PFI Monthly

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Content

Financial markets monthly dashboard

Source: Bloomberg; Michal Stupavský, CFA

	May	YTD change	12 months change	Last value
Dollar index DXY	-0.1%	-8.4%	-5.1%	99.3
EUR/USD	0.2%	9.6%	4.8%	1.135
EUR/CZK	0.0%	-1.0%	0.6%	24.93
USD/CZK	0.3%	-9.4%	-4.1%	21.97
Global stock markets (MSCI All Country World)	5.5%	4.5%	12.6%	
Developed stock markets (MSCI World)	5.7%	4.2%	13.0%	
Emerging stock markets (MSCI Emerging Markets)	4.0%	7.6%	9.4%	
Frontier markets (MSCI Frontier Markets)	4.2%	10.8%	11.4%	
Global stock markets - Value (MSCI All Country World Value)	2.8%	5.6%	9.4%	
Global stock markets - Growth (MSCI All Country World Growth)	8.1%	3.6%	15.7%	
Global stock markets - Large Cap (MSCI All Country World Large Cap)	5.6%	4.2%	12.9%	
Global stock markets - Mid Cap (MSCI All Country World Mid Cap)	5.1%	6.1%	10.9%	
Global stock markets - Small Cap (MSCI All Country World Small Cap)	5.9%	2.1%	6.0%	
US (S&P 500)	6.2%	0.5%	12.9%	5912
US (Magnificent 7)	13.3%	-4.3%	27.6%	
US (S&P 500 Equal Weighted)	4.2%	0.6%	7.9%	
US (NASDAQ)	9.6%	-1.0%	14.2%	
Non-US stocks (MSCI All Country World ex-US)	4.1%	12.4%	11.2%	
Europe (STOXX Europe 600)	4.0%	8.1%	6.2%	
Japan (MSCI Japan)	5.2%	-0.1%	1.7%	
Emerging Asia (MSCI Asia ex-Japan)	5.0%	7.1%	11.5%	
China (MSCI China)	3.5%	13.1%	21.2%	
India (MSCI India)	2.4%	2.6%	7.4%	
Latin America (MSCI Latin America)	0.9%	19.5%	-6.2%	
Central Europe (CECEEUR)	4.8%	25.2%	26.5%	
Czech Republic (PX)	6.4%	22.1%	39.5%	2149
Global bond markets (Bloomberg Global Aggregate)	-0.4%	5.3%	7.3%	
Global government bonds (ICE BofA Global Government index)	-0.6%	5.7%	7.1%	
US Treasuries (Bloomberg US Treasury index)	-1.0%	2.5%	5.4%	
US Treasuries with maturity over 20 years (Bloomberg US Treasury 20+ Year index)	-3.2%	-0.1%	0.2%	
Global investment grade corporate bonds	0.2%	5.0%	7.8%	
Global speculative grade corporate bonds (high-yield)	1.6%	4.4%	11.1%	
EUR investment grade corporate bonds	0.5%	1.6%	6.6%	
EUR speculative grade corporate bonds (high-yield)	1.3%	2.3%	8.3%	
Czech government bonds (Bloomberg Czech Govt All > 1 Yr Bond)	-0.1%	2.4%	6.1%	
Average global bond yield (Bloomberg Global-Aggregate Yield To Worst)	0.11%	-0.11%	-0.44%	3.57%
US 10 year government bond yield	0.24%	-0.17%	-0.15%	4.40%
US 2 year government bond yield	0.29%	-0.34%	-1.03%	3.90%
Germany 10 year government bond yield	0.06%	0.13%	-0.15%	2.50%
Germany 2 year government bond yield	0.09%	-0.31%	-1.30%	1.78%
Czech Republic 10 year government bond yield	0.09%	-0.06%	-0.22%	4.16%
Czech Republic 2 year government bond yield	0.11%	0.06%	-0.70%	3.51%
Average global investment-grade credit spread	-0.16%	0.05%	-0.01%	0.94%
Average global high-yield credit spread	-0.60%	0.23%	-0.23%	3.51%
Global commodity markets (Bloomberg Commodity Total Return)	-0.6%	3.0%	0.7%	
Crude oil Brent	1.2%	-14.4%	-21.9%	64
Copper	4.5%	10.2%	-4.9%	9554
Gold	-0.9%	24.5%	40.4%	3289
Silver	1.5%	13.0%	4.7%	33.0

Interview

Jeroen Blokland

Founder and CEO of Blokland Smart Multi-Asset Fund

The interview was conducted by
Michal Stupavský, PFI Head of Research.

What is your current view on the world in general and the global financial markets in particular? Do you share my opinion that the world economy and the global financial markets have been gradually entering a new global macro regime, with the following four key attributes being 1) record total global debt, 2) structurally higher interest rates amid rather sticky and elevated inflation, 3) a significantly elevated global macroeconomic volatility, and 4) a significantly elevated geopolitical and economic uncertainty?

I think we are in the same, already changing macro regime, with the changes just going quicker because of Trump's tariff war, China-US tensions, geopolitical risks, and a refocus on defense spending. Trump's actions make everyone aware of these changes.

I mostly agree with your points, except for the higher structural interest rates. While large debt piles and inflation push rates up, central banks will push them down in an environment of fiscal dominance and financial repression. The need for interest payments to remain low or not to rise too much has increased as defense spending is now de facto mandatory spending next to all other forms of mandatory spending. Rates won't go back to zero that easily, but I do think they will be lower on average than current levels.

Is the US government debt trajectory – debt/GDP ca. 125%, deficit/GDP ca. 7%, interest costs/budget revenues ca. 20% and interest costs above USD 1 trillion – sustainable in mid- to long-term?

No, this is why interest rates must come down and why Trump is attacking Powell for not cutting rates. Other options like structural spending cuts or higher taxes are not feasible. Just look at what Trump did in the US; he lowered taxes. Another possibility is to stop growing GDP, but no CEO, politician, or policymaker will ever suggest that. The easiest way out is lower interest rates and inflation.

What does the Trump's administration want to achieve with such unprecedented tariffs? What is the end game here in your opinion?

The US is done with bailing out the rest of the world, especially now that debt levels are so high. We are moving to a multi-polar world with the US on one side and China on the other. Europe is stuck and lacks political, economic, and technological power to do anything about it. Second, Trump wants to secure much-needed GDP growth to keep debt levels sustainable by forcing companies to produce in the US. For some companies, this is virtually impossible to do, by the way. Where Trump goes wrong is by wanting a weaker dollar and sustaining dollar hegemony by punishing countries that settle in other currencies. These policies will make countries like China want to leave the dollar even more. However, nobody wants the Yuan, so the only thing left is gold. Trump is accelerating the implicit market-driven return to a gold/scarcity standard.

Do you think that the traditional 60/40 portfolio allocation – 60% equities and 40% bonds – is still sufficient for an average investor in 2025?

No, and it hasn't been for 20 years now. Real bond returns, which are the returns that matter as investing is about growing wealth and purchasing power, not about nominal numbers, are negative. Hence, the Sharpe ratio of bonds is negative. Volatility is rising due to debt issues, and inflation is needed to decrease real debt levels. Interest rates cannot go up because of more pressure on budgets. So, while bonds may provide decent returns once interest rates go down, the long-term outlook for bonds is incredibly poor. And I find it astonishing that institutional investors, with their allocation optimization models, do not adjust and keep their clients invested in bonds.

Do you think that gold could become an official formal component of the global monetary system in the upcoming years again?

