values. It's not uncommon for us to work without a formal contract. We simply agree on principles and begin. We can afford to take on risks that most companies would consider unacceptable. Many of our clients have been with us for over a decade. They know our recommendations aren't just theoretical — we're practitioners. Our goal is to build meaningful, long-term partnerships.

What's the most important factor in building long-term client relationships?

Consistency, trust and reliability. Clients need to know you'll be there when it matters and should be comfortable to share "full and honest picture" with you, knowing that you'll respond with integrity.

They say a business should have an odd number of partners, and three is too many. You have six. How has that worked for you? What were the biggest challenges in building a partnership?

From the beginning, we operated as a very informal partnership built on mutual trust, shared values, and openness. We didn't want a structure where decision-making was rigid or centralized. For over a decade, we ran on a verbal "gentleman's agreement."

Has this changed since?

We formalized our structure only three years ago. We needed a framework that worked for our four founding partners and the two new ones. We also wanted to appeal to younger colleagues who might one day lead the firm, as well as like-minded professionals looking for a different operating model. And we wanted to preserve our core values: freedom, flexibility, consensus-based decision-making, and a fair economic model. (It may sound funny, but we still use a slightly modified version of our original Excel sheet.)

A fair economic model for running the business sounds intriguing. Can you elaborate?

Let me outline the principles. Specifics are more complex. You need to balance distribution of results based on contribution and merit, while maintaining a degree of solidarity. This isn't a solo venture — it's a joint enterprise with mutual interest, a stabilizing element. Value must be fairly distributed between those who bring in business and those who deliver the work. Not everyone combines sales acumen with deep technical expertise.

Then there are the complexities around partners joining or leaving. What is the value of the firm over time? What should a buy-in or buy-out cost? How do you ensure fairness across scenarios? All of this had to be carefully structured. Today, we consider it part of our know-how — our "recipe for success."

This is particularly useful as we aim to attract new partners who share our vision and bring fresh ideas. We offer a platform where people can quickly integrate and grow, without the risks of starting from scratch. Sometimes, when I describe how we operate, people think it's just marketing. It's not.

Do you think your business model can work in other industries?

Absolutely. At its core, our model is built on universal principles of trust, flexibility, and shared success. Aligned motivation and the opportunity to participate in the value we create attracts the right kind of talent. We see this in the startup world with strong role of equity-based incentives (like ESOP) and significant value distributed to larger board of key team players.

Your company is growing. Do you look for specific qualities in new colleagues to ensure they align with TARPAN's culture?

Yes and no. There are just over 20 of us, and about half the team are seasoned professionals with 20+ years of experience. Unlike many consultancies, much of the hands-on work here is done by senior professionals and partners. That's how we ensure top-tier quality and serve as true strategic sparring partners for our clients.

This is also why we grow slowly. We look for people who share our vision, mindset, and values. We're looking for the right cultural fit. People who understand how we want to operate in the long term.

And how exactly do you operate?

Our model isn't for everyone. We work hard, but in a way that's sustainable over time. We don't want to burn ourselves or our colleagues out. We want to enjoy the work and do it for the long run. Anyone trying to sprint at 200% all the time will be left behind. We run an honest marathon — no shortcuts, no doping. And we want to enjoy the journey.

You cover a broad range of services. Is it important for partners to specialize?

Each of us has areas we specialize in, where we have more experience and interest. But it's not a rigid division. There's plenty of overlap, and we often collaborate across verticals — either to contribute or to learn.

The situations we handle often overlap, too. A startup may fall into distress, which leads to M&A. Or a fundraising transaction might evolve into a turnaround effort. The fact that we can handle a wide range of scenarios — including legal services under one roof — is a big advantage.

What fundamentally sets you apart from your competitors?

The breadth of situations we help clients navigate. We work on a wide variety of mandates, across companies of all sizes — from small startups to large international firms. Diversity is at the core of our culture. We look for projects that are meaningful, engaging, and involve people we respect.

We're pragmatic, tailor-made in our approach, and we often bring unconventional perspectives. Recently, for example, we added management consulting to our portfolio after seeing strong demand from clients. In some cases, we even step in with direct management support.

Let's shift gears. How do you view AI's role in your business? How do you see your work evolving?

Artificial intelligence is already reshaping every industry, and we believe advisory services will be no exception. AI won't replace advisors entirely, but it will dramatically improve analytics, modelling, and data evaluation. We want to be among the first to embrace this shift.

We're encouraging younger colleagues to lead the charge. We're placing some bets on them. Soon, they'll be the ones pushing the boundaries.

That's also why we stay close to the startup ecosystem — as mentors or investors. These teams often show us how fast things are moving. Many innovations are already here, and some people don't realize just how much change is coming. We're glad to be in the mix, and proud that we can offer value even to the most sophisticated tech professionals.

Do you only invest in startups?

We've made more than 20 investments, either as angel investors or in larger projects alongside our clients. Typically, we focus on early-stage, fast-growth opportunities or unique special situations where we can add value.

It's always clear from the start whether we're acting as advisors or investors. Occasionally, the two roles complement rather than conflict. For instance, we might advise on an investment and also co-invest, putting "skin in the game." Sometimes our compensation is tied exclusively to future value creation. That's our way of signalling genuine belief in a project.

What are your unique investment philosophies?

I believe in reinvesting capital into innovative local projects and talent. Helping connect entrepreneurs and build IP locally brings value not just to founders and shareholders, but to our entire region.

That sounds like both a virtue and a risk. Does it evolve from your own experience?

I've been involved in startups for over 15 years as a mentor and angel investor, and I currently sit on the investment committee at StartGuide VC. It makes more sense to have capital actively working here than passively sitting in U.S. stocks or funds. That's why I encourage our clients — especially those who have exited businesses — to reinvest locally, within their risk tolerance. Whether through direct investment, local VC, or private equity, our economy needs more private capital to remain competitive. These are the kinds of investments I believe in, even if they break the textbook rules of diversification.

If you were starting your business again today, what would you do differently?

I'm quite critical by nature, so I can think of many decisions I might have made differently. But when you're building a "startup," you make the best decisions you can in the

moment. What matters most is holding onto your direction, values, and principles for the long term.

Patience was key, especially in the early years. Our business is 100% people-driven, and in hindsight, we could have grown the team faster. Delivering another project is easy for us; finding a new partner often takes years. Looking back, I would have taken more risks earlier.

What or who inspires you today?

I admire young entrepreneurs who jump into ambitious projects without fear of failure. It's best to start early, when you have energy, courage, and fewer commitments. When I graduated, most classmates chased stable jobs at big corporations. Today, student mindsets have thankfully shifted. That's why I enjoy supporting young founders and also offering unique opportunities within our group.

BIO

Tomáš Kozubek has been a founding partner at TARPAN Group since 2009, specializing in M&A, investments, strategy, fundraising, and startup support.

He began his career in 1999 at ATLANTIK finanční trhy and KKCG, followed by five years at McKinsey & Company (2004–2009), where he worked on projects for major financial and energy-sector clients in CEE and briefly in the Chicago office.

In recent years, Tomáš has led major M&A deals (e.g., Akcenta CZ acquired by Raiffeisenbank, CAPEXUS sold to ČEZ ESCO, Fondee to Direct Group, or Megapixel to EIG), advised startups on fundraising and exits (including early funding for Socialbakers), co-founded several ventures, worked for and invested in others. He has mentored at StartupYard since 2013 and is part of StartGuide VC's investment committee. He advises entrepreneurs and investors on transactions, financing, growth, strategy, and value creation.

Global macro insights of the month

From the Triffin Dilemma to the Mar-a-Lago Accord: The U.S. struggle to have the cake and the cherry

Andre Chelhot, CFA

Chief Economist

The United States faces a structural contradiction at the heart of its global economic role, best captured by the Triffin dilemma. As issuer of the world's reserve currency, the U.S. must provide global dollar liquidity—usually through persistent current account deficits. This supports global trade and finance but comes at the cost of domestic economic stability, fueling debt accumulation, deindustrialization, and inequality. In essence, the U.S. maintains global order and dollar dominance at the expense of its internal balance.

This trade-off worked for decades. Confidence in the dollar persisted as long as the system functioned—creating a self-reinforcing loop powered by U.S. military hegemony, the petrodollar system, and deep capital markets. But the domestic cost has now become too high. The internal equilibrium is breaking down under the weight of rising debt, stagnating real wages, record social inequality, and growing political fragmentation.

