

VIG HOUSE VIEW

VIG
ASSET MANAGEMENT
HUNGARY

What happened in the last month?

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OCTOBER 2025

WHAT HAPPENED IN THE LAST MONTH?

IN FOCUS: U.S. INTEREST RATE CUT

For months, markets have been speculating about whether the U.S. Federal Reserve would lower interest rates - and if so, when and by how much.

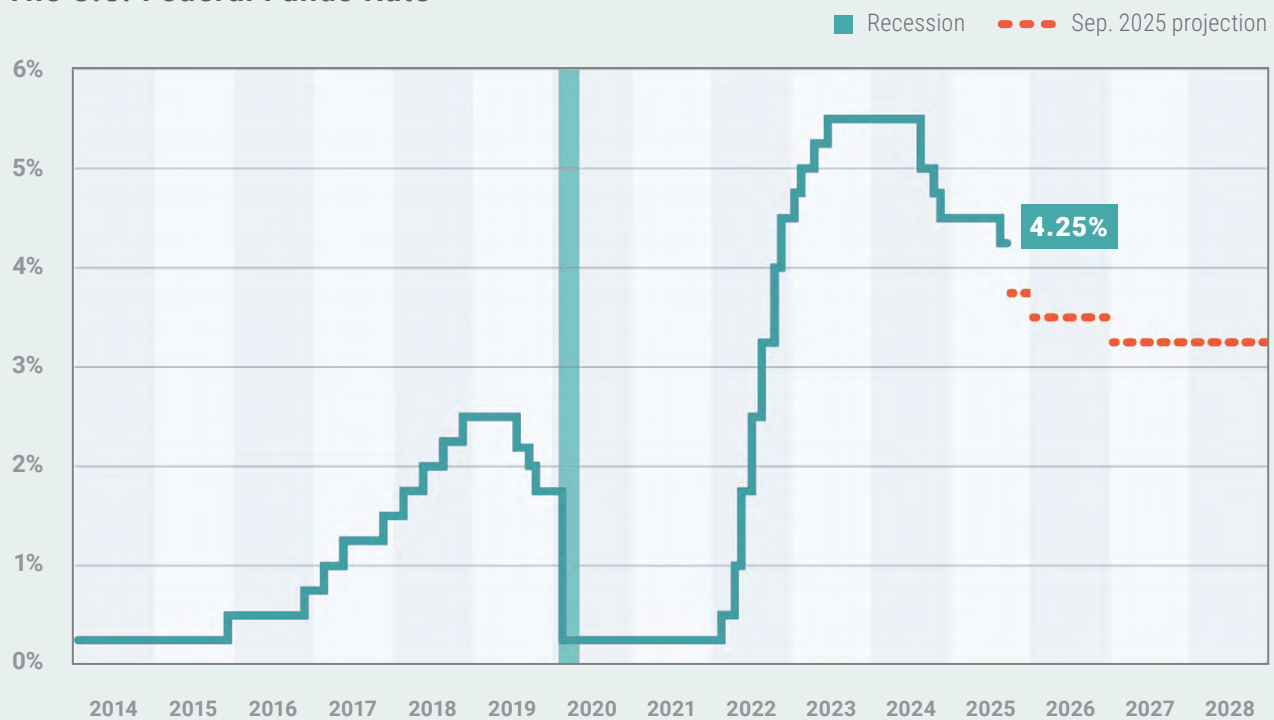
After a long wait, the Federal Open Market Committee (FOMC) finally decided to cut rates for the first time since December 2024.

Fed Chair Jerome Powell announced a 25-basis-point reduction in the federal funds target range, bringing it down to 4.00–4.25%. The decision came despite growing political pressure – most vocally from former President Donald Trump – to deliver a more aggressive rate cut.

The Fed's dual mandate - price stability and maximum employment - now faces renewed challenges.

Recent data show that the labor market has cooled notably, with job creation slowing in recent months. At the same time, inflation has accelerated due to import tariffs pushing up prices. The outlook was further clouded by the U.S. government shutdown in early October, after Democrats and Republicans failed to agree on a budget. Many analysts now expect two additional rate cuts later this year, aimed at stimulating business investment and consumer spending through cheaper borrowing – a move that could lift corporate profits and, consequently, stock prices.