I think it already is if you look at the massive central bank buying. Economies like China, India, and other emerging markets have very low gold reserves, making them (too) dependent on the dollar. Higher amounts of gold in the system against ongoing increases in money supply and debt can keep the system afloat without collapsing. By the way, I think at some point, Bitcoin will prosper, too, as digital gold. The core of the system, monetary scarce assets that cannot be issued or printed, must widen for the debt-driven system to continue.

What are currently the major investment risks which investors all over the world have to face right now?

That the pace of the Great Rebalancing goes too fast. De-dollarization, geopolitical tensions, inflation, and Trump's policies accelerated the trend, and things tend to break when things are going too fast. One important example is the decline of the dollar exchange rate. At some point, it became disorderly, and on these days, gold spiked. I would like to see a more gradual adjustment in which every investor can do so.

You founded the Blokland Smart Multi-Asset Fund in January 2024. It as an innovative investment fund that invests in a smart combination of scarce assets: Quality Stocks, Physical Gold, and Bitcoin. It enables investors to directly benefit from structural changes in the financial markets, including unsustainable debt levels, lower interest rates, and higher inflation. A key feature of the fund is its ability to mitigate losses by pulling 'The Emergency Brake' in declining markets. Why did your decide to launch your own fund and could you please elaborate in more detail on your fund's investment strategy, stating your investment thesis underpinning holding of these three major asset classes?

The launch of my fund is a direct spin-off of what is happening in our (financial) system. We need debt to continue growing because aging slows growth down or kills it altogether. For a debt-driven system to stay afloat, interest rates must remain relatively low, and inflation must be high. That is the death of the 60-40 portfolio, yet virtually the whole world invests like that.

The fund provides both retail and institutional investors an alternative by investing in scarce assets only. Scarce assets have proven to protect against the hollowing out of wealth by low interest rates and inflation in particular. So we invest in quality stocks, stocks of scarce companies that are unique. They have strong business models, low debt, and stable earnings. Next, we invest 25% of the fund's assets in physical gold. So, the real stuff, not paper gold. As mentioned above, I think the system will return to a kind of market-driven gold standard driven by history, debt, and geopolitics. Bitcoin has the potential to be digital gold, which fits better in a digital society and financial system, but it lacks gold's history. Both have their merits; hence, we are investing in both.

We combine these assets in a smart way, and together with the Emergency Break, the fund has a neutral risk profile with volatility between 9-10%. This way, we can position it against the traditional 60-40 portfolio, which has roughly the same volatility. Investors can invest in the fund as their multi-asset solution or as a satellite holding benefiting from strong diversification benefits.

What kind of investors should be interested in your fund in particular?

Every investor that understands, that in the current system, bonds are the worst option to invest in. And who understands that central banks are not about protecting your currency but about maintaining debt sustainability by printing ever more money, causing inflation. Scarce assets are the ultimate assets to protect your portfolio against inflation. Bonds and cash are not.

BIO

Jeroen Blokland has over 20 years of experience as an investor. After a successful career at Robeco, where he last served as Head of Multi-Asset, managing over EUR 5 billion in client assets, Jeroen founded his own company focused on delivering macro and investment research.

In 2023, he launched the Blokland Smart Multi-Asset Fund, a unique investment fund that moves beyond the traditional bond-equity mix. Instead, the fund invests exclusively in scarce assets, including quality stocks, physical gold, and Bitcoin. Jeroen is also a sought-after guest on social media, podcasts, and at industry events.

Global macro insights of the month

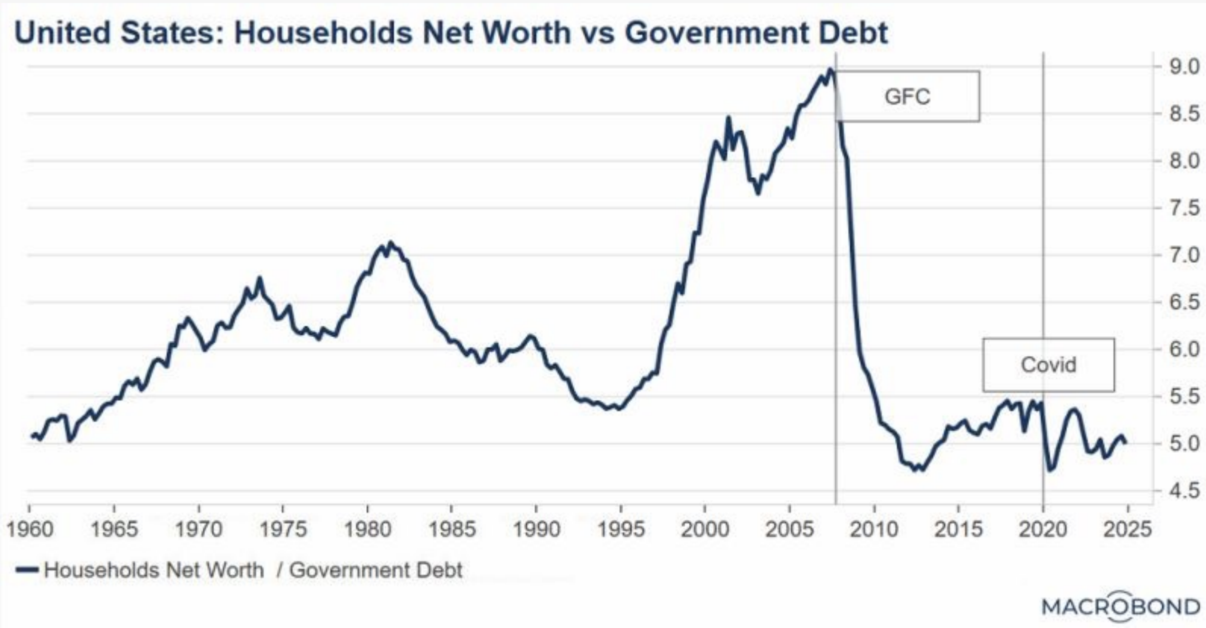
In the shoes of Scott Bessent

Andre Chelhot, CFA

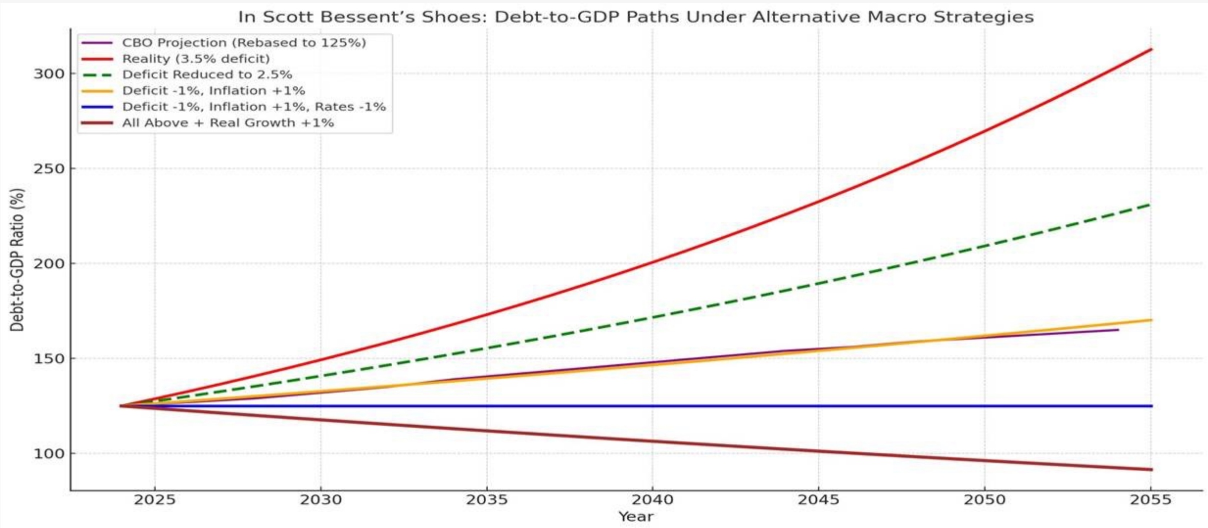
Chief Economist

By 2024, the U.S. federal debt has reached 125% of GDP. Rising public debt was defensible for decades, even useful, because it supported private wealth, stabilized demand, and helped navigate recessions. However, the macro logic that once justified public borrowing is now breaking down. What happens when the utility of debt fades, but its cost accelerates? The U.S. is approaching that moment — a shift from debt as a policy tool to debt as a structural burden.