In response, the U.S. is pursuing what can be described as a Mar-a-Lago Accord—not a formal agreement, but a coercive strategy to rebalance the global system without giving up hegemony. The aim is to keep the dollar dominant while restoring domestic manufacturing, reducing the debt burden, and rebuilding the social contract. In short, Washington wants the cake and the cherry.

To achieve this, the U.S. is using tariffs as a form of stealth devaluation, forcing trade adjustment without directly weakening the dollar in FX markets. The implicit message to surplus countries is clear: "Revalue your currencies voluntarily, or I will tax your exports until the real exchange rate moves anyway."

This pressure goes further. The U.S. has tied economic cooperation to security guarantees, particularly with Europe, Japan, and the Gulf. The message here is: "If you won't help rebalance the system, don't expect us to underwrite your defense."

At the same time, Washington expects surplus countries to help suppress long-term U.S. interest rates by purchasing long-dated Treasuries, including 100-year bonds, even at below-market yields. This is a way to manage the fiscal burden without triggering a bond market crisis. The underlying deal is: "You want access to the U.S. consumer and U.S. protection? Then recycle your surpluses into our debt—on our terms."

This is not a cooperative adjustment. It's a hegemonic bargain, enforced through economic and geopolitical leverage.

What we are seeing is the erosion of a cooperative international regime and the emergence of a Prisoner's Dilemma world. The U.S. has been defecting for years—weaponizing the dollar, leveraging tariffs, and externalizing adjustment. In response, other nations are now defecting in return:

- China is building its own payments system, promoting RMB trade, and hoarding gold.
- Surplus Countries are diversifying reserve holdings, and oil-exporting countries are exploring non-dollar oil pricing.
- Europe is hedging between powers, building autonomy in payments, energy, and defense.
- Emerging markets are reducing dollar exposure and turning inward or regional.

This sets the stage for a tit-for-tat strategy—the most stable response when trust collapses. It doesn't collapse the system, but it creates volatility, fragmentation, and tactical bargaining in place of long-term cooperation.

The optimal strategy, however, is clear: Surplus countries must shift away from export-led growth and develop domestic demand.

This would reduce global dependency on the U.S. consumer, allow the U.S. to run smaller deficits, and create a more multipolar and sustainable global economy. But this is politically hard:

- Germany up till now has resisted wage growth and fiscal expansion.
- China fears social instability and political loss of control.
- Japan remains trapped in a deflationary mindset.
- The Middle East lacks both democracy and security—without a middle class or tax base, it can't build an internal demand engine.

Crucially, currency revaluation is not the answer. A strong currency does not stimulate domestic demand or investment on its own. Without wage growth, public investment, and a restructured social contract, revaluation just weakens export sectors without filling the gap.

While the Mar-a-Lago approach echoes the Plaza Accord of 1985 in tone, the context is radically different:

Feature	Plaza Accord (1985)	Mar-a-Lago Accord (2020s)
Debt Levels	~40% of GDP	~120% of GDP
Current Account Deficit	Driven by the private sector	Driven by chronic fiscal deficits
Dollar Strength	Volcker disinflation, high real rates	Safe Haven flows, strategic dominance
Strategy	Cooperative, G5 multilateral	Unilateral, coercive, hegemonic
Surplus Countries	All U.S. allies (Japan, Germany, France)	Mix of allies and rivals (China, Gulf, Germany)

The Plaza Accord was a family affair—a shared burden among allies. The Mar-a-Lago strategy is a high-stakes power play, with fewer friends, more adversaries, and deeper structural imbalances.

Is the Mar-a-Lago Accord Feasible? Technically, yes. Politically, barely. The U.S. still has the leverage to extract short-term concessions through financial pressure, military protection, and trade access. But for the strategy to succeed long term, one condition must be met: Surplus countries must structurally shift to domestic-demand–led growth. Without this, the U.S. remains trapped in its role as the global shock absorber—until the system itself fractures under the weight of its contradictions.

Global macro insights of the month

Trump tariffs: Stagflation risks, the economy and capital markets

Michael Schulz, CFA

Analyst

Over the past few weeks, macroeconomic sentiment has shifted sharply. The likelihood of a U.S. recession has risen, and stagflation, an undesirable combination of slow growth and elevated inflation, is once again a likely scenario. Recession is now in the cards just as well. At the epicenter of it all, a classic villain can be blamed: uncertainty, driven primarily by the ever-changing tariff policy of the Trump administration.

Tariffs and their immediate economic effects

The new tariffs are reminiscent of the **post-WW2 economic framework**, which was inherently more protectionist and less globalized. As of now, the next key date on the calendar is April 2nd. The so-called "Liberation Day" may bring even more tariffs and push us closer to a more fractured global economy, with shifting competitive dynamics and supply chain disruptions.

From day one, tariffs inevitably raise import prices. Some of the price increases may be absorbed by companies through **margin compression**, particularly since current corporate margins are historically elevated. But not all of the pain can be absorbed. Consumers will inevitably feel the hit, as the costs will be to an extent gradually passed on them, which will lead to a **higher inflation**.

Recent University of Michigan consumer surveys reflect **rising inflation expectations**, which increased notably to 4.1%. Nonetheless, these are only indicators of consumer sentiment, and while already also steadily visible in ISM indices, not much change is yet priced in the hard data. Therefore, market-based instruments, notably TIPS breakevens or 5Y5Y forward inflation swap rates, do not yet reflect the changing inflationary landscape.

The role of the consumer and labor market pressures

The U.S. consumer, a key component of the post-COVID recovery, is now showing signs of strain as a direct result of rising economic uncertainty. Soft data indicates that **consumer confidence** has weakened sharply, while unemployment expectations have jumped abruptly. It is precisely this uncertainty that may now hurt economy more than anything else. Longer-term, elevated uncertainty could further dampen the already fragile consumer, complicate business landscape and **could push the economy into a full-blown recession**.

Tariffs, as the Trump administration envisions them, are intended to bring more manufacturing back to the United States, regardless of whether spare parts, intermediary goods, or finished products are in question. However, such a shift in global competitive dynamics will likely result in **higher input costs and labor shortages**, due to the already low unemployment rate and modest labor force participation rate. These two factors, when combined, may trigger a **wage-price spiral**. With a persistently tight labor market and restrictive immigration policy, the U.S. could face 1970s-style second-wave inflation dynamics down the road.

The U.S. consumer is likely to be worse off for a considerable period, facing an uphill battle to preserve most of the purchasing power and maintain real wage growth amid likely rising uncertainty and unemployment rates. The Trump administration's policy direction effectively compels them to "buy American", even if it means accepting less favorable terms. And as President Trump has made clear, "he couldn't care less".

Reciprocal tariffs and the global spillover

Other nations, caught by the surprise, are responding with their own tariffs, threatening U.S. export competitiveness. To counterbalance and perhaps being partially ready for this, the administration will **push for a weaker dollar**, which would support exports but further lead to an effect of higher imported inflation. Rising European sovereign yields and consequently strengthened Euro may provide some relief on the U.S.–EU trade front, toward which, among many others, President Trump has recently shifted his focus.

What about capital markets?

Capital markets have had their say. **U.S. equities**, including broad indexes, tech, and small caps (one of the beneficiaries of the "Trump trade"), have now entered correction territory, primarily due to a contraction in valuations. In contrast, and primarily driven by hope, **European markets** have experienced some relative valuation expansion.

The **valuation gap** between the U.S. and Germany, which has persisted since the Global Financial Crisis and has been justified by the U.S.'s superior total factor productivity growth, has now narrowed slightly. But the US exceptionalism is far from over. It stems more from longer term structural factors, as the depth of the capital markets or the pro-business culture the U.S. managed to keep after the GFC, when the EU counterpart struggled.

Gold has now definitely re-emerged as a core asset in portfolios of many. Amid fiscal deficits, elevated inflation, geopolitical tensions, and de-dollarization narratives, investors are treating gold not just as a hedge amid the ongoing uncertainty but as a strategic, long-term allocation. Strong capital inflows into gold even at elevated prices further support this thesis.

Structural shifts and the road ahead

The Trump administration continues in its effort to reshape the economic landscape—not only by targeting the persistent trade deficit, but also by attempting to shift the broader macroeconomic narrative and influence capital markets. This includes a wider policy ambition: to slow the acceleration of U.S. sovereign debt by **curbing fiscal deficits**. However, reduced fiscal stimulus and a tighter credit environment may further dampen economic momentum, compounding the risks already present in the tariff policy.

The macroeconomic narrative has moved from hopes of a soft landing and cyclical rebound to a "higher for longer" environment, only to shift to increasing stagflation and recession risks along with long-term structural adjustments. But it is not the tariffs themselves that pose the biggest problem. It is the **persistent uncertainty** surrounding them.