The U.S. Federal Funds Rate



Dotted lines indicate median projections of the upper limit of the appropriate target rate range at the end of the specified calendar year

Source: Statista

EQUITY MARKET NEWS

Wall Street closed both the month and quarter on a strong note, driven largely by technology and AI-focused companies such as Nvidia and Oracle. Both the Dow Jones Industrial Average and the S&P 500 reached new records. The economic backdrop remains supportive: U.S. GDP grew 3.8% in Q2 (versus just 0.1% in Europe and Hungary), and the Fed rate cut further boosted optimism. However, some analysts warn of overheating – with valuations reminiscent of the late-1990s dotcom bubble. Average U.S. stock valuations now stand at 23–24 times earnings, with major tech names trading around 30x (the 10-year average is 18x). Even unprofitable AI startups have rallied.

At the Italian Tech Week in Turin, Goldman Sachs CEO David Solomon predicted that markets are likely to face a correction within the next two years. Excessive optimism can be risky – there will be both winners and losers among AI firms. Meanwhile, emerging markets offer more balanced opportunities: they benefit from a weaker dollar and trade at roughly half the valuation of U.S. equities (P/E \approx 14). On the Shanghai exchange, AI stocks are in focus, while Latin America leads with raw materials.

BOND MARKET NEWS

The Fed's rate cut has eased U.S. benchmark yields, lifting dollar-denominated bond prices. However, the impact was moderate, as the weakening dollar and fiscal concerns continue to deter some investors. Longer-term U.S. yields remain stubborn, with 10–20-year maturities showing little decline amid lingering uncertainty.

Emerging markets, on the other hand, have performed better. Disinflation persists, and weaker dollar dynamics are benefiting commodity-exporting regions such as Latin America, Africa, and the Middle East – notably Mexico, Brazil, and South Africa.

Demand from foreign institutional investors has also strengthened for Hungarian government bonds, which still offer nearly 7% yield on 10-year maturities, compared to 5.5% in Polish zloty bonds.

ALTERNATIVE INVESTMENTS

Gold's rally shows no signs of stopping. The precious metal – widely viewed as a store of value – has broken out of its months-long trading range amid a weaker dollar, geopolitical risks, and falling interest rates. This pattern often signals the start of a new bull market.

Central banks – including those in Poland, Czechia, and Bulgaria – continue to add to reserves, as do long-term investors skeptical that the Fed has truly won its fight against inflation.

China's plan to establish a gold settlement house in Hong Kong also reflects its de-dollarization strategy. Gold could rise toward USD 4,000 per ounce by year-end. Other commodities, however, have struggled – oil prices, for example, have fallen 15% year-to-date amid sluggish global growth and rising supply (notably from Russia).



WHAT CAN WE EXPECT IN THE COMING PERIOD?