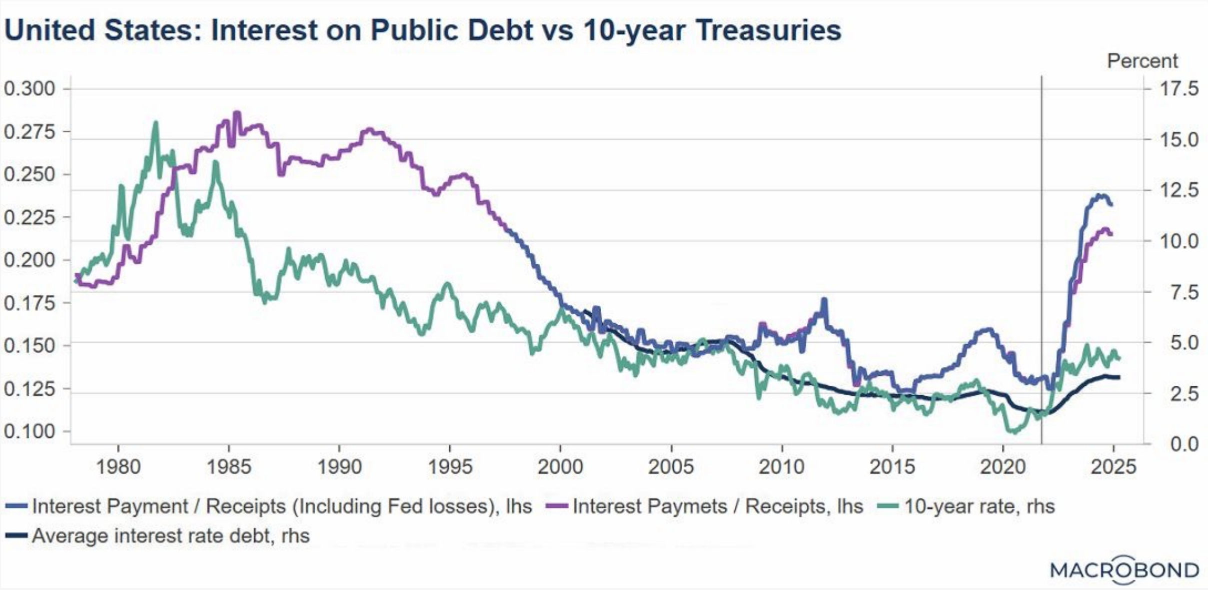
The traditional justification for deficits was that they mirrored private surpluses. According to national accounting, public borrowing boosts household balance sheets. That trade-off worked — for a while. But the marginal utility of new debt has collapsed. Before 2008, every dollar of government debt supported nearly nine dollars of household net worth. Today, that ratio is below five and trending lower. More debt is creating less wealth. Worse, what wealth is being created is increasingly concentrated in the hands of the top 10%. The broad social bargain behind deficit spending — that it would lift the economy as a whole — is dissolving. At some point, society resists. Voters begin to question the value of ever-rising debt. Bond markets stop funding it cheaply. The public grows intolerant of what looks like a policy of perpetual upward wealth transfer. This is the beginning of unsustainability — not a collapse, but a shift in tolerance and pricing.



Sustainability, however, doesn't require fiscal shock therapy. We explored a macro-coherent path to stabilize debt without deep austerity or monetary heroics. The key insight: small, realistic shifts in key variables can make a large difference over time. Starting from a 125% debt-to-GDP ratio, we ran a scenario where the primary deficit is reduced modestly from 3.5% to 2.5%. That slows the climb, but doesn't stop it. If inflation is allowed to run a bit higher — say 3.5% instead of 2% — nominal GDP growth rises to 6%, easing the debt burden further. If long-term interest rates are pushed down to 3.5% on the back of accommodative monetary policy, the cost of debt aligns more closely with growth. Finally, if pro-growth reforms lift real GDP growth by just 1%, the trajectory changes. Instead of rising toward 170%, the debt ratio stabilizes and gradually declines to 107% by 2035. No fiscal surplus is needed. No default. Just modest coherence across fiscal, monetary, and structural policy. The key is alignment, not radicalism.



But the cost of delay is rising. Investors are focused not just on debt size, but on servicing costs. Interest payments on federal debt are nearing 27% of government revenues. That's already the highest since the 1990s — and that figure will rise mechanically as low-rate debt rolls into today's higher yields. At current rates, interest costs could exceed 35% of federal receipts. That would mean over a third of all tax revenue going just to service past obligations. No new programs. No public investment. Just interest. The government isn't a household — it can print. But that path leads to inflation, distorted asset prices, rising inequality, and a credibility crisis for the central bank. In macro terms, the U.S. cannot escape its budget identity. When interest costs rise and revenues don't, the adjustment must come from either spending cuts or money creation. The longer the adjustment is deferred, the more extreme it becomes when it finally arrives.



The U.S. is not yet in a fiscal crisis. But it is in a utility crisis. The benefits of debt are fading, while the costs are accelerating. The old equation — debt creates growth and prosperity — no longer holds. Avoiding a crisis doesn't require heroics. It requires realism. Slight fiscal restraint, a higher inflation tolerance, anchored rates, and modest supply-side reform are enough. But absent coordination, the adjustment will be imposed by markets, voters, or inflation itself. At some point, arithmetic takes over. And when it does, the window for a smooth landing closes fast.

Global macro insights of the month

Trade is not parasitism, but mutualism: Why protectionism is irreconcilable with peace

Štěpán Drábek
Analyst

The central thesis of U.S. President Donald Trump's trade rhetoric, which underpins his entire justification for restricting international commerce, is the notion that trade is not a mutually beneficial arrangement but rather a parasitic relationship and an irreconcilable conflict. According to this misguided conception, trade is a zero-sum game in which one party can gain only at the expense of another. In order for one to prosper, others must be mercilessly cast into a worse position. From this perspective, society as a whole is no better off after trade than it was before.

Nothing could be a more grievous misunderstanding of the nature of trade. In reality, voluntary exchange is necessarily mutually beneficial. Men part with something only if they believe they will receive something of greater value in return. This holds true without exception—for all parties involved. The very reason exchanges occur lies in the fact that individuals assign different values to the same goods. Value is inherently subjective—what one regards as a treasure, another may disdain. People buy and sell because they value what they give up less than what they acquire in the transaction.

This essential feature of trade has profoundly positive effects on society as a whole. In order to obtain something that satisfies one's preferences, one must offer something that is of value to another. Thus, to improve one's own situation, one must simultaneously contribute to the well-being of others. As David Hume observed, commerce makes it possible to serve others without genuine benevolence. The result is that even those who are solely self-interested and completely indifferent to others are compelled to engage in exchanges that, unintentionally, promote the welfare of others. According to Hume, in a market order, it is in the *‚interest, even of bad men to act for the public good'*.

