VIG HOUSE VIEW

VIG ASSET MANAGEMENT HUNGARY

What happened in the last month?

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- Investment Clock
- Tactical asset allocation
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SEPTEMBER 2025

WHAT HAPPENED **IN THE LAST MONTH?**

IN FOCUS: IMPROVING BUSINESS CONFIDENCE

Is the U.S. Economic Slowdown Coming to an End? After months of deterioration, August brought at least a mixed picture for key macroeconomic indicators – and in today's environment, even that counts as good news. The S&P Global U.S. Manufacturing PMI rose to 53 points in August 2025 (readings above 50 signal expansion), marking the strongest improvement in business conditions since May 2022.

The most notable driver was the increase in new orders, suggesting that the corporate sector has regained confidence after the global turbulence caused by Donald Trump's tariff policies.

Of course, it's not all smooth sailing. Tariffs and supply chain uncertainties have weighed on hiring, with U.S. companies adding disappointingly few new jobs over the summer. The housing market is also struggling under the pressure of high interest rates – there is no "Home Start" program in the U.S., and the fixed rate on a 15-year mortgage stands at a minimum of 5.5% annually.

Meanwhile, Europe is slowly gaining momentum. According to a survey by Hamburg Commercial Bank, the eurozone manufacturing PMI climbed in August to 50.7 points – its highest level in more than three years, and just above the threshold that separates growth from contraction. Among the larger economies, Spain is leading the way with 54.3 points, while France posted 50.4 (a 31-month high) and Germany 49.8 (a 38-month high).

S&P Global US Manufacturing PMI

Data were collected 12-26 August 2025

Source: S&P Global PMI

EQUITY MARKET NEWS

Wall Street shows no signs of slowing: the S&P 500 hit 6,500 points for the first time since its inception in 1957. Major indices have now risen for four consecutive months (five in the case of the tech-heavy Nasdaq). Stocks gained on the back of easing trade tensions and stronger-than-expected corporate earnings.

For Q2, the S&P 500's combined earnings per share grew 11%, far above the 4% consensus. The "Magnificent 7" tech giants posted an even stronger 26% growth (12% above expectations). Still, AI-focused companies are facing tougher comparisons against lofty expectations: Nvidia recorded its first monthly loss since March, slipping 3.36% in August due to weaker sales in China. Nevertheless, its stock remains up nearly 30% year-to-date.

Europe, however, underperformed. STOXX 600 earnings exceeded expectations by just 1.5%. The EU's trade agreement heavily favors the U.S., while the strong euro weighs on exports. Political turmoil in France and Germany adds uncertainty. Central Europe also faces headwinds: Poland's plan to raise the corporate tax on banks to 30% by 2026 – to fund defense spending – has shaken investor confidence, sending Warsaw equities lower. Hungary's experience shows that such sector-specific taxes often remain in place for years.

BOND MARKET NEWS

U.S. Treasury yields fell after Fed Chair Jerome Powell signaled rate cuts ahead. Current dollar interest rates remain high: the yield on 10-year Treasuries has hovered above 4% for nearly three years – something last seen in 2007. This rate level is considered restrictive, weighing on growth. A cut in the current 4.33% Fed funds rate could come as early as September, though the main beneficiaries would be shorter maturities. Investors remain more cautious about 10–15 year bonds due to inflation and fiscal deficit concerns.

Central and Eastern European government bonds continue to stand out. Hungarian 10-year bonds yield 7.2%, compared with 2.7% for German Bunds. Meanwhile, Poland's rate-cutting cycle – bringing the policy rate down from 5.75% in spring to 4.75% in September – may further support its local bond market. Reduced domestic issuance in Hungary and low foreign positioning in Poland are also positive signals for regional bonds.

ALTERNATIVE INVESTMENTS NEWS

Gold has surged to an all-time high, surpassing its April record. The price crossed $3,500 per ounce, up 34% year-to-date, driven by the weak dollar and the prospect of U.S. rate cuts in September. Silver followed, hitting a 14-year high of $40.8.
Safe-haven demand is being reinforced not only by lower rates but also by concerns over the Fed's independence. President Trump has pressured Chair Powell to ease policy aggressively and even dismissed Governor Lisa Cook for resisting sharp cuts. While Trump's forced rate cuts could stoke inflation, they also raise doubts about the stability of the U.S. financial system, further fueling demand for precious metals.