So, is the future only grim for the U.S.? Maybe not. **Capital expenditures** in automation and productivity-enhancing technologies will likely increase to make the domestic U.S. economy more competitive and to offset shocks from changing global trade dynamics.

But then - Who is better positioned to adapt than the United States? Backed by the breadth and sophistication of its financial markets, the U.S. still holds a substantial competitive edge carefully built across decades. The **U.S. exceptionalism is far from over**.

Czech economy insight of the month

Czech agricultural sector remains invisible

Ilona Švihlíková, PhD

Analyst

The Czech agricultural sector finds itself facing many crucial problems that are threatening its very existence. Yet, politically is this sector rather invisible, despite its strategic relevance. There are many challenges both for farmers and to the food producers as well.

Trade in agriculture remains in deficit and it practically follows the same pattern that is valid for the whole Czech economy. Primary commodities are being exported and processed commodities and food items are being imported. The biggest item causing the trade deficit in agricultural goods is the import of meat and meat products. The self-sufficiency ratio in the nation favoured pork meat oscillates around 30 %. The dependency on imports in the categories of pork meat, vegetables and fruits is raising alarm, as it is not only a strategic issue, but is also connected to the (maybe permanent) loss of production capacities.

Although there is supposed to be a common agricultural market, the reality is far from it. The difference in national financial support differs significantly, distorting the concept of a level playing field. The knowledge of producers is decreasing. The factors standing behind this unfavourable development comprise both EU-wide issues and domestic problems. There is a lot of criticism directed to the agreement between the EU and Mercosur countries. The Mercosur countries are very efficient in agricultural exports, however under the current agreement they do not have to oblige to very strict norms that are applied in the EU. No wonder, the complaints of unfair competition are spreading in the agriculture sector. Agriculture in the EU is extremely bureaucratic, burdening the farmers with endless norms, controls and rules. Moreover, on the Czech market, there is a large preference of private brands by Czech customers. Thus, the importance of the producer is diminishing. This puts serious obstacles to farmers, who would like to develop their own brand and achieve thus higher value added.

The agricultural policy in the Czech Republic favours small farmers and local markets, however about 80 % of the production looks differently, being caught in the chain of farmer – processer – trader. The retail trade is mostly controlled by foreign transnational companies. Although the Czech Republic is a small market, there are many global players present. Although common sense would argue that the more competition, the lower the prices, it is the opposite trend in the Czech Republic. As the transnational retailers are present in even relatively small municipalities, their costs go up and this is reflected in inferior quality of food and higher prices.

Czech consumers are very sensitive to prices of food. This can be observed not only by their preference for private brands, but also for discounts of all kind. About 60 % of goods are sold in "price discounts", thus the awareness of the final producer is low. The private brands, various discounts, "club discount cards" and other instruments of price policy are causing a total chaos in the food price system. If the market system is based on price signals, then the food retail market is in serious trouble. The UOHS (Office for the protection of competition) is not able (or willing) to put a stop to these pricing practices, which lead to a untransparent market.

Smaller market power of the farmers and processers vis-à-vis the retailers can be at least partially solved by sales cooperatives. This form of cooperation has a long tradition in the Czech Republic and is currently gaining ground. There are many successful cooperatives (e.g. in fruit processing and sale, in milk production) that stabilize the economic viability of the sector. Some of them would like to expand vertically, e.g. founding their own milk processing factories. There are more opportunities that could support the sales of Czech farmers, avoiding retailers who are under foreign economic control. One opportunity lies in sales of agricultural products to schools, hospitals and social institutions. This could boost local production and maintain the capacities and also offer an interesting and long-term sales opportunity to Czech farmers. Their cooperation in logistics would however be a crucial factor of success of such policy.

Financial markets insights of the month

CAPE indicates an overvaluation of the global equity index MSCI All Country World

Michal Stupavský, CFA

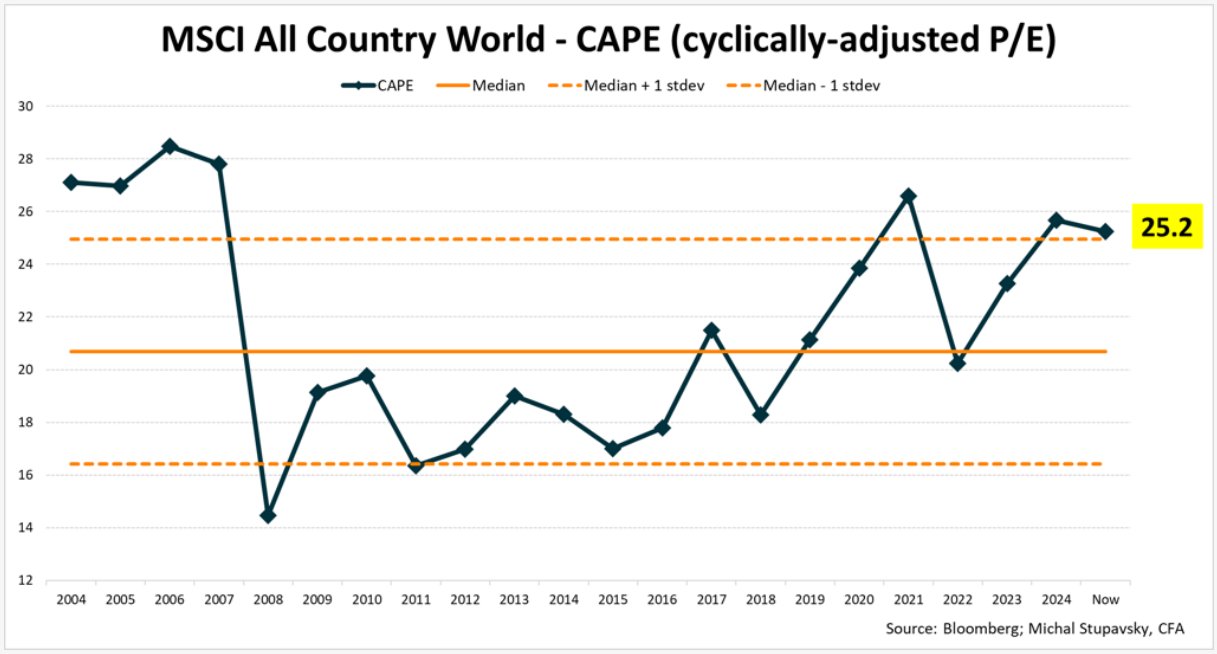
Head of Research

Based on the classic valuation theory the fundamental intrinsic equity value is equal to the present discounted value of the expected future cash flow stream. That is why the best analytical approach how to evaluate if the share price is undervalued or overvalued is to calculate a standard discounted cash flow (DCF) model or a reverse-engineered DCF model based on the expectations investing approach.

Many analysts use the shortcut of valuation multiples, such as P/E ratio. The most widely used type of P/E ratio is a simple trailing or leading (forward) P/E ratio where the analyst uses the last 12-month earnings per share (EPS) in the denominator or a forecast of the next 12-month EPS respectively. However 12-month EPS is at times a rather inaccurate representation of the expected future cash flow stream or the expected long-term business earnings power into infinity respectively. And that is why I tend to prefer the CAPE which is a cyclically-adjusted P/E ratio where the analyst uses in the denominator an EPS stream over much longer time frame, usually defined as a 10-year (inflation-adjusted) average, i.e. across at least one full business cycle so that the short-term EPS fluctuations, for instance due to the volatility of profit margins, are smoothed out.

To evaluate the current overall valuation conditions on the global stock markets, analysts can use the CAPE of the broadest global equity index MSCI All Country World. Based on my calculations, the current global CAPE is 25.2x. This value approximately corresponds with the very important level of the median plus one standard deviation, based on the time-series since 2004 (without inflation adjustment). That said, the global CAPE indicates that the global equity index MSCI All Country World, which contains approximately 65% of US equities, is somewhat overvalued at the moment.

It is very important to point out, that equity valuations have usually a rather poor predictive power as regards the stock markets' performance in a short time frame such as one year. However, for longer investment horizons such as 10 years, starting equity valuations tend to exhibit a relatively strong correlation with subsequent average annual realized returns. Therefore I follow equity valuations very closely and these insights represent a significant fundamental factor which drives my global equity allocation recommendations.



Financial markets insights of the month

The idea of European exceptionalism is greatly exaggerated

Tomáš Pfeiler, CFA

Analyst

With the demise of the US exceptionalism, investors have been desperate to find another powerful market narrative. The recent upswing in European equities deluded some money managers into believing that the new era of European exceptionalism has just begun. However, there is no reason to be overexcited as most of structural troubles of the old continent still remain unresolved.