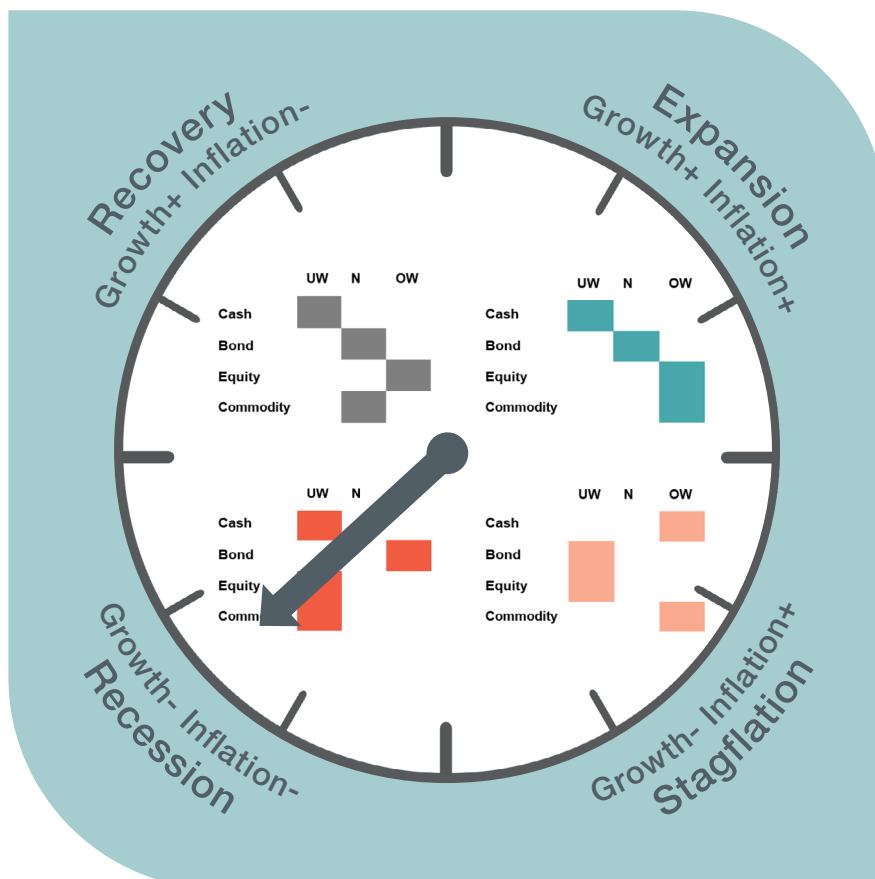
INVESTMENT CLOCK

According to the latest signals from the VIG Asset Management Global Investment Clock, the global economy has entered a recessionary phase. While lower oil prices have helped ease inflationary pressures, overall growth expectations have weakened.

In the U.S., the Fed reacted to the softening labor market with a 25-basis-point rate cut at its September meeting – a precautionary, risk-management measure. Growth, however, may slow toward year-end as the full effects of higher tariffs filter through consumption, labor markets, and consumer prices. Falling confidence indices confirm this trend.

In Europe, inflation prospects remain favorable: euro-zone inflation stood at 2.2% in September, with services leading the rise at 3.2% year-on-year. Unemployment is again at a historic low. The European Central Bank appears well-positioned to keep rates unchanged – with no immediate need for further tightening or easing.

In China, economic growth may slow as the government acts to curb damaging price wars in key industries – including electric vehicles, solar panels, and e-commerce. These regulatory moves, while stabilizing in the long term, could temporarily dampen GDP growth.



OW: Assets expected to perform well in the given period.

N: Assets expected to perform less well in the given period.

UW: Assets expected to perform poorly in the given period.

Source: VIG Asset Management

TACTICAL ASSET ALLOCATION

For Risk-Tolerant Investors – Gold as an Opportunity

Gold's popularity remains unwavering. Its spot price per ounce (1 oz = 31.1 grams) rose by more than 4% during the month, pushing year-to-date gains beyond 30%. Often viewed as a safe haven, gold continues to attract investors amid geopolitical uncertainty and questions over U.S. institutional credibility – from President Trump's repeated criticism of the independent Fed to the temporary government shutdown.

Central banks are also steady buyers, primarily in emerging markets, where China and Central Europe were among the largest purchasers in 2025. The European Central Bank estimates that gold now accounts for nearly 20% of global reserves, surpassing the euro itself – a share that may continue to rise.

Emerging Market Equities Still in Focus

We maintain a modest overweight in emerging market equities, which continue to offer attractive return potential. Thanks to robust domestic demand, emerging economies are proving more resilient to U.S. tariffs. Their GDP growth advantage over developed markets remains around 2 percentage points, while corporate earnings are expected to grow by more than 10% this year and next.

A weaker U.S. dollar enhances export competitiveness, reduces debt-servicing burdens on dollar-denominated loans, and encourages foreign capital inflows. Emerging market equities also trade at compelling valuations, with an average forward P/E ratio of around 14 - roughly one-third below developed market levels and just over half that of Wall Street.

Monthly asset allocation (October 2025)

Asset class	H UW	UW	S UW	N	S OW	OW	H OW	Since Sep
Cash (Money market)								
Fixed income								
Core market fixed income								
EM local currency bonds								
EM hard currency bonds								
CEE government bonds								
Commodities								
Gold								↑
Equities								
DM Equities								
US Equities								
EU Equities								
EM ex China Equities								
CEE Equities								

The table was prepared based on our investment clock and quadrant model.

Source: VIG Asset Management

Weights:

The weights indicate the evaluation of the respective country, region, and asset class, providing a basis for portfolio managers in structuring portfolios and establishing positions, thus helping to capitalize on market opportunities.

- Strongly underweight
- Underweight
- Slightly underweight
- Neutral
- Slightly overweight
- Overweight
- Strongly overweight
- Changes compare to the the previous month

FUND OF THE MONTH AT VIG ASSET MANAGEMENT

VIG GOLD SUB-FUND OF FUNDS

After a sideways summer, gold prices broke out of their range to reach new highs - driving gains in the VIG Gold Fund of Funds. Demand from key buyer segments continues to rise as gold increasingly serves as a portfolio substitute for the weakening dollar. Since the freezing of Russia's foreign reserves in 2022,

central banks have quintupled their gold purchases, now buying 60-80 tons per month (World Gold Council data). Speculators, institutions, and retail investors alike are also accumulating the metal, seeking safety amid geopolitical and economic uncertainty – from political turbulence in the U.S. to temporary government shutdowns.



