GENERALI INVESTMENTS

Navigating the New Cycle: Inflation, China, Gold, and Real Assets

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Sticky inflation, geopolitical resets, and AI disruption are reshaping the investment landscape. Where are the opportunities and mispricings of this new regime? Giordano Lombardo, CEO and Co-CIO at Plenisfer Investments, part of Generali Investments delves into how the unconstrained, multi-strategy approach of Plenisfer's flagship fund is positioned for the investment themes that matter.

INFLATION, DEBT, AND THE SHIFTING RISK-RETURN MAP

Global markets appear upbeat in 2025, buoyed by falling rates and resilient asset prices. Yet structural pressures are quietly gathering.

We're in a reflationary scenario across much of the global economy. Major central banks are easing or preparing to cut rates, even as inflation risks haven't gone away. From the US to the eurozone and Japan, policymakers are combining rate cuts with expansive fiscal policy. That mix may be supportive for risk assets in the short term, but investors should be wary of longer-term distortions.

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Chief among these: debt. Global debt levels, both public and private, have reached an all-time high in many developed markets. History shows that inflation is often the path of least resistance when it comes to managing debt burdens, especially sovereign debt. Add to this a fractured geopolitical backdrop rising tariffs, US retrenchment, and the de-dollarisation trend among emerging-market central banks, and it's clear that the risk-return profile of traditional portfolios is shifting.

So, while 2025 has been broadly positive, we believe 2026 will be more complex, with greater regional divergence in performance and more selective opportunities. Diversification today isn't just about mixing asset classes, it's about understanding regional dynamics and structural shifts.

AI IS RESHAPING THE CYCLE BUT AT WHAT COST?

Few trends have dominated headlines like artificial intelligence. But at Plenisfer we are wary of simplistic narratives and inflated expectations.

This innovation cycle is fundamentally different from the dot-com boom. It's not capital-light, like the dot-com boom. In contrast it's incredibly capital-intensive. Unlike the platform-based internet revolution of the 2000s, today's AI wave requires hundreds of billions in hard infrastructure: chips, data centres, and vast energy inputs.

This comes with consequences. AI has enormous implications for energy consumption. As competition in AI heats up, access to low-cost electricity will become a new axis of geopolitical advantage. That's a dimension the market is underestimating.

In our unconstrained multi-strategy portfolios at Plenisfer, we express the AI theme via "enablers" such as semiconductor equipment firms, rather than the usual megacap names. But we are also watching how this investment boom could fuel bubbles, and even realign global competitiveness.

For example, China hasn't decarbonised as fast as the West. That's giving it a temporary cost advantage in energy-intensive sectors, which is already feeding through to market share in strategic industries.

CHINA: FROM 'UNINVESTABLE' TO GLOBAL COMPETITOR

Despite geopolitical tension, China remains a high-conviction position for our portfolios, driven by both macro and micro dynamics.

China has staged a solid recovery in 2025, and we think the bull market can continue. Domestically, Chinese policymakers have a strong incentive to support equities, especially after the real estate bust damaged household wealth among younger, middle-class consumers. With no Western-style welfare system, asset market performance has taken on a quasi-social role in maintaining economic stability.

Externally, China has spent the past several years scaling up in high-end sectors: Electric Vehicles (EVs), batteries, solar panels, and nuclear power. This didn't happen overnight: China prepared itself for the trade war shock by moving up the value chain. Many investors missed that while focusing only on real estate or politics.

GOLD AND REAL ASSETS: STRUCTURAL, NOT CYCLICAL

While AI drives headlines, gold has been the quiet outperformer of 2025. In our portfolios, we have long been structurally allocated to gold, not just as a tactical play.

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We distinguish gold from other real assets because it's effectively a form of currency. The bull market in gold began with the shift in behaviour by emerging-market central banks after the West froze Russian reserves in 2022. That catalysed a long-term move away from US Treasuries and into gold as a reserve asset, particularly for countries not aligned with the Western bloc.

Retail investors joined later, around 2025, but most are still underexposed. We believe gold will remain structurally supported by two key forces: the debasement of global currencies, and the disconnect between interest rates and inflation. Contrary to popular belief, gold is less a hedge against inflation and more a hedge against excessively low real interest rates.

Short-term corrections, like the recent 12% drawdown, are natural when retail flows get involved. But the structural case remains intact. Most portfolios hold too little gold. We think 2-3% is typical, but 8-10% would be more appropriate.

As for broader commodities, we maintain a strong structural allocation. Uranium has been one key theme, particularly in light of rising energy needs linked to the AI revolution. Copper and other transmission-related commodities are also central to our view. Oil is more controversial. It's the most under-owned commodity today, and prices are kept artificially low due to geopolitical factors like Organization of the Petroleum Exporting Countries (OPEC) co-ordination. That's why we don't favour a structural allocation to oil, but we don't rule out tactical rebounds.

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'NEW ACTIVE': UNCONSTRAINED, GLOBAL, GOAL-ORIENTED

Against this complex backdrop, our multi-strategy approach is designed to do what traditional portfolios can't. We call it 'new active' – which means being unconstrained, starting not from a benchmark, but from a concrete return objective: to deliver above-inflation returns while managing downside risk.

In our view, traditional 60/40 portfolios are ill-equipped for this new environment. Equity indices are dangerously concentrated: investors may think they're diversified, but they're really just exposed to one theme: US tech. Meanwhile, government bonds are likely to deliver negative real returns if inflation proves sticky and central banks continue cutting.

Instead, at Plenisfer we look across asset classes – equities, credit, commodities, currencies – on a global, go-anywhere basis. This strategy has paid off: over the last five years, our flagship strategy has delivered near double-digit returns, with significantly lower volatility than equity markets.[1] In the next five years, we expect overall market returns to be lower than in the last cycle. But when dispersion rises, and the easy gains are gone that is exactly when active management matters most.

DESTINATION VALUE TOTAL RETURN FUND [factsheet]

AUM	€1.5 bn (November 2025)
Inception date	04 May 2020
Benchmark	-
Currency	USD
Domicile	Luxembourg
Investment manager	Plenisfer Investment Management SGR S.p.A
Management company	Generali Investments Luxembourg S.A.
Risk level SSRI	3/7
SFDR	Article 8

[1] *Source: Plenisfer, as November 2025*