WHAT CAN WE EXPECT **IN THE COMING PERIOD?**

INVESTMENT CLOCK

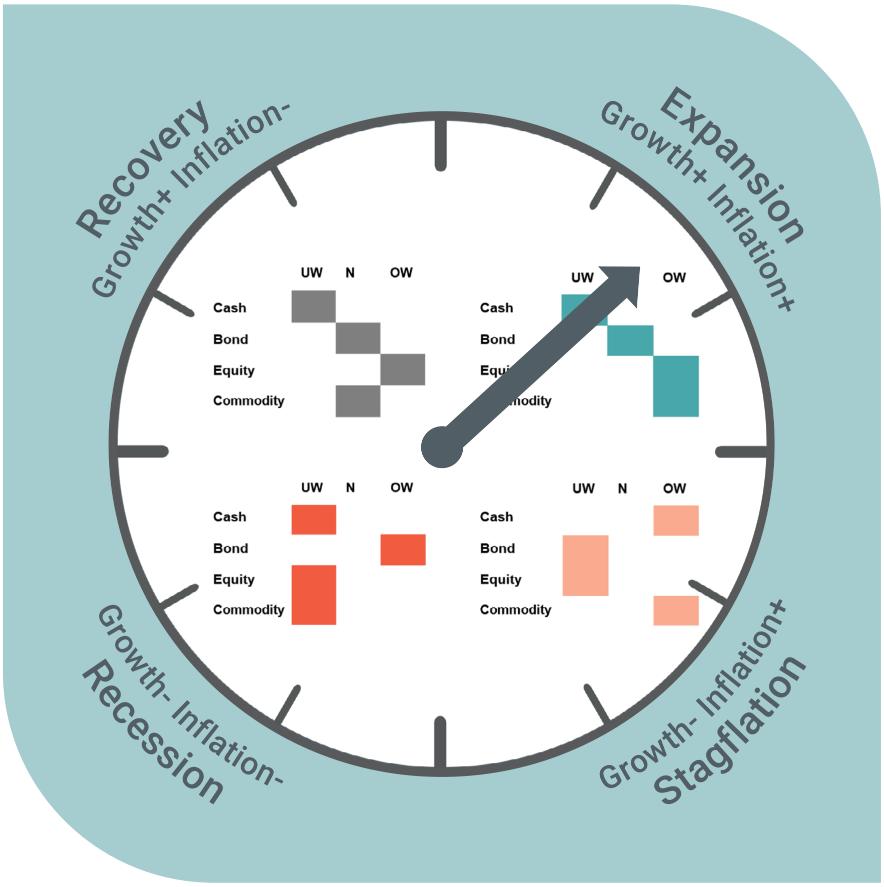
After several months of recessionary and stagflationary stagnation, the global economy has suddenly pivoted and is now pointing toward strong growth. According to the VIG Fund Management Investment Clock forecasting model, a sustained shift requires confirmation over three consecutive months. Still, we have chosen to extend our confidence and moved the indicator into the Expansion phase.

The direction is encouraging: the global growth outlook has improved significantly, while oil prices have been on a downward trend since mid-summer. At the same time, notable differences remain across major geographic regions.

The U.S. finds itself caught between stagflation and expansion. Labor market data in August showed far fewer new jobs than preliminary estimates suggested. While conditions have improved somewhat since then, the labor market is clearly weakening—making consumers more pessimistic as their potential incomes become uncertain. Inflation remains stable, with prices for basic goods declining despite higher tariffs. Housing price growth, alongside rental costs, is moderating. The Federal Reserve—partly under pressure from President Trump—may begin to lower interest rates to stimulate the economy.

In Europe, the growth outlook is improving, driven mainly by domestic demand. The eurozone's manufacturing sector is still heavily influenced by two opposing forces: tariffs remain a significant burden, while the structural shift toward the defense industry provides support. Inflation is stable (averaging 2.1% in August), and slow but steady growth is being underpinned by more moderate wage increases.

China, by contrast, continues to face deflation and slowing economic activity. Falling prices for both new and existing homes highlight weakening purchasing power and challenges in the business sector. The government has announced plans for strong policy measures to counter these issues, but restoring consumer confidence will take time.