European equites staged an impressive rally in the 1Q and eclipsed US stock market. Stoxx Europe 600 delivered an outperformance of around 10 percentage points over the S&P 500, the fifth best on record. Measured in dollar terms, it was the largest quarterly outperformance in history. European stocks have thrived well on massive defence spending plans and the release of Germany's constitutional debt brake. On the other side of the Atlantic, Donald Trump's chaotic approach to trade policy eroded economic confidence among households and businesses and therefore American stocks slumped.

While the outlook for the old continent has improved somewhat, I dare say, it is still hard to be an optimist about Europe. It will take at least several years for prospective benefits to materialise. Higher military expenditures will not take place immediately. It remains disputable whether European arm makers have sufficient capacity to start production at mass scale. Around 64 % of arms, which European governments purchased, had been produced in the US over the past five years. Obviously, policymakers will push for domestic manufacturers and they will win more contracts in the future. Nonetheless, it is not possible to instantly break from the dependence on the US producers.

More generous fiscal policy in Germany might turbocharge the economic dynamism in the entire region. Nevertheless, there will be no palpable benefits anytime soon. The OECD slashed its 2025 German GDP growth forecast in its March outlook: to 0,4 % from 0,7 % (December forecast). There will be slight rebound in 2026, but definitely not an explosive growth. Furthermore, heavier bond issuance will propel government bond yields higher across Europe. Fragile peripheral countries might struggle with their bloated debt balances. Widening sovereign spreads and tighter financial conditions would curb economic activity in more vulnerable countries.

Europe suffers from a plethora of structural issues. There is much less business friendly environment compared to the US. Welfare state, overregulation or green policies are undermining the long-term GDP growth potential. Corporations are overly dependent on bank financing, which means that especially growth capital is not easily accessible to younger companies. Local banks are obsessed with ESG rules, which further complicate ambitions to increase defence spending meaningfully. These ESG rules, if unchanged, will undermine competitive position of European companies.

Moreover, we need to realise that the recent US stock underperformance is mostly attributable to Trump's chaotic trade policy and some moderation of the AI bonanza. Long-term structural forces such as entrepreneurial spirit, ability to innovate or abundant capital for young companies remain largely intact. There is also a reason to believe that Trump's administration will embark on more pro-growth measures next year as they need to brace themselves for the midterms.

It is true, that the rotation into European equities might continue if there will be a more serious geopolitical rift between United States and Europe. As the data from the Fed showed, European investors were holding around $9tn in the US stocks as of the end of 2024. If the government started some dubious but consequential reforms, such as Mar-A-Lago accord, then exodus of European investors from the US would ensue, which would provide further support to old continent equities. But such an outcome is far from certain.

Some investors are nervous that with the current administration, anything can happen. I believe, such perception is incorrect. Deeper market downturn would force Donald Trump to change the course and abandon his extravagant ideas. The widespread notion about the death of the US exceptionalism is premature.

Banking sector insight of the month

Banks have no more pretence against defence

Michal Mesík

Analyst

European Banks and Defence Financing: A Paradigm Shift in 2025

Historically, European banks have approached the financing of defence and security industries with caution. Concerns over ethical implications, public image, and reputational risks have led to stringent policies and limited risk appetite statements towards this sector. The drive to strengthen ESG principles in lending has further restricted access to loans for defence companies. However, as geopolitical tensions rise and the need for robust defence capabilities becomes apparent, this cautious stance is shifting towards embracing the new reality.

Calls for both public and private financial institutions to relax policies related to financing the arms industry intensified following Russia's full-scale invasion of Ukraine in 2022. The actions and attitudes of the U.S. President over the past months have strongly increased defence budgets. Following EU-level statements about the necessity to expand defence financing, many European banks have started expressing their willingness to delve deeper into the arms business.

Among large European banks, a full exclusion of financing arms or defence companies was never the norm. Disclosure reports and policy papers on defence financing commonly define a certain appetite for financing the defence industry, provided basic ethical concepts and international treaties are respected. It is not uncommon to geographically restrict defence lending to EU or NATO countries. To sum up, European banks are open to financing defence and arms companies, except for controversial weapons and arms trade with undemocratic regimes.

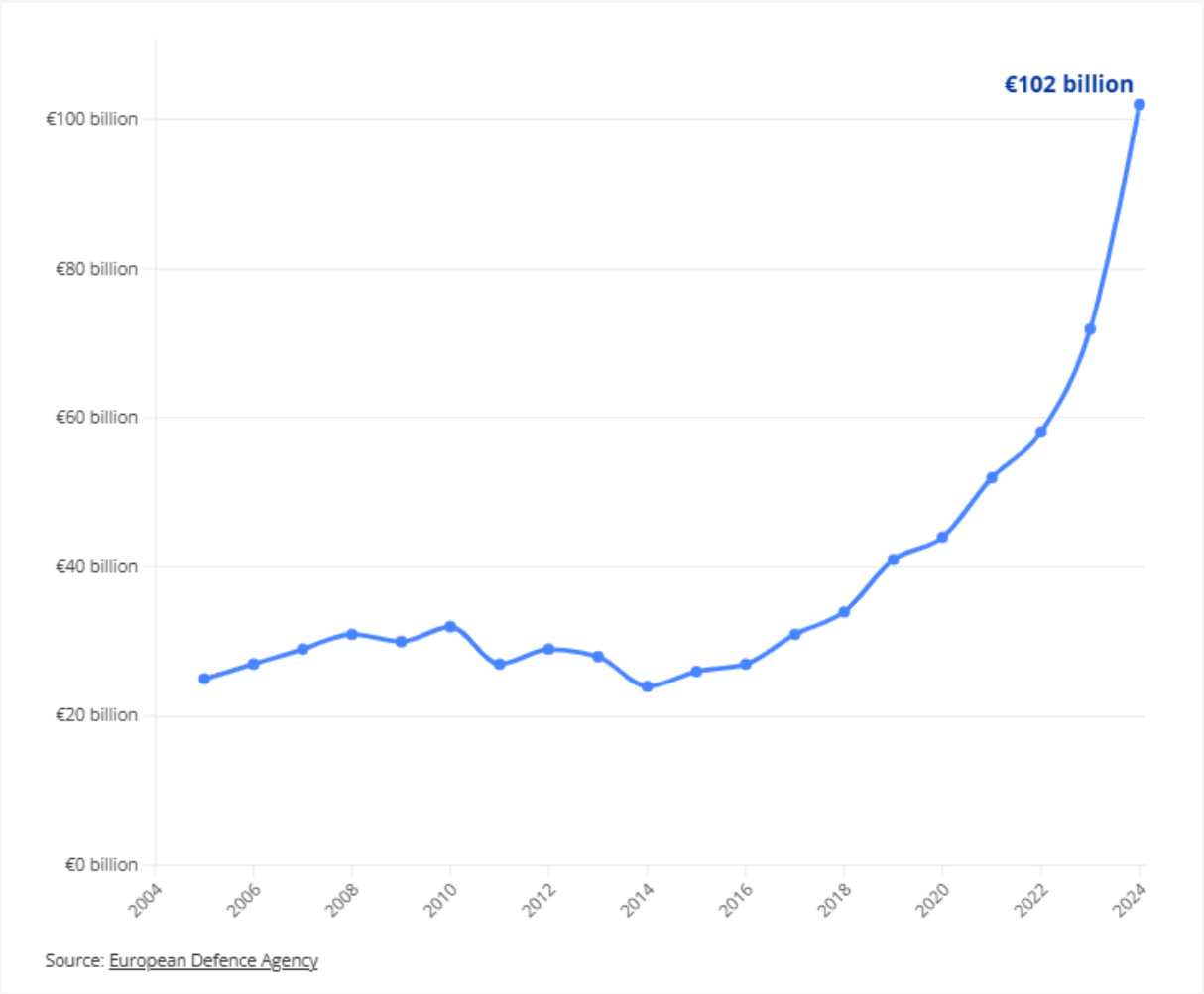
The Signalling Role of the European Investment Bank (EIB)

A significant development has been the European Investment Bank's (EIB) decision to make defence and security one of its public policy goals. In March 2025, the EIB announced measures to boost investment in security, defence, and critical raw materials, aligning with the European Commission's "ReArm Europe" Plan. The concept of financing only dual-use military technologies is gone. Instead, the EIB is making defence and security financing a permanent public policy goal, with no explicit ceiling on the amount of defence financing. The volume of financing will be determined annually in the EIB Group Operational Plan.