Economic laws do not recognize national borders or other human conventions. From the standpoint of economics, it is irrelevant whether trade occurs between neighbors or between the most distant points on Earth. The principle of mutual benefit from voluntary exchange remains untouched by these factors. Therefore, international trade is advantageous to all participants—in this case, the respective nations involved. Trump's idea that one country "robs" another in global trade is thus wholly unfounded and deeply misleading.

The global recognition that nations benefit by participating in international division of labor and trade ushered in what can rightfully be called the golden age of globalization. This era, beginning with the fall of the Iron Curtain, now appears to be drawing to a close. As economist Mojmír Hampl documents in his recent book, this period—during which billions of people experienced unprecedented improvements in living standards—was by no means inevitable. Once again, it becomes evident that the best things in life often go underappreciated until bitter experience reveals what it means to lose them. Such is the case with globalization, which enabled us to live through the most prosperous era in recorded history—without us fully realizing it.

And this prosperity was not merely material. The world was enriched by international trade in many dimensions. During this golden age, not only did goods move more freely, but so too did people and ideas. It was also a time of relative peace—and this was no coincidence. As John Stuart Mill already recognized in the mid-19th century, extensive international trade is a principal safeguard of global peace, and with it, the advancement of ideas, institutions, and human character. Through commerce and the resulting mutual dependence, nations hold one another in check. Because limiting such cooperation would be self-destructive, it is in each nation's interest to preserve peaceful relations rather than disrupt them.

Conversely, treating trade as a hostile interaction inevitably leads to economic nationalism, which is fundamentally incompatible with lasting peace. Ludwig von Mises brought this insight to its logical conclusion when he called the philosophy of protectionism a philosophy of war. The explicit aim of protectionism is to damage the interests of foreign nations. It is naïve to believe that such nations will tolerate these hostile actions if they are strong enough to resist them by force. When a country chooses to restrict trade, it disrupts a vast network of productive relationships and sows the seeds of future conflict—conflict that can easily escalate into open war. If goods cannot cross borders, armies will.

History teaches us that rulers are not always guided by foresight, nor are they necessarily committed to the interests of their citizens. On the contrary, they are often swayed by primitive tribal instincts that lead them to view other nations as rivals. Therefore, international trade, while crucial, is not a sufficient guarantee of enduring peace. Not even the defeat of an aggressor suffices. What is required is the permanent burial of the ideologies that give rise to war.

Financial markets insights of the month

Nvidia's financial results Q1 FY2026: Stellar financial performance continues, but will it be enough?

Michal Stupavský, CFA
Head of Research

Nvidia's financial results for the first quarter of the current fiscal year 2026, reported on May 28, were broadly in line with analysts' consensus expectations. As a result, the momentum of key financial metrics remained largely consistent with trends observed in previous quarters. In the most recent quarter ending in April, revenues, earnings, and cash flow all recorded strong double-digit year-over-year growth.

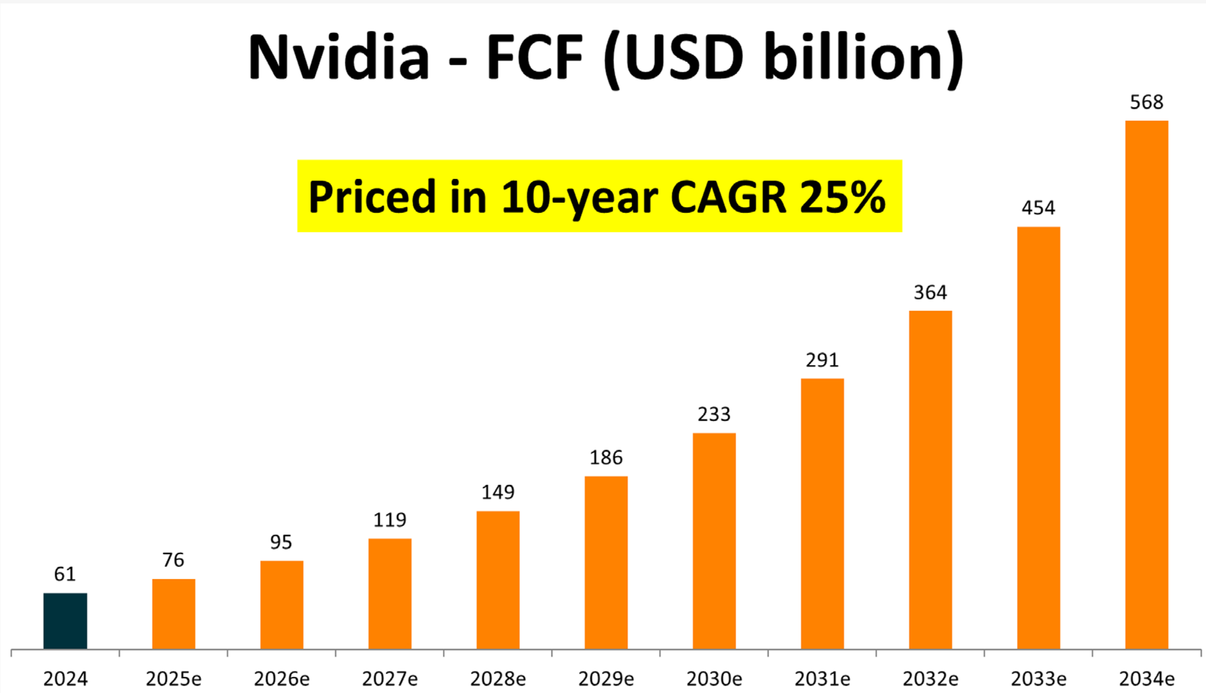
Revenues reached $44 billion in Q1 FY2026 (up 69% YoY), operating profit (EBITDA) was $22 billion (up 51% YoY), net income amounted to $19 billion (up 43% YoY), and the key measure of financial performance—free cash flow (FCF)—came in at $26 billion (up 75% YoY).

As for the current valuation of Nvidia shares, I continue to believe the stock is significantly overvalued. The company's current market capitalization stands at $3.3 trillion. My reverse-engineered discounted cash flow (DCF) model now implies that the expected and currently priced-in compound annual growth rate (CAGR) of free cash flow over the next ten years is approximately 25%. Nvidia's free cash flow for the last twelve months (LTM) was $72 billion. According to my valuation model, the current market capitalization of $3.3 trillion implies that free cash flow in 2034 would need to reach nearly $600 billion.

In other words, the company would have to increase its free cash flow by roughly eight times over the next decade. The likelihood of such a scenario materializing is something every investor must assess individually. In my view, the probability of this outcome is quite low, which suggests that the stock remains significantly overvalued at current levels. This conclusion is particularly relevant for long-term investors. That said, it's also true that no one can rule out the possibility of Nvidia shares continuing to rise from the current level of around $135 in the coming months.

Nvidia - Reverse-engineered DCF model											
USD billion	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e
FCF	61	76	95	119	149	186	233	291	364	454	568
FCF dynamics y/y		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Priced in FCF CAGR 2025-2034	25%										
WACC - From Bloomberg terminal	13,3%										
Year of the model		1	2	3	4	5	6	7	8	9	10
Discount factor		0,88	0,78	0,69	0,61	0,54	0,47	0,42	0,37	0,33	0,29
PV of FCF		67	74	82	90	100	110	121	134	148	163
Sum of PV of FCF in 1st stage till 2034	1 090										
Terminal growth rate	4%										
Terminal value	6 353										
PV of terminal value (2nd stage)	1 823										
Enterprise value (EV)	2 912										
Debt	10										
Cash	54										
Net debt	-44										
Equity value	2 956										
Market cap	3 289										

Source: Bloomberg; Michal Stupavsky, CFA



Source: Bloomberg; Michal Stupavsky, CFA

Note: Data as of 28 May 2025.