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

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

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

Source: VIG Asset Management

TACTICAL ASSET ALLOCATION

In line with the latest economic and capital market trends, we have made adjustments to our asset allocation. Compared to last month, the changes are modest: we have upgraded emerging market equities to a slight overweight.

A Good Opportunity for Risk-Takers – Emerging Market Equities

The outlook for emerging markets is stabilizing, supported by clearer U.S. trade agreements and the sustained weakness of the U.S. dollar. The dollar is expected to continue weakening once the Federal Reserve—likely starting in September—begins cutting interest rates. While U.S. tariffs may weigh more heavily on economies in the coming months, we anticipate steady earnings growth and a gradual recovery across developing economies. Valuations remain attractive: emerging market equities trade at a P/E ratio of 13.2, compared to 22.8 in the U.S.. This relative discount makes them appealing, while higher-than-average yields offer potential extra returns through local currency appreciation.

In the Spotlight – Hungarian Bonds

Hungarian bonds remain a favorite for investors seeking moderate risk. Yields on forint-denominated government securities are high even by international standards: a 10-year Hungarian bond still offers 7.2% per year, while U.S. Treasuries of the same maturity yield just 4.2%. With the Federal Reserve expected to cut rates, this yield advantage may widen further. Inflation in Hungary is on a downward path, meaning the MNB (Hungarian central bank) has no need to raise rates—and may even cut them to stimulate the stagnant economy. A potential improvement in the Russia-Ukraine conflict could add further upside potential.

Monthly asset allocation (September 2025)

Asset class	H UW	UW	S UW	N	S OW	OW	H OW	Since August
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 MONEYMAXX EMERGING MARKETS ABSOLUTE RETURN INVESTMENT FUND

The Fund's portfolio has an increasing share of emerging market assets, which are well positioned to deliver above-average performance in the coming month. More than 30% of the Fund's investments are in emerging market equities, with the remainder in emerging market bonds – allowing it to benefit from the potential appreciation of both asset classes.

The outlook is strong for both. As the weakening U.S. dollar drives capital outflows from America, emerging economies are a prime destination: their bonds offer a significant yield premium compared to U.S., European, or Japanese counterparts, while their companies' above-average earnings growth supports equity market valuations.

Emerging market stocks also remain undervalued: based on the P/E ratio – a key valuation metric – these markets trade at 13.2x earnings, well below the 22.8x multiple in the U.S. At the same time, corporate profit growth is faster, and markets are rich in compelling stories. In the strategically important semiconductor industry, Taiwanese and South Korean chipmakers are even being discussed as potential tariff exemptions in exchange for U.S. investments. In Central Europe, a resolution to the Russia-Ukraine war could also bring significant revaluation potential.

VIG Asset Management Hungary

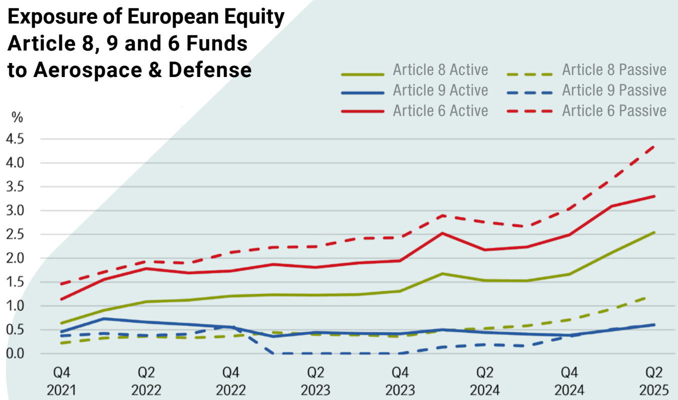
ESG THEME OF THE MONTH

ON YOUR MARK, GET SET, WEAPON?

Increased military spending in the European Union due to the Russo-Ukrainian war starting in 2022 would change the position of Article 8 (light green) and Article 9 (dark green) funds. The growing geopolitical tensions have prompted the European Commission to launch the ReArm Europe/Readiness 2030 initiative, which aims to strengthen the EU's military and defense capabilities. By 2030, €800 billion of funding is expected to flow into the sector to accelerate adaptation to the current situation, which may raise concerns about the compatibility of ESG (E – environmental, S – social, G – governance) policies.

Since the start of the war, investors' general interest in the aerospace and defense industry has been growing, as reflected in the increased exposure to stocks in this sector in Article 6 and 8 funds. However, this trend is not observed in dark green funds.