The EIB's decision has sent a strong signal to other European lenders and is gaining traction. Tomáš Salomon, the CEO at Česká spořitelna, noted that obtaining money for defence projects is relatively simple once the willingness is there. Czech banks have sufficient capacity to finance the defence industry, leveraging other financing sources like the EIB.

Opportunities and Challenges for Banks

Defence expenditures are skyrocketing, and the sector has traditionally faced difficulties in accessing private and public funding sources. Since the start of the Russian invasion of Ukraine, defence expenditure has nearly doubled, according to the European Defence Agency.



Source: European Defence Agency

This creates an attractive mix for banks in an environment of stagnating economy and decreasing net interest rate margins. Defence financing, though complex and risky at first glance, is substantially de-risked by the involvement of public budgets, national promotional banks, and institutions like the EIB. Defence contracts tend to be long-term with predictable cash flows, supporting the bankability of arms producers. The rating agency Moody's has even suggested that defence financing could be a rating-positive element.

In a recent interview[1], Bernd Spalt, CRO of German Commerzbank, conveyed the bank's willingness to increase financing towards the defence industry in the coming years, seeing strong growth potential in an otherwise stagnating environment. Opportunities could present themselves notably in project finance, working capital finance, export finance, and M&A advisory.

Other banks are also ready to finance defence. BNP Paribas reaffirmed its commitment to the defence sector, where it is already strongly present as a lender and arranger of equity and bond issuances.

In overall, banks need reassurance from the defence industry that their money will not finance controversial weapons or undemocratic regimes and the willingness to provide more detailed data and information. Banks face extensive disclosure requirements and civil society pressure to adhere to strict ESG standards. Risk managers within banks will thus want to minimize the risk of being caught on the wrong foot. Consequently, Defence companies must become more transparent and prove they are fighting against corruption and misuse by buyers.

Conclusion

As banks navigate the complexities and ethical considerations of this sector, the collaboration with public institutions and best possible adherence to ESG standards will be crucial. The future of defence financing will likely see increased transparency and accountability, ensuring that financial support aligns with broader societal values and security needs. Moreover, the thawing of the ice wall between defence companies and banks leads many to ask how far this can go. Will the financing of nuclear projects also become a part of banking business-as-usual? It is more likely than ever. So is the probability that we shall see strategy documents and lending policies significantly rewritten in the coming years.

Czech M&A market insight of the month

HTEC enters the Czech Market with the acquisition of CertiCon

Adam Friedl

Analyst

The beginning of 2025 saw a notable transaction in the Czech technology sector. HTEC Group, a global software engineering and digital product development company, completed its acquisition of Czech-based software innovator CertiCon. The deal brings nearly 400 experienced engineers into HTEC's expanding global team and significantly strengthens its footprint in Central Europe.

Founded in 1996 by Professor Vladimír Mařík and Karel Kraus, CertiCon has grown into a recognized leader in applied research, artificial intelligence, and the development of advanced software and embedded systems. The company specializes in designing, developing, and testing complex B2B software solutions for mission-critical industries including medical technology, automotive, aerospace, telecommunications, and manufacturing. Its solutions are tailored for demanding environments such as remote patient monitoring, diagnostic platforms, automotive control systems, air traffic communications, and smart surveillance.

CertiCon has built long-standing partnerships with global technology leaders such as Medtronic, Airbus, Bosch, IBM, and Frequentis, as well as Tier 1 automotive suppliers like ZF. Its engineering teams operate from development hubs in Prague (headquarters), Plzeň, Ostrava, Olomouc, Pardubice, and Liptovský Mikuláš in Slovakia. A strong link to academia has been a key driver of CertiCon's innovation, supported by close collaborations with leading institutions such as the Czech Technical University in Prague (ČVUT), the University of West Bohemia in Pilsen, and the Technical University of Ostrava.

HTEC Group, originally founded in Serbia in 2008 and now headquartered in San Francisco, is among the fastest-growing technology companies worldwide. With more than 2.000 professionals and 24 development centres across Southeastern and Central Europe, HTEC delivers high-end engineering services, digital product design, and innovation strategy services. The company serves leading global clients—70% of its revenue comes from the U.S., and its portfolio includes 26 Fortune 100 companies.

HTEC's offering span from artificial intelligence, big data, embedded systems to cloud infrastructure, digital platforms, and hardware design. In addition to its engineering depth, HTEC offers strategy consulting, customer experience design, and full-cycle product development, operating at the intersection of software, hardware, and innovation.

The acquisition of CertiCon marks a strategic expansion of HTEC's presence in Central Europe, including the DACH region. It brings in highly specialized engineering talent with domain expertise in healthcare, industrial systems, and mobility technologies. HTEC sees this step as a key move in strengthening its capabilities across regulated sectors while accelerating its European growth. From CertiCon's perspective, the deal represents a major opportunity to scale its operations, gain access to new markets, and become part of international development projects. The founders view the partnership with HTEC as a natural next step in the company's evolution—building on its strong engineering foundation and long-term customer relationships.

With nearly 400 experts joining, HTEC's total headcount will approach 2,500 professionals. Both companies expect significant synergies in areas such as AI development, process optimization, and global delivery capacity. Together, they aim to fast-track the creation of impactful solutions—from medical diagnostics to autonomous systems and industrial AI.

The European Bank for Reconstruction and Development (EBRD), a long-time supporter of HTEC's international expansion, provided backing for the transaction. KPMG acted as the exclusive advisor to the sellers.

This acquisition reflects broader momentum in the Czech and Central Eastern European M&A landscape, where technology continues to be a leading driver of investor activity. The HTEC – CertiCon deal not only represents a strong strategic alignment but also signals renewed confidence in the region's innovation ecosystem.

Private equity insights of the month

Is private equity bouncing back? It's still forging confidence

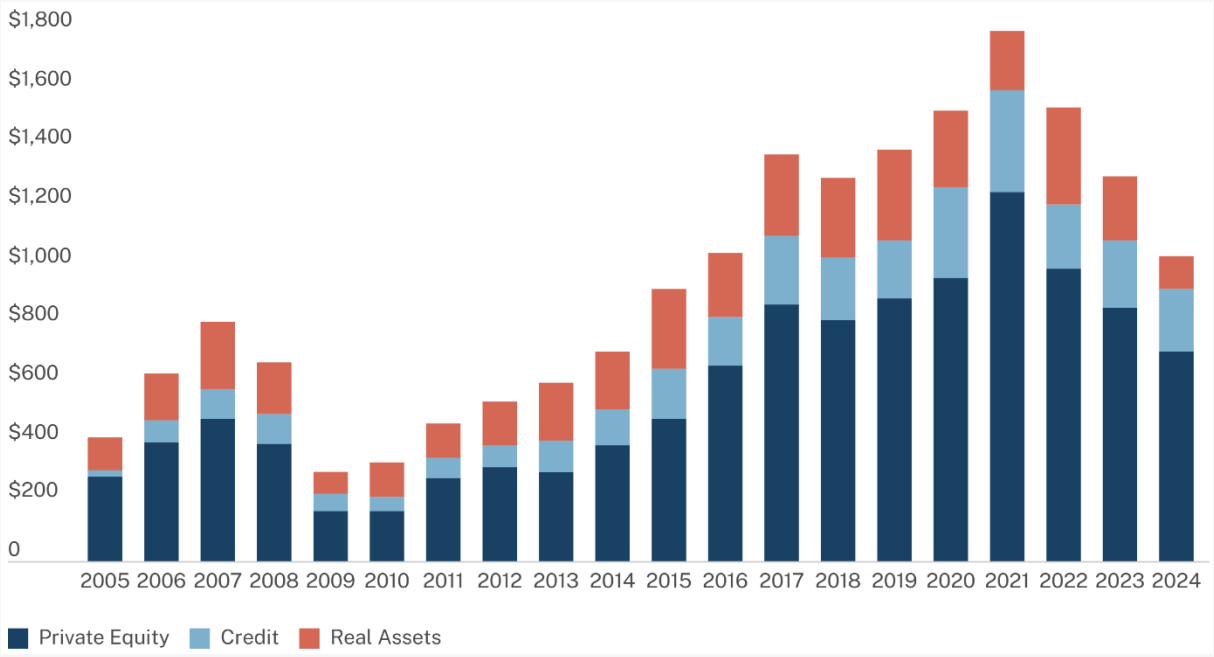
Diana Hricišáková

Analyst

The private equity market has experienced a slowdown in recent years, driven by rising interest rates and heightened market volatility. However, current trends point to stabilization, supported by more selective fundraising and shifts in public market dynamics.