Financial markets insights of the month

Equity investors remain complacent despite the surge in UST yields

Tomáš Pfeiler, CFA
Analyst

Tremors in the US government bond markets are the primary source of investors' anxiety at the moment. Yield on benchmark 10Y UST is not so far from 5 %, which represents a kind of danger zone. There are reasons to concern that if yields exceed this psychological level, something breaks in the financial system. Fragile corners of the market – such as US regional banks or non-bank financial institutions – are usual suspects for possible accident.

Yields on 10Y UST climbed 20 bps to 4.4 % in May. During the month, yields on 30Y UST surpassed 5 % and briefly flirted with the highest level since 2007. Asset managers are worried about the US fiscal outlook and overall debt sustainability. Trump's Big Beautiful Bill, approved in the House of Representatives, will increase the US government debt burden will by about 3.3 trillions of dollars over the next 10 years.

There are other factors behind the recent surge in yields. The Fed remains hawkish. Chair Powell said that current monetary policy setting was poised well to bring inflation back to stable levels. Therefore, the central bank will not embark on cuts anytime soon. Policymakers need to see the impact of Trump's tariffs on hard data. The April CPI surprised on downside and stood at 2.4 %. Nevertheless, there is a consensus among economists that over following months inflation will accelerate as tariffs start to bite.

In such an environment, the Fed has to be cautious. The bout of inflation in 2021 and the Fed's late start of its hiking campaign is not so distant memory. The US central bank wants to desperately avoid another policy error and thus it will not resume its cutting cycle unless there is a significant economic slowdown or palpable evidence that tariffs are not pushing inflation up. Therefore, cuts can be back on the table in September at earliest. By September, there will be several data releases that might confirm or refute the tariff induced inflation threat. Anyway, the Fed's cutting path is much less dovish that investors assumed at the start of the year.

There are mounting concerns among money managers that the US is losing its haven appeal. A breakdown in traditional correlation between the USD and Treasury yields is disturbing. Yields and the dollar tend to move in tandem. Nevertheless, in last couple of months the dollar has weakened while yields have soared. Such a combination triggered fears that foreign investors are abandoning US assets.

There are specific factors in play. In Japan, inflation resurfaced after many decades of deflationary pressures. Thus, the Bank of Japan had to start the process of tapering of its asset purchases. As a result, yields on the long-term Japanese bonds went up vertically. The 30Y JGB currently yields more than 3 %. Japanese institutional investors, natural buyers of the US government securities, are repatriating their money back into domestic bond market. The foreign buyers' strike is a considerable risk for US government bond prices.

Spike in UST yield is not necessarily bad for equities. Real yield driven episodes are usually associated with improved outlook for economic growth and equities are natural benefactors. The deal between the US and China about temporary tariffs reduction was a textbook example – euphoria and growth repricing propelled investors into equities, while bonds were dumped on a large scale.

Increase in yields driven by higher inflation expectations, however, is detrimental to equity performance. Elevated debt ratios and the profound budget deficits usually translate into higher inflation expectations and such a move in yields usually send stocks down. Furthermore, even benign real yield driven move can hurt equities, if it is too fast. In these moments, asset managers notice higher yields and start purchasing bonds. Equities simply cannot absorb unlimited yield shock.

The S&P 500 above the level of 6 000 shows that equity investors remain complacent. Complacency is always dangerous. Higher yields are a speed limit for stocks. Asset managers should be careful. Further rise in yields might derail the post-liberation day recovery.

Financial markets insights of the month

Warren Buffett's retirement – The end of an era

Ondřej Koňák
Analyst

In May 2025, Warren Buffett—at the age of 94—officially confirmed what had long been anticipated: his retirement from active leadership of Berkshire Hathaway. Although the day-to-day operations had already been gradually handed over, the symbolic moment marks the end of an investment era like no other.

Buffett's journey began in the 1950s with a small investment partnership in Omaha, grounded in the teachings of Benjamin Graham. In 1965, he acquired a struggling textile company, Berkshire Hathaway—not for its business, but as a corporate shell to allocate capital. Over the next six decades, he transformed it into a $900+ billion conglomerate, owning everything from railroads (BNSF) to insurance (GEICO), utilities (Berkshire Hathaway Energy), and holding major stakes in Apple, Coca-Cola, and American Express.

Key milestones along the way include:

- 1970s–80s: Expansion into insurance as a permanent capital engine.
- 1988: First purchase of Coca-Cola—still one of Berkshire's crown jewels.
- 1999: Buffett famously underperformed during the dot-com boom but emerged unscathed.
- 2008–09: Played lender of last resort during the financial crisis (Goldman Sachs, Bank of America).
- 2016 onwards: Shift towards tech with Apple becoming its largest equity holding.

What makes Buffett unique is not just his long-term compounding record (roughly 20% annualized since inception), but also his discipline, transparency, and moral authority in a business often driven by short-termism.

So what now?

Greg Abel is set to lead the non-insurance businesses, while Ajit Jain continues to oversee insurance. Todd Combs and Ted Weschler manage part of the equity portfolio. All are seasoned and capable, but none are Buffett.

The question is not whether Berkshire will survive—its decentralized structure, fortress balance sheet, and cash-generative businesses ensure resilience. The question is whether it can compound capital with the same skill and culture that Buffett and Charlie Munger cultivated for decades.

Buffett often said: **"Someone is sitting in the shade today because someone planted a tree a long time ago."** The seeds he planted grew into a forest.

Whether the next generation can keep it thriving will be the ultimate test of his legacy.

Banking sector insight of the month

Erste Expands into Poland: A long-awaited move

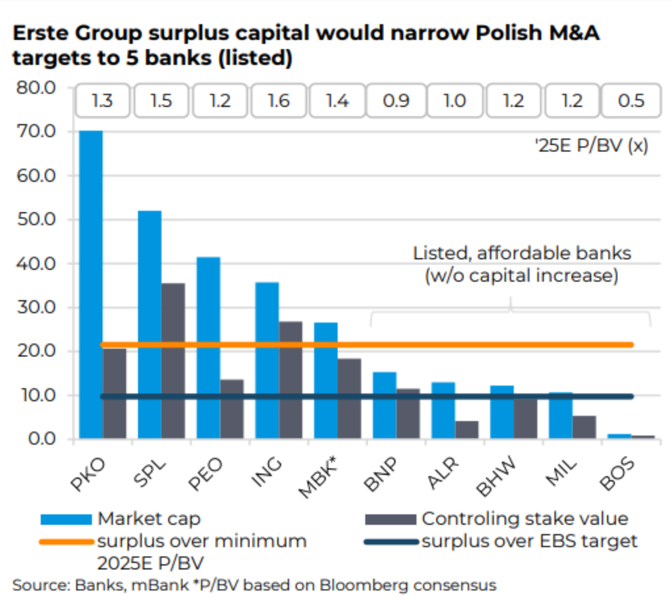
Michal Mesík

Analyst

On May 5, 2025, Erste Group announced the acquisition of a 49% controlling stake in Santander Bank Polska, Poland's third-largest bank, along with increasing its stake in Santander Poland's asset management arm to 75%, at a total cost of €7 billion. As reported in the M&A section of this newsletter, this expansion marks Erste's long-awaited entry into the Polish banking sector, adding 7.5 million customers and making Santander Bank Polska its largest subsidiary. Let us now have a closer look at the pricing of the deal in light of the (expected) profitability, the impact on Erste's capital position and some key ratios.