ESG THEME OF THE MONTH

THE SECRET COST OF DIGITALIZATION

Did you know that digitalization not only brings innovation and, in many cases, convenience to our lives, but also emits a lot of harmful substances due to its enormous energy consumption, resulting in a huge carbon footprint? In 2020, this was on par with air travel, but by the end of 2025, it could double. All of this can be quantified, of course, and you can help reduce this number by incorporating a few conscious steps into your life.

Let's look at a few examples:¹



The carbon footprint of an email is around 0.3-50 g CO₂e².



An hour of watching Netflix has a carbon footprint of 55 g CO₂e³.

Other similar entertainment platforms and social media sites have similar, if not higher, emissions: an hour of scrolling on Instagram has a carbon footprint of 63 g CO₂e⁴, while an hour of gaming has a carbon footprint of 47-149 g CO₂e⁵.



The environmental impact of an AI-generated text prompts is also not negligible (4.14 g CO₂e)⁶. Not the least because an AI-powered search is fifty to ninety times more energy-intensive than a simple Google search⁷.

When considering these figures, it is also important to note that although the carbon emissions of a single email may seem negligible, billions of emails are sent every day, resulting in a truly significant carbon footprint. This is especially true when we consider that a large percentage of emails sent are never even opened, meaning that the unnecessary emissions are even greater than the "useful" ones.

Digitalization not only competes with other sectors in terms of energy consumption, or even exceeds their emissions, but its water consumption is also growing.

Of course, energy and water consumption can and must be optimized, but different companies show very different statistics in this regard, and sometimes a less efficient company uses tens of times more energy to produce a unit than its industry competitors. In this case, the role of water is to cool data centers, which is an important, if not the most important, part of the operation and the development and training of systems.

It is therefore no coincidence that large tech companies are investing in and leasing various units from nuclear reactors or wind farms to secure the amount of energy they need.

Although responsibility clearly weighs more heavily on companies (according to research, they are responsible for 2 units of harmful emissions, while individuals are responsible for only 1), you can also do your part to reduce your digital carbon footprint: for example, you can turn off AutoPlay on your phone, or if you are just listening to a video, lock your phone so that it uses less energy. If you like taking photos, feel free to delete the ones that didn't turn out so well, as this will free up space.

Connecting to Wi-Fi instead of mobile data and regularly updating the apps you use can also help reduce your emissions in the online space. Putting your devices in dark mode can also help, but the most important thing is to consume digital content consciously, reduce your screen time, and avoid unnecessary scrolling, thus contributing to reducing your digital footprint.

¹Carbon dioxide equivalent (pollutant emissions measured in other units converted to carbon dioxide)

²Kilgore, G. (2022, December 8). Carbon Footprint of the Internet Over Time Since 1990 (With Graphics). 8 Billion Trees: Carbon Offset Projects & Ecological Footprint Calculators. <https://8billiontrees.com/carbon-offsets-credits/carbon-footprint-of-the-internet/> Accessed 9, October 2025.

³Stewart, E., & Schien, D. (2021, July 11). About Netflix - The True Climate Impact of Streaming. About Netflix. <https://about.netflix.com/en/news/the-true-climate-impact-of-streaming/> Accessed 9, October 2025.

⁴DERUDDER, K. (2021, October 26). What is the environmental footprint for social media applications? 2021 Edition. Greenspector. <https://greenspector.com/en/social-media-2021/> Accessed 9, October 2025.

⁵Aslan, J. (2023). Climate change implications of gaming products and services. Surrey.ac.uk.

<https://openresearch.surrey.ac.uk/esploro/outputs/doctoral/Climate-change-implications-of-gaming-products/99512335802346/filesAndLinks?index=0/> Accessed 9, October 2025.

⁶You, J. (2025, February 7). How much energy does ChatGPT use? Epoch AI. <https://epoch.ai/gradient-updates/how-much-energy-does-chatgpt-use/> Accessed 9, October 2025.

⁷Directorate-General for Climate Action. "Going Digital - Good or Bad for the Climate?" European Climate Pact, 19 Feb. 2025, climate-pact.europa.eu/articles-and-events/pact-articles/going-digital-good-or-bad-climate-2025-02-19_en/ Accessed 9, October 2025.

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Contact information:

**VIG Asset Management
Hungary**

+36 1 477 4814

alapkezero@am.vig

Üllői Street 1.

1091 Budapest, Hungary

vigam.hu