Private equity fundraising declined in 2023 and 2024 compared to previous record years. Yet, PE still accounted for the largest share of fundraising activity, underscoring sustained investor confidence. This trend reflects a more selective approach by investors, prioritizing quality and strategic alignment in their commitments.

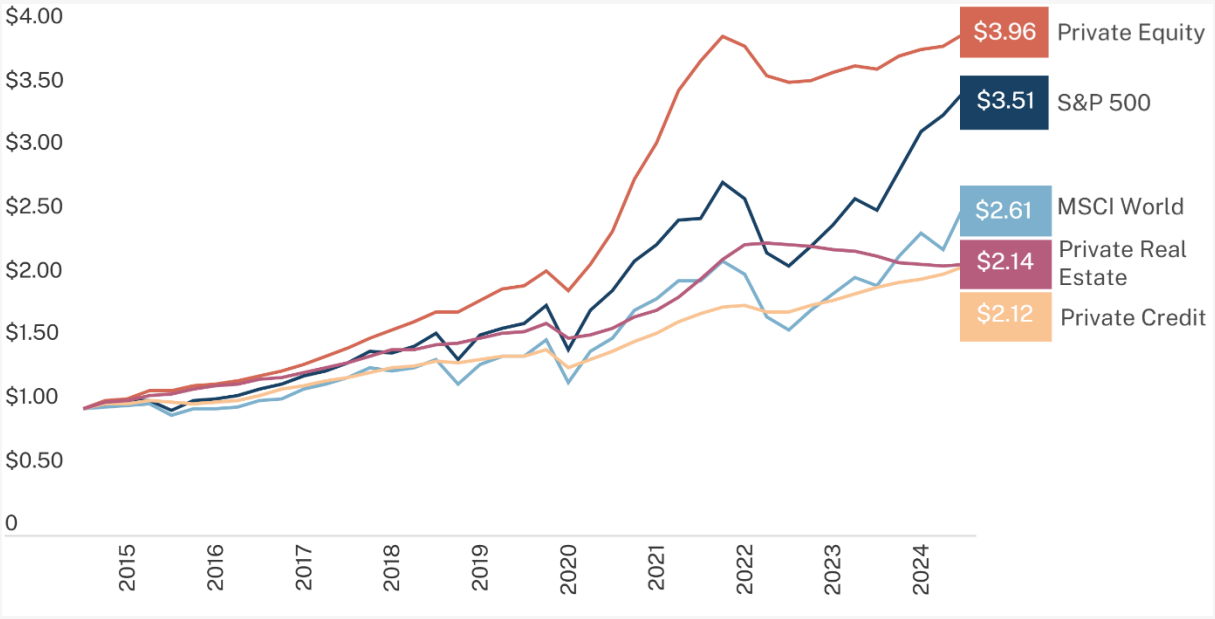
Closed-End Fundraising by Asset Class



Source: Hamilton Lane, Pitchbook

Headwinds over the past few years have moderated private equity returns from the exceptional highs of the previous decade. While PE continues to outperform public markets over the long term, the performance gap has narrowed. However, with public markets facing their own struggles, private equity is positioned to regain its edge in 2025. Investor demand remains strong, particularly for top-tier managers and differentiated strategies. According to the Hamilton Lane Global Private Wealth Survey, nearly 75% of respondents plan to increase their allocation to private markets, highlighting the rising popularity of alternatives for diversification.

Growth of $1 invested over the last ten 10 years



Source: Hamilton Lane Data, Bloomberg (January 2025) Indexed at Q4 2014

In conclusion, while private equity has faced challenges, signs of normalization are emerging. A more selective fundraising environment, coupled with investors seeking better returns amid public market uncertainty, positions private equity for renewed stability and long-term growth.

Private equity insights of the month

Hidden value in small- and middle-sized deals

Lukáš Baloga

Analyst

As wealth accumulation surges, the private equity market has soared in popularity over recent decades, with major funds capturing a substantial portion of overall limited partner capital. Investors are flocking to these large private equity funds, driven by the belief that they provide superior returns and enhanced stability due to their scale compared to smaller and mid-sized funds. But is this reality, or merely a widely accepted myth?

Where is the value created?

Small- (up to $500 million EV) and mid-sized ($500 million to $1 billion EV) private companies often lack the sophistication, networks, and resources that their larger counterparts enjoy. However, they also offer numerous opportunities for value creation strategies. Unlike larger, more resource-rich businesses that are typically well-managed, smaller entities provide investors with significant room for improvement.

Investors enhance shareholder value by developing new products, expanding market share, effectively managing costs, institutionalizing processes, and scaling operations. They demonstrate the capability to drive such enhancements by leveraging their extensive networks to augment or strengthen management teams, provide strategic advice, improve corporate governance, enhance financial reporting and operational processes, and connect the company with new customers, distributors, and suppliers. Additionally, investors can pursue a 'buy and build' strategy to foster growth through acquisitions.

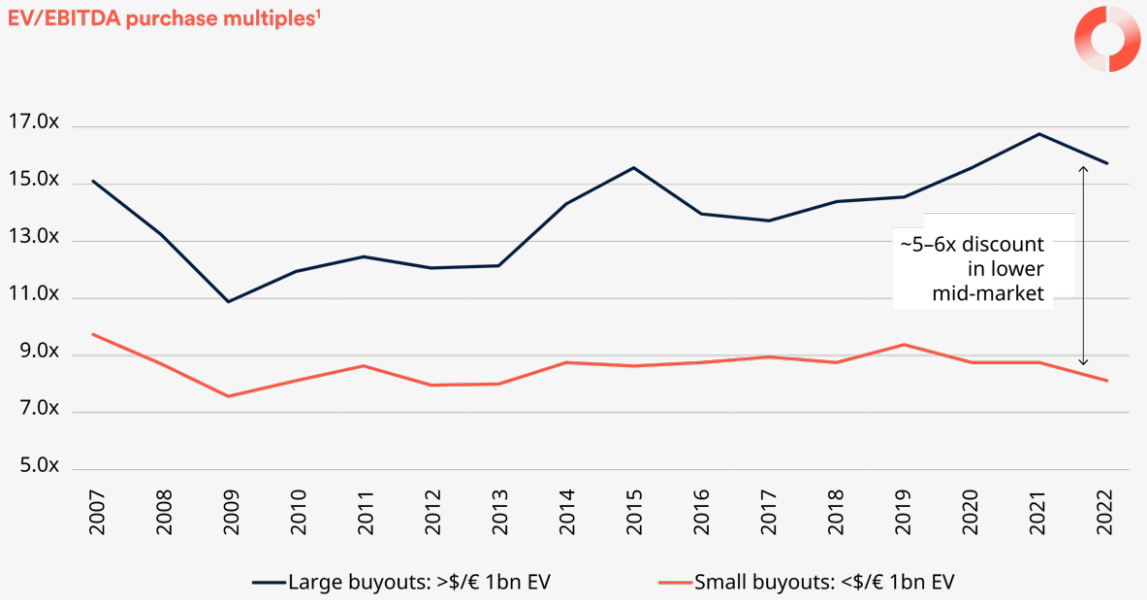
Companies that exhibit more stable earnings, higher profit margins, and superior growth prospects generally command higher valuation multiples. They focus on implementing robust corporate governance, making the companies more appealing to potential acquirers and investors. By doing so, they can achieve a higher multiple of earnings upon exit compared to the acquisition phase, effectively preparing and positioning the company for a successful exit.

Multiple gap

Long-term tracking of EV/EBITDA multiples by Schroders Capital across North American and European markets reveals a consistent and significant discount between mid-market and large buyout deals, which currently stands at approximately 5-6x.

This discrepancy can partly be attributed to the more favorable dry powder conditions in the mid-market.

Additionally, the higher perceived risk associated with small and mid-sized deals contributes to this trend. These smaller companies often lack diversification and professional management but offer greater potential for value creation. Moreover, small and mid-sized deals are typically secured through proprietary networks, rather than competitive auction processes.



Past performance is not a guide to future performance and may not be repeated. The views shared are those of Schroders Capital and may not be verified.
Source: Schroders Capital, 2024.
[1]Based on data on North American and European market from CapitalIQ and the Baird Global M&A report. 612562.016

Conclusion

Traditionally, investors have shown a preference for large private equity funds. However, data indicates that small and mid-sized funds have consistently outperformed their larger counterparts across various regions, investment strategies, and economic cycles.