Erste Group's absence from Poland has long been seen as a source of regret for its senior management. Former CEO Andreas Treichl always viewed Poland as essential for Erste's Central European strategy. Over the years, various rumours circulated about Erste's interest in acquiring mid-sized players such as Alior Bank or Millennium Bank, but no deal eventually materialized. Lately, a 2024 mBank report speculated on Erste's potential targets, stating that "Erste has enough [capital] to approach almost all listed Polish banks with the exception of the pricy Santander Bank Polska" (see also the chart below).

This is true to the extent that the report compared Erste's available capital above regulatory minimum with the entire market capitalisation of Polish banks. However, as we can see, Erste does not need to finance the whole market capitalisation of Santander, as it only plans to acquire 49% - the share gives it full control over strategic decisions and is therefore deemed sufficient by Erste's management.



Source: https://www.mdm.pl/ds-server/54223 (p.8)

Unlike Erste's 2006 acquisition of Romania's BCR at 5.8 times book value, the bank's management is now prioritizing value for money. The €7 billion price tag equates to 2.2 times book value, just 7.5% above Santander Bank Polska's share price. Analysts attribute this relatively high valuation to Santander's strong profitability and growth prospects. Erste anticipates EPS growth of over 20%, with its capital ratio rebounding above 14% by 2026, supported by a temporary dividend cut in 2025. The ROTE is expected to rise from 15–16% to 19% post-acquisition.

Santander Bank Polska has a below-average non-performing loan (NPL) ratio of 4.4% and a CET1 ratio of nearly 17%, signalling strong financial stability. Additionally, Erste CEO Peter Bosek stated that Erste will only take on a limited portion of risk related to Swiss franc-denominated mortgage loans—a longstanding issue in Poland. Santander CEO Ana Botín confirmed that Santander would provide €200 million in guarantees for these legacy CHF exposures, thus reducing Erste's risk.

Early market reactions on the announced agreement were positive. Fitch Ratings expects Erste's CET1 ratio to briefly dip to ~13.5% post-acquisition, though in the following year it should recover beyond 14% - i.e. Erste Group's internal target - driven by earnings retention and capital management measures. Erste's share price surged by 8% following the announcement, reflecting investor confidence in the strategic value of the deal.

In the upcoming months the deal will be subject to regulatory approval process, namely by Poland's Financial Supervision Authority (KNF) and the European Central Bank (ECB). The final decision is likely going to be positive. The ECB will, among others, scrutinise Erste's capital position following the deal and Santander Poland's Swiss franc loans' risk exposure. Eventually, Erste is expected to have the ECB on its side, given that the latter is desperately looking for high-profile examples of successful cross-border consolidation of the banking sector. KNF can also be expected to view the transaction favourably, owing to Erste's reputation as long-term strategic player, its commitment to the Polish market, as well as strong capital position.

From analysts' point of view, the acquisition of Santander Polska makes perfect sense. It can potentially boost many of the key ratios investors are looking at. The ROE and ROTE will naturally improve as Erste Group's own funds are expended on the acquisition, while EPS will rise with no new shares issued. Santander Bank Polska's profitability and growth outpace Erste Group's, further enhancing the deal's appeal.

All in all, Erste Group has seized a strategic opportunity to expand into Poland by acquiring a controlling stake in Santander Bank Polska. The transaction enhances Erste's market position, leverages Santander's profitability, and supports ongoing cross-border banking consolidation in Europe. Erste is eventually true to the meaning of its name and becoming the number one in the CEE region.

Global M&A insight of the month

Erste Group acquires controlling stake in Santander Bank Polska, marking major expansion into Poland

Martin Bosák

Analyst

In May, Erste Group has announced the acquisition of a 49% stake in Santander Bank Polska, along with a 50% stake in Santander Towarzystwo Funduszy Inwestycyjnych (TFI), for a total cash consideration of €7.0 billion. The transaction marks Erste's strategic entry into Poland, one of Europe's fastest-growing and most profitable banking markets.

The acquisition includes €6.8 billion for the 49% share in Santander Bank Polska, Poland's third-largest bank, and €200 million for half of Santander's Polish asset management business. With this move, Erste becomes the single largest shareholder, gaining de facto control through the right to nominate members to Santander Bank Polska's Supervisory Board and achieving full consolidation in its financials post-closing.

Why Erste Group made this deal:

Erste Group has wanted to expand into Poland for a long time. This deal helps them become a major player in Poland, where they previously had a limited presence. It also significantly strengthens their position as a leading bank in the whole Central and Eastern Europe region. By acquiring this stake, they will get many more customers, adding about 36% more, bringing their total to around 23 million. This allows them to enter a dynamic and growing market like Poland's, where the economy is expanding rapidly.

How Erste is paying for it:

Erste Group plans to pay for this large purchase entirely using its own money. Because of this, they have cancelled a previous plan to buy back some of their own shares. They will also temporarily pay out a smaller share of their profits to investors as dividends. Deal finalization is expected to happen around the end of 2025 (conditional on regulatory approvals).

Why Santander is selling:

For Santander selling this part of its business helps them manage their money and assets better. They plan to use some of the money they get from the sale to grow their business in other areas in Europe and the Americas. They also plan to give some of the money back to their shareholders by buying back their shares. Importantly, Santander will still keep a small part, about 13%, of Santander Bank Polska. They also intend to fully own Santander Consumer Bank Polska, ensuring they maintain a presence in the Polish consumer banking market.

Czech M&A market insight of the month

Seyfor acquires full ownership of Dotykačka in strategic push for market leadership

Adam Friedl
Analyst

A notable transaction in the Czech technology sector was announced in late April 2025, as software group Seyfor acquired the remaining 42% stake in Dotykačka, securing full ownership of the leading point-of-sale (POS) systems provider in the Czech Republic. The minority interest was acquired from investment firm Redwood Capital. While financial details were not officially disclosed, the overall valuation of Dotykačka is estimated to exceed CZK 1 billion. Completion of the transaction remains subject to approval by the Czech Office for the Protection of Competition (ÚOHS).

The acquisition represents a strategic step by Seyfor to further consolidate its position in a rapidly evolving market. Dotykačka currently operates more than 27,000 POS terminals across the Czech Republic, Slovakia, and Poland—approximately 20,000 of which are deployed domestically. In 2023, the company generated revenues of around CZK 300 million and EBITDA of CZK 110 million. Its cloud-based solution is widely regarded for its adaptability, fiscal compliance, and integration with a broad range of business tools.

Seyfor, majority-owned by founder Martin Cígler and private equity firm Sandberg Capital, is one of the region's largest enterprise software providers. With a footprint spanning 38 countries and a team of nearly 1,800 professionals, the company reported revenues approaching CZK 5 billion last year. Its portfolio includes ERP systems, accounting and payroll platforms, HR solutions, and a growing number of industry-specific applications.

Redwood Capital initially invested in Dotykačka in 2014, supporting its early-stage development. Seyfor became the majority shareholder in 2019 with the acquisition of a 58% stake. The 2025 transaction concludes Redwood's involvement and allows for the full integration of Dotykačka into the Seyfor group.

For Seyfor, full control unlocks new opportunities—enabling closer integration of Dotykačka's POS platform with its broader ERP and business software ecosystem, streamlining strategic direction, and accelerating international expansion. The company plans to leverage Dotykačka's scalable technology to enter new markets in Southeast Europe, including Serbia and Slovenia, where it already maintains a presence.