Over the past three and a half years, both actively and passively managed Article 6 and 8 equity funds have seen a sharp increase in their exposure to the aerospace and defense industry.



Source: SFDR Article 8 and Article 9 Funds: Q2 2025 in Review Article 8 fund flows decline amid rising geopolitical tensions and economic uncertainty. [1]

Compared to Article 6 funds, Article 8 funds' exposure to the aerospace and defense industry remains relatively low due to strict exclusion criteria, while Article 9 funds have almost zero exposure to companies active in this industry.

Two main factors may explain the increase in exposure: on the one hand, the increased long positions by fund managers, and on the other hand, the appreciation of defense stocks.

The graphs show how the exposure of European equity funds has changed over time according to their SFDR classification.

Since 2022, the share of Article 6 and Article 8 funds that state in their prospectus that they exclude controversial weapons from their investments has increased from 19% to 29% at Article 6 funds and from 76% to 92% at Article 8 funds.

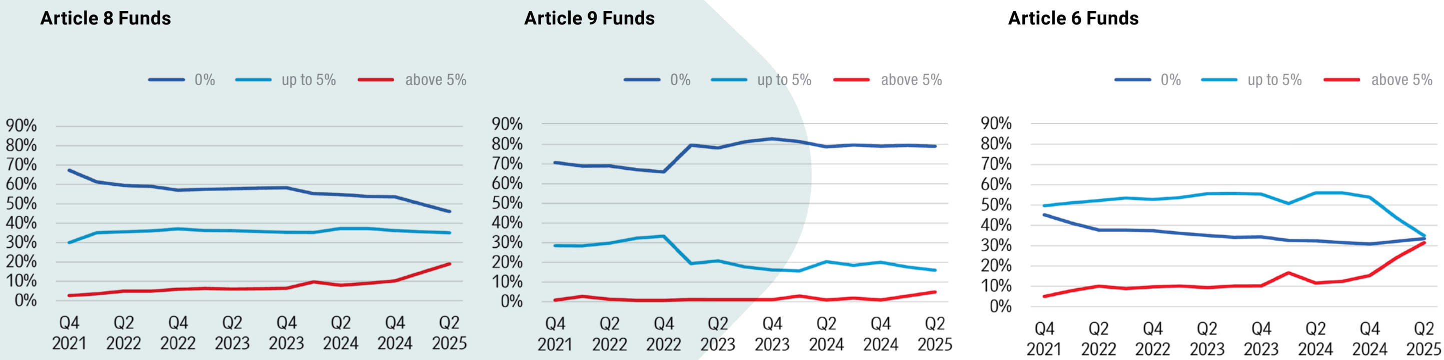
As there is no single regulatory definition of the term “controversial weapons”, the types of companies subject to exclusion may vary: some funds exclude only companies that produce controversial weapons, while others also exclude companies that provide components, logistics or support services. In addition, some funds exclude all nuclear weapons-related activities, while others make exceptions for companies based in countries that have signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

This does not mean that the regulatory framework is changing, but there are factors that definitely demonstrate the changing environment of Article 8 and Article 9 funds and are worth monitoring in the future.

We are also closely following the changing environment at VIG Asset Management Hungary, so we reserve the right to change the aerospace and defense exposure of our investment funds in any direction, taking into account the effective external and internal regulations, in order to ensure that our clients benefit from market developments to the greatest extent possible.

The article was based on the analysis of ’SFDR Article 8 and Article 9 Funds: Q2 2025 in Review Article 8 fund flows decline amid rising geopolitical tensions and economic uncertainty’.

European equity-focused funds – Evolution of the Number of Funds with Different Exposures to Aerospace & Defense



Source: SFDR Article 8 and Article 9 Funds: Q2 2025 in Review Article 8 fund flows decline amid rising geopolitical tensions and economic uncertainty. [2]

[1]-[2]: Bioy, Hortense, et al. SFDR Article 8 and Article 9 Funds: Q2 2025 in Review Article 8 Fund Flows Decline amid Rising Geopolitical Tensions and Economic Uncertainty.

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[Accessed 3rd September, 2025]

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The Asset Management's license number for managing alternative investment funds (AIFM) is: H-EN-III-6/2015. The Fund Manager's license number for UCITS fund management (collective portfolio management) is: H-EN-III-101/2016.

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