This superior performance can be partially attributed to the lower valuation multiples at which companies targeted by small and mid-sized funds typically transact, as illustrated in the accompanying graph. Additionally, these funds often operate in less efficient markets, presenting greater opportunities for multiple expansion. The lesser degree of corporate governance in these companies translates to less formalized management planning, which, while increasing risk, also opens up more avenues for generating liquidity and value creation. Importantly, there are numerous strategies available to these investors for extracting tangible value from their portfolio companies. Collectively, these factors make investments in small and mid-sized funds highly attractive prospects for larger private equity funds or strategic buyers.

Real estate insights of the month

Nuances in risk premium measures for CRE investors

Lukáš Štieber

Analyst

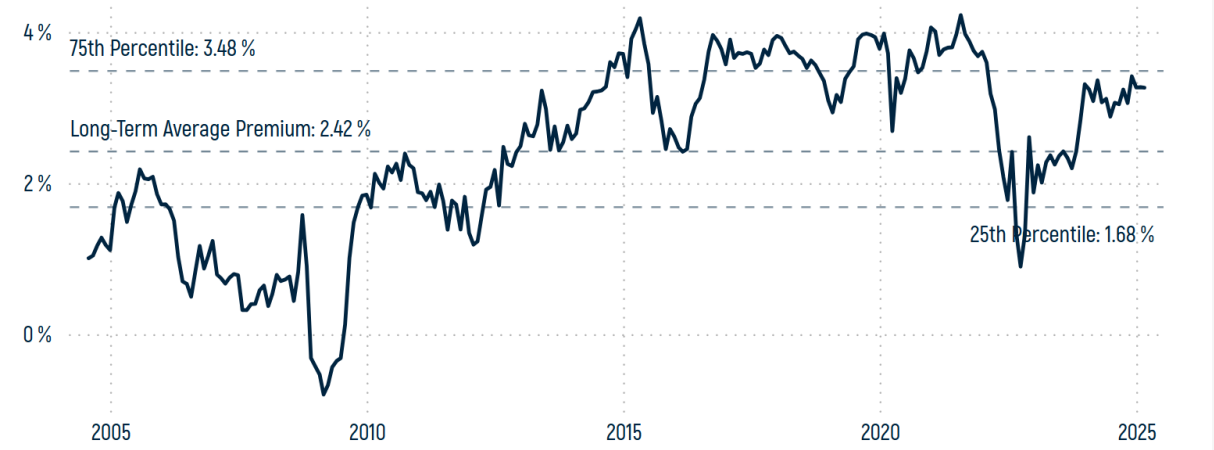
The argument for commercial real estate (CRE) recovery based on falling borrowing costs, driven by the ECB's rate-cutting cycle, was widely discussed throughout 2024. However, this logic relies on two key assumptions: (i) lower policy rates translate into lower borrowing costs and/or (ii) they drive higher economic growth—assumptions that are not always valid. More critically, the relationship between falling rates and rising CRE values is often oversimplified, particularly through the traditional risk premium measure, defined as the difference between property and government bond yields. We argue that a superior measure is the spread between expected total property returns and BBB corporate bond yields, which better reflects CRE's relative attractiveness.

Falling policy rates do not always benefit CRE investors, as they may signal economic slowdown (recession risk) rather than easing borrowing costs. Credit risk has a dynamic price, and even risk-free rates, proxied by government bond yields, incorporate more than just the policy rate outlook—they also include term premiums. The ECB's rate cuts alongside rising government bond yields highlight the flaws in the simplistic "lower rates = higher property prices" narrative.

While initial yields matter, total property returns should be the primary focus for CRE investors, as both property values and NOI evolve over time. The spread between expected unlevered property returns and corporate bond yields provides a clearer view of financial conditions and economic growth expectations. If yield spreads widen, it signals slowing growth—bad news for CRE.

Germany's recent fiscal stimulus, which pushed 10-year bond yields to 2.94% in early March, underscores shifting macro dynamics. Increased infrastructure and defense spending may bolster economic growth, with industrial real estate likely to benefit the most among core CRE sectors due to its role in supporting European manufacturing and supply chains. A more nuanced risk premium measure—based on total property returns relative to corporate bond yields—offers a clearer gauge of European CRE's relative attractiveness. However, the pace of CRE recovery remains under pressure amid rising economic uncertainties, tariffs, and stagflationary risks.

Chart: European CRE Risk Premium (CRE IRR – IG Corporate Bond Yields)



Source: Arete

Real estate insights of the month

Demand for mortgages is surging in the Czech Republic

Peter Šulan

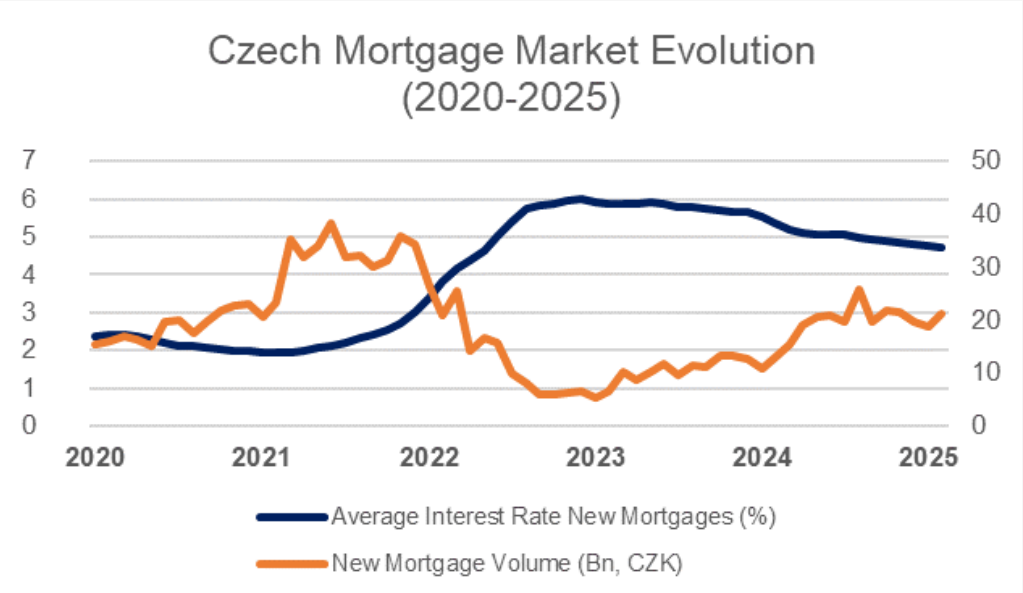
Analyst

The CNB Bank Board left interest rates unchanged in March, with the 2W repo rate at 3.75%, after its February cut from 4.0%. Another interest rate cutting to 3.5% could possibly happen in May. The average interest rate on new mortgages currently stands at 4.72%, but homebuyers are not waiting for further cuts and mortgage volumes are already surging.

Over the last five years, the mortgage market in the Czech Republic has experienced significant fluctuations. In 2021, the market was extremely strong, with a significant volume of new mortgage signings following the economic uncertainty related to the COVID-19 outbreak in 2020. However, in 2023, the market experienced a significant downturn, with total mortgage lending reaching CZK 124 billion following a sharp rise of interest rates that pushed average mortgage rates up to almost 6%. This downturn was followed by a remarkable recovery in 2024, with banks and building societies providing new mortgage loans totaling CZK 228 billion, an 83% increase on the previous year. Including refinanced loans, the total mortgage market reached CZK 228 billion in 2024.

In February 2025, banks and building societies granted new mortgages worth CZK 21.1 billion. The number of newly granted mortgages reached 5,277, which represents a 37% increase compared to February 2024. In addition, the average mortgage amount rose to CZK 4 million. This increase in the volume of loans, together with lower interest rates, has led to monthly repayments being approximately CZK 1,500 lower than a year ago, which has eased the financial pressure on borrowers.

If this momentum holds, the total volume of new mortgages for 2025 is forecast to reach CZK 278 billion – more than 20% increase compared to the previous year.



Source: Czech Banking Association

Energy sector insight of the month

Spain is about to repeat Germany's energy disaster

Radek Jirků

Analyst

Iberdrola's executive chairman, Ignacio Galán, has warned that electricity prices in Spain could rise by more than 25% if the country proceeds with plans to shut down all seven of its nuclear reactors by 2035. He described the move as repeating Germany's "big mistake" and urged policymakers to adopt a more pragmatic approach.

Galán emphasized that eliminating nuclear energy would make Spain's power system less reliable and more expensive. A PwC analysis suggests that decommissioning nuclear plants could raise wholesale electricity prices by €37/MWh, leading to a 23% increase for households and small businesses and a 35% hike for industry.