The deal also continues Seyfor's broader consolidation efforts in the POS space, following its earlier acquisition of KASAmax. Dotykačka's strong brand, loyal customer base, and solid recurring revenue base make it a natural platform for further growth in the region.

The transaction reflects a broader trend in the Czech software M&A landscape, where strategic acquirers—particularly domestic platforms such as Seyfor—continue to pursue targeted expansion through vertical SaaS acquisitions. While overall deal activity in the region has softened, software and ICT remain among the most resilient sectors. Investors continue to favour companies with strong recurring revenue models, defensible market positions, and scalable infrastructure. Dotykačka fits this profile closely, with its valuation and performance illustrating the premium commanded by specialised providers that combine loyal client bases with clear potential for regional growth.

Legal counsel for Seyfor was provided by Kocián Šolc Balaštík, while Redwood Capital was advised by Kaiser.

Private equity insights of the month

Game on: Private equity's sports investments

Diana Hricišáková

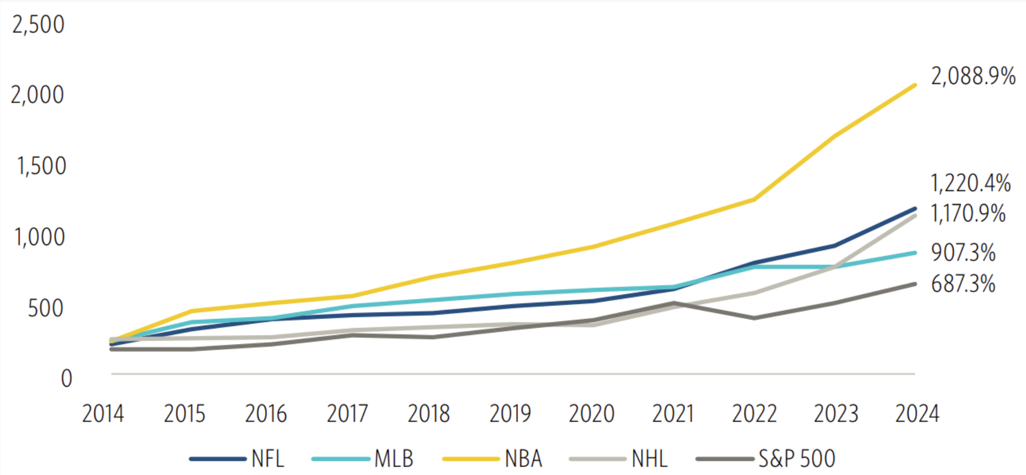
Analyst

Private equity has been eyeing the sports industry for years—and now it's officially game on. What used to be the domain of local billionaires and celebrity owners is quickly becoming a new playground for institutional capital. Thanks to recent rule changes across North American leagues like the NFL, NBA, MLB, NHL, MLS, and NWSL, PE funds can now invest directly into teams—usually through minority stakes. And investors are taking full advantage. From top-tier franchises to fast-growing women's teams, the entire sports ecosystem is seeing more private capital than ever before.

What makes sports such a compelling investment opportunity? For starters, teams are scarce assets. Most leagues have around 30 franchises, with limited plans for expansion. That scarcity, paired with deep fan loyalty and global brand visibility, makes these organizations both culturally significant and financially attractive.
Strong and recurring revenue streams—from ticket sales and sponsorships to media rights and merchandise—add to the appeal. The long-term growth outlook, particularly for leagues tapping into new markets, is another big draw for investors.

The return potential in sports has also proven to be quite strong. Team valuations have consistently increased, often outpacing public equity benchmarks like the S&P 500. Sports franchises tend to be resilient through economic cycles, and many have only seen value declines during extraordinary events like the global financial crisis or the COVID-19 pandemic. Media rights deals, often renewed every few years, bring in billions and act as reliable long-term cash flows. In fact, many investors compare the return profile of minority stakes in teams to high-end real estate: stable, illiquid, but with significant upside over time.

Total returns for select sports leagues and the S&P 500



Source: Sportico, Forbes, PitchBook, as of December 31, 2024 (North America)

Note: This tracks the average team value each year and the year-end price of the S&P 500, accounting for dividends.

Another major driver of interest is the rapid rise of women's sports. The NWSL and WNBA, in particular, have seen surging valuations and growing fan engagement. Teams that once sold for a few million dollars are now being valued at more than €100 million. This growth hasn't gone unnoticed—PE firms like Sixth Street, Carlyle, and CVC have all made strategic investments in women's teams, seeing them not just as socially impactful investments, but as strong long-term growth plays. At the same time, the value of media rights continues to climb as live sports remain one of the few formats still watched in real time in an increasingly on-demand world. While PE firms are already benefiting indirectly from this trend, direct investments in media rights may be on the horizon.

Of course, this is not a risk-free play. Exit options are still relatively limited, and most ownership stakes come without control rights. There's also a broader concern around increased commercialization—whether PE involvement will lead to higher ticket prices or less focus on amateur sports. But so far, the influx of capital and expertise from private equity has largely been welcomed by teams, leagues, and fans alike.

Private equity's interest in the sports industry is no longer a niche trend, but a serious investment opportunity. With rising valuations, global reach, and growing revenue streams, the sector offers both stability and long-term potential. As more capital enters the space, its role in PE portfolios is only set to grow.

Private equity insights of the month

Hungriness for impact

Lukáš Baloga
Analyst

Although impact investments represent only 2.5% of the €7.6trn the consortium considers eligible for impact investing in Europe, the sector has grown significantly. "It's now estimated at €190bn compared to €80bn just a few years ago, so the growth is impressive, with many new players stepping into the impact space," said Impact Europe's CEO, Roberta Bosurgi.

According to Phenix Capital database, global impact funds have seen substantial growth, with nearly 3,000 funds raising a cumulative €701 billion since 2015—marking a 160% increase over the period.

In the past 12 months alone, the total target size for impact strategies has risen by 28%, reaching €377 billion. Notably, nearly 50% of these funds are structured as private equity vehicles, reflecting strong investor appetite for private market solutions to social and environmental challenges.

Impact leaders

According to the latest Impact Fund Universe Report, institutional investors, mainly pension funds and insurance companies now account for 28% of total assets under management (AUM) in private market impact investments, making them the primary contributors to the theme's expansion.[1]

Leading the way are the UK, the Netherlands, and France, which collectively hold the largest shares of institutional AUM. Their strong regulatory frameworks and well-developed impact investor communities have fostered a high level of institutional engagement.

Notably, two years ago, a call was made for Dutch institutional investors to allocate at least 10% of their AUM to impact investments by 2025. Today, momentum appears to be building: according to BNP Paribas' ESG Survey 2025, 84% of institutional investors believe the pace of sustainability progress will either continue or accelerate through 2030.[2]

The vast majority of institutional players remain committed to sustainable investing, while increasingly focusing on targeted ESG themes to deliver both financial returns and measurable impact. The top three ESG priorities identified for the next two years include:

- Increasing allocations to energy transition assets (49%)
- Using active ownership to advance internal ESG objectives (47%)
- Investing in low-carbon assets and divesting from carbon-intensive ones (46%)

In parallel, insights from the UBS Global Family Office Report 2025 reveal that 46% of family offices that integrate sustainability considerations into their investments view it as a source of attractive opportunities—up from 42% in the previous year.[3]

Are Impact LPs Truly Different?

The Impact Fund Universe Report indicates that limited partners with an impact mandate often embrace the longer investment horizons typical of private equity. These extended timelines allow fund managers to meaningfully improve and scale portfolio companies, aligning well with the pursuit of measurable, long-term impact.[4]

Interestingly, the growing use of continuation funds—often with shorter durations—may also reduce the risk of greenwashing by increasing transparency around outcomes and holding periods.

