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Management Report

Market Review

The third quarter began in a volatile market environment. While the overall index declined by only 0,36%*, this masked significant divergences between regions, sectors and investment styles. As investors increasingly questioned the ability to monetize AI-related investments, renewed tensions in the Middle East impacted markets and caused price of oil to surge by 40%. In bond markets, sovereign yields generally rose: the US 10-year Treasury yield increased to 4,73% while its German equivalent rose to 3,2%.



In August, the US (+1,8%*) and Asian (+3,4%*) markets rebounded and drove the global equity index to rise by 1,7%*. Europe finished on a more moderate note (+0,5%*). The Tech sector regained positive momentum, though this was more dispersed across the AI-related theme. Geopolitical tensions remained a concern: crude oil traded at its highest level, around 90 USD, raising further questions about the evolution of inflation and, consequently, the future trajectory of monetary policies. Performance in the bond markets was more mixed. The US 10-year Treasury yield finished slightly higher, around 4,75%. The 10-year Bund reached 3,32%, its highest level since 2011.

September closed the loop, with interest rates rising again and energy prices climbing. Nevertheless, global equities held up relatively well, with the overall index gaining around 1%*. The quarter ended as it began, with marked regional divergences. The main movement came from the bond markets - the yield on the 10-year US Treasury note settled at nearly 5,3%, its highest level since the early 2000s. The 10-year German Bund finished around 3,53%. The resilience of economic activity, rising energy prices, critical public financing needs, and massive investments in AI infrastructure all contributed to reinforcing the view that rates could remain elevated for longer.

US and emerging markets surged

Driving the global equity index to rise by 1,7%

Bond markets have progressed

The US 10-year yield reached 5,3% and the Bund was around 3,53%

Activity Report

During the period, positioning was maintained in a market environment of persistent volatility, significant divergences between regions and sectors and soaring geopolitical tensions in the Middle East.



In stock markets, resilient economic activity and continued earnings growth supported the outlook, despite questions surrounding the profitability of massive investments in AI. US equities remained the preferred choice, bolstered by strong company fundamentals and their privileged exposure to major structural growth trends. AI thus remained a key focus of the investment strategy, particularly through the LUXFUNDS Equity North America sub-fund, which has significant exposure to companies benefiting from the development of this technology. The rebound in US markets in August and the resilience of global equities in September reinforced the continuation of this strategy.

The rise in bond yields continued, fueled by higher energy prices, economic resilience, and increasing public financing needs. A limited duration was favoured to reduce portfolio sensitivity to rising interest rates, particularly pronounced for longer maturities. Corporate bonds remained preferred due to the attractive balance they offer between carry, yield, and volatility control. This positioning allowed for continued exposure to the bond market while limiting the risks associated with interest rate fluctuations.

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*Performance is calculated in euros.