While countries like the US, Japan, and Belgium are extending the life of their nuclear fleets to ensure energy security and meet growing demand, Spain remains committed to shutting its reactors. This has caused growing debate as the first closure—at the Almaraz plant—is scheduled for 2027.

Iberdrola, alongside fellow plant operators Naturgy and Endesa, agreed in 2019 to a gradual shutdown under pressure from a Socialist-led government, citing safety and waste concerns. However, both Iberdrola and Endesa have recently called for a reassessment, arguing the plants could operate longer and help avoid blackouts. Galán warned that ending nuclear generation would harm grid stability and increase the risk of power curtailments.

The Spanish government has so far resisted industry pressure, arguing that renewables like wind and solar are more cost-effective and can generate significantly more energy for the same investment. Spain aims to source 81% of its electricity from renewables by 2030.

Behavioral finance insight of the month

Decision frames – The art of financial choice architecture

Jana Přílučíková, PhD

Analyst

Ever wonder why the same investment opportunity can seem attractive one moment and risky the next, even though nothing fundamental has changed? The answer probably lies in framing—the psychological mechanism that shapes how we perceive information. For investors, understanding framing isn't just academic curiosity—it's a practical tool that can dramatically enhance decision-making.

Framing describes how identical financial information, when presented differently, can lead to vastly different decisions. Imagine the classic illustration of the half-filled glass of water: the optimist sees it half-full, the pessimist sees it half-empty. The quantity of water doesn't change, but the interpretation does—and that's precisely how framing works in financial contexts. Whether a stock, fund, or retirement plan appears as a promising opportunity or a risky gamble largely depends on the frame presented.

Pioneering research by Nobel laureate Daniel Kahneman and Amos Tversky highlights a key aspect of framing—loss aversion. People tend to fear losses more strongly than they appreciate gains. For instance, consider how an investment is marketed: highlighting "potential gains of 10% annually" makes investors feel hopeful and confident, whereas a statement like "there's a risk of losing 10%" can generate anxiety and caution, even though the statistical reality is identical.

Framing significantly impacts financial decisions through default choices, known as "opt-in" and "opt-out" frameworks. An "opt-in" scenario requires active consent from the investor, promoting transparency and deliberate choice. Conversely, "opt-out" mechanisms enroll individuals automatically, capitalizing on human inertia. Renowned behavioral economist Richard Thaler demonstrated the power of defaults with retirement savings—automatic enrollment (opt-out) dramatically increased participation compared to voluntary sign-up (opt-in). For investors, recognizing these hidden nudges can be pivotal.

Among other examples in the financial industry, investment advisors might try to highlight successful past performance to attract new clients, conveniently omitting periods of downturn or volatility.

How can investors outsmart the subtle traps of framing? Be proactive in your awareness. Seek diverse perspectives, question promotional narratives, and complement your judgment with unbiased, professional analysis.

To anchor your investment decisions in rational analysis and avoid impulsive emotional responses, create a clear, reliable investment checklist and establish personalized benchmarks. Define acceptable risk levels, cost structures, target returns, and alignment with your long-term financial objectives. Use structured decision-making techniques, such as scenario analysis and comprehensive cost-benefit evaluations, to reduce susceptibility to framing effects—the tendency to react differently based on how financial information is presented.

References

Ackert L. F., Deaves R. Behavioral Finance: Psychology, Decision-Making, and Markets. Cengage Learning, 2010.

Agnew JR, Anderson LR, Gerlach JR, Szykman LR. Who chooses annuities? An experimental investigation of the role of gender, framing, and defaults. Am Econ Rev. 2008;98(2):418-422. doi:10.1257/aer.98.2.418

Johnson EJ, Goldstein D. Do Defaults Save Lives? Science, 2003, 302(5649), 1338–1339. doi:10.1126/science.1091721

Kahneman D, Tversky A. Prospect Theory: An Analysis of Decision under Risk. Econometrica, 1979, 47(2), 263–291. doi:10.2307/1914185

Přílučíková J. Behaviorální finance: proč se o penězích rozhodujeme tak, jak se rozhodujeme. Univerzita Tomáše Bati ve Zlíně; 2024. https://doi.org/978-80-7678-303-4

Thaler R. H., Sunstein C. R. Nudge: Improving Decisions About Health, Wealth, and Happiness. Yale University Press, 2008.

Blockchain technology and digital assets insight of the month

Cryptocurrency regulations in 2025: Global trends at a glance

Adrián Páleš

Analyst

Regulation is often a divisive issue for individual and institutional crypto investors alike. But regardless of your opinion on it, one thing is clear – it's happening. And not without reason.

From DeFi scandals to influencer scams and plain-old controversies, 2024 has given lawmakers numerous reasons to pursue more holistic regulation. All we can do at this point is look ahead, prepare, and adapt. The question is, what can you expect in 2025?

The U.S. Drives Regulation Efforts

The new U.S. administration is changing course on old crypto regulation, seeking to create a more friendly environment. Currently, lawmakers are revisiting a series of crypto bills to redefine responsibilities in order to break the SEC / CFTC stalemate and create clarity.

Asian Regulators Join the Fight

Hong Kong and Singapore are creating risk-resistant crypto frameworks to drive growth in the APAC region. Their efforts primarily focus on introducing new licensing regimes for exchanges and other crypto companies, as well as laying groundwork for derivatives and lending.

EU's MiCAR Causes Problems

The European Union's Markets in Crypto-Assets Regulation has come into effect, though only partially. EU-based crypto companies have been given time to comply until mid-2026. However, mismatched regional laws and deadlines are creating confusion amid threats of restriction.

A New Dawn Over the Middle East

In an effort to keep up with their Western counterparts, middle-eastern emerging markets are making way for crypto. The UAE has leveraged Dubai and Abu Dhabi's VARA and FSRA regulators respectively, but the trend has even reached Bahrain and South Africa.

The U.K. Prepares Regulation

Over ten years after the HM Treasury confirmed its plans to regulate a broad range of crypto asset and stablecoin activities, the Financial Conduct Authority (FCA) has begun discussing detailed rules for trading, custody, and disclosures. It aims to implement the framework in 2026.

Stablecoin Regulations Tighten

In 2025, the race is on to set the standard for stablecoins as a digital currency, ensuring both reliability and reserve backing. Currently, the European Union's MiCAR is in the lead with a fully-fledged framework, while the US, UK, and Asia work on developing their own.

Data Governance Under Scrutiny

With the rising adoption of blockchain and tokenization, regulators set their sights on data governance frameworks to ensure the integrity, security, and transparency of digital transactions. In turn, companies worldwide are forced to update audits, encryption, and more.

Implementing Anti-Anonymity AML

Governments worldwide are tightening anti-money laundering (AML) standards to bring digital transactions into the fold, requiring exchanges to use the FATF travel rule, tracking Sender → Recipient information, in order to bring more transparency to the sector and prevent abuse.

DeFi Innovators in Hot Water

Amid concerns over gray areas in the market, the U.S., U.K., and other regulators are considering expanding their oversight to decentralized platforms and other crypto innovators. This directly follows the IOSCO and FATF's issuance of their DeFi policy recommendations.

Integrating Crypto into TradFi

Across major markets, regulators are piloting tokenized bonds, digital securities, and blockchain-based investment vehicles. As frameworks mature, initiatives in the EU, UK, and Asia are drawing crypto into the heart of traditional capital markets.

About

Prague Finance Institute (PFI)

Non-profit organization affiliated with CERGE-EI

PFI aims to connect experienced and young finance professionals, including students, especially through educational and networking events

Our key activities

- **PFI Macro Anchor podcast**
  hosted by PFI Chief Economist Andre Chelhot, CFA
- **PFI Talks podcast** in cooperation with the daily E15
  (e.g. Daniel Kahneman, Jeffrey Sachs, Aswath Damodaran, Marc Faber, Barry Eichengreen or Peter Oppenheimer)
- **Panel discussions** (roundtables)
- **Valuation Masterclass**
  (semester-long business valuation course)
- **Technical Analysis Masterclass**
  (unique six lectures on technical analysis)
- **Research** (PFI Monthly magazine)
- **PFI Scholarship**
- **Platform for sharing interesting job opportunities**
  in the financial sector
- **Social media**, especially LinkedIn

Contacts

Prague Finance Institute, z.s.
The Schebek Palace
Politickych veznu 936/7
110 00 Prague 1
Czech Republic
www.praguefi.com

Delivering Knowledge That Matters.

PFI partners are

ORIENS, KPMG, PPF, CERGE-EI, TARPAN, CONSEQ, RSJ, X Production, Arete and BHM group; media partner is the daily E15