Ultimately, the question remains: are investors drawn to impact themes merely reallocating "dry powder" for reputational reasons, or are they fundamentally different from traditional, performance-driven LPs? While both may pursue competitive returns, impact-focused LPs appear to be distinguished by their willingness to integrate impact into investment decisions and to accept a longer runway for both value creation and change.

[1] https://phenixcapitalgroup.com/download-impact-report-mar-25-fund-universe-0

[2] https://securities.cib.bnpparibas/esg-survey-2025/

[3] https://www.ubs.com/global/en/wealthmanagement/family-office-uhnw/reports/global-family-office-report.html

[4] https://phenixcapitalgroup.com/download-impact-report-mar-25-fund-universe-0

Real estate sector insight of the month

Franchising in real estate

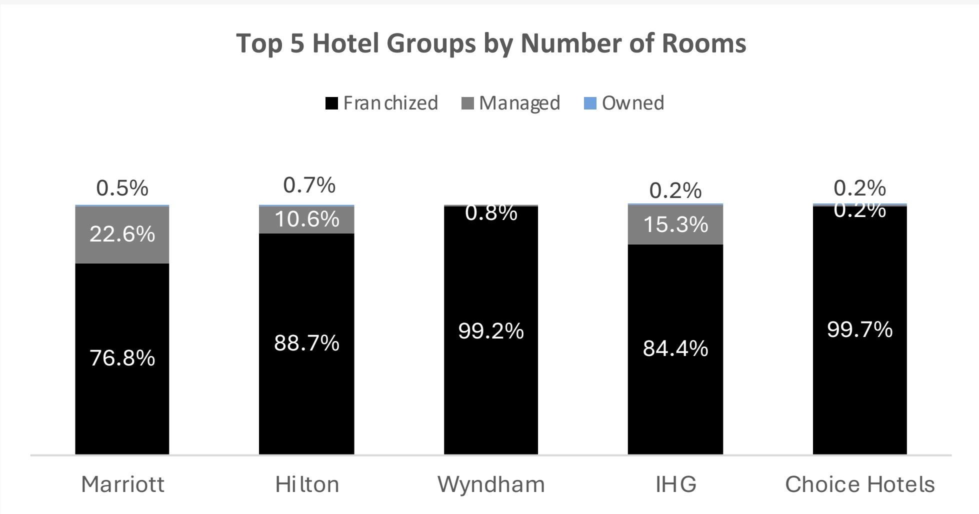
Peter Šulan
Analyst

Unibail-Rodamco-Westfield (URW) has signed a franchising partnership with Cenomi Centers to introduce and expand the Westfield brand in the Kingdom of Saudi Arabia. As part of this agreement, up to eight existing shopping centres in the Kingdom will be rebranded as Westfield destinations. This partnership marks a significant milestone for URW - not only as its entry into a new market, but also because the company becomes the first shopping centre operator to adopt a franchising model on such a scale.

Franchising is a business model in which a company (the franchisor) allows another party (the franchisee) to run a business using its brand, established systems as well as ongoing support. This model is particularly prevalent in the hotel and hospitality sector which blends real estate properties with branded service operations. As a result, most hotels are operated under franchise agreements, with less than 1% being directly owned by the hotel groups.

Franchising is an asset-light business model that enables companies to expand and scale with minimal capital investment. Franchisors are able to earn revenue through initial franchise fees, recurring royalty payments, and, in some cases, supply chain margins - creating a stable and predictable income stream. This financial stability often supports more consistent dividend policies compared to full ownership model, and it is particularly well-suited for dynamic economic environment, especially when interest rates are high and vacancy rates are volatile.

In recent years, many real estate transactions have been structured as joint ventures in order to mitigate risks and reduce indebtedness. However, franchising offers a more flexible partnership model with more predictable economic returns. In an environment of increasing economic uncertainty, real estate companies that will be able to position themselves as franchisors, by leveraging their strong brand recognition and proven operational models, will be well-placed to achieve a significant competitive advantage.



Source: 10-K reports of the individual companies

Behavioral finance insight of the month

Heuristics and biases in investing – when mental shortcuts lead us astray

Jana Přílučíková, PhD

Analyst

Imagine walking into a bustling town square. One restaurant is packed with people, the others nearly empty. Where would you dine? If you instinctively choose the busiest place, you're using a heuristic—a mental shortcut that simplifies decision-making. In this case: crowd = quality. But what if the full restaurant hosts a private event with no connection to food quality? Your shortcut backfires. This is how biases—systematic judgment errors—are born.

In behavioral finance, heuristics help explain how investors make decisions quickly in complex environments. These mental shortcuts are useful for navigating uncertainty, but they often lead to predictable errors—biases—especially in volatile or information-rich markets. Recognizing these tendencies is vital for improving the quality of investment decisions in today's fast-moving world.

Heuristics are simplified thinking strategies or "rules of thumb" that humans use to make decisions efficiently. In investing, they allow individuals to react to fast-changing data without being paralyzed by analysis. For instance: "If the market is falling, sell quickly." Or- "If everyone is buying, I should buy too." Also, "If a stock has done well recently, it's probably a good investment."

These shortcuts reduce cognitive load, but they come at a cost - they systematically distort how we process information, especially under emotional stress, fatigue, or time pressure.

Behavioral finance identifies several key heuristics that frequently affect investors. Among the key four are considered:

Availability heuristic

We judge probability based on how easily examples come to mind. After hearing repeated news about a market crash or inflation spike, investors may overestimate its likelihood and underweight long-term fundamentals.

Representativeness heuristic

We assess similarity rather than probability. If a stock "looks like" a winner because it mimics past success stories, we might invest without fully evaluating its fundamentals.

Anchoring

We rely too heavily on the first piece of information we receive (e.g., a stock's past high price) and fail to adjust when new information arises.

Affect heuristic

Our emotional reactions guide our judgments. A company with a strong brand image may seem less risky, even if its financials tell a different story.

These heuristics are often intertwined with psychological biases, such as overconfidence, herd behavior, or confirmation bias. For example, an investor who made money on tech stocks in the past may overestimate their future potential, anchoring on past performance and confirming only the news that supports their beliefs.

Today's financial environment—marked by information overload, media noise, and macro uncertainty—amplifies the influence of heuristics. Social media platforms, instant financial news, and AI-generated content constantly push vivid, emotionally charged narratives. Investors must now filter more information than ever before, often under pressure to act quickly. This environment is fertile ground for heuristic-driven decisions and bias-induced errors.

For example, in early 2023, fear of recession dominated headlines, leading many investors to underweight equities despite improving fundamentals. This positioning reflected widespread recession fears among investors, despite improving economic fundamentals. The availability heuristic made pessimism seem more justified than it was. Another example can be the recent hype around AI stocks created strong representativeness and herd biases, pushing valuations beyond reasonable expectations. Investors assumed that AI firms would mirror the success of past tech giants like Amazon or Google, often without sufficient due diligence (representativeness bias). Many investors jumped into the AI trend based on collective enthusiasm (herd behavior) and FOMO (fear of missing out), not grounded in fundamental analysis.

The goal is not to eliminate heuristics—they are part of us - human thinking—but to become aware of their influence and build systems that mitigate their risk. Recognizing when we are relying on mental shortcuts—and whether they are helping or hindering us—is very important. By developing cognitive awareness and implementing behavioral safeguards, investors can make more consistent, informed-based decisions even under pressure.

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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

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